ANNUAL REPORT 2018

CGD Reports

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This document is an English translation of the original Portuguese language document "Relatório de Gestão e Contas 2018". In the event of any inconsistency, the original version prevails.

1. Board of Directors’ Report

1.1. Joint message from the Chairman of the Board and the Chief Executive Officer

2018 was the year in which Caixa completed its recapitalisation plan agreed between the European Commission (EC) and the Portuguese state and the second year of the implementation of its strategic plan, in force across the years 2017 to 2020, which period was characterised by a marked increase in profitability, efficiency, asset quality and solvency.

To complete its recapitalisation, Caixa successfully issued the second and last tranche of its subordinated debt to institutional investors, increasing the level of private investment to €1 billion. Between 2017 and 2018 Caixa increased its capital by an overall €4,944 million of which around €3 billion in fresh funding from the state, providing Caixa with a solid base to enable it to continue to perform its role of providing support to Portuguese households and the economy.

In implementing its strategic plan 2017-2020, Caixa succeeded in achieving and, in several cases, surpassing the principal objectives defined for 2018.

Net income was significantly up over the end of 2017, owing to the furtherance of the strategy of increasing and diversifying revenues, associated with a greater rationalisation of operating costs. Total operating income from the Bank's current activities was up 14.6% over the preceding year and its efficiency ratio of 52% was, in turn, much lower than the average for the European banks.

Bigger profits made it possible to achieve a ROE (return on equity) of 6.6%, and also improved capital ratios to 14.6% for CET 1 and 17.0% for the total capital ratio.

Caixa continued its endeavours to reduce credit in default in its balance sheet, having reduced its non-performing credit ratio at the end of 2018 to 8.5%, almost half the percentage noted in 2016. The cost of credit risk for the year, as a reflection of the implementation of risk management policies since 2017 and the good evolution of the Portuguese economy was no more than 0.21%.

CGD Group also continued to make adjustments to its international presence as agreed with the European Commission under the terms of its strategic plan. The agreements on disposals of its subsidiaries in Spain and South Africa were approved by the Portuguese government in November. The first steps were also taken to dispose of Caixa's subsidiary in Brazil as well as to rationalise the Group's presence in Cape Verde. The continuation of the Group's presence in France, for the benefit of the local Portuguese community and Caixa's business strategy was also agreed with the European Commission.

The results achieved by Caixa's implementation of its strategic plan were recognised by the international rating agencies and markets and investors in general. Moody's upgraded Caixa's rating by 3 notches from B1 to Ba1, leaving the Bank only one notch off investment grade. Fitch also upgraded Caixa's rating from BB- to BB at two notches lower than investment grade. The performance of the recent subordinated debt issuances on the secondary market, with marked price increases was also indicative of investors' greater confidence in Caixa and an improvement of the market's risk perception of the Bank.

Notwithstanding the disturbances causes by the media focus deriving from the independent audit of management acts between 2000 and 2015, the extended strike in Caixa's France branch, growing competition in the domestic market, a low level of interest rates with their natural impact on the sector's profitability and growing regulatory demands deriving from the prospects of economic slowdown, Caixa continued to focus on its transformation process, improving internal governance and fulfilling its fundamental mission of providing support to households and companies.

Looking beyond financial figures, Caixa continues to develop its sustainability and social responsibility strategy with the aim of achieving alignment with international best practice and recommendations, both in terms of business areas and other measures to ensure its future, issues which are increasingly having a greater influence in the analysis of different stakeholders.

Caixa is in the middle of its strategic plan. As the next few years are expected to be difficult owing to the challenges of the international environment and an unprecedented extended scenario of low interest rates, full compliance with the objectives will continue to depend upon the endeavours of all employees. We shall continue to focus on improving our customer services, based on a renewal process and adjustment to the new trends on our branch office network and ongoing development of our digital platforms and shall remain committed to providing support to companies, particularly in the SME segment and the most dynamic, innovative segments of the Portuguese economy.

With the confidence and loyalty of our customers, the competence and commitment of our employees and our shareholder's strategic support, there is no doubt over Caixa's continued success in this demanding mission

Paulo Moita de Macedo

Vice-Chairman of the Board of Directors and CEO

Emilio Rui Vilar

Chairman of the Board of Directors

1.2. Highlights in 2018

CGD Group's activity in 2018 was marked by the completion of its Recapitalisation Plan and the progress achieved in improved profitability and asset quality resulting from the successful implementation of its Strategic Plan in an ever changing competitive environment, reflected in a significant improvement in its rating.

- In June 2018, Caixa Geral de Depósitos completed the Recapitalisation Plan agreed in 2017 between the Portuguese State and the European Commission (DG Comp) with the issuance of €500 million of Tier 2 securities, raising the total amount of its recapitalisation to €4,944 million. This issuance occurred following the agreement with DG Comp that the second tranche of subordinated debt under the Plan could be in the form of Tier 2 instead of Tier 1.

  The Tier 2 issue contributed to a strengthening of CGD's capital and all capital ratios had increases when compared to the previous year, even when considering the fully implemented criteria: CET 1 ratio stood at 14.6% (+0.6 p.p.), Tier 1 at 15.7% (+0.6 p.p.) and Total Capital at 17.0% (+1,3 p.p.).

- Improvements of risk, liquidity and profitability indicators were recognised by all agencies issuing ratings on CGD. Moody's upgraded its rating on CGD by three notches to Ba1. FitchRatings upgraded its rating by one notch to BB while leaving its outlook unchanged at positive and DBRS reaffirmed its investment grade rating of BBB (low) with a change in trend to positive.

- CGD's consolidated net income of €496 million, in 2018, was sharply up over the €52 million achieved in 2017. This gave it a ROE (return on equity) of 6.6%, which easily complied with the objective of more than 5% for 2018 and even surpassed the European average of 6.5% according to the EBA (Risk Dashboard – Dec 2018).

- There was a sharp improvement of risk indicators in which the NPL (non-performing loans) ratio was once again reduced to 8.5% against 15.8% in 2016. NPLs were down across the year by €2.7 billion (gross) of which an amount of €1.2 billion comprised structured sales processes. The cost of credit risk was 0.21%, as a reflection of good credit quality and a comfortable coverage level.

- Improved solvency favoured the implementation of the strategic plan 2017-2020, which aims to maintain CGD's current leading position in the market based on a "universal" banking business model.

  Work continued to be performed, as a corollary on CGD's digital transformation programme, with the launch of new products and functionalities on digital channels, achieving a volume of transactions of more than €100 million on a monthly basis

  In the mortgage lending segment and as a benchmark market operator CGD continues to enjoy a leading position and also responded to the need to adapt to new loan agreement trends with around 431 new partnership agreements having been entered into with estate agents to an overall total of more than 1,600. 2018 was also a special year owing to the fact that new agreements were up for the fifth consecutive year.

  Reference should also be made to the success in achieving more than one and a half million "Contas Caixa Accounts" as a result of our customers' recognition of optimised service levels.

  "Caixa Top" was launched in the corporate segment as a new exclusive recognition programme. It offers special conditions for outstanding companies in the most dynamic sectors of the economy or in exports.

- Special mention should also be made of the Group's continued endeavours to improve risk management and governance models and processes, in line with best market practice and the supervisor's recommendations upon which details are given in the corporate governance report.
- The independent audit report on CGD's management acts across the period 2000 to 2015 – which included a quality assurance process produced by an independent international entity – was completed and had a negative effect on Caixa's reputation.
- The government approved the purchasers of the full amount of CGD's equity investment in Mercantile Bank Holdings Limited (South Africa) and in Banco Caixa Geral, S.A. (Spain) in November 2018. These disposals are contingent upon the authorisation of the authorities in each of the countries involved.
- An agreement with DG Comp for the maintenance of the Group's activity in France was also entered into in the international sphere in due recognition of its importance in providing support to its resident Portuguese community and Caixa's actual business strategy, putting an end to the extended strike in the referred to branch.
- The rationalisation of the Group's presence in Cape Verde was also announced as agreed with DG Comp and the Cape Verde authorities. The Banco Comercial do Atlântico disposal process will be activated in 2019.
- As regards employee wage policy an agreement for a review of wage scales was reached with unions representing CGD workers and work continued to be performed on the promotions processes which had been resumed in 2017 and which resulted in a 2.06% growth of CGD's wage bill. This was higher than in past years and the rate of inflation and constitutes an element of recognition and motivation for CGD employees.
- Following several years of interregnum, performance bonuses were also paid to CGD employees involving all structures and around 75% of the workforce.
- Deriving from the adjustment to the discount rate and a lower than planned level of activity owing to financial market instability in the last quarter of the year, Caixa was forced to recognise an extraordinary appropriation of €129 million which was paid in into the pension fund in 2019.
- 2018 is the first time since the start of the decade that CGD Portugal has not carried any European Central Bank (ECB) borrowing. Taking advantage of a comfortable liquidity situation, €2 billion in ECB financed TLTRO 2 (Targeted Longer-Term Refinancing Operations 2) were redeemed early, removing future refinancing risk.

CGD IN FIGURES

Strategic Plan

Profibility	Efficiency	Prudence	Resilience
ROE 6.6% Domestic activity 2017: 1.1%	**Cost-to Income 52%** 2017: 53%	**NPL Ratio 8.5%** 2017: 12.1%	**CET1 14.6%** *Fully Implemented* 2017: 14.0%

Customer Service (in Portugal)

Customers	Digital Customers	Remote banking	Branches
3,8 million 37% of the population	**1.58 million** 47% of the market	**273 thousand customers** +55% in 2018	**522** 3 mobile branches

CGD INDICATORS

(EUR million)

INCOME STATEMENT	2016	2017	2018
Net interest income	1,040	1,241	1,205
Non-interest income	350	677	564
Total Operating Income	1,547	1,965	1,786
Operating costs	1,240	1,103	1,001
Net Operating Income before Impairments	307	861	785
Income before tax and non-controlling interests	-2,652	184	749
Net income	-1,860	52	496
BALANCE SHEET			
Net assets	93,547	93,248	89,091
Securities investments (1)	15,581	15,804	16,497
Loans and advances to customers (gross) (2)	68,735	59,811	54,926
Customer resources	69,680	63,631	63,423
Debt securities	4,184	4,051	3,260
Shareholders' equity	3,883	8,274	8,285
PROFIT AND EFFICIENCY RATIOS			
Gross return on equity - ROE (3)	-46.5%	4.1%	10.3%
Net return on equity - ROE (3)	-32.0%	1.1%	6.6%
Gross return on assets - ROA (3)	-2.7%	0.3%	0.9%
Net return on assets - ROA (3)	-1.8%	0.1%	0.6%
Cost-to-income (3)	77.8%	55.5%	54.4%
Total Operating Income / Average net assets (3)	1.6%	2.1%	2.0%
CREDIT QUALITY AND COVER LEVELS			
NPL ratio (4)	15.8%	12.0%	8.5%
NPE ratio (5)	12.1%	9.3%	6.7%
NPL coverage by impairments	52.8%	56.7%	62.4%
NPE coverage by impairments	52.9%	56.4%	61.6%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	3.42%	0.13%	0.21%

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

STRUCTURE RATIOS	2016	2017	2018
Loans & adv. custom. (net) / Custom. dep. (3)	90.6%	87.0%	81.5%
SOLVENCY RATIOS (CRD IV/CRR) (6)			
Common equity tier 1 - com DTA *(phased-in)*	12.1%	14.0%	14.6%
Tier 1 - considering DTA *(phased-in)*	13.0%	15.0%	15.7%
Total - considering DTA *(phased-in)*	14.1%	15.6%	17.0%
Common equity tier 1 - considering DTA (fully implemented)	11.8%	13.9%	14.6%
LEVERAGE AND LIQUIDITY RATIOS (CRD IV/CRR)			
Leverage ratio (fully implemented)	3.3%	8.2%	7.7%
Liquidity coverage ratio	175.6%	208.9%	234.6%
Net stable funding ratio	134.1%	139.4%	148.9%
BRANCH OFFICE NETWORK AND HUMAN RESOURCES			
Banking presences - CGD Group	1,211	1,139	1,068
Number of branches - CGD Portugal (7)	717	650	577
Number of employees - CGD Group (8)	15,452	14,799	14,027
Number of employees - CGD Portugal (8)	8,113	7,689	7,244
RATINGS (LONG/SHORT TERM)			
Moody's	B1/NP	B1/NP	Ba1/NP
FitchRatings	BB-/B	BB-/B	BB/B
DBRS	BBB (low) /R-2 (mid)	BBB (low) /R-2 (mid)	BBB (low) /R-2 (mid)

NOTE: Values published in the Annual Report of the respective period.
(3) Ratios defined by the Bank of Portugal.
(6) The 2017 ratios are proforma, including the two phases of the recapitalisation process that occurred in the first quarter of 2017.
(7) Includes physical branches, self-service branches and corporate offices.
(8) Effective staff.

1.3. CGD Today

1.3.1. MISSION AND VALUES

MISSION

CGD's mission consists of creating value for the Portuguese society, by providing quality banking services to individuals and companies, thus contributing for the well-being of Portuguese families and for the development of the corporate sector, while generating and adequate return to the shareholder. CGD's ensures clients have access to diversified array of quality financial products and services, with special emphasis on savings and medium and long term credit solutions, based on an efficient corporate governance model and respect for the highest ethical standards.

VISION

CGD's shareholder vision is that of a reference institution in the financial system and leader in the banking sector in Portugal, which permanently strives to enhance its competitive advantages and guarantee levels of financial strength, profitability, service and efficiency in line with the best practices observed in the European banking sector.

VALUES

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

- Trust, guaranteeing the security of depositors, fostering a long term relationship with clients and privileging their loyalty, providing high quality services and products that are adequate for clients' risk profiles, reinforcing the stability and financial strength of the institution;
- Profitability, ensuring an adequate return on public capital, based on the sustainability of the business model and an efficient and rigorous management;
- Transparency, providing services and communicating internally and externally in a truthful, clear and objective manner;
- Integrity, by scrupulously fulfilling legal, regulatory and contractual provisions, respecting ethical values and obeying conduct rules;
- Professionalism, as a way to provide the best service to clients and to establish relationships with all stakeholders, with high technical competence, rigor and diligence;
- Proximity, through an encompassing network of branches in Portugal, as well as long distance channels based on the use of new technologies, guaranteeing an innovative, diversified and accessible offer;
- Responsibility, to clients that entrust CGD with their savings, but also investors and the society in general, through the involvement in social responsibility programs and initiatives, sustainable development and financial literacy;
- Risk culture and rigor, ensuring the adoption of best practice in risk management, reinforcing clients' trust, as well as that of the market and the shareholder through an adequate management of its balance sheet;
- Innovation, relying on technological developments, leading digital banking in Portugal, with open architecture solutions, as a way to meet the evolution of clients' expectations and preferences in a multichannel approach.

Taking into account all of the above, CGD must explore its competitive advantages. CGD is the most notorious financial brand in Portugal, serving the largest client base through an extensive network of branches, driven by clients' proximity, experience and trust. The bank also has a relevant presence in providing banking services to Portuguese speaking communities.

CGD is recognized by families as a safe banking institution, which allows it to maintain a stable deposit base and to be a leader in the concession of medium to long term credit. Its activity is supported by a high capacity to access international financial markets. Emphasis should also be made to CGD's commitment with social responsibility, digital inclusion and sustainable development, as recognized by its stakeholders.

CGD's vision and guiding principles, as established by the shareholder, are based on these competitive advantages, which are essential for the bank to carry out its mission in strict compliance with the fundamental values defined.

POLICIES AND COURSES OF ACTION IN THE SPHERE OF THE DEFINED STRATEGY

CGD bases the development of its activity on the following guiding principles:

- Sustainability of the business model, ensured by the profitability of operations, coupled with adequate risk management and an encompassing network of financial services;
- Support to the economy, by guiding lending activity to companies, especially by promoting the internationalization and operationalization of lines to support small and medium sized companies;
- Maintenance of CGD's role in providing banking services to individuals, by creating attractive savings solutions and guaranteeing a comprehensive coverage and high quality of service;
- Efficient corporate governance model, in line with best practices;
- Continuous valuation of employees, promoting merit, initiative and human capital creation, in a framework of stable working relationships that foster productivity;
- Monitoring technological developments in the financial sector, both at the institution's level, guaranteeing adjustments that allow CGD to keep its competitiveness in a dynamic financial market and to lead digital banking in Portugal, as well as in the relationship with its clients, by financing investment in innovation and technological development of companies;
- Ensuring CGD's international dimension is guided towards the development of business relationships with countries and territories with strong cultural and commercial ties with Portugal and the valuation of CGD's brand;
- Commitment with the principles of social responsibility, sustainable development and respect for stakeholders.

1.3.2. GOVERNANCE MODEL

CGD's governance model, implemented after a review of its statutes in 2016, is structured on the existence of a board of directors, a supervisory board and statutory audit company.

The board of directors enjoys the broadest range of power to manage and represent the company, having the authority to issue effective guidelines on its activity, with the executive committee being responsible for running the company's day-to-day affairs.

Board of Directors

Chairman
Emílio Rui da Veiga Peixoto Vilar

Non-Executive Members
Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

João José Amaral Tomaz*

Alberto Afonso Souto Miranda

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastia Gonzalez Villamarin

Vice-Chairman and Chief Executive Officer
Paulo José de Ribeiro Moita de Macedo

Members
Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Supervisory Board

Chairman
Guilherme Valdemar Pereira de Oliveira Martins

Members
António Luís Traça Borges de Assunção

Manuel Lázaro Oliveira de Brito

Alternate member
Nuno Filipe Abrantes Leal da Cunha Rodrigues

Statutory Auditor

Ernst & Young Audit & Associados, SROC, S.A.

Partner
Ana Salcedas

* Resigned with effect 30.04.2018

During 2018, the following special committees were set up and operational within the strucutre of board of directors:

- **Audit and Internal Control Committee** - oversees the activity of the executive committee and the process relating to the disclosure of financial information and effectiveness of Group CGD's internal control, non-financial risk management and internal audit systems.
- **Financial Risks Committee** - oversees the management policies on all financial risks related with CGD's activity, such as liquidity, interest rate, foreign exchange, market and credit risks.
- **Appointments, Assessment and Remunerations Committee** - responsible for issuing an opinion on any vacancy to be filled on the statutory bodies of Group CGD, assessing the suitability of such selection, as well as the choice of board members as executive committee members and on its assessment and remuneration policy.
- **Governance Committee** - responsible for issuing an opinion on the company's governance structure, and on any issues related with social responsibility, ethics, professional deontology and protection of the environment.

Audit and Internal Control Committee	Financial Risks Committee	Nomination, Assessment and Remuneration Committee	Corporate Governance Committee
José de Azevedo Rodrigues *Chairman*	Ana Maria Fernandes *Chairman*	Ana Maria Fernandes *Chairman*	Alberto Souto Miranda *Chairman*
Alberto Souto Miranda	José de Azevedo Rodrigues	Manuel Lázaro de Brito	Ana Maria Fernandes
Altina Sebastian Gonzalez	Hans-Helmut Kotz	António Borges de Assunção	Hans-Helmut Kotz
João Amaral Thomaz*	Mary Jane Antenen	Alberto Souto Miranda	Nuno Cunha Rodrigues

* Resigned with effect 30.04.2018

COMMITTEES - INDEPENDENT MEMBERS

	Non-Executive Members	Supervisory Board Members	2018 meetings
Audit and Internal Control Committee [(1)]	4	0	21
Financial Risks Committee	4	0	20
Nomination, Assessment and Remuneration Committee	2	2	20
Corporate Governance Committee	3	1	11

[(1)] As of 30.04.2018, due to the resignation of João Amaral Thomaz, this Committee had only 3 members

CGD shall be audited by a supervisory board and a statutory audit company, other than members of the said body. The supervisory board and its respective chairman are elected by the general meeting. It comprises a total number of three permanent and one deputy member, all of whom are subject to the regulations on incompatibilities set out by law.

The competencies of the supervisory board include the inspection of the management body, ensuring compliance with the law and CGD's articles of association, auditing the accounts and verifying and overseeing the independence of the statutory auditor or statutory audit company, as set out by law, particularly, examining the suitability of and approving the provision of services other than audit services.

CGD shall be audited by a supervisory board and a statutory audit company, other than members of the said body.

The statutory audit company is designated by the general meeting, at the proposal of the supervisory board. The office of CGD's inspector/auditor is held by Ernst & Young Audit & Associados, SROC, S.A. which was elected for the 2017-2020 term of office

CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system and a continuous monitoring process with the objective of ensuring the quality and efficacy of the system over time. To achieve these objectives, specific, transversal responsibilities related with the management of internal control systems have been attributed.

CGD's current management has been delegated to an executive committee, comprising all executive members of the board of directors (under the terms of article 407 nos. 3 and 4 of the CSC, article 15 of the RGICSF ("General Institutions and Financial Corporations Regime"), article 32 of the RJSPE and CGD's articles of association. The delegating of current management to the executive committee does not preclude the board of directors' right to pass resolutions on the same matters, with non-executive board members being responsible for general oversight of the performance of the executive committee, in addition to promoting the intervention of the board of directors whenever they consider this to be necessary, according to the provisions of article 407 no. 8 of the CSC.

CGD's board of directors approved the declaration on the independence of the board of directors, on 28 February 2019. The declaration is available on CGD's website at www.cgd.pt, which systemises the standards on independence that regulate the board of directors.

The independence of the board of directors and its members is assessed on the basis of the standards published in the RGICSF (General Credit Institutions and Financial Corporations Regime), CSC (Commercial Companies Code), RJSPE (Legal Regime Regulating the State's Corporate Sector) and the standards issued by European Institutions, in addition to the assessments and guidelines issued by Portuguese and international supervisory authorities, including the joint guidelines of the European Banking Authority and the European Securities and Markets Authority on the assessment of the suitability of members of boards of management and key function holders (ESMA71-99-598 and EBA/GL/2017/12) of 21 March 2018, and the IPGC's Corporate Governance Code of the (2018).

CGD complies with the company's internal standards on the independence of statutory bodies and their members, including, inter alia, those contained in its articles of association, Regulation of the board of directors, policy on the assessment of suitability for the selection of members of management and supervisory bodies and key function holders ("Suitability Policy") and CGD, S.A.'s Global Policy for the Prevention of Conflicts of Interest ("Conflicts of Interest" policy).

The independence of members of statutory bodies is initially assessed and re-assessed annually or always in the event of the occurrence of supervening factors by CNAR (Appointments, Assessment and Remunerations Committee). Each member of the board of directors shall inform the Institution of all events that could have a negative impact on the independent performance of their functions. The implementation of the rules of independence is periodically analysed and updated, as part of the analysis and revision of the Suitability Plan managed by CNAR, at least once a year.

The Suitability Policy and Succession Plan for members of management and supervisory bodies and key function holders, was approved by the general meeting of 28 May 2018. It updates the rules on the assessment of the suitability of members of statutory bodies, establishing principles, rules and requirements for their respective succession, implementing the corresponding joint EBA and ESMA (ESMA71-99-598 and EBA/GL/2017/12) guidelines.

The Succession Plan for the members of the board of directors aims to ensure the continuity of CGD's management and to avoid the simultaneous substitution of an excessive number of board members and key function holders and sets out the respective procedures for the succession of board members namely the identification of skills and qualifications required for different members of the board of directors, with the aim of ensuring sufficiency and suitability for the performance of specific functions.

The process for the identification and selection of candidates as members of the board of directors, provided for in the Succession Plan, namely in terms of gender diversity of the persons designated either for the board of directors or the supervisory board and within the former between executive and non-executive directors, complies with the legal standards on corporate entities.

The individual and collective assessment of executive members of the Board of Directors for 2018, process led by a specialized external entity, was concluded in 2019.

Key function holders are persons with a significant influence over CGD's management but who are not members of its board of directors. Key function holders include the officers responsible for internal control and other functions identified in CGD's suitability and succession plans.

The rules and mechanisms for the prevention and management of potential conflicts of interest of members of statutory bodies are set out in the Conflicts of Interest Policy and Regulation on the Determination of the Materiality of Conflicts of Interest (approved by the board of directors in conjunction with the approval of the conflicts of interest policy) implementing the internal governance guidelines of 21 March 2018 (EBA/GL/2017/11)

The areas of responsibility of members of the executive committee were redistributed in 2018, pursuant to which the CRO ("chief risk officer") ceased to accumulate, as a board member, the DRC (Credit Risk Division) function.

A Rating Division (DRT) was created through the autonomy of the Risk Management Division's rating area, with the objectives of (i) ensuring the independence between the areas that develop the DGR rating models and the rating assignment function, this latter competence of DRT (ii) to strengthen the control of risks related to the corporate credit portfolio and (iii) to strengthen the corporate component of the rating assignment function, through the implementation of current policies and methodologies in Entities of the CGD Group.

At the end of 2018, the new centralized corporate credit decision model came into operation, ensuring that all credit operations have DRC intervention. It was also implemented the centralization of credit granting to individual customers in June 2018, ensuring that DRC intervention in the risk analysis of all proposals.

A set of corporate and risk appetite standards were also implemented throughout 2018, in both local and global terms.

The Regulation governing the supervisory board was amended in 2018 and 2019, in order to harmonise the treatment of situations of conflicts or potential conflicts of interest of statutory bodies and describe the activities under the competencies of the supervisory body in terms of the inspection of the activity of domestic and international CGD Group entities, in addition to the inspection of the good operation of CGD’s and CGD Group’s internal control functions.

The Regulations governing all of the special committees set up by and reporting to the board of directors, were altered for the purposes of harmonising the treatment of situations of conflicts of interest or potential conflicts of interest as well as to provide an explanation of the activities included in the respective areas of competence, namely in terms of CGD Group. The amended CNAR Regulation also incorporated the guidelines of European authorities on internal governance (EBA/GL/2017/11) and on the assessment of the suitability of members of management bodies and key function holders (ESMA71-99-598 and EBA/GL/2017/12).

In a context of growing requirements in supervision, business and market terms CGD has made changes to strengthen its advisory and technical support services to statutory bodies and their committees, in which special mention should be made of the creation of the DSC (corporate support division). In the sphere of DSC’s support function, ASC-1 is the structural body responsible for advising and ensuring all technical support to the statutory bodies in articulation with the company secretary and CGD’s other structural bodies on specific issues in the sphere of the respective operational areas. In addition to centralising and ensuring support for meetings of the governance bodies to be held, in the technical sphere with the preparation of agendas and supporting documents and the production and recording of the minutes, ASC-1 is responsible for advising the statutory bodies and company secretary on legal and economic-financial issues, pursuant to which its technical team has been strengthened by various specialists to provide greater support to members of management and supervisory boards, based on a corporate approach in which special reference should be made to following up the execution of resolutions and guidelines issued by governance bodies, the adopting of an integrationalist, forward-looking approach, review of committee regulations, updating of policies and standards and approval of activity plans in conformity with the most recent regulatory guidelines, identifying recurring issues, systemising support for the relationship with its shareholder and other interested parties and the collection and preparation of information to respond to requests from CGD’s operating structures, Group Entities, supervisory and other external entities.

Work began on the implementation of a IT solution” to assist the activity of statutory bodies and various decision-making and consultation forums attended by members of the statutory bodies. This tool aims to improve efficiency and cooperation in the decision-making process, ensuring better management of documentation and facility as regards the oversight of the execution of resolutions passed at meetings of CGD’s Governance Forum.

Throughout the year 2018, CGD's improvements in terms of best practices in risk management practices were wide and significant. Details on those developments are disclosed in section 1.5 of this Report.

Chapter 3 contains the full version of the "Corporate Governance Report" detailing the policy and activities developed in 2018 to reinforce CGD's good corporate governance practices.

1.3.3. CGD GROUP

SHAREHOLDERS' STRUCTURE

CGD is an exclusively public limited liability company whose shares may only belong to the state. It had a share capital of €3,844,143,735 on the 31st of December 2018 in the form of 768,828,747 shares with a nominal value of €5.00 each.

CGD GROUP STRUCTURE

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

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

	DOMESTIC		INTERNATIONAL	
COMMERCIAL BANKING	Caixa Geral de Depósitos		Banco Caixa Geral (Spain) (*)	99.8%
			Banco Caixa Geral (Brazil) (*)	100.0%
			Banco Nacional Ultramarino (Macao)	100.0%
			B. Comercial do Atlântico (Cape Verde)	58.2%
			B. Interatlântico (Cape Verde)	70.0%
			Mercantile Bank Hold. (South Africa) (*)	100.0%
			B. Com. Invest. (Mozambique)	63.1%
			Banco Caixa Geral (Angola)	51.0%
ASSET MANAGEMENT	Caixagest	100.0%		
	CGD Pensões	100.0%		
	Fundger	100.0%		
SPECIALISED CREDIT	Caixa Leasing e Factoring	100.0%		
	Locarent	50.0%		
INVESTMENT BANKING AND VENTURE CAPITAL	Caixa Banco de Investimento	99.8%	A Promotora (Cape Verde)	45.3%
	Caixa Capital	99.8%		
AUXILIARY SERVICES	Imocaixa	100.0%	Inmobiliaria Caixa Geral (Spain)	100.0%
	Esegur	50.0%	Imobci (Mozambique)	46.3%
	Sogrupo Compras e Serviços Partilhados ACE	90.0%		
	Caixa Imobiliário	100.0%		
OTHER PARTICIPATIONS	Caixa Participações, SGPS	100.0%	Banco Internacional São Tomé e Príncipe	27.0%
	Parbanca, SGPS	100.0%		
	Partang, SGPS	100.0%		

(*) Sale in progress

Also in compliance with the Strategic Plan, a corporate reorganization of the CGD Group was carried out in 2018, aiming to simplify the structure by reducing the number of holding companies and carried out through merger or dissolution of associated companies.

The structure resulting from this reorganization will contribute to a higher profitability in future years by eliminating operating costs for the CGD Group.

Section 3.4 of this report ("Group Structure") details the changes in terms of acquisition and disposal of group structure.

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of 2018, comprised 1,068 banking presences (71 fewer than in the preceding year) of which 577 branches in Portugal.

In terms of its domestic network, in the sphere of Pillar 2 of the Strategic Plan agreed with Directorate General for Competition of the European Commission (DG Comp), CGD adjusted its branch office network across 2018 by closing branches, but strengthening its geographic coverage of the network companies to all districts of the country. It now has 522 branches with face-to-face services, 26 self-service branches and 29 corporate offices (including 4 local extensions).

Reference should also be made to the launch oh the third CGD's mobile banking branch which travels to regions in which CGD does not have a physical presence.

	2017-12	2018-12
CGD (Portugal)	650	577
Branches with face-to-face service	587	522
Self-service branches	37	26
Corporate offices and local extensions	26	29
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2
France Branch	48	48
Banco Caixa Geral (Spain)	110	110
Banco Nacional Ultramarino (Macau)	20	21
Banco Comercial e de Investimentos (Mozambique)	195	200
Banco Interatlântico (Cape Verde)	9	9
Banco Comercial Atlântico (Cape Verde)	34	34
Mercantile Bank Holdings (South Africa)	13	12
Banco Caixa Geral Brasil (Brazil)	1	1
Banco Caixa Geral Angola	38	38
Other CGD branch offices	19	16
Total	**1,139**	**1,068**
Representative offices	**12**	**12**

CGD Group continued to restructure its international presence in line with its strategic plan, focusing on geographies having strong relationships with Portugal. Reference should be made to the opening of 5 new Banco Comercial e de Investimentos (BCI) branches in Mozambique.

The implementation of its strategic plan witnessed the closure of the New York and Zhuhai branches, the latter of which inactive since 2017. The purchasers of CGD's equity stakes in Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, S.A. (Spain), were selected during the course of 2018 and the disposals are expected to take place in 2019. Work also continued on the disposal process of Banco Caixa Geral Brasil and agreement was reached with the local authorities on the sale of Banco Comercial do Atlântico (Cape Verde). CGD will continue to operate in Cape Verde through Banco Interatlântico.

These operations were aimed at rationalising CGD Group's international structure, enabling it to free-up capital and reduce its risk profile.

INTERNATIONAL BRANCH OFFICE NETWORK

Europe			
Spain		**Germany**	
Banco Caixa Geral - BCG (*)	**110**	CGD – Representative Office	**1**
Caixa Banco de Investimento	**1**	**United Kingdom**	
CGD – Spain Branch	**1**	CGD – Representative Office	**1**
Inmobiliaria Caixa Geral (*)	**1**	**Luxemburg**	
France		CGD – Luxembourg Branch (**)	**1**
CGD – France Branch	**48**	**Switzerland**	
Belgium		CGD – Representative Office	**1**
CGD – Representative Office	**1**	BCG – Representative Office	**1**
América			
Brazil		**Venezuela**	
Banco Caixa Geral Brasil (*)	**1**	CGD – Representative Office	**1**
CGD Investimentos (*)	**1**	BCG – Representative Office	**1**
Canada		**Mexico**	
CGD – Representative Office	**1**	BCG – Representative Office (*)	**1**
Africa			
Cape Verde		**São Tomé e Príncipe**	
Banco Comercial do Atlântico	**34**	Banco Intern. S. Tomé e Príncipe	**12**
Banco Interatlântico	**9**	**Mozambique**	
A Promotora	**1**	Banco Comercial e de Investimentos	**200**
Angola		**South Africa**	
Banco Caixa Geral Totta Angola	**38**	Mercantile Bank (*)	**12**
Asia			
China – Macau		**India**	
Banco Nacional Ultramarino,SA	**21**	CGD – Representative Office	**2**
BNU – Shangai Representative Office	**1**	**East Timor**	
		CGD – East Timor Branch	**14**

(*) Sale in progress
(**) Wind down in progress

HUMAN RESOURCES

CGD Group had 14,027 employees at 31 December 2018, 772 fewer than in December 2017. The reductions occurred in CGD Portugal (down 421 employees) and other units (down 351 employees), in conformity with CGD's strategic plan, as agreed with DG Comp.

			Change	
	2017-12	2018-12	Total	(%)
Banking operations (CGD Portugal) (1)	7,665	7,244	-421	-5.5%
Other (2)	7,134	6,783	-351	-4.9%
Total	**14,799**	**14,027**	**-772**	**-5.2%**

(1) Effective staff, includes employees from other Group companies.
(2) Doesn't include Caixa Geral de Aposentações' employees and employees in other situations such as secondments or extended absences.

The seniority promotions and career advancements process was resumed in 2018 in accordance with the criteria defined in the company agreement. Wage scales were also increased by 0.75% (subject to a minimum increase of €18.00 euros) as were other remuneration components.

	2014	2015	2016	2017	2018
Wage variation (without diuturnities)	0.49%	0.50%	0.71%	1.76%	2.06%

A merit-based promotion process was also developed and commercial incentives continued to be attributed based on a performance bonus involving around 3/4 of the employees.

CAIXA BRAND

Brand

Various independent evaluations certify the recognition of and preference for CGD by customers and the population in general in 2018.

- CGD retained 1st position in “Brand recognition in the banking sector” with a 66% spontaneous recall rate.
- According to the BrandScore survey, the Caixa brand, in 2018, achieved a highly positive assessment for the first time since 2013 in which “Ethics and Governance” were the indicators with the sharpest rise in the assessment of our customers.
- Caixa’s brand reputation continued to evolve positively, as measured by attributes considered essential to the Bank’s sustainability (trust, financial strength, governance, ethics and transparency). The OnStrategy reputation study classified Caixa as the brand with the highest reputation value in the banking sector in Portugal in 2018.
- According to Basef, CGD was the most solid, trustworthy bank in 2018 and has the largest market share of a major bank at 36%.

Prizes and Distinctions

Reference should be made to the award of the following prizes and distinctions in 2018:

Retail Bank

1st in Portugal, 45th in Europa (63rd in 2017) e 154th in World (260th in 2017) at the *Top 1000 World Banks 2018 ranking*.

Best Retail Bank in Portugal 2017, *by EMEA Finance magazine, in its Europe Banking Awards 2017*;

Most reputed brand 2018 – Banking, by Marktest Reputation Index (MRI);

Bank with most valuable reputation in Portuguese banking in 2017, by ON Strategy;

Brand with greatest notoriety in Portuguese banking, BrandScore 02Q18.

Investment Banking

CaixaBI

Best Investment Bank in Portugal 2018, by American Global Finance magazine, in its annual World´s Best Investment Banks;

Best Investment Bank in Portugal 2017, by English EMEA Finance magazine, in its Europe Banking Awards 2017.

Asset Management

Caixagest

Best Global Domestic Manager, by Morningstar, a distinction which it had already received in 2015 and which covers its global offer of funds;

Best Domestic Bond Manager, by Morningstar, for the fourth consecutive year.

1.4. Activity and Financial Information

1.4.1. ECONOMIC – FINANCIAL FRAMEWORK

GLOBAL ECONOMIC EVOLUTION

The world economy expanded for a ninth consecutive year, in 2018, although, as opposed to the preceding year, with a lower level of synchrony between the United States of America (US) and other developed countries. According to the IMF (International Monetary Fund) the world economy posted real growth of 3.6% in 2018 (3.8% in 2017). This marginal deceleration derived from the moderation noted in the developed bloc which posted an annual rate of expansion of 2.2% in comparison to 2.4% in 2017 and the emerging bloc whose rate of growth progression cooled by 0.1 percentage points (pp), in this case to 4.5%.

In developed regions positive reference should be made to the evolution of the US economy, in which the implementation of fiscal stimuli led to an acceleration of household consumption which also benefited from higher wages. Inversely, Europe and the other developed economies, witnessed a moderation of economic activity. This was more noticeable from the second half year owing to the worsening of several factors having a negative effect on household sentiment and that of business operators and financial investors. Higher employment levels and, allied to this, disposable income, however, also enabled private consumption to continue to be the principal pillar of expansion in these regions, in a year of a more moderate level of gross fixed capital formation, including the US, albeit continuing to expand.

Economic growth in the emerging bloc remained robust, notwithstanding the uncertainties deriving from commercial tensions and fears related to the impact of the normalisation of monetary policy by the main central banks in the developed bloc, particularly the US Fed. Reference should be made to emerging and developing Asian countries owing to the acceleration taking place in India in a year in which activity in China witnessed slowdown, as well as in Latin America and across the principal Eastern European countries.

In a context of less favourable signs in worldwide terms, economic activity was also affected by the persistence of diverse uncertainties related with issues of a political nature as well as the structural vulnerability of several emerging economies together with doubts related to the impact of a higher level of protectionist measures.

The Brexit negotiations proved to be a constant focus of instability in the United Kingdom. In spite of the agreement designed to achieve an orderly exit from this still member state of the European Union (EU), reached between the European partners and the British government, a deal has still not been approved by the UK’s parliament.

The results of the general elections in Italy and consequent formation of a government made up of eurosceptic political forces, originated a significant increase in levels of risk aversion, particularly owing to the implementation of budgetary measures antagonistic to the possibility of compliance with budget targets, which generated confrontation between the Italian government and the European Commission. In Spain, the opposition tabled a vote of no confidence against the government, backed by the People’s Party which resulted in the creation of a minority government. In France, the president’s approval levels continued to plummet and further worsened in the culmination of violent protests, in response to hikes in fuel prices and high levels of taxation. In Germany the position of the government of Angela Merkel, became more fragile with the chancellor announcing that she would not be standing for re-election as leader of the party and consequently the government. Europe as a whole also witnessed the appearance of more nationalist political groups, putting at risk the development and implementation of key measures such as banking union designed to strengthen European integration.

The US midterm elections in November gave the Democrats the majority in the House of Representatives, with the Republicans strengthening their majority in the Senate. This in itself could prove to be a decisive factor regarding the pace at which legislation, including measures to boost the economy can be approved over the next two years.

ECONOMIC INDICATORS

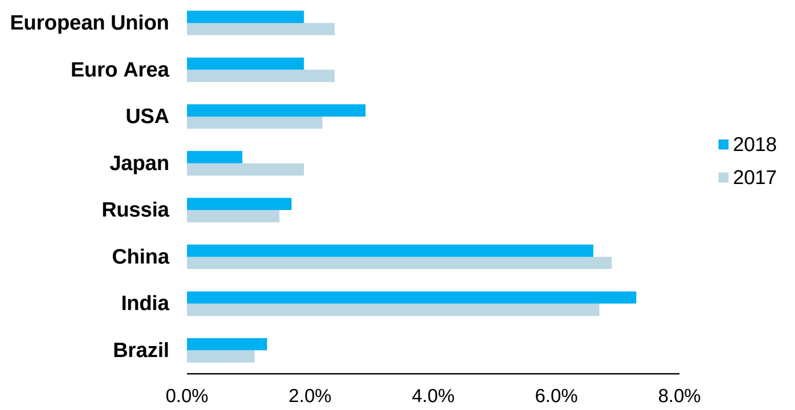
(%)

	GDP		Inflation		Unemployment	
	2017	2018	2017	2018	2017	2018
European Union	**2.4%**	**1.9%**	**1.7%**	**1.9%**	**7.6%**	**6.9%**
Euro Area	2.4%	1.9%	1.5%	1.7%	9.1%	8.2%
Germany	2.2%	1.5%	1.7%	1.9%	3.8%	3.5%
France	2.2%	1.5%	1.2%	2.1%	9.4%	9.0%
United Kingdom	1.8%	1.4%	2.7%	2.5%	4.4%	4.3%
Spain	3.0%	2.5%	2.0%	1.7%	17.2%	15.6%
Italy	1.6%	1.0%	1.3%	1.2%	11.2%	10.7%
USA	**2.2%**	**2.9%**	**2.1%**	**2.4%**	**4.4%**	**3.8%**
Japan	**1.9%**	**0.9%**	**0.5%**	**1.0%**	**2.8%**	**2.4%**
Russia	**1.5%**	**1.7%**	**3.7%**	**2.8%**	**5.2%**	**5.5%**
China	**6.9%**	**6.6%**	**1.6%**	**2.2%**	**3.9%**	**4.0%**
India	**6.7%**	**7.3%**	**3.6%**	**4.7%**	**n.a.**	**n.a.**
Brazil	**1.1%**	**1.3%**	**3.4%**	**3.7%**	**12.8%**	**11.8%**

Sources: National statistic institutions, IMF and European Commission
n.a. – not available

GROSS DOMESTIC PRODUCT (GDP)

(%)



The preliminary data published by Eurostat and the European Commission's winter forecasts indicated a slowdown in economic activity in the euro area across 2018. The region posted expansion of 1.9% in 2018, following growth of 2.4% in 2017. This deceleration particularly derived from the negative impact of cooling external demand and the existence of one-off factors in several countries, such as industrial output in various member states, which affected domestic demand.

According to the winter forecasts published by the European Commission, all EU member states, without exception, posted positive GDP growth, with rates of between 1.0% in Italy and 6.8% in Ireland. The performance of the other economies was positive, with reference being made to continued growth in Spain and Portugal at rates higher than the euro area average. Spain achieved the best performance out of the four largest economic and monetary union economies.

The labour market in the euro area continued to improve with unemployment in the region down once again in 2018. The unemployment rate of 8.2% was down 0.9 percentage points over 2017, falling to its lowest level of the last decade.

Inflation in the euro area as measured by the HIPC (Harmonised Index of Consumer Prices) which in the second half of the year, at 2.2% rose to its highest level since December 2012, accelerated in 2018. In annual terms it stood at 1.7%, in comparison to the 1.5% noted in 2017, coming into line with the ecb's reference rate.

EUROPEAN UNION AND EURO AREA ECONOMIC INDICATORS

(%)

	European Union		Euro Area	
	2017	2018	2017	2018
Gross domestic product (GDP) - Change Rate [(a)]	**2.4%**	**1.9%**	**2.4%**	**1.9%**
Private consumption	1.9%	1.8%	1.6%	1.6%
Public consumption	1.0%	1.2%	1.2%	1.3%
Gross Fixed Capital Formation	3.1%	3.2%	2.6%	3.3%
Domestic demand	1.9%	2.0%	1.7%	1.8%
Exports	5.4%	3.4%	5.2%	3.3%
Imports	4.2%	3.2%	3.9%	3.0%
Inflation rate (HICP) [(a)]	**1.7%**	**1.9%**	**1.5%**	**1.7%**
Ratios				(%)
Unemployment rate [(a)]	7.6%	6.9%	9.1%	8.2%
General government deficit (as a % of GDP)	-1.0%	-0.7%	-1.0%	-0.6%

Source: Eurostat
(a) Noted values

Following modest US economic growth in 2017, the economy witnessed an improvement in 2018 with a rate of expansion up from 2.3% to 2.9%, based on expansionary fiscal stimuli and the increasingly more positive contribution made by private consumption. This increasingly benefited from a labour market which continued to show signs of robustness, fuelled by wage increases in a year in which unemployment dropped to its lowest level since 1969. The contribution made by fixed capital investment, albeit down, still played an important role, in spite of signs of deceleration in the construction segment. US inflation in 2018 was 2.4% in comparison to 2.1% in 2017.

Japan's economy expanded for the seventh successive year in 2018. According to the IMF, slowing international trade flows, together with such adverse factors affecting the country as highly unfavourable climate conditions were the reasons behind the cooling in activity with a rate of expansion of 1.4% against the preceding year's 1.8%. The unemployment rate was down once again, in this case to its lowest level since 1992 at 2.4%. Consumer inflation which remained in positive terrain for the second consecutive year increased by 0.5% in 2017 to 1.0%.

Although growth of 6.6% in China, in 2018, exceeded the government's objective of 6.5%, it represented a cooling off of 0.3 pp over 2017 and was the lowest rate of expansion since 1990. Domestic and external demand components showed growing fragilities across the year as a whole owing to increased protectionist measures in the form of customs duties on imports of Chinese goods imposed by the US. Consumer inflation accelerated by 0.5 pp, to 2.1%, although growth remained at less than the central bank's objective of 3.0%

According to the same IMF projections, Latin America posted a second year of expansion, in 2018, although the rate of 1.1% represents a deceleration over the preceding year's 1.3%, in spite of the fact that economic growth in Brazil was up from 1.1% to 1.3%. The region's largest economy therefore posted continuous, gradual recovery following the deep economic recession of 2015 and 2016. In a year of a negative contribution from net exports, Brazil's growth was based on the contributions made by private consumption and gross fixed capital formation. The evolution of the Brazilian economy last year was also affected by the high levels of political uncertainty, as well as the labour unrest affecting sectors associated with industrial activity and exports.

Although several emerging Eastern European economies succeeded in maintaining very high rates of expansion in 2018, growth in the region also fell victim to the slowdown in global economic activity in EU member states.

The IMF's most recent estimations indicate that GDP growth in Sub-Saharan Africa, in 2018, remained unchanged from 2017, i.e. 2.9%, as, in spite of the better results in Nigeria (1.9% against 0.8% in 2017), South Africa's growth was down (0.8% in 2018 against 1.3% in 2017).

The conclusions published at the end of last year by an IMF technical team, following an analysis of Angola's economy in the sphere of the implementation of an extended financing programme, point to a contraction of around 1.7% in real GDP in 2018, down for the third consecutive year, owing to a downturn of more than 8% in the oil sector. Angola's government agreed a financial assistance package with the IMF for a global amount of $3,784 million over a three year period, under the referred to programme, to help implement a series of structural reforms to diversify the economy and therefore reduce its reliance on the oil sector. Special reference should also be made to the monetary policy being followed by BNA (Banco Nacional de Angola), which continued to be restrictive, as well as the decrease in net international reserves which, at $11.1 billion, in December 2018, were down 18% over the end of 2017. Inflation continued to trend to moderation across the year as a whole, as was the case since 2016, having posted a rate of 20.5% in 2018, in comparison to 32.2% in 2017. Reference should also be made to the adoption of a more flexible foreign exchange regime for the kwanza, from the beginning of 2018, leading to a depreciation of 77.7% of the Angolan currency against the euro and 83.8% against the dollar in 2018, to minimum values in both cases.

Mozambique's economy grew 3.3% in real terms in the first three quarters of the year at a slightly lower rate than the 3.7% recorded in 2017, albeit higher than the IMF's estimate for the Sub-Saharan Africa area as a whole. The rate of growth was affected by falling commodity prices which influenced the performance of extractive industry. Inflation continued to trend downwards, in 2018, at a level of 3.9% which was significantly lower than the 15.4% recorded in 2017. This performance enabled the Central Bank of Mozambique, for the second consecutive year, to continue to implement its policy of reducing the respective reference rate which, last year was reduced by a total amount of 325 bp, to 17.25% in December.

Inflation rates, in 2018, converged to the reference levels of the respective central banks in a large number of countries, albeit remaining at lower levels. As a result of this and ever increasing fears and risks associated with the world economy, the monetary authorities continued to adopt a prudent approach and discourse. The developed economies, however, indicated their intentions to normalise monetary policy, as in the case of the Fed, albeit gradually and with caution. In 2018, as expected and in accordance with FOMC (Federal Open Market Committee) projections, the US central bank announced four 25 bp hikes in its lending rate to between 2.25% and 2.50% bp in December. This was accompanied by the implementation of the planned reduction of the volume of assets recognised in its balance sheet.

European Central Bank

The governing council of the European Central Bank kept its reference interest rates unchanged across the whole of the year. The interest rate on the permanent deposit facility (in negative terrain since June 2014), the rate on the principal refinancing operations and rate on the standing lending facility remained unchanged at -0.40%, 0% and 0.25%, respectively. The governing council stated that, starting June, it expected them to remain at their current levels at least up to the summer of 2019, or, in any event, for as long as considered necessary to ensure the sustained adjustment trajectory of inflation.

Under its unconventional monetary policy measures, the ECB continued to make net acquisitions of sovereign and corporate bonds under its APP (Asset Purchasing Programme) at a monthly rate of €30 billion up to the end of September, with the rate of net asset acquisitions being reduced to €15 billion per month up to the end of the year, from which date they were terminated. As regards reinvestments of payments of the principal on securities on their maturity, acquired under the referred to APP, in December, president Mario Draghi emphasised that they will be maintained for an extended period, for as long as necessary, in order to maintain favourable liquidity conditions to ensure a high level of monetary accommodation that the governing council continues to consider absolutely necessary.

Albeit recognising that the risks associated with growth remained in balance across practically the whole of the year, the governing council accepted that economic activity had started to show signs of a higher than expected level of moderation, from the beginning of the last quarter, deriving not only from slowing external demand, but also specific factors on a level of the member states and certain sectors of activity, with many of these problems resulting from localised, temporary problems which in principle will not put the direction of the central bank's monetary policy at risk.

Other Central Banks

Although, as regards the operations of G4 central banks, the BoJ (Bank of Japan) did not announce any change either to its reference rates or its discourse, in 2018, given that inflation was always anchored at around 1.0%, having eliminated the target date for an inflation level of 2.0% which was formerly 2020. It also continued to implement the quantitative and qualitative monetary flexibility programme, in 2018, which continued to involve control over the yield curve (a yield of around 10% on 10 year maturities).

After having announced the first increase in its reference rate for around a decade, in August 2017 the economic policy committee of the BoE (Bank of England) made a fresh increase of 25 bp in its base rate during the same month in 2018 and this time to 0.75%. The BoE stated, on several occasions across the course of the past year that its principal monetary policy objective was to guarantee the stability of economic activity, notwithstanding the agreement reached on the United Kingdom's exit from the European Union and that monetary policy measures will have a limited effect in the case of a shock between supply and demand, that would be originated by a no-deal Brexit.

As regards decisions made by other relevant central banks in the developed bloc, reference should be made to the Bank of Canada's normalisation of monetary policy, with three 25 bp hikes in 2018, to an end of year reference rate of 1.75% and by the central banks of Sweden and Norway both of which increased their respective reference rates by 25 bp to -0.25% and 0.75%, respectively.

The performance of the principal central banks of emerging economies was substantially conditioned by the monetary stimuli normalisation process in the US which contributed, inter alia, to an across-the-board depreciation of the currencies of these regions, immediately after the start of the second quarter.

The Central Bank of China ceased to keep pace with the Fed's reference rate hikes notwithstanding the risk of capital flight owing to fears of the negative impact that such hikes could have on the economic growth rate, particularly in a year of intensifying negative pressures deriving from protectionism, having, on several occasions reduced the legal reserves ratio required of the banks with the objective of ensuring stable lending levels in an endeavour to attenuate the effects of the slowing trajectory.

Reference should be made in the case of the Eastern European region, in 2018, to the performance of the Central Bank of Turkey which announced an accumulated hike of 16 pp in its reference rate to an end of year 24%, following substantially higher inflation of 21.0% in the second half year which was practically double the rate recorded in the first half of the year. Owing to inflationary pressures and after initially having adopted less restrictive monetary policies, the Central Bank of Russia also increased its respective reference rate on two occasions, in this case totalling 50 bp to 7.75%.

In Latin America, the Central Bank of Mexico, in 2018, announced a total increase of 100 bp in its reference rate in response to increased inflationary pressures, closing the year at 8.25%. In Argentina, the domestic monetary authority was forced to increase its reference rate by more than 3000 bp, between August and October to a maximum of 73.5%, also in a context of a high level of depreciation of its currency − Argentine peso − and consequent increase in inflation. Starting October, the central bank adjusted its reference rate on a daily basis, with a gradual reduction trend having been witnessed. The Central Bank of Brazil, on the contrary, continued to reduce its SELIC rate but only during the first quarter of 2018 (-50 bp), after which it kept it at an all-time low of 6.50% following a 675 bp decrease in 2017.

In Angola and Mozambique, owing to the downwards trend of inflation, the reaction of the central banks was contrary to that of most of the emerging and developing economies. Whereas, in July, the National Bank of Angola announced the only change in its reference rate in 2018, comprising a reduction of 150 bp, and setting it at 16.50%, the Central Bank of Mozambique reduced its principal rate on five occasions totalling 525 bp to an end-of-year 14.25%.

PORTUGUESE ECONOMY

GLOBAL EVOLUTION

The Portuguese economy expanded for the fifth consecutive year in 2018. According to the National Statistics Institute, annual GDP growth of 2.1%, in real terms, was higher than the euro area average albeit down 0.7 pp over 2017.

The slowdown in GDP derived from the smaller contribution made by domestic demand, particularly owing to the deceleration of fixed investment whose growth was down from 9.2% to 4.4%, and the negative contribution made by external demand. Private consumption across the period accelerated from 2.4% to 2.6%, as opposed to public consumption which was up 0.8% by 0.6 pp over 2017.

Exports as a percentage of GDP rose once again in 2018 to 47.1%, comparing favourably to the 46.4% noted in 2017. Imports also accounted for a higher percentage of GDP, increasing from 49.2% in 2017, to 50.5% in 2018. The proportion of the goods and services import component to GDP was, for the first time, 50% or more since the start of the series.

The Portuguese economy, in 2018, retained its external borrowing capacity for the sixth consecutive year. According to the Bank of Portugal, the joint surplus on the current and capital accounts was down from 1.4% to 0.4% of GDP.

The upturn in economic activity led to an upgrade of Portugal’s sovereign rating in 2018 from Moody’s in October from “Ba1” (first “speculative” risk level) to “Baa3” (last “investment risk” level). This was in alignment with the other rating agencies which had already allocated the same rating level to Portugal. The decision was based on expectations of a gradual, albeit more sustainable, downwards trajectory on public debt, the extension of growth support factors and structural improvements to the economy’s external position. Standard & Poor’s, in turn, upgraded its “outlook” from “stable” to “positive”.

According to the Bank of Portugal, the net external debt, as a percentage of GDP, sustained in 2018 the declining trend to that from 2015, having the value decreased 2.3 percentage points, to 89.5%. The result corresponds to the lowest in seven years, having suffered a decrease of 14.9 percentage points, since 2014.

PORTUGUESE ECONOMIC INDICATORS

(%)

	2016	2017	2018
Gross domestic product (GDP) - Change Rate	**1.9%**	**2.8%**	**2.1%**
Private consumption	2.5%	2.4%	2.6%
Public consumption	0.8%	0.2%	0.8%
GFCF	2.3%	9.2%	4.4%
Domestic demand [(a)]	2.0%	3.0%	2.7%
Exports	4.4%	7.8%	3.7%
Imports	4.7%	8.1%	4.9%
Inflation rate (HICP)	**0.6%**	**1.4%**	**1.0%**
Ratios			(%)
Unemployment rate	11.1%	8.9%	7.0%
General government deficit (as a % of GDP)	-2.0%	-3.0%	-0.5%
Public debt (as a % of GDP)	129.2%	124.8%	121.5%

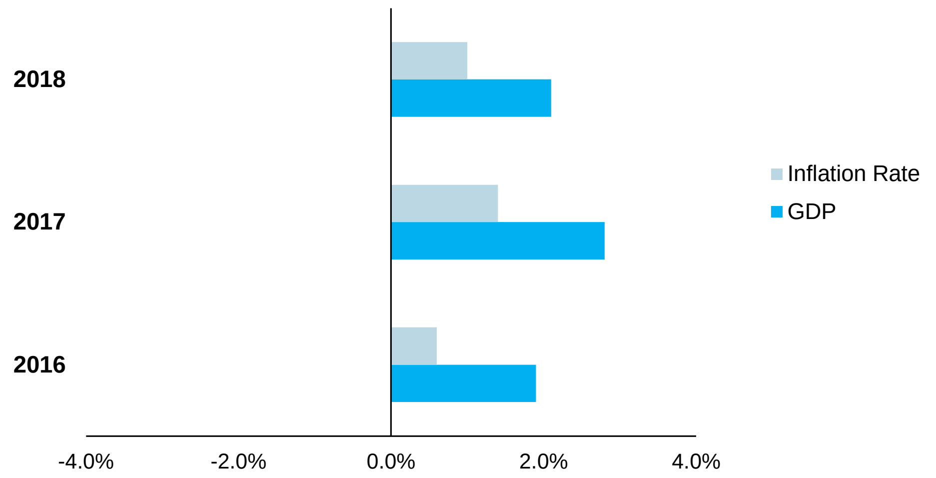
Source: INE and European Commission

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

The Portuguese Harmonised Index of Consumer Prices recorded an annual rate of change of 1.0%, in 2018, in comparison to 1.4% in 2017. The moderation of the index's rate of change essentially derived from the evolution of the foodstuffs and non-alcoholic beverages component which was up 1.0% in comparison to 1.3% in 2017 and the underlying component with growth of 0.7% in comparison to the preceding year's 1.1%. The average annual change in the energy component index was a 4.7%, 1.2 pp increase over 2017.

PORTUGUESE ECONOMIC INDICATORS

(%)



The labour market continued to indicate favourable progress with the lowest average unemployment rate since 2004 at 7.0% in a year in which job creation maintained a considerable rate of growth and in which special reference should be made to the services sector and particularly the segment related to tourism.

Regarding the situation of public finances, according to the provisional results detailed in the first notification on the Excessive Deficit Procedure, in 2018 the general government funding requirement was 0.5% of GDP, a more favorable result than in 2017 (-3.0%), while the debt ratio declined from 124.8% of GDP in 2017 to 121.5%. This ratio continued its downward trend started in 2015, after reaching a maximum of 130.6% of GDP in 2014, set at the lowest level of the last seven years in 2018.

CREDIT AND DEPOSITS

In 2018, the M3 liquidity ratio (which adds, in addition to the paper money and the metallic coin, the bank reserves, the deposits, both in sight and in the future, and government bonds held by the public), excluding currency in circulation, was up 8.3% by 0.4 pp over last year. Total deposits were up over 2017 year-on-year, with growth of 2.7%, which represents an acceleration in comparison to the preceding year's growth of 1.1%. This improvement derived from the contributions made by retail customers and emigrants with a change of 3.9%, following a nil change in 2017 and the deposits of non-financial corporations which were up 7.8% in comparison to the preceding year's 14.9%.

Total domestic credit was also up 2.6% in 2018 in comparison to 1.9% in 2017. This derived from the contribution of loans to general government, net of liabilities to central government which, following the preceding year's growth of 21.6% moderated to 10.8%. As regards other segments, credit for consumption and other purposes continued to enjoy positive growth at an even higher rate than in the preceding year, up from 5.3% to 6.4%, whereas the growth of credit to financial corporations returned to positive terrain from -2.1% to 1.2%. Only the rate of expansion of mortgage loans continued to fall although the change of -1.1% was less negative that the -1.7% recorded in 2017.

MONETARY AGGREGATES IN PORTUGAL [(a)]

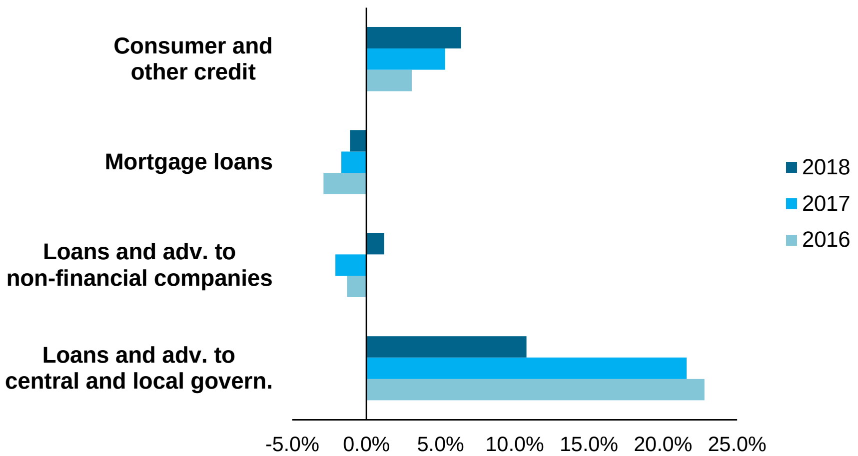
(%)

	2016	2017	2018
M3, excluding currency in circulation	**9.6%**	**7.9%**	**8.3%**
Total deposits	4.5%	1.1%	2.7%
Deposits made by non-financial companies	9.0%	14.9%	7.8%
Individual customers' and emigrants' deposits	1.0%	0.0%	3.9%
Total domestic credit	**0.6%**	**1.9%**	**2.6%**
Loans and adv. to central and local govern. [(b)]	22.8%	21.6%	10.8%
Loans and adv. to non-financial companies	-1.3%	-2.1%	1.2%
Mortgage loans	-2.9%	-1.7%	-1.1%
Consumer and other credit	3.1%	5.3%	6.4%

Source: Bank of Portugal - Statistics Bulletin, February 2019.
(a) Rates of change based on end-of-month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits. Credit aggregates include securitised loans.
(b) Net of liabilities to central government.

CREDIT EVOLUTION IN PORTUGAL

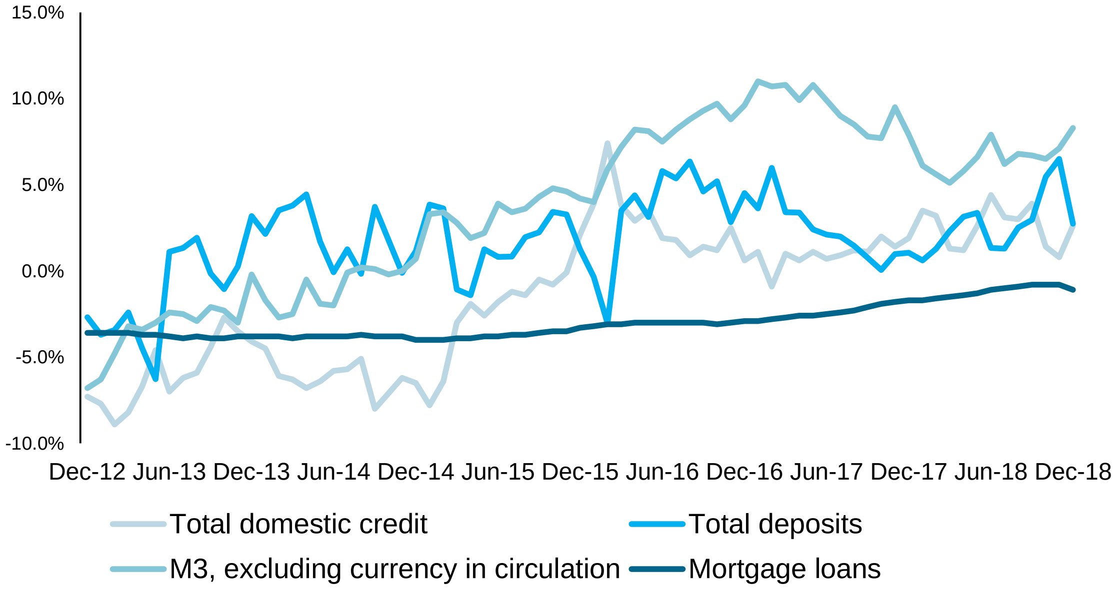
(%)



CURRENCY AND CREDIT

(Year-on-year rates of change)

(%)



INTEREST RATES

The slowdown in economic activity in the euro area in 2018 was more significant than expected and was accompanied by a reduction of growth projections for the next few years. Although inflation was up, it remained at a lower level than the medium and long term objective of the ECB that continued to consider it necessary to maintain a high level of monetary stimuli,

The year started with the previously announced reduction of net assets purchases under the Asset Purchasing Program. The governing council voted in favour of a fresh reduction of these amounts between October and the end of the year, having confirmed the completion of the referred to programme six months later, in December.

As regards reference rate levels the governing council, in June, clarified the prospect of keeping then at their current levels at least until summer 2019, having guaranteed, on the one hand, that no changes would be made for as long as necessary in order to ensure the continuation of the sustained convergence of inflation to the medium term objective and, on the other, having expressed a willingness to reintroduce monetary stimuli if required.

Over the course of last year, as stated by ECB president Mario Draghi, the governing council continued to consider that a broad scope of monetary accommodation should be preserved in order to provide significant backing for the conditions under which companies and households have access to credit in the euro area. The ECB accepted, particularly towards the end of the year, that the economic indicators on activity appeared to be weakening and even at a faster than expected rate, which it considered to be a consequence of slowing external demand together with several specific domestic factors.

INTEREST RATES [a]

(%)

	2016	2017	2018			
	Dec	Dec	Mar	Jun	Sep	Dec
Fed funds rate	**0.25%-0.75%**	**1.25%-1.50%**	**1.50%-1.75%**	**1.75%-2.00%**	**2.00%-2.25%**	**2.25%-2.50%**
ECB reference rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Euribor						
Overnight	-0.329%	-0.346%	-0.348%	-0.358%	-0.351%	-0.356%
1 month	-0.368%	-0.368%	-0.372%	-0.370%	-0.371%	-0.363%
3 months	-0.316%	-0.329%	-0.328%	-0.321%	-0.318%	-0.309%
6 months	-0.221%	-0.271%	-0.271%	-0.270%	-0.268%	-0.237%
12 months	-0.082%	-0.186%	-0.190%	-0.181%	-0.159%	-0.117%
New credit operations						
Non-financial companies [b]	2.23%	1.58%	1.86%	1.97%	1.66%	2.29%
Individual customers - mortgage loans	1.77%	1.52%	1.51%	1.41%	1.33%	1.36%
Term deposits and savings accounts [c]						
Non-financial companies	0.40%	0.27%	0.23%	0.21%	0.18%	0.17%
Individual customers	0.40%	0.28%	0.26%	0.24%	0.20%	0.17%

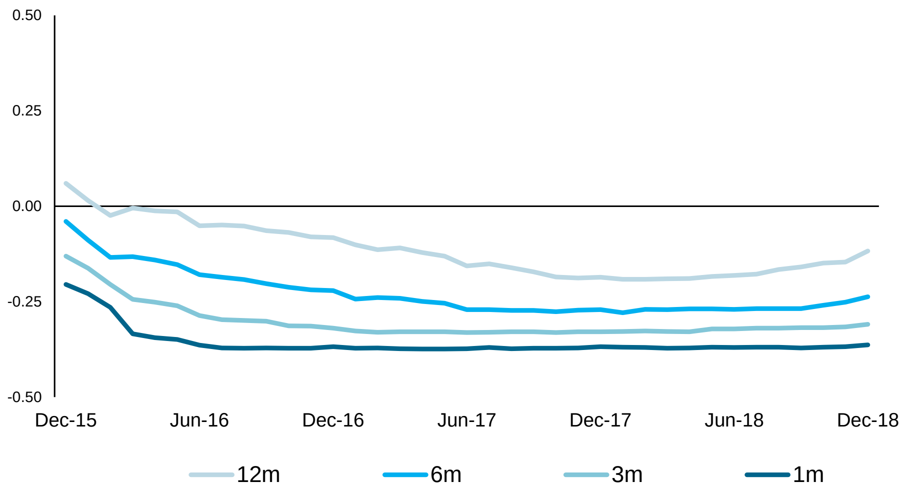
Source: Bank of Portugal - Statistics Bulletin for February 2019.

(a) Rates relative to last day of month; (b) Operations involving more than €1 million; (c) Deposits with an agreed maturity period of up to 2 years.

Short term interest rates remained stable across 2018. The fact that the EONIA rate was always very much in line with the ECB's deposit rate, showed that the banks were benefiting from stable liquidity conditions. The inclination of the Euribor yield curve remained positive in spite of the fact that maturities recorded minimum levels since 2017. The second half year witnessed a slight increase in rates for the longer maturities which progressively started to be incorporated in the period which was expected to see the first increase in the deposit rate starting summer 2019.

EURIBOR

(%)



Euribor rates were up across the year as a whole in all 1, 3, 6 and 12 month reference maturities by 0.5 bp, 2.0 bp, 3.4 bp and 6.9 bp, respectively, ending the year at -0.363%, -0.309%, -0.237% and -0.117%.

Interest rates on new credit operations recorded a mixed level of performance with a hike in rates for non-financial corporations and lower rates on the mortgage loan segments.

Borrowing rates were down in 2018, both for non-financial corporations and the retail segments, by an equal magnitude.

FOREIGN EXCHANGE MARKETS

The highlights in the foreign exchange markets in 2018 were a trend towards the appreciation of the dollar across a large part of the year and the significant falls in several emerging market currencies.

In the former case, the US currency benefited from various factors. Firstly was the fact that the monetary policy cycle in the US was more advanced than in the rest of the world, with the level of reference rates having inclusively closed the year at a level close to the Fed's definition of neutral. Secondly, it benefited, inter alia, from the relatively more favourable evolution of US growth, owing to the application of fiscal stimuli. Thirdly the "safe asset" effect in scenarios of uncertainty. In real terms, i.e. when set against a basket of currencies of its trading partners, the dollar appreciated 7.2%, having reached its highest value in 16 years at the end of the year.

In the second case, the gradual increase of uncertainty over trading relations, the advance of the monetary policy normalisation process by the US Fed and, inclusively, diplomatic conflicts, owing to the imposition of US economic sanctions on various countries, had a strong impact on emerging markets and particularly economies suffering from greater economic and financial fragilities, with very high levels of inflation, significant budget and/or external deficits and falling international reserves. Although the initial focus was on Turkey and Argentina, the start of the second quarter witnessed a higher level of negative sentiment over emerging countries as a whole, with a negative effect on such regions' foreign exchange evolution. A sharp depreciation of the currency of the emerging markets was witnessed in 2018, with the JP Morgan Index comprising a basket of emerging currencies losing more than 10% in value and dropping to the series' minimum value in September.

The most significant losses against the dollar were made by Argentine's peso and Turkey's lira, which were down by an annual 50.6% and 28.2%. Particular reference should also be made to the depreciation of 14.7% and 13.7% of Brazil's real and South Africa's rand. The losses of 8.5% and 5.4%, made by India's rupee and China's yuan, respectively, were less significant.

The euro, which fluctuated greatly across the year, particularly on account of changes in expectations regarding inflation and economic growth, was one of the currencies to record annual depreciation, not only against the dollar (down 4.5%, following gains of 14.2% in 2017), as in effective terms (-5.3%). In this case, in addition to the contribution made by the dollar, reference should be made to the contributions made by the Japanese yen and Swiss franc against which the euro depreciated by 7.0% and 3.8%. The euro was penalised, on the one hand, by the disclosure of less favourable indicators, particularly in comparison to US indicators, and, on the other, on account of events of a political nature, including uncertainties over the UK's "Brexit" process, fears over the impact of expansionary measures that the recent Italian government wished to implement, as well as progress made by eurosceptic populist movements in diverse member states. The euro appreciated 3.2% and 0.6%, against the Swedish krona and Norwegian krone, respectively, having, in the former case, achieved its highest level since 2009, and, in the second, having reached its highest ever value at close to year end.

As in the case of the dollar, the euro appreciated against the principal currencies of emerging markets in 2018, with gains of 14.7% and 11.8% against Russia's rouble and Brazil's real and 4.5% and 0.8% against India's rupee and China's yuan.

Special reference should be made to the performance of sterling in 2018 which depreciated 5.6%. against the dollar following its appreciation of 9.5% 2017. Although at the start of the second quarter, it achieved the same rating as prior to the June 2016 referendum approving Brexit, from then on and up to the end of the year it trended to depreciation owing to the fears of the impossibility of achieving an agreement on the United Kingdom's orderly exit from the EU. Sterling depreciated 1.2%, against the euro following depreciation of 4.0% in 2017, having, in this case, evidenced a high level of stability.

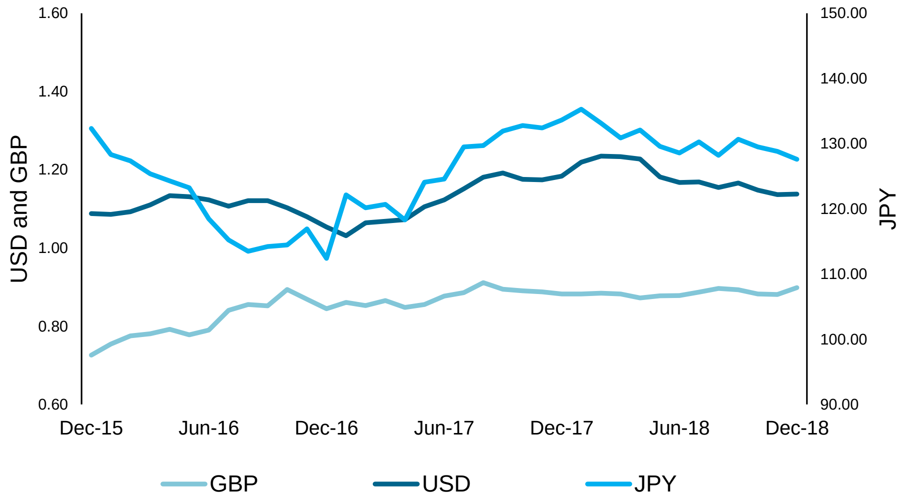
Its status as a safe asset led to significant fluctuations of the Japanese yen in 2018 in a year characterised by periods of strong risk aversion from investors. The Japanese currency that, between the end of March and December lost more than 8%, appreciated by 2.7% in annual terms, having risen for the third consecutive year and trended to appreciation against the euro, practically without interruption, to an annual gain of 7%.

Mozambique's currency fluctuated sharply in 2018. Having appreciated more than 10% up to the end of the first quarter, the euro to metical exchange rate was down 5.9% in August. The upturn which began in the last few months of the year led to a 0.3% increase in the euro's value in annual terms, closing the year at more than 70 meticais.

Angola's kwanza, in turn, depreciated against the euro for a fourth consecutive year. Angola's imposition of a more flexible foreign exchange regime led to the euro's immediate appreciation of 29.6% against the kwanza in January, followed by eleven consecutive months of appreciation during which the value of the euro increased by 37.1%, totalling gains of 77.7% in 2018 as the year in which the closing rate of 353.9 kwanzas to the euro represented an all-time high.

EURO EXCHANGE RATES

Monthly averages (%)



EURO EXCHANGE RATES

Monthly averages

	USD	GBP	JPY
December 2015	1.088	0.726	132.33
December 2016	1.053	0.845	122.40
December 2017	1.184	0.883	133.64
December 2018	1.138	0.899	127.61

CAPITAL MARKETS

The start of 2018 was also marked by the optimism and risk appetite characterising the previous year and based on signs of a continuation of the synchronised cyclical evolution between developed and emerging regions and inclusively greater than the real potential; owing to the furtherance of expansionary monetary policies by the leading central banks and implementation of fiscal stimuli measures in the US, particularly the sharp reduction in corporate tax levels which fuelled gains on equity indices to all time-highs.

2018 however, saw the appearance and heightening of various factors of uncertainty which gradually translated into a deterioration in the sentiment of economic agents and, occasional periods of a substantial increase in risk aversion levels.

The diverse negative factors, in the economic sphere, in addition to signs of a reversal of the economic cycle, including China, particularly included the heightening of commercial tensions between the US and its principal trading partners, especially owing to the disruptions that could be caused by hikes in custom duties on imports on global production chains. The economic indicators disclosed caused some disappointment, marking the start of reductions in growth projections. The euro area, as a whole, was additionally conditioned by indecision resulting from the Brexit negotiations and the appearance of new causes for concern regarding the cohesion of economic and monetary unity, particularly on account of a new period of political uncertainty in Spain and the populist and eurosceptic discourse of the leaders of the new government coalition in Italy at the end of May.

In the financial sphere, the deterioration of investor sentiment across 2018 cannot be disassociated from fears over the impact that the monetary normalisation process not only but particularly by the US Fed could represent, in terms of the worsening of financing conditions, penalising economic activity and increases in the value of shares and other higher risk asset classes, already affected by diverse exogenous risks.

Various political tensions remained under the surface and played a decisive role in the evolution of capital markets across 2018, helping to put an end to the period of stability characterising past years and fuelling a growing climate of risk aversion which, particularly during the summer months, penalised the assets of emerging markets. Higher demand for safe assets brought downwards pressure to bear on medium and long term yields on the best credit quality sovereign debt up to the end of the year, accentuating the flattening of the US yield curve to levels close to those in effect prior to the former recessionary episodes in the US economy.

The year 2018 came to a close enshrouded in huge uncertainty as was evident in the most negative quarter in seven years in equities markets in the US and Europe, with the yield on German Bunds at a minimum for the year and the most significant quarterly fall in oil prices (Brent) in four years to less than $50/barrel.

Equity markets

Equity markets depreciated sharply across 2018, with the MSCI Global index down 11.2%, after achieving all-time highs in 2017. This depreciation derived from the slowdown in certain economies, particularly Europe and China as well as fears over the impacts of changes in commercial policy applied by the US which translated into increased protectionism and negative changes in expectations regarding future corporate profits.

The growing level of uncertainty and volatility characterising equity markets in 2018 derived, in addition to episodes of heightened trade tensions between the US and China, from the Fed's monetary normalisation policy and consequent fears over increases in debt servicing requirements.

Negative investor sentiment was particularly felt in the equity indices of the emerging economies owing to the slowdown of domestic demand in China and lower commodity prices and fears over the consequences of a too strong and marked depreciation of local currencies to the US dollar in a highly fragile financial environment existing in several such economies.

The sharp fall in US share indices in the fourth quarter, that, up to the end of the third quarter posted strong appreciation to new all-time highs, brought an end to two years of appreciation in the case of the S&P500 (down 6.2%) and Dow Jones (down 5.6%) and a six year cycle in the case of the Nasdaq Technology Index (down 3.9%), as one of the sectors most vulnerable to the threat of customs tariffs with China and slowing of growth in Asia.

On a European level the Eurostoxx600 index was down 13.2% in 2018, although the most negative highlight goes to Germany's DAX, with losses of 18.3%, partly as a consequence of the slowdown of exports to the United Kingdom as a result of Brexit instability and industrial activity associated with the automobile sector. On a European level, the shares in this sector in the index were down 28.1% as a result of regulatory reviews and restrictions following a series of cases involving atmospheric pollution emission levels and the threat of customs tariffs from the US authorities.

Also in sectoral terms a negative highlight goes to the 28.0% depreciation of the financial sector that, in this case, was affected by the end of the ECB's quantitative easing programme and various episodes involving political instability.

The indices of the peripheral euro area countries also came under strong pressure, with Portugal's PSI20 down 12.2%, cancelling out year 2017 gains, with the retail sector responsible for one of the principal negative contributions. Notwithstanding the fall was less pronounced than in the case of Spain's IBEX (down 15.0%) and Italy's MIB (down 16.0%), principally on account of appreciations of companies targeted by take-over bids.

Emerging country markets recorded the highest losses in 2018, with the MSCI Emerging index down 16.6%, led by China with depreciation of 24.6% on the Shanghai index, owing to fears of an economic slowdown and liquidity restrictions and also as a consequence of more restrictive monetary policy actions in 2017. This was offset by India's Sensex index which appreciated for the third consecutive year, this time by 5.9%. Japan's Topix index was also down 17.8% in the case of Asia.

STOCK MARKET INDEXES

	2017		2018	
	Index	Change	Index	Change
Dow Jones (New York)	24,719.2	25.1%	23,327.5	-5.6%
Nasdaq (New York)	6,903.4	28.2%	6,635.3	-3.9%
FTSE (London)	7,687.8	7.6%	6,728.1	-12.5%
NIKKEI (Tokyo)	22,764.9	19.1%	20,014.8	-12.1%
CAC (Paris)	5,312.6	9.3%	4,730.7	-11.0%
DAX (Frankfurt)	12,917.6	12.5%	10,559.0	-18.3%
IBEX (Madrid)	10,043.9	7.4%	8,539.9	-15.0%
PSI-20 (Lisbon)	5,388.3	15.2%	4,731.5	-12.2%

Bond markets

Interest rates on sovereign debt in 2018, were, in most cases, down in an environment marked by a gradual reduction of expectations of economic growth, congruent with an increase in the level of risk aversion and, consequently, higher demand for more defensive assets.

The performance of sovereign rates in Europe was volatile across 2018 although they were down in most countries, owing to the slower rate of growth of economic expansion, in spite of the ECB's decision to reduce and its latter announcement of the completion of its purchases of sovereign debt securities.

Ten year sovereign bonds in Germany and France were considered to be a safe haven for investors, closing 2018 at lower levels than in 2017, down 18.5 bp and 7.5 bp, respectively. This was offset by marginal increases in the 2 year maturity.

Yields on the debt of peripheral countries also closed at values of less than the preceding year, except for Greece and Italy, in the second case owing to the political uncertainty deriving from the formation of a government of eurosceptic forces and its negotiations on the state budget for 2019 with the European Commission. Notwithstanding, following the agreement between the two parties, the yield on Italian bonds embarked on a downwards trajectory in spite of having always remained at a much higher level than at the end of 2017. The political environment in Italy substantially conditioned the evolution of yields. The yield on 10 year maturities rose to more than 3.6%, an event which had not occurred since February 2014 and closed the year up 72.6 bp, to 2.74%.

The effects of the situation in Italy remained relatively contained, having had a diminutive impact on the rates for Portugal and Spain. In spite of the fact that growth, in 2018, was lower than in the previous year, investor confidence in Portugal's sovereign debt continued to benefit from a higher rate of GDP expansion than the euro area average and the effects of budget consolidation. These aspects also resulted in an improvement in the Moody's rating, which qualified sovereign debt as "investment grade", and the change in S&P's "outlook" from "stable" to "positive".

In light of the above Portugal's 10 year rate varied -22.1 bp in 2018, closing at 1.72%, having reached 1.61% in March, which was, at the time, the lowest value since the start of the series. The yield on 2 year maturities was down 24.7 bp to -0.35%. In the case of Spain the 10 year rate fell 15.1 bp across the year as opposed to the 2 year rate which was up 10.5 bp, closing the year at 1.42% and -0.24%, respectively.

The decrease in the spread between Portuguese and German 10 year rates of 3.5 bp to 148.0 bp, was much less expressive than the reduction of 204.1 bp occurring in 2017. On the contrary the change in the spread between the yield on Portuguese and Italian bonds was highly significant. In this case the value was even more negative in favour of the former, by 94.7 bp, ending the year at a -102 bp.

The yield on 10 year maturities in the US trended upwards to November when it comprised 77 bp at a rate of 3.24%, its highest since May 2011, deriving from increases in the Fed's reference rates and the disclosure of economic indicators which were consistent with robust domestic activity. However, the period between November and the end of the year witnessed a reversal of a significant part of the increase in yield which closed at 2.68%, ending the year with an annual rate increase of 27.9 bp. This reversal occurred owing to the growing uncertainties regarding the impacts of protectionist policies and the results of the midterm elections, in addition to the US government shutdown. The activity and sentiment indicators disclosed over the last few months also began to show signs of a moderating US economy. The downwards movement was less marked across the rates on the shorter maturities. In such a context the inclination between these periods and 10 year maturities showed a flattening of the curves coming close to reversal territory. As regards the principal maturities, reference should be made to the sharp 70 bp reduction of the inclination between the 3 month and 10 year maturities.

The yield on 10 year bonds in Japan remained practically unchanged in 2018 (down 4.5 bp), closing at 0.003%, also on account of Bank of Japan control with the aim of keeping levels at close to zero.

The performance of the private debt market, in 2018 was less positive given the increased risk premia over the preceding year, to which various factors contributed, particularly the fears of the furtherance of a more restrictive monetary policy by the central banks of developed countries, uncertainty associated with trade tensions between the US and China, the drop in oil prices and less favourable prospects for company profits.

On a European level, the deterioration of the economic environment suggested by sentiment indicators, the uncertainty over the Brexit agreement, political instability in Italy and the ending of the ECB's corporate debt purchases were also additional reasons for the higher levels of risk aversion.

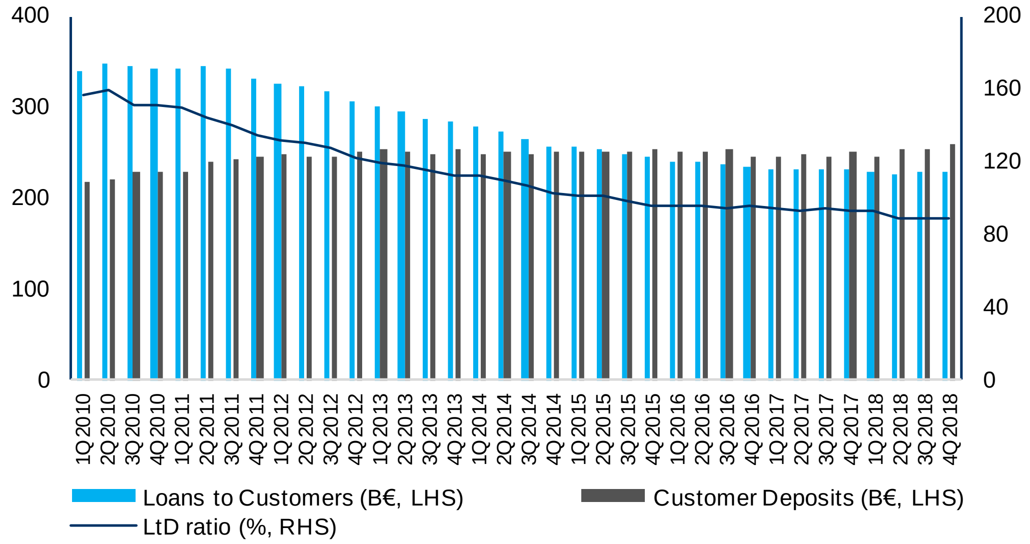
Across 2018, the market continued to benefit from the ECB's intervention under its CSPP (corporate sector purchase programme) in acquiring €56.8 billion of corporate bonds (net amount), to an accumulated total of €204.1 billion. The ECB maintained the proportion of assets purchased under the CSPP at around 10% of its total amount of net acquisitions, which was reduced on two occasions across the year from €60 billion to €30 billion in January and from €30 billion to €15 billion in October and up to the end of the year.

The year 2018, witnessed an across-the-board widening of spreads on the European derivatives market (CDS - Credit Default Swap market). Following a decrease of 27.5 bp in 2017, to 44.8 bp, in the preceding year the referred to spreads revealed a trend towards an increase for which on the last day of December the index closed at 87.4 bp, up 42.5 bp over the end of 2017. In the last few days of 2018, these spreads climbed as high as 92.6 bp, their highest value since mid 2016. The financial sector, in 2018, posted a 43.8 bp increase in spread to an end of year 87.6 bp, and, as with the general index, climbed to its highest level since 2016 in December.

BANKING SYSTEM

In 2018, the deleveraging process characterising the Portuguese financial system continued to run its course with the loans-to-deposits ratio, in 2018, having fallen to 88.9%, down 3.6 pp over the end of 2017 and down 69.8 pp over mid 2010. This result reflects, on the one hand a continuation of the trend towards the contraction of total existing credit which closed the year at its minimum since 2005, and, on the other, an increase in deposits whose end of year amount comprised a new all-time high.

PORTUGAL: BANKING SYSTEM – LOANS-TO-DEPOSITS RATIO

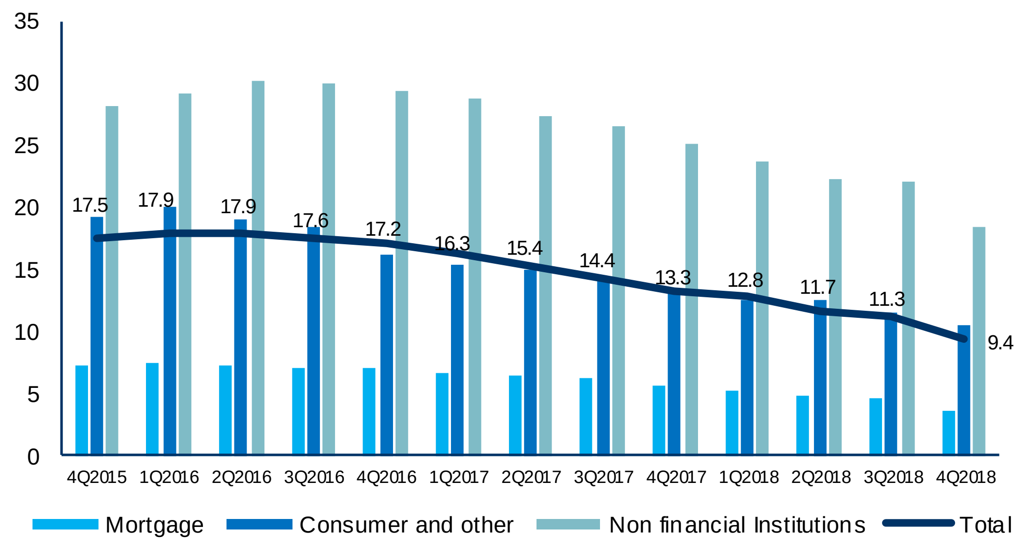


Source: Bank of Portugal

The solvency indicators stabilised across last year with a principal own funds ratio of 13.2% at the end of 2018, according to the Bank of Portugal. The solvency ratio of 15.1%, remained constant since the end of 2017, in spite of a reduction of risk-weighted assets.

In turn, asset quality in the Portuguese banking system, in 2018, continued to improve, with a decrease of 3.9 pp in the non-performing loans ratio to 9.4% and which was more expressive in the retail customers segment. This ratio was 8.5 pp down over its all-time high in June 2016.

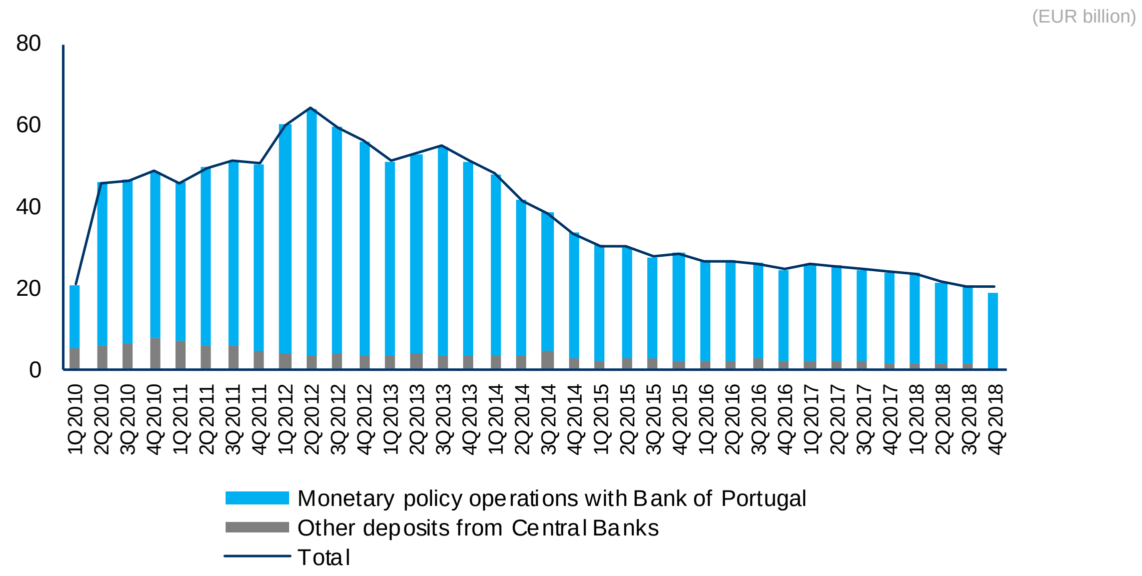
PORTUGAL: BANKING SYSTEM – NON-PERFORMING LOANS RATIO (%)



Source: Bank of Portugal

Recourse to financing from the ECB was down by an annual €3.6 billion to €20.3 billion at the end of 2018 (its lowest level since the start of second half 2010). Portuguese banks' recourse to the Eurosystem continued to be almost fully based on LTROs (long term refinancing operations).

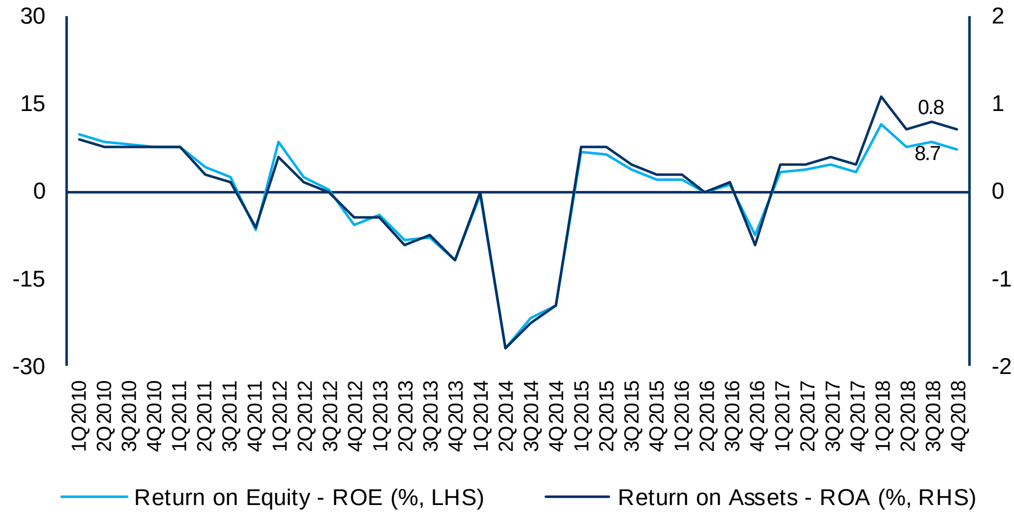
PORTUGAL: BANKING SYSTEM – FINANCING OF CENTRAL BANKS



Source: Bank of Portugal

The profitability of the Portuguese banking system across the course of last year improved considerably in comparison to the same period 2017, especially on account of the reduction of impairment and provisions flows, particularly on credit. Whereas return on equity increased from 3.3% to 7.1%, return on assets showed an improvement of 0.4 pp, to 0.7%. The reduction of operating costs was across-the-board to all components and also contributed to the recovery of banking system profitability.

PORTUGAL: BANKING SYSTEM – RETURN ON EQUITY



Source: Bank of Portugal

1.4.2. STRATEGIC PLAN

RECAPITALISATION PLAN

In 2017, following the agreement between the Portuguese State and the European Commission for the recapitalization of CGD, there was a capital increase made by the Portuguese State, in cash and in kind, aiming at the maintenance of CGD's total share capital in the public domain .

Additionally, and in compliance with the criteria established at the time for such intervention not to be considered as State aid, CGD issued a Tier 1 subscribed by private investors amounting to 500 million euros, specifying that there would be an additional issue to be made within 18 months.

In June 2018 CGD completed the last stage of its Recapitalisation Plan with the issuance of €500 million Tier 2 own funds securities, once again placed exclusively with institutional investors of private sector.

This issuance occurred following the agreement with DG Comp in 2018 to the effect that this type of issuance would be in compliance with the objectives set out in 2017 to strengthen capital ratios by replacing a second issuance of Additional Tier 1 securities. This concordance not only recognised the significant progress achieved by CGD in the implementation of its Strategic Plan 2017 - 2020 but also enabled significant cost reductions to be achieved as the yield was 5 percentage points (p.p.) down over the issuance of 2017.

With this issue, CGD completed its Recapitalization Plan with a total of 4,944 million euros. The successful completion of the Recapitalization Plan implemented at different stages, and consequent reinforcement of its solvency, allowed CGD to focus on the implementation of its 2017-2020 Strategic Plan.

STRATEGIC PLAN 2017 - 2020

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

The Portuguese state and CGD strongly support the viability of the Strategic Plan, agreed with DG Comp.

CGD’S STRATEGIC PLAN 2020: 5 PILLARS

1	2	3	4	5
Focus on economy	***Competitiveness***	***International coverage***	***Trust***	***Client Service***
*Enhance **commercial franchises** (retail, SMEs, large corporates) to **ensure sustainability***	*Adjust **operational infrastructure** (distribution platforms, central areas) and **investment in human resources***	*Restructure the **international portfolio** as a complement to the domestic operation*	*Strengthen the Group **risk management model** and **governance** to improve balance sheet solvency and resilience*	*Focus on the **Client experience**, through **digitalization** (end-to-end journeys) and service levels*

The Strategic Plan contains 5 essential pillars:

Pillar I - Modernising of the commercial franchise of domestic operations

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

- Review segmentation and upgrade the retail offer;
- Review of models of bancaassurance and asset management; To support retail value proposals and distribution of off-balance products;
- Define a plan to improve the level of service to families and the level of service to corporates, particularly for SMEs;
- Optimize credit process and price modelling.

- Pillar II - Harmonisation of CGD's operational infrastructure to improve efficiency;

  The key initiatives to be implemented to align the operational infrastructure focus on the following:

  - Adjustments to the branch office network and central support areas;
  - Organisational restructuring operations;
  - Improvement of human resources management, including training; and
  - Improved levels of service and customer care, based on the digitalisation of processes.

- Pillar III - Restructuring of international operations, based on a complementary approach to domestic operations.

  Adoption of a focused approach to maintain a position only in specific, pre-determined geographies, ensuring a review of their business models and strengthening the governance model, ensuring a significant contribution to Group profitability, and sale or rationalisation of operations in other geographies, providing domestic customers with a support structure.

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

  - Implementation of new scoring models to SME's, household loans and credit for consumption;
  - Implementation of a qualified corporate model and risk management;
  - Adjustment of risk management models to the highest sector SREP ("Supervisory Review and Evaluation Process");
  - Implementation of the Non-Performing Loans (NPL) deleverage plan; and;
  - Reinforce the monitoring and credit recovery by strengthening the specialised service units.

- Pillar V – Customer service.

  In order to respond adequately to the new market requirements and reflect the importance of digital transformation, a new pillar was created in late 2017 to meet the challenges of digitization and customer service with the aim of improving the customer experience through from digitization of end-to-end journeys and offering adequate levels of service.

  The Strategic Plan executon in 2018 enabled the successful achievement of a large number of targets set out for the year in the referred to Plan, among which the following should be highlighted:

	2018 Management Targets	2018 Execution	2018 Strategic Plan Target
Return on Equity (ROE) (1)	> 5%	6.6%	> 5%
Recurrent Cost-to-Income	< 55%	52%	< 58% (2)
NPL ratio (EBA)	< 10%	8.5%	< 10.0%
CET 1 (Fully loaded)	> 13.5%	14.6%	> 12.0%

(1) ROE = (Net results+Non recurring costs+Non controlling interests) / Shareholder Equity (average of 13 monthly observations) Annualized; (2) Domestic Activity.

In the course of 2018, CGD's shareholding position in Mercantile Bank Holdings Limited, Banco Caixa Geral, S.A. (Spain) and Banco Caixa Geral Brazil continued to be sold. Also began the process of the sale of Banco Comercial do Atlântico, in Cape Verde. These operations aim to rationalize CGD Group's international structure, allowing a capital release and reduction of its risk profile.

The improvement in profitability in 2018 resulted not only from increased revenues, especially from commissions, but also from the continued rationalization of structural costs.

In the sphere of the implementation of its deleveraging plan on non-performing assets, agreed with DG Comp, CGD Group also disposed of several properties received as payment in kind and investment properties, in 2018. All disposals of non-performing loan portfolios scheduled for 2018, were also negotiated and proceeded without any capital loss having been recorded vis-à-vis their net balance sheet carrying amount. This made a significant contribution to reducing CGD Group’s NPL ratio.

1.4.3. MAIN RISKS AND UNCERTAINTIES IN 2019

World economic growth, in 2018, was similar to last year’s according to the latest projections of the IMF (International Monetary Fund). While the real growth forecast of 3.7% represents the ninth year of expansion of the current economic cycle, it is also slightly down over the former estimate of 3.9%, owing to the economic slowdown in China and Europe, heightening commercial tensions between the US and China and fears over the impact of monetary policy normalisation, particularly by the Fed.

Economic sentiment started to deteriorate in early 2018, following a first movement involving a substantial correction of asset prices owing to the prospects of a more active approach from the main central banks. The increasing level of commercial retaliations between China and the US, which accentuated across the year as a whole, also led to a downwards revision of expectations over the rate of growth in evidence in 2017. In addition to commercial reasons and the foreseeable worsening of financial conditions, political risks were also relevant factors behind one-off instances of surges in volatility which are likely to continue across 2019.

The higher level of uncertainty deriving from these factors took the form of the depreciation of practically all asset classes in 2018 and more sharply so in the case of commodities and the equities market. The persistence of such sources of uncertainty, either separately or as a whole, together with the prospect of growth moderation in 2019 heightens the possibility of risk distortion moving in a downwards trajectory, as recently acknowledged by the ECB (European Central Bank).

Economically, the main central banks will continue to face the challenge of prolonging the monetary policy normalisation process without affecting the context of economic recovery.

The referred to process, in the US, which has already had negative effects, both internally in terms of investor sentiment, insofar as it is historically related with a greater probability of the occurrence of a recession and externally, with repercussions on the emerging economies which are more economically and financially vulnerable, will continue, in 2019, to be one of the main risk factors, notwithstanding the option taken by the Fed (Federal Reserve) to put the gradual increase of its Fed rate on hold.

The ECB's completion of its quantitative easing programme ("APP" − Asset Purchase Programme) In the Euro Area, may lead to an increase in risk premia on debt security issuances, not only sovereign but also corporate and negative implications both in terms of debt servicing and the rate of growth of fixed investment and household consumption.

The actions of other leading central banks, both in developed and emerging blocs could also take the form of a reduction of monetary stimuli.

The economic and financial risks facing the emerging economies are largely associated with the referred to scenario of the moderation of economic growth in China and the ongoing normalisation process of the Fed rate. Significant adjustments have already been noted through an increase in capital flight and the falling prices of the main international commodities (e.g. agriculture and energy) and in the other capital markets.

Several economic imbalances in the case of China, such as growing levels of debt or higher house prices, could also lead to a risk of contagion to the global economy in 2019.

The world economy was affected by commercial tensions across practically the whole of 2018 in the form of higher US customs tariffs on imports from China and subsequent retaliations. Owing to the size of such economies, one-off agreements between the US and other partners, namely the new trade agreement between the US, Canada and Mexico, at the end of August in lieu of NAFTA (North American Free Trade Agreement) proved insufficient to reverse the sentiment of apprehension regarding this topic which is likely to continue to be one of the major challenges of 2019.

In political terms, the Brexit process, whose conclusion has still not been guaranteed, will continue to represent a risk factor. The uncertainties which continue to be expressed by political players, even following the agreement in principle achieved with the European Union, enabling bilateral agreements to be entered into with member states, in opening the door to a no-deal exit will set the scene for periods of major uncertainty, and significant economic repercussions.

Heightening political tensions could also result from various elections, particularly the European Union elections for the European Parliament scheduled for end May. The last quarter of 2019 will see parliamentary elections in Portugal and Greece, with the probability of negative implications in the event of a possible deviation from current budget discipline options (as was the case in Italy).

The Italian government's intention to implement expansionary budget measures, in 2019, translated into new fiscal targets which diverged from the recovery in force over the last few years and put the country at risk of once again having to contend with a European Commission (EC) Excessive Deficit Procedure. In spite of the conciliation of policies with EC recommendations, at the end of 2018, there continues to be a risk of a return of the tensions between the said executive body and Italy regarding matters related to budget policy, together with contagion to other countries in the Euro Area.

The banking sector, in 2018, witnessed improved resilience on a European level. This was particularly the case in terms of asset quality and capital ratios, although profitability remained less than desirable, and could jeopardise the feasibility of several financial institutions over the next few years. The CET1 ratios continued to exceed 11% across almost all financial institutions and the non-performing credit ratio continued to decline, both on account of the increase in the amount of total credit and decline of overdue credit in the balance sheet. This trend to improvement is likely to continue through 2019, albeit at a more moderate pace, taking into account expectations of the ECB's normalisation of interest rates whose very low levels continue to pose a threat to the quality and profitability of bank portfolios.

Liquidity ratios remain much higher than required, ending the year at around 150%, with returns on assets continuing to pose a challenge, with an average return on equity of 7.2%. The greatest difficulties faced by institutions will continue to be the fixing of adequate prices, with the vast majority concentrating on commission levels for their banking services and in reducing their operating costs, based on the elimination and reorganisation of more obsolete fixed structures.

The financial sector will remain vulnerable to different threats and will have to contend with challenges threatening their own sustainability over the next few years.

The risks most likely to materialise in 2019 and with a more significant impact on the activity of financial institutions are, from an endogenous viewpoint, likely to continue to be market, credit, operating and profitability risks. From an external environment viewpoint, it is likely to be sovereign risk, owing to the high level of exposure to public debt in several cases.

In such a context, at the start of 2019, it is probably market risk that will continue to create instability, following the increased volatility occurring at the end of the preceding year, with the already referred to asset revaluations, triggered by commercial tensions, economic slowdown and the normalisation of monetary policy with the hike in interest rates.

The quality of the financial assets recognised in the balance sheet, a large proportion of which was acquired in line with a search-for-yield approach over the last few years, high levels of debt stock comprising loans made in an ongoing environment of low interest rates, allied with a growing increase in competition (with the appearance of new players, such as fintech operators) could increase credit risk in 2019, keeping the pressure on banks with the largest reduction of revenue streams and higher funding costs.

The risks of restrictions on access to financing and diversity of the composition of available debt instruments, notwithstanding the still reduced levels at the start of the first quarter of the year, may grow even worse owing to the more negative sentiment in financial markets and growing volatility, particularly on account of the context of major requirements for the issuance of new debt securities able to comply with the diverse CRD and MREL capital requirements.

Legal and regulatory risks may prove to be an additional source of concern and uncertainty for the banks, both on account of the Single Resolution Mechanism and the still unforeseeable outcome of the Brexit process, with possible implications on currently existing agreements or other instances of political instability in Europe, owing to electoral needs or budgetary justification.

There are also other threats to the banking sector from an operational viewpoint. They include growing digitalisation on a level of processes and systems and a significant increase in competition, in addition to no less negligible risks of cybercrime with its capacity to disrupt computer systems.

There was a decline of real GDP in Portugal, in 2018. Following its highest rate of expansion in almost two decades at 2.8% in 2017, according to the National Statistic Institute (INE) real GBP annual growth was 2.1%. Such moderation derived from lower contribution levels, both internally and externally, notwithstanding a slight acceleration of private consumption. For 2019 it is expected this moderation to continue, due to the international economic environment.

Internally, particular reference should be made to the risks involved in the maintenance of the Portuguese economy's high debt levels in different categories, whether general government or the private sector, which continue to make Portugal vulnerable to sudden changes in financing conditions. Notwithstanding the improvements achieved by the banking sector, in 2018, such vulnerability is heightened by a large exposure to public debt in light of the potential revaluation of risk premia.

The main reason for concern in terms of external risks to national economic activity continues to be global economic deceleration, particularly in the case of the main trading partners. This will have an impact not only on goods exports but also the tourism sector in which particular reference should be made to the risks associated with Brexit, as the United Kingdom represents a relevant proportion of external demand for Portuguese goods and services.

The banking sector continued to make considerable efforts to improve the quality of its assets, in 2018, in spite of the persistence of such risks to the stability of the Portuguese financial system as: (i) an overdue credit limit that remains high, amounting to 11.3% as late as third quarter last year; (ii) high levels of assets exposure of around 38% in the real estate market with a proportion of public debt of around 15% in banks' balance sheets, trends that are expected to continue in 2019.

1.4.4. CONSOLIDATED ACTIVITY[1]

SYNTHESIS

A comparative analysis of the evolution of results between 2017 and 2018 shows that the accounts for 2017 were impacted by the following two non-recurring, but considerable effects:

- the high volume of net trading income(€216 million), which was higher than expectable on a recurring basis, considering the Group's risk appetite;
- the volume of provisions related with cost estimates (restructuring costs) deriving from the employee downsizing programmes across the whole of the timeframe of the strategic plan (€227 million) and the provisions related to the loss projections on international subsidiaries (€382 million).

These effects are not dissociable as the high volume of income from financial investments enabled the amount of the costs of staff adjustment programmes to be fully provisioned as it was planned that they would be recorded over the four years of the implementation of the original strategic plan.

There were no extraordinary effects of note with a relevant impact on net income.

The following should be noted regarding total operating income:

- A 3% reduction of net interest income, particularly affected by the depreciation of the currencies of Angola and Macau. The exclusion of the impacts of this depreciation would have increased net interest income by 2%. CGD's net interest income would also have been up 2%.
- A 2% increase of net commissions.
- A marked reduction of more than €184 million in net trading income owing to the high level recorded in 2017, accompanied by a consequential reduction of total operating income. However, considering only core total operating income (net interest income + commissions) the reduction would have only been 1.6% and, notwithstanding, particularly impacted by the already referred to foreign exchange effect. CGD's total core operating income in its separate accounts was up between 2017 and 2018.

Costs:

- A global reduction of 9.3% from 2017 to 2018 (10% excluding the costs associated with employee downsizing programmes over the two years).
- A 6.0% reduction of employee costs in a year with a more than 2% increase in the wage bill as a consequence of the revised wage scales together with the mandatory and merit-based promotions process.
- A 10.5% reduction of administrative costs helping to improve operating efficiency.
- A 29% reduction of amortisation and depreciation.

Core operating income was accordingly up 12.5%.

Provisions and impairment:

- 2018 benefited from a low cost of credit risk of 21 bps, as was the case of most banks in Portugal, owing to the good stage of the economic cycle and evolution of the real estate market.

[1] 2017 accounts have been restated following a change of accounting policy on the sale of non-current real estate assets (held for sale) which includes essentially assets obtained from credit recovery.

- The Group recognised €36 million in provisions and impairment (net) in 2018.
- The most significant reversal of provisions comprised the provisions set up in 2017 (post capitalisation) for employee redundancy programmes, for the amount of €49.3 million, €46 million of which was, however, allocated to employee costs (in accordance with accounting standards) for which the gross impact was, therefore, only €3 million.

Net income:

- Net income from 2017 to 2018 was up by more than €443 million.
- The option to recognise the full amount of provisions to meet the extraordinary costs and impacts deriving from the strategic plan in 2017 was also based with a view to the accounts for 2018 to 2020 and particularly net income, providing a better reflection of the Bank's current activity.

Lastly and in addition to net income (which obviously entailed a marked progression in return on equity) reference should also be made to:

- An improvement in the CET1 ratio from 14% to 14.6%, notwithstanding the impact of IFRS 9 and new regulatory deductions.
- An improvement in the NPL ratio from 12% to 8.5% (accompanied by an increase in coverage ratios), surpassing the agreement with DG Comp (10%).
- A 25% reduction of held-for-sale properties (gross).
- An improvement of the Texas ratio from 68% to 50%.
- The maintenance of a much higher liquidity ratio than required by regulation.
- CGD's full repayment of its borrowings from the ECB.
- A three notch upgrade of CGD's ratings from Moody's and a one notch upgrade from Fitch.

RESULTS

Net interest income was down 2.9% by €36.3 million over the preceding year to €1,204.8 million in 2018. The performance of consolidated net interest income was negatively impacted by the depreciation of Angola's kwanza and Macau's pataca against the euro (exchange rate losses of €56.3 million). Excluding the referred to exchange rate effect, CGD's consolidated net interest income would have been up 1.6% over December 2017 to €1,261 million.

INCOME STATEMENT (CONSOLIDATED)

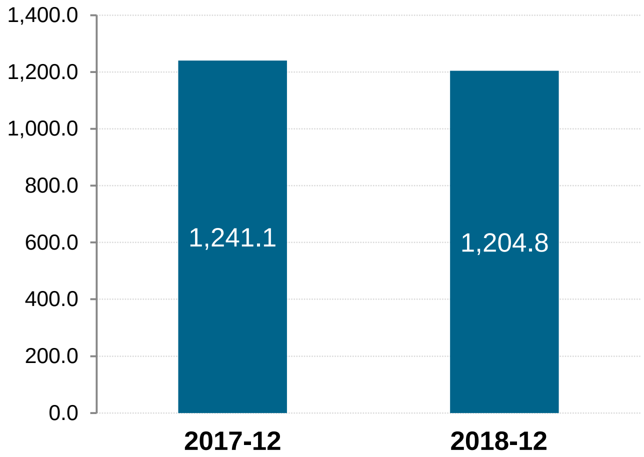
(EUR thousand)

			Change	
	2017-12	2018-12	Total	(%)
Interest and similar income	2,344,714	2,072,329	-272,385	-11.6%
Interest and similar costs	1,103,655	867,529	-236,126	-21.4%
Net interest income	1,241,059	1,204,800	-36,259	-2.9%
Income from equity instruments	46,383	17,472	-28,910	-62.3%
Net interest inc. incl. inc. from eq. investm.	**1,287,442**	**1,222,272**	**-65,170**	**-5.1%**
Fees and commissions income	589,151	598,514	9,363	1.6%
Fees and commissions expenses	124,289	124,316	27	0.0%
Net fees and commissions	464,862	474,198	9,336	2.0%
Net trading income	215,779	31,669	-184,110	-85.3%
Other operating income	46,741	57,673	10,932	23.4%
Non-interest income	**727,382**	**563,540**	**-163,842**	**-22.5%**
Total operating income	**2,014,823**	**1,785,812**	**-229,012**	**-11.4%**
Employee costs	658,936	619,171	-39,765	-6.0%
Administrative expenses	357,590	320,056	-37,534	-10.5%
Depreciation and amortisation	86,765	61,628	-25,137	-29.0%
Operating costs	1,103,291	1,000,855	-102,436	-9.3%
Net operating income before impairments	**911,532**	**784,957**	**-126,575**	**-13.9%**
Credit impairment (net)	85,909	119,466	33,557	39.1%
Provisions and impairm. of other assets (net)	641,314	-83,719	-725,032	-113.1%
Provisions and impairments	**727,222**	**35,747**	**-691,475**	**-95.1%**
Net operating income	**184,310**	**749,209**	**564,899**	**306.5%**
Income Tax	**215,823**	**308,284**	**92,462**	**42.8%**
Current	58,652	66,130	7,478	12.7%
Deferred	120,645	209,295	88,650	73.5%
Contribution on the banking sector	36,526	32,860	-3,666	-10.0%
Net op. inc. after tax before non-contr. int.	**-31,513**	**440,925**	**472,438**	**-**
Non-controlling interests	24,829	43,788	18,959	76.4%
Results of associated companies	24,688	52,821	28,133	114.0%
Results of subsidiaries held for sale	83,601	45,818	-37,783	-45.2%
Net income	**51,946**	**495,776**	**443,830**	**854.4%**

The evolution of consolidated net interest income also derived from the persistence of low interest rates in conjunction with high levels of competition in the banking sector, particularly in the domestic market.

NET INTEREST INCOME

(EUR million)



Income from services and commissions was up 2.0% by €9.3 million over December 2017 to €474.2 million in 2018.

Net trading net trading incometotalled €31.7 million in 2018, arising from income from interest rate hedges and foreign exchange operations. Income from financial operations, in 2018, is significantly down over the €215.8 million recorded in 2017, having been strongly influenced by the evolution of interest rates which affected the value of securities portfolio hedging instruments.

Other operating income was up €10.9 million over 2017 to €57.7 million.

CGD's total operating income in 2018 was, accordingly, down €229.0 million in comparison to 2017 to €1,785.8 million, influenced by the significant reduction of net trading income, given its highly expressive proportion in 2017.

Consolidated operating costs in 2018 were down 9.3% by €102.4 million to €1,000.9 million in comparison to 2017. Excluding non-recurring items related to the implementation of the Strategic Plan, the year-on-year reduction of these costs would have been 11.1%, across all accounts which confirms CGD Group's trajectory in terms of rationalising its cost structure.

OPERATING COSTS

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Employee costs	658.9	619.2	-39.8	-6.0%
Administrative expenses	357.6	320.1	-37.5	-10.5%
Depreciation and amortisation	86.8	61.6	-25.1	-29.0%
Total	**1,103.3**	**1,000.9**	**-102.4**	**-9.3%**

The main costs and respective changes in general administrative expenses were as follows:

ADMINISTRATIVE EXPENSES

(EUR million)

	2017-12	2018-12	Change	
			Total	(%)
Total	**357.6**	**320.0**	**-37.5**	**-10.5%**
Of which:				
Water, energy and fuel	18.8	16.6	-2.2	-11.6%
Rents and leases	46.9	47.9	1.0	2.1%
Communications	30.3	24.7	-5.6	-18.5%
Advertising and publications	18.6	16.1	-2.5	-13.4%
Maintenance and repair	35.7	33.4	-2.3	-6.6%
IT	59.5	55.1	-4.3	-7.3%
Security and surveillance services	9.7	6.8	-2.9	-30.3%
Transport of cash and other values	10.4	9.6	-0.8	-7.6%

Notwithstanding the good performance of the operating costs components, cost-to-income remained stable at 54.4% in comparison to 54.1% in 2017. Cost-to-core income, which excludes income from financial investments and non-recurring costs was down from 62.9% to 56.8%, evidencing operating efficiency improvements.

EFFICIENCY RATIOS

	2017-12	2018-12
Cost-to-income (consolidated operations) (1)	54.1%	54.4%
Cost-to-core income (2)	62.9%	56.8%
Employee Costs / Total Operating Income (1)	32.3%	33.7%
Recurrent Employee Costs / Total Core Oper. Income (2) (3)	36.0%	34.1%
Administrative Expenses / Total Operating Income	17.7%	17.9%
Operating Costs / Average Net Assets	1.2%	1.1%
Total Operating Income / Average Net Assets	2.2%	2.0%

(1) Calculated in accordance with Bank of Portugal Instruction 6/2018.
(2) Cost-to-core income ratio = Operating costs /Total operating income of core activity.
(3)Total operating income of core activity = Net interest income + net fees and commissions.

Net operating income before impairment was down 13.9% by €126.6 million, in comparison to the same period of the preceding year. Core operating income (excluding non-recurring items), as the sum of net interest income and commissions, net of operating costs, was up 14.6% in the period under analysis to €726,1 million.

CONTRIBUTION TO NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Domestic commercial banking	418.5	396.4	-22.1	-5.3%
International activity	258.2	256.1	-2.1	-0.8%
Investment banking	155.1	52.1	-103.0	-66.4%
Other	79.7	80.4	0.7	0.8%
Net Operating Income before Impairments	**911.5**	**785.0**	**-126.6**	**-13.9%**

Credit impairment (net) was €119.5 million in the January to December 2018 period. The credit impairment (net) indicator, as a percentage of the average credit portfolio balance, increased slightly in December 2018 to an annualised 0.21%, confirming the quality of CGD's assets in addition to their coverage ratio.

PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Provisions (net)	203.4	-108.8	-312.2	-153.5%
Credit impairment	85.9	119.5	33.6	39.1%
Impairment losses, net of reversals	184.9	217.4	32.5	17.6%
Credit recovery	99.0	97.9	-1.1	-1.1%
Impairments of other financial assets	43.8	14.8	-29.1	-66.3%
Impairments of other assets	394.1	10.3	-383.8	-97.4%
Provisions and impairments for period	**727.2**	**35.7**	**-691.5**	**-95.1%**

Operating income for the year amounted to €749.2 million, against €184.3 million in 2017.

Income tax for 2018 amounted to €308.3 million against €215.8 million for the same period 2017, an increase justified by the rise in operating results. The referred to tax includes a banking sector contribution of €32.9 million in 2018 (€36.5 million in 2017).

Income from subsidiaries held-for-sale totalled €45.8 million. Results of associated companies were in turn, up €28.1 million over 2017 to €52.8 million, reflecting the favourable evolution of insurance activity.

The referred to evolution resulted in consolidated net income of €495.8 million for CGD in 2018, against €51.9 million for the preceding year.

BALANCE SHEET

CGD's consolidated net assets were down 4.5% by €4,156 over last December to €89,091 million at the end of 2018.

CONSOLIDATED BALANCE SHEET

(AT 31 DECEMBER)

(EUR million)

	Restated		Change (Restated)	
Assets	2017-12	2018-12	Total	(%)
Cash and cash equivalents with central banks	4,621	5,607	986	21.3%
Loans and advances to credit institutions	3,727	3,207	-520	-14.0%
Securities investments	15,751	16,442	691	4.4%
Loans and advances to customers	55,255	51,589	-3,665	-6.6%
Assets with repurchase agreement	53	55	2	4.1%
Non-current assets held for sale	6,757	6,213	-543	-8.0%
Investment properties	898	810	-88	-9.8%
Intangible and tangible assets	669	509	-160	-23.9%
Investm. in subsid. and associated companies	415	389	-26	-6.3%
Current and deferred tax assets	2,323	2,152	-170	-7.3%
Other assets	2,780	2,117	-662	-23.8%
Total assets	**93,248**	**89,091**	**-4,156**	**-4.5%**
Liabilities				
Central banks' and credit institutions' resources	4,043	1,759	-2,284	-56.5%
Customer resources	63,631	63,423	-208	-0.3%
Debt securities	4,051	3,260	-791	-19.5%
Financial liabilities	1,060	738	-323	-30.4%
Non-current liabilities held for sale	5,784	5,396	-387	-6.7%
Provisions	1,288	1,116	-172	-13.4%
Subordinated liabilities	1,028	1,160	132	12.9%
Other liabilities	4,088	3,955	-134	-3.3%
Sub-total	**84,974**	**80,806**	**-4,168**	**-4.9%**
Shareholders' equity	**8,274**	**8,285**	**11**	**0.1%**
Total	**93,248**	**89,091**	**-4,156**	**-4.5%**

Cash balances and loans and advances to credit institutions were up 5.6% by €466 million over December 2017 to €8,814 million.

Total liabilities were down 4.9% by €4,168 million over December 2017. Special reference in terms of its evolution should be made to the 56.5% reduction of €2,284 million in central banks' and other credit institutions' resources and debt securities which were down 19.5% by €791 million.

The contribution to consolidated net assets from the various Group entities was as follows:

CGD GROUP'S CONSOLIDATED NET ASSET

(OUTSTANDING BALANCES AT 31 DECEMBER)

(EUR million)

	2017-12		2018-12	
CGD'S GROUP	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	66,108	70.9%	65,032	73.0%
Banco Caixa Geral (Spain)	5,194	5.6%	4,874	5.5%
Banco Nacional Ultramarino, SA (Macau)	757	0.8%	791	0.9%
Caixa Banco de Investimento	1,333	1.4%	787	0.9%
Caixa Leasing e Factoring	19	0.0%	19	0.0%
Banco Comercial do Atlântico (Cape Verde)	222	0.2%	203	0.2%
BCG Angola	152	0.2%	152	0.2%
Other companies (2)	19,463	20.9%	17,233	19.3%
Consolidated net assets	**93,248**	**100.0%**	**89,091**	**100.0%**

(1) Separate activity.
(2) Includes units consolidated by the equity accounting method.
Note: December 2017 values are restated.

The securities investments balance, including securities with repurchase agreements and trading derivatives was up 4.4% by €693 million over the amount recognised in the preceding year to €16,497 million at the end of 2018.

SECURITIES INVESTMENTS (CONSOLIDATED) [a]

(OUTSTANDING BALANCES AT 31 DECEMBER)

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Fin. assets at fair value through profit or loss	6,793	7,696	903	13.3%
Financial assets at fair value through other comprehensive income	6,384	4,881	-1,503	-23.5%
Other investments at amortized cost	2,627	3,920	1,293	49.2%
Total	**15,804**	**16,497**	**693**	**4.4%**

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

Credit

The loans and advances to customers portfolio was down 8.2% and 6.6% respectively over the end of 2017 to €54,926 million (gross) and €51,589 million (net). Reference should be made to the strong progression in terms of fresh loans, albeit insufficient to offset the portfolio reduction, strongly influenced by NPL sales as well as the significant credit repayments by public entities of around 1 billion euros.

LOANS AND ADVANCES TO CUSTOMERS [(a)]

(EUR million)

	2017-12	2018-12	Change 2018-12 vs 2017-12 Total	Change 2018-12 vs 2017-12 (%)
Companies	21,928	19,714	-2,213	-10.1%
General government	7,093	5,693	-1,400	-19.7%
Individual customers	30,790	29,518	-1,272	-4.1%
Mortgage loans	27,993	26,862	-1,130	-4.0%
Other	2,798	2,656	-141	-5.1%
Total	**59,811**	**54,926**	**-4,885**	**-8.2%**

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

Loans and advances to corporates, heavily impacted by the reduction of non-productive exposures through disposals and write-offs from the credit portfolio across 2018, were down 10.1% by €2,213 million. Special reference should be made, in terms of activity sectors, to construction and real estate which were down 24.4%.

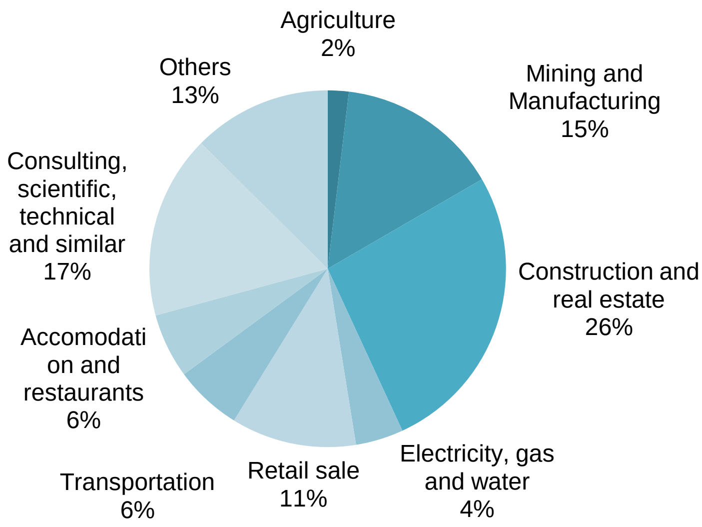
LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS – BY SECTORS OF ACTIVITY [(a)]

(EUR million)

	2017-12	2018-12	Change 2018-12 vs 2017-12 Total	Change 2018-12 vs 2017-12 (%)
Agriculture, forestry and fishing	418	375	-43	-10.2%
Mining and manufacturing	3,042	2,905	-137	-4.5%
Construction and real estate activities	6,903	5,220	-1,684	-24.4%
Electricity, gas and water	1,010	856	-154	-15.3%
Wholesale and retail trade	2,410	2,239	-171	-7.1%
Transports and warehousing	1,226	1,204	-22	-1.8%
Accommodation and restaurants	1,333	1,155	-178	-13.4%
Consulting, scientific, technical and similar	3,182	3,282	101	3.2%
Other	2,404	2,479	75	3.1%
Total	**21,928**	**19,714**	**-2,213**	**-10.1%**

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

LOANS AND ADVANCES BY CORPORATE SECTOR – STRUCTURE AS OF DECEMBER 2018

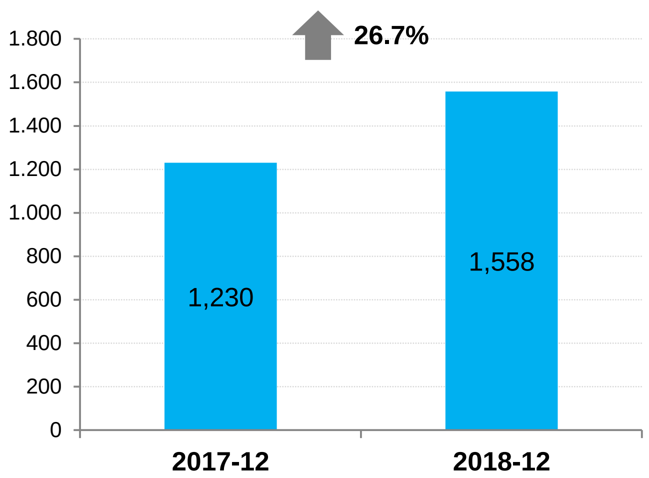


The loans and advances to individual customers balance was down 4.1% by €1,272 million to an end of year €29,518 million, deriving from a 4.0% drop in mortgage lending. This latter evolution derived from the fact that the volume of repayments and settlements was higher than on new operations, notwithstanding the increase in the number thereof.

CGD Portugal's new mortgage lending operations have been trending to positive. An additional 2,444 agreements were entered into in 2018, up 26.7% by €328 million over 2017, the amount loaned during the year totalled €1,558 million.

MORTGAGE CREDIT – NEW OPERATIONS (PORTUGAL)

(EUR million)



CGD's credit market shares reached 19.3% in December 2018, 15.2% for corporate credit and 24.3% for mortgage loans.

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

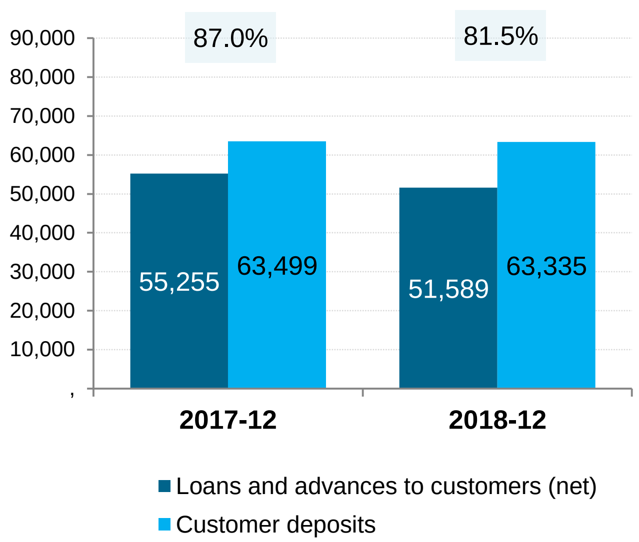
	2017-12	2018-12
Corporate	17.1%	15.2%
Individual customers	22.2%	21.1%
Mortgage loans	25.4%	24.3%
Consumer	4.9%	4.4%
General government	30.9%	27.6%
Total	**20.8%**	**19.3%**

Source: "Estatísticas Monetárias e Financeiras" – Bank of Portugal.

The loans-to-deposits ratio of 81.5%, in December 2018, against 87.0% in December 2017, reflected the strong preference shown by CGD's deposits customers, even in an environment of low interest rates.

LOANS-TO-DEPOSITS RATIO

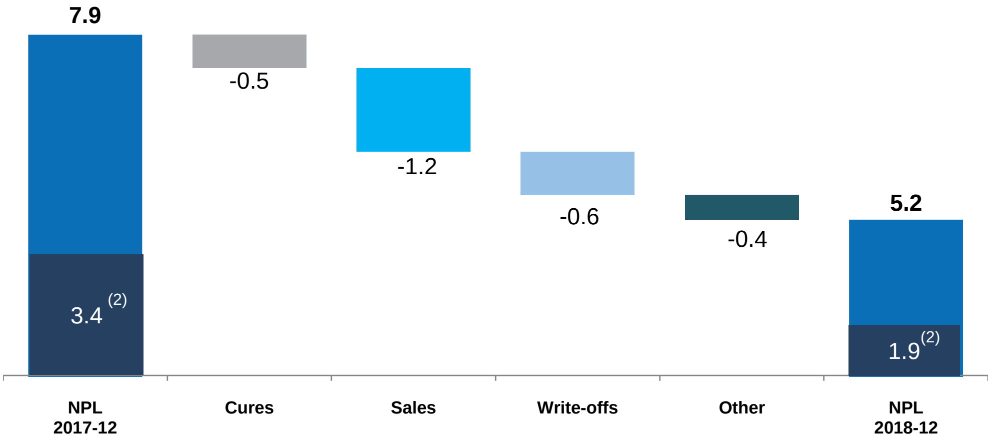
(EUR million)



The evolution of CGD's asset quality was favourable, with a reduction of €2.6 billion in NPLs (non-performing loans according to the EBA definition) − down 33.5% over December 2017, where, in addition to portfolio sales, we have seen a positive evolution in the components of cured and recovery components. The NPL ratio at the end of 2018 stood at 8.5% with impairment and collateral coverage of 62.4% and 38.3% respectively at the said date (total coverage ratio of 100.6%).

NPL EVOLUTION (1)

(EUR million)



(1) NPL – Non Performing Loans – EBA definition. (2) NPL net of impairments.

ASSET QUALITY (CONSOLIDATED)

(EUR million)

	2017-12	2018-12
NPL ratio (1)	12.0%	8.5%
NPE ratio (2)	9.3%	6.7%
Forborne ratio for loans and advances (3)	6.6%	4.2%
NPL coverage by impairments	56.7%	62.4%
NPE coverage by impairments	56.4%	61.6%
Coverage ratio on forborne loans and advances (3)	97.1%	100.1%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.13%	0.21%

(1) NPL - Non Performing Loans (EBA definition); (2) NPE - Non Performing Exposure (EBA definition); (3) EBA definition

Resources

The fact that customer resources maintained their proportion of 78% of Caixa's total liabilities at the end of 2018 is clearly indicative of the characteristics of a bank geared to the Portuguese retail market, operating for the benefit of households and companies.

The 0.3% decrease of €163 million in customer deposits was more than offset by the positive performance of the €677 million increase in off-balance sheet.

Central banks' and credit institutions' resources were down 56.5% by €2,284 million owing to the early repayment of €3 billion of financing from the ECB. At the end of 2018, CGD and Caixa-Banco de Investimento had paid ECB in full their respective liabilities.

Total resources taken from domestic activity were up 2.3% over the same period last year to €70,360 million at the end of 2018. Reference should be made to the performance of off-balance sheet products that, in spite of the decreases registered in funds were up 3.5% by €677 million, with financial insurance posting a 12.4% increase of €948 million and variable rate treasury bond issuances with an 8.2% increase of €237 million over December 2017.

In Group terms the resources taken balance was down 2.7% by €2,475 million to €89,489 million over December 2017. A contributory factor was the 56.5% decrease of €2,284 million in credit institutions' and central banks' resources.

RESOURCES TAKEN BY GROUP – BALANCES

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Balance sheet	**72,753**	**69,601**	**-3,152**	**-4.3%**
Central banks' & cred institutions' resources	4,043	1,759	-2,284	-56.5%
Customer deposits (Consolidated)	63,499	63,335	-163	-0.3%
Domestic activity	*52,319*	*53,263*	*944*	*1.8%*
International activity	*11,180*	*10,072*	*-1,108*	*-9.9%*
Covered bonds	3,851	3,058	-793	-20.6%
EMTN and other securities	1,228	1,362	134	10.9%
Other	132	87	-45	-33.9%
Off-balance sheet	**19,210**	**19,887**	**677**	**3.5%**
Unit trust investment funds	3,928	3,745	-182	-4.6%
Property funds	972	777	-195	-20.1%
Pension funds	3,770	3,641	-130	-3.4%
Financial insurance	7,639	8,586	948	12.4%
OTRV Portuguese Government Bonds	2,901	3,138	237	8.2%
Total	**91,963**	**89,489**	**-2,475**	**-2.7%**
Total resources from domestic activity (1)	**68,781**	**70,360**	**1,579**	**2.3%**

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

CGD's third party off-balance sheet assets were up 3.5% by €677 million over December 2017 to €19,887 million, not only on account of the 8.2% increase of variable rate treasury bonds but also the 12.4% progression of financial insurance.

Customer resources remained stable at €63,423 million (down 0.3% by €208 million over the preceding year).

CUSTOMER RESOURCES – BALANCES

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
Customers deposits	63,499	63,335	-163	-0.3%
Sight deposits	25,953	28,714	2,761	10.6%
Term and savings deposits	37,283	34,354	-2,929	-7.9%
Mandatory deposits	263	267	5	1.7%
Other resources	132	87	-45	-33.9%
Total	**63,631**	**63,423**	**-208**	**-0.3%**

Customer deposits also remained stable at €63,335 million (down 0.3% over December 2017). Domestic deposits, up 1.8% by €944 million, almost succeeded in offsetting the 9.9% decrease of €1,108 million, in international activity and in addition to the reduction of the deposits of Banco Nacional Ultramarino (Macau), reflected the current disposal process of the equity stakes in Mercantile Bank Holdings Limited, in South Africa, Banco Caixa Geral Espanha S.A. in Spain and Banco Caixa Geral Brasil, which ceased to be consolidated.

By category, €34,354 million (54.2% of total customer deposits) comprised term deposits and savings accounts. Sight deposits were up €2.8 billion over the end of 2017, to €28,714 million. Interest is not usually paid on sight deposits in Portugal in accordance with the respective SIS (standardised information sheet).

CGD retained its leading position in the domestic market with a 25.1% share of total deposits in December 2018. Individual customers' deposits market share accounted for 29.0%.

CUSTOMER DEPOSITS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

	2017-12	2018-12
Corporate	12.1%	12.1%
General government	32.4%	20.9%
Individual customers	29.9%	29.0%
Emigrants	*49.2%*	*49.5%*
Total	**26.4%**	**25.1%**

Debt securities were down 19.5% over the end of 2017 to €3,260 million.

DEBT SECURITIES

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
EMTN programme issues [(a)]	195	199	4	1.9%
Covered bonds	3,851	3,058	-793	-20.6%
Other	5	3	-2	-45.9%
Total	**4,051**	**3,260**	**-791**	**-19.5%**

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

The subordinated liabilities balance was up 12.9% over December 2017 to €1,160 million, owing to the June issuance of Tier 2 securities to complete the recapitalisation process.

SUBORDINATED LIABILITIES

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
EMTN programme issues [(a)]	648	1,160	512	79.0%
Other	380	0	-380	-100.0%
Total	**1,028**	**1,160**	**132**	**12.9%**

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

LIQUIDITY

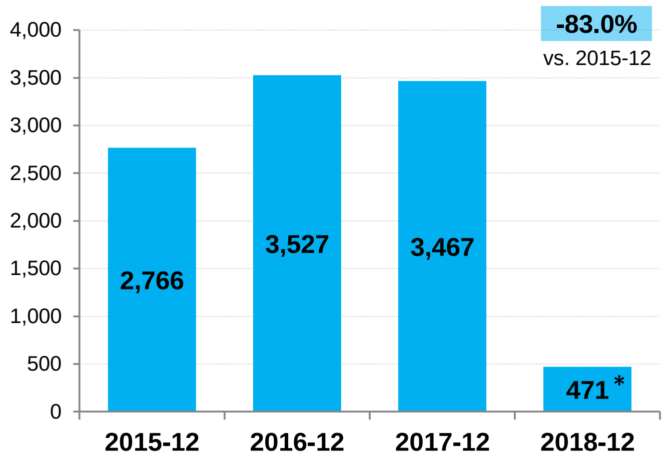
Benefiting from its comfortable liquidity situation, CGD reduced its borrowings from the ECB (European Central Bank) across 2018. CGD Group borrowings from the ECB at the end of December were reduced to around €471 million against €3.5 billion at the end of the preceding year. This decrease was based on CGD Portugal's full early repayment of its liabilities of €2 billion in TLTRO2s ("Targeted Longer-Term Refinancing Operations") to the ECB in June, in addition to a decrease of €996 million in borrowings by Caixa-Banco de Investimento and BCG Spain.

Notwithstanding its low level of liabilities, the eligible assets allocated to the collateral pool with the ECB was €12 billion. Notwithstanding the reduction in comparison to the preceding year's €14 billion, this enabled CGD to enjoy significant support for its treasury operations in the event of the occurrence of any extreme situations in the money and capital markets. CGD issued €1.5 billion in covered bonds to be allocated to the referred to pool for diversification purposes, in December.

Treasury surpluses also allowed the €770 million in covered bonds to be repaid across the year without any need for refinancing. The outstanding balance on the covered bonds programme was €6 billion in comparison to €5.3 billion in 2017 owing to the referred to issuance and repayments.

ECB FUNDING

(EUR million)



(*) Total value refers to BCG Spain.

CGD issued €500 million in Tier 2 securities under its recapitalisation plan, in June. The issuance helped to fuel an increase in the outstanding balance on the EMTN (Euro Medium Term Notes) programme that stood at €1.4 billion in December 2018.

The Liquidity Coverage Ratio (LCR) was 234.6% in December 2018. This exceeded regulatory requirements and European Union banks' average. In turn, the Net Stable Funding Ratio (NSFR) reached 148.9% on the same date (139.4% in December 2017).

CAPITAL MANAGEMENT

Consolidated shareholders' equity, at 31 December 2018, were up €11 million over the same period 2017 to €8,285 million. Other reserves and retained earnings were down, largely owing to the impact of the full implementation of IFRS 9, in which CGD decided not to take advantage of the phasing-in option.

SHAREHOLDERS' EQUITY (CONSOLIDATED)

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Abs.	(%)
Share capital	3,844	3,844	0	0.0%
Other capital instruments	500	500	0	0.0%
Revaluation reserves	395	257	-137	-34.8%
Other reserves and retained earnings	3,098	2,855	-243	-7.9%
Non-controlling interests	385	333	-52	-13.5%
Net income	52	496	444	854.4%
Total	**8,274**	**8,285**	**11**	**0.1%**

The other capital instruments account for an amount of €500 million, refers to the Additional Tier 1 market issuance at the end of March 2017.

The phased-in CET1 and Total ratios at 31 December 2018, calculated on a consolidated basis under CRD IV / CRR rules were 13.5% and 15.9%, respectively.

Considering net income of around €496 million for the period, together with a distribution of €200 million in dividends, the CET1 and total ratios would be 14.2% and 16.6%, respectively.

The following table shows the amounts of own funds (including net income for the period) and capital ratios at the end of 2017, 2018 and at 1 January 2019:

SOLVENCY RATIOS (CONSOLIDATED) [(a)]

(EUR million)

	CRD IV / CRR Regulation		
	2017-12	2018-12	01/01/2019
	Phased-in		
Own funds			
Common equity tier I (CET I)	7,314	7,114	7,120
Tier I	7,857	7,617	7,623
Tier II	318	661	661
Total	8,174	8,278	8,285
Weighted assets	**52,194**	**48,623**	**48,625**
Solvency ratios			
CET I	14.0%	14.6%	14.6%
Tier I	15.1%	15.7%	15.7%
Total	15.7%	17.0%	17.0%
	Fully Implemented		
Own funds			
Common equity tier I (CET I)	7,299	7,114	7,120
Weighted assets	**52,173**	**48,623**	**48,625**
CET I ratio	14.0%	14.6%	14.6%

The amounts shown in the above table, at 1 January 2019, reflect the passing of another year of application of the transitional period up until the full implementation of Basel III rules and are based on data at 31 December 2018.

The variation of the CET1 ratio between December 2017 and December 2018 is essentially explained by the impact:

- Of the combination effect of the progression, over time, associated with the passing of yet another year of the transitional period in respect of the implementation of IFRS 9 in 2018 and the deduction of the irrevocable commitments associated with the deposit guarantee fund and the resolution fund, from own funds (as determined by the regulator). This led to negative impacts of around €378 million on the CET1 ratio and around €210 million on RWAs, translating into a decrease of around 67 basis points on the CET1 ratio;

- Of the alteration of the accounting of non-controlling interests of non-eurozone entities (BCI, BCA, BI, BCGA) as required by the regulator. CGD previously assessed the non-controlling interests of such entities by matching local rules to Basel III dispositions owing to the fact that the counties in which it operates do not apply the referred to standard. The new approach affords preference to local laws and as, in the case of local laws, such entities' weighted assets are much lower than those contributing to consolidated reporting, leading to a substantial reduction of such entities´ non-controlling interests, as reflected in a negative 26 basis points on the CET1 ratio.

- From the evolution of activity, resulting from the combination effects of the decrease in own funds levels, absorbed in the meantime by the reduction of RWAs (either through optimisation or the disposal of the credit portfolio), corresponding to an impact of an additional 15 basis points on the CET1 ratio.

CGD's recapitalisation process

21 June 2018 witnessed CGD's successful completion of the last stage of its recapitalisation plan upon which work began in 2017, through its issuance of €500 million in Tier 2 own funds securities exclusively for sale to institutional investors.

All of the phases provided for in the referred to plan, comprising an accumulated capital increase of €4,944 million, were therefore implemented.

SREP ("supervisory review and evaluation process") capital requirements on consolidated activity for 2018

Based on SREP results, the ECB (European Central Bank) defined the minimum capital requirements starting 1 January 2018 on CGD's consolidated activity whereas the Bank of Portugal defined the amount of the additional own funds reserve required by its *O-SII* ("Other Systemically Important Institution") status.

In 2018, the Bank of Portugal set the countercycle capital buffer at 0% of the total amount of risk positions.

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)

(%)

	2018	2019
Common Equity Tier 1 (CET1)	**8.875%**	**9.750%**
Pillar 1	4.50%	4.50%
Pillar 2 Requirement	2.25%	2.25%
Capital Conservation Buffer (CCB)	1.88%	2.50%
Other Systemically Important Institutions (OSII)	0.25%	0.50%
Tier 1	**10.375%**	**11.250%**
Total	**12.375%**	**13.250%**

The ratio levels achieved by CGD on a consolidated basis, in December 2018, exceed minimum SREP capital requirements for 2018.

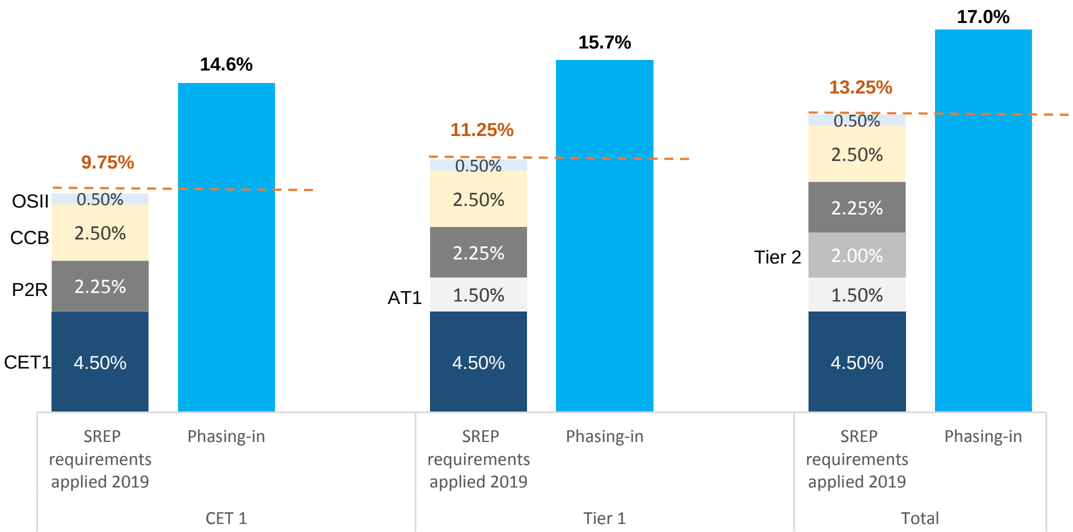
CGD will strengthen its systemic O-SII buffer by 25% in 2019 to be fully covered by CET1, in line with the Bank of Portugal's resolution of 11 November 2017, the systemic O-SII buffer will be 0.50% (0.75% in 2020 and 1% starting 2021).

The CCB (capital conservation buffer) is expected to be increased in stages at a rate of 0.625% *per annum*, until it reaches 2.5% in 2019.

Phased-in capital ratios and SREP requirements at 1 January 2019

The following chart provides a comparison between the prudential requirements defined for 2019 and the ratios at 1 January 2019 (estimated at 31 December 2018, considering only the effect of the passing of yet another year of the transitional period).

CGD'S PHASED-IN CAPITAL RATIOS AND SREP REQUIREMENTS 2019



RATING

The improvement of risk indicators and the liquidity and profitability situation was recognised by all of the agencies issuing ratings on CGD.

Moody's, in October 2018, following its first upgrade of one notch in February, upgraded its ratings once again on CGD's deposits and long term senior debt by two notches from Ba3 to Ba1. It revised its outlook from stable to negative in December 2018 on account of the systemic impact caused by the approval of credit privilege on non-guaranteed deposits.

DBRS, in turn, reaffirmed in June 2018 CGD's long and short-term ratings of BBB (low) and R-2 (middle), respectively, changing the trend from negative to positive.

Fitch Ratings upgraded its rating on CGD to BB in December, leaving its positive "outlook" unchanged.

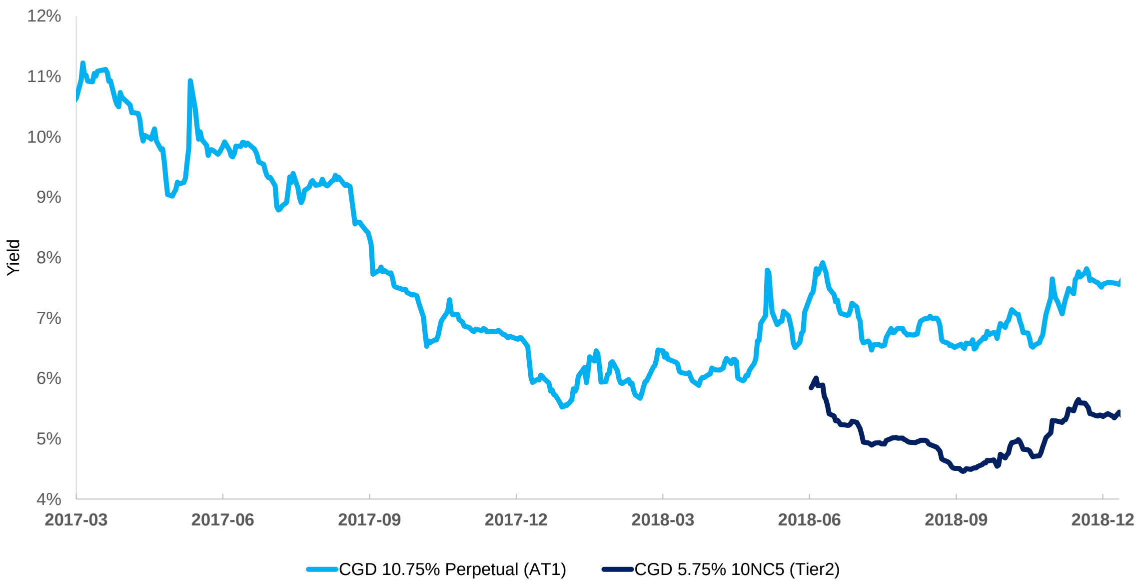
Credit ratings assigned by rating agencies to CGD at 31 December 2018 are summarized in the following table:

CGD'S RATING

	CGD		
	Short Term	Long Term	Date (last assessment)
FitchRatings	B	BB	2018-12
Moody's	N/P	Ba1	2018-12
DBRS	R-2 (mid)	BBB (low)	2018-06

Yields on the recent additional Tier 1 and Tier 2 issuances were down since the date of the respective issuances on account of investors' recognition of CGD's improved financial situation, as a result of the implementation of the strategic plan:

YIELD OF TIER1 AND TIER 2 ISSUANCES



1.4.4.1. DOMESTIC ACTIVITY

Reference should be made, in the case of CGD's core activity, to the 2.3% increase in income from services and commissions over 2017 to €383.3 million and the 2.9% improvement in net interest income to €795.6 million.

CONTRIBUTION TO CONSOLIDATED P&L (*)

DOMESTIC ACTIVITY

(EUR million)

	2017-12	2018-12	Change Total	Change (%)
Net interest income	773.4	795.6	22.2	2.9%
Income from equity instruments	45.3	16.5	-28.8	-63.6%
Net fees and commissions	374.5	383.3	8.7	2.3%
Net trading income	226.3	-7.1	-233.4	-
Other operating income	74.6	95.5	21.0	28.1%
Total operating income	**1,494.2**	**1,283.8**	**-210.4**	**-14.1%**
Employee costs	486.4	460.7	-25.7	-5.3%
Administrative expenses	302.7	258.2	-44.5	-14.7%
Depreciation and amortisation	51.8	36.0	-15.7	-30.4%
Operating costs	840.8	755.0	-85.9	-10.2%
Net operating income before impairments	**653.3**	**528.8**	**-124.5**	**-19.1%**
Credit impairment (net)	55.3	57.8	2.5	4.6%
Provisions and impairments of other assets (net)	623.3	-90.2	-713.5	-
Net operating income	**-25.2**	**561.2**	**586.4**	**-**
Income Tax	171.0	267.4	96.4	56.4%
Net operating income after tax and before non-controlling interests	**-196.2**	**293.8**	**490.0**	**-**
Non-controlling interests	3.2	4.0	0.8	24.0%
Results of associated companies	23.6	51.3	27.7	117.3%
Net income	**-175.9**	**341.0**	**516.9**	**-**

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

The negative evolution of income from financial operations, in comparison to the exceptionally good results achieved in 2017, was behind the 14.1% reduction of the contribution of domestic activity to total operating income from consolidated activity.

The 10.2% reduction of operating costs to €755.0 million represented a positive evolution over December 2017, having been particularly influenced by the reduction of employee costs as well as the remaining operating costs components.

Continuing to implement its strategic plan 2017-2020, the number of CGD employees engaged in CGD's domestic activity in 2018 was down 646.

In the sphere of the implementation of its deleveraging plan on non-performing assets, agreed with DG Comp, CGD Group also disposed of several properties received as payment in kind and investment properties, in 2018. All disposals of non-performing loan portfolios scheduled for 2018, were also negotiated and proceeded without any capital loss having been recorded vis-à-vis their net balance sheet carrying amount. This made a significant contribution to reducing CGD Group's NPL ratio.

CGD Group also undertook a corporate reorganisation, in 2018, in compliance with its strategic plan, with the aim of simplifying its structure based on a reduction of the number of companies used by it as corporate vehicles for its activity, achieved on the basis of mergers with or dissolutions of subsidiary/associated companies. The resulting organisation will give a boost to profitability in future years by eliminating processes which generate operating costs for CGD Group's consolidated operations.

Domestic activity contributed €341.0 million to CGD Group's current net income, in 2018, against the preceding year's losses of €175.9 million.

CGD PORTUGAL

CGD's commercial activity, in 2018, was guided by its digital transformation plan as a critical factor for the definition of customer service, providing a higher level of dedicated oversight and promoting a proximity service and greater customer loyalty.

CGD's success resulted in more than 2 million individual/corporate digital customers in the domestic market and abroad at the end of 2018. This represented a growth of 170 thousand new customers over 2017 of which 128 thousand in Portugal.

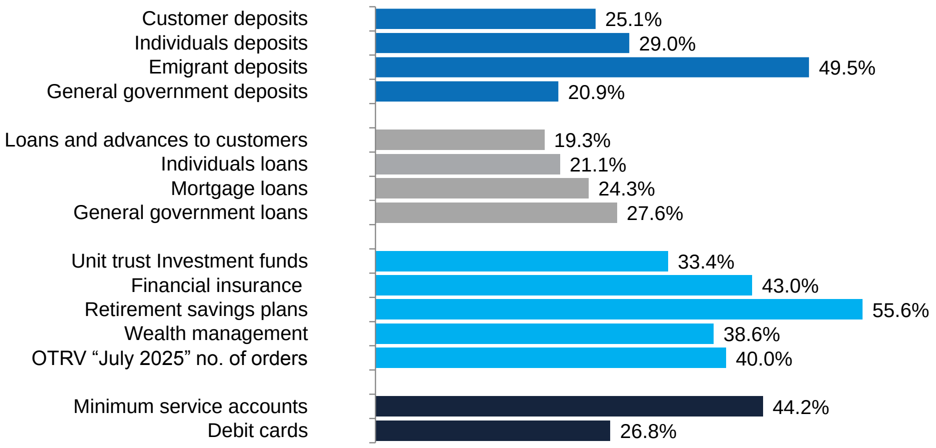
CGD achieved a leading position in various products and service areas, across 2018. It was the domestic leader in unit trust investment funds and deposits, lending to households, payments and bank cards and digital banking.

Protection of people with fewer resources, particularly includes the "minimum banking services" account, led by CGD, with a market share of around 44% in December 2018.

CGD ended 2018 with 240 thousand university customers and a market share of 56% of the Portuguese academic population.

MARKET SHARES - DECEMBER 2018

(%)



Source: CGD and Bank of Portugal

Unit trust and real estate funds in the asset management area achieved market shares of 33.4% and 8.4%, respectively, together with a 38.6% share in terms of wealth management and an increase in the market share of the pension funds business to 19.2%. Reference should also be made to the of *OTRV* "July 2025" public offering ("variable rate treasury bonds") in which CGD was the leader based on the number of orders received comprising 40% of subscribers.

Companies

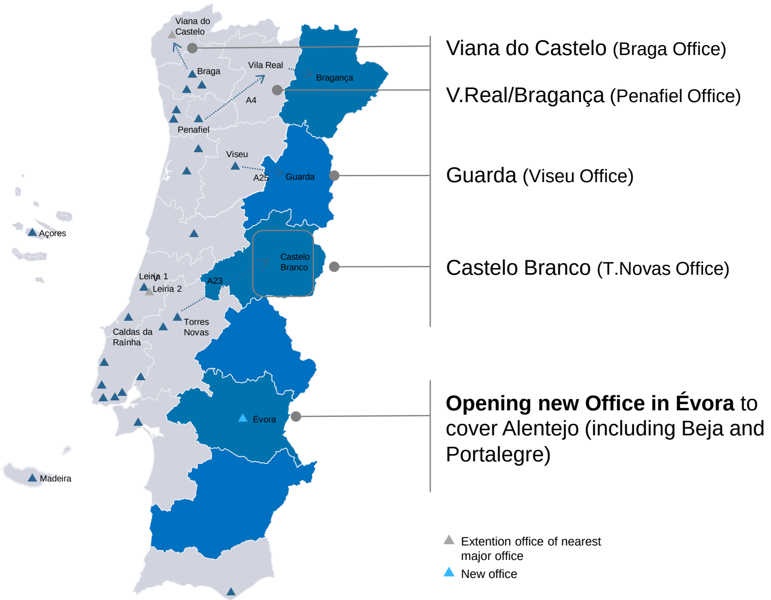
A new corporate and institutionals segmentation model was implemented in 2018, based on turnover and liabilities with the aim of providing innovative solutions to meet different types of needs and therefore improving customer service levels.

In terms of this segmentation, reference should be made to the commercial commitment to SMEs as a crucial business area in which CGD aims to achieve its natural market share and contribute towards the development of the Portuguese economy.

With this purpose in mind, reference should be made to the following results:

- Credit growth in several of the most dynamic sectors of the economy (up 7% for manufacturing, 7% for transport/warehousing, 12% for hotels and restaurants and 2% for commerce);
- The securing of market share in core products, particularly equipment and property leasing, external commerce and POS (point-of-sales) equipment;
- €1,700 million in medium and long term finance and leasing and €3,800 million in trade credit and backing for short term treasury requirements;
- A leading position in the main governmental lines: Linha Capitalizar 2017 [“Capitalisation”] – fully used up in 2018 – and leadership of the new Linha Capitalizar 2018 and PME Líder [“Leading SME”] status;
- An additional 530 SME customers and another 310 SME customers with at least three core products.

The corporate offices network was restructured with the objective of expanding its geographical coverage which now covers the whole of national territory.



The launch of new products for SMEs, in 2018, particularly included fixed-rate products, Leasing Flex, confirming guarantees, factoring without recourse (95% risk coverage by COSEC), renting, forfaiting for export and import operations and non-financial insurance.

An exclusive recognition programme in the form of *Caixa Top* is currently in force. The programme provides 9,600 companies with a series of different advantages and conditions: a speedier credit issuing process, better price terms, exclusive treasury products, foreign trade support and many other advantages.

CGD continued to develop a process of rationalising and restructuring its offer in the means of payment area in order to ensure greater simplicity and adequacy to meet its customers' needs. It succeeded in achieving positive results, particularly in the increase of subscriptions for prepaid cards such as meal cards and cards used to pay for expense account items.

Reference should also be made to several of the numbers which translate the evolution and contribution of acquiring:

- Around 44,500 terminals under management, in more than 22,000 customers;
- More than 15,000 POS terminals with DCC (dynamic currency conversion) and more than 25,000 POS terminals using active contactless technology;
- Approximately €13.7 million customer flow on a daily basis.

Reference should also be made to the fact that CGD, as an acquirer on POS terminals in Spain was distinguished for the 2nd consecutive year with MasterCard's "Data Integrity Compliance – Regional Award" for Europe.

Corporate subscriptions for the use of Caixadirecta's digital channels surpassed the 68% mark, and, in the case of several products, achieved high rates of operationability, particularly in documentary foreign trade operations (50%) and factoring and confirming operations (40%).

Emphasis was placed, in 2018, on initiatives whose characteristics and results could make a bigger contribution to increasing business in strategic segments with the aim of positioning the brand in the market. Reference should be made to the organisation of 13 nationwide *Encontros Fora da Caixa* meetings (Castelo Branco, Aveiro, Lisbon (two events), Évora, Porto, Beja, Setúbal, Bragança, Fátima, Coimbra, Viana do Castelo and Guarda), dealing with regional issues and helping to define a strategic vision for companies and the country. These meetings were attended in person by around 7,000 CGD customers with 275,000 streaming views.

Individuals

The domestic branch office network at the end of 2018, had 522 “universal” (i.e. general) branches plus 26 self-service branches. CGD’s self-service network comprised 3,747 items of equipment which processed 239 million operations for the amount of €18.6 billion, including 1,909 items of equipment on its own network (1,185 in-house machines and 724 bank passbook printers) plus 1,838 Multibanco network ATMs.

The first innovative proximity and mobility solution was also expanded at the same time in the form of Caixa’s *Mobile Branch*, with the introduction of a further two mobile units, expanding services to customers on the basis of a proximity solution in locations without any banking services. CGD’s three current mobile units are making their presence felt in a geographical area of around 10,700 sq. km and cover more than 3,000 km every fortnight to serve a population of 43,000 across 52 locations in 18 municipal districts in Guarda, Castelo Branco and Portalegre.

CGD continued to invest in its distance management of customers in providing around 275 thousand customers with a personal account manager, as another form of customer care to meet the needs of customers who prefer a proximity relationship with the Bank with the added convenience of extended opening hours and a multiplicity of contact channels.

In spite of the reduction of the number of branch offices, the individual customers retention rate was around 94%, as the result of the initiatives and the work performed in the sphere of individual customers management which continued to focus on the following three segments:

- Caixa Platinum: This service was launched in January and includes advisory and wealth planning. It is based on dedicated, personalised oversight and an exclusive offer with the aim of increasing customer involvement and satisfaction;
- Caixa Azul: With personal or distance oversight for around 333 thousand customers. Each account manager is responsible for the presentation of proposals across diverse life stages, with the aim of increasing the sophistication of the level of service and strengthening the relationship with each customer;
- Mass Market: This is transversal to the whole of the branch office network and is available at the 522 general branches.

Caixa Azul and Caixa Platinum customers enjoy the complementary presence of their contacts via Caixadirecta. They can use the services of their online managers who are available 24/7and can request call-backs, send and receive secure messages and benefit from such facilities as assistance in performing transactions and a user-friendly means of scheduling meetings.

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

CGD organised the biggest digital reception services at 80 universities and polytechnics in the new 2018 academic year for more than 40 thousand new students, having ended 2018 with a market share of more than 50% of the Portuguese academic population. The technological adequacy of the sales and post sales processes to meet customers’ expectations continues to be CGD’s brand image for the university market based on a fully digital approach in line with the desires of a millennium generation.

As part of its digital transformation programme and to guarantee customers’ greater accessibility to digital solutions, the following were launched in 2018:

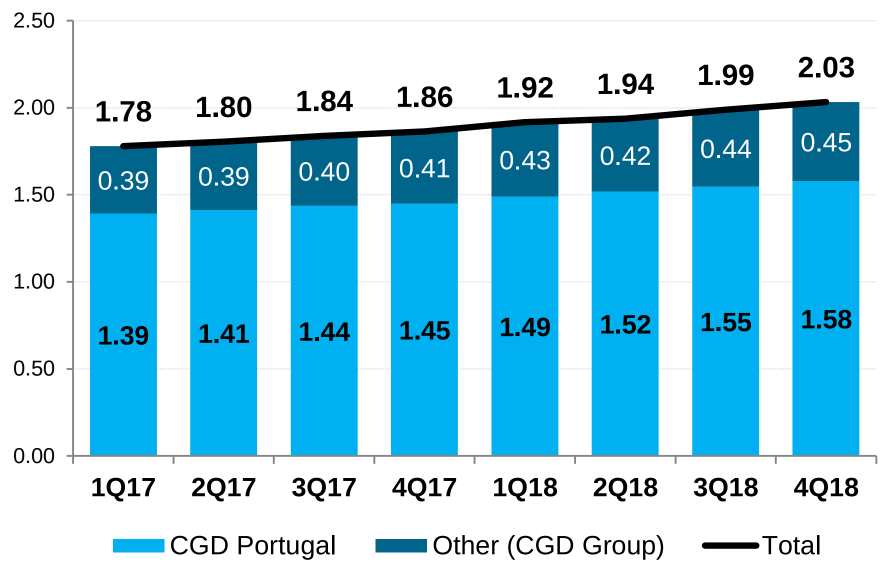
- The bank passbook app – as a digital version of CGD’s bank passbook, particularly with the senior segment in mind;
- The possibility of using video calls to open accounts remotely;

- A new Caixadirecta app which rapidly became the app of choice in playstores and responsible for 60% of accesses to Caixadirecta, owing to the user-friendliness of its 120 available functionalities;
- Caixa Easy, as a smartphone service enabling small amounts to be immediately transferred via a mobile phone number, without identifying the number of the account to be credited;
- Internet banking service views, for customers between the ages of 12 and 17 to encourage better management of their money in the future;
- The possibility of using Caixadirecta to apply for personal loans;
- Immediate subscriptions to Caixadirecta using Caixautomática and thru the banking statement.

This enables CGD to provide oversight on day-to-day management, savings, investment and loans for personal projects, as a convenient, safe enabler of agreements for taking out products and services.

ACTIVE DIGITAL CUSTOMERS

Millions of customers

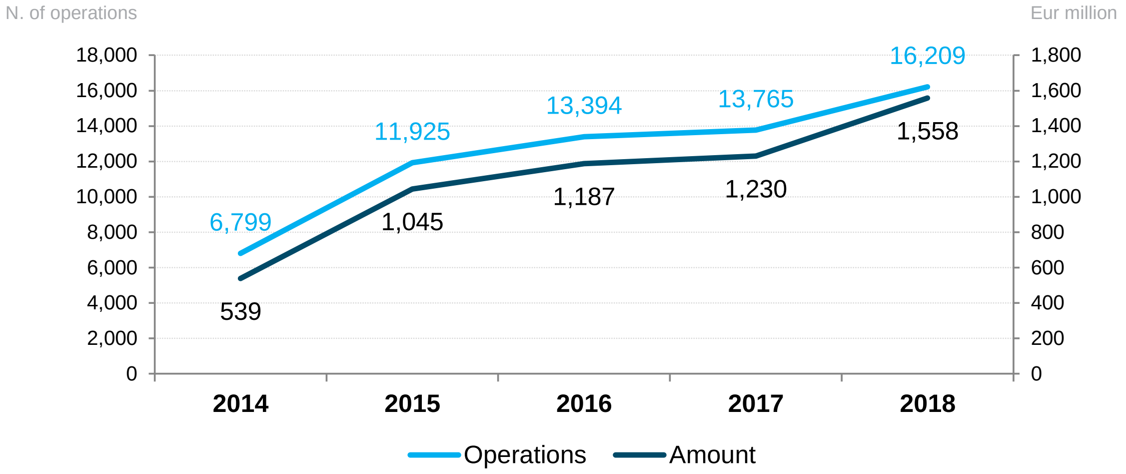


Caixa was distinguished, for the first time, by the readers of the highly regarded PC Guia magazine with the prize for the Best Homebanking Site 2018. With this distinction, Caixa has consolidated its position as the digital bank of Portuguese citizens as a simple solution available to all.

CGD's offer particularly includes its *Contas Caixa [Caixa accounts]* as a multiproduct solution comprising a current account, online transfers, debit and credit cards and insurance. The total number of subscriptions was up by 584 thousand new active accounts during the course of 2018 to 1.5 million at the end of December, comprising growth of 62% at a rate of around 50 thousand accounts per month.

CGD continues to lead in mortgage lending in Portugal. A series of initiatives based on 3 pillars was developed across 2018 as the fifth consecutive year in terms of the increase in new operations. They comprised a diversified offer of products and prices adjusted to customers' needs and objectives; a speedy, efficient service across the 3 phases: simulation and decision; assessment and confirmation; title deed and, lastly, a strong commercial dynamic backed by diverse communication campaigns in the media and at branch offices.

EVOLUTION OF MORTGAGE CREDIT - NEW OPERATIONS



One of the factors contributing to this growth was greater proximity and better relationships with external network partners, with an increase in the volume of mortgage lending operations achieved through estate agents and "assurfinance" channels. 431 new protocols were entered into in order to sustain and expand this growth across the year. A new management and commercial oversight model for partners was implemented, enabling the year to close with a market share of 37% on this channel and year-on-year growth of 92%.

INVESTMENT BANKING

Caixa-Banco de Investimento, S.A. (CaixaBI) is Caixa Geral de Depósitos Group's investment banking arm. It encompasses such different operating areas as the debt and equities capital market, corporate finance, project and structured finance advisory services, market-making, risk assessments and management for corporates and venture capital.

The fact that CaixaBI's merit has been consecutively recognised and distinguished by the international financial media confirms its excellence and leading position in the national marketplace, pursuant to which it was once again awarded (for the fifth consecutive year) the Best Investment Bank in Portugal prize from Global Finance. Emea Finance also awarded CaixaBI its Best Investment Bank prize for the eighth time and Euronext distinguished the bank with its prize for the No 1 IPO & Seasoned Equity Offer House.

CaixaBI's total operating income of €31.8 million included positive contributions from net interest income (€17.3 million), commissions on advisory and financial brokerage services (€23.0 million) and other operating income (€12.5 million). The contribution of net trading incometo this indicator was a negative €21.0 million.

Operating costs were down by a year-on-year 12.5% to €19.1 million at the end of 2018.

Net income for the year amounted to €11.2 million.

CAIXA BANCO DE INVESTIMENTO - INDICATORS*

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
Net interest income	17.8	17.3	-0.5	-2.7%
Commissions (net)	27.6	23.0	-4.6	-16.6%
Income from financial operations	44.1	-21.0	-65.1	-
Total operating income	90.2	31.8	-58.4	-64.8%
Operating costs	-21.8	-19.1	2.7	-
Net op. income before impairments	68.4	12.7	-55.7	-81.4%
Provisions and impairments	-49.2	7.7	56.9	-
Net income	33.0	11.2	-21.8	
Net assets	1,642.1	804.0	-838.1	-51.0%
Securities investments	553.6	587.5	33.9	6.1%
Loans and adv. to customers (net)	240.4	7.9	-232.5	-96.7%
Customer deposits	160.4	105.6	-54.8	-34.2%

(*) Statutory consolidated accounts.

CaixaBI's separate contribution to CGD Group's consolidated net income amounted to €36.4 million in 2018.

CaixaBI participated in most of the major M&A operations in Portugal across 2018 and continues to maintain a leading position in the sector's main league tables. Completions, with CaixaBI advisory services, across the year, particularly included CGD's disposal of 99.79% of the equity of Banco Caixa Geral, in Spain and 100% of Mercantile Bank Holdings, in South Africa, which operations are contingent upon the need to obtain authorisations from the competent regulatory authorities. Reference should also be made to the financial advisory services for Teixeira Duarte's disposal of 7.5% of the equity of Lusoponte and 90% of TDHOSP.

CaixaBI came second in the Bloomberg ranking for primary bond market advisory services operations, in 2018, as a bookrunner for Eurobonds issued by domestic entities – having led the ranking for 9 of the last 11 years – maintaining its lead in the number of issuances.

Portuguese public debt continued to be one of CaixaBI's operating priorities, based on its status as a Specialised Treasury Securities Operator. Particular reference should be made, in 2018, to its participation in the following issuances:

- Joint lead manager and bookrunner for the Portuguese Republic's medium and long term maturity debt issuance in the form of a new 15 year benchmark, in a syndicated issuance of €3 billion at a coupon rate of 2.25%, maturing in 2034;
- Co-lead manager for the new 10 year benchmark 2.125% treasury bonds issuance, maturing in 2028, in an operation amounting to €4 billion;
- Joint global coordinator for the Portuguese Republic's variable rate treasury bonds issuance for the amount of €1 billion, maturing in 2025.

Private entities' issuances particularly included CaixaBI's involvement in the following operations:

- NOS: joint lead manager and bookrunner for the inaugural issuance of NOS eurobonds for an amount of €300 million and a maturity of 5 years;
- CGD: joint lead manager and bookrunner for CGD's first issuance of Tier 2 securities for the amount of €500 million and a maturity of 10 years, with a call at the fifth year. This operation completed its recapitalisation plan;
- RAM: joint lead manager and bookrunner for the Autonomous Region of Madeira's bond issuance for the amount of €455 million, backed by a Portuguese government guarantee and having a maturity of 10 years;
- Mota-Engil: joint global coordinator for the Mota-Engil issuance of €110 million, maturing in 2022, in the form of a public subscription and public exchange offerings on Mota-Engil 2014/2019 and Mota-Engil 2015/2020 bonds, to be sold to the Portuguese retail and institutional investors markets;
- Organisation and lead management of the bond issuances for private institutional sales by Sonae Sierra (€50 million), Sugal (€10.5 million), Cotesi (€7.5 million) and Galp (€200 million) and the organisation and joint lead management of a Violas Group bond issuance of €328 million;
- Placement entity for the public subscriptions on FC Porto SAD, Benfica SAD and Sporting SAD bonds, for the Portuguese retail market.

CaixaBI retained its leading position in the commercial paper sector in Portugal, having organised and led sixteen new commercial paper programmes for an amount of more than €1 billion in 2018.

Advisory activities in the variable-income market, in 2018, took the form of CaixaBI's successful completion of its advisory services to VAA – Vista Alegre Atlantis, in the sphere of the listing of the new shares issued by the company following its capital increase of €51.5 million and in which CaixaBI acted as the global coordinator at the end of 2017 and for the Sumol + Compal delisting process. CaixaBI was also financial advisor to VAA – Vista Alegre Atlantis for its reverse stock split during the course of 2018.

CaixaBI was also involved in the preparation of the Sonae MC IPO, as global coordinator for the retail offer and joint bookrunner for the institutional offer as well as the structuring, organisation and execution of the VAA – Vista Alegre Atlantis share offering which involved a combination retail/ institutional offer, with CaixaBI as global coordinator and bookrunner. Both of these offers were cancelled by their respective offerers owing to deteriorating capital market conditions following the respective launch of the offers.

Reference should be made, as regards structured credit advisory services, to the conclusion of the acquisition finance operation by the Violas Group in the sphere of the said group's acquisition of a 25% equity stake in Viacer, in addition to the financial advisory services for structuring and assembling the reorganisation process on the financial liabilities of Teixeira Duarte, in an operation for a global amount of €781 million.

CaixaBI's market-making operations on secondary market public debt continued to be based on compliance with IGCP obligations.

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

In respect of venture capital operations, performed by Caixa Capital, as a company wholly owned by CaixaBI, support for the capitalisation of corporates managed by business operatives and qualified management teams and intervention in support of entrepreneurship and innovation were the fundamental aspects governing its activity across 2018.

An amount of €253 million was invested by the various funds under management, at the end of 2018. €134 million of this amount was invested in corporates and €119 million in funds and other indirect investment vehicles. A series of undertakings to increase investment in portfolio companies could lead to an increase of around €25 million in the amount invested.

The venture capital area made a fresh investment of €50,000 during the year and 25 increases to the amounts already invested in portfolio companies for a global amount of €16 million. There were also 26 disinvestment operations (12 of which full disinvestments) at a total realisation price of €37 million. The portfolio of subsidiary companies, at the end of 2018, totalled 83 companies.

SPECIALIZED CREDIT

In 2018, according to provisional data supplied by ALF (Portuguese Leasing, Factoring and Renting Association), the financial leasing and factoring subsector trended significantly upwards at 37.2% and 21.2%, respectively, while real estate leasing operations trended positively by 5.2%.

SALES BY SECTOR IN THE YEAR [2]

(EUR million)

			Change	
	2017-12	2018-12	Total	(%)
Property leasing	803	1,102	299	37.2%
Equipment leasing	2,217	2,333	116	5.2%
Factoring	26,207	31,757	5,550	21.2%

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

CLF's performance in terms of new operations, in 2018, was favourable in all of its business segments. Variations in comparison to the same period last year therefore comprised growths of 28% for leasing, 14% for factoring and 1.2% for consumer credit operations.

[2] Source: Preliminary data from ALF – Associação Portuguesa de Leasing, Factoring e Renting (January 2019)

CAIXA LEASING E FACTORING – NEW PRODUCTION

(EUR million)

Product	2017-12	2018-12	Change Total	Change (%)
Leasing	**322**	**411**	**89**	**27.7%**
Property leasing	70	93	22	32.0%
Equipment leasing	252	318	67	26.5%
Factoring	**3,239**	**3,698**	**459**	**14.2%**
Domestic and international factoring	2,135	2,302	167	7.8%
Confirming	1,104	1,396	292	26.5%
Consumer credit	**19**	**19**	**0**	**1.2%**
of which:				
Vehicle finance [(a)]	**150**	**171**	**21**	**14.3%**
Property leasing	131	152	21	16.2%
Consumer credit	19	19	0	1.2%

(a) Light vehicles

Real estate leasing sales, by number of operations were up by around 30.4% year-on-year and 32.0% in value terms. Global sales in 2019 were €93 million.

Equipment leasing sales by value were up by a year-on-year 26.5% in December 2018, to €318 million. Light vehicle finance operations which represent around 47.9% of the business's global sales were up 16.2%.

Factoring was up by around 14.2% over December 2018, to around €3.7 billion. Special reference should be made to the 26.5% increase in confirming operations.

The 1.2% year-on-year increase in traditional credit was very similar to that of December 2017. Light vehicle finance accounted for 99.7% of this segment.

Net assets were down by around 0.7%, notwithstanding a 0.9% increase in the loans and advances to customers portfolio.

CAIXA LEASING E FACTORING - INDICATORS

(EUR million)

	2017-12	2018-12	Change 2018-12 vs 2017-12 Total	Change 2018-12 vs 2017-12 (%)
Net interest income	37.6	40.2	2.6	7.0%
Total operating income	43.3	47.0	3.7	8.5%
Operating costs	16.1	13.0	-3.1	-19.3%
Net op. income before impairments	27.3	34.0	6.8	24.9%
Provisions and impairments	4.8	27.1	22.3	463.0%
Net income	14.1	2.7	-11.4	-80.9%
Net assets	2,388.4	2,372.2	-16.3	-0.7%
Loans and adv. to customers (net)	2,223.4	2,243.0	19.6	0.9%

Net interest income and total operating income were up 7.0% and 8.5% respectively. The appropriation for provisions and impairment was up by €22.3 million.

Operating costs were down 19.3% by €3.1 million.

CLF's net income of €2.7 million at 31 December 2018, was down over 2017, essentially as a result of the larger appropriation for provisions and credit impairment.

CLF's contribution to CGD Group's consolidated net income, in 2018 totalled €3.0 million.

ASSET MANAGEMENT

CGD Group companies specialising in asset management (Caixagest, Fundger and CGD Pensões) continued to implement their policy initiated in past years, in 2018, with the aim of expanding their customer base's subscriptions for unit trust and property investment funds, pension funds and wealth management services.

The principal operating pillars continued to be strengthened:

1. Consolidation of market lead in the unit trust investment funds and wealth management segment;
2. Retail offer simplification strategy in a context of greater visibility and focus shown by commercial cycles, aligned with CGD's implementation of customer segmentation at the end of 2017
3. Consolidation and strengthening of CGD's presence through its branch office network, based on various training initiatives and promotions developed in cooperation with CGD Marketing;
4. Strengthening of a tradition of innovation, in which Caixagest stands at the forefront of the introduction of investment solutions based on criteria of selecting companies with good environmental, social and corporate governance practice, in Portugal, with a view to expanding its offer in this domain in 2019.

This strategy has been materialised in the recognition afforded to CGD Group's investment funds, which is visible in their positions in the return/risk rankings, as well as the prizes they have been awarded, particularly the Morningstar 2018 prizes for the Best Domestic Fund Manager and, for the fourth consecutive year, the Best Domestic Bond Manager.

In December 2018, the full amount of the equity capital of Caixagest, Fundger and CGD Pensões, previously owned by Caixa Gestão de Activos, SGPS, S.A., was held directly by CGD owing to the latter company's merger with and incorporation into CGD

The amount of assets managed by the three companies at the end of December 2018, was up 1% over 2017 to €27,772 million.

ASSET MANAGEMENT - INDICATORS

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
Net Comissions	21.4	22.9	1.4	6.7%
Total operating income	22.3	24.2	2.0	8.8%
Operating costs	12.7	13.2	0.5	3.9%
Net op. income before impairments	9.6	11.0	1.5	15.2%
Net income	7.2	7.4	0.2	2.6%
Assets under management	**27,507.3**	**27,772.2**	**264.8**	**1.0%**
Caixagest - Unit Trust investment Funds	3,927.6	3,745.3	-182.3	-4.6%
Fundger - Property Funds	972.5	777.2	-195.3	-20.1%
CGD Pensões - Pension Funds	3,770.4	3,640.8	-129.6	-3.4%
Caixagest - Wealth Management (1)	18,836.9	19,608.9	772.1	4.1%

(1) The amount of Portfolios under Management does not include Pension Funds and Portfolio Advisory

The year 2018 was characterised by a significant change in investor sentiment and trust in comparison to the preceding year. Pessimism across 2018, grew and was further exacerbated across the last quarter. This resulted in an atypical year with a negative performance by practically all assets categories.

Although such an environment had a penalising effect on the evolution of volumes under management, particularly in the case of unit trust and closed pension funds, gross commissions earnings, in 2018, across the whole of the asset management business were up 7.5% over the preceding year to €55 million. Particular reference should be made to the gross commissions earnings of approximately 14.4% on unit trust funds.

GROSS COMMISSIONS

(EUR million)

	2017-12	2018-12
Unit trust funds	24.6	28.2
Property funds	7.8	7.4
Pension funds	6.2	6.5
Wealth management	12.5	12.9
Total	**51.1**	**55.0**

This result in which CGD's branch office network's contribution represented an indispensable contribution, was the fruit of the strategy initiated at the start of 2015, translating a different composition of fund families. The proportion of funds providing customers with greater value generating potential has been particularly strengthened with special reference being made to multi-asset and share funds.

Unit trust investment funds – Caixagest

In a highly challenging market context of a reversal in sentiment and search for value sources for its customers, Caixagest consolidated its market lead in the unit trust funds segment with a market share of 33.4%. Caixagest achieved a growth rate of 37.7% in the case of multiactive funds and 24.8% in the case of equity funds in a year in which market evolution in these segments was no more than 3.3% and 2.5%, respectively.

The adequate management of customers' expectations and permanent oversight of sales channels, together with constant updates of the macroeconomic and market environment enabled Caixagest to strengthen its position in funds with a greater diversification strategy by asset category, balanced portfolios and value creation for customers over the long term.

Caixagest continued to implement a commercial strategy of simplifying its current offer which it adjusts to its customers' interests, objectives and needs.

FUNDS UNDER MANAGEMENT

(EUR million)

	2017	2018
Treasury funds	1,683	1,255
Bond funds	573	500
Multi-asset funds	684	941
Share funds	551	687
Alternative funds	437	361
Total	**3,928**	**3,745**

Gross commissions earnings from unit trust investment funds were up 14.4% over the preceding year to €28.2 million.

Property funds – Fundger

The property management funds portfolio managed by Fundger at the end of the year had an estimated worth of €777 million, down 20.1% over the preceding year, comprising an open-ended property fund for public subscriptions and 14 closed funds for private subscriptions.

Its commercial activity, in 2018, was geared to the oversight of customer portfolios based on an integrated portfolio management approach and maintenance of customers' loyalty levels.

Fundger ceased to manage four property funds in the year under analysis, owing to their transfer to another fund manager. One fund was wound up on maturity.

The terms of the Caixa Geral de Depósitos Group's corporate reorganisation process, provide for the merger based on the incorporation of Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. into Caixagest – Técnicas de Gestão de Fundos, S.A., whose completion is scheduled for end 2019.

PROPERTY FUNDS MANAGEMENT

(EUR million)

	2017	2018
Fundimo open-ended fund	565	556
Closed end funds	407	222
Total	**972**	**777**

Gross commissions earnings from property funds were down 5% over the preceding year to €7.4 million.

Pension funds - CGD Pensões

The equity value of the funds managed by CGD Pensões, at 31 December 2018, was down 3.4% over the end of the preceding year to €3.641 million.

The 17 closed pension funds existing in the preceding year remain under management.

In addition to individual subscriptions to open pension funds commercialised on the Caixa Geral de Depósitos branch office network, 61 collective subscriptions were also managed.

FUNDS UNDER MANAGEMENT

(EUR million)

	2017	2018
Closed end funds	3,292	3,219
Open-ended funds	412	358
Retirement Savings Plan fund	67	65
Total	**3,770**	**3,641**

Gross commissions earnings of €6.5 million from pension funds were up 3.9% over the preceding year.

Wealth management – Caixagest

The wealth management service retained its growth trend on amounts under management in the retail and corporate segment translating into an increase of 13.6% in spite of the fact that the year was marked by the furtherance of tendentially less accommodative monetary policies, political events, a higher level of commercial tensions and consequent increase of volatility in the financial markets.

The growth of €917 million in insurance company portfolios was the main contributor to the 4.1% growth of funds under Caixagest's discretionary management, which totalled €19.6 billion at the end of the year.

PORTFOLIOS UNDER MANAGEMENT

(EUR million)

	2017	2018
Insurance portfolios	12,109	13,026
Institutional (1)	6,382	6,190
Individuals	346	393
Total	**18,837**	**19,609**

(1) The amount of Portfolios under Management does not include Pension Funds and Portfolio Advisory

Gross commissions earnings from fund management were up 3.7% over the preceding year to €12.9 million.

1.4.4.2. INTERNATIONAL ACTIVITY

CGD Group continued to restructure its international presence across 2018 on the basis of the Strategic Plan, focusing on the markets defined as being strategic for CGD Group's activity and having a business affinity with Portugal.

CGD Group has a presence in international geographies with high potential but also not inconsiderable risk levels, and enjoys unique access to local markets in its leverage of the brand value of its image of trustworthiness.

The principal business areas it has adopted and which are currently in progress, are based on:

- The evolution of a relatively uncoordinated set of units to a coordinated network operation, based on closer cooperation between CGD and each of these operations e.g. in terms of governance and the corporatisation of functions;
- A strengthening of income and profit generating capacity which are not dependent upon the balance sheet, e.g. based on its enormous capacity to operate as a servicer for banks and international enterprises not having a presence in the said geographies;
- The exploitation of a servicing activity to secure high quality credit and additional business;
- A homogenising of offer and commercial approach without prejudice to local specificities;
- The simplification and improved efficiency of its structure, e.g. exploiting synergies with CGD;
- A strengthening of corporatisation levels of control and other functions.

CGD Group aims to operate as a multiservice banking platform (receipts, credit triangulation, etc.) for multinational customers operating in the geographies covered by CGD's branch office network, based on the development of its offer for the Group's customers in more than one geography – an integrated Group level customer vision – to leverage such relationships and exploit their commercial flows.

The strengthening of governance is a critical aspect of activity areas in international operations, based on consolidating CGD's representativeness and its consistent oversight, both on a level of such units' statutory bodies and its corporate exercise of control functions and harmonising of rules and practices and the sharing of good practice across the Group as a whole and, in general, the growing articulation between CGD's diverse functional structures and those of its international units, helping to strengthen their role in the Group's strategy and their contribution to its consolidated earnings.

Contributions from the International Area

The international area’s contribution of €154.7 million to consolidated net income in 2018 was down 32.1% year-on-year 2017. This unfavourable development was due to the depreciation of Angola's kwanza and Macau's pataca against the euro referred to previously and also derived from the reduction of CVC Corretora contribution to CGD Group results as this subsidiary had significant gains in September 2017 following the disposal of its economic rights over Rico Corretora.

CONTRIBUTION TO CONSOLIDATED NET INCOME (*)
INTERNATIONAL ACTIVITY

(EUR million)

			Change 2018-12 vs 2017-12	
	2017-12	2018-12	Total	(%)
Net interest inc. incl. inc. from eq. investm.	475.5	409.5	-66.0	-13.9%
Net fees and commissions	91.5	91.7	0.2	0.2%
Net trading income	-18.2	40.1	58.3	-
Other operating income	20.8	1.2	-19.6	-94.3%
Total operating income	**569.5**	**542.4**	**-27.1**	**-4.8%**
Employee costs	172.6	158.5	-14.1	-8.2%
Administrative expenses	103.8	102.3	-1.5	-1.5%
Depreciation and amortisation	35.0	25.6	-9.4	-26.9%
Operating costs	**311.4**	**286.3**	**-25.0**	**-8.0%**
Net operating income before impairments	**258.2**	**256.1**	**-2.1**	**-0.8%**
Credit impairment (net)	30.6	61.7	31.0	101.2%
Provisions and impairments of other assets (net)	18.0	6.5	-11.6	-64.2%
Net operating income	**209.5**	**188.0**	**-21.5**	**-10.3%**
Income Tax	44.8	40.9	-3.9	-8.8%
Net operating income after tax and before non-controlling interests	**164.7**	**147.1**	**-17.6**	**-10.7%**
Non-controlling interests	21.6	39.8	18.2	84.2%
Results from subsidiaries held for sale	83.6	45.8	-37.8	-45.2%
Results of associated companies	1.1	1.6	0.5	41.8%
Net income	**227.8**	**154.7**	**-73.1**	**-32.1%**

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

Notwithstanding the favourable €58.3 million increase in net trading income, lower levels of net interest income sharply conditioned total operating income of €542.4 million, in 2018. Excluding the referred to foreign exchange effect, net interest income from international activity would have recorded an additional amount of €56 million.

The 4.8% reduction of €27.1 million in total operating activity in comparison to the same period of the preceding year was offset by the decrease of all component parts of the operating costs of international activity. Employee costs were down 8.2% over the preceding year, administrative expenses down 1.5% and containment of depreciation and amortisation at 26.9%.

The main contributors to consolidated net income were BNU Macau (€61.5 million), BCI Moçambique (€35.8 million) and France branch (€16.2 million).

MAIN CGD GROUP COMPANIES

BNU MACAU

Banco Nacional Ultramarino, S.A (BNU) is a wholly owned CGD subsidiary in the Special Administrative Region of Macau. Its presence in Macau dates back to 1902 and comprises a large network of 20 branch offices in the Territory and a branch in the city of Hengqin which adjoins Macau (previously known as the "Island of the Mountain") and the Special Economic Zone of the Province of Guangdong (previously Canton) in the PRC (People's Republic of China).

Macau's banking sector continues to enjoy a high level of stability and consistency in terms of capital, asset quality, profitability and liquidity although the sector is experiencing ever greater competition owing to the pressure brought to bear by Chinese banks which are very aggressive in terms of deposit-taking and lending operations. Notwithstanding the adverse environment in terms of competition, BNU's market shares of lending and customer deposits have remained relatively stable although slightly down.

BNU's net income of €586.4 million patacas in December 2018 was down 7.5% over 2017. Net income, however, on a recurring basis, was up 20.6%, as the amounts recognised in 2017 include non-recurring income on the disposal of a branch for the amount of 147.9 million patacas.

In business terms, reference should be made to:

a) credit portfolio diversification which is less dependent on credit to major operators in the hotel and gambling sectors and which enjoyed an increase in the proportion of credit to retail customers (58.5% in 2018 against 49.6% in 2017), in which particular reference should be made to the 14.5% growth of mortgage loans;

b) the significant improvement of the loans-to-deposits ratio (71.8%, as opposed to 59.9% in 2017); and

c) increased cross-selling with an average number of 3.68 products per active customer in 2018 against 3.58 in 2017, which expresses the continuity of customer loyalty, particularly the 23.7% growth of bancassurance.

The annual 6.8% increase in BNU's net interest income partly derived from the decrease of institutional deposits, which are more expensive, as well as the effect of the across-the-board hike in interest rates.

Contributory factors to the 9.1% increase of operating costs over the preceding year were:

a) a 4.9% increase of employee costs (reflecting the need to retain skilled staff in a highly competitive labour market with full employment);

b) a 16.9% increase of general administrative costs (also on account of the rent for a new branch at the University of Macau designed to secure the custom of new generations) and the overall increase of branch office rents, consultancy costs related with the implementation of the Common Reporting Standard and IFRS 9 standard in Macau, in 2018, and the monthly costs related with improvements to the business continuity plans (disaster recovery) and repair works originated by the damages to the bank's buildings caused by the Mangkhut typhoon; and

c) depreciation and amortisation (10.9%) – new branch premises (Flower City) and continuous investment policy in the IT areas.

The quality of the credit portfolio has been maintained with non-performing credit and credit coverage ratios of 1% and 86% respectively.

The solvency ratio improved to 19.8% against 17.8% in 2017.

The recurring cost-to-income ratio, excluding the already referred to income from a branch disposal, improved slightly (35.7% in 2018 against 35.9% in 2017).

BNU MACAU - INDICATORS

	(EUR million)			(MOP million)		
	2017-12	2018-12	Change (%)	2017-12	2018-12	Change (%)
Net interest income	82.5	83.8	1.5%	748.1	799.0	6.8%
Total operating income	122.7	110.6	-9.8%	1,111.7	1,054.7	-5.1%
Operating costs	38.4	39.8	3.7%	347.9	379.6	9.1%
Net op. income before impairments	84.3	70.8	-16.0%	763.7	675.1	-11.6%
Provisions and impairments	4.3	0.7	-83.6%	38.9	6.7	-82.7%
Net income	70.0	61.5	-12.1%	634.1	586.5	-7.5%
Net assets	6,700.9	6,061.5	-9.5%	64,685.3	56,013.2	-13.4%
Loans and adv. to customers (net)	2,941.1	2,902.7	-1.3%	28,390.9	26,823.2	-5.5%
Customer deposits	4,909.4	4,043.6	-17.6%	47,391.3	37,366.2	-21.2%

Exchange rate EUR/MOP - Balance sheet: 9.6532 in Dec/17 and 9.2408 in Dec/18; P&L: 9.0631 in Dec/17 and 9.5332 in Dec/18.

BNU Macau's contribution to CGD Group's consolidated net income for 2018 was €61.5 million.

FRANCE BRANCH

France branch, which is geared to the "natural" market comprising the Portuguese community in France, is one of CGD Group's major foreign operations. The branch also caters for other communities (particularly Portuguese-speaking) and also assists Portuguese companies operating in France, both in the sphere of bilateral trade between the two countries as in the sphere of the freedom to provide services.

Economic activity, in France, which continues to have a high unemployment rate of 9.0% is characterised by a moderate level of performance, with GDP growth of 1.5% (against 2.2% in 2017), sustained by public and private consumption, foreign trade and gross fixed capital formation, the latter of which has registered a slowdown. This is particularly significant in the case of household investment (up 1.5% against last year's increase of 5.6%).

It was in such a macro-economic scenario and in the case of a banking market characterised by heightened competition in an environment of historically low interest rates that the branch operates domestically. Particularly significant was the 7.0% increase in lending over the last year and resource-taking in the form of customer deposits (up 3.8%) and transfers to Portugal (up 4.8%).

The branch's performance in the French market translated into operating income of €22.3 million to which domestic activity was almost the sole contributor insofar as international activity was transferred to CGD's headquarters at the end of 2017.

The 67.4% drop in such income also derived from higher levels of impairment deriving from the revision of risk factors at the end of the year.

Several of the main challenges facing the France branch include the development of digital banking with the objective of achieving greater penetration in the young Portuguese and Luso-descendants market, strengthening transparency and a risk policy based on best market practice.

CGD's France branch remains committed to promoting bilateral trade between Portugal and France and currently has a portfolio of more than 250 customers with business revenues of around €33 million, up 45% over last year.

CGD France also makes an active contribution to promoting the sale of CGD Group's real estate in the French market. Its presence (for the seventh year) in the Portuguese Real Estate Exhibition in Paris (also in its 7th edition) is indicative of this commitment.

FRANCE BRANCH - INDICATORS

(EUR million)

	2017-12	2018-12	Change 2018-12 vs 2017-12 Total	(%)
Net interest income	100.4	70.2	-30.2	-30.1%
Total operating income	120.2	93.0	-27.2	-22.6%
Operating costs	57.8	57.0	-0.8	-1.4%
Net op. income before impairments	62.5	36.1	-26.4	-42.3%
Provisions and impairments	-5.8	13.8	19.6	-
Net income	48.8	11.4	-37.4	-76.6%
Net assets	2,888.1	2,923.2	35.1	1.2%
Loans and adv. to customers (net)	2,111.7	2,260.0	148.3	7.0%
Customer deposits	2,310.1	2,398.5	88.5	3.8%

France branch's contribution to CGD Group's consolidated net income in 2018 was €16.2 million.

BANCO CAIXA GERAL ANGOLA

BCGA (Banco Caixa Geral Angola) is an Angolan institution owned by Caixa Geral de Depósitos Group and was the first private banking institution to operate in Angola after its independence.

BCGA specialises in the large and medium sized enterprises segments, particularly oil and gas, and affluent retail customers with levels of service of excellence. It has a presence in 10 of the country's 18 provinces with 34 branches, 4 corporate centres, 1 specialised hub for companies operating in the oil and gas sectors and 1 hub specialising in large enterprises.

BCGA's net interest income of 21,993 million kwanzas, was down by a year-on-year 10.4%.

The domestic currency continued to trend to depreciation against the USD and EUR in fourth quarter 2018. The former trend enabled a highly positive evolution of net trading incometo be achieved, leveraged by long positions in terms of exposure to foreign exchange namely the treasury bonds portfolio indexed to the US dollar.

Commissions were sharply up to an accumulated growth rate of 49.8% in December, in comparison to the same period of the preceding year. This was particularly the case of commissions on foreign exchange operations, credit cards and securities operations.

Operating costs grew at a lower rate than inflation and under budget. In spite of the fact that many of the cost headings are in foreign currency and that many of the many long term contracts have a foreign exchange-linked component, the impact of the kwanza's depreciation was only felt on a very small percentage.

Employee costs were up by a year-on-year 27.9%. General administrative costs were up by a year-on-year 20.1%.

Net operating income before impairment was up by a year-on-year 123.4% to 16,964 million kwanzas as a consequence of the positive impact of commissions and income from financial operations, notwithstanding the increase in operating costs.

BCGA's net assets were up by 16.5% year-on-year to 364,342 million kwanzas. The increase, however, is essentially the result of the revaluation of the securities portfolio (foreign-currency linked treasury bonds).

The credit portfolio was down 24.1% over the same period last year, with overdue credit down 30% in December, with a coverage ratio (provisions/overdue credit) of 90.4% and a default ratio of 12%.

Deposits were up 23.6%, albeit leveraged by the effect of the depreciation of foreign currency deposits which were up 47.9%.

Foreign exchange risk in the balance sheet and profit and loss, in December 2018, were highly expressive, as the proportion of foreign exchange to total operating income was 48.1% and the proportion of assets subject to exchange rate variations out of total assets was 54.5%.

BCG ANGOLA - INDICATORS

	(EUR million)			(AOA million)		
	2017-12	2018-12	Change (%)	2017-12	2018-12	Change (%)
Net interest income	131.6	74.1	-43.7%	24,550.9	21,993.2	-10.4%
Total operating income	106.9	104.3	-2.4%	19,937.3	30,964.9	55.3%
Operating costs	66.2	47.2	-28.7%	12,342.7	14,000.7	13.4%
Net op. income before impairments	40.7	57.1	40.3%	7,594.6	16,964.2	123.4%
Provisions and impairments	16.5	21.3	29.1%	3,079.2	6,327.1	105.5%
Net income	11.6	30.5	163.3%	2,157.1	9,039.5	319.1%
Net assets	1,575.7	1,038.2	-34.1%	312,692.1	364,341.7	16.5%
Loans and adv. to customers (net)	436.2	187.3	-57.1%	86,561.6	65,724.6	-24.1%
Customer deposits	1,137.8	795.3	-30.1%	225,801.1	279,091.3	23.6%

Exchange rate EUR/AOA - Balance sheet: 198.4500 in Dec/17 and 350.9300 in Dec/18; P&L: 186.5195 in Dec/17 and 296.8620 in Dec/18.

BCG Angola's contribution to CGD Group's consolidated net income totalling €15.4 million in 2018, was sharply affected by adverse foreign exchange effects in Angola.

BCI MOZAMBIQUE

Notwithstanding signs of recovery, Mozambique's economy continued to be exposed to significant risks on its lending activity, with credit activity only registering a slight recovery in fourth quarter 2018. BCI ended 2018 with a solid financial and equity situation, comfortable liquidity levels and adequate control over its operating costs.

In 2018, BCI maintained the robustness and financial strength it has succeeded in achieving over the last few years due to the rigour and discipline of its management model, consolidating its position in the domestic backing system. BCI has topped the ranking in terms of its market shares of credit and deposits over the last 3 years in achieving 29.4% and 27.6% respectively in November 2018.

BCI also has the largest nationwide branch office and electronic channels network as a result of its major investment in digital banking, having ended 2018 with 200 branches, up 5 over 2017, 633 ATMs and 13,622 POS terminals (11,282 in 2017).

Net assets remained stable at MZN 154.2 billion in comparison to MZN 155.34 billion in December 2017 (down 0.8%), deriving, *inter alia*, from the combination effect of the reduction of the loans and advances to customers portfolio, increase in loans and advances to credit institutions and the increase in cash and cash equivalents.

The loans and advances to customers portfolio (net) was down by a year-on-year 9.3% or MZN 6.8 billion to MZN 66.1 billion against MZN 72.9 billion in December 2017. This evolution is a consequence of the reduction in demand for credit owing to the high interest rates in force since 2016.

Total customer resources were up 2.48% by MZN 2.80 billion over December 2017 to MZN 115.77 billion in December 2018, essentially on account of an increase in sight as well as term deposits.

Following its share capital increase through an incorporation of reserves to MZN 10.0 billion in November 2018, shareholders' equity was up MZN 1.2 billion over the preceding year's MZN 14.8 billion to MZN 16.0 billion.

This evolution comprised a stronger own funds adequacy ratio which contributed towards the growth of the solvency ratio to 18.7% in December 2018 (against 17.1% in December 2017), a much higher level than the 11.0% legally established by the Bank of Mozambique.

The cost-to-income ratio improved to 49.4%, down 6.28 pp in comparison to the 55.7% recorded in 2017. ROA (return on assets) was up by a year-on-year 1.1 pp (1.6% in December 2017 against 2.6% in December 2018).

BCI's net income of MZN 4.0 billion, was up 72.7% over December 2017.

BCI MOZAMBIQUE - INDICATORS

	(EUR million)			(MZN million)		
	2017-12	2018-12	Change (%)	2017-12	2018-12	Change (%)
Net interest income	115.3	139.6	21.1%	8,190.5	9,871.1	20.5%
Total operating income	158.5	196.7	24.1%	11,260.4	13,907.8	23.5%
Operating costs	95.7	98.7	3.1%	6,802.3	6,976.9	2.6%
Net op. income before impairments	62.7	98.0	56.2%	4,458.0	6,930.9	55.5%
Provisions and impairments	28.8	18.6	-35.3%	2,043.9	1,315.4	-35.6%
Net income	32.7	56.7	73.5%	2,322.4	4,009.7	72.7%
Net assets	2,211.5	2,197.6	-0.6%	155,333.5	154,116.2	-0.8%
Loans and adv. to customers (net)	1,037.6	942.1	-9.2%	72,878.9	66,071.0	-9.3%
Customer deposits	1,604.6	1,645.9	2.6%	112,709.0	115,427.3	2.4%

Exchange rate EUR/MZN - Balance sheet: 71.2400 in Dec/17 and 70.1300 in Dec/18; P&L: 71.0558 in Dec/17 and 70.7059 in Dec/18.

BCI Moçambique´s contribution to the 2018 Group's consolidated net income was €35.8 million.

1.4.5. SEPARATE ACTIVITY

RESULTS

The results from CGD's separate activity were once again positive in 2018, in achieving an expressive level of net income for the year of €337.8 million.

Reference should be made, in the case of CGD's core activity to the 5.9% increase in services and commissions over the preceding year to €393.9 million.

Income from financial investments, owing to the exceptionally good results achieved in 2017, was down 82% by €179.2 million.

Operating costs continued their downwards trajectory by 9.3% or €76.8 million over 2017 across all of their component parts, down 6.8% for employee costs, 9.8% for general administrative costs and 30.3% for depreciation and amortisation.

INCOME STATEMENT (SEPARATE) [(a)]

(EUR thousand)

			Change	
	2017-12	2018-12	Total	(%)
Interest and similar income	1,725,180	1,516,129	-209,051	-12.1%
Interest and similar costs	890,360	703,040	-187,320	-21.0%
Net interest income	834,820	813,089	-21,731	-2.6%
Income from equity instruments	59,889	66,988	7,099	11.9%
Net interest income incl. income from eq. investm.	**894,709**	**880,077**	**-14,632**	**-1.6%**
Fees and commissions income	460,424	483,015	22,591	4.9%
Fees and commissions expenses	88,411	89,158	747	0.8%
Net fees and commissions	372,013	393,857	21,844	5.9%
Net trading income	218,633	39,419	-179,214	-82.0%
Other operating Income	-40,083	-14,135	25,949	-
Non-interest income	**550,563**	**419,142**	**-131,421**	**-23.9%**
Total operating income	**1,445,272**	**1,299,218**	**-146,053**	**-10.1%**
Employee costs	492,574	459,133	-33,441	-6.8%
Administrative expenses	279,018	251,811	-27,207	-9.8%
Depreciation and amortisation	53,182	37,059	-16,122	-30.3%
Operating costs	824,774	748,004	-76,770	-9.3%
Net operating income before impairments	**620,498**	**551,215**	**-69,283**	**-11.2%**
Credit impairment (net)	119,092	116,518	-2,574	-2.2%
Provisions and impairments of other assets (net)	347,394	-171,675	-519,070	-
Provisions and impairments	**466,486**	**-55,158**	**-521,644**	**-**
Net operating income	**154,012**	**606,372**	**452,361**	**293.7%**
Income Tax	**129,370**	**268,575**	**139,205**	**107.6%**
Current	30,406	13,673	-16,734	-55.0%
Deferred	65,454	225,037	159,583	243.8%
Contribution on the banking sector	33,509	29,865	-3,645	-10.9%
Net income	**24,642**	**337,798**	**313,156**	**1270.8%**

(a) Including the activity of the France, Spain, Luxembourg, New York, Timor, and Zhuhai branches

As a result of the referred to evolution, net operating income before impairment was down 11.2% by €69.3 million over 2017 to €551.2 million.

Core operating income (the sum of net interest income and commissions, net of operating costs), was up 20.1% by €76.9 million over the preceding year to €458.9 million in 2018, benefiting from the positive performance of both net interest income and operating costs.

BALANCE SHEET

Net assets for Caixa Geral de Depósitos's separate activity were down 5.6% over the preceding year to €77,607 million at the end of 2018. Special reference should be made to the evolution of the loans and advances to customers portfolio (down 6.7%), securities investments (up 3.8%), cash and cash balances at central banks (up 24.3%) and investments in subsidiaries and associated companies (down 52.1%).

On the liabilities side reference should be made to the reductions of central banks' and credit institutions' resources (down 55.1%), debt securities (down 19.5%) and customer resources (down 1.1%).

BALANCE SHEET (SEPARATE) [(a)]

(EUR million)

			Change	
ASSETS	2017-12	2018-12	Total	(%)
Cash and cash equivalents with central banks	3,750	4,661	911	24.3%
Loans and advances to credit institutions	4,211	3,964	-248	-5.9%
Securities investments	17,337	17,995	658	3.8%
Loans and advances to customers	48,072	44,852	-3,220	-6.7%
Non-current assets held for sale	713	657	-56	-7.9%
Intangible and tangible assets	336	292	-43	-13.0%
Investm. in subsid. and associated companies	3,492	1,672	-1,820	-52.1%
Current and deferred tax assets	2,235	2,045	-190	-8.5%
Other assets	2,027	1,468	-559	-27.6%
Total assets	**82,174**	**77,607**	**-4,568**	**-5.6%**
LIABILITIES				
Central banks' and credit institutions' resources	4,847	2,176	-2,672	-55.1%
Customer resources	56,838	56,215	-623	-1.1%
Debt securities	4,053	3,261	-792	-19.5%
Financial liabilities	1,056	731	-325	-30.7%
Provisions	1,247	1,046	-202	-16.2%
Subordinated liabilities	1,128	1,270	143	12.6%
Other liabilities	5,833	5,543	-291	-5.0%
Sub-total	**75,001**	**70,240**	**-4,761**	**-6.3%**
Shareholders' equity	**7,173**	**7,367**	**193**	**2.7%**
Total	**82,174**	**77,607**	**-4,568**	**-5.6%**

(a) Including the activity of the France, Spain, Luxembourg, New York, Timor, and Zhuhai branches

CAPITAL MANAGEMENT

Shareholders' equity was up by €193 million over 2017 to €7,367 million at the end of 2018.

SHAREHOLDERS' EQUITY (SEPARATE)

(EUR million)

	2017-12	2018-12	Change Total	Change (%)
Capital	3,844	3,844	0	0.0%
Other capital instruments	500	500	0	0.0%
Revaluation reserves	338	227	-110	-32.6%
Other reserves and retained earnings	2,467	2,457	-9	-0.4%
Net income for the year	25	338	313	1270.8%
Total	**7,173**	**7,367**	**193**	**2.7%**

The phased-in CET1 and Total ratios, at 31 December 2018, calculated on a separate basis under CRD IV / CRR rules were 16.9% and 20.0%, respectively.

Considering net income of around €338 million for the period, together with a €200 million distribution of dividends, the CET 1 and Total ratios would be 17.3% and 20.4%, respectively.

The following table illustrates the amounts of own funds (including net income for the period) and capital ratios for end 2017 and 2018:

SOLVENCY RATIOS (SEPARATE)

(EUR million)

	CRD IV / CRR Regulation	
	2017-12	2018-12
	Phased-in	
Own funds		
Common equity tier I (CET I)	6,433	6,555
Tier I	6,924	7,055
Tier II	359	639
Total	7,283	7,694
Weighted assets	**40,474**	**36,694**
Solvency ratios		
CET I	15.9%	17.9%
Tier I	17.1%	19.2%
Total	18.0%	21.0%
	Fully Implemented	
Own funds		
Common equity tier I (CET I)	6,401	6,555
Weighted assets	**40,479**	**36,694**
CET I ratio	15.8%	17.9%

CGD did not opt for the possibility of progressively applying a transitional regime to attenuate the impact of the introduction of IFRS 9 on own funds.

The variation in the CET1 ratio between December 2017 and December 2018 is essentially explained by the impact:

- Of the combination effect of the progression, over time, associated with the passing of yet another year of the transitional period in respect of the implementation of IFRS 9 in 2018 and the deduction of the irrevocable commitments associated with the deposit guarantee fund and the resolution fund from own funds (as determined by the regulator). This led to negative impacts of around €341 million on the CET1 ratio and around €132 million on RWAs, translating into a decrease of around 79 basis points on the CET 1 ratio;
- From the evolution of activity, in 2018, resulting from the combination effect of the improvement in own funds levels and the reduction of RWAs (either through optimisation or the disposal of the credit portfolio), corresponding to an impact of an additional 179 basis points on the CET 1 ratio.
- the improvement of the levels of own funds

CGD's recapitalisation process

21 June 2018 witnessed Caixa Geral de Depósitos's (CGD's) successful completion of the last stage of its recapitalisation plan upon which work began in 2017, through its issuance of €500 million in Tier 2 own funds securities exclusively for sale to institutional investors.

All of the phases provided for in the referred to plan, comprising an accumulated capital increase of €4,944 million, were therefore implemented.

SREP capital requirements on CGD's separate activity in 2018

In terms of its separate activity and in the sphere of the last available supervisory review and evaluation process (SREP 2016), it was defined that Caixa Geral de Depósitos, S.A. (parent company) must permanently comply with the own funds and liquidity requirements applicable under regulation (EU) 575/2013, the national legislation transposing directive 2013/36/EU and any other applicable national liquidity requirements in the sense of article 412, no. 5, of regulation (EU) 575/2013.

In 2018, CGD must ensure compliance with a CET 1 (phased-in) requirement of 6.375% which includes: i) the minimum CET 1 ratio of 4.5% required by Pillar 1 and ii) the CCB (capital conservation buffer) of 1.875%.

The ratio levels achieved by CGD on a separate basis in December 2018 are considerably higher than the required minimums.

Therefore, in 2019, the amounts required will be altered on the basis of the passing of yet another year of the transitional period applicable to the capital conservation buffer (up 0.625% per annum until reaching 2.5%), as shown in the following table:

SREP - CAPITAL REQUIREMENTS (SEPARATE)

	2017	2018
Common Equity Tier 1 (CET1)	**6.375%**	**7.000%**
Pillar 1	4.50%	4.50%
Capital Conservation Buffer (CCB)	1.875%	2.500%
Tier 1	**7.875%**	**8.500%**
Total	**9.875%**	**10.500%**

CGD EMPLOYEES' PENSION FUND AND HEALTHCARE PLAN

Pension liabilities for CGD retirees were up €103.9 million to €2,636.2 million and €2,740.0 million, at 31 December 2017 and 2018, respectively.

The liabilities, at the end of 2018, were funded by the pension fund (€2,611.9 million) and an extraordinary contribution of €129.2 million recognised in liabilities which was paid into the pension fund in March 2019, with 100.04% of liabilities now being funded. The pension fund's effective yield was not sufficient to offset interest costs and therefore originated negative yield deviations of €29.8 million. The negative actuarial deviations associated with pension liabilities at the end of the year were around €685.5 million.

The liabilities associated with CGD employees' post employment medical benefits – medical plan – were fully provisioned, at 31 December 2017 and 2018, at €464.5 million and €452.9 million, respectively. Actuarial deviations associated with the medical plan at the end of the year totalled around €63.9 million.

CGD revised last year's discount rate from 2.125% to 2.075% but left the other assumptions related to the calculations of liabilities for employee benefits unchanged.

PENSION FUND IN 2018 - FUND'S MOVEMENTS

(EUR million)

Value of Fund at 31.12.2017, incl. extraord. contribution	**2,650.8**
Employees' contributions	20.3
Company contributions	61.7
Pensions paid	-62.5
Net yield of Fund	-58.4
Amount of the Fund calculated by the Management Company on 31.12.2018	**2,611.9**
Extraordinary contribution - Liabilities	129.2
Value of Fund at 31.12.2018 including liabilities	**2,741.2**

The fund, according to the fund manager's calculations, was worth €2,611.9 million at 31 December 2018. This amount was insufficient to cover the minimum mandatory funding required by the current standard applicable to this category of liabilities, i.e. the need to cover 100% of liabilities for retirees and at least 95% for active workers. CGD accordingly recognised liabilities of around €129.2 million in its accounts to be paid into the fund as an extraordinary contribution.

Considering that the pension fund, according to the fund manager's calculations, was worth €2,611.9 million at the said reference date, in considering the extraordinary contribution paid by CGD in March, the pension fund had a worth of around €2,741.2 million, equivalent to a total liabilities funding rate of 100.04% (100% of liabilities for retirees and 100.1% for active employees).

An amount of around €60.4 million was recognised in the employee costs account in the period of which €63.4 million relative to the normal cost for the year, around €5.4 million for increased liabilities for early retirements net of €8.4 million resulting from gains associated with voluntary redundancies.

The evolution of actuarial deviations (accumulated) directly recognised in equity which increased from a negative €541.4 million at the end of 2017 to a negative €685.5 million, is essentially explained by the negative deviation associated with liabilities (€29.8 million) and the negative actuarial deviation of €114.3 million in pension fund yield.

The yield on CGD's pension fund was a negative 2.2%.

The following table shows that liabilities of €464.5 million and €452.9 million for CGD employees' post employment medical benefits at 31 December 2017 and 2018, respectively, have been fully provisioned.

HEALTHCARE PLAN IN 2018 - EVOLUTION OF PROVISION

(EUR million)

Value of provision at 31.12.2017	**464.5**
Current cost for period	15.9
Contrib. for healthcare serv. (SS and SAMS)	-22.7
Actuarial gains	-4.9
Value of provision at 31.12.2018	**452.9**

The actuarial gains referred to in the table derive from a revision of the calculations of medical plan liabilities. The accumulated actuarial deviations balance at 31 December 2018 was €63.9 million.

Starting 1 January 2018, CGD's contribution rate to the Social Services will be 6.5% (7.3% in 2017). CGD, however, now partly subsidises cultural, sporting and other social support activities with an annual contribution of €85 for each Social Services partner.

1.5. Risk Management

The person ultimately in charge of CGD Group's risk management function is its CRO (chief risk officer), who is a member of the executive committee of CGD's board of directors. CGD's CRO is globally responsible for monitoring the Group's risk management framework and particularly for ensuring the adequate and effective operation of the risk management function. He/she also has the duty to inform members of management and audit bodies on the risks incurred, CGD's and CGD Group's global risk profile and degree of compliance with the defined risk tolerance levels.

CGD Group's risk management function is based on a governance model which simultaneously aims to comply with best practice on this issue, as set out in Community directive 2013/36/EU and to guarantee the strength and efficacy of the identification, measurement, monitoring, reporting and control system on the Group's credit, market, liquidity and operational risks.

Risk management is centralised and assisted by a dedicated structure in the form of the risk management division, for which the CRO is responsible. The models validation office, for the internal validation of the risk assessment models used in CGD Group was set up, at the end of 2016, with the aim of incorporating the principle of separation between the owner functions of risk models and the assessment function of their quality.

The risk management division operates in the area of the management and control of the Group's financial and operational risks, with the objective of achieving stability, solvency and financial strength, guaranteeing identification, assessment, oversight, control and reporting functions on the financial and operational risks to which CGD Group is exposed and the interrelationships between them, to ensure the coherent integration of their part contributions, that they remain in line with the risk appetite defined by the board of directors and that they will not significantly affect CGD's financial situation, by continually ensuring compliance and conformity with external standards and the legal and statutory requirements governing such matters.

Chapter 3. The corporate governance report provides detailed information on the Group's risk governance model as well as its respective risk policy in the form of its risk appetite statement and provides the market with more detailed information on CGD's risk framework.

Principal developments in 2018

CGD's progress in respect of best risk management practice, in 2018, was significant and comprehensive. Particular reference should, *inter alia*, be made to the following:

- The strengthening of the risk management function governance framework, following the second half 2017 approval of a set of corporate standards comprising practical guidelines on its respective operation, namely concepts, principles and control procedures and the communication of each of the risks, namely and *inter alia*, corporate credit, market, liquidity, operational and model risk policies.
- Following the extending of the application of CGD Group's risk appetite statement, in 2017, to its respective Group members with the aim of ensuring consistency between CGD Group's global and locally defined risk management strategies, in addition to the alignment of business objectives with them, 2018 was particularly marked by the development of additional sensitivity to the respective metrics, in the context of a significant transformation of Group entities' risk control framework.
- As part of its strategic management objectives of revitalising its domestic business, based on a risk control infrastructure in line with best international practice, CGD has also focused on the implementation of the internal credit risk assessment models developed in 2017, having adopted an approach based on a continued strengthening of the return-risk binomial.

- Activities for the preparation of a set of structural, regulatory alterations were maintained in 2018, namely, and *inter alia*, those related to MREL ("minimum requirement for own funds and eligible liabilities"), a "Fundamental Review of the Trading Book" (revision of calculation approaches to own funds requirements), "Principles for Effective Risk Data Aggregation and Risk Reporting" (a set of principles designed to promote the rigour, accuracy and transparency of risk information, respective aggregation techniques and analysis reports), "Interest Rate Risk in the Banking Book" (a revision of Pillar II – "Assessment Process by the Supervisory Authority" and Pillar III – "Market Discipline"), requirements.
- This framework required the strengthening and enhancement of the whole of the risk management infrastructure, ranging from the governance model to the operationalisation and dissemination of information on risk appetite at all CGD levels. Priority was accordingly afforded to strengthening the corporate structure.
- The year was also devoted to the Group's participation in the transversal stress test exercises of the EBA (European Banking Authority) and ECB (European Central Bank), based on an infrastructure dedicated to this kind of exercise and designed to further strengthen CGD's balance sheet and capital positions.
- Steps were also taken to provide for the recommendations resulting from the various inspections and thematic reviews across 2016 and 2017, namely in respect of the management and risk control system on banking portfolio interest rate and the self-assessment process on internal capital adequacy and the progress to be achieved on matters still unresolved from the preceding year. The ICAAP and ILAAP capital adequacy and liquidity self-assessment processes were globally improved in line with the latest recommendations of the ECB's *SREP* ("supervisory review and evaluation process").
- The risk management function, across 2018, continued to be involved in relevant internal information-related projects in the sphere of the adoption/implementation of the "Principles for Effective Risk Data Aggregation and Reporting", as recommended by the Basel Committee on Banking Supervision (BCBS 239).
- Work was completed on the implementation of the centralised management model on corporate loans in the credit risk control domain, guaranteeing the credit risk division's involvement in all loan proposals in the diverse commercial areas.
- The centralisation of the decision on lending to personal customers was also implemented and ensured the credit risks division's involvement in the risk analysis on all proposals, either through the prior definition of parameters governing immediate decisions (standard risk variables) or a one-off analysis of each operation which does not fully comply with standard criteria.
- The informational requirements to comply with IFRS 9 were implemented in 2018, with the necessary adjustments both in accounting terms as in the sphere of alterations to practices and new developments regarding existing processes. New corporate policies to guarantee alignment with the three IFRS 9 areas, on a level of various CGD Group entities, while also taking the specifics of various geographies into account, were also published:
    - Classification and measurement,
    - Impairment;
    - Hedge accounting.

  The following impairment-related models were developed:

  i. Prepayments model – The development of the prepayments methodology is based on the respective calculation of an operation's period to maturity. The amounts of the prepayments associated with an operation, at a certain point of time of its useful life, represent the probability of the amount of credit associated with the operation being paid off, in part or full, prior to its respective contractual maturity. Two different situations, based on the percentage early repayment of credit are therefore considered: part pre-prepayment and full pre-payment;

ii. CCF (credit conversion factor) model – An operation's CCF (credit conversion factor) at a certain point of time of its useful life represents the percentage off-balance sheet exposure that could be converted into an equity exposure up to the time of default. The methodology developed should, accordingly, be applied to operations involving limits on the use of credit (e.g. revolving credit), such as credit cards, overdrafts and current accounts. A methodology for measuring the CCF on off-balance sheet operations (e.g. bank guarantees) was also developed;

iii. Staging model – According to IFRS 9, principles for the classification of operations and assets in the Bank's portfolio, in accordance with their associated credit risk, should be defined. The following three risk stages, depending upon the deterioration of credit quality since the time of its initial recognition, are considered:

   a. Stage 3. Exposures with objective evidence of impaired credit, aligned with the definition of default in force in CGD;

   b. Stage 2. Exposures in which a significant deterioration of the level of credit risk has been noted since the time of initial recognition. This significant increase is measured by the change in the lifetime probability of default between the date of initial recognition and the reporting date. However, notwithstanding the observation of a significant increase in credit risk since the time of initial recognition, the credit is classified in Stage 2 if one of the following three conditions occurs:

      i. Credit in arrears for more than 30 days (backstop);

      ii. Credit restructured on account of financial difficulties;

      iii. Credit with objective qualitative risk triggers.

   c. Stage 1. Exposures, usually performing, which are not suitable for inclusion in Stage 2 and in Stage 3.

iv. Probability of default model (PD) – According to the methodology developed on the calculation of estimated credit losses, the probability of default associated with an operation should be estimated in line with two different approaches: its estimated lifetime probability of default, considering the operation's useful life and its estimated 12 month probability of default. Both probability of default estimates represent the probability of a default on the credit operation, conditioned by its respective period to maturity and the period of time considered in the calculation. The lifetime probability of default estimated during the period of maturity is, however, only applicable to operations associated with a certain level of credit risk (and considered in Stage 2), whereas the 12 month probability of default should be applied to operations identified as performing credit (and considered in Stage 1);

v. LGD (loss given default) model – Loss given default is the estimated loss on a certain operation after default. This parameter is directly used to calculate the ECL (expected credit loss) of Stage 1, 2 or 3 operations. LGD incorporates the collateral components that estimate recoveries based on the execution of collateral operations, and cash, that estimates recoveries by other means (e.g. payments made by the debtor, restructuring operations, credit transfers).The methodology developed for the calculation of LGD aims to estimate LGD curves by the time elapsing since the default;

vi. Forward-looking adjustment model – According to IFRS 9, probability of default estimates should include a prospective or forward-looking component. Macroeconomic indicators associated with the forecast and an estimate of future macroeconomic conditions should be considered for this purpose. The adjustment of PD curves is based on the observed default rate averages adjusted for macroeconomic shocks comprising predictive default indicators. The collection of past data to be considered for the selected variables is defined on the date upon which the adjustment is made.

vii. Behavioural maturity model – Behavioural maturity aims to identify the period of time across which an institution is exposed to credit risk. This parameter is usually calculated for operations in which the operation's maturity date has not been defined (e.g. revolving credit);

viii. Forward-looking model – According to IFRS 9, the ECL (expected credit loss) comprises a set of estimates of losses on a financial asset during its expected lifetime, weighted by the probability of the occurrence of such losses. The production and revision of forward-looking scenarios are primarily and whenever feasible, based on public, accessible information, disclosed by private entities and national and supranational bodies, on the prospects of the future evolution of the relevant variables. Three scenarios – a central and two alternative scenarios (optimistic and pessimistic) – were defined. They define the projections for the economic and financial variables upon which the forward-looking adjustments of risk factors are based;

ix. ECL (expected credit loss) model – The ECL (expected credit loss) calculation aims to estimate the expected losses based on forward-looking scenarios. This calculation should be applied across the whole of the Bank's portfolio, in conformity with its internal policies and the most recent IFRS 9 regulation. A distinction is, accordingly, made between the losses expected over 12 months and the lifetime losses expected across the useful life of each of the operations. According to IFRS 9, lifetime losses are estimated on impaired operations or operations in which a significant deterioration of their credit risk has been noted. 12 month losses are estimated in other cases. The ECL calculation also considers a forward-looking component incorporated on the basis of the weighting of different macroeconomic scenarios to estimate the losses. The ECL calculation's forward-looking component is incorporated by adjusting the PD curves for each of the scenarios. The ECL calculation based on a collective impairment analysis is applied to the whole of the Bank's portfolio and is based on risk parameters such as CCF (credit conversion factor), PDs (probabilities of default), LGDs (loss given defaults) BM (behavioural maturities), *PPPs* (part pre-payments) and *PPTs* (full repayments).

- CGD updated its strategic and operational plan for reducing its NPEs (non performing exposures) which also includes property for disinvestment purposes, in first quarter 2018. The implementation of the plan was led by the executive committee with the participation of the Bank's core areas that manage, control and monitor NPEs.

1.5.1. CREDIT RISK

Credit risk is associated with the losses and level of uncertainty over a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

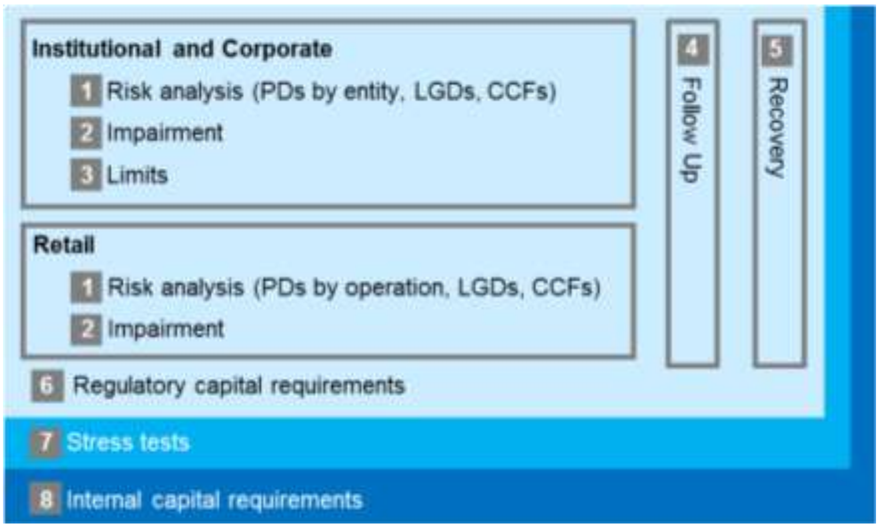
Internal standards govern the management and control of credit risk which, based on the use of ratings, exposure levels and other risk criteria, define the levels of competence necessary for the decision-making process on credit.

DRC (credit risks division) operates in the area of the analysis, issue of opinions and decisions on credit operations, in accordance with the credit regulations and the delegation of competence currently in force. It is also responsible for validating individual impairment on credit and monitoring defined credit alerts The new centralised decision-making model on corporate loans, ensuring DRC's involvement in all operations, came into force at the end of 2018.

The centralisation of the decision-making model on credit to personal customers, ensuring DRC's involvement in the risk analysis of all proposals, was also implemented in June 2018.

Methodology

CREDIT RISK



1 Risk analysis. CGD Group has implemented a risk identification, assessment and control system on its credit portfolio. The system covers all customer segments and is active both when loans are made and in monitoring risk over the lifetime of the operations.

- All credit operations, upon origination, should be economically viable, be of interest to CGD, in accordance with its credit policy and affect own funds in compliance with the defined solvency ratio, in light of, namely: (i) their purpose and specific conditions of the real operations to be financed by them, (ii) the goodstanding and business, technical and financial capacity of their proponents and respective representatives, (iii) their former relationship with CGD Group and the financial system in general, in addition to the global amount of their liabilities to the Group and the financial system.
- The adequacy, amount and maturity of each operation should be commensurate to its type and purpose and the material conditions of the real underlying operation.
- The conditions of each credit operation, in matters of guarantees and interest rate, should be defined on the basis of the level of credit risk involved and the customer's global relationship with CGD Group, always bearing CGD's credit policy in mind. Real guarantees are normally required on medium/long term operations.
- For corporates, municipalities, autonomous regions and financial institutions with a more significant level of exposure, or with other added risk criteria/triggers, consideration of the credit risk, in addition to being based on internal rating models (which include both financial and qualitative information), is individually examined by a team of analysts which produces credit risk analyses and issues an opinion on the respective credit risk. This individual analysis includes (i) consideration of diverse, up-to-date information (forthwith, the exposure to CGD Group and the rest of the banking system, ratings, information on defaults and banking incidents, fiscal liabilities and amounts owed to the social security services, pledges, judicial

actions, etc), (ii) an assessment of managerial capacity, (iii) consideration of the proposal's reasonability, (iv) an assessment of the repayment capacity of the proponents/projects, adjusting the repayment profile when the risk is considered manageable, and (v) consideration of risk mitigating factors (guarantees, covenants, etc). The analysis is always produced on the basis of the economic group of which the proponent is a member and, starting from a certain exposure level, the analysis teams adopt a specialised sectoral approach.

- The assessment of corporate credit and project finance risk already includes environmental and social considerations:
  - The analysis of each project finance credit risk includes a category referring to a project's sustainability and socio-environmental impact and aims to analyse the project finance's different intervention domains, based on four essential areas: economic profitability, financial viability, social equity and environmental correctness;
  - The assessment of corporate credit risk is also based on considerations regarding a company's social and economic credibility.

  CGD Group's project finance portfolio particularly concentrates on projects in the Iberian Peninsula. The need to safeguard several environmental and social obligations is embedded in Portuguese and Spanish legislation and must be complied with by the respective economic agents.

- Credit risk assessment in the retail segment is based on the use of statistical risk assessment tools (PD – probability of default and LGD - loss given default), by several internal regulations which define objective criteria to be complied with on lending operations and the delegating of competence in accordance with the ratings on customers/operations. Only in the case of loans to personal customers is this complemented by a scoring system on the operations which is used to define credit limits by product, in terms of an immediate decision (operations with standard risk parameters).

2 The credit impairment model developed by CGD Group, under IFRS 9, enables impairment losses (i.e. impairment) to be measured on the basis of borrowers' creditworthiness and the level of existing collateral, based on the allocation of credit to the following macro segments:

- Stage 1 − Performing credit, without any signs of a significant deterioration of credit risk;
- Stage 2 − Performing credit, but in which criteria indicating a significant deterioration of credit risk have been identified. This segment includes operations which have been restructured owing to a customer's financial difficulties but which have not activated default criteria;
- Stage 3 − Credit in default.

The risk factors used in the credit impairment model (12 month PDs, lifetime PDs, LGDs, etc...) are revised annually and backtested with point-in-time adjustments to ensure that they adequately reflect market conditions.

The macroeconomic scenarios upon which a forward-looking approach to risk factors is based are revised twice a year by CGD's economic research office.

The credit impairment model continues to be governed by the collective and individual impairment concepts described below:

- Collective impairment analyses. The expected losses per risk sub-segment are assessed on exposures which are not considered to be individually significant. They include, *inter alia*, assets with similar risk characteristics (credit segment, type of collateral, payments history, ratings and scoring models);

- Individual impairment analyses. An individual assessment is made on customers with exposures considered to be individually significant. The process involves CGD's commercial areas, DRC and credit recovery areas with the risk management area being ultimately responsible for the procedure and final assessment as a whole.

CGD's individual analysis methodology takes the following into account:

- Going concern approach (an active company whose liquidation is not foreseeable). The debtor will continue to generate operating cash flow that may be used to repay debt to all creditors. The collateral may also be considered to the extent that it does not influence operating cash flow. This is considered to be the most probable approach;

- Gone concern approach (a company in liquidation or at risk thereof). The collateral is called in and the entity ceases to generate any operating cash flow.

In the context of an individual assessment on the impairment of customers with large exposures, the analysis essentially centres on the following:

- Compliance with the contractual terms agreed with CGD Group;
- Assessment of the economic-financial situation;
- Prospects for the evolution of the customer's activity;
- Verification of the existence of operations involving overdue credit and interest, within CGD Group and/or in the financial system;
- Adequacy of guarantees and collateral to offset the amount of the loan;
- Analysis of past information on the customer's performance and good payment.

Collective impairment is on significant exposures which have been individually assessed and in which no objective signs of impairment have been identified, in conformity with the risk factors determined for credit with similar characteristics.

3 Limits − CGD Group allocates internal credit limits to improve the flexibility of the process for short term lending to corporates and promotes the use of rigorous, uniform risk criteria, by the different parties involved. In parallel and also to improve flexibility and standardise the risk analysis on these operations, CGD Group has developed and implemented a model for the definition of short term exposure limits on corporates, based on economic-financial and sectoral indicators and ratings which provide guidelines over the recommended level of short term exposure for each customer. The model permits the same collection of clear and objective rules to be used for the calculation of reference levels, which are only indicative. This model is applied to corporates in both the SME as in the small and large companies segments.

Internal limits have also been approved for the financial institutions segment. The definition of such limits takes into consideration an entity's status in the financial sector and comparisons to its peers, rating, VaR (value at risk) and other relevant elements.

Compliance with limits, credit exposures and counterparty and group risk profiles are regularly overseen by credit risk analysts.

4 The credit portfolio's composition and corresponding quality is overseen and analysed in the sphere of credit risk control and monitoring operations. A monthly report splitting up the portfolio by product, customer segment, sector of activity, geographical area, LTV (loan to value), debt to income ratio and portfolio rating is produced for the said purpose.

The monitoring of the performance of the internally developed risk rating models is also especially important. This monitoring exercise, based on the processing of the information using the referred to models provides an indication of their continued adequacy. The follow-up procedures are performed by a unit which is independent from the risk management division's modelling area and enables autonomous guidelines on any needs for the revision of models and information on their mode of use to be produced.

5 Recovery. CGD also has two specialised oversight units: DAE (corporate business monitoring division) and DAP (retail business monitoring division).

Oversight of individual customers

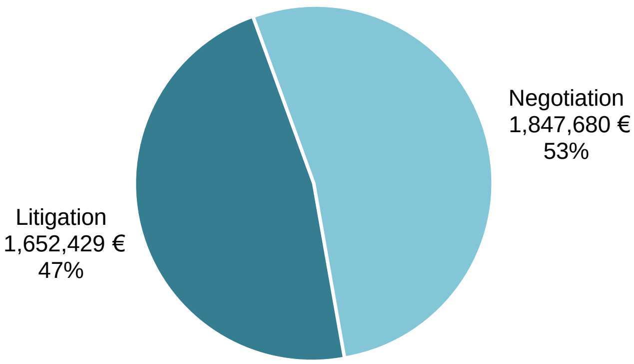
Background

The recovery model was consolidated in 2018 and was based on the implementation and control of DAP's recovery policies, portfolio segmentation by product type and an ongoing commitment to the qualification and training of managers.

Operational data

DAP managed a portfolio of 154,712 customers at the end of 2018 (69,344 engaged in loan renegotiation functions and 85,368 in pre-legal/legal functions), comprising an exposure of around €3.5 billion, distributed as follows:

- Global exposure of DAP portfolio, loan renegotiation and pre-legal/legal stages:



Distributed among the following areas:

- Pre-legal/legal stage (€1.6 billion of which €0.8 billion in personal loans and €0.8 billion in corporate loans);
- Loan renegotiation stage (€1.8 billion of which €1.4 billion in personal loans and €0.4 billion in corporate loans).

In global terms, impairment on the DAP portfolio, in December 2018, stood at around €780 million or around 23.7% of total loans in CGD's customer loan portfolio. Around 29% of such impairment was included in the loan renegotiation portfolio and 70% in the pre-legal/legal portfolio.

Its performance in 2018 and undertakings to deleverage and reduce NPLs, owing to the combination between the result of the division's learning curve and the evolution of the country's macroeconomic scenario, particularly in terms of the real estate market and in certain geographies, enabled DAP to achieve its best result since its creation, with an 803 million reduction of NPLs based on the division's activity, i.e. a net difference of €714 million when new NPLs are taken into account.

Around 22,965 customers were processed in the sphere of the application of recovery measures in the personal loans renegotiation area.

The most common solutions comprised the settlement of arrears by customers and the liquidation of their liabilities (comprising 71% of the total number of customers processed). Restructuring and/or debt consolidation operations represented around 8% and the submission of case files to pre-legal/legal operations and write-offs, after all unsuccessful attempts at loan renegotiation, comprised around 21% of the total number of customers processed in 2017.
2,384 corporate customers were involved in negotiated settlement procedures in 2018.

The most common measures were the settlement of liabilities and the full liquidation of the arrears under *PER* ("special revitalisation programme") restructuring operations, comprising around 63% of debt restructuring operations in 2018. Pre-legal/legal recovery operations represented 37% of the total number of corporates processed in 2018.

Oversight of corporate customers

Background

DAE (corporate business monitoring division) is responsible for overseeing NPE exposures of more than €1 million in the corporate sector which is an area of special relevance and all the more so when the regulatory changes in the banking sector are considered, owing to the ever increasing need to adopt a proactive approach particularly focusing on default management.

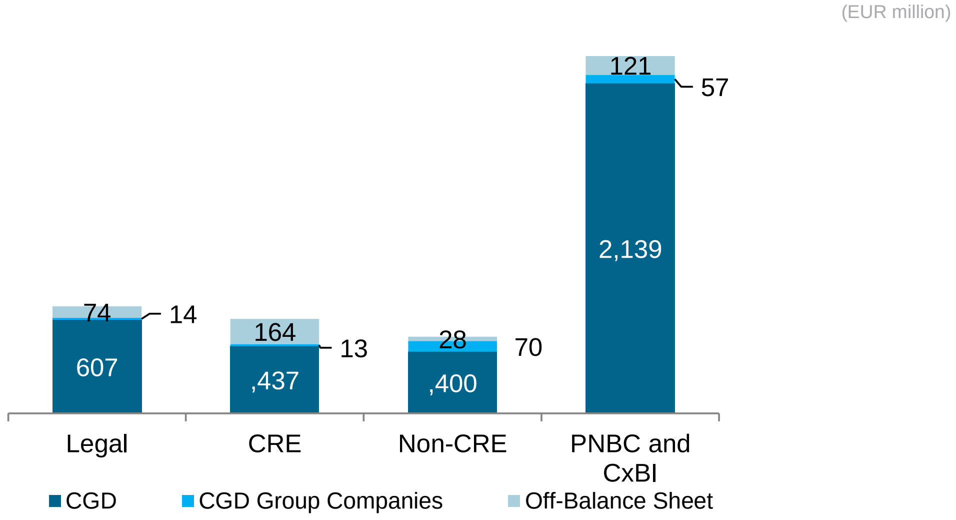
DAE's priority objectives are as follows:

- To oversee and recover loans to corporates (or self-employed businesspeople) and their respective groups, with a CGD involvement of more than €1 million;
- To deleverage large exposures and activity sectors considered to be at risk;
- To increase loan collateral levels;
- To promote management solutions with corporates, with the objective of making them solvent, avoiding legal proceedings, whenever possible;
- To promote articulation with other CGD divisions, incentivising greater procedural flexibility in dealing with case files with the aim of implementing consensual solutions in each case;
- To articulate and collaborate with CaixaBI and the *PNCB* ("integrated bank loans negotiation platform") in deleveraging operations on customers subject to oversight by these entities.
- To ensure the production, oversight and control of processes necessarily submitted to pre-legal/legal action in order to maximise the amount recovered by CGD in legal proceedings.

Management data

DAE oversaw an overall on-balance credit portfolio of around €4.1 billion in December 2018 (€1.1 billion under loan renegotiation area management, €0.7 billion under pre-legal/legal management and €2.3 billion on the *PNCB* platform and with CaixaBI) with the following distribution:

DAE'S CREDIT PORTFOLIO

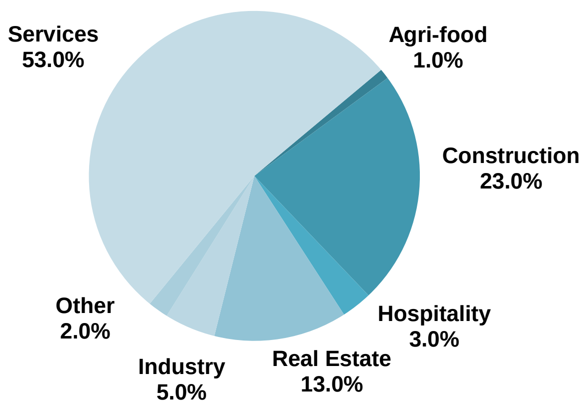


CGD's liabilities include around €1.5 billion of credit write-offs, under DAE management, albeit with a special focus on the possibility of recovery.

The amount of credit under management is spread over a total of 4,375 customers, of which 1,789 active and of which 808 with credit. Customers spread across 960 economic groups – 472 groups with credit (2,457 customers in 325 groups in the loan negotiation area, 1,413 customers in 605 groups in the pre-legal/legal area and 505 customers in 30 groups in the *PNCB* - CaixaBI area).

As in past years, the risk dispersion trend across activity sectors showed that the principal risk sectors are construction and real estate with around 36% (53% in 2017) of DAE's portfolio, by volume, with a marked increase in the proportion of services (from 30% in 2017 to 53% in 2018) and a slight increase in the proportion relative to industry (from 4% to 5%).

EXPOSURE BY SECTOR



Activity in 2018

2018 was consolidation year for stabilising CGD's governance, oversight and credit recovery model and the initiatives defined for the purpose. The model was extended to the management and oversight of specialised credit through the integration of CLF, in the 2nd half of the year, as regards DAE's customer segment (liabilities of more than €1 million).

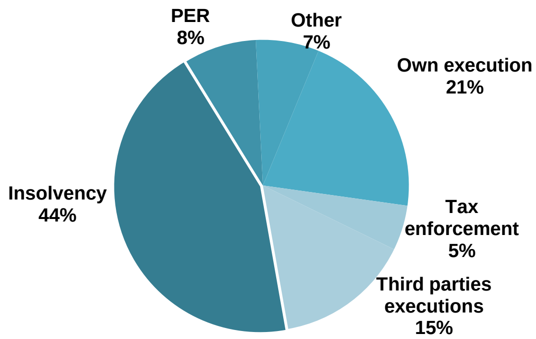
DAE's completion of the disposal process on its "Andorra" credit portfolio, in 2018, which was the first corporate credit portfolio disposal process pertaining to a programme which includes CGD's restructuring plan in compliance with the objective of reducing the Bank's NPEs, was followed by the two new “Atlantic” and “Artic” credit portfolios both of which were sold off in 4th quarter 2018. This comprised the completion of non-performing corporate credit sales, a part of which is in a loan renegotiation recovery process, with others, including written-off credit, at their pre-legal/legal stage.

With DAE continuing to focus on reducing NPEs, highly ambitious deleveraging objectives for the amount of €1,786 million were defined for 2018. These comprised either the already referred to loan disposals in the form of individual and portfolio sales or by calling in collateral, payments in kind or auctions - cash recoveries (repayments and settlements), credit cures and write-offs, with around 98% of the NPE deleveraging objectives having been achieved, with a reduction of around €1,742 million in NPEs in 2018.

It should also be noted that DAE achieved and surpassed its NPL deleveraging target of €1,590 million in 2018, having achieved a reduction of around €1,613 million.

As regards the pre-legal/legal area, in December 2018, DAE’s pre-legal/legal area function oversaw and controlled 587 court cases involving 394 customers (249 in the southern and 145 in the northern areas), with the following distribution:

COURT CASES BY NUMBER



In addition to its oversight of exclusive pre-legal/legal processes, DAE’s legal department also provides assistance in the relationship between the negotiating areas and the courts regarding *PER* (“special revitalisation programme”) customers, or insolvencies involving recoveries.

6 Regulatory capital requirements – the mark-to-market assessment method is used for derivatives, repurchase operations, loans taken out or issued on real estate or commodities and long term loan settlement operations with the imposition of a margin, as defined in section 3 of chapter 6 of regulation (EU) 575/2013 of the European Parliament and of the Council, which consists of adding to an operation’s market value, when positive, its future appreciation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract. The standard method as published and described in the EU regulation is applied to loans and receivables.

The "Market Discipline 2018" document, scheduled for publication in first half 2019 will provide detailed information on regulatory requirements on CGD Group’s capital.

7 Stress tests aim to provide an analytical vision of CGD Group’s solvency position when subject to extreme scenarios. Involvement in the EBA’s transversal exercise in 2018 was particularly important from a credit risk viewpoint. Stress tests were also performed in the sphere of ICAAP and the recovery plan.

8 Internal capital requirements per operation result from the use of internally estimated credit risk factors (probabilities of default - PDs, loss given defaults – LGDs and conversion factors into credit equivalents - CCF) .

1.5.2. MARKET RISK

Market risk translates into potential negative impacts on profit or loss or an institution's capital, deriving from the unfavourable prices movements of portfolio assets owing to uncertainty over price fluctuations and market rates such as the prices of shares and indices or interest or foreign exchange rates or even the price of commodities and the behaviour of the correlations between them.

Market risk exists on instruments such as shares, funds, bonds, spot and forward foreign currency operations, interest rate, foreign exchange, shares/indices/baskets, commodities and credit derivatives. Exposure to this type of risk is therefore across-the-board to various categories: price, interest rate, exchange rate, volatility and commodities. The market risk measurement and monitoring perimeter covers operations involving equity risk, with management partitions by geographic unit or portfolio.

There is complete separation between functions which involve the execution of market operations and respective control over their risks, with the risk management division being responsible for measuring, monitoring, controlling, analysing and issuing daily reports on market risk, as well as verifying compliance with the respective limits. The reliability of prices and rates, as one of the main guarantors of the quality of the measures and metrics obtained, is also ensured on a daily basis. The second main aspect of change, involving the rotation of positions, is also monitored daily, in order to identify any changes of profile or possible operational events.

LIMITS

The practice of defining and monitoring diverse types of limits is extremely important in mitigating market risk. These global limits are submitted to the ALCO committee by the risk management division for discussion and approval. The management rules on each portfolio or business unit, defined for CGD Group, include defensive limits on future potential losses in addition to limits to freeze effective losses. Market risk limits are therefore defined in VaR metrics, stress tests and sensitivity indicators as are limits regarding the type of authorised instruments, exposure or concentration limits, in addition to the definition of stop losses or loss triggers. This practice aims to preventatively classify market risk exposure in the sphere of the risk appetite framework.

Market risk and acceptable loss limits are measured, controlled and reported at least once a day. The operating procedures, when limits are exceeded, are perfectly explicit.

Specific management rules are also applied to CGD Group entities' foreign exchange risk position with the definition of goalposts for the net open position, open position by currency and VaR consumption limits.

Methodology

Value at Risk (VaR) is a measure of the loss of potential future value that, in normal market conditions, will be the upper limit assuming a certain level of confidence and a specific investment timeframe. The market risk management area has, since 2002, used the VaR measure to monitor the Group's market risk based on this measure and, in several cases, complemented by sensitivity limits on changes in risk factors - basis point value (bpv) and duration for interest rates and other sensitivity indicators usually applied to options portfolios (commonly referred to as Greeks). VaR is assessed for all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels are contingent upon the objectives for holding the portfolios. No statistical distribution is therefore assumed in this measurement, in which past returns are considered for each risk factor with the application of a complete revaluation of the portfolio.

Two alternative market risk metrics continued to be used in 2018: ES ("expected shortfall") which aims to quantify the potential loss of value in adverse market conditions and 3W ("three worst" scenarios) that aims to quantify potential portfolio losses under extreme conditions which correspond to the readings on the sides of the theoretical, empirical losses in the profit and loss statement.

The market risk metrics are complemented by assessments of the impact of the valuations of assets and derivatives in the event of the occurrence of extreme scenarios involving fluctuations of risk factors (i.e. stress tests).

Market risk metrics permit a homogenous application considering the effects of the correlation between the various risk factors based on a complete revaluation of the portfolio.

Market risk management calculates and monitors such measures on a daily basis, having designed a comprehensive VaR report structure, expected shortfalls, three worst scenarios, sensitivity analyses, the results of internal stress tests, profitability indicators and their respective inclusion in the limits defined for each monitoring perimeter, covering all Group entities with market risk exposure in their balance sheet trading, banking portfolios and currency portfolios.

Foreign exchange risk is individually controlled and assessed on a daily level in the case of domestic activity and for each of the branches and subsidiaries and monthly on a consolidated level for the Group as a whole.

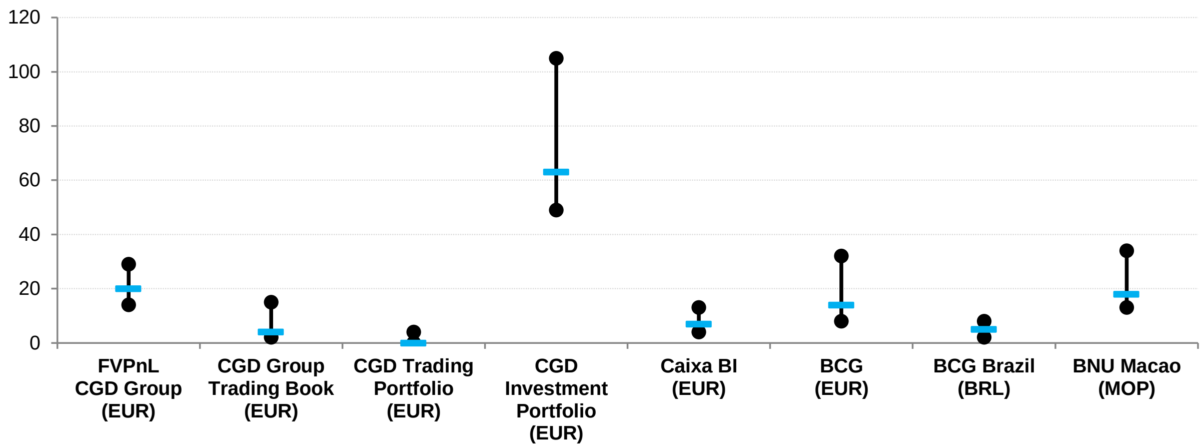
The VaR model is continuously put to the test, either through its day-to-day use or theoretical daily backtesting exercises, as well as the real monthly assessment of backtesting values on most management perimeters.

The number of exceptions obtained, i.e. the number of times theoretical or real losses exceed VaR, in addition to the additional conditional and unconditional hedge tests enable the method's accuracy to be assessed and any necessary adjustments made.

The following minimum, medium and maximum VaR values were recorded for the most relevant perimeters, in 2018:

MARKET RISK INDICATORS

(Currency in million)



Market risk in the prudential trading portfolio was significantly down in terms of value at risk, essentially owing to the maturity of operations involving foreign exchange risk and specifically cross currency swaps. There was also a decrease of market risk on managed portfolios, essentially in portfolios with a predominance of sovereign debt, owing to the elimination of the hypothetical profitability sample for the calculation of VaR on observations of adverse situations across 2016.

1.5.3. INTEREST RATE RISK

Balance sheet interest rate risk is the risk incurred by a financial institution whenever, during the course of its activity, it contracts for operations whose financial flows are sensitive to interest rate changes or the risk of the occurrence of a change in the associated interest rate, mismatches of rate re-fixing maturities between assets and liabilities, with a decrease in yield or increase in financial cost.

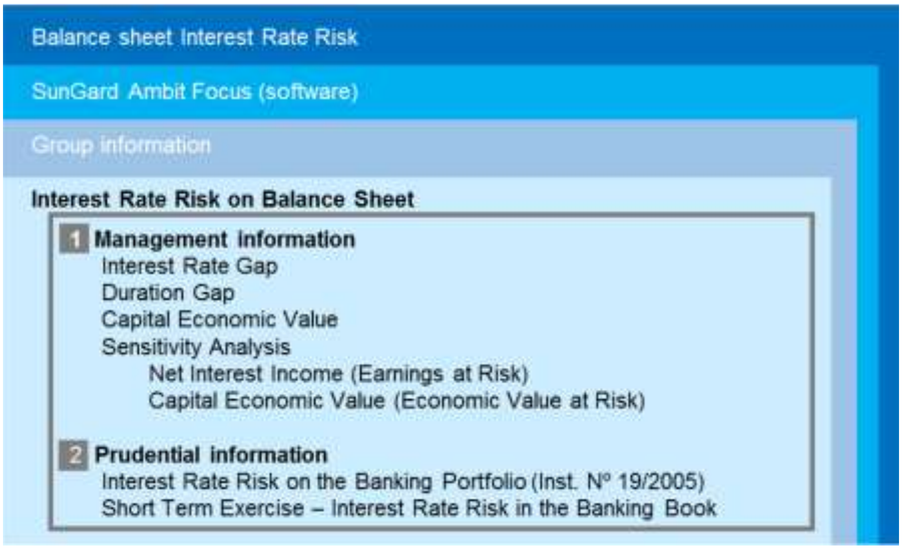
Methodology

The methodology used by CGD to measure this type of risk comprises an accounting (or short term) and economic (or long term) perspective and uses both simplified interest rate gap models (aggregating all assets and liabilities sensitive to change, into residual interest rate bands, to obtain the corresponding mismatches) and effective duration (estimate of the percentage change in the price of the financial instruments for a change in interest rates of 100 bps) and robust simulation technique models including earnings at risk metrics (impact of adverse interest rate changes on the interest margin) and the economic value of equity at risk (impact of adverse interest rate changes on the economic value of equity).

The management and control of balance sheet and banking portfolio interest rate risk are based on a set of guidelines that include a definition of limits for variables considered to be significant on a level of exposure to this type of risk. The objective of compliance with these guidelines is to ensure that CGD, at any point of time, is able to manage the return/risk trade-off in terms of balance sheet management and that it is simultaneously in a position to define the most adequate exposure level and control the results of the different risk policies and positions assumed.

The information on which balance sheet and banking portfolio interest rate is measured and monitored is considered monthly at ALCO and executive committee meetings.

BALANCE SHEET INTEREST RATE RISK



Information on CGD Group's balance sheet interest rate repricing gap, at the end of 2018, is set out in the following table.

INTEREST RATE GAP, AT 31 DECEMBER 2018 (*)

	<= 1W	>1W <=1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y
Total assets	9.748	144.330	17.979	14.554	7.984	3.092	10.917
Total liabilities + capital	15.514	6.442	11.666	14.783	5.536	9.426	12.311
Total interest rate swaps	2.126	115	3.360	-139	-1.346	-104	-3.772
Gap for period	-3.640	8.105	9.674	-368	1.102	-6.438	-5.165
Accumulated gap	-3.640	4.465	14.139	13.771	14.874	8.435	3.270

(*) Perimeter: prudential banking

The amount of exposure to interest rate risk, in December 2018, continues to comply with the respective risk appetite level as defined in CGD Group's risk appetite statement, enabling a controlled interest rate risk level, aligned with a focus on retail/commercial banking to be achieved. The accumulated 12 month repricing gap metric of €14,874 million shows the interest margin's levels of sensitivity to adverse changes in interest rates in compliance with the Group's risk appetite.

In the context of its regulatory interest rate risk reporting commitments, CGD sends detailed information on its level of exposure to interest rate risk in its banking portfolio, to the Bank of Portugal every six months. This is accompanied by the results of the internal risk assessment measurement models, as established in the Bank of Portugal's *instruction* 19/2005.

The European Central Bank's supervisory model, in the framework of the SSM ("single supervisory mechanism") also continued to include quarterly short term data collection exercises designed to provide the supervisor with complementary information for the supervisory review and evaluation process. The supervisor's requirements for banking portfolio interest rate risk include: i) a breakdown of assets, liabilities and off-balance sheet items into residual interest rate revision periods; and ii) sensitivity analyses on interest margins and the economic value of equity to parallel shocks of -1 bps and -200 bps on interest rates in addition to non-parallel shocks.

1.5.4. LIQUIDITY RISKS

Liquidity risk involves the possibility of the occurrence of a gap or mismatch between monetary payments and receipts flows, generating an incapacity to meet undertakings, i.e. in this kind of situation an institution's reserves and cash equivalents are insufficient to honour its commitments at the time of the maturity thereof.

Liquidity risk in terms of banking business can occur in the event of:

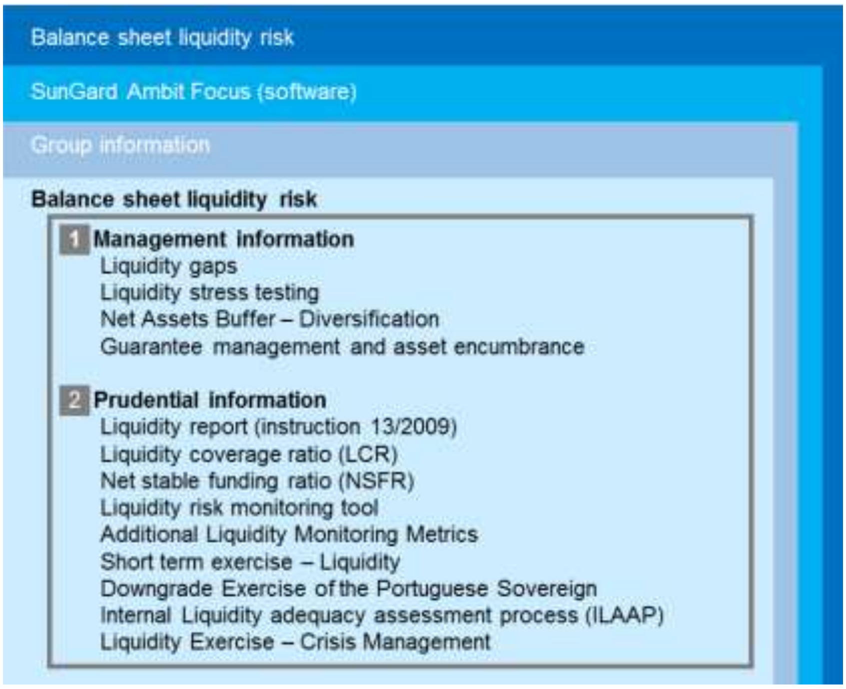
- Difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth;
- Difficulties in promptly meeting obligations to third parties caused by significant mismatches between periods to maturity on assets and liabilities.

Methodology

The origin of liquidity risk management in CGD lies in an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and outflows are set out in time bands on the basis of their residual period of occurrence with the respective liquidity gaps thereafter being calculated both for the period and on an accumulated basis.

The structural liquidity concept is used for the analysis and definition of exposure limits, aiming to incorporate the past performance of depositors in terms of the management of their sight, term and savings accounts, whose balances are distributed among the different time bands considered in accordance with in-house studies and models.

BALANCE SHEET LIQUIDITY RISK



Liquidity gaps are calculated monthly and must comply with two short term exposure limits defined by the ALCO committee and as part of CGD's liquidity contingency plan.

CGD Group's structural liquidity gap values, at the end of 2018, were as follows:

LIQUIDITY GAP AT 31 DECEMBER 2018 (*)

	<= 1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y <=5Y	>5Y <=10Y	>10Y
Total assets	20.988	2.850	4.605	3.977	10.075	7.334	10.477	20.898
Total liabilities + capital	18.299	4.336	5.340	8.073	16.953	13.892	8.747	40
Total swaps	0	-1	-1	-17	-4	0	47	0
Gap for period	2.690	-1.487	-735	-4.113	-6.883	-6.558	1.777	20.858
Accumulated gap	2.690	1.203	467	-3.646	-10.528	-17.086	-15.309	5.549

(*) Perimeter: Prudential banking

The 1 and 12 month accumulated structural liquidity gaps, in December 2018, for the amount of €2,690 million and a negative €3,646 million, respectively, translate into liquidity ratios for the respective periods that show CGD's highly comfortable position in light of the conservative assumptions upon which the distribution of customers' sight deposits are based by periods to maturity. The referred to ratios are also included in CGD's liquidity contingency plan with a full level of articulation between the liquidity metrics and the internally developed plan to provide for more severe liquidity stress situations.

The management of liquidity risk also incorporates stress tests in articulation with the existing liquidity contingency plan in conformity with the principles and recommendations announced by the BCBS (Basel Committee on Banking Supervision) and CEBS (Committee of European Banking Supervisors), currently EBA (European Banking Authority).

The internally developed methodology for assessing CGD's resilience to eventual liquidity difficulties encompasses the measuring and monitoring of the "survival period" (time remaining prior to the occurrence of liquidity difficulties if corrective measures have not yet been implemented), based on three stress scenarios on a level of funding markets. A fourth "base" scenario is also considered, on the assumption that CGD'S activity will be performed in line with its budget and consequent funding plan.

The current model also includes a set of minimum values for survival periods to be complied with in each of the referred to scenarios. Non-compliance with any of the existing limits presupposes the implementation of the contingency measures provided for in CGD's liquidity contingency plan, in accordance with the priority levels on the use of the different financing instruments therein defined.

CGD left its liquidity measurement and monitoring risk metrics unchanged in 2018 to guarantee the strength of the Group's risk assessment framework.

In terms of regulatory undertakings on risk and liquidity reporting, 2018 continued to be characterised by particularly demanding information requirements. The ECB's liquidity "radar" left the different levels of scrutiny and complexity used in 2017 unchanged, as set out below:

- Liquidity risk monitoring tool (quarterly) – methodology for the monitoring of liquidity risk developed by the ECB, which includes the calculation of i) liquidity ratios, ii) survival periods, and iii) liquidity gaps;
- Additional liquidity monitoring metrics (monthly) – a set of additional liquidity monitoring measures in accordance with sub-paragraph b) of number 3 of article 415 of regulation (EU) 575/2013, that includes quantitative data on i) concentration of funding by counterparty and type of product, ii) funding cost, iii) renewal of funding, and iv) concentration of counterbalancing capacity (net assets) by issuing entity/counterparty;
- Short term exercises (quarterly) – a short term data collection exercise to provide essential information for the ECB's supervisory review and evaluation process, that, on liquidity issues, includes information on the NSFR (net stable funding ratio) prudential ratio:
- Downgrade exercise of the Portuguese sovereign (annual) – an ECB monitoring exercise on the impacts of the total loss of eligibility of Portuguese public debt instruments in the following areas i) the collateral available for Eurosystem funding, ii) funding outflows in addition to the additional contagion effects on a level of Portuguese-related assets and the rating on CGD and the debt instruments issued by any CGD Group entity following the respective 1 notch downgrade of its credit rating by the four rating agencies accepted by the ECB;
- Internal liquidity adequacy assessment process (annual) – a self-assessment exercise on the adequacy of credit institutions' liquidity levels that, in compliance with article 86 of directive 2013/36/EU, should have robust strategies, policies, processes and information systems i) for the identification, measurement, management and monitoring of liquidity risk across appropriate timeframes, and ii) for the management and monitoring of funding positions in order to guarantee adequate liquidity buffer levels and an adequate funding structure;
- Liquidity exercise (annual) – a daily monitoring model (five consecutive days) developed by the ECB for temporary use in real crisis situations, centring on the most relevant liquidity data in such situations: (i) changes in the level of customer deposits, wholesale funding, borrowings from the ECB and net assets, (ii) the ten principal counterparties in respect of customer deposits and repo operations, and (iii) the ten principal intra Group financing transactions.

In addition to the supervisor's proximity approach to the banks' liquidity situation, the LCR (liquidity coverage ratio) as the minimum liquidity standard under the CRR/CRD IV regulatory framework – entered its third full year of application in 2018, with the following transitory disposition:

- 60% of the liquidity coverage requirement starting 1 October 2015;
- 70 % from 1 January 2016;
- 80% from 1 January 2017;
- 100% from 1 January 2018.

CGD Group's comfortable LCR ratio of 234.5% at 31 December 2018, was significantly higher than the minimum targets, confirming its excellent liquidity position.

The NSFR also confirmed the Group's excellent liquidity position, with a comfortable 148.9% at 31 December 2018, although the standard which aims to promote the existence of a sustainable maturities structure between assets, liabilities and off-balance sheet items, particularly focusing on preventing the excessive use of short term wholesale funding, is only expected to come into force on 1 January 2019, with a minimum requirement of 100%.

Also in the context of its regulatory liquidity risk reporting commitments, CGD continued to comply with the conditions set out in the Bank of Portugal's *instruction* 13/2009, which include a detailed, permanent collection of information on credit institutions' liquidity levels and their forecast treasury plans over a one year timeframe.

Notwithstanding the problems noted in the money and capital markets since 2008, 2018 saw a growing trend towards the stabilisation of confidence levels in the financial system, already being felt since 2013, providing CGD with a more favourable funding environment. Caixa launched a market issuance of €500 million in additional tier 2 own funds in which the market evidenced a high level of "appetite" for the "Caixa Geral de Depósitos" brand. The transaction enabled CGD to complete the last stage of its recapitalisation plan, initiated in 2017, for a total amount of €4,944 million and further enhanced its already comfortable liquidity position.

Over the course of 2018, CGD endeavoured as usual to guarantee a sustainable resource-taking structure for its activity, based on the characteristics of the liquidity and period to maturity of its off-balance-sheet assets and exposures.

1.5.5. OPERATIONAL RISK

Operational risk comprises the risk of losses resulting from inadequacies or failures of processes, persons and information systems or deriving from external events, including legal risks.

This risk is transversal to the various processes developed and is minimised through the implementation of adequate control and mitigation procedures.

In terms of the calculation of own funds requirements to cover operational risk, CGD Group, on a consolidated basis, has adopted the standard method, which is also used on an individual basis by Caixa Geral de Depósitos, Caixa Banco de Investimento, Caixa Leasing e Factoring, Banco Caixa Geral (Spain) and Mercantile Bank (South Africa).

The application of the standard method on a consolidated basis, at 31 December 2018, required own funds of €309 million to cover operational risk.

Methodology

Operational risk management in CGD Group is based on an end-to-end vision, on a collection of guidelines, principles and regulations recognised as good practice on a national and international level.

This methodology, incorporating a series of components, has been implemented in CGD and its respective branches and subsidiaries, in line with a corporate approach:

- Definition and oversight of risk appetite limits;
- Identification of operational risks based on the scheduling of processes, risks and controls, analysis of new products and services and the oversight of subcontracted activities;
- Decentralised collection of operational risk events, losses and recoveries, strengthened on the basis of control procedures;
- Self-assessment of potential operational risks and respective controls;
- Definition and oversight of key risk indicators;
- Promotion of training programmes and disclosure of information based on an internal reporting system which includes regular meetings and the disclosure of reports for diverse Group structures;
- Identification, definition and implementation of action plans as a corollary to the remaining methodological components.

On an organisational level, operational risk management in CGD is performed by different structures/functions with specific responsibilities in this process, whose respective coordination is the responsibility of a unit which exclusively specialises in operational risk management as part of the operational risk and business continuity area of the risk management division.

The structure dedicated to business continuity, which was part of the organisation and quality division, was integrated into the risk management division, in 2018. Notwithstanding this organic change, this unit continued to have attributes, resources and competence related with business continuity and is responsible for ensuring the management, maintenance and implementation of the respective initiatives.

CGD formalised its candidature for the certification the *SGCN* (business continuity management system) in light of its state of consolidation, to the international ISO 22301:2012 Business Continuity Management System standard.

The BSI (British Standards Institution) which specialises in this area carried out an external audit on the *SGCN* having recommended its certification, which was obtained on 11 January 2019.

This certification enabled CGD to confirm that its business continuity principles and good practice have been guaranteed and implemented, thus continuing to be resilient and ready to respond to potential threats to its business.

In Group terms, CGD continues to oversee and develop the Bank of Portugal's good practice support/performance projects (circular 75/2010) with CGD entities abroad, having concentrated, this year, on remote support to the respective entities and respective reporting to the regulator.

Top management continues to be involved and oversees this area through a dedicated business continuity committee structure, currently on a quarterly basis and dealing with issues relative to business continuity management and strategy, resulting in the implementation of the respective business continuity solutions.

Objectives for 2019

As in the recent past, 2019 is also expected to be a particularly challenging year for risk management areas. Reference should, herein, be made to the following activities identified as being the main objectives for 2019:

- The performance of the ECB's "Sensitivity Analysis of Liquidity Risk" stress test
- The implementation and use of new risk assessment models for corporates and self-employed businesspeople;
- The creation of DRT (rating division) by spinning off the ratings area of the risk management division, with the following objectives: (i) to guarantee independence between the areas developing DGR's rating models and the ratings attribution function for which DRT will be responsible, (ii) to strengthen control of the risks related to the corporate credit portfolio and (iii) to strengthen the corporate component of the attribution of ratings function based on the implementation of policies and methodologies common to CGD Group entities;
- An ongoing revision of processes and information flows with the aim of multiplying automatic solutions, increasing efficiency and mitigating operational risks;
- The implementation of automatic mechanisms to consolidate the appropriate monitoring/oversight of the evolution of credit risk;
- Preparation for the coming into force of the "Fundamental Review of the Trading Book";
- To continue to strengthen the Group's risk management culture, promoting personal and digital proximity as well as harmonising practices and concepts.

1.6. Subsequent Events

Alberto Afonso Souto de Miranda, non-executive member of the Board of Directors of CGD, S.A., elected for the 2017-2020 term, resigned to his mandate with effect from February 17th 2019, following his appointment as *Secretário de Estado Adjunto e das Comunicações, do Ministério das Infraestruturas e da Habitação* - Secretary of State for Communications, of the Ministry of Infrastructures and Housing.

1.7. Proposal for the Appropriation of Net Income

Pursuant to the terms of article 66 no. 5, sub-paragraph f) and article 376 of the Commercial Companies Code and article 33 of Caixa Geral de Depósitos's articles of association, it is proposed that net income for the year relative to the accounts of CGD, SA, in the amount of €337,797,746, should be appropriated:

- 20% for the Legal Reserve, €67.559.549;
- €200,000,000 for Dividends, having been approved by the competent supervisory bodies in accordance with current European and Domestic legislation;
- €70.238.197 into the "Other Reserves and Retained Earnings" balance sheet account.

Lisbon, 29 April 2019

Board of Directors

Chairman:

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman:

Paulo José de Ribeiro Moita de Macedo

Members:

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

1.8. Declaration on the Conformity of the Financial Information Presented

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code, we declare that the financial statements for 2018 and other accounting documents have, to the best of our knowledge been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the Board of Directors' report gives an accurate account of its business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon, 29 April 2019

Board of Directors

Chairman:

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman:

Paulo José de Ribeiro Moita de Macedo

Members:

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

1.9. Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, SA

BALANCE SHEET (SEPARATE)

(EUR)

ASSETS	31-12-2018 Amounts before impairment, amortisation and depreciation	31-12-2018 Impairment and amortisation and depreciation	31-12-2018 Net assets	31-12-2017 Net assets	LIABILITIES AND EQUITY	31-12-2018	31-12-2017
Cash and cash equivalents at central banks	4,661,305,535	-	4,661,305,535	3,750,223,524	Resources of central banks and other credit institutions	2,175,602,559	4,847,200,640
Cash balances at other credit institutions	652,049,065	-	652,049,065	402,737,261	Customer resources and other loans	56,214,568,253	56,837,841,565
Loans and advances to credit institutions	3,319,731,108	(7,977,609)	3,311,753,499	3,808,636,615	Debt securities	3,260,723,233	4,052,826,581
Financial assets at fair value through profit or loss	9,080,339,014	-	9,080,339,014	6,675,287,320	Financial liabilities at fair value through profit or loss	730,975,684	1,055,530,514
Financial assets at fair value through other comprehensive income	3,662,330,791	(337,249)	3,661,993,542	8,550,550,340	Financial liabilities associated with transferred assets	3,462,512,192	3,790,917,908
Hedging derivatives	5,523,842	-	5,523,842	7,412,943	Hedging derivatives	3,689,561	5,458,606
Investments at amortized cost	5,253,138,043	-	5,253,138,043	2,111,276,033	Provisions	1,045,545,044	1,247,076,100
Loans and advances to customers	47,874,475,072	(3,022,657,879)	44,851,817,193	48,072,190,440	Current tax liabilities	1,927,520	617,235
Non-current assets held for sale	1,270,394,460	(613,410,121)	656,984,339	713,453,914	Deferred tax liabilities	170,209,840	203,438,648
Investment properties	5,054,623	-	5,054,623	3,286,623	Other subordinated liabilities	1,270,347,200	1,127,807,445
Other tangible assets	1,125,623,450	(879,212,912)	246,410,538	287,107,592	Other liabilities	1,904,195,860	1,832,661,604
Intangible assets	321,162,873	(275,476,342)	45,686,531	48,465,068	Total Liabilities	70,240,296,946	75,001,376,846
Investments in associates, subsidiaries and joint ventures	2,205,167,109	(532,883,439)	1,672,283,670	3,492,318,630	Share capital	3,844,143,735	3,844,143,735
Current tax assets	35,993,450	-	35,993,450	20,470,236	Other equity instruments	500,000,000	500,000,000
Deferred tax assets	2,009,237,008	-	2,009,237,008	2,214,634,010	Revaluation reserves	227,495,422	337,693,358
Other assets	1,753,536,749	(296,303,853)	1,457,232,896	2,016,373,063	Other reserves and retained earnings	2,457,068,939	2,466,567,867
	-	-	-	-	Net income for the period	337,797,746	24,641,806
	-	-	-	-	Total Equity	7,366,505,842	7,173,046,766
	-	-	-	-		-	-
Total Assets	83,235,062,192	(5,628,259,404)	77,606,802,788	82,174,424,612	**Total Liabilities and Equity**	77,606,802,788	82,174,423,612

Certified Public Accountant

Andreia Júlia Meneses Alves

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CAIXA GERAL DE DEPÓSITOS, SA

INCOME STATEMENT (SEPARATE)

(EUR)

	31-12-2018	31-12-2017
Interest and similar income	1,516,129,041	1,725,179,964
Interest and similar expenses	(703,040,000)	(890,359,519)
Income from equity instruments	66,987,518	59,888,538
NET INTEREST INCOME	880,076,559	894,708,983
Income from services and commissions	483,015,037	460,424,268
Costs of services and commissions	(89,158,096)	(88,411,207)
Results from financial operations	39,419,443	218,633,157
Other operating income	(14,134,580)	(40,083,441)
TOTAL OPERATING INCOME	1,299,218,363	1,445,271,760
Employee costs	(459,132,731)	(492,574,147)
Other administrative costs	(251,811,483)	(279,018,019)
Depreciation and amortisation	(37,059,300)	(53,181,710)
Provisions net of reversals	141,467,894	(194,270,914)
Loan impairment, net of reversals and recoveries	(116,517,583)	(119,091,759)
Other assets impairment, net of reversals and recoveries	30,207,269	(153,123,466)
INCOME BEFORE TAX	606,372,429	154,011,745
Income tax	(268,574,683)	(129,369,939)
NET INCOME FOR THE PERIOD	337,797,746	24,641,806
Average number of ordinary shares outstanding	768,828,747	654,400,018
Earnings per share (in Euros)	0.44	0.04

Certified Public Accountant

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CAIXA GERAL DE DEPÓSITOS, SA

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR Thousand)

	31-12-2018	31-12-2017
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the year	33,458	329,282
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the year	469	17,234
Disposal of available-for-sale financial assets	(32,121)	(41,388)
Tax effect	(483)	(83,318)
Foreign exchange differences in branches		
Gains / (losses) arising during the year	(796)	18,082
Foreign exchange differences in the liquidation of branches		
in currencies other than the Euro	4,568	(5,232)
Other	(108)	(52)
Subtotal	4,988	234,609
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the year	(139,174)	90,495
Tax effect	26,102	(5,638)
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	742	-
Subtotal	(112,330)	84,858
Total comprehensive net income for the year recognised in reserves	(107,342)	319,466
Net income for the year	337,798	24,642
Total comprehensive net income for the year recognised in reserves	230,456	344,108

CAIXA GERAL DE DEPÓSITOS, SA

CASH FLOW STATEMENTS (SEPARATE)

(EUR Thousand)

	31-12-2018	31-12-2017
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2,048,675	2,172,397
Interest, commissions and similar costs paid	(713,281)	(865,929)
Recovery of principal and interest	90,602	79,838
Payments to employees and suppliers	(721,688)	(637,126)
Payments and contributions to pensions funds and other benefits	(120,558)	(115,107)
Other results	3,550	10,909
	587,299	644,982
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	3,327,031	4,325,032
Assets held-for-trading and other assets at fair value through profit or loss	(288,411)	(179,261)
Other assets	386,446	(1,766,172)
	3,425,066	2,379,599
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(2,669,379)	(1,104,498)
Customer resources	1,116,686	(1,763,687)
Other liabilities	(315,584)	(98,526)
	(1,868,277)	(2,966,711)
Net cash from operating activities before taxation	2,144,088	57,870
Income tax	(28,235)	(84,838)
Net cash from operating activities	2,115,853	(26,968)
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	66,729	40,140
Dividends received from available-for-sale financial assets	259	10,504
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net (	(33,882)	102,990
Acquisition of available-for-sale financial assets, net of disposals	(125,825)	680,041
Acquisition of tangible and intangible assets, net of disposals	(24,206)	209
Net cash from investing activities	(116,925)	833,883
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(28,569)	(33,413)
Interest on debt securities	(105,001)	(111,180)
Interest in other equity instruments	(67,188)	(40,313)
Issue of subordinated liabilities, net of repayments	130,746	(545,965)
Issue of debt securities, net of repayments	(769,815)	(156,895)
Issue of other equity instruments	-	496,000
Capital increase	-	2,500,000
Net cash from financing activities	(839,827)	2,108,235
Increase (decrease) in cash and cash equivalents	1,159,101	2,915,150
Cash and cash equivalents at the beginning of the year	4,152,961	1,239,790
Merger process differences in cash and cash equivalents	483	-
Foreign exchange differences in cash and cash equivalents	810	(1,979)
Net change of cash and cash equivalents	1,159,101	2,915,150
Cash and cash equivalents at end of the year	**5,313,355**	**4,152,961**

CAIXA GERAL DE DEPÓSITOS, SA

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

(EUR Thousand)

	Share capital	Other equity instruments	Revaluation reserves				Other reserves and retained earnings			Net income for the year	Total
			Revaluation reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves and retained earnings	Total		
Balances at December 31, 2016	5.900.000	-	7.698	(2.240)	110.425	115.883	865.348	(2.413.829)	(1.548.481)	(2.050.413)	2.416.989
Appropriation of net income for 2016:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(2.050.413)	(2.050.413)	2.050.413	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets	-	-	305.129	(83.318)	-	221.810	-		-	-	221.810
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	84.858	84.858	-	84.858
Foreign exchange differences in branches	-	-	-	-	-	-	-	12.850	12.850	-	12.850
Net income for the period	-	-	-	-	-	-	-	-	-	24.642	24.642
Other	-	-	-	-	-	-	-	(52)	(52)	-	(52)
Total gains and losses for the year recognised in equity	-	-	305.129	(83.318)	-	221.810	-	(1.952.757)	(1.952.757)	2.075.055	344.108
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	-	-	-	-	-	-	-	(32.194)	(32.194)	-	(32.194)
Balances at December 31, 2017	3.844.144	500.000	312.826	(85.558)	110.425	337.693	-	2.466.569	2.466.569	24.642	7.173.047
Transition adjustments to IFRS9	-	-	(153.505)	41.984	-	(111.521)	-	23.064	23.064	-	(88.458)
Balances at January 1, 2018	3.844.144	500.000	159.321	(43.574)	110.425	226.172	-	2.489.632	2.489.632	24.642	7.084.589
Appropriation of net income for 2017:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	4.928	19.713	24.642	(24.642)	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets											
Measurement gain / (losses) on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	742	742	-	742
Measurement gain / (losses) on other financial assets	-	-	1.806	(483)	-	1.323	-	-	-	-	1.323
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(113.072)	(113.072)	-	(113.072)
Foreign exchange differences in branches	-	-	-	-	-	-	-	3.772	3.772	-	3.772
Net income for the period	-	-	-	-	-	-	-	-	-	337.798	337.798
Other	-	-	-	-	-	-	-	(108)	(108)	-	(108)
Total gains and losses for the year recognised in equity	-		1.806	(483)	-	1.323	-	(108.665)	(108.665)	337.798	230.456
Merger reserves	-	-	-	-	-	-	-	90.726	90.726	-	90.726
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(39.265)	(39.265)	-	(39.265)
Balances at December 31, 2018	3.844.144	500.000	161.127	(44.057)	110.425	227.495	4.928	2.452.142	2.457.070	337.798	7.366.506

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	31-12-2018 Amounts before impairment, amortisation and depreciation	31-12-2018 Impairment, amortisation and depreciation	31-12-2018 Net assets	31-12-2017 Net assets	LIABILITIES AND EQUITY	Notes	31-12-2018	31-12-2017
Cash and cash equivalents at central banks	4	5,606,734,881	-	5,606,734,881	4,620,892,713	Resources of central banks and other credit institutions	20	1,758,542,200	4,042,850,063
Cash balances at other credit institutions	5	1,014,098,069	-	1,014,098,069	698,700,307	Customer resources and other loans	21	63,422,525,120	63,630,895,823
Loans and advances to credit institutions	6	2,202,031,268	(9,008,785)	2,193,022,483	3,028,693,730	Debt securities	22	3,260,321,126	4,051,421,034
Financial assets at fair value through profit or loss	7	7,696,082,539	-	7,696,082,539	6,792,824,259	Financial liabilities at fair value through profit or loss	10	737,818,118	1,060,339,220
Financial assets at fair value through other comprehensive income	8	4,830,924,479	(4,757,683)	4,826,166,796	6,331,363,017	Hedging derivatives	10	3,689,561	5,458,606
Financial assets with repurchase agreement	9	55,008,536	-	55,008,536	52,848,642	Non-current liabilities held-for-sale	13	5,396,453,895	5,783,828,926
Hedging derivatives	10	5,523,842	-	5,523,842	7,412,943	Provisions for employee benefits	23	758,491,991	814,063,799
Investments at amortized cost	11	3,924,212,756	(4,245,485)	3,919,967,271	2,626,819,147	Provisions for guarantees and other commitments	23	211,769,244	328,436,963
Loans and advances to customers	12	54,926,412,153	(3,336,926,694)	51,589,485,459	55,254,981,002	Provisions for other risks	23	145,638,325	145,789,979
Non-current assets held-for-sale	13	6,962,469,681	(749,252,717)	6,213,216,964	6,756,508,181	Current tax liabilities	18	37,830,045	30,518,698
Investment properties	14	809,962,789	-	809,962,789	897,817,848	Deferred tax liabilities	18	189,965,442	277,789,563
Other tangible assets	15	1,485,830,755	(1,039,696,988)	446,133,767	588,611,943	Other subordinated liabilities	24	1,159,821,094	1,027,741,379
Intangible assets	16	404,176,963	(340,866,676)	63,310,287	80,676,876	Other liabilities	25	3,723,106,145	3,774,464,211
Investments in associates and jointly controlled entities	17	389,012,734	(468,714)	388,544,020	414,716,961	Total liabilities		80,805,972,306	84,973,598,264
Current tax assets	18	44,619,956	-	44,619,956	34,883,388	Share capital	26	3,844,143,735	3,844,143,735
Deferred tax assets	18	2,107,695,143	-	2,107,695,143	2,287,808,330	Other equity instruments	26	500,000,000	500,000,000
Other assets	19	2,315,134,134	(203,289,145)	2,111,844,989	2,772,354,609	Revaluation reserves	27	257,491,894	394,960,625
		-	-	-	-	Other reserves and retained earnings	27	2,854,991,723	3,098,219,699
		-	-	-	-	Net income attributable to the shareholder of CGD	27	495,775,636	51,945,740
		-	-	-	-	Shareholders' equity attributable to CGD		7,952,402,988	7,889,269,799
		-	-	-	-	Non-controlling interests	28	333,042,497	385,045,833
		-	-	-	-	Total equity		8,285,445,485	8,274,315,632
Total assets		94,779,930,678	(5,688,512,887)	89,091,417,791	93,247,913,896	**Total liabilities and equity**		89,091,417,791	93,247,913,896

Certified Public Accountant

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED INCOME STATEMENT

(EUR)

	Notes	31-12-2018	31-12-2017
Interest and similar income	29	2,072,328,841	2,344,714,106
Interest and similar expenses	29	(867,528,978)	(1,103,654,997)
Income from equity instruments	30	17,472,128	46,382,532
NET INTEREST INCOME		1,222,271,991	1,287,441,641
Income from services rendered and commissions	31	598,513,598	589,150,804
Cost of services and commissions	31	(124,315,776)	(124,289,005)
Results from financial operations	32	31,669,206	215,778,862
Other operating income	33	57,672,946	46,741,165
TOTAL OPERATING INCOME		1,785,811,965	2,014,823,467
Employee costs	34	(619,171,364)	(658,936,291)
Other administrative costs	36	(320,056,248)	(357,590,021)
Depreciation and amortisation	15 and 16	(61,627,752)	(86,765,097)
Provisions net of reversals	23	108,787,427	(203,407,078)
Loan impairment, net of reversals and recoveries	37	(119,465,720)	(85,908,500)
Other assets impairment, net of reversals and recoveries	37	(25,068,925)	(437,906,554)
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		749,209,383	184,309,926
Income tax	18	(308,284,458)	(215,822,902)
Results of associates and jointly controlled entities	17	52,820,949	24,687,537
RESULTS OF CONTINUING ACTIVITIES		493,745,874	(6,825,439)
Results of subsidiaries held-for-sale	13	45,817,937	83,600,539
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		539,563,811	76,775,100
Non-controlling interests	28	(43,788,175)	(24,829,359)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		495,775,636	51,945,741
Average number of ordinary shares outstanding	26	768,828,747	654,400,018
Earnings per share (in Euros)		0.64	0.08

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

	31-12-2018			31-12-2017		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Amounts that may be reclassified to net income						
Adjustments to the fair value of financial assets						
Gains / (losses) arising during the period	(3.374)	4.132	758	384.210	62.599	446.809
Reclassification adjustments in revaluation reserves						
Financial assets impairment recognized in the period	9.599	-	9.599	18.643	-	18.643
Disposal of financial assets in the period	(21.631)	(20.240)	(41.871)	(36.585)	(7.976)	(44.561)
Tax effect	400	5.049	5.449	(97.906)	(14.142)	(112.048)
Adjustments in associated companies assets	(95.403)	-	(95.403)	80.691	-	80.691
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the period	(122.259)	(11.781)	(134.041)	(84.718)	(25.124)	(109.842)
Foreign exchange results associated with the sale or wind down of branches and subsidiaries in fo	4.568	-	4.568	(5.264)	-	(5.264)
Other	1.328	-	1.328	(1.800)	-	(1.800)
	(226.772)	(22.841)	(249.612)	257.271	15.357	272.628
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	(139.174)	-	(139.174)	90.514	-	90.514
Tax effect	26.102	-	26.102	(5.638)	-	(5.638)
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	9.629	-	9.629	-	-	-
Other	-	-	-	(745)	-	(745)
	(103.443)	-	(103.443)	84.132	-	84.132
Total comprehensive net income for the period recognised in reserves	(330.214)	(22.841)	(353.055)	341.403	15.357	356.760
Net income for the period	493.746	45.818	539.564	(6.825)	83.601	76.775
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD of which:	163.532	22.977	186.509	334.577	98.958	433.535
Non-controlling interests	18.619	70	18.689	(23.304)	(76)	(23.380)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	182.151	23.047	205.198	311.274	98.881	410.155

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED CASH FLOWS STATEMENTS

(EUR Thousand)

	31-12-2018	31-12-2017
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2,755,536	2,868,113
Interest, commissions and similar expenses paid	(915,739)	(1,092,173)
Recovery of principal and interest	97,915	98,521
Payments to employees and suppliers	(942,981)	(873,473)
Payments and contributions to pension funds and other benefits	(124,241)	(117,630)
Other results	69,746	82,724
	940,235	966,082
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	3,830,188	4,679,988
Assets held-for-trading and other assets at fair value through profit or loss	(96,049)	(145,336)
Other assets	860,800	(1,761,976)
	4,594,939	2,772,677
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(2,284,455)	(451,080)
Customer resources and other loans	(204,873)	(3,002,963)
Other liabilities	(422,072)	(148,607)
	(2,911,400)	(3,602,651)
Net cash from operating activities before taxation	2,623,774	136,107
Income tax	(130,196)	(113,505)
Net cash from operating activities	2,493,578	22,602
INVESTING ACTIVITIES		
Dividends received from equity instruments	17,472	46,383
Acquisition of investments in subsidiaries and associated companies, net of disposals	(20,328)	105,547
Acquisition of financial assets at fair value through other comprehensive income	(418,611)	601,014
Acquisition of tangible and intangible assets and investment property, net of disposals	159,692	(39,402)
Net cash from investing activities	(261,775)	713,542
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(27,959)	(33,497)
Interest on debt securities	(105,050)	(110,543)
Interest on other equity instruments	(67,188)	(40,313)
Issue of subordinated liabilities, net of repayments	120,290	(447,086)
Issue of debt securities, net of repayments	(768,815)	(125,695)
Issue of other equity instruments	-	496,000
Capital increase	-	2,500,000
Net cash from financing activities	(848,722)	2,238,867
Increase (decrease) in cash and cash equivalents	1,383,080	2,975,010
Cash and cash equivalents at the beginning of the period	5,319,593	2,598,285
Foreign exchange differences in cash and cash equivalents	(81,840)	(61,644)
Net change of cash and cash equivalents	1,383,080	2,975,010
Cash and cash equivalents at the end of the period	6,620,833	5,319,593

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR Thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the year	Subtotal	Non-controlling interests	Total
Balances at December 31, 2016	5,900,000	-	87,268	(1,109,321)	(1,859,523)	3,018,424	864,417	3,882,841
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	298,786	80,691	-	379,477	10,057	389,534
Foreign currency differences in subsidiaries and branches	-	-	-	(101,545)	-	(101,545)	(13,561)	(115,106)
Employee benefits - actuarial gains and losses	-	-	-	84,877	-	84,877	-	84,877
Net income for the period	-	-	-	-	51,946	51,946	24,829	76,775
Other	-	-	(745)	(3,855)	-	(4,600)	2,055	(2,545)
Total gains and losses for the period recognised in equity	-	-	298,041	60,168	51,946	410,155	23,380	433,535
Appropriation of net income for 2016:								
Transfer to reserves and retained earnings	-	-	-	(1,859,523)	1,859,523	-	-	-
Capital increase	3,944,144	-	-	-	-	3,944,144	(505,181)	3,438,963
Capital decrease	(6,000,000)	-	-	6,000,000	-	-	-	-
Issue of other equity instruments	-	500,000	-	-	-	500,000	-	500,000
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(31,613)	-	(31,613)	-	(31,613)
Equity transactions with non-controlling interests	-	-	-	5,104	-	5,104	(21,194)	(16,090)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(17,800)	(17,800)
Classifications of Angola as an hyperinflationary economy	-	-	-	43,056	-	43,056	41,425	84,481
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	9,651	(9,651)	-	-	-	-
Balances at December 31, 2017	3,844,144	500,000	394,961	3,098,220	51,946	7,889,270	385,046	8,274,316
Adoption of IFRS 9	-	-	(107,357)	(999)	-	(108,356)	(24,151)	(132,507)
Balances at January 1, 2018	3,844,144	500,000	287,603	3,097,221	51,946	7,780,914	360,895	8,141,808
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	(25,784)	(95,403)	-	(121,186)	(281)	(121,467)
Employee benefits - actuarial gains and losses	-	-	-	(113,072)	-	(113,072)	-	(113,072)
Foreign currency differences in subsidiaries and branches	-	-	-	(67,378)	-	(67,378)	(62,095)	(129,473)
Changes in the fair value of equity instruments	-	-	-	9,629	-	9,629	-	9,629
Net income for the period	-	-	-	-	495,776	495,776	43,788	539,564
Other	-	-	-	1,430	-	1,430	(102)	1,328
Total gains and losses for the period recognised in equity	-	-	(25,784)	(264,794)	495,776	205,198	(18,689)	186,509
Appropriation of net income for 2017:								
Transfer to reserves and retained earnings	-	-	-	51,946	(51,946)	-	-	-
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(39,265)	-	(39,265)	-	(39,265)
Equity transactions with non-controlling interests	-	-	-	2,317	-	2,317	-	2,317
Dividends paid to non-controlling interests	-	-	-	-	-	-	(12,275)	(12,275)
Classification of Angola as an hyperinflationary economy	-	-	-	3,240	-	3,240	3,113	6,352
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	(4,328)	4,328	-	-	-	-
Balances at December 31, 2018	3,844,144	500,000	257,492	2,854,992	495,776	7,952,403	333,042	8,285,445

2. Notes, Reports and Opinions on the Accounts

2.1. Notes to the Consolidated Financial Statements

(Amounts expressed in thousands of euros – unless otherwise indicated)

1. INTRODUCTORY NOTE

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

At December 31, 2018, CGD operated a nationwide network of 573 branch offices, a branch in France with 48 offices, a branch in Timor with 14 offices, a branch in Luxembourg with 1 office and a branch in Spain. The New York and Zhuhai branches had been dissolved by the above date.

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

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

The consolidated financial statements at December 31, 2018 were approved by the board of directors on April 29, 2019 and will be submitted for approval by the general meeting, which has the authority to amend them. The executive board of directors, however, considers that they will be approved without any significant alterations.

Following the economic-financial crisis and its serious repercussions on the domestic financial system and in the context of the response to the capital requirements defined by the EBA in its recommendation REC/2011/1, the Portuguese state in its capacity as the sole shareholder, recapitalised CGD, in June 2012, by way of a €750,000 thousand increase in share capital and the issuance of €900,000 thousand in CoCo bonds. The recapitalisation, under European regulations, was considered to be state aid which resulted in the Portuguese state's agreement with DG Comp, the European entity responsible for competition, to a restructuring plan to be implemented by CGD during the period 2013-2015.

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

In spite of having fulfilled almost all of its undertakings, CGD continued to make losses from 2013 to 2016. This partly derived from the effects of ECB monetary policy which caused sharp fall in market interest rates and much lower than expected economic growth. A factor in the losses recorded during this period, was the deterioration of the quality of CGD's assets that resulted in the recognition of significant impairment charges. This was also an increase in regulatory requirements to strengthen capital ratios during these years.

Efficiency levels were, consequently, lower than initially agreed and CGD found itself unable to meet its CoCo commitments.

To ensure the adequacy of CGD's recapitalisation in compliance with required solvency levels, the Portuguese state as its sole shareholder and DG Comp approved a recapitalisation plan in March 2017, to include the production of a strategic 4 year plan (2017-2020) that, based on a prudent macroeconomic scenario evidencing the capacity to generate a similar level of return on equity to that required of a private investor, was not qualified as state aid.

CGD's new recapitalisation plan was implemented progressively.

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

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

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

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

The completion of the recapitalisation plan and consequent strengthening of Caixa's solvency will enable it to concentrate on implementing its strategic plan 2017-2020 which was based on five pillars:

Pillar 1

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

a) Review segmentation and upgrade the retail offer;

b) Review of models of bancaassurance and asset management; To support retail value proposals and distribution of off-balance products;

c) Define a plan to improve the level of service to families and the level of service to corporates, particularly for SMEs;

d) Optimize credit process and price modelling

Pillar 2

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

a) Adjustments to the branch office network and central support areas;

b) Organisational restructuring operations;

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

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

Pillar 3

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

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

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

Pillar 4

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

a) Implementation of new scoring models to SME's, household loans and credit for consumption;

b) Implementation of a qualified corporate model and risk management;

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

d) Implementation of the Non-Performing Loans (NPL) deleverage plan; and;

e) Reinforce the monitoring and credit recovery by strengthening the specialised service units.

Pillar 5

Business transformation in a digital context. The aim, for this purpose, is:

a) To define the digital strategy, based on the acceleration, coaching and governance of digital initiatives, in addition to the implementation of priority initiatives resulting from strategic considerations;

b) For Caixa to increase its number of "digital" customers;

c) To reformulate an end-to-end experience in meeting the financial needs of personal and corporate customers to promote initiation, loyalty and growth of business ; and

d) To prepare the technical infrastructure for information and customers, providing for points of interaction and preparation for the development of a seamless experience across all media and channels.

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

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

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

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

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements, at December 31, 2018, were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, in accordance with regulation (EC) 1606/2002 of the European Council and of the Parliament of July 19 and decree law 35/2005 of February 17.

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

The application of the accounting policies described in this note has been consistent across all of the periods set out in the financial statements except as noted.

2.2. Changes to accounting policies

2.2.1 Voluntary changes to accounting policies

Except for the changes referred to in note 2.4, there were no other voluntary modifications of accounting policies in 2018 in comparison to those applied in preparing the financial information for the preceding year set out for comparison purposes.

2.2.2 New standards and interpretations for the period

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

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

The Group also adapted the disclosures associated with financial instruments, in accordance with the amendments and alterations to IFRS 7 – "Financial instruments – disclosures", resulting from the entry into force of IFRS 9 – "Financial instruments".

IFRS 15 − "Revenues from contracts with customers" (and later amendments). This standard, published by the IASB in May 2014, specifies the form and timing of revenue recognition and also provides information on the prescribed disclosure requirements for entities subject to its application. IFRS 15 − “Revenues from contracts with customers” provides for a recognition model based on five principles whose application covers all contractual relationships entered into with customers.

“Annual improvements to IFRS 2014-2016 cycle”. These changes involve the clarification of several aspects related to IFRS 1 - "First-time adoption of international financial reporting standards" and eliminates several previously existing exemptions and IAS 28, - “Investments in associates and joint-ventures ”, - Clarification that the measurement of investees at fair value through profit and loss is a choice that is made investment by investment

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

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

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

2.2.3 New standards and interpretations already issued but still not mandatory

2.2.3.1 The following standards and interpretations, issued by the IASB and endorsed by the European Union, were available for early adoption at December 31, 2018:

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

IFRS 16 – “Leases” – Defines the principles applicable to the recognition, measurement, presentation and disclosure of lease agreements, with the objective of ensuring pertinent information to provide an accurate description of such transactions. IFRS 16 makes significant changes to the form of the accounting of lease agreements from the viewpoint of the lessee who should, in the balance sheet, recognise an asset based on right of use and a liability for the liabilities attached to the referred to agreements, unless this involves a period of less than twelve months or when the underlying asset has a residual value.

Transition

For transition purposes, CGD Group will apply the modified retrospective methodology with reference to January 1, 2019. The Group also opted to apply the practical solution permitted by the standard of not revaluing, on the transition date of whether or not an agreement is or contains a lease, taking the new definition into account, with IFRS 16 being applied to agreements which have previously been identified as leases under IAS 17 – “Leases” and IFRIC 4 - “Determining whether an arrangement contains a lease”. The Group will also exercise the option provided for in IFRS 16 of not applying the standard to leases on intangible assets. The transition adjustments will not have an impact on shareholders' equity at January 1, 2019. It has been estimated that the recognition of an asset based on right of use and the respective liability represent a 0.19% increase in total net assets and 0.22% of total liabilities and that the most significant aspect will be associated with the lease agreement on CGD's HQ building. Lease periods will generally coincide with the periods defined in the respective agreements. In the case of buildings, they will be based on the probability of the exercising of options on extensions or bringing periods forward, taking into account the specific market conditions for each type of asset. Given that CGD will opt for the application of the modified retrospective methodology, the discount rate applied will correspond to the incremental financing rate based on the yield curves calculated for CGD at January 1, 2019.

Implementation and governance strategy

CGD Group began work, in 2018, on a multidisciplinary global project to implement IFRS 16 and guarantee its homogenous, consistent application across all entities included in its consolidation perimeter. As regards the project's governance, oversight meetings are held on a regular basis with the participation of officers responsible for the different areas of the project, namely business, planning, accounting, organisation and IT. The necessary modifications to the IT systems related to lease agreements, in terms of monitoring, control and accounting treatment were implemented in accordance with the standard's requirements. This standard must be applied for the economic years starting on or after January 1, 2019.

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

2.2.3.2 The following standards and interpretations, not yet endorsed by the European Union, had been issued by the IASB at December 31, 2018.

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

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

IFRS 3 – "Business combinations" (amendments) – The changes to the wording of this standard clarify the minimum requirements for consideration as a business activity, through the elimination of the assessment of the market players having the capacity to replace the missing elements, adding a guideline to enable an assessment to be made on whether an acquired process is substantive and restricting the definitions of a business activity and output based on the introduction of an optional fair value test on the business activity. The amendments to this standard must be implemented for the economic years starting on or after January 1, 2020.

IAS 1 – "Presentation of financial statements" and IAS 8 – "Accounting policies, changes in accounting estimates and errors (amendments) – The objective of this change was to achieve consistency in the definition of "material" across all standards in force and to clarify several aspects related with its definition. According to the new definition, "information is material if any omission, error or occultation thereof may be reasonably expected to influence the decisions made by primary users on the basis of such financial statements, which supply financial information on a specific entity on which it reports". The amendments to these standards must be implemented for the economic years starting on or after January 1, 2020 and must be applied retrospectively.

The board of directors does not consider that the adoption of the above standards and interpretations will have a significant impact on consolidated net assets on preparation of the Group's financial statements.

2.3. IFRS 9 – "Financial instruments"

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

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

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

IFRS 9 – "Financial instruments" is divided up into three principal pillars: i) *classification and measurement*, ii) *impairment* and iii) *hedge accounting.*

Given the complexity involved in the implementation of this standard, a taskforce was set up, comprising members of the activities of risk, accounting, IT, internal audit and validation of business models , as well as the collaboration of external consultants. A steering committee was also set up under the guidance of members of the executive committee responsible for risk (chief risk officer) and finance (chief financial officer), to oversee the project. The committee is responsible for approving the accounting policies to be adopted as well as the necessary adjustments to the governance model in force. External consultants provided specific support for adjustments to the circuits and processes for the adaption of centrally defined accounting policies, to the specifics of local geographies, when required.

The implementation project was divided up into two phases:

- Phase 1 (gap assessment), starting last quarter 2016, with the principal objective of identifying the principal gaps between IAS 39 – "Financial instruments: recognition and measurement" and IFRS 9 – "Financial instruments" and their implications on a level of processes, data, methodologies, technological solutions and disclosures. This phase included a first quantitative impact study to anticipate the impacts of the adoption of the standard. A detailed implementation timeline was also defined; and

- Phase 2 (implementation), starting first quarter 2017, enacted the implementation plans drawn up in phase 1, with particular reference to the definition, approval and implementation of new (or changed) accounting policies and governance models. Work also continued to be performed on the technological transformations required to meet the demands of IFRS 9 – "Financial instruments".

<u>Classification and measurement</u>

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

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

The characterisation as contractual cash flows comprises an appraisal of whether they solely reflect the payment of principal and interest or *SPPI* ("solely payments of principal and interest").

The standard identifies two associated business models of relevance to CGD group's activity:

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

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

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

   CGD Group classified all of its assets measured at amortised cost under IAS 39 – "Financial instruments: recognition and measurement", in this category, except for those which do not meet *SPPI* criteria and which represent no more than 0.34% of the total volume with reference to January 01, 2018. Several debt instruments, previously classified as "Available-for-sale financial assets" with a "hold-to-collect" business model (16.52% of the portfolio's debt securities at January 01, 2018, resulting in a 1.41% increase in the value of assets at amortised cost) were also classified as assets at amortised cost).

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

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

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

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

   The full amount of the assets recognised as "Financial assets held-for-trading" was recognised at fair value through profit or loss. This category also included several assets measured at amortised cost under IAS 39 – “Financial instruments: recognition and measurement” (0.34%), as already stated, or at fair value through other comprehensive income (10.37%), as they do not meet *SPPI* criteria.

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

   Unlisted equity instruments, recognised at their acquisition cost, net of accumulated impairment, in "Available-for-sale financial assets", were remeasured at their respective fair values. The impact is estimated to amount to an increase of 7.45% compared to their book value.

The transition adjustments to IFRS 9 – “Financial instruments”, on the recognition and measurement, net of tax, resulted in a 0.91% decrease in shareholders’ equity.

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

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

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

Impairment:

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

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

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

These financial assets are divided up into 3 risk groups, depending upon the attribution of a significant deterioration of their credit risk level:

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

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

- 12 month expected losses: the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations; and
- Expected lifetime losses: the expected loss based on the difference between the contractual cash flows and the cash flows expected to be received by the entity up to the contract’s maturity. This is the expected loss resulting from all of the potential loss events up to maturity and is applied for stage 2 and 3 operations.

Although IFRS 9 – “Financial instruments” does not define the concept of default, CGD Group applies the same default definition as used for internal credit risk management purposes, incorporating the EBA’s recommendations as defined in its “Final report on guidelines on default definition (EBA-GL-2016-07)” published on September 28, 2016.

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

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

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

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

i. 12 month default probability;

ii. Lifetime default probability;

iii. LGD – loss given default;

iv. Prepayments (full and part);

v. Behavioural maturity for revolving products; and

vi. CCFs (credit conversion factors), on off-balance sheet exposures.

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

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

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

Transition adjustments to IFRS 9 – "Financial instruments" regarding impairment, net of tax, reduced shareholders' equity by 0.69%.

Hedge accounting:

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

- There has been a change to the criteria relating to the classification of a certain instrument as a hedge (e.g. accepting non-financial assets provided that they have been measured at fair value through profit or loss);

- There has been a change to the criteria relating to the classification of a certain operation as a hedged operation (which now includes derivatives as part of aggregated structures); and
- There has been a change to the criteria for quantifying the hedge's effectiveness.

As regards the scope of hedges:

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

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

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

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

New determinant eligibility factors for hedge operations were defined:

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

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

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

CGD Group did not discontinue nor did it apply hedge accounting to new hedge relationships in the transition to IFRS 9 – “Financial instruments”.

<u>Effects on shareholder’s equity of the transition to IFRS 9 – “Financial instruments”</u>

As shown in the following table, the transition adjustments to IFRS 9 – “Financial instruments”, net of tax, reduced shareholders’ equity by 1.60 %.

	01-01-2018								
	Continued operations			Discontinued operations			Total		
	Group	Non-Controlling Interests	Total	Group	Non-Controlling Interests	Total	Group	Non-Controlling Interests	Total
Equity before IFRS 9 adoption	7,051,488	383,885	7,435,373	837,782	1,161	838,943	7,889,270	385,046	8,274,316
Impact on equity									
Impairment model									
. Impairment of financial assets measured at amortized cost	(88,067)	(17,046)	(105,113)	(1,020)	5	(1,016)	(89,087)	(17,041)	(106,129)
. Impairment for guarantees and commitments	25,335	(484)	24,851	(1,700)	(4)	(1,704)	23,635	(488)	23,147
	(62,732)	(17,530)	(80,262)	(2,720)	1	(2,719)	(65,452)	(17,529)	(82,981)
Classification and measurement									
. Changes in measurement due to classification of the business model	(26,610)	(6,518)	(33,128)	-	-	-	(26,610)	(6,518)	(33,128)
	(11,484)	(11,033)	(22,517)	-	-	-	(11,484)	(11,033)	(22,517)
. Measurement at fair value of equity instruments previously valued at cost	12,623	-	12,623	-	-	-	12,623	-	12,623
. Adjustment in the carrying amount of bonds issued by SPE related to BPN	(66,903)	-	(66,903)	-	-	-	(66,903)	-	(66,903)
	(92,374)	(17,551)	(109,926)	-	-	-	(92,374)	(17,551)	(109,926)
Gross impact	(155,106)	(35,082)	(190,188)	(2,720)	1	(2,719)	(157,826)	(35,081)	(192,907)
Tax impact	48,721	10,930	59,650	749	(0)	749	49,470	10,929	60,399
Impact net of tax effect	(106,385)	(24,152)	(130,537)	(1,971)	1	(1,970)	(108,356)	(24,151)	(132,508)
Equity after IFRS 9 adoption	6,945,103	359,733	7,304,836	835,811	1,162	836,972	7,780,913	360,894	8,141,808

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

Classes of financial assets	IAS 39				
IFRS 9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held for sale and discontinued operations
Fair value through profit or loss	5,829,104	897,922	-	208,340	-
At fair value through other comprehensive income	11	4,617,303	-	-	-
At amortized cost	-	868,987	2,626,819	58,899,045	-
Non-current assets held for sale and discontinued operations	-	-	-	-	6,756,508

After adoption of IFRS 9 - "Financial instruments"

Classes of financial assets	IAS 39				
IFRS 9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held for sale and discontinued operations
Fair value through profit or loss	5,829,104	906,000	-	185,823	-
At fair value through other comprehensive income	11	4,621,848	-	-	-
At amortized cost	-	835,859	2,622,365	58,731,482	-
Non-current assets held for sale and discontinued operations	-	-	-	-	6,755,493

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

Classes of financial assets	IAS 39				
IFRS 9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held for sale and discontinued operations
Fair value through profit or loss	-	8,078	-	(22,517)	-
At fair value through other comprehensive income	-	4,545	-	-	-
At amortized cost	-	(33,128)	(4,454)	(167,563)	-
Non-current assets held for sale and discontinued operations	-	-	-	-	(1,016)

The Financial assets at fair value through profit or loss column does not include derivatives.

The CET 1 (common equity tier 1) ratio was down 0.40%.

2.4. Accounting of property and other assets classified as non-current assets held-for-sale accounts.

The Group recognises property and other assets received from overdue credit recoveries, foreclosures or direct negotiation, as part of its activity, in non-current assets held-for-sale accounts in its balance sheet.

The accounting policy adopted in its recognition of the proceeds on sales of such assets until December 31, 2017, required the accumulated impairment directly allocated to them at the time of the transaction to be reversed as a charge to profit and loss for the period, with the amount of capital gains or losses being calculated on the difference between the respective acquisition cost and disposal price, fully recognised as a charge to “Other operating income”.

The volume and materiality of the impact of disposal of property received on the recovery of overdue credit has been growing in importance. This is not unconnected with the Group’s deleveraging commitments to the supervisory entities in order to reduce the proportion of such assets in its balance sheet. Owing to the criteria being applied to the recognition of these transactions, the analysis of the evolution of total operating income and impairment on other non-financial assets for the period could introduce distortions caused by the transfer of the accumulated effects of the losses already recognised as impairment in the period during which these assets were recorded in the Group's balance sheet.

As a result of this situation, and in order to ensure an appropriate presentation of its financial statements, CGD's board of directors decided to modify the accounting policy for recognition of gains and losses from sales of non-current assets held for sale. Thus, as from 2018, losses on the sale of these assets remain recorded in the impairment of other financial assets, and in the case of gains they are recognized as "other operating income".

The impact of this change on the Group's consolidated financial statements at December 31, 2017 was an increase in the captions "impairment of other non-financial assets, net of reversals and recoveries" and as an increase of the same amount in "other operating income" of €50,115 thousand, as set out below:

	Restatement 31-12-2017	31-12-2017	Impacts
Interest and similar income	2,344,714	2,344,714	-
Interest and similar expenses	(1,103,655)	(1,103,655)	-
Income from equity instruments	46,383	46,383	-
NET INTEREST INCOME	1,287,442	1,287,442	-
Income from services and commissions	589,151	589,151	-
Costs of services and commissions	(124,289)	(124,289)	-
Results from financial operations	215,779	215,779	-
Other operating income	46,741	(3,373)	50,115
TOTAL OPERATING INCOME	2,014,823	1,964,709	50,115
Employee costs	(658,936)	(658,936)	-
Other administrative costs	(357,590)	(357,590)	-
Depreciation and amortisation	(86,765)	(86,765)	-
Provisions net of reversals	(203,407)	(203,407)	-
Loan impairment, net of reversals and recoveries	(85,909)	(85,909)	-
Other assets impairment, net of reversals and recoveries	(437,907)	(387,792)	(50,115)
INCOME BEFORE TAX	184,310	184,310	-
Income tax	(215,823)	(215,823)	-
NET INCOME FOR THE PERIOD	24,688	24,688	-

2.5. Consolidation principles

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

Pursuant to IFRS 10 – "Consolidated financial statements" requirements, the Group considers that it exercises 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 has the ability, based on existing rights, to manage and exercise control of the principal activities (*de facto* control).

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

The amount of third party investment in subsidiaries is recognised in "Non-controlling interests" in equity. In the specific case of investment funds included in the consolidation perimeter, whenever holders of non-controlling interests have redemption options on an investment at its equity value, this is recognised in "Other liabilities" (note 25), and the corresponding changes recognised in the respective profit and loss account.

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

2.6. Business combinations and goodwill

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

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

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

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as a transaction with shareholders, with no additional goodwill being recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. In the same way, the impacts of disposals of non-controlling interests that 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 through 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 discount rates the Group considers appropriate. Impairment losses on goodwill are recognised in profit and loss for the year and cannot be reversed.

Up to January 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 – "First-time adoption of international financial reporting standards", and as the Group did not make any changes 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 financing costs on the recognition of the liability, which are recognised in “Interest and similar costs” in profit and loss.

2.7. Investments in associates and jointly controlled enterprises

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

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

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

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

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

In the event of significant 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.

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

2.8. Translation of balances and transactions in foreign currency

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

Foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates when preparing Caixa’s and its subsidiaries’ 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 at the exchange rate in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

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

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

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

2.9. Financial instruments

a) Financial assets

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

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

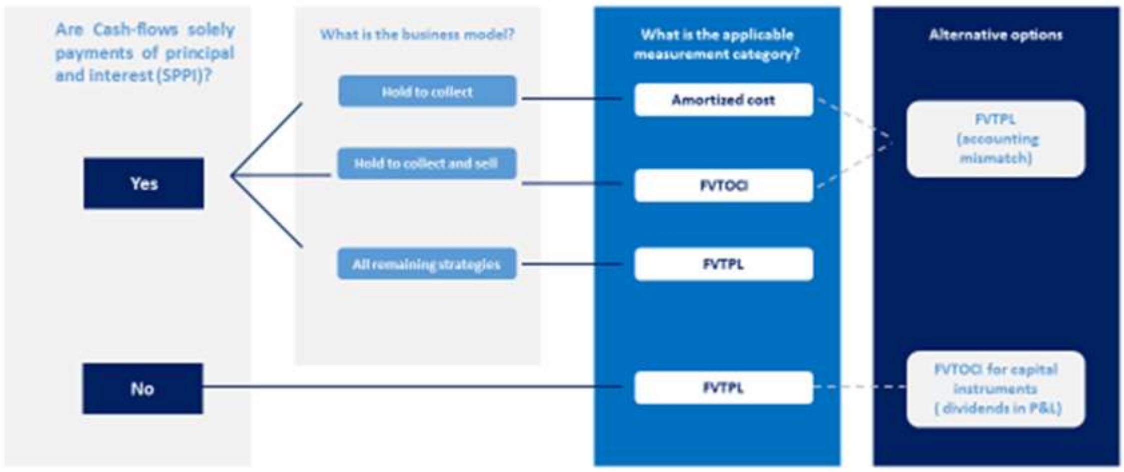
To assess the business model used for the management of a financial asset, the Group defines how it expects to obtain cash flows from the referred to financial asset. The business model is assessed at a level that reflects how a group of financial assets is managed as a whole, in order to achieve the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

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

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

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

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



__Derecognition__

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

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

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

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

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

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

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

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

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

Reclassification of financial assets

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

Fair value

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

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

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

- Closing price at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity levels) and include:
    - i) Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
    - ii) Bid prices obtained from financial institutions operating as market-makers; and,
    - iii) Internal measurement models based on market data which would be used to define a financial instrument’s price, reflecting market interest rates and volatility, in addition to the instrument’s associated liquidity and credit risk.
- Investment funds not traded in active markets are measured on the basis of the last available NAV (net asset value). Whenever considered adequate NAV may be adjusted on the basis of Caixa’s critical appraisal of the application of the measurement criteria on the assets under the referred to investment fund management.

Amortised cost

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

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

b) Financial liabilities

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

i. Financial liabilities held-for-trading

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

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

ii. Other financial liabilities

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

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

c) Derivatives and hedge accounting

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

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

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

Embedded derivatives

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

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

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

Trading derivatives

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

- Derivatives to hedge the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedging derivatives which do not meet the conditions necessary for the use of hedge accounting under IAS 39 − “Financial instruments: recognition and measurement” owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or when the hedge relationship is not effective”; and
- Derivatives contracted for trading purposes.

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

Hedge derivatives

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

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

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

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

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

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

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

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

d) Impairment of financial assets

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

- All financial assets measured at amortised cost (including lease agreements − IAS 17 – “Leases”);
- Debt instruments measured at fair value through other comprehensive income (FVTOCI);
- The rights and obligations referred to in IFRS 15 − “Revenues from contracts with customers – in cases in which this standard refers to IFRS 9 − “Financial instruments”;

- Assets which translate the right to reimbursement of payments made by the entity when liquidating the liabilities recognised under IAS 37 – “Provisions, contingent liabilities and contingent assets”; and

- Loan liabilities (except when measured at fair value through profit or loss).

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

- Stage 1 - Assets without a significant deterioration in credit risk since the time of their initial recognition;

- Stage 2 - Assets with a significant deterioration in credit risk since the time of their initial recognition; and

- Stage 3 – Impaired assets (assets in default*).*

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

- 12 month expected losses: the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations; and

- Lifetime expected losses: the expected loss based on the difference between the contractual cash flows and the cash flows the entity expects to receive up to the contract’s maturity. This is the expected loss resulting from all of the potential loss events up to maturity and is applied for stage 2 and 3 operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) The last available valuation; and

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

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

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

Auctioned assets are written-off from assets with the amount of the respective proceeds being measured by the difference, on the said date, between the realisation price and the respective balance sheet amount, adjusted for impairment.

2.11. Investment properties

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

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

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

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

2.12. Other tangible assets

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

Up to January 1, 2004, Caixa and several of its subsidiaries had revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1 − "First-time adoption of international financial reporting standards" in the transition to IFRS (International Financial Reporting Standards), their book value, including the effect of any revaluations, was deemed to be a cost, as the resulting amount 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 have been recognised.

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

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

Land is not depreciated.

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

Depreciation is recognised as a cost for the period.

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

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

2.13. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

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

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

<u>As lessor</u>

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

2.14. Intangible assets

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

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

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

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

2.15. Income taxes

Current tax

CGD pays tax under the fiscal regime set out in the IRC (corporate income tax) code and, starting 2012, has been taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the to code. The Group perimeter covered by the 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 and 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 tax losses separately made by the companies in the perimeter.

Branch accounts are included in the headquarters accounts under the principle of the taxation of global profit of 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 and differs from accounting income owing to adjustments resulting from costs or income that are not considered for fiscal purposes or only considered in other accounting periods.

Adjustments to accounting income

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

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

  A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in ministerial order 150/2004 of November 13, or (ii) when it is not subject therein to income taxes identical or similar to IRC, or (iii) when the applicable rate of income tax payable on its activity is equal to or less than 60% of the IRC rate payable if the company were resident in Portugal.

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

- *Impairment of credit*

During the course of 2016 and owing to the application of the Bank of Portugal's *notice* 5/2015, Caixa began to prepare the financial statements on its separate activity in accordance with the International Financial Reporting Standards as adopted, at any time, under European Union legislation, considering IAS 39 – "Financial instruments: recognition and measurement" requirements on provisions for loans and other receivables from January 1 of that 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 on impairment losses and other value adjustments for specific credit risk in force in 2015, i.e. limiting tax deductions to the amounts assessed in accordance with the dispositions of the Bank of Portugal's *notice* 3/95 published on November 18, 2016 (subsequently revoked) provided that such loans were not collateralised by real rights over immovable assets.

The extension of the application of these rules as a reference for deductibility of impairment losses on credit operations for fiscal purposes in 2017 and 2018, was subsequently confirmed by the publication of regulatory decrees 13/2018 and 11/2017, both published on December 28.

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

- *Written off credit*

At December 31, 2018 and 2017, Caixa retained deferred tax assets associated with non tax deductible impairment on credit operations which had already been written-off from assets, based on the expectation that they will be considered tax deductible for taxation periods in which the conditions required for their deduction have been met, either in terms of the time limit (24 months) and or in compliance with the limits provided for by the legislation in force on the referred to dates or, 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 recognised in accordance with the accounting standards applicable to entities supervised by the Bank of Portugal are considered to be tax deductible

The publication of law 42/2016 involving an addendum to no. 6 of article 51-C of the corporate tax code ruled that, for 2017 and following periods, impairment losses and other value adjustments to equity investments or other own equity instruments, included in taxable income, are considered to be positive components of the taxable profit for the taxation period in which the respective sale has taken place. As a result of this situation, Caixa began to recognise deferred tax liabilities for the impairment of financial investments to be deductible as a tax expense at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress). This amounted to €116,449 thousand and €116,169 thousand, at December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017 the amount of unrecognised deferred tax liabilities on the impairment of tax deductible financial investments, given that any changes to the board of directors' strategy regarding the management of such investments is considered unlikely, i.e. no prospects of sale or liquidation in the foreseeable future, amounted to €19,776 thousand and €84,045 thousand respectively.

- *Employee costs*

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

Also herein and as a result of the change in the accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits, with reference to December 31, 2011, the deferred net liabilities balance recognised in Caixa's balance sheet at the said date was fully recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities complied with the requirements of article 183 of law 64-B/2011 of December 30, 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 December 31, 2018 and 2017 Caixa had not recognised deferred tax on actuarial or financial gains and losses on its pension plan for active workers.

- *Settlement result*

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

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

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

Deferred tax

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

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

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent that there is a probability of sufficient future taxable profits allowing the corresponding deductible tax differences or carry-back of tax losses to be used. Neither are deferred tax assets recognised in cases in which their recoverability is questionable in other situations, including issues regarding the interpretation of current tax legislation.

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

The principal situations giving rise to temporary differences at a Group level are provisions and impairment which are temporarily non-tax deductible.

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

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

2.16. 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 are required to be disclosed, 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.

2.17. Employee benefits

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

<u>Pensions and healthcare liabilities</u>

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

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

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

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

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

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

Liabilities for healthcare costs are recognised in a "Provisions for the costs of employee benefits" account (note 23).

<u>Other long-term benefits</u>

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

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

Liabilities for the costs of seniority bonuses and death grants are recognised in "Other liabilities" (note 25) and "Provisions for the costs of employee benefits" (note 23), respectively.

<u>Short-term benefits</u>

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

<u>Redundancy benefits</u>

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

2.18. Commissions

As referred to in note 2.9, 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 a single event.

2.19. 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 on the basis of the criteria defined in IAS 32 – "Financial instruments: disclosure and presentation". Accordingly, in situations where 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 fulfilling these requirements are recognised in "Non-controlling interests" in the consolidated balance sheet.

2.20. Securities and other items held under custody

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

2.21. Cash and cash equivalents

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

2.22. Hyperinflationary economies

During the course of 2017, resulting from an analysis of the evolution of the key financial and behavioural indices of Angola's economy, the Group concluded that the conditions of IAS 29 – "Financial reporting in hyperinflationary economies" had been met requiring the presentation change defined in this standard of the financial statements of subsidiaries operating in Angola through its equity stake in Banco Caixa Geral – Angola, S.A. (Caixa Angola). These circumstances continued to apply during 2018.

One of the most significant of several factors , , that led to this determination, was the increase in the consumer price index in the period 2015 to 2018, as published by Angola's National Statistics Institute and shown in the following table:

	2018	2017	2016	2015	2014
Consumer Price Index at year end	232.02	195.63	158.19	112.09	100.00
Change	18.60%	23.67%	41.13%	12.09%	-

Although the standard does not define an absolute rate based on which an economy is presumed to be hyperinflationary, an accumulated increase over the last three years of close to or in excess of 100% is considered as a possible Indicator. The following are also considered to be potential signs of a hyperinflationary economy:

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

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

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

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

Consequently, the financial statements of Caixa Angola included in Caixa Group's consolidated accounts were prepared in accordance with the following principles:

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

- Monetary assets and liabilities measured at current prices on the date on which the financial statements were filed were not re-expressed;

- Profit or loss on the net monetary position for the period deriving from the change in purchasing power occurring between the start and the end of the reporting period was recognised in the "Income from financial operations" aggregate (note 32) in profit and loss;

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

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

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

Information on the principal effects of the adoption of IAS 29 – "Financial reporting in hyperinflationary economies" on Caixa Group's consolidated financial statements for 2018 and 2017 is set out below:

	31-12-2018			31-12-2017		
	Attributable to CGD	Non-controlling interests	Total	Attributable to CGD	Non-controlling interests	Total
Consolidated net income for the period, of which:						
Restatement of Caixa Angola's net income for 2017	2,605	2,503	5,108	(4,107)	(3,946)	(8,053)
Net monetary loss (Nota 32)	(16,451)	(15,806)	(32,256)	(25,825)	(24,812)	(50,637)
	(13,845)	(13,303)	(27,148)	(29,932)	(28,758)	(58,690)
Impact on equity	3,240	3,113	6,352	43,056	41,425	84,481
Total	(10,606)	(10,190)	(20,796)	13,124	12,667	25,791

The translation of Caixa Angola's re-expressed financial statements for 2018 and 2017 (comparative balance sheet amounts) into the Group's functional currency complied with the criteria described in note 2.6.

2.23. Critical accounting estimates and most significant judgments in application of accounting policies

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

a) Measurement of impairment losses on loans and advances to customers

The assessment of impairment losses on loans measured at amortised cost is based on the methodology defined in note 2.9. d). This assessment is based on the consideration of a series of factors which reflect knowledge of a customer's situation, treatment of historical data and value of guarantees associated with the operations in question and, as such, is highly subjective.

The Group considers that the impairment assessed by this methodology enables the risks on its loan portfolio to be appropriately recognised, in line with the rules defined in IAS 39 – "Financial instruments":

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

According to the measurement requirements for these assets, fair value changes are recognised through other comprehensive income. Whenever the results of the analysis (note 2.9. d), show the existence of impairment, the amount of the estimated loss is re-classified from other comprehensive income to costs for the period.

This assessment is based on available market information and includes modelling assumptions and judgements, changes to which could produce different results. The Group, however, considers that the assessment of impairment based on this methodology adequately reflects the risk associated with such assets, taking into account the rules defined in IFRS 9 – financial instruments".

c) Measurement of financial instruments not traded in active markets

Under IAS 39 – "Financial Instruments: recognition and measurement", the Group measures all financial instruments at fair value, except for those recognised at amortised cost. The valuation models and techniques described in note 2.9. 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 these instruments, at the date of the balance sheet. To ensure an appropriate separation of duties, financial instruments are measured by a body that is independent from the trading function.

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

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

e) Employee benefits

As referred to in note 2.17. above, the Group's liabilities for its employees' post-employment and other long-term benefits are assessed on an actuarial basis. The actuarial calculations use financial and actuarial assumptions on mortality, disability, wages and pension growth, returns on assets used to hedge these liabilities and discount rates. The assumptions reflect the Group's and its actuaries' best estimates of the future performance of these variables.

f) 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 represent Caixa and Group company management's understanding of the application of rules to operations, the tax authorities may question their interpretation.

The Group's recognition of deferred tax assets, including those regarding the carry-back of tax losses, is based on the expectation of future taxable profits enabling them to be realised. This is assessed on the basis of current projections of accounting income and taking into consideration the objective of reducing non-performing assets. The fiscal income projections have been prepared on the assumption of the maintenance of the deductibility rules for impairment losses on loans and other receivables at December 31, 2018. The recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of Caixa's board of directors' strategy to generate the estimated taxable income and their interpretation of fiscal legislation in force and in the future (note 18).

g) Property valuations

Property valuations, recognised in "Non-current assets held-for-sale" and "Investment properties" consider a set of judgmental assumptions that are contingent upon each asset's specific characteristics and the Group's commercial strategy. The projected future events may not occur or, even if they occur, their actual results could be different. By way of example, there could be changes in property market expectations, significant macroeconomic variables or in the intrinsic characteristics of the actual property and its surrounding physical environment.

h) Provisions and contingent liabilities

As referred to in note 2.16. above, provisions are recognised whenever a present (legal or constructive) obligation requires a probable future payment and when this may be reliably assessed.

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

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

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

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

Activity / Entity	Location	31-12-2018			31-12-2017	
		% Effective interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	108,283	19,926	79,751	14,583
Parbanca, SGPS, S.A.	Madeira	100.00%	81,722	34,557	51,828	16,157
Partang, SGPS, S.A.	Lisbon	100.00%	129,504	4,530	201,439	1,743
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	549,676	26,508	536,158	26,377
Banco Comercial do Atlântico, S.A.	Praia	58.19%	55,585	6,725	49,392	2,274
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	238,355	56,940	221,091	34,821
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	89,653	2,462	104,044	22,228
Banco Interatlântico, S.A.R.L.	Praia	70.00%	18,696	2,725	16,406	492
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	774,178	53,623	718,688	68,002
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.76%	370,679	11,194	371,830	33,011
CGD Investimentos CVC, S.A.	São Paulo	100.00%	25,516	1,546	35,291	41,225
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	153,383	16,081	157,782	14,150
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	202,435	73,438	267,365	41,534
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	120,365	6,048	121,659	14,124
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	34,882	5,586	30,328	4,340
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	11,466	1,675	9,525	1,874
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	4,512	1,067	3,445	1,245
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	3,293	18	3,153	8
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.76%	13,201	2,480	10,721	3,406
Real Estate						
Imobci, Lda.	Maputo	46.31%	394	301	112	(6)
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	4,773	338	(10,953)	855
Caixa Imobiliário, S.A.	Lisbon	100.00%	(50,981)	(805)	(50,176)	26,197
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(76,580)	1,155	(77,735)	(7,997)
Other Financial Entities						
Caixa Geral Finance (c)	Cayman	0.00%	111,214	1,633	111,215	1,650

(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 12/31/2016)

Activity / Entity	Head office	31-12-2018 % Effective participating interest	31-12-2018 Equity (a)	31-12-2018 Net income	31-12-2017 Equity (a)	31-12-2017 Net income
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	90.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	100.00%	153,319	(170)	153,489	2,008
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	22,620	(3)	22,624	(961)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	159,215	14,859	144,356	6,700
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	85,013	(1,855)	86,868	(4,438)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	15,305	(13,644)	63,948	1,142
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.31%	8,776	(827)	10,944	149
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	6,365	(4,878)	26,244	(144)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	32.61%	65,926	(405)	100,416	9,639
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	39.28%	167,220	7,765	185,427	11,080
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	20.98%	92,086	11,875	106,893	7,838
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	1,551	1,134	417	934
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	3,518	(2,420)	11,938	60
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	51,692	982	50,710	966
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	44.72%	555,546	26,132	565,013	23,405
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	154,123	10,831	148,292	7,008
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	74,732	(2,272)	77,004	(5,158)

(a) Equity includes net income for the year.

The principal movements in the Group's subsidiaries, in 2018 and 2017, were as follows:

Banco Comercial e de Investimentos, S.A.

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

The company's acquisition of the subscribed and unpaid shares of 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. These shares are now part of the company's treasury stock.

An agreement was reached between Caixa Geral de Depósitos S.A., Banco BPI, S.A., Banco BPI, S.A., BCI − Banco Comercial de Investimentos, S.A., Parbanca SGPS, S.A. and Insitec SGPS, S.A., during the course of 2017, for the payment in kind of BCI shares. As part of this operation Insitec Capital surrendered, as payment in kind, 110,171,080 shares it owned, representing16.18069% of BCI's share capital in payment of the credit operations entered into with CGD and BPI, for the purpose of fully extinguishing its debts. CGD received 71,543,434 BCI shares representing10.51% of the respective share capital in payment of its credit, with the Group having increased its effective equity stake in this company to 63.05%.

The general meeting of shareholders of Banco Comercial e de Investimentos, SA, approved an MZN 3,191,200,940 increase in the Bank's share capital in May 2018 by way of a part incorporation of reserves existing at December 31, 2017. The Bank's share capital was increased from MZN

6,808,799,060 to MZN 10,000,000,000, in the form of 1,000,000,000 billion shares with a nominal value of 10 meticais each.

CGD Group venture capital fund

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

Caixa Fundos venture capital fund

During the course of 2017, in conformity with a resolution passed by its sole shareholder at a general meeting, Caixa Capital (fund manager) reduced the subscribed and unpaid capital of the Caixa Fundos venture capital fund by €65,000 thousand. This reduction was made as it was considered that this commitment greatly exceeded the fund's investment capacity.

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

During the course of 2017, the fund's general meeting of investors approved a reduction in the capital of the *Caixa Arrendamento* fund, through the extinguishing of 48,238 of the Fund's investment units by €48,000

CGD - North America Finance

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

Parcaixa

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

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

This transaction gave Caixa Geral de Depósitos, S.A. full ownership of the share capital of this holding company and consequently, an effective equity stake of 100% in Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A., held by the Group. Pursuant to the completion of the merger in December 2018, Parcaixa became a Caixa Geral de Depósitos group company.

Caixa Tech Transfer Accelerator Ventures venture capital fund

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

The fund's corporate object was venture capital, investing in technology companies with medium to high growth potential, with projects in the scientific field originating in the domestic and international science-technology system. On June 22, 2017, in compliance with the resolution of its investors, the *Caixa Tech Transfer Accelerator Ventures* venture capital fund was merged with the *Risco Empreender* + venture capital fund to which its equity was fully transferred. Based on this merger the equity structure of the *Risco Empreender* + venture capital fund was fully owned by Caixa Geral de Depósitos and the *Caixa Fundos* venture capital fund, in a ratio of 76.23% and 23.77%, respectively.

Merger

On September 28, 2018, work began on the merger of six companies with Caixa Geral de Depósitos, which now owns the equity capital of all of the incorporated companies −, Caixa Desenvolvimento, Wolfpart, Parcaixa, Cibergradual, Caixa Gestão de Ativos and Caixa Seguros e Saúde. The merger was preceded by Caixa's acquisition of Caixa Desenvolvimento from Caixa Banco de Investimento and the Beirafundo investment units from Caixa Imobiliário. This merger is part of CGD Group's corporate reorganisation process set out in the strategic plan agreed between the Portuguese state and the European Commission with the objective of simplifying CGD Group's corporate structure, through a reduction in the number of operating companies. The objective of the merger was to concentrate activities in a single entity and to eliminate the duplication of requirements and legal, fiscal, operational, financial, bureaucratic and contextual costs, simplifying CGD Group's structure by closing the incorporated companies and the concentration of all management activities and bureaucratic procedures in a single entity. The merger, effective from September 30, was registered on December 6.

The companies Caixanet and CaixaTec were also liquidated in the first few days of January 2019 as part of the restructuring process.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account comprises the following:

	31-12-2018	31-12-2017
Cash	681,595	687,285
Demand deposits in central banks	4,925,140	3,933,559
	5,606,735	4,620,844
Interest on demand deposits in central banks	-	49
	5,606,735	4,620,893

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

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

5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account comprises the following:

	31-12-2018	31-12-2017
Cheques for collection		
- Portugal	49,882	76,667
- Abroad	13,112	24,817
	62,994	101,484
Demand deposits		
- Portugal	209,620	193,957
- Abroad	739,813	401,651
	949,433	595,608
Accrued interest	1,671	1,608
	1,014,098	698,700

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

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	31-12-2018	31-12-2017
Term deposits		
- Portugal	79,334	1,003
- Abroad	1,079,922	1,035,718
Loans		
- Portugal	17,467	-
- Abroad	110,086	89,289
Other applications		
- Portugal	-	32
- Abroad	698,156	1,897,804
Purchase operations with resale agreement	212,382	-
Overdue loans and interest	7,152	7,152
	2,204,499	3,030,998
Accrued interest	1,741	7,230
Deferred income	(4,209)	(2,409)
	2,202,031	3,035,819
Impairment (Note 34)	(9,009)	(7,125)
	2,193,022	3,028,694

At December 31, 2018 "Purchase operations with resale agreements" , relates to contracts for the acquisition of financial instruments with a resale agreement at a future date and at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as a loan to credit institutions, measured at their respective amortised cost. These operations were contracted for under GMRAs (global master repurchase agreements), providing mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value that is assessed on terms agreed between the counterparties, usually in the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, for the periods ended December 31, 2018 and 2017, is set out in note 37.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account comprises the following:

	31-12-2018			31-12-2017		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
- Public issuers:						
. Public debt securities	27,075	-	27,075	4,843	-	4,843
. Treasury bills	2,862,904	-	2,862,904	2,810,844	-	2,810,844
. Bonds of other public issuers						
Foreign	2,459,937	-	2,459,937	2,331,345	-	2,331,345
- Other issuers:						
. Bonds and other securities:						
Residents	3,804	85	3,888	541	-	541
Non-residents	9,227	-	9,227	10,267	-	10,267
	5,362,947	85	5,363,032	5,157,840	-	5,157,840
Equity instruments						
Residents	7,232	229,186	236,418	3,766	49,337	53,103
Non-residents	5,004	179,773	184,777	14,342	128,995	143,337
	12,236	408,959	421,194	18,108	178,332	196,440
Other financial instruments						
Residents	-	527,211	527,211	-	55,885	55,885
Non-residents	-	607,072	607,072	-	418,951	418,951
	-	1,134,283	1,134,283	-	474,836	474,836
Loans and receivables						
loans and advances to customers	-	53,509	53,509	-	-	-
Other loans and receivables	-	31,360	31,360	-	-	-
	-	84,868	84,868	-	-	-
Derivatives with positive fair value (Note 10)						
- Swaps	522,653	-	522,653	774,752	-	774,752
- Futures and other forward operations	7,188	-	7,188	8,834	-	8,834
- Options - shares, currency and commodit	20,270	-	20,270	34,621	-	34,621
- Caps and floors	142,593	-	142,593	145,502	-	145,502
- Other	-	-	-	-	-	-
	692,705	-	692,705	963,709	-	963,709
	6,067,887	1,628,195	7,696,083	6,139,656	653,168	6,792,824

The "Other financial instruments" account at December 31, 2018, included €551,100 thousand in subscriptions for investments in vehicles set up as part of financial assets lending operations (loans and advances to customers), which at December 31, 2017 were classified as “Financial assets at fair value through other comprehensive income” (note 8).

Following the transfer of these assets (to the company itself or companies held by the corporate vehicle in which CGD has a stake), they were derecognised from the balance sheet, as it was considered that the requirements of IAS 9 − “Financial instruments”, regarding the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control had been met. The corporate vehicles in which CGD has a non-controlling interest continue to enjoy management autonomy. On transfer, the estimated impairment of these 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 each company’s equity.

Information on the Group’s exposure to such assets, at December 31, 2018 and 2017, is given below:

	31-12-2018	31-12-2017
	At fair value through profit or loss	At fair value through other comprehensive income
Fundo Imobiliário Aquarius	117,164	117,164
Fundo Recuperação, FCR	92,096	95,182
Flit-Ptrel SICAV	197,863	77,383
OXI Capital, SCR	53,887	53,899
Predicapital FEIIF	35,107	35,146
Fundo Recuperação Turismo, FCR	32,508	32,508
Fundo Imobiliário Vega	18,156	19,122
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	4,330	4,330
	551,110	434,733

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

The valuation of the funds transferring assets at December 31, 2018 and 2017 is on the basis of an analysis carried out by Caixa on the recoverable value of each fund’s equity, for which the amount recognised may be less than the respective NAV (net asset value), as calculated and disclosed by the management companies.

Complementary to the equity stakes in these corporate vehicles, in certain transactions Caixa also made shareholders' loans and additional capital payments, recognised in "Other assets", carrying amounts of €38,284 thousand and €37,876 thousand, respectively, at December 31, 2018 and 2017 (note 19) which have been fully impaired.

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

	30-06-2018		31-12-2017	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	-	20,667	100	18,630

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account comprises the following:

	31-12-2018	31-12-2017
Debt instruments		
- Public debt	2,753,896	2,657,910
- Other public issuers	652,352	833,133
- Other issuers	1,200,450	1,720,481
	4,606,698	5,211,524
Equity instruments		
- Measured at fair value	76,920	251,323
- Measured at historical cost	-	174,339
	76,920	425,662
Other instruments	147,306	1,183,761
	4,830,924	6,820,947
Impairment (Note 34)		
- Equity instruments	-	(111,268)
- Debt instruments	(4,758)	(3,622)
- Other instruments	-	(374,694)
	(4,758)	(489,584)
	4,826,167	6,331,363

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

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

The “Other instruments” account, at December 31, 2018 included €58,808 thousand in credit securities issued by the State of Cape Verde resulting from the conversion of matured treasury bonds (*TCFMs* – “consolidated financial investment certificates”). Under the legal framework governing the issuance of these securities the State of Cape Verde undertook to purchase the *TCFMs* within a maximum period of 20 years. This period came to an end in August, 2018.

Following the negotiations between BCA (the Group entity holding the *TCFMs*) and the State of Cape Verde, a repurchase agreement, defining the conditions attached to the purchase of the securities, to take place in 2019, was agreed at December 31, 2018.

Details on the Group's exposure in financial assets at fair value through other comprehensive income, at December 31, 2018 and 2017, were as follows:

	31-12-2018		31-12-2017	
	Book value	Fair value reserve	Book value	Fair value reserve
Discovery Portugal Real Estate Fund	88,074	6,718	86,650	7,256

CGD opted to classify and measure this equity instrument at fair value through other comprehensive income in conformity with the option provided by IFRS 9 – "Financial instruments" (note 2.3).

The fair value reserves, net of deferred tax on assets measured at fair value through other comprehensive income, amounted to €136,183 thousand and €263,134 thousand at December 31, 2018 and 2017, respectively (note 27).

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on the breakdown of financial assets with repurchase agreements, at December 31, 2018 and 2017, is set out below:

	31-12-2018	31-12-2017
At fair value through fair value reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	55,009	32,639
. Foreign debt securities	-	20,210
	55,009	52,849

The Group entered into sales operations on financial assets with purchase agreements at a future date and at a predefined price with financial institutions and customers in 2018 and 2017.

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

Liabilities on repurchase agreements are recognised as a liability in “Resources of other credit institutions – sales operations with repurchase agreements” (note 20) and “Customer resources and other loans – other resources – operations with repurchase agreements” (note 21).

10. DERIVATIVES

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

The Group controls the risk of its derivative activities using approval procedures, a definition of exposure limits per product and customer and its daily oversight of the results.

The value of these operations, at December 31, 2018 and 2017, was measured in conformity with the criteria set out in note 2.9.c) and information on the operations' notional and book values at each date is presented below:

	31-12-2018							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Fowards				767	(678)	-	-	89
Purchase	112,576	-	112,576					
Sale	112,440	-	112,440					
Swaps								
Currency swaps				2,140	(2,104)	-	-	36
Purchase	790,676	-	790,676					
Sale	790,051	-	790,051					
Equity swaps				-	(186)	-	-	(186)
Purchase	2,480	-	2,480					
Sale	2,480	-	2,480					
Interest rate swaps and cross currency interest rate swaps				520,513	(573,121)	5,524	(3,690)	(50,774)
Purchase	33,445,652	56,066	33,501,719					
Sale	33,391,639	60,767	33,452,406					
Futures								
Currency				-	-	-	-	-
Long positions	92,286	-	92,286					
Interest rate				-	-	-	-	-
Long positions	1	-	1					
Short positions	6,040,397	-	6,040,397					
Equity				6,422	-	-	-	6,422
Long positions	22,778	-	22,778					
Short positions	783	-	783					
Other				-	-	-	-	-
Long positions	64,249	-	64,249					
Short positions	531,206	-	531,206					
Options								
Currency				1,086	(1,107)	-	-	(20)
Purchase	169,245	-	169,245					
Sale	176,334	-	176,334					
Equity				19,184	(19,774)	-	-	(590)
Purchase	27,546	-	27,546					
Sale	15,914	-	15,914					
Interest rate (Caps & Floors)				142,593	(140,847)	-	-	1,745
Purchase	1,691,444	-	1,691,444					
Sale	1,545,062	-	1,545,062					
	79,025,240	116,833	79,142,073	692,705	(737,818)	5,524	(3,690)	(43,279)

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

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities", at December 31, 2018 and 2017, include operations collateralised by surety accounts designed to cover the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by these financial institutions with Caixa and by Caixa with these institutions on the above dates are recognised in "Other liabilities - resources - surety account" (note 25) and "Other assets - debtors and other assets - other debtors" accounts (note 19), respectively.

At December 31, 2018 the carrying amount of operations with derivatives having positive and negative fair values, collateralised by surety deposits or securities, totalled €405,883 thousand and €681,301 thousand, respectively (€466,652 thousand and €983,851 thousand, respectively in December 2017).

Detailed information on CVAs (credit value adjustments) and DVAs (debit value adjustments) is presented in note 41.

Information on the distribution of derivatives operations, at December 31, 2018 and 2017 by periods to maturity (notional amounts) is set out below:

	31-12-2018					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Fowards						
Purchase	81,788	23,212	7,576	-	-	112,576
Sale	81,790	23,191	7,459	-	-	112,440
Swaps						
Currency swaps						
Purchase	755,165	35,119	392	-	-	790,676
Sale	754,440	35,202	409	-	-	790,051
Equity swaps						
Purchase	722	-	-	1,758	-	2,480
Sale	722	-	-	1,758	-	2,480
Interest rate swaps and cross currency interest rate swaps						
Purchase	1,092,488	661,990	1,744,905	13,051,325	16,951,011	33,501,719
Sale	1,093,934	661,990	1,734,985	13,055,367	16,906,129	33,452,406
Futures						
Currency						
Long positions	92,286	-	-	-	-	92,286
Interest rate						
Long positions	-	1	-	-	-	1
Short positions	3,785,699	2,004,073	250,625	-	-	6,040,397
Equity						
Long positions	8,420	-	-	14,358	-	22,778
Short positions	783	-	-	-	-	783
Other						
Long positions	27,961	-	31,945	4,343	-	64,249
Short positions	197,977	-	264,829	68,399	-	531,206
Options						
Currency						
Purchase	40	75,043	94,162	-	-	169,245
Sale	39	77,371	98,924	-	-	176,334
Equity						
Purchase	7,841	2,612	7,650	9,443	-	27,546
Sale	9,463	4,759	21	1,671	-	15,914
Interest rate (Caps & Floors)						
Purchase	176,987	101,000	546,738	855,580	11,139	1,691,444
Sale	126,987	88,000	546,949	778,836	4,291	1,545,062
	8,295,532	3,793,564	5,337,569	27,842,837	33,872,571	79,142,073

	31-12-2017					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Forwards						
Purchase	98,557	359,990	10,807	-	-	469,354
Sale	97,609	362,810	10,831	-	-	471,250
Swaps						
Currency swaps						
Purchase	306,462	20,343	627	-	-	327,432
Sale	305,279	20,787	640	-	-	326,706
Equity swaps						
Purchase	636	-	-	1,682	-	2,318
Sale	636	-	-	1,681	-	2,317
Interest rate swaps and cross currency interest rate swaps						
Purchase	2,090,861	1,760,469	3,778,034	20,184,410	20,652,630	48,466,404
Sale	2,090,861	1,760,469	3,782,920	20,188,130	20,622,397	48,444,777
Futures						
Currency						
Long positions	105,866	-	-	-	-	105,866
Short positions	500	-	-	-	-	500
Interest rate						
Short positions	1,535,619	1,103,107	-	-	-	2,638,726
Equity						
Long positions	12,293	-	-	-	-	12,293
Short positions	290	-	-	14,358	-	14,648
Other						
Long positions	54,149	23	30,551	-	-	84,723
Short positions	204,665	-	305,712	59,471	-	569,848
Options						
Currency						
Purchase	40	13,681	67,015	40	-	80,776
Sale	36	14,755	67,737	36	-	82,564
Equity						
Purchase	7,273	2,578	30,456	14,613	-	54,920
Sale	6,133	1,685	33,803	9,330	-	50,951
Interest rate (Caps & Floors)						
Purchase	60,000	87,597	91,477	1,651,100	62,978	1,953,152
Sale	60,000	87,597	438,839	1,552,292	21,109	2,159,837
	7,037,765	5,595,891	8,649,449	43,677,143	41,359,114	106,319,362

Information on the distribution of derivatives operations, by counterparty type, at December 31, 2018 and 2017, is set out below:

	31-12-2018		31-12-2017	
	Notional value	Book value	Notional value	Book value
Forward foreign exchange transactions				
Fowards				
Financial institutions	98,664	517	747,603	(2,799)
Other	126,353	(428)	193,001	1,646
	225,017	89	940,604	(1,153)
Swaps				
Currency swaps				
Financial institutions	1,553,714	(812)	599,425	5
Other	27,014	848	54,713	645
	1,580,728	36	654,138	650
Equity swaps				
Other	4,959	(186)	4,635	(49)
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	63,184,877	(275,909)	91,226,210	(362,562)
Other	3,769,248	225,135	5,684,971	274,884
	66,954,125	(50,774)	96,911,181	(87,678)
Futures				
Currency				
Stock exchange	92,286	-	106,366	-
Interest rate				
Stock exchange	6,040,398	-	2,638,726	-
Equity				
Stock exchange	9,203	-	12,583	-
Financial institutions	14,358	6,422	14,358	6,497
	23,560	6,422	26,941	6,497
Other				
Stock exchange	595,455	-	654,571	-
Options				
Currency				
Financial institutions	187,973	411	146,370	(19)
Other	157,606	(431)	16,970	(57)
	345,579	(20)	163,340	(76)
Equity				
Financial institutions	43,460	5,256	105,871	5,891
Other	-	(5,846)	-	(10,063)
	43,460	(590)	105,871	(4,172)
Interest rate (Caps & Floors)				
Financial institutions	2,895,684	(108,654)	3,773,097	(105,517)
Other	340,822	110,399	339,892	96,822
	3,236,506	1,745	4,112,989	(8,695)
	79,142,073	(43,279)	106,319,362	(94,676)

11. INVESTMENTS AT AMORTISED COST

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

	31-12-2018	31-12-2017
Debt instruments		
Public debt	1,037,812	508,100
Other public issuers		
Other residents	15,132	-
Other non-residents	2,808,517	2,118,719
	3,861,460	2,626,819
Other international issuers	61,661	-
Other issuers		
Other non-residents	1,092	-
	62,752	-
	3,924,213	2,626,819
Impairment (Note 34)	(4,245)	-
	3,919,967	2,626,819

Investments at amortised cost, at December 31, 2018 and 2017 included Angola sovereign debt instruments of €396,089 thousand and €499,116 thousand respectively.

The “Debt instruments – issued by national entities – public debt securities” account at December 31, 2018, included securities allocated to the issuance of covered bonds with carrying amount of €126,713 thousand. These securities were recognised in "Financial assets measured at fair value through other comprehensive income” of €127,015 thousand at December 31, 2017 (note 8).

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	31-12-2018	31-12-2017
Domestic and foreign loans		
Loans	37,899,004	41,314,025
Current account loans	1,359,035	1,590,368
Other loans	3,165,390	2,529,230
Other loans and amounts receivable - securitised		
. Commercial Paper	2,437,916	2,620,423
. Other	3,705,184	3,884,656
Property leasing operations	833,642	940,104
Discounts and other loans secured by bills	646,141	335,565
Equipment leasing operations	710,272	675,956
Factoring	957,447	1,049,852
Overdrafts	237,502	250,857
	51,951,532	55,191,037
Accrued interest	128,203	164,464
Deferred income, commissions and other cost and income associated with amortised cost	(56,185)	(61,214)
	52,023,550	55,294,287
Overdue loans and interest	2,902,862	4,516,655
	54,926,412	59,810,942
Impairment (Note 34)	(3,336,927)	(4,555,961)
	51,589,485	55,254,981

"Domestic and external credit – other loans", at December 31, 2018 and 2017, includes €48,236 thousand and €56,302 thousand, respectively, relating to mortgage and personal loans issued by CGD to its employees. "Other loans and receivables – securitised – other" at December 31, 2018 and 2017 includes bonds of €1,128,369 thousand and €1,500,658 thousand, respectively issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity re-organisation support operations for the former Banco Português de Negócios, S.A. (ex BPN). These bonds are backed by a Portuguese state guarantee. During the course of the former BPN's reprivatisation process, the ownership of the vehicles and the debts contracted by these companies from Caixa, were transferred to the Portuguese state. The state also assumed liabilities deriving from a commercial paper programme subscribed for by Caixa of €1,000,000 thousand, following the transfer of the contractual position between BPN and Parvalorem. This operation is recognised in "Other loans and receivables – securitised – commercial paper".

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 repayment plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

Vale de Lobo

In the framework of the implementation of the objectives of reducing non-performing assets set out in the agreement entered into between the Portuguese state and the competent European authorities, Caixa entered into an agreement on December 22, 2017 for the transfer of Vale de Lobo Group's assets with FLITPTREL VDL, S.A., a Portuguese company fully owned by the Flit-PTREL, SICAV-SIF, S.C.A., fund for an overall amount of €222,821 thousand. At the same date, Caixa undertook to subscribe for €224,220 thousand in investment units to be issued by the Flit-PTREL fund.

The completion of the operation, at December 31, 2017, was contingent upon obtaining authorisation for the issuance of these investment units by the Flit-PTREL fund, to be realised by the supervisory body of the Grand Duchy of Luxembourg (*CSSF – "Commission de Surveillance du Secteur Financier*"), where the vehicle is headquartered.

Consequently Caixa concluded that the conditions required to proceed with the derecognition of the transferred assets in 2017, pursuant to the requirements of IAS 39 – "Financial instruments: recognition and measurement" (then in force) had not been met and that such conditions had only been met in first half 2018 together with the subscription for and financial settlement of the investment units.

Upon the date of derecognition of these assets, the total amount of the debt stood at €372,259 thousand, of which only €265,077 thousand continued to be recognised in the balance sheet, with impairment of €144,784 thousand (net amount of €120,293 thousand). To ensure that this transaction had no impact on Caixa's Shareholder's equity, the difference between the disposal price of the loans and respective net impairment on the date of sale of €102,859 thousand was deducted from the amount of the subscription for the investment units in the Flit-PTREL fund. As a consequence, Caixa's exposure of 14.55% to the Flit-PTREL fund at December 31, 2017, rose to 36.226% (note 7).

Other credit disposal operations

Caixa disposed of a series of non-performing mortgage loans with a carrying amount, before impairment on the transaction date of €83,690 thousand in first half 2018.

During the course of first half 2017, Caixa transferred loans and economic rights to mortgage and non-mortgage loans (including the risks and benefits attached to such loans) with a book value before impairment of €153,600 thousand on the date of the transaction. Most of these operations were in default. The losses made on these loans were recognised in "Credit reversals net of impairment" in profit and loss.

Other loans and advances to corporate customers (excluding operations transferred to asset lending funds) in 2018 and 2017, with a carrying amount, before impairment on the date of the transaction, of around €31,876 thousand and €505,274 thousand, respectively. "Loans" at December 31, 2018 and 2017 includes mortgage loans transferred by Caixa as part of securitisation operations. Movements in this account, in 2018 and 2017, were as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2016	3,995,118
Sale of new loans	86
Repayments	(267,248)
Repurchase	(8,091)
Other	(41,935)
Balances at 31-12-2016	3,677,930
Repayments	(287,288)
Repurchase	(4,134)
Other	(17,614)
Balances at 31-12-2017	3,368,894

The liabilities associated with this operation are inter-Group and are eliminated in the preparation of the consolidated financial statements.

“Loans” at December 31, 2018 and 2017, included mortgage loans with a book value of €7,510,594 thousand and €8,420,634 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising these issuances, at December 31, 2018 and 2017 also includes debt securities with a book value of €126,713 thousand and €127,015 thousand, respectively (notes 11 and 8, respectively).

Information on impairment movements in 2018 and 2017, is provided in note 37.

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

Information on the composition of non-current assets and liabilities held-for-sale balances, at December 31, 2018 and 2017, is set out below:

	31-12-2018	31-12-2017
ASSETS		
Property and equipment	769,420	1,028,690
Subsidiaries		
Banco Caixa Geral, S.A.	4,874,456	5,194,094
Mercantile Bank Holdings, Ltd	895,366	895,902
Banco Caixa Geral Brasil, S.A.	395,763	458,151
CGD Investimentos CVC, S.A.	27,465	52,015
	6,962,470	7,628,852
Impairment (Note 34)		
Property and equipment	(335,990)	(464,080)
Subsidiaries	(413,263)	(408,263)
	(749,253)	(872,343)
	6,213,217	6,756,508
LIABILITIES		
Subsidiaries		
Banco Caixa Geral, S.A.	4,316,249	4,652,871
Mercantile Bank Holdings, Ltd	748,059	743,981
Banco Caixa Geral Brasil, S.A.	330,196	373,261
CGD Investimentos CVC, S.A.	1,950	13,715
	5,396,454	5,783,829

The income generated by held-for-sale business units, in 2018 and 2017, is presented in "Results from subsidiaries held-for-sale", in the consolidated profit and loss, as set out below:

	31-12-2018	31-12-2017
Results of subsidiaries held-for-sale		
Banco Caixa Geral, S.A. (Espanha)	26,508	26,328
Mercantile Bank Holdings, Ltd.	16,081	14,150
Banco Caixa Geral Brasil, S.A.	1,683	1,585
CGD Investimentos CVC, S.A.	1,546	41,225
Interbancos, S.A.R.L.	-	313
	45,818	83,601

These entities are classified on the “Other” line of the business segment (note 38).

Subsidiaries

In the framework of the commitments for CGD’s recapitalisation, entered into between the Portuguese state, as Caixa’s sole shareholder and the competent European authorities (see introductory note), Caixa initiated a series of actions in 2016 and 2017, leading to the disposal of the Group’s equity stake in Mercantile Bank Holdings, Ltd., Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral − Brasil and CGD Investimentos CVC, S.A., regarding the identification of and contact with potential investors, assessment of the legal aspects pertaining to the operation and information on its intentions for the relevant supervisors.

The disposal of these companies represents a significant step in the implementation of Caixa’s strategic plan. The rationalisation of the Group’s international structure will enable it to focus on intervention in the domestic market, making an active contribution to its development while continuing to provide assistance to its customers and Portuguese communities in these geographies.

Decree law 153/2017 was published on December 22 for the purpose of ensuring that domestic legislation was adapted to the specifics of the disposal process of these subsidiaries. This decree law regulated the terms and modalities relating to these transactions as well as the instruments to be used for their implementation.

In conformity with the dispositions of IFRS 5 – “Non-current assets held for sale and discontinued operations”, the business units’ assets and liabilities were aggregated and recognised in “Non-current assets and liabilities held-for-sale – subsidiaries” at December 31, 2017. The operations of these subsidiaries were recorded in a single line of the profit and loss statement, with comparative periods re-expressed accordingly. As required by the standard the Group did not eliminate balances with the remaining entities in the consolidation perimeter as part of the consolidation process.

On November 22, 2018, as part of the disposal processes of all or part of CGD’s equity investment in Mercantile Bank Holdings, Ltd and Banco Caixa Geral, S.A. (Spain), the council of ministers selected Capitec Bank Limited for the acquisition of all of the shares of Mercantile Bank Holdings Limited and Abanca Corporación Bancária, S.A. for the acquisition of the 99.79% of the equity shares of Banco Caixa Geral, S.A.

Confirming the transaction, the investment in Mercantile Bank Holdings Limited will be sold for ZAR 3,200,000 thousand, around €201,000 thousand (at a EUR/ZAR exchange rate of 15.9) and the investment in Banco Caixa Geral, S.A. will be sold for €364,000 thousand. These amounts will be subject to adjustment based on changes in the value of Mercantile Bank Holdings Limited and Banco Caixa Geral, S.A., between the reference date set out in the direct sales agreements and the last day of the second month prior to the disposal date. If the preliminary prices are confirmed, the disposal of the will generate capital gains of around €200 million, taking into account the provisions recognised in CGD’s accounts in 2017, to adjust the balance sheet amounts to reflect valuations received. The disposal, however, represents a loss in comparison to the gross equity value. As regards the impact on CGD’s capital, the disposal will signify an increase of more than 1 percentage point in CGD’s own funds, resulting from the combination of the capital gains and reduction of risk-weighted assets.

As the disposal prices referred to in the preceding paragraph are subject to adjustment to the value of equity of Mercantile Bank Holdings Limited and Banco Caixa Geral, S.A., between the reference date in the direct sales agreements and the last day of the second month prior to the effective disposal date, the operation’s total impact may differ the above amounts. The gains referred to in the preceding paragraph are also dependent upon the approval of the sales by the regulators in South Africa and Spain where the entities are respectively headquartered. .

As regards the BCG Brasil disposal process, the period of political instability affecting the country in 2018 caused various delays in the completion of initiatives that had initially been programmed. Caixa's executive committee monitors this process on a regular basis. The first stage of the process is currently in progress. It includes contacts with investors, the preparation and presentation of bids and the selection of entities with which the terms and conditions are to be negotiated in greater depth at a second stage, including due diligence, the presentation and analysis of binding offers and selection of a potential purchaser or purchasers. The Group continues to expect to complete the disposal by the end of 2019, based on the normalisation of the political situation in the country and the steps involved in the disposal process already concluded (note 43).

On December 21, following the review of its strategic plan, agreed with the Directorate General for Competition of the European Commission, Caixa Geral de Depósitos, S.A. undertook to dispose of its investment in Banco Comercial do Atlântico in the Republic of Cape Verde, by the end of 2020, and to initiate the legal and procedural process starting January 2019. Consequently the requirements of IFRS 5 have been met at that date andBCA was reclassified as a held-for-sale subsidiary (note 43).

Impairment of €413,263 thousand and €408,263 thousand was recorded at December 31, 2018 and 2017, to adjust the value of investments in these entities to reflect the underlying estimated fair value of assets and liabilities, net of disposal costs (note 37).

Mercantile Bank Holding Ltd

Summary financial data of Mercantile Bank Holdings, Ltd, at December 31, 2018 and 2017, is set out below.

ASSETS	31-12-2018	31-12-2017
Cash balances and loans and receivables at other credit institutions	97,595	89,290
Financial assets at fair value through profit or loss	1,088	7,026
Financial assets at fair value through other comprehensive income	487	61,542
Investments at amortized cost	48,051	-
Other tangible assets	7,044	8,396
Intangible assets	7,782	10,339
Deferred tax assets	2,578	1,019
Loans and advances to customers	599,930	638,944
Other assets	130,811	79,347
TOTAL ASSETS	895,366	895,902
LIABILITIES AND EQUITY		
Resources of other credit institutions	12,282	49,687
Customer resources	626,623	615,018
Debt securities	74,517	32,237
Financial liabilities at fair value through profit or loss	938	8,648
Provisions for employee benefits	2,165	2,454
Current tax liabilities	347	422
Deferred tax liabilities	1,756	1,801
Other liabilities	29,431	33,713
TOTAL LIABILITIES	748,059	743,981
TOTAL EQUITY, of which:	147,306	151,920
Revaluation reserves	3,006	3,231
	895,366	895,902

	31-12-2018	31-12-2017
Other income and expenses		
Interest and similar income	79,327	75,757
Interest and similar expenses	(41,617)	(40,381)
Income from services rendered and commissions	37,077	29,550
Cost of services and commissions	(17,921)	(12,717)
Results from financial operations	5,262	5,346
Employee costs	(21,174)	(20,394)
Other administrative costs	(9,643)	(9,044)
Depreciation and amortisation	(4,646)	(4,556)
Provisions and impairments, net of reversals and recoveries	3,840	(1,721)
Other	(8,263)	(2,346)
	22,242	19,494
Income tax	(6,161)	(5,344)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	16,081	14,150
Non-controlling interests	-	-
NET INCOME	16,081	14,150

The balances set out in the preceding tables include operations with other Group entities that were not eliminated in the consolidation process and are detailed below:

	31-12-2018	31-12-2017
Assets	10,542	1,697
Liabilities	500	23,348
Other expenses	890	1,401

Banco Caixa Geral – Brasil, S.A.

Information on the key financial data of Banco Caixa Geral – Brasil, at December 31, 2018 and 2017, is set out below:

ASSETS	31-12-2018	31-12-2017
Cash balances and loans and receivables at other credit institutions	219,383	55,786
Financial assets at fair value through profit or loss	65,099	131,831
Financial assets at fair value through other comprehensive income	6,469	124,121
Financial assets with repurchase agreement	10,887	14,421
Non-current assets held-for-sale	4,865	5,114
Other tangible assets	539	662
Intangible assets	30	58
Investments in associates and subsidiaries excluded from consolidation	32,961	22,610
Current tax assets	1,469	352
Deferred tax assets	11,561	15,666
Loans and advances to customers	73,610	107,865
Other assets	1,852	2,275
TOTAL ASSETS	428,724	480,760
LIABILITIES AND EQUITY		
Resources of other credit institutions	113,741	76,373
Customer resources	196,049	228,128
Financial liabilities at fair value through profit or loss	12,689	56,974
Provisions for guarantees and other commitements	463	2,574
Provisions for other risks	1,290	942
Current tax liabilities	1,018	-
Deferred tax liabilities	3,562	6,106
Other liabilities	1,384	2,165
TOTAL LIABILITIES	330,196	373,261
TOTAL EQUITY, of which:	98,528	107,499
Revaluation reserves	(1,494)	(678)
	428,724	480,760

	31-12-2018	31-12-2017
Other income and expenses		
Interest and similar income	28,525	45,621
Interest and similar expenses	(16,355)	(32,477)
Income from services rendered and commissions	4,747	2,693
Cost of services and commissions	(126)	(149)
	5,272	-
Results from financial operations	2,523	5,332
Employee costs	(5,957)	(7,567)
Other administrative costs	(4,298)	(6,356)
Depreciation and amortisation	(164)	(188)
Provisions and impairments, net of reversals and recoveries	(3,553)	(2,703)
Other	(1,294)	(1,130)
	9,320	3,077
Income tax	(2,364)	(1,492)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	6,955	1,585
Non-controlling interests	-	-
NET INCOME	6,955	1,585

(*) - The caption "Income from equity instruments", includes 5.272 thousand euros of dividends distributed by CGD Investimentos, CVC in the first half of 2018, a subsidiary held in 50% by Banco Caixa Brasil.

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process that are detailed in the following table:

	31-12-2018	31-12-2017
Assets	743	229
Liabilities	125,686	107,164
Other income	224	640
Other expenses	4,201	4,973

Banco Caixa Geral, S.A. (Spain)

Information on the key financial data of Banco Caixa Geral at December 31, 2018 and 2017, is set out below:

ASSETS	31-12-2018	31-12-2017
Cash balances and loans and receivables at other credit institutions	290,685	357,717
Financial assets at fair value through profit or loss	3	17
Financial assets at fair value through other comprehensive income	884,634	1,153,341
Financial assets with repurchase agreement	158,316	142,813
Non-current assets held-for-sale	466	44
Other tangible assets	5,676	6,291
Intangible assets	3,990	3,430
Current tax assets	6,475	5,982
Deferred tax assets	70,682	76,193
Loans and advances to customers	3,394,441	3,414,157
Other assets	59,089	34,109
TOTAL ASSETS	4,874,456	5,194,094
LIABILITIES AND EQUITY		
Resources of other credit institutions	990,322	1,552,134
Customer resources	3,185,827	2,951,484
Financial liabilities at fair value through profit or loss	10	22
Provisions for guarantees and other commitements	7,105	7,344
Provisions for other risks	3,767	7,735
Deferred tax liabilities	29,715	23,586
Other subordinated liabilities	31,077	31,082
Other liabilities	68,426	79,485
TOTAL LIABILITIES	4,316,249	4,652,871
TOTAL EQUITY, of which:	558,207	541,223
Revaluation reserves	22,347	32,364
	4,874,456	5,194,094

	31-12-2018	31-12-2017
Other income and expenses		
Interest and similar income	69,646	88,677
Interest and similar expenses	(8,124)	(13,143)
Income from services rendered and commissions	14,842	14,012
Cost of services and commissions	(2,804)	(3,099)
Income from equity instruments	10	15
Results from financial operations	21,478	9,329
Employee costs	(37,368)	(35,405)
Other administrative costs	(18,891)	(18,199)
Depreciation and amortisation	(2,433)	(2,407)
Provisions and impairments, net of reversals and recoveries	(2,452)	(4,636)
Other	3,965	2,467
	37,868	37,611
Income tax	(11,360)	(11,283)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	26,508	26,328
Non-controlling interests	-	-
NET INCOME	26,508	26,328

The balances set out in the preceding tables include operations with other Group entities that were not eliminated in the consolidation process are detailed in the following table:

	31-12-2018	31-12-2017
Assets	199,105	259,600
Liabilities	191,881	271,897
Other income	5,428	4,830
Other expenses	2,278	1,863

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at December 31, 2018 and 2017, is set out below:

ASSETS	31-12-2018	31-12-2017
Cash balances and loans and receivables at other credit institutions	19,125	37,424
Financial assets at fair value through profit or loss	-	2,627
Financial assets at fair value through other comprehensive income	2,094	1,488
Intangible assets	-	20
Current tax assets	396	3,514
Other assets	5,851	6,942
TOTAL ASSETS	27,465	52,015
LIABILITIES AND EQUITY		
Provisions for other risks	172	2,876
Current tax liabilities	167	8,578
Deferred tax liabilities	1,125	1,258
Other liabilities	486	1,003
TOTAL LIABILITIES	1,950	13,715
TOTAL EQUITY, of which:	25,516	38,300
Revaluation reserves	-	-
	27,465	52,015

	31-12-2018	31-12-2017
Other income and expenses		
Interest and similar income	2,023	6,456
Interest and similar expenses	-	(166)
Results from financial operations	(2)	52,933
Employee costs	(77)	(137)
Other administrative costs	(254)	(677)
Depreciation and amortisation	(18)	(598)
Provisions and impairments, net of reversals and recoveries	313	(6,496)
Other	(267)	(3,322)
	1,718	47,991
Income tax	(172)	(6,766)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	1,546	41,225
Non-controlling interests	-	-
NET INCOME	1,546	41,225

The balances set out in the preceding tables include operations with other Group entities that were not eliminated in the consolidation process are detailed in the following table:

	31-12-2018	31-12-2017
Assets	16,628	37,407
Other income	1,378	2,006
Other expenses	-	166

Caixa Group, through CGD Investimentos, CVC, completed the disposal process of its economic rights over Rico Corretora, during the course of first half 2017, under the terms of the contract for the purchase and sale of securities and other agreements concluded on November 29, 2016 and after having obtained the relevant regulatory permits. The transaction of approximately 209,000 thousand reais gave rise to a capital gain of €53,054 thousand based on the average exchange rate for the period.

Foreign currency reserves

As described in note 2.8. on disposal of the equity interests denominated in a functional currency other than the euro, foreign exchange gains and 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 on the transaction.

The accumulated value of the profit and loss on foreign exchange operations, at December 31, 2018 recognised as a charge to "Other reserves" in respect of the consolidation of units classified as non-current assets and liabilities held-for-sale, represented losses of approximately €153,579 thousand (€144,464 thousand at December 31, 2017).

Interbancos, S.A.R.L.

During the course of second half 2017, the shareholders of Interbancos, S.A. (Interbancos) agreed with Sociedade Interbancária de Moçambique, S.A. (SIMO) to dispose of all their shares (representing economic and corporate rights in Interbancos). The objective of the sale of Interbancos to SIMO was to comply with the dispositions of article 7, no. 2, of the LICSF (regulation of the credit institutions and financial corporations law), under the terms of *notice* 2/GBM/2015, of April 22 which defined the conditions governing the connection of the internal banking operations management systems to the domestic “unique, common and shared payments network”.

Following this transaction the Group, through BCI Moçambique, recognised a capital gain of €3,923 thousand (€1,868 thousand net of non-controlling interests)

Property and equipment

As described in note 2.10, non-current assets held-for-sale also include property and other assets auctioned for credit recovery purposes.

Information on the above asset movements for 2018 and 2017 is set out below:

	Balances at 31-12-2017						Balances at 31-12-2018	
	Gross value	Accumulated impaiment	Acquisitions	Sales and write-offs	Other transfers and adjustments	Impaiment (Note 37)	Gross value	Accumulated impaiment
Non-current assets held for sale								
Property	1,025,443	(461,878)	130,385	(408,162)	140,485	6,705	765,985	(333,007)
Other	3,247	(2,202)	2,337	(2,149)	(174)	(606)	3,435	(2,982)
	1,028,690	(464,080)	132,723	(410,311)	140,311	6,099	769,420	(335,989)

	Balances at 31-12-2016							Balances at 31-12-2017	
	Gross value	Accumulated impaiment	Changes in the consolidation perimeter	Acquisitions	Sales and write-offs	Other transfers and adjustments	Impaiment (Note 37)	Gross value	Accumulated impaiment
Non-current assets held for sale									
Property	1,108,658	(502,133)	-	231,438	(335,288)	70,787	(9,897)	1,025,443	(461,878)
Other	3,301	(1,966)	(212)	4,185	(4,041)	1,159	(1,381)	3,247	(2,202)
	1,111,959	(504,099)	(212)	235,623	(339,329)	71,946	(11,279)	1,028,690	(464,080)

Net losses on non-current assets and liabilities held-for-sale, in 2018 and 2016, amounted to €45,550 thousand and €22,500 thousand respectively (note 33), of which €3,662 thousand and €4,257 thousand, respectively, represented in costs of holding these assets until the date of their disposal.

14. INVESTMENT PROPERTIES

Information on "Investment properties" movements, in 2018 and 2017, is set out below:

Balances at 31-12-2016	978,263
Acquisitions	3,707
Revaluations (Note 33)	23,230
Sales	(54,569)
Transfers from tangible assets and non-current assets held-for-sale	57
Other	(52,870)
Balances at 31-12-2017	897,818
Acquisitions	2,042
Revaluations (Note 33)	21,033
Sales	(129,121)
Transfers from tangible assets and non-current assets held-for-sale	(481)
Other	18,671
Balances at 31-12-2018	809,963

Investment properties owned by the Group, at December 31, 2018 and 2017, are recognised at fair value. Profit and loss on the revaluation of these properties is recognised as a charge to "Other operating income" (note 2.11).

The "Investment properties" account, at December 31, 2018 and 2017, included €727,490 thousand and €728,784 thousand, respectively, of property owned by the Fundimo and Fundiestamo Funds. Negative revaluations of €3,422 thousand were made on the property within these Funds in 2018.

The other properties recognised in this account essentially derive from overdue credit recoveries.

Measurement methodologies and fair value assessment

The significant factors considered on measurement of the fair value of investment properties includes the nature, characteristics and location of the properties, with the objective of assessing the best price to be achieved on disposal under normal market conditions. Fair value is assessed by individual appraisers who employ at least two of the following methods:

. Market comparison method. The market comparison method assesses the amount of a specific transaction based on prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising a range of data obtained from market sources. This is the principal method used whenever there is a significant number of identifiable transactions.

. Income method. The income method estimates the value of a property by capitalising the annual amount of rent or annual operating income generated by the activity performed in the building. When, over time, changes in income are more significant than generally expected in the market, DCF (discounted cash flows) analysis techniques are used. The income method is applied in cases of an active rental arrangement, when a property is to be rented, when the rental market for the type of property being valued is active or when the property is to house an economic activity.

. Cost method. The cost method estimates the value of property on the basis of the amount that would currently be needed to purchase an alternative property, equivalent to the original or with an equivalent use, adjusted for obsolescence. Calculated on the basis of the sum of the acquisition cost of the land and construction cost (including interest), depreciated 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 properties and no potential income associated with it has been identified; and

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The methods applied should be those that maximise the use of relevant observable variables.

The most significant variables considered for each of the above valuation methods are as follows:

(i) Market comparison method

– the presumed sales price per m^2 or presumed sales price per unit (when the use of the property e.g. car parks is more relevant than the area). In liquid markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method

Capitalisation technique

- amount of the monthly rent per m^2 or monthly rent per unit (when the use of the property e.g. car parks is more relevant than the area). In active rental markets, these variables are provided by directly or indirectly observable market data, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

– variables that 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 if there is no reasonably available information indicating that market players would not use different assumptions.

– capitalisation rate. This is associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate and expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point in time between the rental and purchase/sales market, relating to a certain location and a specific property product segment, with an identical risk and identical evolution of rents.

Discounted cash flow technique

Diverse variables may contribute to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the amounts and timing of future cash flows.

It is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

– discount rate. This reflects 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 m^2. This variable is essentially reliant upon a property's construction characteristics although the location of construction is also a contributory factor. It is based on directly or indirectly observable construction market data.

Investment properties acquired on credit recovery operations are also included in the analysis of the individual and collective impairment valuation model applied to property recognised as non-current assets held-for-sale, whose principal characteristics are described in note 2.11. The fair value, is also assessed to determine the recoverable amount.

In compliance with the requirements of IFRS 13 – “Fair value measurement”, the following table provides information on the investment properties in the Group’s portfolio, at December 31, 2018 and 2017, by type, development status in terms of their preparation for use and current occupation, considering the methodologies used to measure fair value:

			31-12-2018			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Offices	Concluded	Rented	26,987	Presumed transaction value method	Estimated sale value per m2	[434 -1080]
			124,605	Presumed transaction value method	Estimated sale value per m2	[1000 -2009]
						[2010 -3862]
			140,160		Discount rate	[6,25%-8,75%]
		Capitalisation / sale	6,966	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	[1350-1850]
	Under construction	Capitalisation / sale	14,338	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1500-1900]
			448,066			
Housing	Concluded	Rented	3,915	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,4 - 6,3 / 1200 - 2270
			486	Income capitalisation method / Market comparable method	Estimated sale value per m2	6,0 - 9,6 / 870 - 2070
			1,233	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,0 - 32,00 / 5000 - 6000
			190	Income capitalisation method	Estimated rental value per m2	4,2
		Capitalisation / sale	5,011	Income capitalisation method	Estimated rental value per m2	[20000 - 2500]
	Under construction	Capitalisation / sale	7,718	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1500-1900]
			18,553			
Stores	Concluded	Rented	692	Income capitalisation method / Market comparable method	Estimated sale value per m2	5.0 / 1615
			153	Income capitalisation method / Market comparable method	Estimated sale value per m2	2.3
			22,584	Presumed transaction value method	Estimated sale value per m2	437-1120
			25,290	Presumed transaction value method	Estimated sale value per m2	938-7783
			9,724	Presumed transaction value method	Estimated sale value per m2	14784-21164
	Under construction	Capitalisation / sale	537	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	900-1100
			58,980			
Parking	Concluded	Rented	9,630	Market comparable method / Income capitalisation method	Discount rate	6,00% - 8,00%
			2,074	Presumed transaction value method	Estimated sale value per m2	[2300-10700]
			31,294	Presumed transaction value method	Estimated sale value per m2	[10200-33000]
			15,963	Presumed transaction value method	Estimated sale value per m2	[38060-48300]
			58,961			
Land	n.a.	Capitalisation / sale	6,850	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			3,857	Replacement cost method / Market comparable method	Estimated sale value per m2	1.000-1.350 / 900-1.000
			1,157	Income capitalisation method / Market comparable method	Estimated sale value per m2	
		Rented	253	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	90-140
			6,023	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	1.050-1.200 / 900-1.000
			12	Market comparable method	Estimated rental value per m2	6.5 - 8
			18,152			
Warehouses	Concluded	Rented	52,016	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			105,344	Presumed transaction value method	Estimated rental value per m2	[229 - 1084]
			39,181	Presumed transaction value method	Unit value	[1100 - 2250]
			196,580			
			799,292			
Other			10,671			
			809,963			

			31-12-2017			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	4,783	Income capitalisation method	Estimated rental value per m2	5
				Income capitalisation method	Estimated rental value per m2	[724 - 779]
			4,783			
Offices	Concluded	Rented	26,819	Presumed transaction value method	Estimated sale value per m2	[428 -1069]
			139,391	Presumed transaction value method	Estimated sale value per m2	[1041 -2140]
			111,112	Presumed transaction value method	Estimated sale value per m2	[2010 - 3862]
			75,787	Market comparable method / Income capitalisation method	Discount rate	[6,25%-8,75%]
			89,648		Discount rate	[6,50%-8,25%]
		Capitalisation / sale	7,103	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1700-2050
	Under construction	Capitalisation / sale	13,010	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-2050
			462,870			
Housing	Concluded	Rented	59,907	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,4 - 6,3 / 1200 - 2270
			4,134	Income capitalisation method / Market comparable method	Estimated sale value per m2	6,0 - 9,6 / 2030 - 2070
			22,744	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,0 - 32,00 / 5000 - 6000
			12,215	Income capitalisation method / Market comparable method	Estimated sale value per m2	
			38	Market method / Cost method	Estimated rental value per m2	2
			240	Income capitalisation method	Estimated rental value per m2	4,2
		Capitalisation / sale	150	Income capitalisation method	Estimated rental value per m2	0,6 / 770
	Under construction	Capitalisation / sale	30,468	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-2000]
			129,896			
Stores	Concluded	Rented	132	Income capitalisation method / Market comparable method	Estimated sale value per m2	10 / 970
			46	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,90 / 800
			3,014	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,7 / 1770 - 2080
			9,210	Income capitalisation method	Estimated rental value per m2	2.3 / 8.5%
			15,749	Income capitalisation method	Estimated rental value per m2	740-1100
			136	Market comparable method	Estimated sale value per m2	1,440
			23,078	Presumed transaction value method	Estimated sale value per m2	397-961
			24,797	Presumed transaction value method	Estimated sale value per m2	938-7783
			9,621	Presumed transaction value method	Estimated sale value per m2	13736 - 22078
	Under construction	Capitalisation / sale	2,294	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			88,077			
Parking	Concluded	Rented	3,916	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,25%
			2,261	Presumed transaction value method	Estimated sale value per m2	[2470-10000]
			31,484	Presumed transaction value method	Estimated sale value per m2	[10200-33000]
			15,537	Presumed transaction value method	Estimated sale value per m2	[38060-48300]
	Under construction	Capitalisation / sale	749	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[600-650]
			432	Replacement cost method / DCF / Market comparable method	Value of sales per parking	[6.500-7.500]
			54,379			
Land	n.a.	Capitalisation / sale	13,417	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			1,196	Replacement cost method / Market comparable method	Estimated sale value per m2	1.000-1.350 / 900-1.000
			1,204	Income capitalisation method / Market comparable method	Estimated sale value per m2	
		Rented	204	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1.700-2.000
			481	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	1.050-1.200 / 900-1.000
			1,265	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	5
			12	Market comparable method	Estimated rental value per m2	6.5 - 8
			17,779			
Warehouses	Concluded	Rented	22,576	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			11	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,00%
			94,776	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
			126	Presumed transaction value method	Unit value	127000 - 124500
		Capitalisation / sale	1,342	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
				Presumed transaction value method	Unit value	127000 - 124500
			118,831			
			876,615			
Other			21,203			
			897,818			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13 – “Fair value measurement”.

15. OTHER TANGIBLE ASSETS

Other tangible asset movements (net), in 2018 and 2017, were as follows:

	Balances at 31-12-2017										Balances at 31-12-2018	
	Gross value	Accumulated depreciation and impairment losses	Changes in the consolidation perimeter	Acquisitions	Exchange differences	Transfers between tangible assets	Other transfers and adjustments	Depreciation for the year	Impairment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impairment losses
Premises for own use												
Land	71,043	-	-	383	-	-	(9,049)	-	-	-	62,378	-
Buildings	647,909	(299,457)	(14,046)	22,785	(35,274)	1,108	(49,247)	(9,169)	(1,435)	(313)	535,115	(272,255)
Leasehold improvements	135,981	(94,896)	-	933	(4,364)	157	6,190	(9,117)	(2,434)	(2,932)	109,361	(79,844)
Equipment												
Fittings and office equipment	77,572	(66,714)	-	310	(2,684)	49	(838)	(1,735)	-	(6)	68,050	(62,096)
Machinery and tools	26,695	(23,002)	-	548	(170)	99	(34)	(1,141)	-	-	26,733	(23,738)
Computer equipment	249,250	(229,441)	-	10,433	(1,843)	289	1,190	(11,533)	-	(78)	248,005	(229,738)
Indoor facilities	350,780	(300,387)	-	888	2	542	1,011	(12,981)	(464)	(562)	344,838	(306,008)
Transport material	14,966	(9,501)	-	1,331	(1,459)	100	194	(1,874)	-	(471)	11,911	(8,625)
Safety/security equipment	49,010	(44,294)	-	1,481	(250)	26	45	(1,883)	-	(10)	47,670	(43,545)
Other equipment	6,409	(3,776)	-	114	(204)	(27)	207	(458)	-	-	6,157	(3,892)
Assets under finance lease	3,375	(3,370)	-	-	-	-	(5)	-	-	-	1,174	(1,174)
Other tangible assets	9,902	(9,222)	-	5	(11)	(33)	76	(166)	-	(4)	9,331	(8,783)
Tangible assets in progress	29,780	-	39	13,409	(813)	(2,312)	(24,984)	-	-	(10)	15,109	-
	1,672,672	(1,084,060)	(14,008)	52,619	(47,070)	0	(75,244)	(50,057)	(4,333)	(4,386)	1,485,831	(1,039,697)

	Balances at 31-12-2016										Balances at 31-12-2017	
	Gross value	Accumulated depreciation and impairment losses	Changes in the consolidation perimeter	Acquisitions	Exchange differences	Transfers between tangible assets	Other transfers and adjustments	Depreciation for the year	Impairment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impairment losses
Premises for own use												
Land	80,898	-	-	72	-	-	(9,927)	-	-	-	71,043	-
Buildings	613,332	(290,569)	(28)	11,148	(3,094)	1,902	38,634	(15,953)	-	(6,920)	647,909	(299,457)
Leasehold improvements	150,905	(107,331)	(390)	1,267	282	1,163	7,366	(8,865)	(1,323)	(1,989)	135,981	(94,896)
Other premises	-	-	-	-	-	-	2,121	-	(2,121)	-	-	-
Equipment												
Fittings and office equipment	78,735	(69,373)	(147)	660	(323)	533	4,272	(3,449)	-	(50)	77,572	(66,714)
Machinery and tools	22,564	(20,743)	25	2,261	(20)	-	868	(1,229)	-	(33)	26,695	(23,002)
Computer equipment	245,471	(221,168)	(671)	6,477	(200)	38	4,610	(13,854)	(638)	(256)	249,250	(229,441)
Indoor facilities	349,071	(290,953)	(7)	2,393	136	473	4,282	(14,386)	(358)	(258)	350,780	(300,387)
Transport material	13,596	(9,144)	(26)	2,846	(27)	-	1,299	(2,680)	-	(399)	14,966	(9,501)
Safety/security equipment	46,216	(41,710)	(12)	757	22	232	1,231	(1,931)	-	(90)	49,010	(44,294)
Other equipment	7,131	(6,035)	12	429	(21)	(198)	1,625	(237)	-	(73)	6,409	(3,776)
Assets under finance lease	4,854	(4,619)	-	5		-	(174)	(61)	-	-	3,375	(3,370)
Other tangible assets	11,081	(10,870)	-	38	9	-	572	(138)	-	(12)	9,902	(9,222)
Tangible assets in progress	25,165	-	(69)	26,551	373	(4,143)	(18,072)	-	-	(25)	29,780	-
	1,649,019	(1,072,516)	(1,313)	54,904	(2,863)	-	38,709	(62,783)	(4,440)	(10,105)	1,672,672	(1,084,060)

The “Other transfers and adjustments” column in the other tangible assets table for 2017 also includes €3,025 thousand, €1,819 thousand and €1,739 thousand in assets net of accumulated depreciation and impairment recognised on buildings for own use, works on rented buildings and equipment, respectively, relative to the activity of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. which, at December 31 2017 were recognised in “Non-current assets held-for-sale” (note 13).

Accumulated impairment of other intangible assets, at December 31, 2018 and 2017, totalled €20,066 thousand and €13,980 thousand, respectively (note 37).

16. INTANGIBLE ASSETS

Movements in this account, in 2017 and 2016, were as follows:

	Balances at 31-12-2017										Balances at 31-12-2018	
	Gross value	Accumulated depreciation and impaiment losses	Changes in the consolidation perimeter	Acquisitions	Writte-offs	Impairment	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impaiment losses (Note 37)	Gross value	Accumulated depreciation and impaiment losses
Goodwill												
CGD Investimentos CVC	27,681	(27,681)	-	-	(11,231)	11,231	(16,450)	16,450	-	-	-	-
Banco Caixa Geral Angola	41,968	(28,000)	-	-	-	-	(13,968)	-	-	-	23,733	(23,733)
Software	692,519	(655,572)	-	13,506	375,325	-	(404,219)	(1,347)	10,611	-	343,611	(312,787)
Other intangible assets	11,804	(3,464)	-	22,621	-	-	(24,675)	100	960	-	11,692	(4,347)
Intangible assets in progress	21,422	-	-	-	-	-	3,688	31	-	-	25,142	-
	795,394	(714,717)	-	36,126	364,094	11,231	(455,623)	15,234	11,571	-	404,177	(340,867)

	Balances at 31-12-2016										Balances at 31-12-2017	
	Gross value	Accumulated depreciation and impaiment losses	Changes in the consolidation perimeter	Acquisitions	Writte-offs	Impairment	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impaiment losses (Note 37)	Gross value	Accumulated depreciation and impaiment losses
Goodwill												
CGD Investimentos CVC	32,058	(32,058)	-	-	-	-	(4,377)	-	-	4,377	27,681	(27,681)
Banco Caixa Geral Angola	16,011	-	-	-	-	-	(2,044)	-	-	-	41,968	(28,000)
Software	757,097	(698,023)	(596)	4,098	(27,982)	-	24,327	565	(22,539)	-	692,519	(655,572)
Other intangible assets	11,026	(2,578)	-	71	-	-	1,887	(623)	(1,443)	-	11,804	(3,464)
Intangible assets in progress	32,645	-		20,403	(2,841)	-	(28,605)	(180)	-	-	21,422	-
	848,837	(732,659)	(596)	24,573	(30,823)	-	(8,811)	(238)	(23,982)	4,377	795,394	(714,717)

The “Transfers and adjustments” column in the intangible assets table for 2017 also included €3,663 thousand in assets, net of accumulated depreciation and impairment recognised on software related to the activity of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. which, at December 31 2017 were recognised in “Non-current assets held-for-sale” (note 13).

Intangible assets in progress, at December 31, 2018 and 2017, essentially refer to expenses incurred on the development of software that had not come into operation on the said dates.

Accumulated impairment of intangible assets, at December 31, 2018 and 2017 totalled €23,971 thousand and €55,919 thousand, respectively (note 37).

Goodwill – Banco Caixa Geral Angola (BCGA)

Impairment tests were carried out on the goodwill of BCGA, at December 31, 2018.

The valuation incorporates the information available at the time of preparation, including macroeconomic conditions and the situation of the markets in which the Bank operates. As recoverable value of the assets’ exceeded their respective book value, there was no requirement to recognise any impairment.

The following is a description of the methodology and principal assumptions employed in performing the valuation:

(i) *Assessment methodology*

The dividend discount model valuation methodology was applied. This assumes that an institution's value should be estimated on the basis of the present value of future cash flows available to shareholders, discounted at a yield that reflects the opportunity cost of equity. Given the absence of any separation between operating and funding activities for this type of entity, this methodology is considered to be appropriate for bank valuation purposes.

Cash flows available to shareholder

Cash flows available to the shareholder essentially represent the funds available for appropriation based on the cash flows generated by the activity and any investment operations, after potential capital requirements have been met and after the regulatory requirements to which the entity is subject have been complied with.

The cash flows generated by the activity of a bank essentially comprise its total consolidated operating income, other operating or non-operating income and the profit and loss of its associates, consolidated by the equity accounting method (when not measured separately) net of employee and other administrative costs, use of provisions or impairment and taxes on operating activity.

Funding needs/surpluses in respect of the development of the bank's operations, such as an increase in credit or changes in other balance sheet accounts having an impact on the use of own funds are also considered.

Discount rate

The discount rate on cash flows available to the shareholder comprise the opportunity cost of equity, assessed on the basis of the capital asset pricing model, based on the application of the formula Kcp = Rf + CRP + Beta * (Rm-Rf), in which:

Kcp = Return on equity requirement

Rf = Interest rate on a risk-free investment

CRP = Country risk premium

(Rm-Rf) = Average market risk premium

Beta = Beta coefficient for equity or systemic activity risk

Residual value

The residual value was calculated by the formula VR = DIVt / (Kcpt - g), in which:

VR = Residual value

DIVt = Dividend for year t (first year of perpetuity)

Kcpt = Required return on long term equity for the year t

g = Nominal growth rate in perpetuity

Shareholder's equity value

The equity value was based on the discounted assessment of the cash flows available to the shareholder resulting from economic-financial projections produced on the Bank's activity

(ii) *Main assumptions underpinning the assessment*

The following components were assessed to calculate the discount rate:

. Risk-free interest rate. A risk-free interest rate of 8.7% was considered for the Angolan market, reflecting the risk associated with Angola's medium and long term public debt in US dollars;

. Market risk premium. A rate of 5.5%, corresponding to the risk premium used for mature markets, was used; and,

. Beta – Approximation to the beta value comprised a comparative analysis with listed, comparable companies in terms of activity. A beta 1.0 level (resulting from the beta averages of comparable institutions) was considered.

Taking into consideration the parameters appropriate to the characteristics of the cash flows available to shareholders a discount rate of 14.3%, denominated in US dollars, was used and remained unchanged across the projection period.

(iii) *Sensitivity analyses*

Based on the valuation methodology applied, sensitivity tests were performed on the value of the discount rate used, with changes of +50 bps and -50 bps, enabling the calculation of the following deviations from the estimated amount of the Bank's equity at the valuations' reference date:

SENSITIVITY OF PROJECTED EQUITY

- 50 bp	+ 50 bp
9,607	(9,607)

Goodwill – CGD Investimentos CVC

Following the disposal of the equity investment in RICO (see note on registration of financial operations), and as the Group had no intention of using this vehicle in its activity, it was decided to write-off the goodwill in CGD Investimentos CVC, which did not represent any additional cost in 2018 as this asset was already fully provisioned at December 31, 2017.

Research and development expenses

Caixa spent €1,169 thousand and €1,220 thousand on research, development and innovation projects, in 2018 and 2017, respectively.

17. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of this account, at December 31, 2018 and 2017, was as follows:

	31-12-2018			31-12-2017		
	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	19,019	2,092	50.00	18,650	2,593
Esegur, S.A.	50.00	8,639	312	50.00	8,526	409
		27,658	2,404		27,176	3,002
Associated companies						
Fidelidade – Companhia de Seguros, S.A	15.00	290,719	40,836	15.00	323,190	12,421
Fidelidade Assistence Consolidated (a)	20.00	7,538	1,168	20.00	7,544	1,003
Multicare - Seguros de Saúde, S.A.	20.00	16,910	1,834	20.00	15,375	1,618
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	33,818	5,514	22.97	29,064	5,291
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	4,301	783	27.00	3,774	428
Other		8,070	281		9,062	924
		361,355	50,417		388,009	21,686
Impairment (Note 37)		(469)	-		(469)	-
		388,544	52,821		414,717	24,688

Information on the statutory financial data (unaudited financial statements) of the principal associates and jointly controlled enterprises, at December 31, 2018 and 2017, was as follows:

Business sector / Entity	Registered office	31-12-2018				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	17,847,823	15,161,676	2,686,147	271,441	3,507,991
Fidelidade Assistence Consolidated	Lisbon	52,332	16,707	35,626	5,842	54,389
Multicare - Seguros de Saúde, S.A.	Lisbon	172,268	90,544	81,724	9,172	295,358
Other						
Esegur, S.A.	Lisbon	36,796	19,584	17,213	869	47,343
Locarent, S.A.	Lisbon	262,145	224,091	38,054	4,199	128,934
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	212,856	65,606	147,250	30,708	175,719

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

Business sector / Entity	Registered office	31-12-2017				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	17,259,472	14,595,845	2,663,628	187,861	3,327,523
Fidelidade Assistence Consolidated	Lisbon	70,054	33,950	36,105	5,016	50,229
Multicare - Seguros de Saúde, S.A.	Lisbon	157,842	83,792	74,050	8,089	267,804
Other						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	342,981	518,941	(175,959)	(17,661)	21,042
Esegur, S.A.	Lisbon	38,225	21,481	16,744	510	47,007
Locarent, S.A.	Lisbon	271,519	234,211	37,309	5,194	77,597
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	176,438	56,587	119,851	24,574	186,183

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

The Group received dividends of €4,312 thousand and €4,753 thousand from these entities in 2018 and 2017, respectively.

Under the agreement entered into between the Group and Sigmastructure, Unipessoal, Lda on December 22, 2017, the option to transfer Wolfpart, SGPS, S.A.'s 24% equity holding in Vale do Lobo, Resort Turistico de Luxo, S.A., was exercised as was the credit comprising partners' loans of €28,000 thousand together with matured interest up to the date upon which the option was exercised for an overall amount of €2.00. As the amount of the investment and partners' loans at December 31 had been fully provisioned this transaction did not result in any loss in 2018.

18. INCOME TAX

Tax assets and liabilities balances on income, at December 31, 2018 and 2017, were as follows:

	31-12-2018	31-12-2017
Current tax assets		
Income tax recoverable	32,414	33,171
Other	12,206	1,712
	44,620	34,883
Current tax liabilities		
Income tax payable	34,869	26,704
Other	2,961	3,814
	37,830	30,519
	6,790	4,365
Deferred tax assets		
Temporary differences	2,077,032	2,263,183
Reported tax losses	30,663	24,625
	2,107,695	2,287,808
Deferred tax liabilities	189,965	277,790
	1,917,730	2,010,019

The following table provides details and information on deferred tax movements, in 2018 and 2017:

	Balance at 31-12-2017	Change in		Transition to IFRS9	Other	Balance at 31-12-2018
		Equity	Profit or loss			
Impairment losses on credit	1,822,036	-	(191,203)	18,945	(6,725)	1,643,052
Employee benefits	224,405	26,102	14,039	-	704	265,250
Impairment and adjustments to property and tangible and intangible assets	4,227	1,232	(14,997)	-	42,058	32,520
Measurement of available-for-sale financial assets	(94,818)	1,919	-	40,700	(264)	(52,463)
Impairment and other value changes in equity investments and other securitie	(33,414)	-	279	5	(9,452)	(42,582)
Other provisions and impairment not tax deductible	24,605	-	(835)	-	-	23,770
Tax loss carry forward	24,625	-	6,038	-	-	30,663
Other	38,351	-	(22,616)	-	1,783	17,518
	2,010,019	29,253	(209,295)	59,650	28,103	1,917,730

	Balance at 31-12-2016	Change in		Other	Balance at 31-12-2017
		Equity	Profit or loss		
Impairment losses on credit	2,003,876	-	(148,340)	(33,500)	1,822,036
Employee benefits	188,854	(7,302)	59,549	(16,696)	224,405
Impairment and adjustments to property and tangible and intangible assets	60,530	(24,109)	(10,914)	(21,279)	4,227
Measurement of available-for-sale financial assets	34,655	(88,756)	-	(40,717)	(94,818)
Impairment and other value changes in equity investments and other securitie	(56,562)	-	(24,395)	47,543	(33,414)
Other provisions and impairment not tax deductible	98,605	-	(26,944)	(47,056)	24,605
Tax loss carry forward	43,219	-	5,054	(23,648)	24,625
Other	(18,438)	-	25,346	31,444	38,351
	2,354,740	(120,167)	(120,645)	(103,910)	2,010,019

The "Other” column in the deferred tax movements table for 2017 includes an amount of €85,017 thousand, related to the transfer of the assets and liabilities of BCG Spain, BCG Brazil and CVC Corretora to non-current assets and liabilities held-for-sale categories (note 13) pursuant to the application of IFRS 5 – “Non-current assets held-for-sale and discontinued operations” to these business units.

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied for the special deferred tax assets regime, in 2014, following the favourable resolution of their respective general meetings of shareholders.

This regime, approved by law 61/2014 of August 26 and amended by law 23/2016 of August 19, applies to deferred tax assets resulting from the non-deduction of costs 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 the post-employment or long term benefits of employees.

The changes to the timeframe of the amendments to the regime brought in by law 23/2016 of August 19, excluded the costs and negative equity changes accounted for in tax years starting on or after January 1, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of costs and negative equity changes at December 31, 2015.

Deferred tax assets resulting from the non-deduction of costs and negative equity changes with impairment losses on loans and with the post-employment or long term benefits of employees are converted into tax credit when the taxpayer’s net income in the respective tax period is negative or, in the event of liquidation based on voluntary dissolution or a court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit to be attributed will be the result of the proportion of this negative net income for the period to the taxpayer’s total equity (assessed prior to the deduction of the result) plus the value of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer’s equity is negative, the full amount of the deferred tax assets is converted into tax credit.

On conversion into tax credit (other than in cases of liquidation or insolvency) a special reserve, plus 10%, should be created for the amount of the respective credit and, when shareholders’ equity is less than share capital, adjusted by the quotient between the former and latter which is deducted from the amount of the increased tax credit, together with the issuance of securities in the form of conversion rights to be attributed to the state that, in the case of Caixa, is its sole shareholder. The consequence of exercising conversion rights increases the taxpayer’s share capital through the incorporation of the special reserve and issuance of new ordinary shares for free delivery to the state. This special reserve cannot be appropriated. On the date of the issuance of the conversion rights, shareholders have the absolute right to their acquisition in proportion to their respective investment.

Information on the type of deferred tax assets recognised by the Group and considered eligible under the regime, at December 31, 2018 and 2017, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	31-12-2018	31-12-2017
Impairment losses on credit	957,623	957,623
Employee benefits	168,626	168,626
	1,126,249	1,126,249

As a consequence of Caixa Geral de Depósitos's assessment of negative net income on its separate activity in 2016, eligible deferred tax assets at December 31, 2016 will be converted into tax credit, based on the proportion of net income to shareholders' equity. The estimated amount of the deferred tax to be converted, based on Caixa's equity, at December 31, 2016, is approximately €428, 000 thousand.

As specified in article 12 of the appendix to law 61/2014 (of which it is an integral part), the amount of deferred tax assets to be converted into tax credit, the creation of the special reserve and the issuance and attributing of conversion rights to the state should be certified by a statutory auditor. The amount of deferred tax assets to be converted will also be analysed by the fiscal authorities, as part of the review procedures on taxable income for the relevant tax periods.

The representation of the state as Caixa's sole shareholder signifies that the issuance and attribution of conversion rights will not imply any dilution of its equity status.

Income tax as a charge to shareholders' equity

The Group changed its accounting policy on the recognition of actuarial gains and losses on pension plans and other post-employment benefits in 2011, pursuant to which actuarial gains and losses 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 gains and losses had been recognised using the corridor method.

The amount of tax associated with the contribution of the actuarial gains and losses originated after the date upon which the accounting policy was changed, considered deductible under the terms of the limits of item 2 and 3 of article 43 of the IRC code, or under item 8 of this article is recognised in an equity account in conformity with the recognition basis of the originating liabilities.

Income tax as a charge to profit and loss

Information on income tax recognised in profit and loss and the tax burden, measured by the ratio between the appropriation for tax on profit and net profit for the year before tax is set out below:

	31-12-2018	31-12-2017 (unaudited balances)
Current tax		
For the year	68,930	91,494
Extraordinary contribution of the banking sector	32,860	36,526
Prior year adjustments (net)	(2,800)	(32,842)
	98,989	95,178
Deferred tax	209,295	120,645
Total income tax	308,284	215,823
Consolidated income before tax and non-controlling interests	749,209	184,310
Tax charge	41.15%	117.10%

Information on the composition of "Adjustments for past years" account for 2018 and 2017 is set out below:

	31-12-2018	31-12-2017 (unaudited balances)
Insufficiency / (excess) of estimated tax for 2017 and 2016	396	(31,108)
Adjustments to previous years taxable income	(3,187)	(1,729)
Other	(9)	(5)
	(2,800)	(32,842)

The following is an analysis of the reconciliation between nominal and effective tax rates in 2018 and 2017.

	31-12-2017		31-12-2016	
	Rate	Tax	Rate	Tax
Income before tax		749,209		184,310
Tax at the nominal rate	27.35%	204,909	27.35%	50,409
Impact of companies with tax rates different from the nominal rate in	(0.01%)	(97)	(3.98%)	(7,337)
Permanent difference to be added:				
Non deductible provisions and impaiment	0.51%	3,849	3.14%	5,791
Other	0.16%	1,208	0.47%	869
Other permanent differences to be deducted				
	(1.50%)	(11,225)	0.00%	-
	(0.58%)	(4,367)	(0.41%)	(759)
Impairment on available-for-sale financial assets, net of write-offs	(2.54%)	(19,058)	57.72%	106,383
Annulment of tax losses considered non recoverable	13.17%	98,693	1.49%	2,749
Differential of tax rate on tax losses carry forward (*)	1.07%	8,037	1.25%	2,310
Autonomous taxation	0.18%	1,371	1.63%	3,003
Contribution of the banking sector	4.39%	32,860	19.82%	36,526
Change in the net monetary position of Caixa Angola under IAS 29	1.18%	8,822	7.51%	13,849
Other	(1.13%)	(8,481)	(3.49%)	(6,426)
	42.25%	316,521	112.51%	207,368
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	(1.10%)	(8,228)	4.59%	8,460
Other	(0.00%)	(9)	(0.00%)	(5)
	(1.10%)	(8,237)	4.59%	8,455
	41.15%	308,284	117.10%	215,823

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

CGD's nominal tax rate, in 2018 and 2017, considering the surcharge rates applicable to its operations was 27.35%.

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit. In the case of the state surcharge, reference should be made to the amendment to article 87-A of the IRC code brought in by law 114-2017 of December 29, whose no. 1 provides for the application of the following rates on taxable profit in the following bands:

- a rate of 3% between €1,500 thousand and €7,500 thousand;
- a rate of 5% between €7,500 thousand and €35,000 thousand; and
- a rate of 9% on more than €35,000 thousand.

Article 51-C of the IRC code was also changed by the publication of law 42/2016, on the basis of an addendum to no. 6, which rules, for 2017 and following years, that impairment losses and other value adjustments to corporate investments or other own equity instruments included as part of taxable profit under no. 2 of article 28-A, are considered to be positive components of taxable profit for the taxation period in which the respective sale takes place.

As a result , the Group recognised deferred tax liabilities for impairment on financial investments, deductible as a tax expense at the time of their constitution when the intention involves a sale or liquidation (or when in progress), of €116,449 thousand and €116,169 thousand, at December 31, 2018 and 2017, respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments

During the course of 2016, owing to the application of the Bank of Portugal's *notice* 5/2015, Caixa and other significant financial institutions in Portugal now prepare the financial statements on their separate activity in accordance with the dispositions of the International Financial Reporting Standards as adopted at any time under a European Union regulation, considering IAS 39 − "Financial instruments: recognition and measurement" requirements on provisions for loans and other receivables from January 1 2016.

Regulatory decree 5/2016, published on November 18, 2016, defined the maximum limits on impairment losses and other value adjustments on specific credit risk, deductible for the calculation of IRC taxable profit, extending the framework deriving from *notice* 3/95 for the taxation period beginning January 1, 2016, for fiscal purposes.

The maintenance of these rules as a reference for the deductibility of impairment losses on credit operations considered significant for fiscal purposes in 2017 and 2018, was confirmed by the publication of regulatory decrees 13/2018 and 11/2017, both of December 28.

As stated in note 2.3, starting January 1, 2018 the estimated losses on credit risk were measured by reference to the dispositions of IFRS 9 – "Financial instruments", which replaced IAS 39 after the above date.

There being no specific rules regarding the fiscal regime applicable to tax years starting January 1, 2018, and with no known legislative evolution or initiatives related to this subject matter up to the date of the approval of these financial statements, Caixa's board of directors, in preparing its estimates regarding the recoverability of deferred tax assets, based the preparation of its financial statements on the legal framework in force in 2018.

Analysis of recoverability of deferred tax assets

Based on the requirements of IAS 12 − "Income taxes", deferred tax assets are recognised on the basis of the Group's expectations of their future recoverability which is fundamentally based on, (i) an assessment of its capacity to generate sufficient taxable profit, and (ii) its interpretation of the legal framework in force in the relevant analysis period.

This assessment was made on the basis of the implementation of the strategic plan that was developed as part of the agreement entered into between the Portuguese state and the European authorities for the period 2017-2020 which was submitted to the regulators. The plan forecast adequate profitability and capital levels over the referred to timeframe as well as a reduction of non-performing assets.

The expectation of generating future taxable profit is based on projections prepared in conformity with the above plan, applying a highly conservative approach. Reference should be made to the following factors:

(i) The positive evolution of net interest income, attributable to a sustained reduction of financing costs, consistent with its commercial policy and current market situation with the continuation of very low interest rates;

(ii) An increase in revenue from services, aligned with a commercial strategy more geared to value creation for customers;

(iii) A decrease in the cost of risk to levels comparable to those of other leading European banks, based on a major restructuring of its toxic assets management policy as well as adapting loan-making and oversight processes to a sustainable level of risk appetite;

(iv) Significant cost reductions, aligned with measures to rationalise operational structures for implementation over the next three years, based on the size, type and expected evolution of business in which digital considerations will play a decisive role in the intended improvements to the ever increasing efficiency of resource management; and

(v) Alignment of profitability and solvency levels with the objectives and assumptions involved in CGD’s recent recapitalisation process. Based on a conservative approach, the amount of income before tax, was kept constant across all taxation periods in the model after 2021.

The assumptions listed below, had a significant effect on the conclusions regarding the recoverability of deferred tax assets:

(vi) Conversion of around €428,000 thousand in eligible deferred tax assets under the special regime;

(vii) Maintenance of the fiscal framework for impairment losses on specific credit risk, in force up to 2018, for tax periods starting on or after January 1, 2019;

(viii) Incorporation of the estimated fiscal profit/loss deriving from the restructuring strategy on international operations and the deleveraging process on non-performing assets agreed with the supervisory bodies; and,

(ix) Projection of the deductibility of the costs of present and future employee benefits based on an estimate of the taxation years in which payments will be made.

Any changes to the assumptions employed or relevant variables for the assessment of taxable profit projections may lead to substantially different results and conclusions.

As a result of its analysis, the Group derecognised deferred tax assets associated with the carry-back of tax losses and tax credit based on the application of the international double taxation mechanism for 2017 of €93,824 thousand (from Caixa’s separate activity), given that it considered that recoverability before the end of the regulatory period available (end of 2022) would be remote.

The Group also performed sensitivity analyses on the results of its assessment on the recoverability of deferred tax assets considering a 15% decrease in income before tax applicable to all of the years in the projection. No additional reductions of deferred tax assets recognised in the balance sheet were estimated.

Banking sector contribution

Deriving from the dispositions of article 141 of the state budget law for 2011 (law 55-A/2010 of December 31), which brought in a new contribution regime applicable to the banking sector, the Group recognised costs of €32,860 thousand and €36,526 thousand for the periods ended December 31, 2018 and 2017, respectively, relating to the total costs to be paid in the respective tax periods. The tax, regulated under the terms of ministerial order 121/2011 of March 30, is levied on the amount of the liabilities of credit institutions headquartered on Portuguese territory, net of own and complementary funds, as well as deposits covered by the deposit guarantee fund and the notional amount of derivatives other than hedge derivatives. The tax is also levied on the subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union.

The tax authorities are normally entitled to review the tax situation 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 past years (2015 to 2018 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2015). Although any possible adjustments, given the nature thereof, cannot be quantified at present, Caixa's board of directors considers that any adjustments for the above years are unlikely to have a significant effect on the consolidated financial statements.

19. OTHER ASSETS

This account comprises the following:

	31-12-2018	31-12-2017
Other assets		
Debt certificates of the Territory of Macau	973,371	849,883
Gold, precious metals, numismatics and medals	3,476	3,449
Other receivables	25	33
Other	5,655	5,843
Debtors and other investments		
Central and local government	45,016	43,552
Shareholders' loans	47,770	149,500
Debtors - futures contracts	21,024	58,926
Amount receivable from the sale of EDP	-	482,456
Grants receivable from		
The State	13,041	18,292
Other entities	17,483	14,011
Amount receivable from the sale of assets recovered as settlement of defaulting loans	489	201
Other past due debtors	34,474	53,405
Other debtors	869,255	992,325
Commitments with pension and other employee benefits		
Excess responsabilities coverage		
Caixa Geral de Depósitos	1,105	14,620
Other	20	148
Income receivable	42,952	52,478
Deferred costs		
Rent	3,322	4,038
Other	15,889	12,395
Deferred income	-	-
Operations pending settlement	176,750	262,539
Stock exchange operations	44,017	41,903
	2,315,134	3,059,997
Impairment (Note 34)	(203,289)	(287,643)
	2,111,845	2,772,355

Information on impairment movements on debtors and other assets for 2018 and 2017 is set out in note 37.

The proceeds from the EDP sale, at December 31, 2018 and 2017, derive from CGD's disposal of its equity stake in the company to Parpública.

The "Debtors and other assets – other debtors" account at December 31, 2018 and 2017, included €502,224 thousand and €628,989 thousand, respectively, for surety accounts in several financial institutions. These 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, 2018 and 2017, includes €12,997 thousand and €8,754 thousand, respectively, in sureties for contributions to the single resolution fund in the form of an irrevocable commitment (note 33).

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the Bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation and, in turn, receives a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (note 25). The amounts to be provided to the Territory by the Bank are reconciled in the first fifteen days of each month, based on the preceding month's average daily balances. The government of Macau's debt certificate at December 31, 2018 and 2017 totalled €973,371 thousand and €849,883 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

The "Debtors and other assets - other overdue debtors" account, at December 31, 2018 and 2017 includes outstanding balances for the calling in of guarantees provided to customers and other costs directly associated with such operations of €25,684 thousand and €49,098 thousand, respectively. Accumulated impairment associated with these operations on these dates amounted to €17,065 thousand and €31,707 thousand, respectively.

In December 31, 2018 and 2017, the amounts of "Other lending operations pending settlement" essentially refer to stock market derivatives operations, means of payment and bank transfers whose financial settlement had still not occurred.

Shareholders' loans, at December 31, 2018 and 2017, comprised the following:

	31-12-2018	31-12-2017
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	-	36,000
A. Silva & Silva - Imobiliário & Serviços, S.A.	-	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	-	12,180
Visabeira Global, SGPS, SA	-	11,223
Relating to financial assets transferred (Note 7)		
Moretextile, SGPS, S.A.	38,722	37,876
Taem - Processamento Alimentar, SGPS, S.A	-	5,118
Vncork - SGPS, S.A	-	999
Other	9,048	17,127
	47,770	149,500

Interest of €36,000 thousand charged on the shareholders' loan to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at December 31, 2017, was indexed to the 3 month Euribor rate plus a spread of 0.75%. Interest was paid quarterly on February 1, May 1, August 1 and November 1 of each year. This contract was liquidated on June 30, 2018.

Under the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textile 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). These partners' loans, which were used to pay off a part of Coelima's debt to its creditors (including CGD), bear interest at the 6 month Euribor rate plus a spread of 2.5%. Pursuant to the contract, the debt (principal and interest) would be paid in full on May 13, 2018, with a renewal option for an additional five years, which was taken up. The repayment of these partners' loans is subordinated to Moretextile's and its subsidiaries' settlement of overdue, unpaid credit to other creditors. Caixa recognised impairment of €8,722 thousand on this asset, €870 thousand of which in 2017.

The partners' loans to Taem - Processamento Alimentar, SGPS, S.A. and Vncork - SGPS, S.A., matured in first half 2018 and were not settled. The amounts at December 31, 2018, were classified in "Debtors and other assets – other overdue debtors". The initial terms of the agreement are being renegotiated.

20. RESOURCES OF CREDIT INSTITUTIONS' AND CENTRAL BANKS

This account comprises the following:

	31-12-2018	31-12-2017
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	-	2,000,000
Other Group entities	-	165,340
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	248	361
Of foreign credit institutions	247,878	11,978
Other resources	525	-
Interest payable	445	-
	249,096	2,177,678
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	241,930	407,368
Of foreign credit institutions	1,045,120	1,076,301
Interbank money market resources	15,700	14,500
Immediate short term resources		
Of domestic credit institutions	113,382	270,967
Of foreign credit institutions	18,412	30,202
Loans		
Of foreign credit institutions	3,908	2,655
Resources of international financial entities	5,511	7,643
Sale operations with repurchase agreement	55,202	44,956
Interest payable	10,281	10,579
	1,509,447	1,865,172
	1,758,542	4,042,850

The "Central banks' resources – resources – European Central Bank" account at December 31, 2018 and 2017, refers to loans obtained from the European Central Bank, collateralised by debt instruments and other loans in the Group's portfolio. These assets were not available for free circulation and were recognised at their nominal value in "Asset-backed guarantees" (note 23) in off-balance sheet accounts.

Caixa Geral de Depósitos repaid the full amount of its loans from the European Central Bank in first half 2018.

The “Sales operations with repurchase agreements” account, at December 31, 2018 and 2017, 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.

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

21. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	31-12-2018	31-12-2017
Savings deposits	2,381,617	2,448,858
Other debts		
Repayable on demand	28,701,749	25,952,012
Term		
Deposits	30,403,904	33,308,435
Mandatory deposits	258,226	253,634
Other resources:		
Cheques and orders payable	88,065	114,034
Loans	-	20,000
Other	1,507,311	1,447,732
	32,257,506	35,143,835
	60,959,255	61,095,846
Interest payable	87,387	96,602
Deferred costs net of deferred income	(2,228)	(4,939)
Commissions associated with amortised cost (deferred)	(3,514)	(6,520)
Adjustments to liabilities under hedging operations	7	1,048
	81,652	86,191
	63,422,525	63,630,896

22. DEBT SECURITIES

This account comprises the following:

	31-12-2018	31-12-2017
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	12,498	40,000
- Fixed interest rate	108,066	123,952
- Remuneration indexed to exchange rates	76,861	31,641
	197,425	195,593
Covered bonds	2,993,450	3,761,050
	3,190,875	3,956,643
Adjustments to liabilities under hedging operations	1,569	3,291
Deferred costs net of income	(2,122)	(5,336)
Interest payable	69,999	96,823
	3,260,321	4,051,421

The breakdown of the debt securities account, at December 31, 2018 and 2017, is net of the accumulated debt balances repurchased in the meantime, as follows:

	31-12-2018	31-12-2017
Bonds issued under the EMTN programme	78,000	78,000
Covered bonds	3,006,550	1,507,550
	3,084,550	1,585,550

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro commercial paper and certificates of deposit (ECP and CCP)

Under the "€10 billion euro commercial paper and certificates of deposit" programme, CGD (either directly or through its France branch) is entitled to issue CDs (certificates of deposit) and notes with a maximum maturity of 5 years and 1 year, respectively, denominated in euros, US dollars, sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

(ii) Euro médium-term notes (EMTN)

CGD Group, through CGD (either directly or through its France branch) and CGD Finance, are entitled to issue a maximum amount of €15 billion in debt securities under this programme. France branch guarantees all CGD Finance issuances.

Bonds with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively, may be issued in any currency. 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 the performance of indices or shares.

(iii) Covered bonds

CGD initiated a covered bonds programme, for direct issuance, up to a current maximum amount of €15 billion, in November 2006. The bonds to be issued are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulation applicable to issuances of such assets, i.e. decree law 59/2006, *notices* 5, 6, 7 and 8 and Bank of Portugal *instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and maximum term of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise residential mortgage or commercial loans in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral for property for housing (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with across the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;
- The total amount of interest payable on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of the mortgage loans allocated to the referred to bonds; and
- The present value of the covered bonds may not exceed the present value of the assets allocated to them, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of covered bonds, issued by Caixa at December 31, 2018 and 2017, totalled €6,000,000 thousand and €5,270,000 thousand, respectively, with the following issuance characteristics:

DESIGNATION	Nominal amount 31-12-2018	Nominal amount 31-12-2017	Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 31-12-2018	Interest rate at 31-12-2017
Hipotecárias Série 4 2007/2022	250,000	250,000	2007-06-28	2022-06-28	Quarterly, on March 28, June, September and December	3 month Euribor rate + 0.05%	0.000%	0.017%
Hipotecárias Série 8 2008/2038 (c)	-	20,000	2008-10-01	2038-10-01	Annually, on October 1	Fixed rate	-	5.380%
Hipotecárias Série 10 2010/2020 (b)	1,000,000	1,000,000	2010-01-27	2020-01-27	Annually, on January 27	Fixed rate	4.250%	4.250%
Hipotecárias Série 14 2012/2022 (a)	1,500,000	1,500,000	2012-07-31	2022-07-22	Quarterly, on January 31, April, July and October	3 month Euribor rate + 0.75%	0.432%	0.419%
Hipotecárias Série 15 2013/2018	-	750,000	2013-01-18	2018-01-18	Annually, on January 18	Fixed rate	-	3.750%
Hipotecárias Série 16 2014/2019 (b)	750,000	750,000	2014-01-15	2019-01-15	Annually, on January 15	Fixed rate	3.000%	3.000%
Hipotecárias Série 17 2015/2022	1,000,000	1,000,000	2015-01-27	2022-01-27	Annually, on January 27	Fixed rate	1.000%	1.000%
Hipotecárias Série 18 2018/2028 (a)	1,500,000	-	19-12-2018	2028-12-19	Quarterly, on March 19, June, September and December	3 month Euribor rate + 0.6%	0.289%	-
	6,000,000	5,270,000						

(a) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank
(b) Issue partially repurchased by CGD.
(c) Issue whose repayment was made in advance on October 1, 2018

The assets pool, used as collateral for the issuances, includes mortgage loans issued in Portugal with a book value of €7,510,594 thousand and €8,420,634 thousand at December 31, 2018 and 2017 respectively (note 12).

The assets pool used as collateral for the issuances also included debt securities, with a book value of €126,713 thousand and €127,015 thousand (notes 11 and 8) at December 31, 2018 and 2017, respectively

The Moody's and Fitch ratings on these covered bonds, at December 31, 2018 were Aa3 and AA, respectively.

Details on bond issuances, by type of interest and period to maturity at December 31, 2018 and 2017 are given below:

	31-12-2018				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	45,000	(16,139)	28,861	749,000	777,861
One to five years	35,097	95,498	130,595	2,244,450	2,375,045
Five to ten years	17,919	-	17,919	-	17,919
Over ten years	10,050	10,000	20,050	-	20,050
	108,066	89,359	197,425	2,993,450	3,190,875

	31-12-2017				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	-	-	749,000	749,000
One to five years	66,481	79,360	145,841	2,992,050	3,137,891
Five to ten years	17,110	-	17,110	-	17,110
Over ten years	22,642	10,000	32,642	20,000	52,642
	106,233	89,360	195,593	3,761,050	3,956,643

Derivatives were contracted for to convert the amounts of most EMTN programme issuances into euros and their respective interest into 3 or 6 month Euribor rates, net of a spread.

23. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Provisions movements for employee benefits and for other risks, in the half years ended December 31, 2018 and 2017, were as follows:

	Balance at 31-12-2017	Transition to IFRS9	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2018
Provision for employee benefits (Note 35)	814,064	-	(41,727)	(62,283)	(626)	49,064	758,492
Provision for litigation	17,464	-	3,902	(979)	-	(3,690)	16,697
Provision for guarantees and other commitments	328,437	(24,851)	(76,897)	(22,621)	(633)	8,334	211,769
Provision for other risks and charges	128,326	-	5,934	(3,784)	(2,613)	1,078	128,941
	474,227	(24,851)	(67,061)	(27,383)	(3,246)	5,722	357,408
	1,288,291	(24,851)	(108,787)	(89,667)	(3,872)	54,786	1,115,900

	Balance at 31-12-2016	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2017
Provision for employee benefits (Note 35)	613,094	225,768	(61,507)	(228)	36,937	814,064
Provision for litigation	23,145	1,967	-	-	(7,649)	17,464
Provision for guarantees and other commitments	360,935	(22,773)	(8,783)	(1,178)	237	328,437
Provision for other risks and charges	130,138	(1,555)	(765)	(811)	1,319	128,326
	514,218	(22,361)	(9,548)	(1,989)	(6,093)	474,227
	1,127,312	203,407	(71,055)	(2,217)	30,844	1,288,291

The use of the provision to cover cost of employee benefits, totalling €58,849 thousand, in 2018, is broken down into €22,656 thousand for the medical-social plan, €29,448 thousand for the "Horizonte" plan and other redundancy agreements and €6,705 thousand for voluntary redundancies.

The use of the provision for employee benefits, totalling €58,849 thousand, in 2017, is broken down into €23,559 thousand for the medical-social plan, €27,029 thousand for the "Horizonte" plan and other redundancy agreements and €8,396 thousand for voluntary redundancies.

The "Transfers and other" column of the table of provisions movements for 2017 also includes €6,904 thousand, €7,824 thousand and €10,589 thousand in accumulated provisions recognised for legal contingencies, guarantees and commitments and other risks and liabilities, respectively, related to the activity of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. which, at December 31 2017 were recognised in non-current assets held-for-sale (note 13).

Information on the composition of the amounts recognised in the "Transfers and other" column in the table of provisions movements for the costs of employee benefits, in 2018 and 2017, is set out below:

	31-12-2018	31-12-2017
Provisions recognised as employee costs:		
Healthcare – CGD (Note 34 and 35)	15,933	17,802
Labour suspension agreements and Plano Horizonte	29,327	26,799
Mutually agreed terminations	7,045	10,184
Other entities	1,896	3,022
	54,201	57,807
Provisions recognised by charges to reserves		
Actuarial and financial gain and loss (Note 35)	(4,962)	(21,120)
Other	(175)	249
	49,064	36,937

Provisions for other risks and liabilities are for contingencies arising from Caixa's activity.

Provisions for legal contingencies comprise Caixa's best estimate of any amounts to be spent on the resolution thereof, based on the estimates of its legal department and its attendant lawyers.

Provisions for guarantees and commitments undertaken reflect estimated unrealised losses associated with liabilities to customers, deriving from the Group's commercial activity and determined by DGR (risk management division) in conformity with the requirements of IFRS 9 – "Financial instruments".

Contingent liabilities and commitments

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

	31-12-2018	31-12-2017
Contingent liabilities		
Assets given as collateral	13,426,227	14,907,681
Guarantees and sureties	2,821,574	3,285,796
Open documentary credits	287,643	241,886
Stand by letters of credit	50,391	45,028
Other contingent liabilities	9,548	-
	16,595,383	18,480,391
Commitments		
Revocable commitments	7,948,168	8,486,603
Securities subscription	1,291,400	1,340,452
Irrevocable lines of credit	351,363	569,331
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	45,543	39,947
Other irrevocable commitments	12,997	63,220
Forward deposit agreements		
Receivable	140,006	21,624
To be created	117,336	60,242
Other	192,500	192,198
	10,254,865	10,929,171
Deposit and custody of securities	46,987,976	46,223,343

The composition of asset-backed guarantees is as follows:

	31-12-2018	31-12-2017
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,662,500	1,567,500
Council of Europe Development Bank	17,500	22,300
Bank of Portugal (*)	11,467,376	13,001,548
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	-	64,509
Deposit Guarantee Fund	157,740	175,240
Banco Português de Investimento	-	50,000
CECABANK	45,000	-
Interbank Deposit Market - MIC Market	50,000	-
Investor Compensation System (futures)	20,500	21,000
Euronext	5,000	5,000
Other Assets		
Other	611	584
	13,426,227	14,907,681

(*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million and other interbank money market transactions.

Asset-backed guarantees at December 31, 2018 and 2017, refer to debt instruments recognised in assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans and advances to customers and debt securities accounts (note 20).

Asset-backed guarantees are not available for Caixa's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

The market value of debt instruments given as collateral, at December 31, 2018 and 2017, was €15,698,771 thousand and €15,093,209 thousand, respectively.

The market value of securities collateralising the Group's term liabilities for its annual contributions to the deposit guarantee fund and investors' indemnity system was €197,147 thousand and €216,564 thousand, at December 31, 2018 and 2017, respectively.

The object of the deposit guarantee fund is to guarantee customers' deposits in conformity with the limits defined by the general credit institutions regime. This takes the form of regular annual contributions. In past years a part of the liabilities took the form of an irrevocable commitment to make the contributions when requested by the fund, with the amount not being recognised as a cost. Commitments assumed since 1996 totalled €155,553 thousand. At December 31, 2018 and 2017 the Group recognised liabilities of €787 thousand and €661 thousand, respectively for its annual contribution to the deposit guarantee fund.

Caixa Brasil, SGPS, S.A.

In 2009, CGD was notified by the Portuguese tax authorities of their inspection report for 2005 in respect of an adjustment of €155,602 thousand to taxable income for the year. In addition to other issues, the adjustment included an amount of €135,592 thousand because Caixa had benefited from the elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in2005. Caixa contested these adjustments, being of the opinion that the procedures adopted were in compliance with fiscal legislation. The Lisbon tax court also issued a ruling, in 2014, annulling, the adjustments made by the tax and customs authority relating to the profit made on the liquidation of Caixa Brasil.

In April 2015 the southern central administrative court announced its decision, in the second instance, to overturn the ruling of the first instance by the Lisbon tax court. In response to this ruling, Caixa decided to appeal in first half 2015. As a result of the allegations made, the appeal over the review was accepted on the basis of the legal framework covering the allegations made.

In December 2016, as a result of the application to Caixa of 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, an amount of €34,071 thousand in tax associated with the current dispute was paid in full on that date.

Caixa was notified of the ruling on its appeal by the supreme administrative court, on May 31 2017. The ruling accepted the arguments put forward, ruling that the procedural documents should be returned to the southern administrative central court which, in July 2018, in following up these recommendations, rejected the appeals filed by the tax authorities and upheld the ruling in the first instance of the Lisbon tax court in favour of Caixa's claims.

As the decision was not contested impairment based on the risk of the non-recovery of the tax balance paid to the state under the PERES application and recognised in "Other assets" in 2016, was fully reversed in the period.

Competition authority

On June 3, 2015, in addition to fourteen other credit institutions, CGD was charged by the competition authority, with exchanging information with several credit institutions, which, perceived collusion with the aim of significantly distorting market competition.

Based on the requests submitted by several of the 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 due date which expired on November 17, 2015.

On March 14, 2017, CGD was formally notified by the competition authority of its board of directors' resolution to lift the suspension regarding the current offence with which it had been charged, although the suspension of the period for the decision on the charge remained. A new resolution passed by the competition authority's board of directors terminated the suspension of the sentencing period, ending on September 27, 2017. CGD submitted its defence on September 26, 2017, having requested complementary evidentiary hearings that took place on December 5 and 6, 2017. In June and July 2018 CGD replied to the competition authority's requests for additional information. In March 2019, CGD was notified of the resolution of the competition authority extending the process's investigation period up to December 31, 2019.

CGD considers that there is no factual or legal basis for Caixa Geral de Depósitos to be convicted for any restrictive market practices, consequently it has expressly applied for the process to be closed.

Resolution fund

The resolution fund was created by decree law 31-A/2012 of February 10. It is funded by contributions from institutions participating in the fund and by the banking sector contribution. Other sources of funding may also be used whenever such resources are shown to be insufficient to meet liabilities, namely: (i) special contributions made by credit institutions; and (ii) amounts deriving from loans.

Application of resolution measure to Banco Espírito Santo, S.A.

On August 3, 2014, the board of trustees of the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to which most of the activity and assets of BES were transferred to Novo Banco S.A., a new transitional banking institution created for the purpose and fully owned by the resolution fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund's own resources were not sufficient for the operation at that 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 received, considering that the terms and conditions were not satisfactory. In an announcement made on December 21, 2015 the Bank of Portugal disclosed information on the agreement reached with the European Commission, which included provisions to extend to the period for the full disposal of the resolution fund's equity investment in Novo Banco.

On December 29, 2015 the Bank of Portugal made an announcement approving a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to reassign the liability for the non-subordinated bonds issued by it for institutional investors to BES. The nominal amount of the bonds reassigned to BES was €1,941 million with a balance sheet carrying amount of €1,985 million. In addition the Bank of Portugal also clarified that the resolution fund is responsible for neutralising any negative effects of future decisions resulting in liabilities or contingencies 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.

On July 2016, on completion of the independent assessment process 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 a greater loss would otherwise have been the case and should be compensated for the difference by the resolution fund.

On August 4, 2016, the resolution fund communicated that it had changed the conditions of the loans obtained to finance the application of the resolution measure (both with a maximum maturity of August 4, 2016) which would now mature on December 31, 2017, without prejudice to early redemptions or an agreement of other changes.

On September 28, 2016, the resolution fund announced that it had reached an agreement with the ministry of finance to review of the conditions attached to the loans obtained to fund the BES resolution measure. According to the resolution fund's announcement, the agreed revision "would permit an extension of the maturity in order to guarantee the resolution fund's capacity to fully comply with its obligations using its known revenue stream, notwithstanding the positive or negative contingencies to which the resolution fund was exposed." On the same date, the office of the minister of finance also announced that: "within the scope of the agreement with the resolution fund and on the basis already established, any increases or reductions of liabilities deriving from the materialisation of future contingencies, shall determine the adjustment to the maturity of the state's and banks' loans to the resolution fund, with the contributions required from the banking sector remaining at their current levels."

On March 21, 2017 the resolution fund announced the formalisation of these contractual changes, including an extension of the maturity period to December 31, 2046. The objective behind the review of the loan conditions was to guarantee the resolution fund's sustainability and financial balance, based on stable, foreseeable, manageable costs for the banking sector.

On March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. This agreement required two capital increases, the first of which was€750,000 thousand in October 2017 and the second for €250,000 thousand in December 2017.

The sale was preceded by an *LME* (liability management exercise) on 36 bond series with a book value of €3,000,000 thousand. The success of this operation translated into the purchase and redemption of bonds representing 73% of book value, with immediate proceeds of €209,700 thousand.

The sales process was followed by the creation of a contingent capital mechanism enabling Novo Banco to receive compensation of up to €3,890,000 thousand on the recognition of losses on any of its assets under resolution fund management.

On October 18, 2017, the resolution fund complied with the operation's final formalities in implementing the resolutions of the national resolution authority, with the Bank of Portugal, retaining a 25% equity stake in Novo Banco and Lone Star taking 75%. This operation increased Novo Banco's share capital from €4,900,000 thousand to €5,900,000 thousand.

Following the completion of this operation, the transitional regime ceased to be apply to Novo Banco, which started to operate normally, albeit subject to several measures limiting its activity as imposed by the European competition authority

On March 28, 2018, following the announcement of the Bank's results for 2017, the contingent capitalisation mechanism, provided for in the agreements entered into at the time of sale was activated, requiring the resolution fund to pay €792,000 thousand to Novo Banco.

The above payment was made on May 24, 2018, following the issue of Novo Banco's statutory audit certificate and completion of the necessary certification procedures, resulting in the confirmation of the existence of the conditions requiring the payment to be made, under the agreement, in addition to the exact amount to be paid by the resolution fund.

The resolution fund used its own available financial resources resulting from the contributions paid by the banking sector, complemented by a €430,000 thousand loan from the Portuguese state.

On July 6, 2018, the resolution fund, at a general meeting of Oitante, held on July 3, approved the submission of a proposal to the Bank of Portugal regarding the appointment of members of the company's board of directors for the term of office 2018-2020, owing to the term of the preceding mandate. A proposal to reappoint the members of the supervisory board of Oitante and the company's statutory auditor in addition to the members of the board of the general meeting was also submitted to the Bank of Portugal. Oitante's accounts for 2017, showing a profit of €30.1 million for 2017, was also approved at the same general meeting

Novo Banco announced its results for 2018, on March 1, 2019. This resulted in the activation of the contingent capitalisation mechanism provided for in the agreements entered into in 2017, as part of the sale of this institution. Based on the results announced by Novo Banco, the amount to be paid by the resolution fund in 2019 will be €1,149,000 thousand.

The amount payable by the resolution fund in 2019 will be settled following the statutory certification of the accounts of Novo Banco and following a verification procedure to be realised by an independent entity to confirm if the amount to be paid by the fund has been correctly assessed. To enable this settlement the resolution fund will, as in 2018, use its available financial resources resulting from the contributions paid by the banking sector and complemented by a loan from the Portuguese state with a maximum annual limit of €850,000 thousand.

<u>Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.</u>

In an announcement of December 20, 2015 the Bank of Portugal reported the decision to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150,000 thousand. According to this announcement, the requirements of European institutions and the unfeasibility of a voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) an asset management vehicle that was specifically created for the purpose, with the resolution fund as its sole shareholder. Oitante issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee issued by the resolution fund, counter guaranteed by the Portuguese state.

The operation involved a state loan of around €2,255,000 thousand to cover future contingencies, €489,000 thousand from the resolution fund and €1,766,000 thousand directly from the Portuguese state, following determination of which assets and liabilities were to be disposed of and an agreement between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €163,120 thousand to the state by way of part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the debt to be reduced from €489,000 thousand to €353,000 thousand.

The amount not transferred to the single resolution fund will be paid by the institutions covered by the *UMR* ("unique mechanism of resolution") regulation to the same single resolution fund over a period of eight years (ending 2024), as provided for in the council's implementing resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced a change to the conditions of the loans obtained to finance the Banif resolution measure, similar to that applied in financing of the BES resolution measure.

Notwithstanding, at the present time, in light of these developments: (i) the resolution fund is unlikely to propose the creation of a special contribution to finance the above resolution measures and the probability of any special contribution is therefore remote, and (ii) any resolution fund deficits are expected to be financed by periodic contributions under article 9 of decree law 24/2013 of February 19, which stipulates that the periodic contributions to the resolution fund should be paid by the participating institutions that are active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised as a cost for year in accordance with IFRIC 21 – “Levies”.

Any alterations to the application of the above financing mechanisms of the resolution fund may have a significant impact on CGD’s future financial statements.

24. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	31-12-2018	31-12-2017
Bonds	1,136,729	1,016,230
Loans	-	209
	1,136,729	1,016,439
Interest payable	26,266	17,418
Deferred income net of charges	(3,174)	(6,116)
	1,159,821	1,027,741

On June 29, 2012, CGD issued €900,000 thousand in hybrid financial instruments eligible as core tier 1 own funds, fully subscribed for by the Portuguese state (conditions defined in ministerial order 8840-C/2012 of June 28, 2012). These bonds 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 significant breach of the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the term of the investment period (five years);
- Exercising of the conversion right specified by the state in the issuance conditions; and
- If the hybrid financial instruments cease to be eligible as core tier 1 own funds.

Following authorisation from the European Central Bank and the Bank of Portugal on December 6, 2016, obtained as part 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 (CoCo bonds), as a capital increase in kind plus their corresponding accrued and unpaid interest up to January 4, 2017, as the date upon which the capital increase was finalised.

Following this process, the European Commission lifted the ban in force on the payment of discretionary coupons on subordinated debt. Caixa resumed payment of these coupons in first quarter 2017.the

Caixa completed the last stage of the recapitalisation procedure agreed with the European institutions during the course of first quarter 2018, through issuance of €500,000 thousand in tier 2 subordinated debt (see introductory note).

The following is a summary of the principal issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2018	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538,552	536,729	536,729	2009-05-11	2019-05-13	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May, 2014.
Caixa Geral de Depósitos	Fixed Rate Reset Callable Subordinated Notes	EUR	500,000	500,000	-	2018-06-28	2028-06-28	5.75%. Annual interest payment on 28 June.	In the payment date of the coupons as from 28 June, 2023.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	-	368,522	2008-11-03	2018-11-05	2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
CGD (France branch)	Floating Rate Undated Subordinated Notes	EUR	110,000	-	209	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100,000	100,000	100,000	2008-03-03	2028-03-03	5.980%. Annual interest payment on 3 March.	N/A.
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	-	765	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	-	2,847	2008-10-16	2018-10-16	1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 16 January, April, July and October.	The issuer has an early redemption option, in full or in part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date.
Banco Interatlântico	Bonds BI 2014	CVE	500,000	-	4,255	2008-07-08	2018-07-08	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	-	3,112	2008-07-30	2018-07-30	3 month Libor rate + 3.00%. Quarterly interest payment on 30 January, April, July and October.	Early redemption of principal, in full or part, may only occur at BCI's initiative and with prior authorisation of the Bank of Mozambique.

25. OTHER LIABILITIES

This account comprises the following:

	31-12-2018	31-12-2017
Creditors		
Consigned resources	967,404	880,771
Resources - collateral account	31,906	32,332
Resources - subscription account	24,972	37,087
Resources - secured account	1,281	1,311
Suppliers of finance leasing assets	10,397	6,195
Creditors for factoring ceded	93,664	67,723
Caixa Geral de Aposentações	4,059	4,024
CGD's Pension Fund	129,593	357
Creditors for futures contracts	899	39,417
Creditors for transactions in securities	506	66
Creditors for sale of assets recovered as settlement of defaulting loans	24,663	6,332
Other suppliers	41,883	43,947
Other creditors	186,882	150,191
Other liabilities		
Notes in circulation - Macau (Note 19)	1,001,247	886,381
Withholding taxes	22,032	24,075
Social Security contributions	3,297	5,031
Other taxes payable	3,742	5,772
Collections on behalf of third parties	385	110
Other	5,433	17,102
Accrued costs	209,850	195,097
Deferred income	57,107	63,723
Liabilities pending settlement	899,442	1,251,372
Stock exchange operations	2,464	56,047
	3,723,106	3,774,464

The “Resources – collateral account”, included interest rates swap (IRS) contracts deposits made in CGD by various financial institutions, of €28,905 thousand and €28,672 thousand, at December 31, 2018 and December 31, 2017, respectively.

The "Lending operations pending settlement” account at December 31, 2018 and 2017 included €519,715 thousand and €523,721 thousand, respectively, of financial liabilities with non-controlling interest investors in the unit trust investment funds included in CGD group’s consolidation perimeter.

The "Costs payable" account at December 31, 2018 and 2017, included €35,613 thousand and €36,350 thousand for seniority bonuses, respectively.

The amount of €129,212 thousand owed to CGD's pension fund at December 31, 2018, was settled in March 2019 (note 35).

The following is a summary of the conditions attached to the "Consigned resources" account, at December 31, 2018 and 2017:

DESIGNATION	COUNTERPARTY	Balances at 31-12-2018	Balances at 31-12-2017	Start date	Payment date
CGD Loan for SMES and other PRIO II	European Investment Bank	300,000	300,000	10-04-2015	06-04-2023
CGD Loan for SMES and other PRIO III - A	European Investment Bank	150,000	150,000	21-07-2017	21-07-2025
CGD Loan for SMES and other PRIO III - B	European Investment Bank	150,000	-	07-03-2018	06-03-2026
CGD Empréstimo Global XI	European Investment Bank	66,667	80,000	25-06-2003	15-06-2023
CGD Empréstimo Global X	European Investment Bank	53,333	66,667	21-11-2002	15-09-2022
Projeto Scut Açores	European Investment Bank	45,714	48,571	14-12-2007	15-09-2034
Mid-Cap I taxa revisível	European Investment Bank	38,563	47,637	29-11-2007	15-09-2022
CGD - Empréstimo Global XII - B	European Investment Bank	37,500	43,750	19-11-2004	13-09-2024
CGD - Empréstimo Global XIII	European Investment Bank	37,500	42,188	12-10-2006	15-09-2026
Projeto Tejo Energia CCGT	European Investment Bank	26,797	30,254	09-12-2009	15-09-2026
CGD Reabilitação Urbana	European Investment Bank	24,722	29,667	11-12-2003	15-12-2023
Hospital Braga	European Investment Bank	13,929	23,214	03-06-2009	09-06-2020
CEB - PARES	CEB - Council of Europe Development Bank	9,224	10,762	23-12-2009	23-12-2024
CEB - Educação	CEB - Council of Europe Development Bank	6,144	7,373	21-11-2008	21-11-2023
Operations carried out by Banco Comercial e de Investimentos, S.A.R.L.		7,265	632		
Other		46	57		
		967,404	880,771		

The agreement for the disbursement of another tranche of the assistance for financing small and medium sized enterprises between CGD and the European Investment Bank for the amount of €150,000 thousand was entered into in 2018.

Interest on the "Consigned resources" account, at December 31, 2018 and 2017, was paid at an average annual rate of 0.636% and 0.543% respectively

26. CAPITAL AND OTHER INSTRUMENTS

At December 31, 2018 and 2017, CGD's share capital was totally owned by the Portuguese state, as follows (amounts in euros):

	31-12-2018	31-12-2017
Number of shares	768,828,747	768,828,747
Unit price (Euros)	5	5
Share capital	3,844,143,735	3,844,143,735

As referred to in greater detail in the introductory note, the Portuguese state, under the March 2017 agreement with the European authorities as part of CGD's recapitalisation process, passed a resolution, on January 4, 2017, to perform the following operations:

(i) An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 ordinary shares with a nominal value of €5 each through the transfer in kind of 490,000,000 Parcaixa, SGPS, S.A. equity shares of €498,996 thousand and the transfer in kind of €900,000 thousand in CoCo bonds (note 22), together with accrued interest of €45,148 thousand; and

(ii) A €6,000,000 thousand reduction in CGD's share capital through the extinguishment 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.

On March 30, 2017, the state issued a resolution to undertake a new capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, fully subscribed for by the sole shareholder.

On the same date Caixa issued €500,000 thousand in additional tier 1 shares, fully subscribed by private professional investors. Interest of 10.75% is paid on this issuance.

27. RESERVES, RETAINED EARNINGS AND PROFIT ATTRIBUTABLE TO CGD'S SHAREHOLDER

The composition of the reserves and retained earnings accounts, at December 31, 2018 and 2017, was as follows:

	31-12-2018	31-12-2017
Revaluation reserves		
Legal revaluation reserve of fixed assets	110,425	110,425
Fair value reserve, net of deferred tax		
Financial assets at fair value trough other comprehensive income (Note 8)	136,183	263,134
Assets with repurchase agreement	3,742	4,100
Other revaluation reserves	7,142	17,301
	257,492	394,961
Other reserves and retained earnings		
- Legal reserve - CGD	4,928	-
- Other reserves	4,357,270	4,494,077
- Retained earnings	(1,507,207)	(1,395,858)
	2,854,992	3,098,220
Net income attributable to the shareholder of CGD	495,776	51,946
	3,608,259	3,545,126

The "Fair value reserve" recognises unrealised capital gains and losses on debt instruments measured at fair value through other income.

The impact of the transition to IFRS 9 – Financial instruments" is presented in note 2.3.

The currency translation reserve, which recognises the translation of subsidiaries' financial statements in foreign currency, is included in "Other reserves".

The legal revaluation reserves on fixed assets may only be used to cover accumulated losses or increase capital. CGD's non-distributable reserves 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 of branches and subsidiaries to CGD's consolidated income, at December 31, 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	205,942	(350,736)
France Branch	16,179	49,640
Spain Branch	(8,403)	11,542
East Timor Branch	3,393	4,608
Luxembourg Branch	(2,864)	(6,075)
Zhuhai Branch	(1,651)	(301)
New York Branch	(1,203)	928
Cayman Branch	-	(3,488)
London Branch	-	4,202
Macau Branch	-	264
	211,394	(289,415)

	31-12-2018	31-12-2017
Contribution to net income from		
subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	61,517	69,967
Caixa Seguros e Saúde, SGPS, S.A.	37,625	14,664
Caixa Banco de Investimento, S.A. (a)	36,433	68,264
Banco Comercial e de Investimentos, S.A.R.L.	35,758	19,839
Banco Caixa Geral, S.A.	26,453	26,273
Partang, SGPS	(17,803)	(5,496)
Mercantile Bank Holdings, Ltd.	16,081	14,150
Banco Caixa Geral Angola, S.A.	15,445	5,767
Fundo de Capital de Risco Caixa Fundos	11,161	4,822
Fundimo - Fundo de Investimento Imobiliário Aberto	10,575	10,083
Fundiestamo - Fundo de Investimento Imobiliário Fechado	8,457	5,472
Parcaixa, SGPS, S.A.	7,378	5,835
Caixagest - Técnicas de Gestão de Fundos, S.A.	4,642	4,340
Banco Comercial do Atlântico, S.A.R.L.	4,031	1,403
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	3,051	4,596
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	2,967	14,275
Caixagest Infra-Estruturas - Fundo Especial de Investimento	2,491	1,682
BANCO INTERATLANTICO	1,887	315
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(1,779)	874
Banco Caixa Geral Brasil, S.A.	1,683	1,585
CGD Pensões, S.A.	1,666	1,600
CGD Investimentos CVC, S.A.	1,546	41,174
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	(1,450)	8,458
Fundo de Capital de Risco Caixa Crescimento	(1,348)	(3,224)
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	1,223	1,022
Inmobiliaria Caixa Geral, S.A.U.	1,155	(7,997)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	1,067	1,245
Caixa Imobiliário, S.A.	984	24,172
Beirafundo - Fundo de Investimento Imobiliário Fechado	(810)	6,598
Fundolis - Fundo de Investimento Imobiliário Fechado	(743)	663
Caixagest Estratégias Alternativas - Fundo Especial Investimento Aberto	(614)	111
Cibergradual, Investimento Imobiliário, S.A.	(507)	(19,001)
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	(470)	6,253
Imocaixa - Gestão Imobiliária, S.A.	338	855
Parbanca, SGPS	178	784
Caixagest Private Equity - Fundo Especial de Investimento	(132)	3,457
Imobci, Lda.	130	(2,050)
Fundo de Capital de Risco Empreender Mais	43	(806)
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	(5)	645
Other	(36)	(277)
	270,268	332,394
Associates and jointly controlled entities:	14,114	8,966
Consolidated net income attributable to the shareholder of CGD	495,776	51,946

(a) Data taken from the consolidated financial statements.

These amounts were assessed prior to the elimination of the intragroup operations involved in the consolidation process.

Several initiatives were defined to rationalise the Group's presence in the international market in the framework of the commitments agreed between the Portuguese state and the competent European authorities for the purposes of CGD's recapitalisation. To pursue these objectives, Caixa closed down its financial activities in its Cayman and Macau offshore branches, as well as its London branch in 2017. Caixa continued to implement this process, in 2018, in closing down the financial activities of its New York and Zhuhai branches.

Appropriation of results for 2016

2017

A resolution was passed at the general meeting of shareholders, held in May 2018, to include the amount of €24,642 thousand in profit made in 2017 in the "Other reserves and retained earnings" balance sheet account.

2016

A resolution was passed at the general meeting of shareholders, held in May 2017, to include losses of €2,050,413 thousand made in 2016, in the "Other reserves and retained earnings" balance sheet account.

28. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	31-12-2018	31-12-2017
Caixa Geral Finance	96,245	96,246
Banco Caixa Geral Angola, S.A.	92,818	155,904
Banco Comercial e de Investimentos, S.A.R.L.	84,287	78,001
Fundiestamo - Fundo de Investimento Imobiliário Fechado	33,785	32,507
Banco Comercial do Altlântico, S.A.R.L.	16,105	13,548
Banco Interatlântico, S.A.R.L.	5,630	4,944
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,540	1,464
Banco Caixa Geral, S.A.	1,149	1,114
Caixa – Banco de Investimento, S.A.	907	959
Other	576	359
	333,042	385,046

Caixa Geral Finance, with a share capital of €1,000 is headquartered in the Cayman Islands.

The company issued €250,000 thousand in non-voting preference shares on June 28, 2004. If a decision is made 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 that date. Caixa Geral Finance may redeem the preference shares, in part or in full, from June 28, 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

Caixa Geral Finance issued €350,000 thousand in non-voting preference shares on September 30, 2005. If a decision is made to pay dividends, a quarterly dividend equivalent to annual interest at the 3-month Euribor rate plus 0.77% up to September 30, 2015 and 1.77% thereafter, will be paid to shareholders, from that 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 December 31, 2018 and 2017.

Following Caixa Geral de Depósitos, S.A.'s recapitalisation process, in June 2012, the payment of dividends to holders of Caixa Geral Finance's preference shares was suspended from January 1, 2013. Considering the nature of preference shares, dividends are not mandatory and are not cumulative. CGD resumed payment of the referred to dividends with the lifting of the interdiction by the European Commission, on March 10, 2017, under the new recapitalisation plan.

Information on the amount of consolidated profit attributable to non-controlling interests for the periods ended December 31, 2018 and 2017 is set out below:

	31-12-2018	31-12-2017
Banco Comercial e de Investimentos, S.A.R.L.	20,952	14,560
Banco Caixa Geral Angola, S.A.	14,839	5,541
Banco Comercial do Atlântico, S.A.R.L.	2,896	1,031
Fundiestamo - Fundo de Investimento Imobiliário Fechado	2,374	1,536
Caixa Geral Finance	1,633	1,650
Banco Interatlântico, S.A.R.L.	809	135
Other	285	376
	43,788	24,829

29. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	31-12-2018	31-12-2017
Interest and similar income		
Interest on loans and advances to domestic credit institutions	528	1,415
Interest on loans and advances to foreign credit institutions	65,975	47,929
Interest on domestic credit	603,971	681,126
Interest on foreign credit	447,760	533,975
Interest on overdue credit	55,796	41,746
Interest on financial assets held-for-trade		
- Derivatives	390,821	475,475
- Securities	903	574
Interest on financial assets at fair value through profit or loss	1,464	-
Interest on financial assets at fair value through other comprehensive income	187,405	231,303
Interest on hedging derivatives	1,151	5,131
Interest on debtors and other investments	5,680	6,448
Interest on cash equivalents	2,866	2,469
Interest on other loans and other amounts receivable	141,256	160,764
Other interest and similar income	1,025	341
Commissions received relating to amortised cost	136,050	139,864
Other	29,676	16,155
	2,072,329	2,344,714
Interest and similar costs		
Interest on deposits of		
- Central and local government	22	76
- Other residents	74,069	134,972
- Emigrants	8,974	13,110
- Other non-residents	193,265	252,774
- Other	-	46
Interest on resources of foreign credit institutions	32,702	25,500
Interest on resources of domestic credit institutions	18,944	8,576
Interest on swaps	395,288	497,038
Interest on other trading liabilities	7,513	7,750
Interest on unsubordinated debt securities	78,227	109,013
Interest on subordinated liabilities	33,754	23,072
Other interest and similar costs	12,954	16,648
Commissions paid relating to amortised cost	11,815	15,079
	867,529	1,103,655

30. INCOME FROM EQUITY INSTRUMENTS

This account comprises the following:

	31-12-2018	31-12-2017
ADP - Águas de Portugal, S.A.	-	4,953
Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta, S.A	-	1,072
	-	532
Income received from investment funds	15,328	25,473
Other	2,144	14,352
	17,472	46,383

31. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	31-12-2018	31-12-2017
Income from services rendered and commissions:		
On guarantees provided	41,487	43,112
On commitments to third parties	11,411	17,778
On operations on financial instruments	697	568
On services provided		
Deposit and safekeeping of valuables	24,084	21,541
Collection of valuables	7,024	6,224
Management of securities	17,323	16,362
Collective investment in transferable securities	32,161	28,156
Transfer of valuables	16,068	18,713
Cards management	14,752	14,251
Annuities	52,223	61,970
Structured Operations	747	10,045
Credit operations	35,225	36,799
Other services rendered	204,810	176,512
On operations carried out on behalf of third parties	8,115	8,176
Other commissions received	132,387	128,944
	598,514	589,151
Cost of services and commissions:		
On guarantees received	389	1,757
On operations on financial instruments	169	161
On banking servicers rendered by third parties	107,182	104,282
On operations carried out by third parties	3,726	5,113
Other commissiond paid	12,850	12,976
	124,316	124,289

32. INCOME FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	31-12-2018	31-12-2017
Result from foreign exchange operations:		
Revaluation of foreign exchange position	40,851	125,076
Results from currency derivatives	25,573	(71,867)
	66,424	53,208
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	2,844	6,039
Equity instruments	(1,233)	4,674
	1,611	10,712
Derivatives:		
Interest rate	(47,068)	169,067
Equity	2,781	6,266
Other	196	(3,415)
	(44,090)	171,918
	(42,479)	182,630
Result from other financial assets at fair value through profit or loss:		
Debt instruments	10	(39)
Equity instruments	28,529	11,753
Other securities	23,259	16,936
Loans and other amounts receivable	(2,293)	-
	49,504	28,650
Result from financial assets at fair value through other comprehensive income:		
Debt instruments	21,631	28,277
Equity instruments	-	270
Other securities	-	8,038
	21,631	36,585
Result of hedging operations:		
Hedging derivatives	(1,980)	(8,913)
Value adjustments of hedged assets and liabilities	(927)	5,366
	(2,906)	(3,547)
Other		
Net monetary loss (IAS 29)	(32,256)	(50,637)
Other	(28,248)	(31,112)
	(60,504)	(81,748)
	31,669	215,779

The "Other" account, at December 31, 2018 and 2017, includes losses of €26,687 thousand and €28,238 thousand, respectively, on income with minority investors in the investment funds included in CGD Group’s consolidation perimeter.

33. OTHER OPERATING INCOME

These accounts are made up as follows:

	31-12-2018	31-12-2017 (restatement)
Other operating income:		
Rendering of services	32,907	31,364
Expense reimbursement	7,453	7,858
Gains on subsidiaries and jointly controlled entities	-	3,923
Lease income under operating lease agreements	51,652	50,745
Gains on non-financial assets:		
- Non-current assets held-for-sale	55,966	29,666
- Other tangible assets	414	16,532
- Investment property	54,807	51,275
- Other	837	641
Secondment of employees to Caixa Geral de Aposentações	210	137
Sale of cheques	6,900	8,425
Other	53,403	48,135
	264,548	248,700
Other operating costs:		
Donations and subscriptions	9,099	8,294
Losses on non-financial assets:		
- Non-current assets held-for-sale	10,416	7,167
- Other tangible assets	28,046	32,010
- Investment property	47,089	39,945
- Other	44	22
Other taxes	27,460	39,050
Contribution to the Deposit Guarantee Fund	787	661
Contribution to the Resolution Fund	36,984	38,026
Administrative expenditure under the Single Resolution Board	732	412
Fines and penalties	2,059	986
Other	44,159	35,385
	206,876	201,959
	57,673	46,741

As set out in greater detail in note 2.4, in 2018 the Group changed its accounting policy on the recognition of profit and loss on the disposal of assets received in kind for its loans, classified as non-current assets held-for-sale. The modifications were applied retrospectively.

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime under the general credit institutions and financial corporation regime, approved by decree law 298/92 of December 31.

The measures provided for in the new regime have been designed, as appropriate, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress. They comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The resolution fund's principal mission is to provide financial support to the application of the resolution mechanisms adopted by the Bank of Portugal.

The transposition of the bank recovery and resolution directive (directive 2014/59/EU) into domestic legislation introduced a common European Union resolution regime providing for the internalising of losses on the bankruptcy processes of banking institutions by their shareholders and creditors. It will be financed by mandatory contributions to the single resolution fund.

The Group contributed €29,640 thousand and €29,227 thousand to the single European resolution fund in 2018 and 2017, respectively, of which €25,397 thousand and €25,047 thousand in cash and €4,243 thousand and €4,180 thousand, respectively, in the form of an irrevocable surety commitment (note 19).

The Group’s periodic contribution to the domestic resolution fund at December 31, 2018 and 2017 totalled €11,588 thousand and €12,980 thousand, respectively.

34. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account comprises the following:

	31-12-2018	31-12-2017
Remuneration of management and supervisory bodies	15,296	14,937
Remuneration of employees	418,187	418,740
Provision for suspension of labour agreements (Note 35)	29,327	26,799
Mutually agreed terminations	7,045	10,184
	469,856	470,660
Other charges relating to remunerations	30,930	30,808
Healthcare - CGD		
- Normal cost (Notes 23 and 35)	15,933	17,802
- Contributions relating to current employees	15,412	17,283
Pension Liabilities - CGD (Note 35)		
- Normal cost	63,395	71,666
- Retirements before the normal retirement age	5,400	4,372
	(8,407)	(8,167)
Other pension costs	1,097	5,971
Other mandatory social charges	8,532	10,420
	132,292	150,155
Other employee costs	17,023	38,121
	619,171	658,936

A staff adjustment programme was introduced following the approval of CGD's restructuring plan, providing for a substantial reduction of operating costs with an adjustment to CGD's structure and resources to the current and future size of its business. The programme was based on retirements, early retirements and voluntary redundancies in the Group's domestic companies across the period 2018-2020.

In the period ended 2018, CGD recognised an overall amount of €34,727 thousand in employee costs, on potential departures based on early retirements in 2018 (around €29,811 thousand from a reclassification of costs associated with the early retirement programme for 2018, a reversal of around €484 thousand in "Provisions for redundancy agreements" with the remainder relating to the recognition of a €5,400 thousand increase in the "Early retirements" component of the "Pension liabilities" aggregate. A net gain of €1,362 thousand was also made on employee costs after costs of around €7,045 thousand were incurred on voluntary redundancies and gains of around €8,407 thousand made on this agreement.

The average number of employees in Caixa and its subsidiaries, for the periods ended December 31, 2018 and 2017, by type of function, was as follows:

	31-12-2018	31-12-2017
Senior management	506	534
Management	2,704	2,826
Technical staff	5,100	5,249
Administrative staff	5,551	6,303
Auxiliary	431	282
	14,293	15,194
Number of employees at the end of the period	14,000	14,765

These numbers, at December 31, 2018 and 2017, did not include the employees of the Caixa Geral de Aposentações support department (218 and 219 respectively), employees assigned to CGD's social services (27 and 34, respectively) and employees in other situations i.e. secondments or extended absences (149 and 118 respectively).

35. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

Retirement pensions and post-retirement death grants:

Liabilities to CGD employees

Under article 39 of decree law 48.953 of April 5, 1969 and decree law 161/92 of August 1, CGD is responsible for the payment of employees' retirement pensions for sickness, disability or old age and the survivors' pensions of employees hired after January 1, 1992. Caixa Geral de Aposentações ("CGA") was responsible for the survivors' pensions of employees engaged prior to January 1, 1992. These employees contributed 2.5% of their remuneration to CGA, for this purpose.

In conformity with the "Vertical Collective Wage Bargaining Negotiations" in force in the banking sector, the former BNU had also undertaken to make cash payments to its employees for their early retirement and old age, disability and survivors' pensions. These payments comprised an increasing percentage in line with the number of years' service, applied to the wage scale, negotiated annually with banking employees' unions. In 2001, following BNU's incorporation into CGD, pension liabilities for BNU employees were transferred to CGD. Former BNU employees, still active at the date of the merger, were therefore included in the pension and benefits plan in force in CGD. The pension plan in force at the date of the respective retirements continues to be applied to BNU retirees and pensioners on the date of the merger.

All retirement pension liabilities for Caixa staff, for their length of service up to December 31, 2000, under decree laws 240-A/2004 of December 29 and 241-A/2004 of December 30, were transferred to CGA with reference to November 30, 2004. The transfer included the liability for death grants after the standard retirement age, relative to their length of service.

Caixa's pension liabilities, at December 31, 2017, therefore comprised the following:

1. Liabilities for the services of active employees, after December 31, 2000;
2. Part share of rights for employees retiring between January 1, 2001 and December 31, 2017 based on the length of service during this period,;
3. Liabilities for the retirement and respective survivors' pensions of BNU employees already being paid at the date of the merger; and
4. Liabilities for death grants on length of service provided after December 31, 2000.

Pension payments are based on employees' length of service and their respective remuneration upon their retirement date and are revised on the basis of the remuneration in force for active employees.

CGD's pension plan does not apply to current employees who were hired by CGD after January 1, 2006.

Caixa makes the necessary payments to cover its pension liabilities, for which it set up a pension fund, in December 1991. Caixa's employees pay the following percentages of their remuneration into the pension fund:

- Employees hired before January 1, 1992 - 7.5%
- Employees hired after January 1, 1992 - 11.0%

The latter's contribution is fully paid into the pension fund given that it is responsible for the respective survivors' pensions regime.

The transfer of liabilities to CGA required the transfer of an equivalent amount in assets from the pension fund.

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

Profit and loss on differences between the actuarial and financial assumptions used and the effective amounts of liabilities and the pension fund's expected yield, as well as the income on changes to actuarial assumptions are recognised directly in a shareholders' equity account.

The annual cost of retirement and survivors' pensions, including current servicing and interest costs, net of the expected yield, comprises the net amount of the "Employee costs" account.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs".

<u>Assessment of liabilities for retirement pensions and post-retirement death grants.</u>

Actuarial studies for the assessment of liabilities on the payment of current retirement pensions and for the past services of active employees, at December 31, 2018 and 2017, have been carried out by specialised entities.

The following hypotheses and technical bases were used:

	31-12-2018	31-12-2017
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
. Men	TV 73/77 (-2 year)	TV 73/77 (-2 year)
. Women	TV 88/90 (-2 year)	TV 88/90 (-2 year)
Disability table	EKV 80	EKV 80
Discount rate	2.075%	2.125%
Salary growth rate	1%	1%
Pension growth rate	0.50%	0.50%
Retirement age	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.

The studies carried out in 2018 and 2017 considered that the standard retirement age would be after 36 years of service and an age of at least 60 with a maximum age limit of 70. There is also the possibility of retiring at the age of 59 with 39 years' service or 58 with 42 years' service.

As defined under IAS 19 − "Employee benefits", the discount rate is assessed on the basis of market rates on low risk bonds, with a similar maturity to Caixa's liabilities (19 years). The economic environment and sovereign debt crisis, essentially in southern Europe, implied significant instability in eurozone debt markets and a consequently very large drop in market yields on the debt of the companies with the highest ratings, as well as a reduction of the available bonds basket. To reflect these circumstances and maintain the representativeness of the discount rate, at December 31, 2018 and 2017, Caixa's assessment incorporated information on yields that can be obtained on bonds issued by eurozone entities considered to be of high quality in terms of credit risk.

CGD changed the discount rate from 2,125% to 2,075%, and maintained the principal assumptions related to the calculation of its liabilities for employee benefits, in 2018.

A comparison between the actuarial and financial assumptions used to assess CGD's pension costs, for 2018 and 2017 and effective amounts is set out in the following table:

	31-12-2018		31-12-2017	
	Assumption	Real	Assumption	Real
Rate of return of fund asset	2.075%	-2.200%	2.125%	5.400%
Salary growth rate	1.000%	2.060%	1.000%	1.760%
Pension growth rate	0.500%	0.000%	0.500%	0.000%

Wage growth, in 2018, is related to the restoring of the conditions defined in the company agreement under which merit and seniority-based promotions are mandatory as well as the resumption of merit-based promotions.

Mandatory, seniority-based promotions and continuity payment projections are autonomously and directly considered in the estimate of the evolution of wages and are not considered in wage growth assumptions. Wage growth rates based on continuity payments were 0.34% and 0.30%, at December 31, 2018 and 2017, respectively.

Wage growth assumptions reflect other changes in remuneration in the form of increases in wage scales and merit-based promotions.

Liabilities for the Group's past services in accordance with the actuarial studies and the funds and provisions available for their cover, at December 31, 2018 and 2017, totalled:

	CGD	Other	Total	CGD	Other	Total
Past service liability:						
Current employees	1,438,361	26,422	1,464,783	1,442,489	22,175	1,464,664
Retired and early retired employees	1,301,692	27,614	1,329,306	1,193,699	25,325	1,219,024
	2,740,053	54,036	2,794,089	2,636,188	47,500	2,683,688
Autonomous pension funds	2,611,946	947	2,612,893	2,650,808	987	2,651,795
Extraordinary contribution - Liability	129,212	-	129,212	-	-	-
Provision for pensions and similar charges	-	53,109	53,109	-	46,662	46,662
	2,741,158	54,056	2,795,214	2,650,808	47,649	2,698,457
Difference	1,105	20	1,125	14,620	148	14,768
Funding level	100.04%	100.04%	100.04%	100.55%	100.31%	100.55%

The Bank of Portugal's *notice* 4/2005 of February 28, sets out an obligation to fully finance liabilities for retirees and pre-retirees with a minimum financing level of 95% on liabilities for the past services of active employees.

At December 31, 2018, the pension fund's worth as assessed by its management company totalled €2,611,946 thousand. Caixa assessed the need for an extraordinary contribution of €129,212 thousand to cover the minimum mandatory funding required under the above regulation, with a margin of around 0.1% on liabilities for active employees, which was paid into the pension fund in March 2019. The sum of the fund's worth, calculated by the management company plus the extraordinary contribution is equivalent to 100% funding of the liabilities for retirees and 100.1% for active employees, i.e. a funding rate of 100.04% on total liabilities. 100.55% of liabilities had been funded at December 31, 2017.

CGD had €129,212 thousand in liabilities related to past services (note 25) at December 31, 2018.

At December 31, 2018 and 2017, CGD had assets of €1,105 thousand and €14,620 thousand (note 19) to cover liabilities for past services, originating from its excess funding of pension plan liabilities.

The sensitivity analysis on a change of the principal actuarial assumptions applied to the timeframe under assessment, at December 31, 2018, would lead to the following impacts on the present value of liabilities for past services.

	%	Value
Change in discount rate		
Increase of 0,25%	(4.37%)	(119,816)
Increase of 0,25%	4.67%	127,930
Change in salary growth rate		
Increase of 0,25%	1.33%	36,400
Increase of 0,25%	(1.28%)	(35,180)
Change in pension growth rate		
Increase of 0,25%	3.10%	85,011
Increase of 0,25%	(2.97%)	(81,366)
Change in mortality table		
Increase of 1 year in life expectancy	3.25%	89,178

Liabilities for the future services of active CGD employees, at December 31, 2018 and 2017, totalled €941,280 thousand and €1,012,995 thousand, respectively.

Provisions for the pension and similar costs of "Other entities", at December 31, 2018 and 2017, included €12,713 thousand and €12,512 thousand, respectively, for healthcare costs.

Information on the number of beneficiaries, at December 31, 2018 and 2017, is set out below:

	31-12-2018	31-12-2017
Current employees	5,471	5,899
Retired and early retired employees	8,484	8,114
	13,955	14,013

Pension funds and pension provisions and similar costs movements, in 2018 and 2017, were:

	CGD	Other	Total
Balances at 31 December 2016	2,358,869	44,603	2,403,472
Contributions paid			
Regular contributions			
By employees	21,476	157	21,633
By the entity	56,123	266	56,390
Change in provisions for pensions and similar charges	-	4,806	4,806
Pensions paid	(57,454)	(2,243)	(59,697)
Net income of the pension fund	133,156	66	133,222
Other changes	-	(6)	(6)
Extraordinary contribution	138,637	-	138,637
Balances at 31 December 2017	2,650,808	47,649	2,698,457
Contributions paid			
Regular contributions			
By employees	20,294	147	20,441
By the entity	61,709	249	61,958
Change in provisions for pensions and similar charges	-	8,473	8,473
Pensions paid	(62,451)	(3,026)	(65,477)
Net income of the pension fund	(58,414)	(20)	(58,434)
Other changes	0	583	583
Balances at 31 December 2018	2,611,946	54,056	2,666,002
Extraordinary contribution	129,212	-	129,212
Balances including extraordinary contribution	2,741,158	54,056	2,795,214

The estimated contribution made by Caixa's workers for 2019 is €19,083 thousand, with €60,970 thousand payable by CGD itself.

CGD's pension fund, at December 31, 2018 and 2017, was managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.

The component parts of Caixa employees' pension fund, at December 31, 2018 and 2017, were as follows:

	31-12-2018	31-12-2017
Equity investments presented by activity sector:		
Consumer industry	35,159	47,718
Manufacturing industry	43,669	45,577
Financial institutions	25,451	36,574
Health Care	10,035	9,624
Energy	15,981	17,267
Telecoms	13,548	4,480
subtotal	143,842	161,240
Debt investments presented by issuer' credit rating:		
AAA	318,035	300,390
AA	125,652	86,107
A	220,379	215,212
BBB	559,229	608,727
BB and lower	-	36,856
Not rated	4,976	11,153
subtotal	1,228,272	1,258,445
Equity instrument funds	590,341	746,063
Deposits in credit institutions	249,510	23,934
Real Estate	393,486	443,197
Others	6,495	17,930
Balances at the end of the year	2,611,946	2,650,808
Extraordinary contribution - liability	129,212	-
Balances including extraordinary contribution	2,741,158	2,650,808

CGD's pension fund, as calculated by CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A. was worth €2,611,946 thousand, at December 31, 2018.

The following is an analysis of shares and bonds at December 31, 2018 and 2017:

	31-12-2018	31-12-2017
Portuguese shares	68,993	76,306
Listed	100.00%	100.00%
Foreign shares	74,849	84,934
Listed	100.00%	100.00%
Fixed rate bonds	787,985	811,603
Listed	100.00%	100.00%
Floating rate bonds	440,287	446,841
Listed	100.00%	100.00%

CGD's pension fund had buildings rented to Caixa Geral de Depósitos for €320,055 thousand and €378,144 thousand, at December 31, 2018 and 2017, respectively in addition to holding securities, issued by Caixa Geral de Depósitos and investment units in Group-managed companies for the amount of €246,457 thousand and €300,362 thousand, respectively.

CGD's pension fund had deposits of €249,510 thousand and €23,934 thousand with Caixa Geral de Depósitos, respectively at December 31, 2018 and 2017.

The fund's assets are subject to interest rate, credit, equity market, property market, liquidity and foreign exchange risk.

The fund's investment policy involves exposure to the equities, bonds and property market as well as alternative investments such as private equity and infrastructure funds.

The investment policy implemented by the fund aims to mitigate a part of interest rate and inflation risks. This protection takes the form of allocating investments to long term, variable-rate bonds in order to provide part protection from oscillations in the financial market's yield curve over the long term.

The fund may use futures and options on share indices and forward exchange rates to mitigate market and foreign exchange risks.

The economic environment over the last few years, allied with the scarcity of alternative, longer term maturity investments, has not made it possible to match different asset categories to the average maturity of liabilities, in line with an ALM (asset liability matching) approach.

The evolution of the liabilities and balance of CGD employees' pension fund in addition to its actuarial profit and loss across the present and over the last 4 years is analysed below:

	31-12-2018		31-12-2017		31-12-2016		31-12-2015		31-12-2014	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	2,740,053	452,878	2,636,188	464,475	2,540,514	491,352	2,287,699	512,756	2,211,563	500,622
Value of the fund	2,611,946	-	2,650,808	-	2,358,869	-	2,301,561	-	2,144,032	-
Provisions	129,212	452,878	-	464,475	-	491,352	-	512,756	-	500,622
Under (Over) financed liabilities	(1,105)	-	(14,620)	-	181,645	-	(13,862)	-	67,531	-
Gains / (Losses) resulting from liabilities	(29,767)	4,874	(14,061)	21,120	(149,432)	19,704	39,776	(13,445)	(391,003)	(28,967)
Gains / (Losses) resulting from the fund's assets	(114,281)	-	83,436	-	(36,383)	-	51,631	-	29,616	-
	(144,048)	4,874	69,376	21,120	(185,815)	19,704	91,407	(13,445)	(361,388)	(28,967)

Information on changes in the spread between the Group's liabilities for past services and respective coverage and corresponding impact in the financial statements, at December 31, 2018 and 2017, is given below:

	CGD	Other	Total
Situation at 31 December 2016 after extraordinary contribution	(43,008)	379	(42,629)
Current service cost	(68,030)	(2,912)	(70,942)
Interest cost (net)	(3,636)	9	(3,627)
Normal cost for the year (Note 34)	(71,666)	(2,903)	(74,569)
Increase in liabilities due to early retirements (Note 34)	3,795	-	3,795
Other changes	-	(2,072)	(2,072)
Changes with impact in net income	(67,871)	(4,976)	(72,847)
Liability	(14,061)	(265)	(14,326)
Income	83,436	4,744	88,181
Actuarial gains and losses	69,376	4,479	73,855
Contributions made by the entity	56,123	266	56,390
Situation at 31 December 2017	14,620	148	14,769
Current service cost	(63,924)	(5,290)	(69,214)
Interest cost (net)	529	(18)	511
Normal cost for the year (Note 34)	(63,395)	(5,308)	(68,703)
Other changes	3,007	(3,316)	(309)
Changes with impact in net income	(60,388)	(8,624)	(69,012)
Liability	(29,767)	(969)	(30,736)
Income	(114,281)	9,465	(104,816)
Actuarial gains and losses	(144,048)	8,495	(135,552)
Contributions made by the entity	61,709	249	61,958
Situation at 31 December 2018 before extraordinary contribution	(128,107)	269	(127,838)
129,212	129,212	-	129,212
Final situation after extraordinary contribution	1,105	269	1,374

Liability changes , at a CGD level, in 2018 and 2017, were as follows:

	31-12-2018	31-12-2017
Change in the discount rate	(24,600)	-
Other actuarial gains and losses	(5,167)	(14,061)
	(29,767)	(14,061)

Medical – social care

Caixa Geral de Depósitos's Social Services are responsible for medical care services for CGD HQ's active employees and pensioners. CGD makes an annual contribution of 7.80% of wages and pensions to its Social Services. Caixa is also responsible for making contributions to "SAMS" (Medical Care Services) for former BNU employees, retiring before July 23, 2001.

Medical-social care liabilities for past services were assessed on the basis of actuarial studies by specialised entities, using identical actuarial assumptions to those for the pension liabilities.

Liabilities for past services, totalling €452,878 thousand and €464,475 thousand, at December 31, 2018 and 2017, respectively, are recognised in "Provisions".

At December 31, 2018, a 0.25% reduction in the actuarial discount rate applied to the period under assessment would lead to an increase of €16,307 thousand in the present amount of liabilities for past services with the medical plan. In the event of an increase of the same magnitude in the discount rate, the reduction of liabilities would be €15,380 thousand.

Other long-term benefits

Caixa pays a bonus of one, two or three months' wages to all employees with ten, twenty or thirty years of full time service, in the year of completion. A bonus is also paid to employees in a retirement situation, whose value is proportional to the amount they would have received if they had continued to be employed until satisfying the years of service criteria. The corresponding liabilities of €35,613 thousand and €36,350 thousand, at December 31, 2018 and 2017, respectively, were recognised in "Other liabilities" (note 25).

Caixa pays a death grant for its active workers prior to the standard retirement age.

France branch also pays long-term benefits to its employees. Liabilities of €12,713 thousand and €12,512 thousand were assessed, at December 31, 2018 and 2017, respectively.

Provisions

Provisions for the costs of employee benefits, at December 31, 2018 and 2017, comprise the following:

	31-12-2018	31-12-2017
CGD		
Provision for post-employment healthcare	452,878	464,475
Provision for labour suspension agreements (PH and ASPT)	59,989	60,150
Provisions for early retirement (PPR)	169,587	223,901
Provisions for mutually agreed terminations	2,128	1,788
France branch liability	12,713	12,512
	697,295	762,826
Provision for pension and other liabilities		
Banco Comercial do Atlântico, S.A.	47,038	43,596
Banco Comercial de Investimento (Moçambique)	1,468	671
Caixa Leasing Factoring, SFC	4,603	1,943
Caixa Banco de Investimento	4,296	-
Caixagest	1,050	-
Caixa Imobiliária	226	-
Caixa Serviços Partilhados	297	-
Other	-	683
	58,977	46,894
Provision for post-employment healthcare		
Banco Comercial do Atlântico, S.A.	2,220	2,434
Other	-	1,910
	758,492	814,064

Caixa recognises a specific liability on the impact of the change to “inactive” status of employees with whom it has entered into voluntary redundancy agreements. CGD also set up a provision of €223,901 thousand for its early retirement programme covering the three year period 2018-2020, in 2017, as an extension to the early retirement programme set up in 2017, in order to facilitate the exits of CGD and CGD Group employees who, although not being eligible for voluntary retirement were interested in the possibility of early retirement.

The liability recognised by Caixa amounted to €231,704 and thousand and €285,389 thousand at December 31, 2018 and 2017, respectively and recognised in “Provisions”. Provisions movements for employee benefits, in 2018 and 2017, comprised the following (note 23):

	31-12-2018	31-12-2017
Balances at the beginning of the year	814,064	613,094
Provisions recognised as employee costs:		
Healthcare – CGD (Note 34)	15,933	17,802
Labour suspension agreements (Note 34)	29,327	26,799
Mutually agreed terminations	7,045	10,184
	1,896	-
Actuarial gains and losses on post-employment healthcare liability	(4,874)	(21,120)
Actuarial gains and losses on post-employment healthcare liability	(88)	-
Other	(626)	2,794
	48,613	36,459
Increase, net of reversals, recorded by corresponding entry to “Provisions”	(41,727)	225,768
Payments to SAMS and CGD’s Social Services	(22,656)	(23,559)
Payment of labour suspension agreements	(39,627)	(37,948)
Other	(175)	249
Balances at the end of the year	758,492	814,064

36. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	31-12-2018	31-12-2017
Specialised services		
- IT services	55,128	59,466
- Safety and security	6,763	9,709
- Cleaning	5,156	6,635
- Information services	5,196	6,793
- Contracts and service fees	4,424	4,116
- Studies and consultancy	1,934	1,991
- Other	69,628	82,787
Operating leases	47,890	46,914
Communications and postage	24,654	30,267
Maintenance and repairs	33,392	35,742
Advertising and publications	16,095	18,584
Water, energy and fuel	16,609	18,778
Transport of cash and other values	9,646	10,441
Travel, lodging and representation expenses	5,841	6,558
Standard forms and office supplies	4,823	5,764
Other	12,878	13,044
	320,056	357,590

Information on the composition of total future operating lease payments, at December 31, 2018 and 2017, under the terms of the principal contracts in force, at the referred to dates, was as follows:

	31-12-2018	31-12-2017
Up to one year	18,246	19,321
One to five years	68,003	72,245
Over five years	111,053	134,799

Information on the statutory auditors' fees, for their statutory audit of the annual accounts and other services, in 2018 and 2017, is detailed below:

	31-12-2018	31-12-2017
Statutory audit of annual accounts	1,987	1,752
Other services	1,830	1,720
	3,816	3,471

(a) Balances include VAT

37. ASSET IMPAIRMENT

Information on impairment movements, for 2018 and 2017, is set out below:

	Balances at 31-12-2017	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2018	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	4,555,961	217,381	(1,309,861)	(9,741)	(118,231)	3,336,927	(97,915)
Impairment of loans and advances to credit institutions (Note 6)	7,125	1,321	-	(286)	(47)	9,009	
Impairment of financial assets at fair value through other comprehensive income (Note 8)							
Equity instruments	111,268	-	-	-	-	-	
Debt instruments	3,622	(2,924)	(2,772)	(1)	(404)	4,758	
Other instruments	374,694	-	-	-	-	-	
Impairment of financial assets at amortised cost	-	1,614	-	(2,164)	341	4,245	
Impairment of other tangible assets	13,980	6,422	-	(308)	(28)	20,066	
Impairment of intangible assets	55,919	-	(27,681)	(4,267)		23,971	
Impairment of non-current assets held-for-sale (Note 13)							
Properties	461,878	(6,705)	(55,126)	(114)	(66,926)	333,008	
Equipment	2,202	606	(539)	-	-	2,269	
	-	-	-	6	707	713	
Subsidiaries	408,263	5,000	-	-	-	413,263	
Impairment of investments in associates and jointly controlled entities (Note 15)	469	(1)	-	-	1	469	
Impairment of other assets (Note 17)	287,643	19,735	(72,274)	17	(6,347)	203,289	
	1,727,063	25,069	(158,391)	(7,117)	(72,704)	1,015,059	-
	6,283,024	242,450	(1,468,252)	(16,858)	(190,935)	4,351,986	(97,915)

	Balances at 31-12-2016	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2017	Credit recovery, interest and expenses
Impairment of loans and advances to customers	5,633,397	184,883	(1,093,354)	(17,914)	(151,052)	4,555,961	(98,974)
Impairment of loans and advances to credit institutions	7,125	-	-	-	-	7,125	
Impairment of financial assets at fair value through other comprehensive income (Note 8)							
Equity instruments	126,238	1,489	(25,192)	(287)	9,020	111,268	
Debt instruments	9,927	(2,207)	(904)	510	(3,704)	3,622	
Other instruments	342,711	14,216	(7,606)	(5,280)	30,654	374,694	
Impairment of financial assets with repurchase agreement	688	-	-	-	(688)	-	
Impairment of other tangible assets	16,922	(4,440)	-	-	1,497	13,980	
Impairment of intangible assets	32,297	(4,377)	-	-	27,999	55,919	
Impairment of non-current assets held for sale							
Properties	502,133	9,897	(54,443)	(49)	4,340	461,878	
Equipment	1,966	1,381	(1,145)	-	-	2,202	
Subsidiaries	18,000	382,734	-	-	7,529	408,263	
Impairment of investments in associates and jointly controlled entities	-	439	-	-	30	469	
Impairment of other assets	402,849	38,775	(157,509)	119	3,408	287,643	
	1,460,857	437,907	(246,800)	(4,987)	80,086	1,727,063	-
	7,094,253	622,790	(1,340,153)	(22,900)	(70,965)	6,283,024	(98,974)

The following impairment movements were recognised on transition to IFRS 9 – “Financial instruments”:

1. The use of €94,837 thousand in accumulated impairment for operations classified in “Loans and advances to customers”, measured at amortised cost under IAS 39 and reclassified to “Financial assets at fair value through profit or loss” categories;

2. The use of €485,962 thousand in accumulated impairment for “Equity instruments” and “Other instruments”, recognised in “Financial assets at fair value through other comprehensive income” categories, whose balance sheet carrying amount was presented net of accumulated impairment, whether remaining in this asset category or having been transferred to “Financial assets at fair value through other comprehensive income”; and,

3. A €7,235 thousand increase in impairment on “Debt instruments” recognised in “Financial assets at fair value through other comprehensive income” as a charge to the reduction of the respective “Fair value reserves”.

The “Transfers and other” column in the table of impairment movements for 2017 includes €76,695 thousand, €1 thousand, €463 thousand, €558 thousand, €245 thousand and €406 thousand, for the recognition of accumulated impairment of loans and advances to customers, intangible assets, tangible assets, other assets, debt and equity instruments, related to the activity of Banco Caixa Geral. S.A. and Banco Caixa Geral Brasil, S.A. that, at December 312017, were recognised in non-current assets held-for-sale accounts (note 13).

Credit disposals, in 2018 and 2017 resulted in the use of €744,899 thousand and €482,197 thousand in impairment, respectively.

As set out in greater detail in note 2.4, in 2018 the Group changed its accounting policy on the recognition of profit and loss on the disposal of assets received in kind for its loans, classified as non-current assets held-for-sale. The modifications were applied retrospectively.

38. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 − "Operating segments" requirements and the assessment of own funds requirements to cover operational risk, using the standard method under the Bank of Portugal's *notice* 575/2013 of 2007/04/18:

- *Trading and sales.* Trading and sales include the banking activity related to the management of the treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Loans and advances to and cash balances at other credit institutions and derivatives are included in this segment;

- *Retail banking*. Retail banking comprises banking activities for retail customers, the self-employed and micro enterprises. This segment includes consumer finance, mortgage lending, credit cards and deposits taken from retail customers;

- *Commercial banking.* Commercial banking includes lending activities and operations with major enterprises and SMEs. This segment includes loans, current accounts, investment project finance, discounted bills, venture capital activity, factoring, equipment and property leasing and the underwriting of syndicated loans as well as loans and advances to the public sector.

- *Asset management*. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trusts and property funds and discretionary wealth management funds;

- *Corporate Finance*. Corporate finance includes activities related to acquisitions, mergers, restructuring operations, privatisations, subscriptions for and sales of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan sales), investment management, market and corporate financial analyses and advisory services; and

- *Other.* This includes all operating segments not described in the above business areas.

Information on the appropriation of results and principal balance sheet aggregates, by business areas and geographies, at December 31, 2018 and 2017, is given below:

Business areas

	31-12-2018						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	548,985	372,104	186,531	12	93,548	3,620	1,204,800
Income from equity instruments	13	-	1,134	15,572	753	-	17,472
Income from services rendered and commissions	18,568	200,198	55,918	40,821	20,044	262,965	598,514
Cost of services and commissions	(30,180)	(2,194)	(1,643)	(5,776)	(1)	(84,522)	(124,316)
Results from financial operations	33,629	585	1,016	(19,262)	(406)	16,107	31,669
Other net operating income	(3,324)	20,273	42,976	36,670	69,341	(108,264)	57,673
Net operating income from banking	567,691	590,966	285,932	68,037	183,279	89,907	1,785,812
Other income and expenses							(1,290,036)
Net income attributable to the shareholder of CGD							495,776
Cash balances and loans and advances to credit institutions (net)	8,385,099	426,024	324	392	-	2,015	8,813,854
Investments in securities and derivatives (net)	15,931,670	-	219	311,254	-	259,606	16,502,749
Loans and advances to customers (net)	17,540	30,821,434	20,629,714	55	120,742	-	51,589,485
Non-current assets held for sale	-	-	-	-	-	6,213,217	6,213,217
Investments in associates by the equity method	-	-	-	-	-	388,544	388,544
Total net assets	25,480,027	31,470,988	20,793,319	1,243,591	120,745	9,982,748	89,091,418
Resources of central banks and credit institutions	1,748,846	-	7,299	-	-	2,397	1,758,542
Customer resources	53,117	50,743,266	12,623,443	-	-	2,699	63,422,525
Debt securities	3,260,321	-	-	-	-	-	3,260,321

	31-12-2017 (restated amounts)						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	741,920	312,577	101,023	14	81,949	3,576	1,241,059
Income from equity instruments	5,980	-	6,712	19,953	351	13,387	46,383
Income from services rendered and commissions	18,075	194,073	65,341	36,934	37,816	236,912	589,151
Cost of services and commissions	(32,172)	(1,583)	(214)	(6,788)	(1)	(83,531)	(124,289)
Results from financial operations	224,015	(2,978)	475	(14,297)	1,181	7,383	215,779
Other net operating income	3,171	22,412	4,322	34,784	282	(18,230)	46,741
Net operating income from banking	960,989	524,501	177,659	70,600	121,578	159 496	2,014,823
Other income and expenses							(1,962,877)
Net income attributable to the shareholder of CGD							51,946
Cash balances and loans and advances to credit institutions (net)	7,944,104	394,908	325	209	-	8,741	8,348,287
Investments in securities and derivatives (net)	15,181,474	-	31	385,254	-	244,509	15,811,268
Loans and advances to customers (net)	-	31,711,516	23,428,352	80	115,033	-	55,254,981
Non-current assets held for sale	-	-	-	-	-	6,756,508	6,756,508
Investments in associates by the equity method	-	-	-	-	-	414,717	414,717
Total net assets	24,221,042	32,322,806	23,588,532	1,444,471	115,035	11,556,029	93,247,914
Resources of central banks and credit institutions	4,032,630	-	6,652	-	-	3,568	4,042,850
Customer resources	53,117	49,102,414	14,470,102	-	-	5,263	63,630,896
Debt securities	4,051,421	-	-	-	-	-	4,051,421

The financial information provided in each segment was prepared on the basis of the same assumptions as used for the preparation of the information analysed by the executive committee, in conformity with the accounting policies in force (note 2).

Operations between Group entities are performed at market prices. Investments in associated and jointly controlled companies using the equity accounting method are included in the "Other" segment.

Non-current assets and liabilities held-for-sale have been allocated to the “Other” segment.

Geographies

	2018-12-31							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	788,658	74,516	463	-	91,201	243,170	6,792	1,204,800
Income from equity instruments	90,114	-	-	-	109	10,687	(83,438)	17,472
Income from services rendered and commissions	514,557	37,526	481	-	35,769	55,981	(45,800)	598,514
Cost of services and commissions	126,341	8,988	30	-	18,300	11,642	(289,617)	(124,316)
Results from financial operations	65,819	779	(2)	-	13,025	26,293	(74,245)	31,669
Other net operating income	(17,451)	(25,487)	698	-	(3,068)	6,676	96,305	57,673
Net operating income from banking	1,568,038	96,322	1,670	-	155,336	354,449	(390,003)	1,785,812
Other income and expenses								(1,290,036)
Net income attributable to the shareholder of CGD								495,776
Cash balances and loans and advances to credit institutions (net)	9,906,368	768,371	-	-	1,895,192	1,417,103	(5,173,179)	8,813,855
Investments in securities and derivatives (net)	19,294,914	22,898	-	-	536,355	858,938	(4,210,356)	16,502,749
Loans and advances to customers (net)	44,248,157	6,198,229	-	-	2,924,192	1,735,303	(3,516,396)	51,589,485
Total net assets	80,983,628	11,965,617	-	456,189	6,382,691	5,343,526	(16,040,233)	89,091,418
Resources of central banks and credit institutions	4,763,503	1,376,652	-	-	371,701	46,321	(4,799,635)	1,758,542
Customer resources	53,703,440	2,513,473	-	-	4,309,814	3,391,669	(495,871)	63,422,525
Debt securities	3,202,221	3,583,067	-	-	-	-	(3,524,967)	3,260,321

	31-12-2017 (restated amounts)							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	772,336	105,556	9,355	-	91,591	268,760	(6,539)	1,241,059
Income from equity instruments	102,180	482	-	-	92	17,904	(74,276)	46,383
Income from services rendered and commissions	491,612	38,920	768	-	37,743	52,916	(32,808)	589,151
Cost of services and commissions	124,178	10,743	168	-	17,658	11,192	(288,228)	(124,289)
Results from financial operations	276,331	4,364	104	-	4,395	(27,144)	(42,270)	215,779
Other net operating income	(144,551)	(11,429)	4	-	18,321	10,800	173,595	46,741
Net operating income from banking	1,622,086	148,635	10,399	-	169,800	334,428	(270,525)	2,014,823
Other income and expenses								(1,962,877)
Net income attributable to the shareholder of CGD								51,946
Cash balances and loans and advances to credit institutions (net)	10,918,450	854,464	378,210	-	2,604,333	1,260,717	(7,667,888)	8,348,287
Investments in securities and derivatives (net)	19,123,683	16,524	138,729	-	517,985	1,117,056	(5,102,709)	15,811,268
Loans and advances to customers (net)	47,621,036	6,471,135	86,927	-	2,965,130	2,051,794	(3,941,040)	55,254,981
Total net assets	89,093,223	12,689,734	604,130	532,776	6,996,062	5,906,375	(22,574,386)	93,247,914
Resources of central banks and credit institutions	7,244,108	1,461,757	627,886	-	303,683	38,804	(5,633,387)	4,042,850
Customer resources	54,540,143	2,511,383	1,129	-	5,161,298	3,689,103	(2,272,160)	63,630,896
Debt securities	3,998,141	3,859,257	-	-	-	-	(3,805,976)	4,051,421

The "Other” column includes balances between Group companies eliminated in the consolidation process, as well as others adjustments.

The following is a breakdown of the contribution to the Group’s income by business area, based on internal management criteria, in 2018 and 2017.

	2018-12-31					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,501,395	657,744	112,774	-	(199,584)	2,072,329
Interest and similar costs	(769,494)	(249,266)	(89,634)	-	240,865	(867,529)
Income from equity instruments	280	1,010	855	-	15,328	17,472
Net interest income	732,180	409,488	23,994	-	56,610	1,222,272
Income from services rendered and commissions	442,201	129,756	20,432	-	6,124	598,514
Cost of services and commissions	(81,915)	(38,087)	(5,689)	-	1,375	(124,316)
Results from financial operations	(15,166)	40,095	19,825	-	(13,084)	31,669
Other net operating income	(6,209)	1,185	12,680	(44)	50,060	57,673
Net operating income	338,912	132,949	47,248	(44)	44,475	563,540
NET OPERATING INCOME FROM BANKING	1,071,092	542,437	71,242	(44)	101,085	1,785,812
Other income and expenses	(865,150)	(387,699)	(25,421)	43,581	(55,348)	(1,290,036)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	205,942	154,738	45,821	43,538	45,737	495,776

	31-12-2017 (Restated amounts)					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,669,640	843,264	139,485	-	(307,676)	2,344,714
Interest and similar costs	(952,519)	(368,904)	(120,227)	-	337,995	(1,103,655)
Income from equity instruments	6,243	1,124	13,822	-	25,194	46,383
Net interest income	723,364	475,485	33,080	-	55,513	1,287,442
Income from services rendered and commissions	418,060	130,348	37,088	-	3,655	589,151
Cost of services and commissions	(79,690)	(38,860)	(5,780)	-	41	(124,289)
Results from financial operations	127,736	(18,246)	112,895	-	(6,606)	215,779
Other net operating income	(54,540)	17,295	(232)	(50)	34,154	(3,373)
Net operating income	411,567	90,537	143,971	(50)	31,243	677,268
NET OPERATING INCOME FROM BANKING	1,134,931	566,021	177,051	(50)	86,756	1,964,709
Other income and expenses	(1,485,667)	(338,215)	(101,731)	14,714	(1,864)	(1,912,763)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(350,736)	227,806	75,320	14,664	84,892	51,946

The "Other” column includes balances between Group companies eliminated in the consolidation process. As regards business segments, reference should also be made to the effects of the Group’s activities in the property sector.

39. RELATED ENTITIES

Associates, jointly controlled enterprises, the Group's management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The Group's financial statements, at December 31, 2018 and 2017, included the following balances and transactions with related entities, excluding management bodies:

	31-12-2018			31-12-2017 (Restated amounts)		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Claims and investment in other credit institutions	-	-	-	-	-	-
Securities and derivatives held-for-trading	7,165,001	230,451	5,008	6,778,065	384,181	5,820
Loans and advances to customers	2,041	2,665,876	99,414	-	4,005,883	73,242
Impairment for loans and advances to customers	-	-	-	-	-	-
Other assets	226,031	80,771	310,618	36,793	218,422	493,425
Liabilities:						
Customer resources	29,719	463,677	462,398	31,252	621,516	414,534
Financial liabilities held-for-trading	1,444	20,935	46	65,333	45,238	44
Other liabilities	118,004	107,656	847	116,911	68,631	1,294
Guarantees given	1,500	82,757	35,149	1,500	148,279	33,979
Net income:						
Interest and similar income	65,494	98,668	3,794	104,178	135,009	3,271
Interest and similar costs	10,323	12,096	1,545	34,914	12,847	2,571
Income from services rendered and commissions	73	55,856	8,688	66	8,848	53,923
Cost of services and commissions	26	1,075	400	24	1,113	391
Results from financial operations	(268,223)	5,254	(786)	108,618	(17,054)	(852)
Other operating income	(546)	3	50	(45)	(1,385)	238
General administrative costs	378	76	2,508	-	13	2,460

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at December 31, 2018 and 2017, does not include balances with regional or local government.

40. PROVISION OF INSURANCE BROKERAGE SERVICES

Total remuneration from the provision of insurance brokerage services, in 2018 and 2017, amounted to €48,377 thousand and €46,009 thousand, respectively, all of which cash commissions.

All remuneration, in 2018 and 2017, derived from the provision of insurance brokerage services by associate company Fidelidade - Companhia de Seguros S.A., as itemised below:

	31-12-2018	31-12-2017
Life insurance	40,945	39,039
Non-life insurance	7,432	6,970
	48,377	46,009

Caixa recognised all commissions received for the life and non-life insurance brokerage services of Fidelidade - Companhia de Seguros S.A. on its branch office network as profit for the period, at the time of origination, recognised in “Income from services and commissions” (note 31).

The balances receivable by Caixa from Fidelidade - Companhia de Seguros S.A. for commissions on brokerage services amounted to €3,647 thousand and €3,301 thousand, at December 31, 2018 and 2017 respectively. Caixa’s activity as an insurance broker does not involve any collections related to insurance contracts payments by customers.

The nominal value of Fidelidade’s financial insurance in force, sold over Caixa counters totalled €8,586,469 thousand and €7,638,895 thousand at December 31, 2018 and 2017, respectively, mainly in respect of *PPRs* (retirement savings plans).

In spite of retaining a non-controlling equity stake in Fidelidade, CGD Group does not have any direct interference in the company’s investment policy nor does it assume any contractual liability with customers for these products.

41. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies on the financial risks involved in the Group's activity

CGD adopted a centralised risk management model, in 2001, encompassing the assessment and control of all of the Group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

Credit risk -

The credit risk attached to CGD's customer portfolio is overseen and controlled by the monitoring of indicators which are split up by type of product, customer segment, maturities, types of guarantee, level of exposure to the financial system, sector of activity and geography. The amount of large exposures *vis-à-vis* the maximum limits defined by supervisors is also analysed. CGD has implemented a system for the identification, assessment and control of risk on its credit portfolio, beginning at the time the loan is made, with risk being monitored over the lifetime of the operations.

In the sphere of the implementation of the International Accounting Standards, CGD assesses the amount of impairment on each credit sub-portfolio on a monthly basis, by splitting it up into like-for like risk segments and use of PD (probability of default) and migration to default and recoveries after default (LGD - loss given default) annually updated on the basis of historical information.

The credit portfolio was monitored by DGR (credit risk division), which revised the credit oversight and recovery policy and the incorporation of default and non-performing exposure concepts, in alignment with the definitions published by the EBA (European Banking Authority), as part of the operational system used for the daily monitoring of the credit portfolio. This system incorporates a series of rules and functionalities designed to promptly recognise risk events enabling work to begin on a series of corrective actions designed to regularise and recover credit:

1. All customers have an associated risk level which is updated daily;
2. Retail customers for which more serious risk levels are identified are automatically allocated to specialised recovery areas; and
3. The measures taken to regularise the loan are identified and enable their level of efficiency to be assessed.

The process is monitored in a monthly report produced by DGR.

As part of the lending process, DRC (credit risks division) which has corporate functions and reports directly to the executive committee, is responsible for decision-making and/or credit analysis functions for corporates, financial institutions and retail customers.

The analysis of lending to corporates, in addition to natural portfolio oversight, is geared to customer credit risk, the respective economic group and the operations set out in the proposal. Its functions are separate from those of the commercial area that is responsible for submitting the proposals containing the conditions attached to the operations.

The analysis is based on the ratings issued by rating agencies and internal assessment models as well as quantitative and to qualitative weighting factors on the customer/economic group and operation in question. The market and the economy in which the entities operate and any aspects/conditions that could mitigate credit risk are also taken into account.

Market risk -

Market risk management rules have been defined for each portfolio or business unit to ensure that the risk levels incurred on CGD Group's credit portfolios are commensurate with its risk appetite. They include market risk limits as well as limits on concentrations of asset market exposure and liquidity, required returns, types of instruments authorised and maximum acceptable loss levels.

Market risk hedging operations are decided by portfolio or business unit managers, based on risk limits and authorised instruments, in which the risk management area collaborates on assessing the impact of total risk hedges incurred or changes in authorised market risk levels, if deemed advisable under the circumstances.

Under management rules each portfolio is subject to restrictions in terms of its composition, as regards assets and risk levels. Risk levels are defined on credit (concentration by name, sector, rating and country), and market (maximum total risk level, risk factor and maturity) exposure as well as market liquidity.

The most common market risk monitoring instrument used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates and volatility), using the historical simulation method, whose confidence levels used in the simulation are contingent upon portfolio retention objectives. Additional measurements such as expected shortfall and third worst measurements are also monitored on certain portfolios in addition to other market risk measurements such as sensitivity to the price changes of underlying assets (basis point value − bpv, on interest rates) and other sensitivity indicators commonly used for shares portfolios are also applied (usually referred to as "Greeks"). Stress test assessments, whether standard or historic, have also been developed.

The reliability of the VaR (*Value at Risk*) model is monitored daily on the basis of a comparative analysis between value at risk and theoretical and real backtesting results. The numbers of exceptions obtained enable the method's accuracy to be assessed and any necessary adjustments or calibrations made.

Executory functions on market operations and their associated risk control are completely separate.

Foreign exchange risk –

Foreign exchange risk is controlled and assessed daily on a separate basis for domestic operations and for each of the branch offices and subsidiaries and monthly, on a consolidated level, for the Group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Liquidity risk and balance sheet interest risk –

Liquidity and balance sheet interest risk management policies are defined by the ALCO (asset-liability) committee. The risk management division's liquidity risk and balance sheet interest rate area measures, monitors and reports on the two types of risk.

The specialised capital, assets and liabilities management board is the executive committee's decision-making arm responsible for the integrated assets and liabilities management process (ALM – asset-liability management), designed to achieve proactive balance sheet management and promote CGD Group's profitability. In the risk management domain, the ALM process normally concentrates on liquidity and balance sheet interest rate risk, as a space for the rapid dissemination of Group-wide management information.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity risk management also includes stress tests based on internally developed methodologies articulated with the existing liquidity contingency plan, designed to assess the funding situation at any point of time, strengthening CGD's resistance to adverse shocks and examining funding alternatives.

Caixa Group has endeavoured to guarantee a sustainable financing structure for its activity, across the year as a whole, based on the liquidity and period to maturity of its assets and off-balance-sheet exposures.

The measurement methodology adopted for interest rate management risk includes a short term or accounting perspective and a long term or economic perspective.

The short term or accounting perspective for interest rate risk assessments aims to estimate the effect of adverse changes in interest rates on interest margin. The methodology used for this purpose aggregates all assets and liabilities sensitive to interest rate changes into time bands, in accordance: (i) with periods to maturity for fixed-rate financial instruments, and; (ii) periods between the repricing of interest rates for variable-rate financial instruments. The respective interest rate gaps for these time bands are then calculated, enabling the effects of interest rate changes to be matched to net interest income.

Net interest income simulations are also used with the objective of improving the reliability of the estimations obtained from interest rate gaps on the sensitivity of interest margin. They include projections on the evolution of the Group's balance sheet, integrating behaviours and trends relevant to banking activity in addition to scenarios on the evolution of different market rates and expectations as reflected in the yield curves.

The long term or economic perspective on the assessment of interest rate risks aims to estimate the effect of adverse changes in interest rates on the economic value of capital. The methodology used for the purpose involves the calculation of the effective duration of assets and liabilities sensitive to changes in interest rates, in addition to the respective duration gap, enabling the effect of interest rate changes to be matched to the economic value of capital.

Simulation techniques are also used to improve the reliability of the estimations obtained from the duration gap of the sensitivity of the economic value of capital They include the assessment and respective estimation of all of the future cash flows from assets and liabilities sensitive to interest rate changes (i.e. full valuation).

The management of liquidity and balance sheet interest rate risks is based on a set of guidelines approved by the ALCO committee, which includes limits on a collection of significant exposure variables to such types of risk. The guidelines aim to ensure that CGD Group is able to manage the return-risk trade-off for balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its assumption of risk policies and positions.

Credit risk

Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at December 31, 2018 and 2017:

	31-12-2018	31-12-2017
Trading securities		
Public debt	5,349,916	5,147,032
Private debt	13,031	10,807
	5,362,947	5,157,839
Financial assets at fair value through profit or loss		
Private debt	85	-
Credit and securities	84,868	-
	84,953	-
Financial assets at fair value through other comprehensive income *		
Public debt	3,404,871	3,487,966
Private debt	1,197,070	1,719,935
	4,601,941	5,207,901
Investments at amortized cost *		
Public debt	3,857,662	2,626,819
Private debt	62,305	-
	3,919,967	2,626,819
Financial assets with repurchase agreement		
Public debt	55,009	52,849
	55,009	52,849
	14,024,817	13,045,408
Derivatives	698,228	971,122
Cash balances at other credit institutions	1,014,098	698,700
Loans and advances to credit institutions*	2,197,232	3,031,103
Loans and advances to customers*	51,645,671	55,316,195
Other debtors*	1,862,722	2,442,173
Other operations pending settlement	220,766	304,442
	57,638,717	62,763,735
Other commitments		
Personal/ Institutional guarantees given:**		
Guarantees and sureties**	2,609,805	2,957,359
Stand-by letters of credit	50,391	45,028
Open documentary credits	287,643	241,886
Other personal guarantees given and other contingent liabilities	9,548	-
Forward deposit agreements	117,336	60,242
Irrevocable lines of credit	351,363	569,331
Securities subscription	1,291,400	1,340,452
Other irrevocable commitments	12,997	63,220
	4,730,483	5,277,519
Maximum exposure to credit risk	76,394,016	81,086,661

[*] Balances net of impairment

[**] Balances net 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.

Credit quality of loans and advances to credit institutions

The following table splits up the balance sheet amounts of loans and advances to credit institutions, with reference to December 31, 2018 and 2017, considering the risk aggregate categories (reduced, average and high) associated with external ratings and the counterparty's country of origin:

	31-12-2018						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	78,442	516,595	225,375	574,495	-	101,475	1,496,382
Medium risk	-	-	-	611	8,841	42,702	52,154
No Rating	174,504	71,492	-	694	4,586	166,927	418,202
Central and Supranational banks	-	-	-	13,362	-	212,923	226,284
	252,947	588,086	225,375	589,161	13,427	524,026	2,193,022

	31-12-2017						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	-	487,161	363,665	1,100,760	-	301,806	2,253,392
Medium risk	1,003	-	-	5,496	-	-	6,499
No Rating	237,657	-	-	-	5,795	39,116	282,568
Central and Supranational banks	-	-	-	50,832	54,174	381,229	486,235
	238,660	487,161	363,665	1,157,088	59,969	722,151	3,028,694

Credit quality of debt securities

The following table provides a breakdown of the book value of debt securities in the portfolio, net of impairment (excluding matured securities) based on the allocation of a rating (presented on a scale equivalent to Standard & Poor's and Fitch), by type of guarantor or issuing entity and by the guarantor's or issuing entity's geography, at December 31, 2018 and 2017:

	31-12-2018				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
A+ to A-	-	2,243	-	2,529	4,772
BBB+ to BBB-	5,990	2,464,392	-	-	2,470,383
BB+ to BB-	2,886,442	-	-	-	2,886,442
Not rated	1,435	-	-	-	1,435
	2,893,868	2,466,635	-	2,529	5,363,032
Issued by:					
Governments and local authorities	2,890,089	2,459,937	-	-	5,350,026
Corporates	3,694	6,404	-	2,529	12,627
Othet issuers	85	294	-	-	379
	2,893,868	2,466,635	-	2,529	5,363,032
Assets valued at fair value through other comprehensive income					
AAA	-	7,394	-	-	7,394
AA+ to AA-	4,459	330,860	17,810	77,455	430,584
A+ to A-	18,568	376,071	74,808	186,936	656,383
BBB+ to BBB-	362,315	369,075	30,901	29,295	791,586
BB+ to BB-	2,473,605	13,709	792	2,757	2,490,864
Lower than B-	-	-	-	76,159	76,159
Not rated	27,774	69,997	106,209	-	203,980
	2,886,720	1,167,106	230,521	372,601	4,656,949
Issued by:					
Governments and local authorities	2,814,858	468,920	106,209	76,710	3,466,697
Corporates	23,850	188,061	30,164	23,942	266,017
Financial institutions	33,608	453,576	92,676	265,322	845,181
Othet issuers	14,404	56,550	1,472	6,627	79,053
	2,886,720	1,167,106	230,521	372,601	4,656,949
Held-to-maturity investments					
AA+ to AA-	-	411,202	-	-	411,202
A+ to A-	-	109,912	-	32,560	142,473
BBB+ to BBB-	168,944	1,610,824	-	-	1,779,768
BB+ to BB-	883,999	-	-	-	883,999
B+ to B-	-	-	-	398,809	398,809
Lower than B-	-	-	-	274,655	274,655
No Rating	-	-	-	29,062	29,062
	1,052,943	2,131,939	-	735,085	3,919,967
Issued by:					
Governments and local authorities	1,052,943	2,131,939	-	728,092	3,912,974
Corporates	-	-	-	683	683
Financial institutions	-	-	-	6,310	6,310
	1,052,943	2,131,939	-	735,085	3,919,967

	31-12-2017				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AA+ to AA-	-	-	2,805	827	3,632
A+ to A-	-	-	413	-	413
BBB+ to BBB-	103	2,336,247	496	617	2,337,464
BB+ to BB-	2,815,686	207	-	-	2,815,894
Not rated	437	-	-	-	437
	2,816,227	2,336,454	3,713	1,444	5,157,839
Issued by:					
Governments and local authorities	2,815,686	2,328,541	2,805	827	5,147,859
Corporates	541	7,914	908	204	9,566
Othet issuers	-	-	-	414	414
	2,816,227	2,336,454	3,713	1,444	5,157,839
Financial assets at fair value through revaluation reserves					
AAA	-	7,665	-	-	7,665
AA+ to AA-	-	185,839	161,859	57,216	404,914
A+ to A-	170,060	380,858	87,635	154,232	792,784
BBB+ to BBB-	28,878	406,960	30,858	28,244	494,940
BB+ to BB-	2,778,430	10,653	442	211,729	3,001,253
B+ to B-	-	-	-	1,012	1,012
Lower than B-	-	-	-	327,817	327,817
Not rated	154,494	-	-	75,871	230,365
	3,131,862	991,975	280,793	856,120	5,260,750
Issued by:					
Governments and local authorities	2,771,522	174,668	138,729	537,327	3,622,246
Corporates	162,762	257,799	28,319	33,166	482,046
Financial institutions	36,069	491,551	112,898	266,096	906,613
Othet issuers	161,509	67,957	847	19,531	249,844
	3,131,862	991,975	280,793	856,120	5,260,750
Held-to-maturity investments					
AA+ to AA-	-	199,789	-	-	199,789
A+ to A-	-	50,781	-	-	50,781
BBB+ to BBB-	-	1,352,607	-	-	1,352,607
BB+ to BB-	508,100	-	-	515,543	1,023,643
	508,100	1,603,176	-	515,543	2,626,819
Issued by:					
Governments and local authorities	508,100	1,603,176	-	515,543	2,626,819
	508,100	1,603,176	-	515,543	2,626,819

Exposure to the sovereign debt of peripheral eurozone countries

Information on the principal characteristics of these issuances, within Caixa Group, at December 31, 2018 and 2017, is set out below:

	Book value net of impairment at 31-12-2018				Fair value	Fair value reserve	Rating
	Residual maturities						
	2019	after 2019	no maturity	Total			
Financial assets at fair value trough profit or loss							
Portugal	2,862,904	27,185	-	2,890,089	2,890,089	-	
Ireland	-	-	-	-	-	-	
Spain	1,711,477	-	-	1,711,477	1,711,477	-	
Italy	748,460	-	-	748,460	748,460	-	
	5,322,841	27,185	-	5,350,026	5,350,026	-	
Assets valued at fair value through other comprehensive income							
Portugal	1,147	2,813,711	-	2,814,858	2,814,858	128,380	
Ireland	-	20,242	-	20,242	20,242	49	
Spain	-	191,146	-	191,146	191,146	365	
Italy	29,913	-	-	29,913	29,913	69	
	31,060	3,025,099	-	3,056,159	3,056,159	128,863	
Held-to-maturity investments							
Portugal	15,000	1,029,076	-	1,044,076	1,052,943	-	
Ireland	-	108,250	-	108,250	109,912	-	
Spain	-	1,000,874	-	1,000,874	1,016,794	-	
Italy	-	592,121	-	592,121	594,030	-	
	15,000	2,730,321	-	2,745,321	2,773,680	-	
Total							
Portugal	2,879,051	3,869,972	-	6,749,024	6,757,891	128,380	BBB
Ireland	-	128,492	-	128,492	130,154	49	A+
Spain	1,711,477	1,192,020	-	2,903,497	2,919,417	365	A-
Italy	778,373	592,121	-	1,370,493	1,372,403	69	BBB
	5,368,901	5,782,605	-	11,151,506	11,179,865	128,863	

	Book value net of impairment at 31-12-2017				Fair value	Fair value reserve	Rating
	Residual maturities						
	2018	after 2018	no maturity	Total			
Financial assets at fair value trough profit or loss							
Portugal	2,810,844	4,843	-	2,815,686	2,815,686	-	
Ireland	-	-	-	-	-	-	
Spain	1,475,614	-	-	1,475,614	1,475,614	-	
Italy	852,927	-	-	852,927	852,927	-	
	5,139,385	4,843	-	5,144,227	5,144,227	-	
Financial assets at fair value through revaluation reserves							
Portugal	30,130	2,660,418	-	2,690,548	2,690,548	158,734	
Ireland	-	-	-	-	-	-	
Spain	1,224	73,171	-	74,395	74,395	1,552	
Italy	-	-	-	-	-	-	
	31,354	2,733,589	-	2,764,943	2,764,943	160,285	
Total							
Portugal	-	505,343	-	505,343	508,100	-	
Ireland	-	50,464	-	50,464	50,781	-	
Spain	-	743,026	-	743,026	757,931	-	
Italy	-	592,767	-	592,767	594,676	-	
	-	1,891,600	-	1,891,600	1,911,487	-	
Total							
Portugal	2,840,974	3,170,604	-	6,011,577	6,014,334	158,734	BB+
Ireland	-	50,464	-	50,464	50,781	-	A
Spain	1,476,838	816,198	-	2,293,036	2,307,940	1,552	BBB
Italy	852,927	592,767	-	1,445,693	1,447,602	-	BBB
	5,170,738	4,630,032	-	9,800,770	9,820,657	160,285	

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

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. These portfolios were segmented into levels 1 and 2 of the fair value chain at December 31, 2018 and 2017. Greater details on the distinguishing elements of these categories along with the principal assumptions used are given in the "Fair value" column.

Quality of loans and advances to customers

Information on the following disclosures on asset quality and credit risk management, essentially based on CGD HQ practice, is set out below.

1. Qualitative credit risk management policy;

1.1 Credit risk management

In its response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos has implemented a credit risk management process based on an organisational structure guaranteeing that the commercial (risk undertaking), recovery, decision-making and risk areas are independent from each other.

1.1.1 Issue of loans

Lending activity is aligned with the credit risk management strategy and policy defined by CGD's competent bodies.

CGD has defined a new centralised decision-making model on credit in which DRC (credit risks division) is responsible for making decisions on loans to corporates, financial institutions and institutionals as well as on loans to retail customers. The governance model for the decisions to issue loans, including the limits on the delegating of authority is defined in internal regulations. DRC is also responsible for the following principal functions (i) the prior, mandatory issuance of a risk opinion on the allocation of internal limits or consideration of operations not covered by the said limits for customers whose amount of exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justify (in accordance with internal standards); ii) to submit the redefinition of credit limits to higher authority whenever deemed advisable under the circumstances; and, (ii) to approve the constitution/alteration of economic groups.

Credit decisions on the most significant 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. Other operations are the responsibility of credit risk committees on a DRC level.

The submission of operations/limits for a decision of the board of directors requires the advance favourable opinion of the financial risks committee.

DGR (risk management division) is involved in the credit risk control and monitoring process, lending stages and latter oversight, based both on a customer/operation and a credit portfolio approach via: i) the definition, development and maintenance of internal rating and scoring models; ii) the monitoring and global control of CGD Group's credit risk by credit portfolios, products and business units; iii) the identification of customers at greater risk of default based on early warning signs; iv) the assessment and validation of individual impairment; v) assessment of impairment on all credit portfolio segments; vi) assessment of compliance with the limits defined for major risks and, vii) the issue of ratings, based on a qualitative assessment of companies, through the issue of an opinion.

DGR may also submit the approval and revision of policies and guidelines in the sphere of the Group's credit risk management to a more senior level.

1.1.2 Credit portfolio oversight

Credit portfolio oversight provides early warnings of potential default situations, enabling decisions for optimising debt recovery to be made. The oversight process is regulated by internal credit oversight and recovery policy regulations.

CGD has implemented a workflow process that is transversal to commercial, recovery and credit risk areas. The workflow classifies a customer's creditworthiness daily on the basis of pre-defined events and by level of severity regarding the probability of a default situation and automatically identifying customers in financial distress and in default. All portfolio customers are segmented into one of the following categories:

1. "Regular" customers without any additional risk events having been identified;
2. "Regular" customers but with early warnings which may indicate a greater probability of customer default;
3. Customers registering serious events and a high probability of default who are classified as being in financial distress;
4. Customers on a 24 months' probation period following the occurrence of a restructuring operation on the customer owing to financial difficulties;
5. Customers classified as being in default; and
6. Customers classified as being in quarantine following a default situation.

The workflow process incorporates operational measures that vary in line with the severity of the event and provides the first line of defence on the basis of mechanisms designed to actively prevent future potential defaults. An automatic process immediately transfers customers from commercial to recovery areas in situations where 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 maintain customer management in commercial structures or to transfer them 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 quality for the executive committee.

1.1.3 Credit recovery

As soon as any arrears of payment have been noted, adequate steps are taken to recover the overdue credit to enable a settlement of the situation, in due compliance with the dispositions of decree law 227/2012 ("PARI" and "PERSI") as regards loans and advances to retail customers.

Credit recovery consists of a series of CGD Group actions on arrears of payment on one or more instalments of a credit operation. It is a fundamental function of CGD Group's credit management and is implemented at the time of the first overdue payment of an instalment and present across the whole of the rest of the loan's lifetime until settlement. Negotiated credit recoveries comprise three types of action by order of priority in terms of their application:

- Collection of payments in arrears;
- Restructuring solutions; and
- Terminal solutions not involving legal proceedings.

The call centre and the commercial area make contacts with customers with a view to the settlement of overdue amounts at the initial credit collection phase. 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 a customer is not producing the desired result for CGD Group and 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 this is considered to be the most efficient solution, following a due cost/benefit appraisal.

1.2 Concentration risk management

Credit concentration risk management within CGD Group is the responsibility of DGR (risk management division) that identifies, measures and controls significant exposures.

For the monitoring of concentration risk, the risk appetite statement defines metrics that permit the evolution of portfolio segments considered to be more critical in terms of credit risk to be controlled on a monthly basis.

Decisions to enter into agreements for operations entailing significant 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 significant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off a loan from assets, based on the write-off policy formalised in internal regulations, is taken at a senior level when expectations of credit recovery are nil or highly residual when all of the negotiating and, when applicable, legal proceedings have been taken with the parties involved in a loan agreement. Loans eligible for write-offs when implying the recognition of 100% impairment, also include: i) loans in arrears for more than 24 months; ii) loans without a real guarantee.

3. Impairment reversal policy

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

In situations involving the occurrence of significant improvements in a debtor's creditworthiness and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss with a direct reversal of impairment.

Impairment is also reversed when loans are sold for a higher amount than their net impairment exposure.

4. Description of the restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is understood to be any changes to the conditions in force on operations involving loans and advances to customers in financial distress when resulting in any modification of the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD and its customers' interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

The application of the recovery solutions always takes into consideration 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 procedure's impact on CGD Group's invested capital and the cash flows produced by the operation in the future. This impact should be measured by calculating the incremental NPV on processing the operation as opposed to a legally imposed solution (considered to be a last resort in terms of credit recovery);

- Impact on customer. Secondly, the impact of the processing solution on the customer should be considered, based on two fundamental criteria:

    - Payment capacity – the customer must to be able to meet the financial commitments in the new scenario, based on its expected income; and

    - Sustainability – the process must be sustainable over time, i.e. the customer, with a high level of probability, must be able to make all necessary payments and should not relapse into a default situation.

- Impact of complexity. The processing strategy should, lastly, consider several factors that may add to the complexity of default situations, with a different treatment from the one proposed, solely taking the former two principles into account. Even if the financial impact of the solution may not be optimal, other parameters such as a customer's specific characteristics, the impact of the process on CGD Group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit that is restructured because of a customer's financial difficulties is subject to a specific impairment calculation process, across the whole of the minimum application period of 24 months as defined in Commission implementing regulation (EU) 2017/1443 of June 29, 2017.

5. Description of collateral valuation and management process

Property

The following types of property are considered for valuation purposes:

- Constructions:
    - Finished constructions; and
    - Unfinished constructions.
- Land
    - Land with construction potential (as its prime and best use taking its construction potential into account); and
    - Land without construction potential as its prime and best use.

The principal components of the valuation methodology for property within CGD Group are:

i. *Verification of the real estate*: property is inspected when all new mortgage-lending operations are entered into, with the objective of assessing its most likely transaction price in a free market.

   Certification of the value of a property asset is documented and comprises, including by way of copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by individual direct physical observations.

ii. *Review of the valuation of the property's value by an expert appraiser*. Mortgage lending operations whose contractual terms have been changed usually require a new valuation that is performed as if they were new operations.

   In the case of non-productive credit, the amounts of real guarantees are examined and/or updated in line with the frequency defined in internal regulations; and

iii. *Review of indexed amount*. This is a review of property prices by an internal CMVM registered property appraiser, who makes use of the information contained in the preceding valuation report and which does not involve a personal visit to the property. This methodology is exclusively used for properties for residential purposes, non-productive credit with a debtor balance of less than €300 thousand and, in the case of performing credit, a debtor balance of more than €500 thousand.

Property valuation procedures:

- CGD's property valuation area has engineers and architects with significant experience in valuations. Those with technical approval functions have complementary training in the form of property valuation courses and are registered with and certified by the CMVM as property appraisers.
- CGD has a network of external service providers in its property valuation area comprising external corporate and individual appraisers, registered with the CMVM and spread over the whole of the country based in the area in which they perform their professional activity. There are several appraisers for each municipal district to ensure adequate diversification and rotation.
- Valuation requests are received by CGD in digital format together with the essential documentation for property valuation purposes. An internal technical operative is responsible for the approval process by type of valuation and the municipal district in which the property is located, and
- The appraisers are listed and their priority municipal districts are identified for operational purposes, based on criteria of efficiency in terms of travel and in-depth knowledge of the local market. Requests for appraisals are delivered to appraisers via CGD's property portal. The

appraiser records the date of the visit and appraisal report in the portal in a standardised format, which includes the relevant documents for the valuation, and photographs of the property.

Other collateral

In addition to property, the following collateral is eligible for mitigating the calculation of credit impairment:

- Pledges over term deposits – assessed on the amount of the pledge;
- Pledges over bonds issued by CGD – assessed on the nominal value of the bonds; and
- Pledges over listed shares – assessed at market value at the calculation's reference date.

6. Principal judgments, estimates and hypotheses used to assess impairment

CGD's credit impairment model uses appropriate, applicable methodologies to ensure that the impairment calculation is in conformity with IAS 9 – "Financial instruments".

There are several modelling approaches CGD considers to be most appropriate for assessing impairment but which involve judgment in determining the procedures, namely:

i. Historical information considered for modelling purposes (PDs, LGDs, collateral haircuts);

ii. Workout period for the calculation of LGDs and multiple default assessment methodologies;

iii. Portfolio segmentation criteria:

   a) Loans to retail 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 corporates – type of company, amount of exposure, sector of economic activity, quality and amount of collateral, present and past performance of the operation, length of current performance.

iv. Loan conversion factors applied to off-balance sheet exposures.

v. Defined exposure level for individual impairment assessments.

vi. Criteria to assess significant risk increases, from the time of the financial instrument's initial recognition, incorporating prospective information; and,

vii. The credit loss is assessed on the basis of three probable macroeconomic scenarios (optimistic, pessimistic and basic) which are reviewed every six months and whose respective risk factors are adjusted to each scenario upon which the expected losses are calculated.

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 corporates and retail customers, including the provision of bank guarantees and irrevocable and revocable lines of credit and assesses each operation's risk profile which it classifies in the credit portfolio sub-segments defined on the basis of the operation's current and past performance.

The following concepts are used to calculate credit impairment:

i) *Individual impairment* 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 that include assets with similar risk

IFRS 9 – "Financial instruments" defines principles for the recognition of operations and assets in the Bank's portfolio, in accordance with their associated credit risk.

The following three risk stages, depending upon the deterioration of credit quality since the time of its initial recognition, are considered:

a) *Stage 3*: Exposures for which there is objective evidence of impairment, for operations in default;

b) *Stage 2*: exposures with an *SICR* (significant increase in credit risk) since initial recognition with objective criteria of signs of impairment;

c) *Stage 1*: exposures which cannot be classified in stages 2 or 3;

Stage 3 classification

- For securities and investment portfolios in other credit institutions, the definition of stage 3 is aligned with ratings issued by external rating agencies and considers all exposures with a D rating.

- The definition of stage 3 for the credit portfolio is aligned with CGD's definition of default. The following events are considered:

  1. Contractual defaults to CGD Group, particularly credit materially overdue for more than 90 consecutive days;

  2. Existence of a material impairment provision resulting from an individual analysis on customers with individually significant exposures;

  3. Declaration of insolvency;

  4. An insolvency application (including *PERs*) submitted by the debtor or CGD;

  5. Operations at a pre-legal/legal stage in CGD;

  6. 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 retail 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;

  7. 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;

8. 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;

9. Restructuring operations owing to the financial difficulties of customers in the event of loss events (in accordance with the defined materiality); and

10. Existence of amounts written-off from assets or cancelled interest.

Although IFRS 9 – "Financial instruments" does not define the concept of default, CGD applies the same definition of default as used for management purposes, incorporating the EBA's recommendations in its "Final report on guidelines on default definition (EBA-GL-2016-07)" published on September 28, 2016. Past events for modelling purposes reflect the definition of default up to the present time.

Stage 2 classification

Stage 2 classification is based on an *SICR* (significant increase in credit risk) since the time of initial recognition. The significant increase is generally measured on the variation of the probability of default associated with the rating between the date of initial recognition and the reporting date. More specifically, a significant increase in credit risk is considered to exist in comparison to the initial recognition when one of the following criteria is noted:

a) An absolute variation of the forward-looking lifetime PD since origination, weighted by a residual maturity exceeding a certain threshold; and

b) Relative variation of the forward-looking lifetime PD since origination in excess of a certain threshold;

Stage 2 classification also considers objective criteria of signs of impairment, classifying an exposure in this stage, whatever the deterioration in credit risk, as follows:

- Credit overdue in CGD with arrears of more than 30 days but not classified as being in default;
- Operations restructured on account of financial difficulties which do not meet stage 3 classification criteria;
- POCI ("purchased or originated credit-impaired") operations which do not meet stage 3 classification criteria;
- Attribution of individual impairment of up to 20%;
- Bank of Portugal indicators (amounts overdue to other credit institutions for more than 90 days and when customers are barred from using cheques);
- Cheques returned to CGD;
- Collectability of less than 90%, assessed in the quarterly survey sent to commercial areas. This process is performed for companies 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;
- A 20% decline in the value of real guarantees when resulting in an LTV of more than 80% (applicable to property projects);

- Interim grace periods; and,
- Insolvency processes other than a declaration of insolvency and *PER* ("Special Revitalisation Programme") processes.
- A rating corresponding to the lowest rating level (excluding default); and,
- Three months' quarantine in stage 2.

Stage 1 classification

Stage 1 includes all credit not meeting stages 2 or 3 classification criteria.

Securities portfolio exposures that, in accordance with the defined estimated credit losses approach are not subject to impairment calculations are also classified in stage 1.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

1. *Probability of default within 12 months (PD12m).* This is the probability of a performing loan registering a default event over the next 12 months. The impairment model incorporates PDs on a portfolio scoring and rating basis and PDs by sub segment (purpose of loans and advances to retail customers and CAE (classification of economic activity) segment for loans to corporates and type of card for credit cards) applicable to unrated portfolios;

2. *Lifetime default probability (PDLT).* This is the probability of a loan defaulting prior to the maturity of an agreement. Lifetime PDs are different for rated and unrated portfolios. In the case of rated portfolios, lifetime PDs are distinguished by a customer's or operation's ratings. In unrated portfolios lifetime PDs are differentiated between customers or operations with (i) external signs accompanied by arrears of less than 30 days (ii) arrears of between 30 and 90 days and (iii) restructuring operations owing to financial difficulties with arrears of up to 30 days.

3. *Loss Given Default (LGD)* – Losses when an operation or customer defaults. LGD assessments involve observations of recoveries of operations or customers who default within the defined historical period, assessed in accordance with the length of default on each operation and each month of the historical period. The fact that LGDs are differentiated in line with the length of time the loan has been in default enables impairment losses to be differentiated by length of default. Some LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed, and

4. *EAD (exposure at default)*. EAD is the amount of the exposure of each operation upon the date of default and comprises the sum of the equity and off-balance sheet exposures following the CCF. The CCF is a credit conversion factor that measures the proportion of the off-balance sheet exposure which is converted into an equity exposure up to the date of default.

Estimations of risk factors, namely probabilities of default, include a forward-looking component.

8. <u>Indication of thresholds defined for individual analyses</u>

The limits on separate impairment assessments, as defined in an internal CGD Group standard, take the specific characteristics of the diverse credit portfolios of each Group unit into account, with the objective of assessing all exposures considered to be individually significant by each unit and the Group. In the case of CGD and with reference to December 31, 2018, an individual analysis is performed on customers with an overall balance sheet exposure of €3,000 thousand or more.

9. <u>Policy relating to internal risk levels, specifying the treatment of a borrower classified as being in default</u>

Pursuant to internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the credit board or credit risks executive committee.

Owing to the innovation introduced by the customer oversight workflow process (item 1.1.2. above) as most defaulting customers had previously been allocated to recovery area managers, there were no breaks in the negotiating process at the time of the transfer of customers from the commercial to the recovery areas.

The recovery solution considered most appropriate to customers' and CGD's interests is applied, on the basis of an analysis, with legal action for credit recovery purposes as a last resort.

10. <u>General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments</u>

<u>Individual assessment</u>

The assessment of expected future cash flows on loans considers the extent to which a customer will generate free cash flows for debt payment purposes. A loan's recoverable amount is the sum of the expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), discounted at the agreement's original effective interest rate in accordance with the underlying expectations of its collectability.

An assessment is made as to whether the estimations of the future cash flows of customers with signs of loss are less than the contractual cash flows. The amount of the impairment, in such cases, is consequently adjusted.

One of the following approaches is used to assess a company's future cash flows:

1. A going concern approach that considers the continuation of a company's activity based on operating cash flow projections to assess whether they are sufficient to ensure the payment of the debt to all creditors. The sale or execution of collateral to offset the debt may also be considered provided that this does not have any influence and impact on a company's estimations of its future cash flows (i.e. provided that they are non-operating assets). This going concern approach is used if:

    - The company's future operational cash flows are material and can be reasonably estimated; and

    - The repayment of the debt does not involve the exercise of collateral that is decisive for the company's normal operation.

    An independent valuation of the assets portfolio was followed by a deterioration of the former scenarios analysed for going concern customers on which the sensitivity analysis of several business plans was based, including, by way of example, estimations of cash flows from emerging markets. For certain customers, impairment was also assessed on the basis of indicative market bids in a credit disposal scenario.

2. 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 when at least one of the following situations occurs:

   a) When the customer's exposure has been overdue for a considerable length of time with the presumption that the gone concern approach should be applied when the loan has been overdue for more than 18 months;

   b) When estimations of future operating cash flows are residual or negative or less than the estimated amount of the collateral and clearly insufficient to enable the customer to service its debt;

   c) When the exposure is highly collateralised and the collateral is essential for producing cash flow;

   d) 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.

   e) When there is a high level of uncertainty over estimations of future cash flows, namely when EBITDA over the last few years has been negative; and

   f) When the available information is insufficient for a going concern analysis.

A mixed approach can be adopted in situations considering the cash flows produced by a company's activity, which may be complemented by cash flows originating from disposals of the company's assets, assuming that the company will continue to operate as a going concern. If the disposal of the assets has an impact on the company's future operating cash flows the respective adjustment will be made to assess the recoverable amounts.

Collective impairment

For stage 1 operations, the ECL (expected credit loss) considers a 12 months loss and is calculated by the following formula.

$$ECL_{\text{Stage 1}} = EAD \times PD_{\text{12months}} \times LGD$$

For stage 2 operations lifetime credit losses are calculated by the following formula:

$$ECL_{Stage\,2} = \sum_{k=t}^{Prazo} \frac{EAD_k \times LGD_k \times SR_{k-1} \times PD_k}{(1+r)^k}$$

In which r is the original interest rate and $SR$is the probability of surviving the default.

Given that the *stage* 3 concept is aligned with the internal default concept, a lifetime PD of 100% is considered. Expected losses on stage 3 operations are therefore given by the following formula:

$$ECL_{\text{Stage 3}} = EAD \times LGD_{\text{Time from default entry}}$$

.

Credit losses should also be the result of the losses calculated on the basis of three possible macroeconomic scenarios (central, pessimistic and optimistic), weighted by the probabilities of each scenario's occurrence.

<u>Quantitative</u>

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:

Information on exposures and impairment, by segment, at December 31, 2018 is set out below:

	Exposure in 31-12-2018				Impairment in 31-12-2018			
	Assets without a significant increase in credit risk (Stage 1)	Assets with a significant increase in credit risk but not impairment (Stage 2)	Assets with impairment (Stage 3)	Total	Assets without a significant increase in credit risk (Stage 1)	Assets with a significant increase in credit risk but not impairment (Stage 2)	Assets with impairment (Stage 3)	Total
Segment								
Government	5,408,755	248,909	36,269	5,693,933	1,757	884	10,356	12,997
Other financial institutions	217,350	7,815	263,258	488,422	3,106	379	145,863	149,348
Non-financial institutions	13,875,587	2,274,756	3,075,278	19,225,622	247,655	87,887	1,939,235	2,274,777
Small and medium institutions	6,494,026	1,537,034	2,146,451	10,177,511	107,023	56,461	1,311,388	1,474,872
Commercial real estate	1,958,584	348,647	1,156,431	3,463,663	33,812	12,803	671,179	717,793
Others	4,535,442	1,188,387	990,019	6,713,848	73,211	43,658	640,209	757,079
Other institutions	7,381,562	737,722	928,827	9,048,111	140,632	31,426	627,848	799,906
Commercial real estate	1,058,223	156,640	236,190	1,451,053	6,245	15,864	174,456	196,564
Others	6,323,338	581,083	692,638	7,597,059	134,387	15,563	453,392	603,342
Households	25,593,874	2,194,251	1,730,310	**29,518,435**	16,808	39,628	843,368	**899,804**
Mortgage loans with property mortgage	23,831,734	1,920,653	1,109,930	26,862,316	9,592	30,654	356,196	396,441
Consumption and other purposes	1,184,081	156,181	80,667	1,420,929	5,215	5,675	44,510	55,400
Others	578,059	117,418	539,713	1,235,190	2,001	3,300	442,662	447,963
	45,095,566	**4,725,732**	**5,105,115**	**54,926,412**	**269,325**	**128,778**	**2,938,823**	**3,336,927**

(1): EAD = Exposure at Risk; PD = Probability of Default; LGD = Loss Given Default.

Information on exposures and impairment, between performing and non-performing operations, at December 31, 2018 is set out below:

	Exposure in 31-12-2018										Impairment in 31-12-2018							
	Performing			Non-Performing							At Performing Expositions	At Non-Performing Expositions						
	Not expired or expired <= 30 days	Expired > 30 days <= 90 days "		Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "				Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "		
Segment																		
Government	**5,628,772**	**28,892**	**5,657,664**	**18,345**	**-**	**-**	**3,497**	**14,426**	**36,269**	**5,693,933**	**2,641**	**110**	**-**	**-**	**2,360**	**7,885**	**10,356**	**12,997**
Other financial institutions	**223,866**	**1,299**	**225,165**	**940**	**1,634**	**167**	**116,283**	**144,234**	**263,258**	**488,422**	**3,484**	**170**	**1,355**	**43**	**5,822**	**138,473**	**145,863**	**149,348**
Non-financial institutions	**15,918,077**	**168,410**	**16,086,487**	**1,408,132**	**126,462**	**245,424**	**831,936**	**527,182**	**3,139,136**	**19,225,622**	**315,393**	**793,492**	**67,328**	**198,487**	**556,346**	**343,731**	**1,959,384**	**2,274,777**
Small and medium institutions	7,863,482	120,866	7,984,348	892,682	96,874	138,249	664,057	401,301	2,193,162	10,177,511	158,843	465,236	39,431	100,862	452,384	258,115	1,316,028	1,474,872
Commercial real estate	2,294,117	13,065	2,307,181	447,362	33,019	30,282	368,148	277,670	1,156,482	3,463,663	46,614	217,894	11,983	22,326	247,310	171,666	671,179	717,793
Others	5,569,366	107,801	5,677,167	445,320	63,855	107,967	295,908	123,631	1,036,681	6,713,848	112,230	247,342	27,449	78,537	205,073	86,448	644,849	757,079
Other institutions	8,054,594	47,544	8,102,138	515,450	29,588	107,175	167,879	125,881	945,973	9,048,111	156,550	328,256	27,897	97,625	103,962	85,617	643,356	799,906
Commercial real estate	1,212,869	1,994	1,214,863	78,828	16,847	19,387	53,874	67,254	236,190	1,451,053	22,108	38,644	16,377	19,357	48,636	51,442	174,456	196,564
Others	6,841,725	45,550	6,887,275	436,622	12,741	87,789	114,005	58,627	709,784	7,597,059	134,441	289,612	11,520	78,268	55,327	34,174	468,900	603,342
Households	**27,624,099**	**156,072**	**27,780,171**	**392,197**	**78,569**	**75,763**	**725,300**	**466,436**	**1,738,264**	**29,518,435**	**55,893**	**151,754**	**22,510**	**27,686**	**426,166**	**215,795**	**843,911**	**899,804**
Mortgage loans with property mortgage	25,604,391	141,179	25,745,570	306,177	46,843	36,812	331,634	395,281	1,116,746	26,862,316	39,842	100,737	6,231	4,796	76,429	168,406	356,600	396,441
Consumption and other purposes	1,332,124	7,950	1,340,075	21,805	6,431	12,531	34,617	5,470	80,854	1,420,929	10,831	14,385	2,975	8,108	14,987	4,114	44,569	55,400
Others	687,584	6,942	694,526	64,215	25,296	26,420	359,048	65,684	540,664	1,235,190	5,221	36,632	13,303	14,782	334,750	43,275	442,742	447,963
	49,394,813	**354,673**	**49,749,486**	**1,819,614**	**206,664**	**321,355**	**1,677,015**	**1,152,278**	**5,176,926**	**54,926,412**	**377,412**	**945,527**	**91,193**	**226,216**	**990,695**	**705,884**	**2,959,515**	**3,336,927**

	Exposure in 31-12-2017										Impairment in 31-12-2017							
	Performing			Non-Performing							At Performing Expositions	At Non-Performing Expositions						
	Not expired or expired <= 30 days	Expired > 30 days <= 90 days "		Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "				Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "		
Segment																		
Government	**6,988,351**	**27,451**	**7,015,802**	**39,446**	**-**	**-**	**16,701**	**21,168**	**77,315**	**7,093,117**	**1,144**	**645**	**-**	**-**	**942**	**7,506**	**9,094**	**10,238**
Other financial institutions	**289,374**	**1,224**	**290,598**	**34,308**	**67**	**427**	**222,734**	**40,078**	**297,615**	**588,212**	**3,508**	**7,760**	**17**	**217**	**84,666**	**28,994**	**121,654**	**125,162**
Non-financial institutions	**16,067,917**	**197,284**	**16,265,201**	**1,961,013**	**149,466**	**246,720**	**1,463,495**	**1,253,397**	**5,074,091**	**21,339,292**	**214,865**	**1,158,026**	**46,786**	**98,995**	**1,021,706**	**794,718**	**3,120,231**	**3,335,096**
Small and medium institutions	7,783,555	149,418	7,932,973	1,106,020	134,841	185,084	906,508	807,635	3,140,087	11,073,060	144,018	564,024	33,872	78,174	568,348	465,544	1,709,961	1,853,979
Commercial real estate	2,260,702	38,925	2,299,627	519,881	55,556	78,730	530,160	662,374	1,846,701	4,146,328	71,696	259,740	9,448	39,152	338,377	387,379	1,034,096	1,105,792
Others	5,522,852	110,493	5,633,346	586,139	79,285	106,354	376,347	145,260	1,293,386	6,926,732	72,322	304,284	24,424	39,022	229,971	78,165	675,865	748,187
Other institutions	8,284,362	47,866	8,332,229	854,994	14,624	61,636	556,988	445,762	1,934,004	10,266,232	70,847	594,003	12,915	20,821	453,358	329,174	1,410,270	1,481,117
Commercial real estate	1,446,632	1,156	1,447,788	118,521	2,178	40,127	352,742	279,731	793,299	2,241,087	17,886	67,983	773	6,441	311,913	210,100	597,210	615,096
Others	6,837,730	46,710	6,884,441	736,472	12,446	21,510	204,245	166,031	1,140,704	8,025,145	52,961	526,020	12,142	14,380	141,444	119,074	813,060	866,021
Households	28,179,625	186,723	28,366,348	485,826	83,427	78,865	989,467	786,386	2,423,972	30,790,320	74,811	120,571	13,695	19,727	499,603	357,057	1,010,654	1,085,465
Mortgage loans with property mortgage	26,090,620	167,779	26,258,399	381,687	67,339	56,277	557,623	671,401	1,734,327	27,992,726	47,101	64,286	8,643	8,231	132,143	284,014	497,317	544,418
Consumption and other purposes	1,364,374	10,395	1,374,769	21,501	9,203	13,605	35,303	7,206	86,817	1,461,586	20,412	5,895	3,223	7,726	13,846	5,564	36,254	56,666
Others	724,631	8,549	733,180	82,638	6,885	8,984	396,542	107,778	602,827	1,336,008	7,298	50,390	1,829	3,770	353,614	67,480	477,082	484,380
	51,525,268	**412,682**	**51,937,950**	**2,520,593**	**232,960**	**326,013**	**2,692,398**	**2,101,028**	**7,872,992**	**59,810,942**	**294,327**	**1,287,003**	**60,499**	**118,939**	**1,606,917**	**1,188,276**	**4,261,633**	**4,555,961**

Information on the credit portfolio, by segment and year of production at December 31, 2018, is given below:

	Government			Other financial institutions			Non-financial institutions			Non-financial institutions - Commercial real estate			Households - Loans with mortgage Property			Households - Consumption and other purposes			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Year of production																					
2004 and before	1,136	494,571	102	12	8,803	354	3,671	902,451	209,259	679	317,476	118,254	253,781	6,247,973	120,407	19,132	154,037	31,014	277,732	7,807,836	361,136
2004 and before	204	58,919	4,526	7	2,871	14	525	214,471	70,786	126	87,633	30,690	40,049	1,992,668	34,427	27,132	79,629	24,798	67,917	2,348,557	134,551
2005	149	65,157	2,772	9	37,423	1,355	1,766	407,144	149,624	429	164,355	113,869	36,742	2,070,868	41,447	97,896	129,650	5,881	136,562	2,710,241	201,078
2006	124	467,178	3,243	38	275,097	143,281	2,656	911,665	502,958	666	461,053	226,959	43,588	2,369,170	62,689	24,881	406,856	336,162	71,287	4,429,967	1,048,333
2007	91	692,815	78	36	6,223	73	2,389	1,051,580	314,522	612	448,859	125,893	37,286	2,094,978	42,940	25,446	84,596	11,885	65,248	3,930,193	369,498
2008	76	93,277	8	23	830	77	2,408	1,315,245	172,845	558	566,197	112,833	33,512	2,154,244	35,044	35,036	82,358	8,912	71,055	3,645,954	216,886
2009	71	2,195,951	50	28	664	16	2,801	550,904	83,422	537	262,526	39,781	25,111	1,834,600	27,109	40,182	101,654	8,426	68,193	4,683,773	119,023
2010	28	87,498	2	57	474	120	2,549	509,164	64,935	436	106,612	24,534	11,620	832,171	8,629	31,816	73,964	5,037	46,070	1,503,271	78,724
2011	45	20,333	12	19	12,966	169	2,721	321,583	59,175	430	93,867	27,817	5,314	378,662	4,367	28,393	67,431	15,699	36,492	800,974	79,422
2012	47	77,958	84	28	6,669	336	5,116	604,111	107,063	731	104,568	16,075	5,467	447,900	3,744	90,675	103,457	5,873	101,333	1,240,095	117,100
2013	73	273,198	11	53	3,249	58	9,747	1,108,827	181,630	1,367	200,449	17,089	6,842	663,263	3,470	53,064	133,998	7,259	69,779	2,182,534	192,428
2014	92	268,675	267	79	30,774	1,116	14,688	2,721,773	170,954	2,038	300,395	25,381	11,705	1,108,788	4,357	71,553	219,979	13,711	98,117	4,349,989	190,406
2016	142	604,235	192	76	39,894	461	14,618	2,282,273	77,436	1,989	409,560	15,682	13,183	1,284,373	3,390	71,988	228,815	11,536	100,007	4,439,590	93,015
2017	107	170,974	1,327	52	40,311	1,616	16,928	1,722,177	56,836	2,188	500,158	11,712	14,120	1,447,030	2,499	71,095	276,067	7,499	102,302	3,656,559	69,777
	197	123,193	324	83	22,174	302	29,372	4,602,256	53,331	3,306	891,007	7,789	17,763	1,935,628	1,922	168,325	513,627	9,671	215,740	7,196,878	65,550
	2,582	**5,693,933**	**12,997**	**600**	**488,422**	**149,348**	**111,955**	**19,225,622**	**2,274,777**	**16,092**	**4,914,716**	**914,357**	**556,083**	**26,862,316**	**396,441**	**856,614**	**2,656,119**	**503,363**	**1,527,834**	**54,926,412**	**3,336,927**

Information on the amount of gross credit exposure and impairment by segment at December 31, 2018 and 2017, is as follows:

	31-12-2018													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions - Commercial real estate		Households - Loans with mortgage Property		Households - Consumption and other purposes		Total	
	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment
Avaliation														
Individual	13,633	10,206	145,260	139,559	1,807,008	1,317,555	878,960	579,340	5,213	3,062	398,570	361,287	2,369,684	1,831,670
Collective	5,680,299	2,791	343,163	9,789	17,418,615	957,222	4,035,756	335,017	26,857,103	393,379	2,257,548	142,076	52,556,728	1,505,256
	5,693,933	**12,997**	**488,422**	**149,348**	**19,225,622**	**2,274,777**	**4,914,716**	**914,357**	**26,862,316**	**396,441**	**2,656,119**	**503,363**	**54,926,412**	**3,336,927**

	31-12-2017													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions - Commercial real estate		Households - Loans with mortgage Property		Households - Consumption and other purposes		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Avaliation														
Individual	19,344	7,585	187,020	110,357	3,410,259	2,298,058	1,795,150	1,263,183	87,662	3,957	412,832	373,464	4,117,117	2,793,422
Collective	7,073,773	2,653	401,193	14,805	17,929,034	1,037,038	4,592,266	457,705	27,905,064	540,462	2,384,762	167,583	55,693,825	1,762,539
	7,093,117	**10,238**	**588,212**	**125,162**	**21,339,292**	**3,335,096**	**6,387,416**	**1,720,888**	**27,992,726**	**544,418**	**2,797,594**	**541,046**	**59,810,942**	**4,555,961**

Information on the amount of gross credit exposure and impairment by segment at December 31, 2018 and 2017, is as follows:

	31-12-2018			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	374,936	47,582	64,739	25,843
Extraction industries	85,546	10,820	8,807	4,207
Manufacturing	2,819,548	160,354	309,318	239,918
Production and distribution of electricity, gas, steam and air conditioning	543,464	17,642	204	3,460
Water supply	312,369	58,147	58,632	33,961
Construction	2,908,253	601,349	888,466	678,812
Wholesale and retail trade	2,238,589	136,979	303,750	202,247
Transport and storage	1,204,478	261,587	163,196	97,968
Accommodation and food service activities	1,154,591	150,341	165,647	71,423
Information and communication	181,201	8,187	15,114	14,550
Real estate activities	2,311,321	452,404	556,974	318,786
Consulting, scientific, technical and similar activities	3,282,422	319,896	406,841	456,588
Administrative and support services activities	418,849	12,690	25,172	24,292
Public administration and defense, compulsory social security	27,011	25,209	77	545
Education	154,572	17,326	68,264	25,973
Human health services and social action activities	259,576	14,505	24,244	13,106
Arts, entertainment and recreation	179,605	43,801	20,660	36,155
Other services	769,290	42,874	59,030	26,944
Public administrations	5,693,933	401,923	36,269	12,997
Other financial activities	488,422	71,247	263,258	149,348
Households - housing with mortgage of the property	26,862,316	1,325,169	1,116,746	396,441
Households - housing	1,420,929	51,386	80,854	55,400
Households - others	1,235,190	464,962	540,664	447,963
	54,926,412	**4,696,381**	**5,176,926**	**3,336,927**

	31-12-2017		
	Government		
	Individual	Colective	
	Exposure	Exposure	Impairment
Activity sector			
Agriculture, forestry and fishing	417,630	45,185	26,002
Extraction industries	87,237	12,584	6,272
Manufacturing	2,954,829	418,276	307,129
Production and distribution of electricity, gas, steam and air conditioning	688,395	16,562	9,726
Water supply	321,707	67,204	35,837
Construction	4,220,868	1,782,106	1,255,371
Wholesale and retail trade	2,409,640	414,774	232,590
Transport and storage	1,226,432	196,698	94,041
Accommodation and food service activities	1,332,729	227,188	101,818
Information and communication	229,380	35,066	19,326
Real estate activities	2,682,531	1,074,755	632,031
Consulting, scientific, technical and similar activities	3,181,723	549,876	466,934
Administrative and support services activities	385,309	66,106	40,706
Public administration and defense, compulsory social security	1,181	55	78
Education	145,137	54,155	16,952
Human health services and social action activities	359,398	50,107	25,811
Arts, entertainment and recreation	189,471	23,787	10,826
Other services	505,696	39,607	53,646
Public administrations	7,093,117	77,315	10,238
Other financial activities	588,212	297,615	125,162
Households - housing with mortgage of the property	27,992,726	1,734,327	544,418
Households - housing	1,461,586	86,817	56,666
Households - others	1,336,008	602,827	484,380
	59,810,942	**7,872,992**	**4,555,961**

Information on the fair value of collateral underlying the non-financial corporations and households credit portfolio: of which mortgage loans with a pledge on the property at December 31, 2018, is as follows:

	31-12-2018													
	<0.5 M€		≥ 0.5 M€ e < 1 M€		≥ 1 M€ e < 5 M€		≥ 5 M€ e < 10 M€		≥ 10 M€ e < 20 M€		≥ 20 M€ e < 50 M€		>= 50 M€	
	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals
Fair value														
Non-financial institutions	790,968	553,577	624,891	368,773	2,031,455	1,112,152	896,320	452,417	634,694	406,731	1,265,952	693,088	940,014	323,883
Non-financial institutions - Commercial real estate	256,131	227,489	207,571	130,786	733,605	401,559	342,245	152,995	344,173	266,740	675,505	355,017	660,014	323,715
Households - Loans with mortgage Property	51,222,515	38,813,726	1,388,577	813,190	439,050	193,538	202,752	3,949	248,417	5,229	180,952	808	78,339	44
	52,269,615	**39,594,793**	**2,221,038**	**1,312,750**	**3,204,110**	**1,707,249**	**1,441,318**	**609,361**	**1,227,283**	**678,700**	**2,122,409**	**1,048,913**	**1,678,368**	**647,641**

Information on the restructured loan portfolio by the application of the deferral method (Forborne) at December 31, 2018 and 2017, was as follows:

	31-12-2018										
	Performing loans			Non-performing loans				Total			
	Number of operations	Exposure	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective
Measure											
Credit term extension	1,322	397,786	5,930	3,258	538,818	140,735	82,435	4,580	936,604	140,735	88,365
Grace period	269	198,326	1,683	707	101,740	10,226	23,873	976	300,067	10,226	25,556
Interest rate changes	196	452,701	2,963	619	866,360	548,681	28,984	815	1,319,060	548,681	31,947
Other	3,592	1,016,691	24,217	8,002	1,123,957	386,501	198,223	11,594	2,140,649	386,501	222,439
	5,379	**2,065,505**	**34,792**	**12,586**	**2,630,876**	**1,086,144**	**333,516**	**17,965**	**4,696,381**	**1,086,144**	**368,308**

	31-12-2017										
	Performing loans			Non-performing loans				Total			
	Number of operations	Exposure	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective
Measure											
Credit term extension	2,216	396,863	10,133	3,974	781,307	263,252	106,289	6,190	1,178,170	263,252	116,422
Grace period	335	281,486	24,140	923	195,032	21,726	29,538	1,258	476,518	21,726	53,678
Interest rate changes	199	325,718	5,943	857	1,288,240	803,090	78,029	1,056	1,613,958	803,090	83,972
Other	2,732	1,557,979	40,672	5,610	1,378,792	492,202	210,641	8,342	2,936,772	492,202	251,312
	5,482	**2,562,047**	**80,889**	**11,364**	**3,643,371**	**1,580,271**	**424,496**	**16,846**	**6,205,417**	**1,580,271**	**505,385**

Information on inclusions in and exits from the deferred credit portfolio (Forborne) for the period ended December 31, 2018, is given below:

Balance of restructured loans at 31-12-2017	**6,205,417**
New restructured loans	460,325
Accrued interest of the restructured loans	16,859
Restructured loans liquidation (partial or total)	(1,553,139)
Reclassifyed loans from "restructured" to "normal"	(72,601)
Other	(360,482)
Balance of restructured loans at 31-12-2018	**4,696,381**

Information on the credit portfolio by LTV ratio at December 31, 2018 and 2017, is set out below:

	31-12-2018					
	Exposure			Impairment		
Segment / Ratio	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**16,086,487**	**3,139,136**	**19,225,622**	**315,393**	**1,959,384**	**2,274,777**
With no associated collateral	7,496,851	638,835	8,135,687	213,328	521,490	734,818
< 60%	6,437,590	1,942,266	8,379,856	71,074	1,148,472	1,219,546
>= 60% and < 80%	625,392	201,560	826,952	5,081	117,486	122,566
>= 80% and < 100%	549,503	115,923	665,426	5,155	53,868	59,023
>= 100%	977,150	240,551	1,217,702	20,756	118,067	138,824
Commercial real estate	**3,522,044**	**1,392,671**	**4,914,716**	**68,722**	**845,635**	**914,357**
With no associated collateral	972,405	96,802	1,069,207	36,613	107,432	144,045
< 60%	1,943,439	1,012,687	2,956,125	26,796	584,933	611,729
>= 60% e < 80%	239,081	95,654	334,735	2,362	44,521	46,883
>= 80% e < 100%	200,082	64,468	264,551	1,555	29,549	31,104
>= 100%	167,038	123,060	290,098	1,396	79,200	80,596
Households - Loans with property mortgage	**25,745,570**	**1,116,746**	**26,862,316**	**39,842**	**356,600**	**396,441**
With no associated collateral	124,543	29,131	153,674	829	17,577	18,406
< 60%	13,949,475	456,500	14,405,974	22,095	162,106	184,201
>= 60% and < 80%	4,876,305	128,633	5,004,938	4,189	19,885	24,074
>= 80% and < 100%	6,259,443	269,747	6,529,190	9,439	62,219	71,658
>= 100%	535,804	232,736	768,540	3,290	94,812	98,102
Households - Consumption and other purposes	**2,034,601**	**621,518**	**2,656,119**	**16,052**	**487,311**	**503,363**
With no associated collateral	864,360	88,584	952,944	6,289	68,794	75,083
< 60%	588,763	416,715	1,005,479	4,399	360,997	365,396
>= 60% and < 80%	144,574	37,047	181,622	755	22,053	22,808
>= 80% and < 100%	155,522	37,129	192,651	813	14,106	14,920
>= 100%	281,381	42,042	323,423	3,795	21,362	25,156
Other financial institutions	**225,165**	**263,258**	**488,422**	**3,484**	**145,863**	**149,348**
With no associated collateral	53,558	114,954	168,512	299	109,007	109,306
< 60%	78,827	5,274	84,100	1,647	2,397	4,044
>= 60% and < 80%	40,489	141,521	182,011	165	33,056	33,221
>= 80% and < 100%	51,324	1,499	52,822	1,368	1,355	2,722
>= 100%	967	10	977	5	48	54
Government	**5,657,664**	**36,269**	**5,693,933**	**2,641**	**10,356**	**12,997**
With no associated collateral	3,032,101	5,587	3,037,687	878	3,019	3,896
< 60%	810,986	15,270	826,257	204	7,232	7,436
>= 60% and < 80%	180,991	8,852	189,843	406	65	471
>= 80% and < 100%	694,857	5,640	700,496	203	41	244
>= 100%	938,729	920	939,649	951	-	951
	49,749,486	5,176,926	54,926,412	377,412	2,959,515	3,336,927

Segment / Ratio	31-12-2017					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**16,265,201**	**5,074,091**	**21,339,292**	**214,865**	**3,120,232**	**3,335,096**
With no associated collateral	7,481,244	1,113,384	8,594,628	127,548	822,568	950,115
< 60%	6,405,585	2,733,555	9,139,140	67,943	1,580,567	1,648,510
>= 60% and < 80%	549,566	449,962	999,528	4,228	274,503	278,731
>= 80% and < 100%	761,986	393,261	1,155,247	6,256	270,694	276,951
>= 100%	1,066,821	383,929	1,450,750	8,890	171,899	180,789
Commercial real estate	**3,747,415**	**2,640,001**	**6,387,416**	**89,581**	**1,631,306**	**1,720,888**
With no associated collateral	1,108,468	210,185	1,318,653	54,232	169,456	223,688
< 60%	2,009,795	1,631,370	3,641,165	27,960	961,112	989,071
>= 60% e < 80%	171,595	347,537	519,133	1,985	214,716	216,702
>= 80% e < 100%	245,540	228,428	473,968	2,740	174,216	176,956
>= 100%	212,016	222,481	434,497	2,664	111,807	114,471
Households - Loans with property mortgage	**26,258,399**	**1,734,327**	**27,992,726**	**47,101**	**497,317**	**544,418**
With no associated collateral	111,836	21,793	133,629	966	17,814	18,780
< 60%	12,555,756	584,992	13,140,748	19,468	150,354	169,822
>= 60% and < 80%	5,410,987	204,824	5,615,811	7,926	33,456	41,381
>= 80% and < 100%	7,762,303	477,873	8,240,176	14,521	109,414	123,935
>= 100%	417,517	444,845	862,362	4,221	186,279	190,500
Households - Consumption and other purposes	**2,107,949**	**689,645**	**2,797,594**	**27,710**	**513,336**	**541,046**
With no associated collateral	911,456	112,641	1,024,097	11,293	85,083	96,376
< 60%	523,551	415,569	939,120	6,992	354,615	361,607
>= 60% and < 80%	163,305	36,507	199,812	1,369	16,420	17,789
>= 80% and < 100%	271,531	66,077	337,608	2,684	28,368	31,051
>= 100%	238,107	58,850	296,957	5,372	28,851	34,222
Other financial institutions	**290,598**	**297,615**	**588,212**	**3,508**	**121,654**	**125,162**
With no associated collateral	98,616	133,758	232,373	1,213	79,573	80,785
< 60%	53,833	(1,283)	52,550	1,648	10,191	11,839
>= 60% and < 80%	80,744	128,353	209,097	205	19,896	20,101
>= 80% and < 100%	18,884	21,724	40,608	346	8,990	9,336
>= 100%	38,520	15,064	53,584	96	3,004	3,101
Government	**7,015,802**	**77,315**	**7,093,117**	**1,144**	**9,094**	**10,238**
With no associated collateral	4,354,161	3,584	4,357,745	327	864	1,191
< 60%	808,102	17,420	825,522	240	27	267
>= 60% and < 80%	285,679	23,881	309,560	344	626	970
>= 80% and < 100%	641,140	16,350	657,489	227	645	873
>= 100%	926,721	16,081	942,802	6	6,932	6,938
	51,937,950	7,872,992	59,810,942	294,327	4,261,634	4,555,961

Information on the fair value and net accounting value of property received in kind or repossessed by type of assets and seniority is set out below:

Asset	31-12-2018		
	Number of real estate	Fair value of assets	Book value
Land			
Urban	397	157,695	72,091
Rural	45	2,575	874
Under construction buildings			
Commercial	2	673	174
Housing	297	25,845	18,170
Other	75	13,678	11,426
Concluded buildings			
Commercial	341	98,473	29,059
Housing	2,690	238,593	179,323
Other	1,380	219,013	122,313
	5,227	756,545	433,430

Time elapsed since the initial recognition / repossesssion	31-12-2018				
	< 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	2,792	21,217	18,701	29,381	72,091
Rural	63	662	40	108	874
Under construction buildings					
Commercial	-	-	-	174	174
Housing	3,494	7,210	3,458	4,007	18,170
Other	1,979	8,979	352	116	11,426
Concluded buildings					
Commercial	4,289	3,767	7,505	13,498	29,059
Housing	76,972	49,307	40,120	12,924	179,323
Other	34,055	74,295	13,963	-	122,313
	123,644	165,439	84,139	60,208	433,430

Asset	31-12-2017		
	Number of real estate	Fair value of assets	Book value
Land			
Urban	733	141,159	80,127
Rural	112	12,664	2,409
Under construction buildings			
Commercial	4	2,690	2,292
Housing	557	74,648	41,879
Other	164	17,705	11,179
Concluded buildings			
Commercial	606	163,535	125,738
Housing	3,453	326,600	197,639
Other	1,960	163,546	96,218
	7,589	902,547	557,481

Time elapsed since the initial recognition / repossesssion	31-12-2017				
	< 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	21,377	10,051	38,999	9,700	80,127
Rural	564	727	546	572	2,409
Under construction buildings					
Commercial	-	-	2,268	24	2,291
Housing	13,006	13,512	9,938	5,422	41,877
Other	6,416	1,939	1,018	1,806	11,179
Concluded buildings					
Commercial	71,033	9,604	27,227	17,875	125,739
Housing	74,283	57,149	51,267	14,941	197,641
Other	35,759	29,214	23,461	7,783	96,217
	222,438	122,195	154,723	58,124	557,481

Explanatory notes on 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:

1. "Government" – 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;

2. "Corporate" – non-financial corporations sector, comprising institutional units with their own legal personality whose principal activity consists of producing non-financial goods and services; and,

3. "Construction CRE" – non-financial corporations ("corporates") whose economic activity is related to the "construction" or "property activities" sectors, according to the respective *CAE* (classification of economic activities) Release 3.

4. Household sector – includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies.

5. Also included are the self-employed who are members of individual companies and companies of persons not having a legal personality which are mercantile producers.

6. “Individuals − housing” – household sector comprising mortgage loans;

7. “Retail customers - consumption and other purposes” – household sector not comprising mortgage loans (usually consumer credit); and,

8. “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 analysis – difference between credit with individual and collective impairment in accordance with the impairment model.

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but which may also imply a restriction on asset growth, and (ii) in the prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution’s financial assets and liabilities. Liquidity risk may be exemplified by the impossibility of achieving a quick sale of a financial asset at close to its fair value.

According to the requirements of IFRS 7 - "Financial instruments: disclosures”, the contractual periods to maturity of financial instruments, at December 31, 2018 and 2017, were as follows:

	31-12-2018									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	5,606,735	-	-	-	-	-	-	-	-	5,606,735
Cash balances at other credit institutions	1,012,427	-	-	-	-	-	-	-	-	1,012,427
Loans and advances to credit institutions	1,492,770	214,753	148,064	279,899	2,821	2,647	6,654	42,134	28,930	2,218,674
Securities										
Trading	154	810,477	736,040	3,750,834	2,572	14,671	19,872	2,758	736,683	6,074,061
Other (net of impairment)	90,094	158,951	278,019	446,387	1,397,661	2,749,880	4,286,902	283,816	1,964,454	11,656,164
Loans and advances to customers (gross)	2,643,588	2,313,091	4,273,176	3,148,324	10,446,542	7,688,406	12,186,533	20,881,089	168,863	63,749,613
Assets with repurchase agreement	-	-	-	2,258	4,523	49,517	-	-	10,009	66,307
Hedging derivatives	-	-	-	-	-	-	-	-	5,524	5,524
	10,845,768	3,497,273	5,435,299	7,627,703	11,854,120	10,505,121	16,499,961	21,209,797	2,914,464	90,389,505
Liabilities										
Resources of central banks and credit institutions	(666,261)	(175,213)	(60,682)	(361,738)	(135,958)	(415,723)	-	-	(7,538)	(1,823,113)
Customer resources and other loans	(35,165,108)	(8,636,540)	(12,986,433)	(4,005,902)	(2,084,587)	(252,357)	(435,553)	(9,614)	1,248	(63,574,845)
Debt securities	(823,730)	(76)	(452)	(34,292)	(1,191,256)	(1,260,166)	(17,919)	(20,050)	3,139	(3,344,803)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(737,818)	(737,818)
Hedging derivatives	-	-	-	-	-	-	-	-	(3,690)	(3,690)
Subordinated liabilities	-	(6,063)	(573,619)	-	(70,521)	(70,425)	(776,255)	-	-	(1,496,883)
Consigned resources	(7,988)	(1,721)	(19,543)	(54,367)	(138,903)	(410,203)	(354,372)	(17,685)	(53)	(1,004,834)
	(36,663,088)	(8,819,612)	(13,640,729)	(4,456,298)	(3,621,224)	(2,408,874)	(1,584,099)	(47,348)	(50,575)	(71,985,985)
Derivatives	755	7,467	14,720	30,760	72,395	81,914	179,381	390,963	-	778,355
Difference	(25,816,565)	(5,314,872)	(8,190,709)	3,202,164	8,305,290	8,178,161	15,095,243	21,553,411	2,863,889	19,181,875

	31-12-2017									
	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	4,620,844	-	-	-	-	-	-	-	-	4,620,844
Cash balances at other credit institutions	697,092	-	-	-	-	-	-	-	-	697,092
Loans and advances to credit institutions	2,140,206	172,403	157,426	465,225	4,432	6,508	6,684	43,541	54,663	3,051,087
Securities										
Trading	41	426,573	466,482	4,233,349	3,710	3,226	9,326	3,817	997,402	6,143,926
Other (net of impairment)	80,603	232,450	392,373	626,985	999,704	2,944,022	3,094,868	495,942	1,965,426	10,832,373
Loans and advances to customers (gross)	2,764,836	2,647,184	3,846,822	3,279,205	12,153,896	9,561,868	12,889,322	22,267,206	191,836	69,602,175
Assets with repurchase agreement	-	-	81	669	1,503	51,501	-	-	2,849	56,602
Hedging derivatives	-	-	-	-	-	-	-	-	7,413	7,413
	10,303,622	3,478,610	4,863,184	8,605,433	13,163,244	12,567,126	16,000,199	22,810,506	3,219,588	95,011,513
Liabilities										
Resources of central banks and credit institutions	(1,091,068)	(116,378)	(72,459)	(213,349)	(2,139,886)	(450,000)	-	-	(10,933)	(4,094,073)
Customer resources and other loans	(31,333,683)	(7,480,336)	(11,012,214)	(6,853,464)	(5,888,763)	(680,624)	(559,224)	(4,082)	(152,244)	(63,964,635)
Debt securities	(851,807)	(73)	(427)	(23,386)	(1,955,016)	(1,331,436)	(17,110)	(20,050)	3,039	(4,196,267)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	(5,459)	(5,459)
Subordinated liabilities	(35)	(6,835)	(8,401)	(384,393)	(560,511)	(30,543)	(30,332)	(106,080)	256	(1,126,872)
Consigned resources	(751)	(882)	(19,542)	(53,677)	(145,760)	(130,761)	(538,839)	(20,842)	(689)	(911,744)
	(33,277,343)	(7,604,503)	(11,113,043)	(7,528,270)	(10,689,936)	(2,623,365)	(1,145,505)	(151,054)	(166,030)	(74,299,049)
Derivatives	(2,424)	875	428	19,439	30,892	47,274	120,966	209,130	-	426,581
Difference	(22,976,144)	(4,125,018)	(6,249,431)	1,096,602	2,504,200	9,991,036	14,975,660	22,868,582	3,053,557	21,139,045

The above tables also include cash flow projections on capital and interest and are not therefore directly comparable to the accounting balances at December 31, 2018 and 2017. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective reference dates.

In the special case of mortgage loans, the distribution of capital and interest flows took into consideration expectations of early repayment rates assessed on an analysis of the past performance of operations and the present macroeconomic context.

The following tables, which contain information on CGD Group's "structural" (as opposed to contractual) periods to maturity, at December 31, 2018 and 2017, differ from the former tables in their use of the following assumptions:

a) 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;

b) Customers' sight deposits: reallocation of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to the up to 6 years buckets based on a uniform distribution of balances. This approach endeavours to correspond to the recommendations of the BCBS (Basel Committee on Banking Supervision), namely as regards the average and maximum maturity of core deposits; and

c) Term deposits and savings accounts (CGD HQ): reallocation of balances by buckets in accordance with an estimation model on their expected average useful lives.

The amounts presented also correspond to outstanding capital balances and do not include interest projections or accrued interest.

	21-12-2018									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	5,606,735									5,606,735
Cash balances at other credit institutions	1,012,416	-	-	-	-	-	10	-	-	1,012,427
Loans and advances to credit institutions	1,490,059	213,148	146,752	279,229	184	3	18	39,013	28,941	2,197,348
Securities										
Trading	3,311,062	143,643	110,590	640,567	120	1,934	2,646	2,086,768	(229,442)	6,067,887
Other (net of impairment)	2,839,241	62,865	143,751	244,901	517,860	1,428,960	2,159,261	1,793,914	1,150,659	10,341,411
Loans and advances to customers (gross)	2,512,982	2,148,846	4,012,040	2,685,165	8,876,007	6,308,877	9,208,783	16,039,969	158,863	51,951,532
Assets with repurchase agreement	55,009	-	-	-	-	-	-	-	-	55,009
	16,827,505	2,568,501	4,413,132	3,849,861	9,394,171	7,739,774	11,370,719	19,959,664	1,109,021	77,232,348
Liabilities										
Resources of central banks and credit institutions	(664,129)	(165,006)	(59,388)	(349,217)	(101,994)	(400,544)	-	-	(7,538)	(1,747,816)
Customer resources and other loans	(18,648,733)	(9,061,408)	(13,657,392)	(5,364,075)	(7,580,300)	(5,756,988)	(3,181,938)	(2,701)	(87,337)	(63,340,873)
Debt securities	(749,000)	-	-	(32,000)	(1,125,045)	(1,249,600)	(17,919)	(20,050)	3,139	(3,190,476)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(737,818)	(737,818)
Subordinated liabilities	-	-	(536,729)	-	-	-	(600,000)	-	-	(1,136,729)
Consigned resources	-	-	-	-	-	-	-	-	(967,404)	(967,404)
	(20,061,862)	(9,226,414)	(14,253,508)	(5,745,292)	(8,807,340)	(7,407,132)	(3,799,857)	(22,751)	(1,796,959)	(71,121,115)
Difference	(3,234,357)	(6,657,913)	(9,840,376)	(1,895,431)	586,831	332,642	7,570,862	19,936,913	(687,938)	6,111,233

	31-12-2017									
	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	4,620,844	-	-		-	-	-	-	-	4,620,844
Cash balances at other credit institutions	696,886	-	-	-	-	-	-	-	206	697,092
Loans and advances to credit institutions	2,137,210	171,229	155,453	464,505	1,769	2	17	38,997	54,663	3,023,847
Securities										
Trading	2,233,833	62,470	68,304	620,079	1,008,586	371	1,219	1,852,552	292,242	6,139,656
Other (net of impairment)	2,197,564	40,495	158,091	264,968	1,200,148	1,246,055	1,291,180	1,882,244	1,293,400	9,574,145
Loans and advances to customers (gross)	2,634,233	2,470,663	3,560,200	2,757,989	10,283,746	6,769,308	9,695,235	16,827,827	191,836	55,191,037
Assets with repurchase agreement	50,000	-	-	-	-	-	-	-	2,849	52,849
	14,570,571	2,744,856	3,942,048	4,107,541	12,494,249	8,015,738	10,987,650	20,601,621	1,835,195	79,299,469
Liabilities										
Resources of central banks and credit institutions	(1,090,177)	(106,476)	(71,488)	(202,010)	(2,101,188)	(450,000)	-	-	(10,933)	(4,032,271)
Customer resources and other loans	(16,412,169)	(7,848,758)	(11,591,643)	(8,031,670)	(10,808,520)	(5,655,655)	(3,037,129)	(2,405)	(156,755)	(63,544,704)
Debt securities	(749,000)	-	-	(20,000)	(1,822,429)	(1,331,092)	(17,110)	(20,050)	3,039	(3,956,643)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	(766)	-	(376,145)	(539,576)	(209)	-	(100,000)	256	(1,016,439)
Consigned resources	-	(864)	(18,841)	(50,284)	(136,004)	(123,006)	(531,083)	(20,000)	(689)	(880,771)
	(18,251,345)	(7,956,865)	(11,681,972)	(8,680,108)	(15,407,718)	(7,559,961)	(3,585,323)	(142,455)	(165,082)	(73,430,829)
Difference	(3,680,775)	(5,212,008)	(7,739,924)	(4,572,566)	(2,913,470)	455,777	7,402,327	20,459,166	1,670,114	5,868,640

Interest rate risk

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may change as the result of a change in market interest rates.

Short term or accounting perspective

Interest rate gap

Information on financial instruments exposed to interest rate risk, based on their maturity or interest re-fixing date, at December 31, 2018 and 2017, is set out in the following tables:

	31-12-2018								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	5,606,735	-	-	-	-	-	-	0	5,606,735
Cash balances at other credit institutions	1,012,426	0	-	-	-	-	-	0	1,012,427
Loans and advances to credit institutions	924,203	566,856	213,126	146,751	279,228	2,672	38,062	26,450	2,197,348
Securities									
Trading	-	100	810,245	736,000	3,750,250	1,692	33,790	43,105	5,375,183
Other (net of impairment)	14,259	201,670	84,210	219,944	284,434	818,706	6,494,438	886,805	9,004,467
Loans and advances to customers (gross)	2,603,753	12,378,956	15,491,537	12,360,868	3,281,915	1,964,176	3,504,748	365,579	51,951,532
Assets with repurchase agreement	-	-	-	-	-	-	45,000	10,009	55,009
	10,161,376	13,147,583	16,599,117	13,463,564	7,595,828	2,787,246	10,116,038	1,331,949	75,202,700
Liabilities									
Resources of central banks and credit institutions	(381,230)	(283,754)	(715,006)	(59,388)	(298,790)	(1,566)	(544)	(7,538)	(1,747,816)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	(737,818)	(737,818)
Customer resources and other loans	(30,078,218)	(5,072,692)	(9,699,864)	(13,155,760)	(3,269,922)	(1,855,069)	(112,926)	(96,423)	(63,340,873)
Debt securities	-	(749,000)	(250,000)	-	(72,000)	(1,085,045)	(1,037,569)	3,139	(3,190,476)
Subordinated liabilities	-	-	-	(536,729)	-	-	(600,000)	-	(1,136,729)
Consigned resources	(7,258)	-	(238,316)	-	(16,840)	(34,365)	(670,573)	(53)	(967,404)
	(30,466,706)	(6,105,446)	(10,903,185)	(13,751,876)	(3,657,551)	(2,976,046)	(2,421,611)	(838,693)	(71,121,115)
Derivatives									
Interest Rate Swaps (IRSs)	2,244,608	59,712	(858,905)	293,137	686,792	(142,566)	(2,233,465)	-	49,312
Interest rate futures	-	-	(32,977)	(2,505,489)	(2,254,645)	-	(1,247,284)	-	(6,040,396)
Forward Rate Agreements (FRAs)	-	-	-	-	-	-	-	-	-
Interest rate options	-	8,649	46,211	6,383	-	63,346	21,793	-	146,382
	2,244,608	68,361	(845,672)	(2,205,969)	(1,567,853)	(79,220)	(3,458,957)	-	(5,844,702)
Net exposure	(18,060,721)	7,110,497	4,850,260	(2,494,282)	2,370,424	(268,020)	4,235,470	493,256	(1,763,117)

	31-12-2017								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	4,620,844	-	-	-	-	-	-	-	4,620,844
Cash balances at other credit institutions	697,092	-	-	-	-	-	-	-	697,092
Loans and advances to credit institutions	2,020,471	117,515	171,244	155,665	464,483	1,750	38,055	54,663	3,023,847
Securities									
Trading	-	-	426,850	466,300	4,233,195	2,739	11,010	35,852	5,175,946
Other (net of impairment)	71,305	249,448	318,368	443,283	431,571	464,834	5,387,254	2,208,082	9,574,145
Loans and advances to customers (gross)	2,859,972	13,127,424	16,753,318	13,816,530	3,147,943	1,651,673	3,640,175	194,002	55,191,037
Assets with repurchase agreement	-	-	-	-	-	-	50,000	2,849	52,849
	10,269,684	13,494,386	17,669,780	14,881,778	8,277,192	2,120,997	9,126,495	2,495,448	78,335,760
Liabilities									
Resources of central banks and credit institutions	(708,641)	(381,536)	(656,476)	(71,488)	(202,010)	(2,001,188)	-	(10,933)	(4,032,271)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Customer resources and other loans	(27,648,449)	(4,853,821)	(9,118,490)	(12,006,331)	(5,972,499)	(3,618,525)	(241,232)	(85,358)	(63,544,704)
Debt securities	-	(749,000)	(250,000)	-	(82,000)	(1,760,429)	(1,118,252)	3,039	(3,956,643)
Subordinated liabilities	-	(5,936)	(975)	(536,729)	(373,057)	-	(100,000)	256	(1,016,439)
Consigned resources	-	-	(291,687)	-	(16,618)	(33,906)	(537,872)	(689)	(880,771)
	(28,357,090)	(5,990,292)	(10,317,627)	(12,614,548)	(6,646,183)	(7,414,048)	(1,997,356)	(93,685)	(73,430,829)
Derivatives									
Interest Rate Swaps (IRSs)	5,561,733	(379,409)	(1,239,467)	(1,129,296)	(1,494,663)	756,110	(2,053,380)	-	21,627
Interest rate futures	-	-	(1,538,726)	(1,100,000)	-	-	-	-	(2,638,726)
Forward Rate Agreements (FRAs)	-	-	-	-	-	-	-	-	-
Interest rate options	-	5,306	347,884	(330,588)	(173,600)	(112,831)	57,144	-	(206,685)
	5,561,733	(374,103)	(2,430,310)	(2,559,885)	(1,668,263)	643,279	(1,996,236)	-	(2,823,784)
Net exposure	(12,525,673)	7,129,991	4,921,843	(292,654)	(37,254)	(4,649,773)	5,132,903	2,401,763	2,081,147

The above tables include the amounts of outstanding capital, excluding accrued interest and value adjustments.

Their production was based on the following assumptions:

a) Cash balances at central banks were classified in the up to 1 month column and customers' sight deposits were classified in the "<= 7 days" column;

b) The difference between the nominal and market value of debt securities recognised at fair value is considered in the "indeterminate" column and includes the accrued interest component; and

c) Equity instruments were classified in the "indeterminate" column.

Sensitivity analysis

The following table demonstrates the effect of a parallel shift of benchmark interest rate yield curves of ±50, ±100 e ±200 bps on CGD Group's net interest income projections for 2019 and 2018, respectively. The estimates were obtained from the interest rate gap and are therefore, particularly conservative, in a macroeconomic environment of negative interest rates.

As, up to December 31, 2017disclosures did not consider the "negative market indexer" effect, in order to ensure the comparability of information, estimates of the impacts on net interest income for 2018 were re-expressed in conformity with the methodology now being applied.

ESTIMATED CHANGE IN NET INTEREST INCOME

	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2018	(295,406)	(147,703)	(73,851)	73,851	147,703	295,406
2019	(265,238)	(132,619)	(66,310)	66,310	132,619	265,238

The analysis set out in the above table, at December 31, 2018, excludes the effect of the parallel shifts in the reference interest rates curve on net interest income for the operations of the Timor branch. At December 31, 2017, the sensitivity analysis also excluded the operations of the Zhuhai branch.

The information set out in the preceding table does not take into consideration structural balance sheet changes or interest rate risk management policies which may be adopted as a consequence of analyses of the performance of sensitivity analyses.

Long term or economic perspective – fair value

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at December 31, 2018 and 2017.

	31-12-2018					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	5,606,735	-	5,606,735	-	-	5,606,735
Cash balances at other credit institutions	1,014,098	-	1,014,098	-	-	1,014,098
Loans and advances to credit institutions	2,175,741	-	2,188,194	12,454	17,282	2,193,022
Financial assets with repurchase agreement	55,009	-	55,009	-	-	55,009
Held-to-maturity investments	3,794,165	-	3,732,157	(62,008)	125,802	3,919,967
Loans and advances to customers	51,695,350	-	51,095,366	(599,984)	(105,864)	51,589,485
	64,341,097	-	63,691,559	(649,538)	37,219	64,378,317
Liabilities						
Resources of central banks and other credit institutions	(1,750,977)	-	(1,754,982)	(4,006)	(7,565)	(1,758,542)
Customer resources and other loans	(63,305,639)	-	(63,349,205)	(43,566)	(116,886)	(63,422,525)
Debt securities	(3,253,881)	(2,881,284)	(422,981)	(50,385)	(6,440)	(3,260,321)
Subordinated liabilities	(1,159,505)	(1,068,135)	(116,838)	(25,467)	(316)	(1,159,821)
Consigned resources	(967,397)	-	(989,194)	(21,797)	(7)	(967,404)
	(70,437,398)	(3,949,419)	(66,633,200)	(145,221)	(131,215)	(70,568,613)

	31-12-2017					
	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	4,620,893	-	4,620,893	-	-	4,620,893
Cash balances at other credit institutions	698,700	-	698,700	-	-	698,700
Loans and advances to credit institutions	2,961,982	-	2,977,940	15,958	66,711	3,028,694
Held-to-maturity investments	2,661,199	-	2,517,614	(143,585)	(34,380)	2,626,819
Loans and advances to customers	55,072,661	-	54,319,364	(753,297)	182,320	55,254,981
	66,015,436	-	65,134,512	(880,924)	214,651	66,230,087
Liabilities						
Resources of central banks and other credit institutions	(4,013,287)	-	(4,028,409)	(15,122)	(29,563)	(4,042,850)
Customer resources and other loans	(63,318,533)	-	(63,429,228)	(110,695)	(312,363)	(63,630,896)
Debt securities	(4,051,175)	(3,720,882)	(443,555)	(113,263)	(246)	(4,051,421)
Subordinated liabilities	(1,027,719)	(373,643)	(692,134)	(38,058)	(23)	(1,027,741)
Consigned resources	(880,708)	-	(891,269)	(10,561)	(63)	(880,771)
	(73,291,421)	(4,094,525)	(69,484,595)	(287,699)	(342,258)	(73,633,679)

Fair value was assessed on the following assumptions:

- The book value of balances payable on demand corresponds to their fair value;
- The fair value of Caixa's listed debt issuances (net), corresponds to their respective market price;

- The fair value of the remaining financial instruments is assessed on the basis of discounted cash flow models up to the maturity of the operations for both fixed and variable interest rate instruments. The contractual conditions of the operations as well as, for variable-rate instruments, the estimated future cash flows, incorporating the forward rates implicit in the yield curve in force on the respective reference dates were applied together with the use of appropriate discount curves for the type of instrument, including:

  → Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources; and

  → Market interest rates incorporating average spreads on new lending operations and customer deposits on like-for-like loans and deposits;

- The "Balances not analysed" column essentially includes:

  → Overdue credit, net of impairment; and,

  → The balances of several branches not included in Caixa's centralised calculation.

Sensitivity analysis

The impact of parallel shifts of ±50, ±100 and ±200 bps of the reference interest rates yield curves on the fair value of financial instruments sensitive to interest rate risk, excluding derivatives, at December 31, 2018 and 2017, is set out in the following tables:

	Fair Value						
	31-12-2018						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	5,636,845	5,636,187	5,635,861	5,635,537	5,635,214	5,634,893	5,634,256
Loans and advances to credit institutions	3,102,173	3,097,434	3,096,593	3,093,808	3,090,366	3,087,031	3,080,662
Securities							
Trading	5,468,462	5,434,439	5,417,096	5,399,539	5,382,032	5,364,710	5,330,604
Other	5,187,126	5,155,426	5,085,260	4,976,818	4,859,959	4,747,656	4,535,819
Held-to-maturity investments (gross)	3,755,813	3,746,261	3,709,599	3,636,590	3,553,731	3,473,845	3,322,452
Assets with repurchase agreement	68,463	68,428	68,411	67,375	66,163	64,986	62,728
Loans and advances to customers	51,830,735	51,848,737	51,691,266	51,541,325	51,392,260	51,262,714	51,026,040
Asset	**75,049,616**	**74,986,912**	**74,704,086**	**74,350,991**	**73,979,726**	**73,635,836**	**72,992,561**
Resources of central banks	(254,746)	(253,657)	(253,118)	(252,584)	(252,055)	(251,529)	(250,489)
Resources of other credit institutions	(1,293,102)	(1,291,920)	(1,291,335)	(1,292,778)	(1,292,304)	(1,291,830)	(1,290,886)
Customer resources and other loans	(64,053,094)	(63,874,013)	(63,776,968)	(63,546,805)	(63,237,608)	(62,935,192)	(62,349,382)
Debt securities	(3,351,174)	(3,337,468)	(3,330,164)	(3,315,006)	(3,290,484)	(3,267,208)	(3,222,001)
Subordinated liabilities	(1,824,024)	(1,818,838)	(1,799,015)	(1,773,154)	(1,743,107)	(1,714,190)	(1,659,525)
Liabilities	**(70,776,139)**	**(70,575,895)**	**(70,450,601)**	**(70,180,327)**	**(69,815,558)**	**(69,459,949)**	**(68,772,282)**
Market value	**4,273,476**	**4,411,017**	**4,253,485**	**4,170,664**	**4,164,168**	**4,175,887**	**4,220,279**

	Fair Value						
	31-12-2017						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	4,676,140	4,675,630	4,675,376	4,675,124	4,674,873	4,674,624	4,674,129
Loans and advances to credit institutions	3,507,805	3,501,424	3,499,502	3,495,649	3,491,557	3,487,615	3,480,142
Securities							
Trading	5,305,629	5,269,687	5,251,822	5,234,000	5,216,334	5,198,849	5,164,404
Other	6,797,153	6,746,400	6,663,147	6,522,991	6,381,786	6,246,299	5,991,000
Held-to-maturity investments (gross)	2,674,514	2,664,759	2,637,445	2,578,445	2,519,377	2,462,415	2,354,434
Assets with repurchase agreement	213,779	213,706	213,462	210,052	206,186	202,421	195,178
Loans and advances to customers	58,910,571	58,912,413	58,755,685	58,580,836	58,430,936	58,295,361	58,045,563
Asset	**82,085,592**	**81,984,018**	**81,696,439**	**81,297,097**	**80,921,050**	**80,567,584**	**79,904,850**
Resources of central banks	(3,522,889)	(3,515,810)	(3,512,316)	(3,493,178)	(3,457,885)	(3,423,205)	(3,355,629)
Resources of other credit institutions	(1,868,512)	(1,866,230)	(1,867,126)	(1,867,111)	(1,866,121)	(1,865,135)	(1,863,174)
Customer resources and other loans	(69,623,488)	(69,334,693)	(69,137,752)	(68,799,286)	(68,421,519)	(68,052,703)	(67,339,861)
Debt securities	(4,267,622)	(4,254,572)	(4,247,501)	(4,217,193)	(4,177,982)	(4,140,222)	(4,067,040)
Subordinated liabilities	(1,711,543)	(1,704,560)	(1,696,799)	(1,681,364)	(1,663,734)	(1,646,606)	(1,613,775)
Liabilities	**(80,994,054)**	**(80,675,864)**	**(80,461,493)**	**(80,058,132)**	**(79,587,240)**	**(79,127,871)**	**(78,239,480)**
Market value	**1,091,538**	**1,308,154**	**1,234,946**	**1,238,965**	**1,333,810**	**1,439,713**	**1,665,370**

The analysis set out in the above table at December 31, 2017, excluded the effect of parallel shifts of the respective benchmark yield curves on the fair value of the operations of the Timor branches.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at December 31, 2018 and 2017, may be summarised as follows:

	31-12-2018			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	5,371,778	3,405	-	5,375,183
Securities at fair value through profit or loss	172,335	-	1,370,992	1,543,327
Available-for-sale financial assets	4,233,701	227,328	365,138	4,826,167
Assets with repurchase agreement	55,009	-	-	55,009
Trading derivatives	-	(54,625)	9,511	(45,114)
Hedging derivatives	-	1,834	-	1,834
	9,832,822	177,942	1,745,641	11,756,405

	31-12-2017			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	5,175,534	413	-	5,175,946
Securities at fair value through profit or loss	229,756	-	423,412	653,168
Available-for-sale financial assets	3,966,454	780,441	1,415,183	6,162,078
Assets with repurchase agreement	52,849	-	-	52,849
Trading derivatives	-	(511,163)	414,533	(96,630)
Hedging derivatives	-	1,954	-	1,954
	9,424,593	271,645	2,253,128	11,949,365

The preparation of the above table was based on the following criteria:

- **Level 1** – Market prices – this column includes financial instruments measured on the basis of prices in active markets;

- **Level 2** – <u>Measurement techniques</u> – observable market input – this column includes financial instruments whose value is measured on the basis of internal models using observable market input (interest rates, exchange rates, ratings of external entities, other). It also includes financial instruments measured on the basis of the bid prices supplied by external counterparties; and,

- **Level 3** – <u>Other measurement techniques</u> – this column includes financial instruments whose value is measured on the basis of internal models, prices supplied by external entities including non-observable market parameters or NAV (net asset value) supplied by restructuring or closed-end fund management companies.

Information on movements in financial instruments, classified in the "Other measurement techniques" column, in 2018 and 2017, is set out below:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2017	423,412	-	423,412	842,982	141,911	430,289	1,415,183	414,533	2,253,128
Transition to IFRS9	733,493	82	733,575	(675,018)	(806)	-	(675,824)	-	57,751
Changes in consolidation perimeter	-	-	-	-	-	-	-	-	-
Acquisitions	613,402	-	613,402	15,741	4,320	184,601	204,662	9,248	827,311
Amortisations	(324,837)	-	(324,837)	(58,693)	(140,816)	(17,400)	(216,909)	(368,196)	(909,942)
Sales	-	-	-	-	(2,410)	(259,079)	(261,489)	-	(261,489)
Gains / (losses) recognised as a charge to net income - alienated instruments	22,128	-	22,128	7,377	4,355	(4,085)	7,647	-	29,775
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	(95,079)	3	(95,077)	(775)	(1,656)	3,281	850	(46,073)	(140,299)
Impairment for the year			-				-	-	-
Gains / (losses) recognised as a charge to fair value reserves	(654)	-	(654)	3,724	(439)	(28,116)	(24,831)	-	(25,485)
Transfers from / (to) other levels (Levels 1 and 2)	(1,059)	-	(1,059)	43,875	-	(1,510)	42,366	-	41,307
Transfers from / (to) other accounting captions	-	-	-	26	-	(133,618)	(133,592)		(133,592)
Exchange differences	102	-	102	598	-	3,580	4,178	-	4,280
Other	-	-	-	2,490	-	409	2,898	-	2,898
Book value (net) at 31-12-2018	1,370,908	85	1,370,992	182,327	4,459	178,351	365,138	9,511	1,745,641

[*] Includes values of equity unit redemption portfolios

	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)	-	-	-	-	-	(687)
Acquisitions	3,681	-	3,681	47,344	-	331,910	379,255	273,551	656,487
Amortisations	(42,759)	(7,123)	(49,882)	(61,483)	(180,702)	(19,585)	(261,771)	(348,525)	(660,177)
Sales	-	-	-	-	(39,384)	(275,595)	(314,979)	-	(314,979)
Gains / (losses) recognised as a charge to net income - alienated instruments	7,943	2,167	10,110	(1,269)	424	13,944	13,099	-	23,209
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	1,216	-	1,216	(1,545)	10,501	5,097	14,053	(11,587)	3,682
Impairment for the year	-	-	-	(17,270)	746	-	(16,524)	-	(16,524)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(5,803)	33,623	29,773	57,592	-	57,592
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	-	(9,315)	(9,315)	-	(9,315)
Transfers from / (to) other accounting captions	-	-	-	(1,198)	-	-	(1,198)	-	(1,198)
Exchange differences	(5,947)	(13)	(5,960)	(1,962)	-	9,506	7,543	-	1,583
Other	-	-	-	(92)	(7)	(4)	(104)	-	(104)
Book value (net) at 31-12-2017	423,412	-	423,412	842,982	141,911	430,289	1,415,183	414,533	2,253,128

[*] Includes values of equity unit redemption portfolios

A positive shift of 100 bps on the interest rate curve used to discount expected future flows on debt instruments measured by internal models, at December 31, 2018 and 2017, would result in decreases of around €4 thousand and €73 thousand in fair value in the balance sheet and fair value reserves and profit and loss, respectively.

Equity instruments measured by other measurement techniques (Level 3), at December 31, 2018, essentially included investment structures measured on the basis of data on the net value of the underlying assets (net asset value) supplied by the management bodies or other information services providers.

Transfers between levels 1 and 2 of the fair value ranking in 2018 and 2017 were as follows:

	31-12-2018			31-12-2017	
	Securities at fair value through profit or loss	Available-for-sale financial assets		Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	-	81,357	47,149	45,150	20,914
Equity investments	269	-	-	-	-
	269	81,357	47,149	45,150	20,914

Derivatives

Derivatives are traded in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured using commonly accepted theoretical, reasonably complex models, depending on the characteristics of the product in question:

- Discounted future cash flows based on an adequate yield curve; and
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

The type of input necessary for the measurement also depends upon the characteristics of the operations, but generally includes yield curves, volatility curves, equity/indices prices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available on future cash flows, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of implicit volatilities in the prices of listed options on the underlying asset. Past volatility is calculated on the basis of the historical price series of its component parts if there are no listed options for an underlying asset.

Prices of shares/indices, exchange rates and dividend yields are provided by Reuters/Bloomberg.

According to IFRS 13 − "Fair value measurement" requirements, Caixa incorporated add-ons to its measurement of the said financial instruments to reflect its own credit risk based on a market discount curve considered to reflect the associated risk profile. At the same time and based on its current exposure, the Group has adopted a similar methodology to reflect counterparty credit risk on derivatives with positive fair value. The fair value thus obtained comprises the risk-free measurement affected by this addition.

CVAs/DVAs are assessed on the basis of a methodology implemented on a Caixa Geral de Depósitos Group level. This methodology is based on the estimation of exposure at the time of default − EAD (“exposure at default”) – on each operation and the application of risk parameters on EAD estimates in order to assess CGD’s (CVA) and the counterparty’s (DVA) expected loss. In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the future potential exposure of the operations. For the remaining products, EAD usually corresponds to the instrument’s fair value on the reference date.

The risk parameters consist of PDs (probabilities of default) or LGDs (loss given defaults) and are centrally assessed by the Group on the basis of the following criteria:

- For counterparties or projects with listed debt or available credit default swap prices, the Group infers the prices’ underlying risk parameters and uses them in the calculation; and
- The remaining counterparties or projects are classified on the basis of their creditworthiness based on a set of quantitative and qualitative criteria, resulting in an internal rating the Group matches to a historical PD.

The value of CVAs (credit value adjustments) at December 31, 2018, recognised In the "Financial assets held-for-trading" account and DVAs (debit value adjustments) recognised in the "Financial liabilities held-for-trading" account totalled €17,445 thousand and €495 thousand respectively (€32,192 thousand and €441 thousand, respectively, at December 31, 2017).

Debt instruments of financial and non-financial entities

Whenever possible, these securities are measured at market prices, based on an internally developed algorithm. This algorithm endeavours to obtain the most appropriate price for each security in accordance with a range 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 theoretical internal/external measurement techniques that 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 FRAs (interest rate futures) to a CLO (collateralised loan obligation) cascade payment.

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 greater exposure, at December 31, 2018 and 2017, were as follows:

	31-12-2018			31-12-2017		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.4300	2.2700	0.7450	-0.4300	1.4300	0.4450
1 month	-0.4100	2.5900	0.8200	-0.4200	1.6300	0.4900
2 months	-0.3872	2.6400	0.8800	-0.3999	1.6600	0.5300
3 months	-0.3633	2.6854	0.9190	-0.3796	1.7354	0.5680
6 months	-0.2913	2.7064	0.9349	-0.3170	1.7637	0.5723
9 months	-0.2765	2.7105	0.9624	-0.3006	1.8326	0.6098
1 year	-0.2562	2.7136	0.9873	-0.2755	1.8993	0.6485
2 years	-0.1890	2.6444	1.0666	-0.1634	2.0798	0.7705
3 years	-0.0733	2.5910	1.2051	0.0074	2.1580	0.8933
5 years	0.1965	2.6010	1.2895	0.3144	2.2390	1.0440
7 years	0.4668	2.6450	1.3492	0.5630	2.3040	1.1535
10 years	0.8089	2.7340	1.4281	0.8837	2.3870	1.2853
15 years	1.1669	2.8240	1.5109	1.2447	2.4745	1.4184
20 years	1.3239	2.8530	1.5415	1.4107	2.5170	1.4664
25 years	1.3702	2.8550	1.5450	1.4717	2.5250	1.4592
30 years	1.3792	2.8520	1.5368	1.4937	2.5180	1.4402

Credit curve values are obtained from the Bloomberg/Refinitiv (ex Thomson Reuters) system and are assessed on the prices of a series of securities complying with the currency/sector/rating trinomial.

The values of the credit curve of the Portuguese and German governments, at December 31, 2018 and 2017, were as follows:

	31-12-2018		31-12-2017	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.4820	-1.0110	-0.4590	-0.8280
6 months	-0.4172	-0.8410	-0.3933	-0.8070
9 months	-0.3995	-0.6725	-0.3699	-0.7290
1 year	-0.4004	-0.6160	-0.3369	-0.7285
2 years	-0.2622	-0.6190	-0.1162	-0.6195
3 years	-0.0449	-0.5489	-0.0060	-0.4919
5 years	0.5999	-0.2784	0.5092	-0.2100
7 years	1.2311	-0.0592	1.3192	0.0287
10 years	1.7767	0.2285	2.0591	0.4215
15 years	2.2529	0.5095	2.5701	0.6406
20 years	2.7324	0.6063	2.8890	0.9304
25 years	2.9353	0.7374	3.0939	1.0836
30 years	3.0001	0.8685	3.1897	1.2365

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several of the relevant currencies at December 31, 2018 and 2017:

	31-12-2018	31-12-2017
EUR/USD	1,1450	1,1993
EUR/GBP	0,8945	0,8872
EUR/CHF	1,1269	1,1702
EUR/AUD	1,6220	1,5346
EUR/JPY	125,8500	135,0100
EUR/BRL	4,4440	3,9729

Equity instruments held as part of a venture capital activity

The value of unlisted shareholders' equity instruments held as part of a venture capital activity is measured on the basis of the following criteria:

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

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

c) Discounted cash flows; and

d) Settlement price comprising a subsidiary company's net equity;

Market risk

Market risk comprises the risk of changes in the fair value or the cash flows of financial instruments deriving from changes in market prices, including foreign exchange, interest rate and price risks.

Market risk is assessed on the basis of the following methodologies:

. Value at Risk (VaR) on the following portfolios:

  . Held-for-trading portfolio – perimeter of positions and held-for-trading transactions originating in CGD Group;

  . Trading portfolio – includes securities and derivatives traded with the objective of detecting business opportunities over the short term;

  . Own portfolio – securities acquired for investment purposes upon which deleveraging operations are currently being performed;

  . Investment portfolio – with the aim of setting up a value and liquidity reserve including the remaining securities in Caixa's own portfolio and associated hedges, except for equity stakes and securitised credit;

  . Treasury management activity – comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk;

  . Branches **–** France; and,

  . Subsidiaries **–** Caixa BI, BCG Spain, BCG Brazil and BNU Macau.

. Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in Caixa's and the following Group business units' individual financial statements;

  . Caixa - Banco de Investimento;

  . BCG Spain;

  . BCI; and,

  . BNU Macau.

. Sensitivity analysis on all financial instruments with optionality; and

. Stress tests.

VaR (value-at-risk) analysis – market risk

VaR (value-at risk) is an estimate of the maximum unrealised loss on a specific assets portfolio over a given timeframe, considering a given confidence level based on normal market patterns.

The calculation methodology is based on historical simulation, i.e. future events are totally explained by past events, based on the following assumptions:

- holding period: 10 days (investment and own portfolios, subsidiaries) and 1 day (trading portfolio and treasury management activity);
- confidence level: 99% (investment and own portfolios, branches and subsidiaries) and 95% (trading portfolio and treasury management activity);

- price sample period: 730 calendar days; and,

- decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of appropriate models and implied volatility. Given the methodology used, correlations are not calculated but are empirical.

The following is a breakdown of VaR, at December 31, 2018 and 2017:

Activity of Caixa Geral de Depósitos

Held-for-Trading portfolio (VaR 99%, 10 days)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk	22,387	29,027	14,329	21,889

Held-for-Trading portfolio (VaR 95%, 1 day)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk				
Interest rate	503	703	320	413
Foreign exchange rate	36	4,642	3	97
Price	21	47	19	26
Volatility	17	30	13	28
Diversification effect	(65)	-	-	(169)
	512			395

Treasury management (VaR 95%, 1 day)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk				
Interest rate	110	976	109	976
Foreign exchange rate	2,113	5,889	961	4,444
Diversification effect	(78)	-	-	(766)
	2,145			4,654

Own portfolio (VaR 99%, 10 days)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk				
Interest rate	780	1,786	12	106
Foreign exchange rate	23	374	0.1	72
Price	2,045	9,710	1,129	9,635
Diversification effect	(554)	-	-	(153)
	2,294			9,660

Investment portfolio (VaR 99%, 10 days)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk				
Interest rate	50,434	105,463	49,350	101,491
	50,434			101,491

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	31-12-2018	Maximum	Minimum	31-12-2017
VaR by type of risk				
Interest rate	4,557	12,518	4,206	11,160
Foreign exchange rate	1,724	2,073	941	1,664
Price	86	165	86	130
Volatility	2	212	1	203
Diversification effect	(1,892)	-	-	(1,540)
	4,476			11,616

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange and volatility risks.

Foreign exchange risk

Breakdown of financial instruments by currency

Financial instruments were broken down into the following currencies, at December 31, 2018 and 2017:

	31-12-2018												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Angola Kwanzas	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	4,634,413	174,301	4,583	1,632	124,146	165,456	314,089	7,518	82,368	76,218	22,012		5,606,735
Cash balances at other credit institutions	525,536	341,458	3,257	6,838	44,625	58,770	328	2,842	1,086	-	29,360		1,014,098
Loans and advances to credit institutions	215,511	444,052	77,366	75,825	499,950	14,490	212,708	17,505	166,476	78,457	399,691		2,202,031
Financial assets at fair value though profit or loss	6,793,098	159,508	2,148	21	-	59	-	-	2,533	44,985	1,026	692,705	7,696,083
Available-for-sale financial assets	4,025,223	639,877	18,385	-	1,080	-	75,587	-	59,581	-	11,192		4,830,924
Loans and advances to customers (gross)	50,052,634	549,747	5,103	198	1,296,060	1,546,776	656,240	5,646	627,613	180,844	5,551		54,926,412
Held-to-maturity Investments	3,185,974	83,724	-	-	32,574	-	273,971	-	-	318,883	29,086		3,924,213
Assets with repurchase agreement	55,009	-	-	-	-	-	-	-	-	-	-		55,009
Other assets	758,724	983,877	6,285	(79,519)	976,953	(13,041)	11,563	(890)	22,230	7,810	(358,858)		2,315,134
Accumulated impairment (financial instruments)	(3,344,727)	(20,033)	(151)	-	(26,193)	-	(94,897)	-	(41,859)	(30,349)	(18)		(3,558,228)
	66,901,395	3,356,511	116,976	4,994	2,949,195	1,772,509	1,449,589	32,620	920,028	676,847	139,043	692,705	79,012,411
Liabilities													
Resources of central banks and other credit institutions	(850,417)	(617,569)	(54,994)	(1,287)	(15,932)	(182,876)	(26,844)	(1,906)	(789)	-	(5,928)		(1,758,542)
Customer resources and other loans	(55,093,122)	(2,460,324)	(62,033)	(3,121)	(2,334,821)	(790,120)	(1,269,589)	(29,717)	(863,994)	(377,882)	(137,802)		(63,422,525)
Debt securities	(3,233,107)	-	-	(27,214)	-	-	-	-	-	-	-		(3,260,321)
Financial liabilities at fair value through profit or loss												(737,818)	(737,818)
Subordinated liabilities	(1,159,821)	-	-	-	-	-	-	-	-	-	-		(1,159,821)
Consigned resources	(960,139)	(7)	-	-	-	-	(7,258)	-	-	-	-		(967,404)
Other	(1,245,945)	36,038	(5,998)	26,655	(1,260,481)	(11,368)	(96,042)	(129,219)	(39,908)	(20,392)	(9,043)		(2,755,702)
	(62,542,551)	(3,041,861)	(123,025)	(4,967)	(3,611,234)	(984,364)	(1,399,734)	(160,842)	(904,690)	(398,274)	(152,773)	(737,818)	(74,062,134)
Derivatives (Notional)													
Currency swaps	(29,288)	45,722	8,672	-	-	312,364	3,154	(950)	-		(339,049)	36	661
Interest rate swaps	(440,780)	463,076	-	27,016	-	-	-	-	-		-	(50,774)	(1,462)
Other swaps	-	-	-	-	-	-	-	-	-		-	(186)	(186)
Futures	(6,392,308)	201	(964)	-	-	-	-	-	-		-	6,422	(6,386,649)
Options and Caps & Floors	210,196	(59,233)	-	(39)	-	-	-	-	-		-	1,135	152,058
Forward foreign exchange transactions	3,248	(3,012)	2,815	-	-	-	-	-	-		(2,915)	89	225
	(6,648,932)	446,754	10,523	26,977	-	312,364	3,154	(950)	-	-	(341,964)	(43,279)	(6,235,353)
Net exposure	(2,290,088)	761,404	4,474	27,004	(662,039)	1,100,509	53,009	(129,172)	15,338	278,573	(355,694)	(88,393)	(1,285,076)

	31-12-2017												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Angola Kwanzas	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	3,729,526	103,519	3,659	1,577	91,140	158,411	235,360	22,688	71,392	184,693	18,927		4,620,893
Cash balances at other credit institutions	520,092	17,360	5,337	2,581	48,533	75,192	905	404	3,226	-	25,071		698,700
Loans and advances to credit institutions	302,750	1,108,857	118,753	4,577	1,026,364	40,782	193,946	6,564	186,786	-	46,439		3,035,819
Financial assets at fair value though profit or loss	5,710,437	111,244	3,603	68	-	67	-	-	2,326	-	1,371	963,709	6,792,824
Available-for-sale financial assets	5,330,072	918,986	21,277	-	-	213	315,514	-	59,556	123,923	51,407		6,820,947
Loans and advances to customers (gross)	54,615,701	651,562	39,695	1,138	1,165,009	1,660,952	634,803	3	603,774	435,115	3,193		59,810,942
Held-to-maturity Investments	2,111,276	-	-	-	-	-	-	-	-	515,543	-		2,626,819
Assets with repurchase agreement	52,849	-	-	-	-	-	-	-	-	-	-		52,849
Other assets	1,549,043	632,055	(54,939)	(1,070)	858,076	(40,858)	62,350	2,960	25,190	11,354	15,836		3,059,997
Accumulated impairment (financial instruments)	(5,052,133)	(107,863)	(4,885)	(3)	(34,477)	(320)	(53,355)	-	(50,619)	(36,636)	(22)		(5,340,313)
	68,869,611	3,435,720	132,499	8,869	3,154,645	1,894,440	1,389,522	32,619	901,630	1,233,992	162,221	963,709	82,179,477
Liabilities													
Resources of central banks and other credit institutions	(3,226,676)	(692,369)	(58,266)	(1,025)	(23,557)	(16,885)	(6,500)	-	(12,906)	-	(4,665)		(4,042,850)
Customer resources and other loans	(54,164,354)	(2,276,359)	(65,743)	(2,196)	(3,071,417)	(1,067,977)	(1,252,199)	(873)	(865,436)	(724,993)	(139,348)		(63,630,896)
Debt securities	(4,026,054)	-	-	(25,367)	-	-	-	-	-	-	-		(4,051,421)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	(1,060,339)	(1,060,339)
Subordinated liabilities	(1,017,212)	-	-	-	-	-	(6,145)	-	(4,384)	-	-		(1,027,741)
Consigned resources	(880,139)	-	-	-	-	-	(632)	-	-	-	-		(880,771)
Other	(1,512,016)	45,935	(31,650)	20,840	(1,116,299)	(15,078)	(58,408)	(130,952)	(45,349)	(31,628)	(19,088)		(2,893,693)
	(64,826,451)	(2,922,793)	(155,659)	(7,749)	(4,211,273)	(1,099,940)	(1,323,885)	(131,825)	(928,075)	(756,621)	(163,101)	(1,060,339)	(77,587,712)
Derivatives (Notional)													
Currency swaps	(35,733)	45,382	(50,637)	(852)	-	73,730	(35,452)	2,719	-	-	1,569	-	726
Interest rate swaps	(487,356)	483,800	-	25,183	-	-	-	-	-	-	-	-	21,627
Futures	(3,022,457)	2,604	(987)	-	-	-	-	-	-	-	-	-	(3,020,840)
Options and Caps & Floors	(239,705)	35,522	(249)	(72)	-	-	-	-	-	-	-	-	(204,504)
Forward foreign exchange transactions	28,748	(336,412)	2,291	(191)	-	305,698	-	237	-	-	(2,267)	-	(1,896)
	(3,756,502)	230,895	(49,582)	24,068	-	379,428	(35,452)	2,956	-	-	(698)	-	(3,204,887)
Net exposure	286,658	743,822	(72,742)	25,188	(1,056,628)	1,173,928	30,186	(96,250)	(26,445)	477,370	(1,578)	(96,630)	1,386,879

VaR analysis – foreign exchange risk

To guarantee the control and measurement of foreign exchange risk, Caixa calculates and monitors amounts and limits in terms of Value-at-Risk on its total open and currency positions for each significant Group unit on a daily basis and consolidates the amounts every month.

Information on CGD Group's VaR (10 days with a 99% confidence level) by currency, at December 31, 2018 and 2017, is shown in the following table:

	VaR	
	31-12-2018	31-12-2017
Hong Kong Dollar	13,827	21,230
Macau Pataca	4,982	23,263
South African Rand	11,176	12,618
US Dollar	1,653	5,364
Mozambican Meticais	12,612	19,009
Pound Sterling	89	150
Japanese Yen	47	216
Other currencies	39,699	29,864
Diversification effect	(29,353)	(53,961)
Total	54,731	57,754

Based on the application of the above referred to methodology the diversification effect is calculated implicitly.

42. CAPITAL MANAGEMENT

Capital management objectives

Capital management objectives, in Caixa Geral de Depósitos, are in line with the following general principles:

- To comply with the regulatory requirements established by the supervisors, i.e. European Central Bank, Bank of Portugal and the National Council of Financial Supervisors;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital employed;
- To sustain the development of operations that CGD is legally authorised to perform, maintaining a solid capital structure, capable of providing for the growth of activity and in line with its respective risk profile; and
- To protect the Bank and Group's reputation, maintaining the integrity of the operations performed during the course of their activities.

Caixa Geral de Depósitos plans its short and medium term capital requirements to finance its operations in order to achieve the above objectives, particularly based on the use of its own and other resources. This planning is based on internal estimates of the evolution of balance sheet operations and borrowings primarily raised from subordinated debt issuances, including complementary own funds within certain limits.

Regulatory framework

The activity of credit institutions in Portugal is governed by the general credit institutions and financial corporations regime approved by decree law 298/92, which plays a primary role in Portuguese prudential regulation, largely reflecting Community directives applicable to the financial system (directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

With the application, in January 2014, of the new Basel III regulatory framework (regulation (EU) 575/2013 and directive 2013/36/EU of the European Parliament and of the Council both dated June 26), applicable to all European Union member states and defining the prudential requirements for credit institutions and investment firms, the regulatory framework provided for a series of transitional dispositions permitting the staged application of the new capital requirements, with more restrictive requirements on the calculation of capital quality and risk-weighted assets, with the competent authorities of the member states able to maintain or accelerate their implementation.

The principal impacts of regulation (EU) 575/2013 (CRR/CRD IV) on capital ratios were on DTAs (deferred tax assets), dispositions relative to impairment deficits based on loss projections, pension fund corridor, non-controlling interests in consolidated subsidiaries, significant equity stakes in non-consolidated financial institutions and additional requirements for market and counterparty risk.

The Bank of Portugal,, issued *notice* 6/2013 which regulates the transitional regime of regulation (EU) 575/2013, having established the transitional implementation of the impacts of own funds.

With the application of regulation (EU) 2016/445 of the European Central Bank, on October 1, 2016, credit institutions ceased to consider the percentage applicable to unrealised profit as defined by article 468, 1 of regulation (EU) 575/2013 for the calculation of their CET1 components and included the profit in respect of risk positions in central governments classified in the “Available-for-sale” category and thus accelerating the application of the transitional dispositions.

In November 2016, the European Commission published a draft of the new CRR and CRD IV incorporating different Basel standards such as the “Fundamental review of the trading book for market risk, net stable funding ratio (NSFR)” for liquidity risk, interest rate risk in the banking book, and modifications relating to the treatment of central counterparties, the MDA (minimum distributable amount), Pillar 2, leveraging ratio and Pillar 3, *inter alia*.

The most significant change was the implementation of the *TLAC* (total loss absorbing capacity) term sheet, internationally defined by the Financial Stability Board (FSB) in the capital structure. Consequently, systemically important banks must comply with MREL/TLAC requirements under Pillar 1, whereas banks that are not systemically important need only comply with MREL in the sphere of Pillar 2 to be decided by the resolution authority on a case-by-case basis.

In December 2017, the Bank of Portugal published its *notice* 10/2017, revoking *notice* 6/2013 and defining a new structure for the gradual application of deductions from own funds, particularly including, on account of their significance , deferred tax assets which are contingent upon future returns, starting January 1, 2018.

The same period also witnessed the publication of regulation (EU) 2017/2395 of the European Parliament and of the Council, amending regulation (EU) 575/2013 on a transitional regime to reduce the impact of the introduction of IFRS 9 - "Financial instruments" on own funds and for the treatment of major risks of certain risk positions in the public sector in the domestic currency of any member state.

CGD did not opt for the possibility of the progressive application of a transitional regime provided for in the above referred to regulation. The estimated impact on both the phased-in and fully implemented CET 1, is -25 bps.

Requirement to set up a capital buffer

In September 2015, the Bank of Portugal, in its *notice* 1/2015, required credit institutions headquartered in Portugal to bring forward the application of the own funds conservation reserve of 2.5%, under article 138-D of the general credit institutions and financial corporations regime.

The context of the *SSM* (single supervisory mechanism) in which credit institutions’ capital decisions are assessed and adopted for the whole of the euro area and, on the other hand, that the capital operations deriving from such decisions should essentially be made with recourse to the market, required the need to ensure that domestic credit institutions should operate under the same conditions as the majority of institutions in the same space. As such, the Bank of Portugal issued *notice* 6/2016 of May 31, revoking *notice* 1/2015, as it considered that bringing forward the application of the own funds conservation reserve, under the terms of *notice* 1/2015 could prejudice the existence of such conditions and imply subjecting the entities to the transitional regime of nos. 1 to 4 of article 23 of decree law 157/2014 of October 24.

Requirement to set up a capital buffer for “Other systemically important institutions”

Pursuant to article 138-Q of the general credit institutions and financial corporations regime and in accordance with the EBA (European Banking Authority) guidelines on the identification of “Other systemically important institutions – OSIIs), the Bank of Portugal identified CGD as an O-SII having informed the European Banking Authority and the European Central Bank.

The practical consequence of this decision for CGD consists of the obligation to set up an O-SII buffer totally covered by CET 1, on a consolidated basis.

The Bank of Portugal set the amount of this capital buffer for CGD at 1%, although it will be implemented in stages, with the application of 25% in 2018, 50% in 2019, 75% in 2020 and 100% of the defined amount in 2021, in line with the decision of November 30, 2017.

CGD's consolidation perimeter should therefore consider a capital buffer of 0.25% in 2018, 0.50% in 2019, 0.75% in 2020 and 1.00% in 2021, pursuant to its status as an OSII.

Requirement to set up a counter cycle buffer

According to the Basel Committee, the principal objective of the counter cycle buffer is to ensure that banks have a sufficiently large capital buffer to enable them to absorb unexpected losses when facing a negative systemic shock and therefore not compromising their lending to the real economy.

The Bank of Portugal, in exercising its role as the national macro prudential entity, may force credit institutions to set up an additional own funds reserve with the objective of protecting the banking sector in periods of increased cyclical systemic risk owing to excessive credit growth.

The counter cycle buffer (measured as a percentage of the total amount of risk positions) will be set at between 0% and 2.5%, unless a higher percentage is justified by exceptional circumstances.

The buffer's percentage for each institution, i.e. the "percentage of an institution's specific counter cycle buffer" is a weighted average of the counter cycle buffer's percentages applicable in the countries in which the institution's credit risk positions are located.

For 2018 the Bank of Portugal set the counter cycle reserve at 0% of the total amount of at risk positions.

It should be pointed out that a default on any of the previously identified buffers (O-SII, counter cyclic buffer and specific buffer) does not call the continuity of an institution's activity into account.

It does, however, imply restrictions on the payment of dividends and repurchase of treasury shares, in addition to a requirement for the said institutions to submit a properly scheduled own funds conservation plan to the Bank of Portugal with the objective of fully complying with the combined own funds requirement. The Bank of Portugal is responsible for defining the timeframe for the production of the plan.

<u>ECB's capital requirements</u>

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

Based on *SREP* results for 2017, CGD was notified by the ECB (European Central Bank) of the need to meet the following requirements in 2018:

2018					
Ratios	Total	of which:			
		Pillar 1	Pillar 2	buffers	
				Conservation	O-SII
CET1	8.875%	4.500%	2.250%	1.875%	0.250%
TIER 1	10.375%	6.000%	2.250%	1.875%	0.250%
Total Capital	12.375%	8.000%	2.250%	1.875%	0.250%

As a result of the new *SREP* 2018 requirements, CGD must achieve the following minimum ratios in 2019:

2019					
Ratios	Total	of which:			
		Pillar 1	Pillar 2	buffers	
				Conservation	O-SII
CET1	9.750%	4.500%	2.250%	2.500%	0.500%
TIER 1	11.250%	6.000%	2.250%	2.500%	0.500%
Total Capital	13.250%	8.000%	2.250%	2.500%	0.500%

The fully loaded capital conservation buffer in 2019 is 2.500%.

The CET 1 and total (phased-in) ratios of 13.5% and 15.9%, calculated on a consolidated basis under CRD IV / CRR rules at December 31, 2018 respectively, were considerably higher than the minimum requirements for 2018.

<u>REGULATORY CAPITAL</u>

The Basel regulatory framework is based on three pillars:

- Pillar 1: defines the minimum capital requirements for credit, market and operational risks, permitting the use of classifications and internal models. The objective is to make regulatory requirements more sensitive to the real risks faced by financial institutions in performing their activities;
- Pillar 2: defines a supervisory review system, in order to improve internal risk management and the assessment of the adequacy of banks' capital in accordance with their risk profile; and,

- Pillar 3: deals with disclosures and aims to improve market discipline by developing a series of disclosure requirements to enable market agents to assess the key information related to the application of Basel III, on capital, risk exposures, risk appraisal processes and, consequently the Bank's capital adequacy.

The regulatory capital (Pillar 1) of CGD's consolidation perimeter includes the following components:

a) CET 1 (common equity tier 1) capital

According to CRR/CRDIV regulations, common equity tier 1 capital principally comprises:

- Paid up capital;
- Other reserves and retained earnings;
- Revaluation reserves; and,
- Non-controlling interests

Deductions from CET1 capital essentially comprise:

- Intangible assets (including goodwill), net of their associated deferred tax liabilities;
- Deferred tax assets (on fiscal losses), net of their related deferred tax liabilities;
- Any excess of prudential limits deriving from deferred tax assets (temporary differences) net of related deferred tax liabilities and equity investment in credit institutions and insurance companies;
- Defined benefit pension fund assets:
- *AVA* (additional valuation adjustments) resulting from the application of articles 34 and 105 of regulation (EU) 575/2013 – on the prudent assessment applicable to all trading portfolio positions; and,
- Amounts related to irrevocable commitments associated with the deposit guarantee fund and resolution fund.

b) AT 1 (additional tier 1 capital)

According to CRR/CRD4 regulations, additional tier 1 capital comprises highly subordinated instruments with the following characteristics issued directly by the Bank:

- They are perpetual and are highly subordinated bonds;
- Having a trigger point (upon attaining the CET1 ratio of 5.125%) is an essential factor for consideration as additional tier 1 own funds. If the trigger point is reached, the respective nominal values of securities may be temporarily or permanently reduced;
- They cannot include an increase in returns or any other redemption incentive;
- They must have a loss absorption capacity; and,
- They must be approved in advance by the European Central Bank, with CGD having the option to redeem these instruments on certain dates, but not within five years from their issuance date.

Additional tier 1 capital is subject to regulatory adjustments, essentially in respect of the part of intangibles and goodwill not deducted from CET 1.

c) Tier 2 capital

Instruments eligible as tier 2 capital, include:

- Instruments issued or contracted for and fully paid up subordinated loans; and,
- Issuance premiums related to the above referred to instruments.

Tier 2 capital is essentially subject to deductions related to national filters, which, in the case of CGD, are related to the deductions provided for in the Bank of Portugal's instruction 120/96.

Details are given on all equity instruments and their characteristics in the market discipline sphere whose report is available on CGD's website.

Own funds and capital ratios

On June 21, 2018, Caixa Geral de Depósitos, S.A. (CGD) successfully completed the last phase of its recapitalisation plan initiated in 2017 (information on previous stages is available in the annual report for 2017), through its issuance of €500 million in level 2 own funds securities (tier 2), exclusively for sale to institutional investors.

All of the phases provided for in the referred to plan for an accumulated amount of €4.944 million in capital increases have now therefore been implemented.

The capital levels set out in the following table, arising not only from the recapitalisation plan but also from the evolution of activity, exceed the minimum *SREP* capital requirements for 2018.

	CRD IV / CRR Rules	
	31-12-2018	31-12-2017
	Phased-in	
Capital		
Common equity tier I (CETI)	6,535,521	7,288,678
Tier I	7,038,659	7,830,808
Tier II	661,041	317,648
Total	7,699,700	8,148,456
Risk weigthed assets	48,417,652	52,185,099
Solvency ratios		
CET I	13.5%	14.0%
Tier I	14.5%	15.0%
Total	15.9%	15.6%
	Fully implemented	
Capital		
Common equity tier I (CETI)	6,535,521	7,271,590
Risk weigthed assets	48,417,652	52,162,674
Solvency ratios		
CET I	13.5%	13.9%

Notes:

. In 2017, the ratios do not include the positive net result of about € 23 M in the calculation of Own Funds, if it were considered, the impact on the ratios would be +5 bp.

. In 2018, the net profit of approximately 496 M€ in the ratios was not considered. If the net profit for the period together with a dividend distribution of € 200 million was considered, the impact on the ratios would be + 68 bp.

Composition of regulatory capital in 2018

The following table summarises Caixa Geral de Depósitos's regulatory capital, at December 31, 2018, for its consolidated activity (in million euros).

	Transitional	Full implementation
Paid in capital	3,844,144	3,844,144
Other reserves and retained earnings	2,834,905	2,834,905
Revaluation reserves	257,492	257,492
Non-controlling interests given recognition in CET 1 capital	52,127	52,127
Total CET 1 capital prior to regulatory adjustments	**6,988,668**	**6,988,668**
Intangibles (Includes goodwill), net of related DTLs	(75,112)	(75,112)
DTAs (arising from tax losses carry forward), net of related DTLs	(50,488)	(50,488)
Defined benefit pension fund assets	(803)	(803)
Other deduction affecting CET1 (ie. AVAs - Additional Valuation Adjustment -)	(182,089)	(182,089)
Total CET 1 capital after the regulatory adjustments identified above	**6,680,176**	**6,680,176**
DTAs arising from temporary differences (amount above the 10% threshold)	(112,065)	(112,065)
Total CET 1 capital after the regulatory adjustments identified above	**6,568,111**	**6,568,111**
Amount exceeding the 15% threshold	(32,590)	(32,590)
Financial institutions and insurers	(11,100)	(11,100)
DTA's (arising from temporary differences)	(21,490)	(21,490)
Common Equity Tier 1 (CET 1)	**6,535,521**	**6,535,521**
Additional Tier 1	500,000	500,000
Other equity instruments	500,000	500,000
AT 1 - subsidiaries (NCI)	3,138	3,138
Tier 1 capital	**7,038,659**	**7,038,659**
Tier 2 capital instruments	639,115	600,000
Tier 2 capital instruments - subsidiaries (NCI)	21,926	21,926
Total capital	**7,699,700**	**7,660,585**
Total RWA	**48,417,652**	**48,417,652**
Credit	42,226,123	42,226,123
Market	1,465,669	1,465,669
Operational	3,860,177	3,860,177
CVA	30,834	30,834
Others	834,849	834,849
CET1 ratio	**13.5%**	**13.5%**
Tier 1 ratio	**14.5%**	**14.5%**
Total ratio	**15.9%**	**15.8%**

Note: a net profit of approximately € 496 million was not considered in the ratios. If the net profit for the period in question was taken into account with a dividends distribution of € 200 million, the impact on the ratios would be + 68 bp.

Differences between the consolidation method for accounting purposes and the consolidation method for the purposes of calculating regulatory capital.

The prudential consolidation perimeter differs from CGD Group's accounting perimeter in the treatment of entities whose economic activity is different from the activity characterising credit institutions and financial corporations as referred to in the "general credit institutions and financial corporations regime". Subsidiaries with an activity in economic sectors not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recognised in the prudential consolidation perimeter by the equity accounting method.

There are several collective investment entities within the Group, as well as special purpose vehicles that were not included in the banking supervision perimeter as they are not classifiable as financial corporations, as referred to in the "general credit institutions and financial corporations regime". The *Nostrum Mortgage* 2 Fund was included in the prudential perimeter at the request of the supervisory body.

It should also be noted that BCG (Spain), BCG Brazil, CGD Investimentos CVC and Mercantile are recognised in the accounting perimeter in accordance with IFRS 5 – "Non-current assets held-for-sale and discontinued operations" (the assets of such entities have been recognised in a single consolidated assets account, in "Non-current assets held-for-sale" whereas liabilities have been recognised in "Non-current liabilities held-for-sale"). These entities have been consolidated in the prudential perimeter on an account-by-account basis.

CGD Group's accounting and prudential consolidation perimeter, at December 31, 2018, comprised the following entities:

		Consolidation Method		Percentage	Country	Activities
		Financial Perimeter	Prudential Perimeter			
ID	**Branches**					
00015	Luxembourg Branch	Full	Full	100.00%	Luxembourg	Financial institutions
00020	France Branch	Full	Full	100.00%	France	Financial institutions
00022	East Timor Branch	Full	Full	100.00%	Timor	Financial institutions
00025	Spain Branch	Full	Full	100.00%	Spain	Financial institutions
ID	**Subsidiaries**					
00030	Banco Caixa Geral Brasil, S.A.	Full (*)	Full	100.00%	Brazil	Financial institutions
00040	Banco Caixa Geral, S.A.	Full (*)	Full	99.79%	Spain	Financial institutions
00065	Caixa - Banco de Investimento, S.A.	Full	Full	99.76%	Portugal	Financial institutions
00070	Banco Comercial e de Investimentos, S.A..	Full	Full	63.05%	Mozambique	Financial institutions
00075	Banco Interatlântico, S.A.	Full	Full	70.00%	Cape Verde	Financial institutions
00076	Banco Comercial do Atlântico, S..A.	Full	Full	58.19%	Cape Verde	Financial institutions
00091	Banco Nacional Ultramarino, S.A.	Full	Full	100.00%	China (Macau)	Financial institutions
00100	Caixa - Participações, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00101	Parbanca, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00112	Partang, SGPS, S.A. .	Full	Full	100.00%	Portugal	Financial (holding)
00121	Caixa Geral Finance	Full	Full	0.00%	Cayman Islands	Financial institutions
00123	CGD Investimentos CVC	Full (*)	Full	100.00%	Brazil	Financial institutions
00140	A Promotora, S.A.	Full	Full	45.33%	Cape Verde	Venture Capital
00210	Fundger - Soc. Gestora de Fundos de Investimento Imobiliário, S.A.	Full	Full	100.00%	Portugal	Asset Management
00220	Caixagest - Técnicas de Gestão de Fundos, S.A.	Full	Full	100.00%	Portugal	Asset Management
00230	CGD Pensões - Soc. Gestora de Fundos de Pensões, S.A.	Full	Full	100.00%	Portugal	Asset Management
00305	Caixa Leasing e Factoring, IFIC, S.A.	Full	Full	100.00%	Portugal	Financial institutions
00422	Imocaixa - Gestão Imobiliária, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
00423	Caixanet - Telemática e Comunicações, S.A.	Full	Full	80.00%	Portugal	Ancillary Services
00427	Caixatec, Tecnologias de Comunicação, S.A.	Full	Full	100.00%	Portugal	Ancillary Services
00460	Sogrupo - Compras e Serviços Partilhados, S.A.	Full	Full	90.00%	Portugal	Ancillary Services
00461	Sogrupo - Serviços de Informação, ACE	Full	Full	80.00%	Portugal	Ancillary Services
00463	Sogrupo - Gestão de Imóveis, ACE	Full	Full	82.00%	Portugal	Ancillary Services
00469	GIE - Groupment d'Interet Economique	Full	Full	100.00%	France	Ancillary Services
00904	Mercantile Lisbon Bank Holdings, Ltd.	Full (*)	Full	100.00%	South Africa	Financial institutions
00905	Banco Caixa Geral Angola	Full	Full	51.00%	Angola	Financial institutions
00945	SCI - Rue du Helder	Full	Full	100.00%	France	Real Estate Management
00960	Inmobiliaria Caixa Geral, S.L.	Full	Full	100.00%	Spain	Real Estate Management
00961	Caixa - Imobiliário, S.A.	Full	Full	100.00%	Portugal	Real Estate Management

(cont.)		Consolidation Method		Percentage	Country	Activities
		Financial Perimeter	Prudential Perimeter			
ID	**Special Purpose Entities**					
00508	Nostrum Mortgages 2	Full	Full	100.00%	Portugal	Securitisation Fund
00511	FCR - Grupo CGD - Caixa Capital	Full	-	100.00%	Portugal	Venture Capital Fund
00513	FCR - Empreender+	Full	-	100.00%	Portugal	Venture Capital Fund
00515	FCR - Caixa Fundos	Full	-	100.00%	Portugal	Venture Capital Fund
00516	FCR - Caixa Crescimento	Full	-	100.00%	Portugal	Venture Capital Fund
00518	Caixa Arrendamento - Fundo Fechado (FIIAH)	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00521	Fundo Especial de Investimento Aberto Estratégias Alternativas	Full	-	74.31%	Portugal	Investment Fund (open-end)
00524	Caixa Imobiliário - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00525	Caixagest Private Equity (FEI)	Full	-	32.61%	Portugal	Investment Fund (open-end)
00526	Caixagest Imobiliário Internacional (FEI)	Full	-	39.28%	Portugal	Investment Fund (open-end)
00527	Caixagest Infra-Estruturas (FEI)	Full	-	20.98%	Portugal	Investment Fund (open-end)
00530	Beirafundo - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00531	Cidades de Portugal FIIAH	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00533	Fundolis - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00534	Fundimo	Full	-	44.72%	Portugal	Real Estate Investment Fund (open-end)
00550	Fundiestamo	Full	-	78.08%	Portugal	Real Estate Investment Fund (closed-end)
00551	Iberia - FEIIF	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
ID	**Associated**					
00145	GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	35.67%	Mozambique	Venture Capital
00206	Esegur - Empresa de Segurança, S.A.	Equity	Equity	50.00%	Portugal	Ancillary Services
00301	Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50.00%	Portugal	Financial institutions
00320	SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	22.97%	Portugal	Financial institutions
00321	Fidelidade Companhia de Seguros SA	Equity	Equity	15.00%	Portugal	Insurance company
00322	Fidelidade Assistência Companhia de Seguros SA	Equity	Equity	20.00%	Portugal	Insurance company
00323	Multicare Seguros de Saúde SA	Equity	Equity	20.00%	Portugal	Insurance company
00408	Imobci, Lda.	Full	Full	46.31%	Mozambique	Real Estate Management
00411	Companhia do Papel do Prado, S.A.	Equity	Equity	38.15%	Portugal	Industry
00435	Yunit Serviços, S.A.	Equity	Equity	33.33%	Portugal	Telecommunication services
00450	Turismo Fundos, SGFII, S.A.	Equity	Equity	33.47%	Portugal	Asset management
00454	Bem Comum, Sociedade Capital Risco	Equity	Equity	32.00%	Portugal	Venture Capital
00903	Banco Internacional de S.Tomé e Príncipe	Equity	Equity	27.00%	São Tomé Príncipe	Financial institutions

(*) - Considering the effects of IFRS 5 - "Non-current assets held for sale and discontinued operations"

Reconciliation between the consolidation perimeter balance sheet for accounting purposes and the prudential consolidation perimeter balance sheet.

ASSETS	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
Cash and cash equivalents at central banks	5,606,735	52,855	-	-	5,659,590	
Cash balances at other credit institutions	1,014,098	(45,829)	-	74,906	1,043,176	
Loans and advances to credit institutions	2,193,022	483,438	-	(441,223)	2,235,238	
Financial assets at fair value through profit or loss	7,696,083	(506,706)	487,010	(440)	7,675,947	
Available-for-sale financial assets	4,826,167	893,683	-	-	5,719,850	
Financial assets with repurchase agreement	55,009	169,203	-	-	224,212	
Hedging derivatives	5,524	-	-	-	5,524	
Held-to-maturity investments	3,919,967	48,051	-	-	3,968,018	
Loans and advances to customers	51,589,485	4,067,980	(18,197)	82,359	55,721,628	
Non-current assets held-for-sale	6,213,217	(6,187,719)	413,263	-	438,761	
Investment properties	809,963	(886,500)	94,247	-	17,710	
Other tangible assets	446,134	(4,520)	-	-	441,614	
Intangible assets	63,310	11,802	-	-	75,112	9
Investments in associates and jointly controlled entities, of which:	388,544	(27)	468,483	-	857,001	11
Insurers	306,921	-	-	-	306,921	
Other financial institutions (equity participation > 10%)	38,119	-	-	-	38,119	
Current tax assets	44,620	8,340	-	-	52,960	
Deferred tax assets, of which:	2,107,695	84,821	(6,226)	-	2,186,290	
Deferred tax assets for temporary differences	2,077,032	-	-	-	2,135,748	10
Deferred tax assets for tax losses carry forward	30,663	-	-	-	50,542	8
Other assets	2,111,845	69,548	-	78,653	2,260,046	
Total assets	**89,091,418**	**(1,741,580)**	**1,438,580**	**(205,743)**	**88,582,674**	

LIABILITIES AND EQUITY	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
Resources of central banks and other credit institutions	1,758,542	1,116,344	-	(484,173)	2,390,713	
Customer resources and other loans	63,422,525	3,927,134	-	201,321	67,550,980	
Debt securities	3,260,321	74,517	-	-	3,334,838	
Financial liabilities at fair value through profit or loss	737,818	13,637	-	(453)	751,003	
Hedging derivatives	3,690	-	-	-	3,690	
Non-current liabilities held-for-sale	5,396,454	(5,396,454)	-	-	-	
Provisions for employee benefits	758,492	2,165	-	-	760,657	
Provisions for other risks	357,408	6,135	413,263	-	776,806	
Current tax liabilities	37,830	534	-	-	38,364	
Deferred tax liabilities, of which:	189,965	36,158	(6,390)	-	219,733	
Deferred tax liabilities for temporary differences	189,911	-	-	-	219,679	10
Other deferred tax assets liabilities	54	-	-	-	54	8
Other subordinated liabilities	1,159,821	31,077	-	(31,077)	1,159,821	7
Other liabilities	3,723,106	52,030	(519,715)	108,638	3,364,060	
Total liabilities	**80,805,972**	**(136,722)**	**(112,841)**	**(205,743)**	**80,350,665**	
Share capital	3,844,144	(1,828,514)	1,828,514	-	3,844,144	1
Other equity instruments (Additional Tier 1)	500,000	-	-	-	500,000	6
Revaluation reserves	257,492	-	-	-	257,492	2
Other reserves and retained earnings	2,854,992	267,801	(287,888)	-	2,834,905	3
Net income attributable to the shareholder of CGD	495,776	(44,145)	44,582	-	496,212	4
Shareholders' equity attributable to CGD	**7,952,403**	**(1,604,858)**	**1,585,207**	**-**	**7,932,752**	
Non-controlling interests, of which:	333,042	-	(33,786)	-	299,257	5
Ordinary shares	237,283	-	-	-	203,498	
Preference shares	95,759	-	-	-	95,759	
Total equity	**8,285,445**	**(1,604,858)**	**1,551,421**	**-**	**8,232,009**	
Total liabilities and equity	**89,091,418**	**(1,741,580)**	**1,438,580**	**(205,743)**	**88,582,674**	

(*): link betw een elements on Prudential Balance Sheet and regulatory Ow n Funds

Reconciliation between the prudential balance sheet and regulatory own funds

	Key (*)	Prudential Balance Sheet	Transitional	Full implementation
Paid in capital	1	3,844,144	3,844,144	3,844,144
Other reserves and retained earnings	3	2,834,905	2,834,905	2,834,905
Net income (included in CET 1 capital)	4	496,212	-	-
Revaluation reserves	2	257,492	257,492	257,492
Non-controlling interests given recognition in CET 1 capital	5	299,257	52,127	52,127
Total CET 1 capital prior to regulatory adjustments		**-**	**6,988,668**	**6,988,668**
Intangibles (Includes goodwill), net of related DTLs	9	75,112	(75,112)	(75,112)
DTAs (arising from tax losses carry forward), net of related DTLs	8	50,542	(50,488)	(50,488)
Defined benefit pension fund assets		-	(803)	(803)
Other deduction affecting CET1 (ie. AVAs - Additional Valuation Adjustment -)		-	(182,089)	(182,089)
Total CET 1 capital after the regulatory adjustments identified above		**-**	**6,680,176**	**6,680,176**
DTAs arising from temporary differences (amount above the 10% threshold)	10	2,135,748	(112,065)	(112,065)
Total CET 1 capital after the regulatory adjustments identified above		**-**	**6,568,111**	**6,568,111**
Amount exceeding the 15% threshold		2,992,749	(32,590)	(32,590)
Financial institutions and insurers	11	857,001	(11,100)	(11,100)
DTA's (arising from temporary differences)	10	2,135,748	(21,490)	(21,490)
National filters and deductions that affect CET1		-	-	-
Common Equity Tier 1 (CET 1)		**-**	**6,535,521**	**6,535,521**
Additional Tier 1		500,000	500,000	500,000
Other equity instruments	6	500,000	500,000	500,000
AT 1 - subsidiaries (NCI)		-	3,138	3,138
Tier 1 capital		**-**	**7,038,659**	**7,038,659**
Tier 2 capital instruments	7	1,159,821	639,115	600,000
Tier 2 capital instruments - subsidiaries (NCI)		-	21,926	21,926
Total capital		**-**	**7,699,700**	**7,660,585**
Total RWA		**-**	**48,417,652**	**48,417,652**
Credit		-	42,226,123	42,226,123
Market		-	1,465,669	1,465,669
Operational		-	3,860,177	3,860,177
CVA		-	30,834	30,834
Others		-	834,849	834,849
CET1 ratio		**-**	**13.5%**	**13.5%**
Tier 1 ratio		**-**	**14.5%**	**14.5%**
Total ratio		**-**	**15.9%**	**15.8%**

(*): link between elements on Prudential Balance Sheet and regulatory Own Funds
Note: a net profit of approximately € 496 million was not considered in the ratios. If the net profit for the period in question was taken into account with a dividends distribution of € 200 million, the impact on the ratios would be + 68 bp.

(MREL - Minimum requirement for own funds and eligible liabilities)

The *SRM* (single resolution mechanism) as the 2nd banking union pillar defines the bank resolution framework in all participating member states. The *SRM* aims to ensure the orderly resolution of banking institutions in bankruptcy processes at minimum cost to taxpayers and the real economy, pursuant to which directive 2014/59/EU – BRRD ("bank recovery and resolution directive") imposes an MREL (minimum requirement for own funds and eligible securities) for banking institutions to ensure the capacity to absorb losses and achieve internal recapitalisation, duly structuring their liabilities in such a way as not to compromise the application of bail-ins or other resolution instruments and ensuring the continuity of their critical functions without representing an additional cost for taxpayers.

The target level to be complied with is decided by the resolution authority in the form of the *SRB* (single resolution board) on a case-by-case basis for each bank, based on its characteristics, notably complexity, risk profile and resolution strategy *inter alia*.

The *SRB* has still not formally notified CGD of the *MREL* target level and the requirement's implementation period. CGD, however, is expected to issue eligible instruments by 2022, in the form of non-preferential senior debt in order to comply with the requirements to be defined, which will be reviewed annually on the basis of the Bank's risk profile and size.

43. SUBSEQUENT EVENTS

On December 21, following the review of its strategic plan agreed with the European Union's Directorate General for Competition, Caixa Geral de Depósitos, S.A. undertook to dispose of its equity stake in Banco Comercial do Atlântico in the Republic of Cape Verde, by the end of 2020 and initiate the process and development of the respective legal and procedural steps starting January 2019. As a result of these developments, the requirements of the application of IFRS 5 were complied with on that date, with BCA having been reclassified as a held-for-sale subsidiary.

As regards the disposal process on BCG Brasil, the period of political instability affecting the country in 2018 was the cause of several delays to the completion of certain initiatives that had been initially programmed. Caixa's executive committee oversees this process on a regular basis. The first stage of the works which includes contacts with investors, preparation and presentation of bids and selection of entities with which the aim is to enter inter more detail concerning the negotiation of the terms and conditions to be realised at a second stage and which includes due diligence, an analysis of binding offers and selection of a potential purchaser or purchasers is currently in progress. The Group continues to expect to complete the disposal by the end of 2019, based on the normalisation of the political situation in the country and the steps associated with the disposal process already taken in the meantime (note 13).

Capital gains of €50,000 thousand were made on the sale of a CGD owned building in Rua do Ouro, in March 2019.

44. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese language version prevails.

2.2. Other Information

2.2.1. INFORMATION ON ASSET ENCUMBRANCES

Bank of Portugal Instruction 28/2014 of 15 January 2015

Consolidated Operations (EUR)

MODEL A – ASSETS

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	10,294,781,107		78,287,893,377	
030	Equity instruments	0	0	1,729,524,993	1,729,524,993
040	Debt securities	3,462,778,389	3,462,778,389	17,680,075,030	17,680,075,030
120	Other assets	6,832,002,718		58,878,293,354	

MODEL B – COLLATERAL RECEIVED

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	0	186,075,669
150	Equity instruments	0	0
160	Debt securities	0	94,546,016
230	Other collateral received	0	91,529,653
240	**Own debt securities issued other than own covered bonds or ABSs**	0	0

MODEL C – ENCUMBERED ASSETS, COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

		Associated liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	5,979,780,266	9,385,785,250

2.2.2. INFORMATION BY COUNTRY

DISCLOSURE OF FINANCIAL INFORMATION UNDER DECREE-LAW NO.157/2014

Name, nature of activities and geographic location

Consult Note 3 - *Group companies and transactions in period*, from chapter 2.1. - *Notes to the Consolidated Financial Statements*.

Business volume (*)

	2017-12	2018-12
Domestic activity	**1,494,153**	**1,283,799**
International activity	**569,550**	**542,437**
Europe	**130,677**	**100,708**
Spain	-474	3,892
France	123,338	96,190
United Kingdom	6,095	0
Luxembourg	1,719	625
America	**10,063**	**1,610**
North America	10,063	1,610
Africa	**294,325**	**321,382**
Angola	101,453	86,506
Mozambique	159,393	196,634
Cape Verde	33,479	38,242
Asia	**134,484**	**118,736**
China	123,418	108,580
Timor	11,065	10,156
Total	**2,063,703**	**1,826,235**

(*) refers to total operating income

Note: Values refer to each geographic area contribution to consolidated total operating income

Number of employees

(EUR Thousand)

	2017-12	2018-12
Europe	**9,471**	**8,805**
Portugal	8,344	7,675
Spain	530	542
France	555	546
United Kingdom	3	3
Luxembourg	27	26
Switzerland	5	5
Belgium	3	3
Germany	4	5
Africa	**4,628**	**4,544**
Angola	549	540
Mozambique	2,926	2,892
Cape Verde	623	602
South Africa	530	510
Algeria	0	0
America	**88**	**73**
Brazil	67	65
USA	12	0
Cayman	0	0
Canada	2	2
Mexico	2	2
Venezuela	5	4
Asia	**612**	**605**
China	479	467
Timor	130	135
India	3	3
Total	**14,799**	**14,027**

Income tax

	2017-12	2018-12
Domestic activity	**171,009**	**267,417**
International activity	**44,814**	**40,868**
Europe	**19,317**	**2,284**
Spain	1,335	-2,728
France	18,688	6,091
United Kingdom	1,582	0
Luxembourg	-2,287	-1,078
America	**-964**	**-453**
North America	-964	-453
Brazil	0	0
Africa	**14,734**	**29,786**
South Africa	0	0
Angola	12,629	5,382
Mozambique	1,530	22,711
Cape Verde	574	1,694
Asia	**11,727**	**9,250**
China	9,992	7,972
Timor	1,735	1,277
Total	**215,823**	**308,284**

Note: Values refer to each geographic area contrubution

Income before tax

	2017-12	2018-12
Domestic activity	**-21,966**	**565,219**
International activity	**231,105**	**227,778**
Europe	**70,932**	**8,785**
Spain	4,934	-9,921
France	68,576	22,649
United Kingdom	5,784	0
Luxembourg	-8,362	-3,942
America	**-3,473**	**-1,656**
North America	-3,524	-1,656
Brazil	51	0
Africa	**77,381**	**148,141**
South Africa	0	0
Angola	23,982	32,701
Mozambique	49,436	100,981
Cape Verde	3,963	14,459
São Tomé e Príncipe	0	0
Asia	**86,266**	**72,509**
China	79,922	67,838
Timor	6,343	4,670
Total	**209,139**	**792,998**

Note: Values refer to each geographic area contrubution, including non-controlling interests

2.2.3. INFORMATION TRANSPARENCY AND ASSET VALUATION

ADOPTION OF RECOMMENDATIONS RELATED TO INFORMATION TRANSPARENCY AND ASSET VALUATION, ACCORDING TO THE BANK OF PORTUGAL'S CIRCULAR LETTER NO. 97/2008/DSB, OF 3 DECEMBER AND CIRCULAR LETTER NO. 58/2009/DSB OF 5 AUGUST

I.	Business Model	
1.	Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	Board of Directors' Report: • Message from the Chairman and CEO of Board of Directors • Highlights in 2018 • CGD today • Activity and financial information Corporate Governance Report.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. Notes 12, 20 and 22 of Annex to the Consolidated FS - Financial Statements (Securitisation operations & Structured products).
3	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	See I.1 above. Notes 27 and 38 of Annex to the Consolidated FS.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. Board of Directors' Report: • Risk management Note 2 of Annex to the Consolidated FS.
5.	Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed;	See items I.1 to I.3 above.
II.	Risks and Risk Management	
6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	Board of Directors' Report: • Risk management Note 41 (description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate) of Annex to the Consolidated FS.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/ weaknesses identified and the corrective measures taken;	See II.6 above.
III.	Impact of period of financial turmoil on results	
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	Board of Director's Report: • Activity and financial information Notes 6, 7, 8, 19 and 37 of Annex to the Consolidated FS.

III.	Impact of period of financial turmoil on results (cont.)	
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	Board of Director's Report: • Activity and financial information Note 41 of Annex to the Consolidated FS.
10.	Description of the reasons and factors responsible for the impact;	Board of Director's Report: • Message from the Chairman and CEO of Board of Directors • CGD today • 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 items III.8 to III.10 above. Note 41 of Annex to the Consolidated FS
13.	Description of the influence of the financial turmoil on the entity's share prices;	N.A.
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	Board of Director's Report: • Activity and financial information.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	Board of Director's Report: • Activity and financial information Liabilities issued by CGD Group are recognised at amortised cost.
IV.	Levels and types of exposures affected by the period of turmoil	
16.	Nominal (or amortised cost) and fair value of "live" exposures;	Board of Directors' Report : • Risk management Note 2 and 41 (comparison between the fair and book value of assets and liabilities recognised at amortised cost) of Annex to the Consolidated FS.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 10 and Note 41 of Annex to the Consolidated FS.
18.	Detailed disclosure of exposures, broken down by: -Level of seniority of exposures/tranches held; -Level of credit quality (e.g. ratings, vintages); -Geographic areas of origin; -Sector of activity; -Origin of exposures (issued, retained or acquired); -Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance; -Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses;	Note 41 of Annex to the Consolidated FS.

IV.	Levels and types of exposures affected by the period of turmoil (cont.)	
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See items III.8 to III.15 above.
20.	Explanations of exposures (including "vehicles" and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: -Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; -Fair value of "live" exposures and respective credit protection; -Value of write-downs and losses, split up between realised and unrealised amounts; -Breakdown of exposures by rating or counterparty;	CGD does not have any exposure to monoline type insurance companies.
V.	Accounting policies and valuation methods	
22.	Classification of transactions and structured products for accounting and respective processing purposes;	Note 2 (description of the financial instruments and how they are processed in the accounts) of Annex to the Consolidated FS.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.A.
24.	Detailed disclosure of the fair value of financial instruments: -Financial instruments at fair value; -Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); -Processing of "day 1 profits" (including quantitative information); -Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	Notes 7, 8 and 41 of Annex to the Consolidated FS. See item IV.16 above.
25.	Description of modelling techniques used to value financial instruments, including information on: -Modelling techniques and instruments on which they are applied; -Valuation processes (particularly including the assumptions and inputs upon which the models are based); -Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; -Sensitivity of fair value (namely changes to assumptions and key inputs); -Stress Scenarios;	Note 2 and 41 of Annex to the Consolidated FS (information and processes applied by CGD in the valuation of financial instruments).
VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	Note 2 of Annex to the Consolidated FS.

2.2.4. GLOSSARY

Cost-to-income[(1)]

Operating costs / (Total operating income + Income of associated companies).

Cost of credit risk

Credit impairment for the period (net) / Average* loans and advances to customers balance (gross).

Coverage ratio on forborne loans and advances[(2)]

Accumulated impairment on forborne loans under probation / Total forborne exposures.

Coverage ratio on Non-performing exposure[(2)]

(Accumulated impairment on: Debt securities + Loans and advances to customers + Off balance-sheet exposures) / Total non-performing exposures (gross).

Coverage ratio on Non-performing loans[(2)]

Accumulated impairment on loans and advances to customers / Total non-performing loans (gross).

Employee costs / Total operating income[(1)]

Employee costs / Total operating income.

Forborne ratio for loans and advances[(2)]

Forborne loans and advances under probation / Total loans advances to customers (gross).

Gross return on assets (ROA) [(1) (3)]

Income before tax and non-controlling interests / Average* net assets.

Gross return on equity (ROE) [(1)(3)]

Income before tax and non-controlling interests / Average* shareholders' equity.

Loans-to-deposits ratio[(1)]

(Total loans and advances to customers – Accumulated impairment on loans and advances to customers) / Customer deposits.

Net interest income

Interest and similar income - Interest and similar costs.

Net interest income including income from equity instruments

Net interest income + Income from equity instruments.

Net operating income

Net operating income before impairments - Provisions and impairments.

Net operating income before impairments

Total operating income - Operating costs.

Net return on assets (ROA)[(3)]

(Income after tax and non-controlling interests) / Average* net assets.

Net return on equity (ROE)[(3)]

Income after tax and non-controlling interests / Average* shareholders' equity.

Non-interest income

Net fees and Commissions + Net trading income + Other operating income.

NPE - Non-performing exposure ratio[(2)]

(Non-performing: Debt securities + Loans and advances to customers + Off balance-sheet exposures) / (Gross: Total debt securities + Loans and advances to customers + Off balance-sheet exposures).

NPL - Non-performing loans ratio[(2)]

Non-performing loans and advances to customers / Total loans and advances to customers (gross).

Operating costs

Employee costs + Administrative costs + Depreciation and amortization for the period.

Operating costs / average net assets

Operating costs / Average* net assets.

Return on Tangible Equity (ROTE)

Net income / (Average* shareholders' equity – Average* intangible assets).

Net fees and commissions

Fees and commissions income – Fees and commissions expenses.

Securities investments

Financial assets at fair value through profit or loss + Available for sale financial assets + Financial assets held to maturity.

Total operating income

Net interest income + Income from equity instruments + Non-interest income.

Total operating income / average net assets[(1)]

(Total operating income + Income from associated companies) / Average* of net assets.

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*Average of the last 13 monthly observations.
1 As defined by Bank of Portugal Instruction 6/2018.
2 As defined by EBA.
3 Income after tax: net income for the period attributable to the shareholder of CGD and net income for the period attributable to non-controlling interests.

2.3. Audit Reports and Opinions

2.3.1. STATUTORY AND AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Caixa Geral de Depósitos, S.A. (" CGD" or " the Group"), which comprise the Consolidated Balance Sheet as at 31 December 2018 (showing a total of 89.091.418 thousand euros and a tot al equity of 8.285.445 thousand euros, including a net income attributable to the shareholder of CGD for the year of 495.776 thousand euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholder's Equity and the Consolidated Cash Flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Caixa Geral de Depósitos, S.A. as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As described in Note 18 "Income Tax" to the consolidated financial statements, for the purposes of calculating deferred tax assets as of December 31, 2018, CGD considered the tax regime defined in Regulatory Decree no. 13/2018 of 28 December, which aimed to replicate the tax regime applicable in 2017, extending the tax regime for credit impairment losses applicable in 2017 to apply in 2018. The Decree stated that in 2019 a definitive tax regime would be published covering this issue. This has however not yet occurred and consequently uncertainties remain regarding the final details of the regime. Any amendments to the tax legislation that differ from assumptions made by the Board of Directors may have an impact on the assessment of the Group's ability to generate future taxable income and, therefore, the amount of deferred tax assets recorded.

Our opinion is not modified by this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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
A member firm of Ernst & Young Global Limited

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Caixa Geral de Depósitos
Statutory and Auditor's Report
31 December 2018

The key audit matters in the current year audit are the following:

1. **Implementation of International Financial Reporting Standard 9 – "Financial Instruments": Classification, measurement and impairment**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As presented in the balance sheet and as further disclosed in note 12 of the consolidated financial statements, the value of loans and advances to customers amounted to 54.926.412 thousand euros representing 58% of total assets. The accumulated impairment recorded to loans to customers amounted to 3.336.927 thousand euros represent ing 6,1% of total credit. The details of the accounting policies, methodologies, concepts and assumptions used by the Group are disclosed in the notes to the financial statements (notes 2.3 and 2.9 d) of the Notes to the consolidated financial statements). In accordance with IFRS 9 - "Financial Instruments", financial assets can be classified into three categories with different measurement criteria (amortized cost, fair value through profit or loss and fair value through other comprehensive income). The classification of assets depends on the characteristics of the contractual cash flows and the business model associated with them. Regarding impairment, IFRS 9 - "Financial Instruments" establishes a new model of expected credit losses (ECL – Expected Credit Losses) which replace the model used of incurred loss defined in IAS 39 – "Recognition and measurement" which means that it is no longer necessary for the loss event to occur for impairment losses to be recognised. In accordance to the standard financial assets are split into three groups of credit risk, depending on the level of significant deteoration of credit risk (stage 1, stage 2 (respectively with or without significant increase on credit risk since initial recognition) and stage 3 (with impairment default)). Depending on the stage classification of the operation the credit losses are estimated according to the following criteria: (i) Expected loss to 12 months: expected loss resulting from a loss event occurring within 12 months after the calculation date, being applied for stage 1 operations; (ii) Expected loss lifetime: expected loss obtained through the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the contract. Thus, the expected lifetime loss results from all potential loss events to maturity, being applied to operations classified as stage 2 and 3.	Our response to the risk of material misstatements includes a combined approach of controls assessment and substantive tests, namely: ► Understand, evaluate the design and test the operational effectiveness of internal control procedures over the process of classification, measurement and quantification of impairment losses to the credit and securities portfolio; ► Understand the business model determined by the Group for the management of its financial assets, and analyse the documentation regarding classification and measurement of these assets; ► Perform analytical review procedures on the balances of impairment of loans to customers comparing to the previous period and to defined expectations, in which we highlight the understanding of the variation occurred in the loans portfolio and changes in the assumptions and methodologies of impairment; ► For a sample of debt instruments and standard loan products, analysis of the contractual characteristics of the cash flows to corroborate the classification and measurement determined by the Group; ► Sampling a group of exposures individually assessed for impairment to test t he assumptions used by t he Group's Management. These tests included (i) the analysis of the terms and condit ions defined on the loan operations and on significant collateral; (ii) analysis of the financial and economic situat ion of the debtors and the cash flows expected to be provided by the business; (iii) appreciation of the valuation reports performed for the collateral; (iv) management inquiries about these loans and the follow up carried out to underst and the recovery strategy of the loans as well an assessment of the assumptions used; (v) recalculation of the impairment estimation and comparison with the results determined by the Group; ► Use of internal specialists to assess the reasonableness of the assumptions used for the collective assessment of impairment, with particular regard to the following procedures: (i) understand approved and formal methodology and comparison with methodology effectively in place; (ii) analysis of the model changes on the

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
IFRS 9 – "Financial Instruments" does not define a concept of default, however CGD applies the same definition used for the internal credit risk management purposes, which incorporates the EBA recommendation defined in the "Final report on Guidelines on default definition – EBA-GL-2016/07. The impacts of the transition are disclosed in note 2.3 to the consolidated financial statements. The implementation of this standard has increased the complexity and subjectivity inherent in the calculation of expected losses with the use of internal mathematical models to determine the parameters, namely: (i) probability of default ("PD"); (ii) loss given default ("LGD"); and (iii) exposure at the default date ("EAD"). With the introduction of IFRS 9 – "Financial Instruments" these parameters should also contain forecasts of future economic conditions containing different scenarios. For significant exposures CGD management bodies and subsidiaries have used expert judgement in credit risk assessment. It should be noted that, in addition to the complexity of the models, their use requires the treatment of a significant volume of data. To overcome limitations that may exist in such treatment, experts sometimes used practical expedients that increase the level of judgment applied. The assessment of impairment evidence is made for individually significant exposures and collectively for the remaining exposures. If it is determined that there is no objective evidence of impairment for a given exposure, whether significant or not, it is assessed collectively. The individual impairment process has inherently a strong judgmental component by Group's management, in the identification of impairment triggers, the estimation of cash flows to fulfill the debt service and the valuation of collateral repossessed under loan recovery, whenever the recovery is anticipated in lieu of payment, execution and/or sale of collateral, less the costs inherent in their recovery and sale. The use of alternative approaches, models or assumptions may have a material impact on the estimated impairment value (Note 2.23 a) to the consolidated financial statements). Considering the degree of subjectivity and complexity associated with the impairment, the materiality involved and the changes that occurred on the definition of the business model, we considered this to be a key audit matter.	definition of parameters to reflect the incurred loss; (iii) analysis of the changes in risk parameters (PD, LGD and EAD) that occurred during 2018; (iv) tests, on a sample basis, of the underlying data used to determine the risk parameters and comparison with the source of information; (v) evaluation of the consistent application of calculations of risk parameters throughout the period under review; (vi) inquiries of Group's experts responsible for the models and analysis of internal audit and regulator's reports; and (vii) analysis of the reports with the results of the operational evaluation of the model (back testing); ► Understand and evaluate the design of the expected loss calculation model; test the calculation and compare the information used in the model through reconciliations prepared by the Group with the source of information; assessment of the assumptions used to fill gaps in the data, comparison of the parameters used with the results of the estimation models, and comparison of the results with the amounts presented in the financial statements; and ► Analysis of the disclosures included in the consolidated financial statements, based on International Financial Reporting Standards requirements and on the accounting records.

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2. Recoverability of deferred tax assets

Description of the most significant risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Consolidated balance sheet includes total deferred tax assets of 2.107.695 thousand euros as of 31 December 2018, of which 1.126.249 thousand euros are included in the special regime for deferred tax assets (SRDTA), which correspond to the expenses and negative equity variations prior to 31 December 2015 (Note 2.15 and Note 18 to the consolidated financial statements). When the taxpayer incurs a loss during a tax period the assets included in the SRDTA are converted to a tax credit in the proportion of the loss for the period and the total equity combined with contingent capital instruments, creating a special reserve for tax credit plus 10%. Based on balance sheet amounts of CGD as of 31 December 2016 the amount of deferred tax assets that are estimated to be converted to tax credits is 428.000 thousand euros. Under the requirements of IAS 12 – "Income taxes", deferred tax assets are recognized considering the Group's estimation of its future recoverability, which is essentially determined by its capacity to generate future taxable profits and on an understanding of the legal framework applicable in the reversal period (Note 2.23 f)) to the consolidated financial statements). As referred in the paragraph of the Emphasis of Matter Section, the legal framework is uncertain and the Group used its expectation of the most likely scenario. Bearing in mind the significance of the amounts and the complexity of the calculation, with the consequent risk of material distortion due to the use of assumptions and judgments, we considered this to be a key audit matter.	Our response to the risk of material misstatements includes the following procedures: ► Understand internal controls over the estimation process of deferred tax assets recoverability; ► Understand the most significant assumptions and judgments used by the Group to estimate future taxable profits, including a consistency analysis with the projections included in the Strategic Plan; ► Use of internal tax specialists to assess the reasonableness of the assumptions used in the estimation of deferred tax assets; ► Analysis of the Regulatory Decree no. 13/2018, of 28 December, and Management inquiries about their expectations regarding evolution of tax regime; ► Review of the calculations made by the Group to determine the recoverability of the deferred tax assets, in view of the assumptions used to estimate the future tax profits and the interpretation of tax law; and ► Analysis of the disclosures related to this matter included in the consolidated financial statements, based on International Financial Reporting Standards requirements and on the accounting records.

3. Liabilities with post-employment benefits of CGD employees and commitments undertaken under the early retirement plan

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
CGD and certain subsidiaries assumed responsibility for current and retired employees' retirement benefits and other long-term post-employment benefits (Note 2.17 to the consolidated financial statements). As of 31 December 2018, the total liabilities estimated for past service post-employment benefits of Group's employees amount to 2.794.089 thousand euros and medical post-employment benefits to 452.878 thousand euros (Note 35 to the consolidated financial statements).	Our response to the risk of material misstatements includes the following procedures: ► Understand internal controls over the estimation process of post-employment benefits related to pensions, other long-term employee benefits and commitments undertaken under the early retirement plan; ► Performance of analytical review procedures of the balances of post-employment liabilities comparing with previous periods and expectations based on an understanding of the variations of the number of

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
These liabilities were estimated based on a report of an external actuary certified by the supervisory authority of insurance and pensions funds ("ASF"), who used actuarial methodologies and financial and actuarial assumptions defined by CGD Management, including the discount rate, annual increases in salaries and pensions and mortality and disability metrics. Additionally, the strategic plan defined to 2017-2020 that underpins the CGD recapitalization plan predicts a set of organizational restructuring measures to ensure the global sustainability of the Group. As disclosed in Note 35 to the consolidated financial statements, CGD took initiatives during 2017 and 2018 to implement this plan and allow the structural transformation of CGD in terms of profitability and efficiency. In line with the approach adopted for post-employment benefits CGD used an external actuary to determine the liabilities for obligations assumed under these programs. Consequently at 31 December 2018, CGD estimated a provision of 169.587 thousand euros related to the Early Retirement Plan. The use of different methodologies, assumptions or judgments in the performance of these actuarial calculations, could generate estimations different from those recorded. We considered this to be a key audit matter due to the significance of the liabilities for post-employment benefits for pensions and other long-term employee benefits and the risk of material distortion due to the use of assumptions and judgment (Note 2.23 e) to the consolidated financial statements).	employees and retirees and changes of assumptions; ► Verification of "ASF" registry related to the external actuary in charge of actuarial report and read of the independence declaration attached to the actuarial report relative to 31 December 2018. ► Use of internal actuarial specialists to assess the reasonableness of the assumptions used, as compared to external benchmarks, historical information, information provided by Group's management and to review on a sample basis, the calculations performed by the external actuary; ► Analysis of the commitments agreed in the document establishing the pension fund and the liabilities considered in the actuarial report as of 31December 2018 as well as the regulations regarding post-employment medical benefits; ► Testing, on a sample basis, of the data included in the actuarial report; ► Analysis of the commitments agreed in the early retirement plan and of the data used in the estimation prepared by CGD as of 31 December 2018, as well as of the analysis of the accounting treatment of the liability under the requirements of IAS 37; and ► Analysis of the disclosures included on the consolidated financial statements, based on International Financial Reporting Standards requirements and on the accounting records.

4. Valuation of real estate assets repossessed under loan recovery

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As of 31 December 2018, the net book amount of the real estate assets repossessed by credit recovery was 769.420 thousand euros with related impairment of 335.990 thousand euros (43,7%) as disclosed in Note 13 to the consolidated financial statements. These real estate assets are recorded at recoverable amount under the caption "Non-current assets available for sale" and are measured in accordance with the accounting policy described in Note 2.10 to the consolidated financial statements.	Our response to the risk of material misstatements includes the following procedures: ► Understand internal controls over the valuation process of real estate assets repossessed by credit recovery; ► Performance of analytical review procedures on the real estate assets included in the balance as noncurrent assets available for sale comparing to the previous period and expectations, to gain an

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Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
To determine the recoverable amount of the repossessed real estate assets, impairment is assessed individually for all the assets with a gross amount of 5 million euros and above, including, on a case-by-case basis, assets with a lower value with specific characteristics that justify an individual assessment. The remaining real estate assets are appraised based on a collective model assessment. The individual assessment of impairment considers the specific characteristics of the real estate asset and the disposal strategy, incorporating available information on supply and demand and other specific risks that may influence the value of the asset. On the other hand, the collective impairment model determines the recoverable amount of each real estate asset as the lower of: (i) the value of the last appraisal report, and (ii) the value resulting from the application of a discount (haircut) to the appraised value obtained since the real estate asset was repossessed. The haircut varies by segment of real estate assets in the portfolio with similar devaluation characteristics and ageing. The haircuts are determined based on the historical evolution of the real estate appraisals, with additional adjustments to ensure the consistency of recoverable amounts with effective historical sales data, depressing the value of the older real estate assets in the portfolio and aligning with the disposal strategy. This matter is considered to be significant to the audit because of its materiality to the consolidated financial statements and because the use of different valuation techniques and assumptions could give rise to different estimates of fair value (Note 2.23 g) to the consolidated financial statements).	understanding of the variations that have occurred and the changes in assumptions and methodologies; ► Confirmation of the real estate appraisals expert's registration with the securities market regulator ("CMVM"); ► Assessment of the analysis performed by the internal departments of CGD – DNI (Real estate business division) and DGR (Risk management division) on the most significant assets; ► For a sample of assets, tests of the reasonableness of the assumptions used by the external specialists registered with the CMVM, as well as of the appropriateness of the methodology used in the appraisals; ► For the real estate assets collectively assessed: (i) understand the main features of the model used; (ii) for a sample of real estate assets, tests of the data used in the model; (iii) recalculation of the coefficients of haircuts; and (iv) recalculation of the collective impairment and comparison the results with the financial statements; and ► Analysis of the disclosures included in the consolidated financial statements, based on International Financial Reporting Standards requirements and on the accounting records.

5. Classification and measurement of subsidiaries classified as non-current assets held for sale

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As disclosed in Note 13 to the consolidated financial statements, as of 31 December 2018 the net amount of non-current assets and liabilities held for sale related to subsidiaries was 796.596 thousand euros. Throughout 2018, CGD's management continued with the necessary procedures in comply with the strategic plan, and proceeding with the sale process of the subsidiaries Banco Caixa Geral Brasil, S.A., Banco Caixa	Our response to the risk of material misstatements includes the following procedures: ► Understand internal controls over the process to determine the fair value of the subsidiaries classified as non-current assets held for sale; ► Analysis of the supporting evidence for the classification criteria under IFRS 5; analysis of the documentation related to the sale process of BCG Spain

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Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
Geral, S.A. (BCG Spain) and CGD Investimentos CVC, S.A. and Mercantile Bank Holdings, Ltd. Having determined that the conditions set out in IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations" (IFRS 5) are still met, the Group classified and measured these subsidiaries in accordance with this standard (Note 2.10). To comply with the measurement criteria of IFRS 5, CGD obtained appraisals from external specialists to determine the fair value of these subsidiaries, which was the basis for impairment loss recognition of 413.263 thousand of euros (408.263 thousand euros recorded on 2017). On November 22, 2018, the Council of Ministers selected Capitec Bank Limited to acquire the shares representing 100% of Mercantile's capital stock and Abanca Corporacion Bancária, SA to acquire the shares representing 99.79% of the capital stock of BCG Spain. If the overall prices announced, of 201 million euros and 364 million euros, respectively are confirmed, these divestments will generate net capital gain in the order of 200 million euros, taking into account the provisions recorded essentially in 2017. However, these amounts are subject to adjustments arising from the equity variations of each subsidiary between the reference date established in the direct sale agreements and the last day of the second month prior to their effective date of sale and the sales are subject to approval by authorities in each country. As described on Note 2.8, at the time of the disposal of financial investments whose functional currency is different from the Euro, exchange differences recorded under "Other Reserves" should be transferred to profit or loss for the period, since they are an integral part of the gain or loss determined on the transaction. As of December 31, 2018, the accumulated value of the foreign exchange differences related to the units classified as held for sale corresponds to losses of 153.579 thousand euros. We considered this to be a key audit matter given the significance of the amounts and the risk of material distortion due to the use of assumptions and judgments (Note 2.23 d) to the consolidated financial statements).	and Mercantile such as the proposals presented by CGD to the Council of Ministries decision and also the respective Sale and Purchase agreements ("SPA") concluded between CGD and the potential investors; ► Use of internal valuation specialists to assess the assumptions and methodologies used to determine the fair value of these subsidiaries; ► Review of the reasonableness of the projections, methodologies and assumptions used in the valuation of the BCG Brasil and CVC regarding available financial information and market data; ► Analysis of the related disclosures the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

6. Financial instruments measured at fair value and classified as level 3 under IFRS 13

Description of our assessment the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As described in Note 41 to the consolidated financial statements, in the section "Long term or economic perspective – fair value", as of 31 December 2018 the	Our response to the risk of material misstatements includes the following procedures:

Description of our assessment the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
Group holds financial instruments valued at fair value amounting to 11.756.406 thousand euros, of which 1.745.642 thousand euros are valued according to valuation techniques using variables not observable in the market (level 3). The valuation of investments is subjective by nature, given that these financial instruments (level 3) are valued based on internal models or through quotes provided by external entities that include unobservable market parameters. The consideration of this matter as significant to the audit was based on its materiality in the consolidated financial statements and the fact that the use of different valuation techniques and assumptions could give rise to different estimates of fair value (Note 2.23 c) to the consolidated financial statements).	► Understand internal control over the valuation process of financial instruments non-quoted on active market; ► Performance of analytical review procedures on the balances of financial instruments comparing with the previous period and expectations to obtain an understanding of the variations that occurred regarding changes in assumptions and methodologies; ► On the internal models used we performed the following procedures: (i) understand the formal methodology approved by management; (ii) analysis, on a sample basis of financial instruments; of the underlying data used in the internal models; (iii) recalculation of the fair value of the financial instruments on a sample basis; ► For the recovery funds and close-ended funds, our analysis was based on the latest financial information available and/or the last net asset value disclosed by the management entities of the funds and on the reports by the Group on the value of the underlying assets of the funds; and ► Analysis of the disclosures to the consolidated financial statements, based on International Financial Reporting Standards requirements and on the accounting records.

7. Resolution fund

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
Following the resolution measures applied to Banco Espírito Santo, S.A. ("BES") and Banif – Banco Internacional do Funchal, S.A. ("Banif"), the Resolution Fund became sole holder of the share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted loans to the Resolution Fund, which assumed other liabilities and contingent liabilities. CGD has participated in the banking syndicate through a loan agreement. To reimburse these loans and to meet other obligations, the financial resources of the Resolution Fund are essentially provided by periodic contributions from participating institutions (including CGD) and contributions from the banking sector. There is also a provision for the Portuguese Government finance representative to require, by ministerial order, that participating institutions make a special contributions in circumstances determined in the	Our response to the risk of material misstatements includes the following procedures: ► Analysis of the loan agreement concluded between CGD and the Resolution Fund and the respective amendments signed in August 2016 and February 2017; ► Analysis of the public communications from the Resolution Fund on 28 September 2016, 21 March 2017 and 28 March 2018, regarding the new conditions for loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness and on the sale of Novo Banco and additional State support measures; ► Read the communication of the Council of Ministries and of the European Commission dated 11 October

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Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
legislation, particularly if the Resolution Fund does not have sufficient funds to meet its obligations. As described in a public statement by the Resolution Fund on 21 March 2017, the terms of the loans granted to the Resolution Fund to finance the resolution measures for BES and Banif were renegotiated during the first quarter of 2017. This included an extension of the term of the loans to 31 December 2046 and the possibility to further adjust that term to enable the Resolution Fund to settle the liabilities based on regular contributions without reliance on special contributions or other extraordinary contributions by the banking sector. It was also specified the treatment of the loans of the Resolution Fund to the banking syndicate, of which CGD is a part, pari passu with loans granted by the Portuguese State. On 11 October 2017, the Council of Ministries and the European Commission issued communications announcing the approval of the sale of Novo Banco to a new private investor committed to restructuring the bank to restore its economic viability and approval by the European Commission of plans for Portugal to grant additional State support to Novo Banco in accordance with European Union rules, through a new loan to the Resolution Fund up to 3,89 thousand million euros. In this context, the Resolution of the Council of Ministries nº 151-A/2017, of 2 October, authorized a master agreement to make available to the Resolution Fund the necessary funds to, when and if necessary, comply with contractual obligations emerging from the sale of 75% of the share capital of Novo Banco, S.A. Under this master agreement, on October 2017, a line of credit up to 1.000 million euros was approved, which can be used by the Resolution Fund during the 2 years beginning on 1 January 2018 and subject to an annual limit of 850 million euros. As described in the communication by the Resolution Fund dated 28 March 2018 and 24 May 2018, the Fund paid under the contingent capital mechanism an amount of 792 million euros in 2017. In accordance to the communication by the Resolution Fund dated 1 March 2019, Novo Banco announced the 2018-year end results which triggered the contingent capital mechanism, provided for in the agreements concluded in 2017 regarding the sale of the Bank . The resulting amount to be paid by the Resolution Fund in 2019 is 1.149 million euros. As disclosed in Note 23 to the consolidated financial statements, as of 31 December 2018, CGD does not expect to be called on for any contributions or other extraordinary payments to finance the resolution measures for BES and Banif. The cost of the regular	2017, related to the approval of the sale of Novo Banco; ► Read the last Report and Accounts of the Resolution Fund for the years 2016 and 2017; ► Read the communications of the Resolution Fund dated 24 May 2018 and 1 March 2019 about the payments to Novo Banco under the contingent capital mechanism; ► Read of the communication of the Resolution Fund's chairman in the Comissão de Orçamento, Finanças e Modernização Administrativa (Parliament Commission); ► Review of the accounting framework of the contributions to the Resolution Fund; and ► Review of the disclosures included in the note 23 to the consolidated financial statements related to this matter.

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Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
contributions and the contribution of the banking sector is recognised annually in accordance with IFRIC 21 – Levies. Considering the materiality of the Resolution Fund's liabilities and the potential impact for CGD in case of changes related to this matter, this was considered a key audit matter.	

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nº 4 and nº 5 of article 451º of the Commercial Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451º, nº 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the non-financial statement provided for in article 508-G of the Portuguese commercial code

Pursuant to article 451º, nº 6 of the Commercial Companies code, it is our opinion that the Group included in the management report the non-financial statement provided for in article 508-G.

On the Corporate Governance Report

Pursuant to article 451º, nº 4 of the commercial companies code, it is our opinion, that the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of this article.

On additional items set out in article 10º of the Regulation (EU) nº 537/2014

Pursuant to article 10º of the Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as statutory auditors/auditors of Caixa Geral de Depósitos, S.A. (Group´s Parent Entity) for the first time by decision of the sole shareholder the Portuguese State, dated 18 May 2017, for the period from 2017 to 2020;

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- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered today to the supervisory body of the Group; and
- We declare that we have not provided any prohibited services as described in article 77, nº 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 30 April 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230
Registered with the Portuguese Securities Market Commission under license nº 20160841

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2.3.2. REPORT AND OPINION OF THE SUPERVISORY BOARD

Caixa Geral de Depósitos, S.A.

Report and Opinion of the Supervisory Board for 2018

In conformity with the dispositions of sub-paragraph g) of no. 1 of article 420, in conjunction with no. 1 of article 508-D, both of the Commercial Companies Code, the Supervisory Board is responsible for producing an annual report on its inspection activities and issuing an opinion on the Board of Directors' report of Caixa Geral de Depósitos (CGD).

In the sphere of its competencies, as attributed by law and the articles of association, the Supervisory Board oversaw the management and results of CGD and CGD Group during the course of 2018, which particularly included:

(a) Participation in all meetings of the Board of Directors, including the analysis of all of the documentation distributed on which the respective works were based;

(b) The reception and analysis of the explanations given by the officers in charge of each of the areas whose issues were discussed, analysed and decided;

(c) The submission of issues and requests for clarification raised by the documents under analysis and presentations and explanations;

(d) Interactions with members of the supervisory bodies of CGD Group's main entities;

(e) Direct oversight of multiple aspects of the evolution of CGD Group's activity, paying special attention to compliance with the company's articles of association and legal and regulatory dispositions; and;

(f) Participation in all of the activities of CGD's Board of Directors' special advisory and supporting committees, based on its members' presence at meetings of the Nomination, Appraisals and Remuneration, Audit and Internal Control and Corporate Governance Committees.

During the course of 2018, the Supervisory Board met 24 times, with all meetings held with no absences. Minutes have been drawn up for all the meetings. Special reference should be made to the following issues that were discussed and analysed:

(a) An analysis of the activity plans of the Internal Audit Division and Compliance Office and their respective quarterly activity reports;

(b) Oversight of the reports of the auditors by the Audit Division and an examination of the activities of the Compliance Office and Risk Management Division;

(c) The issue of opinions within its sphere of competence;

(d) Consideration of the report on the prevention of money laundering and the financing of terrorism as provided for in the Bank of Portugal's *Official Notice* 2/2018, as well as in no.1 of article 8 of Bank of Portugal's Instruction 5/2019;

(e) Consideration of the reports on the adequacy and effectiveness of the internal control system of CGD, CGD Group and its most relevant subsidiaries, with the reports provided for in the Bank of Portugal's *Official Notice* 5/2008 having been issued in June 2018;

(f) Analysis of the complaints and claims submitted to it whose processes were passed on to the CGD's appropriate services;

(g) Analysis of the exchange of correspondence between CGD and the supervisory entities;

(h) Analysis of the reports on the evolution of actions to mitigate the defects found by the supervisors;

(i) The holding of a meeting with regulators CMVM and Joint Supervisory Team – Bank of Portugal / European Central Bank.

Pursuant to the provisions of article 3 of Law 148/2015 of 9 September, the Supervisory Board undertook the following procedures:

(a) Inspection of the effectiveness of the internal quality control and risk management and internal audit systems as regards the process for the preparation and disclosure of financial information, without violating their independence;

(b) Oversight of the legal revision of the consolidated and separate annual accounts, having been present, for the said purpose, at 11 meetings with the representatives of the Statutory Audit Company – Ernst & Young Audit & Associados – SROC, S.A. ("EY") for the understanding and planning of the evolution of its works and the main conclusions and recommendations formulated in the sphere of the performance of its attributions, including the discussion and approval of the general audit plan. The clarifications both necessary and sufficient in response to the issues raised and particularly on the conformity of the accounting records and their supporting documents, the existence of assets or amounts belonging to CGD or received by or deposited with it by any other means and whether the accounting policies and measurement criteria adopted lead to an adequate presentation of the equity and results of CGD and CGD Group were herein obtained;

(c) Verification and oversight of the independence of the Statutory Audit Company in legal terms, including the provisions of no. 2 of article 6 of the Regulation (EU) no. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and, especially, verification of adequacy for approving the provision of other services, in addition to audit services, pursuant to the terms of articles 10 and 11 of article 77 of the articles of association of the statutes of the Statutory Auditors as published in the annex to Law 140/2015;

(d) Consideration of the Statutory Audit Company's additional report, produced in compliance with the dispositions of article 24 nos. 1 to 3 of the legal regulations on audit supervision, approved by Law 148/2015 of 9 September, having discussed the contents thereof with the representatives of EY and with which the Supervisory Board was in agreement;

(e) Informing the Board of Directors of the results of the statutory audit on the consolidated and separate accounts, explaining the form of contribution to the integrity of the process for the preparation and disclosure of the financial information in addition to the role played by the Supervisory Board in this process;

(f) Oversight of the process for the preparation and disclosure of CGD's and CGD Group's quarterly financial information, having obtained the clarifications requested in the sphere of the respective closing of the accounts from DCI (Accounting, Consolidation and Financial Information Division);

(g) Production of the quarterly reports for the Ministry of Finance under the terms of the dispositions of no. 2 of article 6 of Decree-Law no.287/93 of 20 August, presenting the analysis of CGD's and CGD Group's main financial indicators in addition to the results of the other analysis performed by the Supervisory Board.

Under the terms of article 452 of the Commercial Companies Code, the Supervisory Board examined the Board of Directors' report and the separate and consolidated financial statements of CGD with reference to the year ended 31 December 2018 and the respective statutory audit certificates and audit reports issued by EY without reservations but with one emphasis that merited the agreement of the Supervisory Board.

Specifically, the Supervisory Board analysed the relevant audit matters and obtained from EY all the clarifications necessary for its understanding, in particular on:

- Implementation of International Financial Reporting Standard 9 - Financial Instruments: classification, measurement and impairment;
- Recoverability of deferred tax assets;
- Responsibilities with post-employment benefits of CGD employees and with the commitments made under the pre-retirement program;
- Valuation of foreclosed assets;
- Classification and measurement of subsidiaries considered as non-current assets held for sale;
- Financial instruments measured at fair value and classified as stage 3 under IFRS 13;
- Resolution fund.

Additionaly, the Supervisory Board assessed compliance with the legal guidelines in force for the state's corporate sector, i.e. compliance with the guidelines on remuneration in force in 2018 and those in respect of the corporate governance report included in the Board of Directors' report.

It also verified that the information set out in the corporate governance report includes the items required under the terms of article 245-A of the Securities Market Code.

In light of the above, the following opinion is issued:

Opinion of the Supervisory Board

Within the scope of its powers, the Supervisory Board reviewed CGD's separate and consolidated Board of Directors' report referring to the 2018 period and the respective Statutory and Auditor's Report on the Accounts issued without reservations with one emphasis, as well as the Additional Report to the Supervisory Body carried out by EY, and concluded that:

(a) The Board of Directors' report meets the requirements of the Commercial Companies Code and Securities Market Code;

(b) The balance sheet, profit and loss statement, profit and loss and other comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows and the notes to the separate financial statements of Caixa Geral de Depósitos satisfy the applicable legal and accounting requirements;

(c) The consolidated balance sheet, consolidated profit and loss statement, consolidated profit and loss and other comprehensive income statement, consolidated statement of changes to shareholders' equity and consolidated statement of cash flows and the notes to the consolidated financial statements satisfy the applicable legal and accounting requirements;

(d) The proposal for the appropriation of net income presented by the Board of Directors in its report does not contravene the applicable legal and statutory dispositions;

(e) The corporate governance report complies with the legal guidelines in force;

The members of the Supervisory Board declare, pursuant to the terms and for the purposes of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code that, to the best of their knowledge the Board of Directors' report and the separate and consolidated financial statements, in addition to other documents for the provision of CGD Group's accounts, all of which in respect of 2018, have been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the equity and financial results of CGD and the companies included in its consolidation perimeter and that the Board of Directors' report provides a faithful description of the evolution of business the performance and position of CGD and the referred to Group and contains a description of the main risks and uncertainties facing it.

In light of the aforementioned, the Supervisory Board recommends:

a) The approval of the Board of Directors' report and other accounting documents referring to the year 2018, presented by the Board of Directors, taking into account the aspects highlighted in the Statutory and Auditor's Report on the separate financial statements and consolidated financial statements issued by the Statutory Audit Company;

b) The approval of the proposal for the application of net income presented by the Board of Directors in its Board of Directors' report.

Lastly, the Supervisory Board wishes to express its gratitude to the Board of Directors, Executive Committee, officers in charge of CGD's divisions and other employees as well as the Statutory Audit Company, for the collaboration provided in the performance of their functions.

Lisbon 30 April 2019

SUPERVISORY BOARD

Guilherme d'Oliveira Martins

(Signed)

Chairman

António Luís Traça Borges de Assunção

(Signed)

(Member)

Manuel Lázaro Oliveira de Brito

(Signed)

(Member)

3. Report on Corporate Governance 2018

Index

This document is an English translation of the original Portuguese language document "Relatório de Governo Societário 2018". In the event of any inconsistency, the original version prevails.

3.1. Summary

Caixa Geral de Depósitos, SA (CGD, Caixa or Bank)'s Corporate Governance Report has been produced in conformity with current legislation, namely Decree-Law no.133/2013 of 3 October (approving the new Legal Regime on the State's Corporate Sector – hereafter referred to under the Portuguese acronym "RJSPE") and the guidelines issued by UTAM (Technical Unit for the Oversight and Monitoring of the State's Corporate Sector).

This document aimed equally to comply with the requirements of most domestic institutions that have as reference the Internal Government guidelines issued by the Portuguese Institute of Corporate Governance (IPCG) and EBA (European Banking Authority).

Caixa Geral de Depósitos, S.A. is a credit institution which is wholly owned by the Portuguese state and a "significant supervised entity" for the purposes of article 131 of Directive 36/2013/EU of the European Parliament and of the Council of 26 June 2013 and, pursuant to item 16) of article 2 of Regulation (EU) no. 468/2014/ECB of 16 April 2014, is qualified as being a "public-interest entity" for the purposes of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 and the RJSA ("Legal Regime on Statutory Audit Supervision").

The company's governance ensures effective separation between management and supervisory functions. It is organised on the basis of a board of directors with management functions and a supervisory board, that, in conjunction with the statutory audit company, performs supervisory functions under the terms of articles 278 no. 1, sub-paragraph a) and no. 3 and 413 no. 1, sub-paragraph b) and no. 2 of the CSC ("Commercial Companies Code"), article 3 of the RJSA and articles 30 to 33 of the RJSPE ("Legal Regime on the State's Corporate Sector").

CGD's current management has been delegated to an executive committee, comprising all executive members of the board of directors (under the terms of article 407 nos. 3 and 4 of the CSC, article 15 of the RGICSF ("General Institutions and Financial Corporations Regime"), article 32 of the RJSPE and CGD's articles of association. The delegating of current management to the executive committee does not preclude the board of directors' right to pass resolutions on the same matters, with non-executive board members being responsible for general oversight of the performance of the executive committee, in addition to promoting the intervention of the board of directors whenever they consider this to be necessary, according to the provisions of article 407 no. 8 of the CSC.

CGD's board of directors approved the declaration on the independence of the board of directors, on 28 February 2019. The declaration is available on CGD's website at https://www.cgd.pt/Institucional/Sustentabilidade-CGD/Politicas-compromissos/Documents/Declaracao-Independencia-CA.pdf, which systemises the standards on independence that regulate the board of directors.

The independence of the board of directors and its members is assessed on the basis of the standards published in the *RGICSF* (General Credit Institutions and Financial Corporations Regime), *CSC* (Commercial Companies Code), *RJSPE (*Legal Regime Regulating the State's Corporate Sector) and the standards issued by European Institutions, in addition to the assessments and guidelines issued by Portuguese and international supervisory authorities, including the joint guidelines of the European Banking Authority and the European Securities and Markets Authority on the assessment of the suitability of members of boards of management and key function holders (ESMA71-99-598 and EBA/GL/2017/12) of 21 March 2018, and the *IPGC's*[3] Corporate Governance Code of the *(*2018).

[3] *IPGC – Portuguese Instititute of Corporate Governance*

CGD complies with the company's internal standards on the independence of statutory bodies and their members, including, *inter alia*, those contained in its articles of association, Regulation of the board of directors, policy on the assessment of suitability for the selection of members of management and supervisory bodies and key function holders ("Suitability Policy") and CGD, S.A.'s Global Policy for the Prevention of Conflicts of Interest ("Conflicts of Interest" policy).

The independence of members of statutory bodies is initially assessed and re-assessed annually or always in the event of the occurrence of supervenient factors by CNAR (Appointments, Assessment and Remunerations Committee). Each member of the board of directors shall inform the Institution of all events that could have a negative impact on the independent performance of their functions. The implementation of the rules of independence is periodically analysed and updated, as part of the analysis and revision of the Suitability Plan managed by CNAR, at least once a year.

The Suitability Policy and Succession Plan for members of management and supervisory bodies and key function holders, was approved by the general meeting of 28 May 2018. It updates the rules on the assessment of the suitability of members of statutory bodies, establishing principles, rules and requirements for their respective succession, implementing the corresponding joint EBA and ESMA (ESMA71-99-598 and EBA/GL/2017/12) guidelines.

The Succession Plan for the members of the board of directors aims to ensure the continuity of CGD's management and to avoid the simultaneous substitution of an excessive number of board members and key function holders and sets out the respective procedures for the succession of board members namely the identification of skills and qualifications required for different members of the board of directors, with the aim of ensuring sufficiency and suitability for the performance of specific functions.

The process for the identification and selection of candidates as members of the board of directors, provided for in the Succession Plan, namely in terms of gender diversity of the persons designated either for the board of directors or the supervisory board and within the former between executive and non-executive directors, complies with the legal standards on corporate entities.

Key function holders are persons with a significant influence over CGD's management but who are not members of its board of directors. Key function holders include the officers responsible for internal control and other functions identified in CGD's suitability and succession plans.

The rules and mechanisms for the prevention and management of potential conflicts of interest of members of statutory bodies are set out in the Conflicts of Interest Policy and Regulation on the Determination of the Materiality of Conflicts of Interest (approved by the board of directors in conjunction with the approval of the conflicts of interest policy) implementing the internal governance guidelines of 21 March 2018 (EBA/GL/2017/11)

The areas of responsibility of members of the executive committee were redistributed in 2018, pursuant to which the CRO ("chief risk officer") ceased to accumulate, as a board member, the DRC (Credit Risk Division) function and to separate the activities or functions according to criteria relating to the prevention and management of conflicts of interest, namely separation between control functions and controlled areas/activities and segregating between structural units involved in the various decision-making stages, in addition the Ratings Division was created.

The Regulation governing the supervisory board was amended in 2018 and 2019, in order to harmonise the treatment of situations of conflicts or potential conflicts of interest of statutory bodies and describe the activities under the competencies of the supervisory body in terms of the inspection of the activity of domestic and international CGD Group entities, in addition to the inspection of the good operation of CGD's and CGD Group's internal control functions.

The Regulations governing all of the special committees set up by and reporting to the board of directors, were altered for the purposes of harmonising the treatment of situations of conflicts of interest or potential conflicts of interest as well as to provide an explanation of the activities included in the respective areas of competence, namely in terms of CGD Group. The amended CNAR Regulation also incorporated the guidelines of European authorities on internal governance (EBA/GL/2017/11) and on the assessment of the suitability of members of management bodies and key function holders (ESMA71-99-598 and EBA/GL/2017/12).

In a context of growing requirements in supervision, business and market terms CGD has made changes to strengthen its advisory and technical support services to statutory bodies and their committees, in which special mention should be made of the creation of the DSC (corporate support division). In the sphere of DSC's support function, ASC-1 is the structural body responsible for advising and ensuring all technical support to the statutory bodies in articulation with the company secretary and CGD's other structural bodies on specific issues in the sphere of the respective operational areas. In addition to centralising and ensuring support for meetings of the governance bodies to be held, in the technical sphere with the preparation of agendas and supporting documents and the production and recording of the minutes, ASC-1 is responsible for advising the statutory bodies and company secretary on legal and economic-financial issues, pursuant to which its technical team has been strengthened by various specialists to provide greater support to members of management and supervisory boards, based on a corporate approach in which special reference should be made to following up the execution of resolutions and guidelines issued by governance bodies, the adopting of an integrationalist, forward-looking approach, review of committee regulations, updating of policies and standards and approval of activity plans in conformity with the most recent regulatory guidelines, identifying recurring issues, systemising support for the relationship with its shareholder and other interested parties and the collection and preparation of information to respond to requests from CGD's operating structures, Group Entities, supervisory and other external entities.

Work began on the implementation of a IT solution" to assist the activity of statutory bodies and various decision-making and consultation forums attended by members of the statutory bodies. This tool aims to improve efficiency and cooperation in the decision-making process, ensuring better management of documentation and facility as regards the oversight of the execution of resolutions passed at meetings of CGD's Governance Forum.

3.2. Mission, Objectives and Policies

CGD's mission consists of creating value for the Portuguese society, by providing quality banking services to individuals and companies, thus contributing for the well-being of Portuguese families and for the development of the corporate sector, while generating and adequate return to the shareholder. CGD's ensures clients have access to diversified array of quality financial products and services, with special emphasis on savings and medium and long term credit solutions, based on an efficient corporate governance model and respect for the highest ethical standards.

VISION

CGD's shareholder vision is that of a reference institution in the financial system and leader in the banking sector in Portugal, which permanently strives to enhance its competitive advantages and guarantee levels of financial strength, profitability, service and efficiency in line with the best practices observed in the European banking sector.

VALUES

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

- Trust, guaranteeing the security of depositors, fostering a long term relationship with clients and privileging their loyalty, providing high quality services and products that are adequate for clients' risk profiles, reinforcing the stability and financial strength of the institution;
- Profitability, ensuring an adequate return on public capital, based on the sustainability of the business model and an efficient and rigorous management;
- Transparency, providing services and communicating internally and externally in a truthful, clear and objective manner;
- Integrity, by scrupulously fulfilling legal, regulatory and contractual provisions, respecting ethical values and obeying conduct rules;
- Professionalism, as a way to provide the best service to clients and to establish relationships with all stakeholders, with high technical competence, rigor and diligence;
- Proximity, through an encompassing network of branches in Portugal, as well as long distance channels based on the use of new technologies, guaranteeing an innovative, diversified and accessible offer;
- Responsibility, to clients that entrust CGD with their savings, but also investors and the society in general, through the involvement in social responsibility programs and initiatives, sustainable development and financial literacy;
- Risk culture and rigor, ensuring the adoption of best practice in risk management, reinforcing clients' trust, as well as that of the market and the shareholder through an adequate management of its balance sheet;
- Innovation, relying on technological developments, leading digital banking in Portugal, with open architecture solutions, as a way to meet the evolution of clients' expectations and preferences in a multichannel approach.

Taking into account all of the above, CGD must explore its **competitive advantages**. CGD is the most notorious financial brand in Portugal, serving the largest client base through an extensive network of branches, driven by clients' proximity, experience and trust. The bank also has a relevant presence in providing banking services to Portuguese speaking communities.

CGD is recognized by families as a safe banking institution, which allows it to maintain a stable deposit base and to be a leader in the concession of medium to long term credit. Its activity is supported by a high capacity to access international financial markets. Emphasis should also be made to CGD's commitment with social responsibility, digital inclusion and sustainable development, as recognized by its stakeholders.

CGD's vision and guiding principles, as established by the shareholder, are based on these competitive advantages, which are essential for the bank to carry out its mission in strict compliance with the fundamental values defined.

POLICIES AND COURSES OF ACTION IN THE SPHERE OF THE DEFINED STRATEGY

CGD bases the development of its activity on the following **guiding principles**:

- Sustainability of the business model, ensured by the profitability of operations, coupled with adequate risk management and an encompassing network of financial services;
- Support to the economy, by guiding lending activity to companies, especially by promoting the internationalization and operationalization of lines to support small and medium sized companies;
- Maintenance of CGD's role in providing banking services to individuals, by creating attractive savings solutions and guaranteeing a comprehensive coverage and high quality of service;
- Efficient corporate governance model, in line with best practices;
- Continuous valuation of employees, promoting merit, initiative and human capital creation, in a framework of stable working relationships that foster productivity;
- Monitoring technological developments in the financial sector, both at the institution's level, guaranteeing adjustments that allow CGD to keep its competitiveness in a dynamic financial market and to lead digital banking in Portugal, as well as in the relationship with its clients, by financing investment in innovation and technological development of companies;
- Ensuring CGD's international dimension is guided towards the development of business relationships with countries and territories with strong cultural and commercial ties with Portugal and the valuation of CGD's brand;
- Commitment with the principles of social responsibility, sustainable development and respect for stakeholders.

STRATEGIC PLAN TARGETS THAT CAIXA WILL ACHIEVE BY 2020:

• Efficiency: reduce operating costs by around 20%, aiming to achieve a Cost-to-Income ratio in line with best practices of European banks;

• Prudence: comply with a risk cost of less than 0.60%, returning to the levels observed before the global financial crisis;

Robustness: to reduce the % of Non-Performing Loans (NPLs) to below 7% of the credit portfolio;

• Soundness: to maintain a CET1 (Common Equity Tier One) equal to or greater than 14%, complying the new regulatory requirements and enabling a relevant financial support to the economic agents;

• Profitability: generate ROE (Return On Equity) of more than 9%, ensuring an adequate remuneration rate of equity.

The Strategic Plan executon in 2018 enabled the successful achievement of a large number of targets set out for the year in the referred to Plan, among which the following should be highlighted:

	2018 Management Targets	2018 Execution	2018 Strategic Plan Target
Return on Equity (ROE) (1)	> 5%	6.6%	> 5%
Recurrent Cost-to-Income	< 55%	52%	< 58% (2)
NPL ratio (EBA)	< 10%	8.5%	< 10.0%
CET 1 (Fully loaded)	> 13.5%	14.6%	> 12.0%

(1) ROE = (Net results+Non recurring costs+Non controlling interests) / Shareholder Equity (average of 13 monthly observations) Annualized; (2) Domestic Activity.

KEY FACTORS UPON WHICH THE COMPANY'S RESULTS DEPEND

Profitability and efficiency objectives continue to be heavily reliant on external factors, particularly:

- The effects of an unprecedented economic recession followed by a recovery which remains weak and characterised by low levels of capacity to generate demand for fresh lending, with an incipient effect on the recovery of NPLs (non-performing loans);

- Historically low market interest rate levels, that, owing to the fact that most loan agreements are indexed to the variable rates which characterise the Portuguese financial system, have a hugely constraining effect on net interest income from domestic banking;

- Regulation associated with the implementation of the Banking Union;

- An increase in competitive disadvantages between countries and economic regions (opposed to a level playing field) in which particular reference should be made to the burden imposed on Portuguese banks in the sphere of the BES and BANIF resolution processes, which situation will remain a constant over the coming decades;

- Emergence of disruptive solutions from the technology mammoths which threaten to cause profound changes in the value chain, particularly in terms of payment services.

CHANGES IN THE GROUP STRUCTURE

The purchasers of CGD's equity stakes in Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, S.A. (Spain), were selected during the course of 2018 and the disposals are expected to take place in 2019. Work also continued on the disposal process of Banco Caixa Geral Brasil and agreement was reached with the local authorities on the sale of Banco Comercial do Atlântico (Cape Verde). CGD will continue to operate in Cape Verde through Banco Interatlântico.

Reference should also be made to the following events during 2018 :

- Closure of the New York branch in June 2018;
- Start of the closure process of the Luxembourg branch
- Closure of CGD Finance

In December 2018, in the context of the simplification of CGD's corporate structure,the merger of six companies with Caixa Geral de Depósitos : Caixa Desenvolvimento, SGPS, S.A.; Caixa- Gestão de Activos, SGPS, S.A.; Caixa Seguros e Saúde, SGPS, S.A. Cibergradual – Investimento Imobiliário, S.A.; Parcaixa, SGPS, S.A.; e Wolfpart, SGPS, S.A. took place.

3.3. Shareholders' Structure

CGD is an exclusively state-owned public liability limited company and, under Decree-Law nº 287/93 of August, 20 the shares representing their share capital, including those that may be issued in future capital increases, may only be owned by the potuguese state.

Its share capital of €3,844,143,735 comprises 768,828,747 shares with a nominal value of €5 each, at 31 December 2018.

Shareholders	Share Capital at 31/12/2018	% Equity Stake at 31/12/2018
Portuguese State	€ 3,844,143,735	100%

There are no shareholders' agreements involving the share capital of CGD, held, by legal determination by a single shareholder

3.4. Group Structure and Bond holdings

Information on the group's structure in terms of its subsidiaries, by sector of activity is set out below:

		31-12-2018	
	Head Office	Effective Participating interest	
Holding Companies			
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	
Parbanca, SGPS, S.A.	Madeira	100.00%	
Partang, SGPS, S.A.	Lisbon	100.00%	
Banking			
Banco Caixa Geral, S.A.	Vigo	99.79%	(*)
Banco Comercial do Atlântico, S.A.	Praia	58.19%	
Banco Comercial e de Investimentos, S.A.	Maputo	63.05%	
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	(*)
Banco Interatlântico, S.A.R.L.	Praia	70.00%	
Banco Nacional Ultramarino, S.A. (Macao)	Macao	100.00%	
Caixa - Banco de Investimento, S.A.	Lisbon	99.76%	
CGD Investimentos CVC, S.A.	São Paulo	100.00%	
Mercantile Bank Holdings, Ltd.	Johannesburg	100.00%	(*)
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	
Specialized Credit			
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	Lisbon	100.00%	
Asset Management			
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	
Venture Capital			
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.76%	
Property			
Imobci, Lda.	Maputo	46.31%	
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	
Caixa Imobiliário, S.A.	Lisbon	100.00%	
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	

(*) Sale in progress

	Head Office	31-12-2018 Effective Participating interest
Complementary Corporate Groupings		
Groupment d'Interet Economique	Paris	100.00%
Sogrupo - Compra e Serviços Partilhados, ACE	Lisbon	90.00%
Special Purpose Entities and Investment Funds		
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	100.00%
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.31%
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	32.61%
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	39.28%
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	20.98%
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	44.72%
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%

The above referred to direct percentages comprise capital held and voting rights.

Several corporate operations involving CGD Group's associated and subsidiary companies designed to simplify and rationalise the Group's structure, adjust the equity structure to the expected growth of activity and the type of institution to specialised business and the preparation of non-strategic operations were performed in 2018. Special reference should be made to the following developments.

In May 2018, in order to prepare the Company for the continued development of its activity in the framework of Solvency II and given the convenience of restructuring the composition of its own funds, the share capital of Fidelidade – Companhia de Seguros, S.A. ("Fidelidade") was increased from €381.15 million to €457.38 million through the issue of 24,200,000 new shares, with the transitional substitution of the represented part by supplementary shareholders' loans. Caixa Seguros e Saúde, SGPS, S.A. accompanied the capital increase with €21.5 million, with the transitional substitution of the represented part by supplementary shareholders' loans and retaining its equity investment of 15% in Fidelidade.

June 2018 witnessed the completion of the change in Caixa Leasing e Factoring, IFIC, S.A.'s corporate status from a financial credit institution to a financial credit company with a corresponding name change to "Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S.A.", in order to restrict its specialised activity to financial leasing, factoring and consumer credit operations on national territory.

September 2018, in the sphere of the reorganisation of the corporate structure of CGD Group, witnessed the dissolution and liquidation of Caixa BI Brasil - Serviços de Assessoria Financeira, Ltda, a company 90% owned by Caixa - Banco de Investimento, S.A. and 10% by Caixa Desenvolvimento, SGPS, S.A., with the global transfer of assets to its two shareholders.

In November 2018, also in the sphere of the reorganisation of CGD Group's corporate structure and the performance of CGD's strategic plan, Banco Caixa Geral – Brasil, S.A. ("BCG-Brasil") acquired 50% of the share capital of CGD – Investimentos Corretora de Valores e Câmbio, S.A. from Caixa-Banco de Investimento, S.A., pursuant to which BCG-Brasil now owns the full amount of the broker's share capital;

In November 2018, Banco Comercial e de Investimentos S.A. ("BCI") increased its share capital from 6,808,799,060 meticais to 10,000,000,000 meticais, through an incorporation of reserves of 3,191,200,940 meticais, evidencing its shareholder's commitment to the BCI project and Mozambique's economy.

On September 28, 2018, work began on the merger of six companies with Caixa Geral de Depósitos which now owns the equity capital of all of the incorporated companies – Caixa Desenvolvimento, Wolfpart, Parcaixa, Cibergradual, Caixa Gestão de Ativos and Caixa Seguros e Saúde. The merger was preceded by Caixa's acquisition of Caixa Desenvolvimento from Caixa Banco de Investimento and the Beirafundo investment units from Caixa Imobiliário. The referred to merger is part of CGD Group's corporate reorganisation process, as part of the strategic plan agreed between the Portuguese state and the European Commission with the objective of simplifying CGD Group's corporate structure, through a reduction of the number of companies which are instrumental to its activity. The objective of the merger was to concentrate the development of activities which were spread across the participating companies in a single entity and to eliminate the duplication of obligations and legal, fiscal, operational, financial, bureaucratic and contextual obligations costs, simplifying CGD Group's structure by extinguishing the incorporated companies and the consequent concentration of all management activities and bureaucratic procedures in a single entity. The merger, effective from September 30. was registered on December 6.

The Culturgest Foundation was created in 2008. It is a private foundation with the objective of developing cultural, artistic and scientific activities (article 4 of the Culturgest Foundation's articles of association).

The assets of the foundation comprise an initial endowment of three million five hundred thousand from its founder Caixa Geral de Depósitos, S.A..

In 2018, according to ministerial ruling 6420-C/2018, the "public utility" status of the Caixa Geral de Depósitos – Culturgest Foundation was renewed under the terms of no. 5 of article 25 of February, as published in the Diário da República, 2nd series no. 47 of 8 March 2016, effective from 1 March 2018.

Annex VI of this report includes a reference to the collection of not-for-profit entities of which CGD is an associate member.

Information on the bondholding status of members of the Board of Directors and Supervisory Board is as follows:

Bondholders	Security	Number of bonds at 31/12/2018
Emílio Rui Vilar	Subordinated bonds CGD – 2009/2019 – Anniversary	100
José António da Silva Brito	Subordinated bonds CGD – 2009/2019 – Anniversary	45

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

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

In the Annex V of the Corporate Governance Report of CGD is disclosed the whole set of declarations made for the purposes of number 9 of the article 22 of the Public Manager Statute and of article 52 of Decree-Law no.133/2013, of 3 October, regarding the members ownership of any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

Furthermore the members disclosed individually their position in terms of their situation regarding relations with suppliers, customers, financial institutions or any other business partner of Caixa Geral de Depósitos, likely to generate conflicts of interest.

3.5. Statutory Bodies and Committees

CGD's activity is regulated by the dispositions set out in law and its articles of association. Its articles of association comply with the dispositions of the CSC (Commercial Companies Code) and the RGICSF (General Credit Institutions and Financial Corporations Regime) pursuant to which any planned changes must be duly substantiated and approved by the entity responsible for the shareholder function Any amendments relating to the structure of its management or supervision or limitation of the powers of management or supervisory bodies (article 34 of the RGICSF) require the advance approval of the ECB (European Central Bank).

CGD is a company whose capital is exclusively owned by the state and, under the terms of Decree-Law 287/93 of 20 August, its equity shares, including the issuance of shares in any future capital increases may only belong to the Portuguese state and be held by the Directorate General for the Treasury and any resolutions passed by shareholders, by nature of the ownership of the equity, are taken unanimously.

Members of CGD's statutory bodies are elected under a shareholder's resolution for a period of four years and may be re-elected, replaced by co-option or at the behest of the supervisory board, in the event of the definitive absence of a board member. The co-option must be ratified by the first general meeting to be held after the co-option. A co-opted board member shall remain in office up to the end of the current term of office. In any event, members of the board of directors, as well as members of the supervisory board may only take up their duties after being authorised by the ECB.

The policy for assessing the suitability of members of management and supervisory bodies and key function holders (Suitability Policy), was approved by the general meeting of 28 May 2018, information on which is available on CGD's website at https:\\www.cgd.pt together with the Succession Plan for members of the management and supervisory bodies and key function holders.

The Succession Plan for members of the board of directors and key function holders, which sets out the respective succession procedures for board members, namely the identification of the skills and qualifications required for the different members of the board of directors, with the aim of ensuring sufficiency and suitability for the specific performance of functions was implemented for the purpose of ensuring the continuity of CGD management and to avoid the replacement of an excessive number of board members at the same time.

The process for the identification and selection of candidates as members of the board of directors, provided for in the Succession Plan, namely in terms of gender diversity of the persons designated either as members of the board of directors or the supervisory board and within the former between executive and non-executive directors, must comply with the applicable legislation.

In statutory terms, the number of terms of office successively performed by members of the board of directors is limited to four, with the terms of office of members of the supervisory board and the statutory audit company being subject to the dispositions set out by law [4].

Upon reaching the end of the respective terms of office, members of statutory bodies shall remain in office up until the election of new officeholders, without prejudice to the requirements and limits set out by law. The terms of office of the diverse statutory bodies need not necessarily coincide. The current term of office of the supervisory board started in 2016 and ends in 2019 and the term of office of the board of directors began in 2017 and ends in 2020.

In 2018 a non-executive board member requested the suspension of his term of office and subsequently resigned, effective 30 April. Two new non-executive female board members were elected under the unanimous corporate resolutions set out in writing of 5 and 6 April for the 2017-2020 terms of office, having taken up their duties on the following day.

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[4] The section on the Policy and Periodicity of the Rotation of the External Auditor and respective partner statutory audit company contains developments regarding the standards relating to the statutory audit company.

CGD's governance model is structured in line with the dispositions of articles 278 no. 1 a) and no. 3 and 413 no. 1 b) of the Commercial Companies Code and article 3 of Law 148/2015 of 9 September (approving the RJSA – "Legal Regime on Statutory Audit Supervision") i.e. a board of directors, supervisory board and statutory audit company.

This model attributes account auditing functions to an autonomous statutory auditor or statutory audit company other than members of the supervisory board (as in CGD), who also audit the accounts (in conformity with the CSC, RJSA and Securities Market Code and other standards regulating CGD's separate and consolidated activity).

The board of directors enjoys the broadest range of power to manage and represent the company, having the authority to issue effective guidelines on its activity, with the executive committee being responsible for running the company's day-to-day affairs, pursuant to the authority delegated to it and approved by CGD's board of director's meeting held in 2017, which authority remains in force.

Under the terms of article 25 of CGD's articles of association and the determinations of RGICSF and EBA (European Banking Authority) guidelines on internal governance (EBA/GL/2017/11 and 21 March 2018) in addition to the respective Regulations published on CGD's website at https://www.cgd.pt,the following special committees, having advisory functions and the competencies resulting from the standards regulating CGD's activity i.e. the RGICSF and reporting to the board of directors, were set up and were operational in 2018.

- Audit and Internal Control Committee whose functions, *inter alia*, include oversight of the activity of the executive committee and, without prejudice to the competencies of the supervisory board, oversight of the process relating to the disclosure of financial information and effectiveness of CGD's and CGD Group entities' internal control, non-financial risk management and internal audit systems.
- Financial Risks Committee which is responsible, *inter alia*, for oversight of the management policies on all financial risks related with CGD's separate and consolidated activity, such as liquidity, interest rate, foreign exchange and credit risks, without prejudice herein to the competencies of the supervisory board.

  This committee also performs the risk committee functions provided for in article 115-L of the RGICSF.
- Appointments, Assessment and Remunerations Committee, which is specifically responsible for issuing an opinion on any vacancy to be filled on the statutory bodies of CGD and other companies in a controlling or group relationship with it, assessing the suitability of such selection, as well as the choice of board members as executive committee members and on its assessment and remuneration policy.

  This committee also performs the function of the appointments and remunerations committee provided for in articles 115-B and 115-H of the RGICSF.
- Governance Committee with the function of producing an annual report on the functioning of the company's governance structure, for submission to the board of directors, in addition to issuing opinions on any issues related with social responsibility, ethics, professional deontology and protection of the environment.

CGD shall be audited by a supervisory board and a statutory audit company, other than members of the said body.

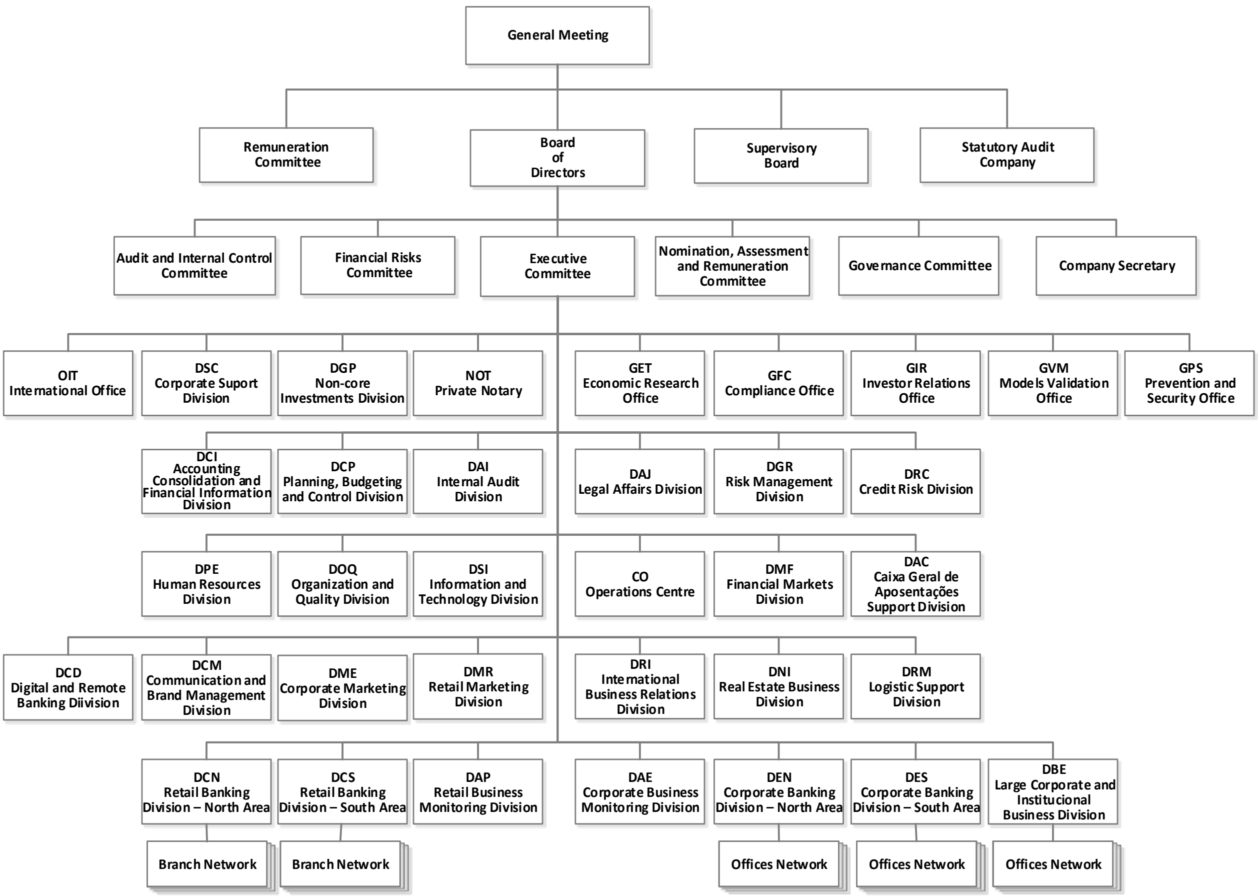
The supervisory board and its respective chairman are elected by the general meeting. It comprises a total number of three permanent and one deputy member, all of whom are subject to the regulations on incompatibilities set out by law.

The competencies of the supervisory board should be performed conscientiously and impartially and essentially encompass inspection of the management body, ensuring compliance with the law and CGD's articles of association, auditing the accounts and verifying and overseeing the independence of the statutory auditor or statutory audit company, as set out by law, including article 6 of Regulation (EU) no. 537/2014, of the European Parliament and of the Council of 16 April 2014, and, particularly, examining the suitability of and approving the provision of services other than audit services pursuant to the terms of article 5 of the referred to Regulation.

The statutory audit company is designated by the general meeting, at the proposal of the supervisory board, as provided for in article 30 of the articles of association and article 3 of the RJSA.

The office of CGD's inspector/auditor is held by Ernst & Young Audit & Associados, SROC, S.A. which was elected (by a unanimous corporate resolution set out in writing of 18 May 2017) for the 2017-2020 term of office, under the terms of sub-paragraph d) of no. 2 of article 14 of the company's articles of association.

CGD'S ORGANISATION CHART AS OF 31.12.2018



Changes supported in Executive Committee Deliberation dated from 24/10/2018

KEY FUNCTION HOLDERS

Under article 33 A of the general credit institutions regime, credit institutions should identify those positions whose officers, while not members of management or supervisory boards, perform functions which give them significant influence over the management of the credit institution. These positions, according to the general credit institutions regime, comprise, at least, the officers in charge of the credit institution's compliance, internal audit, risk control and management functions, as well as other functions that may, as such, be considered by the credit institution or defined by Bank of Portugal regulation.

Employees identified as Key Function Holders (TFE) are in general identified as Relevant Function Holders (TFR), under Commission Delegated Regulation (EU) No. 604/2014 of March 4, 2014, comprising categories of staff whose professional activities have a significant impact on the risk profile of each entity at group, parent and subsidiary level, including institutions established in offshore financial centers.

The process of identifying TFR is carried out annually by CGD's human resources function, which streamlines and validates the identification processes carried out in the entities, ensuring consistency at the group level. During 2018, under the CGD Group Employees Remuneration Policy and the members of the CGD Entities, the situations that confer on the Employee the Classification as a Relevant Function were identified.

The definition and attribution of the variable remuneration of CGD’s relevant function holders follow the rules and principles published in the remuneration policy for CGD Group employees and members of boards of management and supervisory boards of CGD Group Entities, as regards the approval process, intervention, monitoring and revision of control functions. The remuneration of officers responsible for CGD’s control functions is supervised directly by CNAR.

At its general meeting of 28 May 2018, Caixa Geral de Depósitos approved its policy for assessing the suitability of members of management and supervisory boards and key function holders (suitability policy), published on CGD’s website at https:\\www.cgd.pt;

This policy applies to members of CGD Group’s boards of directors and supervisory boards in addition to its key function holders and encompasses equivalent functions in its branches. CGD’s subsidiaries, headquartered in Portugal or abroad as well as the “complementary corporate groupings” of which CGD is the majority member should adopt suitability assessment policies for the selection of members of management and supervisory boards and key function holders based on the same general principles and objectives as this policy.

In conformity with item 3 d) of the suitability assessment policy for members of management and supervisory boards and key function holders, key function holders are considered to be the following employees who report directly to the area director: the managing director of the compliance office, general manager of the internal audit division, general manager of the risk management division, general manager of the credit risks division, general manager of the financial markets division, general manager of the corporate support division, company secretary, as well as other function holders who may, as such, be defined by legislation or regulations issued by the supervisory authorities.

The individual suitability requirements of the members covered by this policy, as employees whose activities have a significant impact on the risk profile of credit institutions are good standing, professional qualification, independence and a willingness to serve.

CGD is responsible for identifying and verifying that such requirements are complied with by key function holders in addition to ensuring the efficacy of the identification process of such function holders. CGD shall, on a permanent basis, identify and notify the Bank of Portugal as soon as it is aware of any supervenient facts regarding authorisation for the performance of functions which could affect the referred to individual requirements for the performance of the authorised persons.

It is the responsibility of the CNAR to support and advise the Board of Directors in the choice of the employees to be appointed to the holders of key functions. The assessment of the key function holders and Holders of Relevant Functions is performed annually

The suitability assessment policy for the selection of members of boards of management and supervisory boards and key function holders (suitability policy) and the remuneration policy, have been published on CGD’s website at https:\\www.cgd.pt;

The following key functions and their respective function holders in CGD, had been identified at 31 December 2018.

Key Function Holders	
Function	Name (as of 31.12.2018)
Company Secretary	João Eduardo de Noronha Gamito de Faria
General Manager of DAI - Internal Audit Division	Sandra Cristina Martins Pereira Paramés
General Manager of DGR - Risk Management Division	Nuno Jose Rabaca Fonte
General Manager of GFC - Gcompliance Office	Luis Miguel Saraiva Lopes Martins
General Manager of Financial Markets Division	Marco Paulo Leonardo Azevedo
General Manager of DRC - Credit Risks Division	Jose Rui Cruz Lopes Gomes
General Manager of DSC - Corporate Governance Support	Miguel Barbosa Namorado Rosa

Heads of the CGD Group in Portugal (Credit Institutions)		
Entity	Name	Division
CGD Portugal	Nuno Jose Rabaca Fonte	DGR - Risk Management Division
CGD Portugal	Luis Miguel Saraiva Martins	GFC - Compliance Office
CGD Portugal	Sandra Cristina Martins Pereira Paramés	DAI - Internal Audit Division
CGD Portugal	Marco Paulo Leonardo Azevedo	DMF - Financial Markets Division
CGD Portugal	Ana Paula Tavares Abrantes Melo	CO - Operations Centre
CGD Portugal	Vasco Sérgio Capelo Nascimento Costa	DAC - Caixa Geral de Aposentações Support Division
CGD Portugal	Alexandre Paulo Jesus Neves Ferreira Santos	DAE - Corporate Business Monitoring Division
CGD Portugal	Maria Manuela Correia Duro Teixeira	DAJ - Legal Affairs Division
CGD Portugal	Raul Antonio Correia Saraiva Almeida	DAP - Retail Business Monitoring Division
CGD Portugal	Paulo Alexandre Oliveira Silva	DBE - Large Corporate and Institucional Business Division
CGD Portugal	Rui Manuel Negroes Soares	DCD - Digital and Remote Banking Division
CGD Portugal	Antonio Jose Alves Valente	DCI - Accounting Consolidation and Financial Information Division
CGD Portugal	Francisco Afonso Ghira Campos de Teixeira Viana	DCM - Communication and Brand Management Division
CGD Portugal	Maria Antonieta Martins Guimarães Santos	DCN - Retail Banking Division - North area
CGD Portugal	Alexandre Jose Matias Nunes Mendes	DCP - Planning, Budgeting and Control Division
CGD Portugal	Isabel Maria Lopes Vieira Neto	DCS - Retail Banking Division - South area
CGD Portugal	Paulo Jose Matos Oliveira Pinto	DEN - Corporate Banking Division - North Area
CGD Portugal	Maria Manuela Martins Ferreira	DES - Corporate Banking Division - South Area
CGD Portugal	Francisco José Pinguinha Piedade	DGP - Non-core Investments Division
CGD Portugal	Armando Mata Santos	DME - Corporate Marketing Division
CGD Portugal	Filipe Ferreira Da Silva Teixeira	DMR - Retail Marketing Division
CGD Portugal	Francisco Manuel Ribeiro Barbosa Sottomayor	DNI - Real Estate Business Division
CGD Portugal	Pedro Miguel Valentim Taborda	DOQ - Organization and Quality Division
CGD Portugal	Jorge dos Santos Duro	DPE - Human Resources Division
CGD Portugal	Jose Rui Cruz Lopes Gomes	DRC - Credit Risks Division
CGD Portugal	Pedro Mimoso Vairinhos	DRI - International Business Relations Division
CGD Portugal	Eugénio Luís Correia Martins Baptista	DSI - Information and Technology Division
CGD Portugal	Miguel Barbosa Namorado Rosa	DSC - Corporate Governance Support GET - Economic Research Office
CGD Portugal	Artur Rocha Gouveia	OIT - International Office
CGD Portugal	José Manuel Gonçalves Pica	GPS - Prevention and Security Office
CGD Portugal	João Nuno Seixs Braga	GVM - Validation Models Office
CGD Portugal	Helena Maria Sousa Moreira Delgado	Private Notary - Oporto
Caixa Banco de Investimento, S.A	Joaquim Pedro Saldanha do Rosário e Souza	Chief Executive Officer
Caixa Leasing e Factoring - Factoring - Sociedade Financeira de Crédito, S.A.	Ana Paula Melo Armando Mata Santos	Executive Board Member Executive Board Member

Heads of the CGD Group in the International Area (Credit Institutions and Branches)		
Entity	Name	
Europe		
Spain		
Banco Caixa Geral Espanha	Manuel Victor López Figueroa	Chief Executive Officer
CGD – Spain Branch	Carlos Manuel Mesquita Meira	General Manager
France		
CGD – France Branch	Nuno Manuel Oliveira Luz de Almeida	General Manager
Luxemburg		
CGD – Luxembourg Branch	Teresa do Rosário C.R.M. Faria de Carvalho	General Manager
America		
Brazil		
Banco Caixa Geral Brasil	Fábio de Sarandy Raposo	Chief Executive Officer
Africa		
Cape Verde		
Banco Comercial do Atlântico	Francisco Pinto Machado Costa	Chief Executive Officer
Banco Interatlântico	Pedro Bruno Cardoso Braga Gomes Soares	Chief Executive Officer
Angola		
Banco Caixa Geral Angola	Francisco José Santos Silva	Chief Executive Officer
Mozambique		
Banco Comercial e de Investimentos	Paulo Alexandre Duarte de Sousa	Chief Executive Officer
South Africa		
Mercantile Bank	Karl R. Kumbier	Chief Executive Officer
Asia		
China		
Banco Nacional Ultramarino - Macau	Carlos Manuel Sobral Cid da Costa Álvares	Chief Executive Officer
East Timor		
CGD – East Timor Branch	Paulo António Arsénio Lopes	General Manager

3.5.1. GENERAL MEETING

The State, as CGD's sole shareholder, is represented at the General Meeting by the person appointed in a ruling issued by the Minister of Finance.

The General Meeting has particular responsibility for approving the Board of Directors' report and annual accounts for the year, appropriation of net income, changes to the articles of association and capital increases, approving the annual declaration on the remuneration policy as well as dealing with any other matter for which it has been called.

Composition of the Board of the General Meeting

The Board of the General Meeting comprises a Chairman, a Vice-Chairman and a secretary being the current mandate from 2016 to 2019:

Chairman: Paulo Cardoso Correia da Mota Pinto

Vice-Chairman: Elsa Maria Roncon Santos

Secretary: José Lourenço Soares

GENERAL MEETING

(EUR)

Term of office	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Paulo Mota Pinto	UWR	31.08.2016
2016-2019	Vice-Chairman	Elsa Roncon Santos	UWR	31.08.2016
2016-2019	Secretary	José Lourenço Soares	UWR	31.08.2016

(*) This member, as a CGD employee /retiree, cannot accumulate this remuneration, therefore doesn't receive it.

UWR : Unanimous written resolution

In 2018 the resolutions, either at a General Meeting or in the form of a *unanimous written resolution* were passed:

- Election of non-executive member of the Board of Directors for the 2017-2020 term of office (4 April);
- Election of non-executive members of the Board of Directors for the 2017-2020 term of office (5 April);
- Approval of the annual report and accounts for 2017 on CGD's separate and consolidated activity; approval of the proposal for the appropriation of net income ; Approval of declaration on the remuneration policy of members of the Board of Directors and Supervisory Board; approval of the assessment policy of the suitability of members of the statutory bodies and of succession plan. (28th of May)
- Resolution under the terms of paragraph f) of no. 2 of article 14 of CGD's articles of association - Variable remuneration to be attributed to the executive members of the Board of Directors. Unanimous written resolution (26th of December).

GENERAL MEETING'S REMUNERATION COMMITTEE (CRAG)

In addition to legal and statutory dispositions, the authority, organisation and operation of the General Meeting's Remuneration Committee are governed by its respective regulation, approved at a meeting of the General Meeting's Remuneration Committee held on 16 June 2017, the date upon which it came into effect as published on CGD's official website at https://www.cgd.pt.

Under the terms of the referred to regulation, the General Meeting's Remuneration Committee is made up of three members, shareholders or not, appointed by the General Meeting, which shall also appoint its Chairman.

Members of the General Meeting's Remuneration Committee may not be members of the Board of Directors and must comply with the incompatibilities and meet the requirements of independence applicable to them by law and banking regulation.

The composition of the General Meeting's Remuneration Committee for the four-year period 2017-2020 is as follows:

Chairman: Manuel Ferreira de Oliveira

Member: Francisco Veloso

Member: Patrícia Andrea Bastos Teixeira Lopes Couto Viana

Under the terms of the respective regulation, the General Meeting's Remuneration Committee is responsible for the following:

- In due compliance with the remuneration policy for members of the Board of Directors and the Supervisory Board, as approved by the General Meeting, including the limits therein defined, to define the fixed and variable components of the remuneration of members of the company's statutory bodies, as applicable;

- To define the maximum amount of all compensation payable to members of the Board of Directors and the Supervisory Board, when their term of office comes to an end, as set out by law and, as applicable, the current remuneration policy;
- To issue the annual declaration on the remuneration policy of members of the Board of Directors and the Supervisory Board, in articulation with the Nomination, Assessment and Remuneration Committee, to be submitted for the approval of the General Meeting, in compliance with legislation and the applicable regulation, including Law 28/2009 and the Legal Framework of Credit Institutions and Financial Companies, in addition to the Bank of Portugal *Official Notice* 10/2011;
- To adopt and periodically review the general principles of the remuneration policy for members of the Board of Directors and the Supervisory Board, in articulation with the Nomination, Assessment and Remuneration Committee, submitting proposals for amendments considered desirable with the aim of pursuing the objectives that may be drawn up at any point of time, for the approval of the General Meeting;
- Under the terms and for the purposes of numbers 3 and 4 of article 115 F of the Legal Framework of Credit Institutions and Financial Companies, to submit a proposal for the approval of the maximum level of the variable component of the total remuneration defined in number 2 of the referred to article 115 F, to the General Meeting, indicating the maximum proposed ratio, the reasoning behind the proposal and its scope, including the number of members of the Board of Directors and the Supervisory Board affected, their functions, demonstrating that the proposed ratio is compatible with CGD's obligations, especially for the purposes of maintaining a solid own funds basis;
- To oversee the contractual vicissitudes of the term of offices of members of the Board of Directors and the Supervisory Board when having an effect on their remuneration, namely in the event of the suspension or termination thereof;
- In general and as the competent body for defining the remuneration of members of the Board of Directors and the Supervisory Board, to ensure compliance with the applicable legal and regulatory requirements, namely as regards their remuneration policy and the implementation thereof.

The General Meeting's Remuneration Committee shall meet every quarter and whenever called by its respective Chairman or at the request of any of its members.

The General Meeting's Remuneration Committee met 11 times in 2018. Minutes recording presences and absences have been drawn up on all meetings. There is no record of any absence.

3.5.2. BOARD OF DIRECTORS

Under the terms of the respective regulation, the Board of Directors may comprise a number of seven to a maximum of twenty members, including a non-executive Chairman and a Vice-Chairman, elected by the General Meeting, for four year terms of office.

At 01 January 2018, the Board of Directors comprised fourteen members.

Non-Executive Chaiman: Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman: Paulo José de Ribeiro Moita de Macedo

Members: Francisco Ravara Cary; João Paulo Tudela Martins; José António da Silva de Brito; José João Guilherme; Maria João Borges Carioca Rodrigues; Nuno Alexandre de Carvalho Martins; Carlos António Torroaes Albuquerque; Ana Maria Machado Fernandes; João José Amaral Tomaz; José Maria Monteiro de Azevedo Rodrigues; Alberto Afonso Souto Miranda; Hans-Helmut Kotz.

Board member João José Amaral Tomaz resigned from his position with effect from 30/04/2018.

Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin were elected as non-executive members of the Board of Directors of CGD S.A., to complete the 2017-2020 current term, by Unanimous Written Resolution of April 4 and 5, 2018, respectively.

At 31 December 2018, the composition of the Board of Directors was as follows:

Non-Executive Chaiman: Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman: Paulo José de Ribeiro Moita de Macedo

Members: Francisco Ravara Cary; João Paulo Tudela Martins; José António da Silva de Brito; José João Guilherme; Maria João Borges Carioca Rodrigues; Nuno Alexandre de Carvalho Martins; Carlos António Torroaes Albuquerque; Ana Maria Machado Fernandes; José Maria Monteiro de Azevedo Rodrigues; Alberto Afonso Souto Miranda; Hans-Helmut Kotz; Mary Jane Antenen; Altina de Fátima Sebastian Gonzalez Villamarin.

The Board of Directors is comprised by members with executive functions who make up the Executive Committee and members with non-executive functions who make up the support and advisory committees to the Board.

The *résumés* of members of the Board of Directors, elected for the 2017-2020 term of office, are set out in the annex to this report and include the professional qualifications and other relevant curricular information, namely the accumulation of positions or activities.

All members of CGD's board of directors comply with the requirement on independence as published in article 31 A of the *RGICSF*.

The IPGC's Corporate Governance Code (2018) recommends that at least one third (but always more than one) of a company's board members should be non-executive and comply with the requirements on independence. An independent board member, for the purposes of this recommendation, is considered to be a person who is not associated with any group of specific interests within the company, or whose status may, in any circumstance, affect his/her impartiality in terms of analysis or decision-making, on account of:

a) having performed duties, for more than twelve years, either continuously or interspersed, in any of the company's bodies (if there has not been a cooling off period of at least three years between the term of such duties and the new appointment).

b) having been a company employee or the employee of a company in a controlling or group relationship with it over the last three years;

c) having, over the last three years, provided services or entered into a significant commercial relationship with the company or a company in a controlling or group relationship with it, either directly or as a partner, board member, manager or leader of a collective body;

d) receiving remuneration paid by the company or a company in a controlling or group relationship with it, other than the remuneration deriving from the performance of his/her duties as a board member;

e) living in a *de facto* union with, or as the spouse, relation or the like up to and including the 3rd degree relatives in the collateral line of board members of the company, board members of a collective person with a qualified equity investment in the company or singular persons with a direct or indirect qualified equity investment;

f) holding title to a qualified equity investment or as the representative of a shareholder with qualified equity investments.

Under the terms of the recommendation of the *IPGC's* Corporate Governance Code (2018) the following non-executive board members, in office at 31 December 2019, are independents: Ana Maria Machado Fernandes, José Maria Monteiro de Azevedo Rodrigues, Alberto Souto Miranda, Hans-Helmut Kotz and Mary Jane Antenen.

The non-executive chairman of the board of directors, Emílio Rui da Veiga Peixoto Vilar and the non-executive board member Altina de Fátima Sebastian Gonzalez Villamarin are not considered to be independent non-executive board members owing to the following:

a) The non-executive chairman of the board of directors, Emílio Rui da Veiga Peixoto Vilar, was elected to this position to represent the *Direcção-Geral do Tesouro e Finanças* (Portuguese Directorate General for the Treasury and Finance) which owns CGD's equity shares, under the terms and for the purposes of the dispositions of no. 3 of article 32 of Decree Law 133/2013 of 3 October (Legal Regime governing the State's Corporate Sector), pursuant to which the Directorate General for the Treasury and Finance should be represented on the boards of management of state-owned companies;

b) Non-executive board member Altina de Fátima Sebastian Gonzalez Villamarin has held positions in a CGD Group company – Banco Caixa Geral, S.A. – in Spain, since 2003.

The competence of the Board of Directors is attributed by law. It is particularly responsible for the following in accordance with the company's articles of association:

- Managing the company's corporate affairs and performing all acts relating to its corporate object;
- Defining the company's global strategies and policies;
- Establishing the company's internal organisation and producing expedient regulations and instructions to ensure the implementation of adequate internal control, risk management, reporting, supervision and accounting structures;
- Hiring company workers, defining the terms of their respective contractual conditions and exercising the respective corresponding managerial and disciplinary authority;
- Appointing proxies with expedient powers;
- Approving, under the terms of no. 3 of article 4 (Object), equity stakes in other companies and in partnership agreements in corporate groupings and European economic interests groups;
- Acquiring, burdening and disposing of any moveable or immoveable assets and rights, including equity stakes and making investments, when considered to be in the company's interests, without prejudice to the dispositions of sub-paragraph g) of no. 2 of article 14 (Competence);
- Approving resolutions on issuances of bonds or any other financial instruments, under the terms

of article 7 (Bonds);

- Implementing and ensuring compliance with the resolutions of the General Meeting;
- Representing the company in legal and non-legal matters as a plaintiff or defendant, having the right to confess, withdraw or come to terms in any lawsuits and agreeing to be bound by the decisions of arbitrators in arbitration procedures;
- To exercise the other competencies attributed by law or these articles of association and pass resolutions on any other matters falling outside the sphere of competence of the company's other bodies.

Under the terms of the Assessment of Suitability Policy for the Selection of Members of Management and Supervisory Boards and Key Function Holders,available on CGD's institutional website https: \\ www.cgd.pt, the Nomination, Assessment and Remuneration Committee , ("CNAR"), within its sphere of competence of filling of vacancies in the corporate bodies and the appointment of the Executive members os the Board of Directors, is responsible for assessing, at least annually, the structure, size, composition and performance of the Board of Directors and Supervisory Board and, when deemed appropriate, to make recommendations to them, as well as to assess, at least once a year, the knowledge, skills, experience and the fulfilment of obligations arising from the function performed individually by each member of the Board of Directors and of the supervisory board, as well as these statutory bodies as a whole and to communicate them the results.

CNAR is responsible for reporting to the Remuneration Committee of the General Meeting (CRAG) the results of the assessment of the members of the Executive Committee for the purpose of weighing and determining the variable component of their remuneration. In order to avoid potential conflicts of interest or situations that may affect their independence,the individual assessment of each CNAR member is the responsibility of the other CNAR members.

Under the terms of the Remuneration Policy and the CNAR and CRAG Regulations, the performance assessment of executive Board of Directors to determine the variable component remuneration is the responsibility of CRAG in articulation with CNAR's competencies in conducting the process.

The fixed remuneration component comprises a sufficiently high proportion of the Executive Board Members' total remuneration, to permit the application of a fully flexible policy relative to the variable component, including the possibility of the non-payment thereof.

The variable component is indexed to the achievement of concrete, qualified objectives in line with CGD's long term interests , which are currently based on CGD's Strategic Plan, agreed between the Portuguese State and the European Commission in 2017, as part of CGD's recapitalization of that year.

The total amount of the variable remuneration of the Executive Board Members as a whole may not exceed the maximum percentage of consolidated net profit for the year as defined for each year by the General Meeting of shareholders following the proposal submitted by the Remuneration Committee, with the fixing of the said amount taking CGD's performance and global results, the policy followed on this matter in comparable institutions and the evolution of the global amount defined for the variable remuneration of CGD employees as a whole into account.

The variable component of the remuneration of the Executive Board Members comprises:

a) A cash payment comprising 50% of the total amount of the variable component;

b) A payment in kind comprising 50% of the total amount of the variable component.

Under the terms of Remuneration Policy of the Statutory Bodies the payment in kind shall comprise bonds issued by CGD, additional Tier 1 own funds or r Tier 2 own funds instruments as defined by articles 52 and 63, respectively, both of Regulation (EU) 575/2013.

Performance will be assessed, based on the following quantitative criteria:

i. Solvency, comprising: solvency ratio, credit default ratios and property foreclosures;

ii. Profitability, comprising: return on equity, net interest income, impairment and risk-adjusted return on capital;

iii. Efficiency: cost-to-income;

iv. Market position: CGD's market shares;

v. Liquidity: reference should be made to: the ratio of the conversion of resources from balance to credit, the maturity of medium / long-term debt and the rate of use of the European Central Bank funding.

The following qualitative criteria will also be considered:

i. Level of customers' complaints;

ii. CGD's reputation indicators.

The Board of Directors' activity is governed by its respective regulation which is published on CGD's official website at: https://www.cgd.pt.

In 2018 the Board of Diretors met 20 times and the absences were recorded for the following members, all of which justified: José João Guilherme (1); João Paulo Tudela Martins (1), Hans-Helmut Kotz (1), Ana Maria Fernandes (1); Maria João Carioca (2); Carlos Torraes Albuquerque (1).

MANDATES OF THE BOARD OF DIRECTORS

Term of office (Start-End)	Position	Name	Date of the resolution	Number of Meetings	No. of terms of office performed in Company
2017-2020	Chairman of the Board of Directors	Emílio Rui da Veiga Peixoto Vilar	31-01-2017	20	3 (a)
2017-2020	Vice-Chairman of the Board of Directors and Chairman of the Executive Committee	Paulo José de Ribeiro Moita de Macedo	31-01-2017	20	1
2017-2020	Member of the Board of Directors	Francisco Ravara Cary	31-01-2017	20	1
2017-2020	Member of the Board of Directors	João Paulo Tudela Martins	31-01-2017	19	2 (b)
2017-2020	Member of the Board of Directors	José António da Silva de Brito	31-01-2017	20	1
2017-2020	Member of the Board of Directors	José João Guilherme	31-01-2017	19	1
2017-2020	Member of the Board of Directors	Maria João Borges Carioca Rodrigues	31-01-2017	18	2 (c)
2017-2020	Member of the Board of Directors	Nuno Alexandre de Carvalho Martins	31-01-2017	20	1
2017-2020	Member of the Board of Directors	Carlos António Torroaes Albuquerque	02-08-2017	19	1
2017-2020	Non-Executive Member of the Board of Directors	Ana Maria Machado Fernandes	17-03-2017	19	1
2017-2020	Non-Executive Member of the Board of Directors	José Maria Monteiro de Azevedo Rodrigues	17-03-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	João José Amaral Tomaz (*)	17-03-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	Alberto Afonso Souto Miranda	01-08-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	Hans-Helmut Kotz	19-10-2017	18	1
2017-2020	Non-Executive Member of the Board of Directors	Mary Jane Antenen	04-04-2018	20	1
2017-2020	Non-Executive Member of the Board of Directors	Altina Sebastian Gonzalez	05-04-2018	20	1

(*) Resigned with effect 30.04.2018

Date of first appontment :

(a) Appointed as General Manager of CGD by the Council of Ministers Resolution and t took office on 26 October 1989.

Elected Vice-Chairman of the Board of Directors by Unanimous Written Resolution at 31.08.2016

Elected as Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017 by Unanimous written resolution

(b) Elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016 by Unanimous written resolution

(c) Elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 08 July 2013 by Unanimous written resolution

Executive Committee

Under the company's articles of association, the Board of Directors shall delegate the management of the company's day-to-day affairs to an Executive Committee and shall set out the limits and conditions of the referred to delegation.

The Executive Committee comprises between five and nine members of the Board of Directors, in addition to its Chairman.

Composition of the Executive Committee:

Chairman: Paulo José de Ribeiro Moita de Macedo

Members: Francisco Ravara Cary; João Paulo Tudela Martins; José António da Silva de Brito; José João Guilherme; Maria João Borges Carioca Rodrigues; Nuno Alexandre de Carvalho Martins; Carlos António Torroaes Albuquerque.

The areas of responsibility of members of the executive committee were redistributed in 2018, pursuant to which the CRO ("chief risk officer") ceased to accumulate, as a board member, the DRC (Credit Risk Division) function and to separate the activities or functions according to criteria relating to the prevention and management of conflicts of interest, namely separation between control functions and controlled areas/activities and segregating between structural units involved in the various decision-making stages.

The Executive Committee's activity is governed by its respective regulation, as approved by the Board of Directors on 19 October 2017. It has been published on CGD's official website at https://www.cgd.pt.

Under the terms of the regulation, the Executive Committee shall meet at least once a month as well as whenever called by its Chairman or at the request of any of its members, although it has usually met once a week.

The Executive Committee met 52 times in 2018. Minutes recording presences and the following absences, all of which justified, have been drawn up on all meetings: Carlos António Torroaes Albuquerque (4); Francisco Ravara Cary (5); Nuno Carvalho Martins (5); José João Guilherme (6), Maria João Carioca (6), José de Brito (7); Paulo José de Ribeiro Moita de Macedo (1); João Tudela Martins (8)

The assessment of suitability of statutory members shows the availability and required time to perform individually and collectively, their positions and functions.

In terms of positions simultaneously held in other entities, inside and outside the Group and other relevant activities performed by members of the referred to bodies in 2018: Reference should be made to the following:

ACCUMULATION OF FUNCTIONS

Board of Directors member	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Paulo José Ribeiro Moita de Macedo	Fundação Caixa Geral de Depósitos - Culturgest (*)	Chairman	
João Tudela Martins	Banco Nacional Ultramarino, S.A. (Macao-China)	Member of the Board of Directors	Private
José João Guilherme	Banco Nacional Ultramarino, S.A. (Macao-China)	Chairman	Private
	Banco Caixa Geral Angola S.A.	Chairman	Private
	Banco Comercial e de Investimentos, S.A.	1st Vice Chairman of the Board of Directors	Public
	Fidelidade Companhia de Seguros, S.A.	Member of the Board of Directors	Private
	Parbanca, SGPS, S.A.	Chairman	Public
Francisco Ravara Cary	Banco Comercial e de Investimentos, S.A.	Member of the Board of Directors	Public
	Banco Caixa Geral , S.A. (Spain)	Chairman	Private
	Banco Caixa Geral - Brasil, S.A.	Chairman	Private
	Locarent - Companhia PortugueS.A. de Aluguer de Viaturas, S.A.	Member of the Board of Directors	Private
	Caixa - Banco de Investimento, S.A. (**)	Chairman	Public
	Banco Caixa Geral Angola S.A.	Member of the Board of Directors	Private
	Caixa Leasing e Factoring - SFC, S.A.	Chairman	Public
	Banco Nacional Utramarino S.A. (Macao - China)	Member of the Board of Directors	Private
	Fidelidade Companhia de Seguros, S.A.	Member of the Board of Directors	Private
Maria João Borges Carioca Rodrigues	Caixa Geral de Aposentações	Chairman	Public
	SIBS, SGPS, S.A.	Member of the Board of Directors	Private
	Caixa - Banco de Investimento, S.A. (**)	Member of the Board of Directors	Public
	SIBS Forward Payment Solutions, S.A.	Member of the Board of Directors	Private
José António da Silva Brito	Caixa Participações	Chairman	Public
	Caixa Geral de Aposentações	Member of the Board of Directors	Public
Nuno Alexandre de Carvalho Martins	Caixa Serviços Partilhados, ACE	Chairman	Public
	Caixa Capital - SCR, S.A.	Chairman	Public
	Caixa - Banco de Investimento, S.A. (**)	Vice Chairman of the Board of Directors	Public
Altina Sebastian Gonzalez	Banco Caixa Geral, S.A. (Spain)	Non Independent member of the Board	Private
	Grupo Empresarial San Jose	Independent member of the Board	Private

(*) The start of functions depends on the non-opposition of the supervisory entity.
(**) Elected 31 January , with ECB prior approval

Supervisory Board	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Guilherme Valdemar Pereira d'Oliveira Martins	Grande Conselho do Centro Nacional de Cultura	Chairman	
	Fundação Calouste Gulbenkian	Executive Board Member	Private
	Caritas Portuguesa	Chairman of Supervisory Board	Private
António Luís Traça Borges de Assunção	Universidade Católica	Teatcher	Private
	VLX	Manager	Private
	Altauto Fahren (AF)	Manager	Private
	Sinvegere	Manager	Private
Manuel Lázaro Oliveira de Brito	DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda	Manager	Private
Nuno Filipe Abrantes Leal da Cunha Rodrigues	Faculdade de Direito da Universidade de Lisboa	Teatcher	Pubic
	Instituto Europeu da Faculdade de Direito da Universidade de Lisboa	Vice Chairman	Pubic
	Instituto de Direito Económico, Financeiro e Fiscal da Faculdade de Direito da Universidade de Lisboa	Vice Chairman	Pubic

SPECIAL COMMITTEES

In the sphere of the Board of Directors to the following special advisory and support committees:

CACI (AUDIT AND INTERNAL CONTROL COMMITTEE)

The function of this committee is to oversee the activity of the Executive Committee, the process for the preparation and disclosure of financial information and the effectiveness of the internal control, management of non-financial risks and internal audit systems, without prejudice to the competence of the Supervisory Board and Financial Risks Committee herein.

It is also responsible for ensuring due compliance with legal and regulatory dispositions, the articles of association and standards issued by the supervisory authorities, independence of the statutory audit company and review the statutory audit.

Within CGD and other CGD Group companies, subject to supervision on a consolidated basis, it should promote the furtherance of the objectives defined in terms of internal control and the management of non-financial risks, by the Bank of Portugal and ECB (European Central Bank) and assess the reliability of the prudential reports on CGD Group and Group companies subject to this obligation.

It should also be informed on all of the inspection actions on CGD and other CGD Group companies subject to the supervision of the ECB, Bank of Portugal and other entities.

This committee's functions include, *inter alia*, the oversight and monitoring of issues relating to (i) Presentation of the financial statements for the last two quarters by DCD and the statutory audit company); (ii) evolution of actions subsequent to OSI recommendations; (iii) meeting with JST (joint supervisory team) iv) Quarterly activity reports of the Research and Reporting area, (v) Monitoring of strategic plans; (vi) Accompaniment of on-site visits to Entities; (vii) oversight of training plans, (viii) revision of standards, including, inter alia, the "Prevention and Management of Conflicts of Interest" and the "Prevention of Money-laundering / Countering the Financing of Terrorism"; (ix) support for the design and implementation process for new corporate IT platforms; and (x) assessment of the qualification of human resources.

Work was also carried out on the analysis of the action plan on ECB recommendations - IFRS 9; Activities Plan (2017-2019), with the presentation of the Report on the Internal Control System – Separate Activity (CGD) and the Report on the Internal Control System on a Group/Parent Company level (CGD Group) basis; a review of the internal regulation was also undertaken.

Minutes recording presences and absences have been drawn up on all meetings.

The Audit and Internal Control Committee held 21 plenary sessions in 2018, with no absences having been recorded. It promoted the organisation of meetings on a two weeks basis with GFC and DAI, having met 16 times both with GFC and DAI.CACI has led meetings with the heads of CGD International entities (BCG Angola, BCI Mozambique (2), BI Cape Verde, BI São Tomé e Príncipe and BNU Macao)

The Regulation has been published at: https://www.cgd.pt.

CRF (FINANCIAL RISKS COMMITTEE)

The function of this committee is, for example, to oversee the management policy of all financial risks connected with the activity of CGD and all CGD Group companies, including liquidity, interest rate, foreign exchange, market and credit risks, albeit without prejudice to the competence of the Supervisory Board herein.

It is also responsible for monitoring the management policy of CGD's pension fund, advising the Board of Directors on risk appetite, analysing specific risk categories, namely credit risk, in addition to assisting the Board of Directors on supervising the implementation of CGD's and CGD Group's risk strategy, assessing the adequacy of CGD's risk management systems *vis-à-vis* its profile and strategy.

As regards financial risks, CRF monitors liquidity management and the medium and long tern funding plan, including the contingency plan.

In performing its duties, CRF is responsible for overseeing all data on the analysis of financial and credit risks, namely risk measurement and calculation of own funds models adopted internally, in addition to Community Directives and Bank of Portugal and ECB guidelines on financial and credit risks.

In the context of its duties and powers, the committee reviewed, inter alia, reports submitted by DGR in relation to Risk; and assessed credit and refinancing operations presented by other divisions. It also ruled on some of the necessary appointments of those responsible for risk management.

Minutes recording presences and absences have been drawn up on all meetings.

The Financial Risks Committee met 20 times in 2018, Absences were recorded for the following members in 2018, all of which justified: Ana Maria Fernandes (1), José Azevedo Rodrigues (7).

The Regulation has been published at https://www.cgd.pt.

CNAR (NOMINATION, ASSESSMENT AND REMUNERATION COMMITTEE)

This committee issues an opinion on any vacancy to be filled on CGD's and CGD Group companies' statutory bodies, the choice of Board members to serve on the executive and other committees, in addition to the assessment thereof and respective remuneration policy.

CNAR is responsible for producing an annual assessment of members of the Board of Directors, "holders of essential and relevant functions" and for assessments deriving from supervenient facts, namely as regards accumulations of functions and conflicts of interest.

As regards its support for filling in vacancies on statutory bodies and appointment of executive board members, CNAR produces and updates all of the information on the qualifications, knowledge and professional experience required for the performance of functions attributed to members of the diverse statutory bodies and the Executive Committee, in addition to overseeing the selection and nomination process for the senior staff of CGD Group companies.

CNAR's competencies and functions are performed in conformity with the dispositions of the RGICSF (General Credit Institutions and Financial Corporations Regime) and particularly articles 30-A no. 1 and 115-B, no. 2 of sub-paragraph d) of Bank of Portugal *Instruction* 23/2018 and European standards namely the Internal Governance Guidelines of the EBA (EBA/GL/2017/11) and the joint EBA and ESMA guidelines on the assessment of the suitability of members of boards of management and key function holders (ESMA71-99-598 and EBA/GL/2017/12) of 21 March 2018, applicable from 30 June 2018 and the Guidelines on the assessment of the suitability and good standing of members of boards of management of the European Central Bank of May 2018.

CNAR is also responsible for proposing the criteria to be used in the process for defining the variable component of the remuneration of members of the executive committee, to the board of directors. Such criteria should include adequate consideration of merit, individual performance and contribution to the efficiency of the executive committee.

This committee's functions specifically included consideration of the following: (i) "Fit and proper" processes; (ii) Annual assessment reports on the suitability of members of boards of management and supervisory boards; (iii) Consideration of the remunerations policy; (iv) Assessment of the suitability of key function holders; (v) Succession plan; (vi) Appointment of managing directors; (vii) Appointment of CGD Group entities' statutory bodies; (viii) Other matters; (ix) Assessment of the performance of the board of directors, supervisory board and special committees; (x) Proposals for the redistribution of areas of responsibility (xi) Rules for the identification and attribution of the variable remuneration of CGD's key function holders.

Minutes recording presences and absences have been drawn up on all meetings.

Twenty meetings were held in 2018, with with no absences having been recorded

The Regulation has been published at: https://www.cgd.pt.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for recommending the Board of Directors' adoption of policies on corporate governance issues in accordance with the recommendations, standards and best national and international practice. It has the task of producing an annual report on the functioning of the company's corporate governance structure to be submitted to the Board of Directors.

This committee is also responsible for:

- Advising the Board of Directors on the assessment of identification systems and resolution of conflicts of interest.
- Issuing opinions on the code of conduct and other documents that define ethical business principles, promoting and examining effective compliance therewith, as well as the revision and updating thereof.
- Overseeing the production of the annual corporate governance report as regards issues in its area, commenting thereon prior to its approval by the Board of Directors.

The objective of the Governance Committee is to improve CGD's governance and inspection model and that of all of the companies, at any time, in a controlling or group relationship with it, whatever the location of their respective headquarters, their management's effective main offices or principal place of business.

The committee is also responsible for proposing the guidelines on social responsibility, sustainability and environmental protection issues to the Board of Directors, including, *inter alia*, the principles and values for safeguarding the interests of CGD, its shareholder and other relevant entities.

This committee's functions include, *inter alia*, the oversight and monitoring of issues relating to (i) oversight of the recommendations of the opinion on corporate governance; (ii) Conflicts of interest Policies, Code of Conduct and Harassment; (iii) EBA Guidelines; (iv) Segregation of Risk Management and Credit Risk; (iv) "Know Your Structure"; (v) the Evolution of OSIs ("on-site inspections") and (vi) Corporate Governance Report.

Minutes recording presences and absences have been drawn up on all meetings.

The Governance Committee met 11 times in 2018. No absences were recorded.

The Regulation has been published at: https://www.cgd.pt.

SPECIALISED EXECUTIVE BOARDS AND COMMITTEES

Specialised executive Boards are decision-making bodies which consider and decide upon proposals pursuant to the authority delegated by CGD's Executive Committee and are therefore structures which are dependent upon the Executive Committee.

The Committees are structures that are also dependent on CGD's Executive Committee, without deliberative powers, and are the privileged forums for debate and consultative support for decision-making, through the adoption of recommendations or the presentation and discussion of cross-cutting themes.

The Specialized Executive Boards and Committees promote wide-ranging discussions, with the presence of the structure bodies with responsibilities in the matters under consideration, in order to allow a detailed explanation, whenever necessary.

The Specialized Executive Boards and Committees are chaired by members of the Executive Committee, according to the type of forum and the matters under consideration, and other members of the Executive Committee may participate in addition to the permanent members. Board members and / or managerial staff of CGD or Group Companies also participate in the meetings, depending on the subjects under discussion.

The Specialized Executive Boards and Committees met at a pre-fixed date defined in its rules or whenever the whenever the chairman deems it necessary

According to the issues under analysis, there are the following Specialized Executive Boards:

- CDCI – Specialised Costs and Investment Executive Board. This body is responsible for the consideration and discussion of issues related with CGD's expenditure (costs and investments), including CSP, SSI and Group structures. CDCI is responsible for producing strategic assessments on types of expenditure, considering alternatives and authorising the incurring of expenditure (costs and investments) in conformity with the authority delegated to this executive board, analysing, querying needs and proposing expenses, whose decision-making competence belongs to the executive committee, analysing the evolution of budget performance submitted by DCP and analysing the comparative evolution of Caixa's costs as produced by DCPIt comprises the Chairman of the Executive Committee and members of the said committee (subject to a minimum of three) and is responsible for Caixa – Serviços Partilhados *(CSP),* the structural bodies proposing the expenditure, DCP (Planning, Budgeting and Control Division) (optional), DSI (Information and Technology Division) (optional) and DRM (Logistic Support Division). It generally meets once a fortnight, having held 26 meetings in 2018.

- CALCO (Specialised Capital Management, Assets and Liability Management Executive Board), as the body responsible for the consideration and oversight of the integrated capital, assets and liabilities management process (ALM – asset–liability management), geared to the proactive management of CGD Group's balance sheet and profitability, with the authority to promote the ALM process and the actions and procedures necessary for its implementation, , analyze and discuss the evolution of the ALM indicators, assess and deliberate on proposals for strategic guidelines for the Group's financing and liquidity policy, assess the liquidity situation on a consolidated basis and on an individual basis for the various entities of the CGD Group, approve and revise contingency plans to cope with unanticipated liquidity situations, monitor ICAAP and ILAAP preparatory processes and work, as well as Recovery and Resolution Plans; assess and deliberate on proposals for strategic guidelines and follow-up for risk management policy, assess the risk of balance sheet interest rate and market risks, taking the necessary measures comply with the defined objectives and guidelines and comply with regulatory requirements issued by supervisory entities, to analyze and deliberate on proposals for strategic guidelines and subsequent monitoring of the capital ratios of the Group and the capital and management policy, to deliberate on proposals / measures to optimize the balance sheet and interest margin, as well as strategic initiatives to optimize the risk / return binomial and to promote the articulation between the financial strategy and the commercial policy of the Group. It comprises all members of CGD's Executive Committee and is chaired by the Chairman of the Executive Committee. CALCO comprises the managers (or their substitutes) of the Financial Markets Division (DMF), the Risk Management Division (DGR), the Accounting, Consolidation and Financial Information Division (DCI), the Planning, Budget and Control Division (DCP). , Retail Marketing Division (DMR), Companies Marketing Division (DME) and Caixa Banco de Investimento (CBI).

  CALCO meets at least ten times a year. Eleven meetings in which the following matters were specifically analysed, were held in 2018: Evolution of the Economy and Financial Markets; Banking System: Evolution Trends and Prospects; Economic and Financial Risks; Analysis of CGD Headquarters´ Liquidity Risk; Analysis and Evolution of Income from Financial Operations; Key Market Risk Indicators; Key Interest Risk Indicators; Key Liquidity Risk Indicators; Negative Corporate Indexers; Thematic Review on Profitability; IRRBB benchmarking, backtesting and validation procedures; IRRBB - Instrument/credit-specific yield curves for economic value calculations; Establishing of Market Risk Limits; Actions designed to boost Mortgage and Corporate Lending; Fixed-income Portfolio; Establishing of Market Risk Limits.

- CDP (Specialised Products Executive Board). This body is responsible for approving the launch of products and services and verification of the adequacy thereof to the Regulations in force and guidelines issued by the supervisory bodies. CDP is responsible for analysing the offer of Caixa's products and services and is permanently engaged on ensuring their conformity with regulations and policy and internal procedures in different areas: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting.

This body is responsible for approving the launch of products and services and for verifying their suitability *vis-à-vis* current regulation and the guidelines issued by supervisory entities. CDP is responsible for analysing Caixa's supply of products and services and continuously ensuring the conformity thereof with regulation and internal policy and procedures, in different areas: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting.

The Products Executive Board also decides on the implementation of proposals when all conditions for the launch thereof are in place, or, in the event of any constraint or reservations of structural bodies involved in the formal approval process, without prejudice to the dispositions of the Governance, Approval and Monitoring of Products Policy regarding the binding nature of GFC's opinion, analyses the oversight reports issued by GFC, in the sphere of its monitoring of the processes for the creation and distribution of products, on the suitability of control mechanisms for the prevention of risks of non-compliance with regulatory obligations and internal procedures and considers the communications, requests or recommendations issued by supervisory entities in the sphere of the creation and commercialisation of products and services.

The Products Executive Board comprises the chairman of CGD's executive committee who shall chair the board and the board members responsible for the Retail Marketing Division (DMR), Corporate Marketing Division (DME), Digital and Remote Banking Division (DCD), Chief Risk Officer (CRO), Planning, Budgeting and Control Division (DCP), Financial Markets Division (DMF), Operations Centre (CO), Information and Technology Division (DSI), Retail and Business Customers Network (DPN, DPC, DPL and DPS) and Corporate Network (DEN, DES, DBE) functions. They meet monthly having met 8 times in 2018.

- CDRT (Specialised Rating Executive Board).

This body is responsible for monitoring credit risks and policies and methodologies regarding compliance and the management and control of the risks for which it is responsible. It is responsible for allocating or reviewing internal ratings on counterparties (economic groups) with an exposure of €50 million or more to CGD Group. It is responsible for deciding on the internal rating for counterparties (economic groups) with an exposure of €50 million, or more deciding on the internal rating for counterparties with an exposure of €10 million or more, assessing the total percentage of derogations relative to the ratings allocated by the models, monitoring the evolution of ratings allocated to exposure levels which are lower than those for which CDRT is responsible, overseeing the review of the methodology for the allocation of internal ratings and changes to the variables to be used in the analysis, approving the minimum information which must be collected from customers, for risk analysis purposes, in each sector of activity; overseeing the equivalencies between the rating classes of international agencies and internal ratings and deciding upon any other matters thereto related.

It comprises the board member with the functions of Chief Risk Officer (CRO) who chairs this executive board and the board members responsible for the Corporate Network (DEN, DES and DBE), Retail and Corporate Customers Network (DCN and DCS) and Caixa Banco de Investimento (CBI). CDRT meets once a month. Eight meetings, in which the following issues were specifically analysed, were held in 2018: Companies Subject to Ratings; Rating Methodology; Watch List for High Risk Obligors; Triggers for Early Ratings Reviews; Analysis of Derogations.

Data Protection Executive Board (CDPD) – Body reporting to the executive committee on issues related to data protection monitoring and management. Structural decisions on data protection management, ensuring enforcement by top management and guaranteeing the Data Protection Officer's and Data Protection Office's current management capabilities have been delegated to the Data Protection Executive Board. CDPD is responsible for approving the annual data protection activity plan, analysing CGD Group's data protection oversight report, CGD Group's local data protection report and the annual data protection report, making decisions having a material impact on CGD as the "processing entity" in addition to data protection management, overseeing the evolution of CGD Group's conformity with the data protection regulations, responsibility for the resolution of conflicts and ensuring the necessary enforcement for compliance with data protection regulations, defining and overseeing taskforces on specific issues, approving CGD's oversight report on data protection and CGD Group's local data protection report. It comprises the president of CGD's executive committee (CEO), who chairs the board and by the board members responsible for the Data Protection Unit, Compliance Office (GFC), Information Systems Division (DSI) and the Prevention and Security Office (GPS) with the presence of at least 3 members. CDPD meets, in principle, every six months. One meeting was held in 2018.

Data Protection Officer :

In the sphere of the European Digital Agenda, which aims to achieve the Digital Single Market in the European Union, regulation (EU) 2016/679 of the European Parliament and of the Council was published on 04-05-2016 on the protection of natural persons regarding the treatment and the free movement of personal data which repeals directive 95/46/CE (GDPR).

The GDPR strengthens the rights and guarantees of the owners of personal data and attributes to the "processing officer" of such personal data a series of obligations in processing such data, requiring organisations to adapt to the new requirements which are fully applicable from 25-05-2018.

CGD set up a taskforce to assess the impact and implementation of GDPR, as regards the organisation, business processes and information systems components, for the purpose of ensuring compliance with the legal obligations under the GDPR. Under the terms of the GDPR, the appointment of a data protection officer is mandatory in terms of banking activity as his/her principal activities, as the officer responsible for processing personal data, consist of processing operations that, owing to the nature, scope and/or purposes thereof, require regular and systematic control in the case of large scale data owners.

Under the terms of an executive committee resolution of 06-12-2017, the DPO's functions were defined by CGD Group to comply with the dispositions of articles 37 to 39 of the GDPR, with the corporate level DPO having been appointed.

The DPO performs his/her functions independently, reports directly to the executive committee and is organically autonomous from DOQ (organisation and quality division), in which he/she currently operates and which on a level of CGD Group's other structural organisations and entities provides him/her with the material and human resources necessary to ensure CGD Group's compliance with the GDPR. The DPO manages the data protection office which has the mission of collaborating with him/her providing institutional assistance in the performance of his/her functions.

The personal data protection policies were produced and the data protection governance model defined in CGD Group in the sphere of the DPO's activities. They identify the parties involved, define responsibilities and high level guidelines on data protection, define the data protection management cycle and report methods and mechanisms on data protection in the form of the above referred to data protection executive board.

All questions related to the protection of personal data may be addressed to the DPO through the *Espaço Cliente* Customer Area at www.cgd.pt and a letter addressed to the address of the registered office of Caixa, located at Avenida João XXI, nº 63, 1000-300 Lisboa .

- CERC (Specialised Credit Risk Executive Board) - This body is responsible for credit matters in accordance with the authority delegated to it, in terms of amounts, maturities and conditions. It authorises customers with overdue credit and credit in arrears, in certain circumstances, to exceptionally remain under CGD's branch office network management, in addition to allocating customers requiring specialised oversight to DAE, periodically authorises impairment levels on customers, periodically defines limits, decides on operations, analyses of non-performing credit, particularly cases involving pre-legal and legal proceedings in which there is a loss of interest or a reduction of assets, discusses the specific situation of economic sectors, considers and decides upon the progress achieved in comparison to the objectives and goals defined by NPE strategy, defining corrective measures in any cases of significant deviations, ensures that the structural bodies responsible for implementing the NPE strategy comply with the global performance of the goals defined and considers the reports on credit portfolio monitoring operations produced by the Risk Management Division (DGR). It comprises a minimum of 3 members of the executive committee and is chaired by its president or, in the absence thereof, the board member responsible for the Credit Risk Division. Managing directors, or their deputies from the Credit Risks Division (DRC), Legal Affairs Division (DAJ) and Real Estate Business Division (DNI) are permanent members of the Credit Board, with the eventual involvement of managing directors, or their deputies from the Large Corporate and Institutional Business Division (DBE), Corporate Marketing Division (DME), International Business Relations Division (DRI), Financial Markets Division (DMF), Retail Banking Division North Area (DCN), Retail Banking Division South Area (DCS), Corporate Banking Division North Area (DEN), Corporate Banking Division South Area (DES), Retail Customers Monitoring Division (DAP), Corporate Business Monitoring Division (DAE), Risk Management Division (DGR), Ratings Division (DRT) and representatives of other CGD Group companies.

  CERC holds meetings at least once a week. Sixty meetings in which the following issues were discussed, were held in 2018 : Suspended Credit plans; Checklist and Standard Information Sheet for Tourism and Real Estate Promotion Projects; Equipment Leasing Campaign for Companies 2018; PARE Adjustments ("Specific Price terms for *Caixa. Líder* customers; Leads with Pre-Approved Credit Limits; SEPA DD Contracts (Allocation of Limits); Analysis of Transfers of Customers between the Branch Office Network and Oversight Areas; Limits on Financial Institutions with a rating of less than BB-; Capitalisation Leads; Global Credit Oversight Limits for Financial Institutions; Capitalisation Lead 2018; Short Term Growth Lead – Pre-Approved Limits; Non Performing Exposures (NPEs) Oversight; Exposure of up to €3 million per Economic Group for the Trading Portfolio; Qualified Leads for Corporate Equipment Leasing Operations (DME/DMR); Commercial Leads – Review of Medium/Long Term and Equipment Leasing Operations maturing in 2017/2018; Revision of Limits on entities with an exposure of more than €300 million; Oversight of Bank of Portugal Recommendation.

- CC (Specialised Executive Credit Board). This body is responsible for credit matters in accordance with the authority delegated to it, in terms of amounts, maturities and conditions.

  It authorises customers with overdue credit and credit in arrears, in certain circumstances, to exceptionally remain under CGD's branch office network management, in addition to allocating customers requiring specialised oversight to DAE and DAP, periodically defines limits, decides on operations with certain characteristics: in terms of maturity; in terms of guarantees; equipment leasing for a specific maturity; restructuring operations with a specified grace period; restructuring operations with a specific increase of exposure; with intra Group entities and entities operating in certain sectors of activity. It comprises a minimum number of 2 members of the executive committee, not considering the board member responsible for the Risk Management Division and is chaired by the board member of the Credit Risks Division. The managing director, or his/her deputy from the Credit Risks Division (DRC) is a permanent member of the Credit Board, with the eventual involvement of managing directors, or their deputies, from the Large

Corporate and Institutional Business Division (DBE), Corporate Marketing Division (DME), International Business Relations Division (DRI), Financial Markets Division (DMF), Retail Banking Division North Area (DCN), Retail Banking Division South Area (DCS) and Corporate Banking Division North Area (DEN), Corporate Banking Division South Area (DES), Retail Customers Monitoring Division (DAP), Corporate Business Monitoring Division (DAE), Risk Management Division (DGR), Legal Affairs Division (DAJ), Real Estate Business Division (DNI), Ratings Division (DRT) and representatives of other CGD Group companies.

They meet at least twice a week, having met 96 times in 2018. The issues similar to those analyzed in CERC were discussed, as well as analysis of the transfer of customers between the Retail Network and the monitoring divisions.

Retail Banking Committee (CCR). This body is responsible for the discussion, analysis and oversight of the business and commercial activity of CGD's Retail Network, as well as the analysis and consideration of structuring initiatives having an impact on CGD's Retail Network management and commercial strategy. CCR is responsible for analysing, overseeing and reporting on activity and commercial trends indicators, analysing and overseeing the Business Plan, analysing and considering proposals relating to the Products/Services Portfolio, Service Models, Communications Plan and other activities having an impact on Retail Network management, analysing and considering structural issues in terms of Retail Network management, considering proposals relating to the operation of distribution networks and channels, including the opening, reformulation and closure of sales outlets, as well as regarding the restructuring initiatives of service models on face-to-face and remote channels and overseeing and coordinating actions designed to ensure an integrated market approach by Group companies, promoting the cross-selling of products and services and permitting sustained value growth for the Group's customers. It comprises the board member responsible for the Retail and Corporate Customers Branch Office Network (DCN and DCS), who chairs the committee and by the board member responsible for the Digital and Remote Banking Division (DCD). Officers or their deputies from the Retail Marketing Division (DMR), Retail and Corporate Customers Branch Office Network (DCN and DCS), International Relations Division (DRI), Planning, Budgeting and Control Division (DCP), Communication and Brand Management Division (DCM) and the Digital and Remote Banking Division (DCD) are permanent members of CCR. It generally meets on a monthly basis or when called by the board member who chairs the committee. They met 5 times in 2018.

- Corporate Banking Commercial Committee (CCE). This body is responsible for the discussion, analysis and oversight of the business and commercial activity of CGD's Corporate Network, in addition to the analysis and consideration of structuring initiatives having an impact on the management and commercial strategy of the Corporate Network. CCE is responsible for analysing, overseeing and reporting on activity and commercial trends indicators, analysing and overseeing the Business Plan, analysing and considering proposals relating to the Products/Services Portfolio, Service Models, Communications Plan and other activities having an impact on Corporate Network management, analysing and considering structural issues in terms of Corporate Network management, considering proposals relating to the operation of distribution networks and channels, including the opening, reformulation and closure of sales outlets, as well as regarding the restructuring initiatives of service models on face-to-face and remote channels and overseeing and coordinating actions designed to ensure an integrated market approach by Group companies, promoting the cross-selling of products and services and permitting sustained value growth for the Group's customers. It comprises the board member responsible for the Corporate Commercial Network (DEN, DES and DBE) who chairs the committee and the board member responsible for the Digital and Remote Banking Division (DCD). The officers, or their deputies from the Corporate Marketing Division (DME), Corporate Commercial Network (DEN, DES and DBE), International Relations Division (DRI), Digital and Remote Banking Division (DCD) Planning, Budgeting and Control Division (DCP), Communication and Brand Management Division (DCM), Caixa Banco de Investimento (CBI) and Caixa Leasing e Factoring (CLF) are permanent members of CCE. It generally meets on a monthly basis or when called by the board member who chairs the committee, having met 9 times in 2018.

- Business Continuity Committee (CCN). This body is responsible for coordinating and articulating the initiatives and processes on CGD's and Group Entities' business continuity, ensuring the control of risks associated with events which may disrupt business owing to the fact that they imply the unavailability of physical infrastructures, IT systems or human resources to permit the immediate adoption of corrective measures, ensuring the alignment of business continuity with the recommendations issued by regulatory entities and overseeing the implementation of the Business Continuity Plans of CGD Group entities. CCN is responsible for proposing the annual Business Continuity initiatives plan, assessing and adjusting the general objectives of the global Business Continuity implementation/maintenance plan which it follows up through its assessment of the level of compliance with the proposed objectives, ensuring that business continuity is aligned with the recommendations issued by regulatory entities, identifying and promoting synergies on a level of business recovery and technological recovery solutions, ensuring the existence of resources necessary for the implementation thereof, ensuring the existence and operation of internal mechanisms for the identification of needs for changes to business recovery and technological recovery solutions, considering and proposing the planning and periodic implementation of tests and audits on the different business continuity plans, validating the planning and implementation of training and internal awareness-raising actions and proposing the annual revision of the performance of the Business Continuity Management System. It comprises the board member responsible for the Organisation and Quality Division (DOQ), who chairs the committee and the board members responsible for the area/functions of the Information and Technology Division (DSI), Prevention and Security Office (GPS), Operations Centre (CO), Chief Risk Officer (CRO) and Chief Financial Officer (CFO). Officers or their deputies from the Organisation and Quality Division (DOQ), Risk Management Division (DGR), Operations Centre (CO), Communication and Brand Management Division (DCM), Human Resources Division (DPE), Logistic Support Division (DRM) and Information Systems Division (DSI) are permanent members of CCN which usually meets every quarter. One meeting was held in 2018.

- Models Validation Committee (CVM). This body is responsible for the functional management of the Models Validation Office (GVM) and consideration of validation reports, deciding upon the recommendations submitted and approving changes to the Validation Manual or other methodological documents in the sphere of the Models Validation Office's performance. Responsibilities for the approval of the recommendations issued in the models validation sphere and respective mitigation plans have been delegated to the Models Validation Committee. It is responsible for overseeing and monitoring the Models Validation Office's activity, guaranteeing the conditions necessary for the performance of its mission; approving the Models Validation Office's annual activities plan for guaranteeing that the risk models are validated at least once a year, regularly monitoring compliance with the plan and adopting mitigation measures in the event of any deviations therefrom, approving changes to the Validation Manual or other documents submitted by the Models Validation Office; considering the validation reports and deciding on the recommendations proposed by the Models Validation Office and the mitigation plans proposed by the officers responsible for the model, submitting the minutes of the committee containing the decisions on recommendations, periods and entities responsible for the implementation thereof for the consideration of the executive committee within a maximum period of 20 working days from the meeting of the General Models Validation Committee and analysing and evaluating the rules, guidelines and methods used by the Models Validation Office in the performance of its activity, considering, when appropriate, input from other CGD areas or internal audit recommendations. It comprises the board member with the function of Chief Risk Officer (CRO), who chairs the committee and by the board member with the function of Chief Financial Officer (CFO). The officers, or their deputies, responsible for the Models Validation Office (GVM), Internal Audit Division (DAI), Risk Management Division (DGR) and Credit Risk Division (DRC) are permanent members of the Models Validation Office which generally meets every quarter or when called by the board member who chairs the committee. It met 6 times in 2018.

- Information Security Committee (CSI). This is an advisory body which reports to the executive committee and is responsible for the consideration and coordination of information security initiatives in CGD and CGD Group. It is responsible for analysing and discussing CGD's Strategic Information Security Plan prior to its formal approval and overseeing its implementation, analysing and discussing the Information Security standards prior to the formal approval thereof and overseeing their implementation, analysing and overseeing CGD's conformity with legal and regulatory information security obligations, discussing and proposing information security initiatives which increase CGD's level of internal control, arranging for discussions on the occurrence of significant changes in CGD, identifying and analysing their respective impact on a level of CGD's information security and risk profile, coordinating information security programmes and initiatives at a high level, ensuring the periodic planning of risk analyses and information security tests, globally coordinating the response to information security incidents, overseeing information security metrics and indicators, verifying the conformity of the Information Security Management System (SGSI) with the strategy and policies defined for information security purposes, guaranteeing the integration of SGSI requirements in the organisational processes and the requirements of interested parties, analysing and discussing the Information Security Risk Processing Plan prior to the formal approval thereof by the executive committee and monitoring its implementation, overseeing the SGSI's performance indicators, including non-conforming trends and corrective actions, monitoring results and measurements, audit results, compliance with information security objectives and analysing and discussing opportunities for continuous improvement or needs to change the SGSI. It comprises the board members responsible for the Information Systems Division (DSI), who chair the committee and with the functions of Chief Risk Officer (CRO). The Chief Information Security Officer (CISO), the Data Protection Officer, officers or their deputies responsible for the Information Systems Division (DSI), Legal Affairs Division (DAJ), Risk Management Division (DGR), Retail Marketing Division (DMR), Corporate Marketing Division (DME), Digital and Remote Banking Division (DCD), Compliance Office (GFC) and Prevention and Security Office (GPS) are permanent members of the CSI which usually meets once a quarter and which held 4 meetings in 2018.
- Sustainability Committee (CSU). This is an advisory body to the executive committee and is responsible for the consideration, discussion and monitoring of the implementation of the sustainability strategy of CGD and CGD Group's subsidiaries and branches on the basis of a corporate approach, including the maintenance of the Environmental Management System (SGA). It provides the executive committee and governance committee with information on the annual planning inherent to the Corporate Sustainability Programme and supervises compliance with good business practice and standards of conduct, in legal and compliance terms, in addition to economic, social, environmental and reputational issues, supervising the production of sustainability reports and other relevant information herein. CSU is responsible for helping to define CGD's sustainability vision and mission and subsequent strategic guidelines, strategically organising its management models and the implementation of its Corporate Sustainability Programme, considering strategy proposals and action plans deriving from the Corporate Sustainability Programme, including the integration thereof in the organisation's current and business activities, proposing policies, processes and other procedures to be instituted internally in order to guarantee compliance with the Corporate Sustainability Programme's objectives, considering the SGA's activity and performance, its compliance with objectives and goals, implementation of the planned initiatives and monitoring of the performance of environmental indicators, considering proposals for the restructuring of service models, as part of the adoption of good sectoral practice and socio-environmental criteria in the value chain and in line with economic-financial feasibility parameters, considering proposals in respect of CGD's participation, representation and candidatures in forums and national and international organisations, providing guidelines to ensure the integrated,

transversal approach of Corporate Sustainability Programme objectives, continuously appraising CGD's communication and business strategies and those of CGD Group branches and subsidiaries in the sustainability sphere, overseeing the assessments and external audits on the Group's corporate image as regards sustainability and its sustainable performance and assessing proposals for reports and external audits on CGD's sustainability activity and performance. It comprises the board members responsible for the Corporate Support Division (DSC), who chair the committee, the Human Resources Division (DPE) and Digital and Remote Banking Division (DCD). The officers or their deputies responsible for the Corporate Support Division (DSC), Communication and Brand Management Division (DCM), Retail Marketing Division (DMR), Corporate Marketing Division (DME), Organisation and Quality Division (DOQ), Human Resources Division (DPE) (DPE), Logistic Support Division (DRM), Compliance Office (GFC) and members of the Corporate Sustainability Programme Coordination Team are permanent members of CSU. Meetings are held every six months. Two meetings were held in 2018.

- Operational Risk Committee (CROP). This body is responsible for the coordination, consideration and discussion of issues related to the management of operational risk on a Group level. It is responsible for monitoring the Group's global operational risk level, verifying the conformity thereof with the defined strategy and policies in addition to deciding on the action plans submitted or submitting them for the decision of the executive committee. CROP is responsible for proposing operational risk management strategy and the policies to be followed by the Group, verifying the conformity thereof with the operational risk management strategy and policies, regulatory requirements across all Group entities and with the Group's global objectives, examining whether the operational risk level is in accordance with the limits established for the consolidated and separate limits of all entities, monitoring operational risk on a level of the various methodological components adopted in the Group, ensuring the implementation of the operational risk management methodology on a corporate level and its constant alignment with the Group's global objectives, deciding on adjustments to the diverse components of the operational risk management methodology, periodically reviewing the operational risk management methodology implemented, ensuring that the operational risk management methodology is subject to internal audit actions aligned with regulatory requirements, permitting a continuous improvement of the management procedures implemented, analysing reports, manuals and the production of other documentation relative to operational risk, deciding on the creation of taskforces for the purpose of analysing specific issues in greater detail, with an indication of the scope, objectives, officers in charge of incentivising the group, participants and periods for the submission of conclusions, deciding on the action plans proposed, submitting the minutes recording CROP's decisions on the action plans for the approval of the executive committee and proposing action plans to the executive committee. It comprises board members with the function of chief risk officer who shall chair the committee, the chief financial officer and the board members of the Organisation and Quality Division (DOQ) and Information and Technology Division (DSI) areas. The officers in charge, or their deputies, of the Risk Management Division (DGR), Internal Audit Division (DAI), Compliance Office (GFC), Accounting, Consolidation and Financial Information Division (DCI), Organisation and Quality Division (DOQ), Information and Technology Division (DSI) and the Operations Centre (CO) are permanent members of CROP. It generally meets twice a month without prejudice to the scheduling of extraordinary meetings at the discretion of the committee's chairman. Eight meetings were held in 2018.
- IT Projects Portfolio Committee (CPIN). This body is responsible for the coordination, consideration and decisions on matters related to the Projects and Information Systems portfolio on a Group level, in addition to issues relative to costs, management of capacity and sourcing models for the purposes of responding to requests requiring the involvement of the Information Systems areas. In the sphere of the management of the Projects Portfolio, CPIN is responsible for assessing the proposals for the inclusion of projects with the involvement of information systems, ensuring the monitoring of the

Projects portfolio and compliance with the periods and cost target in the Projects portfolio, deciding on issues related to changes in scope having an impact on estimations of costs or periods and assessing and deciding on action proposals on projects whose periods could be compromised and, in the IT sphere, approving the strategy for the use of the development capacity of Projects and the scope thereof in terms of total development capacity, monitoring the use of budgeted capacity and deciding on changes of strategy relative to such use in Projects, defining the sourcing strategy for the Group's IT projects, regarding Information Systems and deciding on the sourcing proposals for Projects which are in conformity with the respective strategies approved by the executive committee. It comprises a minimum number of 3 members of the executive committee, namely the board member responsible for the Information and Technology Division (DSI), who shall chair the committee, and by the board members responsible for the Organisation and Quality Division (DOQ) and the Divisions responsible for the Projects. The officers in charge, or their deputies, of the Information and Technology Division (DSI), Organisation and Quality Division (DOQ) and Divisions responsible for projects in progress or proposed are permanent members of CPIN. Meetings are held on a monthly basis or when called by the board member who chairs the committee. Six meetings were held in 2018.

3.5.3. INSPECTION BODIES

The company is inspected by the Supervisory Board and a Statutory Audit Company.

Term of office	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Paulo Mota Pinto	UWR	31.08.2016
2016-2019	Vice-Chairman	Elsa Roncon Santos	UWR	31.08.2016
2016-2019	Secretary	José Lourenço Soares	UWR	31.08.2016

(*) This member, as a CGD employee /retiree, cannot accumulate this remuneration, therefore doesn't receive it.

UWR : Unanimous written resolution

<u>The composition of the Supervisory Board:</u>

Chairman: Guilherme Valdemar Pereira de Oliveira Martins

Members: Luís Traça Borges de Assunção e Manuel Lázaro Oliveira de Brito

Alternate Member: Nuno Filipe Abrantes Leal da Cunha Rodrigues

The authority delegated to the Supervisory Board is set out at law and the articles of association. It is specifically responsible for:

- Inspecting the company's management;
- Monitoring compliance with the law and the company's articles of association
- Verifying the regularity of the company's books, accounting records and supporting documents;
- Verifying the exactness of the accounting documents and, in general, supervising the quality and integrity of the financial information therein contained;
- Inspecting the process for the preparation and disclosure of financial information;
- Verifying whether the accounting policies and measurement criteria adopted by the company lead to the correct assessment of its equity and results;
- Producing an annual report on its inspection activities and issuing an opinion on the report, accounts and proposals submitted by the Board of Directors;

- Inspecting the revision of the accounts and auditing of the company's accounting documents;
- Proposing the nomination of the Statutory Audit Company to the General Meeting;
- Inspecting the independence of the Statutory Audit Company as regards the provision of additional services;
- Inspecting the quality and effectiveness of the risk management, internal control and internal audit systems and supervising the performance of the functions in the internal audit and internal control system spheres;
- Receiving communications concerning irregularities, protests and/or complaints submitted by the shareholder, company employees or others and implementing procedures for the reception, registration and processing thereof.
- Contracting for the services of experts to assist it in performing its functions, with the contracting and remuneration of such experts taking the importance of the issues and the company's economic situation into account.

The Supervisory Board's activity is governed by its respective regulation, approved by the Supervisory Board, published on CGD's official website at https://www.cgd.pt.

The Regulation of the supervisory board was altered in 2018, for the purpose of detailing the supervisory board's competence regarding its supervision of the activities of CGD Group's domestic and international entities, in addition to its supervision of the good operation of CGD and CGD Group's internal control functions.

The supervisory body sends a quarterly report on its control, detection of anomalies and eventual detection of the main deviations from any forecasts under article 6, number 2 of Decree-Law no.287/93 of 20 August to the Ministry of Finance.

According to the statutes of CGD, the Supervisory body has the composition of 3 members (minimum number, under the terms of paragraph 4 of article 413 of the Commercial Companies Code (CSC) and one alternate.

As CGD operates in the State Corporate Sector , it is regulated by the Legal Regime Regulating the State's Corporate Sector under Decree-Law no.133/2013, of 3 October that determines, in terms of the management and supervisory structure a maximum number of 3 effective members.

According to no. 5.1 of its regulation, the Supervisory Board will be made up of three permanent members and one alternate member.

The members of the Supervisory Board are independent under the Article 31 A of the RGICSF and in accordance with article 414, no. 5 of the CSC and with the statutes of CGD.

All permanent and deputy members of the supervisory board comply with the requirements on independence, as published in article 31 A of the *RGICSF* (General Credit Institutions and Financial Corporations Regime), and article 414 no. 5 of the *CSC* (Commercial Companies Code), in addition to complying with the incompatibilities regime defined in no. 414-A of the same Code.

Under the terms of article 414, no. 5 of the *CSC*, most of the members of the supervisory board, including its chairman, must be independent. An independent is a person who is neither associated with any specific interests within the company, nor subject to any circumstance which may affect his/her impartiality in terms of analysis or decision-making owing to (a) holding title to, or acting on behalf of or for the account of others with a qualified equity investment of 2% or more in the company's equity capital, or (b) having been re-elected for more than two continuous or interspersed terms of office.

According to the referred to article 414, anyone in any of the following situations, cannot be elected or retain their position as a member of the supervisory board:

i) If benefiting from special advantages provided by the company itself;
ii) If performing management duties in the company itself;

iii) If a member of the management bodies of a company which is in a controlling or group relationship with the audited company;
iv) If a partner in a partnership which is in a controlling or group relationship with the audited company;
v) If directly or indirectly providing services or establishing a significant commercial relationship with the audited company or company with which it is in a controlling or group relationship;
vi) If performing duties in a competing company and acting as its representative or on its behalf or if, in any other way, being tied to the interests of the competing company;
vii) If a spouse, relation or the like up to and including the 3rd degree relatives in the collateral line of persons who are ineligible owing to the dispositions of sub-paragraphs i), ii), iii), iv) and vi), in addition to the spouses of the persons covered by the dispositions of sub-paragraph v);
viii) If performing administrative or audit functions in five companies, excluding law firms, statutory audit companies and statutory auditors.

The Supervisory Board held 24 meetings in 2018. Minutes have been drawn up on all meetings recording presences and absences. No absences were recorded.

Supervisory Board (SB)			
No. Meetings	Place of the meeting	Participants in the meeting	Absences of SB members
24	CGD headquarters*	SB Chairman and all members	There were no absences

* Av. João XXI, 63, Lisbon

3.5.4. STATUTORY AUDIT COMPANY AND EXTERNAL AUDITOR

IDENTIFICATION OF THE EXTERNAL AUDITOR AND PARTNER STATUTORY AUDIT COMPANY

Both funtions of Statutory Auditor and External Auditor are performed by the external entity Ernst & Young Audit & Associados, SROC, S.A (registered in the Order of Official Accountants under number 178 and in the Securities Market Commission (CMVM), under number 901. The company is represented by Ana Rosa Ribeiro Salcedas Montes Pinto, Chartered Accountant No. 1230 and registered at the CMVM under number. 20160841 and the alternate António Filipe Dias da Fonseca Brás (registered in the Order of Official Accountants under No 1661 and in the Securities Market Commission (CMVM), under number 20160841.

The Statutory Auditor / External Auditor took up its duties in the Group for the 2017-2020 term of office on 1 June 2017.

STATUTORY AUDIT COMPANY / EXTERNAL AUDITOR

Term of office (Start-End)	Function	Name (SROC - ROC)	No.	Legal designation of current nomination	Number of Terms
2017-2020		Ernst & Young Audit & Associados, SROC, S.A.(*)	178	General Meeting of 18 May 2017	1

(*) Elected as Statutory Auditor / External Auditor. Represented by Ana Rosa Ribeiro Salcedas Montes Pinto, Chartered Accountant No. 1230 and registered at the CMVM under number. 20160841.

Information on the remuneration agreed with the auditor for 2018 is set out in the following table:

FEES IN 2018 WITH THE STATUTORY AUDITOR / EXTERNAL AUDITOR AND ENTITIES OF ITS NETWORK

(EUR)

	Fees (*)			
	Portugal	Abroad	Total	%
Separate accounts				
Audit and statutory audit	367,500	124,390	491,890	39%
Other audit related services	0	0	0	0%
Other assurance services	726,923	54,351	781,274	61%
Tax advisory services	0	0	0	0%
Other advisory services	0	0	0	0%
Total	**1,094,423**	**178,741**	**1,273,164**	**100%**
Consolidated accounts				
Audit and statutory audit	798,710	735,639	1,534,349	51%
Other audit related services	464,860	3,463	468,323	16%
Other assurance services	821,343	179,044	1,000,387	33%
Tax advisory services	0	0	0	0%
Other advisory services	0	0	0	0%
Total	**2,084,913**	**918,146**	**3,003,059**	**100%**

(*) Amounts in euros and exclusive of VAT.

Note: The fees on consolidated accounts already includes the fees on separate accounts.

The fees for Audit and Statutory audit and other assurance services correspond to the invoice amount in the year.

CGD ensures the fulfillment of the limit on additional services provided by the Statutory Audit Company other than audit services (70% of the amounts charged by the Statutory Audit Company for audit services in the last three years), in accordance with CMVM.

POLICY AND PERIODICITY OF THE ROTATION OF THE EXTERNAL AUDITOR AND RESPECTIVE PARTNER STATUTORY AUDIT COMPANY

According to no. 2 of article 54 of Law 140/2015 of 7 September, in public interest entities, the maximum period for performing the statutory audit functions for the partner responsible for the guidelines on or direct performance of the statutory audit is seven years, starting from the time of first appointment, with the possibility of a fresh appointment being made after a minimum period of three years has elapsed.

In accordance to no. 3 of article 54 of the referred to Law, in public interest entities, the minimum initial period for the performance of statutory audit functions for the Statutory Auditor or Statutory Audit Company is two years, with a maximum period of two or three mandates depending on whether such mandates are for four or three years, respectively.

The maximum period for acting as a Statutory Auditor or Statutory Audit Company in the same public interest entity may be exceptionally extended for up to a maximum period of 10 years provided that such an extension is approved by the competent body and that this has been justified by a proposal of the supervisory body.

As regards the appraisal of the auditor, in the sphere of the provisions of article 423 F of the Corporate Companies Code and CGD's articles of association, the Supervisory Board is responsible, *inter alia*, for examining the independence of the Statutory Auditor, assessing its respective professional performance, undertaking a procedure justifying the analysis and choice of the Statutory Auditor and proposing the appointment thereof (sub-paragraph m of the referred to article) to the General Meeting.

INTERNAL PROCEDURES FOR THE PURPOSE OF THE APPROVAL OF CONTRACTING FOR SEPARATE AUDIT SERVICES

In accordance with no. 10 of article 77 of the statutes of EOROC (articles of association of the Institute of Statutory Auditors) annexed to Law 140/2015 of 7 September, Caixa Geral de Depósitos, S.A.'s Supervisory Board is responsible for the advance approval of the provision of separate audit services, which have not been prohibited under the terms of no. 8 of the same article, to be provided by the Statutory Audit Company performing the statutory audit on the accounts of CGD or entities under its control. The Supervisory Board should, for the said purpose, adequately assess the threats related with independence, deriving from the provision of such services and the application of safeguarding measures in conformity with article 73 of EOROC.

If any member of the Statutory Audit Company's network provides any services which are different from those of the audit, prohibited under the terms of no. 8, to an entity headquartered in a third country which is controlled by the audited public interest entity, the Statutory Auditor or Statutory Audit Company assesses whether its independence has been compromised by the provision of such services by the member of the network, with the application of no. 5 of article 5 of Regulation (EU) 537/2014, of the European Parliament and the Council, of 16 April 2014 – European Audit Regulation.

According to chapter 4.1 of the Regulation of CGD's CACI (Audit and Internal Control Committee) of 17 November 2016, without prejudice to the authority legally attributed to the Supervisory Board, CACI is responsible for examining and ensuring the independence of the Statutory Audit Company when the latter provides additional services to CGD.

The authority given to CACI covers not only CGD, but also, without any limitation, all companies that, at any time are in a controlling or group relationship with CGD, notwithstanding the location of their respective headquarters, main, effective administrative office or principal establishment ("CGD Group").

The tasks attributed to CACI in such a context are as follows:

- To supervise the Statutory Audit Company's activities;
- To propose the fees payable to the Statutory Audit Company for the provision of audit services to CGD and other CGD Group companies to the Supervisory Board;
- To propose the Supervisory Board's approval of contracting for additional services to be provided by the Statutory Audit Company to CGD and other CGD Group companies, as well as the terms of the respective remuneration.

In turn according to CGD's Supervisory Board's Regulation, as of 17 november 2016, the Supervisory Board is responsible for examining the Statutory Audit Company's independence as regards the provision of additional services and should, for the following:

- Approve CACI's proposal on the fees payable to the Statutory Audit Company for the provision of audit services to CGD and other CGD Group companies;
- Approve CACI's proposal on contracting for the additional services to be provided to CGD by the Statutory Audit Company and other CGD Group companies in addition to the terms of the respective remuneration.

Sogrupo Procurement and Shared Services, S.A. ("SCS") has an aggregating function for the goods and services purchasing process of its group companies and is involved both upstream, at the negotiating phase of the contracts for the supply of goods and services and downstream in managing both the contracts and the means of logistical support of goods.

Owing to the fact that the external auditor (Ernst & Young Auditores & Associados – SROC – S.A.) has greater knowledge of Caixa and CGD Group and that this provides it with a more advantageous approach in terms of implementation periods, other works than Audits were performed in accordance to the referred to table.

INDEPENDENT AUDIT OF MANAGEMENT ACTS

EY issued its independent audit report on CGD's performance of management acts between 2000 and 2015 on 26 June 2018.

The report comprised the analysis of the conformity of CGD's management acts to the standards and regulatory principles in force, in each period, based on a sample of credit, asset acquisition and disposal operations related with strategic decisions.

Albeit not consisting of an audit of the historical financial information in the financial statements, the report concentrated on certifying the documentary evidence on procedural compliance with standards and internal policies across the period in question by management teams.

The referred to report was sent to the Bank of Portugal and the European Central Bank in addition to the Public Prosecutor's Office at its request, in the sphere of the enquiry process. In the meantime, as soon as the results of EY's work had been published CGD started work on identifying the aspects referred to in the report that needed additional measures to strengthen the internal control system, which culminated in an extending of the audit services and a quality assurance process performed by an independent international entity. All deficiencies were accordingly dealt with following the implementation of diverse procedures regarding i) the organisational structure and risk management policies (ii) the management and monitoring of credit risk, (iii) asset acquisitions and disposals, including equity investments and (iv) strategic investment decisions.

CGD also reassessed the suitability of the aptitude and good standing of the director with executive functions in the period covered by the referred to audit report and took steps to obtain legal opinions on the apportioning of responsibilities regarding the facts referred to in the report.

3.5.5. COMPANY SECRETARY

Under the terms of article 31 of its articles of association, CGD has a permanent and a deputy secretary appointed by the Board of Directors.

The duration of the functions of the permanent and deputy secretaries coincides with the term of office of the Board of Directors by which they were appointed and may be renewed on one or more occasions in conformity with article 446 C of the Commercial Companies Code.

In addition to the other functions set out at law, the company secretary is responsible for:

- Providing the statutory bodies with secretarial services;
- Preparing and signing the minutes of the meetings together with the members of the respective statutory bodies and the Chairman of the Board of the General Meeting, as appropriate;
- Conserving and maintaining in good order the books and pages of the minute book, attendance lists and associated procedures;
- Certifying the signatures of the members of the statutory bodies on company documents;
- Recording the respective corporate acts.

On 1 January 2018, the posts of permanent secretary and deputy secretary were held by Eucária Maria Martins Vieira and João Eduardo de Noronha Gamito de Faria, respectively. The permanent secretary submitted her

Under the terms of a board of directors' resolution of 22 February 2018, João Eduardo de Noronha Gamito de Faria and Ana Maria de Sousa Capelão Teixeira Fernandes Mendonça Neves were appointed as the permanent secretary and deputy secretary, respectively.

The deputy secretary tended her resignation, with effect from 1 August 2018.

On April 11, 2019, at a meeting of the Board of Directors, Carlos Manuel Silva Pacheco Pinheiro was appointed Alternate Secretary of the Company

3.6. Internal Organisation

3.6.1. STATUTES[5] AND COMMUNICATIONS

COMMUNICATION OF IRREGULARITIES

Credit institutions, in conformity with the RGICSF ("General Credit Institutions and Financial Corporations Regime") must implement adequate, specific, independent, autonomous means for the reception, treatment and archiving of the reporting of serious irregularities related with their administration, accounting organisation and internal supervision and serious indications of any violations of the duties listed in the General Regime or Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June.

Similarly, under the terms of the international recommendations issued by the EBA (European Banking Authority) and European Commission, banking institutions must adopt internal procedures as an alternative to the usual reporting means, to allow their employees to report legitimate and significant concerns related with the activity of organisations.

In compliance with these recommendations, under article 34 of CGD's Code of Conduct, CGD must ensure the existence of an internal reporting procedure on irregular practices alleged to have occurred in the sphere of its activity, ensuring confidentiality in terms of its processing, in addition to not taking any retaliatory measures against any complainant who has acted in good faith.

This procedure is regulated by *SCIPI ("*Internal Reporting System for Irregular Practices") as the internal standard for evaluating the characteristics thereof, the way in which the communications are processed and the parties involved in the system.

Reference should, herein, be made to Law 83/2017 of 18 August, which defines anti-money laundering and countering the financing of terrorism measures and which requires credit institutions to define adequate means to enable their employees to report, on a specific, independent and anonymous channel, any violations of the said Law and its respective regulation, in addition to any violations of internally defined policies, procedures and controls on anti-money laundering and countering the financing of terrorism matters.

Reference should also be made to Law 28/2017 of 30 May, amending the Securities Market Code and ruling that financial intermediaries should adopt specific, independent and autonomous means and procedures to allow their employees to report facts, proof or information on violations or irregularities which have already been, are being or which, in light of the available information appear likely to be committed, in respect of the matters established in the referred to Law, namely financial instruments, public securities offerings and organised means of trading on financial instruments.

CGD made the necessary amendments to *SCIPI*, in 2018, to enable it to comply with the new legal requirements which include the definition of the regime of anonymity for certain communications. The communications to be made using this system currently encompass the following domains:

a) Serious irregularities related with management, accounting organisation and CGD´s internal inspections;

b) Serious signs of breaches of duties provided for in the RGICSF (Legal Framework of Credit Institutions and Financial Companies), as regards rules of conduct, relationships with

[5] The Chapter 3.5 "Statutory Bodies and Committees" provides the required information on CGD's Statutes

customers, professional secrecy, own funds, reserves, corporate governance, internal capital, disclosure of information risks and duties;

c) Serious signs of breaches of duties provided for in Regulation (EU) 575/2013 of the European Parliament and the Council on own funds, risks, liquidity, leveraging and disclosure of information;

d) Potential or effective breaches of CGD's obligations in the sphere of its financial brokerage activities as set out in Regulation (EU) 600/2014 of the European Parliament and the Council;

e) Violations or irregularities which have already been, are being or which, in light of the available information appear likely to be committed, in respect of the following:

    i. Financial instruments, securities offerings, organised means of trading on financial instruments, settlement and clearing systems, central counterparties, financial intermediation, loan securitisation companies, venture capital companies, venture capital funds or entities which are lawfully qualified to manage venture capital funds, insurance contracts linked to investment funds, individual subscriptions to open pension funds, ratings and the information and advertising on such issues;

    ii. Regulated market management entities, multilateral trading systems, settlement systems, clearing houses, centralised securities systems, central counterparties or their respective holding companies;

    iii. Regime on market abuse;

f) Denunciations related with the process for submitting prices which could compromise the integrity of the Euribor benchmark, in compliance with the Code of Obligations of Panel Banks (COPB), as an integral part of the Euribor Code of Conduct, which is binding on CGD.

g) Violations of Law 83/2017 of 18 August which sets out anti-money laundering and countering the financing of terrorism measures;

h) Violations of the Regulation of Law 83/2017, referred to in the preceding sub-paragraph;

i) Violations of internally defined policies, procedures and controls on anti-money laundering and countering the financing of terrorism matters, namely in-house regulations on the prevention of money-laundering and countering the financing of terrorism, prevention of market abuse, prevention of money laundering – filtering systems for entities and correspondent banks.

3.6.2. INTERNAL CONTROL AND RISK MANAGEMENT

The internal control system is defined as a collection of strategies, systems, processes, policies and procedures, defined by the Board of Directors, in addition to the actions taken by the Board and other CGD employees, for the purpose of ensuring:

a) The efficient and profitable performance of activity, over the medium and long term (performance objectives);

b) The existence of full, pertinent, reliable, prompt, financial and management information (information objectives);

c) Compliance with applicable legal and regulatory dispositions (compliance objectives).

CGD Group's management of its internal control system is based on good practice guidelines and methodologies, particularly the generic internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and, as regards information systems, the CobiT (Control Objectives for Information and Related Technology) framework. The recommendations of the Basel Committee of Banking Supervisors and EBA (European Banking Authority) are considered, in parallel.

Risk management has its own chapter in the annual report, as well as a note in each of the annexes to the separate and consolidated financial statements referred to as "Disclosures on Financial Instruments", describing the financial risk management policies and quantifying CGD/CGD Group's exposure to each type of risk.

Under this framework and to effectively comply with its defined objectives, CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system and a continuous monitoring process with the objective of ensuring the quality and efficacy of the system over time.

To achieve these objectives, specific, transversal responsibilities related with the management of internal control systems have been attributed to certain CGD structural bodies whose hierarchical and/or functional relationships are reflected in the organisational chart of item 3.5. – Statutory Bodies and Committees.

Reference should be made to the responsibilities of the bodies listed below, developed in conjunction and articulation with the Group's other structures and bodies, specifically to ensure an adequate internal control system:

BOARD OF DIRECTORS

The Board of Directors is responsible for promoting the implementation and maintenance of an internal control system to ensure the existence of:

- An adequate internal control environment;
- A solid risk management system which should take into consideration credit, market, interest rate, foreign exchange rate, liquidity, compliance, operational, information systems, strategy and reputational risks, in addition to all other risks which may be material to each entity's concrete situation;
- Documented control policies and procedures, information on which has been disclosed to ensure the implementation of risk mitigation measures;
- An efficient information and communication system;
- An effective monitoring process on the adequacy and efficacy of the system itself over time.

EXECUTIVE COMMITTEE

The executive committee, in which the Board of Directors delegates the day-to-day management of the Company, ensures the implementation and maintenance of an adequate and effective internal control and risk management system that ensures compliance with the objectives defined by the Board of Directors.

In the sphere of the necessary and appropriate management authority delegated to it for the performance of a banking activity, it has powers to decide and represent the company in matters.

related to lending or financing operations, providing real guarantees on securities which are necessary or appropriate for the furtherance of the activities comprising the company's corporate object, the performance of foreign exchange operations, borrowing operations and issuance of cash bonds and similar financial instruments, hirings and the definition of levels, categories, remuneration terms and other employee benefits as well as managerial appointments.

It is also responsible for exercising disciplinary authority and the application of any sanctions, opening or closing subsidiaries or branches, appointing the Bank's representative at the general meetings of its associated/subsidiary companies, defining the voting statements therein expressed, designating the persons to hold corporate offices to which the Bank is elected, in addition to the persons to be appointed by the Bank to apply for any corporate positions, except for the members of the board of directors of the banks controlled by the company, the issue of binding instructions to the companies in a group relationship comprising total control and the appointment of mandataries, with or without a power of attorney, for the purpose of carrying out certain acts or categories of acts defining the extent of their respective mandates.

AUDIT AND INTERNAL CONTROL COMMITTEE

This Committee is responsible for the assessment and promotion of the effectiveness of CGD's and CGD Group's internal control systems, ensuring, without prejudice to the competence of the Supervisory Board herein, the oversight of the activity of the Executive Committee, the process for the preparation and disclosure of financial information and non-financial risk management and internal audit.

It is also responsible for ensuring due compliance with legal and regulatory dispositions, the articles of association and standards issued by the supervisory authorities, independence of the statutory audit company, consideration of the statutory audit and taking note of all audit actions on CGD Group by the European Central Bank, Bank of Portugal and other entities subject to supervision on a consolidated basis.

FINANCIAL RISKS COMMITTEE

Oversight of the management policy of all of the Group's financial risks, including liquidity, interest rate, foreign exchange, market and credit risks, is the responsibility of the Financial Risks Committee without prejudice to the competence of the Supervisory Board, herein.

It is also responsible for overseeing the management policy of CGD's pension fund, advising the board of directors on risk appetite, analysing specific risk categories, namely credit risk, in addition to assisting the board of directors on the supervision of the implementation of CGD's and CGD Group's risk strategy, assessing the adequacy of CGD's risk management systems *vis-à-vis* its profile and strategy.

As regards financial risks, the Financial Risks Committee oversees the management of liquidity and the medium and long term financing plan, including contingency and recovery plans. It also oversees the evolution of the credit portfolio, defaults and impairment, pursuant to the other competencies attributed to the risk committee in the RGICSF.

INSPECTION BODIES

The company is inspected by its Supervisory Board and Statutory Auditor.

The competencies of the supervisory board essentially include the inspection of management, ensuring compliance with the law and CGD's articles of association, examination of the accounts, inspection of the independence of the statutory audit company and the external auditor.

The supervisory board shall also ensure compliance with legal and regulatory dispositions, the articles of association and standards issued by supervisory authorities (European Central Bank, Bank of Portugal and the Securities Market Commission), in addition to the general policies, internally defined standards and practices and shall monitor the quality and effectiveness of the risk management system, internal control system and internal audit system and supervise the performance of functions in the sphere of risk management, internal audit and the internal control system.

The supervisory board is also responsible for supervising the existence, in CGD, on a separate and consolidated basis, of solid, effective and complete strategies and processes to assess and permanently maintain the amounts, types and distribution of internal capital considered adequate to provide for the type and level of risks to which CGD Group is or may be exposed in addition to issuing the opinions set out by law or which it is called upon to issue, on the report, accounts, statutory audit and proposals submitted to the board of directors.

The supervisory board shall also be present at meetings of the board of directors and the general meeting for which it has been called and when considered appropriate to the performance of its functions, or at which the annual accounts are considered and shall inform the board of directors of the verifications, inspections and steps taken and results thereof.

The supervisory board is responsible for proposing the appointment of the statutory audit company to the general meeting, inspecting the auditing of the accounts and documents for the provision of the company's accounts and the independence of the statutory audit company and, herein, considering and deciding, after consulting the Audit and Internal Control Committee, on the statutory audit company's provision of additional services to the company and CGD Group companies, in addition to the respective conditions and proposing the dismissal thereof to the general meeting in the event of good cause.

SPECIALISED CAPITAL MANAGEMENT, ASSETS AND LIABILITIES MANAGEMENT EXECUTIVE BOARD (CALCO)

This body is responsible for the promotion and oversight of the integrated capital, assets and liabilities process (ALM - Capital, Asset-Liability Management) and the actions and procedures required for its implementation, including the establishing of a control and systematic reporting system on financial risks, liquidity and capital situations and regulatory ratios for CGD Group entities; defining indicators, limits and guidelines, considering and deciding on proposals for strategic guidelines for CGD Group's financing and liquidity policy, overseeing the processes and preparatory works for ICAAP and ILAAP as well as the Recovery and Resolution Plans.

CALCO is also responsible for considering and deciding on proposals for strategic guidelines on risk management policy, namely the Group's balance sheet interest rate risk and market risk, analysing and deciding upon proposals for strategic guidelines on the Group's capital ratios and its capital raising and management policy, based on a regulatory and economic approach, taking scenarios of an expansion of activity and indicators on different types of risks into account, deciding on proposals/measures to optimise the balance sheet and net interest income and on strategic initiatives to optimise the risk/return binomial, monitoring and overseeing their implementation and results, promoting articulation between the Group's financial strategy and commercial policy,

SPECIALISED PRODUCTS EXECUTIVE BOARD (CDP)

This body is responsible for approving the launch of products and services and for verifying their suitability *vis-à-vis* current regulation and the guidelines issued by supervisory entities. CDP is responsible for analysing Caixa's supply of products and services and continuously ensuring the conformity thereof with regulation and internal policy and procedures, in different areas: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting.

The Products Executive Board also decides on the implementation of proposals when all conditions for the launch thereof are in place, or, in the event of any constraint or reservations of structural bodies involved in the formal approval process, analyses the oversight reports issued by GFC, in the sphere of its monitoring of the processes for the creation and distribution of products, on the suitability of control mechanisms for the prevention of risks of non-compliance with regulatory obligations and internal procedures and considers the communications, requests or recommendations issued by supervisory entities in the sphere of the creation and commercialisation of products and services.

SPECIALISED RATINGS EXECUTIVE BOARD (CDRT)

The Specialised Ratings Executive Board is responsible for monitoring credit risks and policies and methodologies regarding compliance and the management and control of the risks for which it is responsible. It is responsible for allocating or reviewing internal ratings on counterparties (economic groups) with an exposure of €50 million or more to CGD Group. It is responsible for deciding on the internal rating for counterparties (economic groups) with an exposure of €50 million, or more, deciding on the internal rating for counterparties with an exposure of €10 million or more, assessing the total percentage of derogations relative to the ratings allocated by the models, monitoring the evolution of ratings allocated to exposure levels which are lower than those for which CDRT is responsible, overseeing the review of the methodology for the allocation of internal ratings and changes to the variables to be used in the analysis, approving the minimum information which must be collected from customers, for risk analysis purposes, in each sector of activity; overseeing the equivalencies between the rating classes of international agencies and internal ratings and deciding upon any other matters thereto related.

CREDIT RISKS EXECUTIVE COMMITTEE (CERC)

CREDIT BOARD (CC)

The Credit Board is responsible for credit matters, for which authority has been delegated to it, in terms of amounts, maturities and conditions, authorises customers with overdue credit and credit in arrears, in certain circumstances, to exceptionally remain under CGD's branch office network management, in addition to allocating customers requiring specialised oversight to DAE and DAP. It periodically sets limits, decides on operations with certain characteristics: (i) in terms of maturity; (ii) in terms of guarantees; (iii) equipment leasing for a specific maturity; (iv) restructuring operations with a specified grace period; (v) restructuring operations with a specific increase of exposure; (vi) with intra Group entities and entities operating in certain sectors of activity.

COMITÉ DE VALIDAÇÃO DE MODELOS (CVM)

This committee is responsible for reviewing the models validation reports, deciding upon the recommendations submitted and approving changes to the Validation Manual or other methodological documents.

The Models Validation Committee is also responsible for approving the annual activities plan of the Models Validation Office, for the purpose of guaranteeing that the risk models are validated at least once a year, regularly monitoring compliance with the plan and adopting mitigation measures in the event of any deviations therefrom, analysing and assessing rules, guidelines and methods used by the Models Validation Office in the performance of its activity, considering, when appropriate, the input of other CGD areas or internal audit recommendations.

INTERNAL AUDIT DIVISION (DAI)

Internal Audit contributes to the sustainable development of CGD Group activities and internal control culture through a systematic, disciplined, independent and objective risk-based assessment of the internal governance structure and the internal control system, viewing to ensure adequacy and effectiveness, in particular through the identification of deficiencies, opportunities for improvement and monitoring of their implementation.

It is also, herein, responsible for producing and submitting an annual report on audit issues, containing a summary of the main defects identified in its control actions which may indicate deteriorating trends within the internal control system as well as indicating and identifying the recommendations followed to the Board of Directors and to the Audit and Internal Control Committee.

The Division is also responsible for assisting the Board of Directors in preparing the regulatory report on the internal control system, both separate and for the parent company, periodically reviewing the status of any defects and reporting them to the Board of Directors and to the Audit and Internal Control Committee. These activities are performed in close cooperation with the Compliance Office, Risk Management Division, branches and subsidiaries and the statutory and External Auditors.

COMPLIANCE OFFICE (GFC)

The Compliance Office ensures the coordination of compliance risk management in CGD and CGD Group. This includes the oversight and assessment of the control procedures on the prevention of money laundering and countering the financing of terrorism, as well as the prevention of market abuse.

GFC ensures the adequacy and effectiveness of the procedures adopted to identify any risk of non-compliance with the legal obligations and duties binding upon CGD, in addition to the measures taken to correct any control deficiencies/weaknesses.

It advises the executive committee, the audit and internal control committee, to which its submits a report, at least once a year, on compliance risk deficiencies and the occurrence of any non-compliances within the Group, indicating the evolution recorded in the implementation of the action plans defined, up until the resolution thereof.

RISK MANAGEMENT DIVISION (DGR)

The objective of the Risk Management Division is to protect CGD Group's capital based on its management of credit, market, liquidity and operational risks incurred by the Group, their existing interrelationships, to ensure the coherent integration of their part contributions, to ensure that they remain in line with the risk appetite defined by the board of directors and that they will not significantly affect CGD's financial situation.

In the sphere of the internal control management process, this Division also advises the executive committee, audit and internal control committee and the supervisory board, to which it submits a report on risk management, at least once a year, indicating if the adequate measures to correct any

CORPORATE SUPPORT DIVISON (DSC)

The corporate support division provides corporate advice and support to CGD's statutory bodies on the development of their functions and compliance with the responsibilities attributed to them by the shareholder, it supports the operation of the board of directors, supervisory, executive and other committees in articulation with CGD Group's diverse structural bodies and entities on issues involving the company's governance model. DSC is also responsible for assisting the management and supervisory boards and the company secretary in the relationship with CGD's shareholder, Bank of Portugal and the European Central Bank, Securities Market Commission and the Insurance and Pension Funds Authority in addition to overseeing and executing the Group's main governance policy guidelines and advising CGD's board of directors in the performance of its functions and managing the relationship with the diverse interested parties.

DSC is also responsible for ensuring a holistic vision of the information requests from the supervisory bodies, including interventions in the sphere of the single supervisory mechanism, single resolution mechanism and the Bank of Portugal and the joint ECB/Bank of Portugal supervisory teams and other external entities including OSIs (on site Inspections) interventions, thematic reviews and deep dives and the resolution plan in addition to guaranteeing the articulation of the respective responses with CGD's structural bodies and developing monitoring and internal reporting procedures.

The sustainability area is responsible for defining, promoting and monitoring the corporate sustainability strategy and ensuring compliance with the United Nations Global Compact principles and alignment with sustainable development objectives, coordinating the corporate sustainability programme and the environmental management system, in consideration of economic, social and environmental intervention areas.

ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION (DCI)

Division responsible for producing, processing and developing financial information on CGD's activity, both global and consolidated from an accounting, prudential, statistical and financial reporting viewpoint.

The circuits and controls inherent to the process for the preparation and disclosure of information on separate and consolidated financial information are subject to the permanent oversight and validation of the Statutory Auditors who are responsible for issuing an opinion on the adequacy and efficacy of the part of the internal control system underpinning the process for the preparation and disclosure of separate and financial information (financial report), submitted annually to the supervisors.

PLANNING, BUDGETING AND CONTROL DIVISION (DCP)

Coordinates the Group's strategic planning activities, defining objectives, producing the activity plans and budgets of the entities and analysing the proposed funding and capital plans.

FINANCIAL MARKETS DIVISION (DMF) – INVESTOR RELATIONS AREA

The Financial Markets Division - Investor Relations Area is the structural body geared to handling the relationship and communication with investors, the market and the financial community in general. It is inter alia, responsible for the Board of Directors' annual report and accounts which includes the Board of Directors' report per se and issues related with sustainability and corporate governance.

The financial information for disclosure purposes is produced by DCI. The Supervisory Board, in turn, issues an opinion on the report, accounts and proposals submitted by the Board of Directors and supervises the process for the company's preparation and disclosure of financial information in the sphere of its responsibilities.

The financial statements contained in the annual report and accounts and their respective notes are subject to an audit report issued by an external entity.

The governance committee, in conformity with its regulation, is responsible for issuing a formal opinion on the corporate governance report prior to its approval by the Board of Directors. GFC also assesses compliance with the corporate governance report vis-à-vis the legal requirements binding upon CGD.

It should also be noted that the information related with the conformity and reliability of the information on sustainability and the guarantee that such information provides an appropriate reflection of CGD's effective circumstances is certified in a declaration issued by Ernst & Young Audit & Associados - SROC, S.A. (EY).

ORGANISATION AND QUALITY DIVISION (DOQ)

The organization and quality division ensures the overall management of Caixa's Standards and its internal publication, streamlining its adequate dissemination and corporate application.

It defines methodologies for Process Management and Catalog / Process Map and it carries out the survey and revision of internal procedures including the additional information namely applicational solutions, performance and risk indicators, key documents and risks and controls.

INFORMATION SYSTEM DIVISION (DSI)

This body has specific responsibilities fot the development of processes within the information system sphere, including the assessment of processes under the CobitT framework, identification and reporting of non-conformities and opportunities for improvement.

MODELS VALIDATION OFFICE (GVM)

The Models Validation Office is responsible for the monitoring and control of the internal validation processes of the risk assessment models used in CGD Group, defining and developing methodological techniques for the systematic assessment of the performance of the financial risks assessment models and performance of the rating systems, in addition to the other risk models being produced by the Group. It is responsible for producing a periodic report on the conclusions of its oversight and validation of risk assessment models.

CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ASSETS

Background

To comply with the dispositions of the Bank of Portugal in its official notice 5/2008 and instructions 33/2002 and 12/2015 and, on a complementary level, based on the European Banking Authority – EBA's document: "EBA Guidelines on Internal Governance (GL 44)". CGD's activity is governed on the basis on a series of guidelines and internal standards as the control system's main supporting instruments for protecting its investments and assets. Such guidelines and internal standards are also the tools upon which the management and control of the financial and operational risks assumed by CGD are sustained, as they govern the maximum levels of risk it may incur, in compliance with its risk appetite.

Company's risk profile

The risk appetite statement formally establishes the Bank's risk appetite, defining the maximum risk level the Bank is willing to assume on each risk category considered as being material. The risk strategy is directly related with the Bank's objectives and Strategic Plan and is regularly reviewed and monitored by the Board of Directors and management team.

The Risk Appetite Statement is complemented by the respective dissemination to Group units (international and domestic activity) and the Risk Appetite Governance Model (RAF – Risk Appetite Framework) that establishes the governance model and involvement of the Bank's different areas, risk management and monitoring mechanisms and the integration of Risk Appetite in risk management and decision-making processes.

General risk appetite principles are set out in qualitative declarations which define the Group's risk strategy. These principles derive from and are aligned with CGD's business strategy and the understanding of the resulting risk/benefit trade-offs. The principles are part of the Bank's culture and strategy, upon which all of its activities are based.

CGD Group Risk Appetite is based on three general principles:

- To ensure solvency and liquidity levels - CGD Group should ensure adequate solvency and liquidity levels, observing the following:
    - To maintain capital strength based on a regular review of the balance sheets' structure;
    - To maintain capital levels at a higher level than required by regulation, ensuring the existence of a buffer in line with market expectations, both in normal as in adverse scenarios;
    - To continue to ensure a stable, solid and safe liquidity position able to withstand adverse scenarios;
    - To maintain stable levels of financing capacity and an adequate stock of high quality liquid assets based on a market-driven approach enabling the balance sheet structure to be adapted to existing circumstances;
    - To control the risk exposure of international entities while, at the same time, maintaining their independence in terms of financing and capital adequacy.
- To ensure long term sustainability and to maintain a leading market position − CGD Group should ensure its sustainability and leading position as follows:
    - Long term stability based on adequate returns on balance sheet risks, improved operational efficiency and risk management (particularly when associated with credit risk) which may put the execution of the Bank's strategy at risk;
    - Maintenance of its identity as a commercial Bank and leading position in the Portuguese market, both in deposits and lending to the economy and households, focusing on retail customers and small and medium-sized enterprises;
    - The aim of achieving a simple and transparent Group structure, based on a modern infrastructure to ensure adequate customer satisfaction levels and minimise operational risk.
- Adopting risk management practices of excellence − CGD Group should ensure the adoption of best risk management practice, observing the following:
    - To strengthen governance and Risk Management and Control functions, ensuring that they are on a level of best market practice and therefore helping to merit greater stakeholder trust;
    - To operate in accordance with solid risk management principles with an effective

governance model and policies which ensure compliance with laws and regulations, guaranteeing full alignment with the European Central Bank's SREP – Supervisory Review and Evaluation Process guidelines (as a transversal supervision methodology structured around: *i)* an analysis of institutions' business models, *ii)* an assessment of internal governance and implementation of controls, *iii)* assessment of capital risks and adequacy of capital levels to mitigate them, and *iv)* assessment of risks to institutions' liquidity levels and the adequacy of liquidity sources to mitigate them);

- To develop a strong risk management culture focused on safeguarding the Bank's solvency and financing capacity, avoiding risk that may affect stakeholders, particularly depositors and ensuring a strong reputation and market image.

Risk Culture

CGD Group's management is committed to permanently strengthening its respective risk culture whose current practice it promotes through the harmonisation of management concepts and assessment approaches, across all CGD Group Entitles, business areas and different risk dimensions, translating into a continuous development and improvement process.

CGD Group management aims to develop a Group-wide risk culture based on the full comprehension and an integrated, global approach to the risks that it faces and way in which they can be managed based on its risk appetite and the enhanced dissemination thereof across CGD Group Entities. It also supports the development of a Group risk culture and strengthens the governance framework of the risk management function based on a collection of corporate policies comprising practical risk management guidelines, in the form of concepts, principles and control procedures for each of the risks as set out below:

- Global risk management policy;
- Credit risk management policy;
- Operational risk management policy;
- Interest rate risk management policy;
- Foreign exchange risk management policy;
- Market risk management policy;
- Liquidity risk management policy;
- Model risk management policy.

The adequate local implementation of risk management models principles, methodologies, metrics and risk reporting provided for in the corporate risk management policies guarantees the strengthening and alignment of a Group-wide risk management measurement system and consequent development of a risk culture in which all parties are fully aware of their responsibilities.

The dissemination of the risk culture across the organisation as a whole and particularly the first line of defence also comprises a CGD Group management priority as the negotiating units are mainly responsible for day-to-day compliance with CGD Group's policies, procedures and controls based on its risk capacity and appetite.

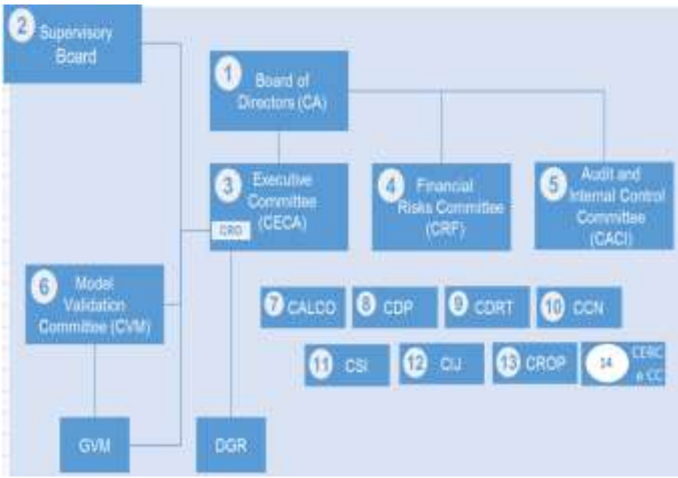
The risk management function has therefore participated in diverse commercial area events, for the promotion and dissemination of CGD Group's risk culture.

RISK MANAGEMENT

Risk management in CGD Group is based on a governance model that aims to comply with respective best practice, as set out in Community Directive 2013/36/EU. The person ultimately in charge of the

Risk Management Function in CGD Group is the “Chief Risk Officer” (“CRO”), as a member of the Executive Committee of CGD’s Board of Directors. CGD’s CRO has global responsibility for monitoring the Group’s risk management framework and particularly for ensuring the adequate and effective operation of the Risk Management Function and also having the duty to inform members of the administration and inspection bodies on the risks incurred, CGD’s and CGD Group’s global risk profile and level of compliance with the defined risk tolerance levels.

The Board of Directors, (❶) assisted by the Financial Risks Committee (❹) and by the Audit and Internal Control Committee (❺) establishes CGD’s risk appetite which is implemented by the Executive Committee (❸) assisted by the Risk Management Division and control and business areas.



The Supervisory Board (❷) is the independent Body responsible for inspecting whether the Risk Management Function complies effectively and independently with its responsibilities.

The Financial Risks Committee (❹) oversees management policy on all of the financial risks of CGD Group’s activity, namely liquidity, interest rates, foreign exchange rate, market and credit risks.

The Audit and Internal Control Committee (❺) assesses and promotes the effectiveness of internal control, non-financial risk management and internal audit systems.

The Chief Risk Officer, member of the Executive Committee, is the person ultimately in charge of the risk management function based on a dedicated corporate structure - DGR (Risk Management Division) - responsible for the assessment and control of CGD Group’s credit, market, liquidity and operational risks, firmly establishing the principle of separation between functions in the commercial and risk management areas.

The Head of Risk is directly responsible for the risk management function (managing director of DGR), who is also responsible, without prejudice to the other duties established in CGD’s internal standards, for developing and leading a benchmark Division taking into account the dispositions of the RGICSF (Legal Framework of Credit Institutions and Financial Companies), other applicable legal texts and best international practice and standards, to ensure the effectiveness and efficiency of the risk management system and help make continuous improvements to a risk culture within CGD Group.

To fulfil its mission, the Risk Management Function is responsible for:

- Ensuring the implementation and monitoring of the risk appetite framework (RAF) under the terms of the internal RAF standard;
- Ensuring the development and implementation of a risk management system based on robust identification, assessment, oversight, prevention and risk control processes, risk oversight and, and coordinating the development of policies and procedures upon which these processes are based;
- Identifying the risks involved in the activity being performed on a separate, aggregate, present and prospective basis, assessing such risks and measuring exposure thereto using appropriate methodologies;
- Permanently overseeing risk generating activities and risk exposure, assessing them in the context of the approved risk appetite limits and defined risk limits and ensuring the planning of the corresponding capital and liquidity requirements in normal and adverse circumstances;

- Developing, implementing and monitoring of Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process, as well as coordinating the production of the respective reports.
- Participating in the process for the approval of new products and services, by making an assessment of their respective associated risks and analysing CGD's management capacity of such risks;
- Ensuring that operations with related parties are revised and that CGD's real or potential risks, caused by them are identified and adequately assessed;
- Advising administration and inspection bodies prior to making any decisions involving the taking of material risks, namely when involving acquisitions, disposals, mergers or the launch of new activities or products, for the purpose of ensuring the opportune and appropriate assessment of the impact of risk-taking in terms of CGD's and CGD Group's global risk exposure;
- Overseeing market evolution, legal and regulatory amendments in respect of the Risk Management function, strategic planning process and CGD and CGD Group's respective decisions to ensure that the actions of the function are permanently up-to-date;
- Developing and implementing early warning mechanisms for situations of default and breaches of the Risk Appetite or established limits;
- Issuing recommendations based on the results of the assessments made and continuous oversight of the situations identified, with a frequency in line with the associated risk.
- Producing and maintaining an up-to-date Risk Management Plan to ensure that all of CGD and CGD Group's material risks are adequately identified, assessed, overseen and reported;
- Supplying information, analyses and pertinent, independent expert appraisals on risk positions, in addition to issuing an opinion on the compatibility of the risk-related proposals and decisions with CGD's risk tolerance/appetite;
- Producing and submitting reports with an adequate frequency on risk management to the administration and inspection bodies, including an assessment of the global risk profile and CGD's and CGD Group's various material risks, a summary of the main defects identified in control actions, including immaterial defects when considered separately but which could indicate a deteriorating trend in the internal control system in addition to the identification of recommendations that were (or not) implemented;
- Informing the administration and inspection bodies of any breach or violation (including their causes and a legal and economic analysis of the real cost of eliminating, reducing or offsetting the risk position in light of the possible cost of the continuation thereof), informing, if appropriate, the areas in question and recommending any solutions;
- Ensuring the preparation and submission of prudential reports on CGD's and CGD Group's risk management system.

DGR, the Risk Management Division, is present in the following forums:

❸ At Executive Committee meetings when specifically called and monthly with its own item on the agenda for a presentation of the evolution of the main financial and non-financial risks measurement indicators and respective essential concerns on this issue for the following periods.

❻ On the General Models Validation Committee (CGVM) in which the Credit Risks Division (DRC) and the Models Validation Office (GVM) are also present. CGVM is the body responsible for the functional management of the Models Validation Office (GVM) and is responsible for considering the validation reports, deciding on the recommendations made and approving amendments to the Validation Manual or other methodological documents in the sphere of GVM.

❼ In the CALCO (Specialised Capital Management, Assets and Liabilities Management Executive

Board), in conjunction with business generating areas, support areas and members of the Executive Committee. CALCO is the executive Board's decision-making body, It is responsible for the consideration and oversight of the ALM (Asset-Liability Management) process which aims to achieve proactive balance sheet management and CGD Group profitability.

❽ In CDP (Specialised Products Executive Board) which is responsible for analysing Caixa's offer of products and services and continuously ensuring their conformity with the regulation and internal policy and procedures in different spheres: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting;

❾ In the CDRT (Specialised Rating Executive Bard) which is responsible for attributing or revising the internal rating on counterparties, the approval of whose credit risks CERC (Credit Risks Executive Committee) or the Board of Directors, is responsible;

❿ In CCN (Business Continuity Committee). CCN is the advisory body to the Executive Committee responsible for coordinating and articulating the initiatives and processes in respect of CGD's and CGD Group entities' business continuity, ensuring the control of risks associated with events that could disrupt business by implying the unavailability of physical infrastructures, computer systems or human resources in such a way as to permit the immediate adoption of corrective measures, guaranteeing the alignment of business continuity with the recommendations issued by regulatory entities and overseeing the implementation of the business continuity plans of CGD Group entities;

⓫ In CSI (Information Security Committee) responsible for the consideration and coordination of CGD's and CGD Group's information security initiatives;

⓬ In CIJ (General JESSICA Investment Committee) which is the Executive Committee's advisory body responsible for considering and classifying financing proposals under the JESSICA Community Initiative, (developed by the European Union and the EIB – European Investment Bank, in collaboration with the CEB – Council of Europe Development Bank

⓭ In CROP (Operational Risk Committee) which is the body responsible for the coordination, assessment and discussion of issues related with operational risk management on a CGD Group level. It is responsible for monitoring the global level of operational risk assumed by the Group, verifying its conformity with the established strategy and policies and deciding on the action plans submitted or submit them for a resolution of the Executive Committee.

⓮ At the Credit Risk Executive Committee (CERC) and at the Specialised Executive Credit Board (CC), in specific sessions to ensure a correct articulation of responsibility in the treatment of clients at risk between CGD's retail network and specialized areas for monitoring and credit recovery.

Main risks to which the Company is exposed

Caixa Geral de Depósitos operates as a universal bank, with a full range of specialised financial services, providing its customers with a full service international group.

CGD has an integrated presence in almost all banking business areas, namely: commercial banking, investment banking, brokerage and venture capital, real estate, asset management, specialised credit, *inter alia*, incurring credit, market, liquidity and operational risks (the exposure to foreign exchange risk is low).

Credit risk

Credit risk is associated with the losses and level of uncertainty regarding a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

There are also internal regulations on credit risk management and control which, based on risk ratings, define the levels of competence required for the decision-making process regarding the credit.

There is a qualitative in-depth assessment process of the economic-financial capacity of companies and economic groups of greater relevance and size, based on the level of expertise of risk analysts upon which the final rating of each company and economic group will be based.

In the credit risk delivery process, which is always accompanied by a commercial proposal, a risk opinion on companies, financial institutions and economic groups whose exposure to CGD is higher than a specific limit, as defined both by their rating and activity sector, must be obtained from the Credit Risk Division (DRC).

Credit portfolios and credit risk control are regularly examined by DGR, on the basis of operational systems which identify potential events involving added risk on a day-to-day basis. Reports making reference to the performance and perceived quality of the credit portfolio are produced, in the following spheres i) new credit agreements, ii) credit which has been restructured owing to a customer's financial difficulties, iii) non-performing exposures, iv) default and v) concentration.

A process for measuring impairment losses related with default and the measurement of credit assets has also been implemented in CGD Group. It is overseen by the Board of Directors on a monthly basis. The criteria and methodologies involved in the calculation of impairment and allocation of the exposures to the stages under IFRS9 which are subject to control and audit processes both by the internal bodies responsible for the validation (Models Validation Office and Internal Audit Division) and CGD's External Auditors who produce an independent report to be sent to the Bank of Portugal every six months.

Progressive improvements have also been made to credit risk control, both as regards the definition of new approaches to credit portfolio segmentation and in terms of greater standardisation of the methodologies applied.

Market risk

This translates into potentially negative impacts on the Institution's income or capital, deriving from unfavourable price movements of portfolio assets.

So this is originated by uncertainty on the fluctuations of market prices and rates, such as share prices or interest and foreign exchange rates and indices and on the behaviour of the correlations between them.

Guidelines approved by the Executive Committee to be complied with by the Financial Markets Division (DMF) and CGD Group entities responsible for the management of portfolios which include financial assets subject to market risk have been defined for market risk management and control purposes. The key measure used for the management and measurement of market risk is Value at Risk (VaR) complemented by other sensitivity measures, more adjusted to the specific type of market risk to be measured; e.g. (i) V01 for interest rate risk and (ii) Greeks for optionality risks.

Liquidity and balance sheet interest rate risk

Liquidity risk in the banking business area can occur in the event of *i)* difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth, or *ii)* difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

Balance sheet interest rate risk is the risk incurred in the activity of a financial institution whenever, during the course of its activity, it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of interest rate refixing periods between assets and liabilities held, with a decrease in yield or increase in financial cost.

The particular dichotomy, in the case of assets and liabilities held by credit institutions, between short, medium and long term fixed and variable-rate portfolios, may also lead to interest rate risk as regards the risk of mismatches between refixing periods, base risk and yield curve risk, for which matters involving the assessment of interest rate risk should be closely monitored.

For the management and control of liquidity and balance sheet interest rate risk, guidelines have been defined on the roles and responsibilities of the diverse parties, the metrics to be measured, the limits on such metrics and control on such limits. Monthly reports are produced on the monitoring process of the size of the exposure to such risks to support control compliance with the existing guidelines, subject to a monthly assessment of CALCO (and of Executive Committee in the sphere of Risk Report).

Operational risk

Operational risk is the risk of losses resulting from inadequacies or failures of processes, persons and information systems or caused by external events, including legal risks.

An end-to-end methodology for operational risk management has been adopted in CGD Group (both by CGD and its branches and subsidiaries).

The referred to methodology includes the definition, oversight and reporting of tolerance and risk appetite limits for the Group as a whole. It also includes the identification of operational risk events, the analysis of new products and services, monitoring of subcontracted activities, self-assessment of risks and controls associated with processes and key risk management indicators, as well as the promotion of action plans designed to mitigate exposure to operational risk, based on the implementation of adequate control and risk-mitigating procedures.

The methodology implemented in the Group is supported by a corporate governance model and includees the disclosure of information through an internal reporting system that includes the regular Committees and the disclosure of reports to various Group structures.

BUSINESS CONTINUITY POLICY

Scope

The Business Continuity Policy applies to all critical business areas, physical and technological support infrastructures and the involvement of Caixa Geral de Depósitos, S.A.'s human resources in Portugal.

Commitments

Caixa Geral de Depósitos S.A. undertakes to ensure business continuity in cases involving the occurrence of anomalous events which could compromise its normal operating activities, safeguarding the interests of its customers, the Portuguese state as its sole shareholder, the financial system and the supervisory authorities, its employees and other interested parties.

This is achieved through a Business Continuity Management System which covers the policies, allocation of responsibilities, processes and procedures designed to enable CGD to prevent serious incidents caused by anomalous events, or, if this is not possible, effectively respond to such incidents, ensuring the continuity of its critical business functions at minimum acceptable levels and achieving the following objectives:

Safeguarding human life and the well-being of persons present on CGD's infrastructures;

- Protecting CGD's image of strength and trustworthiness;

- Keeping its customers satisfied;

- Maintaining market competitiveness, minimising financial losses; and

- Meeting its legal, regulatory and contractual obligations.

Principles

The Business Continuity Policy is based on the following principles:

- Identification of the business processes upon which critical business functions are based and their priorities and recovery requirements – analysing the impact of interruptions to business processes over time, assessing recovery priorities and the resources upon which they are based (information systems, human resources, infrastructures, suppliers);

- Assessment of the exposure of critical business processes to events which may compromise its continuity owing to the unavailability of the resources on which they are based and assessing the risk exposure level;

- Implementation of warning, response and recovery mechanisms for incidents deriving from such events defining and implementing a Business Continuity Strategy enabling the elimination of reduction of the probability of the occurrence of incidents or, if this is not possible, to recover the critical business processes within the defined periods, ensuring the continuity of its products and services at minimum acceptable levels, if such events effectively occur;

- Monitoring and continuous improvement of CGD’s capacity to ensure its Business Continuity based on exercises, tests and reviews of plans, an analysis of performance indicators and periodic audits. The business should be continuously improved through the application of corrective, preventative and improvement actions deriving from such activities;

Incorporation of a Business Continuity culture in CGD – ensuring that all employees understand their responsibilities, based on awareness-raising actions.

Communication

Information on the Business Continuity Policy is provided to all CGD employees and the general public.

3.6.3. REGULATIONS AND CODES

INTERNAL AND EXTERNAL REGULATIONS APPLICABLE

CGD's activity is governed by the legal standards applicable to public limited liability companies in the form of the Commercial Companies Code and the standards regulating the state's corporate sector as a result of its public company status (cf. Decree Law 133/2013 of 3 October [6]). CGD’s activity is also governed by its articles of association,

CGD is also governed by European and domestic legislation on its activity. This particularly includes, in terms of domestic law, the General Credit and Financial Corporations Regime approved by Decree Law 298/92 of 31 December [7] and the Securities Code approved by Decree Law 486/99 of 13 November [8] and all regulatory standards issued by the Bank of Portugal and the Securities Market Commission.

In 2018 and as regards the provision of payment services, reference should be made to the publication of Commission Delegated Regulation (EU) 2018/389 which, completing Directive (EU) 2015/2366

[6] As amended by Law 75-A2014 of 30 September and Law 42/2016 of 28 December.

[7] As amended and republished by Law 35/2018 of 20 July.

[8] As amended and republished by Law 35/2018 of 20 July.

(DSP2)[9], establishes the technical standards on strong customer authentication and common and secure open standards of communication and, domestically, the publication and coming into force of Decree Law 91/2018 of 12 November, approving the Legal Regime on Payment Services and Electronic Money, transposing DSP2 into domestic legislation.

On a level of retail banking products reference should be made to the European Regulation complementing Directive 2014/92/EU (PAD) [10], in the form of Commission Delegated Regulation (EU) 2018/32[11], Commission Implementing Regulation (EU) 2018/33[12] and Commission Implementing Regulation (EU) 2018/34 [13]. In this respect, the Bank of Portugal's *Instruction* 11/2018, regulated by Decree Law 107/2017[14], defined the list of the most representative services associated with payment accounts in Portugal.

Reference should also be made to the fact that, domestically and within the sphere of the legislative alterations to the minimum banking services regime[15], the Bank of Portugal's *Notice* 1/2018 in conjunction with its *Instruction* 16/2018 defines the information duties on minimum banking services to be provided to banking customers (access and the possibility of the conversion of current accounts), as well as models for posters disclosing minimum banking services and documentary information thereon.

Owing to its significant impact on the lending activities of credit institutions, reference should be made to the publication of Law 32/2018 of 18 July which requires banking institutions to fully reflect the fall in the Euribor rate in their mortgage loan agreements.

In the sphere of the legislative initiatives deriving from the European regulatory agenda and reforms in progress over the last few years, reference should be made to the publication of Law 35/2018 of 20 July that, *inter alia*, substantially amends the rules on the commercialisation of financial products with the publication of the "Legal regime on the concept, commercialisation and provision of consultancy services on structured deposits" [16] and the "Legal regime on retail investment product packages and insurance-based investment products" [17].

Reference should also be made to the fact that legislative initiatives to complement MiFID II continue to be identified, in 2018. The already referred to Law 35/2018, transposed Directive 2014/65/EU into Portuguese legislation, materially altering the Securities Market Code [18]. Reference should also be made to the CMVM's Regulation on this issue in the form of its Regulation 3/2018, which defines the

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[9] Directive 2015/2366 of the European Council and of the Parliament of 25 November 2015, on payment services in the internal market.

[10] Directive 2014/92/EU of the Parliament and of the Council of 23 July 2014, on the comparability of commissions related with payment accounts, changes of payment accounts and access to payment accounts with basic characteristics, establishing rules on changes of payment accounts and the facilitation of the opening of cross-border payment accounts by consumers, in addition to standards on transparency and the comparability of commissions charged to consumers for payment accounts in their name.

[11] Commission Delegated Regulation (EU) 2018/32, which defines standardised terms for the most representative services associated with payment accounts.

[12] Commission Implementing Regulation (EU) 2018/33, defining the technical standards on the normalised format of commissions statements.

[13] Commission Implementing Regulation (EU) 2018/34, defining the documentary model for information on commissions to be adopted by providers of payment services.

[14] Statute transposing Directive 2014/92/EU.

[15] Regime approved by Decree Law 27-C/2000 of 10 March.

[16] Annex I to the referred to Law 35/2018 of 20 July.

[17] Annex II to the referred to Law 35/2018 of 20 July.

[18] Republished in Annex IV of Law 35/2018 of 20 July.

minimum contents to be assimilated by the employees of financial intermediaries who provide consultancy services on investment, portfolio management for third parties or information to investors on financial products and investment services while also regulating the qualifications and professional skills required of them.

An additional reference should be made in the sphere of financial intermediation activities to the publication of Commission Delegated Regulations (EU) 2018/1618 and 2018/1619, regarding the safe-keeping duties of depositaries function, and, domestically, the publication of Decree Law 56/2018 of 9 July amending the General Regime of Collective Investment Entities [19].

The publication of Law 83/2017[20], in 2018, was followed by the publication of a series of complementary standards in the form of Ministerial Order 233/2018 which regulates the Central Register of Beneficial Owners [21], and Ministerial Order 310/2018 [22], together with the publication of the Bank of Portugal's *Notice* 2/2018, establishing the necessary aspects to ensure compliance with the duties of the prevention of money-laundering and the financing of terrorism, in the sphere of the activity of financial entities subject to the supervision of the Bank of Portugal.

CGD has an *SNI* ("Internal Standards System") which is accessible to and binding upon all employees. It covers the most relevant aspects of the company's operation and performance of its activity.

CODES OF CONDUCT AND ETHICS

The values, ethical principles and standards of professional conduct governing the performance of CGD's employees have been published in its Code of Conduct.

This code is a fundamental instrument for the management of CGD's ethics as a self-regulating document which must be complied with in and by CGD. It contributes to:

- Harmonising reference standards for ethical dilemmas;
- Affirming the values, performance principles and standards of conduct governing relationships with various interested parties;
- Promoting an organisational culture of legal compliance and conformity with the values and principles adopted;
- Developing best corporate governance and ethical conduct practices.

CGD provided its new employees and the present employees of different Caixa structural bodies and CGD Group entities with training on Ethics and its Code of Conduct, in 2018.

It also evaluated and reviewed ethical performance indicators, in 2018, for the purpose of updating its Code of Conduct Management Model, in 2018.

CGD's Code of Conduct is available on its intranet and website at:

https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduta-CGD.pdf

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[19] Statute amending the General Regime of Collective Investment Entities (approved by Law 16/2015), the Legal Regime on Venture Capital, Social Entrepreneurship and Specialised Investment (approved by Law 18/2015) and the measures designed to promote the capital market.

[20] Law 83/2017 of 18 August defining the measures to combat money-laundering and the financing of terrorism, transposing Directive 2015/849/EU of the European Parliament and of the Council of 20 May 2015.

[21] Approved by Law 89/2017 of 21 August.

[22] Regulating the dispositions of Article 45 of Law 83/2017, defining the type of operations to be reported to *DCIAP* (Central Investigation and Penal Action Department) and *UIF* (Financial Information Unit).

APPLICATION OF STANDARDS DESIGNED TO PREVENT CORRUPTION AND ACTION PLANS TO PREVENT AND MITIGATE FRAUD

Caixa, through DAI (Internal Audit Division), allocates various resources in a preventative approach to internal/external fraud, mainly comprising the following procedures/tools:

- Maintenance of a permanently updated system of recommendations/fraud alerts, in respect of the opening of accounts, certification of signatures, subscriptions to the Caixadireta service, direct debits, payments of cheques, domestic postal orders, bank passbooks, distance transfers, acceptance of deposits, negotiation of cheques drawn on foreign banks, banking secrecy and irregular cheques, in the sphere of the letter-cheques service; and internal fraud;
- Classroom training and awareness sessions for taskforces from the commercial branch office network, based on a predefined, standardised schedule, aiming to provide more explanatory, personal information on the more common recurrent fraud-related concerns/issues;
- Classroom training actions on fraud prevention and detection for trainees who will be working in the branch office network;
- Within the sphere of the ongoing audit system, the existence of a series of indicators and alerts on operations whose characteristics could potentially indicate the existence of internal or external fraud, that permanently and automatically activate audit alarms, which may generate the need to question the parties involved in the respective operations.

In addition to a preventative aspect, Caixa, through DAI, approaches fraud on the basis of an investigative and remedial (mitigation) strategy. DAI also has a computerised interaction and communication channel (mailbox) for all users and provides a permanent telephone hotline during office hours. During mnon-working days or outside of working hour, communication procedures are defined for pr action by DAI, in order to minimize possible impacts to CGD and / or Customers.

Precautionary measures necessary to avoid material losses for Caixa and its customers are put in place as soon as the investigation starts (contacts for clarification purposes, constraints on accounts, blocking of amounts, risk annotations, reports to the authorities, etc.).

The investigations aim to establish (internal) disciplinary liabilities and of third parties (clients), taking the applicable recovery and mitigation steps (e.g. negotiating of payment plans, legal action against fraudsters, etc.)

Whenever, during the course of such investigations, any control weaknesses that may give rise to internal or external fraud or when needs for any additional procedural improvements are identified, they are sent to the entities/structural bodies which are best qualified to examine them in greater detail and implement them.

DAI is equipped with software to register all occurrences related to internal and external fraud, as well as the respective mitigation measures.

As regards the specific phenomenon of corruption and considering that the management of this risk is a dynamic process and that its complexity increases in proportion to the size and structure of the organisation in which it can occur, Caixa has endeavoured to implement the best preventative and corrective practices in this area, both by integrating risk management in the corporate culture, on the basis of a programme set by the tone at the top and attributing and sharing responsibilities across the organisation as a whole.

Based on a pedagogical, proactive approach to all of Caixa's structural bodies, DAI has played an active role with the aim of contributing to an internal control culture which necessarily includes the issue of preventing the crime of corruption and connected infractions.

At the same time, it articulates its internal audit activities in the said sphere with other control functions – risk management and compliance – considering the respective functions, responsibilities and authority.

The identification of any occurrences which could be related with corruption will be dealt with by DAI in the sphere of its authority and incorporated as referred to above.

With the aim of guaranteeing its adequacy and effectiveness, DAI assesses CGD’s current internal control system in which permanent measures to prevent and repress crime and connected infractions have currently been implemented in the form of internal procedures and standards, namely in:

- The opening and use of deposit accounts;
- Verification of the signatures of parties to agreements with CGD;
- Approval of expenses, external services, sponsorships and donations;
- CGD employees’ involvement in loan operations;
- Contracting for services;
- The employee management area, including recruitment and training;
- Verification of access to insider information on issuing customers.

CGD´s governance model ensures the effective segregation between management and inspection functions, which contributes to the prevention and mitigation of a credit instituition inherent risks among them corruption risks and connected infractions,

CGD´s internal control system comprises permanent measures aiming to prevent and combat of corruption and connected infractions which are reflected in several procedures and internal regulation namely the code of conduct, the Prevention of Corruption and Connected Infractions Policy, Global Prevention and Management of Conflicts of Interest Policy Internal Communication System on Irregular Practice.

As a result of these policies, CGD is a contributor to the Council for the Prevention of Corruption's (CPC's) list of entities and sends information to this Council on the respective Prevention Plans on the Risks of Corruption and Associated Offences under CPC Recommendation 1/2009 of 1 July.

In addition to the above referred to procedures and internal standards, as part of the internal control system, all of the activity of Caixa and its employees is governed by the principle of active rejection of all forms of corruption. Such imperative professional conduct has been set out in article 31 of its code of conduct which expressly states the following:

1. CGD actively rejects all forms of corruption and its employees should not be involved in situations which may lead to acts which may be associated therewith.
2. CGD’s activity is subject to rigorous internal control mechanisms, which include internal standards geared to preventing and countering corruption.

CGD´s PPCIC (“Prevention of Corruption and Connected Infractions Policy”) establishes the guideline principles for detecting and preventing corruption and connected infractions, lists the areas which are potentially more exposed thereto and describes prevention methods, respective officers, and rules applicable to the monitoring, assessment and revision of the respective policy.

Caixa Geral de Depósitos, as a public limited company with exclusively public capital, whose purpose is banking activity, is covered by the Legal Framework of the State Business Sector, which provides for the obligation to prepare a report annually identifying the risks and Occurrences of Corruption and Related Offenses. The report for the year 2018 was prepared in 2019, which will be disclosed on CGD's public website in due course.

The policy identifies the areas potentially more exposed to corruption and connected infractions with which procedures, mechanisms and prevention mechanisms should be associated.

The dispositions set out in the policy are always, whenever necessary, complemented by specific internal standards or other instruments.

CGD has systematized its Corruption Prevention and Corruption Prevention Plan, in accordance with the recommendations issued by the Corruption Prevention Council, which identifies, by each division and the indication of the measures taken to mitigate their occurrence, as defined in the Policy on Prevention of Corruption and Related Offenses

As a means of strengthening these instruments and in light of the Recommendations being issued by the Council for the Prevention of Corruption, CGD has systemised its Plan for the Prevention of Corruption and Associated Infractions which identifies the risks of corruption associated with each structural body and indicates the measures taken to mitigate the occurrence thereof as defined in the Policy for the Prevention of Corruption and Associated Infractions.

CGD provided its new employees and the present employees of different Caixa structural bodies and compliance officers in CGD Group entities with training on issues related to the prevention of corruption and associated infractions in 2018

COMPLIANCE WITH LEGISLATION AND REGULATIONS

APPLICATION OF STANDARDS RELATING TO COMPETITION AND CONSUMER PROTECTION

Caixa Geral de Depósitos's activity is governed by the ethical principles set out in its code of conduct, furthering objectives of profitability, quality, customer satisfaction, fair prices and rigorous compliance with the rules of competition and protection of bank customers.

Updating norms of transparency in the relationship with the client

CGD permanently oversees the publication of new legal and regulatory obligations, in addition to the issue of recommendations and definition of good practice by the supervisors, with the objective of adjusting its activity in conformity.

With the aim of adjusting its performance to conform to these behavioural standards, Caixa systematically analyses its practices and internal standards on such issues, identifying opportunities for improvement, to prepare for the expected legal and regulatory amendments.

Commercialisation of banned products or products under public discussion

Owing to their nature and importance in people's day-to-day lives, financial products and services are permanently scrutinised by supervisory bodies, as well as by customers and consumer protection bodies, self-regulating bodies, sectoral representation bodies and lawmakers.

The financial products and services commercialised by CGD comply with rigorous internal control mechanisms ranging from design to commercialisation and disclosure/advertising, with the aim of ensuring scrupulous compliance with all legal and regulatory obligations, as well as best practice, as disclosed by international and national bodies and the ethical principles defined by CGD.

Corporate management, approval and monitoring of products policy

Caixa defined its corporate management, approval and monitoring of products policy in 2017. The policy sets out the performance principles governing the process for the internal approval of products in due compliance with governance and monitoring guidelines, as well as official policy for the approval of new products, establishing the stages, functions and responsibilities to be complied with in the product approval process.

3.6.4. SPECIAL INFORMATION REQUIREMENTS

Caixa Geral de Depósitos complies with the special information duties required by the Directorate General for the Treasury and Finance, and in particular through the preparation of the Activity, Investment and Budget Plan. This institution does not disclose through its SIRIEF its ODP since it is exempted from doing so under the terms of Order No. 1361, of the Secretary of State for Finance, of July 18, 2014, and it was understood to extend the exception to (i) of that article, given the similar nature of the information in question.

CGD Annual Reports are available on the site: www.cgd.pt - Annual reports of accounts: https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/Pages/CGD-Annual-Reports.aspx

INVESTOR SUPPORT AREA

Under the terms defined in its legal framework, CGD, as an issuer of financial instruments, has appointed a Market Relations Representative, which promotes the timely communication of information that is likely to materially affect the economic, financial and equity situation of the company. In addition, the website www.cgd.pt provides a set of institutional and business information.

Contacts of Market Relations Representative

CGD's representative for market relations and head of the Investor Relations Office (GIR):

Bruno Costa

Av João XXI, 63 Phone: (351) 21 790 55 02
1000-300 Lisboa E-mail: bruno.miguel.costa@cgd.pt

Investor Relations Area

The Investor Relations Area is responsible for ensuring good relationships and communication with investors, market and financial community in general. Particular reference should be made to its following areas:

- The ongoing, consistent disclosure of information on policies, strategic pillars, financial evolution and all relevant information helping to strengthen CGD Group's image in the market;
- The proactive management of relations with the financial community, namely investors, rating agencies, counterparties, analysts and supervisory authorities.
- The relationship with rating agencies who rate CGD’s debt issuance. Responsible herein for the organisation of the periodic assessment meetings and replies to requests for information received. Diverse reports containing analyses published by these agencies at their pre-publication stage within the defined reply periods were also reviewed across the year.

As part of the recapitalization process, in June 2018, CGD undertook the promotion of roadshow with institutional investors in Lisbon, London and Paris, with approximately 83 investors. In addition to this roadshow, throughout the year 2018, the Investor Relations Area held 65 individual or group meetings, covering a total of 106 investors. This translated into an average of 7 meetings and 16 investors. These meetings, organized by Investment Banks and the Office itself in conjunction with research companies, end investors and rating agencies, were held in different cities in Europe (Lisbon, Paris, London, Amsterdam, Milan, Munich and Frankfurt) and were interest.

Type of information provided by the Investor Relations Office

The link https://www.cgd.pt/Investor-Relations/Pages/Investor-Relations_v2.aspx link, on CGD's website, provides information on annual reports, quarterly financial information and other mandatory documents in addition to other information considered to be of interest to analysts and investors.

First quarter 2017 witnessed the start of conference calls to analysts and institutional investors following the disclosure of information on the quarterly accounts, with a podcast of the information on CGD's activity and results.

To facilitate interaction with analysts and investors the Office has a mailbox that received requests for information on various issues during the course of 2018. These included Strategic Plan, own debt securities, merger process of six subsidiaries of CGD, financial indicators and quarter results . When the information is public most of the questions are answered on the day upon which the request is received. Other situations within the remit of this Office are answered within the shortest possible space of time, with the time taken to respond to requests being contingent upon the complexity of the issues raised and the dynamics of the involvement of the structural bodies from which the Area has requested an input, taking into account the need to provide full, rigorous information.

Relationship with different Stakeholders

CGD strengthened its commitment to the construction of its relationship with different stakeholders in 2018, based on the values governing the activities of Caixa Geral de Depósitos: rigour, transparency, safety, integrity and respect.

Regular contacts were made with its shareholder across the year, with the CEO having met with the minister of finance and assistant secretary of state for finance to provide information on compliance with the strategic plan 2017-2020 and CGD's activity related to the strengthening of its commercial capacity, adjustments to its operational infrastructure, investment in human resources and redimensioning of its international activity and the restructuring of the Group's risk management and governance model.

Other relevant issues were also discussed, particularly the profit distribution policy, the negotiation of the company agreement, the supervisor's analysis and assessment process (SREP), the simplification of CGD's corporate structure, the appointment of new directors and independent audit of management acts over the period 2000-2015. These contacts resulted in the shareholder's support for CGD's management in its compliance with its mission and strategic plan.

On a level of interactions with the supervisory authorities, in 2018 CGD had an overall total of 83 face-to-face meetings with JST (joint ECB and BdP team). In addition to these meetings, CGD contacted JST by telephone on a weekly basis to discuss the current status of the works in progress. Most of the issues discussed in such interactions concentrated on CGD's on-site inspections, deep dives and thematic reviews on issues such as SREP, ILAAP, ICAAP, real estate risk, IFRS9, IT and the recovery plan. The comprehensive results of such interactions took the form of the supervisory body's feedback on the measures taken by CGD to mitigate any deficiencies and, occasionally, the issue of guidelines or the clarifications of doubts. Several workshops were also organised in 2018 at JST's request with several of CGD's structural bodies (especially DGR) on several subjects, including operational risk.

The Bank of Portugal's interaction with CGD on a domestic level, takes the form of its normal domestic banking regulations. In parallel, deriving from the support it provides to the ECB, in the sphere of the supervision of significant entities, the BdP is a party to all of the interactions described in the preceding paragraph. On issues related to banking resolutions, the BdP, in addition to its domestic authority as the banking resolution entity, assists the single resolution board in furthering the works leading to the production of CGD's resolution plan. In 2018 this involved, *inter alia,* the organisation of 4 workshops with the aim of defining MREL objectives, preferential resolution strategies and resolution impediments.

CGD enjoys a cordial, committed relationship with all workers' union structures with a schedule of meetings either upon request or in the sphere of specific processes in which they are involved, such as the wage scale review for 2018 and the negotiations for the new company wage agreement deriving from the cancellation of the company's current agreement pursuant to which meetings with all of the unions are currently being held. Up to the present 12 meetings with STEC, 6 with FEBASE, 10 with FESIBA and 3 with SINTAF have been held.

There is a legal obligation for at least one monthly meeting to be held between the workers' committee and company management (article 423 no. 1 sub-paragraph g) of workers' committee bylaws), with which CGD complied in the form of 10 meetings with the workers' committee held in 2018, dealing with seniority-based promotions, review of the accounts for 2017, branch office closures, early retirements and voluntary redundancies, the company agreement, objectives and incentives system, assessment of performance, medicine in the workplace and MiFID II, in addition to various other issues related to the branch office network.

In 2018 Caixa's enjoyed a highly salutary relationship with the international rating agencies which recognised the results achieved by Caixa in the implementation of its strategic plan. Moody's upgraded Caixa's rating by 3 notches to Ba1, leaving the Bank only one level off investment grade. Two face-to-face meetings were held with this agency accompanied by a large number of interactions by telephone and email for the provision of clarifications and the supply of relevant updates and information on prospects of relevance to the agency's analysis work.

Fitch also upgraded its rating on Caixa to BB, two notches below investment level. A face-to-face meeting was held with this agency in 2018 and different interactions dealing with various issues, such as the disposal of equity investments and CGD's supply of economic-financial information. CGD had one face-to-face meeting with DBRS in 2018, having also had contacts on issues related to the issuance of tier 2 instruments or the clarification of the accounting information supplied by CGD across the year.

As part of its recapitalisation process, CGD organised presentations with institutional investors in Lisbon, London and Paris, having met with 80 investors. In addition to holding this road show across 2018 the investor relations area organised 65 individual or group meetings involving a total number of 106 investors. The area's global activity involved an average monthly number of 7 meetings with 16 investors. These meetings, organised by investment banks and Caixa's investor relations area took place in different European cities such as Lisbon, Paris, London, Amsterdam, Milan, Munich and Frankfurt and were indicative of investors' high level of interest in CGD.Caixa's relationship with its customers was based on transparency, rigour and quality of service, in the furtherance of a sales network optimisation programme with the objective of providing adequate services to meet the needs of customers, communities and populations.

The development of products to promote customers' social and financial inclusion, helping to provide responses to the challenges facing society, in general, and several communities in particular, continues to be one of Caixa's key commitments.

In addition to the referred to stakeholders, CGD remains committed to developing a permanent relationship with its suppliers, employees, media and community in general, on the basis of its values.

DISCLOSURE OF PRIVILEGED INFORMATION

CGD disclosed the following privileged information in 2018, in full compliance with its duty to immediately publish relevant information:

Date	Subject
21/12/2018	Caixa Geral de Depósitos, S.A. informs about sale of shareholder position
06/12/2018	Caixa Geral de Depósitos, S.A. informs about rating decision by Fitch Ratings
26/11/2018	Caixa Geral de Depósitos, S.A. informs about the impact of the sale of shares representing 100% of the share capital of Mercantile Bank Holdings Limited and of shares representing 99,79% of the share capital of Banco Caixa Geral, S.A.
23/11/2018	Caixa Geral de Depósitos, S.A. Informs about First Half 2018 Report and Accounts
22/11/2018	Caixa Geral de Depósitos, S.A. informs about the sale process for shares representing 100% of the share capital of Mercantile Bank Holdings Limited and the sale process for shares representing 99.79% of the share capital of Banco Caixa Geral, S.A.
30/10/2018	Caixa Geral de Depósitos, S.A. informs about third quarter 2018 Consolidated Results Presentation
30/10/2018	Caixa Geral de Depósitos, S.A. informs about third quarter 2018 Consolidated Results
17/10/2018	Caixa Geral de Depósitos, SA informs on rating upgrade to Covered Bonds by Moodys
16/10/2018	Caixa Geral de Depósitos, S.A. informs about Moodys rating decision
27/07/2018	Caixa Geral de Depósitos, SA informs about first half 2018 Consolidated Results Presentation
27/07/2018	Caixa Geral de Depósitos, SA informs about first half 2018 Consolidated Results
22/06/2018	Caixa Geral de Depósitos, S.A. informs on Tier 2 securities issuance
10/05/2018	Caixa Geral de Depósitos, SA informs about Presentation of first quarter 2018 Consolidated Results
10/05/2018	Caixa Geral de Depósitos, SA informs about first quarter 2018 Consolidated Results
27/02/2018	Caixa Geral de Depósitos, SA informs about Moodys rating decisions
02/02/2018	Caixa Geral de Depósitos, S.A. informs about 2017 Consolidated Results Presentation
02/02/2018	Caixa Geral de Depósitos, S.A. informs 2017 Consolidated Results

DISCLOSURE OF OTHER MARKET INFORMATION

CGD maintained its market information feed over the course of 2018 in line with the recommendations of the Securities Market Commission and best international practice, in a context of transparency and rigour for its investors, analysts, customers and other stakeholders.

In compliance with its public disclosure requirements, Caixa Geral de Depósitos has published all relevant, mandatory information on the CMVM's information disclosure system as well as hosting it on its internet site for all interested parties.

DISCLOSURE OF INFORMATION ON CGD´S WEBSITE

The informational architecture of CGD's website contains a public area exclusively for the disclosure of corporate governance information, in full compliance with good governance principles for companies in the state's corporate sector. This website area ensures the disclosure of all mandatory and legal information on the company's diverse corporate governance issues, including information on the issues set out in the following table:

	Disclosure			
	Yes	No	NA.	Remarks
Mission and Strategy	X			
Shareholder Structure	X			
Governance Model	X			
Remunerations and other Benefits	X			Remunerations Policy
Organisational chart	X			
Code of Conduct	X			
Regulations	X			
Historical and Current Financial Information	X			
Corporate Governance Principles	X			
Identity and résumés of all members of statutory bodies	X			

This information is available at:

https://www.cgd.pt/Institucional/Pages/Institucional_v2.aspx

The addresses used, including hyperlinks, for disclosing the following elements on CGD:

a) Headquarters and other elements referred to in article 171 of the Commercial Companies Code: https://www.cgd.pt

b) Articles of association and operational regulations of bodies and/or committees

- CGD website at: www.cgd.pt:
  - Statutes: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Estatutos-da-CGD.pdf
  - Board of Directors Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Conselho-Administracao.pdf
  - Executive Commission Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Executiva.pdf
  - Supervisory Board Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Conselho-Fiscal.pdf
  - Corporate Governance Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Governo.pdf
  - Financial Risks Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Riscos-Financeiros.pdf
  - Audit and Internal Control Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-da-Comissao-Auditoria-Controlo-Interno.pdf
  - Nomination, Assessment and Remuneration Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Nomeacoes-Avaliacao-Remuneracoes.pdf

- Remuneration Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Remuneracoes.pdf

- SEE (State's corporate site) website: Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

c) Holders of statutory office and other statutory bodies and respective résumés, in addition to their respective remuneration and other benefits

- CGD website at: www.cgd.pt:
  - Holders of statutory office and other statutory bodies - https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Pages/Orgaos-Sociais.aspx
  - *Résumés* - https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Pages/Orgaos-Sociais-Curriculos.aspx
- SEE (State's corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

d) Documents for the provision of the annual and, if applicable, half yearly accounts

- CGD website at: www.cgd.pt - Annual and half yearly accounts: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/Pages/Relatorios-Contas-CGD.aspx
- SEE (State's corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

e) Public service obligations to which the entity is subject and the contractual terms governing the provision of public service

- n.a.

f) Underlying funding model and financial support received from the state over the last three years

- SEE (State's corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

3.7. Remuneration

COMPETENCE FOR ASSESSING REMUNERATION

The General Meeting's Remuneration Committee, in due compliance with the remuneration policy for the Board of Directors and Supervisory Board, as approved by the General Meeting, including the limits therein defined, is responsible for setting the fixed and variable components of the remuneration of members of the company's statutory bodies, as applicable.

As the body in charge of defining the remuneration of members of the Board of Directors and Supervisory Board, the said Committee is responsible for ensuring compliance with the applicable legal and statutory requirements, namely as regards their remuneration policy and implementation.

In turn, the Nomination, Assessment and Remuneration Committee is responsible for assisting and advising the Board of Directors on the appointment and definition of the remuneration of the statutory bodies of other CGD Group companies and CGD employees with a managerial status who report directly to the Board of Directors or any of its Committees (including the Executive Committee). This Committee is also responsible for producing the opinion defining the variable component of the remuneration of members of the Executive Committee for submission to the General Meeting's Remuneration Committee.

In regards the definition of the maximum amount of compensation payable to members of the Board of Directors and the Supervisory Board when their term of office comes to an end, General Meeting´s Remuneration Committee is responsible to define the referred to amount of all compensation payable, as set out by law and, as applicable, the current remuneration policy.

REMUNERATION POLICY FOR MEMBERS OF BOARDS OF DIRECTORS AND SUPERVISORY BOARDS

The remuneration policy, approved in the form of a *unanimous written resolution,* on 31 August 2016, is applicable to CGD's statutory and supervisory bodies.

The remuneratory policy of CGD's statutory bodies is governed by the RGICSF ("Legal Framework of Credit Institutions and Financial Companies"), Community standards and Bank of Portugal regulation, which establish mandatory rules and restrictions on the referred to policy.

The following are the primary objectives of the remuneration policy for CGD's statutory bodies:

- To ensure compliance with the applicable, legal and regulatory dispositions;
- To promote and be coherent with healthy, prudent risk management;
- To discourage risk-taking at levels higher than those defined and tolerated by CGD;
- To ensure compatibility between the remuneration mechanisms defined and CGD's long term strategy, objective, values and interests, as established by its competent Statutory Bodies;
- To ensure that there is no situations of conflicts of interest;
- To structure remuneration mechanisms which take into account and which are adequate and proportional to the type, characteristics, dimensions, organisation and complexity of CGD's activities;
- To promote the competitiveness of CGD's Remuneration Policy, taking into consideration the remuneration policies and practices of other banks and institutions comparable to CGD

The remuneration and its respective composition are coherent with CGD's governance structure and are aligned with the risk profile tolerated by CGD.

The remuneration of Executive Board Members comprises a fixed and variable component, the latter attribution of which is not guaranteed.

The fixed remuneration component comprises a sufficiently high proportion of the Executive Board Members' total remuneration, to permit the application of a fully flexible policy relative to the variable component, including the possibility of the non-payment thereof.

The variable component is indexed to the achievement of concrete, qualified objectives in line with CGD's long term interests, as detailed below.

The remuneration of non-executive Board members, in addition to members of the Supervisory Board exclusively comprises a fixed component and does not include any variable component nor is the attribution thereof contingent upon CGD's results.

According to the remuneration policy approved on 31 August 2016, the amount of the variable component of the remuneration may not exceed the amount of the fixed remuneration, in order to ensure that the fixed component represents a sufficiently high proportion of the total remuneration of executive directors, in such a manner as to permit the application of a fully flexible policy regarding the remuneration's variable component, including the possibility of its non-payment.

The total amount of the variable remuneration of the Executive Board Members as a whole may not exceed the maximum percentage of consolidated net profit for the year as defined for each year by the General Meeting of shareholders following the proposal submitted by the Remuneration Committee, with the fixing of the said amount taking CGD's performance and global results, the policy followed on this matter in comparable institutions and the evolution of the global amount defined for the variable remuneration of CGD employees as a whole into account.

The variable component of the remuneration of the Executive Board Members comprises:

a) A cash payment comprising 50% of the total amount of the variable component; and

b) A payment in kind comprising 50% of the total amount of the variable component.

CGD's shareholder deliberated on the 26th of December 2018, based on a proposal presented by CGD General Meeting's Remuneration Committee, to grant variable remuneration to the executive members of the Board of Directors, relative to the year 2017, in the terms described in Appendix 1.

In accordance with EBA Guidelines on Sound Remuneration, 25% of this remuneration was paid in cash on March 2019 and 25% will be paid in cash in 5 equal installments between 2019 and 2023. The remaining 50% of the remuneration were granted in kind, through a deferred instrument for the period of 5 years. The settlement of this remuneration will be subject to the evolution of the implementation of the 2017-2020 Strategic Plan. The financial instrument that will be used to fulfill the component of the remuneration in kind is still in a phase of approval by the competent authorities. These remunerations will be subject to income tax at the applicable rate.

The variable component of the remuneration paid in cash is determined and paid during the first six months of the following financial year to which the remuneration relates, corresponding to the "determination date"

The variable component of the remuneration paid in kind is subject to a three years period from the determination date, in order to ensure the alignment between the executive board members compensation incentives with CGD's long-term interests.

The variable component of remuneration is subject to reduction and reversal procedures.

The remuneration policy provides Executive Board Members with social benefits under the terms to be defined by the General Meeting of Shareholders or Remuneration Committee, with the practices being followed in CGD, in addition to the remuneratory policies and practices of other banks and institutions comparable to CGD being taken into consideration.

Performance will be assessed:

a) On a pluriannual basis, for the assessment process to be based on long term performance and for the payment of the remuneration components thereon dependent to be spread over a period which takes CGD's underlying economic cycle and its business risks into account and which should, for the said purpose, consider not only the year referred to by the variable component but also the preceding years of the term of office in progress;

b) Based on the following quantitative criteria:

   I. Solvency, comprising: solvency ratio, credit default ratios and property foreclosures;

   II. Profitability, comprising: return on equity, net interest income, impairment and risk-adjusted return on capital;

   III. Efficiency: cost-to-income;

   IV. Market position: CGD's market shares;

   V. Liquidity: reference should be made to: the ratio of the conversion of resources from balance to credit, the maturity of medium / long-term debt and the rate of use of the European Central Bank funding.

c) The following qualitative criteria will also be considered:

   i. Level of customers' complaints;

   ii. CGD's reputation indicators.

According to the Remuneration Policy the executive members of the board enjoy the social benefits in the terms agreed by the shareholders meeting or by the Remuneration Committee. The Implementation of the referred to benefits must take into account the practice that has been followed by CGD, as well as the policies and remuneration practices of other banks and institutions comparable to CGD.

Non-executive Board Members and members of the Supervisory Board are not entitled to any social benefits.

As regards the external auditor, the State Budget Law for 2018 determines that the global costs/charges paid on contracts for the acquisition of services, except for contracts which have been co-financed by European or international funds and by the Financial Mechanism of the European Economic Area ("EEA Grants") cannot exceed the global costs/charges paid in 2017.

Furthermore, the amounts paid on contracts for the acquisition of services and commitments assumed, which are renewed or entered into in 2018 when having an identical object or contractual counterparty as in 2017 may not exceed the amounts paid and commitments assumed, respectively, in 2017. The total aggregate amount of the contracts is considered whenever the same counterparty provides more than one service to the same acquirer; or the unit price, if this may be determined arithmetically or when it has been used as a basis for calculating the amounts paid in 2017.

BOARD OF DIRECTORS

(EUR)

Board of Directors	Remuneration (Monthly values - 14 months)	
Board of Directors		
Chairman		
Emílio Rui da Veiga Peixoto Vilar	7,785.71	(a)
Vice-President		
Paulo José Ribeiro Moita Macedo	30,214.29	
Executive members		
Francisco Ravara Cary	23,285.71	
João Paulo Tudela Martins	23,285.71	
José António Silva Brito	23,285.71	
José João Guilherme	23,285.71	
Maria João Borges Carioca Rodrigues	23,285.71	
Nuno Alexandre Carvalho Martins	23,285.71	
Carlos António Torroaes Albuquerque	23,285.71	
Non executive members		
Ana Maria Machado Fernandes	3,500.00	
João José Amaral Tomaz (b)	3,500.00	
José Maria Azevedo Rodrigues	3,500.00	
Alberto Souto Miranda	3,500.00	
Hans-Helmut Kotz	3,500.00	
Mary Jane Antenen (c)	3,500.00	
Altina de Fátima Sebastian Gonzalez Villamarin (d)	3,500.00	
Supevisory Bord		
Chairman		
Guilherme Valdemar Pereira d'Oliveira Martins	5,200.00	
Member		
António Luís Traça Borges de Assunção	4,500.00	
Manuel Lázaro Oliveira de Brito	4,500.00	
Substitute Member		
Nuno Filipe Abrantes Leal Cunha Rodrigues	0.00	

(a) This member opted not to receive

(b) Resigned taking effect from 30 april 2018 (This member opted not to receive)

(c) Started 05-04-2018

(d) Started 06-04-2018

The variable remuneration breakdown is presented in Appendix 1

SPECIAL COMMITTEES

Regardless of the amount stipulated for attendance tickets per meeting and the number of meetings actually held, the maximum annual amount that can be received is limited to 49,000 euros per year per member.

Name	Statutory Bodies / Position	Attendance fee	Payment Frequency	Meeting Frequency	Total Meeting
Audit and Internal Control Committee					**21**
José Maria Monteiro de Azevedo Rodrigues	Chairman	4.900	Per meeting	6 meetings/year	
Alberto Souto de Miranda	Member	3.700	Per meeting	6 meetings/year	
Altina Sebastian Gonzalez (1)	Member	3.700	Per meeting	6 meetings/year	
Financial Risks Committee					**20**
Ana Maria Machado Fernandes	Chairman	3.700	Per meeting	8 meetings/year	
José Maria Monteiro de Azevedo Rodrigues	Member	3.700	Per meeting	8 meetings/year	
Hans-Helmut Kotz	Member	3.700	Per meeting	8 meetings/year	
Mary Jane Antenen (2)	Member	3.700	Per meeting	8 meetings/year	
Nomination, Assessment and Remuneration Committee					**20**
Ana Maria Machado Fernandes	Chairman	3.700	Per meeting	Quarterly	
Manuel Lázaro Oliveira de Brito	Member	3.700	Per meeting	Quarterly	
António Borges de Assunção	Member	3.700	Per meeting	Quarterly	
Alberto Souto de Miranda	Member	3.700	Per meeting	Quarterly	
Corporate Governance Committee					**11**
Alberto Souto de Miranda	Chairman	3.700	Per meeting	Quarterly	
Nuno Filipe Abrantes Leal Cunha Rodrigues	Member	3.700	Per meeting	Quarterly	
Ana Maria Machado Fernandes	Member	3.700	Per meeting	Quarterly	
Hans-Helmut Kotz	Member	3.700	Per meeting	Quarterly	

(1) Appointed as a member of the Audit and Internal Control Committee to replace Borges Assunção from April/1018 by Board deliberation in 09/04/2018.

(2) Appointed as a member of Financial Risks Committee , by Board deliberation in 09/04/2018.

Note: João José Amaral Tomaz was member of the Audit and Internal Control Committee and Chaiman of Financial Risks Commitee up to 30/04/20018, date of termination of service.

STAFF REMUNERATION POLICY

The remuneration policy for CGD's employees takes the form of collective bargaining agreements which are published in the Labour and Employment Bulletin and internal regulations accessible to all workers.

"Internal instruction" 20/2018 (ref: COR 27/2018), on the "Remuneration Policy for CGD Group Employees and Members of the Management and Supervisory Bodies of CGD Entities" came into force on 3 July 2018. Owing to its corporate nature, it was transposed to CGD Group entities.

In the remuneration policy sphere, company agreements and internal regulations govern the following:

- Wage scales and pecuniary clauses;
- Professional careers;
- Remuneration system;
- Performance management system;
- Labour conditions;
- Welfare regime;
- Incentives system;
- Profit sharing.

The remuneration of CGD workers comprises a fixed and variable component which is not guaranteed.

The fixed remuneration defined under the terms of the Company Agreement in force and internal regulations, comprises a basic wage complemented by various remuneratory items such as continuity payments, subsidies for the absence of fixed working hours, subsidies for certain functions and holiday and Christmas bonuses.

Variable remuneration is paid on a one-off basis by the Board of Directors and is closely linked to performance and the level of fulfilment of objectives.

The Performance Management System consists of an annual process by means of which CGD plans its activity, monitors performance and evaluates results. The assessment of performance and fulfilment of objectives are relevant factors to be taken into consideration in any change to the remuneratory status of workers, including managerial staff, either in the form of merit-based promotion or the revision of other fixed or variable wage components.

In 2018, the Employees' remuneration was paid in accordance with the Collective Labor Regulation Instruments in force for CGD, considering the time count for the purposes of level seniority promotions, career progressions, according to defined criteria in the Company Agreement, and the merit promotions process and salary review made at the initiative of the institution. The award of commercial incentives was also maintained, and a Performance and Potential Award was decided which covering some 3/4 of the employees.

An update of the salary scale was approved at 0.75% with a minimum salary increase of € 18.00, as well as other remuneration components. The salary increase observed in 2018 was significantly higher than in previous years, as shown in the following table, with reference to CGD employees in the Pension Fund (75% of the total):

	2016	2017	2018
Wage variation (*) (without diuturnities)	0.71%	1.76%	2.06%

(*) Pension Fund beneficiaries

The average salary paid by CGD in 2018 to employees with managerial functions was €5,468 .In the case of employees who do not exercise managerial functions, the average compensation in 2018 was €2,026 .

The average value of retirement pay for employees with managerial functions who are CGA beneficiaries and retired upon reaching the natural retirement age in 2018 was €6,975 In the case of retired employees who did not exercise managerial functions, the average value in 2018 was €2,144

STAFF REMUNERATION

(EUR)

	Workers covered by article 17 no. 1 of the Bank of Portugal's Official Notice 10/2011	
	Management staff CGD Structures (without Control Functions)	Management staff CGD Structures (exclusively Control Functions)
1. Remuneration		
1.1. Base remuneration	2,828,852.88	836,220.35
1.2. Variable remuneration	350,000.00	74,000.00
1.2.1. Variable remuneration paid	**210,000.00**	**44,400.00**
1.2.1.1. Variable remuneration paid - Cash	105,000.00	22,200.00
1.2.1.2. Variable remuneration paid - In kind	105,000.00	22,200.00
1.2.2. Variable remuneration deferred	**140,000.00**	**29,600.00**
1.2.2.1. Variable remuneration deferred - Cash	70,000.00	14,800.00
1.2.2.2. Variable remuneration deferred - In kind	70,000.00	14,800.00
1.3. Number of Beneficiaries	39	17
2. Additional Information		
2.1. New Hirings in 2018	2	1

Note: Holders of relevant functions of CGD S.A. in 2018: General Managers and Managers of Control Divisions (Internal Audit Division, Risk Management Division, Credit Risks Division, Compliance Office, Models Validation Office)

3.8. Transactions with Related and Other Parties

CGD performs transactions with group and associated companies and other entities controlled by the Portuguese state.

CGD's separate financial statements, at 31 December 2018, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	31-12-2018			
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	Other Companies of CGD Group
Assets:				
Liquid assets held in credit institutions	-	-	-	8,341
Loans and advances to credit institutions	-	-	-	2,175,640
Bonds and trading derivatives	6,533,420	229,292	4,490	554,367
Loans and advances to customers	-	2,576,373	72,399	82,360
Other Assets	12,707	75,796	309,110	2,498,898
Liabilities:				
Resources from credit institutions	-	35,027	31	841,141
Customer resources	29,719	463,117	446,665	250,498
Debt securities	-	-	72,117	402
Subordinated Liabilities	-	-	-	110,842
Financial liabilities held for sale	1,444	3,118	46	22,028
Other Liabilities	58,528	403	721	227,772
Guarantees Given	1,500	64,536	35,149	1,395,744
Results				
Interest and similar income	54,426	87,832	3,305	125,572
Interest and similar costs	10,323	1,345	1,496	65,502
Income from services rendered and comissions	73	1,817	52,520	26,409
Costs from services rendered and comissions	26	821	380	2,857
Results from financial operations	(281,778)	560	(1,264)	(12,561)
Other operating income	-	-	-	9,922
General administrative costs	-	66	1,393	26,753

CGD's consolidated financial statements, at 31 December 2018, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	31-12-2018		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:			
Securities and derivatives held-for-trading	7,165,001	230,451	5,008
Loans and advances to customers	2,041	2,665,876	99,414
Impairment for loans and advances to customers	-	-	-
Other assets	226,031	80,751	310,604
Liabilities:			
Customer resources	29,719	463,677	462,398
Financial liabilities held-for-trading	1,444	20,935	46
Other liabilities	58,934	107,656	847
Guarantees given	1,500	82,757	35,149
Net income:			
Interest and similar income	65,494	98,668	3,794
Interest and similar costs	10,323	12,096	1,545
Income from services rendered and commissions	73	55,856	8,688
Cost of services and commissions	26	1,075	400
Results from financial operations	(268,223)	5,254	(786)
Other operating income	(546)	3	50
General administrative costs	378	76	2,508

As regards the concept of “related parties” established in the Legal Framework of Credit Institutions and Financial Companies, CGD adopted a collection of internal standards in the respective regulation sphere.

Caixa records and regularly oversees operations with related parties as regards the companies included in the Group’s consolidation perimeter.

The policies on prohibitions and restrictions on lending to members of CGD’s management and supervisory boars, as set out in article 85 of the RGICSF (General Credit Institutions and Financial Corporations Regime) have been set out in CGD’s internal standard which defines the respective rules and procedures to be adopted herein.

Under the terms of the referred to regulation CGD may not issue any form or type of loan, including the provision of guarantees, either directly or indirectly, to members of its management or supervisory bodies or to companies or other collective entities directly or indirectly controlled by them.

Lending is presumed to be indirect when the beneficiary is a spouse or a person living in a *de facto* union, a relation or the like up to the first degree of any member of management or supervisory bodies of a company directly or indirectly controlled by any of the said persons.

Requests challenging the above referred to presumption should be formulated prior to the issue of the loan, with the consideration thereof being the responsibility of CGD’s board of directors which, if accepting the counter argument, shall inform the Bank of Portugal with a minimum advance notice of 30 days prior to the concrete act of making the loan.

The above referred to prohibition does not include the following lending operations:

- of a social character or purpose or when deriving from CGD's employee policy, in addition to loans resulting from the use of credit cards, according to conditions which are similar to those practised with other customers with a similar profile and risk;
- when the beneficiaries are credit institutions, financial corporations or holding companies which are included in the consolidated supervision perimeter to which CGD is subject, nor pension fund management companies, insurance companies, brokers and other insurance mediators which control or are controlled by any other entity in the same supervision perimeter

CGD's compliance with its obligations under article 85 of the *RGICSF* is ensured by duly formulated systems, policies and internal control procedures.

In 2018 CGD amended the internal standard on the prevention and management of conflicts of interest for the explicit purpose of including conflicts of interest which could result from situations between CGD and its related parties. The referred to standard defines the relevant concept of related parties for the purposes of preventing conflicts of interest, namely entities or persons with whom CGD has special commercial, equity or other relations.

During 2018 there were no credit or equivalent operations performed with the entities covered in article 85 of the Legal Framework of Credit Institutions and Financial Companies, since it should exempt operations granted under CGD's personnel policy, when applied to its employees, as well as the use of credit cards associated with the deposit account under conditions similar to those practiced with other clients of similar credit risk profile.

OTHER TRANSACTIONS

PROCEDURES FOR THE ACQUISITION OF GOODS AND SERVICES

Caixa Geral de Depósitos (CGD) has transparent procedures in place for the acquisition of goods and services, subject to principles of economy and effectiveness.

CGD has adopted the following procedures:

Preparation and market consultation

- Initiation of process with the identification of the need for new services or renewal of contracts;
- Opening of market for a prequalification of suppliers interested in participating in the market consultation.
- Production of tender documents, using the adequate draft model for the goods/service;
- Identification of suppliers to be consulted;
- Preparation of the suppliers' assessment grid;
- Tender documents sent to previously identified suppliers, inviting them to submit their proposals, which consultation, whenever possible, is sent to a minimum number of 3 suppliers per item/service;
- Reception of calls for tender and scheduling of meetings for clarifying doubts within the periods indicated in the tender documents.

Reception, assessment and negotiations of bids

- Reception of proposals from consulted suppliers, within the periods indicated in the tender documents based on the e-Procurement platform.
- Opening of proposals after the deadline indicated in the e-Procurement platform;
- Reception of the bids from consulted suppliers, within the periods specified in the tender documents and in a sealed letter;

- Opening of bids by a bid opening committee;
- Preparation and signing of the minutes of the opening of the bids;
- Analysis and comparative assessment of bids (production of shortlist if necessary);
- Production of a bid assessment grid, taking the previously defined assessment table into account.

Selection, approval of expense and award

- Selection of suppliers for inclusion in the following stage of the negotiating process;
- Negotiating rounds up to the selection of the final supplier;
- Allocation of expenditure;
- Production of information for the decision of the competent corporate body;
- Production of award document in accordance with the current draft model;
- Award of the acquisition of goods/services to supplier.
- Notification of excluded suppliers during the negotiating process;

Contracts

- Production of draft contract, based on the contents of the negotiating process, with no work being allowed to commence on its execution prior to the start date defined in the award;
- Copy of draft model sent to supplier.
- Negotiation of the final terms of the minute and signing thereof.

TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS IN 2018

Caixa Geral de Depósitos (CGD) has transparent procedures on the acquisition of goods and services, geared to principles of economy and effectiveness in due compliance with the objectives and principles of legality and business ethics as defined, namely, in the Legal Regime governing the State's Corporate Sector. Some goods and services are, however, acquired without consulting the market when Caixa Geral de Depósitos Group companies are involved.

- Valuables transport – ESEGUR – Empresa de Segurança, SA;
- Leasing operations – Caixa Leasing e Factoring, IFIC, SA;
- Vehicle hire – LOCARENT - Companhia Portuguesa de Aluguer de Viaturas, SA;

LIST OF SUPPLIERS REPRESENTING MORE THAN 5% OF EXTERNAL SUPPLIES AND SERVICES ON A SEPARATE BASIS

The following suppliers represented more than 5% of external supplies and services on an individual basis, in 2018:

(EUR)

Tax no.	Supplier	Total in 2018
PT500068801	Companhia IBM Portuguesa, S.A.	30,336,944.48
PT720003490	Fundo de Pensões do Pessoal da Caixa Geral de Depósitos	21,523,032.81
PT505107546	SIBS Forward Payment Solutions	16,811,045.15

3.9. Prevention of conflicts of interest

CGD is a fully state-owned company and, as a credit institution, supplies global banking and financial services, of which activity the prevention and management of conflicts of interest is an integral part.

As a credit institution, its organisational and administrative mechanisms are commensurate with the type, scale and complexity of its activity and enable the effective identification of possible conflicts of interest, the adoption of adequate measures to avoid or reduce the risk of the occurrence thereof to a minimum and the adoption of reasonable measures to avoid the interests of its customers from being prejudiced following the detection of a situation involving a conflict of interest.

CGD is regulated, herein, by domestic standards, namely the RGICSF (General Credit Institutions and Financial Corporations Regime), CdVM (Securities Market Commission) RJSPE (Legal Regime Regulating the State's Corporate Sector) and CSC (Commercial Companies Code), in addition to the standards and guidelines issued by European institutions and domestic and international supervisory authorities.

Particular reference should be made, in respect of members of statutory bodies, to the internal governance guidelines issued by the European Banking Authority (EBA/GL/2017/11 of 21/03/218), joint EBA and ESMA (European Securities and Markets Authority) guidelines on the suitability of members of boards of management and key function holders (ESMA71-99-598 and EBA/GL/2017/12 of 21 March 2018), guidelines for assessments of the suitability and good standing of members of the management bodies of the European Central Bank and Bank of Portugal *Instruction* 23/2018, on authorisation for holding office as members of the boards of management and supervisory boards of institutions subject to the supervision of the Bank of Portugal and European Central Bank in the sphere of the Single Supervisory Mechanism.

Particular reference should be made to CGD's following internal standards which are binding upon all employees including members of statutory bodies:

- CGD's Code of Conduct, published on its website at https:\\www.cgd.pt, which defines operating principles (article 10. "Independence of Interests") and standards of professional conduct (article 26: "Conflicts of Interest") on situations involving conflicts of interest which may occur during the performance of its activity.

- The policy for assessing suitability for selection as members of management and supervisory boards and key function holders (Suitability Policy), published on CGD's website at https:\\www.cgd.pt;

- CGD, S.A.'s individual and corporate Global Prevention and Management of Conflicts of Interest Policy (Global Policy), as published in its internal standards system;

- Internal standards on the prevention of conflicts of interest on an institutional level, such as conflicts relating to prohibitions and limitations on loans to members of statutory bodies, prevention of market abuse, subcontracting, decision-making competencies for credit and similar operations, approval and monitoring of products and performance of internal control functions (all of which have been published in CGD's internal standards system).

Members of management and supervisory bodies perform their duties in the interest of Caixa Geral de Depósitos, in due compliance with principles of transparency and loyalty.

The identification, prevention and management of conflicts of interest or potential conflicts of interest ensure that duties will be performed with an independence of spirit i.e. independently and objectively.

In particular, members of boards of management and supervisory boards are fully aware that they cannot intervene in the consideration and decision-making process in which they themselves, their spouse or person with whom they live in a *de facto* union, relative or the like up to the 1st degree are directly or indirectly involved or companies or other collective entities any of which they directly or indirectly control, under the terms of article 85 and 86 of the RGICSF. Operations resulting from CGD's employee policy, when applied to its employees, in addition to loans made as a result of the use of credit cards associated with a deposit account, with similar conditions to those applied to other customers with a similar risk profile are excluded from the application of this standard.

It should be noted that in the course of 2018 there were no credit or equivalent operations performed with the entities covered in article 85 of the Legal Framework of Credit Institutions and Financial Companies, since it should exempt operations granted under CGD's personnel policy, when applied to its employees, as well as the use of credit cards associated with the deposit account under conditions similar to those practiced with other clients of similar credit risk profile.

Both the Global and Suitability Policies were revised and updated in 2018 to comply with the guidelines of the European banking and capital market authorities and the requirements of the European Central Bank.

The existence of situations which generate conflicts of interest or with the potential to do so, when involving members of management and supervisory bodies is verified under CGD’s assessment process and the ECB’s authorisation for the performance of office of members of the board of directors or the supervisory board on a permanent basis and at least once a year.

The Global Policy characterises situations involving conflicts or potential conflicts of interest, establishes a conflicts of interest materiality table and lists the mitigation measures. The mechanisms and procedures for reporting and registering the situations identified as well as the instances to consider and decide upon the matter are also provided for therein.

In the event of the occurrence of any situation of conflict or potential conflict of interest during the period of office of management or supervisory bodies, the following is applied:

In the case of a conflict of interest involving a member of the board of directors it is the responsibility:

- Of the board of directors as a whole and without the participation of the member involved in a conflict of interest situation, to assess the situation and approve the proposed actions on the basis of an analysis and the advance opinion of the Compliance Office in order for the situation to be settled or mitigated, which decisions may be reviewed and revoked by the supervisory board;

  The Compliance Office’s referred to analysis and advance opinion are sent to CNAR, the Governance Committee (CG) and the Audit and Internal Control Committee (CACI) to be taken into account in the assessment of situations of conflicts of interest for which these committees are responsible and which may request GFC to take additional steps.

- Of CNAR, as a whole, without the participation of the member involved in a conflict of interest situation, if a member thereof, assisted by GFC, to assess whether the situation could compromise the independence and performance of the members of the board of directors and to inform the supervisory board of all situations in which it concludes that the conflict may compromise the independence and performance of the member of the board of directors.

- Of CG, as a whole and without the participation of the member involved in a conflict of interest situation, if a member thereof, to assess the impact of the conflict of interest on Caixa’s governance and inform the board of directors of its conclusions and also include its analysis in the annual report advising the board of directors on the matter;

- Of CACI to take note of the situations and ask for additional clarifications it considers appropriate to its duties as an advisory committee to the board of directors on audit and internal control matters.

The occurrence of any conflict of interest involving the chairman of the board of directors must be reported to the chairman of the supervisory board, which body should, as a whole, assess the conflict and establish the proceedings to be adopted to settle or mitigate it.

The supervisory board shall inform the ECB and advise the shareholder on all situations of conflicts of interest involving members of the board of directors when it concludes that the mitigation measures are insufficient or that the conflict could compromise the independence and performance of the member of the board of directors.

In the event of a conflict of interest involving a member of the supervisory board, it is the responsibility:

- Of the supervisory board, as a whole and without the participation of the member involved in a conflict of interest situation, to assess the situation and approve the proposed actions, based on the analysis and advance approval of GFC (which is also sent to CNAR), for the resolution or mitigation thereof;
- Of CNAR, as a whole and without the participation of the member involved in a conflict of interest situation, if a member thereof, and with the support of GFC, to assess whether the situation could compromise the independence and the performance of the member of the supervisory body and to also include its conclusions in the annual assessment of the suitability of each member of the supervisory board and the board as a whole;

  CNAR shall inform the chairman of the supervisory board and the chairman of the board of directors of all situations in which it concludes that the conflict could compromise the independence and the performance of the member of the supervisory board. The occurrence of a situation of a conflict of interest involving a member of the supervisory board upon which adequate mitigation measures have not been taken, must be immediately reported to the ECB and the shareholder informed thereof.

  In the event of the occurrence of a conflict of interest involving the supervisory board, which is responsible, with the assistance of GFC, for assessing the conflict and establishing the procedures to be adopted for the purpose of resolving or mitigating the conflict.

  As, in the sphere of the prevention and management of conflicts of interest and following the ECB's *Recommendation*, it may prove adequate to adopt measures for the redistribution of areas of responsibility, the board of directors decided, under an executive committee proposal and with the favourable opinion of CNAR, to redistribute areas of responsibility of members of the executive committee, with a view to the chief risk officer (CRO), as a board member, ceasing to accumulate responsibility for the Credit Risk Division (DRC) and the segregation of activities or functions based on parameters for the prevention and management of conflicts of interest, namely separation between control functions and areas/activities controlled and segregation between structural units intervening in the various stages of the decision-making process.

3.10. Analysis of the Company's Sustainability in the Economic, Social and Environmental Domains

STRATEGIES ADOPTED AND DEGREE OF COMPLIANCE WITH TARGETS

The strategy adopted by CGD, as defined on the basis of its Strategic Plan 2017-2020, is indicative of the rationality and sustainability of its sole shareholder's investment decision.

CGD´s Strategic Plan contains 5 key pillars:

1	2	3	4	5
Focus on economy	**Competitiveness**	**International coverage**	**Trust**	**Client Service**
*Enhance **commercial franchises** (retail, SMEs, large corporates) to **ensure sustainability***	*Adjust **operational infrastructure** (distribution platforms, central areas) and **investment in human resources***	*Restructure the **international portfolio** as a complement to the domestic operation*	*Strengthen the Group **risk management model** and **governance** to improve balance sheet solvency and resilience*	*Focus on the **Client experience**, through **digitalization** (end-to-end journeys) and service levels*

CGD generates value for its stakeholders by promoting the sustainable management of its resources, based on ethical principles and economic, social and environmental responsibility. In increasing the integration, loyalty and satisfaction of its customers as a strategic objective associated with sustainable performance, CGD is contributing to the social and economic evolution of citizens, households, companies and the future of Portugal.

The new Sustainability Strategy for the three year period 2018-2020, aligned with the Bank's Strategic Plan, defines six structural intervention areas – Accessible Business, Social Responsibility, Environmental Footprint, Ethics and Compliance, Risk Management and Involvement with Stakeholders, as reflected in annual activity plans which give continuity to sustainable development, in due compliance with the 10 United Nations' Global Compact Principles and the 17 Sustainable Development Objectives.

Three strategic areas in the commitment to Sustainability

Responsible Business. This is the first essential component of the Sustainability Strategy, and aims to contribute to innovation in supply; "Industry 4.0", socioeconomic and digital inclusion; transversal financing of the green/circular, blue (oceans/sea) and social "economies"; securing new business and customers from a position of strength to consolidate trust and good reputation.

Social Responsibility. The second component promotes the socioeconomic, cultural and digital progression ("social elevator") of third sector individuals and entities as well as combating poverty and social exclusion through the *Caixa Social* programme; equity and diversity in terms of hirings and the management of human capital; talent management and meritocracy; the balance between professional and family/social lives; a corporate culture anchored by values of voluntary work and skills sharing – Corporate Volunteering Programme.

Environmental Footprint. This is the third strategic component, which represents the commitment to reduce the impact of the Bank's activities on the environment and surrounding communities based on its Low Carbon Programme; mitigating waste production and optimising day-to-day material and natural and energy resources through the Environmental Management System; eco-efficiency of means and structures; commercial exploitation of opportunities deriving from the "circular economy", "economy of the sea" and digital evolution; management of the supply chain aligned with CGD's operating values and principles; preservation of Portugal's natural heritage and ecosystems and forming partnerships for sustainability.

Three basic links to the Sustainability Strategy

A triad of transversal links to the performance of a "Benchmark Institution": Ethics, Risk and Stakeholders.

Ethics. This link, driven by compliance functions, strengthens a corporate culture geared to rigour and resilience, codes of conduct, undertaking of policies and commitments, contributing to the safety/security and trust of all stakeholders and the shareholder, with a guarantee of compliance with legislation and sectoral standards, safeguarding the management of reputational risk management in alignment with best governance practice.

Risk. This is a decisive link in terms of preventative management, geared to safeguarding and enhancing the value of CGD's assets and activities pursuant to social and environmental criteria, complementary to economic indicators, leading to the detection and mitigation of occurrences or potentially harmful damages to Caixa, such as financing models and investment opportunities, managing the socio-environmental risk which is potentially present in commercial operations, in alignment with domestic and European regulatory trends.

Stakeholders. This is a permanent commitment to managing the expectations of CGD's interested parties, principally those considered to be "relevant" (i.e. customers, employees, suppliers, regulator, shareholder and entities representing interest groups), enabling the assessment of levels of satisfaction or improvement opportunities, through continuous dialogue, based on transparency and trust, capable of providing a regular contribution to the evolution of Caixa's sustainable performance and position.

Sustainability management model

CGD revised its sustainability management model by including good practice and its acceptance of the recommendations of international entities for the financial sector such as, e.g. the "Task Force on Climate-related Financial Disclosures" (TCFD) and "The Principles for Responsible Banking" of UNEP FI.

To further this ambition, the board of directors is CGD Group's senior body for sustainability-related policies and strategies, with the executive committee as the body that supervises the progress achieved by the implementation of the principal initiatives, in CGD and CGD Group companies, with the objective of generating value and profitability for the Bank.

The Governance Committee ensures compliance with governance principles and the assessment of sustainability strategies and policies. It submits proposals for guidelines on sustainability strategy, social responsibility and environmental protection, to the board of directors.

The Sustainability Committee is an advisory body to the executive committee and is chaired by the president of the executive committee (CEO). It comprises managers from different corporate areas with the responsibility for achieving the defined activities. It meets at least once every six months and proposes, coordinates and, *inter alia,* promotes the implementation of the annual activity plan, informing the governance committee thereof.

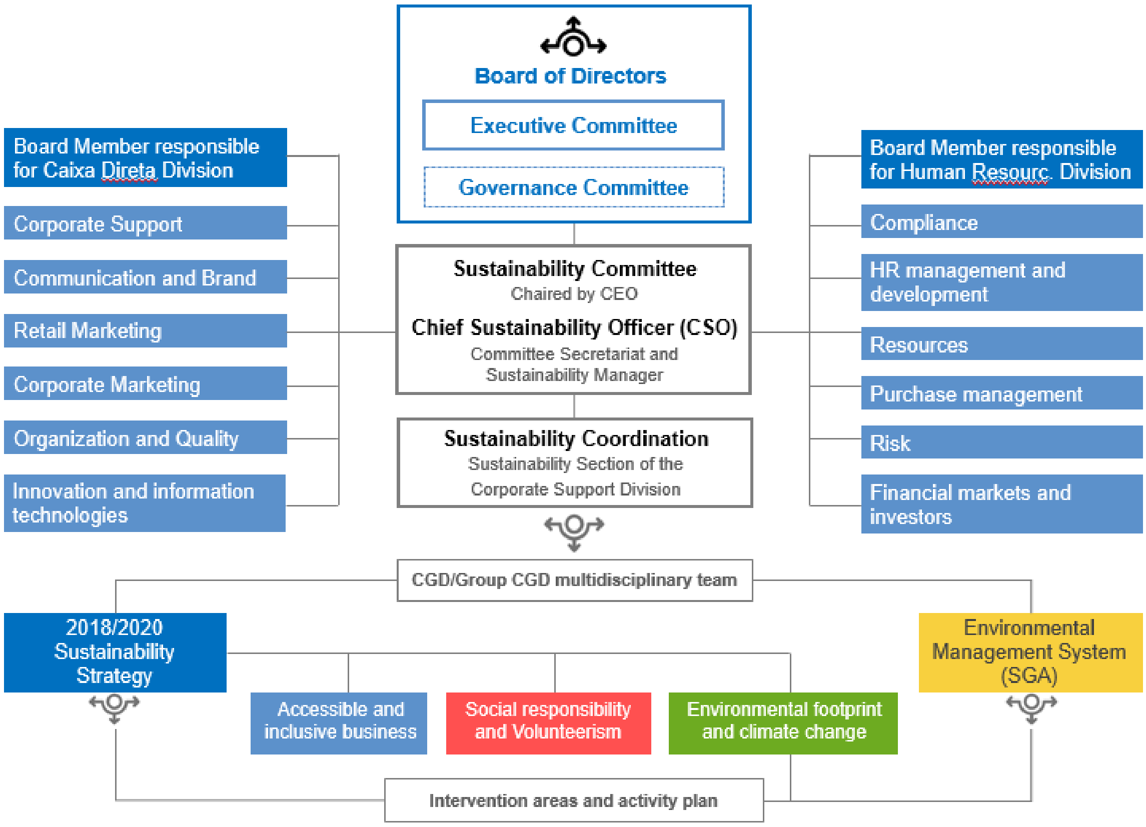
Chief Sustainability Officer (CSO). This is a relevant function created by the executive committee in 2018 and is CGD's official representative on such matters, operating as the secretary to the sustainability committee which he/she accumulates with the Sustainability Area.

Sustainability Area. This is part of the Corporate Support Division and coordinates the strategic initiatives plan, related programmes and systems, ensuring the existence of internal mechanisms and circuits to further performance indicators, assessment procedures and reporting processes.

CGD Group subsidiaries and local branches, in Portugal and abroad, have their own management model and report their sustainability initiatives which have been adapted to local requirements and commercial contexts, in line with CGD's comprehensive strategy and in conformity with prevailing corporate policies.

CGD's sustainability report includes the performance of such entities, consolidating CGD Group's transversal commitment to sustainability.

Sustainability Management Model



CGD informs its stakeholders of its sustainable performance in its sustainability report, under the directives of the Global Reporting Initiative (GRI), for the "Comprehensive" option of the GRI Standards 2016, which is independently certified by an external entity.

The Corporate Sustainability Programme is based on a Sustainability Policy comprising four guideline components on CGD's activity: the need to be economically viable, financially viable, socially just and environmentally correct. Based on this programme and, more specifically, the Sustainability Strategy for the three year period 2018-2020, CGD has continuously, efficiently and effectively committed to reducing its activity's exposure to the risks deriving from economic, environmental and social impacts.

CGD's internal promotion of its Corporate Sustainability Programme has developed a series of issues that, over the last few years have contributed to achieving several benefits, which include a reduction of costs and improved operational efficiency; obtaining additional revenues; talent retention; satisfying the expectations of stakeholder groups; overseeing regulatory trends; mitigating risks; promoting innovation in terms of supply and improving its brand reputation.

The sustainability management model can be consulted in item 3.12 – Annex 1 – Disclosure on non-financial Information – Decree Law 89/17. The annual sustainability report can be consulted at: the Sustainability Report 2018.

PURSUANCE OF POLICIES DESIGNED TO GUARANTEE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARDING QUALITY STANDARDS

Respect for ethical, social and environmental criteria in business management terms, in all operating areas, is ensured on the basis of policies, codes and internal rules, aligned with international best practice, conventions and protocols. As fundamental bases for sustainable performance, they are produced by one of the Bank's multidisciplinary teams, with particular reference being be made to compliance, legal and risk functions, whose implementation is periodically reviewed and monitored.

Sustainability Policies

- <u>Declaration of Commitment – Human Rights</u>

  CGD's position on its respect for and protection of human rights, covering all activities and operations with its stakeholders, communities and markets in which it operates.

- <u>Sustainability Policy</u>

  Defines CGD's general sustainability policies and its voluntary commitments geared to medium and long term value creation for the Bank and all stakeholders.

- <u>Environmental Policy</u>

  CGD's framework operating commitment to reducing its environmental footprint, based on measures to mitigate and/or avoid carbon emissions and its adaptation to the challenges generated by climate change.

- <u>Involvement with the Community Policy</u>

  This covers priority areas related to eminent challenges for the socioeconomic and digital inclusion of individuals and households. It particularly focuses on education, support for entities in the third sector, the "social elevator", job creation and voluntary work.

<u>Commitments with reputational and sectoral impacts:</u>

These are seen in policies and/or principles setting out requirements regulating CGD's and CGD Group's banking and financial operations, with domestic and international markets, certain economic sectors, safeguarding relations and risks that could compromise the profitability or reputation of the Bank and its Group companies.

They reflect good international banking practice and are the main pillars of internal risk management processes and the safeguarding of assets:

- Business Continuity Policy
- Exclusion and Sectoral Limitation Principles
- Prevention of Money-Laundering and Countering the Financing of Terrorism
- Policy for the Prevention of Corruption and Associated Infringements
- Plan for the Prevention of Corruption and Associated Infringements
- Principles regarding Taxation Matters
- Quality Policy
- Good Practice Guide for Suppliers
- Declaration of Ethical Principles and Good Business Practice for Suppliers

<u>Commitments with reputational impacts and/or transparency on a governance level:</u>

- Remuneration policy for statutory bodies
- Assessment of Suitability Policy for the Selection of Members of Management and Supervisory Boards and Key Function Holders

Safeguarding of Quality Standards

In the qualitative furtherance of its performance and with reference to its best international peers, CGD is a voluntary respondent to requests for information from the following raters: Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI), OEKOM, Vigeo Eiris, *inter alia*. The aim of receiving information on its performance to improve its evolution and achieve a competitive market position, a welcoming relationship of trust with its essential stakeholders, embodies a culture of Quality that promotes the efficient and effective management of internal processes.

It has, accordingly, maintained the processes certified to ISO 9001[23]. CGD's quality-related certifications particularly include the certification of its headquarters' Environmental Management System which continued to conform to the international ISO 14001:2015 standard, strengthening it as a domestic benchmark.

The optimisation and efficiency of processes and operational support units is transversal to CGD whose "LEAN" transformation programme has expanded its scope of implementation, to include other continuous improvement and organisational re-engineering methodologies.

MEANS OF COMPLIANCE WITH THE PRINCIPLES INHERENT TO ADEQUATE BUSINESS MANAGEMENT

The articulation between accessible, innovative and inclusive business, management of environmental impacts for the reduction of its ecological footprint and social responsibility as a "social elevator", pursuant to a culture of values, with socio-environmental risk criteria geared to stakeholders, fuelled a new strategic approach to sustainability, in 2018, as reflected in CGD's reputation and profitability, the recognition of its customers and its brand value.

SOCIAL RESPONSIBILITY – CGD'S SOCIAL AND CULTURAL CAPITAL

CGD operates according to principles and relationship models with its customers, providing support to its surrounding communities, sustainable economic-financial profitability, to achieve an accessible, inclusive banking business, valuing entrepreneurship and innovation, education and knowledge, financial and digital literacy, social economy entities and job-creation activities, the management of its environmental footprint and associated impacts contributed by the company, in its continuous support for social and cultural causes and the progression of generations, families and companies.

Social and financial inclusion

The assessment of quality of service and customer satisfaction is an essential alignment tool for the management of opportunities and essential needs for effective value generation and preservation of a long term relationship based on trust. The knowledge obtained by CGD from its customers, integrating their suggestions and expectations upstream from its business represents an important contribution to the Bank's evolution.

[23] Financial Markets, Prevention and Security, Customers' Suggestions and Complaints, Information and Management Systems, Implementation and Control of Operating Processes and Contact Centre.

Its proximity to customers and the market in general, is highly valued in terms of CGD's current performance. In guaranteeing customers' complete accessibility to their financial assets, notwithstanding the means used, locations and needs, CGD combines the availability of its portfolio of services with technological and multichannel innovation – branch office network, mobile banking branches, digital bank passbook, Caixadirecta, apps and call centre, etc. together with the socio-financial inclusion of persons with special needs and/or levels of disability which are dependent upon the supply of exclusive means of contact, relationships and mobility.

CGD has the highest market share of minimum banking services subscriptions in Portugal, which it has strengthened in alignment with the Social Security services and in increasing the associated benefits, helping to create a simplified banking offer and promote the financial inclusion of low income customers or customers with specific demographics. It has, in parallel, exempted customers over the age of 65 with income of less than 1.5 times the minimum national wage from bank charges.

As CGD provides a "Space for difference", as an OECD initiative for the employability of disabled persons and/or persons with special needs, more than 2% of its employees have some form of functional diversity with a disability rate of 60% or more and who are an integral, active part of its working community.

The Fight against Poverty

In its relationship with the Community, elementary respect for human rights and concern over social groups and individuals in greater need, living on the poverty line or with a loss of identity, CGD has created its *Caixa Social* programme for social impact investment in projects and initiatives for entities in the Third Sector – "Social Solidarity Institutions" (i.e. charities), NGOs and not-for-profit entities. In four spheres of intervention: 1) Job creation, 2) Social Inclusion, 3) Digital and Financial Inclusion and 4) Education and Knowledge, mutually interconnected through the transversality of its Young Persons' and Corporate Volunteering Programme.

CGD became a member of GIMAE ("Group for the Implementation, Monitoring and Assessment of Strategy") of the *Instituto de Solidariedade Social* (Social Welfare Institute), in May 2018, and, as part of the National Strategy for the Integration of the Homeless (ENIPSSA) was the only bank to be represented. This constitutes recognition of its role and performance in respect of communities, families and generations of Portuguese citizens.

Voluntary Work

Corporate volunteering represents CGD employees' solidarity in a series of initiatives to strengthen responsibility, as the "Bank of Portuguese Citizens", with society in general, namely by sharing knowledge and the skills needed for the evolution of community initiatives, together with its willingness to oversee other equally important challenges and important intervention areas for active citizenship in Portugal. Launched in November 2018 with the contributions of its employees and in alignment with the fundamental values of its Code of Conduct, the Corporate Volunteering programme – Caixa Volunteers – multiplies the solidarity commitment of 8,000 employees for those in need, side by side with those in a position to help. The first action, in December, included around 1,300 homeless persons, in Lisbon, involving more than 30 Caixa volunteers as part of the *Comunidade Vida e Paz*, initiative for Christmas dinner at the Rectory of the University of Lisbon.

As an integrating, motivating activity, voluntary work has also resulted in the "Extra Time" initiative which provides employees, at the transition stage of their professional lives – owing to retirement or voluntary redundancy − with experience of voluntary work in organisations in the social and cultural spheres, protection of animals or associated with the environment. The *Séniamor* group of retired CGD volunteers also continues its current activities of helping persons and families in need. Accordingly, emotional ties to CGD's brand and community live on in the relationship with other publics and causes, through "ambassadors" who continue to strengthen Caixa's values and reputation.

The greatest gift, however, is from employee volunteers in CGD's Blood Donors Group which is the largest private group in Portugal and which has already helped save more than 80,000 lives through its donations of blood and medulla.

Education

The promotion of a volunteering culture with younger people seals CGD's commitment to Education, helping to avoid early school leaving and encouraging active citizenship with the country's future leaders.

With the re-launch of CGD's *Young VolunTeam* educational programme, young volunteers have returned to secondary schools over the country as a whole, increasing students' and teachers' awareness of the need to transform school areas into a meeting point for Values which are fundamental to initiatives comprising the incubation of social and environmental solidarity, intergenerational equity and involvement with the surrounding communities. In partnership with *Sair da Casca*, Entrajuda and the Directorate General for Education (DGE), distinguished by the Civil Household of the Presidency of the Republic, this innovative programme, which is unique in terms of national pre-university education, enhances the academic qualifications of participating students based on including their participation in their respective résumés. The *Young* VolunTeam has, across five editions been in more than 400 schools with 10,000 participating students, more than 450 teachers and the involvement of 100,000 students and citizens.

The relationship with academia has evolved in the form of cooperation with higher educational institutes, based on the technological and digital innovation applied to CGD's offer and the relationship between university students and the Bank as well as in presences, at major events for the academic community, in the form of national and international conferences and seminars, award of prizes based on merit, research and study grants and recognition of innovative projects.

CGD made its largest investment in higher education in Portugal, in 2018 with an amount of €7.1 million in 45 agreements for higher educational institutes encompassing a 56% share of the Portuguese academic population.

Culture

The continuation of support for culture remains one of our operating pillars and the originality of CGD's Culturgest Foundation as the Group's main actor for culture in all of its noble forms of expression, with the organisation of events in various domains and artistic currents such as music, theatre, dance, cinema, conferences and reading sessions, exhibitions and educational services for children and young people.

CGD's Culturgest Foundation has developed activities geared to artistic and cultural training and the participation of members of the surrounding community in artistic and cultural life – holiday workshops and laboratories for children, artistic residencies and performances for young people, curators' collective – and has promoted the inclusion of people with intellectual, sensorial or communicational impairments, based on the organisation of activities, sessions and shows using sign language and audio description for persons with visual or auditory limitations, accompanied by the co-production of initiatives created with and by people with various handicaps.

Transversally it has ensured access to Art and Culture in its spaces, in Lisbon and Porto, based on a policy of accessible prices for its shows, exhibitions and other cultural events, with additional discounts for young people, seniors, the disabled and their minders, unemployed, etc.

In addition to its support for various cultural events, CGD has provided continuity to its Orchestras Project and its nationwide mobility, achieving new audiences for traditional classical and fusion music, promoting and decentralising access to habits of enjoyment of culture and the taste for music. The Opera Workshop, Music Box, Promenade Concert cycles and Pedagogical Concerts have provided many different audiences with other experiences of the performing and, occasionally, "erudite" arts.

Culture also comprises history and stories and represents an important part of CGD's and CGD Group's collection based on the management of its historic heritage in three areas: The Historical Archive, The Museological Collection and Collectors' Items and the Management of Libraries and mediatheques.

Donations of Goods

The programme of donations of goods to institutions of recognised merit with a social intervention capacity in the third sector, in collaboration with *Entrajuda*, allows CGD to meet the needs of several entities, encouraging the re-use of items of equipment and discontinued materials by local communities, schools and citizens in need who will give them a fresh lease of life and value.

The focus is therefore on the re-use of materials, helping to reduce waste, waste production and the environmental footprint, facilitating the reorganisation of assets which have been depreciated or written-off for accounting purposes and without any future use. The donation of goods also includes the offer of urban furniture from CGD's bank cards recycling programme which converted 15 tonnes of PVC and plastic into highly resistant and durable items of furniture for leisure use and while also being resistant to climate change and ensuring the complete destruction of cardholders' personal data.

On a complementary level CGD has provided continuity to its association with major causes in the area of solidarity and philanthropy, based on its fund-raising and goods collecting activities, information on which is provided in its contact media with the public and/or official entities.

Reference should be made to donations of furniture and equipment to various Social Solidarity Organisations and Student Associations, support for the *Casa do Gaiato* by financing the construction of a residence for young people, the donation of a tractor to the Union of the Parishes of Penalva de Alva and São Sebastião da Feira and contribution towards the acquisition of a fire engine for the Ferreira do Zêzere fire brigade, the latter of which owing to the major fires occurring in the Leiria and Santarém municipal districts, respectively.

The annual report, in integrated format, together with the annual sustainability report, disclose more detailed information on CGD's performance in the various domains referred to:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

Adoption of plans for equality of treatment and opportunities with the aim of eliminating discrimination and permitting reconciliation between personal, family and professional lives

CGD's Human Capital

CGD considers itself to be a "family-responsible company", managing its human capital according to principles of social responsibility and reconciliation between professional, personal and family lives, placing value on management geared to people, talent and ethical leadership, involving all hierarchical levels with the aim of achieving an equitable, motivating and inclusive organisational culture in terms of people's integration and development and meeting the most diverse challenges to the stability of the working environment.

Measures to promote balance between personal, family and professional lives in CGD:

a) Psychosocial support. This is a psychosocial/advisory programme for employees;

b) Socioeconomic support. This is the possibility of mortgage and personal loans for employees, on favourable terms and loans for employees and their families for durable goods, tourism, acquisition of school books and materials; oversight of occasional situations of support given in past years and loan restructuring situations;

c) Healthcare. Clinical and nursing centres in the main urban hubs and agreements with specified providers; vaccination campaigns and free screening. Consultations on the ageing process and diabetes; Protocols to ensure ongoing care and the treatment of addictive diseases for employees and their families, subsidies and assistance for the treatment of children with special needs; special payments in the events of major illness;

d) Flexibility and socio-professional support policies. Adequacy of function and the workplace to employees' physical and psychological status; geographical and functional mobility adjusted to employees' personal/family needs; extended leave for family assistance purposes in extreme social situations; continuity payments, annuities, seniority bonuses and student-worker subsidies; continuous training in pursuit of excellence and focusing on quality and results; induction of employees in new management functions; oversight of impending pre-retirement and retirement situations, promoting the continuity of active lives and providing for the need to avoid social exclusion;

e) Socio-family support. Special agreements for the purchase of products and services; Holiday camps, language and other courses for children and a used school books and materials sharing system; planning and support consultations.

f) Cultural and sport. Special access facilities to shows for employees and their families for the Culturgest Foundation's cultural amenities and the organisation of cultural actions at compatible times; Readers' Club, with orders for books. Provision of sports support infrastructures and special agreements covering various types of sport for employees and their families.

As regards maternity and paternity rights CGD promotes balance between the social and family roles of men and women in its disclosure of information on and ensuring the rights of both, providing support for breastfeeding, birth planning and preparations and health checks on newborns.

Support for associations of retirees, particularly *ANAC-Associação Nacional dos Aposentados da CGD*, translating CGD's recognition of the senior associative sector and those helping to build the history and reputation of this Portuguese Bank across generations, companies and national historical cycles.

The Sustainability Report shows the application of equal opportunity principles, whose information is certified by an independent external entity. Several measures have been designed to achieve balance between personal, family and professional lives in CGD, information on which can be consulted in item 3.12 - Annex 1 – Disclosure of Non-financial Information – Decree Law 89/17.

Measures taken by the company regarding the Principle of Equality of Gender, as defined in no. 1 of Council of Ministers' Resolution 19/2012 of 23 February

CGD operates in accordance with the principles of respect for human rights, as set out in its Code of Conduct and does not discriminate in terms of the employability of persons with special needs, in providing technical support and guaranteeing the accessibility needed for such employees' full integration and development. The recruitment process is based solely and exclusively on their *résumés* and candidates' profile and skills.

Career advancement is based on criteria of merit, experience and competence, with equal pay in terms of the basic wage, without any gender-based differentiation or other discriminatory factors, together with access to training and mobility opportunities.

CGD values complementarity and the profitability deriving from the balance of equality policies, complying with the gender equity ratio of its overall number of permanent employees, segmented as follows:

Employees (1)

CGD has an equitable gender ratio of 59,8% for women and 40,2% for men out of a total number of 7,401 permanent employees, unequivocally enhanced on the basis of the contribution made by women to the current management of the Bank's activities.

(1) CGD employees, on loan to CGD and employees of EIGs.

FEMALE REPRESENTATIVENESS (%)

Position	F	M	% Female
Senior management	62	139	30.8%
Middle management	663	602	52.4%
Technical staff	1.598	1.028	60.9%
Administrative staff	2.104	1.205	63.6%

Although there is no formal equality plan, the plans included as part of the employee policy are, however, based on principles underpinned by the principle of equal rights between genders.

The Code of Conduct of CGD establishes, in paragraph 3 of art. In the internal domain, CGD promotes equality of treatment and opportunities between men and women, as well as conciliation of the personal, family and professional life of its Employees.

Clause 25 of the Company Agreements guarantees that no right or benefit can be conditioned or limited by virtue of the exercise of trade union activity, the exercise of rights arising from maternity and paternity, situations arising from the status of worker-student, exercise of public functions or autarkic activities and exercise of other rights provided in law or in Company Agreements.

In CGD there is effective equality of treatment and opportunities between men and women, with no discrimination. CGD accordingly scrupulously complies with principles of equality, both in its employee hiring operations and their career advancement as well as in terms of its employees' remuneration.

As regards remuneration, CGD implements an effective equal wages policy between men and women, with no gender-based distinction.

CGD also promotes equal access to professional training which is available to all workers on the e-Learning platform.

CGD's policies are based on the effective reconciliation of personal, family and professional lives, in a culture of solidarity, based on the adoption of sustainable practice as a family-friendly Company.

Particularly as regards parenthood, CGD promotes balance between the social roles of men and women in its disclosure of information on the rights of both parents.

Related to the issue of equality and non-discrimination, in 2018, a draft Code of Good Conduct for Preventing and Combating Harassment at Work was drawn up, establishing the principles of conduct and standards of professional conduct to be observed by CGD and ensure effective prevention and effective response to harassment in the workplace.

Also in 2018, the process of developing a Human Rights Policy in the CGD Group was started, with a view to reinforcing CGD's commitment to respect for internationally recognized human rights, both for employees and for clients and suppliers.

In short, it is fair to claim that CGD promotes effective equality between men and women in all areas of their lives in the Company, providing them both with equal opportunities and rights.

Implementation of measures in the sphere of investment in professional advancement

CGD provides its employees with a culture of continuous development, geared to results, and always based on its corporate strategy and Code of Conduct, together with other references and commitments which are binding on all employees in the performance of their activities on behalf of the Bank.

The advancement of its professionals and talent management are part of a management approach geared to the inclusive and continuous training of employees and creation of functional mobility opportunities to enrich professional career paths and skills.

CGD's annual plan is designed to develop transversal or specific skills on the basis of strategic, regulatory guidelines and a survey of the specific needs of each structural body and workers in the performance of their duties. The knowledge management strategy upon which the employee training, development and advancement model is based accordingly enables their needs to be aligned with business requirements, promoting a culture of excellence geared to a better level of customer service, greater profitability and good brand reputation.

CGD continued to develop ongoing training initiatives in basic skills, in 2018, strengthening critical business skills and technical skills in the regulatory and business support sphere.

The continuity of training programmes for the directors of the leading Management Schools whose contents included issues associated with banking sector trends, management of transformation processes and the development of team management and negotiating skills provided them with contact with best sector practice. Members of the board of directors were also involved in induction and training programmes given by the officers in charge of the areas involved and leading external entities.

CGD carried out its Social Climate Study, once again, in 2018 to assess the level of motivation, involvement and commitment of its employees to the organisation, CGD brand and reputation, its values, assets, responsibilities and activities performed by them. The priorities and initiatives designed to improve CGD's policies, practice and procedures were identified.

Caixa Excellence Award was one of the initiatives with more visibility in the Company, contemplating all areas of activity of the Bank. The initiative aimed at strengthening the culture of meritocracy, encourage personal appreciation and professional development and to distinguish employees who excelled in the exercise of their functions.

ENVIRONMENTAL RESPONSIBILITY – CGD'S "NATURAL" CAPITAL

Policies adopted for the promotion of environmental protection and respect for principles of legality and business ethics and implementation of rules for sustainable development

CGD's Environment Policy is based on three fundamental commitments:

- Compliance with environmental legislation;
- Adoption of a proactive attitude and measures to prevent pollution;
- Continuous improvement of environmental performance.

CGD has undertaken this commitment as part of its three year sustainability strategy, materialised in the third operating component – Reduction of Environmental Footprint – which translates its endeavours to reduce the impact of its activities on the environment and surrounding communities.

Low Carbon Programme

As part of its Environmental Policy, CGD's Low Carbon Project responds to the challenges ad opportunities associated with climate change and the need to adapt its impacts in order to guarantee CGD's medium and long term sustainability. More demanding objectives regarding climate change were defined, in 2018, and greater alignment with the main international trends, with a commitment, *inter alia*, to reduce greenhouse gas emissions by 43% (scope 1 and 2) by 2021, in comparison to 2015 and in alignment with the decarbonisation methodologies contributing to the objectives of the Paris Accord and the voluntary reporting of climate-related financial information pursuant to the recommendations of its *Task-force on Climate-related Financial Disclosure* (TFCD).

The Low Carbon Programme comprises 4 operating components:

- Financing of the Low Carbon Economy. The provision of financial solutions contributing to the Low Carbon Economy;

- Reduction of Greenhouse Gas Emissions. Application of measures designed to reduce energy consumption and respective emissions;

- Mitigation of Environmental Risk. Implementation of measures designed to reduce environmental risks with the capacity to affect CGD's activities;

- Transparency and Awareness-raising. Transparency in reporting information and raising stakeholders' awareness of the need to adopt good environmental practice.

CGD is a voluntary respondent to the annual Climate Change questionnaire of the Carbon Disclosure Project (CDP), which is recognised by international investors as one of the best worldwide raters in the production of sustainability indices, in order to assess its performance regarding issues related to the adaptation to climate change, with reference to its voluntary participation since 2009. CGD retained its A- leadership classification in 2018, positioning it as the best bank in Portugal in managing the adaptation to climate change and having a plan in place to mitigate or exploit eminent situations.

Environmental Management System

The scope of the certification of CGD's Environmental Management System has evolved in accordance with the international ISO 14001:2015 standard, ensuring its activities' compliance with more demanding requirements. The existence of an Environmental Management System helps the Bank to adapt and respond to the expectations of its strategic stakeholders, ensuring full knowledge and dominion of infrastructures, resources, materials and supporting equipment for current, banking and financial, cultural (Culturgest), healthcare (clinical centre) operations and its restaurant, leisure and sporting operations together with all other areas in CGD Group's headquarters building.

In the sphere of the Environmental Management System's operations and with the aim of improving the efficiency of its use of natural resources, CGD has replaced its supply of water in plastic bottles by water dispensers using the public water supply network and has distributed glass bottles in meeting rooms and all branch offices in Portugal, in partnership with EPAL. This initiative was basically designed to reduce consumption of plastic, glasses and bottles, in addition to raising employees' awareness of the need to adopt good environmental practice and preserve workplace resources.

As an example of good Circular Economy practice – recycling, reproduction and manufacture and re-use − CGD's Bank Cards Recycling programme is part of the European Platform of Circular Economy Stakeholders which is an initiative mentored by the European Commission and the European Social and Economic Committee, continuing to provide assistance to various social institutions through the donation of items of urban furniture made from plastic and recycled PVC.

CGD began work on planting more than 30,000 autochthonous trees in the Pedrógão Grande region in 2018 following the catastrophic fires of 2017. With reference to this initiative and with the support of the *Fundo Caixagest Investimento Socialmente Responsável* in partnership with *Caixa Gestão de Activos*, a seminar with the "Forest" as its main theme as well as environmental awareness-raising actions for children in local primary schools, was held at the Auditorium of the Municipal House of Culture of Pedrógão Grande. The *Floresta Caixa* project has already planted 250,000 autochthonous trees across various regions on the mainland, under a 30 year sustainability management and biodiversity commitment.

CGD involves its suppliers and service providers in its environmental management and ensures that they also perform their activity in alignment with CGD's environmental requirements and the Good Environmental Practice Guide which is binding upon them.

CGD continued to progressively include sustainability-related contractual clauses, in 2018, requesting compliance with Ethical Principles and Good Business Practice, aligned with the 10 *Global Compact* principles, appended to contracts with suppliers and mandatory with regard to the type of the provision of services in several areas of economic and/or industrial activity.

In 2018, 247 new contracts were made through CGD's trading area, of which 93.5% include environmental clauses.

Regarding the maintenance process of ISO 14001 certification, reference should be made to the audits/environmental assessments to 3 suppliers resident in CGD's Headquarters Building.

The Annual Report, in an integrated format and the Annual Sustainability Report, publish more detailed information on the measures implemented and CGD's environmental performance https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

ECONOMIC RESPONSIBILITY – CGD'S ECONOMIC CAPITAL

Ways in which the company's competitiveness has been safeguarded, namely through research, innovation, development and integration of new technologies in the productive process

CGD's activity, in 2018, focused on the main actions designed to ensure its medium term sustainability based on improving its customers' experience, increasing proactiveness, commercial dynamics, adjustment of supply and levels of service.

Quality of Service – CGD's "Relationship" Capital

The improvement of its customers' experience is a priority for CGD and is a core issue in strengthening its value proposals for customers. The results of surveys particularly show a high proportion of satisfied customers, with 80% of its retail customers and 73% of corporate customers expressing their satisfaction over their global experience with CGD.

CGD has retained its leading position in the main customer and product segments, particularly in terms of unit trust investment funds and deposits, loans to households, payments and bank cards and in the digital sphere with 1.4 million Caixadirecta customers.

As regards financial inclusion and the protection of the population with fewer resources and strengthening its emphasis on Social Responsibility, CGD is the leader in terms of Minimum Banking Services accounts with a market share of around 50%[24], having expanded the scope of use of its debit card abroad and permitting 24 interbank transfers if made via Caixadirecta.

University students

CGD continues to strengthen its lead of the university segment, having entered into nationwide partnerships with higher educational institutions which currently include 45 cooperation agreements with the main Portuguese universities and polytechnics of which special reference should be made to *Universidade Católica*, *ISEG*, *Instituto Politécnico de Lisboa* and *Escola Superior de Hotelaria do Estoril*. CGD's Universities and Polytechnics programme has succeeded in attracting more than a million customers across a 24 year period, with CGD being the bank having provided assistance to higher education in Portugal for the longest period.

CGD also increased its level of investment in technological innovation during the new 2018/2019 academic year, based on the use of digital customer onboarding processes and fast and efficient agreements, with accounts being opened and products being subscribed for digitally through the use of tablets. An amount of €7.1 million was invested in academia, comprising 45 agreements with higher educational institutes and 56% of the Portuguese academic population. Over the course of 24 years,

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[24] 45.7% in June 2018, the date of the last Bank of Portugal report on minimum banking services accounts. The report for second half 2018 has still to be published;

CGD has succeeded in attracting 240,000 university customers and 370,000 retail customers (lecturers and functionaries)

Financial Innovation and Digital Transformation

In the sphere of its sustainable offer, the *Fundo Caixagest Investimento Socialmente Responsável* (ISR) continued to be an example of financial innovation and the only investment solution in Portugal with these characteristics. It is based on the performance of several listed international companies and reconciles their financial analysis with social sustainability, environmental and corporate management criteria.

The calamity of the fires devastating Portugal, in 2018, fuelled discussions and called the attention of civil society to the need to preserve the country's natural capital and biodiversity. CGD responded by providing specific lines of credit to assist the victims and permit the reconstruction of the affected zones while also enabling the maintenance of the economic activity of affected companies and businesses.

CGD continued to back promotional initiatives and the discussion of important issues for the future of society, economy, technological innovation and impacts, entrepreneurship, industry and Globalisation 4.0, *inter alia*, contributing towards a knowledge-based environment favourable to the growth of the Portuguese business environment based on its *Encontros Fora da Caixa* conference cycles across all districts nationwide, taking the discussion to civil and business communities with guest speakers and specialists, in line with CGD management's commitment to an integrated, strategic vision for Portugal.

CGD remains strategically committed to its digital channel as a value proposal for its customers, consistent across all channels and contact points and remains concerned over the provision of a proximity service of excellence to local inhabitants in places far removed from the major urban centres.

Economy and Companies

CGD's mission is to back the national economy while, at the same time, aiming to be the bank of choice for companies, manufacturers and employers, with a strong presence in its customers' day-to-day business. Growing oversight requirements for this customer segment require permanent adjustments of solutions able to provide timely responses to different needs, in the form of local proximity to the business environment, prompting trust and solidity on the basis of a specialised nationwide network. Reference should be made to the importance of SMEs as a crucial business area in enabling CGD to achieve its natural market share and contribute towards the sustained development of the Portuguese economy, with profitability and providing for the associated risk.

In its backing of the Portuguese business environment in the SME and business segment, reference should be made to the launch of *Linha Capitalizar 2018*, as a €1.6 billion line of credit geared to improving Portuguese SMEs' accessibility to financing, with specific sub-lines for investment (microenterprises, support for digitalisation) and support for the treasury function. Reference should also be made to the launch of the €200 million *Linha Caixa Invest Inovação* line of credit under the European Investment Fund's *Innovfin* programme, for innovation and modernisation purposes and the creation of a corporate overdraft facility in euros and foreign currency, as a differentiating product expanding the number of companies with access to the overdraft facility to meet their occasional treasury requirements.

To achieve these ambitions, the Corporate Marketing function has been geared to leveraging CGD's differentiating elements, promoting its competitiveness based on the most comprehensive market offer; an extended presence in Portugal and more than 20 countries, with specialised account managers; leadership in terms of lines of credit entered into with the Portuguese state; an enhanced internet banking service in terms of functionalities and reference for its users together with the development of a specific sectoral offer.

A series of business levers guaranteed the dynamics of the referred to competitive factors in 2018. They particularly included: (a) structural levers, to increase the flexibility and automation of tasks associated with the credit process (approval, decision and contract), in order to shorten customers' waiting times; *(b)* an upgrade of its Corporate Offer recognition programme and "CaixaTOP" offer, one of whose principles consisted of ensuring higher levels of growth and profitability in the corporate sector, namely SMEs, giving visibility to more dynamic, low risk companies; (c) a more commercially systematic approach; (d) a review of pricing mechanisms.

Action plans for the future – CGD's Institutional Capital

CGD will follow through on its sustainability strategy and respective activities plan for the three year period 2018-2020, ensuring the implementation of good management practice in the Bank's principal diverse operating areas and alignment with the 10 *Global Compact* principles, the UNO's 17 Sustainable Development Objectives, as well as the expectations of its stakeholders.

In terms of energy efficiency CGD has optimised the energy consumption of its installations and buildings, having defined the objective of achieving a 6% reduction of its energy consumption over the period 2017 to 2020.

The Bank remains committed to expanding its Corporate Sustainability Programme to its international structures, namely Banco Interatlântico, Banco Comercial do Atlântico, Banco Caixa Geral Brasil and its Timor Branch, Banco Caixa Angola, Banco Comercial de Investimentos Moçambique and BNU Macau.

CGD considers the management of its relationship and ongoing dialogue with various stakeholder groups to be a strategic tool designed to ensure transparency, trust and the alignment of performance with the expectations of interested parties, including the timely management of risks and opportunities.

CGD recognises that the success of its approach also depends upon various communication channels to ensure continuous dialogue with its diverse stakeholders and build balanced relationships based on trust which are mutually beneficial to all parties. CGD will, accordingly upgrade its materiality table on issues considered most relevant in Sustainability terms, in 2019.

Caixa created its *Caixa Social* programme as part of its three year strategy and respective Sustainability Programme. It allows CGD and CGD Group companies to promote socioeconomic projects and models in line with its strategic challenges, namely with Social Solidarity institutions, NGOs and not-for-profit organisations.

Value creation for shareholder (higher productivity, customer-centric approach, reduction of exposure to risks deriving from the environmental, economic and social impacts of activities)

As a "state-owned bank", CGD operates in such a way as to consolidate its activities as a structuring group in the Portuguese financial system, differentiated by its relevance and responsibility and strong contribution to economic development, enhanced competitiveness, capacity to provide for the innovation and internationalisation of Portuguese companies, stability and strength of the national financial system and sustainable development of Portugal and Portuguese communities worldwide.

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

The Annual Report, in an integrated format and the Annual Sustainability Report, publish more detailed information

3.11. Assessment of Corporate Governance

ASSESSMENT OF THE LEVEL OF COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRACTICE BINDING UPON CGD IN ACCORDANCE WITH CIRCULAR LETTER NO. 1156 OF 15 MARCH 2019 FROM DGTF

	CORPORATE GOVERNANCE REPORT	Comply		Page
		Yes	No	
I	**Summary**	**x**		**358**
II	**Mission, Objectives and Policies**			
1.	Indication of mission and furtherance thereof, in addition to the company's vision and values	x		361
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		Yes	No	
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3.12. Annexes

ANNEX I

COMPLIANCE WITH LEGAL GUIDELINES

(Information Detailed in Chapter 1.2. Mission, Objectives and Policies)

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

Targets to be acomplished up to 2020:

* Efficiency: reduce operating costs by around 20%, aiming to achieve a Cost-to-Income ratio in line with best practices of European banks;

* Prudence: comply with a risk cost of less than 0.60%, returning to the levels observed before the global financial crisis;

* Robustness: to reduce the % of Non-Performing Loans (NPLs) to below 7% of the credit portfolio;

* Soundness: to maintain a CET1 (Common Equity Tier One) equal to or greater than 14%, complying the new regulatory requirements and enabling a relevant financial support to the economic agents;

* Profitability: generate ROE (Return On Equity) of more than 9%, ensuring an adequate remuneration rate of equity.

The Strategic Plan executon in 2018 enabled the successful achievement of a large number of targets set out for the year in the referred to Plan, among which the following should be highlighted:

	2018 Management Targets	2018 Execution	2018 Strategic Plan Target
Return on Equity (ROE) (1)	> 5%	6.6%	> 5%
Recurrent Cost-to-Income	< 55%	52%	< 58% (2)
NPL ratio (EBA)	< 10%	8.5%	< 10.0%
CET 1 (Fully loaded)	> 13.5%	14.6%	> 12.0%

(1) ROE = (Net results+Non recurring costs+Non controlling interests) / Shareholder Equity (average of 13 monthly observations) Annualized;

(2) Domestic Activity

COMPLIANCE WITH LEGAL GUIDELINES ON AVERAGE PAYMENT PERIODS CALCULATED UNDER THE TERMS OF RULING 9870/2009, AND DISCLOSURE OF INFORMATION ON ARREARS, AS DEFINED BY DECREE-LAW NO.65-A/2011

The evolution of the average payment period to suppliers (average periods calculated under the terms of Ruling 9870/2009 issued by the Ministry of Finance and Public Administration), which changed the formula of Council of Ministers' Resolution 34/2008 of 22 February, was as follows:

(EUR thousand)

	2018				2017				Change 4th Q 2018 / 4th Q 2017	
Quarter	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**	**Amount**	**%**
Payment period (days)	65	33	52	35	48	59	50	57	33.019	48.3%

CGD has a mandate agreement with Sogrupo Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), which includes, inter alia, the provision of services related with billing and the processing of payments for the supply of goods and services.

SCSP has implemented an invoice validation process enabling the identification of divergent situations regarding the conclusion and quality of the provision of services, amounts incorrectly invoiced, invoices with missing mandatory information requested when awarding the contract, invoices with omissive descriptions and incorrect VAT rates and amounts.

As a means of improving the efficiency of the validation process with the objective of reducing the number of divergences found and promoting a strategy of reducing payment delays deriving from the above referred to situations, diverse initiatives, particularly the request for items to be set out in the invoice when awarding the contract, to improve efficiency in terms of its processing are in progress.

PAYMENTS IN ARREARS

(EUR)

	December 2018				
Payments in arrears under Decree Law 65-A/2011, article nº 2	0-90 days	90-120 days	120-240 days	240-360 days	More than 360 days
Acquisitions of goods and services	8,016,531	1,438,659	1,473,610	150,027	(958,617)
Acquisitions of capital	560,284	2,620	99,873	23,044	6,593
Outstanding balance	8,576,815	1,441,279	1,573,483	173,071	(952,024)
Debt to Suppliers (Total)	**10,812,624**				

COMPLIANCE WITH LEGAL GUIDELINES ON REMUNERATION LEVELS (SEE CHAPTER 3.7. – REMUNERATION FOR MORE DETAILS)

Chairman, executive and non-executive members of CGD's Board of Directors

According to the Remuneration Policy the executive members of the board enjoy the social benefits in the terms agreed by the shareholders meeting or by the remuneration committee. The Implementation of the referred to benefits must take into account the practice that has been followed by CGD, as well as the policies and remuneration practices of other banks and institutions comparable to CGD.

Non-executive Board Members and members of the Supervisory Board are not entitled to any social benefits.

Management bonuses

CGD's shareholder deliberated on the 26th of December 2018, based on a proposal presented by CGD General Meeting's Remuneration Committee, to grant variable remuneration to the executive members of the Board of Directors, relative to the year 2017, in the terms described in Appendix 1.

In accordance with EBA Guidelines on Sound Remuneration 25% of this remuneration was paid in cash on March 2019 and 25% will be paid in cash in 5 equal installments between 2019 and 2023. The remaining 50% of the remuneration were granted in kind, through a deferred instrument for the period of 5 years. The settlement of this remuneration will be subject to the evolution of the implementation of the 2017-2020 Strategic Plan. The financial instrument that will be used to fulfill the component of the remuneration in kind is still in a phase of approval by the competent authorities. These remunerations will be subject to income tax at the applicable rate.

Indemnities paid to former executive board members

No indemnities ere paid to former executive board members

CGD workers' guidelines

The effects of the wage restrictions were eliminated in 2017 and career advancements were restored with a restart of the counting of the time for seniority-based promotional purposes. A process of merit-based promotions and wage reviews was implemented.

In 2018, the employees' remuneration was paid in accordance with the Collective Labor Regulation Instruments in force for CGD, considering the time count for the purposes of level seniority promotions, career progressions, according to defined criteria in the Company Agreement, and the merit promotions process and salary review made at the initiative of the institution. The award of commercial incentives was also maintained, and a Performance and Potential Award was decided which covering some 3/4 of the employees. Wage scales increase by 0.75% (subject to a minimum increase of €18.00 euros) as were other remuneration components was approved.

COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE CREDIT CARDS USE

The "Public Manager Statute", in its current wording, as approved by Decree Law 71/2007 of 27 March is not applicable to Caixa Geral de Depósitos, S.A., as the latter is qualified as being a "significant supervised entity", in the sense of item 16) of article 2 of Regulation (EU) no. 468/2014, of the European Central Bank of 16 April 2014 (article 1, no. 2 of the Public Manager Statute), with articles 18 to 25, 36 and 37 of the Public Manager Statute (article 57 of the State Budget Law for 2018 – Law 114/2017 of 29 December and article 59 of the State Budget Law for 2019 – Law 71/2018 of 31 December) being applicable to members of CGD's management body.

The Public Manager Statute standards applicable to CGD's board members do not refer to the use of credit cards.

No credit cards were attributed to members of the Board of Directors in 2018 and any expense account items submitted by them were reimbursed.

COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE PROHIBITION OF UNDOCUMENTED OR PRIVATE EXPENSES

All expenses reimbursed by the Human Resources Department are supported by the respective tax document certifying its execution.

ELABORATION AND DISCLOSURE OF ANNUAL REPORT ON REMUNERATION PAYABLE TO WOMEN AND MEN, AS DETERMINED BY PARAGRAPH 2 OF RESOLUTION OF THE COUNCIL OF MINISTERS NO. 18/2014 OF MARCH 7

CGD complies with the rules of equality in the attribution of remuneration to men and women as described in the presented contents.

ELABORATION AND DISCLOSURE OF ANNUAL REPORT ON CORRUPTION PREVENTION

Caixa Geral de Depósitos, as a public limited company with exclusively public capital, whose purpose is banking activity, is covered by the Legal Framework of the State Business Sector, which provides for the obligation to prepare a report annually identifying the risks and Occurrences of Corruption and Related Offenses. The report for the year 2018 was prepared in 2019, which will be disclosed on CGD's public website in due course.

COMPLIANCE WITH LEGAL GUIDELINES ON A PUBLIC CONTRACTING LEVEL

Public Contracting Rules

Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code approved by Decree-Law no.18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).

In the same way CGD is not bound to subscribe for the national public procurement system (SNCP), including its BASE system, because it is a commercial company, with the object of performing a banking activity in the broadest terms permitted by law.

Although Caixa Geral de Depósitos has not joined the National Public Procurement System, it has internal and external regulations, which are close to the procedures adopted in the SNCP.

CGD operates in the market in due compliance with the objectives and principles of legality and business ethics defined for the state's corporate sector as defined by Decree-Law no.133/2013 of 3 October, amended by law 75-A/2014 of 30 September which covers, inter alia:

- Transparency;
- Social responsibility;
- Sustainable development;
- Equal treatment for all customers and suppliers;
- Promotion of equality and non-discrimination.

Acts and agreements entered into involving more than €5 million

In 2018 the acts and agreements entered into involving more than €5 million were as follows:

- Contract for the Provision of Services between Caixa Geral de Depósitos, S.A. and Esegur – Empresa de Segurança, SA., for the provision of transport and valuables handling services;
- Software Licensing and Provision of Services Contract between Caixa Geral de Depósitos, S.A. and Calypso Technology, Inc., for the "Front-to-Back-to-Risk" project.

Acts and agreements submitted for the previous approval of the court of auditors in accordance to article 47

In 2018, contracts subject to prior approval by the Court of Auditors were as follows:

- Purchase order issued by Caixa Geral de Depósitos, S.A. to Thomson Reuters *(markets),* for licensing the flow of financial information data;
- Third addendum to the Contract between Caixa Geral de Depósitos, S.A. and EIT Services Portugal for the provision of Distributed Systems Management Services;

- Third addendum to the Contract for the Issue of CAMS II licences and Provision of Services between Caixa Geral de Depósitos, S.A. and DXC Technology Portugal, Lda., for the issue of CAMS II licences and Current and Evolutive Maintenance services;
- Contract for the Provision of Services between Caixa Geral de Depósitos, S.A. and Esegur – Empresa de Segurança, SA., for the provision of transport and valuables handling services;
- Software Licensing and Provision of Services Contract between Caixa Geral de Depósitos, S.A. and Calypso Technology, Inc., for the "Front-to-Back-to-Risk" project.
- Fourth addendum to the Contract for the Provision of Services between Caixa Geral de Depósitos, S.A. and EIT Services Co. Portugal, Lda., for the provision of Distributed Systems Management Services;
- Fourth addendum to the Contract for the Issue of CAMS II licences and Provision of Services between Caixa Geral de Depósitos, S.A. and DXC Technology Portugal, Lda., for the issue of CAMS II licences and Current and Evolutive Maintenance services;

COMPLIANCE WITH LEGAL GUIDELINES ON A LEVEL OF THE STATE'S VEHICLE FLEET

CGD's total fleet of 753 vehicles in 2017 was reduced to 720 in 2018 CGD has been reducing its number of vehicles over the last few years, following the closure of various branch office network structural bodies and particularly on account of the application of its new vehicles allocation policy which was approved in 2017 and which is based on even greater rationalisation in light of the series of initiatives having been implemented by CGD. These initiatives have been designed to cut costs, particularly as regards the management of vehicles and official travel, with the aim of achieving an even more responsible use of CGD Group's vehicle fleet.

Centralised management and process optimisation measures related to the acquisition, allocation and use of official vehicles, both in CGD and CGD Group companies headquartered in domestic territory continue to be, accordingly, introduced.In 2018 costs were down by 35.10 %, over 2017.

COMPLIANCE WITH GUIDELINES ON THE REDUCTION OF OPERATING EXPENSES

The strategic plan for the period 2017/2020 agreed between the Portuguese state and the European Commission set out demanding objectives for reducing the employee complement engaged on CGD's domestic activity, as well as the need for a relevant improvement in operational efficiency as measured by the cost-to-income ratio.

Adjustments to the branch office network were especially important, with the closure of branch offices in accordance with the defined sustainability model and continuation of the processes for restructuring the central departments.

With the aim of optimising employee costs, the main strategic options include:

- The implementation of the employee adjustment plan (retirements, early retirements and voluntary redundancies);
- Convergence of basic social costs/charges to the sector benchmark;
- Systemisation, simplification and effective management of the diverse remuneration components, with better balance between fixed and variable remunerations and greater articulation with performance;
- Optimisation of employee management to ensure the correct balance between internal and outsourced resources, face-to-face as opposed to remote services and between the branch office network and central departments.

An effective reduction of general administrative costs in CGD Group is based on the following:

- Adoption of an *Electronic Procurement Tool* with the aim of reducing the cost of the acquisition of goods and services, with access by and the introduction of greater competition between suppliers, as well as the use of *Electronic Auctions*;

- The harmonisation and centralisation of CGD Group procurement services with the aim of capitalising on the synergies deriving from negotiation and the centralised acquisition of goods and services in CGD Group terms;

- *Zero Based Budgeting* to be applied starting 2019;

- Revision and negotiation of all contracts for the supply and provision of services, including contracts related with the information system and technologies, in terms of scope, levels of service and other conditions;

- Across-the-board cost reductions deriving from the optimisation of the branch office network (rents, electricity, vehicles, external and in-house ATMs, etc.);

- Revision and negotiation of insurance contracts;

- Negotiation of real estate rents and optimisation of use of space;

- Implementation of energy efficiency measures;

- Implementation of a new total facility management model;

- Optimisation of costs associated with the vehicle fleet (quantity, type and scope of correlated services);

- Redefinition of supply of bank cards;

- Reduction of costs associated with the production and delivery of correspondence;

- Reformulation of model associated with the assessment of the award of sponsorships and the entering into of protocols, including sports clubs;

- Reformulation of the model associated with BPO (business process outsourcing) services to include the assessment of the possibility of automating these processes.

EVOLUTION OF OPERATIONAL COSTS - CGD PORTUGAL

(EUR Thousand)

	2018	2017	2016	2018 / 2017 ∆ Total.	2018 / 2017 Change %
EBITDA	n.a	n.a	n.a		
External services and supplies	224,935	238,747	286,412	-13,812	-5.8%
Employee costs	417,272	440,281	453,552	-23,009	-5.2%
i) Early termination severance pay [(a)]	-	1,698	-	-1,698	-100.0%
ii) Impact of the reversals on previous remuneration reduction [(b)]	-	-	3,241	0	0.0%
iii) Impact of the application of Articles 20 and 21 of the 2017 State Budget Law [(c)]	-	101	-	-101	-100.0%
Staff expenses excluding costs i), ii) and iii)	417,272	438,482	450,311	-21,210	-4.8%
Operational costs	642,207	677,229	736,723	-35,022	-5.2%
Turnover [(d)]	1,163,667	1,116,319	907,934	47,348	4.2%
Expenses/turnover	**55%**	**61%**	**81%**		
Communications	10,704	15,489	17,495	-4,785	-30.9%
Travel / accommodation	1,691	1,964	2,144	-273	-13.9%
Allowances	239	227	358	12	5.2%
Vehicle expenses	3,901	6,015	7,438	-2,114	-35.1%
Total	**16,534**	**23,695**	**44,124**	**-7,160**	**-30.2%**
Number HR (*)	7,419	7,988	8,463	-569	-7.1%
No. Employees (exc. SBs and managers)	7,218	7,765	8,213	-547	-7.0%
No. management positions	182	204	236	-22	-10.8%
No. corporate bodies	19	19	14	0	0.0%
No. Employees / management posts	**40**	**38**	**35**	**2**	**4.2%**
Vehicles					
No. vehicles	720	753	1,098	-33	-4.4%

(a) Does not Include the compensations paid for Mutual Agreement Resignations.

(b) Net value between the Reversal and the Correction Factor (value).

supplementary work was considered. The remaining measures had no impact on CGD.

(d) Total Operating Income.

AUDITS BY THE COURT OF AUDITORS DURING THE LAST THREE YEARS

As part of the audit works on the “Privatisation Process of CGD Group’s Insurance Companies” in 2014, the Portuguese Audit Court requested a series of documents and information in June, July, November and December 2018, with a view to complementing the information already supplied and which was promptly delivered.

In the referred to privatisation process, Caixa Seguros e Saúde, SGPS, S.A., a company hitherto fully owned by CGD and currently incorporated into CGD during the course of the merger operation which was completed in December 2018, disposed of 85% of the equity capital of Fidelidade - Companhia de Seguros, S.A. and 80% of the equity capital of Multicare - Seguros de Saúde, S.A. and Cares - Companhia de Seguros, S.A. – currently operating under the name of Fidelidade Assistência - Companhia de Seguros, S.A.

In December 2018, the Audit Court produced its audit report on the “Process for the Disposal of CGD Group’s Insurance Companies”, upon which CGD commented in due course in the terms set out in the annex to the Audit Report, published in February 2019 and that has no recommendations addressed to CGD (available at https://www.tcontas.pt/pt/actos/rel_auditoria/2019/2s/rel003- 2019-2.pdf).

Reference should be made to the fact that CGD Group's disposal of its insurance companies was based on a decision and strategic guidelines of its Portuguese state shareholder, in conformity with the memorandum of May 2011 of the Financial Assistance Programme for Portugal and was also a part of the programme of the 19th Constitutional Government and was retained in the documents revising the referred to Assistance Programme.

Reference should also, herein, be made to the fact that the European Commission, in July 2013, approved CGD's restructuring plan, establishing the sale of its insurance and healthcare business owned by Caixa Seguros and Saúde, SGPS, SA.

There is no knowledge that any recommendations addressed to CGD resulting from audits conducted by the Court of Auditors, in particular that referred to above has been addressed during 2018.

COMPLIANCE WITH THE DUTY TO PROVIDE INFORMATION ON THE "SEE" (STATE CORPORATE SECTOR) WEBSITE

INFORMATION TO BE PUBLISHED ON "SEE"

	Disclosure		
Information to be published on "SEE" (state corporate sector) website	Y / N / na	Last update	Remarks
Articles of association	Y	June 17	
Characterisation of company	Y	June 17	
Supervisory and shareholder function	Y	June 17	
Governance model / members of statutory bodies		March 18	
- Identification of statutory bodies	Y	March 18	
- Fixed remuneration status	Y	March 18	
- Disclosure of information on remuneration earned by statutory bodies	Y	March 18	
- Identification of functions and responsibilities of members of the board of directors	Y	March 18	
- Presentation of résumés of members of statutory bodies	Y	March 18	
State funding	Y	June 17	
Summary	Y	December 17	
Historical and current financial information	Y	September 17	
Good governance principles	Y	June 17	
Internal and external regulations binding on company	Y	June 17	
Relevant transactions with related entities	Y	June 17	
Other transactions	Y	June 17	
Analysis of company's sustainability in the following domains		June 17	
Economic	Y	June 17	
Social	Y	June 17	
Environmental	Y	June 17	
Appraisal of compliance with good governance principles	Y	June 17	
Code of ethics	Y	June 17	

APPENDIX 1

SHAREHOLDERS MEETING

Term of office	Function	Name	Attendance fees	Gross Remuneration
2016-2019	Chaiman	Paulo Mota Pinto	(**)	14,000
2016-2019	Vice-Chairman	Elsa Roncon Santos	(**)	12,000
2016-2019	Secretary (*)	José Lourenço Soares	(**)	0
				26,000

(*) This member, as a CGD employee /retiree, cannot accumulate this remuneration, therefore doesn't receive it.

(**) There are no attendance fees

BOARD OF DIRECTORS

Term of office (Start-End)	Position	Name	Date of the resolution	Number of Meetings	No. of terms of office performed in Company
2017-2020	Chairman of the Board of Directors	Emílio Rui da Veiga Peixoto Vilar	31-01-2017	20	3 (a)
2017-2020	Vice-Chairman of the Board of Directors and Chairman of the Executive Committee	Paulo José de Ribeiro Moita de Macedo	31-01-2017	20	1
2017-2020	Member of the Board of Directors	Francisco Ravara Cary	31-01-2017	20	1
2017-2020	Member of the Board of Directors	João Paulo Tudela Martins	31-01-2017	19	2 (b)
2017-2020	Member of the Board of Directors	José António da Silva de Brito	31-01-2017	20	1
2017-2020	Member of the Board of Directors	José João Guilherme	31-01-2017	19	1
2017-2020	Member of the Board of Directors	Maria João Borges Carioca Rodrigues	31-01-2017	18	2 (c)
2017-2020	Member of the Board of Directors	Nuno Alexandre de Carvalho Martins	31-01-2017	20	1
2017-2020	Member of the Board of Directors	Carlos António Torroaes Albuquerque	02-08-2017	19	1
2017-2020	Non-Executive Member of the Board of Directors	Ana Maria Machado Fernandes	17-03-2017	19	1
2017-2020	Non-Executive Member of the Board of Directors	José Maria Monteiro de Azevedo Rodrigues	17-03-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	João José Amaral Tomaz (*)	17-03-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	Alberto Afonso Souto Miranda	01-08-2017	20	1
2017-2020	Non-Executive Member of the Board of Directors	Hans-Helmut Kotz	19-10-2017	18	1
2017-2020	Non-Executive Member of the Board of Directors	Mary Jane Antenen	04-04-2018	20	1
2017-2020	Non-Executive Member of the Board of Directors	Altina Sebastian Gonzalez	05-04-2018	20	1

(*) Resigned with effect 30.04.2018

Date of first appontment :

(a) Appointed as General Manager of CGD by the Council of Ministers Resolution and t took office on 26 October 1989.

Elected Vice-Chairman of the Board of Directors by Unanimous Written Resolution at 31.08.2016

Elected as Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017 by Unanimous written resolution

(b) Elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016 by Unanimous written resolution

(c) Elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 08 July 2013 by Unanimous written resolution

ACCUMULATION OF FUNCTIONS

Board of Directors member	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Paulo José Ribeiro Moita de Macedo	Fundação Caixa Geral de Depósitos - Culturgest (*)	Chairman	
João Tudela Martins	Banco Nacional Ultramarino, S.A. (Macao-China)	Member of the Board of Directors	Private
José João Guilherme	Banco Nacional Ultramarino, S.A. (Macao-China)	Chairman	Private
	Banco Caixa Geral Angola S.A.	Chairman	Private
	Banco Comercial e de Investimentos, S.A.	1st Vice Chairman of the Board of Directors	Public
	Fidelidade Companhia de Seguros, S.A.	Member of the Board of Directors	Private
	Parbanca, SGPS, S.A.	Chairman	Public
Francisco Ravara Cary	Banco Comercial e de Investimentos, S.A.	Member of the Board of Directors	Public
	Banco Caixa Geral , S.A. (Spain)	Chairman	Private
	Banco Caixa Geral - Brasil, S.A.	Chairman	Private
	Locarent - Companhia PortugueS.A. de Aluguer de Viaturas, S.A.	Member of the Board of Directors	Private
	Caixa - Banco de Investimento, S.A. (**)	Chairman	Public
	Banco Caixa Geral Angola S.A.	Member of the Board of Directors	Private
	Caixa Leasing e Factoring - SFC, S.A.	Chairman	Public
	Banco Nacional Utramarino S.A. (Macao - China)	Member of the Board of Directors	Private
	Fidelidade Companhia de Seguros, S.A.	Member of the Board of Directors	Private
Maria João Borges Carioca Rodrigues	Caixa Geral de Aposentações	Chairman	Public
	SIBS, SGPS, S.A.	Member of the Board of Directors	Private
	Caixa - Banco de Investimento, S.A. (**)	Member of the Board of Directors	Public
	SIBS Forward Payment Solutions, S.A.	Member of the Board of Directors	Private
José António da Silva Brito	Caixa Participações	Chairman	Public
	Caixa Geral de Aposentações	Member of the Board of Directors	Public
Nuno Alexandre de Carvalho Martins	Caixa Serviços Partilhados, ACE	Chairman	Public
	Caixa Capital - SCR, S.A.	Chairman	Public
	Caixa - Banco de Investimento, S.A. (**)	Vice Chairman of the Board of Directors	Public
Altina Sebastian Gonzalez	Banco Caixa Geral, S.A. (Spain)	Non Independent member of the Board	Private
	Grupo Empresarial San Jose	Independent member of the Board	Private

(*) The start of functions depends on the non-opposition of the supervisory entity.

(**) Elected on January 31, 2019, with prior authorization from the European Central Bank

Supervisory Board	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Guilherme Valdemar Pereira d'Oliveira Martins	Grande Conselho do Centro Nacional de Cultura	Chairman	
	Fundação Calouste Gulbenkian	Executive Board Member	Private
	Caritas Portuguesa	Chairman of Supervisory Board	Private
António Luís Traça Borges de Assunção	Universidade Católica	Teatcher	Private
	VLX	Manager	Private
	Altauto Fahren (AF)	Manager	Private
	Sinvegere	Manager	Private
Manuel Lázaro Oliveira de Brito	DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda	Manager	Private
Nuno Filipe Abrantes Leal da Cunha Rodrigues	Faculdade de Direito da Universidade de Lisboa	Teatcher	Pubic
	Instituto Europeu da Faculdade de Direito da Universidade de Lisboa	Vice Chairman	Pubic
	Instituto de Direito Económico, Financeiro e Fiscal da Faculdade de Direito da Universidade de Lisboa	Vice Chairman	Pubic

BOARD OF DIRECTORS

REMUNERATIONS (MONTHLY VALUES)

Board of Directors	Remuneration (Monthly values - 14 months)	
Board of Directors		
Chairman		
Emílio Rui da Veiga Peixoto Vilar	7,785.71	(a)
Vice-President		
Paulo José Ribeiro Moita Macedo	30,214.29	
Executive members		
Francisco Ravara Cary	23,285.71	
João Paulo Tudela Martins	23,285.71	
José António Silva Brito	23,285.71	
José João Guilherme	23,285.71	
Maria João Borges Carioca Rodrigues	23,285.71	
Nuno Alexandre Carvalho Martins	23,285.71	
Carlos António Torroaes Albuquerque	23,285.71	
Non executive members		
Ana Maria Machado Fernandes	3,500.00	
João José Amaral Tomaz (b)	3,500.00	
José Maria Azevedo Rodrigues	3,500.00	
Alberto Souto Miranda	3,500.00	
Hans-Helmut Kotz	3,500.00	
Mary Jane Antenen (c)	3,500.00	
Altina de Fátima Sebastian Gonzalez Villamarin (d)	3,500.00	
Supevisory Bord		
Chairman		
Guilherme Valdemar Pereira d'Oliveira Martins	5,200.00	
Member		
António Luís Traça Borges de Assunção	4,500.00	
Manuel Lázaro Oliveira de Brito	4,500.00	
Substitute Member		
Nuno Filipe Abrantes Leal Cunha Rodrigues	0.00	

(a) This member opted not to receive

(b) Resigned taking effect from 30 april 2018 (This member opted not to receive)

(c) Started 05-04-2018

(d) Started 06-04-2018

The payment of variable remuneration is disclosed in Appendix 1 of this report.

SPECIAL COMMITTEES

Term of office (Start-End)	Nomination, assessment and remuneration committee - CNAR				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	Ana Maria Machado Fernandes	Board of Directors decision 14/09/2017	14/09/2017	20
2017-2020	Member	Manuel Lázaro Oliveira de Brito	Board of Directors decision 22/06/2017	22/06/2017	
2017-2020	Member	António Borges de Assunção	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Alberto Souto de Miranda	Board of Directors decision 14/09/2017	14/09/2017	

Term of office (Start-End)	Audit and internal control committee - CACI				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	José Maria Monteiro de Azevedo Rodrigues	Board of Directors decision 23/03/2017	23/03/2017	21
2017-2020	Member	Alberto Souto de Miranda	Board of Directors decision 14/09/2017	14/09/2017	
2017-2020	Member	Altina Sebastian Gonzalez (1)	Board of Directors decision 09/04/2018	09/04/2018	

(1) Joined CACI in place of António Borges Assunção, initially appointed by decision of the Board of Directors on 23/03/2017.

Note: João José Amaral Tomaz joined the CACI up to 30/04/2018, when this member ceased functions in CGD due to resignation.

Term of office (Start-End)	Financial risks committee - CRF				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	Ana Maria Machado Fernandes	Board of Directors decision 14/09/2017	14/09/2017	20
2017-2020	Member	José Maria Monteiro de Azevedo Rodrigues	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Hans-Helmut Kotz	Board of Directors decision 23/11/2017	23/11/2017	
2017-2020	Member	Mary Jane Antenen (1)	Board of Directors decision 09/04/2018	09/04/2018	

(1) Joined CRF in a decision of the Board of Directors on 09/04/2018.

Note: João José Amaral Tomaz joined the CRF as President up to 30/04/2018, when this member ceased functions in CGD due to resignation.

Term of office (Start-End)	Corporate governance committee - CG				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	Alberto Souto de Miranda	Board of Directors decision 23/11/2017	23/11/2017	11
2017-2020	Member	Nuno Filipe Abrantes Leal Cunha Rodrigues	Board of Directors decision 22/06/2017	22/06/2017	
2017-2020	Member	Ana Maria Machado Fernandes	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Hans-Helmut Kotz	Board of Directors decision 23/11/2017	23/11/2017	

Note: The non-executive member of Board of Directors of CGD, S.A., Alberto Afonso Souto de Miranda, elected for the 2017-2020 term resigned on 18.02.2019,

ANNUAL REMUNERATION

Board member (name)	Annual Fixed remuneration (€)		
	Variable	Fixed	Gross
Emílio Rui Veiga Peixoto Vilar (*)		0.00	0.00
Paulo José de Ribeiro Moita de Macedo	a);b)	423,000.06	423,000.06
Francisco Ravara Cary	a);b)	325,999.94	325,999.94
João Paulo Tudela Martins	a);b)	325,999.94	325,999.94
José António Silva Brito	a);b)	325,999.94	325,999.94
José João Guilherme	a);b)	325,999.94	325,999.94
Maria João Borges Carioca Rodrigues	a);b)	325,999.94	325,999.94
Nuno Alexandre Carvalho Martins	a);b)	325,999.94	325,999.94
Carlos António Torroaes Albuquerque	a);b)	325,999.94	325,999.94
Ana Maria Machado Fernandes		49,000.00	49,000.00
João José Amaral Tomaz (**)		0.00	0.00
José Maria Monteiro Azevedo Rodrigues		49,000.00	49,000.00
Alberto Afonso Souto de Miranda		49,000.00	49,000.00
Hans Helmut Kotz		49,000.00	49,000.00
Mary Jane Antenen (***)		36,230.59	36,230.59
Altina de Fátima Sebastian Gonzalez Villamarin (****)		36,094.75	36,094.75
Total		**2,973,324.98**	**2,973,324.98**

(*) This member opted not to receive remuneration which, in annual terms totaled 109 thousand euros

(**) Resigned 30 April 2018 (This member opted not to receive)

(***) Started 05-04-2018

(***) Started 06-04-2018

(a) CGD's shareholder deliberated on the 26th of December 2018, based on a proposal presented by CGD General Meeting's Remuneration Committee, to grant variable remuneration to the executive members of the Board of Directors, relative to the year 2017, in the terms described in the table below.

(b) In accordance EBA Guidelines on Sound Remuneration 25% of this remuneration was paid in cash on March 2019 and 25% will be paid in cash in 5 equal installments between 2019 and 2023. The remaining 50% of the remuneration were granted in kind, through a deferred instrument for the period of 5 years. The settlement of this remuneration will be subject to the evolution of the implementation of the 2017-2020 Strategic Plan.

Note: Alberto Afonso Souto de Miranda, elected for the mandate of 2017-2020 as non-executive member of the Board of Directors of CGD, S.A., resigned on 18.02.2019.

Board of Directors (Name)	Variable Remuneration (€)						
	March 2019	December 2019	December 2020	December 2021	December 2022	December 2023	Comments
Paulo José Ribeiro Moita Macedo	56,387.40	11,277.48	11,277.48	11,277.48	11,277.48	11,277.48	c) ; d)
Francisco Ravara Cary	39,486.74	7,897.35	7,897.35	7,897.35	7,897.35	7,897.35	c) ; d)
João Paulo Tudela Martins	39,486.74	7,897.35	7,897.35	7,897.35	7,897.35	7,897.35	c) ; d)
José António Silva Brito	39,486.74	7,897.35	7,897.35	7,897.35	7,897.35	7,897.35	c) ; d)
José João Guilherme	43,456.96	8,691.39	8,691.39	8,691.39	8,691.39	8,691.39	c) ; d)
Maria João Borges Carioca Rodrigues	39,486.74	7,897.35	7,897.35	7,897.35	7,897.35	7,897.35	c) ; d)
Nuno Alexandre Carvalho Martins	34,928.57	6,985.71	6,985.71	6,985.71	6,985.71	6,985.71	c) ; d)
Carlos António Torroaes Albuquerque	34,928.57	6,985.71	6,985.71	6,985.71	6,985.71	6,985.71	c) ; d)
Total	**327,648.46**	**65,529.69**	**65,529.69**	**65,529.69**	**65,529.69**	**65,529.69**	

c) The financial instrument that will be used to fulfill the component of the remuneration in kind is still in a phase of approval by the competent authorities. d) These remunerations will be subject to income tax at the applicable rate.

2018

Board member (name)	Remuneration - Attendance fee (€) Plafond: 49,000 €		
	Variable	Fixed	Gross (1)
Ana Maria Machado Fernandes		49,000.00	49,000.00
João José Amaral Tomaz (*)		0.00	0.00
José Maria Monteiro Azevedo Rodrigues		49,000.00	49,000.00
Alberto Afonso Souto Miranda		49,000.00	49,000.00
Hans Helmut Kotz		49,000.00	49,000.00
Mary Jane Antenen (**)		25,900.00	25,900.00
Altina de Fátima Sebastian Gonzalez Villamarin (***)		37,000.00	37,000.00
Total		**258,900.00**	**258,900.00**

(*) Resigned 30 April 2018 (This member opted not to receive
(**) Started 05-04-2018
(***)Started 06-04-2018

Supervisory board member (name)	Annual remuneration (€)		
	Variable	Fixed	Gross (1)
Guilherme Valdemar Pereira Oliveira Martins		72,800.00	72,800.00
António Luís Traça Borges Assunção		63,000.00	63,000.00
Manuel Lázaro Oliveira Brito		63,000.00	63,000.00
Nuno Filipe Abrantes Leal Cunha Rodrigues		0.00	0.00
Total		**198,800.00**	**198,800.00**

Supervisory board member (name)	Remuneration - Attendance fee (€)		
	Variable	Fixed	Gross (1)
Guilherme Valdemar Pereira Oliveira Martins		7,400.00	7,400.00
António Luís Traça Borges Assunção		49,000.00	49,000.00
Manuel Lázaro Oliveira Brito		49,000.00	49,000.00
Nuno Filipe Abrantes Leal Cunha Rodrigues		33,300.00	33,300.00
Total		**138,700.00**	**138,700.00**

Note: Attendance fees are added to the fixed remuneration, paid per meeting,
(Value of attendance fee = 3,700 euros per meeting)

SOCIAL BENEFITS

Board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Emílio Rui Veiga Peixoto Vilar (a)			Social security		0.00	0		
Paulo José Ribeiro Moita Macedo	0.00	0.00	Social security	100,462.46	423.66	2,370	Study grant	461
Francisco Ravara Cary	0.00	0.00	Social security	77,425.04	423.66	2,370	Study grant	836
João Paulo Tudela Martins	0.00	0.00	Social security	77,425.04	423.66	2,370	Study grant	748
José António Silva Brito	0.00	0.00	CGA/Pension Fund	41,004.02	423.66	2,370	Study grant	493
José João Guilherme	0.00	0.00	Social security	77,425.04	423.66	2,370	Study grant	
Maria João Borges Carioca Rodrigues	0.00	0.00	Social security	77,425.04	423.66	2,370	Study grant	481
Nuno Alexandre Carvalho Martins	0.00	0.00	Social security	77,425.04	423.66	2,370	Study grant	271
Carlos António Torroaes Albuquerque	0.00	0.00	Social security	77,425.04	423.66	2,370		
Ana Maria Machado Fernandes	0.00	0.00	Social security	23,275.00	0.00	0		
João José Amaral Tomaz (b)								
José Maria Monteiro Azevedo Rodrigues								
Alberto Afonso Souto Miranda								
Hans Helmut Kotz								
Mary Jane Antenen (c)								
Altina de Fátima Sebastian Gonzalez Villamarin (d)								
Total				**629,291.72**	**3,389.28**	**18,959.60**		

(a) This member opted not to receive

(b) Resigned 30 de abril de 2018 (This member opted not to receive)

(c) Started 05-04-2018

(d) Started 06-04-2018

Note: Alberto Afonso Souto de Miranda, elected for the mandate of 2017-2020 as non-executive member of the Board of Directors of CGD, S.A., resigned on 18.02.2019.

Supervisory board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Guilherme Valdemar Pereira Oliveira Martins	0.00	0.00	Social security	16,280.60	0.00	0		
António Luís Traça Borges Assunção	0.00	0.00	Social security	22,736.00	0.00	0		
Manuel Lázaro Oliveira Brito	0.00	0.00	Social security	23,487.10	0.00	0		
Nuno Filipe Abrantes Leal Cunha Rodrigues	0.00	0.00	Social security	6,759.90	0.00	0		
Total	0.00	**0.00**		**69,263.60**	**0.00**			

MOBILE COMMUNICATIONS EXPENSES

Board member (name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
Emílio Rui Veiga Peixoto Vilar	N/A	34.30	
Paulo José de Ribeiro Moita de Macedo	N/A	1,744.12	
Francisco Ravara Cary	N/A	450.28	
João Paulo Tudela Martins	N/A	230.92	
José António Silva Brito	N/A	196.73	
José João Guilherme	N/A	2,043.03	
Maria João Borges Carioca Rodrigues	N/A	802.61	
Nuno Alexandre Carvalho Martins	N/A	780.37	
Carlos António Torroaes Albuquerque	N/A	1,393.28	
Total		**7,675.64**	

VEHICLE COSTS / CHARGES

Board member (Name)	Vehicles costs/charges								
	Vehicle	Agreement entered into	Reference price of	Type of payment (1)	Start year	End year	Monthly instalments	Annual instalments	Remaining payments
	[Y/N]	[Y/N]	[€]	[identify]			[€]	[€]	
Paulo José Ribeiro Moita Macedo	S	N	51,568.88	Acquisition	-	-	-	-	-
Francisco Ravara Cary	S	S	41,675.86	Renting	2018	2022	540.23	6,482.76	37
João Paulo Tudela Martins	S	S	81,762.33	Renting	2018	2021	892.63	10,711.56	35
José António Silva Brito	S	N	58,467.00	Renting	2014	2018	968.63	11,623.50	0
José João Guilherme	S	S	69,082.95	Renting	2018	2022	931.92	11,183.04	39
Maria João Borges Carioca Rodrigues	S	S	73,126.49	Renting	2018	2021	948.04	11,376.48	36
Nuno Alexandre Carvalho Martins	S	S	73,208.00	Renting	2018	2021	950.40	11,404.80	36
Carlos António Torroaes Albuquerque	S	S	63,662.32	Renting	2018	2022	841.28	10,095.36	39
Total			**512,553.83**				**6,073.13**	**72,877.50**	

ANNUAL VEHICLE COSTS

Board member (name)	Monthly fuel limit	Annual vehicle costs (€)				
		Fuel	Tolls	Other repairs	Insurance	Remarks
Paulo José Ribeiro Moita Macedo	N/A	4,071.45	1,105.80	6,309.48	556.32	
Francisco Ravara Cary	N/A	3,689.92	1,175.40	900.00	-	
João Paulo Tudela Martins	N/A	4,488.84	1,473.15	900.00	-	
José António Silva Brito	N/A	2,128.44	579.15	736.64	-	
José João Guilherme	N/A	3,752.63	1,326.00	971.76	-	
Maria João Borges Carioca Rodrigues	N/A	4,646.34	1,602.55	900.00	-	
Nuno Alexandre Carvalho Martins	N/A	2,108.93	1,037.35	900.00	-	
Carlos António Torroaes Albuquerque	N/A	2,217.11	821.10	909.94	-	
Total		**27,103.66**	**9,120.50**	**12,527.82**	**556.32**	

BOARD REPRESENTATION EXPENSES

Board Representation Expenses (€)			
	2016	2017	2018
Annual amount	18,136	2,795	3,230

BOARD MEAL ALLOWANCE EXPENSES

Board Meal Allowance Expenses (€)			
	2016*	2017*	2018*
Annual amount	10,634	0	0

(*) From September 2016, the meal allowance ceased for Board members

TRAVEL EXPENSES

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances (*)	Other		Total travel expenses
				Identify (a)	Amount	
Emílio Rui da Veiga Peixoto Vilar	203.91	-	0			203.91
Paulo José Ribeiro Moita Macedo	18,644.44	3,567.89	0	Visto	105.00	22,317.33
Francisco Ravara Cary	36,463.03	1,412.93	0			37,875.96
João Paulo Tudela Martins	11,333.16	688.74	0			12,021.90
José António Silva Brito	660.35	2,540.34	0			3,200.69
José João Guilherme	46,349.52	4,791.30	0	Visto	105.00	51,245.82
Maria João Borges Carioca Rodrigues	3,397.39	3,683.02	0			7,080.41
Nuno Alexandre Carvalho Martins	4,202.50	2,540.34	0			6,742.84
Carlos António Torroaes Albuquerque	2,951.36	686.88	0			3,638.24
Ana Maria Machado Fernandes	959.38	1,850.88	0			2,810.26
José Maria Monteiro Azevedo Rodrigues	-	-	0			0.00
Alberto Afonso Souto Miranda	-	-	0			0.00
Hans Helmut Kotz	25,381.27	6,623.96	0			32,005.23
Mary Jane Antenen (b)	10,733.77	6,285.07	0			17,018.84
Altina de Fátima Sebastian Gonzalez Villamarin (c)	6,920.74	-	0			6,920.74
Total	**168,200.82**	**34,671.35**				**203,082.17**

(a) Includes: visas, vaccinations, taxis, expense account items.

(b) Started 05-04-2018

(c) Started 06-04-2018

(*) Executive Committee opted not to receive alloawnces

Note: Alberto Afonso Souto de Miranda, elected for the mandate of 2017-2020 as non-executive member of the Board of Directors of CGD, S.A., resigned on 18.02.2019.

Suprvisory Board (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
Guilherme Oliveira Martins	-					0
António Luís Borges de Assunção	-					0
Nuno Filipe Rodrigues	-					0
Total	-					0

Term of office (Start-End)	Supervisory board					
	Position	Name	Appointment		Monthly remuneration (€)	Number of Term of offices
			Form (1)	Date		
2016-2019	Chairman	Guilherme Valdemar Pereira d'Oliveira Martins	UWR	31-08-2016	5,200	1
2016-2019	Member	António Luís Traça Borges de Assunção	UWR	31-08-2016	4,500	1
2016-2019	Member	Manuel Lázaro Oliveira de Brito	UWR	20-04-2017	4,500	1
2016-2019	Alternate member	Nuno Filipe Abrantes Leal da Cunha Rodrigues	UWR	20-04-2017	0	1

FEES IN 2018 WITH THE STATUTORY AUDITOR / EXTERNAL AUDITOR AND ENTITIES OF ITS NETWORK

(EUR)

	Fees (*)			
	Portugal	Abroad	Total	%
Separate accounts				
Audit and statutory audit	367,500	124,390	491,890	39%
Other audit related services	0	0	0	0%
Other assurance services	726,923	54,351	781,274	61%
Tax advisory services	0	0	0	0%
Other advisory services	0	0	0	0%
Total	**1,094,423**	**178,741**	**1,273,164**	**100%**
Consolidated accounts				
Audit and statutory audit	798,710	735,639	1,534,349	51%
Other audit related services	464,860	3,463	468,323	16%
Other assurance services	821,343	179,044	1,000,387	33%
Tax advisory services	0	0	0	0%
Other advisory services	0	0	0	0%
Total	**2,084,913**	**918,146**	**3,003,059**	**100%**

(*) Amounts in euros and exclusive of VAT.

Note: The fees on consolidated accounts already includes the fees on separate accounts.

The fees for Audit and Statutory audit and other assurance services correspond to the invoice amount in the year.

APPENDIX 2

	Compliance			Quantification / Identification	Justification / reference in Report
	Y	N	N/A		
Management objectives	X			In 2018, CGD Group activity was distinguished by the completion of its Recapitalization Plan and by the progress made in profitability and improvement of asset quality resulting from the successful implementation of the Strategic Plan. Strategic Plan allowed the achievement of a broad set of objectives set for that year.	Detailed information on the subject in chapter 1.2 - Mission, Objectives and Policies
Targets of the Activity and Budget Plan 2018					The Portuguese state and CGD strongly support the viability of the Strategic Plan, agreed with DG Comp.
Execution % at the budgetary information system					In 2018 the Strategic Plan execution enabled the successful achievement of a large number of targets set out for the year.
Evolution of average payment time to suppliers	X			48.3%	
Disclosure of information on arrears	X				Considering the change between 10,812,624 € (as of 2018) and 9,476,764 € (as of 2017).
Shareholder's recommendations at the time of the last approval of the accounts:					
Recommendation			X	Not applicable	
Remunerations					
Non attribution of management bonuses	X				On December 26, 2018 CGD's shareholder resolved, on a proposal from the Remuneration Committee of CGD's General Meeting, to assign to the executive directors, for the year 2017, variable remuneration as described in Appendix 1
Board of directors - Remuneration reduction and reversals in 2017	X			Remuneration policy for members of Boards of Directors and Supervisory Boards	Remuneration's variable component is subject to reduction and reversal mechanisms.
Supervisory bodies - Remuneration reduction and reversals in 2018				Remuneration paid to Statutory audit / External Auditor	
Auditor	X			Remuneration paid to Statutory audit / External Auditor	As regards the external auditor, the State Budget Law for 2018 determines that the global costs/charges paid on contracts for the acquisition of services, except for contracts which have been co-financed by European or international funds and by the Financial Mechanism of the European Economic Area ("EEA Grants") cannot exceed the global costs/charges paid in 2017.
Other workers - Remuneration reduction and reversals in 2018	X				The remuneration policy for CGD workers ceased to be conditioned by the wage restrictions imposed under the state budget law, from 2017.
Other workers - prohibition of increases in remuneration			X		
Article 32 of public manager statute					
Non use of credit cards	X			0	No credit cards were attributed to members of the board of directors in 2018 and any expense account items submitted by them were reimbursed
Non reimbursement of personal expense account items	X				
Confidencial or non-documented expenses	X				All expenses reimbursed by Human Resources Division are supported by the tax document proving that they have been paid.

	Compliance Y	N	N/A	Quantification / Identification	Justification / reference in Report
Report on CGD´s promotion gender equality					CGD complies with the rules of equality in the award of remuneration to men and women, as described in sent items.
Elaboration of Report on Gender Equality Remuneration		X			
Elaboration of Report on Corruption prevention		X			CGD´s internal control system comprises permanent measures aiming to prevent and combat of corruption and connected infractions which are reflected in several procedures and internal regulation namely the code of conduct, the Prevention of Corruption and Connected Infractions Policy, Global Prevention and Management of Conflicts of Interest Policy Internal Communication System on Irregular Practice. The 2018 Report was prepared in 2019 and will be published on CGD's public website.
Public contracts					
Company's application of rules on public contracts			X		Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code.A combination of the dispositions of no. 2 of article 1 and article 2 of the public contracts code, shows that CGD is not subject to the public contracts code regime.approved by decree law 18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).
Contracts submitted for the approval of the court of auditors	X			7	Acts and agreements submitted for the previous approval of the court of auditors in accordance to article 47. The complete breakdown is disclosed at: "Compliance with legal guidelines on a public contracting level".
Audits - court of auditors			X		In the last three years CGD was not subject to Audits by the Court of Auditors.
Vehicle fleet	X				
Number of vehicles	X			-33	CGD had a fleet of 753 vehicles in 2017 which was reduced to 720 vehicles in 2018. CGD has been reducing its vehicles fleet throughout the years.
Expenses with vehicles	X			-35.1%	Centralised management and process optimisation measures related to the acquisition, allocation and use of official vehicles, both in CGD and CGD Group companies headquartered in domestic territory continue to be, accordingly, introduced. In 2018 costs were down by 35.10 %, over 2017.
Operating expenses of state-owned companies (Article 64 of Law 66-B/2012)			X	-5.2% (2018/2017)	Between 2018 and 2017 was registered a reduction on external supplies and services (-5.8%) and employee costs (-5.2%).

ANNEX II

DISCLOSURE OF NON-FINANCIAL INFORMATION UNDER THE TERMS OF DECREE-LAW NO.89/2017 OF 28 JULY

CONSOLIDATED NON-FINANCIAL STATEMENT CONTAINING SUFFICIENT INFORMATION FOR THE COMPREHENSION OF THE EVOLUTION OF THE PERFORMANCE, POSITION AND IMPACT OF THE GROUP'S ACTIVITIES, IN RESPECT OF, AT THE MINIMUM, ENVIRONMENTAL AND SOCIAL ISSUES REGARDING WORKERS, EQUALITY BETWEEN WOMEN AND MEN, NON-DISCRIMINATION, RESPECT FOR HUMAN RIGHTS, THE FIGHT AGAINST CORRUPTION AND ATTEMPTS AT BRIBERY

Information on Caixa Geral de Depósitos's (CGD's) practice regarding relevant social and environmental issues, considering the context and significant impacts of its activity, is reported in conformity line with the requirements of Decree Law 89/2017 in respect of the following domains.

Governance Model

CGD, as the leader of the multinational financial group headquartered in Portugal, in the form of CGD Group, performs its domestic banking activity on the basis of a universal approach and a commitment to Portugal's economic, social, cultural and environmental development. Its organisational management model therefore combines this mission with a balanced ambition between profitability, growth and financial strength, prudent risk management, relationship with its essential stakeholders and strategic commitment to sustainable development based on its three fundamental pillars.

Sustainability Management Model

Its commitment to good practice and the recommendations of international entities has contributed to the evolution of the sustainability management model comprising:

i. Board of directors, decision-making body for policies and strategies;

ii. Executive committee, supervisor of the progress achieved in the implementation of policies and strategies;

iii. Governance committee providing the board of directors with sustainability strategy guidelines;

iv. Sustainability committee, an advisory body chaired by the CEO and which includes the representation of functional areas and organisational entities, both domestically and abroad, associated with the implementation of sustainability policies and strategy;

v. Chief sustainability officer (CSO), CGD's official representative for sustainability, responsible for proposing the sustainability strategy, mapping trends and exogenous changes to unify internal sub-cultures, organisation of the Sustainability Committee and management of the Sustainability Area;

vi. Sustainability area, part of the Corporate Support Division which coordinates the strategic initiatives plan, providing for assessment procedures and reporting processes.

Detailed information is available at the 2018 Sustainability Report.

Policies and commitments

CGD's policies and commitments framework governs its activity in terms of fundamental values and sustainability, encouraging the prevalence of ethics, rigour and transparency across all activities and operations. It is binding upon employees and functional structures, Group companies and, when applicable, partners and stakeholders.

- Code of Conduct
- Human Rights – Declaration of Commitment

- Sustainability Policy
- Quality Policy
- Prevention of Money Laundering and Countering the Financing of Terrorism
- Policy and Plan for the Prevention of Corruption and Associated Infringements
- Exclusion and Sectoral Limitation Principles
- Principles regarding Tax Matters
- Involvement with the Community Policy
- Product and Service Policy
- Environmental Policy
- Good Practice for Suppliers Guide
- Declaration of Ethical Principles and Good Business Practice for Suppliers
- Business Continuity Policy

Detailed information is available at the 2018 Sustainability Report.

CGD is a voluntary subscriber to principles and/or commitments with domestic and international entities, to complement the application of its corporate policies, including:

- Good Governance Practice for Companies in the State's Corporate Sector
- 10 Global Compact Principles of the United Nations
- 17 Sustainable Development Objectives of the United Nations
- United Nations Environment Programme Finance Initiative - UNEP-FI
- European Code of Conduct on Home Loans
- Code of Conduct of the Civil Institute for Advertising Self-Discipline
- Enterprise for Health — European Healthy Enterprises Network
- Charter for Responsible Business, European Savings Banks Group (WSBI/ESBG)
- Charter of Commitments of Portuguese Advertisers' Association (APAN)

CGD is also a member of taskforces and/or the statutory bodies of national and international organisations such as:

- Taskforces of the European Banking Federation, on behalf of the Portuguese Banking Association - Sustainability and Taxonomy
- Sustainability Committee of the European Savings Bank Group (ESBG/WSBI)
- Global Compact Network Portugal – Management member
- Alliance for Sustainable Development Objectives, Portugal - Management member
- GRACE - Management member
- Sustainability Taskforce of the Portuguese Banking Association
- SmartWaste Portugal – Founding member
- CADIN - Founding member
- BCSD Portugal – Member

Detailed information is available at the 2018 Sustainability Report.

Diversity

In the sphere of the National Strategy for Equality and Non-discrimination and its voluntary adherence to the Portuguese Charter for Diversity, as a European Commission Initiative, CGD complies with the gender equity ratio in terms of its overall permanent employee numbers, placing value on complementarity and the profitability deriving from this balance which it aims to improve.

This ratio is segmented as follows:

<u>Employees</u>

CGD has an equitable gender ratio of 59.8% for women and 40.2% for men out of a total number of 7,401 permanent employees, unequivocally enhanced on the basis of the contribution made by women to the current management of the bank's activities.

Detailed information is available at the 2018 Sustainability Report.

Working Conditions, Worker Safety and Health

CGD encourages freedom of association and the effective recognition of collective bargaining and has eliminated all forms of forced or mandatory labour, ensuring the safety of its working area.

To adapt its employees' working conditions, safety and health – based on a people-centric management, talent and ethical leadership approach – CGD produces a Social Climate survey whose results provide a global vision of their level of satisfaction, expectations and corporate culture. It therefore reconciles the management of its community with the continuity of CGD's restructuring process as part of its respective Strategic Plan.

Professional, personal and family lives are reconciled in a series of measures and services that promote desirable tripartite balance, namely in terms of psychosocial, socioeconomic, health, flexibility and socio-professional, socio-family, cultural, sporting and social solidarity/volunteering considerations.

Measures to promote balance between personal and professional lives

CGD's Social and Family Responsibility principles reflect human-centered management and a socially responsible leadership, involving all hierarchical levels of the company in creating an inclusive environment, supporting the human resources integration and development , and preventing the most diverse problems.

The restructuring context in the CGD Group required greater attention on the psychosocial issues that affected employees and their families, seeking to work in the prevention of work-related stress and burnout situations.

Given the context of socio-economic crisis experienced in recent years, with a cross-cutting impact on many families, the search for sustainable solutions focused on risk prevention and solvency support continued. In this context, short-term measures of financial support and of stimulating savings have been taken, with psychosocial support and budgetary advice.

Among the measures with impact to the balance between personal, family and professional lives in CGD, the most relevant are:

<u>Psychosocial support.</u>

Programme for employees in the form of a psycho-social/advisory programme, articulating the company's social, psychology and healthcare area services including the mobilisation of forms of internal solidarity with a guarantee of confidentiality.

<u>Socioeconomic support.</u>

Possibility of access to mortgage and personal loans for employees, on special maturities and subsidised interest rates favourable terms, but with significant changes in the scope of risk analysis, which promoted more diversified solutions.

Monitoring and assessment of some financial suport situations implemented which made it possible to perceive the impact of previous measures and simultaneously, to find alternatives for situations that still showed fragility, thus preventing further ruptures and/or needs.

Partnership work (SSCGD, DPE, DCM) resulting In a Solidarity Collection, allowing employees to contribute with food and personal hygiene products, generating a solidarity movement between partners. The campaign aimed to support families in times of greater difficulty, flagged and / or accompanied by the Social Action of DPE and SSCGD.

Healthcare

Employees are provided with adequate, specialised, healthcare services under CGD's employee oversight programme:

– Provision of medical and nursing facilities in the main urban centres and special protocols with providers in diverse areas, providing ample nationwide medical cover;

– Vaccination campaigns and free screening, focusing, *inter alia*, on the prevention of seasonal flue, how to stop smoking, prevention of cardiovascular disease, diabetes, women's health, skin cancer, aneurism of the aorta;

– Reference should also be made to consultations on the ageing process as part of a disciplinary approach;

– Protocols to ensure ongoing integrated care for employees and their families;

– Maintenance of specific agreements for treatments in the mental health and addictions areas for employees and their families;

– Subsidies and assistance for specific treatment for children with special needs;

– Special payments in the case of major illness (severely ill patients).

Flexibility and socio-professional support principles

– Adequacy of function, location/workplace to employees' physical and psychological needs;

– Geographical and functional mobility, whenever possible, adjusted to employees' personal/family needs as part of a policy designed to balance interests;

– Possibility of extending absences for family assistance purposes in extreme situations such as serious illness;

– Student-worker grants;

– Greater focus on a continuous training model designed to achieve a culture of excellence to improve quality and results, based on values such as change, a customer-centric approach, contribution to employees' personal and professional fulfilment, designed to promote social well-being;

– Advisory and oversight services for situations involving early retirements, retirements and voluntary redundancies.

Socio-family support

– Special agreements for the acquisition of products and services in the insurance, transport, tourism, nursery and kindergarten areas, acquisition of books and school materials, old people's homes and home support services, *et al*;

– Holiday camps, language and other courses for leisure-time and educational purposes for children, particularly during the school holiday period;

– Used school books and materials sharing system;

– Planning and support for parenthood, including preparations for births, consultations for newborns and a breastfeeding space;

– Awareness and training sessions in the area of responsible parenthood;

– Payment of birth grants;

– “Disabled persons subsidies” and/or “Subsidies for assistance to a 3rd person” for employees with seriously ill children, in duly certified cases;

– Subsidies for employees’ children (infancy, study, higher educational grants, based on social criteria and merit);

– “Funeral grants” for employees whose deceased family member is not covered by any mandatory social protection regime under which they are entitled to receive a death grant;

– Prevention and security actions promoted by CGD’s Prevention and Security Office and extended to employees’ children/family members.

Cultural and sporting areas;

– Special access to shows/events for CGD employees, through its Social Services;

– Special access terms to the Culturgest Foundation’s cultural events programme for employees and their family members and the organisation of cultural actions for employee groups at compatible times during the lunch hour;

– Readers’ Club, with cross-booking facilities and the possibility of ordering books with no postage costs for residents in the autonomous regions of Madeira and the Azores, combating insularity, as well as entering into partnerships with publishers and booksellers;

– CGD provides various sports-related infrastructures, particularly, at its HQ building’s Culture and Sports Centre and the Ajuda Sports Hall. There are also special agreements for the most diverse events for employees and their families nationwide.

Social solidarity

– Special reference should be made to the SSCGD (Blood Donors’ Group) that, with more than five thousand registered donors and a large nationwide network through its regional sections is the largest group associated with a financial institution and one of the largest nationwide;

– Corporate volunteering activities continue to mobilise employees and their families for social and environmental causes and help to strengthen CGD’s corporate culture;

– Internal volunteering activities, in which special reference should be made to the “SéniAmor” Group of Volunteers with hubs in Lisbon, Porto and Guarda, who interact with colleagues experiencing greater psycho-social difficulties, based on an approach geared to preventing social isolation and the maintenance of a business culture, in addition to a sense of belonging;

– Partnership with the *Tempo Extra*, volunteering platform to enable employees in a pre-retirement status and retired employees to continue to pursue active lives, providing assistance to institutions in various activity areas of their choice;

– Continuation of support for associations of retirees/pensioners, particularly *ANAC* which chairs the European Savings Banks Group, comprising representatives from banks in 8 countries, translating the recognition of its prestige in the senior associative sector.

The excellence of CGD’s policy regarding the need to achieve balance between working and family lives has only been enabled on the basis of a culture of social leadership and the active, responsible, solidary participation of people, as protagonists of change and the management of challenge.

Principle of gender equality

CGD implements good, non-discriminatory practices and an inclusive policy based on a series of fundamental pillars such as effective non-discrimination, social responsibility and the defence of exacting ethical standards and values based on trust.

Although not having a formal equality plan, the plans which form part of employee policy are, however, all based on a policy of equality.

No. 3 of article 11 of CGD’s Code of Conduct states that: “ Internally, CGD promotes equality of treatment and opportunity between men and women, in addition to the need to achieve balance between its workers’ personal, family and professional lives.

Clause 25 of the Company Agreements ensures that no right or benefit may be conditioned or limited owing to a union activity, maternity and paternity rights, situations deriving from student worker status or the performance of public or municipal office and all of the other rights provided for by law or the Company Agreement.

Diagnostics show the existence of effective equality of treatment and opportunities between men and women in CGD, with no discrimination. CGD accordingly scrupulously complies with principles of equality, both in its employee hiring operations and their career advancement, as well as in terms of its employees' remuneration.

In terms of access to employment there is no distinction between men and women whose selection is based solely and exclusively on their *résumés* and a candidate's profile and skills, irrespective of gender.

The analysis of professional career advancement is based solely on criteria of merit and skills.

In terms of remuneration, CGD's effective policy is one of equal wages for men and women with no gender-based differentiation.

CGD also promotes equal access to professional training which is available to all workers on its e-Learning platform.

Reference should be made, herein, to the fact that the mandate of the board of directors, starting 2017, includes three women board members who account for 20% of the said board. The board of directors had four women members, at 31 December 2018, representing 27% of board appointees.

CGD bases its policies on the need to achieve effective balance between personal, family and professional lives as part of a culture of solidarity aimed at adopting sustainable practice as a "Family Responsible Company".

Particularly as regards parenthood, CGD promotes balance between the social roles of men and women in its disclosure of information on the rights of both parents and their respective entitlements.

CGD also provides support for the breastfeeding project and arranges for birth planning and preparation consultations as well as medical appointments for newborns.

Reference should be made to the "birth grants" paid to all employees, since 2016, on the birth or adoption of children, in addition to an "infants' grant" and "study grant", all of which benefits are provided for in the Company Agreements.

As regards the issue of equality and non-discrimination, a draft Code of Good Conduct to Prevent and Combat Harassment in the Workplace was produced in 2018. The Code establishes the operational principles and standards of professional conduct to be complied with by CGD and its employees for the purpose of adequately preventing and effectively combating any situations of harassment in the workplace.

Human Rights and "Non-discrimination"

Addressed to all of CGD's activities and relationships and binding upon its employees, the Institution also reflects the applicability of its policies – particularly its Code of Conduct, to the Declaration of Commitment and Respect for Human Rights and Policy of Involvement with the Community – to the management of its human assets in ensuring equality of treatment and opportunities between gender, equity in hiring, career advancement and basic remuneration, as well as a commitment to "non-discrimination".

More than 2% of its employees have some form of functional diversity with a disability of 60% or more and are an integral, active part of the CGD community.

The fight against corruption and attempts at bribery and risk management

CGD's internal control system includes documented procedures and practice for the detection and prevention of situations of corruption, attempts at bribery and associated infringements – namely through its Code of Conduct, organic and functional structure, decision-making processes and the adoption of the principle of separation between functions when justified by activities and tasks, binding upon all of CGD's activity and employees.

Reference should be made to the following mechanisms:

- Internal Reporting Systems on Irregular Practice enabling employees to report situations which could be classified as corruption

- Performance Management System for employees including an assessment of “Attitude and Behaviour” which assesses the ethical dimension and prevention of corruption as the function of the referred to compliance officer
- Continuous training of all CGD Group employees
- System for the Prevention of Money Laundering and Countering the Financing of Terrorism, which identifies customers’ risk profiles, filtering sanctioned and politically exposed persons
- Disclosure of Sanctions Policy on corporate website
- Principles regarding Taxation Matters
- Exclusion and Sectoral Limitation Principles

Detailed information is available at the 2018 Sustainability Report.

Risk

CGD implements proactive, comprehensive policies to facilitate the identification of effective and potentially negative economic, environmental and social impacts, deriving from decisions and initiatives associated with the life cycle of a product/service or institutional activity, with the aim of avoiding and mitigating such impacts.

In the sphere of its commercial activity, CGD recognises the existence of sectors of activity or projects that could have a negative impact on sustainable development and economic, socio-environmental and reputational risk, defining principles, guidelines and requirements to be applied to the financing models of its customer portfolios.

Detailed information is available at the 2018 Sustainability Report.

Due diligence processes in the supply and subcontracting chain

With the aim of mitigating negative impacts on its socio-environmental performance, across the period of application of partnerships and/or third party subcontractors, CGD safeguards respect for human rights and compliance with standards for the prevention of corruption and attempts at bribery in its supply chain, in the form of contracts setting out the obligations in its Good Environmental Practice, Security and Health Guide – monitoring compliance regarding the type of service provided, namely with certified and/or resident suppliers.

To complement the contractual adherence of its suppliers, the Declaration of Ethical Principles and Good Business Practice also sustain the implementation of CGD Group’s Subcontracting Policy which assesses compliance and reputational risk in the supply chain.

In 2018, 247 new contracts were made through CGD's trading area, of which 93.5% include environmental clauses, representing an increase of 36% over the previous year.

Detailed information is available at the 2018 Sustainability Report.

Environmental performance and impacts

The main environmental risks have been identified, controlled and mitigated through the Environmental Management System whose ISO 14001:2015 certification remained valid in 2018, as a result of the external audit. The associated identification table of Significant Environmental Aspects permits the protection and management of risks deriving from the use of natural resources, waste production, greenhouse gas emissions *et al*.

CGD provides environmentally responsible financial solutions, in continuing to operate diverse lines of credit to help reduce greenhouse gas emissions, including areas such as energy efficiency, renewable energies and sustainable mobility.

The adaptation to climate change and transition to a “green economy” are reflected in the Low Carbon Programme designed to reduce the environmental footprint of CGD’s activities in 4 operating areas: (i) Financing of a Low Carbon Economy; (ii) Reduction of Greenhouse Gases; (iii) Mitigation of

Environmental Risk, and (iv) Transparency and Awareness-raising. Use was made of the methodology of the *Task-force on Climate-related Financial Disclosure* (TCFD) to identify the risks and associated opportunities.

Relationship with Stakeholders

Based on initiatives and relationship channels with its essential stakeholders, CGD identifies alignment opportunities with expectations and suggestions received, which it incorporates in its management and/or business model. This is exemplified by the Environmental Management System and respective evolution, with its internal and external impacts.

Awareness-raising and the mobilisation of its stakeholders on issues associated with ethical values and the challenges of sustainable development take the form of various initiatives that include satisfaction surveys and studies, training actions, organisation and participation in seminars and conferences, publication of indicators in support of sustainability-related knowledge, financial and digital literacy and oversight of complaints and suggestions received via the Customer Space digital platform, correspondence and/or other means and channels.

Detailed information is available at the 2018 Sustainability Report.

Involvement with the Community and social responsibility

The *Caixa Social* programme defines CGD's position and its commitment to the "social elevator", on the basis of 5 intervention areas: Job Creation, Social Inclusion and Solidarity, Digital and Financial Inclusion, Education and Culture – to promote initiatives and partnerships able to make a contribution to the social, economic and cultural advancement of citizens and households, together with Third Sector entities.

The association with major causes in the area of solidarity and philanthropy was also retained through donations of goods and equipment to entities and communities in need.

The relationship with academia is anchored by 45 cooperation agreements with higher educational institutions, as a strategic segment for CGD – young university students – and also ensures the distinguishing of merit and research as well as conferences and domestic and international innovation projects.

Detailed information is available at the 2018 Sustainability Report.

Culture

Culture continues to be one of the pillars of CGD's performance primarily, via CGD's Culturgest Foundation whose schedule of events, in various artistic domains, invests, in addition to other approaches and more accessible and/or recognisable quadrants of its public in general, in a new knowledge-related culture, promoting the disruptiveness inherent to the contemporary arts.

In parallel, its also provides an educational service geared to the socio-cultural inclusion of children and young people in addition to a ticketing system which favours needier citizens, seniors, people with special needs and/or specific cognitive deficiencies (sensorial integration).

Inclusion and social progression increasingly involve universal access to "education for culture", and explain why CGD decentralises its initiatives in this sphere, taking the various forms of art and culture, in addition to the talent of their protagonists, on itinerant nationwide programmes for disadvantaged audiences owing to their interiority, inviting greater participation in diverse formative activities and stimulation of the sensorial and behavioural capacities of citizens and communities.

Detailed information is available at the 2018 Sustainability Report.

Key Performance Indicators

In the sphere of the 6 operating areas of its Sustainability Strategy 2018/2020, a set of key performance indicators was defined on the basis of their relevance to CGD's activity.

Area of Practice	Key Performance Indicator	Target	2018 Performance
Responsible business	*Caixa* Accounts	2 Million *Caixa* Accounts	1.5 Millions (Partially concluded)
	Active CDO Customers	1.5 Million of active customers in *Caixadirecta* online	1.4 Millions (Partially concluded)
Social responsability	Programme *Caixa Social*	Launch of *Caixa Social* Programme	Concluded
	Volunteering	Launch of the Corporate Volunteering Programme and Young Volunteam 18/19	Concluded
Environmental footprint	Environmental Management System	Maintenance of ISO 14001:2015 certification	Concluded
	Adapting to climate change	Evolution of Low Carbon Programme and 2021 GEE goals setting	Concluded
Ethics and compliance	Human Rights	Publication of the Declaration of Commitment and respect for Human Rights	Concluded
	Tax evasion	Publication of Tax Principles	Concluded
Risk management	Principles of exclusion (applicable to financing activities and sectors)	Publication of the Principles of Exclusion and Sectorial Restriction	Concluded
	Credit/financing risk management	Integration of environmental and social criteria in the new rating model	Concluded
Involvement with Stakeholders	Voluntary rating for performance in sustainability, by international raters	Classification of leadership in Climate Change questionnaire of the Carbon Disclosure Project	Concluded
		Classification in Dow Jones Sustainability Index *	59 Points (Not concluded)
	Listening to internal stakeholders (employees)	Social Climate Study	Concluded

* Corresponding to 67 points according to the information provided in RobecoSAM (Auditor DJSI) and relative to methodological discrepancies (2015 *vs* 2018) underlying the definition of the objective and the final classification obtained.

77% of Sustainability Strategy actions 2018-2020 forecast for 2018, achieved.

The Board of Directors Report and the Sustainability Report provide detailed information on key performance indicators and their evolution.

ANNEX III

EXECUTIVE COMMITTEE – (DISTRIBUTION OF RESPONSIBILITIES)

EXECUTIVE COMMITTEE - DISTRIBUTION OF RESPONSIBILITIES AND RESPECTIVE SUBTITUTES

TERM OF OFFICE 2017-2020 AS OF 1 JAN 2019

Paulo Moita de Macedo – CEO

Areas of responsibility	Substitute
Organisational units of CGD	
Internal Audit Division (DAI) *	José Brito
Communication and Brand Management Division (DCM)	Carlos Albuquerque
Human Resources Division (DPE) ***	Maria João Carioca
Organization and Quality Division (DOQ) - Quality issues ****	Maria João Carioca
Corporate Support Division (DSC)	Carlos Albuquerque
Economic Research Office (GET)	Carlos Albuquerque
Compliance Office (GFC) **	Carlos Albuquerque

José João Guilherme – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Retail Banking Division -North Area (DCN)	Francisco Cary
Retail Banking Division -South Area (DCS)	Francisco Cary
Retail Marketing Division (DMR)	Francisco Cary
International Business Relations Division(DRI)	João Tudela Martins
International Office (OIT)	Francisco Cary
Domestic units:	
Parbanca, SGPS	José Brito
Partang, SGPS (in liquidation)	José Brito
International units:	
Banco Caixa Geral de Angola	Francisco Cary
Banco Comercial e de Investimentos – Mozambique	Francisco Cary
Banco Interatlântico – Cape Verde	Francisco Cary
Banco Internacional de S. Tomé e Príncipe	Francisco Cary
Banco Nacional Ultramarino – Macau	Francisco Cary
France Branch	Francisco Cary

Timor Branch	Francisco Cary

José António Silva Brito – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Accounting, Consolidation and Financial Information Division (DCI)	João Tudela Martins
Planning, Budgeting and Control Division (DCP)	João Tudela Martins
Financial Markets Division (DMF)	Francisco Cary
Domestic units:	
Caixagest	Carlos Albuquerque
CGD Pensões	Carlos Albuquerque
Fundger	Carlos Albuquerque
International units:	
CGD Branch – Spain	Francisco Cary
CGD Branch – Luxembourg	Francisco Cary

Francisco Ravara Cary – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Large Corporate and Institutional Business Division (DBE)	José João Guilherme
Corporate Banking Division - North area (DEN)	José João Guilherme
Corporate Banking Division - South area (DEN)	José João Guilherme
Corporate Marketing Division (DME)	José João Guilherme
Domestic units:	
Caixa Banco de Investimento, S.A.	Nuno Martins
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	José João Guilherme
Caixa Participações, SGPS, S.A.	José João Guilherme
Locarent	Nuno Martins
International units:	
Banco Comercial do Atlântico – Cape Verde	José João Guilherme
Banco Caixa Geral – Brazil	José João Guilherme
Banco Caixa Geral – Spain	José João Guilherme
CGD Investimentos CVC – Brazil	José João Guilherme
Mercantile Bank Holdings – South Africa	José João Guilherme

João Tudela Martins – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Direção de Gestão de Risco (DGR)	Maria João Carioca
Direção de Rating (DRT)	Maria João Carioca
Gabinete de Prevenção e Segurança (GPS)	Nuno Martins
Gabinete de Validação de Modelos (GVM)	Maria João Carioca
Domestic units:	
Caixa Serviços Partilhados	Nuno Martins

Maria João Carioca – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Operations Centre(CO)	Nuno Martins
Cixa Geral de Aposentações Support Division (DAC)	Nuno Martins
Information and Technology Division (DSI)	Nuno Martins
Digital and Remote Banking Division (DCD)	Carlos Albuquerque

Nuno Alexandre de Carvalho Martins – Vogal da Comissão Executiva

Areas of responsibility	Substitute
Corporate Business Monitoring Division (DAE)	Francisco Cary
Retail Business Monitoring Division (DAP)	José João Guilherme
Non-core Investments Division (DGP)	José Brito
Organization and Quality Division (DOQ) - Organization issues	Maria João Carioca
Domestic units:	
Caixa Capital	Francisco Cary
Esegur	Francisco Cary

Carlos António Torroaes Albuquerque – Member of the Executive Committee

Areas of responsibility	Substitute
Organisational units of CGD	
Legal Affairs Division (DAJ)	José Brito
Real Estate Business Division (DNI)	Nuno Martins
Credit Risk Division (DRC)	Maria João Carioca
Logistic Support Divisions (DRM)	Maria João Carioca

Domestic units:

Caixa Imobiliário	Nuno Martins
Imocaixa	Nuno Martins

* Reports to the Board of Directors according to the responsabilities / issues.

** Reports functionally to CACI

*** Monitoring delegation : Maria João Carioca

**** Quality issues. Organization issues: Nuno Martins

ANNEX IV

CURRICULA VITAE OF MEMBERS OF THE STATUTORY BODIES

MEMBERS OF THE GENERAL MEETING

CHAIRMAN - PAULO CARDOSO CORREIA DA MOTA PINTO

Date of Birth: 18 of November 1966

Current Positions

- Chairman of the Board of the General Meeting of Caixa Geral de Depósitos, SA.
- Chairman of the Supervisory Board of NOS, SGPS

Former positions

Business Positions

- Member of the Audit Committee and Non-Executive member of the Board of Directors of Zon SGPS

Government and Para-Governmental Positions

- Chairman of the Intelligence Oversight Committee of the Portuguese Republic (2013-2017)
- Member of Portuguese Parliament to the XII Legislature, Chairman of the Parliament´s European Affairs Committee (2011-2015)
- Member of the Portuguese Parliament to the XI Legislature, Chairman of the Parliament's Finance and Budget Committee (2009-2011)
- Judge at the Constitutional Court (1998-2007)

Academic Positions

- Lecturer at the Coimbra University Law School.
- Guest lecturer at the University of Sarre (Universität des Saarlandes), Germany

Academic qualifications

- Master's degree and Ph.D in the field of Legal Civilist Sciences (Law Faculty of the Universidade de Coimbra)
- Certificate of German law foundations, Ludwig-Maximilians Universität, Munchen, 1990

Prizes and Distinctions

- Member of the International Academy of Portuguese Culture

VICE-CHAIRMAN - ELSA MARIA RONCON SANTOS

Date of Birth: 10 of March 1951

Current positions

- Senior advisor to the Board of Directors of CP – Comboios de Portugal E.P.E., (Feb 2017-)
- Vice-Chairman of the Board of Shareholders Meeting of Caixa Geral de Depósitos, S.A., (2016-)
- Member of the Supervisory Board of Banco BPI, S.A. (Jul 2018-)

Former positions

- Member of the Foundations Advisory Board representing the Ministry of Finance (2014-2018)
- Director General of the Treasury and Finance – Ministry of Finance, (Aug 2011- Feb 2017)
- Member of the Board of Directors and of the Remuneration Committee of the EIB-European Investment Bank, (Jan 2015 - Feb 2017)
- Member of the Board of Directors of the Resolution Fund, (on behalf of the Minister of Finance 2012- 30 Mar 2017)
- Chairman of the Joint Committee of the Portuguese Fund for Investment in Mozambique, (2011-Feb 2017)
- Chairman of the Shareholders' Meeting of Parpublica – Participações Públicas (SGPS),S.A., (2013-Feb 2017)
- Chairman of the Shareholders' Meeting of Lusa – Agência de Notícias de Portugal, S.A., (2015-Feb 2017)
- Representative of the State's Corporate Sector on the Economic and Social Council, (2012- Feb 2017)
- Ex officio: Chairman of the Board of Management of the Equity Rehabilitation and Conservation Fund, (2011- Feb 2017)
- Chaiman of the Supervisory Board of E.P. - Estradas de Portugal, S.A., (2014 – 2015 until the establishment of IP – Infraestruturas de Portugal, S.A.)
- Chairman of the Supervisory Board of CTT, Correios de Portugal, S.A., and (2012-2013). Member of the Supervisory Board of CTT, (2013 - March 2014)
- Member of the Board of Fundação Ricardo Espírito Santo Silva, (ex officio: 2011-2013)
- Chairman of the Ethical Committee of CP- Comboios de Portugal, E.P.E., (2009-2011)
- Chairman of the Supervisory Board of CP Carga – Logística e Transportes Ferroviários de Mercadorias, S.A., (2010-2011)
- Chairman of the Supervisory Board of EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A., (2010-2011)
- Chairman of the Executive Committee (2003-2005) and of the Board of Directors of Fernave - Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A., (2003-2008)
- Member of the Advisory council of Elo-Associação Portuguesa for the Development and Coperation, (2004-2006)
- Member of the Board of Directors of the Forum for Company Directors (FAE), (2002-2004)
- Member of the Supervisory Board of the Forum for Company Directors, (2004-2013)
- Member of the Board and CFO of REFER - Rede Ferroviária Nacional, E.P., (2001-2002)
- Non-executive Chairman of the Board of GIL - Gare Intermodal de Lisboa, S.A., (2001-2002)
- Member and CFO of the Board of Directors,of Caminhos-de-Ferro Portugueses, E.P.,(1996-2000)
- Non-executive member of the Board of Directors da EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A., (1996-2000)
- Non-executive member of the Board of Directors of CPCOM - Exploração de Espaços Comerciais, S.A., (1996-2000)

- Representative to Eurofima - European Company for Financing of Railroad Stock
- Member of the Board of Directors and CFO of Metropolitano de Lisboa, E.P., (1994-1996)

Government and Para-Governmental Positions

- Chief of Staff for the Deputy State Secretary for the Budget; Prof Fernando Pacheco, (2000-2001)
- Chief of the Staff of the State Secretary of Industry, Prof. António de Sousa, (1998-1999)
- Chief of the Staff of the Deputy State Secretary of Finance, Prof. António de Sousa, (1993-1994)
- Chief of the Staff of the Deputy State Secretary of Foreign Trade, Prof. António de Sousa, (1991-1993)

Academic qualifications

- Economics degree by the Universidade Técnica de Lisboa
- Master at Gulbenkian Science Institute – Centre of Agrarian Economic Studies
- Introduction to the Calculation of Probabilities and Statistical inference
- Microeconomic Theory
- Econometric Models

SECRETARY - JOSÉ LOURENÇO SOARES

Date of Birth: 22 of November 1950

Current positions

- Secretary of the Board of the General Meeting of Caixa Geral de Depósitos, S.A.
- Chairman of the Shareholders' Meeting of Caixa – Banco de Investimento S.A.
- Chairman of the Shareholders' Meeting of Caixa - Participações, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Caixa Leasing e Factoring - IFIC, S.A.
- Chairman of the Shareholders' Meeting of Gerbanca, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Parbanca, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Partang, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Banco Internacional de S. Tomé e Príncipe, SARL

Former positions

Business Positions

- Managing Director of the Legal Affairs Department of Caixa Geral de Depósitos, S.A.
- Chairman of the Board of Directors of Parvalorem, S.A, since 2010
- Chairman of the Board of Directors of Parups, S.A., since 2010
- Chairman of the Board of Directors of Participações, SGPS, S.A., since 2010
- Board Member of BPN – Banco Português de Negócios, S.A., 2008
- Board Member of BPN Internacional, SGPS, S.A., 2008
- Board Member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE,

2008

- Board Member of Banco Efisa, S.A., 2009
- Chairman of the Shareholders' Meeting of Bandeirantes, SGPS, S.A., 2009
- Vice-Chairman of the Shareholders' Meeting of Companhia de Seguros Fidelidade - Mundial, S.A. (2009)

Academic Positions

- Assistant at the University of Lisbon School of Law
- Assistant lecturer at Universidade Autónoma de Lisboa

Academic qualifications

- Masters in Legal Sciences from the University of Lisbon School of Law
- Degree in Law from the University of Lisbon School of Law

MEMBERS OF THE BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN - EMÍLIO RUI DA VEIGA PEIXOTO VILAR

Date of Birth: 17 May 1939

Current positions

- Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A.
- Chairman of the Board of the Founders Board of Serralves Foundation
- Member of the Superior Board of Universidade Católica
- Chairman of the Advisory Board of the Portuguese Oncology Institute (*)
- Vice-Chairman of the Curators Council of National Museum of Ancient Art
- Non-Executive Member of the Board of Directors of the Calouste Gulbenkian Foundation
- Member of the Board of Directors of Partex Holding B.V.

Former positions

- Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., (2016-2017)
- President of the Supervisory Board of the Amigos do Hospital de Santa Maria (2015-2018)
- Member of the Advisory Board of the Bank of Portugal, (2014-2016)
- President of the Board of Directors and Executive Committee of of REN SGPS, S.A. (2014-2015)
- Chairman of the General Council of the University of Coimbra, (2013-2016)
- Non-Executive Member of the Board of Directors of Partex Oil & Gas (Holdings) Corporation (2012-218)
- Chairman of de Advisory Board of Fundações (2012-2018)
- Lawyer-Consultant at PLMJ, Sociedade de Advogados, RL, (2012-2015)
- Non-Executive Member of the Board of Directors and Officer of the Audit Committee of REN, SGPS, S.A.,(2012-2014)
- President of the Nomination Committee of European Fondation Center (2012-2014)

- Chairman of the European Foundation Centre, (2008-2011)
- Chairman of the General Council of the Portuguese Institute of Corporate Governance, (2007-2011)
- Chairman of the Portuguese Foundations Centre, (2006-2012)
- Chairman of the Gulbenkian Foundation, (2002-2012)
- Chairman of Partex Oil & Gas (Holdings) Corporation, (2002-2012)
- Chairman of the Board of Directors of Galp Energia, (2001-2002)
- Non-Executive Member of the Board of Directors of SOPORCEL, (2000-2001)
- Chairman of the Audit Board of the Bank of Portugal, (1996-2014)
- Member of the Board of Directors of the Gulbenkian Foundation, (1996-2002)
- Chairman of the European Savings Bank Group, (1991-1994)
- Chairman of the Board of Directors of Caixa Geral de Depósitos, (1989-1995)
- Commissary General of Europália 91 – Portugal, (1989-1992)
- Vice-Chairman of Serralves Foundation (1989-1991)
- Director General of the European Commission, (Brussels) (1986-1989)
- Chairman of the Advisory Board of BESCL, (1985-1986)
- Vice-Governor of the Bank of Portugal, (1975-1984)
- Chairman and Founder of SEDES (1970-1972)
- Director of Banco Português do Atlântico, (1969-1973)
- Technical Officer and Head of Department of GEPTT, (1966-1969)
- Military Service, (1962-1965)
- Law Traineeship, (1961-1962)

Government Positions

- Minister of Transport and Communications, (1976-1978)
- Minister of the Economy, (1974-1975)
- Secretary of State for Foreign Trade and Tourism, (1974)

Academic Positions

- Guest lecturer at the Faculty of Economics and Management of Universidade Católica (Porto), (1998-2002)

Academic qualifications

- Degree in Law from the University of Coimbra, (1961)

Distinctions

- Honoris Causa PH.D. from the University of Lisbon, (2011)
- Grand Cross of the Military Order of Christ, (1996)
- Grand Cross of the Ordem do Infante, (1991)
- Commander of the Order of Agricultural and Industrial Merit – Industrial Merit Class, (1982)

- Campaign Medal, (Angola 1964-65)
- Grand Master of the Order of Léopold, (Belgium)
- Grand Master of the National Order of *Cruzeiro do Sul*, (Brazil)
- Grand Master of the Order of the Star and Italian Solidarity
- Officer of the National Order of the Legion of Honour, (France)
- Order of Civil Merit, (Spain)
- Royal Order of Merit (Norway)

(*) Ended term of office. Management mandate,pending replacement

VICE-CHAIRMAN – PAULO JOSÉ DE RIBEIRO MOITA DE MACEDO

Date of Birth: 14 July 1963

Current positions

- Chief Executive Officer of Caixa Geral de Depósitos, S.A.
- Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A.~
- Chairman of Caixa Geral de Depósitos – Culturgest Foundation

Former positions

Business Positions

- Board Member, Millenniumbcp Ageas Grupo Segurador, SGPS, S.A., (29 August 2016 to 31 January 2017)
- Board Member, Ocidental Vida – Companhia Portuguesa de Seguros de Vida, S.A., (29 August 2016 to 31 January 2017)
- Board Member, Ocidental – Sociedade Gestora de Fundos de Pensões, S.A., (29 August 2016 to 31 January 2017)
- Director-General of Banco Comercial Português, S.A. (Millennium BCP), (November 2015 to August 2016)
- Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A., (January 2008 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Ocidental Vida – Companhia Portuguesa de Seguros de Vida, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Companhia Portuguesa de Seguros de Saúde, S.A. (Médis), (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of PensõesGere – Sociedade Gestora de Fundos de Pensões, S.A. (now Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.), (March 2011 to 20 June 2011)

- Member of the Supervisory Board of Bank Millennium (Poland), (March 2008 to April 2011)
- Member of the Supervisory Board of Euronext, NV, (January 2010 to June 2011)
- General Manager of Banco Comercial Português, S.A., (July 2007 to January 2008)
- Member of the Directive Committee of Seguros e PensõesGere, SGPS, S.A., (2003-2004)
- Board Member of Companhia Portuguesa de Seguros de Saúde, S.A. (Médis), (2001-2004)
- Board Member of Interbanco, S.A., (2000-2001)
- Board Member of Comercial Leasing, S.A., (1998-2000)
- Director of the Strategic Marketing Unit; Director of the Credit Cards Commercial Division, Director of Marketing of the Commercial and Business Network; Director of the Corporate Centre; Director of the Euro Office, Banco Comercial Português, S.A. (September 1993 to 1998)
- Senior Assistant and Director, Arthur Andersen (whose activities were merged with Deloitte in Portugal, starting August 2002), (september 1986 to September 1993)

Government and Para-Governmental Positions

- Minister of Health of the 19th Constitutional Government, (21 June 2011 to 30 October 2015)
- Director General of Tax and Chairman of the Fiscal Administration Board, (May 2004 to July 2007)

Academic Positions

- Guest professor at Lisbon University's (part-time 10%, without payment) at *Instituto Superior de Ciências Sociais e Políticas* (ISCSP) (January 2016 to December,31 2018)
- Guest professor at Lisbon University's *Instituto Superior de Economia e Gestão (ISEG)* (part-time 10%, without payment), (October 2016 – September 30 2018)

Academic qualifications

- Breakthrough Program for Senior Executives, IMD – International Institute for Management Development, Lausanne (from 3 to 12 de July, 2018)
- National defence auditor course, *Instituto de Defesa Nacional* (May 2016)
- Executive training in Lisbon (*Instituto Nacional de Administração*, inter alia), Madrid, Buenos Aires
- *PADE – Programa de Alta Direção de Empresas AESE – Escola de Direção e Negócios,* (May 2001)
- Executive training in Lisbon, Rome, Paris, London – INSEAD (advanced senior staff training programme), (1993-2004)
- Executive training in London, Segovia, Paris, Berlin, Amsterdam and Chicago, (1986-1993)
- Degree in Corporate Organisation and Management, from Lisbon's University's *Instituto Superior de Economia e Gestão,* (July 1986)

Prizes and Distinctions

- Grand Cross of the Order of *Infante D. Henrique,* (2016)
- Grand Master of the Official Order of *Infante D. Henrique,* (2006)
- Commendation from the Minister of State and Finance, (2007)

- *Alumni Económicas* prize – Lisbon University's *Instituto Superior de Economia e Gestão,* (2014)
- Professional of the Year prize, Lisbon Rotary Club (2006), Expresso – Gente prize, (2006) and Politician of the Year prize – Lux, (2015)

FRANCISCO RAVARA CARY

Date of Birth: 29 August 1965

Current positions

- Executive Board Member of CGD, responsible for the Corporate Banking areas (SMEs and large enterprises), institutional banking, investment banking and international activities in Brazil, Spain and South Africa (since 1 February 2017)
- Non-executive Chairman of the Board of Caixa Banco de Investimento, SA (Portugal)
- Non-executive Chairman of the Board of Caixa Leasing e Factoring, SFC, S.A. (Portugal)
- Non-executive Chairman of the Board of BCG (Spain)
- Non-executive Chairman of the Board of BCG (Brazil)
- Non-executive Board Member of BCI (Mozambique)
- Non-executive Board Member of Banco Caixa Geral Angola, S.A. (Angola)
- Non-executive Board Member of Banco Nacional Ultramarino, S.A. (Macau)
- Non-executive Board Member of Fidelidade – Companhia de Seguros, S.A.
- Non-executive Board Member of Locarent, Companhia Portuguesa de Aluguer de Viaturas, S.A.

Former positions in the last 5 years

- Executive Board Member of Novo Banco, SA, (2015/2017)
- Chairman of the Board of Directors of Espírito Santo Ventures, Sociedade de Capital de Risco, S.A., (2015/2016)
- Board Member of ES TECH VENTURES, SGPS, SA, (2016/2017)
- Chairman of the Board of Directors of GNB Gestão de Activos, SGPS, SA., (Portugal), (2015/2016)
- Chairman of the Board of Directors of GNB Vida, SA., (Portugal), (2015/2016)
- Chairman of the Board of Directors of Banco BEST, SA., (Portugal), (2015/2016)
- Board Member of Banque Espírito Santo et de la Vénétie, (France), (2014/2016)
- Board Member of Pharol SGPS, SA, (Portugal), (2014/2016)
- Board Member of Oi SA., (Brazil), (2015/2016)
- Board Member of BESI Brasil SA., (Brazil), (2014/2016)
- Board Member of EMPARK Aparcamientos Y Servicios, SA., (Spain), (2014)
- Vice-Chairman of the Board of Directors Banco Espírito Santo de Investimento, S.A. (BESI), (Portugal), (2014/2015)
- Board Member of BESI Holdings Limited, (United Kingdom), (2014/2015)
- Chairman of the Board of Directors Espírito Santo Capital, SA, (Portugal), (2014/2015)
- Chairman of the Board of Directors SES Iberia Private Equity, SA., (Spain), (2014)

- Board Member of Espírito Santo Investimentos, SA., (Brazil), (2014/2016)
- Board Member of 2bCapital, SA., (Brazil), (2014)
- Board Member of COPORGESTE - Companhia Portuguesa de Gestão e Desenvolvimento Imobiliário, SA., (Portugal), (2014/2015)
- Board Member of Emparque Portugal, SA., (Portugal), (2014)
- Board Member of Dornier, SA., (Spain), (2014)
- Board Member of BRB Internacional, SA (Spain), (2014)
- Board Member of Swan Street, (United Kingdom), (2014/2015)
- Member of the Supervisory Board of *Casa da América Latina,* (Portugal), (2014)
- Member of the *Conseil de Surveillance* of Siparex Dévélopment, (France), (2014)

Academic Positions

- Lecturer at *Universidade Católica Portuguesa,* (1988-1992)

Academic qualifications

- MBA (with distinction) from INSEAD, (Fontainebleau, France, 1993)
- Degree in Corporate Administration and Management from *Universidade Católica Portuguesa,* (1982-1988)

JOÃO PAULO TUDELA MARTINS

Date of Birth: 25 April 1966

Current positions

- Member of the Board of Directors of CGD
- Member of the Board of Directors of BNU Macau

Former positions

Business Positions

- General Manager of DACR (Risk Control and Analysis Division), BPI, from February to August 2016
- Coordination Manager of DRC (Credit Risk Division), in BPI, from 2002 to February 2016
- Commercial Coordination Manager of DGES (Large Enterprises Southern Division), in BPI, from 2000 to 2002
- Commercial Manager of Corporate Centre, in BPI, from 1996 to 2000

Academic qualifications

- Strategic and Risk Management in Banking – INSEAD, France (2017-2018)
- Stanford Executive Program – Stanford Graduate School of Business, São Francisco, San Francisco, USA in 2013
- Post-Graduation in Corporate Finance – ISCTE Business School, from 2000 to 2001
- Degree in Management – Universidade Católica Portuguesa, from 1983 to 1989

JOSÉ ANTÓNIO DA SILVA DE BRITO

Date of Birth: 9 February 1965

Current positions

- Member of the Board of Directors of Caixa Geral de Aposentações (since 23 March 2017)
- Executive Member of the Board of Directors of Caixa Geral de Depósitos, as CFO, (since 1 February 2017)

Former positions

Business Positions

- Managing Director of CGD's Financial Markets Division (June 2009 – January 2017)
- Executive Board Member of *MTS – Portugal, Sociedade Gestora do Mercado Especial da Dívida Pública, SGMR, SA*, representing CGD, (2004 – 2009)
- Director of CGD's Financial Markets Division of Caixa Geral de Depósitos, (January 2001 – June 2009)
- Member of the Board of Directors of Caixagest – Técnicas de Gestão de Fundos SA, representing CGD, (January to August 2000)
- Member of the Board of Directors of Servimédia, Sociedade Mediadora de Capitais SA, representing CGD, (March 1995 - March 2000)
- Management member of *Forex Club de Portugal,* (March 1996 – January 1998)
- CGD Sub-Director responsible for the trading room, (November 1993 – January 1995)
- Head of CGD's Money Markets Room, (May 1990 – November 1993)
- Contributor to the economics supplement of *Comércio do Porto* and *Revista das Empresas* (January 1990 – May 1991)
- Regular contributor to the economics supplement of *Diário de Noticias,* (May 1988 – December 1991)
- Technical Assistant, working in the capital market sphere in CGD's Treasury and Securities Management Division, (March 1988 – May 1990)
- Specialist in the Financial Division of Banco Português do Atlântico, working in the sphere of the secondary capital market, (September 1987 – March 1988)

Government and Para-Governmental Positions

- Deputy to the Assistant Secretary of State to the Minister of National Defence at the time of compulsory military service pursuant to a requisition process, as a corporate economic analyst in the defence sector, (September 1989 – May 1990)

Academic qualifications

- Post-Graduation, senior banking management course from the Bank Training Institute and *Universidade Católica Portuguesa*, (September 1991 – July 1992)
- Degree in Economics from the Faculty of Economics of *Universidade Nova de Lisboa*, in 1987

Other qualifications

- Attendance at the 1990 edition of the "International Banking Programme", organised by the Surrey Summer School in London

- Strategic Management in Banking – INSEAD (2018)

JOSÉ JOÃO GUILHERME

Date of Birth: 16 June 1957

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos
- Chairman of the Board of Directors of Banco Nacional Ultramarino, in Macao
- Chairman of the Board of Directors of Banco Caixa Geral Angola, SA, in Angola
- Vice-Chairman of the Board of Directors of Banco Comercial e de Investimentos, SA, in Mozambique
- Member of the Board of Directors of Banco Caixa Geral, SA, in Spain
- Member of the Board of Directors of Fidelidade Companhia de Seguros, SA
- Member of the Board of Directors of Caixa Leasing e Factoring, SA

Former positions

- Worked with ECS Capital private equity on the management of various industrial companies, (September 2016 to January 2017)
- Member of the Board of Directors of Novo Banco, (2014 to August 2016)
- Vice-Chairman of the companies Investwood and IFM SA and Chairman of VIROC, SA., (May to September 2014)
- Foundation of the "Sociedade Agrícola do Monte da Rosa" S.A., agricultural company to exploit self-owned property, (2013-2017)
- Foundation of the "Pego dos Alhos", agricultural company as a partnership and managing partner of both companies, (2013)
- Member of the Board of Directors of Holding Bernardino Gomes SGPS SA, (2011-2013)
- Member of the Board of Directors of Banco Comercial Português, (2008-2011)
- Management member of *ELO - Associação Portuguesa para o Desenvolvimento Económico e Cooperação,* (2008-2011)
- Chairman of Remuneration Committee of SOFID, (2008-2011)
- Member of the Board of Directors of Fundação do Millennium BCP, (2008-2011)
- Board Member and Vice-Chairman of the Board of Directors of Millennium BIM Moçambique, (November 2009)
- CEO of Millennium BIM, (until March 2011)
- Board member of Fundo PVCI-Portugal Venture Capital Initiative, (2008-2010)
- Member of the Board of Directors of BCP Holdings (USA) Inc., (2008-2010)
- Manager of *BCP Participações Financeiras* and *BCP Internacional II*, (2008-2009)
- Member of the Board of Directors of Millennium BCP-Prestação de Serviços, (2008-2009)
- Chairman of the Board of Directors of Banco Millennium BCP de Investimento, (2008-2009)
- Chairman of the Board of Directors of Banco ActivoBank S.A., (2008-2009)

- Director General of Millennium BCP's Innovation and Commercial Promotion Division, (2007-2008)
- Chairman of the Board of Directors of Millennium BCP Teleserviços, (2007-2008)
- Member of the Board of Directors of Millennium BCP Gestão de Fundos, (2007-2008)
- Director General of the Assets Disinvestment Division, (2006-2007)
- Director General of the Credit Recovery Division, (2004-2006)
- Board Member of Ocidental Companhia de Seguros e Ocidental Vida, (2001-2005)
- Board Member of Seguro Direto, (2001-2005)
- Board Member of Seguro Direto S.A., (2001-2005)
- Board Member of Seguros e Pensões SGPS, (2001-2005)
- Responsible for the launch of the Millennium Big Bank SA project, (1998-2001)
- Vice-Chairman of Big Bank Gdansk, S.A, na Polónia, (1998-2001)
- Member of the Supervisory Board of Polcard, (1998-2001)
- Director General of Nova Rede, (1995-1998)
- Director of CISF (currently Banco Millennium BCP Investimento, SA), (responsible for the financial services area), (1991-1995)
- Board Member of CISF Risco- Companhia de Capital de Risco, SA, (1991-1995)
- Director of the Porto private banking branch, (1990-1991)
- Director of the Guimarães corporate branch, (1989-1990)
- Promoted to Deputy Director of the Capital Market Division (responsible for the first commercial bonds issuance programme), (1988-1989)
- International and Financial Division, (1986-1988)
- Joined BCP (Studies and Planning Division), (1986)
- Ministry of Finance and the Plan (*Instituto de Análise de Conjuntura* and Planning Studies), (1981-1986)

Academic qualifications

- Participation in Masters Degree in Economics from Faculty of Economics of *Universidade Nova de Lisboa* (interrupted in April 1986, when joining BCP), (1985-1986)
- Degree in Economics from *Universidade Católica Portuguesa,* (1976-1981)
- INSEAD 2004 – Customised programme for senior BCP staff
- AESE 2003 – *PADE - Programa de Alta Direção de Empresas*
- INSEAD 1996 – Programme for Executives

MARIA JOAO BORGES CARIOCA RODRIGUES

Date of Birth: 10 August 1971

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, (Since March 2017)

- Non executive Chairman of the Board of Directors of CGA – Caixa Geral de Aposentações, IP (CGD), (Since March 2017)
- Non executive Member of the Board of Directors of SIBS, SGPS e da SIBS – Forward Payment Solutions, S.A., (Since March 2017)

Former positions

- Chairman of the Board of Directors of Euronext Lisboa, da Interbolsa and Euronext Tecnologies, (June 2016 to February 2017)
- Board of Directors Member of Euronext NV, (June 2016 to February 2017)
- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A., (July 2013 to May 2016)
- Non-Executive Member of the Board of *CGA - Caixa Geral de Aposentação*, *IP* (CGD), (July 2013 to May 2016)
- Non-Executive Chairman of the Board of Directors of *Caixatec – Tecnologia de Comunicações, S.A.,* (CGD), (July 2013 to May 2016)
- Non-Executive Chairman of the Board of Directors of So*grupo – Sistemas de Informação, S.A*. (CGD), (July 2013 to May 2016)
- Non-Executive Member of the Board of Directors of SIBS, SGPS e da SIBS – Forward Payment Solutions, S.A., (July 2011 to July 2013)
- Board of Directors Member of *SIBS Pagamentos*, (2011 to July 2013)
- Non-Executive Member of the Board of Directors of *MULTICERT - Serviços de Certificação Electrónica, S.A*., (2009 to July 2013)
- Director of the Corporate and Strategy Office of SIBS Forward Payment Solutions / SIBS SGPS, (2008 to July 2013)
- Coordinating Director of GAE (Strategic Management Office) of *UNICRE – Instituição Financeira de Crédito, S.A.,* (2004-2008)
- Consultant and latterly Associate Principal of McKinsey & Company, (1994-2004)

Academic qualifications

- Leading Change and Organisational Renewal (LCOR), Harvard Business School, (2012)
- Master in Business and Administration (MBA), pela INSEAD, (1996)
- Degree in Economics from *Universidade Nova de Lisboa*, (1989-1993)

NUNO ALEXANDRE DE CARVALHO MARTINS

Date of Birth: 24 September 1970

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A.
- Chairman of the Board of Directors of Caixa Capital – Sociedade Capital de Risco, S.A.
- Chairman of the Board of Directors of Caixa – Serviços Partilhados, ACE
- Vice- Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A.

Former positions

- Office of the Secretary of State for the Treasury and Finance – Consultant for the financial area, (2015-2016)
- Citigroup – Director – Responsible for the capital markets area for Portugal, (2011-2015)
- Barclays Capital, UK, Director – ALM distribution and solutions for financial institutions in the Iberian Peninsula, (2007-2011)
- Barclays Capital, London, UK, Deputy Manager – Financial Institutions in Portugal area, (2005-2007)
- Bank of Portugal, Department of Economic Studies – Financial Markets Group, (2001-2005)
- IFC, World Bank, Consultant to the Economic Department for the project: "Primary Financial Markets – Macroeconomic Conditions and Market Evolution", (1999-2000)
- Zacks Investment Research, Inc., Analyst – Global/International Markets Analysis, (1999-1999)

Academic Positions

- Universidade Católica Lisboa, Portugal, (2016)
  Lecturer on MA in Finance Course, Executive Post-Graduation Programme
- Universidade Nova de Lisboa, Portugal, (2000-2005)
  Lecturer in Finance on MBA courses, Executive Post-Graduation Programme in Finance and Degree in Economics and Management
- Universidad de Navarra, Spain, (2002-2005)
  Lecturer in Finance responsible for the Derivatives Course in a Masters in Economics and Finance
- Northwestern University – Evanston, Illinois, Assistant Lecturer, macroeconomics course, (1999-2000)
- *Universidade Nova de Lisboa*, Portugal, Assistant Lecturer on calculation and algebra courses, Degree in Economics and Management, (1993-1995)
- *Instituto Superior Técnico*, Monitor on the Electromagnetism and Thermodynamics Courses, (1992-1993)

Academic qualifications

- Northwestern University – Evanston, Illinois, USA – Doctorate in Economics, (2000)
- *Universidade Nova de Lisboa* – Masters in Economics, (1995)
  Amélia Mello Foundation" prize for the best academic performance in the Masters Programme
- *Instituto Superior Técnico* – Lisbon, Degree in Physical Engineering, (1993)

Prizes and Distinctions

- Awarded insignia of *Comendador da Ordem do Infante D. Henrique* by the President of the Portuguese Republic

CARLOS ANTÓNIO TORROAES ALBUQUERQUE

Date of Birth: 27 February 1955

Current positions

- Executive Member of the Board of Directors of Caixa Geral de Depósitos

Former positions

Business Positions

- Director of the Prudential Supervision Department of the Bank of Portugal, (November 2014 to January 2017)
- Alternate Portuguese Member on the Supervisory Board of the ECB's Single Supervisory Mechanism, Bank of Portugal, (November 2014 to January 2017)
- General Manager of the purchases and means area, including the Purchasing Division, Real Estate Infrastructures Management, Third Party Services Unit, IT Security Division, Physical Security Division, Business Continuity Unit and the General Secretariat – Millennium BCP, (May 2012 to November 2014)
- Board Member of Fundação Millennium BCP, (2013-2014)
- Group Head of Compliance, Millennium BCP, (July 2008 to April 2012)
- Head of Retail no Millennium Bank – Grécia, (July 2006 to June 2008)
- Responsible for the Call Centre (internet banking for individual and corporate customers telephone banking and the complaints area), Millenium BCP, (March 2005 to June 2006)
- Responsible for the Marketing and Communications Area, Activo Bank7, (January 2003 to March 2005)
- Responsible for the *BCP'* University Area, Millennium BCP, (April 2001 to January 2003)
- Marketing and Communication for Millennium BCP's *Cidadebcp.pt*, (January 2000 to April 2001)
- Marketing at AF Investimentos, (October 1995 to January 2000)
- Director of the Financial Brokers Division, CMVM (Portuguese Securities Market Commission), (December 1990 to September 1995)
- Financial Services Director, Printer Portuguesa Indústria Gráfica, Lda. – Bertelsmann Group – Germany, (May 1980 to September 1986)
- Accounts and finance in a private company, (February 1976 to April 1980)
- Assistant Statutory Auditor, (February 1976 to 1979)

Academic Positions

- Lecturer at *Instituto Superior de Economia e Gestão* (UTL)
- Lecturer at *Instituto Superior de Gestão Bancária*
- Lecturer at the Portuguese Open University
- Lecturer at the Faculty of Law of Lisbon University

Academic qualifications

- International Institute for Management Development (IMD) – Breakthrough Program for Senior Executive - Lausanne
- Post-Graduation in Political Science and International Relations – Political Studies Institute – *Universidade Católica* – Lisbon

- Academic Examinations for Pedagogical Aptitude and Scientific Capacity. Summary project (thesis) on: "Conglomerate Type Mergers: their Consequences on the Value of Companies' Capital and Debt)" and classroom project on "Share Purchase Options – Practical Application of the Black-Scholes" model – ISE UTL
- Degree in Corporate Organisation and Management, ISE UTL
- Bachelors degree in Accountancy and Administration from Lisbon's *Instituto Superior de Contabilidade e Administração*
- Senior Corporate Management Programme AESE – *Escola de Direção e Negócios* – Lisbon
- Programme for Senior BCP Management at INSEAD
- Development programme on market regulation of SEC – Securities and Exchange Commission – Washington, USA

Books Published

- "*Análise e Avaliação de Obrigações*", 1995, Publisher: Rei dos Livros
- "*Investimento, Contas Margem e Flutuações de Bolsa*", 1998, Publisher: Rei dos Livros
- "*Os Bancos Portugueses e o Mecanismo Único de Supervisão (SSM)* ", 2018, Publisher: Almedina
- "*Contas à Margem*", 2016, Publisher: Poesia Fã Clube
- "*À Margem das Contas*", 2018, Publisher: Chiado Editora

JOÃO JOSÉ AMARAL TOMAZ (*)

(*) João José Amaral Tomaz resigned from his position with effect from 30/04/2018.

Date of Birth: 7 October 1949

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Member of the Advisory Board of Caixa Geral de Aposentações, I.P
- Co-opted Member of the Council for the Prevention of Corruption, (since 2010)
- Member of the Specialisation Council of the Specialised College of Economics and Business Management of the Order of Economists, (since 2011)

Former positions

Business Positions

- Board Member of the Bank of Portugal, (September 2011 to May 2015)
- Member of CNSA (National Audit Supervision Council), (June 2014 to December 2015)
- Chairman of the OTOC's (Order of Accountants) Specialised College of Tax on Consumption (June 2010 to September 2011)
- Consultant to API (Portuguese Investment Agency), (2004)
- Consultant to the Public Finances Department of the International Monetary Fund (April 1990 to March 1993)

- Manager in the Directorate General of Contributions and Tax (Head of Division, Director of Services and Sub-director General), (1976 - 1990)
- Economist at the Directorate General of Contributions and Tax, (1968 -1970)

Government and Para-Governmental Positions

- Secretary of State for Fiscal Affairs in the 17th Constitutional Government, (March 2005 to January 2008)
- Advisor to the Secretary of State for European Affairs for the negotiation of Financial Prospects, (2004)
- Councillor for Economic Affairs of the Portuguese Embassy in London, (2002-2003)
- Member of the Economic and Financial Committee of the European Union, (2000-2001)
- Principal technical councillor of the Portuguese Representation to the European Union as the coordinator of the Economics and Finance Unit, (1993-2001)
- Chairman of the *ad hoc* group for the removal of fiscal frontiers in the European Union, representing the Portuguese presidency (1st half 1992)
- Member of the Accounts Standardisation Committee, representing the Ministry of Finance, (1987-1988)
- Representative of the Ministry of Finance on the oversight of investment projects pertaining to the SIII (Contractual Regime of Fiscal and Financial Incentives for Investment), (1981-1985)

Academic Positions

- Lecturer at IDEFF (Institute of Economic, Financial and Fiscal Law) of FDL, (2016-2017 and 2008-2009)
- Lecturer at ISEG (Higher Institute of Economics and Management), (2008-2013 and 1987-1992)
- Lecturer on the 1st Postgraduate Course in Fiscal Law at the Faculty of Law of the University of Porto, (2004-2005)
- Lecturer at the *Instituto Superior de Estudos Superiores Financeiros e Fiscais*, (1991/1999)
- Lecturer on various European Integration courses at *Instituto Nacional de Administração* (INA), (1982-1988)
- Lecturer at the University Institute of the Azores, (1980-1981)

Academic qualifications

- Degree in Finance, from Lisbon's *Instituto Superior de Economia*, currently ISEG (Higher Institute of Economics and Management), (1976)
- International seminar on the tax aspects of banking, financial and treasury management, IBFD-International Tax Academy, Amsterdam, (1991)
- Placement in European Commission - *Institutions Financières et Fiscalité*, Brussels, (1986)
- Placement in *Institut National d'Administration Publique*, Paris, (1982)

Distinctions

- Commendations from the Secretaries of State for European Affairs (Commendation 492/2004, of 16 July 2004) and Minister of Finance, (Ruling of 20 March 2002)

- ISEG conference in honour of the ending of lecturing activity, (23 September 2013)
- Awarded the title of "Senator" in Fiscality from IDEFF, (Institute of Economic and Fiscal Law) at a ceremony taking place on 15 March 2013 at the University of Lisbon School of Law

ANA MARIA MACHADO FERNANDES

Date of Birth: 01 November 1962

Current positions

- Non-executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.

  since March 2017

- Chair of Financial Risks Committee
- Chair of Nomination, Assessment and Remuneration Committee
- Member of Government Committee

Member of the Advisory Board of Faculty of Sciences and Technology of the New University of Lisbon , (since May 2018)

Member of the Advisory Board of WELink Group Dublin (Housing and Energy), (since February 2019)

Former positions

- Member of the Board of Directors of *EDP Renováveis Brasil*, (2015-2016)
- Member of the Advisory Board of *EDP* Foundation, (2015-2016)
- Chairman of *EDP Brasil – Energias de Portugal no Brasil* – Chairman and CEO of *Instituto EDP Brasil* and Chairman of *EDP Renováveis Brasil*, (2014-2015)
- CEO of *EDP Brasil*, (2012-2014)
- Member of the Board of Directors of *EDP – Energias de Portugal*, (2006-2012)
- CEO of EDP Renováveis (2007-2012)
- CEO of Galp Power (2004-2006)
- Member of the Board of Directors of GALP – Petróleos e Gás de Portugal (2004 – 2005)
- Member of the Board of Directors of Transgás, (2000-2004)
- Responsible for the Strategy and Management Portfolio of GALP, (2000-2005)
- Responsible for the Strategy and Management Portfolio of Gás de Portugal, (1998-2000)
- Corporate Finance Director in BPI, (1995-1998)
- Corporate Finance Director in *EFISA – Engenharia Financeira, SA*, (1989-1993)
- Financial Analist Council – Gestão e Investimento. GRUPO BPA , (1996-1988)
- Member of the Board of Directors of COTEC (2008-2011)

Academic posts

- Assistant professor of Faculty of Economics of Universidade do Porto (1986 -1990)

Academic qualifications

- International Directors Programme, INSEAD (2018-2019)
- Value Creation on Boards / IESE / Harvard Barcelona (May 2018)
- Corporate Governance, UNL (May 2017)
- MBA in Management, Porto School of Management, (1988 -1989)
- Post-Graduation in International Finance, Faculty of Economics (Porto), (1988-1989)
- Degree in Economics, from the Faculty of Economics (Porto), (1981-1986)

JOSÉ MARIA MONTEIRO DE AZEVEDO RODRIGUES

Date of Birth: 5 March 1952

Current positions

- Non-executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Statutory Auditor and Partner of the specialised "ABC – Azevedo Rodrigues, Batalha, Costa, & Associados, SROC, Lda." company
- Guest Associate Professor at *ISCTE – IUL, Instituto Universitário de Lisboa*
- Vice-rector of ISCTE – IUL, for the Financial Area

Former positions

Business Positions

- Chairman and Member of the Supervisory Board of private entities
- Assistant Manager and coordinator of the finance and management control area of CIFAG – IPE, an entity providing training activities on national and international programmes for executives

Government and Para-Governmental Positions

- President and Chairman of the Advisory Board of the Order of Statutory Auditors
- Member of the Board of Management and Chairman of the registration committee and jury of the Order of Statutory Auditors
- Member of the National Council of Audit Supervision, representing the Order of Statutory Auditors
- Chairman and Member of the supervisory bodies of public entities
- Consultant for the auditing of the Portuguese Social Security's consolidated account for the economic years 2003 and 2008 – Portuguese Audit Court

Academic Positions

- Management Member of OVERGEST – ISCTE, an entity with training activity for programmes for executives, postgraduate and other specialised programmes
- Guest Associate Professor at *ISCTE – IUL, Instituto Universitário de Lisboa*, coordinating the programmes for the 1st and 2nd cycles
- Director and Lecturer on the Executive Masters for Management and Control of Performance

course for the 2nd educational cycle

- Member of the ISCTE Senate and the Pedagogical Committee of *IBS – ISCTE Business School*
- Chairman of the Audit Committee of *UNIDE – Centro de Investigação da IBS* – ISCTE Business School
- Author of several books in the accounting, finance and management control areas

Academic qualifications

- Degree in Finance from *Instituto Superior de Economia*
- Postgraduation in Management Control – HEC – ISA
- Masters in Corporate Management from *Instituto Superior de Economia*

Prizes and Distinctions

- Pedagogical prize in ISCTE – IUL
- Several prizes as the "best lecturer" for postgraduate programmes and executive masters degrees promoted by ISCTE - IUL
- Honorary citizen of the city of Chaves

ALBERTO AFONSO SOUTO DE MIRANDA

Date of Birth: 8 November 1958

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Chairman of the Board of Directors of "*Fundiestamo, SGFII, SA*
- Member of the Board of *Fundação Eng. António Pascoal*

Former positions

Business Positions

- Data Protection Officer at the European Investment Bank, (2012-2017)
- Member of the Board of Directors *of "Aveiro Pólis, SA*", (2001-2005)
- Chairman of the "*Aveiro-Digital City*" consortium(1998-2001)
- Legal Department of the European Investment Bank, (1991-1998)
- Legal Affairs Division in CGD, (1984-1991)

Positions held in non-corporate public entities

- Vice-Chairman of *ANACOM – Autoridade Nacional das Comunicações*, (2006-2012)
- Mayor of Aveiro City Hall, (1998-2005)
- Chairman of *AMRIA - Associação de Municípios da Ria*, (1998-2001)
- Rapporteur of the Portuguese Advocate General at the European Union's Court of Justice
- Rapporteur of the Portuguese Judge at the European Union's Court of Justice

Academic Positions

- Lecturer at the Faculty of Law of Lisbon's *Universidade Clássica* (Commercial and Commercial

Companies Law), (1983-2017)

- Guest professor for postgraduate courses in European Law at *Universidade Católica*
- Guest professor on postgraduate courses in European Law of *Universidade Lusíada*
- Guest professor at *INA - Instituto Nacional de Administração*

Academic qualifications

- Masters in Legal Sciences (pre-Bologna) – European Law from the Faculty of Law of Lisbon's *Universidade Clássica*, (1993)
- Post-Graduation in Legal Sciences from the Faculty of Law of Lisbon's *Universidade Clássica,* (1985)
- Post-Graduation in European Law from *ULB - Université libre de Bruxelles*, (1983)
- Degree in Law (pre Bologna) from the Faculty of Law of the University of Coimbra (Legal-Economic Sciences), (1981)

HANS-HELMUT KOTZ

Date of Birth: 17 January 1957

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Officer in charge of the *SAFE Policy Center*, Goethe University (Frankfurt)
- Academic Advisory Board of McKinsey & Co
- Senior Consultant at McKinsey & Co
- Member of the Advisory Board of *Konstanz* Seminar on Monetary Theory (Bonn)
- Member of the Advisory Board of the *Revue d'Économie Financière* (Paris)
- Member of the Scientific Council of the *Centre Cournot la Recherche en Économie*
- Member of the Scientific Council of the *Fondation de la Banque Centrale du Luxembourg*
- Member of the Scientific Council of Hamburg World Economic Institute

Former positions

- Monopolkommission, Cologne, Research Assistant, (1982)
- Deutsche Girozentrale, Frankfurt, Economist, (1983)
- Deutsche Girozentrale, Frankfurt, Chief Economist, (1984-1999)
- Landeszentralbank Bremen, Niedersachen und Sachen-Anhalt, President and Member of the Board of Deutsche Bundesbank's, (1999-2002)
- Member of the Financial Expert Panel of the European Parliament, (2002-2006)
- Deutsche Bundesbank, Member of the Board of Directors, initially responsible for the Markets, IT, Training and Education, Post-graduation, Financial Stability and Departments of Statistics; member of various committees and working groups of the BIS, FSB and OECD (president of the FMC), representative in the G7 and G20, (2002-2010) (2002-2010)

Academic Positions

- Professor at the Center for European Studies, Harvard University, (since 2010)
- Honorary professor at the Faculty of Economics and Behavioural Sciences, Freiburg University, (since 1997)

Academic qualifications

- Pre-diploma in Economics from the University of Cologne, (1977-1981)
- Diploma in Economics from the University of Mainz, (1975-1977)

Distinctions

- University Teaching Award - Albert-Ludwigs University, (2010)
- Excellence in Teaching Award – University of Harvard, (2015)
- Turgot Prize (*Ouvrages Collectifs*) – *Cercle Turgot*, (2017)

MARY JANE ANTENEN

Date of Birth: 18 August 1959

Current positions

- Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A
- Member of the Advisory Board of SONETEC (Fin Tech start-up), Switzerland, (since 2016)

Former positions

- Member of the Advisory Board of Touchstone Ventures, Switzerland, (2015-2016)
- Member of the Board of Directors and Member of Audit Committee of Bank Zweeiplus AG, Switzerland, (2013-2014)
- Vice Chairman of the Board of Falcon Europe AG, Austria, (2009-2012)
- Chief Financial Officer / Member of the Management Board of Falcon Private Bank (formely AIG Private Bank), Zurich, Switzerland, (2006-2014)
- Member of the Board of Directors of AIG International Trust Managenment Co., Luxembourg, (2005-2007)
- Head of Financial Control of Falcon Private Bank (Anterior AIG Private Bank), Zurich, Switzerland, (1998-2005)
- Head of Financial Control / CFO of Goldman Sachs & Co. Bank, Zurich, Switzerland, (1994-1998)
- Assistant Auditor at Bankers Trust AG, Zurique, Suiça (1993-1994)
- Financial Assistant at Bankers Trust AG, Zurique, Suiça (1988-1992)
- Other financial positions in Minneapolis, Geneve, London, Amsterdam, Tokio, Melbourne Cargil Inc., Minneapolis, Minnesota USA (1981-1987)

Academic qualifications

- Degree in Business Administration & Accounting with a specialization in Economics, St. Catherine University, St. Paul, Minnesota USA (1981)
- Certificate in Corporate Governance, IDP-C, International Directors Programme, INSEAD,

Fontainebleau, France (2016)

ALTINA SEBASTIAN GONZALEZ

Date of Birth: 13 July 1955

Current positions

- Non executive Board member of Caixa Geral de Depósitos, S.A

- BANCO CAIXA GERAL (E-SIMEON) – CGD GROUP, (since 2003)
  - Independent Board member
  - Chair of Audit and Compliance Committee
  - Chair of Appointments and Wages Committee
- SAN JOSE BUSINESS GROUP, (since 2003)
  - Independent Board member
  - Chair of Audit Committee
- EXPANSION AND CURRENT ECONOMIC SITUATION, (since 2003)
  - Member of Advisory Board
- COUNCIL OF THE PORTUGUESE DIASPORA, (since 2003)
  - Portugal's world advisor and member of the World Portuguese Network
- PORTUGUESE BANKS' ASSOCIATION, (since 2003)
  - External consultant
- COMPLUTENSE UNIVERSITY, (since 1998)
  - Associate lecturer – Department of the Financial Economy and Accounting III
- UNIVERSIDADE CATÓLICA PORTUGUESA, (since 2003)
  - Coordinating lecturer of banking programmes in Luanda – Angola

Former positions

Business Positions

- INSTITUIÇÃO FINANCEIRA DE DESENVOLVIMENTO, (2015-2017)
  - Independent Board member of the state-owned bank
  - Chair of Audit Committee
- PARQUESOL INMOBILIARIA Y PROYECTOS,S.A (Now a member of the San Jose Business Group), (2003-2017)
  - Board member
  - Chair of Audit Committee
- DIAGNOSTICO & SOLUCIONES, S.L, (2003-2017)
  - Consultant for financial and actuarial matters

Academic Positions

- Director of Summer Course of UCM-Fundacion Ramon Areces: "The reconfiguration of Spain's banking sector prior to the new financial regulation : scope and impact of the crisis", July 2012

- CARLOS III UNIVERSITY
  Associated lecturer in the Department of Corporate Economy

- UNIVERSIDADE CATÓLICA PORTUGUESA

- Guest lecturer – Católica Lisbon Business & Economics
- Lecturer on the Advanced Programme on Corporate Finance
- Lecturer and coordinator of the Advanced Bank Management Programme
- Lecturer in Executive Masters in Bank Management for Banco Espirito Santo
- Lecturer and coordinator of Caixa Geral de Depósitos's Training Programmes
- Coordinating lecturer for banking programmes in Maputo – Mozambique

- IDE BUSINESS SCHOOL
  - Guest lecturer for an in-company programme of Gauyaquil Bank
  - Guest lecturer for an in-company programme of Amazonas Bank
  - Guest lecturer for an in-company programme of Rumifihaui General Bank
  - Guest lecturer for an in-company programme of Banco del Pacifico Group
  - Conference on: "The international financial crisis and impact on the banking system""- Quito and Guayaquil

Academic qualifications

- Degree in Corporate Administration and Management from Universidade Católica Portuguesa specialising in Accounting and Finance
- Doctorate in Corporate Management and Administration from IESE. University of Navarre - Barcelona
- Post-doctorate research with Professor Dwight Crane (Lecturer in Finance in HBS) on "Management and Risk Hedges of the Type of Interest? in Commercial Banking from Harvard Business School – Boston
- Summer Course on Management Research in Real Colegio Complutense at Havard University from 14 to 23 July 2003

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN - GUILHERME VALDEMAR PEREIRA DE OLIVEIRA MARTINS

Date of Birth: 23 de September de 1952

Current positions

- Chairman of the Supervisory Board of Caixa Geral de Depósitos, S.A., (31-08-2016)
- Chairman of the Great Council of Centro Nacional de Cultura (National Centre for Culture), (2016)
- Executive Director of Calouste Gulbenkian Foundation, (16/11/2015)
- Correspondent Member of Academia das Ciências de Lisboa (Lisbon Academy of Science), (elected on 31/05/2010)
- Acting Member of the Academia de Marinha (Naval Academy), (elected on 16/12/2014)
- Academic of Merit in the Academia Portuguesa da História (Portuguese History Academy), (elected on 6/07/2015)
- Guest Professor at Lusíada University
- Guest Professor at Instituto Superior de Ciências Sociais e Políticas da Universidade Técnica de Lisboa (ISCSP)
- Chairman of the Board of Curators of University of Minho
- Chairman of the Supervisory Board of Caritas Portuguesa.

Former positions

Business Positions

- Chairman of Centro Nacional de Cultura, (2003-2016)
- Chairman of Tribunal de Contas (Audit Court), (2005-2015)
- Chairman of Conselho de Prevenção da Corrupção (Council for the Prevention of Corruption), (2008-2015)
- Chairman of EUROSAI – Organização das Instituições Superiores de Controlo das Finanças Públicas da Europa (Organisation of Higher Institutions for the Control of Public Finances in Europe) - elected at the 7th EUROSAI Congress, Lisbon (Portugal), (2011-2014)
- Chairman of the Comité de Contacto dos Presidentes das Instituições Superiores de Controlo da União Europeia (Contact Committee of Presidents of Higher Control Institutes of the European Union), (2011-2012)
- General Meeting Auditor of the WEU – Western European Union, (2008-2011)
- First Vice-Chairman of EUROSAI, (2008-2011)

Government Positions:

- Minister of the Presidency, (2000-2002)
- Minister of Finance, (2001-2002)
- Minister of Education, (1999-2000)
- Secretary of State for Educational Administration, (1995-1999)
- Chef de cabinet of the Minister of Finance, (1979)

Other:

- Deputy in the Portuguese Parliament, (1980-1988, 1991-1995, 1995, 1999, 2002-2005)
- Vice-Chairman of Socialist Party Parliamentary Group, (2002-2005)
- Vice-Chairman of the National Committee for UNESCO, (1988-1994)
- Chairman of SEDES - Associação para o Desenvolvimento Económico e Social (Association for Economic and Social Development), (1985-1995)
- Political advisor to the Casa Civil do Presidente da República (Civil Household of the Presidency of the Republic), (1985-1991)
- Secretary General of Portuguese Committee of the European Cultural Foundation
- Director of the Legal Services of the Directorate General for the Treasury
- Member of Convention on the Future of Europe
- Chairman of the Steering Committee of the Council of Europe, (27/10/2005)

Academic Positions

- Lecturer at Lisbon Faculty of Law, (1977-1985)

Academic qualifications

- Degree in Law from the Faculty of Law of the University of Lisbon

- Masters Degree in Law, University of Lisbon

Prizes and Distinctions

- Honorary Doctorate from the Portuguese Open University, (September 2016)
- Honorary Doctorate from Lusíada University, (June 2016)
- Grand Master of Ordem do Infante D. Henrique
- Commander of the Order of Isabella the Catholic, (Spain)
- Gran Cruz of the Order of *Cruzeiro do Sul*, (Brazil)
- Officer of the Order of the Legion of Honour, (France)
- Medal of Gratitude from the European Solidarity Centre, (Poland)
- Cross of the Grand Master of the Order of Merit of the Republic of Poland
- Municipal Medal of Merit – Gold, (Loulé City Hall)
- Collar of Merit of the Minister Victor Nunes Leal, (Audit Court of the Rio de Janeiro City Hall, Brazil)
- Grand Cross of the Military Order of Christ

ANTÓNIO LUÍS TRAÇA BORGES DE ASSUNÇÃO

Date of Birth: 8 of November 1958

Current positions

- Member of the Supervisory Board of Geral de Depósitos, S.A., (31-08-2016)
- Manager, VLX (Altauto Fahren,Lda.), (since 2015)
- Manager, VLX, Lda., (since 2013)
- Manager, Sinvegere, Lda. Consulting (since 2006)
- Professor of Finance at Universidade Católica Portuguesa, Courses : Mergers and Acquisitions, Capital Markets and Asset Management ; Seminars for Thesis (since 2005)

Former positions

Business Positions

- Advisory to the Executive Committee, Banco BPI, (2011-2015)
- Non-Executive Member of the Board of Directors, TagusPark, SA, (2013-2014)
- Board Member, BPI Global Investment Fund Management Company, SA, (2005-2012)
- Board Member, BPI Vida, SA, (2007-2011)
- Board Member, BPI Pensões, SA, (2007-2011)
- Board Member, BPI Gestão de Activos, SA, (2005-2011)
- Board Member, Banco Português de Investimento, SA, (1998-2007)
- Chairman, BPI – Serviços Financeiros, SA, (1997-1999)
- Board Member, BFE – Mercado de Capitais e Serviços, SGPS, SA, (1993-1996)
- Board Member, BFE – Serviços Financeiros, SA, (1993-1996)
- Manager, Sociedade Independente de Serviços Financeiros, Lda., (1991-1993)

- Director, CISF, SA, (1988-1990)
- Director General, Vanguarda – Sociedade Gestora de Fundos de Pensões, SA, (1987-1990)
- Economist, Chase Econometrics, EUA, (1983-1984)
- Economist, Planning and Financial Analysis Department, Banco Fonsecas & Burnay, (1981-1982)

Academic Positions

- Associate Professor, Universidade Nova de Lisboa, Business School, (1987-1989)
- Professor of Finance at Universidade Católica Portuguesa, Lisboa, (1987-1989)
- Assistant Professor, Investments and Financial Management, Wharton School, University of Pennsylvania, EUA, (1983-1986)
- Assistant Professor, Universidade Católica, Lisbon, (1980-1982)
- Monitor, Universidade Católica, Lisboa, (1978-1980)

Academic qualifications

- Ph.D in Finance, Wharton School, Universidade da Pennsylvania, EUA, (1987)
- MBA, Universidade Nova de Lisboa, (1981)
- Graduated in Business Administration, Universidade Católica Portuguesa, Lisbon, (1980)

MANUEL LÁZARO OLIVEIRA DE BRITO

Date of Birth: 8 May 1961

Current positions

- Member of the Supervisory Board of CGD, S.A.
- Manager of *DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda*.

Former positions

- Manager of Sul, Sol e Sal, Lda.., (2014-2017)
- Manager of Sun Concept, Lda., (2015-2017)
- Sole director of *MRM – Investimentos e Serviços, SA.*, (2014-2017)
- Manager of DFK & Associados, SROC, Lda., (1997-2017)
- Board Member of *Brito Crisóstomo & Roque, Sociedade de Revisores Oficiais de Contas,* (1995-1997)
- Manager and Statutory Auditor at BDO, (1993-1995)
- Audit Supervisor at BDO, (1991-1992)
- Senior Auditor at BDO, (1989-1991)
- Junior Auditor at BDO, (1988-1989)

Academic qualifications

- Degree in Business Management, Instituto Superior de Línguas e Administração

NUNO FILIPE ABRANTES LEAL DA CUNHA RODRIGUES

Date of Birth: 10 February 1973

Current positions

- Deputy Member of the Supervisory Board of CGD, S.A.
- Assistant Professor at the Faculty of Law of Lisbon University
- Vice-Chairman of the European Institute of the Faculty of Law of Lisbon University
- Vice-Chairman of IDEFF (Institute of Economic, Financial and Fiscal Law) of the University of Lisbon
- Permanent Member of the Scientific Council of the Faculty of Law of Lisbon University
- Deputy of Legal Affairs for the representative of the Republic for the Autonomous Region of Madeira

Former positions

- Lawyer (registration currently in abeyance at own request)
- Monitor and latterly lecturer at the Faculty of Law of Lisbon University. Assistant lecturer at the Department of Law and Department of International Relations of Lisbon's *Autónoma* University
- Guest professor for several masters, postgraduate courses and conferences at *Universidade Católica Portuguesa* (Portugal); Faculty of Law of Guinea Bissau; Faculty of Law of Louvain-La-Neuve (Belgium); Faculty of Law of Eduardo Mondlane University (Mozambique); Salgaocar Law School (Goa, India); International Law Institute (New Delhi, India); Faculty of Law of the Getúlio Vargas Foundation (São Paulo – Brazil) and the Faculty of Law of the University of Vigo (Spain)
- Scientific coordinator of various postgraduate courses at the Faculty of Law of Lisbon University
- Assistant for the economic-financial area of the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2000-2005)
- Principal deputy at the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2006-2013)
- *Chef de cabinet* of the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2005-2006)
- Member of the taskforce charged with preparing and presenting the model of a system to provide protection against catastrophic phenomena in Portugal (Ruling 1192/2006-SETF of the Secretary of State for the Treasury and Finance, (issued on 27 September 2006)
- Member of the Budget Law Reform Framework Committee (Ruling 10975/2014 of 28 August issued by the Minister of State and Finance, published in *Diário da República* 165/2014, Series II of 2014-08-28)
- Member of the Public Contracts Code Review Committee (Ruling 3290/2016 of 3 March issued by the Secretary of State for Infrastructures, published in *Diário da República*, Series II of 2016-03-03)
- Jurisconsultant
- Arbitrator

Academic qualifications

- Degree (1995); Masters (2003) and Doctorate in Law (2012) from the Faculty of Law of Lisbon University.

ANNEX V

DECLARATIONS REFERRED TO IN ARTICLE 22 OF DECREE-LAW NO. 71/2007, OF 27 OF MARCH, AND ARTICLE 52 OF DECREE-LAW NO. 133/2013, OF 3 OF OCTOBER

Regarding the Declarations of the members of the Board of Directors (2017-2020) whose election took place 2017 by Unanimous Written Determination, these declarations are disclosed in the Report of that year.

Below are the Declarations relating to the two members who were elected in 2018 as non-executive members of the Board of Directors of CGD, S.A., to complete the current 2017-2020 mandate, Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin

Inspector General of Finance

I, Mary Jane Antenen, appointed, in 05 April 2018, Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of article 22(9) of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and article 52 of Decree-Law no.133/2013, of 3 October, that I do not have directly or indirectly, any shareholdings or equity interests at Caixa Geral de Depósitos, S.A. or at any other company.

I further declare that I have no relevant relationship with any suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A. that are liable to generate conflicts of interest.

Lisbon, 19 April 2018

Mary Jane Antenen

Inspector General of Finance

I, Altina Sebastian Gonzalez, appointed, in 06 April 2018, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests

Lisbon, 18 April 2018

Altina Sebastian Gonzalez

To the Supervisory Board of

Caixa Geral de Depósitos, S.A.

I, Mary Jane Antenen, appointed, in 05 April 2018, Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes article 22(9) of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have directly or indirectly, any shareholdings or equity interests at Caixa Geral de Depósitos, S.A. or at any other company.

I further declare that I have no relevant relationship with any suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A. that are liable to generate conflicts of interest.

Lisbon, 19 April 2018

Mary Jane Antenen

To the Supervisory Board of

Caixa Geral de Depósitos, S.A.

I, Altina Sebastian Gonzalez, appointed, in 06 April 2018, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests

Lisbon, 18 April 2018

Altina Sebastian Gonzalez

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Mary Jane Antenen, appointed, in 05 April 2018, Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of article 22(9) of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have directly or indirectly, any shareholdings or equity interests at Caixa Geral de Depósitos, S.A. or at any other company.

I further declare that I have no relevant relationship with any suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A. that are liable to generate conflicts of interest.

Lisbon, 19 April 2018

Mary Jane Antenen

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Altina Sebastian Gonzalez, appointed, in 06 April 2018, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests

Lisbon, 18 April 2018

Altina Sebastian Gonzalez

ANNEX VI

NON-PROFITABLE ORGANIZATIONS OF WHICH CGD IS AN ASSOCIATED MEMBER

DECEMBER 2018

- AC - Aliança Connector
- ACEPI – Associação para o Desenvolvimento e Promoção do Comércio Eletrónico em Portugal
- ACI Portugal (ex-Forex Club de Portugal)
- AEP – Associação Empresarial de Portugal
- AIP – Associação Industrial Portuguesa
- American Club of Lisbon
- APAN – Associação Portuguesa de Anunciantes
- APCC – Associação Portuguesa de Contact Centers
- APCER - Associação Portuguesa de Certificação
- Associação Portuguesa de Bibliotecários, Arquivistas e Documentalistas - BAD
- Associação Fiscal Portuguesa
- Associação Portuguesa de Bancos
- EABH - European Association for Banking and Financial History
- Associação Smart Waste Portugal
- BCSD – Conselho Empresarial para o Desenvolvimento Sustentável
- CADIN - Centro de Apoio ao Desenvolvimento Infantil
- Câmara de Comércio Americana em Portugal
- Câmara de Comércio e Indústria Árabe Portuguesa
- Câmara de Comércio e Indústria Luso Alemã
- Câmara de Comércio e Indústria Luso Britânica
- Câmara de Comércio e Indústria Luso Espanhola
- Câmara de Comércio e Indústria Luso Francesa
- Câmara de Comércio e Indústria Luso Marroquina
- Câmara de Comércio e Indústria Luso-Brasileira – Fusão com Clube de Empresários do Brasil
- Câmara de Comércio e Indústria Luso-Chinesa
- Câmara de Comércio e Indústria Luso-Mexicana
- Câmara de Comércio e Indústria Portugal Angola
- Câmara de Comércio e Indústria Portuguesa
- Câmara de Comércio Indústria e Turismo Portugal Cabo-Verde
- Câmara de Comércio Luso Colombiana
- Câmara de Comércio Luso Sul Africana
- Câmara de Comércio Luso-Belga- Luxemburguesa

- Câmara de Comércio Portugal Moçambique
- CE CPLP Conselho Empresarial da Comunidade dos Países de Língua Portuguesa
- Centro Nacional de Cultura
- COTEC Portugal - Associação Empresarial para a Inovação
- EBA – Euro Banking Association
- ECBC - European Covered Bond Council
- ESBG- European Savings Banks Group (GECE) / WSBI – World Savings and Retail Banking Institute
- Fórum para a Competitividade
- Fundação de Serralves
- Fundação Eça de Queirós
- Fundação Económicas
- Fundação Portugal África
- GIMAE - Grupo de Implementação, Monitorização e Avaliação da Estratégia (Estratégia Nacional para a Integração de Pessoas em Situação de Sem-Abrigo)
- Global Compact Network Portugal (inclui o Global Compact Internacional e a Aliança para os Objectivos do Desenvolvimento Sustentável)
- GPUS – Grupo Português de Utilizadores de Swift
- GRACE - Grupo de Reflexão e Apoio à Cidadania Empresarial
- ICA - International Council on Archives
- ICAP – Instituto Civil da Autodisciplina da Publicidade
- ICC - Câmara de Comércio e Indústria Internacional - Secção Portuguesa
- IFB - Instituto de Formação Bancária
- Instituto Português de Corporate Governance
- IPAI – Instituto Português de Auditores Internos
- IPN - Instituto Pedro Nunes + Incubadora - Associação para o Desenvolvimento de Atividades de Incubação de Ideias e Empresas
- iTeCons - Instituto de Investigação e Desenvolvimento Tecnológico para a Construção, Energia, Ambiente e Sustentabilidade
- Politec & ID - Associação para o Desenvolvimento de Conhecimento e Inovação (Instituto Politécnico de Lisboa)
- UCCLA – União das Capitais Luso-Afro-Américo-Asiáticas
- United Nations for Global Compact
- World Monuments Fund
- AC - Aliança Connector
- ACEPI – Associação para o Desenvolvimento e Promoção do Comércio Eletrónico em Portugal
- ACI Portugal (ex-Forex Club de Portugal)
- AEP – Associação Empresarial de Portugal

- AIP – Associação Industrial Portuguesa
- American Club of Lisbon
- APAN – Associação Portuguesa de Anunciantes
- APCC – Associação Portuguesa de Contact Centers
- APCER - Associação Portuguesa de Certificação
- Associação Portuguesa de Bibliotecários, Arquivistas e Documentalistas - BAD
  Associação Fiscal Portuguesa
- Associação Portuguesa de Bancos
- EABH - European Association for Banking and Financial History
- Associação Smart Waste Portugal
- BCSD – Conselho Empresarial para o Desenvolvimento Sustentável
- CADIN - Centro de Apoio ao Desenvolvimento Infantil
- Câmara de Comércio Americana em Portugal

ANNEX VII

REPORT BY THE SUPERVISORY BODY PERTAINING TO NO. 2 OF ARTICLE 54 OF THE RJSPE

Evidence of compliance of the presentation of the supervisory body's report as it pertains no.2 of article 54 of RJSPE can be found in section 2.3.2. Report and Opinion of the Supervisory Board of this report.

ANNEX VIII

MINUTE NO. 7/2019 - APPROVAL OF 2018 ANNUAL REPORT

BOARD OF DIRECTORS

Meeting of 29 April 2019
MINUTE NO. 7/2019

A meeting of the Board of Directors of Caixa Geral de Depósitos took place on the twenty nineth of April two thousand nineteen at three in the afternoon. Present at the meeting were its Chairman, Emílio Rui da Veiga Peixoto Vilar, vice Chairman and CEO Paulo José de Ribeiro Moita de Macedo, executive Board members José João Guilherme, Francisco Ravara Cary, José António da Silva de Brito, Maria João Borges Carioca Rodrigues, João Paulo Tudela Martins, Nuno Alexandre de Carvalho Martins and Carlos António Torroaes de Albuquerque and the non-executive Board members Ana Maria Machado Fernandes, José Maria Monteiro de Azevedo Rodrigues, Hans-Helmut Kotz, Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin. At the invitation of the Chairman, the Supervisory Board of Caixa Geral de Depósitos was represented at the meeting by its Chairman Guilherme Valdemar Pereira d'Oliveira Martins, permanent members António Luís Traça Borges de Assunção and Manuel Lázaro Oliveira de Brito and alternate member Nuno da Cunha Rodrigues.

In consideration of item no. 4 on the agenda, the company EY, as the Bank's External Auditors, represented by Ana Salcedas, was also present along with António Valente, general manager of the Accounting Consolidation and Financial Information Division.

The Chairman then opened the meeting in which the following issues were considered and dealt with.

Item no. 4 – Board of Directors' 2018 Report

The Board of Directors reviewed and approved the separate and consolidated financial statements, showing a consolidated net result of €495,775,636 and a net result in respect of CGD's separate activity of €337,797,746.

The Board of Directors also debated and approved the proposal for the appropriation of results, with 20% for legal reserve (€67,559,549), € 200,000,000 for dividends and €70,238,197 for the "Other reserves and retained income".

After review and debate of the documentation presented, the Board of Directors approved the Board of Directors' Report, the Corporate Governance Report and the Sustainability Report for 2018 showing a consolidated net result of €495,775,636 and a net result in respect of CGD's separate activity of €337,797,746 along with the proposal for the appropriation of results, with 20% for legal reserve (€67,559,549), € 200,000,000 for dividends and €70,238,197 for the "Other reserves and retained income".

Following the consideration of the items on the agenda, the Chairman declared the meeting closed at half past six in the evening and I, João Eduardo de Noronha Gamito de Faria, company secretary, have prepared the minutes thereon, which have also been signed by me.

The Company Secretary

(João Eduardo de Noronha Gamito de Faria)

ANNEX IX

EXCERPT OF THE MINUTE OF THE GENERAL MEETING OF CAIXA GERAL DE DEPÓSITOS, S.A.

The following text is an excerpt of the minute of CGD's General Meeting of May 31st, 2019, containing a resolution on CGD, S.A.'s 2018 annual report and the proposal for the appropriation of net income:

" (…) At the end of the interventions by the Chairman and Vice-Chairman of the Board of Directors, the Chairman of the General Meeting thanked them for their statements and invited the state representative to address the meeting who greeted all those present and voted in favour of the approval of the documents relating to the 2018 financial, including the Board of Directors' 2018 management report, the consolidated and separate financial statements, as well as the Corporate Governance Report, taking into consideration the favourable opinion expressed in the separate and consolidated statutory and auditor' reports, and the report and opinion of the Supervisory Board.

(…)

The meeting then proceeded with the discuss of item two on the agenda, with the Chairman of the General Meeting inviting Mr. Rui Vilar to read the proposal, under the terms of article 66, no. 5, sub-paragraph f) and article 376 of the Commercial Companies Code, and article 33 of Caixa Geral de Depósitos's Articles of Association, for the appropriation of net income for the year relative to the separate accounts of CGD, SA, in the amount of €337,797,746, should be allocated with: 20% for Legal Reserve (€67,559,549), €70,238,197 for "Other Reserves and Retained Earnings" and €200,000,000 for dividends, having been approved by the competent supervisory bodies in accordance with current European and Domestic legislation. The state representative voted in favour of the proposal submitted by the board of directors.

Regarding the third item on the agenda, the state representative, proposed and expressed a vote of confidence in the board of directors and supervisory bodies, as well as in each of its members (...)"

The Company Secretary

4. Sustainability Reports

Index

4.1. Message from the Chairman of the Executive Committee

From its beginning, CGD has been contributing to the country's economic and social progress. Since 1876 we've been addressing the challenge of contributing to a better society, empowering companies, the economy and society in general. Responsibility, Trust, Sustainability and Transparency are values that are part of our identity.

In this perspective, its corporate management model integrates civic intervention and active participation regarding the preservation of the environmental heritage, in accordance with the principles of the Global Compact and of the Sustainable Development Goals. Our commitment to development involves, first of all, our financial activity and the imperative of giving appropriate answers to our customers and other stakeholders. Though, only a performance that integrates the several fields of intervention in a comprehensive way will allow us to ensure that our profitability and investment are passed on to the next generations. We have Caixa's future in our minds.

The Board of Directors is supported by a governance model designed against a backdrop of sustainable development and in line with the objectives of the Institution's Strategic Plan. In this context, our multi-year vision is taking shape along the three axes of intervention that were present concerning the activity carried out in 2018, namely:

1. In the economic area, by ensuring the proper implementation of our strategic plan, business accessibility, and the publication of the Sectoral Exclusion and Limitation Principles and the Tax Principles;
2. In the social area, by putting into practice a model of solidarity and giving back to society. CGD supported an ongoing investing both in Culture and University, launched the Caixa Social Programme, published the Declaration of Respect for Human Rights and introduced its Corporate Volunteering agenda;
3. In the environmental area, we focused on the co-efficiency of operations by reducing and/or optimising the consumption of materials, energy and other natural resources. This commitment was recognised by the international rater Carbon Disclosure Project, which named CGD an A- leader in *Climate Change* 2018, highlighting Caixa's strategic role within the scope of adaptation to climate change.

CGD will continue to implement its sustainability strategy. This line of action encompasses the implementation of best practices and international recommendations. We will also continue to devote our attention to the challenges and opportunities of "sustainable finance", in areas of business and spheres of action that will allow us to ensure Caixa's future. These matters, which are increasingly significant in the analyses carried out by rating agencies, counterparties and other stakeholders, are also our priority.

Throughout this report, we will emphasise aspects such as rigour and transparency. CGD wishes to underline the promise of hope in the future. We will therefore give even further meaning to the journey traced along with our depositors and other customers since the beginning. Each stakeholder's expectations are also our own, so each challenge becomes ours as well.

We want to continue to be a Portuguese Bank, worthy of the trust of the Portuguese.

Paulo Moita de Macedo
CEO (Chief Executive Officer)

4.2. About this Report

Caixa Geral de Depósitos, S.A., hereinafter referred to as CGD or "Institution", hereby publishes its 2018 Sustainability Report with quantitative and qualitative data for the period from 1 January to 31 December, 2018, complemented with information from previous years, for a perspective on the developments achieved within the scope of Sustainability.

The information herein relates mainly to CGD's activities in Portugal. However, as leader of the largest Portuguese financial group - the CGD Group -, this report also makes reference to the activity of the following group entities, which reinforce the value of the Portuguese-speaking community:

- In Portugal: Caixa - Banco de Investimento, S.A.; Caixa Gestão de Activos, SGPS, S.A.; Sogrupo - Compras e Serviços Partilhados, ACE:
- Abroad: Banco Interatlântico, S.A.(BI) and Banco Comercial do Atlântico, S.A (BCA)., both in Cape Verde; Banco Caixa Geral Brasil, S.A (BCG).; Banco Caixa Angola; BCI Mozambique; BNU Macao and Timor Branch25.

For the fourth consecutive year, CGD adopted an integrated reporting model that includes its contribution to sustainable development in its 2018 Annual Report. In particular, Decree-Law No. 89/2017, of 28 July, 2017, sets forth new duties regarding the disclosure of non-financial information, namely, the mandatory annual reporting of non-financial information on environmental, social and employee-related matters, gender equality, non-discrimination, respect for human rights, the fight against corruption and attempted bribery and diversity in management and supervisory bodies.

In this context, reinforcing the principle of alignment with international benchmarks, our approach to Sustainability issues followed the guidelines of the Global Reporting Initiative (GRI) in their latest version - "GRI Standards 2016" -, including the G4 financial supplement for the "comprehensive" option.

The materiality matrix summarises the key vectors for CGD's activity underpinned by key stakeholders, regulatory and sectoral trends, national and international assessments and benchmarking to the best practices for responsible finance, under the principles of the Paris Climate Agreement and of the Sustainable Development Goals (SDGs), among others.

On the other hand, the Sustainability Accounting Standards Board (SASB) systematically assesses the relevance of each topic and the potential for material impacts on companies in each SICS™ industry, ensuring that the recommended topics for disclosure are included in the standards, based on the evidence accumulated in the industry's context, as well as on the contribution of a balanced group of experts.

This report is included in the perimeter of verification of sustainability information for 2018, disclosed by Caixa Geral de Depósitos, S.A. and prepared by Ernest & Young, Audit & Associados, SROC, S.A., responsible for the declaration of verification of non-financial information - Independent Reliability Assurance Report -, which is an integral part of the 2018 Annual Report.

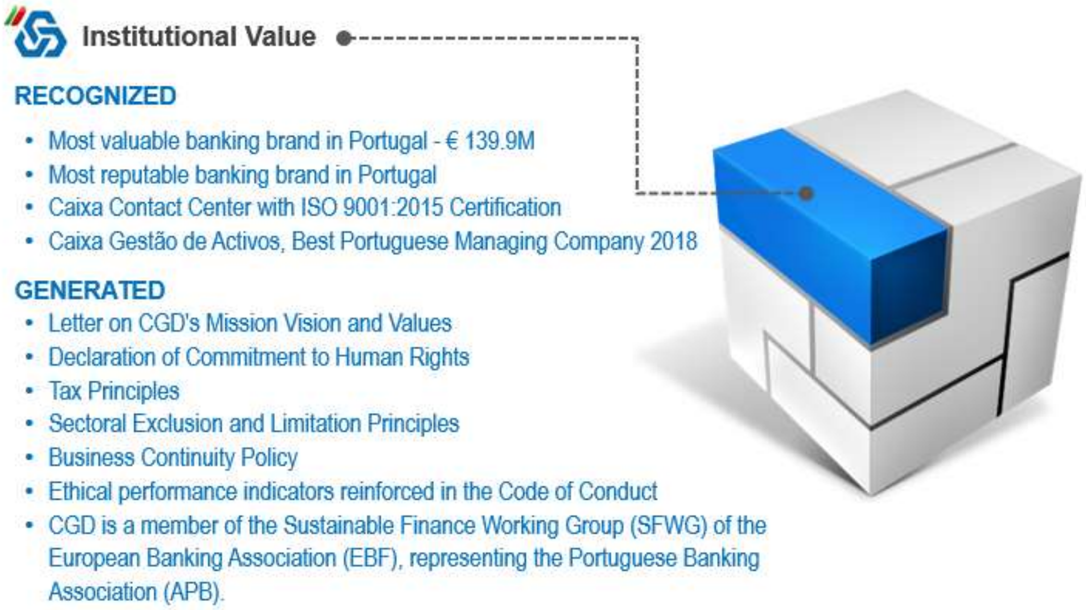
Our progress also depends on the suggestions of our readers, which can be sent to sustentabilidade@cgd.pt.

[25] The Timor Branch appears throughout the 2018 Sustainability Report also referred to as "BNU Timor Branch" and "BNU Timor," including information provided in the Annexes.

4.3. Our Institutional Value

In keeping with its centenary mission of commitment to citizens, economy and society, CGD's Sustainability strategy addresses the creation of value through the development of its tangible and intangible assets, the economic and technological progress of its customers and companies, the social and digital inclusion of individuals and families, the protection of fundamental human rights, the respect for our common natural heritage.

CGD aims to strengthen its social and economic contribution in Portugal and in all the markets in which it operates through the CGD Group and its companies, through a process of continuous learning among its key stakeholders, hoping that its activity may reflect, in addition to its inherent economic and financial contribution, other forms of capital that the Institution promotes and in which it invests, contributing to generate Institutional, Financial, Relationship, Human, Social, Cultural and Environmental Value.



CGD'S VALUE

The importance of the intangible dimension of the development and operationalisation of institutional capital indicators is reflected in CGD's economic, financial, social and environmental development strategy, on which this intangible capital is built, as well as in its contribution to the pursuit of strategic development goals, generating greater and better value.

In line with the Paris Agreement on Climate Change and the United Nations (UN) 2030 Agenda for Sustainable Development, the High-Level Expert Group of the European Commission (EC) published the final report on sustainable finance on 31 January 2018, which supported the EC's position in March of the same year, when it presented its "Action Plan on Financing Sustainable Growth".

This plan consolidates the EC's vision and commitment, acknowledging sustainability and the transition to a circular economy - a low-carbon economy based on a more efficient use of resources - as crucial to ensure the long-term competitiveness of the European Union (EU).

With the ambition of turning Europe into a pioneer in the adaptation and mitigation associated with climate change, there are 10 actions with different goals pursued along three guiding axes:

1) Capital flows should be redirected towards sustainable investments to reshape the economy, in accordance with the Paris Climate Agreement commitments and the Sustainable Development Goals (SDGs);

(2) The financial risks arising from climate change, scarcity of resources, environmental degradation and social issues should be managed and mitigated, and

3) Transparency and long-term perspectives should be fostered in the financial sector.

The experience and knowledge of those who strive to develop CGD day after day contribute to consolidate the road we've travelled and the roadmap we're outlining, to promote trustworthy relationships, to multiply solidarity, to value a history intertwined with the history of our own country and to preserve legacies, based in a medium- and long-term vision of a future that needs to be fair, accessible to many generations and, therefore, sustainable.

REGULATORY TRENDS AND CGD'S ACTIVITY

Within its sphere of action, CGD complies with and adopts regulatory trends, namely:

a) Decree-Law No. 89/2017, of 28 July – Non-Financial Information

The Sustainability Report is a powerful means to communicate reliable information and to assert the values of the Brand, the reputation of CGD and its Group companies, enabling all the structures involved to promote their quality and accuracy, both in terms of presentation and informative value for the various CGD stakeholders, and in accordance with the guidelines and requirements of the international methodology of the Global Reporting Initiative (GRI) frameworks.

Decree-Law No. 89/2017, which sets forth new reporting duties applicable to annual financial statements regarding the disclosure of non-financial information and diversity, establishes the obligation of reporting information on environmental, social and employee-related matters, gender equality, non-discrimination, respect for human rights, the fight against corruption and attempted bribery and diversity in management and supervisory bodies. For the fourth consecutive year, CGD has responded to this framework, which was transposed into national legislation in 2017.

b) Recommendations of the *Task Force on Climate-Related Financial Disclosures* (TCFD) - Inclusion of environmental risks in regular reports

Set up in 2015 by the *Financial Stability Board* with the purpose of generating recommendations to facilitate the disclosure of financial information related to climate change by the private sector and various global organisations, the *Task-force on Climate-related Financial Disclosures* (TCFD) has a set of guidelines that indicate the need to assess the risks involved in the transition to a low-carbon economy, as well as "physical risks", setting a standard trend towards a model of risk management which incorporates criteria and indicators related to direct and indirect environmental performance and impact, capable of preserving the tangible and intangible assets of organisations, businesses, communities and their ecosystems.

Therefore, it prompts financial market players to identify and ensure the day-to-day management of risks related to climate change.

The TCFD structures its recommendations around four thematic areas - Governance, Strategy, Risk Management, and Metrics and Targets -, providing a guiding framework that enables companies to identify and report climate-related risks and opportunities in a transparent manner.

CGD's activity also takes into account the TCFD's recommendations, namely with regard to:

GOVERNANCE	• The Board of Directors (CA) is the main responsible for defining the sustainability strategy and the associated policies, codes, commitments associated with or arising from it. • The Sustainability Committee (CSU) is the consulting body of the Executive Committee and responsible for assessing, discussing and monitoring the implementation, from a corporate point of view, of the sustainability strategy, thus promoting the mitigation of environmental risks and the development of business opportunities. The CSU meets, at least, every six months. • The Environmental Policy, which is publicly accessible, endorses one of the strategic axes of action and undertakes three key commitments: (i) compliance with environmental legislation, (ii) the adoption of a proactive attitude and measures to prevent pollution, and (iii) continuous improvement of the environmental performance..
STRATEGY	• The Low Carbon Programme materializes CGD's strategy for climate change and is based on four action lines: (i) Low-Carbon Economy Financing; (ii) Reduction of Greenhouse Gas (GHG) Emissions; (iii) Mitigation of Environmental Risk, and (iv) Transparency and Awareness-Raising. • CGD participates in several national and international working groups, such as the Sustainable Finance Working Group and the Taxonomy Subgroup, both of the European Banking Federation (EBF); BCSD Portugal, Global Compact Network Portugal and GRACE, integrating the main trends and best sectoral practices into its strategy and corresponding activities. • Every year, CGD responds to the Climate Change questionnaire of the Carbon Disclosure Project (CDP), which identified specific examples of climate-related risks and opportunities.
RISK MANAGEMENT	• The Sectoral Exclusion and Limitation Principles cover activities and projects excluded or restricted, under certain criteria, from the credit policy, taking into account potential socio-environmental risks. • The Tax Principles are a complement to ensure a prudent management of potential risks arising from fraudulent activities or tax evasion in the markets in which CGD operates. • Integration of clauses associated with sustainability into contracts related to the supply chain. • The Environmental Management System (EMS) includes procedures to identify and assess environmental aspects associated with CGD's current operations and commercial offer.
TARGETS AND METRICS	• GHG emissions (Scopes 1, 2 and 3) reported in the Management Report. • Key performance indicators in the area of Sustainability reported in the Management report. • Indicators, objectives/targets and internal platforms for assessing the performance and monitoring the EMS.

CODE OF CONDUCT

The values, ethical principles and rules of professional conduct that govern the Employees' performance are disclosed in the Code of Conduct, which is a self-regulatory, binding and imperative document to be complied with in and by CGD and a key instrument in the ethics management, contributing to:

- Harmonise benchmarks vis-à-vis ethical dilemmas;
- Formalise the values, operating principles and rules of conduct that guide relationships with the various stakeholders;
- Promote an organisational culture of legal compliance and compliance with the values and principles that are adopted;
- Develop best practices of corporate governance and ethical conduct.

In 2018, the ethical performance indicators were assessed and revised, with a view to updating the Management Model of the Code of Conduct.

One of the ethical performance indicators in this Model is the number of violations of labour duties by employees, considering that such violations constitute disciplinary infractions and, ultimately, violations of the Code of Conduct. In 2018, 16 disciplinary sanctions were applied, four of which resulted in dismissals. New and current employees of different CGD corporate bodies, as well as employees of CGD Group companies received training in Ethics and Code of Conduct. CGD's Code of Conduct is available at https://www.cgd.pt/English/Institutional/Corporate-Governance/Documents/CGD-Code-of-Conduct.pdf

MISSION

Caixa Geral de Depósitos, S.A. (CGD) pursues the mission of creating value for the Portuguese society, providing high-quality banking services to retail and corporate customers, thus contributing to improve the well-being of the Portuguese families and to develop the business sector, generating adequate profitability for the shareholder. CGD ensures that its customers have access to a diversified set of high-quality financial products and services, with a particular emphasis on the attraction of savings and the granting of medium- and long-term loans, based on an efficient corporate governance model in compliance with the highest ethical standards.

VISION

The shareholder's vision for CGD is that of a reference institution in the financial system and leader in the banking sector in Portugal, which is always committed to enhancing its competitive advantages and guaranteeing levels of solidity, profitability, service and efficiency in line with best practices in the European banking sector.

VALUES

CGD's activity and conduct are guided by the following core values:

- **Trust**, guaranteeing the security of depositors, promoting a long-term relationship with customers and favouring their loyalty, by providing a high-quality service and a product offer adjusted to its risk profile, thus reinforcing the institution's stability and financial soundness;
- **Profitability**, ensuring an adequate remuneration of public capitals, based on the sustainability of its business model and on an effective and strict management;
- **Transparency**, providing services and communicating, externally and internally, in a truthful, clear and objective manner;

- **Integrity**, in scrupulous compliance with all legal, regulatory and contractual provisions, respecting ethical values and abiding by the rules of conduct in force;
- **Professionalism** in order to provide the best service to its customers and establish relationships with all the stakeholders, with high technical competence, rigour and diligence;
- **Proximity**, through a comprehensive network of bank branches in Portugal, as well as through remote channels based on the use of new technologies, guaranteeing an innovative, diversified and accessible offer;
- **Responsibility** towards its customers who entrust it with their savings, investors and society, being involved in programmes and initiatives in the areas of social responsibility, sustainable development and financial literacy;
- **Culture of risk and rigour**, ensuring compliance with the best practices in risk management, reinforcing the trust of customers, markets and shareholders through an adequate balance sheet management;
- **Innovation**, investing in technological progress, leading digital banking in Portugal, with open architecture solutions, in a logic of multichannel response to the evolution of customer expectations and preferences.

Therefore, in view of the above, the Institution should explore its **competitive advantages**. CGD is the most well-known financial brand in Portugal, serving the widest base of customers and holding a network of branches with great capillarity, based on a relationship of proximity, experience and trust with its customers. The bank also has a significant presence in the provision of banking services in Portuguese-speaking communities.

CGD is recognised by families as a safe banking institution, a fact which allows it to have a highly stable deposit base, and lead the granting of medium- and long-term loans. Its activity is supported by a high capacity of access to international financial markets. We should also add that CGD has a commitment to social and environmental responsibility, digital inclusion and sustainable development, which is recognised by its stakeholders.

The vision for CGD and its guidelines, as established by the shareholder, are based on these competitive advantages, which are decisive for the pursuit of its mission in strict compliance with the fundamental values that have been defined.

POLICIES AND LINES OF ACTION OF THE STRATEGY IN PLACE

CGD's activity is governed by the following **guidelines**:

- Sustainability of the business model, ensured by the profitability of its operations, associated with appropriate risk management, and by a comprehensive network of financial services;
- Support to the economy, gearing its lending activity towards companies, in particular by promoting internationalisation and operationalising lines of support to small- and medium-sized enterprises;
- Maintaining CGD's role in the provision of banking services to retail customers, as well as in the attraction of savings, ensuring a comprehensive coverage and a high-quality service;
- Efficient corporate governance model, in line with recommended best practices;
- Continuous appreciation of the employees, promoting merit, initiative and the development of human capital, in a framework of balanced labour relations that foster productivity;
- Keeping up with technological developments in the financial sector, both within the institution, making the necessary adaptations to allow CGD to remain competitive in a dynamic and competitive market and to lead digital banking in Portugal, and in its relationship with its customers, financing investments in innovation and the technological development of companies;

- Ensuring the CGD's international dimension, geared towards business with countries and territories with strong cultural and commercial ties with Portugal and enhancing the value of the CGD brand;
- Commitment to the principles of social responsibility, sustainable development and respect for stakeholders.

BRAND - REPUTATION, VALUE AND DISTINCTIONS

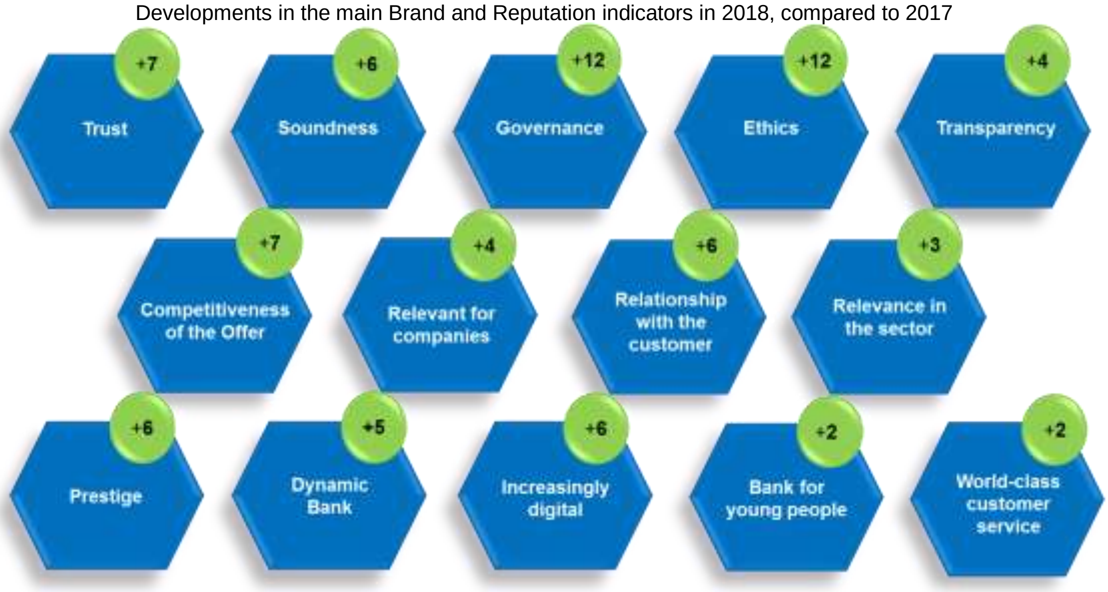
In 2018, CGD continued to be the most reputed brand according to the Marktest Reputation Study; it reached the highest financial value of 139.3 M€ - for the reputation of a brand of the banking sector in Portugal, according to the 2018 OnStrategy Reputation Study.

Source: Marktest Reputation Index Reputation Study – 2018.

According to the BrandScore 2018 - SCOPEN study, CGD continued to rank first in brand awareness in the banking sector. In addition, the main image indicators rose in 2018, compared to 2017. According to Brandscore's study, "Ethics" and "*Governance"* were the indicators that rose the most in 2018, assessed by CGD customers with an additional 12 points compared to 2017. "Trust" and "Soundness" recovered 7 and 6 points, respectively, obtaining a very positive assessment, and the "Transparency" indicator reversed the downward trend, recovering four (4) points compared to the preceding year.

Brand and Reputation Indicators 2018

Developments in the main Brand and Reputation indicators in 2018, compared to 2017



Source: BrandScore – SCOPEN

CGD's Overall Image is very positive. Customer retention is increasing, reducing the likelihood of customers choosing another Bank and the brand's reputation is improving together with the improvement of the attributes deemed crucial for the Bank's Sustainability; CGD's relevance for companies and the banking sector stands out, with a very positive assessment.

The Banker
TOP 1000
WORLD BANKS 2018

Financial value of the CGD Brand 2018. Source: "The Banker Top Worlds Brands 2018".

According to The Banker, in 2018, CGD held the most valuable banking brand in Portugal, worth 181 M€; it stood out in the 2018 Top 1000 World Banks ranking, as it rose to 154th, up 106 places compared to 2017 (ranked 260th). CGD is also the Western European Bank with the greatest increase in *Tier 1 Capital* in 2017 (+132%), following the implementation of the recapitalisation plan agreed between the European Commission and the Portuguese State.

CGD is on the "2018 Climate Change A List"

CGD's rating in CDP's 2018 Climate Change. Source: CDP

The "A -" rating obtained in the CDP's 2018 *Climate Change* questionnaire recognises CGD as the leader of its sector in Portugal, namely for its adaptability and mitigation within the scope of climate change, its performance in the reduction of GHG, its approach to climate-related risks and its efforts geared towards the transition to a Low-Carbon Economy.

In 2018, only 17% of all world companies that responded to *Climate Change* were rated "A -" or "A". CDP is a non-governmental organisation that provides the largest, most comprehensive, and reputed international environmental information system on nearly 7,000 companies and/or organisations from different economic sectors and 70 countries.

The ratings assigned by the CDP provide information to support the decisions of large investors and funders as to the performance and level of commitment of companies when it comes to managing the risks associated with adaptation, mitigation and opportunities arising from climate change.

CGD above the global financial sector average in the Dow Jones Sustainability Index

CGD responded voluntarily to the 2018 *Dow Jones Sustainability Index* (DJSI) questionnaire, which is in line with the best international practices and trends in Sustainability, reaching an overall result above the average of the global financial sector.

The DJSI is the result of an evaluation carried out by Robeco *Sustainable Asset Management* (SAM), which assesses and rates companies according to their degree of compliance with Sustainability indicators in economic, social and environmental areas; the weight of each indicator may vary each year, according to current or mainstream international practices. The assessment report associated with the DJSI consists of a *scorecard* with a score for each Sustainability indicator that is reported, in which companies can compare their results against the average, *top and low scores,* and according to their sector.

Caixadirecta Awarded – best *Homebanking* website 2018

For the first time, CGD was distinguished by the readers of the PC Guia magazine, winning the Award for "Best *Homebanking Website* 2018" consolidating its position as "Digital bank of the Portuguese, simple and for all". CGD is the leader in the number of Internet banking users in Portugal, with more than one million customers, about 47% of the total of homebanking customers nationwide.

Caixagest: Best Portuguese Managing Company 2018

The consistent results obtained by the Caixagest funds continue to merit recognition from entities such as Morningstar, one of the world's leading fund information experts.

Caixa Contact Centre (CCC) recognised with Certification

CCC is now certified according to the ISO 9001:2015 standard, thus maintaining the Quality and Service Excellence that earned it its first certification in 2013. APCER, as certification body, highlighted the following strengths:

- Strategic interest of the activity for CGD's purposes and objectives
- Context analysis and SWOT analysis

- Contact quality monitoring
- Service level monitoring
- Skill management
- Approach to Stakeholders and connection to Risks and Opportunities

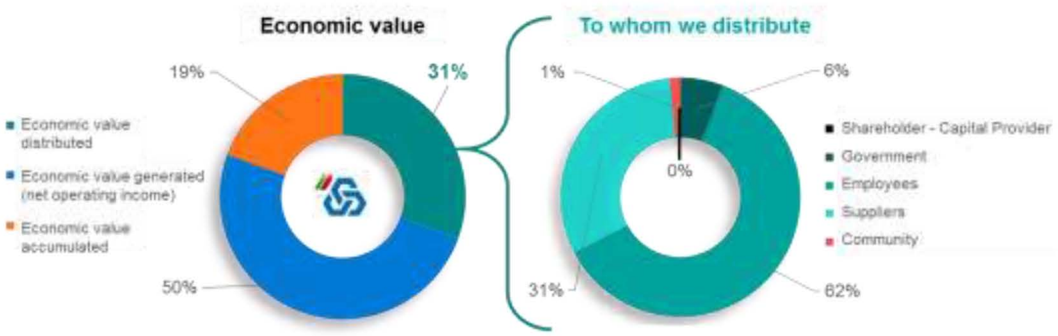
As ISO 9001 is the most commonly used standard and an international reference for the Certification of Quality Management Systems, this recognition is a source of satisfaction, since it represents the effort, determination, effectiveness and efficiency that, on a daily basis, support our remote customer service, also available to the public in general, enabling us to achieve the desired service levels. A focus on continually improving Customer experience and, consequently, their level of satisfaction with CGD.

ACTION AND DISTRIBUTION OF VALUE TO STAKEHOLDERS

CGD and its Group ensure a comprehensive and universal service that generates and distributes Value across several financial areas, addressing it to different groups of stakeholders and geographies.

Commercial banking	Investment banking, risk capital and brokerage	Asset management
Specialised credit	Auxiliary services	Shareholding management

Caixa Geral de Depósitos, S.A.



(Amounts in Euros)

Economic value distributed (Including Community)	794.402.508
Economic value generated (net operating income)	1.299.218.363
Economic value accumulated	504.815.855

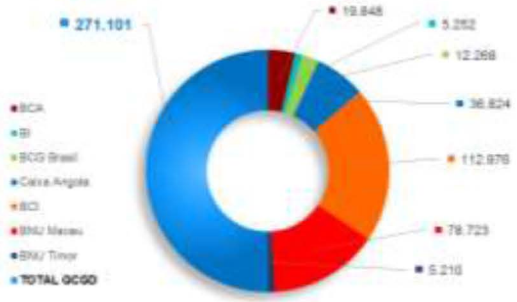
Shareholder - Capital Provider	0
Government	46.558.053
Employees	496.022.524
Suppliers	251.811.483
Community	10.448.133

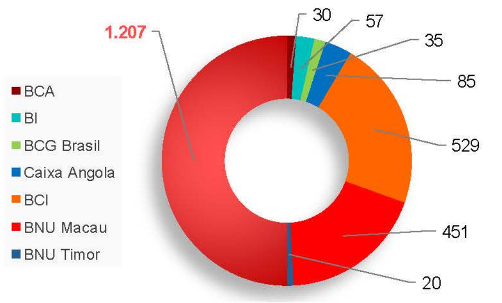
CGD Group | International

Economic Value Distributed **Investment in the Community**

Economic Value (Amounts in Euros)

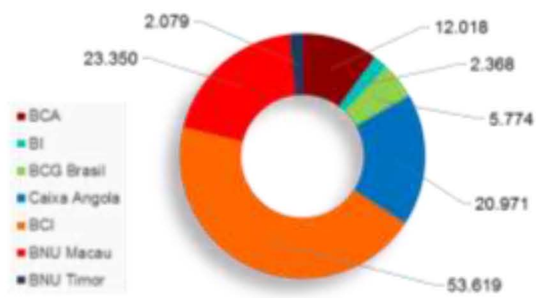
	BCA	BI	BCG Brasil	Caixa Angola	BCI	BNU Macau	BNU Timor
Economic value distributed (Including Community)	19.848	5.252	12.268	36.824	112.976	78.723	5.210
Economic value generated (net operating income)	28.730	9.875	17.469	104.568	191.779	114.941	10.156
Economic value accumulated	8.882	4.622	5.200	67.745	78.803	36.218	4.946



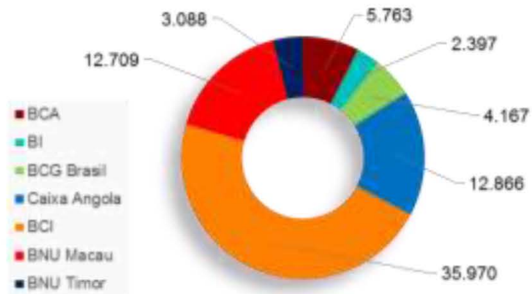


To whom we distribute	BCA	BI	BCG Brasil	Caixa Angola	BCI	BNU Macau	BNU Timor
Shareholder-Capital Provider	533	0	0	0	0	33.347	0
Government	1.504	219	3.360	2.902	22.858	8.866	23
Employees	12.018	2.368	5.774	20.971	53.619	23.350	2.079
Suppliers	5.763	2.397	4.167	12.866	35.970	12.709	3.088
Community	30	57	35	85	529	451	20

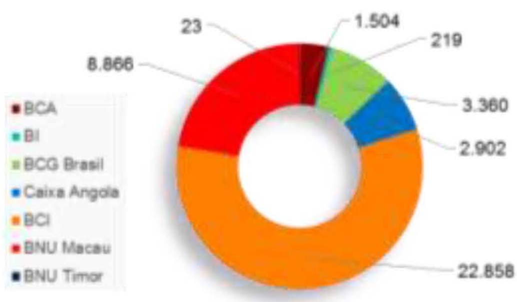
Employees



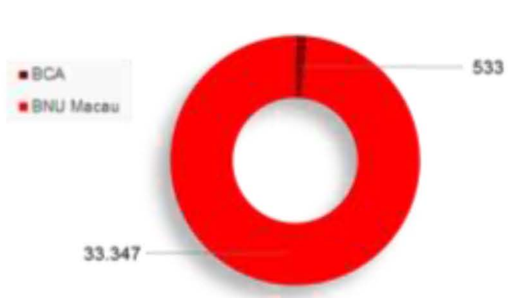
Suppliers



Employees



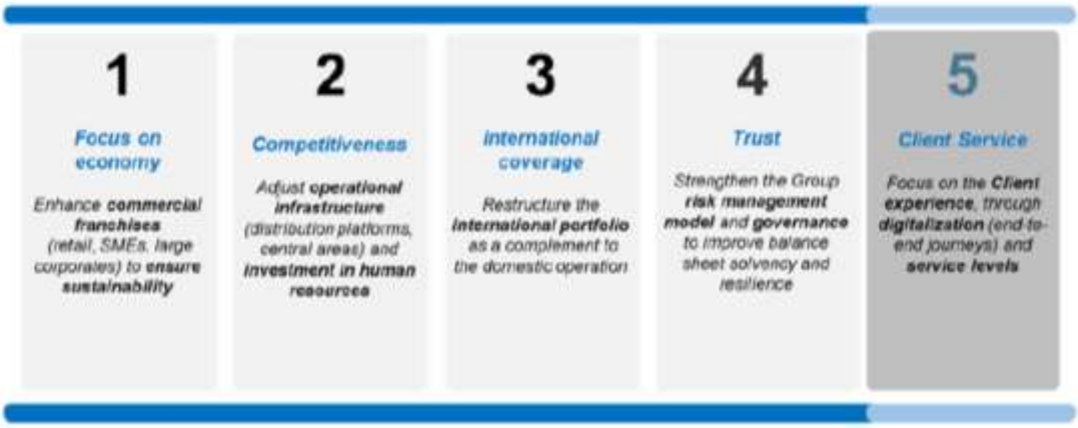
Suppliers



SUSTAINABILITY STRATEGY 2018-2020

The strategy adopted by CGD and defined based on the 2017-2020 Strategic Plan shows the rationality and sustainability of the investment decision of its sole shareholder. The Strategic Plan has five key pillars:

Pillars of the 2017-2020 CGD Strategic Plan



CGD generates value for its stakeholders by promoting the sustainable management of its resources, based on ethical principles and economic, social and environmental responsibility. By increasing customer loyalty, integration and satisfaction by strategic objective associated with sustainable performance, CGD contributes to the social and economic development of citizens, families and companies and to the future of Portugal.

In keeping with its centenary mission of commitment to the Portuguese economy and society, CGD's Sustainability strategy addresses the generation of value through the development of its tangible and intangible assets, the economic and technological progress of its customers and companies, the social and digital inclusion of individuals and families, the protection of fundamental human rights, the respect for our common natural heritage. The experience and knowledge of those who strive to develop CGD day after day contribute to support the path we've travelled and the path that lies ahead of us, promoting trustworthy relationships, multiplying solidarity, preserving legacies, based in a medium- and long-term vision aimed at a continuously sustainable progress.

Corporate Sustainability Strategy						
Vision	Caixa for the Future.					
Mission	More value for customers, greater social advancement, less environmental impact. Better **profitability** for the future.					
Strategy	Increasing customer integration and satisfaction by strategic goal and corresponding action plan, contributing to the social, digital and economic development of each Customer, families and companies.					
	Accessible Business Value Creation	**Social Responsibility** Social Progress	**Environmental Footprint** Less Impact	Risk	Ethics	*Stakeholders*
	Offering innovative, profitable and sustainable products and services, ensuring **proximity** and **accessibility** to customers and the public in general, with rigour and objectivity.	Contributing to the socio-economic, cultural and digital inclusion of the citizens; managing the employees' talent and meritocracy; operating according to the values of active citizenship and **respect** for the protection of Human Rights.	Promoting operational eco-efficiency, minimizing the consumption of materials, energy and other natural resources. With **responsibility**, playing an active role in the commitment to sustainable development.	Managing the socio-environmental risk in operations, reputational risk and protection of tangible and intangible assets, **ensuring investment** security and promoting a **culture of risk and rigour.**	A corporate culture of **integrity** based on an ethical and transparent conduct and on principles, policies and commitments geared towards the security and trust of the stakeholders and the shareholder.	Establishing trustworthy partnerships and relationships, providing **transparent information** and creating value for the stakeholders..
Purpose	Being the "Bank of the Portuguese".					

The 2018-2020 Sustainability Strategy, aligned with CGD's Strategic Plan and respecting the assumptions of the Sustainability Policy, establishes six areas of structural intervention - Accessible

Business, Social Responsibility, Environmental Footprint, Ethics and Compliance, Risk Management and Involvement with Stakeholders - which are reflected in annual activity plans, which give continuity to the commitments that we've undertaken.

CGD Sustainability Strategy 2018-2020

Three strategic lines of our commitment to Sustainability

i. Accessible Business - The first key line of the Sustainability Strategy, it aims to contribute to a more innovative offer; industry 4.0, socio-economic and digital inclusion; cross-cutting financing of the green/circular, blue (oceans/sea) and social "economies"; attracting new businesses and customers; a strong position to consolidate Trust and Good Reputation.

ii. Social Responsibility - The second line fosters socio-economic, cultural and digital advancement ("social lift") of third-sector individuals and entities, as well as the fight against poverty and social exclusion, through the Caixa Social Programme; equity and diversity in the hiring and management of human capital; the management of talent and meritocracy; work-life balance; a corporate culture anchored in the values of Volunteer Work and in the sharing of skills - Corporate Volunteering.

iii. Environmental Footprint **–** The third strategic line represents the commitment to reduce the impact on the environment and the surrounding communities on behalf of the bank's activities through the Low Carbon Programme; mitigate waste and optimise the material, natural and energy resources used in everyday activities through the Environmental Management System (EMS); eco-efficient means and structures; the commercial fulfilment of opportunities arising from the "circular economy", the "sea economy" and digital evolution; managing the supply chain in line with CGD's operating values and principles; preserving the Portuguese natural heritage and ecosystems; establishing partnerships for Sustainability.

Three key links of our Sustainability Strategy

A triad of cross-cutting links for a "Leading Institution": Ethics, Risk and Stakeholders.

i. Ethics - Driven by the compliance functions, this link strengthens a corporate culture geared towards rigour and resilience, codes of conduct, the policies and commitments that have been undertaken, contributing to the security and trust of the stakeholders and the shareholder, in compliance with the legislation and sectoral regulations, ensuring that Reputational Risk is managed in line with the best Governance practices.

ii. Risk - A key link for preventive management, geared towards the safeguarding and development of CGD's assets and activities under social and environmental criteria, which complement the economic indicators, aimed at detecting and mitigating occurrences or damages potentially harmful for Caixa, namely with regard to financing models and opportunities for investment, managing the socio-environmental risk potentially present in commercial operations in line with the national and European regulatory trends.

iii. *Stakeholders* – CGD has a permanent commitment to manage its stakeholders' expectations, mainly those regarded as "relevant" (customers, employees, suppliers, regulator, shareholder and entities representing groups of stakeholders), which allow us to assess levels of satisfaction and opportunities for improvement through a continuous dialogue based on transparency and trust, capable of resulting in a regular contribution to the sustainable development of Caixa's performance and position.

Within the six areas of action of the 2018/2020 Sustainability Strategy, we defined key performance indicators taking into account their relevance to CGD's activity. The rate of implementation of the actions planned for 2018 included in the 2018-2020 Sustainability Strategy was 82%. The Management and Accounts Report and the Sustainability Report provide detailed information on key performance indicators and their evolution.

***Governance* (ESG) - Sustainability Management Model**

CGD has updated its Sustainability management model by integrating good practices and valuing recommendations from international entities such as the Task Force on Climate-Related Financial Disclosures (TCFD) and UNEP FI's Principles for Responsible Banking.

To achieve this goal, the Board of Directors is the CGD Group's highest decision-making body for policies and strategies related to Sustainability, and the Executive Committee is the body that monitors the progress made in the implementation of the most important initiatives in CGD and in the Group companies, with the aim of generating value and profitability for CGD.

The Governance Committee ensures compliance with governance principles and assesses Sustainability strategies and policies, proposing guidelines on Sustainability strategy, social and environmental responsibility to the Board of Directors.

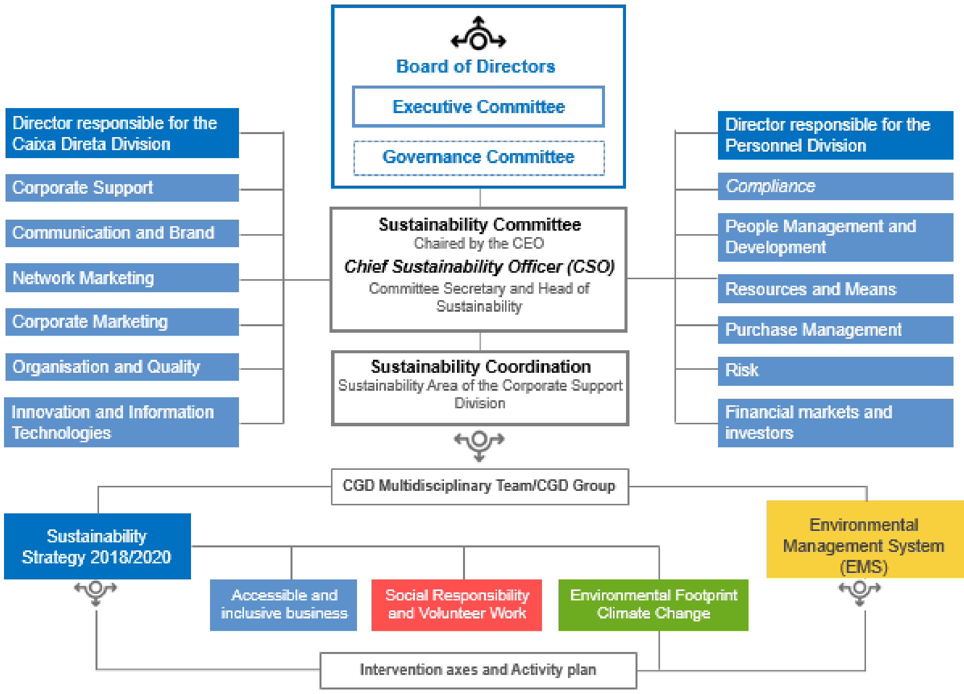
The Sustainability Committee is an advisory body of the Executive Committee, chaired by the Chairman of the Executive Committee and composed of managers of the different corporate areas responsible for implementing the activities that have been defined. It meets, at least, every six months and proposes, coordinates and promotes the implementation of the annual activity plan, among others, reporting to the Governance Committee.

The Chief Sustainability Officer (CSO) is a key position created by the Executive Committee in 2016, acting as CGD's official representative for these matters, Secretary of the Sustainability Committee and head of the Sustainability Area.

The Sustainability Area, which is part of the Corporate Support Division, coordinates the strategic initiative plan, programmes and related systems, being responsible for internal mechanisms and circuits that monitor performance indicators, assessment procedures and reporting processes.

The subsidiaries and local branches of the CGD Group in Portugal and abroad have, within this scope, their own management models and have Sustainability initiatives adapted to local requirements and commercial contexts, in line with CGD's comprehensive strategy and in compliance with the prevailing corporate policies. CGD Sustainability Report covers the performance of those entities, consolidating the CGD Group cross-cutting commitment to Sustainability.

Corporate management model for Sustainability



The sustainability performance of the Institution is disclosed to the stakeholders through the Sustainability Report, under the guidelines of the Global Reporting Initiative (GRI) and the "Comprehensive" option of the GRI Standards 2016, and independently verified by an external entity.

The Corporate Sustainability Programme is supported by a Sustainability Policy that brings together the four positioning vectors that guide CGD's activity: (i) economically profitable; (ii) financially viable; (iii) socially fair, and (iv) environmentally correct. Through this programme and, in particular, the Sustainability Strategy for the 2018-2020 triennium, CGD has been working continuously, efficiently and effectively, to reduce the exposure of its activity to risks arising from economic, environmental and social impacts.

The Corporate Sustainability Programme has been promoted within CGD and its Financial Group through the development of a set of themes and goals, which in recent years have contributed to the consolidation of several benefits, namely: reducing costs and improving operational efficiency; obtaining additional income; retaining talent; monitoring and meeting the expectations of several groups of stakeholders; monitoring regulatory trends; mitigating risks; promoting an innovative offer and improving the brand's reputation and image.

The sustainability management model can be found on the 2018 Annual Report.

POLICIES AND ADHESIONS

Policies and commitments guide CGD's activity in terms of fundamental values and sustainability, fostering the prevalence of ethics, rigour and transparency in all activities and operations, binding employees and functional structures, Group companies and, where possible, partners and stakeholders.

In this context, in 2018, CGD published and disclosed, namely on its corporate website, four new policies with guiding principles that cover its activities, employees and other stakeholders: (i) the Declaration of Commitment to Human Rights, (ii) Sectoral Exclusion and Limitation Principles, (iii) Tax Principles, and (iv) the Business Continuity Policy.

In 2018, the following documents were updated or developed:

- Code of Conduct
- Sustainability Policy
- Quality Policy

- Policy and Plan for the Prevention of Corruption and Related Offences
- Community Involvement Policy
- Product and Service Policy
- Environmental Policy
- Handbook of Good Practices for Suppliers
- Declaration of Ethical Principles and Good Business Practices for Suppliers

Human Rights and Non-Discrimination

By binding all the activities and relationships ensured by CGD and its employees, the Institution reflects the applicability of its policies - in particular: the Code of Conduct, the Declaration of Commitment and Respect for Human Rights and the Community Involvement Policy - regarding the management of its human assets, by ensuring developments in equal treatment and opportunities, in terms of sex and gender, equity in hiring, career advancement and basic pay, as well as the principle of "non-discrimination". In this context, as an example, more than 2% of its employees have functional diversity, with disabilities rated 60% or higher, being integral and active members of the CGD community, contributing to a culture of responsibility, resilience and solidarity.

Product Governance, Approval and Monitoring Policy

Due to their nature and importance in the day-to-day life of citizens, financial products and services are subject to permanent scrutiny by the supervisory entities, as well as by customers and consumer protection organisations, self-regulatory entities, sectoral representation entities, as well as the legislator.

The marketing of CGD's financial products and services complies with strict internal control mechanisms, from design to sale, dissemination and promotion, in order to ensure compliance with all legal and regulatory obligations, as well as with the best practices disseminated by national and international entities and with the ethical principles governing the Institution. This policy therefore assigns to the Compliance Support Office (GFC):

- The responsibility to check whether the characteristics of the new products, as well as the pre-contractual information provided to customers, sales support documents and advertising are in line with the legal framework in force, future known amendments to legislation, regulations and supervisory requirements, along with CGD's ethical practices and principles.
- The analysis of the specific risks of money laundering and terrorist financing related to new products.

In 2018, 77 products and services were subject to the "Product Approval Process", plus one product - in the meantime subject to prior approval by the competent supervisory authority -, and all of them were validated in terms of legal and regulatory compliance.

CGD voluntarily endorses principles and/or fundamentals issued by national and international organisations which are complementary to the corporate policies and codes in force within the scope of the Sustainability Programme, namely:

- **The 10 Principles of the Global Compact of the United Nations (UN) –** The Global Compact, through the capillarity of its local networks around the world, which include Portugal, represents the largest business initiative of Sustainability worldwide. In this context, aware of the commitments it has undertaken, CGD annually shows its progress in complying with the principles in question by responding to the Communication on Progress (COP) questionnaire, obtaining the classification of "Advanced" as regards the quality, diversity and accuracy of the information it reports.
- **The 17 Sustainable Development Goals (SDGs) of the UN** - CGD incorporates the SDGs into its performance and contribution to Sustainability, under the assumption that they are relevant for the 2030 World Agenda, which outlines the path to fostering peace, ending extreme poverty, combating inequality and injustice and protecting the planet, promoting partnerships capable of

generating economic and financial value, balancing risk management with socio-environmental demands and opportunities.

- **Charter for Responsible Business of the *European Savings Banks Group*** - As member of the European Savings Banks Group (ESBG/ WSBI), CGD endorses the Charter for Sustainable Business, reflected in a performance guided by the following operating principles: (i) Fair and transparent relationships with customers; (ii) Promotion of financial accessibility and inclusion; (iii) Environmentally-friendly business; (iv) Responsible contribution to the community; (v) Development of responsible relationships with employees, and (vi) Communication.

In addition, CGD participates in working groups and or integrates the governing bodies of national and international organisations, namely:

- ***Sustainable Finance Working Group* (SFWG), of the *European Banking Association* (EBF)** - Representing the Portuguese Banking Association (APB), CGD is a member of the "Sustainable Finance" working group and the "Taxonomy" subgroup.
- ***Corporate Social Responsibility and Sustainable Development Committee* (CSR-SD)*, of the* European Savings Bank Group** - CGD and Caixa Económica Montepio Geral are the only Institutions that represent the Portuguese financial system in this working group focused on a consequent reflection, alignment and discussion of European regulations applicable to the sector. This group, due to its capillarity and specificity within the European banking context - being composed of representatives of French, Italian, German, Austrian, Spanish, Greek, Norwegian, and Swedish savings banks, among others - is regularly consulted by the European Commission, through the presence and intervention of Commissioners and other representatives of the EC, Parliament and/or EU institutions, bodies and agencies.
- **"Sustainable Finance" Working Group of the Portuguese Banking Association (APB)** - CGD, together with representatives of all the Portuguese banks, is a member of the working group aimed at disseminating the European agenda for "sustainable finance" from an informative and constructive perspective on responsiveness, where required by European entities, namely the EBF and the EC, and anticipating impacts and adaptations that should be considered.
- **UN Global Compact - Network Portugal** - CGD is a member of the *Board* of the Global Compact Network Portugal, which reports directly to the Headquarters of the United Nations, in New York.
- **Sustainable Development Goals Alliance**, **Portugal** - CGD is a member of the Coordinating Commission of the Sustainable Development Goals Alliance, under the 2030 Agenda, which is embodied in the aggregation of the contributions of its 126 institutional members representing all social, economic, public, private, institutional and non-governmental sectors of the country.
- **Group of Reflection and Support to Corporate Citizenship (GRACE) - Member of the Board of Directors** - CGD joined this entity with about 170 members in 2015; its purpose is to strengthen and enhance the contribution of the business sector to social development, without neglecting the importance and opportunity of environmental aspects for the necessary balance between quality of life and business profitability. In 2018, CGD joined the Governing Bodies (Board of Directors) of GRACE for the 2018/2020 triennium.
- **Group for Strategy Implementation, Monitoring and Assessment (GIMAE)** - The GIMAE coordinates the implementation of the National Strategy for the Integration of Homeless People (ENIPSSA), managed by the Institute of Social Security (ISS, I.P.) and composed of public and private entities. CGD is the only representative of the Portuguese banking sector since March 2018, taking into account the responsibilities assigned to it as a state-owned bank responsible for specific banking operations aimed at specific target audiences.
- **SmartWastePortugal** (SWP) **-** As an associate and founding member, CGD collaborates and contributes to the recovery and disposal of waste (National Waste Sector), within the framework of

the circular economy, asserting its role in the socio-economic and environmental development of the country, together with more than 95 associated entities.

- **BCSD Portugal -** Being a member since 2008, it has endorsed the Charter of Principles of the BCSD Portugal - Business Council for Sustainable Development which establishes guidelines for good business management, aimed at small, medium-sized and large enterprises. This partnership strengthens CGD's performance beyond the legal framework, with standards and practices aligned with management, social, environmental and quality standards, in any context of the global economy.

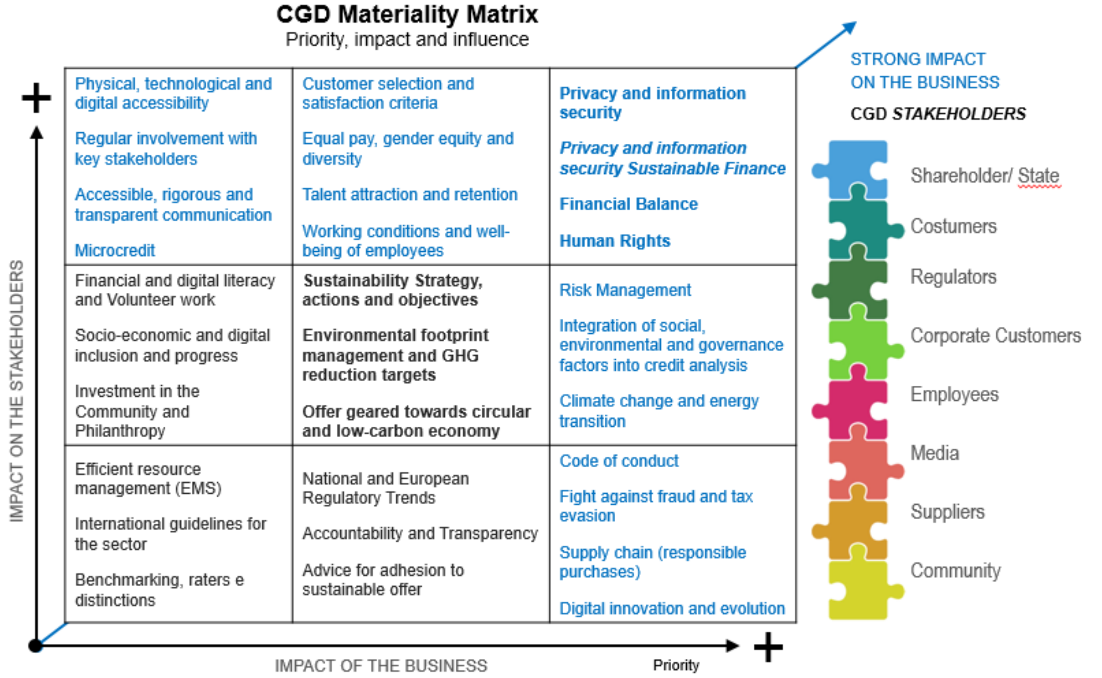
MATERIALITY AND RELATIONSHIP WITH STAKEHOLDERS

CGD considers that a continuous dialogue with its stakeholders is essential for the sustainable development and evolution of its activity, using, for this purpose, various relationship means and channels that ensure contact with the various interest groups.

In this context, the Institution's materiality matrix incorporates the vectors deemed essential to its contribution to sustainable development, taking into account the monitoring of the challenges posed to its sector by the various stakeholders and society in general, especially those with the greatest influential or transformational power. Furthermore, CGD's materiality matrix is inspired by the latest international guidelines with the greatest influence on States and regulatory/supervisory bodies, thanks to their structuring nature and to the fact that they challenge the competitiveness of the front runners of the financial industry.

The materiality assessment process contributed to the Institution's strategy, corroborating the pre-defined path and/or realigning it with its financial performance needs and its desired position in this context, by identifying themes that will potentially lead to the development of banking activities and financial results in the short, medium and long term, positively influencing the brand's reputation and trust in CGD and its Group entities.

CGD Materiality Matrix
Priority, impact and influence



Relationship with *Stakeholders*

Group of Stakeholders	Relationship	Frequency
Shareholder / State	General Assembly	Annual
	Report	Quarterly

	Sustainability Survey	Every two years
Private Customers	Satisfaction Surveys	Half yearly
	Cx Magazine (digital)	Quarterly
	WebSite CGD	Ongoing
	Caixa Woman, Caixa News and Caixa Gold Newsletters	Where appropriate
	Portal Caixa Advantages	Ongoing
	Social Media	Ongoing
	Customer Area - Suggestions and Complaints Service	Ongoing
	Commercial Network	Ongoing
	Communication Campaigns	Where appropriate
	Sustainability Survey	Every two years
Corporate Customers	Satisfaction Surveys	Annual
	Caixa Empresas Newsletter (for companies)	Monthly
	Cx Magazine (digital)	Quarterly
	WebSite CGD	Ongoing
	Portal Caixa Advantages	Ongoing
	Social networks	Ongoing
	Sustainability Survey	Annual
Regulators	Specific instructions from regulators	Ongoing
	Clarification requests	Ongoing
	Participation in national and international Working Groups	Ongoing
	Personal supervisory actions	Ongoing
	Public Consultations	Ongoing
	Production of reports	Ongoing
	Sustainability Survey	Annual
Suppliers	Regular meetings and contacts	Quarterly
	Sustainability Survey	Annual
Employees	Employees Committee	Monthly
	Intranet	Ongoing
	Portal Caixapessoal	Ongoing
	WebSite CGD	Ongoing
	Newsletter Caixa Notícias	Monthly
	Training Initiatives	Where appropriate
	Performance Assessment	Annual
	Organizational Climate surveys	Where appropriate
	Sustainability Survey	Annual
	Microsite Nós Caixa	Ongoing
	Caixa Info	Where appropriate
	Comercial Agenda Newsletter	Monthly
	Internal publications (brochures, guides, manuals, leaflets and posters)	Where appropriate
Community	Foundation CGD Culturgest	Ongoing
	Protocols with Higher Education Institutions	Annual
	Website CGD	Ongoing
	Community Plataform	Ongoing
	Sustainability Survey	Annual
Media	Press Office	Ongoing
	Website CGD	Ongoing
	Sustainability Survey	Annual

4.4. Our Financial Value

CGD's determination to comply with its strategic plan is aligned with its ambition of continuous and innovative growth, contributing to sustainable economic performance.

Financial Value

ACCESSIBLE BUSINESS

- 572 branches and 29 offices
- 3 Mobile Branches = 43,000 customers, 52 towns/cities and 18 municipalities
- 45 agreements for cooperation with Higher Education Institutions
- 22 billion euros in deposits and savings 1.4 million active digital customers in the best homebanking in Portugal: Caixadirecta Online
- 102 million euros in transactions with the Caixa Viva card that encourages the use of public transportation
- 950 thousand euros for Companies affected by Fires

AND INNOVATIVE

- Remote account opening via video call
- Launch of the Digital Passbook and the digital inclusion programme
- Caixagest Investimento Socialmente Responsável Open-End Real Estate Investment Fund - 87.3 million euros under management
- Caixagest Energia Renováveis Open-End Alternative Investment Fund - 8.3 million euros under management

In 2018, CGD returned to good financial results after a period of demanding challenges that led to the deep restructuring of this institution, a reference in the Portuguese financial system.

A complex equation of values and resources underpinned these financial results, made possible through the combination of the dynamic capabilities disseminated across its management and the value indicators that turn CGD into the "Bank of the Portuguese", synthesised in the various forms of value that capitalise on its skills, its control of the financial sector and its knowledge of the market, giving it a greater competitive advantage: its Institutional, Financial, Human, Relationship, Social, Cultural and Natural Value. This aggregate contribution underpins CGD's vision as a trusted brand, continuously investing in the satisfaction of its stakeholders and establishing itself as the right choice in the markets in which it operates. Generating good results and preserving values illustrates CGD's best asset: its medium- and long-term Sustainability.

The economic vector, the first key line of the Sustainability Strategy, recalls the Product and Service Policy and aims to contribute to business accessibility and a more innovative offer; industry 4.0; socio-economic and digital inclusion; cross-cutting financing of the green/circular and social "economies"; attracting new businesses and customers; a strong position to consolidate Trust and Good Reputation.

In 2018, CGD's activity was geared towards the main actions that enable its medium-term sustainability, supported by an improved customer experience, increased pro-activity, commercial dynamics, a suitable offer and service levels. The retail and branch network had a very good performance, making progress on all business fronts:

- **Growth in Credit Production**, Home Loans, +27% (14.4% Share), and Medium-/Long-Term, +17%);
- **Improved disintermediation,** mutual funds (FIM), +17% (33.2% Share), retirement saving plans (PPR), +25%;
- **Improved Loyalty** with 1.4 million Caixa Accounts.

ACCESSIBILITY - DISTRIBUTION NETWORK AND CHANNELS

In 2018, CGD continued to optimise its distribution and service network, adjusting its geographic footprint and its presence in the domestic retail segment; at the end of the year, it had 522 universal branches (65 less than in 2017) and 25 Caixa Empresas Offices, totalling 547 business units, plus 27 automated branches.

Within the scope of the plan for restructuring its Branch network and with the aim of providing service levels adjusted to the needs of the customers, communities and populations and ensure the provision of CGD banking services in areas where these are not available, or where they are very limited, CGD broadened the "Mobile Branch" solution, designed and launched in 2017. This solution consists of a vehicle modified to provide mobile services as a CGD Branch to populations penalised for living in inland areas of the country, far from urban centres, offering all the operations that can be carried out in a regular bank branch, except for those that involve cash transportation (for security reasons and to protect the assets entrusted to the bank by its customers).

In 2018, CGD launched two additional mobile units: (i) on 19 February in Castelo Branco, and (ii) on 3 September in Portalegre. CGD's three (3) mobile units are currently covering a geographic area of about 10,700 km2, travelling more than 3,000 km every two weeks to serve a population of 43,000 inhabitants, distributed across 52 towns in 18 municipalities.

At the end of 2018, the self-service network and/or areas had 3,747 pieces of equipment, which registered 239 million operations for a total of 18.6 billion euros.

University Segment

CGD has been strengthening its leadership in the University segment, with national partnerships with Higher Education Institutions (HEIs) and several cooperation agreements were signed in 2018, among which the protocol with the Catholic University and the renewal of protocols with the Higher Institute of Economics and Management (ISEG), the Polytechnic Institute of Lisbon (IPL) and the Estoril Higher Institute of Hotel Management (ESHE).

CGD has been a pioneering and innovative Bank in its relationship with the Academy for 24 years. It is also the Portuguese Financial Institution in Portugal that has remained committed to Higher Education for longer, incorporating the challenges and needs of academic communities into its offer and commercial relationship. The Caixa IU - Institutes and Universities programme has attracted over one million customers, which are a strategic segment for CGD, which, in turn, supports the continued investment in leadership achieved through national partnerships with HEIs, with 45 agreements of cooperation with some of the main Portuguese Universities and Polytechnics, from which we highlight the Catholic University, the ISEG, the Polytechnic Institute of Lisbon and the Estoril Higher Institute of Hotel Management.

During the New University Term, at the beginning of the 2018/2019 academic year, CGD also reinforced its investment in technological innovation, via digital onboarding processes and fast and efficient contracting, using mobile devices (tablets) to open accounts and enable digital product subscription. The investment of 4.2 million euros in the Academy was made under 45 protocols and covered 56% of the Portuguese academic population.

Over 24 years, CGD grew with the expectations of 370,000 customers - teachers and administrative staff.

PRODUCTS AND SERVICES WITH ENVIRONMENTAL BENEFITS

The financial sector, one of the main drivers of economic development, plays a structural and potentially structuring role in leveraging a low carbon economy. In this context, CGD follows trends and opportunities generated by new markets and agents of change, integrating aspects of this evolution in its portfolio and developing a financial offer that makes access to environmentally responsible products easier.

The development of products and financial solutions that promote the transition to a more sustainable economic model is, therefore, a key vector of the Low Carbon Programme.

CGD has continued to market several financing lines that effectively contribute to reduce its customers' GHG emissions, covering areas such as Energy Efficiency, Renewable Energy and Sustainable Mobility.

Within the scope of products and services with environmental benefits we highlight:

Caixa Viva Card: A bank debit card that allows the automatic payment of trips in the public transports of the Lisbon Metropolitan Area (subway, bus, boat or train). It was designed as an incentive to the use of public transportation. This card recorded 102 million euros in transactions in 2018.

Caixa Webuy Pre-Paid Card: Card issued only on paper, without a PIN code, whose sole purpose is to enable safer payments on Portuguese or foreign Internet websites, while contributing to combat tax evasion and dematerialise the use of PVC/plastic. This card recorded 9.6 million euros in transactions in 2018.

Caixagest Socially-Responsible Investment (SRI): Open-end investment fund aimed at fostering a diversified investment in shares (maximum 40%, central point 30%) and bonds issued by companies with the best ESG (Environmental, Social and Governance) practices. The main objective of the fund is to give participants access to a diversified portfolio of assets with varying degrees of risk and/or profitability, seeking to invest in companies with the best practices in areas such as respect for human rights, environmental impact or human resources management and excluding entities operating in sectors regarded as controversial (with a negative social impact). At the end of 2018, there were 87.3 million euros under management.

Caixagest Energias Renováveis (Renewable Energy) Alternative Open-End Investment Fund: The fund is aimed at financing investment projects that contribute to increase the production of renewable and non-polluting energy, reducing CO_2 emissions and, consequently, improving the quality of the environment. The main goal of this fund is to allow access to the diversified portfolio of assets that are, directly or indirectly associated with renewable energy, environmental quality and "carbon" assets. At the end of 2018, there were 8.3 million euros under management.

Treasury Support for Companies affected by Fires: Line of credit with the purpose of creating conditions for companies affected by the large fires that started on 15 October, 2017 to meet cash or working capital needs associated with the relaunch of their activity. In 2018, 950 thousand euros were granted.

Caixa Empresas Energias Renováveis (Renewable Energy): This solution aims to promote investment in the area of renewable energy - solar thermal and photovoltaic, hydro and wind technologies, with 20 thousand euros in loans granted.

PRODUCTS AND SERVICES WITH SOCIAL BENEFITS

CGD enhances its financial offer by developing and facilitating access to products that promote the social and financial inclusion of its customers and contribute to addressing the challenges faced by society in general and some communities in particular - social, economic and digital exclusion, increase access to health care, encourage education and knowledge, foster saving habits and entrepreneurship, from which we highlight the following:

Basic Account: Since 31 December 2014, CGD has been offering a demand account exclusively for retail customers - "Conta Base Extrato", following the recommendations of Circular Letter No. 24/2014 of the Bank of Portugal, aimed at increasing transparency and making it easier to compare the offers of the various Banks. This account allows customers to use basic operation and payment services (a Caixautomática Electron/Maestro debit card with free annuity, access to the Caixadirecta service, three free withdrawals per month/account in Branches and free national transfers between CGD accounts) for a single price. On 31 December 2018, there were 1,848 Basic accounts.

Minimum Banking Services Account: Since 20 March 2000, CGD has been providing minimum banking services (SMBs), following the signing of the tripartite protocol between CGD, the Portuguese Government and the Bank of Portugal and within the scope of Decree-Law No. 27-C/2000, of 10 March 2000, in order to give customers access to the banking system, regardless of the associated financial conditions.

Intended for retail customers with only one account in the banking system, the SMB account includes, in addition to the maintenance and management of the demand deposit account, access to the Caixadirecta service, an SMB debit card and the following banking operations: (i) deposits, (ii) withdrawals, (iii) payments of goods and services, (iv) direct debits, and (v) transfers, including standing orders within the European Union, intra-bank credit transfers via ATMs, and 24 SEPA + credit transfers and/or SEPA + standing orders, per calendar year, via the Caixadirecta Online service. The aforementioned services are provided by CGD free of charge. On 31 December 2018, there were 26,153 SMB accounts.

Emergency Health Personal Loan: Line of credit for unforeseen health expenses, with exclusive financing conditions for customers with a monthly average income equal to or lower than 3 times the national minimum wage. In 2018, 1.2 million euros of credit were granted.

Crediformação Caixa: The purpose of this solution is to provide financial support to higher-education students, both in terms of course-related expenses and the purchase of training-related material. In 2018, 12.8 million euros of credit were granted within this scope.

Savings and Investment Solutions: CGD has been pursuing a strategy aimed at creating saving habits among its customers and their families, by offering customer-friendly savings solutions based on a responsible and profitable approach to financial management. At the end of 2018, there were 22 billion euros in savings accounts that allow further deposits.

Caixa Invest Cultura Criativa - CGD negotiated with the European Investment Fund the provision of a guarantee under the Creative Europe programme. This financial guarantee instrument aims to improve access to finance by cultural and creative SMEs to support the development of cultural and creative projects and to help make the sector more competitive.

Economy and Companies

CGD pursues the mission of supporting the Portuguese economy and, at the same time, the ambition of becoming the leading Bank for companies, producers and employers, with a strong presence in its customers' day-to-day lives. The growing demand in the follow-up of this customer segment requires the permanent adaptation of solutions capable of responding to different needs in a timely manner, through a local presence and proximity to the business fabric, enhancing trust and solidity through a specialised network scattered across the Portuguese territory. We should highlight the importance of SMEs as a crucial macro business segment that enables CGD to reach its natural market share, contributing to the sustained development of the Portuguese economy, with profitability and safeguarding the associated risk.

With regard to the support provided to the Portuguese business sector (SMEs and Businesses), we highlight the launch of Linha Capitalizar 2018, a credit solution with a total amount of 1,600 million euros aimed at improving the access of the Portuguese SMEs to finance, with specific sub-lines to support Investment (microenterprises, digitisation) and Treasury.

We should also highlight the launch of Linha Caixa Invest Inovação, stemming from the Innovfin programme of the European Investment Fund with 200 million euros to finance innovation and modernisation projects, and the creation of the Enterprise Overdraft Limit (LDE) in euros and foreign currencies - a differentiating product that increases the number of companies with access to the overdraft facility for occasional cash needs.

The steering of the Corporate Marketing functions allowed attaining indicators that underpin the elements that differentiate CGD and enhance its competitiveness, namely: (i) the most comprehensive offer on the market; (ii) a broad presence in Portugal and another 20 countries, with specialised managers; (iii) leadership in lines of credit under protocols with the Portuguese State; (iv) *internet banking* with added features which is a reference for its users and (v) development of a specific sectoral offer.

In 2018, a set of business levers ensured the dynamics of the aforementioned competitive factors, namely: (i) structural operations aimed at streamlining and automating tasks associated with the credit granting process, in order to streamline customer response times; (ii) upgrading the Empresas Programa de Reconhecimento and Caixa TOP offer, with the main purpose of ensuring greater growth and profitability in this segment, namely among SMEs, giving visibility to companies with a more dynamic performance and good risk characteristics; (iii) strengthening commercial dynamics and systematics, and (iv) reviewing pricing mechanisms.

The implementation of these levers to support CGD's ambition for the corporate segment has allowed: (i) gaining market share, with emphasis on the leasing of movable and immovable property, external trade and APT; (ii) growing in loans to SMEs associated with manufacturing, transportation and storage, and hotels and restaurants; (iii) financing the economy with 1,700 million euros in medium-/long-term credit and 3,800 million euros in commercial credit, and supporting short-term treasury needs; (iv) attracting new customers and ensuring the retention and loyalty of the existing customers; (v) increasing the number of digital *factoring* and *confirming* transactions and foreign trade documentary operations; (vi) innovating the offer and fostering exports and imports in the agricultural sector; (vii) recognising the best companies via the Caixa TOP Programme; (viii) extending the offer of insurance products, in partnership with COSEC; (ix) ensuring the largest and most comprehensive portfolio of medium- and long-term investment solutions - EIB, EIF, IFD, PME Investimentos, Turismo de Portugal and SPGM, and (x) reaching a leading position in the main government lines.

FINANCIAL INNOVATION AND DIGITAL TRANSFORMATION

Within the scope of the offer geared towards sustainability, we should stress the importance of Caixagest Investimento Socialmente Responsável (ISR) Fund – Social Responsible Investment Fund - since it combines environmental and social benchmarks and criteria, standing out as an example of social and financial innovation and being the only investment fund in Portugal with these characteristics.

The fires that ravaged Portugal in 2018 prompted debates and attracted the attention of civil society to the preservation of the country's natural capital and biodiversity. CGD responded by providing specific credit lines to support the victims and enable the reconstruction of the damaged areas, with a particular emphasis on the recovery of permanent housing and access to emerging health care services that were not available in a framework of regional disaster, while creating conditions for the recovery and/or continuity of the economic activity of the affected companies and businesses, some of which operated in the agricultural, cattle raising and forestry industries - the most severely affected business sectors.

The Institution continued to support the debate on important topics for the future of society, economy, technological innovation and its impacts, entrepreneurship, Industry and Globalisation 4.0, among others, in order to contribute to an up-to-date knowledge capable of favouring the growth of the Portuguese business community, through "Encontros Fora da Caixa" - a programme geared towards an integrated and strategic vision for Portugal, with the commitment and intervention of the CGD's Board of Directors, travelling across the entire country, with different agendas for discussion and guest speakers and experts who expressed their views to local civil and business communities.

In 2018, we continued to strategically invest in digital means and resources, enhancing the value proposal offered to customers, which is consistent across all channels and points of contact, with the concern of providing local, high-quality services to populations in regions far from large urban centres.

CGD combines the availability of its service portfolio with technological and multichannel innovation - branch network, travelling agencies, digital passbook, Caixadirecta, APPs (mobile), call centre, etc. - and the socio-financial inclusion of people with special needs and/or levels of disability dependent on the availability of exclusive means of contact, relationship and/or mobility.

As part of the digital transformation process, we are now offering the possibility of opening account remotely by video call via CGD's online channels, in any place, meeting the expectations and needs of citizens limited by their daily schedules and/or who are unable to visit an branch, among other reasons.

Digital Passbook

CGD launched a new digital version of its passbook. The Caderneta App intends to complement customer experience with the historic and emblematic passbook, used by many generations of Portuguese. We are continually committed to and investing in our customers' digital inclusion, in order to facilitate the adoption of new technology for a better and more accessible use of the financial services we provide.

The new Caixa Easy service also showed CGD's digital evolution by enabling customers to make immediate transfers of small amounts via smartphone based on the mobile phone number of subscribers, of customers registered in the service and/or to the demand accounts of MB WAY service users. A new Caixadirecta App was launched with a greater number of features, including facial recognition authentication, voice command operations, and the possibility of paying for services using PDF invoices.

CGD's relationship with the academic population was also based on fully digital banking procedures. Currently, the application for the identification card is completed without the use of paper; mobile devices are used to provide services to new students, and the creation of new customers, the opening of accounts and the activation of services rely on digital and automated processes. This fully digital process aimed at the population of higher education institutions - universities and polytechnic institutes - allowed a significant reduction in paper consumption associated with legal documentation, photocopies and forms, while eliminating the consumption of ink cartridges associated with these procedures.

The renewal of the customer service model in CGD Branches is clear in the Boavista (Porto) and Lumiar (Lisbon) branches, equipped with Wi-Fi and digital platforms for frequent operations; services tickets were eliminated in pilot branches.

At the same time, CGD has been modernising its digital platforms. In 2018, it reached 1.4 million active digital customers, a growth of 9% compared to December 2017. As for corporate customers, 147,000 active customers represent an increase of 4% compared to the preceding year. For more information about Active Digital Customers, please refer to page 781 of this 2018 Management Report.

The CGD Group

With regard to the CGD Group's international branches and subsidiaries, we provide a framework of their scopes of activity and market and highlight some of the initiatives that contributed to the economic development of the communities in which they operate.

Banco Caixa Geral - Angola

BCGA is an institution incorporated under Angolan law on 2 July 2009, present, in addition to Luanda, in 10 other provinces, being essentially aimed at the large and medium-sized companies and affluent market segments. Its mission is to contribute to the success and growth of its customers and to the progress and development of Angola.

In order to ensure the transposition of the CGD Group's corporate policies on the prevention and management of conflicts of interest to BCGA, in line with the latest requirements issued by the European supervisory authorities, there was an update to BCGA's Policy on the Prevention and Management of Conflicts of Interests, which establishes: (i) operating principles, (ii) rules of professional conduct to be complied with by all employees in the performance of their activities and/or duties and (iii) organisational measures and procedures necessary to ensure an adequate prevention and an effective management of real or potential conflicts of interests, without prejudice to its application being complementary in matters governed by specific regulations.

Banco Comercial de Investimentos – Mozambique (BCI)

BCI positions itself as a reference in Sub-Saharan Africa's financial system, known for its best practices, competitiveness, innovation and quality of service, aiming at achieving the leadership of the domestic market. In 2018, there were several initiatives aimed at promoting entrepreneurship with the goal of accelerating the growth of micro, small and medium-sized enterprises and boosting their capacity for innovation and job creation.

BCI sponsored the seventh edition of the "Best 100 SME" Awards together with the Ministry of Industry and Trade (MIC) and Sociedade Independente de Comunicação (SOICO). Once again, BCI's sponsorship reinforced its commitment and position as the right partner for SMEs in Mozambique, offering products and services that meet their needs, thus contributing to create wealth, more employment and increase social well-being in Mozambique.

In 2018, the "Super Mentors" project, a platform to support entrepreneurs and microenterprises in Mozambique - the entrepreneurship development programme of the Institute for the Promotion of Small and Medium-Sized Enterprises (IPEME) and CD Brand - contributed to encourage Mozambique's entrepreneurial and innovative spirit, through the creation of micro and SMEs, providing guidance and advice to entrepreneurs so that they can grow professionally, improving their quality of life and ensuring the economic development of the country.

Banco Comercial do Atlântico – Cape Verde (BCA)

BCA's vision is to consolidate its market leadership and be recognised as the most solid and efficient banking institution in Cape Verde, committed to sustainable development and building lasting and trustworthy relationships with all its stakeholders. In 2018, it continued to market products and services that contribute to the economic development of Cape Verde, such as the medium- and long-term line of credit for investment projects and the treasury support line to finance the day-to-day needs of companies.

As part of the World Savings Day celebrations, BCA held awareness-raising events in the cities of Praia and Espargos, with the aim of furthering the participants' knowledge of family budget management.

In order to foster meetings between financial partners and local entrepreneurs, BCA participated in the Meeting with Entrepreneurs organised by the Municipality of São Miguel, where it presented the Line of Credit for Small and Medium-Sized Enterprises (SMEs), an offer of financial products aimed at micro, small and medium-sized enterprises and associations and micro credit and provided clarifications on the guarantees required by the Bank to grant loans.

We should also highlight the BCA Poupança Jovem account, for young people up to 30 years old, which allows accumulating savings and had a deposit balance of 10.5 million euros at the end of 2018.

With regard to electronic channels, 52,057 customers recognise BCA's investment in digital evolution.

Banco Interatlântico, S.A. – Cape Verde (BI)

BI stands out as a provider of a global high-quality financial services, distinguished by its relevance and by the strong responsibility and commitment underlying its performance, contributing to a high ethical standard, the economic development of the country, improved competitiveness, capacity of innovation and satisfaction of employees and other key stakeholders.

In 2018, BI continued to market products and services that contribute to sustainable growth, from which we highlight the University Education Credit line, aimed at increasing the training and qualification of the population of Cape Verde.

In terms of digital financial accessibility, BI had 18,230 BIN@NET active contracts in 2018, 15,274 corresponding to retail customers and 2,956 to corporate customers.

In 2018, it was recognised as "Best Commercial Bank" in Cape Verde by the Global Banking and Finance Review magazine.

Portfolio value for each Banco Interatlântico product (31 December 2018)

Products/Services with social benefits	Indicator	Values
BI University Education Credit	Amount (thousands of euros)	209
Line of credit for higher-education students with mutual guarantee	Amount (thousands of euros)	136
Opening of account under the minimum banking services (free of charge) (*)	No. of accounts opened	4,242
BI Conta Poupança Jovem*	Amount (thousands of euros)	1,570
BI Trade Finance Line	Amount (thousands of euros)	331
BI Sustentável	Amount (thousands of euros)	**

* Product under local legislation. ** There are no assets in the portfolio, with reference to 31 December 2018.

Banco Internacional de São Tomé e Príncipe (BISTP)

BISTP is the oldest bank in São Tomé and Principe's financial system, operating as universal bank since 1993, geared towards retail banking, providing support to companies and individuals.

The dynamics of the market and the growing diversity of customer needs led BISTP to adopt a more proactive and differentiated commercial policy. In addition to offering traditional and homogeneous financial products and services, BISTP favours the creation of new products and services.

With regard to the youngest segment, we highlight the Poupança Júnior Account, for children aged between 0 and 18, as a product aimed at encouraging savings.

To support academic training, BISTP has the university credit line, destined for Undergraduate, Post-graduate, MBA, Master's and PhD courses in São Tomé and Principe and abroad.

Banco Nacional Ultramarino – Macao (BNU)

BNU Macao was the first Bank that issued paper money in Macao, and has 116-old-history of supporting the local community. BNU is part of Macao's history and financial life, playing an active role in the social and economic development of the territory and supporting local business activities.

In partnership with UnionPay, BNU launched an innovative payment service via QR code, an example of the importance of customer expectations and of the Bank's commitment to and investment in its digital evolution.

In 2018, BNU Macao received 6 distinctions, namely the prizes for "Best Bank for Social Responsibility - Macao" and "Best Retail Bank - Macao" awarded for the fourth consecutive year by International Finance Magazine. Its efforts to develop a more digital, increasingly better and safer bank earned it the prize for "Most Innovative Bank", awarded by The European Magazine.

BNU Timor Branch

The CGD Group was the first bank to set up its operations in East Timor, and is currently the oldest bank operating in the financial system in this territory. One of its missions is to contribute to the sustained development of the economy.

In the Retail segment we highlight, first and foremost, financing to support improvements in social and family environment, particularly those related to purchase of goods for domestic purposes, vehicles, health support, studies and home improvements. It is worth highlighting the line of credit for Education and Health, which allows financing education costs, while enabling households to address unexpected health costs.

We should also highlight the professional qualification line, in collaboration with the State Secretariat for Vocational Training and Employment of East Timor, which aims to support Timorese workers abroad within the scope of professional qualification programmes.

France Branch

CGD's French branch is active in retail banking with its own offer of products and services. With a strong reputation and prestige, it has a central corporate branch to support the internationalisation of Portuguese companies. CGD was the first Portuguese bank to operate in France, with its own assets and branch network.

2018 was marked by the strike of the France Branch's employees against its sale.

The Portuguese Government maintained close and constructive contact with the European Commission on CGD's 2017-2020 Strategic Plan, in particular on the relevance of its branch in France. As a result of these efforts, the strategic plan was updated to reinforce CGD's profitability in light of the current market conditions, reflecting the success of the ongoing implementation of cost control measures, pursuing the goal of reducing bad credit taking into account how good its recent performance has been, recognising it as a relevant activity for the CGD Group's operation. In this context, CGD will maintain its presence in France, for the benefit of the Portuguese community in that country and its business strategy.

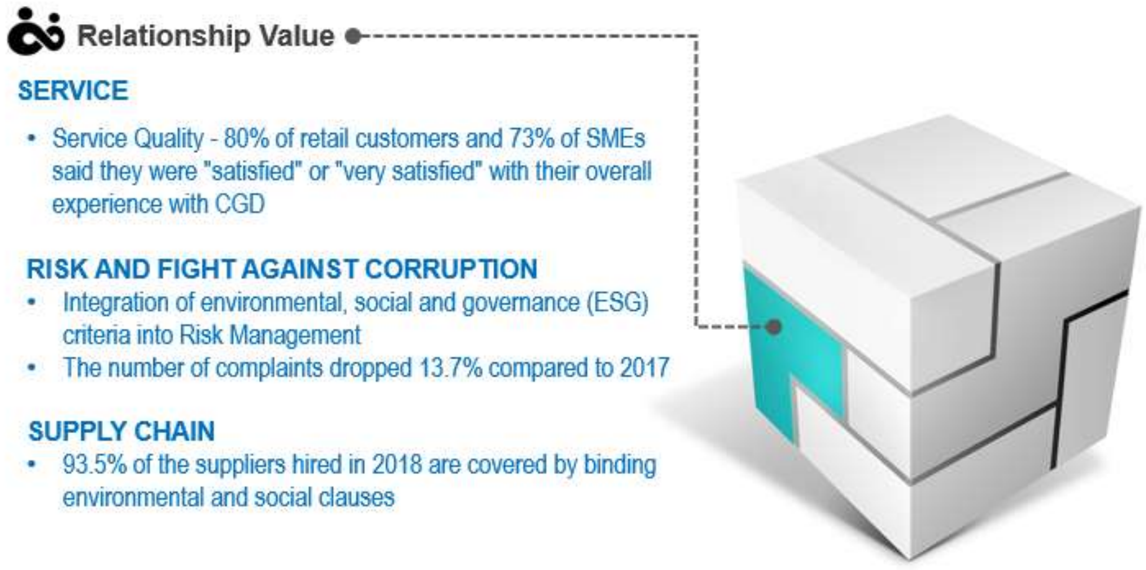
Banco Caixa Geral (BCG) – Brazil

With a portfolio of corporate customers, BCG Brazil is targeted at industries from a wide range of sectors, offering them a wide variety of financial products and services. Whether Portuguese or Spanish companies with presence in Brazil or Brazilian groups with businesses in countries where CGD is present, the Bank's customers can rely on advanced solutions that bring them closer to the global markets. As the most important operations carried out in 2018, we highlight the financial advisory provided in the sale of equity interests in hospital assets to one of the largest groups in the health sector; the financial advisory provided in the restructuring and coordination of debenture issues for companies in the fleet management sector in the amount of R$ 380 million and a Swap operation in the amount of R$ 58 millions involving a Portuguese group in the mining sector.

4.5. Our Relationship Value

Trust. The capital that CGD receives and transforms into the value it preserves.

Long-lasting relationships are underpinned by professionalism, ethics, integrity and respect. For this to happen, our employees transform their knowledge and experience into creativity, dynamism and trust-inducing initiatives that contribute to the Institution's good reputation, the development of the economy and the changes required by society. Therefore, CGD's relationship value becomes a value that contributes to the sustainable development of the economy and society.



Because 142 years of history side by side with the Portuguese, their families and businesses are a legacy of experience capable of promoting the innovation required to meet the expectations of the stakeholders and of many generations.

CGD provides information about its products, services and associated costs, including tax-related costs, written in a clear, correct, safe and accessible manner, so that customers can make free, weighted and responsible choices. Promotional, advertising and marketing campaigns focused on its activities, products and/or services are implemented in compliance with all applicable legal and regulatory standards, as well as with the principles of truthfulness, transparency, balance and clarity.

CGD continuously monitors the publication of new legal and regulatory obligations, as well as the issuance of recommendations and the outlining of best practices by supervisors, with the aim of adjusting its activities to its target audiences.

In order to adjust its performance in line with these duties of conduct, CGD systematically analyses its internal procedures and regulations relating to these matters, identifying opportunities for improvement and incorporating legal and regulatory changes.

SERVICE QUALITY

Improving customer service is a priority for CGD, being one of the key topics for reinforcing the value proposals offered to its customers. The assessment of service quality and the identification of best practices are, therefore, key indicators to promote a good relationship with customers and to continuously optimise their levels of satisfaction.

In 2018, the satisfaction and quality assessment programme was focused on three methodologies:

i. Telephone interviews with a survey to estimate the quality of service perceived by the customers;

ii. "Mystery visits" across the Branch network to analyse the quality of the service provided by employees, identify good practices and opportunities for improvement, and

iii. Assessment of external indices of perceived quality monitoring, via the analysis of the quality of the service provided to Retail, Business and Corporate customers.

As main results, we highlight a large share of satisfied customers, as 80% of Retail customers and 73% of Corporate and Business customers said they were "satisfied" or "very satisfied" with their overall experience with CGD.

CGD provides its customers with a high-quality service based on the best banking and financial practices and on its knowledge of its customers and their businesses, needs, capabilities and potential.

We respond to our customers' requests ensuring a prompt and polite service, a good commercial and operational performance and a careful adjustment of the available products and means, therefore establishing relationships based on excellence with all our stakeholders.

CGD maintains its leading position in the most significant customer and product segments, namely mutual funds and deposits, household loans, payments and bank cards and digital banking, with 1.4 million customers in Caixadirecta Online.

To improve the value proposal we offer our customers, we have expanded our offer of Caixa Accounts, a multi-product solution for Retail customers, with the launch of the Caixadirecta Online Personal Loans, which allows concluding distance contracts, and the Caixa Casa Fast service, with a "Fast Decision" based on three steps; (i) Simulation and Decision; (ii) Assessment and Confirmation (iii) Deed replied within 10 business days. On the other hand, we expanded our offer in the field of health care by making the Multicare health insurance available for customers up to the age of 65.

Complaints

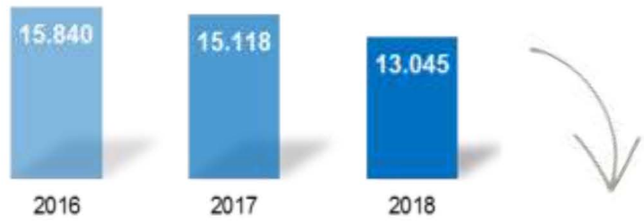
In 2018, the number of complaints registered in CGD, S.A. continued to decrease, as the total volume of incidents stood at 13,045, being 13.7% lower than in the same period of 2017.

Payment Methods and Service were the areas that gave rise to more complaints, with 26% and 25% of the total, respectively. However, with regard to Payment Methods, there was a decrease of 22% in the number of reported occurrences.

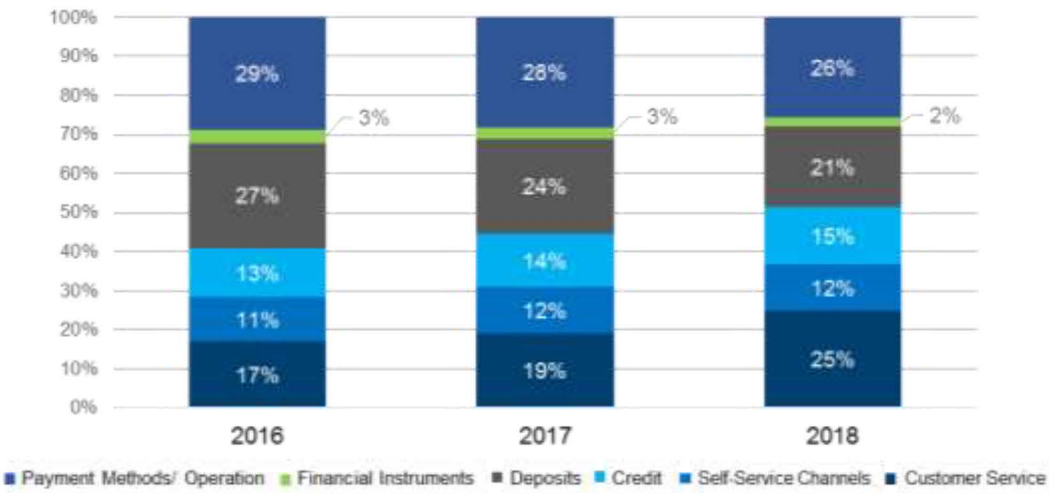
The number of complaints also continued to drop for financial instruments (-28% of the total), deposits (-27% of the total), self-service channels (-14% of the total) and credit (-6% of the total).

On the other hand, in terms of Service there was an increase in the number of complaints related to waiting times in Caixadirecta Telephone, the change in the service model and the growth of the remote management model.

Total complaints per year - Scope CGD, SA



Complaints broken down by issues - Scope CGD, SA



Banco Comercial do Atlântico – Cape Verde (BCA)

Complaints are received via e-mail, post and complaints book. A total of 88 complaints were analysed, 38% were submitted via the complaints book. Areas giving rise to most complaints:

- Commercial Network – 41%
- Payment Methods - 16%
- Deposit and Financial Investments -16%

Banco Interatlântico, S.A. – Cape Verde (BI)

In 2018, no customer satisfaction surveys were conducted. However, BI registered 51 complaints, and the main issues were related to delays in the provision of services (delivery of the 2nd Visa PIN and delivery of debit and credit cards), with the odour inside the Sal-Rei Branch and with the absence of a passwords system.

Banco Caixa Geral (BCG) – Brazil

The customer satisfaction service was implemented in 2018 (Ombudsman service assessment). In 2018, BCG Brazil didn't receive any complaints via the Ombudsman channel.

QUALITY MANAGEMENT AND ASSESSMENT

In 2018, CGD secured the certification of six processes:

i. Design, planning and implementation of operations in financial markets;
ii. Management, implementation and control of Operating Processes;
iii. Management and handling of customer suggestions and complaints, except those that constitute fraud;

iv. Services for the development and maintenance of applications and Information Systems in line with the needs of CGD's business, as well as hardware, communications and basic software management, support, monitoring and control systems, which ensure the functioning of the applications and information systems necessary for the normal operation of the CGD Group's business, and

v. Environmental Management System - Activities, products and services developed in the Head Office building.

Customer Experience Area

The Customer Experience Area is responsible for the mechanisms and procedures associated with complaints management, focusing on the continuous improvement of the experience of both retail and corporate customers, to ensure increased satisfaction, trust and loyalty in their relationship with CGD. Managing and acting quickly and appropriately on any dissatisfaction that may be expressed and incorporating the lessons learned while interacting with the customers, along with the other quality indicators in the optimisation of processes and the development of the commercial offer contributes to a more consistent relationship between the Institution and its key stakeholders.

We highlight the following initiatives:

- Ongoing follow-up of the satisfaction of customers who submit complaints, based on a monthly assessment;
- Optimised use of the online form provided in the Customer Area, by separating requests for information from complaints and/or suggestions, in order to ensure that all customer requests are correctly forwarded according to the nature of the contact;
- Improved self-service experience in the Customer Area, with FAQs and solutions to recurring issues;
- Creation of the Customer Experience Area, which integrates the Customer Service Area (complaint management and handling) and the Customer Satisfaction Area (monitoring processes and Customer satisfaction), in order to get a more integrated overview of each customer's interests and needs;
- Review of the reporting model and follow-up of opportunities for improvement identified in the handling of complaints;
- Initiatives in the management of complaints, such as application, organisational and procedural adequacy, in order to increase efficiency in the analysis and response to the requests that are received;
- Adaptation to the General Data Protection Regulation (GDPR), and
- Adaptation to the new legislation on the Complaints Book, in cooperation with the Portuguese Securities and Exchange Commission (CMVM) and the Supervisory Authority for Insurance and Pension Funds (ASF).

RISK MANAGEMENT

In 2018, CGD reinforced its procedures for a more comprehensive risk management, aware of market changes and regulatory trends, integrating social and environmental criteria in the risk assessment process and in decisions to grant loans. The risk analyst, within the scope of the qualitative rating assessment, analyses environmental, social, labour and anti-corruption issues. The answers to these questions influence the customer's rating, which underlies the credit decision process. Subsequently, in the credit decision process, the Credit Risk Division assesses the existence of social and environmental risks and confirms the application of the sectoral exclusion criteria set forth in the internal regulations and officially published as a policy on the corporate website.

Sustainability and socio-environmental impact - Environmental, Social and Governance (ESG) - are a qualitative risk factor taken into account in the rating assessment, within the political/legal framework that governs the proposing company and/or project.

Sectoral Exclusion and Limitation Principles

Within the scope of the Sectoral Exclusion and Limitation Principles published on its corporate website, CGD does not finance projects that may fit into one of the following categories and/or sectors of activity:

- Manufacturing of or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under the terms of international regulations or agreements, including those that CGD subscribes to or integrates;
- Companies and/or projects that use child labour or forced labour;
- Companies and activities related to prostitution;
- Companies and/or projects that disseminate discriminatory information or practice discriminatory acts based on religion, politics, race or gender and
- Companies and/or activities engaged in the unlicensed trade of wildlife and/or endangered species.

If a company or project, after being granted a loan, develops activities under conditions identified as leading to exclusion, CGD will arrange for its framing in the credit policies, namely by cancelling the relationship with the customer or entity in question, being able to intervene in order to be reimbursed for any tangible or intangible damages.

Sectoral financing models

CGD has proactive and comprehensive processes that facilitate the identification of real and potentially negative economic, environmental and social impacts derived from decisions and initiatives associated with the life cycle of a product, service or institutional activity in order to avoid and mitigate them.

In the context of its commercial activity, CGD recognises the existence of sectors of activity or projects that may contribute negatively to sustainable development and to economic, socio-environmental and reputational risk, defining principles, guidelines and requirements to be applied to financing models associated with its customer portfolio.

Operational Risk

The CGD Group's operational risk management is supported by a set of guidelines, methodologies and regulations recognised as "good practices":

- Principles and approaches to operational risk management arising from the Basel II Agreement;
- Internal control methodologies proposed by the COSO (*Committee of Sponsoring Organisations of the Treadway Commission*) and defined within the scope of the CobiT (*Control Objectives for Information and related Technology*) and
- Approach underlying the Risk Assessment Model implemented by the Bank of Portugal.

The CGD Group should ensure the adoption of best practices in risk management by applying this principle as follows:

i. Developing a strong risk management culture focused on protecting the bank's solvency and funding capacity, avoiding risks that may affect the stakeholders, particularly depositors, and ensuring a strong reputation and image in the market.

ii. The Risk Appetite Statement, which formally codifies the Bank's risk appetite, detailing the maximum level of risk that the bank is willing to take for each category of risk regarded as material. This risk strategy is directly related to the Institution's objectives and strategic plan, which are regularly reviewed and monitored by the Board of Directors and the management team.

In order to reinforce its risk management practices in line with international best practices, CGD has updated the Group's Risk Appetite Statement. The purpose of this initiative was to ensure an up-to-date and consistent language with regard to the understanding of the categories and levels of risk that the CGD Group is willing to take, while complying with strategic objectives, regulatory requirements and the targets agreed upon with the shareholder.

FIGHT AGAINST CORRUPTION AND ATTEMPTED BRIBERY

CGD's internal control system integrates documented procedures and practices for detecting and preventing corruption, attempted bribery and related offences - namely through its Code of Conduct, its organisational and functional structure, its decision-making processes and the adoption of the principle of segregation of duties in the activities and tasks that justify it, which bind the Institution's activity and employees as a whole.

For this purpose, we highlight the following mechanisms:

- System for Internal Reporting of Irregular Practices, which allows employees to report situations which they regard as falling within scope of corruption;
- Employee Performance Management System including an "Attitudes and Behaviours" assessment parameter, which measures aspects related to ethics and the prevention of corruption vis-à-vis the Compliance Officer's duties;
- Continuous training for all CGD Group employees;
- System for Preventing Money Laundering and Combating Terrorist Financing, which identifies the customers' risk profile;
- Disclosure of the Sanctions Policy on the corporate website;
- Tax Principles, and
- Sectoral Exclusion and Limitation Principles.

Main initiatives related to prevention of money laundering

In order to comply with the legal and regulatory requirements and recommendations issued by relevant international entities with regard to the Prevention of Money Laundering and Counter Terrorist Financing (PML/CTF), CGD has implemented an advanced and effective system for preventing money laundering (ML) and terrorist financing (TF), which allows identifying, assessing and mitigating the potential risks associated with its Customers and the business relationships established with them.

The PML/CTF activity is developed based on policies and procedures defined with the objective of ensuring strict compliance with legal, regulatory, ethical and deontological standards and with internationally accepted good practices.

In this context, CGD is equipped with appropriate IT tools for PML/CTF, specifically applications aimed at monitoring accounts and customers, rating the customers' risk profile and filtering sanctioned customers and politically exposed persons.

Transactions and customers are continuously and systematically monitored according to indicators defined in line with a Risk-Based Approach (RBA)).

Since CGD is obliged to comply with binding international economic sanctions, enacted by several international organisations, the respective Sanctions Policy is published on its institutional website. We should also note that the Principles for Accepting and Retaining Customers and the update to the PML/CTF Statement were also published on our website in 2018.

In 2018, due to the importance and impact of CGD's banking activities, we highlight the development of several projects aimed at meeting the requirements arising from the entry into force of Law No. 83/2017, of 18 August, and Notice No. 2/2018 of the Bank of Portugal, namely with regard to the updating of internal regulations (policies and procedures) and the adaptation of IT tools.

On the other hand, we should note that the Internal Audit Division carried out tests to assess the effectiveness of CGD's internal control system for PML/CTF, as determined in Article 17 of Law No. 83/2017, of 18 August, and Article 8 of Notice No. 2/2018 of the Bank of Portugal.

It is required that all employees know and comply with legal and regulatory standards in the performance of their duties, that directly apply to them, as well as of all internal rules and procedures established for the normal development of their activities. Specific training is also made available in various formats, which constitutes one of the fundamental aspects of the entire PML/CTF system.

In 2018, and in this context, there were training sessions on PML/CTF for new employees, trainees integrated into the "Summer Academy and NEU 2018" Project and employees of the Caixa Empresas Offices which, in this case, covered a total of 195 trainees.

Preventing Corruption

With regard to preventive measures, CGD's internal control system incorporates documented procedures and practices for detecting and preventing corruption and related offences, such as the Code of Conduct, its organisational and functional structure, decision-making processes and the adoption of the principle of segregation of functions in activities and tasks that require it.

As a result of these policies, CGD is included in the list of the Corruption Prevention Board (CPC) concerning the entities that submitted information regarding their Plans for the Prevention of Risks of Corruption and Related Offences, pursuant to CPC Recommendation No. 1/2009, of 1 July.

In addition to the aforementioned procedures and internal rules, which are part of the internal control system, all the activities carried out by the Institution and its employees are bound by the principle of active rejection of all forms of corruption. It is an imperative of professional conduct set out in Article 31 of its Code of Conduct, which expressly states that:

1. CGD actively rejects all forms of corruption, and its employees must refrain from engaging in any situations conducive to acts likely to be associated with this phenomenon, and
2. CGD's activity is subject to strict internal control mechanisms, which include internal regulations aimed at preventing and combating corruption.

In 2018, CGD adopted the Plan for the Prevention of Corruption and Related Offences, which implements the guidelines issued in its Policy on the Prevention of Corruption and Related Offences (PPCIC). This policy determines the guiding principles for the detection and prevention of corruption practices and related offences, the potentially more vulnerable areas, describing the preventive measures to be taken up and the responsible entities, as well as the rules applied to the monitoring, assessment and update of the Policy itself. The provisions contained in the Policy are supplemented, where necessary, by specific internal regulations or other instruments.

CGC's PPCIC also provides for the possibility of employees reporting situations that are known to them and which they regard as falling within the scope of corruption. This reporting is made via the internal or external mechanisms in place, which include the System for Internal Reporting of Irregular Practices (SCIPI).

In 2018, in order to comply with the legal requirements arising from Law No. 83/2017, of 18 August, and Law No. 28/2017, of 30 May, CGD made the necessary amendments to the SCIPI, which dealt with the areas of communications covered by the System and the definition of the anonymity scheme for certain communications.

We should also note that the PPCIC establishes that CGD must provide training to all its employees on issues related to the prevention of corruption and related offences. The training sessions held in 2018 covered topics related to the prevention of corruption and related offences and were aimed at new employees, employees who are members of various governing bodies and Compliance Officers of CGD Group Entities. In this context, there is also an e-learning course on "Preventing Money Laundering and Terrorist Financing in Financial Intermediation", subject to a final evaluation requiring a minimum passing grade of 75%.

In addition, the annual employee performance assessment includes an "Attitudes and Behaviours" component, which measures the commitment shown within the scope of ethical procedures in line with CGD's Code of Conduct, which includes specific provisions on the Prevention of Corruption.

With regard to potential suppliers and service providers, CGD carries out an assessment that takes into account the various risks listed in the CGD Group's Subcontracting Policy, including compliance risk and reputational risk, which may include corrupt practices.

In addition to the aforementioned scrutiny, contracts with suppliers include the Declaration of Ethical Principles and Good Business Practices, according to which, among other aspects, they undertake to comply with all the laws and other regulations applicable to their activities and/or economic sectors and to adopt high ethical standards, repudiating and condemning the practice of illicit acts, such as bribery and corruption.

Lastly, we should note that in 2018 there were amendments to the Global Policy on the Prevention and Management of Conflicts of Interests aimed at clarifying the roles played by the various stakeholders and strengthening the mechanisms for preventing and managing conflicts of interests.

Internal Reporting of Irregular Practices

CGD provides a circuit, which is duly regulated by specific internal regulations, that enables the internal reporting of irregular practices allegedly occurred within the scope of its activity, ensuring that complaints are handled confidentially and that there are no retaliations against anyone who makes a complaint in good faith and in a non-anonymous way (SCIPI). CGD's activity is subject to strict internal control mechanisms, which include internal regulations aimed at preventing and combating corruption. For the purpose of preventing the occurrence of operations related to money laundering and terrorist financing, CGD has appropriate internal regulations, which include all the duties establishes in the current legal framework, as well as internal measures and procedures designed to ensure the fulfilment of the aforementioned duties.

Safety Prevention

In 2018, within the scope of safety prevention, the Protection and Security Division (GPS) developed the following initiatives:

1) <u>Incident analysis and management</u>- Following the reporting of incidents, GPS promoted the analysis of the circumstances in which each incident occurred and implemented the necessary improvement measures to reduce the impact of the event and, subsequently, prevent future incidents of a similar nature.

2) <u>Training sessions as part of the Caixa Segura programme</u> - As part of the Caixa Segura Programme, GPS continues to promote training courses for First-Responder Groups (GPI) with the goal of providing trainees with theoretical and practical knowledge that allows them to intervene in the most efficient way in case of emergency: ensuring that all occupants leave the premises safely, providing first-aid to accident victims and intervening in the most efficient way with fire extinguishers in the event of a fire (325 training sessions).

3) <u>Emergency drills at central buildings</u> - complete evacuation drills at central buildings, in order to assess the activation of the Emergency Management Office, test the Internal Emergency Plan in its various aspects and promote coordination, at the operational level, with the Operational Command Station as part of SIOPS (Integrated System for Relief and Protection Operations), which comprises civil defence agents.

4) <u>Emergency drills at facilities with risk category 2, as part of the Self-Protection Measures (MAP</u>) Continuation of emergency and evacuation training and drills as part of the implementation of self-protection measures at facilities with risk category 2, 3 and 4 in accordance with legislation in force.

5) Visita Segura (Safe Visit)- Mandatory fact-finding visit to the head office and to the building located on Avenida dos Aliados, Porto with the goal of raising the new residents' awareness and providing information on basic emergency procedures.

6) Férias Seguras (Safe Holidays) and Crescer em Segurança (Growing up in Safety) Project - Consolidation of the protocol signed with the Lisbon Municipal Civil Defence Services, focused on collaboration and training on the protection of people and property, participation in emergency drills organised by CGD and availability to take part in the training provided to the children of employees as part of the Férias Seguras (Safe Holidays) Concept and the Crescer em Segurança (Growing up in Safety) Project.

7) Programa Proximidade (Proximity Programme) (*security*) - Programme for the branch network, consisting of the presence of a security officer at each branch (along the coastline, from Setúbal to Minho) in order to prevent/deter any situations of theft, fraud, threats, etc., that may threaten customers and staff at the branch network.

8) Programa Prevenção de Furto de Portáteis (Laptop Theft Prevention Programme) - Programme based on daily preventive rounds to detect laptops in vulnerable situations or risking theft, which are preventively collected and returned on the following business day by the Secretariat of the Division to which they belong.

9) Programa Balcão Seguro (Safe Branch Programme) - The Security Centre detects and monitors situations involving increased risk at branches, namely the counting or packaging of cash outside the areas provided for in the internal regulations.

SUPPLIER MANAGEMENT

Supplier management is part of CGD's Sustainability strategy, because the supply chain and its agents contribute to the identification of CGD's environmental and social impacts that are indirectly reflected in its suppliers' activities.

In order to mitigate negative impacts on the Institution's socio-environmental performance, CGD ensures respect for Human Rights and compliance with the standards for the prevention of corruption and bribery attempts for the duration of partnerships and/or subcontracting agreements with third parties by contractual means - obligations contained in the Handbook of Good Environmental, Safety and Health Practices attached to the agreements -, monitoring the compliance of accredited and/or in-house suppliers with the regulations applicable to the nature of the services they provide.

CGD provides its suppliers with Engagement Letters, which are signed by the parties thereto, and draft contracts that always include the following documents and clauses:

i. Ethical principles and good business practices - in all contracts, except in specific cases where the draft contract is provided by the supplier. These contracts and those concerning one-off purchases do not include this document.

ii. Handbook of good environmental, safety and health practices for suppliers - in all service provision agreements with "in-house" suppliers.

iii. Some of the contracts may also include specific clauses on waste clauses, namely building maintenance, multifunctional and waste management operation (OGR) contracts, covering services listed in the Specific Requirement Matrix.

In addition, suppliers are also required to endorse the Declaration of Ethical Principles and Good Business Practices, which underpins the implementation of the CGD Group's Subcontracting Policy that assesses compliance risk and reputational risk within the supply chain.

In this context, CGD has been managing risks in the value chain by incorporating Sustainability principles, namely through ethical principles and good business practices, aligned with the 10 principles of the Global Compact, and the obligations contained in the Handbook of Good Environmental, Safety and Health Practices attached to the agreements, according to the scope, industry and nature of the services that are provided. The acquisition of goods and services by CGD is guided by principles of effectiveness, operability and economy, which ensure transparency and equity in the relationships with the various suppliers through the formalisation of Engagement Letters that, in addition to the draft contract, include the documents mentioned in the preceding paragraph.

As shown in the following image, three in-house suppliers based in CGD's Head Office building were audited under the Environmental Management System.

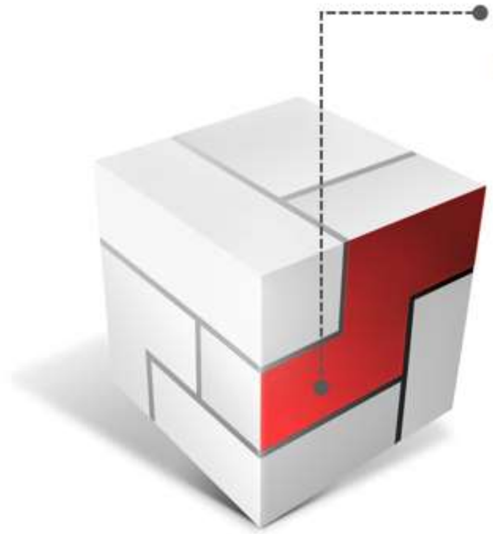
Suppliers CGD, S.A.

In 2018, CGD's negotiation area concluded 247 new contracts, 93.5% of which include environmental clauses, an increase of 36% compared to 2017.

4.6. Our Human Value

CGD is built by its employees, day after day. By every person's face, voice, words, presence and capacity to match needs with solutions, to respect differences and to perform their duties with the utmost accuracy, turning it into an accessible and close Institution.

Empowering and developing in diversity and equity, which are key for building an organisational culture of excellence, creativity, resilience and solidarity.



Human Value

EQUITY

- CGD, S.A. Employees = 58.2% female and 41.8% male
- 78% of employees place a great value on the CGD Group
- 152 employees with physical disabilities and/or incapacity rated above 60% (2% of the CGD, S.A. universe)

DEVELOPMENT

- 4,000 External Recruitment applications
- 271,696 hours of training provided to CGD and Group Company employees (domestic perimeter)

WORK-LIFE BALANCE

- 1,832 registrations in holiday camps (children of employees)
- Clinical and Nursing Centres in the largest urban centres

SAFETY AND HEALTH

- 6,003 medical examinations within the scope of occupational medicine
- 325 training sessions within the scope of the Caixa Segura Programme

CGD asserts itself as a "family-responsible company", managing its human capital under the principles of social responsibility and conciliation between professional, family and personal life, valuing an approach to management centred on people, talent and ethical leadership, getting all hierarchical levels involved to substantiate an equitable, motivating and inclusive organisational culture, namely with regard to the integration and development of people and to the prevention of a wide range of challenges to the stability of the work environment.

In 2018, we continued to implement structural measures to reduce costs, namely the closure of Branches and staff cuts, through an early retirement programme and a mutually agreed termination programme, without the need to replace employees.

The Strategic Plan agreed between the Portuguese State and the European Commission for the period between 2017 and 2020, within the scope of the recapitalisation of CGD, continued to be the most important reference for strategic initiatives in human resources.

In this context, we highlight the main strategic guidelines:

- Adjusting the operational infrastructure (commercial network and central areas);
- Adjusting the staff to business and process changes;
- Reducing staff costs;
- Developing talent and adjusting skills.

Accordingly, in 2018 we adjusted our commercial network, closing branches in accordance with the Sustainability model that has been defined, while implementing measures to optimise and adjust the staff establishment plan of our domestic departments and entities. In this context, we reinforced the competences of the control divisions in line with the growing regulatory requirements, and adjusted our support structures, by optimising processes and rationalising teams. We highlight the reorganisation of the functions associated with Procurement, Management of Own Real Estate, Contract Management and Logistics.

We met the goals for the adjustment of our staff establishment plan, mainly via voluntary retirements and early retirements agreed with our employees. However, taking into account the demanding nature of the staff reduction objectives, there was also a Mutually-Agreed Termination (RMA) process; employees could submit their applications which would be subject to acceptance by CGD.

As part of this process, the Institution continued to offer its employees with an outplacement programme, with a view to following them up on their re-entry into the labour market and supporting possible career transitions, either by searching for a new job or by setting up their own business.

We should also note that we continued to invest in training to reinforce qualification and develop the employees' skills according to their positions and individual needs. In 2018, training was focused on subjects with a major impact on the implementation of CGD's strategy, as well as on training programmes with certification, mandatory within the scope of financial activities, namely the "DMIF II" Certification - 80 hours and 339 employees certified - and "Marketing Mortgage Loans" - 25 hours and 1,823 employees certified.

EMPLOYEE CHARACTERISATION AND EVOLUTION

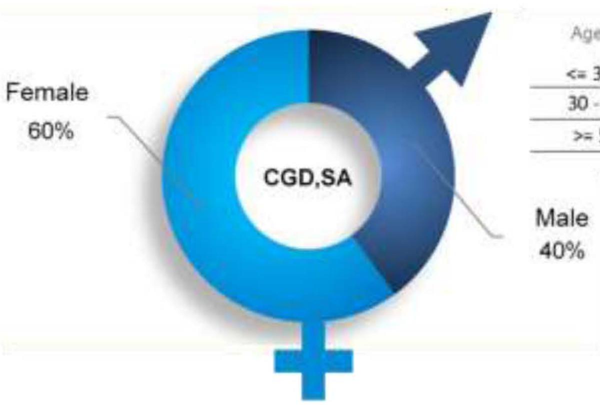
On 31 December 2018, CGD, S.A. had 7,401 employees, corresponding to a reduction of 7.14% compared to the previous year; 99% of these employees were working full-time in Portugal.

Of the total number of employees, 99.5% have an individual contract of employment or a supply contract and about 0.5% with a fixed term contract; job stability is ensured in the various types of contract.

CGD does not make gender-based distinctions, ensuring the principle of implementation of equal opportunities in both the recruitment and the selection stage; the recruitment and selection procedures are based on curriculum and skill profile assessments, as well as on career development and progression, which are analysed according to criteria for merit and competence.

In addition, and under the same principle of equity and diversity, in 2018 the Institution had 152 employees with disabilities rated 60% or higher.

Distribution by age group and gender



Age	Male	Female
<= 30	2%	2%
30 - 50	59%	73%
>= 50	40%	25%

As of 31 December 2018, the average age at CGD was 44.51 years (44.63 in the central services and 43.34 in the commercial network). CGD's employees are broken down by educational level as follows.

Distribution by Degree of Education

Degree of Education	Male	Female
Higher Education	3142	1735
Secondary Education	1082	1017
Below Secondary Education	203	222

On 31 December 2018, the CGD Group had 14,027 employees, a decrease of 5.2% compared to 2017.

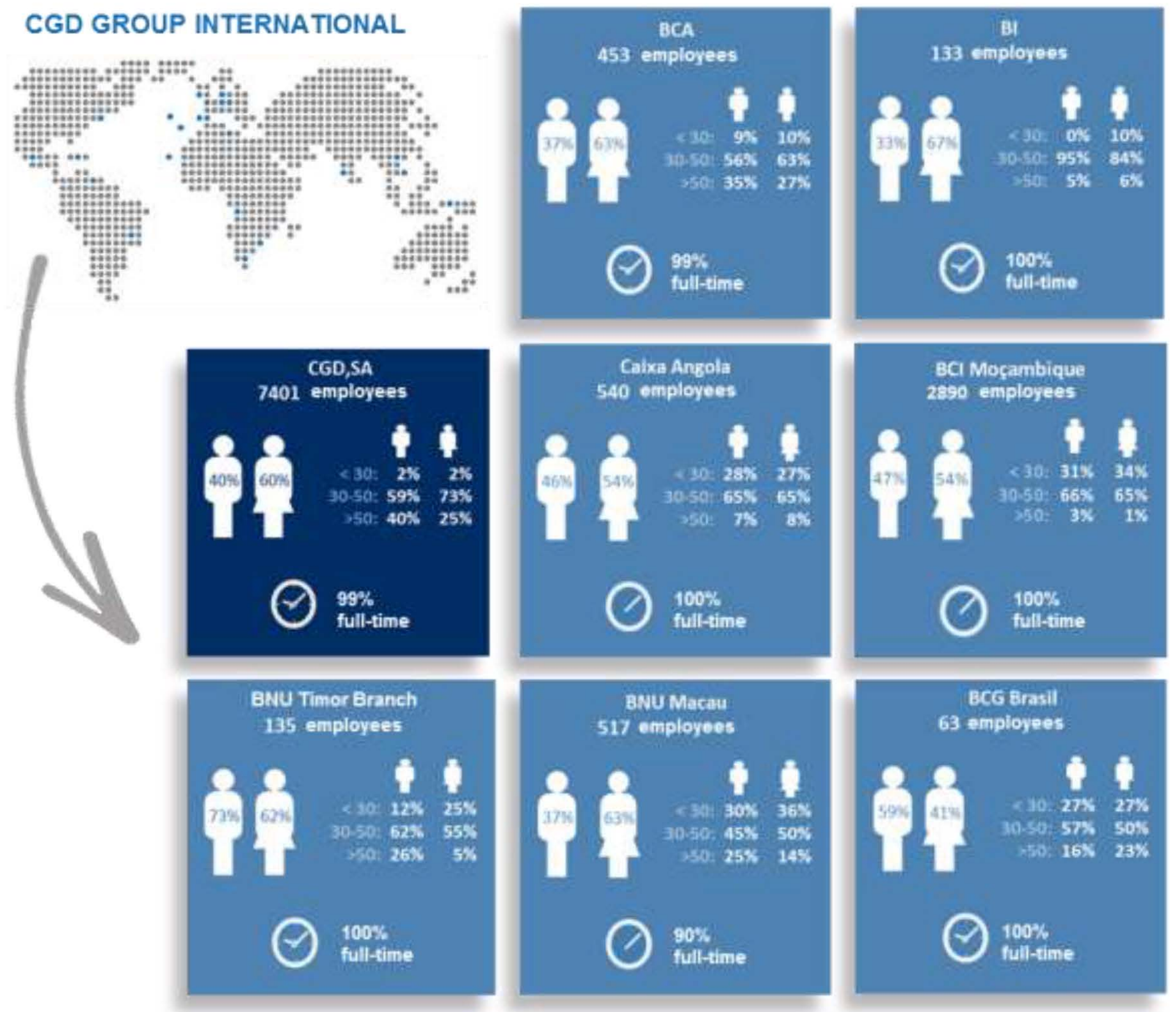
CGD GROUP - Number of Employees

	Dec 2017	Dec 2018	Variation Abs.	Variation %
Banking Activity - CGD Portugal (1) (2)	7,665	7,244	-421	-5.5%
Other	7,134	6,783	-351	-4.9%
Total	**14,799**	**14,027**	**-772**	**-5.2%**

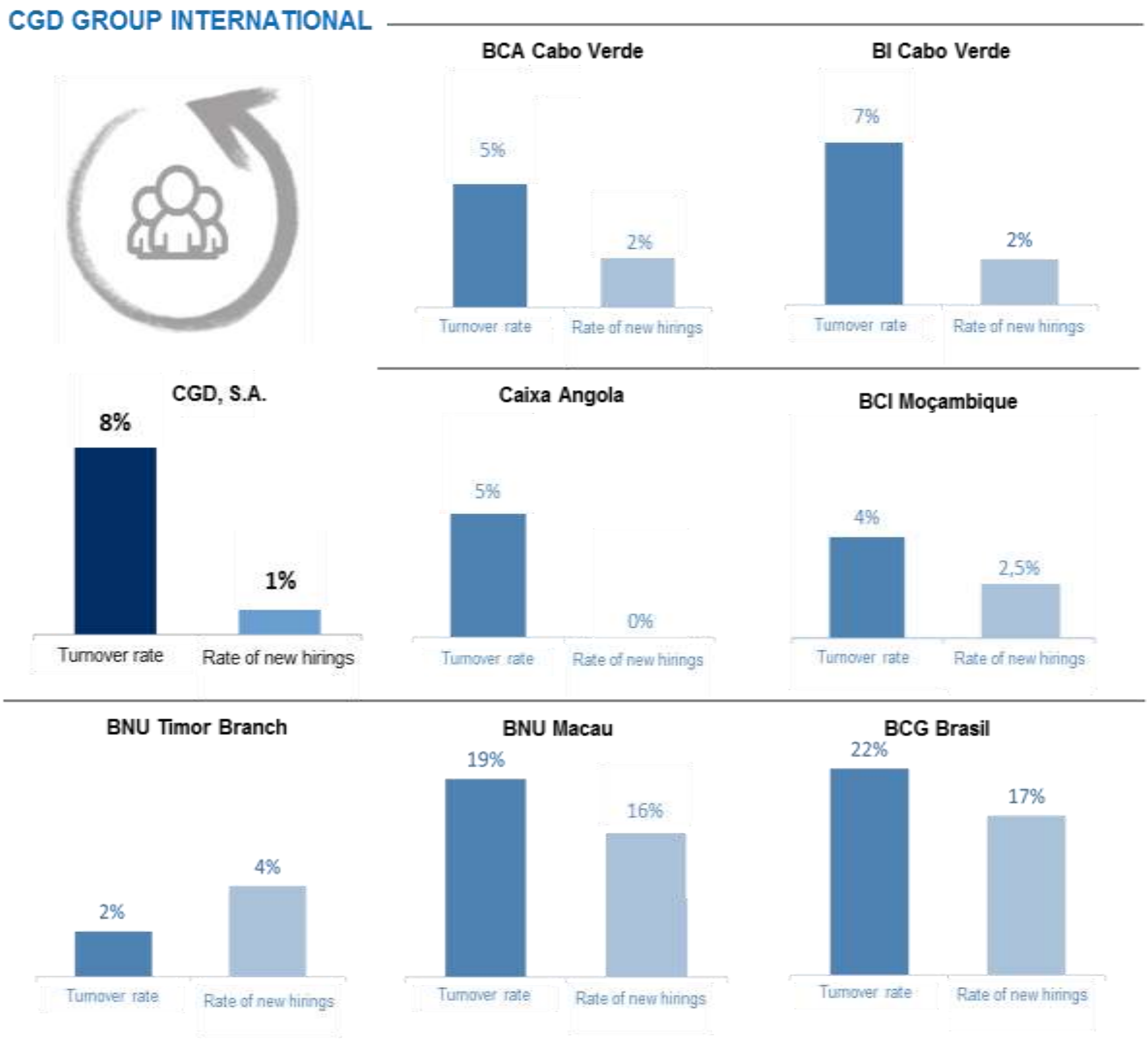
(1) Employees on duty, including those from other Group companies.

(2) Excluding employees of the Caixa Geral de Aposentações (Civil Servants Pension Fund) and other covered by service requests or prolonged absences.

CGD GROUP Employees - Distribution by branch and geography



CGD GROUP Employees - Turnover and hiring rate



RECRUITMENT

In 2018, the need to meet the objectives that had been defined for workforce adjustment also allowed implementing external recruitment processes to strengthen specific skills in strategic areas, namely in the internal control and information systems areas. To this end, CGD posted several job offers throughout the year for holders of Undergraduate, Master's or PhD degrees, receiving around 4,000 applications.

With regard to internal recruitment, 25 processes were launched to strengthen certain areas across the CGD Group, based on the availability of a number of internal employees for national and international mobility. A total of 730 employees submitted their applications.

In terms of internal mobility, and as a result of the restructuring in progress, about 900 employees adjusted their skills, profiles and motivations to business needs.

PROFESSIONAL DEVELOPMENT AND TRAINING

CGD's Training Plan promotes ongoing training and the continuous development of the employees' skills according to their individual positions and needs and, in 2018, there was an emphasis on subjects with a major impact on the implementation of its strategy. In 2018, CGD provided a total of 271,696 hours of training to CGD and Group Company employees (domestic perimeter), reaching an average of 35.40

hours per employee. Within the scope of the Sustainability Report, where only employees active as of December 31, 2018 are considered, the average number of training hours stood at 32.98 hours per employee for a total of 244,100 hours.

With regard to training programmes and initiatives, we should highlight:

- *Permanent Education Program* – ongoing programme designed for Executive and Non-Executive members of the Board of Directors, which allows them to come into contact with current issues and best practices, ensured by leading Experts and External Entities.
- Executive Training for senior managers, consisting of programmes customised or selected according to the knowledge and skills that need to be reinforced, considering their relevance and contribution to addressing the challenges faced by the Bank and the Group.
- Mandatory Training Programmes with Certification for banking and financial activities:
  - DMIF II Certification, 80 hours and 339 certified employees.
  - Marketing Mortgage Loans, 25 hours and 1,823 certified employees.
  - Insurance Brokers with 75 certified employees.
  - Euro Note, with 2,157 certified employees and/or certification renewals.
- e-Learning courses focused on the knowledge necessary to implement new regulatory requirements, namely on Information Security - Digital Mobility, General Data Protection Regulation and Risk, which were comprehensively made available across CGD and Group Companies in Portugal, reaching a total of 8,096, 7,553 and 5,921 employees, respectively.
- Programmes developed with the purpose of supporting the commercial plan, available across the commercial network, providing tools, arguments and good practices for monitoring and selling products and services, namely: "Transformation of Commercial Dynamics - Siebel" and "Qualify to Win".
- Ongoing training within the scope of Prevention and Security and courses related to Quality Certifications.

With regard to the welcoming and initial training of new employees, the 10th Summer Academy received 60 trainees who had the opportunity to learn about CGD in a welcoming session and a traineeship in the branch network, along with the training required for a successful start of the 2018/2019 New University Term.

The need to acquire specific knowledge and come into contact with new contents and other realities resulted in a total of 479 registrations and 4,286 hours of training in courses and seminars that took place outside the Institution.

Face-to-face training was mostly provided by in-house trainers under the principle of valuing and sharing internal know-how for building contents and organising training sessions. In 2018, 114 in-house trainers provided 10,652 hours of training.

Training courses continued to be the subject of Level-1 Effectiveness Measurement and Assessment surveys (Satisfaction Assessment) and more courses are now the subject of Level-2 (Learning) and Level-3 (Behaviour) assessments.

Satisfaction is measured and assessed with regard to all face-to-face training sessions, reaching an average of 4.29 (five-point Likert Scale) for four groups of indicators: "Acquired Knowledge", "Course Organisation", "Trainer" and "Overall Assessment of the Initiatives".

CGD's training centre - Academia Caixa - encourages the sharing of knowledge by those who have it with those who want to develop their capacities to generate more and better value for stakeholders. Diversity proves to be a powerful ally in this context, fostering the combination of different thoughts, opinions and ideas. And equity ensures that we're following our path together, contributing to enhance relationships between employees, teams and hierarchies.

CGD promotes a culture of continuous development geared towards results, based on its corporate strategy and its Code of Conduct, along with other references and commitments that bind all employees in the performance of their duties in representation of the Institution. Valuing employees and managing talent are part of an approach to management that privileges inclusive training and the creation of opportunities for functional mobility that enrich professional careers and competences.

CGD's annual plan aims at developing cross-cutting or specific competences, based on the strategic and regulatory guidelines, and on the survey of specific needs of the various divisions and employees in the performance of their duties. Therefore, the knowledge management strategy, which supports the training model and the development and valorisation of employees, allows aligning their needs with the requirements of the business, promoting a culture of excellence geared towards a better customer service, higher profitability and good brand reputation.

In 2018, CGD continued to develop initiatives for continuous training in basic skills, reinforced skills critical to the business, and behavioural and technical skills related to regulations and business support. In this context, there were mandatory and optional training courses covering various topics and virtually all the employees, with face-to-face, video conference and/or e-learning sessions. This digital training platform has been the privileged channel of access to the most up-to-date information on subjects that underpin the banking, financial and regulatory activity, using critical and/or innovative ways to provide educational contents.

The continuity of the training programmes for directors, in leading Management Schools, was based on contents that addressed issues related to banking sector trends, management of transformation processes and development of team management and negotiation skills, providing contact with best sectoral practices.

In 2018, contributing to improve key competences for CGD's transformation process - such as strategic vision and contact with new models and trends, capacity for innovation, agility in problem-solving, focus on Customer service and leadership ability, we developed the following initiatives aimed at senior managers:

- Continuity of the three Executive Training Programmes launched in 2017, including an in-company format for senior managers of the CGD Group, which will have two more editions next year.
- Continuity of the *Permanent Education Program* for CGD's Board of Directors, with *workshops* led by national and international consultants and specialised entities, under an individual plan with registrations in Management Schools of excellence in the training of "Boards".

In addition to the support and fulfilment of training plans geared towards the individual and functional needs of the Institution's functional structures and the corporate Compliance and Risk Management Training Plans, there was also an emphasis on cross-cutting training, crucial for the qualification and certification of employees in critical competences in the areas of regulations, customer orientation and support to the marketing of products and services.

So, CGD and Group employees working in Portugal were offered training on topics such as: Information Security, General Data Protection Regulation, Operational Risk.

The mandatory goals of Certification and Continuity within the scope of DMIF II, Training and Certification for Marketing Mortgage Loans, Euro Note Certification and Insurance Broker Certification were met.

TALENT MANAGEMENT AND INDIVIDUAL PERFORMANCE

In the first quarter of 2018, there was a performance assessment and, for the first time, the same model was applied to employees from Group Companies within the domestic perimeter and to the Timor and Luxembourg branches.

In 2018, the conditions remained in place for a process of merit-based promotions, salary review and, in addition, the awarding of the Performance and Potential Award that, in view of the results achieved by CGD, recognised and distinguished employees who stood out for their performance and contribution to the goals that have been set, as well as to the fulfilment of the goals included in the 2017-2020 Strategic Plan. This award was an incentive for the future.

Within the scope of the Incentive Scheme applied to the Caixa Empresas commercial network, a commercial prize was awarded to the teams and/or managers that played a key role in the fulfilment of the objectives that have been set.

The conditions for extending processes arising from the human resources policy to Companies in the domestic perimeter allowed enhancing the integrated management of the Group's employees, creating conditions for the use of a common IT platform to support the performance assessment concerning 2018 and the first quarter of 2019.

The Caixa Excelência Award was one of the initiatives with greater visibility at CGD, receiving applications from all areas of activity. This initiative reinforced a culture geared towards meritocracy, a stimulus for personal valorisation and professional development, distinguishing the employees who stand out as examples of excellence in the performance of their duties.

PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System is an annual process through which CGD monitors performance, evaluates the results and/or contributions of its employees to the associated strategic, functional and individual goals. The results of the performance assessment and the achievement of goals are relevant factors when deciding on changes in the remuneration status of the employees, including senior managers, through merit-based promotions and the revision of other fixed or variable salary components.

Performance Assessment is one of the most important processes for CGD's human capital management, involving cross-cutting responsibilities shared by appraisers and appraisees; each stage of the process is associated with specific methodologies and deadlines.

All employees are assessed and interviews are mandatorily conducted once the final rating is disclosed, being an opportunity for hierarchies and teams to share strengths, success factors and areas for improvement, contributing to the development of the employees and recognising the importance of this assessment model for the management and/or development of professional careers as unequivocal.

CGD continues to pursue its ambition to create more and better conditions for talent management, sound professional careers and a management strategy based on meritocracy and equity.

PRINCIPLE OF GENDER EQUALITY

Within the framework of the National Strategy for Equality and Non-Discrimination and the voluntary endorsement of the Portuguese Diversity Charter, an initiative of the European Commission, CGD fulfils the gender equity ratio when we consider the general universe of its permanent employees, valuing the complementarity and profitability arising from this greater balance.

CGD ensures the principles of non-discrimination and inclusive practices, based on fundamental pillars, namely on social responsibility and ethical standards and values of trust.

CGD's Code of Conduct states in Article 11(3) that "(...) internally, CGD promotes equal treatment and opportunities for men and women, as well as the reconciliation of the personal, family and professional life of its Employees (...)”.

Clause 25 of the Company Agreement guarantees that "no right or benefit may be conditioned or limited by virtue of the exercise of trade union activity, the exercise of rights arising from maternity and paternity, situations arising from the working student status, the performance of public or municipal duties and the exercise of other rights provided for by law and/or the Company Agreement.

The diagnoses show that CGD ensures equal treatment and opportunities between men and women, and that there is no discrimination. Accordingly, CGD complies with the principles of equality in hiring, career advancement and the remuneration of its employees.

CGD operates under the principles of respect for human rights and the ones established in its Code of Conduct, rejecting employment discrimination based on disability, ensuring technical assistance and the accessibility necessary for the full integration and development employees with special needs. During the selection process, applicants are selected based on their curriculum, qualifications, experience and skill profile.

Professional progression is based on criteria of merit, experience and competence, while wage parity is protected in the base salary, as there are no distinctions based on gender or other factors of a discriminatory nature, along equal access to training and mobility opportunities.

CGD values the complementarity and profitability stemming from the balance ensured by equality policies, meeting the gender equity ratio in the general universe of its permanent employees, which is broken down as follows:

Employees [26]

CGD has a fairly equitable gender distribution - 60% female and 40% male - in a universe of 7,401 permanent employees, thus valuing the contribution of women to the day-to-day management of the Institution's activities.

Female representativeness by functional family (%)

Functional family	Male	Female	%
Administration	139	62	32.4
Background	602	663	52.4
Technical Staff	1028	1598	60.8
Administrative (2)	1205	2104	63.5

In the absence of a formalised policy for gender equality, the plans that integrate employee management are based on the application of principles of equality. In this regard, we should note that, in the term which began in 2017, the Board of Directors included three female directors, meaning that 20% of the members of this governing body were women; on 31 December 2018 it had four female directors, *i.e.*, female representativeness increased to 27%.

CGD's policies on the reconciliation of personal, family and professional life are underpinned by a culture of solidarity as a family-responsible institution. Specifically, in terms of parenting support, CGD promotes the balance of the social roles between genders by providing information and observing the rights of both parents.

CGD promotes breastfeeding support and offers family planning and preparation for childbirth appointments, as well as appointments for newborns, giving all employees, since 2016, a "birth support allowance" for each child born or adopted, as well as a "child allowance" and a "study allowance". All these benefits are part of the Company Agreement.

[26] Employees in a labour relationship with CGD, assigned to CGD and employees of the economic interest group.

With regard to the issue of equality and non-discrimination, in 2018 we prepared the project for a Code of Good Conduct for the Prevention and Fight Against Harassment at Work, establishing the operating principles and rules of professional conduct to be complied with for an appropriate prevention and effective fight against harassment at work. In 2018, we also started to develop a Human Rights Policy in the CGD Group, aimed at asserting CGD's commitment to respect for internationally recognised human rights among its stakeholders, local communities, related markets and the society in general.

Given the context of socio-economic crisis experienced in recent years, with a cross-cutting impact on many families, we continued to search for sustainable solutions focused on risk prevention and solvency support. In this context, we implemented short-term measures aimed at providing financial support and stimulating savings, with psychosocial support and budgetary advice.

WORK-LIFE BALANCE MEASURES

CGD's principles of social and family responsibility reflect an approach to management centred on human capital, involving all hierarchical levels in the creation of an inclusive environment, supporting personal integration and development, and preventing a wide variety of challenges.

The restructuring of the CGD Group required close attention to the psychosocial issues that affected its employees and their families, with the aim of preventing situations of stress and burnout related to labour issues. CGD retains the measures that make it stand out, from the organisational point of view, with regard to the balance between the personal, family and professional life of its employees:

a) Psychosocial support -

Employee Follow-Up Programme (PAE), which consists of psychosocial assistance and/or advice provided in coordination with the areas of social action, psychology and health services of the institution, with the support and mobilisation of forms of internal supportiveness and guarantee of confidentiality.

b) Socio-economic support

- Possibility of taking out housing loans and personal loans with term conditions and subsidised rates, but with significant changes in term of risk analysis, which promoted the referral to a wide range of complementary solutions;
- Monitoring and assessment of the financial supports in place, which allow understanding the impact of previous measures and, simultaneously, finding alternatives for situations of obvious fragility, preventing instances of disruption and/or deprivation;
- Solidarity collections that allowed employees to give food and personal care products, bringing together CGD partners and the beneficiaries of this aid. These initiatives supported employees and families in times of greater difficulty, whose cases were flagged and/or followed by the Social Action of the DPE and CGD's Social Services.

c) Health support

Within the scope of the PAE, occurrences are assessed on a case-by-case basis and referred to specialised support in the area of health:

- CGD clinical and nursing centres in the main urban centres and network of providers operating in different areas with a wide nationwide coverage;
- Vaccination and free screening campaigns, focused on the prevention of seasonal influenza, smoking cessation, prevention of cardiovascular diseases, diabetes, female health, skin cancer, aortic aneurysm, among others;
- Ageing Support Appointment (interdisciplinary);
- Conclusion of protocols for long-term and integrated care for employees and their families;
- Maintenance of specific treatment protocols in the area of mental health and addiction diseases for employees and their families;

- Subsidies and supports for specific treatments for children with special needs;
- Special co-payment scheme for cases of major illness (major illness status).

d) Flexibility and socio-professional support principles

- Adjustment of the position, place and workstation to the employee's physical and psychological conditions;
- Geographical and functional mobility is, where possible, adjusted to the employees' personal and/or family needs, trying to satisfy the interests of both parties;
- Possibility of extending absences for Family Assistance in extreme social situations such as, for example, major illness;
- Award of subsidies to working students;
- Greater focus on the continuous training model, aiming at a culture of excellence geared towards quality and results, based on values such as change, customer orientation, contribution to the employees' personal and professional fulfilment, enabling the promotion of social well-being;
- Counselling and support in situations of early retirement, retirement and mutually-agreed termination.

e) Social and family support

- Protocols under preferential conditions for the acquisition of products and services, insurance, transport, tourism, nursery and daycare centres, acquisition of books and educational material, residential units for the elderly and/or home support, among others;
- Holiday camps, language courses and others aimed at the playful and educational occupation of children, in particular during school holidays;
- Used schoolbook and material sharing scheme;
- Family planning and parenting support appointments, including preparation for birth, appointments for newborns and breastfeeding corner;
- Awareness-raising and training sessions on responsible parenting;
- Childbirth allowance;
- Award of "Disability Supplement" and/or "Attendance Allowance" to employees with children demonstrably suffering from serious illnesses;
- Award of subsidies to employees' children (primary, secondary and higher education scholarships according to social and meritocracy criteria);
- Award of funeral allowance when the deceased relative was not covered by any compulsory social protection scheme, granting the right to payment of the death allowance;
- Prevention and security initiatives promoted by the Prevention and Security Office (GPS) and extended to the employees' children and families.

f) Cultural and sporting initiatives

- Easy access to shows for CGD employees, through Social Services;
- Favourable conditions of access to the offer of the Culturgest Foundation for employees and their families and organisation of cultural initiatives at lunch time;
- Reading Club, with cross-booking and the possibility of ordering books with free shipping costs, in the case of residents in the Autonomous Regions, combating insularity, and also partnerships with publishers and booksellers;

- In the sports area, CGD offers several support infrastructures, in particular in the Cultural and Sports Centre of the Head Office building and in the Ajuda Pavilion, and employees and their families can also benefit from preferential protocols for practising a wide variety of sports across the country.

g) Social Solidarity

- CGD's Social Services Blood Donor Group - with more than five thousand permanent donors and a wide nationwide coverage based on regional centres, it is the largest group of its kind associated with a financial institution and one of the largest in the country;
- Corporate volunteering continues to bring together employees and families around social and environmental causes, reinforcing an internal culture that privileges citizenship and solidarity.
- Contributing to CGD's volunteer work, the "Seniamor" Volunteer Group, with branches in Lisbon, Porto and Guarda, deals with employees in a situation of greater psychosocial and economic fragility, aiming at preventing social isolation and promoting a culture of solidarity and a sense of belonging. This group donated 3,200 hours of volunteer work.
- The "Tempo Extra" (Extra Time) platform allows employees in early retirement situations and/or retirees to play an active role in supporting charities, choosing from the different areas of activity that are available to benefit from their skills, experience and knowledge.
- Support to retiree associations - ANAC and former BNU -, particularly the ANAC which ensures the presidency of the European Savings Banks Group among representatives of eight countries, reflecting the recognition of its prestige in the area of senior associativism.

CGD's conduct with regard to work-life balance reflects a culture of social leadership and active participation, responsible and supportive towards people as agents of change, promoting their capacity to manage a wide variety of challenges.

CGD's Social Services (SSCGD)

The primary mission of CGD's Social Services, or its responsibility as set out in its By-Laws, is to improve the economic and health conditions and the quality of life of CGD employees and retirees (members) and their relatives (beneficiaries), carrying out its activity "in the areas of health, social security, housing, culture, recreation and related activities (Article 7 of the By-Laws).

Its Vision is expressed in the aim of "being recognised by all its members and beneficiaries as an ethical, transparent, rigorous, supportive entity that is open to participation". It is guided by the following values:

- Transparency - Relationships with members are based on a clear, simple, efficient and regular communication, so that everyone can participate and be aware of the SSCGD's management and activities.
- Rigour - Free and conscious assumption of behavioural rules, focused on justice and impartiality, by all the stakeholders involved in the subsystem, in any situation, time or place.
- Solidarity - The financial contributions of the members are proportional to their income. The balance of the system is fostered by contributions from younger members to older ones, from members with higher incomes to those who earn less, and from members in good health to those in poor health. The support provided to households (beneficiaries) is a way to show solidarity with the members.
- Equity - The SSCGD provide support to members and their families in various areas of activity, always in an equitable manner. Each member, regardless of their financial contribution, social or professional status, enjoys all the rights and obligations set forth in the SSCGD By-Laws.
- Responsibility - Protecting the assets and the support provided by CGD's Social Services is a responsibility shared by all its governing bodies, delegates and members. In the performance of their duties, the governing bodies must use their proposals and competences to manage what is entrusted to them; the delegates must represent the will and keep up with the needs of those who elected them, and the members must be aware of and play an active role in the decisions and routes that are followed.
- Sustainability - The future of CGD's Social Services depends on their ability to finance the costs of

the health services provided to its members, based on efficient management, mechanisms for controlling expenses and generating own revenues in other areas of activity.

Health Prevention and Screening Initiatives

The promotion of the health of members and beneficiaries is becoming increasingly relevant, keeping up with the country's demographic development and context. In 2018, the Clinical Projects Office (GPC) developed several prevention and awareness-raising initiatives for members with the aim of promoting healthy lifestyles that result in a better quality of life and allow maintaining good health indicators for longer.

In these initiatives, thanks to their proximity to members and beneficiaries, the clinical centres have been playing a key role in the implementation of screenings and awareness-raising campaigns. In 2018, we highlight:

- Skin Cancer Screening - conducted for the third consecutive year in the Lisbon, Porto and Coimbra Clinical Centres. This national initiative relied on the collaboration of dermatologists and nurses from the various Clinical Centres.
- A programme for the prevention and early detection of colorectal cancer was implemented in all clinical centres, following the Directorate-General for Health standard regarding this procedure. To this end, the programme relies on the collaboration of specialists in Internal Medicine and General Practice/Family Medicine. This is not merely a screening, but a long-term programme that will continue in the coming years.
- Oral health programme aimed at the paediatric population, available at the Lisbon, Coimbra and Porto Clinical Centres, in coordination with the Dental Medicine Unit.
- A paediatric ophthalmologic surveillance programme was implemented that allowed referring children for ophthalmology appointments according to the guidelines of the American Association for Paediatric Ophthalmology.
- A hearing loss screening was carried out with the support of Widex, and the results were presented by the company to the GPC on 11 October. These were processed and sent for publishing.
- There was also a visual disorder and glaucoma screening carried out with the support of Essilor, whose results were subsequently disclosed.
- The request submitted to the relevant authorities of the National Health Service to assess and authorise the Lisbon Clinical Centre to offer the vaccines included in the National Vaccination Plan is at an advanced stage for its implementation. In addition to the vaccination plan, the introduction of new anti-meningococcal vaccines was approved.
- Training in Basic Life Support and Automated External Defibrillation was provided to 30 employees of the Lisbon Clinical Centre, and training courses are scheduled to take place in the Coimbra and Porto clinical centres in the first quarter of 2019 (February).
- World Diabetes Day was celebrated on 14 November, with the support of the diabetes centre of the Nursing Unit and specialists in Nutrition; this initiative attracted a large number of participants and its results were published on the portal of the CGD's Social Services.

The SSCGD carried out a total of 22 screening and awareness-raising initiatives during the term of the Board of Directors, which ended on 31 December 2018, four years after its election by the members in 2015.

Health Area

The Health Area is the area most valued by the Members and Beneficiaries of CGD's Social Services, the one which has a greater weight and also the one that is given more attention and priority by the Board of Directors, namely by equipping the clinical centres with new services and resources, in order to expand its offer and improve its capacity of response to its users, by renegotiating contracts with services providers across the country and by selecting new providers for regions that have greater gaps in the access to healthcare. These developments aim to improve and broaden the external provider network, make it more accessible, effective and at more attractive prices for members and beneficiaries.

Social Area

The primary purpose of the Social Support Unit (UAS) is to promote well-being and improve the quality of life of its members and beneficiaries. Its activity encompasses several areas and relies on a sound scientific underpinning within the framework of social and human sciences and ethics in matters such as human rights, human dignity, social justice and self-determination of the individual as a person and/or citizen.

With regard to the number of active allowance processes, the Social Support Unit is currently monitoring 96 cases, 60 of which are related to the Disability Allowance, 31 to Retirement Home Allowance and 5 to the Allowance for Disabled Children and Youths. On the other hand, 33 children and teenagers with developmental disorders are being followed.

With regard to Long-Term Care, the UAS referred 34 members and/or beneficiaries to recovery units. New protocols with advantageous conditions were also signed, with a special emphasis on the support provided to senior citizens.

Study Allowance

The Study Allowance is meant to support students who attend undergraduate and integrated master's courses in higher education institutions. In 2018, a total of 80 subsidies referring to the 2017/2018 academic year were granted.

Summer Holiday Camps

Every year, Caixa Geral de Depósitos' Social Services support and organise summer holiday camps for beneficiaries aged between 6 and 17. In this area, the UAS selects the entities and programmes that will be responsible for organising the holiday camps, formalises collaboration protocols, ensures the follow-up and visits to the camps throughout their duration, and gives advice to members about the most appropriate programmes for their children. The SSCGD also gives employees of CGD Group companies the possibility of enrolling their children in these activities at the price agreed with the service providers for CGD employees.

In 2018, protocols were signed for 32 programmes in Mainland Portugal, Madeira and Abroad; 1,832 applications for holiday camps were accepted, 84 of which came from Group companies.

SOCIAL ENVIRONMENT SURVEY

Since 2017, CGD has been annually assessing the evolution of the level of motivation and commitment of its employees by means of a social climate study covering five types of indicators: (i) involvement and commitment of the employees to the organisation, (ii) their relationship with CGD's brand and reputation, (iii) their values, assets, (iv) responsibilities and (v) their activities.

The Social Climate Survey took place between June 19 and July 20 and obtained a Global Satisfaction Index of 69%, with 78% of employees asserting a strong commitment to the CGD Group.

The implementation of the study was supported by a communication plan that promoted the employees' involvement and participation; the overall results were subsequently disclosed and specific reports were shared with the relevant internal organisational structures and their managers.

Following the analysis of the results, we identified initiatives that will be implemented in the short and medium term, with a view to improving employee satisfaction.

OCCUPATIONAL MEDICINE

Occupational Medicine aims at:

- Ensuring working conditions that safeguard the employees' safety and health.
- Conducting a careful analysis of the environmental and organisational factors and of the human and individual characteristics that influence behaviours at work.
- Adapting workstations to employees, especially with regard to design, ergonomics, equipment and working methods.
- Monitoring the rehabilitation and recovery from occupational diseases and work accidents and developing preventive measures.
- Assessing professional risks (biological, chemical, physical and psychosocial) and putting into practice preventive measures aimed at eliminating and/or reducing damages.
- Providing information on occupational safety and health to the employees.

It relies on a multidisciplinary team (physician, nurse, psychologist and administrative assistant) that provides a personalised and proximity-based service, promoting a comprehensive characterisation of the situations, their referral and, where necessary, the rehabilitation and professional reintegration of the employees in question.

In addition to complying with legal obligations and operating from a global health perspective, CGD's Occupational Medicine develops its activity in close collaboration with the Occupational Safety and Health Area, the Social Action Centre and business traveller support.

In 2018, 6,003 medical examinations were conducted (CGD and CGD Group Companies in Portugal).

Regular Examinations	Initial/Admission Examinations	Occasional Examinations	Interviews
5,544	70	278	111

Within the scope of health prevention, and going beyond compliance with the law, CGD:

- Provided 33 Business Traveller Support appointments.
- Ensured the monitoring of a confirmed occupational disease by the National Centre for Protection Against Occupational Risks.

Within the scope of the healthy and productive exercise of professional activities, the Psychology Area identifies, assesses and monitors the following situations: presenteeism, crisis situations, interpersonal conflicts, dissatisfaction, lack of motivation, crisis (attacks, grief and other traumatic events) and prolonged absenteeism due to illness (absence longer than 60 consecutive days).

In 2018, this area conducted 1,089 interviews:

- All the situations of prolonged absenteeism due to illness, with a total of 510 interviews;
- All the problematic situations that were identified, with a total of 574 interviews;
- Psychosocial intervention in all crisis situations, with a total of 5 interviews.

HYGIENE AND SAFETY AT WORK

CGD continued to develop several activities in the area of occupational safety, continuing to pursue the model that is already in place, in line with the best practices and giving priority to the facilities targeted for layout renovations with a direct impact on the existing workstations:

- Integration of two central divisions involving the installation of approximately 510 workstations, accompanied by risk assessments leading to proposals for preventive/corrective measures, where applicable;
- Technical occupational health and safety audits: there were 2 technical audits covering 33 workstations located in the commercial network and group companies;

Occupational accident analysis and management: 106 work accidents that occurred in 2018 (99 CGD employees and 7 Group company employees) were analysed and 24 reports were prepared (all cases in which those affected were granted leaves longer than 3 days) with proposals for preventive/corrective measures where applicable. These were all the incidents that occurred and only 63 resulted in sick leave.

- Incident analysis and management: the circumstances in which the 123 incidents that were reported occurred were analysed and the necessary measures were taken to reduce the impact of the events and prevent future incidents;
- Assessment and ergonomic correction of workstations: 25 workstations were studied from the ergonomic point of view, leading to postural correction and/or the rearrangement of the work equipment, as well as to the implementation of measures to eliminate/reduce risks at source.
- High-risk activity analysis: 117 high-risk activities were assessed, for which individual protection equipment was outlined and necessary prevention measures were proposed;
- Training sessions: there were also on-the-job training sessions aimed at the employees of the units covered by technical audits, ergonomic studies, workstation assessments and/or where necessary.

Within the scope of Prevention and Security, CGD has implemented the following initiatives:

1) **Incident analysis and management**- Following the reporting of incidents, the Protection and Security Office (GPS) promoted the analysis of the circumstances in which each incident occurred and implemented the necessary improvement measures to reduce the impact of the event and, subsequently, prevent future incidents of a similar nature.

2) **As part of the Caixa Segura Programme -** , GPS continues to promote training courses for First-Aid Groups (GPI) with the goal of providing trainees with theoretical and practical knowledge that allows them to intervene in the most efficient way in case of emergency: ensuring that all occupants leave the premises safely, providing first-aid to accident victims and intervening in the most efficient way with fire extinguishers in the event of a fire (325 training sessions in 2018).

3) **Emergency drills at central buildings** - Complete evacuation drills at central buildings, in order to assess the activation of the Emergency Management Office, test the Internal Emergency Plan in its various aspects and promote coordination, at the operational level, with the Operational Command Station as part of SIOPS (Integrated System for Relief and Protection Operations), which comprises civil defence agents.

4) **Emergency drills at facilities with risk category 2, as part of the MAP**- Continuation of emergency and evacuation training and drills as part of the implementation of self-protection measures at facilities with risk category 2, 3 and 4, in accordance with legislation in force;.

5) **Visita Segura (Safe Visit)** - Mandatory fact-finding visit to the head office and to the building located on Avenida dos Aliados with the goal of raising the new residents' awareness and providing information on basic emergency procedures.

6) **Férias Seguras (Safe Holidays) and Crescer em Segurança (Growing up in Safety) project** - Consolidation of the protocol signed with the Lisbon Municipal Civil Defence Services, focused on collaboration and training on the protection of people and property, participation in emergency drills organised by CGD and in the training provided to the children of employees as part of Férias Seguras and the Crescer em Segurança project.

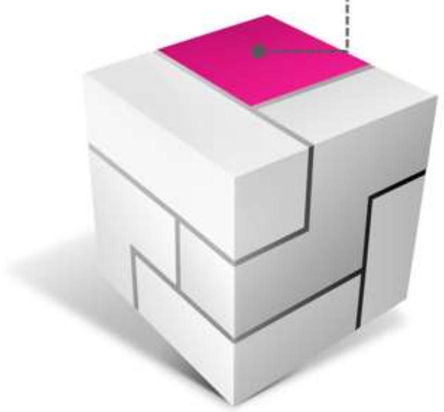
7) **Programa Proximidade (Proximity Programme) (S*ecurity*)** - - Programme for the branch network, consisting of the presence of a security officer at each branch (along the coastline, from Setúbal to Minho) in order to prevent/deter any situations of theft, fraud, threats, etc., that may threaten customers and staff at the branch network;

8) **Programa Prevenção de Furto de Portáteis (Laptop Theft Prevention Programme)** - Programme based on daily preventive rounds to detect laptops in vulnerable situations or risking theft, which are preventively collected and returned on the following business day by the Secretariat of the Division to which they belong..

9) **Programa Balcão Seguro (Safe Branch Programme)** - The Security Centre detects and monitors situations involving increased risk at branches, namely the counting or packaging of cash outside the areas provided for in the internal regulations.

4.7. Our Social and Cultural Value

CGD has been promoting best practices in responding to the problems and challenges of the Portuguese society in different times and situations, always seeking to be present in the direct support of social solidarity initiatives and institutions. This is a commitment undertaken at the highest level of management, renewed throughout the Institution's history, as it is aware that sustainable development contributes to a fairer society.



Social and Cultural Value

COMMUNITY
- 11.4 M€ invested by CGD, S.A.
- 9 M€ invested by CGD Group Banks in 6 countries

CAIXA SOCIAL
- 7 hours a year per employee for Volunteering
- 5,000 permanent blood and bone marrow donors
- Donation of 1,336 goods, pieces of office furniture and computer equipment to 22 charities
- Young VolunTeam Programme in 80 national secondary schools, with 9,600 volunteering students and more than 90 teachers involved in projects

EDUCATION AND KNOWLEDGE
- 7.1 M€ associated with 45 protocols with HEI and 56% of the national academic population - the largest investment in Higher Education in Portugal.
- 120,000€ in "Caixa Mais Mundo" Awards for the 80 best students in the 1st year of higher education or vocational courses covered by protocols with CGD

CULTURE
- 3 M€ invested by CGD, S.A. and CGD - Culturgest Foundation
- 424.838€ invested by CGD Group Banks in 6 countries

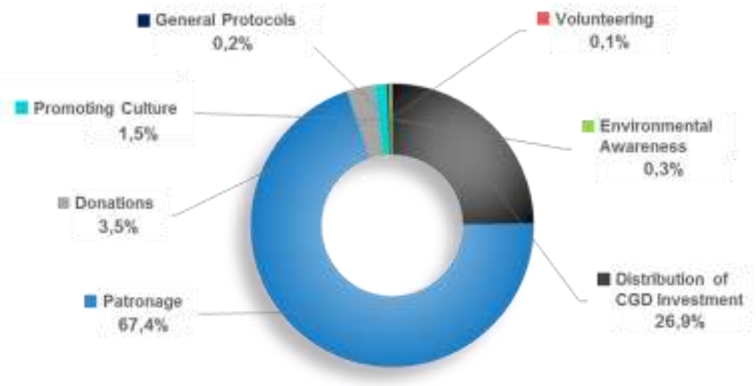
The Caixa Social Programme was created within the framework of the 2018/2020 Sustainability Programme and the Community Involvement Policy; this programme allows CGD and CGD Group companies in Portugal to promote socio-economic projects and models in line with their strategic goals and together with third-sector entities.

The social economy, in its multiple areas of intervention, of socio-cultural and economic progress, plays a major role in combining the objectives of combating social exclusion, enabling access to goods and services and encouraging employability. The potential for innovation and entrepreneurship is crucial and decisive in addressing social cohesion challenges through job creation in the broader context of the national territory.

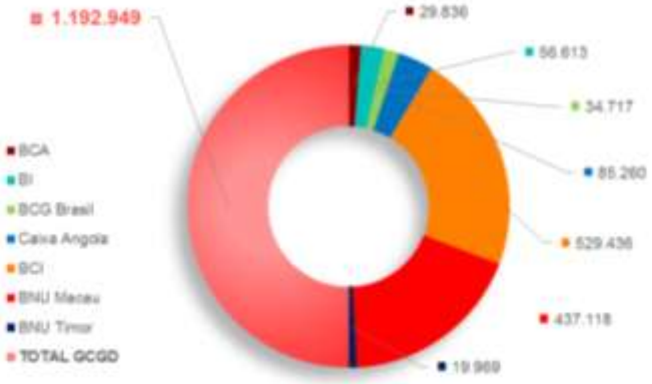
INVESTMENT IN THE COMMUNITY

In 2018, CGD invested around € 10.4 million in the Community, covering various areas and initiatives, monitoring their impact and contributing to the efficiency of the support that was provided.

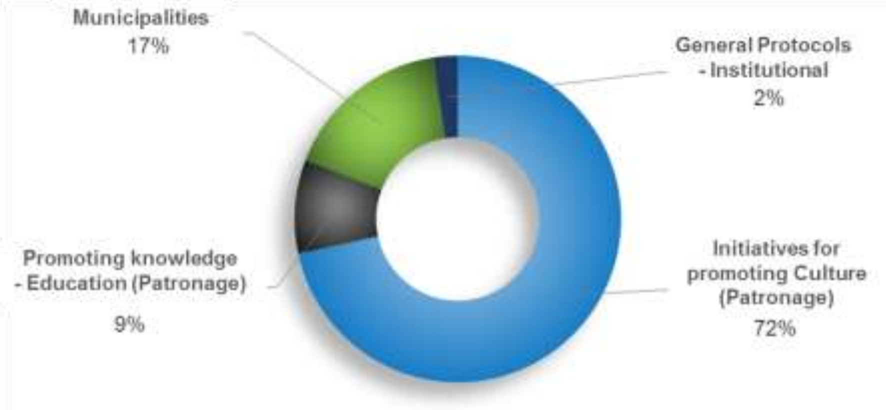
Distribution of CGD, S.A. Investment



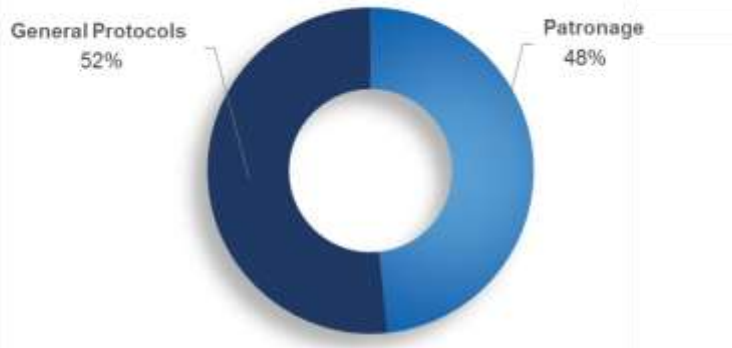
CGD GROUP - Aggregated distribution of investment in the Community (in Euros)



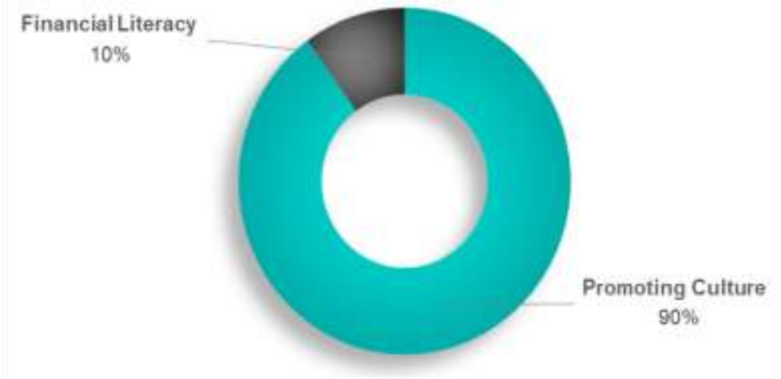
Banco Comercial do Atlântico, Cape Verde



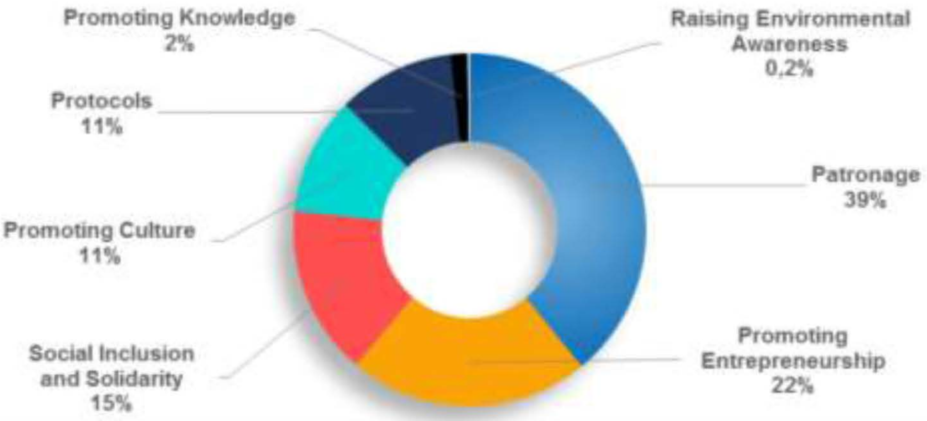
Banco Intertlântico, Cape Verde



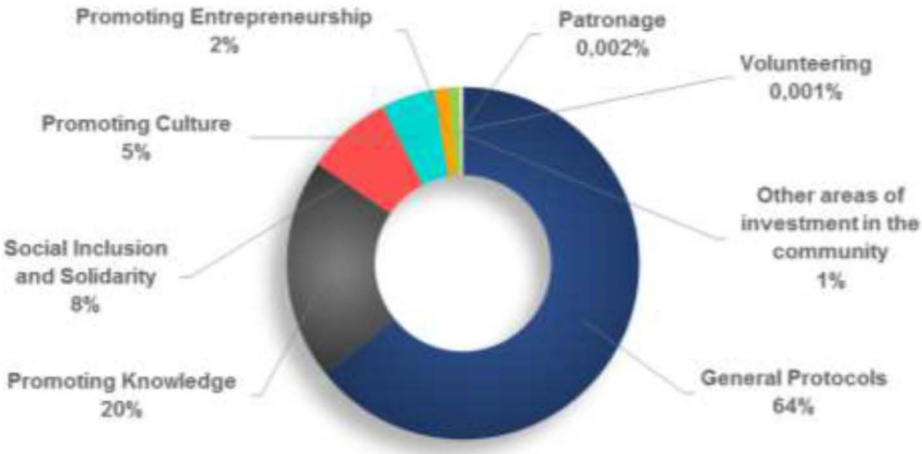
Banco Caixa Geral, Angola



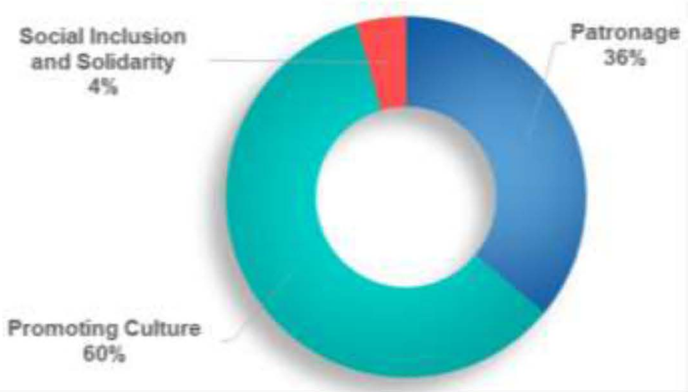
Banco Comercial e de Investimentos, Mozambique



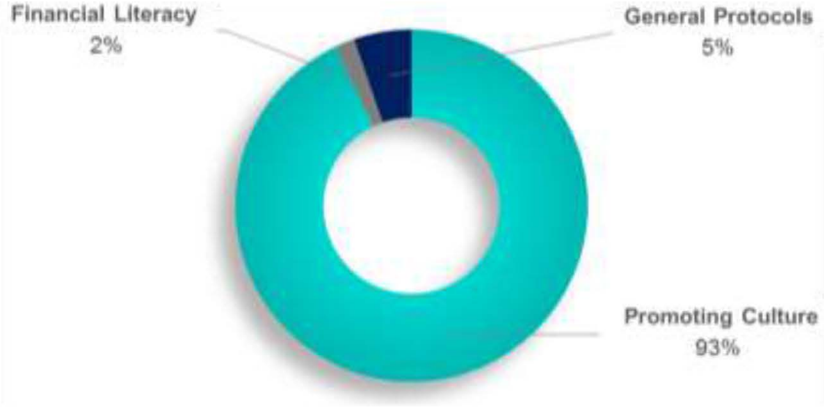
Banco Nacional Ultramarino, Macao



Banco Caixa Geral, Brazil



BNU Timor Branch



CAIXA SOCIAL PROGRAMME

The Caixa Social Programme is geared towards the social and economic development of people in need and the strengthening of social economy entities, offering financial products and services and other complementary forms of support (sponsorship and donations), while promoting the most varied aspects of Education and Culture.

It is also aimed at supporting and financing social activities with a strong impact and an innovative character, focused on the digital and socio-financial inclusion of citizens, the empowerment of micro-entrepreneurship projects and the sustainability of third-sector companies.

Five lines of intervention were defined for this Programme:

i. Job and Wealth Creation
ii. Social Integration and Solidarity
iii. Digital and Financial Inclusion
iv. Education
v. Culture

"Sou Cidadão" (I'm a Citizen) Programme

Among a wide variety of initiatives developed under the aforementioned lines of intervention, we highlight CGD's integration into the Group for Strategy Implementation, Monitoring and Assessment (GIMAE) within the scope of the National Strategy for the Integration of Homeless People (ENIPSSA); it is the only bank represented in the group, a fact that reflects its role and performance among the Portuguese communities, families and generations.

In accordance with CGD's Sustainability strategy for the 2018-2020 Triennium, with an emphasis on socio-economic inclusion and the fight against poverty, the Institution considers its integration into this group to be extremely relevant, as it will allow finding answers to facilitate the social integration of citizens; strengthen the role played by CGD among this vulnerable population, establishing partnerships and sharing knowledge and synergies in order to learn about the phenomenon of homeless people and/or people living on the verge of poverty, without forgetting the reflection, sharing of information and most appropriate procedures among the entities involved.

With the "Sou Cidadão" Programme, CGD supports and/or implements programmes aimed at reducing the number of homeless people, ensuring that they are granted access to the basic rights that every citizen enjoys, namely triggering the process for the issue of Citizen Cards to be delivered to homeless people who meet the conditions to hold said document. This document gives them an identity as citizens and allows them access to specific benefits.

CITIZENSHIP AND VOLUNTEER WORK

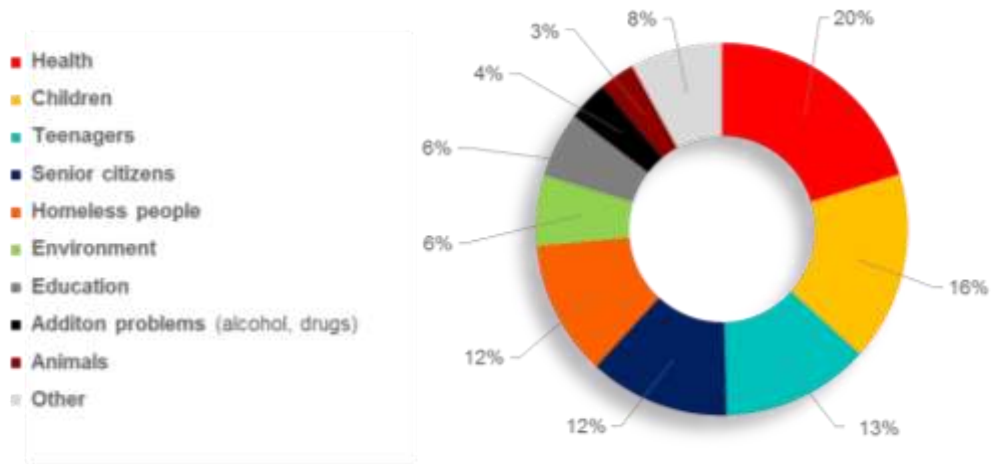
Corporate volunteering is a commitment of the CGD Group to the Community, reflected in a supportive relationship with others, participating in a free and organised manner in the solution of problems that affect society in general and citizens and communities in need in particular.

The CGD Volunteering Program, which covers the Group's companies in Portugal, aims to encourage a spirit of solidarity, based on two lines of action focused on serving the communities: (i) the employees' skills and (ii) time. It is a lever that promotes a corporate culture anchored in the exercise of active citizenship, capable of contributing to the social and economic development of the communities in which CGD and its companies operate and to promote cohesion and internal self-help.

The CGD Volunteering Programme was strategically defined and oriented in a consistent and flexible way to accommodate the spontaneous and individual willingness of employees who wish to volunteer. In this context, the internal regulations were reformulated with the definition of the guiding principles for Corporate Volunteering, such as its scope and competencies, the rights and duties of volunteers, and details regarding participation in the various initiatives. We should note that said regulations enable each employee to use seven hours per year to participate in volunteering initiatives during the business hours of the corresponding unit, without prejudice to their responsibilities and duties.

In order to encourage employees to participate in corporate volunteering initiatives and contribute to a greater involvement, in August 2018 there was an online questionnaire aimed at a total universe of 8,322 employees (CGD and CGD Group companies in Portugal) to assess their experience, interests, preferences and motivations associated with volunteering. The response rate was 17% with 1,416 fully completed questionnaires, which allowed identifying the areas of intervention preferred by the employees: Health, Children and Teenagers, Senior Citizens and Homeless People.

Results of the *online* survey on CGD Corporate Volunteering
- Preferred areas of intervention -



Launched in November 2018, with the contributions of employees and under the fundamental values of the Code of Conduct, the Corporate Volunteering Programme - "CGD Voluntários" - multiplies the solidarity commitment of 8,000 employees to those who need them, side by side with those who are helping. In December, the first initiative involved more than 30 CGD Volunteers and reached nearly 1,300 homeless people in Lisbon, in a partnership with Comunidade Vida e Paz, which organised a Christmas Dinner at the Rectory of the University of Lisbon.

The exercise of active citizenship intends to include different types of volunteering initiatives in CGD's annual action plan, in order to give all employees the opportunity to participate, taking into account their availability and skills.

"TEMPO EXTRA" (EXTRA TIME) PROGRAMME

In pursuit of social responsibility and the promotion of a full exercise of Citizenship, CGD is a founding partner of Entrajuda in the Tempo Extra programme, which promotes volunteering, especially among employees in early retirement situations and/or retirees.

This programme encourages employees of the member companies who are going through a professional transition - namely early retirement or retirement - to participate in Volunteering projects, giving them easier access to "Extra Time" in their active lives to support social, cultural or environmental organisations of their choosing as volunteers.

Tempo Extra is an innovative programme focused on sharing time and experience, which enables:

- Companies to offer Employees who are going through a professional transition - retirement or termination of employment contract - an experience as volunteers in the social sector.
- Employees to address changes in their lives with an appropriate follow-up and keeping their emotional balance and self-esteem.
- Employees to continue playing an active role by using their skills for a useful and solidarity-based purpose with added value.
- Developing a relationship of partnership and support between the Companies and Entrajuda.

CGD's group of retired volunteers - Séniamor - also continued to carry out its day-to-day activity of helping people and families in need. In this way, the emotional bond to the CGD brand and community persists in the relationship with other audiences and causes, through ambassadors who continue to strengthen this Institution's values and reputation.

But perhaps the biggest gift is the one offered by the volunteers of the CGD Blood Donor Group, the country's largest private group, which has helped save more than 80,000 lives by donating blood and bone marrow. The one that is growing, year after year, in its capacity to give and allow "life" to go on.

PROMOTING KNOWLEDGE - HIGHER EDUCATION INSTITUTIONS (HEI)

Our relationship with the Academy has evolved via the cooperation with Higher Education Institutions (HEIs), the technological and digital innovation applied to CGD's offer and to the relationship between university students and the bank, but also thanks to our presence in important events for the academic community, namely national and international conferences and seminars, merit awards, research awards and scholarships and through the recognition of innovative projects.

In 2018, CGD made the largest investment in higher education in Portugal, with 4.2 million euros assigned to 45 protocols with HEIs and covering 56% of the Portuguese academic population. Within this scope, we've established successful partnerships with HEIs, such as University of Aveiro, Minho, IST and FCT - to set up project teams at CGD with the aim of meeting development needs and/or finding innovative approaches to ordinary activities and/or to activities related to bank support and maintenance.

"MAIS MUNDO" (MORE WORLD) AWARDS

Caixa Mais Mundo Merit Prizes awarded to the best students: (i) placed in undergraduate or integrated master's courses via the CNA - National Contest for Admission to Higher Education, and (ii) enrolled in Vocational Technical Higher Education Courses (CTeSP).

The prize awarded by CGD consisted of a single instalment of 1,500 € paid by bank transfer to the student's Caixa IU account. Forty prizes will be awarded to students enrolled in undergraduate or integrated master's courses and another 40 to students enrolled in CTeSP courses, a total of 80 prizes for the 2018/2019 academic year.

The institutions and schools choose the students and courses that will be eligible for the prizes, awarded in equal percentages among the selected courses, seeking to cover the widest possible variety of areas of academic training. The prizes will cover HEIs, Universities and Polytechnic Institutes that have signed a protocol with CGD and initial training courses offered by public higher education institutions, structured as vocational technical higher education courses (CTeSP), undergraduate and integrated master's study cycles.

Those eligible for the awards are: students with Portuguese nationality who reside in the country; students enrolled in vocational technical higher education courses, undergraduate courses or integrated master's courses in the 2018-2019 academic year. The ranking criteria are as follows: descending order of the grade for application to the CNA - National Contest for Admission (after the three application phases), for students enrolled in undergraduate or integrated master's courses, descending order of the final grade of secondary education used for application purposes, for students enrolled in CEeSP courses.

Students who are awarded a prize will also receive a CGD diploma of merit via their higher education institution. CGD hopes that these awards contribute to encourage the enrolment in higher education, particularly in regions with less demand and demographic pressure. Furthermore, these awards aim to contribute to territorial cohesion, helping young people to establish themselves, and to the achievement of the Portugal 2020 goals for the number of graduations.

2018/2019 YOUNG VOLUNTEAM PROGRAMME

This is a CGD Educational Programme that encourages youth volunteering in national secondary schools. Through the values and practices of Volunteering, this initiative shapes and challenges the young people of Portugal to assimilate and exercise active citizenship to benefit their schools, surrounding communities and ecosystems, so that, as a team, they can implement a set of actions and projects with social and environmental impact, highlighting, unequivocally and on the ground, the relevance of each individual's role and the strength of the team as a whole in the construction of a future with greater justice and respect for Human Rights and the Environment.

With the re-launch of the CGD Young VolunTeam (YVT) educational programme, young volunteering returns to secondary schools across the entire country, raising the students' and the teachers' awareness of the importance of turning schools into hubs for social and environmental solidarity, intergenerational equity and engagement with local communities. In partnership with Sair da Casca, Entrajuda and the Directorate-General for Education (DGE), this programme, distinguished by the Civil Office of the Presidency of the Republic, is unique and innovative in the context of national pre-university education and reinforces the academic qualifications of the participating students by integrating their participation into their curricula.

Over the course of five editions, Young VolunTeam has been in more than 400 schools, with 10,000 participating students, more than 450 teachers and 100,000 students and citizens involved. In the

2018/2019 academic year, YVT challenges students to design and implement projects aimed at social inclusion, entrepreneurship and digital and technological inclusion.

At the end of the programme, the teams with the best volunteering projects will be recognised, considering their quality, originality and impact, prospects for future development, capacity of engaging both the school and the local community and the effort required for their pursuit.

DONATION OF GOODS

Through its Goods Donation Programme, CGD regularly responds to requests for donations of goods, namely furniture and computer equipment, thus promoting the reuse of various discontinued pieces of equipment and materials in favour of communities, institutions and entities. Thus, we are promoting the reuse of materials and, therefore, contributing toward reducing waste and environmental damage. In 2018, CGD donated 1,336 items, such as office furniture and computer equipment, to 22 charitable institutions.

The programme for the donation of goods to third-sector institutions of recognised merit and capacity for social intervention, developed in collaboration with Entrajuda (EA), allows CGD to meet the needs of various entities, promoting the reuse of discontinued pieces of equipment and materials in favour of local communities, educational institutions and citizens in need that will give them a new use and value. EA donated 101 pieces of computer equipment and 44 pieces of office furniture (desks, chairs) to 6 institutions.

Thus, we privilege the reuse of material, contributing to reduce waste, the generation of refuse and the environmental footprint, making it easier to reorganise fixed assets amortised or written down for accounting purposes and without future utility. Quarterly reports on initiatives and donations, volume and type of equipment donated, as well as beneficiary institutions. The donation of goods also covers the offer of urban furniture from CGD's bank card recycling program, which transformed 15 tonnes of PVC and plastic into durable and weather-resistant pieces of furniture, while ensuring the total destruction of the personal data of the card holders who returned their cards.

In addition, CGD continued to be associated with major causes in the area of solidarity and philanthropy, through fundraising and collection of assets, disseminating these initiatives via its means of contact with the public and/or official entities.

We highlight the donation of furniture and equipment to various Charities and Student Associations, the support provided to Casa do Gaiato through the financing of the construction of a residence for young people, the donation of a tractor to the Merged Parishes of Penalva de Alva and São Sebastião da Feira and the contribution to the acquisition of a fire-fighting vehicle by the Ferreira do Zêzere Fire Brigade, the latter two related to the large fires that occurred in the districts of Leiria and Santarém, respectively.

BLOOD DONOR GROUP - CAIXA GERAL DE DEPÓSITOS

Created in 1983, the Blood Donor Group (GDS) has been raising awareness and promoting the donation of blood for 36 years. Through its centres and coordinated by Lisbon, the GDS organises collections across the entire national territory, as well as awareness-raising initiatives in partnership with the Portuguese Blood Institute (IPS).

In 2018, GDS made 56 collections which resulted in 1,509 blood donations - 7,162 in four years. However, this number of donations is still insufficient to meet the country's needs, which has led the GDS to continue strengthening its communication, focusing on the younger age groups.

In this context, we launched "Projeto Jovem" (Youth Project) in 2017, which allowed organising various awareness-raising sessions in 90 Universities with which CGD has protocols, implementing a communication project aimed at young people in collaboration with the IPS.

Since the GDS is a group with a social nature and, therefore, open to all those who wish to contribute to the cause, over the last four years the group's coordination has been heavily promoting its activity via its Facebook page, which has about 4,000 followers.

Thanks to the committed way in which it develops its work, the group has earned the recognition of the regulatory entities of the sector, as well as of other groups and associations.

In 2018, the medical appointments provided by the Clinical Centres of CGD's Social Services were free of charge for blood and bone marrow donors.

PORTUGUESE DIVERSITY CHARTER

In 2019, CGD made the first contacts to learn about and endorse the Portuguese Diversity Charter. The Diversity Charter was launched and signed on 31 March 2016 by the following partner entities: ACM,IP; CIG; CITE; INR,IP, ISCTE-IUL; GRACE; AGA KHAN Foundation, and a number of signatory organisations. This is an initiative of the European Commission which is one of the voluntary instruments created with the aim of encouraging employers to implement and develop internal policies and practices to promote diversity.

The Diversity Charter outlines concrete measures that can be taken to promote diversity and equal opportunities at work. We adopt the concept of diversity, which is understood as the recognition, respect and appreciation of the difference(s) between people, including in particular those related to gender; gender identity; sexual orientation; ethnicity; religion; creed; region of origin; culture; language; nationality; place of birth; ancestry; age; political, ideological or social orientation; marital status; family situation; economic situation; health status; disability; personal style and education, according to international documents.

PACT FOR RECONCILIATION

In 2018, CGD was invited by the Secretary of State for Citizenship and Equality to take part in the pilot of implementation of the Portuguese Standard 4552.

NP 4552 was developed by the Sectoral Standardisation Body of the Portuguese Association for Business Ethics and published by the Portuguese Institute for Quality in late 2016. This is a lifestyle standard aimed at increasing the quality of life of people by balancing their professional, family and personal spheres. It is a standard with requirements and, therefore, certifiable by a third party (market certifying entities).

The standard sets out the requirements for an organisation that intends to implement, maintain and manage a reconciliation management system based on principles and values that aim to raise the levels of well-being, quality of life and general satisfaction of the stakeholders with regard to reconciliation. It allows the organisation to define consistent policies, measures and actions that result in a better balance for its employees, which will later result in higher levels of satisfaction, adhesion and productivity.

The implementation of the standard requires analysing the context and needs of the stakeholders, endorsing a set of principles, a Reconciliation Policy that can be part of a broader human resources policy, setting objectives in terms of reconciliation, measures and indicators, as well as other aspects related to the implementation of a management system.

It is the Pact for Reconciliation, a pilot project of the initiative "3 in Line - Programme for the Reconciliation of Professional Life" proposed by the Government. Public and private organisations undertake to adopt measures to promote work-life balance. The measures envisaged in this pilot project include the possibility of working from home, where possible and necessary, free afternoon on the children's first day of school (which will already be in force for public administration in September, at the beginning of the next school year) or the change of shifts in case of need, among others. In addition to the employees' children, they also anticipate the needs of those who care for dependent elderly relatives.

According to data from the National Institute of Statistics, 40% of Portuguese workers say they do not have flexible working conditions and only 30% of men share parental leave, a situation that is responsible for gender inequality in traditional roles and differentiated overloads. The idea of flexibility advocated in this pact will allow adapting the needs of people and organisations. This issue is considered as a priority in the activity plan of the Sustainability Strategy which will be implemented in 2019.

SOCIAL AND FINANCIAL INCLUSION

Assessing the quality of services and customer satisfaction is crucial for managing the most relevant opportunities and needs associated with an effective generation of value and the preservation of long-lasting, trustworthy relationships. The knowledge that CGD obtains from its customers is an important contribution to develop the bank, by integrating suggestions and expectations which are upstream of its business.

Proximity to customers and the market in general is a great asset for CGD's day-to-day performance. By ensuring that customers have full access to their financial assets, regardless of their means, location and needs, CGD brings together the availability of its service portfolio with technological multichannel innovation - branch network, mobile branch, digital passbook, Caixadirecta, APPs, call centre, etc. - and the socio-financial inclusion of people with special needs and/or levels of disability who depend on the availability of exclusive means of contact, relationship and mobility.

A pioneering initiative in Portugal, the "Mobile Branch" took the services and the relationship with CGD to populations penalised for living in inland areas of the country and/or areas affected by demographic ageing, providing banking operations and ensuring inclusive financial and digital literacy to complement other banking operations, namely by offering a digital passbook and the possibility of opening an account remotely by video call.

CGD has the largest share of subscription to Minimum Banking Services (SMB) in Portugal, reinforcing them in line with Social Security and increasing the associated benefits, contributing to a simplified banking offer and to the financial inclusion of low-income customers or customers with demographic specificities. On the other hand, it has waived fees for customers over 65 that earn less than 1.5 of the National Minimum Wage (SMN).

At CGD "There is a Place for Difference", an OECD initiative aimed at promoting the employability of people with disabilities or special needs. More than 2% of CGD's employees have functional diversity, with disabilities rated 60% or higher, being integral and active members of the working community.

FINANCIAL LITERACY

As part of financial education and literacy, CGD has been developing and supporting initiatives geared to society as a whole, from children to companies, aimed at encouraging savings, more responsible consumption and investments, while fostering the involvement in volunteering programmes.

CGD is part of the Financial Education working group of the Portuguese Banking Association (APB), contributing to familiarise young people with concepts related to financial education, the responsible management of financial assets and entrepreneurship.

Financial literacy initiatives

European Money Week

European Money Week 2018 is an initiative of the European Banking Federation to promote financial education, with the participation of more than 30 countries. In Portugal, it is organised by the Portuguese Banking Association (APB), within the scope of the Financial Education project in which Caixa is involved.

The European Money Quiz is a game that, for the first time, brought together thousands of students from various European countries in a unique competition that promoted and tested the financial literacy of 13- to 15-year-olds. In Portugal, the national final was held on March 20 at the Padre António Vieira School in Lisbon, and had 50 participants, all students from the

7th to the 9th grade. The two students with the best score represented Portugal in the European final, which took place in Brussels on May 8.

The students were welcomed by the Chairman of the Executive Committee of CGD, who accompanied them in a welcome breakfast and in a visit to the Head Office Building facilities, which were followed by a presentation on CGD's Internship and Financial Literacy programmes.

One of the objectives of this project was to highlight the importance of a broader and more comprehensive financial education in Portugal, raising the community's awareness of the relevance of adopting more adjusted and informed behaviours in the context of current and future financial choices.

Saldo Positivo

"Saldo Positivo" (Positive Balance) remained online in 2018 - with the same contents it included in 2017. At the end of 2018, it was updated with new contents associated with a new phase of the project. On the other hand, also in 2018, we launched a public tender to select a content provider to become responsible for definitely stabilising its updating and ensure the sustainability of a project in which CGD is, and wishes to continue, investing, within the scope of its sustainability strategy.

"Saldo Positivo" (Positive Balance) continues to be an important tool in supporting financial inclusion. CGD is thus aiming to contribute to promote financial education among the Portuguese, so they can plan and manage consumption and financial resources in a responsible and forward-looking manner.

CULTURE AND HISTORICAL HERITAGE

The main purpose of the Historical Heritage Management Area is to ensure the management of CGD's historical heritage, cataloguing and preserving in good technical and environmental conditions its documentary, museological and collector's items, as well as to pursue a strategy of dissemination of the entire collection for which it is responsible, while supervising and providing technical support to the Network of Media Libraries in Portuguese-speaking Countries.

The collection includes paper archives, photographs, bibliographies, economic studies, various reports, maps, plans and various collections that allow us to know what CGD was, how it evolved and the role it played in the Portuguese economy.

This heritage, which allows reconstructing its culture and its evolution, is rich in elements that add value to the knowledge that the people in general have of the banking activity and its evolution. One hundred years later, the processes used in that era are considered pre-historical. That is why they should be cared for, so they can be disseminated and contribute not only to future memory, but to enrich the knowledge of the younger generations.

With regard to the Museum and Collector's Items, we highlight the cataloguing of nearly 3,000 pieces of CGD's collection and the loan of a few banknotes from the former colonies to the Atlântico Press company, which is publishing "History of the Former Portuguese Colonies in Stamps and Banknotes.

The Network of Media Libraries in Portuguese-speaking Countries has now 10 dedicated spaces and facilities, as we inaugurated new facilities in the Island of Mozambique, contributing to value the Portuguese-speaking Countries and to the social and human development of the populations of the countries where it is present, giving its users access to information and knowledge. We should note that the objective that guided this Network interacts with the opening of the market to business units via social responsibility.

In cooperation with the National Tile Museum, CGD organised an exhibition on the "25 Years of the Head Office Building", which was on display at the central hall in Lisbon.

Several texts on different subjects were prepared in 2018: synopsis of the Exhibition "25 Years of the Head Office Building", as well as all the content available on CGD's website. We highlight the following activities:

- Historical Archive - Centralising, cataloguing, describing in accordance with archival standards and preserving in good technical and environmental conditions all the items regarded as historically relevant, as well as disseminating them by different means.
- Museum and Collector's Items - The decorative collection of the Head Office building and the furniture kept in the Administration area were catalogued, 3 Administration rooms were redecorated and 2,919 items of CGD's collection were processed, identified and registered in the MUSARQ database.
- Media Library Network - We started scanning the covers of the books registered in the database to subsequently update the corresponding records. Nearly 40 books were purchased for each Media Library, as well as the furniture necessary to open the Island of Mozambique Media Library.
- Exhibition "25 Years of the Head Office Building", on display from July to November.
- Publications and articles:
  - Synopsis of the Exhibition "25 Years of the Head Office Building".
  - History of the Head Office Building in Somos Caixa and on the CGD's website.
  - First exhibition at Espaço Arte.
  - Article for the EABH's *Bulletin Arquitecture & Finance*, entitled "Caixa Geral de Depósitos in Brazil – Agência Financial in Rio de Janeiro".
  - Article "Caixa Geral de Depósitos, a Arquitetura das Filiais" (Caixa Geral de Depósitos, the Architecture of the Branches) for the half-yearly journal "O Ideário Patrimonial" of the Documentation, Archive and Library Centre (CDAB).
  - Article "A Evolução da Caderneta CGD" (The Evolution of the CGD Passbook) for the launch of the Digital Passbook, at the 2nd "Caixa Fora da Caixa" Meeting.
  - Article "Sede CGD, um Marco Arquitetónico de Lisboa" (CGD Head Office, an Architectural Landmark of Lisbon") for the Marketeer magazine.
- Support to blind people within the scope of the protocol between CGD and FLUL, recording 36 audiobooks, with a total of 18,135 pages.

Caixa Geral de Depósitos - Culturgest Foundation

The Caixa Geral de Depósitos Foundation - Culturgest is a private institution whose purpose is to develop cultural, artistic and scientific activities. The Foundation may develop its activities both in Portugal and abroad, privileging, in the latter case, the Portuguese-speaking countries.

Social responsibility is a key element of Culturgest's identity, and played a decisive role when it was set up by CGD. In its contributions to CGD's reports on this matter, and in response to the typification they comply with, Culturgest has highlighted a number of programmes through which it carries out its social responsibility activities. The objectives of these programmes include, in particular, the promotion of access to Art and Culture, social inclusion in the artistic and cultural spheres, artistic and cultural training and participation in general, and more specifically in the school context.

The initiatives and actions developed in pursuit of these objectives support an ongoing policy of affordable prices, the development of artistic activities aimed at, or with specific functionalities, for people with intellectual, sensory or communication disabilities, the development of activities aimed at artistic and cultural training and the participation of community members in artistic and cultural life and the development of activities aimed at the artistic and cultural education of students and the provision of specific tools for teachers. These initiatives and actions are included in the annual programme for 2018, being developed on a regular basis as one-off activities, continuing programs, or permanent policies and guidelines.

In pursuit of these aims, the CGD - Culturgest Foundation develops, among others, the following activities: a) production and presentation of plastic and visual arts or architecture exhibitions, by Portuguese and foreign artists; b) production and presentation of dance, theatre, multidisciplinary or transdisciplinary shows; c) production and presentation of operas, concerts and music performances; d) production and presentation of film screenings, video screenings and other digital media; (e) production and presentation of conferences, seminars, workshops, round tables, symposia, seminars and other similar events in all fields of knowledge and in all artistic disciplines; f) production and presentation of activities aimed at specific audiences, especially the school community, in order to develop their practice, taste for and knowledge of the arts and culture in general; g) production, publishing or co-publishing of bibliographical or phonographic works, films, videos, CD-ROMs and other consumer goods related directly or indirectly to the activities referred to in the preceding paragraphs; h) promotion and support of initiatives aimed at the dissemination of Portuguese culture and language.

Culturgest has an Educational Service responsible for organising summer workshops, school visits, meetings, etc., aimed at the educational community. Within the scope of this mission, it offers an extensive programme of performing arts shows (dance, theatre, music, contemporary circus, multidisciplinary shows), film festivals, conferences, workshops and debates, exhibitions and a wide variety of events. These events are usually held at Culturgest's facilities, at CGD's Head Office building in Lisbon, namely in the auditoriums and galleries, and at the CGD building at Av. dos Aliados, in Porto. Culturgest also organises events outside its facilities, namely exhibitions of works from the CGD Collection it manages, which are exhibited in various cities across the country.

The diversity of the CGD - Culturgest Foundation's cultural agenda reiterates its symbolism and its ability to intervene and shape audiences and perceptions regarding the most innovative creations in Portugal and abroad, with a significant collection of events, with multifaceted essences, dimensions and temporalities. In 2018, Culturgest organised 61 shows and conferences corresponding to 281 sessions (28 dance shows, 26 music shows, 29 theatre shows, 160 film screenings, 38 conferences, among others), in addition to 508 session of specific events of the Educational Service, and organised 9 exhibitions (5 in Lisbon, 3 in Porto and one in Ponte de Sor).

Fundação CGD Culturgest – Eventos da Agenda 2018: Orquestra Geração, INDIE, Oficinas de Verão e DocLisboa.

The audience - including all those who attended the full range of shows available, visitors to the exhibitions and those who took part in the various events of the Educational Service - which participated in Culturgest's activities in 2018 reached about 76,000 people. Performing arts attracted a total of 15,124 people (5,366 in dance shows, 3,090 in theatre shows and 6,668 in music shows), conferences attracted 2,069 people, film screenings attracted 25,944 people, the events of the Educational Service attracted 10,154 participants and exhibitions attracted 22,494 visitors (17,022 in Lisbon, 4,035 in Porto and 1,437 in Ponte de Sor).

In terms of environmental management, the CGD - Culturgest Foundation continued its responsible and ambitious management, in view of the specific characteristics of the cultural sphere and the associated means, integrated into the CGD Head Office's Environmental Management System, contributing to compliance with the ISO 14001:2015 standard, in coordination with CGD's various Divisions and Units, seeking to reduce the consumption of energy, water and other consumables, waste management, while adopting and implementing the environmental policies defined by CGD.

The consumptions and the waste generated in Culturgest's offices and public spaces are managed under the direct coordination of CGD Divisions and Units. The waste generated by activities carried out in the auditoriums, exhibition galleries and the Education Service is managed by Culturgest. Culturgest systematically sorts these wastes and sends those which are commonly used in the building's day-to-day activity (paper, plastics and undifferentiated) to the internal waste management system, although due to the specificity of some consumables used in accordance with the EMS waste management, the Foundation has a system complementary to the one in place at CGD, filling two Integrated Waste Registration Maps (MIRR), one for the Lisbon facilities and another for the Porto facilities.

Social Responsibility of CGD's International Structures

The CGD Group's international structures in six countries developed social responsibility initiatives that had an impact on the markets and communities where they operate, from which we highlight:

Banco Caixa Geral Angola

In 2018, continuing its efforts to strengthen the relationship between the bank, its customers and partners, Banco Caixa Angola Geral organised the following events:

- Collective Exhibition "**A Arte que fica na História**" (Art that Goes Down in History), alluding to its 25th Anniversary and under the Caixa Artes brand, on display at Palácio de Ferro from 11 to 28 July 2018. An exhibition of 17 works from the Bank's collection, representative of its 25 years of existence and of a wide variety of artistic styles and concepts, associated with Project 25 and entitled "Em 7 Tons" (In 7 Shades) (different artistic expressions), with the participation of the following artists: Thó Simões | Nelo Teixeira | Osmar Edgar | Tucunaré Lopez | Yoleni Perez | Gretel Marin.
- **Caixa Angola Walk** - Awareness-raising activity aimed at promoting a healthier and less sedentary live addressed to the bank's employees but open to civil society, especially the employees' families and friends, which took place on 23 September 2018.
- **Caixa Fado'18 Festival -** The fourth edition of the Caixa Fado Festival strengthened Caixa Artes' commitment to contribute to Angola's cultural agenda. With an outstanding line-up, the Caixa Fado'18 Festival brought together Portuguese and Angolan artists from different genres on stage, offering a unique, innovative and captivating show. The line-up included the internationally renowned "fado" singers Carminho, Marco Rodrigues, Paulo Bragança and Paulo de Carvalho and the Angolan musicians C4 Pedro, Anabela Aya and Afrikkanitha.

Banco Comercial e de Investimentos - Mozambique (BCI)

In the area of Culture, we highlight the following projects: Promotion of the 8th Edition of the BCI Literature Award, Promotion of 25 Fine Arts exhibitions at Espaço Joaquim Chissano, at BCI's head office, Partnership with Companhia Nacional de Canto e Dança; Sponsorship and launch of 14 literary works, and the Financial Literacy initiative during the Celebrations of World Savings Day.

With regard to activities aimed at promoting entrepreneurship, in 2018 BCI was involved in the Sponsorship of the 7th edition of the "100 Best SMEs" Award, promoted by the Ministry of Industry and Trade and by Sociedade Independente de Comunicação – SOICO, Super Mentors - Proposal for Participation and Sponsorship of the Support Platform for Entrepreneurs and Micro Enterprises, Mozambique Women Leaders Summit 2018 and BCI Negócios Entrepreneurial Woman - Sponsorship and Participation in events to promote female entrepreneurship.

In the context of initiatives aimed at Promoting Knowledge, we highlight the Maputo, Beira, Nampula and Island of Mozambique Media Libraries, which provided Library and Internet services to 43,936 users and the Sponsorship of the Symposium on Biodiversity and Development (UEM/BIOFUND).

Banco Comercial do Atlântico - Cape Verde (BCA)

In the area of culture, we highlight the 2018 Corsino Fortes Award/BCA Literature Award, promoted by BCA in partnership with the Cape-Verdean Academy of Letters. We should also mention the association of the Presidency of the Republic with the Campaign to Prevent Abusive Consumption of Alcoholic Beverages.

Banco Interatlântico, S.A. - Cape Verde (BI)

With the aim of promoting access to financial literacy, BI sponsored the Exhibition "Coins & Notes: The History and Culture of Cape Verde" exhibition, of the National Archive of Cape Verde. This project, which lasted for two years (2017-2018), aimed at disseminating the journey of the archipelago's notes and coins, from the age of Discoveries to the present day, both in Cape Verde and abroad.

In Education, BI partnered up with Fundação Cabo-verdiana de Acção Social Escolar (FICASE) and distributed school kits for the 2018/2019 school year, while supporting the local community via the Aldeias Infantis SOS Social Project.

Banco Nacional Ultramarino - Macao (BNU)

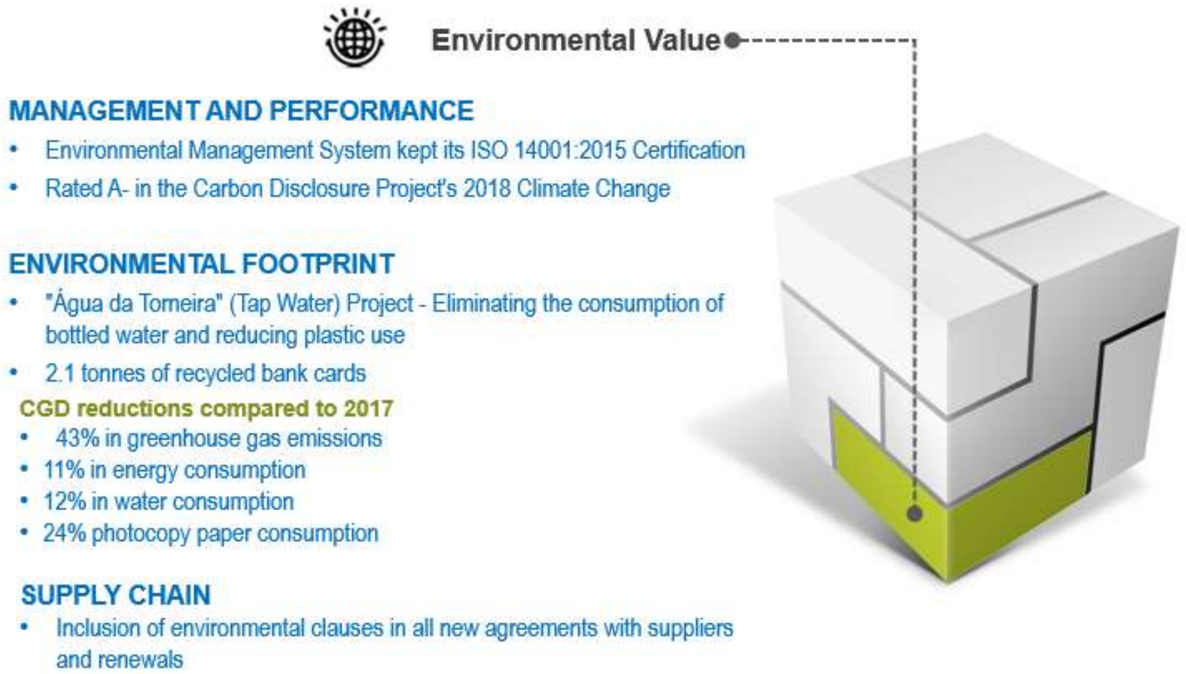
We highlight the following activities aimed at promoting culture: *Consulate General of Portugal in Macao and Hong Kong - Day of Portugal* and Instituto Português do Oriente - *Promotion of Portuguese Language and Culture in the East.* In terms of promotion of entrepreneurship, we highlight the support provided to *The Industry and Commerce Association of Macao* and *SME Campus Workshop - Young Entrepreneur Activity.*

Banco Caixa Geral Brazil (BCG)

A clear investment in cultural promotion and inclusion Culture Incentive Law - FUMCAD, Portuguese Chamber of Commerce in Brazil - SP - Mantenedor Bronze Sponsorship.

4.8. Our Environmental Value

The third key line of the Sustainability Strategy is the commitment to reduce the impact of the Bank's activities on the environment and surrounding communities, through the Environment Policy and the Low Carbon Programme; the mitigation of waste and the optimisation of the material, natural and energetic resources used in daily activities, through the Environmental Management System (EMS); eco-efficient means and structures; the preservation of the Portuguese natural heritage and ecosystems and the establishment of partnerships for Sustainability.



LOW-CARBON PROGRAMME

The Low Carbon Programme materialises CGD's strategy for adaptation to climate change, aimed at reducing the environmental impact of its activities, promoting sustainable development and disseminating good practices among its stakeholders.

In 2018, the objectives and lines of action of the Low Carbon Programme were reviewed with the aim of ensuring a better adaptation to international trends and recommendations, as well as a better alignment with its peers and the expectations of both stakeholders and investors.

This is a cross-cutting programme, structured around 4 lines of action:

1. **Low-Carbon Economy Financing**: Offering financial solutions that contribute to a Low Carbon Economy;
2. **Reduction of Greenhouse Gas Emissions**: Implementing measures to reduce energy consumption, and the respective emissions;
3. **Environmental Risk Mitigation**: Implementing measures to reduce environmental risks that may affect CGD's activities;
4. **Transparency and Awareness-Raising**: Reporting information in a transparent manner and raising the stakeholders' awareness of the importance of adopting good environmental practices.

The review of the Low Carbon Programme also aimed to establish more demanding environmental targets, namely the definition of a new target for reducing Greenhouse Gas (GHG) Emissions, replacing the one that is currently in force. In the process of setting a new goal for reducing GHG emissions, we analysed one of the main international trends in this area, the *Science Based Targets initiative (SBTi).*

Accordingly, we generated a simulation based on the SBTi methodology of sectoral decarbonisation for "*Service Buildings*", regarded as the most suitable among the available methodologies given the nature of the activities in question.

According to the simulation of the SBTi tool, CGD S.A. would have to reduce 38% of its total GHG emissions (scope 1 and 2) by 2021, compared to 2015. The Institution is striving to achieve a leading position in climate action in the financial system by defining a more ambitious objective than the one suggested by the aforementioned tool, in order to boost the development of projects aimed at reducing GHG emissions. Therefore, the goal was set five percentage points above the figure simulated by the SBTi tool, corresponding to a target to reduce CGD, S.A.'s total GHG emission by 43% (scope 1 and 2) by 2021, compared to 2015.

With regard to the Financing of the Low Carbon Economy, we highlight the Efficient House Programme, which is a financing solution aimed at promoting the improvement of the environmental performance of residential buildings, with an emphasis on energy and water efficiency, as well as on the management of municipal waste.

CGD also followed the guidelines of the *Task-force on Climate-related Financial Disclosure* (TCFD) to identify environmental Risks and Opportunities and the corresponding mitigation measures.

TCFD Table adapted to CGD

CLIMATE-RELATED RISKS (non-exhaustive)	MITIGATION MEASURES (non-exhaustive)
POLITICAL AND LEGAL (Transition Risk) National and International Transition Policies and Trends for a Low-Carbon Economy (e.g., SDG; TFCD Recommendations; EC Action Plan for Financing Sustainable Growth; National Low Carbon Road Map 2050, among others).	- Definition of the Sustainability Strategy for the 2018-2020 triennium, with objectives for Eco-Efficiency and Adaptation to Climate Change. - Review of the Low Carbon Programme, which includes the Financing of the Low Carbon Economy as a line of activity. - Presence in various working groups that facilitate the integration of international trends and policies (e.g., *Sustainable Finance* Group of the European Banking Federation; Carbon Neutrality Group of BCSD Portugal; Sustainable Finance Working Group of the Portuguese Banking Association (ABP).
MARKET (Transition Risk) - Change in the consumers' behaviour (Millennials); - Increase in the average price of energy (Fuels and Electricity).	- Launch of Products and Services adapted to a new market context ("Casa Eficiente" [Efficient Home] Programme; Hybrid and Electric Vehicle Credit Line; Caixa Easy App; Caderneta App; New Caixadirecta App; Remote Account Opening, among others). - Implementation of energy efficiency measures (e.g., replacing fluorescent lights with LED lights, installing more efficient air conditioning equipment and reducing operating hours and lux levels). - Restructuring of the car fleet, with lower environmental impact, and use of internal channels to raise the employees' awareness of the importance of using public transportation.
REPUTATIONAL (Transition Risk) - Stakeholder satisfaction level - likely to be influenced by the way CGD manages the direct and indirect environmental impacts resulting from its activity.	- Promotion of Sustainability principles in the Supplier chain, through the implementation of environmental and social clauses (ethical principles and good corporate practices). - Periodic assessment of CGD's communication and brand image, including an assessment of environmental responsibility attributes. - Response to reference environmental indexes, such as the *Carbon Disclosure Project* . - Sustainability Report audited by an external entity.

CLIMATE-RELATED RISKS (non-exhaustive)	MITIGATION MEASURES (non-exhaustive)
ACUTE (Physical Risks) - Extreme weather events (natural disasters: floods, tsunamis, fires, hurricanes, etc.) CHRONIC (Physical Risks) - Climate variations (changes in precipitation, heat waves, among others.)	- Implementation of an Environmental Management System, certified according to the ISO 14001:2015 standard. - Annual drills to test the ability to adapt to catastrophic scenarios such as earthquakes or *tsunamis*. - Business Continuity Management System, aimed at ensuring business continuity if there are anomalous events that might compromise the normal operation of CGD. - CGD's Sectoral Exclusion and Limitation Principles underlying activities and projects that are excluded, or restricted under certain conditions, from its credit policy, taking into account their potential socio-environmental risks.

CLIMATE-RELATED OPPORTUNITIES (non-exhaustive)	MITIGATION MEASURES (non-exhaustive)
RESOURCE EFFICIENCY - Promotion of a more eco-efficient management model, minimising the environmental impact associated with CGD's activities.	- Optimisation of CGD's facilities, centralising various structures in the Head Office building, which is a Class-A energy-efficient building. - Development of a partnership with EPAL, promoting the consumption of tap water and thus avoiding the use of plastic bottles in CGD's facilities. - Implementation of a more efficient management of the waste that is generated, disseminating recycling practices by placing shared recycling bins in CGD's Head office Building and internal communication campaigns. - CGD Digital Transformation Programme, encouraging the development of digital projects that use less paper.
ENERGY SOURCES - Consumption of Renewable Energy, thus promoting a less polluting energy consumption; - Less dependence on fossil fuels, reducing environmental impact.	- Water heating and air conditioning ensured by the Solar Thermal Power Plant (installed in the Head Office building). - Production of electricity using photovoltaic panels (Micro Generation Commercial Network).
PRODUCTS AND SERVICES - New consumer profile, increasingly interested in the sustainability of the companies and products they choose; - Development of financial solutions that contribute to the decarbonisation of the economy.	- Launch of Products and Services adapted to a new market context ("Casa Eficiente" (Efficient Home) Programme; Hybrid and Electric Vehicle Credit Line; Caixa Easy App; Caderneta App; New Caixadirecta App; Remote Account Opening, among others).
MARKETS - Potential economic and job creation opportunities associated with green growth, materialised in several documents of the Portuguese State (e.g., Commitment to Green Growth).	- Launch of lines of credit under protocols that effectively contribute to the transition to a Low Carbon Economy (e.g., energy efficiency). - Presence in various working groups that facilitate the identification of market trends for the financial sector (e.g., *Sustainable Finance* Group of the European Banking Federation).

CLIMATE-RELATED OPPORTUNITIES (non-exhaustive)	MITIGATION MEASURES (non-exhaustive)
RESILIENCE - Using more efficient technologies in CGD's infrastructures, promoting greater operational resilience.	- Implementing energy efficiency measures (e.g., replacing fluorescent lights with LED lights, installing more efficient air conditioning equipment, among others).

Over the next few years, CGD intends to gradually increase the level of precision of the risks and opportunities that are identified.

CGD regularly participates in a number of external sustainability indices in order to assess its performance in adapting to climate change; we highlight the voluntary participation in the Carbon Disclosure Project (CDP) Climate Change questionnaire since 2009. In 2018, CDP recognised its performance in reducing greenhouse gas emissions, mitigating climate risks and efforts within the scope of the transition to a low carbon economy, being named an A- leader.

ENVIRONMENTAL MANAGEMENT SYSTEM

In 2018, CGD retained the certification of the Environmental Management System (EMS) of the Head Office building, in accordance with the international ISO 14001:2015 standard. The existence of an EMS contributes to the achievement of the Institution's strategic objective of improving its operational efficiency within the scope of its domestic activity by reducing operational costs associated with energy and materials and adapting to its stakeholders' demands and expectations.
The involvement and participation of the employees, who promote and integrate an ethical and responsible management of the resources provided by CGD in their daily routines, is crucial for the success of this system.

In 2018, we launched an internal communication campaign called "Environmental Saving Solutions" to stress the importance of good environmental practices, in which CGD's employees participated as protagonists. The campaign highlighted the importance of recycling by separating waste correctly.

Also within the scope of the Environmental Management System, the internal management matrix to identify the significance of environmental aspects associated with activities, products and services was updated. The Environmental Assessment Matrix allows for a concerted approach to the identification and development of initiatives aimed at reducing environmental impacts in areas such as the consumption of energy/electricity, paper, water, plastic, waste, among other goods and/or raw materials.

"Água da Torneira" (Tap Water) Project

Within the scope of the objectives set for the EMS, and in order to reduce plastic consumption, CGD has replaced bottled water dispensers with water dispensers connected to the public supply network, seeking to significantly reduce plastic consumption.

This initiative was developed in partnership with Empresa Portuguesa de Águas Livres (EPAL) and ensured:

- The interruption of the bottled water supply, depleting the existing stock, and
- Gradual replacement of plastic bottles by glass bottles in meeting rooms and other areas of the Head Office building and other central buildings across the country. This initiative covers the Caixa Empresas Branch and Office network.

In December 2018, the distribution of glass bottles and the consumption of tap water allowed:

- Reducing direct and indirect environmental impact;
- Reducing energy consumption;
- Reduce CO_2 emissions associated with the transportation, refrigeration and distribution of bottled water;
- Significantly reducing plastic waste (containers, bottles and cups), and
- Increasing the volume of plastic waste sent for recycling.

Recycling of bank cards

With regard to the management of the life cycle of its products and services, namely bank cards, CGD continued to implement the Bank Card Recycling Programme, thus enabling bank cards and other PVC cards delivered by its customers and the public in general in the Branch network - to be reused via the recycling of plastic, which is transformed into a reusable raw material with various applications.

In 2018, 2.2 tonnes of bank cards were sent for recycling, an increase of 18% compared to 2017.

ECO-EFFICIENCY

CGD monitors various indicators and environmental information in order to assess the effectiveness of the measures in place, as well as the environmental impact associated with its activities.

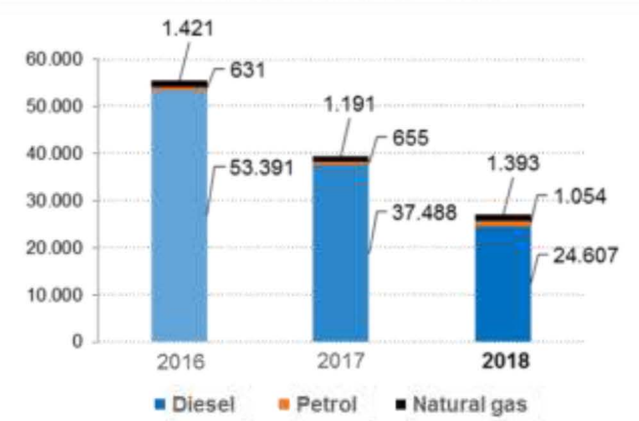
Energy consumption

CGD's energy consumption is divided into direct energy - fuel consumption by its vehicle fleet (diesel and gasoline) and its buildings (diesel and natural gas in Portugal) - and indirect energy - electricity consumption by its central buildings and its branch network.

In 2018, the total energy consumption was 255,545 GJ, a reduction of 11% compared to 2017.
The result that was achieved is mainly a consequence of the reduction in the number of CGD branches and central buildings in Portugal, deriving from the implementation of the 2017-2020 Strategic Plan, as well as of the implementation of various energy efficiency measures in the institution's facilities; in 2018, we highlight the replacement of the lights installed in circulation areas and sanitary facilities with LED lights, the modernisation of fans and the installation of more efficient air conditioning equipment.
As a whole, the energy efficiency measures that were implemented allowed saving 1.61 GWh/year.

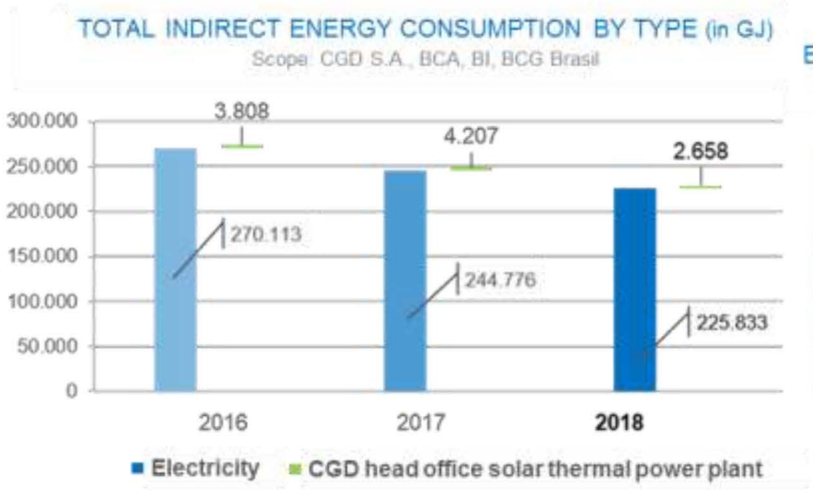
TOTAL DIRECT ENERGY CONSUMPTION BY TYPE OF FUEL BY THE BUILDINGS AND FLEET (in GJ)

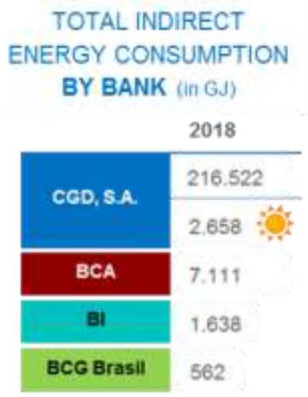
Scope: CGD S.A., BCA, BI, BCG Brasil



TOTAL DIRECT ENERGY CONSUMPTION BY THE BUILDINGS AND FLEET BY BANK (in GJ)

	2018
CGD, S.A	24.269
BCA	2.176
BI	541
BCG Brasil	67



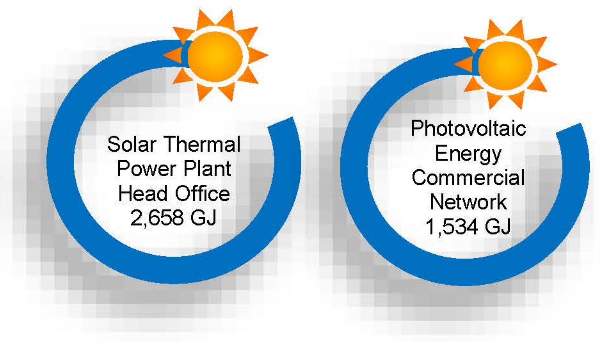


Energy intensity

RENEWABLE ENERGY

The use of renewable energies plays a key role in reducing the national energy dependence, and in reducing carbon emissions. Among the various measures that were implemented, we highlight the CGD Head Office building's solar power plant, the largest solar power plant in a service building in the country and the most visible measure aimed at reducing CO_2 emissions..

In 2018, the Head Office building's solar power plant continued to produce renewable energy and the commercial network continued to produce photovoltaic electricity. However, in both cases, there was a decrease in energy production compared to 2017; in the case of the solar power plant, the 37% decrease was due to a failure in the general meter, but it is estimated an additional 324 GJ were produced during that period and not accounted for.

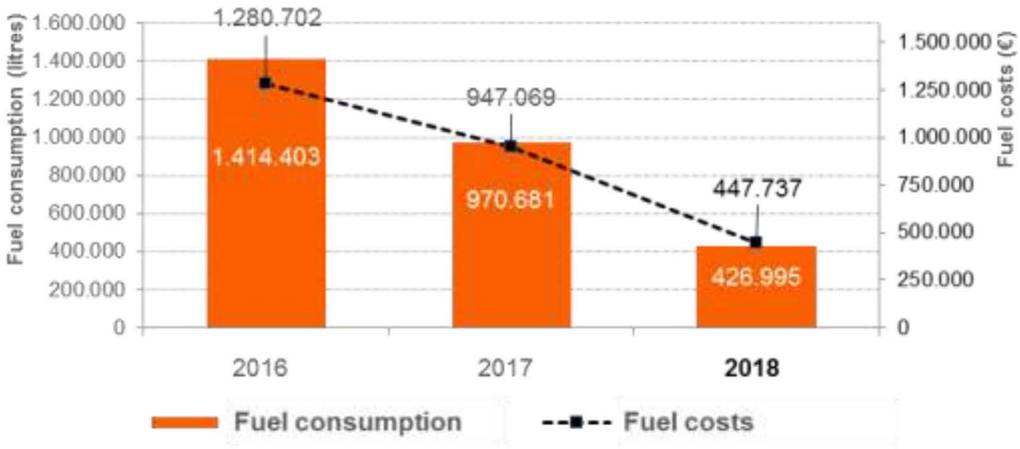


With regard to the production of photovoltaic energy in the commercial network, there was a reduction of 7%. All the photovoltaic energy produced in the commercial network is sold to the national electricity network.

WORK-RELATED MOBILITY

In terms of work-related mobility, CGD has been gradually restructuring its car fleet in order to pursue the objectives of the 2017-2020 Strategic Plan, as well as to reduce its environmental impact. The car fleet dropped from 755 to 720 vehicles in 2018, contributing to a significant reduction in fuel consumption and costs of - 35% and 23%, respectively. On the other hand, direct emissions resulting from the consumption of fuels by the CGD, S.A. fleet (t CO_2e) dropped 35%, compared to 2017.

FLEET CONSUMPTION AND FUEL COSTS - CGD. S.A.



Raising employees' awareness of the use of public transport and the means of distance communication are incentives for the adoption of less polluting practices.

Within the scope of initiatives that contribute to innovation focused on the Institution's efficiency and effectiveness, we highlight the INOVE Programme, aimed exclusively at employees, challenging them to take part and contribute to build CGD's future, encouraging them to come up with and present original and innovative ideas in areas of strategic interest. Some of the ideas that were presented focused on commuting, namely the inclusion of electric vehicles in CGD's fleet and the promotion of internal Carpooling platforms.

The first edition, in 2018, focused on "cost reduction", with associated prizes representing up to 4% of the amount of the cost reduction achieved.

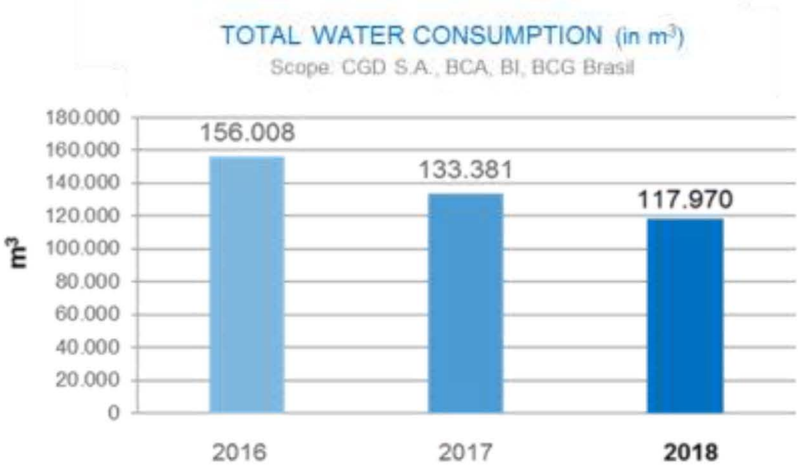
WATER CONSUMPTION

In 2018, the CGD Group's water consumption (considering CGD, S.A., BCA, BI and BCG Brazil) was 117,970 m^3, corresponding to a 12% reduction compared to 2017.

Over the years, CGD has been promoting a more efficient water consumption in its facilities, through internal awareness-raising campaigns and the implementation of several measures aimed at reducing water consumption (e.g., installation of flow restrictors in washbasins).

With a view to continuous improvement and to the identification of new projects, we established a partnership with the Higher Technical Institute (IST) to prepare a plan for the sustainability of the Head Office building, which includes measures related to water resources.

In order to increase efficiency in the use of natural resources, CGD has replaced plastic containers (in water dispensers) with water purifiers connected to the public supply network, extending this initiative to the commercial network, as previously mentioned with regard to the "Água da Torneira" (Tap Water) Project, carried out in partnership with EPAL.

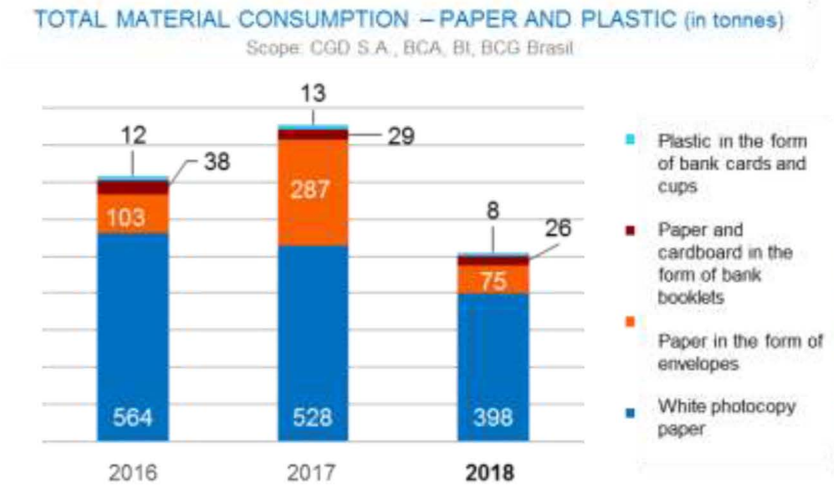


TOTAL WATER CONSUMPTION BY BANK (in m³)

	2018
CGD, S.A.	110.920
BCA	5.370
BI	980
BCG Brasil	700

MATERIAL CONSUMPTION

At the CGD, the most significant material consumptions are the consumption of photocopy paper, paper used in envelopes and paper and cardboard used in bank passbooks. CGD does not use recycled paper, because the paper that is being consumed has the Ecolabel ecological certification, thus guaranteeing the application of strict environmental performance criteria (e.g., the use of certified and controlled wood and the inhibition of the use of substances harmful to the environment and to human health).



TOTAL CONSUMPTION OF PHOTOCOPY PAPER BY BANK (in tonnes)

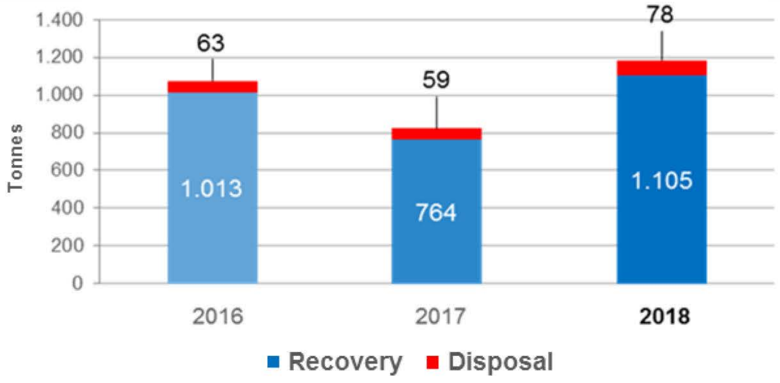
	2018
CGD, S.A.	375
BCA	14
BI	7
BCG Brasil	3

WASTE PRODUCTION

In 2018, CGD S.A. produced approximately 1,184 tonnes of waste, of which 99.4% was non-hazardous. CGD's total waste production increased by 44% compared to the preceding year due to an increase in the amount of waste wood, metals and electrical and discarded electric and electronic equipment. In order to increase the amount of waste sent for recovery, CGD has internally disseminated various awareness-raising contents aimed at increasing the efficiency of the internal recycling process. The waste recovery rate was 93%.

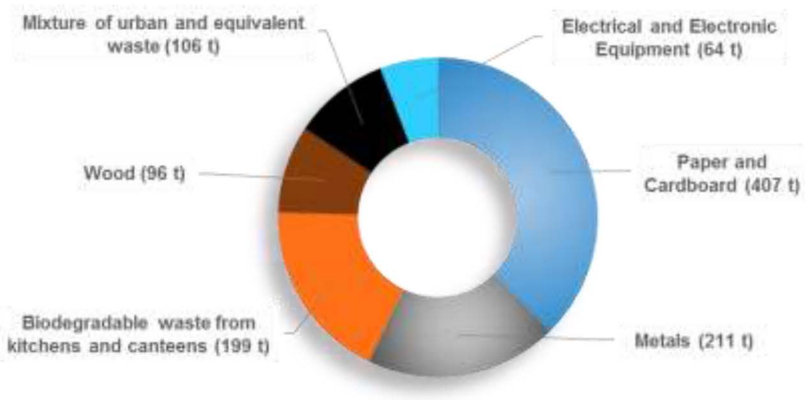
WASTE GENERATED BY DESTINATION (in tonnes)

Scope: CGD S.A.



MAIN TYPES OF WASTE PRODUCED (IN TONNES)

Scope: CGD, S.A.



GREENHOUSE GAS EMISSIONS

As part of its Low-Carbon Programme, CGD presents its inventory of greenhouse gas (GHG) emissions associated with its activity, calculated according to the guidelines of the Greenhouse Gas Protocol (GHG Protocol). (It considers gases like carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

CGD's GHG emissions are subdivided into three scopes:

- **Scope 1**: Direct emissions resulting from the consumption of fuels in facilities; Direct emissions resulting from the consumption of fuels by the CGD fleet; Direct emissions resulting from f-gas leaks in CGD facility equipment.
- **Scope 2**: Indirect emissions from electricity production.
- **Scope 3**: Work-related trips (aeroplane, train, boat); Private transportation; Treatment of waste produced at the facilities.

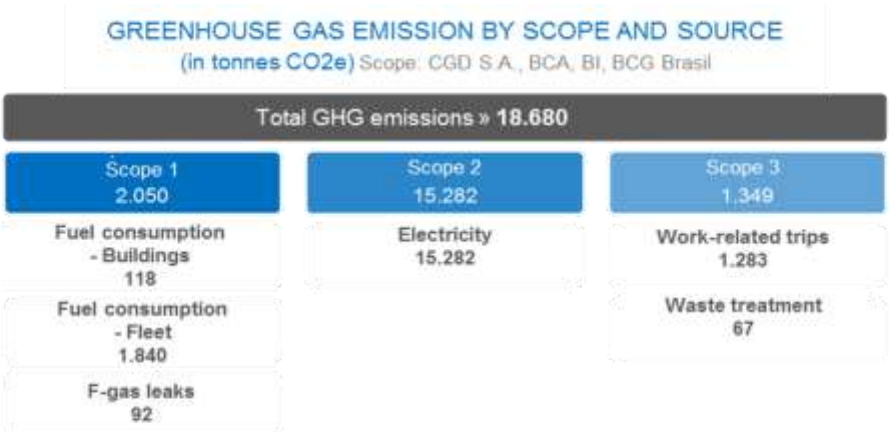
In 2018, CGD broadened Scope 3, related to waste treatment, to include emissions associated with energy recycling/recovery. The preparation of the inventory allows characterising and monitoring the evolution of consumptions and, subsequently, of GHG emissions throughout the years reported. This allows CGD to assess the effectiveness of the reduction measures in place, as well as to outline new measures/projects aimed at reducing its environmental impact. CGD's GHG emissions, including those of the Group's affiliated banks, decreased by 56% over 2017.

CGD S.A. recorded a 45% reduction in total GHG emissions compared to 2017, with a 63% reduction in scope 1 emissions, a 44% reduction in scope 2 emissions, estimated by the market method, due to a change in the electricity supplier, and a 11% increase in scope 3 emissions, which is associated with increased air travel and also with the amount of waste produced.

With regard to scope 1 emissions, the reduction that occurred resulted from a change in the calculation of f-gas leak emissions. On the other hand, the reductions in scope 2 are mostly associated with a change in the electricity supplier, using the market method to estimate emissions, the energy efficiency measures that CGD has been implementing in its buildings, as well as the restructuring of its network of branches and central buildings.

The fact that BCG Brazil operates in a LEED-certified building contributed to a significant reduction of 41% in emissions compared to 2017. BCA recorded an 8% decrease and BI recorded a 7% decrease over 2017.

In 2018, CGD, S.A. set a target for its GHG emissions - to reduce by 43% its total GHG emissions (scope 1 and 2) by 2021, compared to 2015. In 2018, there was a 61% reduction in GHG emissions of scope 1 and 2 compared to 2015, which proves the effectiveness of the environmental policies and measures implemented by CGD.



FLORESTA CAIXA

Following the fires of Pedrogão Grande in June 2017, CGD and Caixagest launched a campaign associating the marketing of the Caixagest Investimento Socialmente Responsável Fund to support the recovery of the forest in burnt area in Pedrógão Grande.

The donation includes the planting of 30,000 native trees in an burnt area and the launching event of the "Reforesting Pedrógão" project, which is part of the Floresta Caixa Programme, took place on 23 November 2018, Native Forest Day.

Associated with this initiative, there was a seminar on the importance of preserving the forest as main topic, held at the Auditorium of the Municipal House of Culture of Pedrógão Grande, as well as an environmental awareness initiative aimed at children enrolled in the local Primary Education schools.

The Caixa Floresta Programme, which has celebrated its 10th anniversary, promotes the preservation of the Portuguese forest heritage by fostering the planting, reforestation and recovery of burnt areas with native species, along with environmental awareness initiatives.

4.9. Annexes

ANNEX A - SUSTAINABILITY INDICATORS

Sustainability Indicators

102-8 TOTAL NUMBER OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER - BY REGION (2018)

(in number)

CGD,S.A. BY REGION AND GENDER	Male	Female	Total
Portugal	2945	4416	7361
Germany	1	3	4
Angola	3	0	3
Belgium	1	0	1
Cape Verde	5	0	5
Canada	0	1	1
Spain	2	1	3
France	3	0	3
England	2	0	2
Luxembourg	1	2	3
Macao	1	0	1
Mozambique	2	0	2
São Tomé and Principe	2	0	2
Switzerland	0	2	2
Timor	5	2	7
Venezuela	1	0	1

401-1 - HIRES AND LEAVES BY GENDER AND AGE GROUP (2018)
(in percentage)

	< 30 years old		30 - 50 years old		> 50 years old		TOTAL		TOTAL		
	M	F	M	F	M	F	M	F	2016	2017	2018
CGD, S.A.											
Rate of new hirings	14%	20%	0%	0%	0%	0%	1%	1%	3%	2%	1%
Turnover rate	14%	9%	3%	2%	22%	20%	11%	6%	11%	8%	8%
BCA											
Rate of new hirings	0%	17%	0%	2%	2%	0%	1%	3%	5%	6%	2%
Turnover rate	0%	7%	3%	2%	13%	4%	4%	6%	2%	5%	5%
BI											
Rate of new hirings	0%	22%	2%	0%	0%	0%	2%	2%	8%	11%	2%
Turnover rate	0%	1%	5%	10%	0%	0%	5%	11%	5%	5%	7%
Banco Caixa Geral Brazil (BCG)											
Rate of new hirings	30%	83%	10%	7%	0%	0%	14%	23%	27%	26%	17%
Turnover rate	30%	50%	19%	29%	0%	0%	19%	27%	26%	52%	22%
BNU Timor Branch											
Rate of new hirings	33%	11%	2%	3%	0%	0%	4%	5%	-	8%	4%
Turnover rate	1%	0%	1%	0%	1%	0%	4%	0%	-	8%	2%
BNU Macao											
Rate of new hirings	3.9%	6.0%	1.7%	3.7%	0.6%	0.4%	6.2%	10.1%	-	-	16.3%
Turnover rate	3.5%	6%	2.9%	4.6%	0.8%	1.2%	7.2%	11.8%	-	-	19%
Caixa Angola											
Rate of new hirings	6%	1%	4%	3%	0%	0%	4%	2%	-	-	0%
Turnover rate	7%	0%	6%	5%	0%	4%	6%	4%	-	-	5%
BCI Mozambique											
Rate of new hirings	8%	5%	1%	1%	0%	0%	3%	2%	-	-	2.5%
Turnover rate	8%	4%	4%	1%	11%	7%	6%	2%	-	-	4%

404-1 - AVERAGE NUMBER OF TRAINING HOURS BY PROFESSIONAL CATEGORY AND GENDER (2018)

(in hours/employee)

CGD S.A.	2016	2017	2018
Board of Directors	-	74.00	-
Senior Managers	29.05	36.54	33.21
Intermediate Managers	26.30	73.97	31.53
Highly-qualified and qualified professionals	15.80	68.38	34.93
Semi-qualified professionals	1.64	1.82	3.00
Non-qualified professionals	0.02	0.39	0.05
TOTAL	21.49	67.25	**32.98**

CGD S.A.	2016	2017	2018
Female	21.12	46.90	21.36
Male	22.02	96.24	50.28
Total	21.49	67.25	**32.98**

BCA	2016	2017	2018
Board of Directors	2.00	-	0
Administration	12.44	12.30	9.5
Leadership/Management	21.92	11.99	19.06
Technical Staff	14.68	20.57	22.99
Multi-role	17.00	10.02	10.76
Administrative	16.69	0.85	0.07
Auxiliary Staff	1.38	0.34	1.31
Total	14.29	13.47	**16.19**

BCA	2016	2017	2018
Female	16.76	12.57	16.6
Male	9.97	15.06	15.17
Total	14.29	13.47	**16.09**

BI	2016	2017	2018
Board of Directors	-	-	-
Technical staff	19.17	31.01	10.7
Bank clerks	4.64	10.41	9.6
General Service Assistants	-	-	1
Total	6.57	13.16	**21.3**

BI	2016	2017	2018
Female	5.96	12.53	9.17
Male	7.69	14.52	13.77
Total	6.57	13.16	10.69

BCG BRAZIL	2016	2017	2018
Administration	14.00	30.25	41.5
Executive Staff	6.60	14.42	17.73
Management	40.24	5.36	28.00
Administrative Staff	27.71	28.83	18.87
Total	29.94	19.96	21.94

BCG BRAZIL	2016	2017	2018
Female	37.69	25.13	16.97
Male	24.88	16.29	25.43
Total	29.94	19.96	21.94

BNU Timor Branch	2018
Administration	-
Leadership/Management	9.41
Technical Staff	40.76
Administrative	8.83
Auxiliary Staff	1.5
Total	**12.18**

	2018
Female	10.29
Male	21.70
Total	**11.73**

BNU Macao	2018
Executive Committee	4.6
Administration	11.02
Management	15.53
Technical Staff	17.96
Supervisor	13.83
Administrative	5.69
Auxiliary Staff	1.12
Total	**11.16**

	2018
Female	11.73
Male	10.72
Total	**11.16**

BCI Mozambique	2018
Board of Directors	0.33
Administration	9.57
Leadership/Management	4.85
Technical Staff	12.00
Administrative	12.00
Total	**17.00**

	2018
Female	18.07
Male	16.04
Total	**17.00**

Caixa Angola	2018
Board of Directors	11.5
Administration	26.4
Leadership/Management	28.8
Technical Staff	29.0
Multi-role	-
Administrative	16.0
Auxiliary Staff	0.04
Total	**23.5**

	2018
Female	19.9
Male	27.6
Total	**23.5**

405-1 - STAFF MEMBERS BY PROFESSIONAL CATEGORY, GENDER AND AGE GROUP (2018)

(in percentage and number)

CGD, SA	< 30 years old	30 to 50 years old	> 50 years old	Gender		Total Number
				M	F	
Board of Directors	0%	0%	100%	100%	0%	1
Senior Managers	0%	49%	51%	55%	45%	682
Intermediate Managers	2%	77%	21%	42%	58%	3,400
Highly-qualified and qualified professionals	3%	62%	35%	36%	64%	3,270
Semi-qualified professionals	0%	30%	70%	90%	10%	10
Non-qualified professionals	0%	0%	100%	0%	100%	38

BCA	< 30 years old	30 to 50 years old	> 50 years old	Gender		Total Number
				M	F	
Board of Directors	0%	0%	100%	100%	0%	2
Administration	0%	40%	60%	50%	50%	10
Leadership/Management	0%	74%	26%	34%	66%	95
Technical Staff	18%	59%	23%	33%	67%	211
Multi-role	9%	83%	9%	67%	74%	46
Administrative	0%	38%	62%	58%	42%	26
Auxiliary Staff	2%	44%	54%	54%	46%	63

BI	< 30 years old	30 to 50 years old	> 50 years old	Gender		Total Number
				M	F	
Board of Directors	0%	0%	0%	0%	0%	0
Technical staff	0%	89%	11%	26%	74%	19
Bank Clerks	8%	88%	11%	32%	68%	110
General Service Assistants	0%	75%	25%	100%	0%	4

BCG BRAZIL	< 30 years old	30 to 50 years old	> 50 years old	Gender		Total Number
				M	F	
Administration	0%	50%	50%	100%	0%	2
Executive Staff	0%	57%	43%	100%	0%	7
Management	6%	82%	12%	59%	41%	17
Administrative Staff	43%	41%	16%	49%	51%	37

BNU Timor Branch	< 30 years old	30 to 50 years old	> 50 years old	Gender		Total Number
				M	F	
Administration	0%	50%	50%	100%	0%	2
Leadership/Management	9%	61%	30%	63%	37%	27
Technical Staff	16%	63%	21%	53%	47%	19
Administrative	28%	69%	3%	44%	56%	75
Auxiliary Staff	0%	33%	67%	100%	0%	6

BNU Macao	Gender		Total Number
	M	F	
Executive Committee	100%	0%	5
Administration	46.2%	53.8%	26
Management	34.5%	65.5%	119
Technical Staff	75%	25%	28
Supervisor	29.4%	70.6%	136
Administrative	34.5%	65.6%	189
Auxiliary Staff	25%	75%	4

BCI Mozambique	Total %		Total (No.)	
	M	F	M	F
< 30 years old	31%	34%	421	518
30 to 50 years old	66%	65%	903	989
> 50 years old	3%	1%	45	14

Caixa Angola	Gender		Total Number
	M	F	
Administration	50%	50%	36
Leadership/Management	45.2%	54.8%	115
Technical Staff	42.7%	57.3%	192
Administrative	46.6%	53.4%	176
Auxiliary Staff	66.7%	33.3%	21

405-2 - AVERAGE BASE SALARY RATIO AND AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY AND GENDER (2018) (in percentage)

CGD, SA	AVERAGE BASE SALARY RATIO (F/M)	AVERAGE REMUNERATION RATIO (F/M)
Board of Directors	-	-
Senior Managers	89%	86%
Intermediate Managers	93%	92%
Highly-qualified and qualified professionals	96%	95%
Semi-qualified professionals	93%	82%
Non-qualified professionals	-	-
Total	**88%**	**85%**

BI	AVERAGE BASE SALARY RATIO (F/M)	AVERAGE REMUNERATION RATIO (F/M)
Board of Directors	-	-
Technical staff	124%	134%
Bank clerks	96%	98%
General Service Assistants	-	-
Total	**112%**	**111%**

BCG BRAZIL	AVERAGE BASE SALARY RATIO (F/M)	AVERAGE REMUNERATION RATIO (F/M)
Administration	-	-
Executive Staff	-	-
Management	82.9%	82.9%
Administrative Staff	103.8%	103.8%
Total	**51.1%**	**51.1%**

BNU Timor Branch	AVERAGE BASE SALARY RATIO (F/M)	AVERAGE REMUNERATION RATIO (F/M)
Board of Directors	95%	95%
Administration	-	-
Leadership/Management	54%	54%
Technical Staff	123%	133%
Administrative	100%	102%
Auxiliary Staff	-	-
Total	**54%**	**136%**

ENERGY CONSUMPTION BY SOURCE AND COUNTRY(in GJ)

	CGD, SA			BCA			BI			BCG Brazil		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
Energy consumption												
Fuels for buildings	1,660	1,529	**1,649**	324	215	**214**	57	65	**63**	1	1	**1**
Diesel (GJ)	240	338	**256**	324	215	**214**	57	65	**63**	1	1	**1**
Natural gas (GJ)	1,421	1,191	**1,393**	-	-	**-**	-	-	**-**	-	-	**-**
Fuels used by own fleet	50,715	34,424	**22,661**	2,050	2,458	**1,963**	529	537	**477**	106	116	**66**
Gasoline (GJ)	0	2.8	**414**	461	483	**516**	65	63	**72**	106	116	**66**
Diesel (GJ)	50,715	34,422	**22,206**	1,589	1,975	**1,447**	464	473	**421**	-	-	**-**
Electricity	259,833	234,272	**216,522**	7,640	7,671	**7,111**	1,553	1,762	**1,638**	1,087	1,070	**562**
Central Buildings (GJ)	108,968	97,643	**80,324**	7,640	7,671	**7,111**	1,553	1,762	**1,638**	1,087	1,070	**562**
Commercial Network (GJ)	150,866	136,629	**136,198**									
Direct primary energy generated												
Solar Thermal Power Plant at CGD's Head Offices (GJ)	3,808	4,207	**2,658**									
Photovoltaic Electricity, Commercial Network (GJ)	1,544	1,645	**1,534**									
Direct primary energy sold												
Photovoltaic Electricity, Commercial Network (GJ)	1,544	1,645	**1,534**									
Total energy consumption (GJ)	316,017	274,432	**243,450**	10,014	10,344	**9,287**	2,140	2,373	**2,179**	1,578	1,194	**629**

GHG EMISSIONS BY SCOPE, SOURCE AND STRUCTURE

(in t CO_2e)

	CGD, S.A.			BCA			BI			BCG Brazil		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
GHG Emissions												
Scope 1	4,199	4,838	**1,813**	307	214	**181**	43	45	**40**	18	18	**15**
Direct emissions resulting from fuel consumption at facilities (t CO_2e)	98	92	**97**	24	16	**16**	4	5	**5**	0	0	**0**
Direct emissions resulting from fuel consumption by CGD's vehicle fleet (t CO_2e)	3,758	2,551	**1,656**	151	181	**144**	39	40	**35**	7	7	**4.6**
Direct emissions resulting from f-gas leaks from equipment at facilities (t CO_2e)	343	2,195	**59**	132	17	**22**	-	-	**-**	10	10	**10**
Scope 2	27,541	25,289	**14,133**	1,118	997	924			**213**	25	28	**12**
Indirect emissions resulting from electricity generation (t CO_2e	27,541	25,289	**14,133**	1,118	997	924	227	229	**213**	25	28	**12**
Scope 3	1,271	1,121	**1,256**	24	20	**30**	45	39	**39**	77	40	**25**
Work-related trips (t CO_2e)												
Aeroplane	1,107	985	**1,094**	24	20	**30**	45	39	**39**	73	38	**24**
Train	28	20	**8**	-	-	**-**	-	-	**-**	-	-	**-**
Boat	-	-	**-**	0	0	**0**	-	-	**-**	-	-	**-**
Private Transportation	112	83	**87**	-	-	**-**	-	-	**-**	4	2	**1**
Treatment of waste produced at the facilities	46	48	**67**	-	-	**-**	-	-	**-**	-	-	**-**
Total (t CO_2e)	33,032	31,263	**17,202**	1,450	1,231	**1,136**	316	312	**292**	109	86	**50**

Note: Regarding the scope of reporting of direct emissions resulting from the leakage of f-gases in equipment at CGD, S.A.'s commercial network level, only up to 50% of the installations (about 346 installations) could be verified by 2016. As of 2017, the scope was extended to about 773 installations. In 2018, actual leakage was obtained via service providers' maintenance reports issued to the entire universe of CGD, S.A.'s facilities in Portugal. Also at CGD, S.A., emissions related to the year 2016, associated to trips by train, were corrected. The scope of emissions associated with the processing of waste produced at CGD, S.A.'s facilities was extended to waste sent to recycling/recovery.

DISTANCE TRAVELLED BY MEANS OF TRANSPORTATION AND STRUCTURE

(in km)

	CGD, S.A.			BCA			BI			BCG Brazil		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
Work-related trips (km)												
Aeroplane	7,398,144	5,383,977	**5,756,352**	214,481	202,322	**340,794**	485,224	432,553	**436,270**	733,869	362,786	**222,049**
Train	1,033,276	745,240	**244,444**	-	-	**-**	-	-	**-**	-		**-**
Boat	-	-	**-**	1,082	1,230	**430**	-	-	**-**	-	-	**-**
Private transportation	656,709	471,527	**700,932**	-	-	**-**	-	-	**-**	21,569	13,221	**4,299**

WATER CONSUMPTION BY SOURCE AND COUNTRY

(in m³)

	CGD, S.A.			BCA			BI			BCG Brazil		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
Municipal water supply or others	149,577	125,261	**110,920**	4,240	5,389	**5,370**	1,216	1,179	**980**	267	435	**500**
Total volume used from rainwater										708	1,117	**200**

MATERIAL CONSUMPTION BY TYPE AND COUNTRY

(in t)

	CGD, S.A.			BCA			BI			BCG Brazil		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
White photocopy paper	537	502	**375**	12	9	**14**	11	13	**10**	4	4	**3**
Paper in the form of envelopes	102	286	**74**	1	0	**0.7**	0	0	**0**	0	0	**0**
Paper and cardboard in the form of passbooks	38	29	**26**	-	0	**-**	-	-	**-**	-	-	**-**
Plastic in the form of bank cards	8	9	**8**	-	-	**-**	0	-	**0**	-	-	**-**
Plastic cups	4	4	**0**	-	-	**0**	0	-	**-**	0	0	**0**
Advertising material: - Posters and flyers	0	0	**7**	0	0	**0.2**	0	-	**-**	-	-	**-**
Brochures and others	12	21	**0**	3	0	**0**	-	-	**-**	-	-	**-**
Pre-printed Paper	28	16	**29**	12	-	**-**	-	-	**-**	-	-	**-**

Note: From 2016 onward, consumption figures for white photocopy paper used for BI's activities include consumption figures for branches located on the islands.

ANNEX B - GRI INDEX

TABLE GLOBAL REPORTING INITIATIVE [27] (GRI)

GRI INDICATOR		LOCATION	SDG
STRATEGY AND ANALYSIS			
102-14	Chairman's Statement on the relevance of sustainability for the organisation and its sustainability strategy	Management Report and Accounts 2018 – pp. 6-7, 535 The message regarding this Report is from the Chairman of the Executive Committee.	-
102-15	Main impacts, risks and opportunities	Management Report and Accounts 2018 – pp. 91-108, 605-607	-
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	Management Report and Accounts 2018 – pp. 13, 542-543	-
102-2	Main products and services	Management Report and Accounts 2018 – pp. 65-78, 555-562 ▪ Scope: CGD, S.A.	-
102-3	Location of the organisation's head office	Avenida João XXI, 63, 1000-300 Lisbon. Portugal	-
102-4	Number and name of the countries where the organisation operates, where their main operations are located or which are relevant for the sustainability topics addressed in the report	Management Report and Accounts 2018 – pp. 19-21	-
102-5	Type and legal nature of ownership	CGD is a Public Limited Company (S.A.) held by a single shareholder: the Portuguese Government. The Minister of Finance appoints the shareholder's representative at a General Meeting.	-
102-6	Markets served	Management Report and Accounts 2018 – pp. 19-21	-
102-7	Size of the organisation	Management Report and Accounts 2018 – pp. 19-21	-

[27] CGD's GRI Table includes correspondence with the Global Compact (UN GC) Principles and the Sustainable Development Goals (SDG), with every Omission described in the reply to the corresponding indicator.

102-8	Number of employees, broken down by labour contract, gender and region.	Management Report and Accounts 2018 – pp. 574-576 Annex A - Sustainability Indicators 2018 In 2018, there were no subcontracted employees at **CGD S.A**. and at the international structures of Cape Verde (BI and BCA), BCG Brazil and BNU Timor Branch Office. At CGD, 41 employees worked on a part-time basis. Of the total of 7,401 employees, 40 are on fixed-term contracts. A total of 251 internships were granted, 102 of which were curricular and 149 were vocational. At **BCA** 18 internships were granted. At **BI**, there were no part-time employees, as 10 internships were granted. At **Caixa Angola**, one employee was subcontracted. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	8
102-41	Percentage of employees covered by collective bargaining agreements	All of **CGD, SA's** employees are under collective bargaining agreements, directly, by virtue of Company Contracts, or via an internal regulation that determines their enforcement on the remaining workers. There were no collective bargaining agreements at **BCA or BI**. There is a Personnel Statute that sets out the rights, guarantees and duties of BCA staff employees and regulates labour relations, except as otherwise laid down in an agreement or specific provision. At **BCG Brazil,** 100% of employees fall under collective bargaining agreements. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	8
102-9	The organisation's supplier chain *	Management Report and Accounts 2018 – pp. 438-439, 571-572 ▪ Scope: CGD, S.A.	-
102-10	Significant changes occurred during the period covered by the report with regard to the organisation's size, structure, shareholding or supplier chain	Management Report and Accounts 2018 – pp. 8-9	-
102-11	Addressing the precautionary principle	Management Report and Accounts 2018 – pp. 91-101, 550-552, 605-606 By signing on to the United Nations Environment Programme's Financial Initiative (UNEP-FI), in April 2009, CGD took on the commitment to observe the Precautionary Principle. Through the Climate Change adaptation strategy, CGD considers environmental variables in risk management, operation planning, development and introduction of products and services.	-
102-12	Charters, principles or other externally developed initiatives of an economic, environmental and social nature that the organisation subscribes to or endorses	Management Report and Accounts 2018 – pp. 550-552	-

102-13	Participation in national or international defence associations and organisations	https://www.cgd.pt/Institucional/Sustentabilidade-CGD/Programas-parcerias/Pages/Programas-Parcerias.aspx	-
102-45	All of the organisations included in the consolidated financial statements	Management Report and Accounts 2018 – pp. 23-39	-
102-46	Procedure adopted for outlining the report contents and the Aspect limits	Management Report and Accounts 2018 – pp. 8-19, 536 Annex C - 2018 Methodological Notes	-
102-47	Material aspects identified in the process of outlining the report content	Management Report and Accounts 2018 – pp. 552-553 Annex C - 2018 Methodological Notes	-
103-1	Limit of each material aspect within and outside the organisation	Annex C - 2018 Methodological Notes	-
102-48	Reworking of information provided in previous reports and the reasons for such reworking	There were no significant reformulations to the Report's structure relative to previous years, except for the integration of the CGD Group's Sustainability Report in the 2018 Management Report and Accounts.	-
102-49	Significant changes relative to periods covered by previous reports with regard to the scope and the Aspect limit	There were changes to the geographical scope of the reported operations in matters of sustainability, namely with integrating the BNU Macao, BCI Mozambique and Caixa Angola banks, as well as the BNU Timor branch.	-
INVOLVEMENT WITH STAKEHOLDERS*			
102-40	List of groups of stakeholders in the organisation	Management Report and Accounts 2018 – pp. 552-553	-
102-42	Identifying and selecting stakeholders	Management Report and Accounts 2018 – pp. 552-553	-
102-43	Approach adopted regarding involvement with stakeholders, including the frequency of involvement by type and by group	Management Report and Accounts 2018 – pp. 552-553 At **BCA, BI and BCG Brazil** customer satisfaction is gauged using the claims management procedure. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	-
102-44	Main issues and concerns stated by the stakeholders as a result of the engagement process and measures adopted by the organisation in how they are processed	Management Report and Accounts 2018 – pp. 552-553, 563-565 At BCA and BI, **customer satisfaction is gauged using the complaints management procedure.** **BCG Brazil** implemented a customer satisfaction channel, in 2018 (Ombudsman's service assessment), starting by sending a message and at the end of the Ombudsman's reply by stating the *e-mail* (satisfacao@bcgbrasil.com.br) to which the customer assessment and/or service user can be sent– this procedure abides by Circular Letter 3.880/2018 and Circular 3.881, both from the Central Bank of Brazil. Also available on the BCG Brazil website are the consumer and/or customer assistance resources (talk to us, ombudsman and reporting channel). ▪ Scope; CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	-

REPORT PROFILE			
102-50	Period covered by the report	1 January to 31 December 2018	-
102-51	Date of the latest previous report	2017	-
102-52	Report issuance cycle	Annual	-
102-53	Contacts for questions regarding the report and contents	Management Report and Accounts 2018 – pp. 536	-
102-54	"As per" option and corresponding GRI table of contents	Management Report and Accounts 2018 – pp. 536	-
102-56	The organisation's current policy and practices for externally verifying the report	Management Report and Accounts 2018 – pp. 536	-
GOVERNANCE*			
102-18	The organisation's governance structure, including commissions under the highest hierarchical governing body	Management Report and Accounts 2018 – pp. 14-18, 548-549	-
102-19	Process used for delegating authority regarding economic, environmental and social topics by the highest governing body on senior executives and other employees	Management Report and Accounts 2018 – pp. 552-553	-
102-20	Appointment of one or more executive-level roles and positions as head in charge of economic, environmental and social topics and whether those in charge report directly to the Board of Directors	Management Report and Accounts 2018 – pp. 443-457	-
102-21	Consultation processes used between stakeholders and the Board of Directors with regard to social, economic and environmental topics	Management Report and Accounts 2018 – pp. 552-553	16
102-22	Composition of the Board of Directors and its Committees	Management Report and Accounts 2018 – pp. 377-395	5, 16
102-23	Whether the Chairman of the Board of Directors is also an executive director (and, in that case, his/her role in the management of the organisation and the reasons for the accumulation)	Management Report and Accounts 2018 – pp. 14-15	16

102-24	Procedures for selecting and appointing the Board of Directors and its Committees, as well as the criteria adopted for selecting and appointing the members of the Board of Directors	Management Report and Accounts 2018 – pp. 14-15, 440-442	5, 16
102-25	Procedures used by the Board of Directors to make sure conflicts of interest are avoided	Management Report and Accounts 2018 – pp. 440-442	16
102-26	Roles played by the Board of Directors and senior executives in developing, approving and updating the goals, the mission, vision and values, and outlining strategies, policies and targets related to economic, environmental and social impacts	Management Report and Accounts 2018 – pp. 549-550	-
102-27	Measures taken to develop and improve the Board of Directors' knowledge regarding economic, environmental and social topics	Management Report and Accounts 2018 – pp. 546-553	4
102-28	Processes for assessing the Board of Directors' performance with regard to managing economic, environmental and social topics	Management Report and Accounts 2018 – pp. 546-553	-
102-29	The role played by the Board of Directors in identifying, managing impacts, risks and opportunities related to economic, environmental and social issues, as well as in implementing *due diligence* procedures	Management Report and Accounts 2018 – pp. 546-553	16
102-30	The role played by the Board of Directors in analysing the efficiency of the organisation's risk management processes regarding economic, environmental and social topics	Management Report and Accounts 2018 – pp. 546-553	-
102-31	The frequency with which the Board of Directors analyses impacts, risks and opportunities related to economic, environmental and social issues	Management Report and Accounts 2018 – pp. 393, 546-553	-
102-32	Body or role that analyses and formally approves the organisation's Sustainability Report and ensures that every material aspect is addressed	The Executive Commission is the body in charge of analysing and approving the Sustainability Report. The Team Coordinating the Corporate Sustainability Programme is in charge of preparing the report and corresponding contents included in the Report and Accounts.	-

102-33	Process adopted to notify the Board of Directors of any critical concerns	Management Report and Accounts 2018 – pp. 393, 546-553	-
102-34	Nature and total number of critical concerns of which the Board of Directors was notified, as well as the mechanism(s) adopted for addressing and solving them	Management Report and Accounts 2018 – pp. 393, 546-553	-
102-35	Remuneration policies applicable to the Board of Directors and to senior executives	Management Report and Accounts 2018 – pp. 393, 546-553	-
102-36	Procedure adopted for determining remuneration	Management Report and Accounts 2018 – pp. 393, 546-553	-
102-37	Stakeholder opinions are requested and taken into account with regard to the issue of remuneration, including results of votes on policies and remuneration proposals, where applicable	Management Report and Accounts 2018 – pp. 393, 546-553	16
102-38	Proportion of total annual remuneration of the highest paid individual in each country where the organisation has significant operations in relation to the total annual average remuneration of all employees (excluding the highest paid employee) in the same country	Annex C - 2018 Methodological Notes The total annual remuneration of the highest paid individual comes to 5.56 of the average annual remuneration (excluding the highest paid employee). Scope: CGD, S.A. in Portugal	-
102-39	Proportion of the percentage increase of the total annual remuneration of the highest paid individual in each country where the organisation has significant operations to the average percentage increase of the total annual remuneration of all employees (excluding the highest paid employee) in the same country	Annex C - 2018 Methodological Notes The percentage increase in the total annual remuneration of the highest paid individual corresponds to 1.97 of the average percentage increase in the total annual remuneration of all employees. Scope: CGD, S.A.	-
ETHICS AND INTEGRITY *			
102-16	Values, principles and regulations linked to the organisation's behaviour	Management Report and Accounts 2018 – pp. 537, 546-553	16
102-17	Internal and external mechanisms adopted by the organisation for requesting guidelines regarding ethical behaviours and in compliance with legislation	Management Report and Accounts 2018 – pp. 537, 546-553, 564-565	16

INDICATOR		LOCATION	UNGC	SDG
ECONOMIC INDICATORS				
ASPECT: ECONOMIC PERFORMANCE* Forms of Management (103)				
103-1 – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Financial Balance" was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552. 103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public in the Management Report and Accounts 2018 - pp. 554-562				
201-1	Direct economic value generated and distributed	Management Report and Accounts 2018 – pp. 544-555 ▪ Scope: CGD, S.A. and affiliated banks (BI, BCA, BCG Brazil, BNU Timor, BNU Macao, BCI Mozambique, Caixa Angola)	-	2, 5, 8, 9
201-2	Financial implications and other risks and opportunities for the organisation due to Climate Change	Management Report and Accounts 2018 – pp. 605-606 Every year, CGD voluntarily takes part in the Carbon Disclosure Project (CDP) questionnaire, reporting on risks and opportunities associated with its Climate Change adaptation strategy in line with its operations. *See* CGD and CDP websites, where annual answers are published. CGD used the Task-force on Climate-related Financial Disclosure (TCFD) approach to identify some of the environmental risks and opportunities, while pointing out corresponding mitigation actions. ▪ Scope: CGD, S.A.	-	13
201-3	Benefit plans offered by the organisation	Management Report and Accounts 2018 - Item 2.1 Notes to the Individual Financial Statements – Note 33 – Retirement Pensions and Other Employee Benefits. From 2010, the (organisation) began providing the benefit of a private pension plan to its employees, by contributing monthly to an open private pension entity, with a percentage on the employee's gross wage, provided said employee contributes with the same percentage. **Banco Interatlântico (BI)** does not have a benefit/pension plan. At BI, employees are all registered under the national social security system, and pensions are all under the full responsibility of this body. At **BCA**, there is an established Benefit Plan. The value of the bonds was 2,882,699.88 euros. At **BCG Brazil,** as a supplement to the Social Security benefits, there is a private pension plan for employees, with an estimated 5,705.59 euros per month in bonds under the retirement plan covered by the Bank's general resources. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI and BCG Brazil)	-	-

ASPECT: ECONOMIC PERFORMANCE*				
201-4	Significant financial benefits received by the government	In accordance with applicable legislation, the article that provided for deducting expenses with the net creation of new jobs was repealed. The Tax Benefits Statute (EBF) under Law No. 43/2018, of 9 August, which went into force on 1 July 2018, with the benefit remaining in force up to that date - for 2013 a 2018; and the IRC Corporate Tax Code (CIRC) allows deducting increased donations and contributions. In FY 2018, these realities translated into the amount of 3,051,650.71 euros, which, by applying a corporate income tax rate of 21%, would generate an amount of recoverable income tax of 640,846.65 euros. However, **CGD** will not enjoy these benefits, as it did not generate a qualifying tax base. **BCA, BI and BCG Brazil did not receive** any financial aid from the Government. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI and BCG Brazil)	-	-
ASPECT: MARKET PRESENCE				
202-1	Range of variation in the proportion of the lowest salary to the local minimum wage, by gender	Annex C - 2018 Methodological Notes **CGD, S.A.** – Gender: female 190%; male: N.A (Absent in the lowest professional category representing unskilled professionals). **BCA** - Gender: female 246%; male 246%. Lowest professional category: Auxiliary staff. **BI** - Gender: female 243%; male 243%. Lowest professional category: General Services Assistant. **BCG Brazil** - Gender: female 561%; male 874%. Lowest professional category: Administrative staff. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI and BCG Brazil)	6	1, 5, 8
202-2	Proportion of hires to upper-management positions in the local community	**CGD, S.A.** Management Report and Accounts 2018 – pp. 15-18 Annex C - 2018 Methodological Notes **BI's** upper management (Board of Directors) is appointed by the General Meeting of shareholders. Up to 2015, most of its members were not recruited in the Cape Verde market. From 2015, with BI's expanded Board of Directors, most of its members started being recruited on the Cape Verdean market. First-line functions are hired locally. The make-up of **BCA**'s Executive Committee (CE)/Board of Directors is named and, later, approved by the General Assembly of shareholders. Directorate functions are appointed by the CE. At **BCG Brazil**, upper management positions are set by CGD's Executive Committee. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	6	8
203-1	Development and impact of investments on infrastructures and supported services	Management Report and Accounts 2018 – pp. 589-591 Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A. and affiliated banks (BCA, BI, BCG Brazil, BNU Timor, BNU Macao, BCI Mozambique, Caixa Angola)	-	2, 5, 7, 9, 11

203-2	Indirect economic impacts, including their extent	Management Report and Accounts 2018 – pp. 14-21 ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	-	1, 2, 3, 8, 10, 17

ASPECT: PROCUREMENT PRACTICES* Forms of Management (103)

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Supply Chain (responsible procurement) ” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552

103-2 and 103-3 – CGD has initiatives in place related to this topic, monitors the indicators related thereto and reports them to the public in the Management Report and Accounts 2018.

204-1	Proportion of expenses with local suppliers	Management Report and Accounts 2018 – pp. 569-572 Annex C - 2018 Methodological Notes It is customary to hire local/domestic suppliers (CGD, SA). Proportion of expenses with local suppliers are as follows: CGD, S.A.: 90%; BCG Brazil: 100%, BI Cape Verde: 72%; BCA Cape Verde: 93% ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	-	12

ASPECT: CORRUPTION* Forms of Management (103)

103-1) – The identification of CGD's material topics consisted of assessing the importance of a set of topics based on the results of stakeholder consultations and on an internal impact classification of those topics. “Fighting fraud and tax evasion,” which is linked to this aspect, was regarded as a top-priority topic (Materiality Matrix – Management Report and Accounts 2018 – pp. 552).

103-2 and 103-3 – CGD has several initiatives in place related to this topic, monitors the indicators related thereto and reports them publicly in the Management Report and Accounts 2018 - pp. 568-570

205-1	Operations subject to corruption risk analysis	The Internal Audit Division conducted the following initiatives: A – Commercial Structures (face-to-face): Universal Model - 9 Retail Regions and 95 Branches; 3 Corporate Offices; B - Central Structures and Processes: 48 Regulatory initiatives; 11 Process actions; 7 EMS initiatives; C – Information Systems: 11 audit actions; D - Group Entities: Branches, Subsidiaries and Representative Offices - 14 audit actions; Provision of Services to the AI Function – 17 actions; Corporate Monitoring - 6 actions; E - Continuous Monitoring: 74 alerts and 4 reports; F – Recommendation Follow-up Audit: i) Commercial Structures: Universal Model - 49 Branches; Credit risk - Customers - 4; ii) Processes - 21 Audit Actions; iii) Branches, Subsidiaries and Representative Offices - 14 audit actions, and iv) Support to the AI Function (CLF and CGA) - 1 Audit action; H – Inspection Processes: 238 completed processes. **At BCA,** there were no operations subject to corruption risk analysis. **At BI** the Internal Audit Office conducted the following: 10 Audit actions, 6 Enquiry Procedures and 1 fraud procedure; Four operations with corruption risk assessment: 1. Forged signatures: Cheques were paid without signature verification. This situation resulted in a loss for BI. 2. Credit transaction – Conflict of interest: suspicion of employee involvement in the decision-making process regarding a transaction where said employee was a party concerned. It was concluded that there was no conflict of interest. 3. An anonymous report on non-independence among the personal interests of the employee, of BI and of the customers. There was insufficient information for arriving at a conclusion. 4. Fraudulent OPE - BI was addressed a payment order on an entity abroad, via the customer's e-mail, which was hacked. The customer was compensated, resulting in a loss for BI. The % of operations with corruption risk assessment totalled 24%. **BCG Brazil** assesses all of its operations under the aspect of anti-corruption, using consultation tools and media information and legal proceedings, so that any customer or counterparty, for which a corruption risk is identified, is submitted to the Executive Board and, if approved, included on the Compliance watch list, with periodic monitoring. BCGB uses this tool to check for risk to customers (KYC), employees (KYE) and suppliers (KYS). ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	10	16

205-2	Communication and training on anti-corruption policies and procedures	**CGD, S.A**., through its website, provides information regarding its Code of Conduct, namely its mission and values, principles for action and standards of professional conduct. Some contracts with suppliers also include Ethical Principles and Corporate Best Practices for Suppliers with anti-corruption content. In 2018, 9% of the 7,401 employees received training on anti-corruption policies and procedures. **BI** provides every hired employee with the Conduct Manual, whose Art. 31 - CORRUPTION states the following: "1- BI actively rejects all forms of corruption, and its employees must refrain from engaging in any situations conducive to acts likely to be associated with this phenomenon." In addition to the practice of communicating it to all new employees, BI's Conduct Manual is available at its website. Thus, all employees and other stakeholders have access to this information. All hired employees were provided with training on anti-corruption policies and procedures. Twelve training initiatives were given to 118 employees on the Code of Conduct, on failure to meet obligations, regulations and duties, as well as on reporting irregular practices. At **BCA**, all employees are notified on anti-corruption policies and procedures via the Service Order and on the intranet. In 2018, 61.4% of employees received training on anti-corruption policies and procedures. At **BCG Brazil**, all 63 employees received training on anti-corruption policies and procedures. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	10	16

205-3	Confirmed occurrences of corruption and measures taken	At **CGD, S.A.**, there were no procedures that could fall under the response to this indicator. **BI** has no confirmed instances of corruption. The corporate regulation on the Policy for Preventing Corruption and Related Offences has been transposed and awaits verification from CGD's GFC for subsequent approval and enforcement at BI. Competencies have been enhanced in matters pertaining to PLC/CFT training initiatives, most notably: - 4 staff members in Corporate Vocational Training–International Banking Cycle, 3rd Edition: Compliance, Fraud, Money Laundering and Financing Terrorism; - 1 staff member – 5th Edition of the Workshop for Compliance Officers of CGD Entities - 2 staff members at the Seminar - Prevention of Money Laundering and Combating Terrorist Financing promoted by ATTF/BCV; - 91 staff members – In-house training on Prevention of Money Laundering and Combating Terrorist Financing given by the GFC **At BCA**, there were no procedures that could fall under the response to this indicator. **At BCG Brazil**, there is no record of any internal incidents related to corruption. With regard to operations, it should be noted that BCG Brazil's corporate customer portfolio includes companies involved in the '*Lava Jato*' scandal (one of the largest investigations conducted by the Brazilian Federal Police to investigate financial crimes committed by politicians and by public and private companies, with highlight to Petrobras). In this context, BCG Brazil reports that it has taken the necessary measures in relation to the companies that were in its customer base, namely reducing its Credit exposure, when applicable, terminating relationships, and including the remaining companies in a Compliance watch list, also ensuring a close follow-up of residual operations. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	10	16
ASPECT: UNFAIR COMPETITION				
206-1	Total number of legal proceedings due to unfair competition, anti-trust and monopoly, and their results	The misdemeanour proceedings filed by the Competition Authority in 2015, which CGD disputed calling for total acquittal, are still pending. ▪ Scope: CGD, S.A.	-	16

ENVIRONMENTAL INDICATORS

ASPECT: MATERIALS* **Forms of Management (103)**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Efficient Resource Management," which includes materials consumption, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.

103-2) – CGD has been undertaking materials aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).

103-3) – CGD monitors various environmental indicators and reports them to the public (Management Report and Accounts 2018 – pp. 604-613).

301-1	Total consumption of materials by weight or volume	Management Report and Accounts 2018 – pp. 607-611 Annex A - Sustainability Indicators 2018; Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	7, 8	8, 12
301-2	Percentage of materials used that come from recycling	Management Report and Accounts 2018 – pp. 611 Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A.	8	
301-3	Recovered products and packaging	CGD's operations do not allow for the recovery of products and/or packages. However, CGD invests in waste recovery, such as recycling cancelled bank cards. See indicator 306-2. ▪ Scope: CGD, S.A.	8	

ASPECT: ENERGY* **Forms of Management (103)**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Climate Change and Energy Transition," which includes the energy aspect, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2) – CGD has been undertaking energy aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).
103-3) – CGD monitors indicators associated with this area and reports them to the public (Management Report and Accounts 2018 – pp. 604-613)

302-1	Energy consumption within the organisation	Management Report and Accounts 2018 – pp. 608-610 Annex A - Sustainability Indicators 2018 Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	7, 8	7, 8, 12, 13

302-2	Energy consumption outside the organisation	Management Report and Accounts 2018 – pp. 608-610 Annex A - Sustainability Indicators 2018 CGD monitors waste treatment and business trips. However, there are no conversion factors available in the literature that allow CGD to easily determine the associated energy consumption. ▪ Scope: CGD, S.A.	8	
302-3	Energy intensity	Management Report and Accounts 2018 – pp. 609 Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	8	
302-4	Lower energy consumption	Management Report and Accounts 2018 – pp. 608-610 ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	8, 9	
302-5	Reduced energy needs for products and services	Management Report and Accounts 2018 – pp. 555-556 ▪ Scope: CGD, S.A.	8, 9	

ASPECT: WATER* **Forms of Management (103):**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Efficient Resource Management,” which includes the water aspect, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.

103-2) – CGD has been undertaking water aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).

103-3) – CGD monitors indicators associated with this area and reports them to the public (Management Report and Accounts 2018 – pp. 604-613).

303-1	Total water abstractions broken down by source	Management Report and Accounts 2018 – pp. 610 Annex A - Sustainability Indicators 2018; Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	7, 8	(6)
303-2	Water sources significantly affected by water abstraction	Not applicable to CGD, S.A. as most of its operations as supplied by the public water network, and so CGD has no control over water collection.	8	-
303-3	% and total volume of recycled and re-used water	The facilities of **CGD, S.A., BCA and BI** do not have a water recovery system. In 2018, **BCG Brazil** consumed 200 m^3 obtained from rainwater, representing an 80% decrease against 2017. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)		6, 8, 12

ASPECT: BIODIVERSITY* **Forms of Management (103):**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Climate Change and energy transition,” which includes the Biodiversity aspect, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2) – CGD has been undertaking biodiversity aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).
103-3) – CGD monitors indicators associated with this area and reports them to the public (Management Report and Accounts 2018 – pp. 604-613).

304-1	Location in protected or adjacent areas	This indicator is not relevant for CGD, as its operations are carried out in urban areas. There is zero risk of being located in areas that are protected or of interest for biodiversity, or in adjacent areas. It should be pointed out that CGD develops initiatives related to protecting biodiversity through the *Floresta Caixa* (Caixa Forest) Programme, and that it contributes toward minimising the environmental impact of its operations while fostering environmental best practices among its employees, customers and society, from a perspective of social responsibility and sustainable development. ▪ Scope: CGD, S.A.	8	6, 14, 15
304-2	Description of the main impacts of the organisation's operations, products and services on biodiversity in protected areas and in biodiversity-rich areas	This indicator is not relevant for CGD (see 304-1). ▪ Scope: CGD, S.A.		
304-3	Protected and/or restored habitats	This indicator is not relevant for CGD (see 304-1). ▪ Scope: CGD, S.A.		
304-4	Number of species on the IUCN's Red List and national conservation lists with habitats in areas affected by operations	This indicator is not relevant for CGD (see 304-1). ▪ Scope: CGD, S.A.		

<table>
<tr><th colspan="2">INDICATOR</th><th>LOCATION</th><th>UNGC</th><th>SDG</th></tr>
<tr><td colspan="5">ENVIRONMENTAL INDICATORS</td></tr>
<tr><td colspan="5">ASPECT: EMISSIONS* Forms of Management (103):
103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Managing Environmental Footprint and GHG reduction targets,” which includes the Emissions aspect, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2) – CGD has been undertaking Emissions aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).
103-3) – CGD monitors indicators associated with this area and reports them to the public (Management Report and Accounts 2018 – pp. 604-613).</td></tr>
<tr><td>305-1</td><td>Direct GHG emissions (Scope 1)</td><td>Management Report and Accounts 2018 – pp. 612
Annex A - Sustainability Indicators 2018; Annex C - 2018 Methodological Notes
▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)</td><td rowspan="3">7, 8</td><td rowspan="3">3, 12, 13, 14, 15</td></tr>
<tr><td>305-2</td><td>Indirect GHG emissions (Scope 2)</td><td>Management Report and Accounts 2018 – pp. 612
Annex A - Sustainability Indicators 2018; Annex C - 2018 Methodological Notes
▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)</td></tr>
<tr><td>305-3</td><td>Indirect GHG emissions (Scope 3)</td><td>Management Report and Accounts 2018 – pp. 612
Annex A - Sustainability Indicators 2018; Annex C - 2018 Methodological Notes
▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)</td></tr>
<tr><td>305-4</td><td>Carbon intensity</td><td><table><tr><th>2018</th><th>tco_2/thousand €</th><th>tco_2/FTE</th></tr><tr><td>CGD Global</td><td>0.014</td><td>2.32</td></tr><tr><td>CGD S.A.</td><td>0.013</td><td>2.32</td></tr><tr><td>BI</td><td>0.030</td><td>2.19</td></tr><tr><td>BCA</td><td>0.040</td><td>2.51</td></tr><tr><td>BCG</td><td>0.007</td><td>0.63</td></tr></table>▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)</td><td>8</td><td rowspan="2">13, 14, 15</td></tr>
<tr><td>305-5</td><td>Reduction of GHG emissions</td><td>Management Report and Accounts 2018 – pp. 604-612
▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)</td><td>8, 9</td></tr>
<tr><td>305-6</td><td>Emissions of ozone-depleting substances, by weight</td><td>According to GRI guidelines, ozone-depleting substances contained in products or equipment derived from use or disposal are not covered by this indicator.
▪ Scope: CGD, S.A.</td><td>7, 8</td><td>-3, 12</td></tr>
</table>

305-7	NOx, SOx and other atmospheric emissions	2018 Methodological Notes Emissions of this type of substances can stem from the use of emergency generators and the vehicle fleet. In the case of CGD, these emissions are not very significant. Total NOx emissions: 18.2 t Total SO_2 emissions: 4.7 t ▪ Scope: CGD, S.A.		3, 12, 14, 15

ASPECT: EFFLUENTS AND WASTE* **Forms of Management (103):**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Efficient Resource Management," which includes effluent and waste management, was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2) – CGD has been undertaking Effluent and Waste aspect-related initiatives (Management Report and Accounts 2018 – pp. 604-613).
103-3) – CGD monitors indicators associated with this area and reports them to the public (Management Report and Accounts 2018 – pp. 604-613).

306-1	Production of liquid effluents, by quality and destination	CGD's facilities are located in urban areas, equipped with basic sanitation and rainwater harvesting infrastructures. Domestic wastewater is sent to the municipal collector, so this indicator is not considered applicable to CGD. ▪ Scope: CGD, S.A.	8	3, 6, 12, 14
306-2	Weight of waste produced, by type and by treatment method	Management Report and Accounts 2018 – pp. 611 Annex C - 2018 Methodological Notes BI, BCA, and BCG Brazil do not compile information regarding waste generation. ▪ Scope: CGD, S.A.		3, 6, 12
306-3	Occurrence of spills	According to CGD's operations, this indicator is not considered to be material. However, since 2014, as part of the EMS, retention basins have been in place at strategic points of the Head Office Building, in order to prevent and contain any possible spills. Annually, drills are carried out in which emergency response procedures are tested, including those that may have a significant environmental impact. As part of audits to the Environmental Management System, which is certified under ISO 14001:2015, emergency response procedures, including the conducting of drills, are assessed. ▪ Scope: CGD, S.A.	8	3, 6, 12, 14, 15
306-4	Weight of hazardous waste hauled, imported, exported or processed, and the percentage of internationally shipped waste loads	Non applicable to CGD, given the nature of its operations.	-	3, 12

306-5	Water resources and their habitats affected by water discharges and drainage	Because CGD's facilities are located in urban areas, no water resources are affected by water discharges. ▪ Scope: CGD, S.A.	8	6, 14, 15
ASPECT: ENVIRONMENTAL COMPLIANCE				
307-1	Monetary amount of fines and number of non-monetary penalties resulting from non-compliance with environmental laws and regulations	2018 Methodological Notes As part of the Environmental Management System, CGD annually performs the Legal Compliance Assessment, which aims to assess the organisation's environmental legal situation. There are 2 proceedings regarding deforestations attempted by Elvas and Alenquer City Halls, whose overall levied fines came to € 3,250. ▪ Scope: CGD, S.A.	8	16
ASPECT: ENVIRONMENTAL ASSESSMENT OF SUPPLIERS* – Forms of Management (103) – p. 11 (Procurement Practices)				
308-1	New suppliers assessed with environmental criteria	Management Report and Accounts 2018 – pp. 571-572 Annex C - 2018 Methodological Notes ▪ Scope: CGD, S.A.	8	-
308-2	Negative environmental impacts on the supply chain and measures taken	Management Report and Accounts 2018 – pp. 571-572 In 2018, 3 CGD suppliers were subject to environmental assessments as part of internal and external audit procedures concerning CGD's Environmental Management System and legal compliance. These suppliers were chosen based on their relevance to the activities carried out in CGD's Head Office Building. With regard to potential suppliers and service providers, CGD carries out an assessment that takes into account the various risks listed in the CGD Group's Subcontracting Policy, including compliance risk and reputational risk, which may include corrupt practices. No situations affecting the supply chain were identified. ▪ Scope: CGD, S.A.	8	-
SOCIAL INDICATORS				

ASPECT: EMPLOYMENT* Forms of Management (103):

CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Equal pay, Gender equality and diversity" was one of the environmental topics identified.
Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 573-588).

401-1	Number and rate of new hirings and turnover rate by age group, gender and region	Management Report and Accounts 2018 – pp. 575-576 Annex A - Sustainability Indicators 2018; Annex B - 2018 Methodological Notes ▪ Scope: CGD, S.A + Affiliated Banks (BCA. BI, BCG Brazil, BNU Timor, BNU Macao, BCI Mozambique)	-	5, 8
401-2	Benefits for full-time employees that are not granted to temporary or part-time workers*	Management Report and Accounts 2018 – pp. 450-451, 581-586 At **CGD S.A**, there is no difference in the benefits granted to full-time and part-time employees. **At BI**, benefits not granted to temporary or part-time employees include Loans to Employees and Mortgage Loans to Employees, under applicable regulations; along with career advancements occur pursuant to the Personnel Statutes in force. There are no other benefits granted to full-time employees that are not granted to part-time employees. At **BCG Brazil**, benefits granted include medical and dental assistance for all staff members and their direct dependants (spouses or partners and children); a complementary social security programme 90 days after the date of hiring; life insurance; transportation, meal, food and culture vouchers; nursery and babysitter subsidies and subsidies for children with disabilities. At **BCA**, benefits are granted to employees, either full time or on a reduced workload. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	-	8

401-3	Rates of return to work and retention after maternity/paternity leave, by gender	Annex C - 2018 Methodological Notes **CGD, S.A.:** Employees entitled to paternity leave: - Males: 2974; Females: 4427 Employees who have enjoyed parental leave, by gender - Males: 161; Females: 283 Employees who returned to work after the end of parental leave, by gender: Males: 158; Females: 281 Employees who returned to work after the end of parental leave and who are employed 12 months after their return, by gender: Males: 120 Females: 269 Return to work: Males: 98% Females: 99%; Total: 99% Retention rate: Males: 97%; Females: 100%; Total: 99% **BI:** Employees with paternity leave: Males: 44; Females: 89 Employees who have enjoyed parental leave, by gender: Males: 3; Females: 6 Employees who returned to work after the end of parental leave, by gender: Males: 3; Females: 5 Employees who returned to work after the end of parental leave and who are employed 12 months after their return, by gender: Males: 2; Females: 5 Return to work: Males: 100%; Females: 83%; Total: 89% Retention rate: Males: 100%; Females: 71%; Total: 78% **BCG Brazil:** Employees with paternity leave: - Males: 38; Females: 26 Employees who have enjoyed parental leave, by gender: - Males: 3; Females: 0 Employees who returned to work after the end of parental leave, by gender: Males: 3; Females: 0 Employees who returned to work after the end of parental leave and who are employed 12 months after their return, by gender: Males: 1; Females: 1 Return to work: Males: 100%; Females: 0%; Total: 100% Rate of retention: Males: 100%; Females: 0%; Total: 50% ▪ Scope: CGD, S.A. + Affiliate Banks (BI and BCG Brazil)	3	5, 8
402-1	Minimum notice periods in the event of operating changes	As a rule, the minimum notice periods for what may be considered 'operating changes' shall be those set forth in the Labour Code, along with other specific situations provided for under Company Agreements. The situations below call for minimum prior notice periods:	4	8

	Minimum notice periods in the event of operating changes	- Transfer of the worker to a different workplace, by initiative of the company: the employee must be notified of the transfer with at least 30 days' notice [clause 48(6) of CGD's Company Agreements] – Relevant changes in normal working hours: these shall be preceded by prior consultation with the affected, with at least 10 days' notice, or via worker agreement with at least 30 days' notice in the case of a work schedule that has been in place for over 10 years [clause 36(2)(3) of CGD's Company Agreement]. Differentiated and shift work schedules may be terminated at the company's initiative, subject to a notice to the affected employees at least 30 days in advance [clauses 37(4) and 39(4) of CGD's Company Agreement]. – Expiration of fixed-term employment contract: the employer must notify the employee of its will to terminate the contract with at least 15 days' notice before the contract's expiry date [Article 344(1) of the Labour Code] – Expiration of open-ended employment contract: the employer must notify the employee of its will to terminate the contract with a minimum notice of 7, 30 or 60 days, respectively for contracts with durations of up to 6 months, 6 months to 2 years or more than 2 years [Article 345(1) of the Labour Code] – Collective dismissal or extinction of work position: variable prior notice, between 15 and 75 days, depending on the worker's seniority [Article 363(1) and Article 371(3) of the Labour Code]. However, in the event the establishment closes permanently, CGD is under obligation to place employees at another establishment or at companies that are legally or financially associated or economically interdependent. If the new placement is unfeasible, the company can then undertake legal proceedings leading to collective dismissal (see clause 30 of the Company Agreement). ▪ Scope: CGD, S.A.		
403-1	Employees represented at occupational health and safety committees	There is no specific occupational health and safety committee. The Delegated Council for CGD's Personnel, Resources and Systems addresses the topic of occupational safety and health, among others, covering all employees. ▪ Scope: CGD, S.A.	-	8

403-2	Ratios of accidents, occupational diseases, lost days, absenteeism and number of work-related deaths, by region and gender	Annex C - 2018 Methodological Notes Rate of occurrence of work accidents: CGD, SA: Males: 2.06; Females: 6.59; Portugal: 4.65 BCA: Males: 0; Females: 0; Cape Verde: 0 BI: Males: 0; Females: 0; Cape Verde: 0 BCG Brazil: Males: 0; Females: 0 Degree of seriousness of work accidents: CGD, SA: Males: 77.07 Females: 155.27; Portugal: 121.74 BCA: Males: 0; Females: 0; Cape Verde: 0 BI: Males: 0; Females: 0; Cape Verde: 0 BCG Brazil: Males: 0; Females: 0 Rate of occurrence of occupational diseases: CGD, S.A.: Males: 0; Females: 0.13; Portugal: 0.7 BCA: Males: 0; Females: 0; Cape Verde: 0 BI: Males: 0; Females: 0; Cape Verde: 0 BCG Brazil: Males: 0; Females: 0 Absenteeism rate: CGD,SA: Males: 2.35%; Females: 4.44% Portugal: 3.54% BCG Brazil: ND Number of work-related deaths: CGD, S.A.: Males: 0; Females: 0; Portugal: 0 BCA: Males: 0; Females: 0; Cape Verde: 0 BI: Males: 0; Females: 0; Cape Verde: 0 BCG Brazil: Males: 0; Females: 0 ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI and BCG Brazil)	-	3, 8

403-3	Employees with high incidence and high risk of serious illnesses	Annex C - 2018 Methodological Notes At CGD, there are no employees involved in occupational activities with high incidence/risk of specific/serious illnesses. ▪ Scope: CGD, S.A.		
403-4	Health and safety topics covered by formal agreements with labour unions	CGD concluded Company Agreements with all the labour unions represented at the Institution (rate of 100%). As for health and safety, enshrined in clauses 95 and 96 of these Agreements is a set of obligations for CGD in terms of health (Occupational Health) and workplace hygiene and safety. With regard to health (clause 95), in addition to legally required regular exams, the Occupational Health service is under obligation to put into practice the measures required to prevent infectious/contagious diseases and to conduct annual ophthalmology screenings. In the event of a work accident or sudden illness at the workplace, the company is required to provide immediate medical and pharmaceutical attention, as well as to transport those affected to hospital centres. With regard to health and safety at the workplace (clause 96), the company undertook to endow the workplaces with the proper hygiene, health and safety conditions, so as to ensure a healthy working environment and prevent the risk of occupational diseases and work accidents, ensure proper sound levels, as recommended by official bodies, provide drinking water to all workers and at accessible locations and conduct cleaning operations outside business hours, except in cases of force majeure, as well as to ensure all repairs and conservation works, so as not to endanger the life or health of employees. ▪ Scope: CGD, S.A.	-	8

ASPECT: TRAINING AND EDUCATION* **Forms of Management (103):**

CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Talent attraction and retention" was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552

103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 452-453, 573-588)

404-1	Average annual number of hours of training per employee, gender and professional category	Annex A - Sustainability Indicators 2018 ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	-	4, 5, 8

404-2	Programmes for managing skills and continuous learning*	Management Report and Accounts 2018 – pp. 576-579 In 2018, CGD provided a total of 244,100 hours of training to CGD and Group Company employees (domestic perimeter), reaching an average of 32.98 hours per employee. ▪ Scope: CGD, S.A.	-	8
404-3	Percentage of employees regularly receiving performance assessment, by gender and professional category	Management Report and Accounts 2018 – pp. 576-579 Annex C - 2018 Methodological Notes In 2018, 100% of **CGD, S.A.** actively employed workers underwent a performance assessment. At **BI,** the performance assessment programme is conducted annually, as the percentage of assessed employees stands at 94%. At **BCG Brazil**, the performance assessment process applies to all employees, excluding temporary workers and service providers. At **BCA**, the annual performance assessment applies to all employees (except the BD), regardless of the labour contract. It is the duty of BCA, in general, and of the assessor, in particular, to assess employees who have been active for at least 3 months during the year of the assessment. Employees meeting this requirement were assessed. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI, BCG Brazil)	6	5, 8

ASPECTS: DIVERSITY AND EQUAL OPPORTUNITY – EQUAL PAY BETWEEN MALES AND FEMALES * Forms of Management (103):

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Talent attraction and retention” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.

405-1	Manpower by professional category, gender, age group and minority, as well as other diversity indicators	Management Report and Accounts 2018 – pp. 574-576 Annex A - Sustainability Indicators 2018 Annex C - 2018 Methodological Notes Number of physically handicapped employees at **CGD**: 42 male and 110 females employees. ▪ Scope: CGD, S.A. + Affiliated Banks (BCA. BI, BCG Brazil, BNU Timor, BNU Macao, BCI Mozambique and Caixa Angola)	6	5, 8
405-2	Ratio of base salary to remuneration for females and males, by location of the significant operation*	Annex A - Sustainability Indicators 2018 ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCG Brazil and BNU Timor)		5, 8, 10

ASPECT: HUMAN RIGHTS ASSESSMENT*

Forms of Management (103):

CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Human Rights” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.

103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 549-552, 573-588)

412-1	Operations subject to Human Rights assessments	At **BI and BCA**, there was no record of any operations subject to Human Rights assessments. However, such assessments were taken into account in the credit analysis procedure. At **BCG Brazil**, there was no record of any operations subject to Human Rights assessments. However, with respect to our products/services, all customer operations are subject to Human Rights assessments during the Know Your Customer (KYC) process, which includes, among other information, media inquiries, proceedings or indications of non-compliance with human rights legislation, as well as regulations and best practices (particularly regarding labour aspects). If assessments point to that need, they are taken into account in the credit analysis procedure. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	1	-
412-2	Training of employees with regard to Human Rights	In 2018, no training was provided to **CGD, S.A**. employees on Human Rights policies or procedures related to aspects of human rights with relevance for its operations. In 2018, no training was provided on Human Rights, at **BI, BCA and BCG Brazil**. In this latter Bank, however, we point out that employees are oriented by BCG Brazil's Code of Ethics, which addresses these aspects. In addition to the handing out of this Code to all new hires, periodic training (e-learning) is also provided to all active employees. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)		
412-3	Investment agreements and contracts containing Human Rights clauses	Management Report and Accounts 2018 – pp. 563, 571-572 Annex C - 2018 Methodological Notes Safeguarding Human Rights is a premise enshrined in the laws of the countries where the CGD Group operates, as their corresponding economic agents are required to abide by said premise. In the geographic locations where the CGD Group operates, such as Brazil and Africa, funded Projects that directly or indirectly include Human Rights clauses namely concern operations in which multilateral institutions also take part. At **BI and BCA**, there were no contracts including Human Rights clauses. All operations contracts signed by BCG Brazil comprise clauses holding customers accountable regarding non-compliance with every aspect of legislation, including Human Rights. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	2	

ASPECT: NON-DISCRIMINATION* Forms of Management (103):

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Employee Working Conditions and Well-being” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552

103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 573-588).

406-1	Total number of cases of discrimination and corrective measures taken	No instances of discrimination were recorded at affiliated banks. With regard to CGD, S.A., there were no instances of discrimination involving employees. A customer filed a discrimination-related complaint. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	6	5, 8, 16
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING* - Forms of Management (103) - pp. 549-550 (Human Rights Assessment)				
407-1	Operations and suppliers identified as running the risk of violating the right of freedom of association and collective bargaining, as well as measures taken	At **CGD S.A.,** there is no knowledge of situations of this nature in 2018. No specific procedures for identifying this type of occurrences are in place. **BI** does not prevent anyone from freely exercising their freedom of association and from concluding collective bargaining agreements. Likewise, no supplier was identified as having such risk. At **BCA**, no operations were identified as entailing a risk of violation of the right to freedom of association and collective bargaining. At **BCG Brazil**, no operations were identified as entailing a risk of child labour or forced labour, and the bank does not prevent anyone from freely exercising their freedom of association and from concluding collective bargaining agreements. Likewise, no supplier was identified as having such risk. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	3	8
ASPECT: CHILD LABOUR* - Forms of Management (103) - pp. 549-550 (Human Rights Assessment)				
408-1	Operations and suppliers identified as running the risk of child labour, and measures taken	At **CGD S.A.,** there is no knowledge of situations of this nature in 2018. At **BI**, no operations were identified as entailing a risk of child labour. At **BCA**, no operations were identified as entailing a risk of child labour. At **BCG Brazil**, no operations were identified as entailing a risk of child labour or forced labour, and the bank does not prevent anyone from freely exercising their freedom of association and from concluding collective bargaining agreements. Likewise, no supplier was identified as having such risk. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	5	8, 16

ASPECT: FORCED LABOUR OR TANTAMOUNT TO SLAVERY* - Forms of Management (103) - pp. 549-550 (Human Rights Assessment)				
409-1	Operations and suppliers identified as running the risk of forced labour or tantamount to slavery, and measures taken*	At **CGD S.A.,** there is no knowledge of situations of this nature in 2018. No specific procedures for identifying this type of occurrences are in place. At **BI** and BCA, no operations were identified as entailing a risk of forced labour. At **BCG Brazil**, no operations were identified as entailing a risk of child labour or forced labour, and the bank does not prevent anyone from freely exercising their freedom of association and from concluding collective bargaining agreements. Likewise, no supplier was identified as having such risk. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	4	8

ASPECT: SECURITY PRACTICES* - Forms of Management (103) - pp. 549-550, 570-571 (Human Rights Assessment)				
410-1	Training of security personnel regarding Human Rights	CGD's Prevention and Security Office received no Human Rights training; however, it is a member of the Advisory Committee of UNICRI – Security Governance and Counter-Terrorism Laboratory, which, in this regard, undertook efforts to bring CGD under the Global Compact. This fact became possible as of 12 December 2013. Security companies providing services to CGD are duly qualified with the professional private security licence, as issued the PSP's National Private Security Administration. The issuance of the corresponding licence card is regulated under Ordinance No. 148/2014 of 18 July. Said ordinance also regulates the training required for obtaining the professional licence; Art. 9(2)(b) (Annex III – Basic training module), as concerns promoting rights, freedoms and guarantees. The issuance of replacement cards and/or forms dated prior to said ordinance was regulated under Section 3(a) of Ordinance No. 1325/2001, regarding training in rights, freedoms and guarantees. The training content on the topics in question basically hinges on the Universal Declaration of Human Rights. For CGD, verification of compliance with the Law involves confirming the authenticity and validity of each security guard's professional licence during the GPS accreditation procedure. In 2018, 5 CGD security staff underwent Human Rights training, toward renewing their security staff job card. Renewal takes place every 5 years. ▪ Scope: CGD, S.A.	1	16
ASPECT: INDIGENOUS PEOPLES' RIGHTS* - Forms of Management (103) - pp. 549-550 (Human Rights Assessment)				
411-1	Total number of instances of violated rights of indigenous peoples, as well as measures taken	There were no instances of violation of the rights of indigenous peoples as part of CGD's operations. ▪ Scope: CGD, S.A.	1	2

ASPECT: CORPORATE ASSESSMENT OF SUPPLIERS* - Forms of Management (103) - pp. 571-572 (Procurement Practices)				
414-1	New suppliers assessed according to social criteria	Management Report and Accounts 2018 – pp. 571-572 Annex C - 2018 Methodological Notes At **BCA**, suppliers were not assessed with regard to Human Rights criteria. A systematic practice was not in place **at BI** for supplier assessment in terms of human and labour rights. **BCG Brazil** evaluates its suppliers based on their observance of labour standards, any judicial or administrative cases/sentences and media consultation regarding the Bank. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	2	-
414-2	Negative social impacts on the supply chain and measures taken	CGD's Risk Management Division (DGR) does not have in place specific procedures for identifying this type of situations, which can be included under operational risk management only in unequivocal instances of legal non-compliance on the part of CGD. Impacts of this type of situations basically fall under reputational risk. The operational risk event database was queried in order to identify any situations that could impact the supply chain that have been validated in 2017 and no events were identified. No systematic practice was in place **at BI** for supplier assessment in terms of human and labour rights. **BCA** did not assess negative impacts in terms of Human Rights on its supply chain. **BCG Brazil** assesses its suppliers based on their observance of labour standards, any judicial or administrative cases/sentences and media consultations on behalf of the company. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	2	-

SOCIETY INDICATORS

ASPECT: LOCAL COMMUNITIES* **Forms of Management (103):**

103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Investment in the Community and Philanthropy” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 589-603).

413-1	Operations with programmes involving local communities	Management Report and Accounts 2018 – pp. 589-603 ▪ Scope: CGD, S.A.	1	-

413-2	Operations with negative impacts on local communities	In 2018, there were no funding operations with negative impacts on local communities. ▪ Scope: CGD, S.A.		1, 2
SOCIETY INDICATORS				
ASPECT: PUBLIC POLICIES* **Forms of Management (103):** 103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Fighting fraud and tax evasion” was one of the environmental topics identified (Materiality Matrix – Management Report and Accounts 2018 – pp. 552). 103-2) – CGD has implemented a set of initiatives related to this topic (Sustainability Strategy 2018-2020 – Report and Accounts 2018), namely the alignment of its sustainability strategy with the UN's Sustainable Development Goals, being a member of the Portuguese Coordinating Committee of the Alliance for Sustainable Development..				
415-1	Total amount of political contributions by country and by recipient	In compliance with its mission and its fundamental values, and as a benchmark bank in Portugal, CGD does not fund political causes, as its conduct hinges on principles of transparency, non-segregation and ethical principles recognized by all stakeholders. Moreover, political contributions from companies are forbidden under Portuguese Law No. 19/2003, of 20 June (art. 8). **BI, BCA and BCG Brazil** do not make this kind of contributions, as their conduct hinges on principles of transparency, non-segregation and ethical principles recognised by all stakeholders. Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	10	-
ASPECT: SOCIO-ECONOMIC COMPLIANCE				
419-1	Monetary amount of significant fines and total number of non-monetary penalties due to non-compliance with laws and regulations	Annex C - 2018 Methodological Notes Four instances occurred at **CGD**. At **BI, BCA in Cape Verde, and BCG in Brazil**, there is no record of any penalties/significant fines during 2018. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	-	16
ASPECT: CUSTOMER HEALTH AND SAFETY* **Forms of Management (103):** 103-2) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. “Financial Balance” was one of the environmental topics identified. Materiality Matrix – Management Report and Accounts 2018 – pp. 552. 103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 - pp. 570-571).				
PRODUCT LIABILITY INDICATORS				
416-1	Assessment of impacts of products on health and safety	Management Report and Accounts 2018 – pp. 584-588 ▪ Scope: CGD, S.A.	-	-

416-2	Total number of instances of non-compliance with regulations and voluntary codes pertaining to impacts on health and safety caused by products and services	Six Notifications from the Authority for Working Conditions for submission of documents related to occupational health and safety: SSCGD Porto-Centro Clínico (2), 0633-Ponte da Barca, 2038-Largo João de Almeida-Guarda, 0751-São Vicente-Viana do Castelo, 0435-Manteigas and 0923-Vilar Formoso. ▪ Scope: CGD, S.A.	-	16

ASPECT: LABELLING OF PRODUCTS AND SERVICES* **Forms of Management (103):**

103-1) – to 103-1) – CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenges put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Fighting fraud and tax evasion" and "Accessible, stringent and transparent communication" were identified topics. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.
103-2) – CGD has implemented a set of initiatives related to this topic (Sustainability Strategy 2018-2020 – Report and Accounts 2018), namely the alignment of its sustainability strategy with the UN's Sustainable Development Goals, being a member of the Portuguese Coordinating Committee of the Alliance for Sustainable Development.

417-1	Type of product information required under labelling procedures, as well as the percentage of products and services subject to such requirements	Management Report and Accounts 2018 – pp. 565 At **CGD**, 77 products and services were subjected to the "Product Approval Process" and 1 product was subject to prior approval by the competent supervising authority, as all of these were validated as to their legal and regulatory compliance. **BI** continuously monitors and adapts its activity to any new legal and regulatory obligations, as well as recommendations and best practices issued by supervisory authorities, relating to transparency in relationships with customers, also acting with truth and clarity, in accordance with the values and principles enshrined in its Code of Conduct. Noteworthy are the adjustments made to the business as a result of the following regulations: - 2018 State Budget (Law No. 20/IX/2017, of 30 December) brought changes to laws in terms of taxation and incentives. - Price List (Notice No. 2/2018, of 9 March - Amends Notice No. 1/2013) - sets forth a set of regulations operation disseminating the price list, the duties of providing information and customer service. - Legal framework regarding economic and financial transactions with other countries and concerning exchange-rate transactions (Legislative Decree No. 3/2018, of 22 June): This legislation regulates the legal framework of economic and financial transactions with other countries and concerning exchange-rate transactions on domestic soil. - General contractual clauses (Law No. 33/IX/2018, of 28 June): This general provision governs general contractual clauses. - General Data Protection Regulation (GDPR) (EU 2016/679): This is a regulation under European law regarding personal data privacy and protection, applicable to every individual in the European Union and the European Economic Area. **BCA** continuously monitors and adapts its activity to any new legal and regulatory obligations, as well as recommendations and best practices issued by supervisory authorities, relating to transparency in relationships	-	12

		with customers, acting with truth and clarity, in accordance with the values and principles enshrined in its Code of Conduct. With regard to the advertising of BCA's products and services – Corporate Customers – in late December 2015, Service Order No. 29/2015 was published on 23 December, effective as of January 2016. This service order sets out the general principles to which BCA's advertising is subject, outlines the responsibilities of the intervening Divisions and establishes the obligation of validation, by the relevant body, of the advertising of the financial products and services offered. It also sets forth the rules, depending on the means of diffusion used, and any mandatory or restricted wording. BCA also follows recommendations in Regulation 1/2016 of 6 May, which establishes more precise rules regarding the content of the Corporate Governance Code – the Governance Code for Issuers of Securities admitted to Trading in Regulated Markets. **BCG Brazil** has the following elements to support the products and services offered: (i) product sheet, for internal evaluation by each area, so that they can be familiar with the aspects of each product offered by the Bank; (ii) Disclosure of Derivatives by the Treasury (NDF, Swap, Options) (iii) the BCG Brazil website's disclosure of the Terms and Conditions applicable to LCI, LCA, CDB and LF products, Buyback Transactions and DPGE. ▪ Scope: CGD, S.A. + Affiliate Banks (BCA, BI and BCG Brazil)		
417-2	Total number of occurrences of non-conformity with legislation and voluntary codes regarding information and labelling of products and services, by type of result	Annex C - 2018 Methodological Notes **CGD, S.A.** recorded 10 cases of non-conformities with labelling procedures for products and services related to information duties, including pre-contractual and contractual information. One of these non-conformities resulted in a fine or a penalty and the other 9 in notices from the Bank of Portugal. **BCA, BI and BCG Brazil** did not record any non-conformities with procedures for the labelling of products and services. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	-	16
417-3	Total number of non-conformities with regulations and voluntary codes pertaining to marketing communications, including advertising, promotion and sponsorship, by result	Annex C - 2018 Methodological Notes In 2018, CGD, S.A. recorded 1 non-conformity in this matter, which resulted in a notice from the Bank of Portugal. ▪ Scope: CGD, S.A.		

ASPECT: CUSTOMER PRIVACY				
418-1	Total number of confirmed complaints regarding the violation of privacy and loss of customer data	Annex C - 2018 Methodological Notes At **CGD**, the 10 instances of complaints identified stem from: -Sending an invitation to a Customer for an event without his/her consent for this purpose -Correspondence delivered outside the intended recipient's mailbox -A letter sent by CGD was received open -Dissemination of a Customer's personal data to a third party, via SMS and delivery of an overall statement -Potential loss of data - theft of statement -Sending marketing communication after terminating a contractual relationship with CGD. **BCA** received 7 complaints: one on bank secrecy and on breach of privacy, specifically related to leaks, theft or loss of customer data, with 5 complaints being the responsibility of the complainant customer, and another currently under analysis. **BI and BCG Brazil** did not receive any complaints for violation of privacy and loss of customer data. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	-	

FINANCIAL SUPPLEMENT INDICATORS

ASPECT: PRODUCT PORTFOLIO* Forms of Management:

a) The identification of CGD's material topics consisted of assessing the importance of a set of topics based on the results of stakeholder consultation and on an internal impact classification of those topics. “Supply geared to circular and to low-carbon economy” and “Sustainable Finance” were deemed to be medium- and high-priority topics. Materiality Matrix – Management Report and Accounts 2018 – pp. 552.

b) CGD has in place a set of initiatives related to this topic (Report and Accounts 2018 – pp. 554-562)

c) CGD monitors indicators associated with this topic and reports them to the public (Report and Accounts 2018 – pp. 554-562).

Forms of Management	Policies regarding specific environmental and social aspects enforced on business lines*	Management Report and Accounts 2018 – pp. 446-447, 549 **CGD, S.A.** https://www.cgd.pt/Institucional/Sustentabilidade-CGD/Politicas-compromissos/Pages/Politicas-Compromissos.aspx BI has established and implemented a sustainability policy and an environmental and social risk policy, available at the website: http://www.bi.cv/Conteudos/All/lista.aspx?idc=2017&idsc=2051&idl=1 and on the link http://www.bi.cv/upl/%7Bd1997245-e1ef-4ae0-886d-a5008f0b8f7c%7D.pdf **BCG Brazil:** https://www.bcgbrasil.com.br/Paginas/Sustentabilidade.aspx ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA and BCG Brazil)	-	16
	Procedures for the assessment of environmental and social risks along the various business lines	Management Report and Accounts 2018 – pp. 483-491 At **BCG Brazil, BI and BCA**, there were no updates to procedures for assessing environmental and/or social risks. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)		

	Processes for developing employee skills, leading to the implementation of environmental and social policies and procedures applicable to business lines	Management Report and Accounts 2018 – pp. 483-491 At **BI, BCA and BCG Brazil**, no competences were developed in these matters with employees. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)		
	Processes for monitoring customers' compliance with the various requirements included under the agreements/contracts	Management Report and Accounts 2018 – pp. 483-491 At **CGD**, customer contract compliance monitoring procedures focus primarily on: risk management processes that include the monitoring of compliance with contractual conditions agreed upon with the CGD Group; assessing the economic and financial situation; forecasts on the development of customer activity; verification of the existence of operations with overdue loans or interest in the CGD Group and/or the financial system; adequacy of guarantees and collaterals for the mitigation of the respective loans; and analysis of historical information on the customer's timely payment behaviour. CGD also has two specialised monitoring units: the Business Monitoring Division (DAE), which monitors and recovers loans granted to companies, and respective groups, whose dealings with CGD involve amounts over 1 million euros; and the Retail Customers Monitoring Division (DAP), which follows up on customers in financial difficulties, in the negotiation and litigation segments. Under a project finance system, customers are required to comply with legislation in force, particularly that concerning socio-economic and environmental issues. In specific cases of projects whose activity has a more relevant environmental impact (e.g.: projects involving a high level of CO_2 emissions), it is customary for technical consultants to refer to compliance with emission levels in project monitoring reports. ▪ Scope: CGD, S.A.	-	16

	Interaction with customers/investors/partners with regard to social and environmental risks and opportunities*	Management Report and Accounts 2018 – pp. 483-491 **CGD** interacts with its stakeholders with regard to these matters in several ways - consultation on sustainability, responsible supplier management, risk management procedures in credit-granting analyses, sustainability in the commercial offer and support to awareness-raising events. **BI** has developed a set of actions among its staff members and other stakeholder groups because it is important to maintain a good relationship, which is considered a key element for the success of the bank's activity. In turn, it allows ensuring continued sustainability while creating an impact on the prosperity of the business. In this regard, the following actions were developed: a) Combating corruption and money laundering, whose response took the form of continuous internal training, the internal rules and procedures system and the role of the Compliance Office; b) Brand and reputation management through the preparation of the biannual sustainability report. The next report will be for 2017/2018, to be issued in 2019; c) Dissemination of support provided by BI in social networks, in order to publicise the social work carried out by many institutions and encourage support for these causes. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil and BNU Timor)		
FS6	Percentage of specific business lines/segment, relative to overall volume, by region and size	Management Report and Accounts 2018 – pp. 554-562 ▪ Scope: Consolidated operations (CGD Group)	-	1, 8
FS7	(Monetary) volume of products and services with social benefit, by business line	Management Report and Accounts 2018 – pp. 557-558 In 2018, there were no values to report as part of this indicator at **BCG Brazil**. The proportion of products with a social benefit over the total products offered in the Retail and Corporate segments (excluding Funds) is 4% and 3%, respectively. ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	-	1, 8, 9, 10, 11
FS8	(Monetary) volume of products and services with environmental benefit, by business line	Management Report and Accounts 2018 – pp. 555-556 The proportion of products with an environmental benefit over the total products offered in the Retail and Corporate segments (excluding Funds) is 0.1% *ex aequo.* ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil)	-	

ASPECT: AUDIT* **Forms of Management (103):**

a) – The identification of CGD's material topics consisted of assessing the importance of a set of topics based on the results of stakeholder consultation and on an internal impact classification of those topics. “Integration of social, environmental and governance factors in credit analysis” was deemed relevant (Materiality Matrix – Management Report and Accounts 2018 – pp. 552).
b) - CGD has in place a set of initiatives related to this topic (Accounts and Report 2018 – pp. 546-548, 566-568)
c) CGD monitors indicators associated with this topic and reports them to the public (Accounts and Report 2018 – pp. 546-548, 566-568)

Forms of Management	Scope and frequency of audits for assessing the implementation of environmental and social policies as well as risk assessment procedures	CGD does not have specific audits in place for assessing the level of implementation and compliance with the sustainability, environmental and social policies, with the exception of the monitoring conducted as part of the Environmental Management System, under which CGD and the suppliers involved in the certification under standard ISO 14001 are subject to annual external audits, conducted by the certifying body. The communication and periodic reporting of the performance as well as environmental and social management practices undertaken by CGD is vital for compliance with the set goals, and ensures the involvement of all parties concerned. Thus, the progress achieved in the different spheres of action of the various policies are reported. This reporting process is subject to independent external verification and auditing. The General Sustainability Commission monitors the status of implementation of these policies. In order to pursue these policies, implementation plans are set forth and periodically revised, with defined goals and targets, in the various spheres of action, directly related to significant environmental and social aspects/impacts of CGD's operations. In its Sustainability Policy, CGD undertakes to gradually include environmental and social aspects in the evaluation of credit risks and in the selection of companies and projects to be funded. ▪ Scope: CGD, S.A.	-	10
FS10	Percentage and number of companies included in the organisation's portfolio and with which it interacted with regard to social and environmental aspects	The Sustainability, Environment, Community Involvement and Product and Service Policies apply to CGD, S.A. Affiliated banks in Cape Verde (BI, BCA), Brazil (BCG Brazil) and BNU Timor are companies included in the Corporate Sustainability Programme. ▪ Scope: CGD, S.A. and Affiliate Banks (BI, BCA, BCG Brazil and BNU Timor).		

FINANCIAL SUPPLEMENT INDICATORS				
FS11	Percentage of assets subject to environmental and social assessment	Caixagest Energias Renováveis (Renewable Energy) Alternative Open-End Investment Fund: At the end of 2018, there were 8.3 million euros under management. This represented 0.22% of the total volume of securities funds managed by Caixagest. Caixagest Socially-Responsible Investment (SRI): At the end of 2018, there were 87.3 million euros under management. This represented 2.33% of the total volume of securities funds managed by Caixagest. ▪ Scope: CGD, S.A. (Caixagest)	-	10
Forms of Management	Policies with regard to voting on social and environmental aspects applied to initiatives on which the organisation holds voting rights or aids in the voting decision	When necessary, CGD exercises its voting right, bearing in mind the implications of decisions regarding direct social and environmental impacts. Generally speaking, CGD exercises its voting right with regard to aspects of a formal social nature with no direct implications in matters of an environmental or social nature. ▪ Scope: CGD, S.A.		-
FS13	Access in sparsely populated or economically underprivileged areas*	Management Report and Accounts 2018 – pp. 555 ▪ Scope: CGD, S.A.		1, 10
FS14	Initiatives for improving access to financial services by underprivileged individuals*	Management Report and Accounts 2018 – pp. 556-559, 598 ▪ Scope: CGD, S.A.		

ASPECT: LABELLING OF PRODUCTS AND SERVICES* **Forms of Management:**

CGD's materiality matrix comprises vectors deemed to be most important for its continuous contribution toward sustainable development, by monitoring the challenged put forth to its sector of operation by the various stakeholders, namely with the greatest influence and transformation power. "Financial and digital literacy" was one of the environmental topics identified (Materiality Matrix – Management Report and Accounts 2018 – pp. 552).

103-2 and 103-3 – CGD has in place a set of initiatives related to this topic, monitors the indicators related thereto and reports them to the public (Management Report and Accounts 2018 – pp. 550).

Forms of Management	Design and marketing policies of financial products and services*	Management Report and Accounts 2018 – pp. 549-552 ▪ Scope: CGD, S.A.	-	10
	Initiatives for improving financial literacy, by type of beneficiary*	Management Report and Accounts 2018 – pp. 598-599 ▪ Scope: CGD, S.A. + Affiliate Banks (BI, BCA, BCG Brazil and BNU Timor)		1, 8, 10

* Relevant/material topic

ANNEX C - METHODOLOGICAL NOTES

2018 Methodological Notes

102-8
In 2018, there are no subcontracted employees at CGD, S.A. or at its affiliated banks. This considers active employees as at 31 December 2018.
There are no part-time employees at BI.
For BCA, the 3 executive directors were considered. At BCA, employees whose work hours were reduced by the Medical Board while earning the full salary, *i.e.*, 100% of their monthly retribution, were considered to be part-time workers.

102-46 – 102-47 – 103-1
The 2018 Sustainability Report was drafted in accordance with Global Reporting Initiative (GRI) guidelines, in the GRI Standards version, including the financial supplement. To meet the new guidelines, CGD developed a materiality matrix based on the results of the consultation process to internal and external stakeholders, held in 2015, with a view to identifying the material topics to be addressed in these reports (see the Materiality Analysis on both reports). This matrix illustrates the importance attached to the various topics in the economic, environmental and social pillars, by the various stakeholders, given the level of impact of such topics for CGD, as identified by several CGD Divisions.

As a result of this exercise, we highlight the following material topics and respective correspondence with GRI indicators:

Topics	Aspect limit	GRI indicators	Notes
Security for customers and their financial assets	Internal/External	416-1 and 416-2	
Risk Management	Internal	G4-2 and DMA FS – Product Portfolio and Auditing	
Governance and Reputation	Internal	(102-18 to 102-39)	
Financial Balance	Internal	201-1 to 201-4	
Customer selection and satisfaction criteria	Internal/External	102-43, 102-44	
Fight against fraud and tax evasion	Internal/External	205-1 - 205-3	This topic is only reported in the Report and Accounts 2018
Talent attraction and retention	Internal	401-1 to 401-3, 405-1	
Advice for adhesion to sustainable offer	Internal/External	FS6 to FS8, FS11, - FS13 and FS14	
Offer geared towards circular and low-carbon economy	Internal/External	FS6 to FS8, FS11, FS13 and FS14)	
Career, remuneration and incentive management	Internal	401-2, 404-1 to 404-3, 405-2	
Accountability and Transparency	Internal/External	417-1 to 419-1 DMA FS Product and service labelling	
Climate Change and energy transition	Internal/External	DMA FS – Product Portfolio	
Socio-economic and digital inclusion and progress	Internal/External	FS7, FS13, FS14	
Governance and reputation	Internal/External	417-1, 102-43 - 102-44 and FS15	This topic is only reported in the Report and Accounts 2018 – p. XX
Code of Conduct	Internal/External	102-16 to 102-17	
Climate Change and energy transition	Internal/External	302-1 to 302-5; 305-1 to 305-7	
Sustainability Strategy, actions and objectives	Internal/External	102-14 to 102-15	
Regular involvement with key stakeholders	Internal/External	102-40 to 102-44	

Digital innovation and evolution	-	-	
National and European regulatory trends	-	-	
Financial and digital literacy and Volunteer work	Internal/External	FS Product and service labelling FS16, 203-1	
Privacies and Information Security	-	-	
Integration of social, environmental and governance factors into credit analysis	Internal/External	FS - Product Portfolio	
Efficient Resource Management (SGA)	Internal/External	102-11, 301-1 to 303-3, 305-1 to 305-5, 305-7 to 306-3, 306-5, 307-1, 308-1-308-3, 103-2	
Working conditions and well-being of employees	Internal	401-2, 403-1 to 403-4	
Investment in the Community and Philanthropy	Internal/External	203-1, FS16	
Supply chain (Responsible purchases)	Internal/External	102-9, 204-1, 308-1 to 308-2, 407-1 to 409-1, 414-1 to 414-2	
Physical, technological and digital accessibility	Internal/External	FS14	
Equal pay, gender equity and diversity	Internal	401-3, 405-1, 405-2, 406-1	
Advice for adhesion to sustainable offer	Internal/External	DMA FS Product Portfolio	
Human Rights	Internal/External	412-3 to 414-2, 103-2	
Environmental Footprint management and GHG reduction targets	Internal/External	301-1 to 302-1, 302-3, 302-5, 303-1, 305-1 to 305-5, 306-2	

102-38 and 102-39
It only considers the remuneration of employees in Portugal.

102-42
In order to identify and prioritise the stakeholders to be consulted, the various Divisions with direct relationships with the various groups of stakeholders have identified the various entities that will be asked to complete the sustainability questionnaire – a core instrument for stakeholder consultation in the field of sustainability.

201-1
Income distribution under 'Employee salaries and benefits' considers the remunerations of management and supervisory bodies, employee remunerations, the provision for supply agreements, other charges with remuneration, other mandatory social security contributions and other staff costs, whose figures are reported as part of the income statement. Additionally, it also includes amounts spent on seniority bonuses, CGD's healthcare and CGD's pension fund, whose results are reported as part of a cash flow statement.

The heading "Donations and other investments in the community" considers only the amount spent by CGD on "Patronage" in 2018.

As of the 2015 report, the estimate of taxes on profits paid locally by the Branches has been included in the item "Payments to the State".

202-2
For CGD, S.A., Top Management is understood as the Board of Directors (which is elected by appointment).

203-1
At BI, all investments made were under the Patronage Law.

204-1
For calculating the indicator in CGD, all supplies of goods and services with annual invoicing of € 2,500 (with non-deductible VAT) were considered. Local suppliers are those with taxpayer identification number (NIF) of the nationality where the bank is present (e.g. CGD, SA - Portuguese NIF, BCA and BI - Cape Verdean NIF).

301-1
At CGD, S.A., the per-unit weight of reported materials was given by directly weighing the materials or by the material specifications (base weight and dimensions).

For BI Cape Verde and BCA Banks the specifications of the materials used during the reporting period were considered. BCA Cape Verde was unable to obtain the specifications of envelopes used, so BI's specifications were considered.

In the case of BCG Brazil, the paper consumption reported is obtained by estimating the stock, as, given its small size, a precise stock inventory is not justified. The total quantity of the most relevant materials are presented by type, without, however, providing the segmentation between the total quantity of direct and non-renewable materials, as such segmentation is unsuited to the services sector.

301-2

CGD S.A. monitors the number of envelopes obtained from recycling, having recorded 4.18 tons, amounting to a use percentage of 5% for this type of material.

302-1

CGD, S.A.: The figures shown for electricity consumption in CGD, SA's central buildings concern the following buildings: Av. João XXI - Lisbon (Head Office); Av. Aliados – Porto (Praça D. João I); Av. França- Porto; Praça da Liberdade – Porto; Camões – Porto; Rua 31 Janeiro – Porto; Sapadores – Lisbon; Cabo Ruivo – Lisbon; Rua Eduardo Neves (Edifício Pinta) – Porto. In 2018, we considered the consumptions associated with the CGD, S.A.'s commercial network facilities in Mainland Portugal and on the Azores and Madeira islands.

BCG Brazil: In the case of consumption associated with the vehicle fleet, the figure is estimated based on the average monthly consumption of vehicles in use (in 2018, the Bank had four vehicles).

BI: Consumption figures are estimated based on the specific consumption of each vehicle, considering the kilometres travelled.

BCA: The fleet's consumption figures are estimated based on the specific consumption of each vehicle, considering the kilometres travelled.

Energy consumption within the organisation was converted to energy units (GJ), using conversion factors. The following table reports the factors used for CGD, S.A, BI Cape Verde, BCA Cape Verde and BCG Brazil.

Conversion factors		General		
		Unit	Amount	Source
Electricity		kWh/GJ	0.0036	International Energy Agency
		CGD, S.A		
Diesel	PCI (heat of combustion)	GJ/ton	42.60	APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016
	Density	kg/l	0.8325	Decree-Law No. 152-C / 2017, of December 11
Petrol	PCI (heat of combustion)	GJ/ton	44.00	APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016
	Density	kg/l	0.7475	Decree-Law No. 152-C / 2017, of December 11
Natural gas	PCI (heat of combustion)	GJ/((N)m^3 x 10^3	38.44	"European Emissions Trading Scheme (EETS)
		BI Cape Verde, BCA Cape Verde and BCG Brazil		
Diesel	PCI (heat of combustion)	GJ/t	43.0	GHG Protocol (March 2017) http://www.ghgprotocol.org/calculation-tools/all-tools
	Density	kg/l	0.84	
Petrol	PCI (heat of combustion)	GJ/t	44.3	
	Density	kg/l	0.74	

In 2018, EDP supplied the electricity for CGD, S.A. In the Azores Autonomous Region, electricity was supplied by Eletricidade dos Açores (EDA), and in the Madeira Autonomous Region, it was supplied by Empresa de Eletricidade da Madeira (EEM). The figures given do not reflect the losses associated with the distribution and transport of electricity in the grid, or the losses inherent to limitations of efficiency associated with production processes that are behind the electricity consumed, as we were unable to obtain from public sources updated figures that would comprise all of these aspects.

Sources:

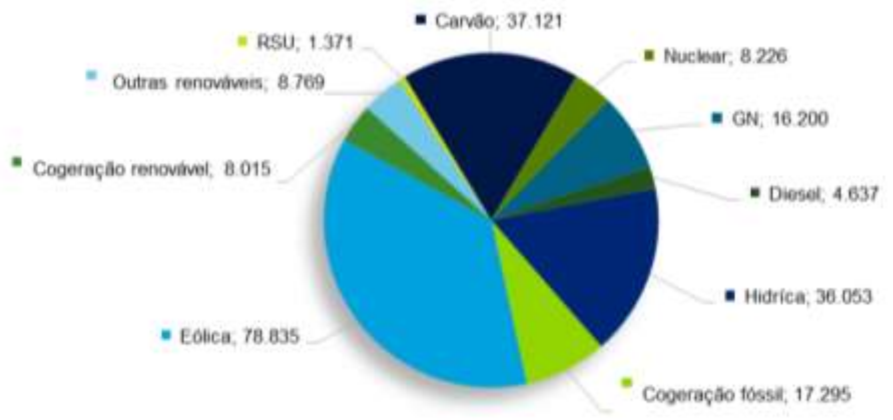
Mix EDP Comercial 2018 (total EDP Comercial) - available at https://www.edp.pt/particulares/apoio-cliente/origem-energia/?sector=Total%20EDP%20Comercial&year=-1&period=-1

Mix EDA 2018 - available on the website http://www.eda.pt/Regulacao/Rotulagem. Since EDA's emission factor was not updated at the time of calculating CGD S.A.'s carbon footprint, the 2017 figure was used.

Mix EEM 2018 - available on the website http://www.eem.pt/media/384452/evol_mad_2018.pdf

With regard to White Photocopy Paper, 100% of certified but not recycled paper is used.

Energy mix associated with electricity consumption 2018 - CGD, S.A.



302-3 and 305-4

Energy and carbon intensity are calculated considering FTE and net operating income. The FTE value considers only the activity carried out in Portugal and the net operating income considers the value of the activity carried out in Portugal and the respective branches.
For calculating energy intensity, all types of energy consumption within the organisation (included in response to indicator 301-1) are being considered.

Emissions of scope 1 (indicator 305-1), scope 2 (indicator 305-2) and scope 3 (indicator 305-3) are taken into account for calculating the carbon intensity, assuming the assumptions described in the respective methodological notes.

303-1
The figures shown for water consumption at CGD, S.A.'s central buildings concern the following buildings: Av. João XXI - Lisbon (Head Office); Av. Aliados – Porto (Praça D. João I); Av. França- Porto; Praça da Liberdade – Porto; Rua 31 Janeiro – Porto; Sapadores – Lisbon; Cabo Ruivo – Lisbon;

In Portugal, because of the large number of installations, their geographic dispersion, corresponding diversity of suppliers and the fact that their information was provided in a format rendering their computer processing infeasible, CGD S.A. cannot, under such conditions, control the commercial network's water consumption.

All of the water used by BI and BCA comes from the municipal water supply and from pump trucks. Pump trucks are used for two main reasons. The first is when there is an outage in public water supply (supply entrusted to the company ELECTRA) and there is the need to turn to a third-party supply. On the other hand, in the case of BI, there are two branches for which public water cannot be provided, which is why the Bank supplies these two branches via pump trucks.

In the case of BI, the water consumption at the Head Office is included in the Central Buildings, and it is not possible to obtain the consumption figures of some central services (SGE, Administration and GAL). The branch network includes: Santiago (ASA, Plateau, AGF, Armazém ASA and Assomada Branches), São Vicente (Mindelo Branch), Sal (Espargos and Santa Maria Branches), Boavista (Sal Rey Branch).

BCA's water consumption concerns central buildings and branches located on the islands of Santiago, Fogo, Brava, Maio, São Vicente, Santo Antão, Sal, São Nicolau, Boavista and Praia.

The entire volume of water consumed at BCG Brazil is supplied by municipal water services. Since late 2015, BCG Brazil has had its head office in an LEED Platinum-certified building. The building captures rainwater, which is then treated and reused in the sanitary facilities and for cleaning, thus reducing the volume of water provided by the municipal services.

303-3
CGD's facilities do not have any type of water recovery system, except for BCG Brazil facilities, which have a rainwater reuse system..

305-1

The calculation of CGD's direct emissions (scope 1) considered the energy consumption reported under indicator 302-1. The emission factors were updated according to the latest domestic and international references. The following table shows the emission factors considered for CGD S.A, BI Cape Verde, BCA Cape Verde and BCG Brazil.

Emission factors	CGD, S.A		
	Unit	**Amount**	**Source**
Natural gas	kg CO_2/GJ	56.1	APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016 (p. 189)
	kg CH_4/GJ	0.001	
	kg N_2O/GJ	0.001	
Diesel	kg CO_2/GJ	74.1	
	kg CH_4/GJ	0.0007	
	kg N_2O/GJ	0.0004	
Petrol	kg CO_2/GJ	69.3	
	BI Cape Verde, BCA Cape Verde and BCG Brazil		
Diesel	kg CO_2/GJ	74,100	*GHG Protocol* (March 2017) http://www.ghgprotocol.org/calculation-tools/all-tools
	kg CH_4/GJ	10	
	kg N_2O/GJ	0.6	
Petrol	kg CO_2/GJ	69,300	
	kg CH_4/GJ	10	
	kg N_2O/GJ	0.6	
Oxidation Factors	**Unit**	**Amount**	**Source**
Natural gas	-	1	APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016 (p. 189 Table)
Diesel	-	1	

In order to convert methane (CH4) and nitrous oxide (N_2O) emissions, the *Global Warming Potential* (GWP) of the IPCC *Fourth Assessment Report* (AR4) (IPCC 2007) was used.

Global Warming Potential (2016)		
Unit	Amount	Source
CO_2	1	Portuguese Agency for the Environment - *Portuguese National Inventory Report on Greenhouse Gases* 1990-2015, 2017 (page 1-7, table 1.1)
CH_4	25	
N_2O	298	

In the case of gas leaks, the global warming potential of the gas was considered. Only the central heating systems leaks are counted (extinguishing equipment excluded). Regarding the commercial network, it was only possible to determine the information for about 50% of the installations (about 346 installations) until 2016. As of 2017, the scope was extended to about 773 installations. In 2018, leakage on every piece of equipment in the commercial network and central buildings in Portugal were accounted for at the head office; thus, no annual f-gas loss estimates were used as in preceding years.

In the case of BCA, the quantity of gases acquired during the reporting year for the Chã de Areia Building and for the Southern and Northern Branches is considered. For BI it has not been possible to calculate this data due to lack of information.

Since late 2015, BCG Brazil's facilities have been located in a single building, and since 2016 one piece of equipment has been eligible for emissions calculation (R410A).

	CGD		
	Gas	Amount	Source
Gas	R134A	1,430	Figures set by IPCC and by the Portuguese Environmental Agency (version published on 19 March 2015)
	R402A	2,100	
	R404A	3,922	
	R407C	1,774	
	R410A	2,088	
	R417A	2,346	
	R417C	1,820	
	R422A	3,143	
	R422D	2,729	
	R502	4,657	
	R410C	2,229	
	R424A	2,440	
	R27A	2,138	
	SF6	22,800	

305-2
The calculation of scope 2 indirect emissions considered the consumption reported under indicator 302-1. The following table shows the emission factors used.

Emission factors	CGD, S.A		
	Unit	2018 Figure	Source
Electricity (EDP)	kg CO_2/km	0.22896	https://www.edp.pt/particulares/apoio-cliente/origem-energia/?sector=Total%20EDP%20Comercial&year=-1&period=-1 (considered the total EDP Comercial)
EDA (Eletricidade dos Açores)	kg CO_2/km	0.489	http://www.eda.pt/Regulacao/Rotulagem
EEM (Empresa De Eletricidade Madeira)	kg CO_2/km	0.427	http://www.eem.pt/media/323353/evol_mad_11_2018.pdf
	BI Cape Verde and BCA Cape Verde		
Other Africa	kg CO_2/km	0.468	*International Energy Agency (2015). CO2 Emissions from Fuel Combustion, 2015 Edition.*
	BCG Brazil		
Brazilian National Interconnected System	kg CO_2/MWh	0.0740	Ministry of Science, Technology and Innovation (MCTI) http://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao_corporativos.html

305-3
Indirect emissions of scope 3 consider the following activities: Work-related trips using third-party vehicles and waste treatment. The following table shows the emission factors used, which were updated in the reporting year.

Emission factors	CGD, S.A, BI Cape Verde and BCA Cape Verde, BCG Brazil		
	Unit	Amount	Source
Aeroplane – Domestic flights (<463 km)	kg CO_2/pkm	0.156	2018 *Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting*
	CH^4 kg CO_2e/pkm	0.00012	
	N_2O kg CO_2e/pkm	0.00148	
Aeroplane - Short Haul (> *463km and < 3700 km)*	kg CO_2/pkm	0.085	
	CH^4 kg CO_2e/pkm	0.00001	
	N_2O kg CO_2e/pkm	0.00080	
Aeroplane - Long Haul *(≥ 3700 km)*	kg CO_2/pkm	0.111	
	CH^4 kg CO_2e/pkm	0.00001	
	N_2O kg CO_2e/pkm	0.00105	
Train	kg CO_2/pkm	0.033	Comboios de Portugal (Portuguese Rail Company) - RS 2017 (p. 86)
Taxi	kg CO_2/vkm	0.152	2018 *Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting*
	CH^4 kg CO_2e/vkm	0.00001	
	N_2O kg CO_2e/vkm	0.00132	
Car (fuel unknown)	kg CO_2/km	0.119	2018 *Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting*
	CH^4 kg CO_2e/km	0.00033	
	N_2O kg CO_2e/km	0.00038	
Boat	kg CO_2/km	0.018	
	CH^4 kg CO_2e/km	0.00001	
	N_2O kg CO_2e/km	0.00025	

For work-related trips, emissions associated with transport by air, train, boat and individual transport are considered. However, due to the activity and existence of information, not all activities are applicable to all banks.

Key: Applicable (X) Not available / Not applicable (-)	CGD, S.A	BI	BCA	BCG Brazil
Aeroplane	x	x	x	x
Train	x	-	-	-
Boat	-	-	x	-
Private transportation	x	-	-	x

CGD, S.A. produces waste, which is then forwarded to recycling (R) and energy recovery/depositing in the ground (D). In 2018, for the first time, emissions associated with recycling and energy recovery were considered, using the Defra emission factor with regard to Recycling (open-loop) and combustion, as the calculation was performed on the history over a three-year span (2016-2018). In addition, emissions associated with landfill disposals (destination D) were determined using the emission factor published in Defra (emission factor for municipal waste).

Emission factors	CGD, S.A		
	Unit	Amount	Source
Landfill – Municipal Solid Waste	kg CO_2/t MSW	586.5	2018 *Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting*
Open-Loop recycling - Municipal Waste	kg CO2/t MSW	21.4	
Combustion - Municipal Waste	kg CO2/t MSW	21.4	

305-7
The calculation of the atmospheric emissions of SOx and NOx, considered the consumption reported in indicator 302-1 for CGD, S.A.'s vehicle fleet and emergency generators. It is considered that this indicator is not relevant for international structures, considering the consumption figures reported in indicator 302-1. The following table shows the emission factors used.

Emission factors	CGD, S.A		
	Unit	Amount	Source
Diesel	kg NOx/GJ	0.8	IPCC 2006
	kg CO_2/GJ	0.21	
Petrol	kg NOx/GJ	0.6	
	kg CO_2/GJ	0.075	

306-2
The given amounts of waste produced refer to monitored waste, *i.e.*, the total quantities produced at the Head Office Building and waste generated at other facilities and considered by the Waste Monitoring Guide (WMG). The amounts associated with the generation of waste from plastic, paper and cardboard packages and other municipal and equivalent waste by the Porto Culturgest Foundation are obtained by means of an estimate (based on the number of exhibits held in 2018 in Porto and on their specific waste production) of the amount of waste taken to the central building's waste plant.

BI, BCA, and BCG Brazil do not compile information regarding waste generation.

307-1
CGD, S.A. considers that significant fines/administrative penalties are those equal to or greater than 15,000 euros.

308-1 - 414-1
Suppliers to be considered in this indicator have an invoicing amount greater than or equal to € 2,500 (with non-deductible VAT);

When totalling new/selected suppliers, we considered those from negotiating areas of Sogrupo Compras e Serviços Partilhados (SCS), a structure that directly hires suppliers.

Selection processes independent from the SCS are not considered.

Some contracts with suppliers also included the following annexes: Ethical Principles and Corporate Best Practices and Environmental, Health and Safety Best Practice Guide.

401-1
The formulas used to calculate turnover rates and new hires for CGD and Affiliated Banks were the following:

- Turnover rate = (No. of employees leaving during the reporting period / total No. of employees at the end of the reporting period) x 100, by age group and gender
- Rate of new hirings = (No. of new hirings / total no. of workers) x 100, by age group and gender

As concerns CDG, S.A., the figures given refer only to new hires and exits recorded in Portugal.

401-3
The formulas used to calculate the return and retention rates for CGD and Affiliated Banks were the following:

- Rate of return to work = (Total number of employees returning to work following maternity or paternity leave / Total number of employees benefiting from maternity or paternity leave) * 100, by gender
- Retention rate = (Total number of employees retained 12 months after returning to work following maternity or paternity leave / Total number of employees returning from maternity or paternity leave during the preceding reporting period) *100, by gender.

Legal periods in force in Cape Verde for maternity and paternity leave are 60 calendar days and 2 working days, respectively.

403-2

The rates associated with this indicator were calculated for CGD and for Affiliated Banks using the following formulas:

Unit	Amount
Rate of occurrence of work accidents	(Number of work accidents entailing a sick leave/AAP)*1,000,000
Degree of seriousness	(Days lost due to work accidents or occupational disease/AAP)* 1,000,000
Rate of occurrence of occupational diseases	(No. of occupational diseases/AAP)*1,000,000
Absenteeism rate	(Total No. of hours lost/AAP)*100
AAP	Total number of employees in the reporting year * No. of daily hours of work * [No. of business days in the year - 25 vacation days]
Number of work-related deaths	No. of deaths

When calculating the absentee rate, absences related to maternity/paternity leave, studies, vacations, weddings and bereavement were not considered.

The data reported refer to active employees, and no data is considered concerning self-employed workers.

Absences due to work accidents are recorded starting on the very day of such accident or on the day after its occurrence, depending on the time of day on which it occurred. For instance, if an employee suffers a work accident on his/her way back home, absence is recorded as starting on the following day. CGD considers that a 'work accident' is that which requires sick leave. Lost days only consider business days.

For BI and BCA, the No. of daily work hours to be considered in the calculations performed is 7.5 and 7 hours, respectively. At BI and BCA, lost days do not correspond only to business workdays.

BCG Brazil does not have a system in place to ascertain the total number of absenteeism hours (lost hours) in 2018.

403-3
This indicator is applicable to staff and employees whose work or place of work is controlled by the Organisation.

404-1
The data on training includes both internal training and external training. For reporting purposes, only the training given/received by employees as of 31/12/2018 was considered.

This indicator was calculated using the following formula for CGD and for Affiliated Banks:

- Average number of hours of training by professional category = Total number of hours of training by professional category/ Total number of employees in each category.
- Average number of hours of training by gender = Total number of hours of training by gender/ Total number of employees of each gender.

404-3
CGD's Performance Management System considers all staff in its employ during the assessment year, except the members of its Governing Bodies. Regulations outlined in the SGD set forth a minimum of 90 days of service; this not being the case, some employees may be ruled out.

At BI, employees with less than 6 months on the staff are not evaluated, unless the Executive Committee decides otherwise.

405-1
For the purposes of calculating this indicator, 1 Director was considered, as he has an individual labour agreement with CGD, S.A. The remaining directors were not considered for such purpose, as they have been appointed.

405-2
The average base salary, by gender and professional category, was calculated, considering the base salaries of employees. The ratio was obtained by dividing the average base salary of women in each professional category by the average base salary of men in the corresponding professional categories.

The difference between the average base salary and the average remuneration is that the latter considers the base salary plus employee benefits.

At BCA, the base salary is fixed by professional category and by the positions of roles that the employees carry out during ordinary service. No distinction is made between the salary paid to Employees of the same professional category or to those who hold the same position, whether they are female or male.

The tables above consider the remuneration earned by employees on 31 December 2018.

The total monthly remuneration considered allowances for exemption from working hours, supplementary remuneration, role-specific allowances (auditor, computer technician, driver, administrative clerk, transportation), seniority payments, shift allowances and meal allowances. These are fixed and regular payments. Also, according to instructions received in the previous year, the meal allowance was considered in the total monthly remuneration, considering 22 working days/month.

412-3

Significant investment contracts for CGD include contracts relating to the Project *Finance portfolio*.

417-2

Non-compliances with regulations and voluntary codes related to information and labelling of products/services included non-compliances that resulted in warnings or fines imposed by supervisory bodies or judicial authorities, relating to the provision of mandatory pre-contractual and contractual information in the marketing of products and services, relating to mandatory information on special arrangements and related to the information made available to the public in the price list.

417-3

Non-compliances with voluntary codes and regulations related to marketing communications, including advertising, promotion and sponsorship, included non-compliances that resulted in warnings or fines imposed by supervisory bodies or judicial authorities, relating to information duties in advertising and marketing communications, as set out in legislation, in regulations issued by supervisory bodies, internal regulations, CGD's Code of Conduct and other voluntary codes of conduct, including those issued by the Portuguese Association of Advertisers and the Civil Institute of Self-Discipline in Commercial Communications.

418-1

The number of complaints given corresponds to customer complaints received through the various channels (branches, Complaints Book, telephone and written communications), entered into and numbered in the complaint management application (Gestwork), which meet the following criteria: entered in the reporting year; considered to be a non-compliance by CGD, *i.e*., the analysis conducted by this area diagnosed improper conduct by CGD; classified as one of the following: "Unauthorised disclosure, by Caixa, of personal data" and "Breach of bank secrecy".

LETTER SHOWING VERIFICATION BY AN INDEPENDENT AUDITOR

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(Free translation from the Original Independent Limited Assurance Report in Portuguese dated April 30, 2019. In case of any discrepancy, the Portuguese version always prevails.)

Independent Limited Assurance Report of the Sustainability Information Disclosed in the Annual Report 2018

To the Board of Directors of CGD, S.A.

Introduction

1. We were contracted by the Board of Directors of Caixa Geral de Depósitos, SA to proceed with the independent review of the Sustainability Information disclosed (hereinafter the "2018 Sustainability Information") included in the "Annual Report 2018", relating to the sustainability activities carried out from 1 January to 31 December 2018.

Responsibilities

2. The Board of Directors is responsible for preparing the "2018 Sustainability Information", and to maintain an appropriate internal control system that allows the information presented to be free of material misstatements due to fraud or error.
3. It is our responsibility to issue a limited assurance report, professional and independent, based on the procedures performed and described in the "Scope" section below.

Scope

4. Our review procedures have been planned and executed in accordance with the International Standard on Assurance Engagements (ISAE 3000, Revised) – "Assurance engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board, for a limited level of assurance.
5. The procedures performed in a limited assurance engagement vary in timing and nature from, and are less in extent than for, a reasonable assurance engagement. Therefore, the assurance provided by these procedures is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our independent review procedures comprised the following:
   - Conducting interviews with Management, in order to understand how the information system is structured and assess their level of knowledge of the topics addressed in the report;
   - Review of the processes, criteria and systems adopted to collect, consolidate, report and validate the data for the year 2018;
   - Analytical review, on a sample basis, of the data calculated by Management, and verification of quantitative and qualitative information disclosed in the report;
   - Confirmation on how collection, consolidation, validation and report procedures are being implemented in selected operating units;
   - Verification of the conformity of the information included in the "2018 Sustainability Information" with the results of our work.

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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6. Regarding the disclosure of non- financial information and information about diversity, we performed a review of conformity with Article 508-G of the Portuguese Companies Act (Código das Sociedades Comerciais) and 245-A, paragraph r) of the Securities Market Code (Código do Mercado dos Valores Mobiliários) with respect to non-financial and diversity disclosures.

Quality and independence

7. Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable and we comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the Code of Ethics of the Order of Chartered Accountants (OROC).

Conclusion

8. Based on our work, nothing has come to our attention that causes us to believe that the systems and procedures for the collection, consolidation, validation and reporting of the “2018 Sustainability Information” are not operating appropriately and the information disclosed is not free from relevant material misstatements. Additionally, nothing has come to our attention that causes us to believe that the “Annual Report 2018” do not include all the required data and information as defined by the Article 508- G of the Portuguese Companies Act and paragraph r) of the article 245-A of the Securities Market Code.

Lisboa, April 30, 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Represented by:

(signed)

Manuel Ladeiro de Carvalho Coelho da Mota - ROC nº 1410
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