HALF YEAR REPORT

1st Half Year of 2019

Caixa Geral de Depósitos Reports

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This document is an English translation of the original Portuguese language document "Relatório de Gestão e Contas - 1º semestre de 2019". The Portuguese original prevails in the event of any inconsistency.

1. Board of Directors' Report

1.1. Highlights

CGD Group's activity in first half 2019 was characterised by improved profitability and asset quality, owing to the continued implementation of its Strategic Plan 2017-2020

- CGD Group, during the course of its financial activity, in first half 2019, was faced with a macroeconomic and marked environment characterised by increasingly lower levels of short term interest rates, with fresh indications from the central banks of the need to continue with or even introduce new stimulus measures which are expected to remain at negative thresholds for an additional period. Long term interest rates were also significantly down, reducing returns on financial assets and pressurizing credit spreads downwards.

  Consolidated net income, in such an environment, was up 115.1% by €223.4 million over June 2018 to €417.5 million in the first half year. Core operating income was up by a year-on-year 4.1% to €331 million and operating costs down by a year-on-year 5.9%, based on higher commission earnings (1%) which offset the reduction of net interest income. Total operating income was up €19.1 million over first half 2018 to €908.2 million.

- Already in September 2019 the European Central Bank (ECB) has declared its non-opposition to the sale to ABANCA Corporación Bancaria, S.A., of shares representing 99,79% of the share capital of Banco Caixa Geral, S.A.. This declaration concludes the approval process, by competent authorities, of the sale of that subsidiary, which was mentioned in CGD's communication to the market in November 2018. According to what was agreed, the sale process is expected to be concluded during the month of October 2019.

  The accounts for the period ended 30th June 2019 were adjusted to reflect the effect of the decision. The impact on the value of CGD's stake in the subsidiary, with reference to 30th June 2019 is an increase of €135 million in CGD's consolidated net income and own funds, resulting from the adjustment, in line with the selling price, to the impairments registered in CGD's accounts at the end of 2017. In this scenario, the consolidated CET1 ratio will rise from 14.8% to 15.1% (fully loaded, including net income for the first semester 2019). In terms of separate accounts, the impact of this operation was positive by €157 million in net income for the period.

- The impact of the commercial dynamic felt across the first half contributed significantly to these results. This took the form of a 36% increase of €257 million in new mortgage lending operations over the same period 2018, a 2.4% growth of the SME credit portfolio with loans of €1.2 billion across the period and a growth of €638 million in the performing credit portfolio – excluding the public sector – across the half year.

  Customer deposits were up 4.8% by €3,017 million since the start of the year in which total resources comprised a total amount of €73,159 million in terms of domestic activity, evidencing the increasing loyalty of CGD customers.

  To keep pace with the market trend towards a growing demand for digital channels CGD launched new functionalities on its Caixadirecta service, resulting in higher levels of use and customer satisfaction. The evolution in the number of active customers, both personal and corporate and logins across the various browser and app-based platforms in first half 2019 was accompanied by a 44% increase in transactions over the same period last year.

- This performance enabled CGD to achieve the objective set out in its Strategic Plan 2017-2020, in which several indicators have already succeeded in achieving higher than average levels for the Portuguese, as well as the European markets as set out below:

  - CGD's efficiency level, with a cost-to-income ratio on recurring domestic activity of 48.3%;

- A recurring level of ROE (return on equity) of 10.7%;
- CGD's asset quality with a CGD Group NPL ratio of 7.3% and impairment and collateral coverage of 64.3% and 43.6% respectively, to a total coverage ratio of 107.9%;

- CGD continued to endeavour to scale down its international presence as part of the implementation of its Strategic Plan 2017-2020, with the ongoing disposal processes of Banco Comercial do Atlântico (Cape Verde) and Banco Caixa Geral – Brasil, S.A., in addition to CGD's disposal of its equity stakes in Mercantile Bank Holdings Limited (South Africa) at a more advanced stage and now contingent upon the approval of the competent authorities.
- The positive evolution of commercial activity and performance indicators also merited further rating upgrades in 2019 from the international rating agencies. DBRS upgraded its rating on CGD's long term debt by one notch to BBB (two notches above investment grade) with an evolution of its covered bonds to AA (low).

  Moody's, while re-affirming its Ba1 rating on CGD, upgraded its outlook from negative to stable in July 2019. There was also an improvement in its intrinsic rating, with the BCA (baseline credit assessment) and adjusted BCA being upgraded from ba2 to ba1.
- CGD was notified by the Bank of Portugal, in first half 2019 of its MREL ("minimum requirement for own funds and eligible liabilities") requirements in first half 2019, applicable from 2023 onwards. This represents yet another challenge in terms of compliance with the new regulatory requirements whose fulfilment is entirely provided for in CGD's Funding and Capital Plan.

CGD IN FIGURES

Strategic Plan

Profitability	Efficiency	Asset Quality	Resilience
ROE 10.7%	**Cost-to Income 48%**	**NPL Ratio 7.3%**	**CET1* 15.1%**
Domestic activity	Recurrent		Fully Implemented
01H18: 5.3%	01H18: 50%	01H18: 10.7%	01H18: 14.1%

*Including net profit for the period

Customer Service (in Portugal)

Customers	Digital Customers	Remote banking	Branches
3.7 million	**1.64 million**	**303 thousand customers**	**520**
36% of the population	45% of the market	+34% vs 1H2018	3 mobile branches

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

(EUR million)

			Change 2019-06 vs 2018-06	
RESULTS	2018-06	2019-06	Total	(%)
Net interest income	583.0	564.6	-18.4	-3.2%
Results from services and commissions	242.1	243.5	1.4	0.6%
Non-interest income	294.4	328.2	33.9	11.5%
Total operating Income	889.1	908.2	19.1	2.1%
Operating costs	507.5	477.5	-30.0	-5.9%
Net operating Income before Impairments	381.6	430.7	49.1	12.9%
Net core operating Income before impairments (1)	317.5	330.5	13.0	4.1%
Net operating income	324.2	577.8	253.7	78.3%
Net income	194.1	417.5	223.4	115.1%
BALANCE SHEET				
Net assets	91,557	91,334	-223	-0.2%
Cash and loans and advances to credit instit.	8,296	9,233	937	11.3%
Securities investments	15,612	19,386	3,774	24.2%
Loans and advances to customers (net)	53,205	49,449	-3,756	-7.1%
Loans and advances to customers (gross)	57,502	52,379	-5,123	-8.9%
Central banks' and credit institutions' resources	2,370	1,678	-692	-29.2%
Customer resources	63,599	65,786	2,187	3.4%
Debt securities	3,241	2,468	-773	-23.9%
Shareholders' equity	8,154	8,359	205	2.5%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (2) (3)	9.5%	14.8%	-	-
Net return on equity - ROE (3)	5.3%	10.7%	-	-
Gross return on assets - ROA (2) (3)	0.8%	1.4%	-	-
Net return on assets - ROA (3)	0.5%	1.0%	-	-
Cost-to-income BoP (2)	55.4%	52.1%	-	-
Cost-to-income (2) (4)	49.9%	48.3%	-	-
Cost-to-core income (2) (5)	55.4%	54.7%	-	-
Employee costs / Total operating income	35.1%	32.4%	-	-
Employee costs recurrents / Total core operating income (1) (4)	33.1%	32.3%	-	-
Total operating income / Average net assets (3)	2.0%	2.0%	-	-
CREDIT QUALITY AND COVER LEVELS (5)				
Forborne ratio for loans and advances - EBA (6)	5.6%	4.4%	-	-
Coverage ratio on forborne loans and advances - EBA (6)	96.9%	96.8%	-	-
NPL ratio - EBA	10.7%	7.3%	-	-
NPE ratio - EBA	8.3%	5.7%	-	-
NPL coverage - EBA	61.4%	64.3%	-	-
NPE coverage - EBA	60.3%	64.2%	-	-
Crd. imp. (P&L) / Loans & adv. custom. (aver.) (*)	0.38%	0.01%	-	-
STRUCTURE RATIOS				
Loans & adv. customers (net) / Net assets	58.1%	54.1%	-	-
Loans & adv. custom. (net) / Custom. dep.	83.8%	75.3%	-	-
SOLVENCY RATIOS (CRD IV/CRR)				
CET 1 (phased-in)	14.0%	15.1%	-	-
Tier 1 (phased-in)	15.1%	16.1%	-	-
Total (phased-in)	16.6%	17.4%	-	-
CET 1 (fully implemented)	14.1%	15.1%	-	-
Leverage ratio (fully implemented)	7.8%	7.9%	-	-
LIQUIDITY RATIOS				
Liquidity coverage ratio	216.0%	323.6%	-	-
Net stable funding ratio	140.8%	157.8%	-	-
OTHER INDICATORS				
Number of branches - CGD Group	1,071	1,068	-	-
Number of branches - CGD Portugal	582	575	-	-
Number of employees - CGD Group	14,291	13,856	-	-
Number of employees - CGD Portugal	7,419	7,083	-	-

Note: Calculation of indicators as in the glossary: https://w w w .cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_10MAI2018.pdf. Solvency ratios including net income for the periode (prudencial perimeter).

(1) Net core operating Income before impairments = Total operating income of core activity - Operating Costs; Total operating income of core activity = Net interest income + net fees and commissions; (2) Ratios defined by the Bank of Portugal (instruction 6/2018); (3) Considering average shareholders' equity and net asset values (13 observations); (4) Excluding non-recurring costs of M€ 50.7 in 2018 and M€ 35.5 in 2019 for staff reduction programs as w ell as general administrative expenses; (5) Prudencial perimeter, except w hen marked w ith (*); (6) CGD Portugal Ratios.

1.2. CGD Group

BRANCH OFFICE NETWORK

CGD continued to optimise its branch office network programme in the first six months of 2019, ending the half year with 7 fewer branches in comparison to the number of branches active in June 2018.

CGD Group's banking presence abroad was performed by a total number of 492 branches at the end of June 2019. Reference should be made to the opening of two BCI Mozambique branches in the first half year.

NUMBER OF GROUP BANK BRANCHES	2018-06	2018-12	2019-06
CGD (Portugal)	582	577	575
Physical branches	522	522	520
Self-service branches	35	26	26
Corporate offices and local extensions	25	29	29
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2	2
France Branch	48	48	48
Banco Caixa Geral (Spain)	110	110	110
Banco Nacional Ultramarino (Macau)	20	21	21
B. Comercial e de Investimentos (Mozambique)	198	200	202
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	34	34	34
Mercantile Lisbon Bank Holdings (South Africa)	12	12	12
Banco Caixa Geral Brasil (Brazil)	1	1	1
Banco Caixa Geral Angola	38	38	38
Other CGD Branches	17	16	16
Total	**1,071**	**1,068**	**1,068**
Representative offices	**12**	**12**	**12**

HUMAN RESOURCES

CGD Group had 13,856 employees at 30 June 2019, down 435 and 171 employees over June and December 2018, respectively.

NUMBER OF CGD GROUP EMPLOYEES	2018-06	2018-12	2019-06
CGD Portugal*	7,419	7,244	7,083
Other	6,872	6,783	6,773
Total	**14,291**	**14,027**	**13,856**

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

The reduction over June 2018, was originated both from CGD Portugal (down 336) and other activities (down 99), according to CGD's strategic plan negotiated with DG Comp.

CAIXA BRAND, PRIZES AND AWARDS

Caixa brand was considered to be the most valuable and strongest Portuguese banking brand by BrandFinance in first half 2019, in addition to being the 4th most valuable and 2nd strongest domestic brand. The Banker magazine also classified CGD as the most valuable Portuguese brand (AA+) in its Top 500 Banking Brands ranking 2019.

The following prizes and distinctions were also awarded to CGD Group's retail banking, investment banking and fund management activities in 2019:

- CGD - First Portuguese bank in the world ranking for the 2nd consecutive year in the Top 1000 World Banks 2019 ranking by The Banker magazine;
- CGD – Best Bank in Portugal 2018, by English EMEA Finance magazine, in its Europe Banking Awards 2018;
- CGD – Best 2019 Premium Card assigned to the Platinum Card by the online simulator *Compara.Já.com*, which distinguishes the most competitive premium card;
- CaixaBI - Nº 1 IPO & Seasoned Equity Offer House 2019, by Euronext Lisbon Awards 2019;
- Caixagest – Best Global Domestic Manager, by Morningstar, a distinction which it had already received in 2015 and 2018, which covers its global offer of funds;
- Caixagest – Best Domestic Bond Manager, by Morningstar, for the fifth consecutive year.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

CGD continues to implement its sustainability strategy for the three year period 2018-2020 by ensuring the implementation of good management practice in the diverse areas comprising its operational and alignment basis, in the form of the 10 Global Compact principles, 17 sustainable development objectives and its shareholders' expectations. The sustainability strategy represents Caixa's commitment in the sustainable development sphere and an investment in safeguarding the future of its tangible (customers, financial capacity, economic performance) and intangible (employees, brand, reputation and guidelines) assets to create value for its customers and employees, reduce environmental impacts and generate more and better business.

The sustainability report was, for the first time, an integral part of CGD's annual report (for 2018), whose chapter 4, considered the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) and an "Advanced" level response to the GRI (Global Reporting Initiative). The editorial concept reported on 6 value generating groups comprising institutional, financial, relationship human, social and cultural and environmental values and included 12 CGD Group entities in the form of 8 banks, 1 foundation and 3 companies.

CGD responded to the CoP (Communication on Progress) 2019 of the United Nations Global Compact – "GC Advanced" Level, which was only achieved by 8% of the total number of respondent signatories – around 3,800 out of 50,100 international companies. It also, published information on the "Independence Policy of the Board of Directors" and Caixa Gestão de Activos's subscription to the PRI (Principles for Responsible Investment).

Reference should be made, in the social responsibility sphere, to the Prémios Caixa Social (Caixa Social Prizes) publication which distinguished 19 innovative and socially structuring projects, across the country as a whole, awarding amounts of between €5,000 and €50,000 out of a global investment of €500,000. Aligned with sustainable development objectives, the prizes finance social projects submitted by IPSS (private "social solidarity" or charitable institutions) and NGOs in line with the principle of "Valuing People", in 4 categories: (1) economic inclusion and job creation, (2) social inclusion and solidarity, (3) digital and financial inclusion and (4) education and knowledge. The Prémios Caixa Mais Mundo (Caixa "More World" prizes) 2018/2019 distinguished the best 80 students at those nationwide higher educational and vocational establishments which have entered into agreements with CGD, for a unit amount of €1,500. Forty prizes were awarded to the best university students matriculated in the 1st year and 40 prizes to the best students matriculated in TeSP (technical and higher level professional courses), rewarding academic merit and the continuation of academic careers.

In first half year 2019, through its Sou Cidadão (“I am a Citizen”) programme, CGD, together with GIMAE (social security institute) and NPISA (planning and intervention for the homeless), was also responsible for issuing 80 citizens’ ID cards to homeless persons. This initiative helped people to recover their “identity”, providing them with access to the basic rights of any citizen and reducing the number of situations of socio-economic exclusions based on the “social elevator” approach.

With CGD’s re-launch of its Young VolunTeam educational programme, young volunteers returned to 80 secondary schools over the country as a whole, mobilising more than 1,100 students and teachers in the sphere of voluntary work and active citizenship values applied to schools and/or their surrounding communities. Recognised by the Civil Household of the Presidency of the Republic, Young VolunTeam enhances the academic qualifications of student participants based on the inclusion of their participation in their respective résumés. The jury, which is made up of project partners CGD, DGE (Directorate General for Education) Entrajuda and Sair da Casca chose the three winning schools to which they awarded a prize of €1,000 for the development of the respective volunteering project.

As regards its environmental responsibility, Caixa was recognised by the CDP (Carbon Disclosure Project) for its climate change adaptation strategy, through its performance in 2018, in which it achieved a leading position with an "A-" classification in the Climate Change questionnaire. This was the best performance in the financial sector.

CGD also subscribed to the Charter for Sustainable Financing in Portugal, in first half 2019 as a reflection of the commitment, deriving from its participation in the GFRS (Sustainable Financing Think Tank) which is coordinated by the Ministry of the Environment in partnership with the Ministries of the Economy and Finance, made up of representatives from all areas of the Portuguese financial sector, with the mission of achieving alignment between all actors in the sector for the identification of opportunities and solutions to make it possible to accelerate sustainable financing and ensure energy transition, under the paradigm of the “Circular Economy” to meet the targets set in the Paris Accord in order to achieve carbon neutrality by 2050.

1.3. Economic and Financial Framework

There was a slowdown of world economic growth across first half 2019 as a consequence of the significant slowdown in global trade, several geopolitical uncertainties and the fact that it was at a mature stage of the cycle, making a certain loss of robustness inevitable. Several central banks and supranational institutions considered that there was a negative distortion in risk assessments. This assessment has translated into a reduction of economic growth projections, with these and other bodies anticipating a worldwide GDP growth rate of around 3% in 2019.

The continued containment of inflationary pressures across the whole of first half 2019 was largely the result of the reduction of the contribution made by energy prices. Underlying inflation also remained very low, notwithstanding the ever lower level of unemployment across the different regions and which, in several cases, was even lower than prior to the economic and financial crisis.

Monetary conditions remained accommodative in a context of moderating growth, the non-existence of inflationary pressures and heightened risk aversion. The US Fed was one of the G4 central banks to suspend its gradual interest rate hikes process and, starting second half 2019, signalled the possibility of a reversal of this policy in June. The ECB recognised weakening levels of economic activity and with inflation projections not showing any signs of convergence towards the objective of achieving a year-to-year variation of less than but close to 2%, once again put expectations over the first hike in reference rates on hold, having additionally announced a new TLTRO long term refinancing cycle starting September. The Central Bank of Japan left its monetary policy unchanged with only the Bank of England opting for a hike in its base rate albeit only in 2020 and subject to a non-disruptive Brexit process.

Disappointment over first quarter growth and low inflation figures in the emerging economies led several central banks, such as those of India and Russia, to cut their reference rates and in the case of the Central Bank of China, the legal reserves ratio.

In the US and following the start of the half year which was marked by the part closure of the federal administration for the longest period in its history, particular reference should be made to the levying of customs duties on goods imported from China and moderation of the rate of growth across the second quarter. The year-on-year rate of variation of the underlying consumer expenditure index signalled a further downwards deviation in comparison to the Fed’s objective of 2%.

Notwithstanding a surprising level of real GDP growth in the euro area in the first three months of the year, activity and business confidence indicators were indicative of a deterioration across the first half, having, in several cases, fallen to very negative levels. Year-on-year inflation trended further downwards from second half 2018, remaining at less than 2% and sinking to its lowest level of the last one and a half years at the end of the half year.

The Portuguese economy grew by a consecutive non-annualised 0.5%, in real terms, in the second quarter 2019, similar to the preceding quarter. The contribution of domestic demand to GDP was negative, after a positive contribution in the first quarter. In turn the contribution of net exports was positive. This confirms the expected moderation of the Portuguese economy in 2019, as during the same period of 2018 average growth amounted to 2.4%. Unlike most of the other European countries, the growth projections for the Portuguese economy for 2019 and the following years remain unchanged, albeit pointing to the maturation of the expansionary stage of the economic cycle, as assumed by the Bank of Portugal.

The unemployment rate of 6.3% in the second quarter of the year, following 6.8% rate in the previous quarter and 6.7% in the same quarter 2018.

The slowdown of economic activity and the highly uncertain environment across the half year translated into the issuance of more accommodative monetary policy guidelines by the main central banks, particularly from the start of May, following the trade tensions between the US and China over trade relationships having transcended the scope of customs duties. The optimism felt up until then, based on the prospects of a trade agreement shortly being reached between the two countries was sharply affected. This translated into a highly significant increase of volatility and risk aversion and consequent preference for safe assets.

The gradual downwards trend on sovereign bond yields since the end of 2018 was further accentuated in May to minimum values in the case of various European countries, based on their safe haven status. Ten year rates on sovereign bonds were significantly down in Germany and France by 56.9 bps and 71.5 bps, respectively, having both fallen to all-time lows of -0.33% and -0.01%. However a more fearful attitude from investors and flight to quality also led to a sharp reduction of the sovereign yields of states on the periphery of Europe, including Italy (-64.0 bps to 2.10%) and particularly Greece with a decrease of 194.8 bps to 2.45%, pushing the respective yield to its lowest ever level.

Reference should also be made in the half year to -124.6 bps and 102.1 bps reductions of yields in Portugal and Spain, to their lowest level since the creation of the euro (0.48% and 0.40%). US yields, at the end of June, were also sharply down by 67.9 bps to 2.01%.

With underlying inflation still a long way off growth of close to 2% and the ECB's introduction of new monetary stimuli indicating that there would not be any change in rates at least up to the summer of the following year, Euribor interest rates were significantly down from early May onwards. A complementary factor which is not unconnected with this across-the-board fall in Euribor rates is associated with the current implementation of the methodological change to the calculation of this indexer, based on the use of interest rates on real transactions and which will be the case up to mid October 2019. The combination of these factors led to new historically minimum levels for such indexers' different maturities at the end of the half year.

Investors' heightened risk aversion and growing preference for safer assets led to a high level of appreciation of the usual safe currencies against the euro, with the Japanese yen and Swiss franc appreciating by 2.6% and 1.4% across the first half year, respectively, benefiting from May onwards from the uncertainties deriving from heightening trade tensions and US government barriers to technology and intellectual property transfers. The euro, which, at the end of May, fell to around 3% down against the dollar, started to recover in June, as a reflection of the prospect of a reduction of divergences between Fed and ECB monetary policies, in depreciating by no more than 0.8% across the first half year. Sterling's appreciation against the dollar in the first quarter was more than reversed during the second quarter owing to the political uncertainties triggered by the government's resignation. As regards Mozambique's metical and Angola's kwanza, whereas, in the case of Mozambique, in spite of the uncertainties deriving from the climate tragedy devastating the Beira region in March, following the passage of cyclone Idai, the metical lost no more than 0.9% against the dollar, the Angolan currency witnessed a trend to depreciation having lost almost 10% in value (9.2%) in first half 2019.

With the exception of May, the main share indices were significantly up across the remaining months of first half 2019 and, in the case of the MCSI Global, translated into half year gains of 15.3%. Investor optimism in the first four months of the year was based on the expectation of a favourable outcome of the trade talks between the US and China, together with the announcement of positive results.

A fresh increase in trade tensions between the two countries, in May together with the publication of data on activity pointing to moderation in the rate of economic growth had a negative effect on investor confidence. A context of growing uncertainty and volatility resulted in losses across all global indices, particularly emerging Asia. These were latterly reversed in June, largely on account of the adoption of a more accommodative approach by the central banks.

In the US, the performances of the NASDAQ technology index (up 20.7%) and the S&P500 composite (up 17.3%), were particularly positive, having made higher gains than the Dow Jones industrial index (up 14%). Share indices in Europe were up at the end of the half year, particularly France's CAC and Germany's DAX, which were up 17.1% and 17,4%, in line with Italy's MIB (up 15.9%), with all of the gains being higher than Spain's IBEX (up 7.7%). Whereas the PSI20 was up 8.6%.

The indices of the main emerging economies were also up across the first half year albeit by very different levels of magnitude. Particularly positive were the 16.7% and 19.4% gains made on the Russian and Chinese indices which outperformed the global MSCI Emerging Market and MSCI BRIC indices, which were up 9.2% and 12.3% at the end of the first half year.

1.4. Risks and Uncertainties

Although global growth remained positive across the first half year the rate of world economic expansion showed moderation, which was highly significant in several emerging economies. Foreign trade and industrial activity were down across-the-board in various regions particularly on account of heightened trade tensions, together with high and growing levels of geopolitical uncertainty. In spite of the continued resilience of activity in the services sector together with favourable monetary conditions, particularly in the developed regions, the materialisation of diverse risk factors, especially uncertainties over US trade policy led to across-the-board prospects of economic slowdown.

The main risk to growth continues to be associated with rising trade tensions, not only between the US and China, but also in the intensification of barriers to goods imports from other countries such as Mexico, Japan, India and the euro area, in terms of the automobile sector and components in addition to the possible cancellation of several existing trade agreements. Commercial uncertainties could also be heightened in the event of an increase in the referred to barriers and if they are extended to issues related to technology and intellectual property transfers. Concerns over the resulting impacts are particularly relevant in the case of the developed economies owing to their extremely limited margin in terms of monetary and fiscal policy available to boost domestic demand.

In addition to commercial tensions, there continue to be risks deriving from geopolitical uncertainties, particularly in the Middle East and especially between the US and Iran which could exacerbate greater volatility in oil prices. These risks could have a highly negative effect on the evolution of growth in various regions as well as business and household confidence levels, conditioning investment and consumption decisions and exacerbating episodes of heightened risk aversion.

The outcome of the United Kingdom’s exit from the European Union, presently scheduled for 31 October, remains uncertain, particularly as regards the type of future trade relationship. The possibility of failing to achieve a trade deal prior to the referred to date continues to represent a considerable area of uncertainty and, as such, bring downwards pressure to bear on the growth projections of both regions.

The fall in several confidence and social tensions indicators in the euro area, such as France in the first quarter of the year could also constrain economic activity, particularly in terms of industrial output. In spite of the first half year improvements in Italy’s fiscal situation, whose government has agreed to greater convergence with the European Commission, in addition to Spain’s exit from the Excessive Deficits Procedure (which still requires a government solution), there is still a considerable level of instability and risk of a deterioration of fiscal balances, with consequently higher yields and a sharp fall in confidence indicators.

Notwithstanding, the sharp falls of interest rates in countries on the periphery of Europe, particularly from May onwards, are indicative of lower debt risk, although they remaining vulnerable to the possibility of sudden hikes, such as after the Italian elections in 2018.

The emerging economies whose context remains enshrouded by high levels of uncertainty, have increased in terms of relevance over the last few years both as regards their relative weight and particularly on account of their highly significant contribution to world growth and a more pronounced slowdown in such economies would increase risks to global growth. These economies remain particularly vulnerable to several economic risks, whose main transmission channel is world trade, as well as geopolitical risk through the depreciation of their currencies and capital flow reversals.

Key indicators also suggest that the fact that the Chinese economy, as the region’s main driver, is slowing at a faster than expected rate, will bring inevitable implications. The risk will be all the greater if, unlike expectations, the recent stimuli introduced by the Central Bank of China do not have the same impact across the whole of the global production chain, as in the past.

Reference should be made to the cases of Brazil, Turkey, Argentina, Indonesia, South Africa and Mexico, in addition to Russia, which latter country is more dependent on the evolution of oil prices. Practically all of the central banks have announced reductions to their key reference rates in the first half year in order to provide for major capital outflows and, in the second half of 2019 Argentina's government announced a series of foreign control operations.

Another crucial element governing the evolution of activity in the emerging regions is associated with weakening commodity prices. The dependence of many of these countries as exporters, on a wide range of commodities suggests the possibility that growth may continue to disappoint over the coming months.

The fact that oil prices remain vulnerable to lower worldwide demand could lead to sharper falls. Growing geopolitical risks in the Middle East and particularly in the Iran region could also lead to price hikes and negatively impact importing countries' external account balances. Such risk is, in either case, associated with associated price volatility. Although oil prices in the first six months of 2019 rose by around 21%, they were down by around 18% over June 2018.

First half 2019 witnessed a global trend towards falling inflation partly deriving from the slowdown in world demand as well as lower energy prices, strengthening expectations of the creation of additional stimuli to the economies of the developed and emerging blocs.

There has been an increase in the risk of the reappraisal and sudden correction of assets in financial markets following the high levels of appreciation noted in the first six months of the year that, in the case of equity indices, were the highest in almost two decades. The return of volatility, as in second half 2018, is therefore a threat to financial stability.

The reversal of the yield curve in the US in 2019, and its association with a stronger possibility of recession or, at least, a sharp economic slowdown over the long term, was responsible for an increase in the negative effects on financial markets following the Fed's normalisation of monetary policy. This risk continued to increase at the start of the second half year in spite of the US central bank's more accommodative approach to its promotion of economic activity.

The change of monetary policy on a European Central Bank level, with its announced launch of new economic financing instruments as well as other measures under analysis, such as a fresh bout of quantitative easing or a reduction of the reference rate will have an even more negative impact on liquidity balances in the European banking system. The ever increasing likelihood of low interest rates over an extended timeframe, with a downwards shift of the implicit yield curve on Euribor futures will continue to put the profitability of the leading European and national banks at risk.

There is also a greater possibility of a flight to quality by investors and a lower probability of default on higher risk assets (i.e. "search for yield"). At the same time policies whose lending criteria have not been adjusted to the level of risk of economic actors, having an impact on NPLs over the medium and long term, may be strengthened.

With the probable reduction of reference rates as an instrument to boost the economy, risk premia may be increased owing to poorer credit quality in several geographies and/or more cyclical sectors, which are sensitive to oscillations in household income and private consumption levels. This scenario may not be the case if the main flashpoints of trade tensions are resolved.

The correction of macroeconomic balances in Portugal over the last few years started to run out of steam in first half 2019, with the occurrence of a return to a position of the need to fund the economy's borrowing requirements in the first three months of the year, with the least favourable external account balance of the last few years. The external environment is one of the decisive elements therein owing to the impact of the reduction of foreign trade and growth with the Portugal's main export partners.

In the first half of the year this factor was reflected in a practically nil contribution of net exports to real GDP growth, contributing to a lower rate of expansion than in first half 2018.

The sharp growth of prices in the real estate sector, to which the banking sector remains heavily exposed, in spite of the occurrence of a reduction for market valuation purposes and decrease in NPLs, over the last few years may represent a high risk, in the event of a break in the current dynamic, particularly from either internal or external factors, having an impact of the level of investor confidence, especially in the case of non-residents.

1.5. Activity and Financial Information

1.5.1. CONSOLIDATED ACTIVITY

RESULTS

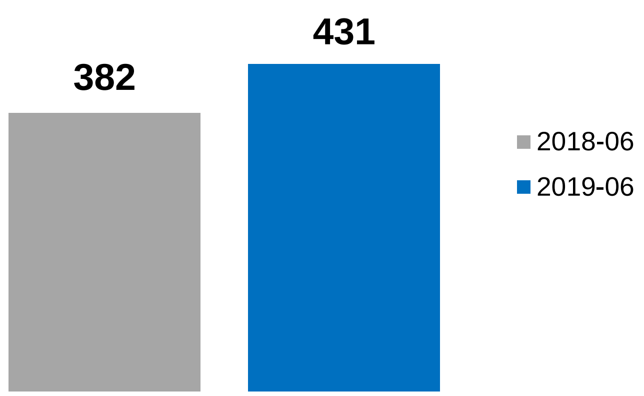
CGD Group's total operating income for first half 2019 was up 2.1% by €19.1 million over first half 2018 to €908.2 million. Contributing to this favourable evolution was the increase of non-interest income, of around €33.9 million, which more than compensated the €14.8 million drop in net interest income including income from equity instruments. This evolution derived from the performance of net interest income which was down 3.2% by €18.4 million over first half 2018 to €564.6 million.

The performance of net interest income derived from the environment of low interest rates and the impact of significant amounts of early repayments of CGD's loans to the public sector. A large number of companies in this segment are now funded directly by the state instead of loans previously made by CGD. Early repayments amounted to around €1 billion at the end of the preceding year and around €1.35 billion at the end of the first half this year. This performance of net interest income was also impacted by the interest on the Tier 2 issuance that, having been issued at the end of first half 2018, had a significant impact in 2019, in making an unfavourable contribution in the comparative analysis with the same period of the preceding year.

Net operating income before impairments was up 12.9% by €49.1 million, over the same period of the preceding year. Core operating income, in turn, as the sum of net interest income and commissions, net of operating costs was up €13 million in the period under analysis to €330.5 million.

NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)



(EUR million)

NET OPERATING INCOME BEFORE IMPAIRMENTS CONTRIBUTION (CONSOLIDATED)			Change	
	2018-06	2019-06	Total	(%)
Domestic commercial banking	179.2	258.5	79.3	44.3%
International activity	111.3	124.4	13.1	11.8%
Investment banking	55.6	9.2	-46.4	-83.5%
Other	35.5	38.6	3.1	8.6%
Net Operating Income before Impairments	**381.6**	**430.7**	**49.1**	**12.9%**

Income from financial operations in the first six months of the year was positive and totalled €22.5 million. This was less than the amount recorded in the same half last year and was conditioned by the evolution of interest rate hedges owing to the evolution of long term rates.

Operating costs continued to trend downwards with employee costs down 7.8% by €25.2 million and general administrative costs down 13.3% by €20.6 million.

The employee expenses component of operating costs included a non-recurring cost of €35.5 million for early retirement programmes and voluntary redundancies, against the same amount of reversal of provisions set up in 2017 for this purpose. In June 2018 non-recurring operating costs related to staff reduction programmes and administrative expenses amounted to € 50.7 million.

(EUR million)

OPERATING COSTS (CONSOLIDATED)			Change	
	2018-06	2019-06	Total	(%)
Employee costs	321.9	296.7	-25.2	-7.8%
Administrative expenses	154.8	134.2	-20.6	-13.3%
Depreciation and amortisation	30.8	46.6	15.8	51.3%
Total	**507.5**	**477.5**	**-30.0**	**-5.9%**

With the exclusion of non-recurring costs, the cost-to-income ratio continued to reduce favourably to 48.3% in first half 2019. This was down 1.6 pp over the same period last year and confirms continued improvements in operational efficiency.

The evolution of operating costs contributed to the favourable evolution of net operating income before impairment which amounted to €430.7 million during first half 2019, increasing €49.1 million over first half 2018.

Core operating income (as the sum of net interest income and commissions, net of operating costs was up by a year-on-year 4.1% to €331 million, having benefited from the favourable evolution of operating costs.

Credit impairment of €2.8 million, net of recoveries was recognised in the consolidated accounts for the period between January and June 2019. The credit impairment aggregate for the period under analysis reflects a cost of credit risk of 1 bps, against 38 bps for first half 2018 remaining at a low level and confirming CGD's asset quality and coverage level. The positive evolution of credit risk was, inter alia, influenced by the current macroeconomic cycle, buoyancy of the real estate market.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)			Change	
	2018-06	2019-06	Total	(%)
Provisions (net)	-70.1	-71.9	-1.8	-
Credit impairment	113.6	2.8	-110.8	-97.5%
Impairments of other financial assets	2.5	47.7	45.2	-
Impairments of other assets	11.4	-125.8	-137.2	-
Provisions and impairments for period	**57.4**	**-147.2**	**-204.6**	**-**

Impairments of other assets were impacted by the €135 million adjustment to the impairments registered in CGD's accounts at the end of 2017 on the sale of Banco Caixa Geral, S.A in Spain and reflected the valuation of shares representing 99,79% of the share capital of this subsidiary. This impact was recorded in the half year accounts following the completion of the approval by competent authorities' of the sale of the said subsidiary, which is expected to be completed during the month of October 2019.

All regulatory costs for 2019, notwithstanding the settlement date, were recognised in the accounts for the first half year.

The income tax in June 2019 came to €171.5 million against €167.1 million in June 2018. The referred to tax includes a banking sector contribution of €27.0 million (€32.8 million for the same period of the preceding year).

Income from held-for-sale subsidiaries was €25.2 million. Income from companies using the equity accounting method was, in turn, down €19.3 million, owing to the decrease of the contribution made by the insurance area.

As a result of the above referred to evolution, CGD posted a 115.1% increase in consolidated net income to €417.1 million in first half 2019, against a net income of €194.1 million for the same period of the preceding year.

(EUR thousand)

CONSOLIDATED INCOME STATEMENT	*Restated*		Change	
	2018-06	2019-06	Total	(%)
Interest and similar income	1,021,026	937,802	-83,224	-8.2%
Interest and similar costs	438,071	373,246	-64,825	-14.8%
Net interest income	582,955	564,556	-18,399	-3.2%
Income from equity instruments	11,781	15,368	3,587	30.4%
Net interest inc. incl. inc. from eq. investm.	**594,737**	**579,925**	**-14,812**	**-2.5%**
Income from services and commissions	299,555	304,150	4,595	1.5%
Costs of services and commissions	57,462	60,676	3,214	5.6%
Results from services and commissions	242,093	243,474	1,381	0.6%
Income from financial operations	50,274	22,522	-27,751	-55.2%
Other operating income	1,998	62,244	60,246	-
Non-interest income	**294,364**	**328,241**	**33,876**	**11.5%**
Total operating income	**889,101**	**908,165**	**19,064**	**2.1%**
Employee costs	321,905	296,704	-25,201	-7.8%
Administrative expenses	154,803	134,208	-20,595	-13.3%
Depreciation and amortisation	30,794	46,585	15,791	51.3%
Operating costs	507,502	477,497	-30,005	-5.9%
Net operating income before impairments	**381,599**	**430,668**	**49,070**	**12.9%**
Credit impairment (net)	113,610	2,816	-110,794	-97.5%
Provisions and impairments of other assets (net)	-56,173	-149,998	-93,825	-
Provisions and impairments	**57,437**	**-147,182**	**-204,619**	**-356.2%**
Net operating income	**324,161**	**577,850**	**253,688**	**78.3%**
Income Tax	**167,068**	**171,511**	**4,443**	**2.7%**
Current	39,675	73,601	33,926	85.5%
Deferred	94,579	70,881	-23,699	-25.1%
Contribution on the banking sector	32,814	27,030	-5,784	-17.6%
Net op. inc. after tax and before non-controlling interests	**157,093**	**406,338**	**249,245**	**158.7%**
Non-controlling interests	18,301	21,849	3,547	19.4%
Results of associated companies	27,034	7,779	-19,255	-71.2%
Results of subsidiaries held for sale	28,273	25,226	-3,047	-10.8%
Net income	**194,099**	**417,495**	**223,396**	**115.1%**

BALANCE SHEET

At the end of first half 2019 CGD's consolidated net assets were up 2.5% by €2.2 billion over December 2018 to €91,334 million, accounting for around 74% of consolidated net assets.

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2018-06 Restated		2018-12 Restated		2019-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	66,233	72.3%	65,033	73.0%	67,632	74.0%
Banco Caixa Geral (Spain)	5,217	5.7%	4,874	5.5%	4,770	5.2%
Banco Nacional Ultramarino, SA (Macau)	5,181	5.7%	5,449	6.1%	5,230	5.7%
Caixa Banco de Investimento	1,296	1.4%	787	0.9%	681	0.7%
Caixa Leasing e Factoring	2,324	2.5%	2,367	2.7%	2,264	2.5%
Banco Comercial Investimento (Mozambique)	2,101	2.3%	2,174	2.4%	2,358	2.6%
Banco Comercial do Atlântico (Cape Verde)	819	0.9%	828	0.9%	841	0.9%
Mercantile Lisbon Bank Holdings (South Africa)	864	0.9%	895	1.0%	953	1.0%
BCG Angola	1,008	1.1%	880	1.0%	829	0.9%
Other companies (2)	6,515	7.1%	5,841	6.6%	5,774	6.3%
Consolidated net assets	**91,557**	**100.0%**	**89,129**	**100.0%**	**91,334**	**100.0%**

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

(EUR million)

CONSOLIDATED BALANCE SHEET	Restated	Restated		Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
ASSETS	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Cash and equiv. with central banks	5,223	5,528	5,851	628	12.0%	322	5.8%
Loans and advances to credit instit.	3,074	3,057	3,382	309	10.0%	326	10.7%
Loans and advances to customers	53,205	51,144	49,449	-3,756	-7.1%	-1,695	-3.3%
Securities investments	15,612	16,383	19,386	3,774	24.2%	3,003	18.3%
Assets with repurchase agreement	318	55	31	-286	-90.1%	-24	-43.0%
Non-current assets held for sale	7,453	7,028	7,010	-443	-5.9%	-19	-0.3%
Inv. in subsid. and assoc. companies	396	384	416	21	5.2%	32	8.3%
Intangible and tangible assets	507	491	698	191	37.7%	207	42.1%
Current tax assets	35	44	35	0	-0.7%	-10	-22.0%
Deferred tax assets	2,183	2,107	1,980	-203	-9.3%	-127	-6.0%
Other assets	3,553	2,907	3,096	-457	-12.9%	190	6.5%
Total assets	**91,557**	**89,129**	**91,334**	**-223**	**-0.2%**	**2,205**	**2.5%**
LIABILITIES							
Central banks' and cred. inst. resources	2,370	1,797	1,678	-692	-29.2%	-119	-6.6%
Customer resources	63,599	62,714	65,786	2,187	3.4%	3,072	4.9%
Debt securities	3,241	3,260	2,468	-773	-23.9%	-793	-24.3%
Financial liabilities	859	738	987	128	14.9%	250	33.8%
Non-current liabilities held for sale	6,503	6,185	6,050	-452	-7.0%	-135	-2.2%
Provisions	1,147	1,047	988	-159	-13.8%	-59	-5.6%
Subordinated liabilities	1,522	1,160	601	-921	-60.5%	-559	-48.2%
Other liabilities	4,163	3,943	4,417	254	6.1%	474	12.0%
Sub-total	**83,403**	**80,843**	**82,975**	**-429**	**-0.5%**	**2,132**	**2.6%**
Shareholders' equity	**8,154**	**8,285**	**8,359**	**205**	**2.5%**	**74**	**0.9%**
Total	**91,557**	**89,129**	**91,334**	**-223**	**-0.2%**	**2,205**	**2.5%**

At 30 June 2019, securities investments were up 24.2% by €3,774 million over June 2018 to €19,386 million and up 18.3% by €3,003 million over December. Loans and advances to credit institutions were up 10.0% by €309 million to €3,382 million over the same period last year.

(EUR million)

	Restated		
SECURITIES INVESTMENTS (CONSOLIDATED)	2018-06	2018-12	2019-06
Fin. assets at fair value through profit or loss	7,795	7,696	9,004
Financial assets at fair value through other comprehensive income	4,548	4,767	4,296
Other investments at amortized cost	3,269	3,920	6,087
Total	**15,612**	**16,383**	**19,386**

Loans and advances to customers (gross) were down 4.6% over December of the preceding year to €52,379 million at the end of June 2019, with lending to corporates and individuals down 1.2% and 2.6%, respectively. Special reference in terms of this reduction, should be made to the process for the reduction of non-productive exposures in the form of write-offs and, to a lesser extent cured loans. This reduction, together with sales of non-productive assets across second half 2018 towards an 8.0% reduction of €1,686 million in corporate loans over June 2018.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED)(1)				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Companies	21,135	19,714	19,470	-1,665	-7.9%	-244	-1.2%
General government	6,474	5,694	4,145	-2,329	-36.0%	-1,549	-27.2%
Individual customers	30,186	29,518	28,765	-1,421	-4.7%	-754	-2.6%
Mortgage loans	27,412	26,862	26,526	-885	-3.2%	-336	-1.3%
Other	2,774	2,656	2,238	-536	-19.3%	-418	-15.7%
Total	**57,794**	**54,926**	**52,379**	**-5,415**	**-9.4%**	**-2,547**	**-4.6%**

(1) Before impairment

The sectors most affected by this reduction were CRE (construction and commercial real estate) which were down 19.7% by €1,222 million and hotels and restaurants which were down 17.3% by 207 million.

(EUR million)

LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED)(1)				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	385	375	375	-10	-2.6%	1	0.1%
Mining and manufacturing	3,045	2,905	2,921	-124	-4.1%	16	0.6%
Construction and real estate activities	6,192	5,220	4,969	-1,222	-19.7%	-250	-4.8%
Electricity, gas and water	876	886	703	-173	-19.8%	-183	-20.7%
Wholesale and retail trade	2,302	2,239	2,303	0	0.0%	64	2.9%
Transports and warehousing	1,228	1,205	1,165	-63	-5.1%	-40	-3.3%
Accommodation and food service activities	1,200	1,155	993	-207	-17.3%	-162	-14.0%
Professional, scientific and technical activities	3,325	3,282	3,534	210	6.3%	252	7.7%
Financial activities and other	2,582	2,449	2,486	-96	-3.7%	38	1.5%
Total	**21,135**	**19,714**	**19,449**	**-1,686**	**-8.0%**	**-265**	**-1.3%**

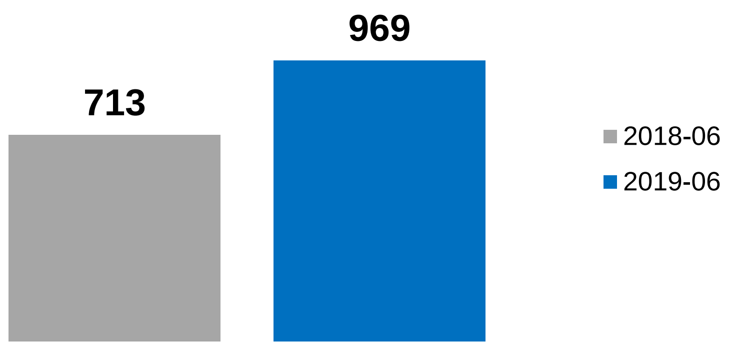
(1) Before impairment

The loans and advances to individual customers balance was down 4.7% by €1,421 million over June 2018 to €28,765 million. This particularly derived from the 3.2% reduction of €885 million in mortgage loans on account of the fact that the volume of repayments and settlements was higher than on new operations.

There was a positive level of evolution in the number of CGD Portugal's new mortgage loans to a total number of 9,287 operations. This was up 36.0% by €256.8 million over the same half 2018 to €969.4 million.

MORTGAGE CREDIT - BRANCH OFFICE NETWORK (PORTUGAL)
NEW OPERATIONS

(EUR million)



CGD's asset quality continued to evolve favourably, with NPLs (non performing loans according to the EBA definition) down €6.1 billion since the start of 2017 – as the date of the implementation of the Strategic Plan. The main contributions towards the reduction of such assets during the half year in question were write-offs of €495 million and, to a lesser extent, "cured" credit of €194 million.

The NPL ratio at the end of first half 2019 stood at 7.3%, with impairment and collateral coverage of 64.3% and 43.6% respectively, at the same date (total coverage of 107.9%).

(%)

CREDIT QUALITY (CONSOLIDATED)	2018-06	2018-12	2019-06
NPE ratio [(1)]	8.3%	6.7%	5.7%
NPL ratio [(2)]	10.7%	8.5%	7.3%
Forborne ratio for loans and advances [(3)]	5.6%	4.2%	4.4%
NPE coverage by impairment	60.3%	61.6%	64.2%
NPL coverage by impairment	61.4%	62.4%	64.3%
Coverage ratio on forborne loans and advances	96.9%	100.1%	96.8%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.38%	0.21%	0.01%

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

Total liabilities in first half 2019, were up 2.6% by €2,132 million. Special reference should be made in terms of this performance to the positive evolution of €3 billion in customer resources. This evolution was fuelled by customer deposits that, even in the current context of low interest rates, is indicative of the confidence and loyalty of Caixa Geral de Depositor's customer base.

The 4.8% increase of €3,017 million in customer deposits to €65,644 million at the end of June 2019 derived from the 5.8% increase of €3,101 million in domestic activity.

Total resources taken were up 2.4% by €2,138 million over December 2018 to €90,957 million.

(EUR Million)

RESOURCES TAKEN	Restated 2018-06	Restated 2018-12	2019-06	Change 2018-06 vs. 2017-06 (%)	Change 2018-06 vs. 2017-12 (%)
Balance sheet	**70,732**	**68,931**	**70,532**	**-0.3%**	**2.3%**
Central banks' & cred instit. resources	2,370	1,797	1,678	-29.2%	-6.6%
Customer deposits (Consolidated)	63,486	62,626	65,644	3.4%	4.8%
Domestic activity	54,151	53,263	56,364	4.1%	5.8%
International activity	9,336	9,363	9,280	-0.6%	-0.9%
Covered bonds	3,040	3,058	2,262	-25.6%	-26.0%
EMTN and other securities	1,724	1,362	806	-53.2%	-40.8%
Other	113	87	142	26.0%	62.8%
Off-balance sheet	**19,674**	**19,888**	**20,425**	**3.8%**	**2.7%**
Investment funds	4,059	3,745	4,007	-1.3%	7.0%
Real estate investment funds	984	778	800	-18.7%	2.9%
Pension funds	3,747	3,641	3,905	4.2%	7.3%
Financial insurance	8,068	8,586	8,603	6.6%	0.2%
OTRV Portuguese Governm. Bonds	2,815	3,138	3,109	10.4%	-0.9%
Total	**90,405**	**88,819**	**90,957**	**0.6%**	**2.4%**
Total resources (domestic activity) (1)	**70,966**	**70,249**	**73,159**	**3.1%**	**4.1%**

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

Total resources taken from domestic activity were up 3.1% over the same period last year and 4.1% over December 2018 to €73,159 million at the end of June 2019. This increase was significantly influenced by the 5.8% increase of €3,101 million in domestic customer deposits in first half 2019. These deposits were up 4.1% of €2,213 million in comparison to the same period of the previous year.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED)	Restated 2018-06	2018-12	2019-06	Change 2019-06 vs 2018-06 Total	Change 2019-06 vs 2018-06 (%)	Change 2019-06 vs 2018-12 Total	Change 2019-06 vs 2018-12 (%)
Customers deposits	**63,486**	**63,335**	**65,644**	**2,158**	**3.4%**	**2,309**	**3.6%**
Sight deposits	28,101	28,714	31,484	3,383	12.0%	2,769	9.6%
Term and savings deposits	35,126	34,354	33,891	-1,236	-3.5%	-463	-1.3%
Mandatory deposits	259	267	270	10	4.0%	2	0.9%
Other resources	**113**	**87**	**142**	**29**	**26.0%**	**55**	**62.5%**
Total	**63,599**	**63,423**	**65,786**	**2,187**	**3.4%**	**2,363**	**3.7%**

By type, term deposits and savings accounts of €33,891 million at the end of June, accounted for around 52% of total customer deposits.

(EUR million)

DEBT SECURITIES (CONSOLIDATED)	Restated 2018-06	2018-12	2019-06	Change 2019-06 vs 2018-06 Total	Change 2019-06 vs 2018-06 (%)	Change 2019-06 vs 2018-12 Total	Change 2019-06 vs 2018-12 (%)
EMTN programme issues (1)	198	199	202	4	2.3%	3	1.6%
Covered bonds	3,038	3,057	2,261	-777	-25.6%	-796	-26.0%
Other	5	4	4	-1	-15.5%	0	-0.5%
Total	**3,241**	**3,260**	**2,468**	**-773**	**-23.9%**	**-793**	**-24.3%**

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

Debt securities have trended downwards over the last few years owing to the fact that several issuances reached their maturity without the need to refinance them in the capital market, owing to the Group's comfortable situation.

The debt securities balance, down 23.9% by €773 million in June 2019, was influenced by the January

2019 maturity of a covered bonds issuance (series 16 2014/2019) with a nominal value of €750 million.

(EUR million)

SUBORDINATED LIABILITIES (CONSOLIDATED)	Restated	Restated		Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
EMTN programme issues [1]	1,139	1,160	601	-539	-47.3%	-559	-48.2%
Other	383	0	0	-383	-100.0%	0	-
Total	**1,522**	**1,160**	**601**	**-921**	**-60.5%**	**-559**	**-48.2%**

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

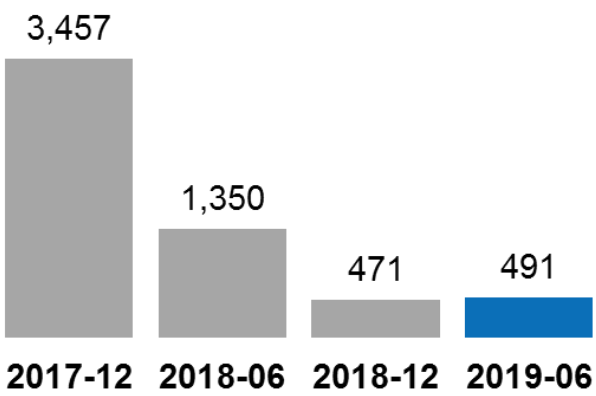
Subordinated liabilities were down 60.5% over the same period 2018 to €601 million at the end of first half 2019. The significant reduction occurring during the first six months of 2019 derived from the liquidation of the bond loan of €538.6 million in May. The loan had been issued in May 2009 and sold on the retail market.

LIQUIDITY

Given a comfortable situation, both in terms of liquidity as in own funds, CGD decided to exercise, after the necessary approvals, its early redemption option on two Tier 1 issuances (securities issuances representing tier 1 own funds), in the first quarter 2019. The securities with a present value of €110.7 million, were originally issued in 2004 and 2005.

ECB FUNDING

(EUR million)



Resources taken in consolidated terms by CGD Group from the ECB, entirely through Banco Caixa Geral (Spain), were slightly up by €20 million from €471 million to €491 million over December 2018.

There was a €37 million increase in CGD Group's eligible assets portfolio in the Eurosystem pool, in comparison to the amount at the end of last year to €12 billion at the end of June. It grants to the Group a high level of funding that can be promptly used.

The LCR (liquidity coverage ratio) of 323.6% the end of June 2019 was higher than the regulatory requirements and European Union banks' average.

The NSRF (net stable funding ratio) of 157.8% at the end of June in comparison to 148.9% at the end of 2018 also confirms CGD Group's comfortable liquidity situation.

CAPITAL MANAGEMENT

Consolidated shareholders' equity at 30 June 2019 was up €205 million over the same period 2018 to €8,359 million even after dividend payment of €200 million and the impact in other reserves of the reduction of the Pension Fund discount rate from 2.075% to 1.6%.

Reference should also be made to the 32.8% increase of €88 million in revaluation reserves.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	Restated 2018-06	Restated 2018-12	2019-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Fair value reserves	268	257	356
Other reserves and retained earnings	3,011	2,855	3,005
Non-controlling interests	337	333	236
Net income	194	496	417
Total	**8,154**	**8,285**	**8,359**

The other equity instruments account totalling €500 million refers to the market issuance of additional tier 1 securities at the end of March 2017.

The fully loaded, CET 1, Tier 1 and total ratios, of 15.1%, 16.1% and 17.4%, respectively (including net income for the period), complying comfortably with capital requirements in force for CGD.

The above referred to net income includes the revision of impairments related to the disposal of Banco Caixa Geral Spain, following the European Central Bank ECB's (European Central Bank) decision of non-opposition to the sale to ABANCA Corporación Bancaria, S.A.

The valuation of this equity investment as of 30 June 2019 contributed positively with an amount of around €135 million to the consolidated net income for the period, representing 31 basis points at CET1 ratio.

Information on the amounts of own funds and capital ratios at June 2018, December 2018 and June 2019 (including the calculation of net profit for the period) is set out below.

(EUR million)

SOLVENCY RATIOS (Including net income)			
Phased-in (CRD IV / CRR)	2018-06	2018-12	2019-06
Own funds			
Common equity tier 1 (CET 1)	7,017	7,114	7,305
Tier 1	7,566	7,617	7,808
Tier 2	735	661	624
Total	**8,301**	**8,278**	**8,432**
Weighted assets	**49,958**	**48,623**	**48,390**
Solvency ratios			
CET 1	14.0%	14.6%	15.1%
Tier 1	15.1%	15.7%	16.1%
Total	**16.6%**	**17.0%**	**17.4%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier I (CET 1)	7,029	7,114	7,305
Weighted assets	**49,963**	**48,623**	**48,390**
CET 1 ratio	14.1%	14.6%	15.1%

Not including net income for the period of €418 million, Common Equity Tier 1 (CET 1) and Total phasing-in ratios calculated in accordance to CRD IV/CRR rules stood at 14.1% and 16.5%, respectively, as of June 2019, which compare with 13.5% and 15.9% in December 2018. This 63 basis points variation in the CET 1 ratio between December 2018 and June 2019 above mentioned is essentially explained by the following impacts:

- The incorporation in other reserves and retained earnings of the net profit for 2018, deducted from the amount of dividends paid to the State (€296 million of which €496 million of net income for the year 2018 and deducted from €200 million payment of dividends), which increased the CET 1 ratio by around 69 basis points;
- The combination between prudential filters and the change in balance sheet accounts (not including net income for the period of €418 million evolution), which impacts negatively with €78 million in own funds (decrease of 6 basis points in CET1 ratio). Reference should be made to the following impacts:
  - On the €149 million decrease of other reserves and retained earnings, fundamentally on account of staff benefits actuarial deviations.
  - On the increase of around €99 million in revaluation reserves fundamentally in respect of profit and loss on available-for-sale assets;
  - On the decrease of the reduction of deferred tax assets on fiscal losses, resulting in gains of €23 million.
  - On minority interests which were down by around €1.5 million;
  - On the global deduction of around €40 million to the amount in excess of the prudential limits on own funds;
  - Of a larger deduction of intangibles which had a negative impact of around €5 million on own funds;
- The reduction of around €212 million in RWAs, essentially on account of the decrease of around €199 million in net credit in which a contributory factor was the write-offs made during the year. There was also a reduction of €191 million owing to sales of investment units in equity funds. Exposure to debt securities across the same period was up by around €168 million.

SREP ("Supervisory Review and Evaluation Process") capital requirements on consolidated activity for 2019

Based on SREP 2018 results, CGD was notified by the ECB (European Central Bank) of the minimum capital requirements applicable from 1 January 2019.

CGD's minimum phased-in CET 1 capital requirement, on a consolidated basis, is 9.75% and includes:

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

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

c) the CCB (Capital Conservation Buffer) of 2.50% and;

d) the O-SII (Other Systemically Important Institutions) buffer of 0.50%.

CGD must also achieve a minimum tier 1 ratio of 11.25% and a total capital ratio of 13.25% in 2019.

(%)

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2019
Common Equity Tier 1 (CET1)	**9.75%**
Pillar 1	4.50%
Pillar 2 Requirement	2.25%
Capital Conservation Buffer (CCB)	2.50%
O-SII Buffer (other systemic important institution)	0.50%
Tier 1	**11.25%**
Total	**13.25%**

The O-SII (Other Systemically Important Institutions) buffer is being fully covered by CET 1.

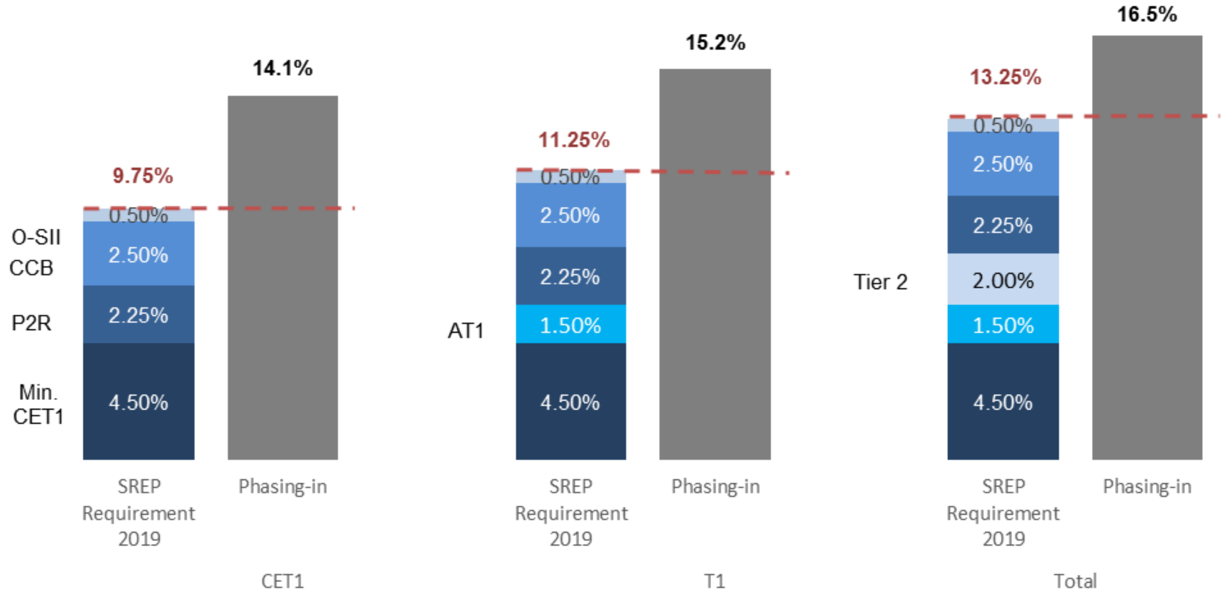
In conformity with the Bank of Portugal's resolution of 11 November 2017, CGD's O-SII buffer was set at 0.25% for 2018, 0.50% for 2019, 0.75% for 2020 and 1% for 2021.

The CCB has been increased in stages by 0.625% per annum, having achieved its maximum requirement of 2.5% in 2019.

The ratios achieved in the first half by CGD's consolidated operations were higher than the SREP's minimum capital requirements for 2019.

PHASED-IN CAPITAL RATIOS AND 2019 SREP REQUIREMENTS

(Not Including Net Income)



MREL

CGD was notified by the Bank of Portugal of its MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements during the course of the half year in conformity with the resolution issued by the Single Resolution Fund.

CGD must have an amount of own funds and eligible liabilities of €11,453 million, from 1 January 2023. This is equivalent to 13.27% of the total liabilities and shareholders' equity of its resolution perimeter at 31 December 2017.

The MREL requirement is in line with CGD's expectations and is consistent with its financing plan which provides for the issuance of approximately €2 billion of eligible liabilities (excluding AT1 financing) – issuances of preferred and non-preferred senior debt – up to the end of 2022.

The resolution in respect of the MREL requirement is based on current legislation and is subject to a review by the supervisor over time.

In the sphere of the EMTN programme, reference should also be made to the completion of a series of upgrades at the end of June which particularly included a new subordination class referred to as "non-preferred senior debt instruments". This new instrument will enable CGD to issue debt complying with the subordinated component of the MREL (minimum requirement for own funds and eligible liabilities), with the use of less exacting instruments than own funds instruments but which are also able to absorb losses in the event of resolution and contribute towards the bank's internal recapitalisation.

RATING

In first half 2019 there were two changes to the ratings on CGD issued by the international rating agencies.

DBRS Ratings upgraded its rating on long term deposits by one notch to BBB and on short term deposits to R-2 (high), with a stable trend, in March 2019. This was latterly changed to "positive" in the following month, in line with the revision of the rating trend on the Portuguese Republic. It upgraded its rating on long term debt in June from BBB (low) to BBB and from R-2 (middle) to R-2 (high), on short term debt both of which ratings with a stable trend. It also upgraded its rating on CGD's covered bonds by one notch from A (high) to AA (low).

In July, Moody's affirmed its rating of Ba1 on CGD's long term senior debt, having reviewed its outlook from negative to stable and upgraded its long term rating on deposits from Ba1 to Baa3, by one notch with a stable outlook and short term not-prime debt to P-3.

Information on CGD's ratings in June 2019, is summarised in the following table:

RATING			
	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB	2018-12
Moody's	N/P	Ba1	2019-07
DBRS	R-2 (high)	BBB	2019-06

1.5.1.1. DOMESTIC ACTIVITY

Domestic activity's contribution to CGD Group's net income in first half 2019 was €331.5 million against €118.7 million for the same half of the preceding year. This amount already includes the positive impact of €135 million from the disposal of BCG Spain, deriving from the adjustment in line with the selling price to the impairments registered in CGD's accounts at the end of 2017.

In addition to the referred to impact, the positive effects of the other operating income aggregate (up 50.1 million), operating costs (down €36.8 million), income from services and commissions (up €1.4 million) and smaller provisions and impairments also contributed to this evolution.

(EUR million)

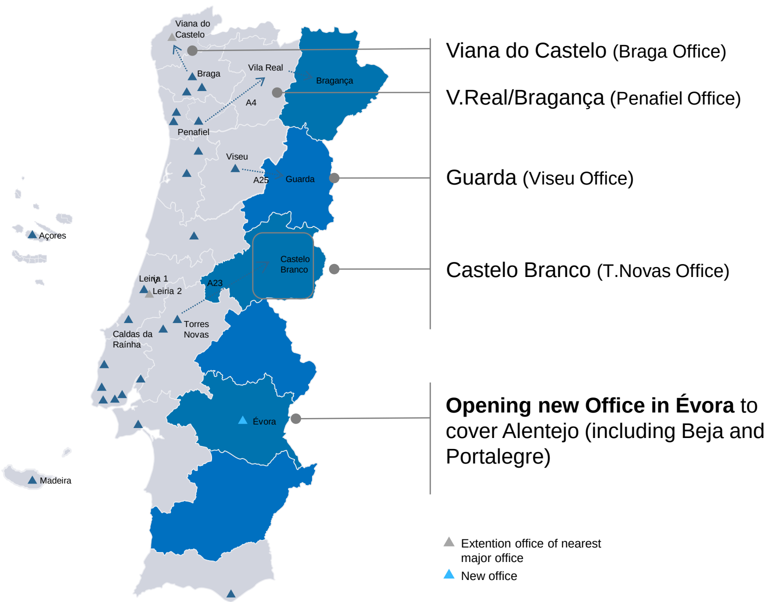
DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2018-06	2019-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	407.7	387.6	-4.9%
Results from services and commissions	199.9	201.3	0.7%
Income from financial operations	29.0	-3.2	-
Other operating income	29.9	80.0	167.1%
Total operating income	**666.5**	**665.6**	**-0.1%**
Employee costs	249.3	225.3	-9.6%
Administrative expenses	127.6	101.3	-20.6%
Depreciation and amortisation	19.3	32.7	70.0%
Operating costs	**396.2**	**359.4**	**-9.3%**
Net operating income before impairments	**270.3**	**306.3**	**13.3%**
Credit impairment (net)	90.5	-9.3	-
Provisions and impairments of other assets (net)	-55.2	-155.8	-
Net operating income	**235.0**	**471.3**	**100.5%**
Income Tax	141.2	146.0	3.4%
Net operating income after tax and before non-controlling interests	**93.9**	**325.3**	**246.5%**
Non-controlling interests	1.9	1.5	-23.6%
Results of associated companies	26.7	7.6	-71.4%
Net income	**118.7**	**331.5**	**179.3%**

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

CGD PORTUGAL

Companies

Corporate oversight operations in first half 2019 required permanent adjustments to solutions able to provide a prompt response to different needs, by means of a local, proximity-based approach to the business community, leveraging trust and strength, through a specialised network across the whole of Portuguese territory.



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 in contributing to the development of the Portuguese economy.

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

- The growth of credit in several of the most dynamic sectors of the economy and particularly manufacturing, wholesale and retail trade, construction and agriculture, whose overall year-on-year growth of 15% was significantly higher than that of banking system growth of 0.7%;
- Growth in loans for hybrid and electric vehicles (leasing and renting);
- Achieving market share in core products and especially equipment and real estate leasing operations, vehicle leasing, confirming and foreign trade (import and export letters of credit and import documentary remittances);
- A leading position in terms of Capitalizar (capitalisation), Capitalizar Mais (capitalisation plus) and SGM (mutual guarantee) lines of credit.
- More than 3,800 corporate customers with new loans from Caixa, of which 300 are new SME customers.
- 30,000 new subscriptions for Caixa’s new business account as a multiproduct solution comprising a current account, online transfers, debit and credit cards, cheques and access to CGD’s POS terminals at lower prices.

A highly dynamic approach to the promotion of products for the corporate segment continued to be adopted in first half 2019. These particularly included fixed-rate solutions, Leasing Flex, confirming guarantees, factoring without recourse (COSEC), renting, forfaiting for export and import operations and non-financial insurance.

The advantages associated with the Caixa Top exclusive recognition programme were also expanded through an increase in the number of partnerships (30 of which already entered into) in which Caixa continued to commit to a speedier credit issuing process, better price terms, exclusive treasury products, foreign trade support and many other advantages. Caixa awarded its Caixa Top status to around 6,820 companies under branch network management in 2019.

Having issued more than 4 million corporate and personal bank cards, Caixa continues to lead the payments sector in the national marketplace, committing to the provision of a broad, diversified range of services, covering different aspects such as quality, flexibility, levels of service, clarity of information and the credibility of the Caixa Geral de Depósitos brand.

CGD’s personal offer includes diversified solutions such as contactless payments, DCC (dynamic currency conversion i.e. payment in the card’s original currency), MB Way (acceptance of payments by smartphone), payments split up at the point of sale when made using the CGD card (i.e. various instalments for larger purchases).

Online payments particularly include the new web-based and web-responsive Digital Payment Gateway solution, in line with the best PCI-DSS security standards whose single interface hosts various national and international means of payment.

Reference should also be made to several numbers which mirror the contribution of acquiring:

- Around 47,500 terminals under management − up 7,000 terminals over June 2018;
- A 1.3% increase of market share to 13.8%;
- Acceptance of Chinese UnionPay cards by more than 20,000 POS terminals;
- More than 9,905 POS terminals with DCC (dynamic currency conversion) and more than 33,171 POS terminals with active contactless technology;
- Around €15.8 million in daily resources-taken.

As regards digital channels, the corporate subscription rate to Caixadirecta companies achieved high levels of operability in the case of several products, particularly factoring and confirming operations (60%) and documentary foreign trade operations (50%).

To back the national economy in 2019, CGD completed its first “Encontros Fora da Caixa” cycle which visited all district capitals nationwide, with 4 meetings having been in the second cycle, visiting Portuguese cities under the equation E=MC2 | Economy = Market x (Knowledge & Culture). Culture is an integral part of the events in this new format. 1,478 CGD customers were present at the 6 meetings held across first half 2019. There were also 109 thousand streaming views.

Individuals

The domestic branch office network at the end of first half 2019, comprised 520 branches with face-to-face services together with 26 self-service branches. CGD’s self-service branches provide its customers with 3,727 items of self-service equipment that include 1,887 machines belonging to CGD’s private network (1,165 in-house cash machines and 722 passbook updaters) and 1,840 Multibanco network ATMs. 106.2 million operations for the amount of €8.6 billion were performed across the half year.

Reference should also be made to the launch of the new model branch office at two central locations in Lisbon (Lumiar) and Porto (Boavista), designed to provide customers with a new experience based on a “disruptive” relational and transactional concept. The aim behind this renewed, modern, sophisticated space is to provide an efficient service in which each customer enjoys a different experience which is suited to his/her needs and expectations.

At the same time, the three mobile banking branches as a mobility solution for customers in more remote locations, allowing Caixa to continue to focus on positive differentiation in terms of customer experience and commercial dynamics, have strengthened CGD’s presence in 52 locations in the municipal districts of Castelo Branco, Guarda and Portalegre.

As another way of customer service to meet the needs of customers who prefer a proximity relationship with CGD and with the added convenience of extended opening hours and multiplicity of contact channels, CGD continued to invest in its distance management of customers in providing around 303 thousand customers with a personal account manager. This number was up 34% over June 2018

The following projects were launched in first half 2019 as part of CGD’s digital transformation programme and to improve its customers’ accessibility to digital solutions:

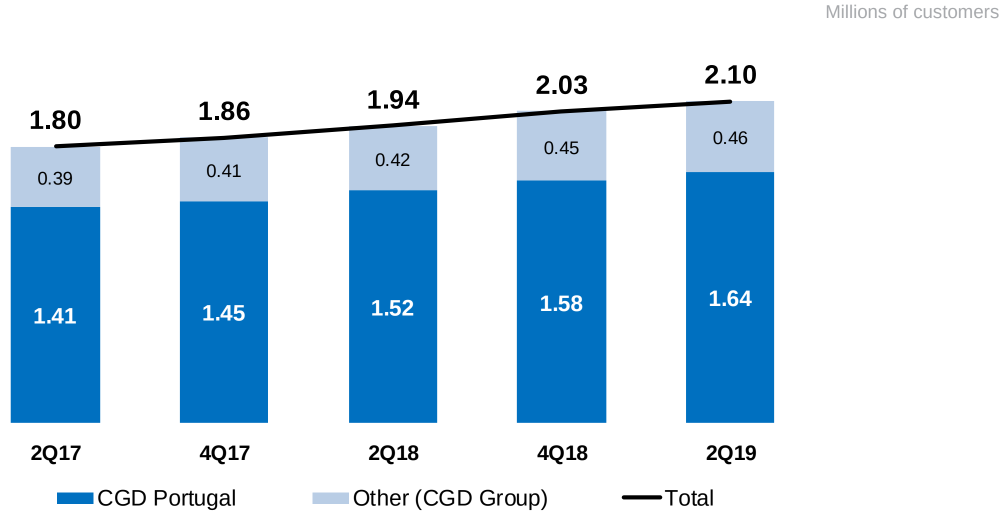
- A new, faster and more flexible customer registration and new accounts process was developed. Particular reference should be made to the automatic scanning of the data contained on citizens’ ID cards, achieving a 75% reduction in the time needed to enter into a relationship with CGD.
- The cgd.pt site is now fully accessible to persons with special needs and meets level AAA accessibility criteria;
- The possibility of opening fully digital financial assets accounts with immediate activation;
- A new release of the Caixadirecta app which continues to be the leading Portuguese app in playstores with more than 66 thousand classifications (in comparison to the 8.8 thousand of the second placed bank, continuing to merit an evaluation of 4.5 out of 5) and responsible for 67% of accesses to Caixadirecta, with a 63% year-on-year growth in monthly log-ins;
- The possibility of using the Caixadirecta app to apply for personal loans;
- A new iOS and Android version of Caixa Easy, to enable transfers to be made to friends and family members, with fast access to all functionalities and enabling the generation of virtual MB NET cards to make safe and easy online purchases.

This enables CGD to oversee day-to-day management, savings, investment and loans for personal projects, as a convenient, safe enabler of agreements to contract for products and services.

The use of digital platforms is increasingly available to everyone and is exemplified by the fact that

408 thousand unique customers accessed Caixadirecta, on 30 April.

ACTIVE DIGITAL CUSTOMERS



CGD continues to be the only Top 25 bank in terms of numbers of searches, with more than double the number of the second bank (NetAudience meterpanel – February 2019).

CGD comes in first place in terms of users of internet banking in Portugal, with a market share of 45%, much higher than the 22% of the second placed bank (BASEF- May 2019).

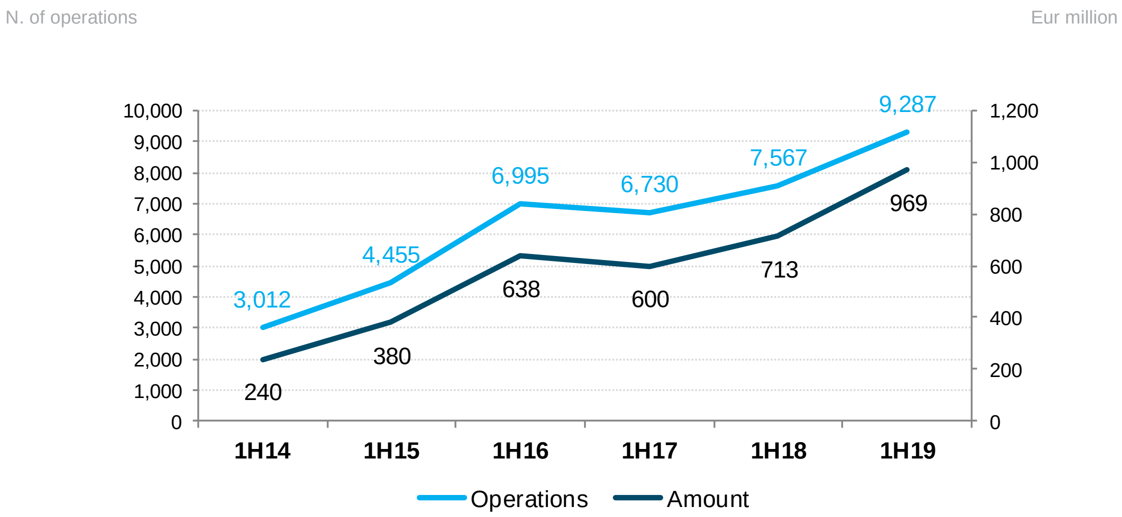
Contas Caixa (Caixa accounts) as a multiproduct solution comprising a current account, online transfers, credit and debit cards and insurance, had a total number of around 1.66 million subscribers at the end of June 2019. This was up by 133 thousand new accounts across the first half year.

CGD maintained its operating trajectory in terms of resources taking with a diversified, comprehensive offer which particularly included:

- Leve PPR 2nd series, as retirement savings plan in an insurance format.
- Open-ended investment funds, 4 multiactive funds in the form of Caixagest Seleção Global (global selection) Defensivo (defensive), Moderado (moderate), Dinâmico (dynamic) and Caixa Investimento Socialmente Responsável (socially responsible investment) geared to different risk profiles and recommended maturities;
- Caixa Reforma Prudente (prudent), Caixa Reforma Activa (active) and Caixa Reforma Valor (value) pension funds, as an alternative for enhancing retirement pensions and providing fiscal benefits;
- Wealth management (WM) service, based on the provision of discretionary portfolio management, for investment consultancy based on wealth investment funds.

CGD consolidated its leading strategy in terms of new mortgage lending agreements, with a year-on-year 36% growth of €257 million euros and recovered its market share in Portugal.

EVOLUTION OF MORTGAGE CREDIT - NEW OPERATIONS



Initiatives designed to strengthen the relationship with existing customers and their families were developed across the first half year in the form of Vantagens Cliente Crédito Habitação Caixa, (home loan benefits for Caixa customers) for new customers and extensive to the family members in the first degree of existing customers, for new credit operations for the acquisition or exchange of a permanent home and the acquisition of a new second home or buy-to-let operation.

The improvement of its customers' experience is a priority for CGD and is a core issue in strengthening its respective value proposals. 90% of customers indicated their satisfaction with Caixa's mortgage loans in the "Mortgage Lending Satisfaction Survey" which was carried out in May.

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. The 149 new agreements/contracts entered into between 1 January and 30 June 2019 made it possible to end the half year with a 49% share of this channel and year-on-year sales growth of 92%.

CGD furthered its sustainable credit strategy for personal and car loans through its Campanha Girassol (Sunflower Campaign) on its launch of a series of financing solutions for projects and vehicles with the aim of improving energy efficiency.

The market share of customer deposits continued to dominate in Portugal, at 25.1% in June 2019, particularly the individuals market share at 29.1%.

CUSTOMER DEPOSITS MARKET SHARES (PORTUGAL)	2018-06	2018-12	2019-06
Corporate	12.3%	12.1%	12.1%
General government	32.2%	20.9%	21.3%
Individual customers	29.2%	29.0%	29.1%
Emigrants	49.2%	49.5%	50.7%
Total	**25.9%**	**25.1%**	**25.1%**

CGD had a 18.7% market share of loans and advances to customers in June 2019, in comparison to 19.3% at the end of 2018.

LOANS AND ADVANCES TO CUSTOMERS MARKET SHARES (PORTUGAL)	2018-06	2018-12	2019-06
Corporate	16.0%	15.2%	14.6%
Individual customers	21.6%	21.1%	20.6%
Mortgage loans	24.8%	24.3%	24.1%
Consumer	4.7%	4.4%	4.0%
General government	30.0%	27.6%	26.4%
Total	**20.0%**	**19.3%**	**18.7%**

INVESTMENT BANKING

CaixaBI's total operating income in first half 2019 amounted to €16.1 million. Contributory factors were net interest income of €3.9 million, net commissions of €9.1 million and income from financial assets of €2.8 million. Net income for the period was €5.4 million.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS [1]			Change	
	2018-06	2019-06	Total	(%)
Net interest income	8.4	3.9	-4.5	-53.8%
Commissions (net)	11.8	9.1	-2.7	-22.6%
Income from financial operations	16.2	2.8	-13.4	-82.6%
Total operating income	49.1	16.1	-33.0	-67.1%
Operating costs	9.8	-8.7	-18.5	-
Net op. income before impairments	39.3	7.5	-31.8	-81.0%
Provisions and impairments	-5.4	0.3	5.7	-
Net income	33.3	5.4	-27.9	-83.6%
Net assets	1,356	688	-668	-49.3%
Securities investments	681	520	-162	-23.7%
Loans and adv. to customers (net)	8	6	-2	-25.7%
Customer deposits	148	51	-97	-65.6%

(1) Statutory consolidated accounts

CaixaBI was involved in several primary debt market operations in Portugal across the first half year of which particular reference should be made to the organisation and lead of the Navigator (€50 million), Visabeira Group (€13.7 million), Sonae (€50 million), Sonae Capital (€15 million) and RAM (€355 million) bond issuances, participation as joint bookrunner and lead manager of the José de Mello Saúde (€35 million) bond issuance, joint global coordination of the SIC bond issuance in the form of a public subscription (€51 million) and the public subscriptions for Benfica SAD (€40 million) and TAP Air Portugal (€105 million).

Reference should also be made to the bank's role as co-lead manager for the Portuguese Republic's new benchmark 10 years maturity issuance (T-bond 1.95% June 2029 for €4 billion) and Unicredit for its issuance of floating-rate notes (€750 million).

CaixaBI organised and led ten new commercial paper programmes in the major enterprises segment, structured and agencied 26 commercial paper programmes for small and medium sized enterprises for a total amount of €45 million and completed 25 extensions and/or revisions of the conditions attached to past years' programmes.

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

Reference should also be made, regarding the activity of Equity Capital Markets, to the organisation and structuring of the Luz Saúde delisting operations in addition to the provision of financial advisory services for the takeover bid on SAG Gest – Soluções Automóvel Globais, SGPS, S.A.

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 its market-making activity on a Fundiestamo real estate fund.

CaixaBI's contribution to CGD Group's consolidated net income in first half 2019 amounted to €4.0 million.

SPECIALISED CREDIT

Caixa Leasing e Factoring

Caixa Leasing e Factoring, Sociedade Financeira de Crédito, S. A. (CLF) represents CGD Group in the main specialised credit areas. Its commercial performance in first half 2019 was favourable and particularly so in terms of real estate leasing and confirming activities in comparison to June of the preceding year.

(EUR million)

CGD GROUP SALES – SPECIALISED CREDIT			Change	
Product	2018-06	2019-06	Total	(%)
Total leasing	**193**	**212**	**19**	**9.9%**
Property leasing	33	53	21	63.5%
Equipment leasing	161	159	-2	-1.0%
Factoring	**1,783**	**1,837**	**54**	**3.0%**
Domestic and International Factoring	1,125	1,091	-34	-3.0%
Confirming	658	746	88	13.4%
Consumer credit	**10**	**8**	**-2**	**-21.3%**
of which:				
Vehicle finance (1)	**92**	**72**	**-20**	**-21.3%**
Equipment leasing	81	64	-17	-21.4%
Consumer credit	10	8	-2	-21.2%

(1) Light vehicles.

Net assets were down 2.4%, essentially owing to the reductions of 0.7% in the loans and advances to customers' portfolio (net) and 42.3% in the case of non-current assets held-for-sale.

Total operating income, influenced by the positive change of other operating income was up 9.6% over the preceding year to €24.1 million.

Operating costs were down €42.3% by €3.2 million, owing to the 42.2% reduction in the employee account owing to the existence of fewer employees and due to the reduction in staff and the fact that, costs have been registered in 2018, related to the early retirement programme, which did not occur in 2019.

Caixa Leasing e Factoring's net income of €20 million in first half 2019 compared to €4.5 million in the same period of the preceding year.

(EUR million)

CAIXA LEASING E FACTORING - INDICATORS [1]			Change	
	2018-06	2019-06	Total	(%)
Net interest income	19.5	19.7	0.1	0.7%
Total operating income	22.0	24.1	2.1	9.6%
Operating costs	7.5	4.3	-3.2	-42.3%
Net op. income before impairments	14.5	19.7	5.3	36.5%
Provisions and impairments	5.3	-7.4	-12.6	-
Net income	4.5	20.0	15.5	340.8%
Net assets	2,324	2,269	-56	-2.4%
Loans and adv. to customers (net)	2,161	2,148	-13	-0.6%

CLF's contribution to CGD Group's consolidated net income for 1st half 2019 amounted to €20 million.

ASSET MANAGEMENT

The volume of assets under management in first half 2019, was up over the same half last year and the end of the preceding year. Commissions from asset management were also expressively up.

Asset management income, which includes management, deposit and redemption fees evolved positively as a result of the commercial emphasis on the highest value funds. Gross commissions at the end of June 2019 were up 14.6% over the same half last year.

(EUR million)

ASSET MANAGEMENT - INDICATORS			Change	
	2018-06	2019-06	Total	(%)
Commissions (net)	10.8	10.9	0.1	0.7%
Total operating income	12.3	11.9	-0.4	-3.3%
Operating costs	6.4	6.0	-0.4	-6.4%
Net op. income before impairments	5.8	5.9	0.0	0.2%
Provisions and impairments	0.7	0.0	-0.7	-
Net income	3.8	4.5	0.7	17.8%

Amounts under management in first half 2019, driven by pension funds, were up 0.4% over the same period last year to €28,413 million.

(EUR million)

FUNDS UNDER MANAGEMENT				Change 2019-06 vs 2018-06	
	2018-06	2018-12	2019-06	Total	(%)
Unit trust funds	3,993	3,745	3,992	-1	0.0%
Property funds	966	777	808	-158	-16.4%
Pension funds	3,758	3,641	3,988	230	6.1%
Wealth management [1]	19,588	19,609	19,625	37	0.2%
Total	**28,305**	**27,772**	**28,413**	**108**	**0.4%**

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

Unit trust investment funds - Caixagest

In spite of the fact that the Portuguese market for unit trust investment funds was down 3.2% in the first half, the value of Caixagest-managed funds remained stable, strengthening Caixagest's lead of the unit trust funds segment from 32.7% to 34.6%

Continued growth of the highest value added fund categories helped to fuel the increase of commissions over the last half year by 33.9% to €17.7 million.

(EUR million)

UNIT TRUST INVESTMENT FUNDS UNDER MANAGEMENT				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Treasury funds	1,605	1,255	1,065	-540	-33.6%	-190	-15.1%
Bond funds	588	500	454	-134	-22.8%	-46	-9.2%
Multi-asset funds	806	941	1,307	501	62.2%	366	38.9%
Share funds	596	687	813	217	36.4%	126	18.3%
Special investment funds	398	361	352	-46	-11.6%	-9	-2.5%
Total	**3,993**	**3,744**	**3,991**	**-2**	**-0.1%**	**247**	**6.6%**

Property funds – Fundger

Fundger managed real estate investment funds for a net amount of €808 million at the end of June 2019. This was down 16.4% over the same half last year owing to the fact that it ceased to manage four real estate investment funds which were transferred to another management company and with another fund having been wound up at the end of its established maturity period.

The Fundimo fund, in particular, increased its amount under management by 3.6% over the same period last year owing to the recovery of its level of profitability.

Commissions earnings from real estate management funds were down 8.6% over the same half of the preceding year to €3.5 million.

(EUR million)

PROPERTY FUNDS MANAGEMENT				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Fundimo open-ended fund	561	556	581	20	3.6%	25	4.5%
Closed end funds	405	222	227	-178	-44.0%	5	2.3%
Total	**966**	**778**	**808**	**-158**	**-16.4%**	**30**	**3.9%**

Pension funds - CGD Pensões

The equity value of the funds managed by CGD Pensões was up 6.1% over the same period last year to €3,988 million at the end of June. Commissions earnings from pension funds, in turn, were up 2.3% year-on-year to €3.3 million.

(EUR million)

PENSION FUNDS UNDER MANAGEMENT				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Open-ended funds	388	358	375	-13	-3.4%	17	4.7%
Closed end funds	3,303	3,219	3,548	245	7.4%	329	10.2%
Retirement Savings Plan fund	67	65	65	-2	-3.0%	0	0.0%
Total	**3,758**	**3,642**	**3,988**	**230**	**6.1%**	**346**	**9.5%**

Portfolio management - Caixagest

The value of the portfolios managed by Caixagest was up 0.2% over the same half last year owing to the entry of the new portfolios of individuals to €19,624 million, at the end of June.

Wealth management services for individuals continued to develop in articulation with CGD's branch office network and continue to grow significantly (up 29.2% year-on-year). The income generated by the wealth management service was down 6% over the same period of the preceding year to €5.8 million, essentially on account of the smaller contribution of insurance portfolios.

(EUR million)

PORTFOLIOS UNDER MANAGEMENT				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
	2018-06	2018-12	2019-06	Total	(%)	Total	(%)
Insurance portfolios	12,862	13,026	12,844	-18	-0.1%	-182	-1.4%
Institutional	6,326	6,190	6,264	-62	-1.0%	74	1.2%
Individuals and companies	399	393	516	117	29.2%	123	31.3%
Total	**19,588**	**19,609**	**19,624**	**36**	**0.2%**	**15**	**0.1%**

The asset management area's contribution to CGD Group's consolidated net income in first half 2019 totalled €4.5 million.

1.5.1.2. INTERNATIONAL ACTIVITY

CGD continued to restructure its international presence in first half 2019, in furthering the implementation of its Strategic Plan. Hence, work followed on the process for the disposal of CGD's equity stakes in Mercantile Bank Holdings Limited (South Africa), Banco Caixa Geral, S.A. (Spain) and BCG Brasil. Work also began, at the start of 2019, on the disposal process of Banco Comercial do Atlântico (Cape Verde) and the closure of the Luxembourg branch, which is scheduled for completion by the end of this year.

CGD was authorised by the ECB to dispose of its 99.79% equity stake in Banco Caixa Geral, S.A. during second half 2019. The process is scheduled for completion in October 2019.

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

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (1)	2018-06	2019-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	189.3	192.2	1.5%
Results from services and commissions	43.1	42.9	-0.4%
Income from financial operations	18.8	25.7	36.7%
Other operating income	-8.4	-4.0	-
Total operating income	**242.7**	**256.7**	**5.8%**
Employee costs	72.6	71.4	-1.6%
Administrative expenses	47.4	47.1	-0.5%
Depreciation and amortisation	11.5	13.8	20.0%
Operating costs	**131.5**	**132.4**	**0.7%**
Net operating income before impairments	**111.3**	**124.4**	**11.8%**
Credit impairment (net)	23.1	12.1	-47.7%
Provisions and impairments of other assets (net)	-1.0	5.8	-
Net operating income	**89.1**	**106.5**	**19.5%**
Income Tax	25.9	25.5	-1.5%
Net operating income after tax and before non-controlling interests	**63.2**	**81.0**	**28.2%**
Non-controlling interests	16.4	20.4	24.4%
Results from subsidiaries held for sale	28.3	25.2	-10.8%
Results of associated companies	0.3	0.1	-55.7%
Net income	**75.4**	**86.0**	**14.0%**

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

International business's contribution of €86.0 million to consolidated net income in first half 2019 was up 14.0% over the same period 2018. The main contributions to income from international activity in the first six months of the year were made by BNU Macau (€33.0 million), BCI Mozambique (€18.5 million), and France branch (€10.2 million).

Total operating income from international activity was up 5.8% over the same period of the preceding year. The components of total operating income making a positive contribution to this evolution in comparison to the same period of the preceding year were net interest income (up 1.5% by €2.8 million) and income from financial operations (up 36.7%, by €6.9 million).

Notwithstanding the decreases of 1.6% in the employee costs and 0.5% in administrative costs components, operating costs were up 0.7% over June 2018 owing to the 20.0% increase in the amortisation and depreciation component.

The international area's contribution to consolidated net assets remained relatively stable (down 0.4%) in the first six months of 2019, at €18,901 million, but down 2.5% over the same period 2018. Loans and advances to customers were also down 5% over June 2018 to €7,251 million. This latter reduction mainly derived from BCG Angola and the group's activity in Spain.

As regards customer deposits, the international area's contribution in first half 2019 was slightly down by 0.6% over the same period 2018 to €9,280 million. Therefore, the 7.0% decrease of €286.5 million recorded in the activity of BNU Macau was almost fully offset by growth in BCI Moçambique and France branch, with increases of €138.3 million and €146.8 million, respectively.

MAIN ENTITIES

BNU Macau

The activity of Banco Nacional Ultramarino, S.A (BNU) in first half 2019 was marked by a set of factors of which special reference should be made to several of the bank's initiatives to transform BNU into a more digital bank:

- Completion of the contactless credit and debit cards adoption process;
- Introduction of new and improvements to existing functionalities on the BNU app;
- Finalisation of the implementation of the UnionPay QR code on retail customers' POS terminals;
- Launch of Macau Pass (Mpay) top-up payments functionality via BNU accounts using mobile phones to pay for car parks, public transport and other small payments;
- As part of Macau's e-government initiative, the development of electronic payments services to various government of Macau departments by their suppliers; and
- The introduction and use of e-messages on the electronic banking system as well as the WeChat automatic response system.

BNU Macau, together with the Monetary Authority of Macau, was involved in the new notes issuance process in its role as one of the two pataca issuing banks in the Special Administrative Region of Macau.

Together with the Bank of China and China's Bank of Communications, BNU Macau operated as the co-leader and arranger for a Government of China's issuance of Treasury bonds (T Bonds) for the amount of 1.7 billion renminbi, in which BNU came 3rd out of 8 for sales of such bonds to individuals, having acquired 12 million renminbi (CNY) in bonds for its own portfolio.

The acquisition of 100 million renminbi in bonds of the first bond issuance of this currency, by the Portuguese Republic and a euro zone sovereign issuer referred to as "Panda Bonds", were also an important milestone in BNU's activity in Macau.

Actions were taken to strengthen the bank's commercial activity across the first half, in the form of intensifying operations involving cross-selling and incentivising the continued loyalty of customers. This took the form of various campaigns to promote commercial activity, including loans (mortgage and personal), resource-taking (deposits), insurance, electronic payments, means of payment (credit cards and POS terminals) and financial leasing.

Reference should also be made to improvements to processes and their speedier application with the short term scheduled implementation of a behavioural model for the analysis and decision-making process on lending to SMEs and improvements to the model for evaluating mortgage lending processes, in which reference should be made to the 15.5% growth of mortgage loans.

In terms of financial indicators reference should be made to the improvement of the loans-to-deposits ratio to 69.6%, against 66.9% in 2018 and the maintenance of the quality of the credit portfolio with NPL and NPE ratios of 1.2% and 0.9%, respectively.

			(EUR Million)			(MOP Million)
BNU - MACAU			Change			Change
MAIN INDICATORS	2018-06	2019-06	(%)	2018-06	2019-06	(%)
Net interest income	38.8	47.2	21.5%	379	431	13.5%
Total operating income	52.9	58.7	10.9%	517	535	3.6%
Operating costs	19.0	20.1	5.8%	186	183	-1.1%
Net op. income before impairments	33.9	38.5	13.8%	331	352	6.3%
Provisions and impairments	-0.9	1.1	-	-9	10	-
Net income	30.5	33.0	8.0%	298	301	0.9%
Net assets	5,951.4	5,808.2	-2.4%	58,148	53,014	-8.8%
Loans and adv. to customers (net)	2,739.2	2,652.0	-3.2%	26,763	24,206	-9.6%
Customer deposits	4,095.6	3,809.1	-7.0%	40,016	34,767	-13.1%

EUR/MOP exchange rate: Balance sheet: 9.4212 in June 2018 and 9.1532 in June 2019; P&L: 9.77047 in June 2018 and 9.12738 in June 2019

Net income of 300.9 million patacas was up 0.9% over the same period 2018 in which a contributory factor was the favourable performance of net interest income. In terms of operational efficiency, reference should be made to the positive evolution of the cost-to-income indicator which stood at 33.9% in June 2019 in comparison to 35.6 % in June 2018.

BNU Macau's contribution to CGD Group's consolidated net income in first half 2019 amounted to €33.0 million in comparison to €30.5 million for the same half 2018.

France Branch

Geared to its natural market of the Portuguese community in France, the branch also services other (particularly Portuguese-speaking) communities 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.

First half 2019 in France was characterised by a moderate growth in economic activity which was up 0.3% per quarter, fuelled by domestic demand and corporate investment, as opposed to foreign trade which made a negative contribution owing to the rate of import growth being higher than that of exports. Higher domestic demand, particularly reflecting increased private consumption deriving from the government's support measures following the "yellow vests" crisis, is considered to be the main driver behind France's economic growth in 2019. The year as a whole is expected to witness a 1.3% deceleration of GDP growth in comparison to the preceding year's 1.7%.

The branch's domestic operations were performed in a macroeconomic context and a banking market in the full swing of technological and regulatory revolution, characterised by cutthroat competition and an environment of historically low interest rates. Of particular relevance was the 5.6% increase in lending over the preceding year, 6.3% increase in resource-taking in the form of customer deposits and a 0.5% increase in transfers to Portugal in comparison to the preceding year.

Several of the main challenges facing the France branch include the need to broaden its customer base and its development of digital banking with the objective of improving the level of penetration of the young Portuguese and Luso-descendants market, strengthening transparency and a risk policy based on best market practice.

The branch's performance in the French market translated into a 20.7% increase in its operating income over the first half of the preceding year to €16.3 million. Favourable contributory factors were the 3.8% growth of total operating income and lower levels of provisions and impairment, making it possible to offset the higher operating costs resulting from adjustments to the level of VAT recovery for 2018.

In light of the above evolution, CGD France's net income for the half amounted to €11.5 million euros.

(EUR Million)

FRANCE BRANCH			Change	
MAIN INDICATORS	2018-06	2019-06	Total	(%)
Net interest income	33.4	34.2	0.9	2.6%
Total operating income	45.2	46.9	1.7	3.8%
Operating costs	26.4	31.1	4.7	17.8%
Net op. income before impairments	18.8	15.8	-3.0	-15.9%
Provisions and impairments	5.3	-0.5	-5.8	-
Net income	7.6	11.5	3.8	49.9%
Net assets	2,883.3	2,974.5	91.2	3.2%
Loans and adv. to customers (net)	2,215.6	2,340.3	124.7	5.6%
Customer deposits	2,321.5	2,468.4	146.9	6.3%

France branch contributed €10.2 million to CGD's consolidated net income in first half 2019.

BCG Angola

BCG Angola's net assets were up by 11.5% over June 2018 to AOA (kwanzas) 379,186 million in which a contributory factor was the 15% increase of the credit portfolio (gross) to AOA 101,676 million.

Customer resources were up 26.8% to AOA 294,652 million, partly on account of the foreign exchange effect.

Total operating income was down 20.1% to AOA 14,151 million, negatively impacted by net interest income, owing to the reduction of interest on securities associated with the reduction of the securities portfolio (quantity effect), and price effect, owing to the higher interest paid on new deposits (in comparison to the portfolio average), as opposed to lower lending rates. As anticipated, income from financial operations was down 18.5% year-on-year, owing to a lower rate of depreciation than in 2019.

Operating costs were up 17.0% year-on-year, largely owing to currency depreciation.

BCG Angola's net income was down 35.1% over the same period 2018 to AOA 2,979 million in first half 2019.

			(EUR Million)			(AOA Million)
BCG - ANGOLA			Change			Change
MAIN INDICATORS	2018-06	2019-06	(%)	2018-06	2019-06	(%)
Net interest income	45.0	29.9	-33.5%	11,807	10,773	-8.8%
Total operating income	67.4	39.3	-41.7%	17,700	14,151	-20.1%
Operating costs	21.3	18.1	-14.7%	5,584	6,534	17.0%
Net op. income before impairments	46.1	21.2	-54.2%	12,116	7,617	-37.1%
Provisions and impairments	15.4	7.4	-52.4%	4,055	2,650	-34.7%
Net income	17.5	8.3	-52.7%	4,591	2,979	-35.1%
Net assets	1,169.9	984.9	-15.8%	340,067	379,186	11.5%
Loans and adv. to customers (gross)	290.5	193.7	-33.3%	84,456	74,558	-11.7%
Customer deposits	799.2	765.3	-4.2%	232,325	294,652	26.8%

Exchange rate EUR/AOA: Balance sheet 290.67999 in June 2018 and 385.00 in June 2019; P&L: 262.54603 in June 2018 and 360.08592 in June 2019

BCG Angola's contribution to CGD Group consolidated net income in first half 2019 totalled €4.2 million.

Banco Comercial e de Investimentos

BCI consolidated its leading position in the national banking system in the three main market shares areas, namely: credit, deposits and assets, in first half 2019, with 30.1%, 27.9% and 26.2%, in June 2019 respectively. BCI ended first half 2019 with a solid financial and equity situation, comfortable liquidity levels and adequate control over its operating costs.

Net assets were stable at 166,734 million meticais (MZN) against MZN 148,642 million in June 2018 (up 12.2%). This increase was largely due to the 28.6% increase of loans and advances to credit institutions and 26.0% increase of debt securities.

The loans and advances to customers' portfolio was down MZN 1,153 million over the same period last year to MZN 68,294 million in comparison to the MZN 69,447 million achieved in June 2018 (down 1.7%). This was, in turn, up MZN 2,223 million in comparison to December 2018 and largely derives from the contraction of new operations. It should be noted that around 28,735 new operations were entered into across the period in question, the 10 largest of which accounting for MZN 3,774 million.

Total customer deposits, in June 2019, amounted to MZN 120,606 million, against MZN 108,811 million in the same period of the previous year and essentially reflected the evolution of domestic currency resources (up 14.6% by MZN 11,819 million) and foreign currency resources (up 1.90% by MZN 537 million). In comparison to December 2018, a trend towards the increase in the size of the portfolio, which was up 4.9% by MZN 5,639 million, is equally noticeable.

In June 2019, the loans-to-deposits ratio was down 7.2 pp to 56.6% against 63.8% for the same period 2018.

Shareholders' equity was up MZN 2,285 million from MZN 15,027 million in June 2018 to MZN 17,312 million. November 2018 saw an increase in share capital to MZN 10 billion through an incorporation of free reserves. This evolution comprised a more solid own funds adequacy ratio which contributed towards the growth of the solvency ratio of 18.7% in June 2019 (14.7% in June 2018) at a much higher level than the Bank of Mozambique's legally defined minimum of 11.0%.

Total operating income amounted to MZN 7,045 million, in comparison to MZN 5,530 million in the same period 2018. This growth was largely fuelled by the good performance of non-interest income and particularly income from financial operations, as a reflection of the discounts obtained on the acquisition of Treasury bonds on gains from currency operations and the 10.1% growth MZN 89.7 million in net commissions.

Net interest income was up 10.7% year-on-year, favoured by the combination effect of higher levels of net interest on credit, reduction of the average weighted rates on deposits, lower interest on loans and advances to credit institutions and reduction of interest on financial assets.

BCI made a net profit of MZN 2,067 million in June 2019, up 78.5% over June 2018. This evolution was largely on account of the positive performance of total operating income which was up 27.4% by MZN 1,516 million and which more than made up for the 1.9% growth of MZN 67.2 million in operating costs and 8.1% increase of MZN 43.2 million in impairment and provisions.

Operating costs were up 1.9% by MZN 67.2 million, largely on account of the MZN 48.7 million increase of depreciation and MZN 16.6 million increase of general administrative costs. Employee costs (up 0.1%) remained stable in comparison to the preceding year. Higher levels of depreciation over June 2018 are explained by the implementation of IFRS 16, which considers that rents on all real estate should no longer be accounted for as general administrative costs but as operating lease payments, in the depreciation component of depreciation for the period.

The cost-to-income ratio improved to 50.7%, down 12.3 pp over the same period last year. This variation is explained by the reclassification of retentions at source of interest on debt securities starting September 2018, to current tax. A correction for this effect in 2018 would have improved the cost-to-income by 4.7 pp (55.4% in June 2018).

Impairment and provisions were up 8.1% by MZN 43 million over the same period last year to MZN 579 million in June 2019. They comprised the recognition of credit impairments for June 2019, which was up 18.2% by MZN 88.2 million owing, inter alia, to higher levels of impairment as a reflection of the combination effect of the increase of performing credit via disbursements, write-offs, reduction of non-performing exposures and a reduction of individual impairment.

			(EUR Million)			(MZN Million)
BCI - MOZAMBIQUE			Change			Change
MAIN INDICATORS	2018-06	2019-06	(%)	2018-06	2019-06	(%)
Net interest income	62.5	71.3	14.0%	4,531	5,015	10.7%
Total operating income	76.3	100.1	31.2%	5,530	7,046	27.4%
Operating costs	49.0	51.4	4.9%	3,549	3,616	1.9%
Net op. income before impairments	27.4	48.7	78.2%	1,981	3,430	73.1%
Provisions and impairments	7.4	8.2	11.3%	536	579	8.1%
Net income	16.0	29.4	83.8%	1,158	2,067	78.5%
Net assets	2,167.4	2,384.6	10.0%	148,642	166,734	12.2%
Loans and adv. to customers (net)	1,012.6	976.7	-3.5%	69,447	68,294	-1.7%
Customer deposits	1,586.6	1,724.9	8.7%	108,811	120,606	10.8%

Exchange rate EUR/MZN: Balance sheet: 68.58 in June 2018 and 69.92 in June 2019; P&L: 72.4366 in June 2018 and 70.3666 in June 2019

BCI Moçambique’s contribution to CGD Group’s consolidated income in first half 2019 amounted to €18.5 million.

1.5.2. SEPARATE ACTIVITY

RESULTS

On 9 September 2019, the ECB (European Central Bank) informed CGD of its non-opposition to the disposal of 99.79% of its equity shares in Banco Caixa Geral, S.A. In spite of the fact that it will only take place in October 2019, the disposal process is considered to be a "subsequent adjustable event" and the accounts for the period ended 30 June 2019 set out in this document have been altered to accommodate the effects of this decision.

Considering this investment's positive impact of €157.9 million, from the valuation of this participation the separate activity of Caixa Geral de Depósitos in first half 2019 was up 240.7% over the same period of the preceding year to €441.7 million.

(EUR thousand)

SEPARATE INCOME STATEMENT [1]			Change	
	2018-06	2019-06	Value	(%)
Interest and similar income	761,994	691,069	-70,924	-9.3%
Interest and similar costs	354,975	307,753	-47,222	-13.3%
Net interest income	407,018	383,317	-23,702	-5.8%
Income from equity instruments	65,070	74,086	9,016	13.9%
Net interest income incl. income from eq. investm.	**472,089**	**457,403**	**-14,686**	**-3.1%**
Income from services and commissions	242,094	250,831	8,737	3.6%
Costs of services and commissions	39,966	41,269	1,303	3.3%
Results from services and commissions	202,128	209,562	7,434	3.7%
Income from financial operations	24,233	23,992	-240	-1.0%
Other Operating Income	-24,605	35,672	60,277	-
Non-interest income	**201,755**	**269,226**	**67,471**	**33.4%**
Total operating income	**673,844**	**726,629**	**52,785**	**7.8%**
Employee costs	248,512	227,343	-21,168	-8.5%
Administrative expenses	123,162	103,402	-19,759	-16.0%
Depreciation and amortisation	19,212	32,933	13,721	71.4%
Operating costs	390,885	363,678	-27,206	-7.0%
Net operating income before impairments	**282,959**	**362,950**	**79,991**	**-**
Credit impairment (net)	89,596	657	-88,939	-
Provisions and impairments of other assets (net)	-64,062	-215,593	-151,531	-
Provisions and impairments	**25,533**	**-214,936**	**-240,470**	**-**
Net operating income	**257,426**	**577,887**	**320,461**	**124.5%**
Tax	**127,793**	**136,162**	**8,370**	**6.5%**
Current	6,932	52,471	45,539	657.0%
Deferred	91,019	57,211	-33,808	-37.1%
Banking sector contribution	29,842	26,480	-3,362	**-11.3%**
Net income	**129,633**	**441,724**	**312,091**	**240.7%**

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

Net interest income, including income from equity instruments, was down 3.1% over first half 2018 to €457.4 million, notwithstanding the 13.9% increase of income from equity instruments.

The performance of non-interest income was favourable with a 33.4% increase over first half 2018 to €269.2 million. Contributory factors were income from services and commissions and other operating income which were up €7.4 million and €60.3 million, respectively, over June 2018.

Reference should be made to the 7.0% reduction of €27.2 million in operating costs. By components reference should be made to the 8.5% reduction of €21.2 million in employee costs and 16.0%

reduction of €19.8 million in administrative costs.

Taking into account the already referred to impact of €157.9 million, deriving from the adjustment, at the sales price, of the impairment recognised in CGD's accounts at the end of 2017, on the disposal of Banco Caixa Geral, S.A, provisions and impairment for the half year were a negative €214.9 million.

Operating income for the half year was therefore up 124.5% over June 2019 to €577.9 million.

Income tax for the first half year was up 6.5% over June 2018 to €136.2 million of which €26.5 million for the banking sector contribution.

BALANCE SHEET

Net assets in Caixa Geral de Depositor's separate activity were up 2.6% over the end of the preceding year to €79,634 million at the end of June 2019. Reference should be made to the performance of securities investments which were up 16.1% by €2,904 million, offset by the loans and advances to customers portfolio which was down 3.2% by €1,424 million.

Total liabilities of €72,286 million were up 2.9% by €2,045 million across the half. This is explained by the 5.8% increase of €3,261 million of the customer resources account, offset by debt securities (down 24.3%) and subordinated liabilities (down 52.7%).

Debt securities were down €793 million in the half year, €750 million of this amount refer to the full repayment of a bond loan in January 2019. Subordinated liabilities were down €670 million, essentially owing to the early settlement in March 2019, of two loans made by Caixa Geral Finance Limited to CGD for the amount of €110.7 million and the settlement of a bond loan of €536.8 million in May 2019.

(EUR million)

SEPARATE BALANCE SHEET [1]				Change 2019-06 vs 2018-06		Change 2019-06 vs 2018-12	
ASSETS	2018-06	2018-12	2019-06	Value	(%)	Value	(%)
Cash and equival. with central banks	4,453	4,661	4,977	524	11.8%	316	6.8%
Loans and advances to cred. inst.	4,260	3,964	4,165	-95	-2.2%	201	5.1%
Securities investments	16,990	17,995	20,899	3,909	23.0%	2,904	16.1%
Loans and advances to customers	47,094	44,852	43,428	-3,666	-7.8%	-1,424	-3.2%
Assets with repurchase agreement	255	0	21	-234	-91.7%	21	-
Non-current assets held for sale	720	657	806	85	11.8%	149	22.6%
Intangible and tangible assets	289	292	486	198	68.5%	194	66.5%
Inv. in subsid. and assoc. companies	3,547	1,672	1,621	-1,926	-54.3%	-52	-3.1%
Current and deferred tax assets	2,136	2,045	1,929	-207	-9.7%	-117	-5.7%
Other assets	1,913	1,468	1,460	-453	-23.7%	-7	-0.5%
Total assets	**81,657**	**77,607**	**79,792**	**-1,866**	**-2.3%**	**2,185**	**2.8%**
LIABILITIES							
Central banks' and cred. inst. resources	3,050	2,176	2,182	-868	-28.5%	6	0.3%
Customer resources	58,727	56,215	59,475	748	1.3%	3,261	5.8%
Debt securities	3,242	3,261	2,468	-773	-23.9%	-793	-24.3%
Financial liabilities	851	731	986	135	15.9%	255	34.9%
Provisions	1,167	1,125	1,128	-39	-3.4%	3	0.3%
Subordinated liabilities	1,621	1,270	600	-1,021	-63.0%	-670	-52.7%
Other liabilities	5,814	5,464	5,446	-368	-6.3%	-18	-0.3%
Sub-total	**74,472**	**70,240**	**72,286**	**-2,186**	**-2.9%**	**2,045**	**2.9%**
Shareholders' equity	**7,185**	**7,367**	**7,506**	**321**	**4.5%**	**139**	**1.9%**
Total	**81,657**	**77,607**	**79,792**	**-1,866**	**-2.3%**	**2,185**	**2.8%**

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

Shareholders' equity from CGD's separate activity was increased by €321 million over the same period of the preceding year to €7,506 million at the end of June 2019, considering already the payment of €200 million in dividends.

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

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2018-06	2018-12	2019-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Revaluation reserves	229	227	309
Other reserves and retained earnings	2,482	2,457	2,411
Net income	130	338	442
Total	**7,185**	**7,367**	**7,506**

The CET 1 (common equity tier 1) and total ratios as part of the phasing-in process calculated under CRD IV/CRR rules, were 18.4% and 21.5%, respectively in June 2019 and include net income of around €442 million.

The above referred to net income for June 2019 includes the reversal of impairment related to the disposal of Banco Caixa Geral Spain, following the ECB's (European Central Bank's) decision not to oppose the disposal.

The impact of the valuation of this equity stake at 30 June 2019 made a positive contribution of around €158 million to net income for the period, representing 46 bps of the CET 1 ratio.

Information on the amounts of own funds and capital ratios between June and December 2018 and June 2019 (with the inclusion of net income for the year) is set out below.

(EUR million)

SOLVENCY RATIOS (SEPARATE) (Including net income)			
Phased-in (CRD IV / CRR)	2018-06	2018-12	2019-06
Own funds			
Common equity tier 1 (CET 1)	6,271	6,555	6,707
Tier 1	6,771	7,055	7,207
Tier 2	763	639	600
Total	**7,534**	**7,694**	**7,807**
Weighted assets	**39,096**	**36,694**	**36,358**
Solvency ratios			
CET 1	16.0%	17.9%	18.4%
Tier 1	17.3%	19.2%	19.8%
Total	**19.3%**	**21.0%**	**21.5%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier 1 (CET 1)	6,271	6,555	6,707
Weighted assets	**39,096**	**36,694**	**36,358**
CET 1 ratio	16.0%	17.9%	18.4%

Not including the referred to net income, the CET 1 and Total ratios in the phasing-in process would have been 17.2% and 20.2%, respectively. The 27 basis points variation of the CET 1 ratio between December 2018 and June 2019 is essentially explained by the following impacts:

- By the incorporation of net income of €338 million in other reserves and retained earnings in 2018, already considering the payment of €200 million in dividends paid to the state and thus responsible for a variation of around 40 basis points in the CET 1 ratio;

- The evolution of activity which was down 12 basis points by around €114 million with reference to the impacts:
  - On the reduction of around €183 million to other reserves and retained earnings owing to the adjustment of the discount rate on the pension fund;
  - Of an increase of around €81 million on revaluation reserves for profit and loss on available-for-sale assets;
  - On the decrease of DTAs from fiscal losses which was responsible for gains of €23 million;
  - On the global deduction of around €23 million from the amount in excess of the prudential limits on own funds;
  - Of a larger deduction of intangibles that had a negative impact of around €8 million on own funds;
- The reduction of around €361 million in RWAs, is essentially the result of the decrease of around €198 million in net credit, in which sales of assets and write-offs were, inter alia, contributory factors. Irrevocable commitments were also down, notably on a level of securities subscriptions (down €36 million). Reference should also be made to the €221 million reduction of investment in funds.

SREP capital requirements on CGD's separate activity in 2019

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

The 2017 SREP process, requiring Caixa Geral de Depósitos, S.A. as the parent company to maintain a level of permanent own funds and liquidity on the basis of Regulation (EU) no. 575/2013, the national legislation transposing Directive 2013/36/EU and any national liquidity requirements applicable in the sense of article 412, no. 5 of Regulation (EU) no. 575/2013, remains in force in 2019.

1.6. Subsequent Events

In the form of a unanimous corporate resolution of 5 July 2019, set out in writing by CGD's sole shareholder and considering the non-opposition of the European Central Bank on the appraisal of the suitability of board members, Nuno Filipe Abrantes Leal da Cunha Rodrigues was elected as a non-executive member of the board of directors of Caixa Geral de Depósitos, S.A. to complete the term of office 2017-2020, effective from 8 July 2019.

CGD Group agreed to the disposal of the Beirafundo and Fundo Ibéria closed-end investment funds in July 2019. The completion of this operation had been dependent upon several preceding conditions which have already been met. The book value of the properties owned by the Beirafundo and Ibéria funds at June 30, 2019 totalled 34.5 million euros and was recognised in the investment properties category.

Elsa Maria Roncon Santos, vice-chair of the board of the general meeting of CGD, S.A., elected for the term of office 2016-2019, resigned her position effective 31 August 2019 as the date of her retirement.

The ECB (European Central Bank) declared its non-opposition to the disposal process of 99.79% of Banco Caixa Geral, S.A.'s equity shares to ABANCA Corporación Bancaria, S.A., on September 9, 2019. This declaration completes the approval process by the competent authorities on the sale of this subsidiary, information on which was supplied in the Group's market communication of November 2018. In accordance with the agreement the disposal process is scheduled for completion in October 2019. As CGD Group considers this to be a "subsequent adjustable event" as duly announced at the end of July 2019, its accounts for the period ended June 30, 2019 were adjusted to provide for the effects of this decision on the basis of an adjustment of the amount of impairment on BCG Spain in line with the agreed transaction price. The measurement of this equity investment had a positive impact of €134,955 thousand on net profit for the period with reference to June 30, 2019.

On September 10, 2019, CGD was notified of the final decision of the competition authority which levied a fine of €82,000 thousand (calculated, by law on the basis of its business revenue in the credit segments in question). The other institutions involved in this process were also notified of similar decisions.

As CGD considers that the alleged violations and the fine levied on it contain flaws and omissions, it will appeal the decision with the court of competition, regulation and supervision in compliance with the terms and periods set out in law.

1.7. Statement of conformity of the financial information

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, each of the undersigned, as indicated, declares that the separate and consolidated condensed financial statements for 1st half 2019, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the respective financial statements and contains a description of the main risks and uncertainties for the next six months.

Lisbon, 30 September 2019

Chairman of the Board of Directors

Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman of the Board of Directors

Paulo José de Ribeiro Moita de Macedo

Members of the Board of Directors

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

Nuno Filipe Abrantes Leal da Cunha Rodrigues

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

(ARTICLE 447 OF THE COMMERCIAL COMPANIES CODE)

The members of the Board of Directors, Supervisory Board and related entities referred to in article 447 of the commercial companies code do not hold any CGD bonds or bonds in the other companies also listed in the referred to legal disposition.

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

1.9. Information on CGD's Shareholder

(ARTICLE 448 OF THE COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 30/06/2019	% Equity Stake at 30/06/2019
Portuguese State	€ 3,844,143,735	100%

1.10. Individual and Condensed Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL BALANCE SHEET

(EUR)

ASSETS	30-06-2019 Amounts before impairment, amortisation and depreciation	30-06-2019 Impairment and amortisation and depreciation	30-06-2019 Net assets	31-12-2018 Net assets	LIABILITIES AND EQUITY	30-06-2019	31-12-2018
Cash and cash equivalents at central banks	4,977,010,266	-	4,977,010,266	4,661,305,535	Resources of central banks and other credit institutions	2,182,049,287	2,175,602,559
Cash balances at other credit institutions	457,471,124	-	457,471,124	652,049,065	Customer resources and other loans	59,475,320,724	56,214,568,253
Loans and advances to credit institutions	3,715,623,699	(8,472,794)	3,707,150,905	3,311,753,499	Debt securities	2,468,208,070	3,260,723,233
Financial assets at fair value through profit or loss	10,287,283,961	-	10,287,283,961	9,080,339,014	Financial liabilities at fair value through profit or loss	986,358,026	730,975,684
Financial assets at fair value through other comprehensive income	3,381,448,885	(308,858)	3,381,140,027	3,661,993,542	Financial liabilities associated with transferred assets	3,300,433,342	3,462,512,192
Financial assets with repurchase agreement	21,032,760	-	21,032,760	-	Hedging derivatives	3,249,789	3,689,561
Hedging derivatives	7,528,440	-	7,528,440	5,523,842	Provisions	990,028,538	1,045,545,044
Investments at amortized cost	7,230,818,996	-	7,230,818,996	5,253,138,043	Current tax liabilities	2,255,602	1,927,520
Loans and advances to customers	46,084,184,577	(2,656,060,852)	43,428,123,725	44,851,817,193	Deferred tax liabilities	163,782,028	170,209,840
Non-current assets held-for-sale	1,263,237,639	(457,673,304)	805,564,335	656,984,339	Other subordinated liabilities	600,268,184	1,270,347,200
Investment properties	5,054,623	-	5,054,623	5,054,623	Other liabilities	2,113,636,752	1,904,195,860
Other tangible assets	1,329,890,067	(896,792,106)	433,097,961	246,410,538	Total Liabilities	72,285,590,342	70,240,296,946
Intangible assets	334,232,138	(280,843,347)	53,388,791	45,686,531	Share capital	3,844,143,735	3,844,143,735
Investments in subsidiaries, associates and joint ventures	2,129,442,758	(508,926,021)	1,620,516,737	1,672,283,670	Other equity instruments	500,000,000	500,000,000
Current tax assets	27,323,657	-	27,323,657	35,993,450	Revaluation reserves	308,624,666	227,495,422
Deferred tax assets	1,901,202,574	-	1,901,202,574	2,009,237,008	Other reserves and retained earnings	2,411,436,644	2,457,068,939
Other assets	1,691,813,648	(244,002,785)	1,447,810,863	1,457,232,896	Net income for the period	441,724,358	337,797,746
					Total Equity	7,505,929,403	7,366,505,842
Total Assets	84,844,599,812	(5,053,080,067)	79,791,519,745	77,606,802,788	**Total Liabilities and Equity**	79,791,519,745	77,606,802,788

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

Members

Francisco Ravara Cary

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Nuno Filipe Abrantes Leal da Cunha Rodrigues

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL INCOME STATEMENT

(EUR)

	30-06-2019	30-06-2018
Interest and similar income	691,069,489	761,993,716
Interest and similar expenses	(307,752,869)	(354,975,274)
Income from equity instruments	74,085,960	65,070,087
NET INTEREST INCOME	457,402,580	472,088,529
Income from services and commissions	250,830,966	242,093,997
Costs of services and commissions	(41,268,871)	(39,966,307)
Results from financial operations	23,992,386	24,232,696
Other operating income	35,671,746	(24,604,958)
TOTAL OPERATING INCOME	726,628,807	673,843,957
Employee costs	(227,343,471)	(248,511,514)
Other administrative costs	(103,402,375)	(123,161,800)
Depreciation and amortisation	(32,932,545)	(19,211,559)
Provisions net of reversals	69,625,287	75,156,131
Loan impairment, net of reversals and recoveries	(656,731)	(89,595,560)
Other assets impairment, net of reversals and recoveries	145,967,765	(11,094,064)
INCOME BEFORE TAX	577,886,737	257,425,591
Income tax	(136,162,379)	(127,792,547)
NET INCOME FOR THE PERIOD	441,724,358	129,633,044
Average number of ordinary shares outstanding	768,828,747	768,828,747
Earnings per share (in Euros)	0.57	0.17

Certified Public Accountant
Andreia Júlia Meneses Alves

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Deputy Chairman
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CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2019	30-06-2018
Balances subject to reclassification to profit or loss		
Gains / (losses) arising during the period	225,720	27,753
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	67	365
Disposal of available-for-sale financial assets	(114,100)	(24,557)
Tax effect	(30,558)	(869)
Foreign exchange differences in branches		
Gains / (losses) arising during the period	80	(286)
Other	-	(129)
Subtotal	81,209	2,277
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the period	(190,005)	(12,159)
Tax effect	25,852	350
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	(50)	341
Subtotal	(164,203)	(11,468)
Total comprehensive net income for the period recognised in reserves	(82,993)	(9,191)
Net income for the period	441,724	129,633
Total comprehensive net income for the period	358,731	120,442

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL CASH FLOW STATEMENTS

(EUR thousand)

	30-06-2019	30-06-2018
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	917,640	969,754
Interest, commissions and similar costs paid	(307,093)	(345,922)
Recovery of principal and interest	36,896	37,054
Payments to employees and suppliers	(330,887)	(313,551)
Payments and contributions to pensions funds and other benefits	(58,486)	(59,011)
Other results	30,019	(507)
	288,089	287,817
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	909,010	956,670
Assets held-for-trading and other assets at fair value through profit or loss	(1,117,908)	(2,607,993)
Other assets	(1,915,789)	(2,408,891)
	(2,124,687)	(4,060,214)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	6,212	(1,795,002)
Customer resources	3,272,901	1,887,834
Other liabilities	(193,594)	201,591
	3,085,519	294,423
Net cash from operating activities before taxation	1,248,920	(3,477,974)
Income tax	(22,994)	(38,241)
Net cash from operating activities	1,225,926	(3,516,215)
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	73,999	73,498
Dividends received from available-for-sale financial assets	87	68
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net (	77,479	16,007
Acquisition of available-for-sale financial assets, net of disposals	506,619	4,874,018
Acquisition of tangible and intangible assets, net of disposals	(18,436)	(7,581)
Net cash from investing activities	639,748	4,956,011
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(44,980)	(17,858)
Interest on debt securities	(76,985)	(103,250)
Interest in other equity instruments	(26,875)	(26,875)
Issue of subordinated liabilities, net of repayments	(647,558)	500,000
Issue of debt securities, net of repayments	(748,284)	(747,835)
Dividends paid	(200,000)	-
Net cash from financing activities	(1,744,681)	(395,819)
Increase (decrease) in cash and cash equivalents	120,993	1,043,977
Cash and cash equivalents at the beginning of the period	5,313,355	4,152,961
Foreign exchange differences in cash and cash equivalents	134	570
Net change of cash and cash equivalents	120,993	1,043,977
Cash and cash equivalents at end of theperiod	**5,434,481**	**5,197,507**

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves				Other reserves and retained earnings			Net income for the period	Total
			Revaluation reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves and retained earnings	Total		
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	7,173,048
Adoption of IFRS 9	-	-	(153,505)	41,984	-	(111,521)	-	22,650	22,650	-	(88,872)
Balances at January 1, 2017	3,844,144	500,000	159,321	(43,574)	110,425	226,172	-	2,489,218	2,489,218	24,642	7,084,176
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	-	-	-	-	-	-	-	341	341	-	341
Measurement gain / (losses) on other financial assets	-	-	3,560	(869)	-	2,691	-	-	-	-	2,691
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(11,809)	(11,809)	-	(11,809)
Foreign exchange differences in branches	-	-	-	-	-	-	-	(286)	(286)	-	(286)
Net income for the period	-	-	-	-	-	-	-	-	-	129,633	129,633
Other	-	-	-	-	-	-	-	(129)	(129)	-	(129)
Total gains and losses for the year recognised in equity	-	-	3,560	(869)	-	2,691	4,928	7,831	12,759	104,991	120,442
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(19,523)	(19,523)	-	(19,523)
Balances at June 30, 2018	3,844,144	500,000	162,882	(44,443)	110,425	228,864	9,857	2,497,238	2,507,095	104,991	7,185,094
Balances at December 31, 2018	3,844,144	500,000	161,127	(44,057)	110,425	227,495	4,928	2,452,141	2,457,069	337,798	7,366,506
Appropriation of net income for 2018:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	67,560	70,238	137,798	(137,798)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)
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	-	-	111,687	(30,558)	-	81,129	-	-	-	-	81,129
Measurement gain / (losses) on other financial assets	-	-	-	-	-	-	-	(50)	(50)		(50)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(164,153)	(164,153)		(164,153)
Foreign exchange differences in branches	-	-	-	-	-	-	-	80	80		80
Net income for the period	-	-	-	-	-	-	-	-	-	441,724	441,724
Total gains and losses for the period recognised in equity	-	-	111,687	(30,558)	-	81,129	-	(164,122)	(164,122)	441,724	358,731
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(19,308)	(19,308)	-	(19,308)
Balances at June 30, 2019	3,844,144	500,000	272,814	(74,615)	110,425	308,625	72,488	2,338,949	2,411,437	441,724	7,505,929

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	30-06-2019 Amounts before impairment, amortisation and depreciation	30-06-2019 Impairment, amortisation and depreciation	30-06-2019 Net assets	31-12-2018 Net assets	LIABILITIES AND EQUITY	Notes	30-06-2019	31-12-2018
Cash and cash equivalents at central banks	4	5.850.661.141	-	5.850.661.141	5.606.734.881	Resources of central banks and other credit institutions	18	1.678.004.054	1.758.542.200
Cash balances at other credit institutions	5	755.078.705	-	755.078.705	1.014.098.069	Customer resources and other loans	19	65.785.753.666	63.422.525.120
Loans and advances to credit institutions	6	2.636.689.302	(9.451.073)	2.627.238.229	2.193.022.483	Debt securities	20	2.467.807.745	3.260.321.126
Financial assets at fair value through profit or loss	7	9.003.718.916	-	9.003.718.916	7.696.082.539	Financial liabilities at fair value through profit or loss	10	987.473.091	737.818.118
Financial assets at fair value through other comprehensive income	8	4.297.938.482	(2.150.843)	4.295.787.639	4.826.166.796	Hedging derivatives	10	3.249.789	3.689.561
Financial assets with repurchase agreement	9	31.367.714	-	31.367.714	55.008.536	Non-current liabilities held-for-sale	13	6.050.148.640	5.396.453.895
Hedging derivatives	10	7.528.440	-	7.528.440	5.523.842	Provisions for employee benefits	21	711.626.702	758.491.991
Investments at amortized cost	11	6.093.293.724	(6.577.106)	6.086.716.618	3.919.967.271	Provisions for guarantees and other commitments	21	176.712.056	211.769.244
Loans and advances to customers	12	52.379.321.022	(2.930.774.023)	49.448.546.999	51.589.485.459	Provisions for other risks	21	99.967.381	145.638.325
Non-current assets held-for-sale	13	7.621.021.165	(611.215.650)	7.009.805.515	6.213.216.964	Current tax liabilities	16	35.537.736	37.830.045
Investment properties	14	804.535.255	-	804.535.255	809.962.789	Deferred tax liabilities	16	181.865.311	189.965.442
Other tangible assets		1.675.289.020	(1.046.762.478)	628.526.542	446.133.767	Other subordinated liabilities	22	600.570.730	1.159.821.094
Intangible assets		413.142.297	(343.370.349)	69.771.948	63.310.287	Other liabilities	23	4.196.125.890	3.723.106.145
Investments in associates and jointly controlled entities	15	416.599.794	(449.376)	416.150.418	388.544.020	Total liabilities		82.974.842.791	80.805.972.306
Current tax assets	16	34.550.999	-	34.550.999	44.619.956	Share capital	24	3.844.143.735	3.844.143.735
Deferred tax assets	16	1.979.918.694	-	1.979.918.694	2.107.695.143	Other equity instruments	24	500.000.000	500.000.000
Other assets	17	2.482.221.498	(198.062.060)	2.284.159.438	2.111.844.989	Revaluation reserves	25	356.445.004	257.491.894
						Other reserves and retained earnings	25	3.004.768.568	2.854.991.723
						Net income attributable to the shareholder of CGD	25	417.495.054	495.775.636
						Shareholders' equity attributable to CGD		8.122.852.362	7.952.402.988
						Non-controlling interests	26	236.368.057	333.042.497
						Total equity		8.359.220.419	8.285.445.485
Total assets		96.482.876.168	(5.148.812.958)	91.334.063.210	89.091.417.791	**Total liabilities and equity**		91.334.063.210	89.091.417.791

Certified Public Accountant
Andreia Júlia Meneses Alves

Chairman
Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman
Paulo José Ribeiro Moita de Macedo

Members
Francisco Ravara Cary
João Paulo Tudela Martins
José António da Silva de Brito
José João Guilherme
Maria João Borges Carioca Rodrigues
Nuno Alexandre de Carvalho Martins
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
Nuno Filipe Abrantes Leal da Cunha Rodrigues

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED INCOME

(EUR)

	Notes	30-06-2019	30-06-2018 *restatement*
Interest and similar income	27	937.802.014	1.021.026.303
Interest and similar expenses	27	(373.245.887)	(438.071.127)
Income from equity instruments	28	15.368.453	11.781.399
NET INTEREST INCOME		579.924.580	594.736.575
Income from services rendered and commissions	29	304.150.303	299.555.236
Cost of services and commissions	29	(60.675.958)	(57.462.306)
Results from financial operations	30	22.522.121	50.273.544
Other operating income	31	62.244.171	1.997.732
TOTAL OPERATING INCOME		908.165.217	889.100.781
Employee costs	32	(296.703.888)	(321.905.269)
Other administrative costs	33	(134.208.038)	(154.802.895)
Depreciation and amortisation		(46.585.151)	(30.794.047)
Provisions net of reversals	21	71.928.941	70.100.335
Loan impairment, net of reversals and recoveries	34	(2.816.423)	(113.610.001)
Other assets impairment, net of reversals and recoveries	34	78.069.205	(13.927.524)
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		577.849.863	324.161.380
Income tax	16	(171.511.417)	(167.068.006)
Results of associates and jointly controlled entities		7.779.354	27.034.375
RESULTS OF CONTINUING ACTIVITIES		414.117.800	184.127.749
Results of subsidiaries held-for-sale		25.225.964	28.272.675
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		439.343.764	212.400.424
Non-controlling interests	26	(21.848.710)	(18.301.387)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		417.495.054	194.099.037
Average number of ordinary shares outstanding	24	768.828.747	768.828.747
Earnings per share (in Euros)		0.54	0.25

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2019			30-06-2018		
	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	236.991	14.089	251.080	18.600	(139)	18.460
Reclassification adjustments in revaluation reserves						
Financial assets impairment recognized in the period	11.019	342	11.361	4.017	-	4.017
Disposal of financial assets in the period	(120.069)	(5.904)	(125.974)	(24.177)	(12.861)	(37.038)
Tax effect	(33.471)	(2.744)	(36.214)	(326)	4.106	3.780
Adjustments in associated companies assets	28.068	-	28.068	(61.599)	-	(61.599)
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the period	(12.459)	4.995	(7.463)	(94.647)	(25.815)	(120.462)
Other	(3.349)	-	(3.349)	489	-	489
	106.730	10.779	117.509	(157.643)	(34.709)	(192.353)
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	(190.005)	-	(190.005)	(12.121)	-	(12.121)
Tax effect	25.852	-	25.852	350	-	350
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	2.905	-	2.905	341	-	341
	(161.248)	-	(161.248)	(11.430)	-	(11.430)
Total comprehensive net income for the period recognised in reserves	(54.518)	10.779	(43.739)	(169.073)	(34.709)	(203.783)
Net income for the period	414.118	25.226	439.344	184.128	28.273	212.400
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD of which:	359.600	36.005	395.605	15.054	(6.437)	8.618
Non-controlling interests	(10.271)	(3.911)	(14.183)	27.984	(1.505)	26.479
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	349.329	32.094	381.422	43.038	(7.942)	35.096

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(EUR thousand)

	30-06-2019	30-06-2018
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1.213.934	1.323.310
Interest, commissions and similar expenses paid	(395.007)	(445.501)
Recovery of principal and interest	39.853	40.302
Payments to employees and suppliers	(432.374)	(422.857)
Payments and contributions to pension funds and other benefits	(59.444)	(61.586)
Other results	56.089	95.992
	423.050	529.661
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	980.392	1.997.237
Assets held-for-trading and other assets at fair value through profit or loss	(1.103.770)	(1.212.184)
Other assets	(2.103.630)	(541.950)
	(2.227.007)	243.103
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(79.564)	(1.720.574)
Customer resources	3.088.538	664.605
Other liabilities	(87.449)	96.910
	2.921.525	(959.059)
Net cash from operating activities before taxation	1.117.568	(186.296)
Income tax	(50.575)	(50.740)
Net cash from operating activities	1.066.992	(237.036)
INVESTING ACTIVITIES		
Dividends received from equity instruments	15.368	11.961
Acquisition of investments in subsidiaries and associated companies, net of disposals	-	16.007
Acquisition of available-for-sale financial assets, net of disposals	772.522	1.508.492
Acquisition of tangible and intangible assets and investment property, net of disposals	(23.427)	63.739
Net cash from investing activities	764.464	1.600.199
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(44.539)	(17.648)
Interest on debt securities	(76.983)	(103.262)
Interest on other equity instruments	(26.875)	(26.875)
Dividends on issued preference shares	(401)	(10.374)
Repayment preference shares	(95.759)	-
Issue of subordinated liabilities, net of repayments	(536.729)	500.406
Issue of debt securities, net of repayments	(748.284)	(746.835)
Dividends paid	(200.000)	-
Net cash from financing activities	(1.729.570)	(404.588)
Increase (decrease) in cash and cash equivalents	101.886	958.575
Cash and cash equivalents at the beginning of the period	6.620.833	5.319.593
Transfer of cash balances to non-current assets held-for-sale	(106.246)	-
Foreign exchange differences in cash and cash equivalents	(10.733)	(46.563)
Net change of cash and cash equivalents	101.886	958.575
Cash and cash equivalents at the end of the period	6.605.740	6.231.605

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the period	Subtotal	Non-controlling interests	Total
Balances at December 31, 2017	3.844.144	500.000	394.961	3.098.220	51.946	7.889.270	385.046	8.274.316
Adoption of IFRS 9	-	-	(111.634)	26.506	-	(85.127)	(7.666)	(92.794)
Balances at January 1, 2018	3.844.144	500.000	283.327	3.124.726	51.946	7.804.142	377.379	8.181.522
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	(11.300)	(61.599)	-	(72.899)	519	(72.380)
Employee benefits - actuarial gains and losses	-	-	-	(11.771)	-	(11.771)	-	(11.771)
Foreign currency differences in subsidiaries and branches	-	-	-	(75.410)	-	(75.410)	(45.052)	(120.462)
Changes in the fair value of equity instruments	-	-	-	341	-	341	-	341
Net income for the period	-	-	-	-	194.099	194.099	18.301	212.400
Other	-	-	-	736	-	736	(247)	489
Total gains and losses for the period recognised in equity	-	-	(11.300)	(147.702)	194.099	35.096	(26.479)	8.618
Appropriation of net income for 2017:								
Transfer to reserves and retained earnings	-	-	-	51.946	(51.946)	-	-	-
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(19.523)	-	(19.523)	-	(19.523)
Equity transactions with non-controlling interests	-	-	-	1.082	-	1.082	-	1.082
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10.374)	(10.374)
Classification of Angola as an hyperinflationary economy	-	-	-	(3.839)	-	(3.839)	(3.688)	(7.527)
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	(4.328)	4.328	-	-	-	-
Balances at June 30, 2018	3.844.144	500.000	267.699	3.011.017	194.099	7.816.959	336.839	8.153.798
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
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	98.953	28.068	-	127.021	1.300	128.322
Employee benefits - actuarial gains and losses	-	-	-	(164.153)	-	(164.153)	-	(164.153)
Foreign currency differences in subsidiaries and branches	-	-	-	527	-	527	(7.990)	(7.463)
Changes in the fair value of equity instruments	-	-	-	2.898	-	2.898	7	2.905
Net income for the period	-	-	-	-	417.495	417.495	21.849	439.344
Other	-	-	-	(2.367)	-	(2.367)	(983)	(3.349)
Total gains and losses for the year recognised in equity	-	-	98.953	(135.026)	417.495	381.422	14.183	395.605
Appropriation of net income for 2018:								
Transfer to reserves and retained earnings	-	-	-	295.776	(295.776)	-	-	-
Dividends paid	-	-	-	-	(200.000)	(200.000)	-	(200.000)
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(19.308)	-	(19.308)	-	(19.308)
Equity transactions with non-controlling interests	-	-	-	3.448	-	3.448	(96.612)	(93.164)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(18.940)	(18.940)
Classification of Angola as an hyperinflationary economy	-	-	-	4.887	-	4.887	4.695	9.582
Balances at June 30, 2019	3.844.144	500.000	356.445	3.004.769	417.495	8.122.852	236.368	8.359.220

2. NOTES AND REPORTS ON THE ACCOUNTS

2.1. Notes to the Condensed Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

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1. INTRODUCTORY NOTE

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

In performing its operations at June 30, 2019, CGD operated a nationwide network of 575 branch offices 520 of which are staffed, 26 self-service and 29 “corporate” 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.

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, the property area, asset management, specialised credit and cultural activities. Caixa also has non-controlling equity stakes in companies which operate in non-financial sectors of the Portuguese economy.

The consolidated financial statements at June 30, 2019, were approved by the board of directors on September 26, 2019.

Following the economic-financial crisis and its serious repercussions on the domestic financial system and in compliance with the capital requirements defined by the EBA in its recommendation REC/2011/1, the Portuguese state, as the sole shareholder, recapitalised CGD, in June 2012, with a €750,000 thousand increase in share capital and the issuance of €900,000 thousand in CoCo bonds. The recapitalisation was considered to be state aid under European standards, and so 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 over the period 2013-2015.

The agreed plan was based on commitments to deleverage the balance sheet to ensure compliance with capital targets, improve operational efficiency, strengthen risk procedures and optimise the operations in Spain, in order to ensure its sustainability, the autonomy of its finances and to provide a positive contribution to Group profit.

In spite of having achieved almost all of its commitments, CGD continued to make losses in the period 2013 to 2015. This was partly due to the effects of ECB monetary policy which caused a sharp fall in market interest rates and much lower than expected economic growth. Another factor contributing to the losses, during these years, was the deterioration of the quality of CGD’s assets which resulted in the recognition of high annual levels of impairment. This was accompanied by 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 compliance of CGD's recapitalisation with regard to required solvency levels, the Portuguese state and DG Comp approved a recapitalisation plan in March 2017, to include a strategic 4 year plan (2017-2020) that, based on a prudent macroeconomic scenario demonstrating its capacity to generate a similar level of return on equity to that required of a private investor, was not considered to be state aid.

CGD's new recapitalisation plan was implemented in different stages.

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

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

The second phase, completed on March 30, 2017, comprised a share capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the Portuguese state as the sole shareholder and the issuance of €500,000 thousand in securities representing additional tier 1 own funds, fully subscribed by institutional investors (note 22).

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

The completion of the recapitalisation plan and consequent strengthening of its solvency will enable Caixa to concentrate on implementing its strategic plan 2017-2020. The plan is based on five pillars:

Pillar 1

Upgrading of the domestic branch office network to ensure its sustainability, with the following aim:

a) A review of segments and upgraded commercial offer;

b) A review of bancassurance and asset management models on which retail value proposals and penetration of off-balance sheet products are based;

c) Definition of a plan to boost support for households and improve the level of service and assistance to companies, particularly SMEs (small and medium-sized enterprises); and,

d) Optimisation of credit procedures and pricing models.

Pillar 2

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

a) 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 to complement the domestic operations. CGD's international presence, at the end of 2016 consisted of nine subsidiaries and nine branches. Following the overall 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 presence only in specific, pre-determined geographies, ensuring a review of their business models and a strengthening the governance functions, in order to provide 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 for small and medium-sized enterprises, mortgage loans and personal credit;

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

c) Adjustment of risk management models to the highest sector standards (*SREP*-supervisory review and evaluation process*)*:

d) Implementation of deleveraging plan on *NPLs* (non-performing loans); and,

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

Pillar 5

Business transformation in a digital context with the following aims:

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

To increase the number of Caixa's "digital" customers;

b) To reformulate an end-to-end experience to meet the financial needs of personal and corporate customers in order to promote business, preferences and greater business loyalty; and

c) To prepare the technical support infrastructure for information and customers, providing basic 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 defined by the framework agreement between the Portuguese state and the European Commission in order for CGD's recapitalisation process not to be qualified as state aid was the need for an independent valuation of the asset portfolio.

Consequently the former executive committee decided to review CGD's assets, with reference to June 30, 2016, based on the criteria and assumptions that would be applied by a private investor if intending to make a major investment in CGD. With regard to December 31, 2016 the executive committee subsequently appointed, also decided to perform an exhaustive review of the criteria and methodologies used in the measurement of these assets, with a re-evaluation of the principal customers 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 of property by the property business division. The conclusions, that considered events between the date of completion of the former review and date of filing of the 2016 accounts were communicated to CGD's executive committee and although the result was a recognition of impairment and provisions of more than €3 billion this was nevertheless around €200 million less than initially estimated. As a consequence, the capital increase was also reduced by €200 million in comparison to the initial projection and also therefore reduced the state's funding of CGD's recapitalisation as its sole shareholder.

Following a decision by the executive committee a specific external audit was also performed on this exhaustive asset measurement review in order to verify the adequacy of the measurement processes and methodologies used.

This demonstrates that CGD is 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 June 30, 2019 were prepared on the basis of the IFRS (international financial reporting standards) as adopted in the European Union, in accordance with regulation (EC) 1606/2002 of July 19 of the European Parliament and of the Council and the dispositions of decree law 35/2005 of February 17.

As referred to in note 13, the Group reclassified the assets and liabilities of Banco Comercial Atlântico (Cape Verde), in January 2019, to "Non-current assets and liabilities held-for-sale – subsidiaries" under IFRS 5 – "Non-current assets held-for-sale and discontinued operations". The income generated by this equity stake under this standard is also presented as a single line of the profit and loss statement ("Income from subsidiaries held-for-sale") and prior periods have been re-stated for comparison purposes.

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

The application of the accounting policies described in this note has been consistent across all of the periods set out in the financial statements, with any exceptions having been identified.

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 first half 2019 in comparison to those considered in the preparation of the financial information for the preceding year, as set out for comparison purposes.

2.2.2 New standards and interpretations for the period

Effective from January 1, 2019 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 16 – "Leases" – Defines the principles applicable to the recognition, measurement, presentation and disclosure of lease agreements, with the objective of providing appropriate information that accurately reflects transactions. IFRS 16 makes significant changes to the form of accounting for lease agreements from the viewpoint of the lessee whose balance sheet should recognise an asset based on right-of-use and a liability for the liabilities attached to these agreements, unless this involves a period of less than twelve months or when the underlying asset has a residual value. This standard must be implemented in the financial years starting on or after January 1, 2019.

"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 upon 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 the investor controls a business which is a joint operation. The changes to these standards must be implemented in the financial years starting on or after January 1, 2019.

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, only meets *SPPI* (solely payments of principal and interest) criterion if other elements of the change in fair value, such as credit or liquidity risk, are immaterial. The amendments to this standard must be implemented in the financial 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 thereto. This interpretation must be implemented in the financial years starting on or after January 1, 2019.

IAS 19 – “Employee benefits” – “Changes of plan, restrictions or liquidations” (amendments). The changes made to the wording of this standard clarified aspects related to the early cancellation or liquidation of plans. It is now mandatory for the current servicing cost and net interest for the period following the remeasurement to be measured on the basis of the assumptions used for the remeasurement. Changes clarifying the effect of a change to, reduction or liquidation of the plan on the requirements relative to the asset’s maximum limit applicable from January 1, 2019 were also made.

IAS 28 – “Investments in associates” (amendment). This amendment clarifies that IFRS 9 – “Financial instruments” should be applied (including the respective impairment-related requirements) to investments in associates and joint ventures when the equity accounting method is not applied to the measurement thereof. The amendment to this standard must be implemented in the financial years starting on or after January 1, 2019.

With the exception of IFRS 16 – “Financial instruments”, details on whose impacts can be found in note 2.3 – IFRS 16 - “Leases”, the adoption of these standards did not have any impact on the Group’s equity.

2.2.3 New standards and interpretations already issued but still not mandatory

2.2.3.2 The following standards and interpretations, not yet endorsed by the European Union, had been issued by the IASB at June 30, 2019.

IFRS 3 – “Business combinations” (amendments) – The changes made to the wording of this standard clarified several issues, adding guidelines making it possible to assess whether an acquired process is substantive and restricting the definitions of a business activity and output through the introduction of an optional fair value test. The amendments to this standard must be implemented in the financial 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 materiality across all standards in force and to clarify several aspects related thereto. According to the new definition, "information is material if it is reasonable to expect that any omission, error or occultation thereof could 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 in the financial years starting on or after January 1, 2020 and must be implemented retrospectively.

IFRS 10 – "Consolidated financial statements" and IAS 28 – "Investments in associates" (amendments). The changes to the wording of these standards aim to resolve divergences in the 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 these standards must be implemented in the financial years starting on or after January 1, 2019.

Conceptual structure – "Changes in references to other IFRS". As a result of the publication of the new conceptual structure, the IASB has made changes to the wording of several standards and interpretations, as in: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the definitions of an asset and a liability and new guidelines on measurement, derecognition, presentation and disclosure. The amendments to these standards must be implemented in the financial years starting on or after January 1, 2020 and implemented retrospectively, unless this is not practical

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

2.3. IFRS 16 – "Leases"

IFRS 16 – "Leases", which must be implemented in the financial years starting on or after January 1, 2019 – 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 has made significant changes to the form of the accounting of lease agreements from the viewpoint of the lessee whose balance sheet should recognise an asset based on right-of-use and a liability based on the liabilities inherent to the referred to agreements, except for short term leases.

Short term leases have a maturity of less than twelve months. The value of an underlying asset is presumed to be low when it does not exceed USD 5,000. An underlying asset may only be of low value if: i) the lessee is able to benefit from the use of the underlying asset either individually or jointly with other resources which are immediately available to it; and ii) the underlying asset is not highly dependent upon or strongly interconnected to other assets.

On the date upon which a lease agreement comes into force, the lessee measures the right-of-use asset at cost. The asset's cost includes: i) the amount of the initial measurement of the lease liability; ii) any lease payments made on the date upon which the lease comes into force or prior thereto, net of any lease incentives received and, iii) an estimate of the costs payable by the lessee on the dismantling and removal of the underlying asset.

After the said date, the lessee measures the right-of-use asset at cost: i) net of depreciation and accumulated impairment losses; and ii) after it has been adjusted by an eventual remeasurement of the lease liability.

Right-of-use assets are depreciated in accordance with the requirements of IAS 16 – "Tangible assets". If, under a lease, the ownership of the underlying asset is transferred to the lessee at the end of the lease period, or if the cost of the right-of-use asset reflects the lessee's use of a purchase option, the lessee depreciates the right-of-use asset between the date upon which it comes into force and the end of the underlying asset's useful life. Otherwise the lessee should depreciate the right-of-use asset between the period in which the asset comes into force and the end of the right-of-use asset's useful life or end of the lease period, if shorter.

On the date upon which it comes into force, the lessee should measure the lease liability at the present value of the lease payments which have not been liquidated at the said date. The lease payments are discounted at the lease's implicit interest rate if the said rate can be easily determined. If the rate cannot be easily determined the lessee should use the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset across the lease period which have not been made on the said date: the fixed payments (including the in-substance fixed lease payments described in paragraph B42) of IFRS 16, net of the lease incentives to be received; ii) the variable lease payments which are contingent upon an index or interest rate, initially measured by the use of the index or interest rate at the time of coming into force; iii) the amounts payable by the lessee to guarantee the residual value; iii) the exercise price of a purchase option if the lessee is reasonably certain of exercising this option; and iv) payments of sanctions for rescissions and lease when applicable.

After this date, the lessee should measure the lease liability by: i) increasing its book value to reflect the interest on the lease liability; ii) reducing the book amount to reflect the lease payments made; and iii) remeasuring the book value to reflect any revaluation of or change to the lease.

CGD Group began work on a global, multidisciplinary project to implement IFRS 16 and ensure its homogenous, consistent application across all entities included in its consolidation perimeter, in 2018.

The procedures required for oversight, control and accounting purposes in accordance with the standard's requirements were implemented on the IT systems upon which the lease agreements are based.

Transition

CGD Group applied the modified retrospective methodology with reference to January 1, 2019, for transition purposes. The Group also opted to apply the practical solution permitted by the standard of not reassessing, on the transition date of whether or not an agreement is or contains a lease, taking the new definition into account in which IFRS 16 applies 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 exercised the option of not applying the standard to leases on intangible assets as provided for in IFRS 16.

The transition adjustments did not have any impact on shareholders' equity at January 1, 2019. Information on the recognition of right-of-use assets and their respective lease liability is set out in the following table:

	Properties	Vehicles
Value of Assets by Right of Use	217,459	4,687
Value of lease liabilities recognized	217,459	4,686

Lease periods generally coincide with the periods defined in the respective agreements. In the case of property, they will be based on the probability of the exercising of options on extensions or bringing periods forward, taking the specific market conditions for each type of asset into account.

Given CGD's decision to opt for the modified retrospective application, the discount rate applied corresponds to the incremental borrowing rate based on the yield curves calculated for each of the entities at January 1, 2019.

The average incremental borrowing rates on lease liabilities recognised in the statement of financial position at the transition date were as follows:

	Properties	Vehicles
Average Incremental Financing Rate	3.06%	0.81%

Information on the reconciliation between: i) lease liabilities at December 31, 2018 disclosed in the scope of application of IAS 17, discounted at the incremental borrowing rate at January 1, 2019, and ii) the amount of the lease liabilities measured in the scope of the adoption of IFRS 16, is set out in the following table:

	Properties	Vehicles	Others	Total
Lease commitments disclosed within the scope of IAS 17 - 31/12/2018	**193,174**	**4,025**	**103**	**197,303**
Lease agreements, of which the underlying asset is of low value, not considered in lease liabilities in the transition	-	-	(103)	(103)
Lease liabilities recognized within the scope of IAS 17	162,620	3,977	-	166,597
Lease liabilities not recognized within the scope of IAS 17	54,839	709	-	55,548
Value of lease liabilities calculated at transition date - 01/01/2019	**217,459**	**4,686**	**-**	**222,145**

2.4. Changes to accounting policies

2.4.1 Accounting of property and other assets recognised in non-current assets held-for-sale accounts.

The Group recognises property and other assets received as part of its activities by way of overdue credit recoveries, repossessions or direct negotiations, in non-current assets held-for-sale accounts in its balance sheet. Based on the accounting policy adopted on the recognition of profit and loss on the sale of such assets up to December 31, 2017, the accumulated amount of directly related impairment at the time of the transaction, was fully reversed and the amount of capital gains or losses representing the difference between the respective acquisition cost and sales price was fully recognised as a charge to the caption 'other operating income'.

The volume and materiality of disposal of property received on the recovery of overdue credit has been growing in significance. This is connected with the Group's deleveraging commitments to the supervisory entities in order to reduce the proportion of such assets in its balance sheet. Given the recognition criteria for these transactions, an 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 in impairment over the period during which these assets were recognised in the Group's balance sheet.

Consequently in order to achieve a fair presentation of its financial statements, the Group's board of directors considered that its accounting policy on the recognition of profit and loss on the sale of non-current assets held-for-sale should be changed. Therefore, starting 2018, any losses made on the sale of such assets continue to be recognised in the impairment of other financial assets caption and any capital gains on such sales should be recognised in the other operating income caption.

The impact of this change on the Group's consolidated financial statements at June 30, 2018 was an increase of costs in "Impairment of other non-financial assets, net of reversals and recoveries" and an increase by the same amount in "Other operating income" of €13,060 thousand:

2.4.2 Accounting changes to services related to banking activity

Taking into account the type and framework of the diverse services related to banking activity and with the objective of ensuring a fair presentation of its financial statements, CGD Group's board of directors considered that changes should be made to the presentation having concluded that it would be more appropriate to recognise such services in the commissions caption, given that payment is being made for services related to banking activity. They were therefore reclassified from the "Other operating income" to the "Income from services and commissions" caption.

The impact of this change on the Group's consolidated financial statements at June 30, 2018 was an increase in "Income from services and commissions" and a reduction by the same amount of €4,864 thousand of "Other operating income".

The profit and loss statement for the half year ended June 30, 2018 was re-stated as a result of the above policy changes, together with the reclassification of BCA under IFRS 5. Information on the effects of these modifications is set out in the following table:

	30-06-2018	IFRS5 - Reclassification BCA	Change Accounting Policy	restatement 30-06-2018	Impacts
Interest and similar income	1,036,405	(15,379)		1,021,026	(15,379)
Interest and similar expenses	(443,090)	5,019		(438,071)	5,019
Income from equity instruments	11,961	(180)		11,781	(180)
NET INTEREST INCOME	605,276	(10,540)		594,737	(10,540)
Income from services and commissions	296,859	(2,168)	4,864	299,555	2,697
Costs of services and commissions	(57,701)	239		(57,462)	239
Results from financial operations	50,878	(604)		50,274	(604)
Other operating income	(6,045)	(153)	8,196	1,998	8,043
TOTAL OPERATING INCOME	889,267	(166)		294,364	(166)
Employee costs	(326,566)	4,661		(321,905)	4,661
Other administrative costs	(157,563)	2,760		(154,803)	2,760
Depreciation and amortisation	(31,703)	909		(30,794)	909
Provisions net of reversals	69,067	1,033		70,100	1,033
Loan impairment, net of reversals and recoveries	(112,988)	(622)		(113,610)	(622)
Other assets impairment, net of reversals and recoveries	(899)	32	(13,060)	(13,928)	(13,028)
INCOME BEFORE TAX	328,614	(4,453)		324,161	(4,453)
Income tax	(168,070)	1,002		(167,068)	1,002
Results in associated companies and joint ventures	27,057	(22)		27,034	(22)
CONTINUING ACTIVITIES RESULTS	187,601	(3,473)		184,128	(3,473)
Results on subsidiaries held for sale	24,799	3,473		28,273	3,473
CONSOLIDATED INCOME FOR THE YEAR, OF WHICH:	212,400	-		212,400	-
Non-controlling Interests	(18,301)	-		(18,301)	-
CONSOLIDATED INCOME ATTRIBUTABLE TO CGD SHAREHOLDER	194,099	-		194,099	-

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 the requirements of IFRS 10 – “Consolidated financial statements”, 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 may, based on the application of the power retained by it and its capacity to direct their relative activities, take control of them (*de facto* power).

CGD Group subsidiaries were consolidated by the global integration method, in which significant transactions and balances between the consolidated companies 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, any redemption options on an investment at its equity value of holders of non-controlling interests are recognised in "Other liabilities" (note 23), Their corresponding changes are recognised in the respective profit and loss account.

Consolidated profit comprises the aggregating of CGD’s and its subsidiary entities’ net profit, in proportion to their effective percentage holding, after consolidation adjustments have been made, 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 purchase date. 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 its respective assets, liabilities and contingent liabilities on the purchase date. Goodwill is recognised as an asset and is not depreciated.

If the fair value of 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, upon which no additional goodwill is recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. In the same way, the impacts of disposals of non-controlling interests which do not entail a loss of control over a subsidiary are also recognised in reserves. Profit or loss on disposals of non-controlling interests, when entailing changes in control over the subsidiary, are recognised by the Group 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 period and cannot be reversed.

Up to January 1, 2004, as provided for by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from shareholders' equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1 − "First-time adoption of international financial reporting standards", and as the Group did not make any changes to this recognition procedure, goodwill, 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 exercises 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. Conversely, significant influence is presumed not to exist whenever the investment is less than 20%, unless such 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, exercises control over the activity of a company in which the equity stake is held (jointly controlled enterprises), usually structured on a basis of shared voting and similar decision-making rights.

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 respective balance sheet value from which time it is discontinued, unless any legal or constructive obligation requires a specific provision to be set up to recognise such losses.

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

Unrealised profit or loss on transactions with associates and jointly controlled enterprises are eliminated to 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 (functional currency). In the consolidated accounts, the profit and loss 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 a foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets at fair value, are translated at the exchange rate in force on the last valuation date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange rate profit/loss assessed on translation, is recognised in profit and loss for the period, except when deriving from non-monetary financial instruments recognised at fair value, such as equity instruments 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 which are translated at the average rate for the period. Under this method, exchange rate profit/loss is recognised in equity in "Other reserves" and the respective balance 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 after the said date, only exchange rate profit/loss originating after 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, unless an option to measure the financial instrument at its fair value through profit or loss has been exercised.

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 principal. The Group also classifies and measures a financial asset at *FVTOCI* (fair value through other comprehensive income) 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 *FVTPL* (fair value through profit or loss) 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 would otherwise have been classified and measured by *FVTPL*.

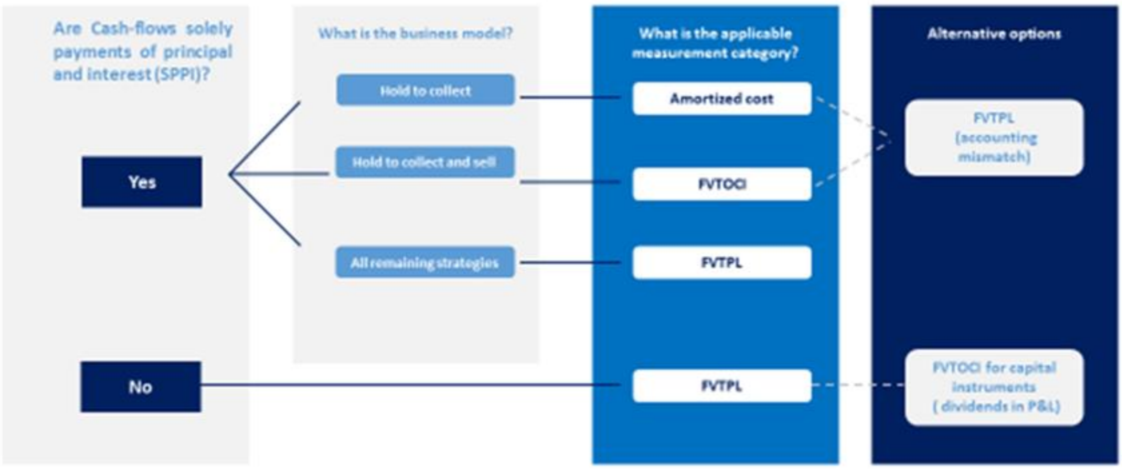
To assess the business model used for the management of a financial asset, the Group defines how it expects to obtain cash flows from the referred to financial asset. The business model is assessed at a level that reflects how a group of financial assets is managed as a whole, in order to achieve the business model's specific objective and is not dependent upon the Group's plans for any specific financial asset. As the allocation to 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 managers are 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 recognition 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: *SPPI* (solely payments of principal and interest).

Information on the classification process applied by the Group is set out in the following chart:



Derecognition

The Group derecognises a financial asset when, and only when, the contractual right to receive cash flows expires or when the financial asset is transferred and the transfer is qualified for derecognition. The Group is considered to transfer 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 retained but 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 retained, 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 financial asset's derecognition, the Group recalculates the financial asset's gross balance sheet amount 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 has the following implications:

a. The need for a new *SPPI* analysis 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 defined as being *POCI* (purchased or originated credit impaired) upon which 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 measured on the basis of cash flow projections;

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

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

Reclassification of financial assets

Whenever the Group makes changes to its financial assets management business model, which is only expected to occur relatively infrequently and on an exceptional basis, it reclassifies all of the 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 is the amount at which an asset or financial liability can be sold or liquidated between independent, informed parties, interested in realising the transaction under normal market conditions.

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

- 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 received 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 their 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.

Interest on impaired financial assets (stage 3) is recognised on the basis of the rate used to discount the future cash flows inherent to the measurement 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 payments for 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 / 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 (such as returns indexed to share prices or indices, exchange rates, etc.). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host contract comprising the difference between the total value of the combined contract and the 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 IFRS 9 − "Financial instruments" 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 June 30, 2019 and December 31, 2018 Caixa 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 period. If the hedge proves 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.

Measurements 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 *FVTOCI*;
- Rights and obligations as 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 the reimbursement of payments made by the entity when liquidating the liabilities recognised under IAS 37 – “Provisions, contingent liabilities and contingent assets”; and
- Loan liabilities (except when measured at fair value through profit or loss).

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

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

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

- 12 month expected losses: the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied in stage 1 operations; and
- Lifetime expected losses: the 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 in stage 2 and 3 operations.

Although IFRS 9 - "Financial instruments" does not define the concept of default, CGD Group applies 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 measure used to assess when an asset is transferred to stage 2 is 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: i.e. credit in arrears for more than 30 days (backstop), 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, at no cost or without 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 on the basis of a methodological approach comprising the projection of macroeconomic variables in which the probabilities of the occurrence of each of the scenarios are defined internally.

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

2.10. 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 as well as groups of assets for disposal, either by sale or another aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "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 their value is measured at their acquisition cost or fair value, whichever the lesser amount, net of the costs incurred on the sale. The assets' fair value is measured by appraisers.

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

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

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

Impairment is measured 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 and rental or other agreements which could affect its value.

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

(i) The amount of 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 which are subject to 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 book value.

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 its respective book value, 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, measured on appraisers' valuations.

Investment properties acquired on loan recovery operations are also included in the analysis of the individual and collective impairment assessment model applied to property classified as non-current assets held-for-sale (note 2.10), whose fair balance sheet carrying amount is defined by reference to an 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 costs associated with their use, not incorporated in the asset, 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", their book value, in the transition to IFRS, including the effect of the referred to revaluations, was deemed to be a cost, as the proceeds therefrom, at the time of the revaluation, generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect changes to price indices. In the case of entities headquartered in Portugal, 40% of the increase in depreciation on these revaluations is not tax deductible and 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 they 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. Leases

As described in note 2.2.2. – “New standards and interpretations for the period”, the Group adopted IFRS 16 – “Leases” at January 1, 2019, in lieu of IAS 17 – “Leases”, which had been in force up until December 31, 2018.

IFRS 16 – “Leases” – defines the principles for 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 made significant changes to the form of the accounting of lease agreements from the viewpoint of the lessee whose balance sheet should 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.

<u>Lessee</u>

The standard defines a unique accounting procedure for lease agreements arising from the recognition of a right-to-use asset and a lease liability for all lease agreements other than agreements with a maturity of less than 12 months or leases on low value assets in which the lessee may opt to be exempted from the recognition provided for in IFRS 16, in which case it should recognise the lease payments for these agreements as costs.

<u>Lessor</u>

Leases continue to be classified as financial or operating leases with no significant changes from the previous dispositions. Leases under financial agreements are recognised in the balance sheet as “Loans and advances to customers” and reimbursed by the repayment of principal set out in the agreement’s financial schedule. Interest included in the instalments is recognised as “Interest and similar income”.

	Properties	Vehicles
Amortization costs of assets by right of use in the period	15,781	1,025
Interest costs of lease liabilities in the period	3,337	21
Carrying amount of assets under right of use at end of period	207,043	3,693
Carrying amount of lease liabilities at end of period	208,774	3,704
Maturity of lease liabilities		
Up to 1 year	31,988	2,133
1 to 5 years	96,204	2,547
Over 5 years	113,120	-

2.14. Intangible assets

This account essentially comprises the costs of acquiring, developing or preparing software used in 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 of this code. The Group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, comprises all companies with headquarters and effective management in Portugal, whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has had either a direct or indirect stake of at least 75%, for a period of more than a year and when the equity stake entitles it to more than 50% of the voting rights. The Group's taxable profit is calculated on the algebraic sum of the separate taxable profit and losses made by each of the companies in the perimeter.

Branch accounts are accordingly included in the respective headquarters accounts under the principle of the taxation of global profit of article 4 of the IRC code. In addition to being subject to IRC, in Portugal, the profit made by branches 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 pursuant to article 91 of the respective code.

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

Adjustments to accounting income

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

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

  A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in ministerial order 150/2004 of February 13, or (ii) when it is not subject therein to income taxes which are 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 circumstances, 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 proportion to Caixa's capital holding. The amount of the profit included is deductible from the taxable profit for the period in which these profits are eventually distributed to Caixa. Caixa does not recognise any deferred taxes in respect of such amounts.

- *Impaired credit*

  In 2016, based on the Bank of Portugal's *notice* 5/2015, Caixa began first-time preparation of its financial statements for its separate activity in accordance with the international financial reporting standards as adopted, at any time, under European Union legislation, applying IAS 39 – "Financial instruments: recognition and measurement" requirements on provisions for loans and other receivables from January 1 of that year.

  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 as 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 (subsequently revoked) provided that such loans were not collateralised by substantive rights over immovable assets, was published on November 18, 2016, with this objective.

  The extension of the application of these rules for tax deductibility in 2017 and 2018 of impairment losses on credit operations was subsequently confirmed by the publication of regulatory decrees 13/2018 and 11/2017, both published on December 28.

Starting January 1, 2018 the estimated losses on credit risk were measured applying the terms of IFRS 9 – “Financial instruments”, which replaced IAS 39 after that date.

Law 98/2019 which made changes to the IRC code on impairment issues for credit institutions and other financial institutions and created rules on the recognition of impairment losses still not accepted for tax purposes in tax periods prior to January 1 2019, was published on September 4, 2019. According to this new legislation impairment losses on credit risk on individually or collectively analysed exposures recognised in tax periods starting on or after January 1, 2019, under the applicable accounting and regulatory standards (with the exceptions provided for in no° 7 of article 28-C of the IRC code) are now fully tax deductible. The deduction rules in force up to December 31, 2018 continue to apply to impairment losses and other value corrections for specific credit risk accounted for in prior tax periods.

Under the terms of no° 4 of the new law, taxpayers wishing to apply for the new tax regime must, starting January 1, 2019, formalise their option in the form of a written request to the director general of the tax and customs authority by October 31, 2019. Absent the exercise of this option the application of the new rules is postponed until the tax period starting January 1, 2024 with maintenance of the legislation in force up until the entry into effect of the new law.

At the date of the approval of these financial statements the board of directors had not exercised an option to apply for the new regime, Caixa considered that the legal framework in force in 2018 should be retained in the preparation of its estimates for first half 2019.

- *Written off credit*

At June 30, 2019 and December 31, 2018 Caixa continued to recognise deferred tax assets on non taxnon-tax deductible impairment for credit operations which had already been recorded against assets on the basis that they will be considered as taxable in the fiscal periods in which the conditions required for their deduction have been met, both regarding the delay period (24 months) and compliance with the limits in the legislation on these dates or, additionally, in the event of the occurrence of any of the conditions of article 41 of the corporate tax code (bad debts).

- *Impaired 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 as 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 on equity investments or other own equity instruments, included in taxable income, are considered to be positive components of taxable profit for the taxation period in which the respective sale has taken place. Consequently Caixa began to recognise deferred tax liabilities on the impairment of financial investments as a deductible tax cost when there was an intention of sale or liquidation (or when in progress). These liabilities amounted to €77,820 thousand and €116,449 thousand, at June 30, 2019 and December 31, 2018, respectively.

The amount of unrecognised deferred tax liabilities on the impairment of tax deductible financial investments, to the extent of the unlikelihood of any changes to the board of directors' strategy regarding the management of such investments, i.e. no prospects of sale or liquidation in the foreseeable future, amounted to €19,768 thousand and €19,776 thousand at June 30, 2019 and December 31, 2018, 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 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 to 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.

Additionally, as a result of the change in the accounting policy for recognition of actuarial profit and loss on pension plans and other post-employment benefits, as of December 31, 2011, the deferred net liabilities balance recognised in Caixa's balance sheet at that date was recorded as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities met the requirements of article 183 of law 64-B/2011 of December 30, the negative equity movements of 2011, which were not considered for tax purposes in that year, , will be recognised as a deduction from taxable profit, in equal parts, in the ten years starting on or after January 1, 2012.

Caixa had not recognised deferred tax on actuarial or financial profit and loss on its pension plan for active workers at June 30, 2019 and December 31, 2018.

- *Settlement result*

Under article 92 of the IRC code, 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 first half 2019 and 2018 as a result of the application of this article.

Deferred tax

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

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

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent of the probability of the existence of sufficient future taxable profit to enable the corresponding deductible tax differences or carry-back of tax losses to be used. Deferred tax assets are not recognised in cases in which their recoverability is questionable on account of other situations, including issues regarding the interpretation of current tax legislation.

Deferred tax is not recognised on temporary differences originating on initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit.

The principal situations that give rise to temporary differences at a Group level are provisions and impairment charges which are temporarily non-tax deductible.

Deferred taxes are calculated on the basis of the tax rates expected to be in force at the time of the reversal of the temporary differences which represent the approved or substantially approved rates, as of the balance sheet date.

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

2.16. Provisions and contingent liabilities

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

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

Provisions for other risks are for:

- Liabilities for guarantees provided and other off-balance sheet liabilities, 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". Caixa's principal benefits include retirement and survivors' pensions, healthcare costs and other long-term benefits.

Pensions and healthcare liabilities

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

Healthcare for CGD headquarters' working and retired employees is also provided by Caixa Geral de Depósitos's social services and funded by contributions from CGD headquarters and its employees. Caixa also has liabilities for contributions to *SAMS* (healthcare services) for former BNU employees who 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 by specialised actuaries, using the projected unit credit 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 from 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 from 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 those employees with whom it has entered into redundancy agreements. This provision is also recognised as a charge to "Employee costs" in profit and loss.

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

Other long-term benefits

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

Liabilities for such benefits are also measured by 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 23) and "Provisions for the costs of employee benefits" (note 21), respectively.

Short term benefits

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

Redundancy benefits

Redundancy benefits include the costs of 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 single acts.

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 in which payments of dividends and/or redemptions are exclusively at the Group’s discretion, the securities issued are considered to be equity instruments. Preference shares issued by subsidiaries fulfilling these requirements are recognised in “Non-controlling interests” in the consolidated balance sheet.

2.20. Securities and other items held under custody

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

2.21. 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, following an analysis of the evolution of the key financial and behavioural indices of Angola's economy, the Group concluded that the conditions of IAS 29 – "Financial reporting in hyperinflationary economies" had been met, in order to proceed with the expected change in this standard of the presentation of the financial statements of subsidiaries operating in this geography, namely through its equity stake in Banco Caixa Geral – Angola, S.A. (Caixa Angola). This understanding was renewed in first half 2019.

One of the most significant, albeit non-exclusive, factors in terms of this understanding, was the progression noted in the consumer price index across the period 2015 and first half 2019, as published by Angola's national statistics institute and set out in the following table:

	30-06-2019	2018	2017	2016	2015	2014
Consumer Price Index at year end	247.50	232.02	195.63	158.19	112.09	100.00
Change	6.67%	18.60%	23.67%	41.13%	12.09%	-

Although the standard does not define an absolute rate above which an economy is presumed to be hyperinflationary, an accumulated rate for the last three years close to or in excess of 100% is considered as possible evidence of hyperinflation. The following indicators are also considered to be potential signs of a hyperinflationary economy:

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

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

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

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

As a result of this situation, the financial statements of Caixa Angola included in Caixa Group's consolidated accounts were prepared on the following basis:

- Non-monetary assets and liabilities measured at historical cost, net of accumulated amortisation or impairment, when applicable, were re-expressed on the basis of changes in the general price index from the date of their acquisition or origination and 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 30) 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, other than 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 in the Group's consolidated financial statements and 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 2019 and 2018 is set out below:

	30-06-2019			30-06-2018		
	the shareholder of CGD	Non-controlling interests	Total	the shareholder of CGD	Non-controlling interests	Total
Consolidated net income for the period, of which:						
Restatement of Caixa Angola's net income	251	241	492	588	565	1,154
Net monetary loss (Nota 28)	(5,476)	(5,261)	(10,737)	(7,663)	(7,363)	(15,026)
	(5,225)	(5,020)	(10,245)	(7,075)	(6,798)	(13,873)
Impact on equity	4,887	4,695	9,582	(3,839)	(3,688)	(7,527)
Total	(338)	(325)	(663)	(10,914)	(10,486)	(21,399)

The translation of Caixa Angola's re-expressed financial statements for the periods ended June 30, 2019 and 2018 (comparative balance sheet amounts) into the Group's functional currency complied with the criteria of note 2.6.

2.23. Critical accounting estimates and most significant judgment areas for the application of accounting policies

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

a) Measurement of impairment losses on loans and advances to customers

Impairment losses on loans measured at amortised cost are based on the methodology defined in note 2.9. d). This assessment is, based on the weighting of a series of factors which reflect knowledge of a customer's situation, treatment of historical data and value of the guarantees associated with the operations in question and, as such, is highly subjective.

The Group considers that the impairment assessed by this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the rules defined in IFRS 9 – "Financial instruments".

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

According to the measurement requirements on such assets, fair value changes are recognised as a charge to 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 IFRS 9 – "Financial Instruments", the Group measures all financial instruments at fair value, except for those recognised at amortised cost. The measurement models and techniques described in note 2.9. 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 the referred to instruments, at the date of the balance sheet. To guarantee adequate separation between functions, such 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 level 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 measured 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 the respective 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, in such cases, represent the best understanding of Caixa's and Group companies' responsible bodies, on the accuracy of their operations, they may be questioned by the tax authorities.

The Group's recognition of deferred tax assets, including the carry-back of tax losses, is based on the expectation of future taxable profit enabling them to be realised, assessed on the basis of more up-to-date projections of accounting income and considering the objective for the reduction of non-performing assets. The fiscal income projections have been prepared on the assumption of the maintenance of the deductibility rules on the existence of impairment losses on loans and other receivables at December 31, 2018. The recoverability of deferred tax assets is, therefore, contingent upon Caixa's successful implementation of its board of directors' strategy, namely the capacity to generate the estimated taxable income and interpretation of fiscal legislation in force and in the future (note 16).

g) Property valuations

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

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 filed.

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

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

		30-06-2019			31-12-2018	
Activity / Entity	Location	% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	114,361	15,024	108,283	19,926
Parbanca, SGPS, S.A.	Madeira	100.00%	89,747	15,531	81,722	34,557
Partang, SGPS, S.A.	Lisbon	100.00%	136,972	(869)	129,504	4,530
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	554,377	6,152	549,676	26,508
Banco Comercial do Atlântico, S.A.	Praia	58.19%	51,933	4,902	55,585	6,725
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	255,913	29,372	238,355	56,940
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	91,591	602	89,653	2,462
Banco Interatlântico, S.A.R.L.	Praia	70.00%	19,719	2,138	18,696	2,725
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	788,703	35,239	774,178	53,623
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.77%	363,770	5,446	370,679	11,194
CGD Investimentos CVC, S.A.	São Paulo	100.00%	26,243	567	25,516	1,546
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	161,417	7,955	153,383	16,081
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	164,528	23,976	202,435	73,438
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	139,680	19,765	120,365	6,048
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	32,133	2,834	34,882	5,586
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	11,030	1,240	11,466	1,675
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	3,868	422	4,512	1,067
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	3,987	167	3,293	18
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.77%	15,363	2,163	13,201	2,480
Real Estate						
Imobci, Lda.	Maputo	46.31%	301	(94)	394	301
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	4,976	203	4,773	338
Caixa Imobiliário, S.A.	Lisbon	100.00%	3,108	(5,911)	(50,981)	(805)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(78,026)	(1,446)	(76,580)	1,155

(a) Equity includes net income for the year.

(b) Data taken from consolidated financial statements.

Activity / Entity	Head office	30-06-2019			31-12-2018	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	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%	79,436	6,033	153,319	(170)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	22,450	(171)	22,620	(3)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	160,120	905	159,215	14,859
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	82,423	(2,590)	85,013	(1,855)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	15,160	(145)	15,305	(13,644)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	75.24%	8,718	50	8,776	(827)
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	6,352	(13)	6,365	(4,878)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	32.22%	64,506	(590)	65,926	(405)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	40.51%	156,494	4,281	167,220	7,765
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	20.77%	86,272	3,819	92,086	11,875
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	1,389	(446)	1,551	1,134
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	3,474	(44)	3,518	(2,420)
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	51,813	121	51,692	982
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	21.50%	581,060	16,283	555,546	26,132
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	160,740	6,617	154,123	10,831
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	72,115	(2,618)	74,732	(2,272)

(a) Equity includes net income for the year.

Information on the principal movements of Group subsidiaries for the first half year ended June 30, 2019 and in 2018 is given below:

Banco Comercial e de Investimentos, S.A.

In the first semester 2015, Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders approved a share capital increase of which MZN 3,081,274,880 as an incorporation of reserves and MZN 1,789,709,460 based on the issuance of 72,752,418 new shares. The Group's equity investment in this operation was made through Parbanca, SGPS, S.A., which has a 51% equity stake in BCI, having subscribed 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 as part 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.

During the course of 2017 an agreement for the payment in kind of BCI shares was entered into between Caixa Geral de Depósitos S.A., Banco BPI, S.A., BCI – Banco Comercial de Investimentos, S.A., Parbanca SGPS, S.A. and Insitec SGPS, S.A. As part of this operation Insitec Capital surrendered 110,171,080 shares held by it, comprising 16.18069% of BCI's share capital as payment in kind for the credit operations entered into with CGD and BPI, to fully extinguish its debts. CGD received 71,543,434 BCI shares comprising 10.51% of the share capital in payment of its credit and the Group increased its 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 representing a part incorporation of existing reserves 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 (FCR Grupo CGD) venture capital fund

During the course of 2017, in conformity with a resolution of its sole shareholder passed at a general meeting, the capital of CGD Group's venture capital fund was reduced by €78,885 thousand, of which €23,884 thousand was to cover negative 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 for and unpaid capital of the Caixa Fundos venture capital fund by 65,000 thousand. This reduction was made as it was considered that the amount of the existing commitments greatly exceeded the fund's possibility of making new investments.

Caixa Arrendamento (FIIAH – Caixa Arrendamento) closed-end housing investment fund

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 cancellation of 48,238 of the fund's investment units for an overall amount of €48,000.

Parcaixa

The Portuguese state, as CGD's sole shareholder, passed a resolution on January 4, 2017, transferring 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 payment in kind of 490,000,000 shares comprising 49% of its equity capital. The value attributed to the equity stake, representing its book value at that date, amounted to €498,996 thousand.

This operation was part of the agreement entered into between the Portuguese state and the appropriate 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 Group equity stake of 100% in Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S.A. Parcaixa became a Caixa Geral de Depósitos company on the completion of the merger in December 2018.

Caixa Tech Transfer Accelerator Ventures capital fund

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

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

Merger

On September 28, 2018, work began on the merger of six companies into Caixa Geral de Depósitos which now owns the equity capital of all of the incorporated companies. These were 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, under 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 operational companies. The objective of the merger was to concentrate the development of activities which were spread across the participating companies into a single entity and to eliminate the duplication of legal, fiscal, operational, financial, bureaucratic and administrative costs and obligations, simplifying CGD Group's structure by extinguishing the incorporated companies and consequently concentrating 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:

	30-06-2019	31-12-2018
Cash	601,774	681,595
Demand deposits in central banks	5,249,544	4,925,140
	5,851,318	5,606,735
Interest on demand deposits in central banks	(657)	-
	5,850,661	5,606,735

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

The funds deposited at central banks by Caixa and Group banks at June 30, 2019 and December 31, 2018, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account comprises the following:

	30-06-2019	31-12-2018
Cheques for collection		
- Portugal	55,698	49,882
- Abroad	21,337	13,112
	77,036	62,994
Demand deposits		
- Portugal	162,754	209,620
- Abroad	514,375	739,813
	677,129	949,433
Accrued interest	914	1,671
	755,079	1,014,098

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 period.

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	30-06-2019	31-12-2018
Term deposits		
- Portugal	80,617	79,334
- Abroad	1,440,455	1,079,922
Loans		
- Portugal	9,196	17,467
- Abroad	85,278	110,086
Other applications		
- Portugal	15	-
- Abroad	800,179	698,156
Purchase operations with resale agreement	214,531	212,382
Overdue loans and interest	7,152	7,152
	2,637,422	2,204,499
Accrued interest	1,206	1,741
Deferred income	(1,938)	(4,209)
	2,636,689	2,202,031
Impairment (Note 34)	(9,451)	(9,009)
	2,627,238	2,193,022

The "Purchase operations with resale agreements" account at June 30, 2019 and December 31, 2018 represent contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised on the balance sheet and their purchase price continues to be recognised as loans to credit institutions, measured at their respective amortised cost. These operations were contracted for under *GMRAs* (global master repurchase agreements), whose mechanisms strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties, usually in the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, for the periods ended June 30, 2019 and 2018, is set out in note 34.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account comprises the following:

	30-06-2019			31-12-2018		
	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	20,548	-	20,548	27,075	-	27,075
. Treasury bills	3,093,623	-	3,093,623	2,862,904	-	2,862,904
. Bonds of other public issuers						
Foreign	3,353,483	-	3,353,483	2,459,937	-	2,459,937
- Other issuers:						
. Bonds and other securities:						
Residents	210	95	305	3,804	85	3,888
Non-residents	44,101	-	44,101	9,227	-	9,227
	6,511,965	95	6,512,059	5,362,947	85	5,363,032
Equity instruments						
Residents	4,020	233,403	237,423	7,232	229,186	236,418
Non-residents	4,921	115,778	120,699	5,004	179,773	184,777
	8,941	349,181	358,122	12,236	408,959	421,194
Other financial instruments						
Residents	-	491,272	491,272	-	527,211	527,211
Non-residents	-	580,249	580,249	-	607,072	607,072
	-	1,071,521	1,071,521	-	1,134,283	1,134,283
Loans and receivables						
	-	-	-	-	-	-
Loans and advances to customers	-	131,118	131,118	-	53,509	53,509
Other loans and receivables	-	30,350	30,350	-	31,360	31,360
	-	161,467	161,467	-	84,868	84,868
Derivatives with positive fair value (Note 10)						
- Swaps	628,477	-	628,477	522,653	-	522,653
- Futures and other forward operations	7,334	-	7,334	7,188	-	7,188
- Options - shares, currency and commodit	21,002	-	21,002	20,270	-	20,270
- Caps and floors	243,737	-	243,737	142,593	-	142,593
- Other	-	-	-	-	-	-
	900,549	-	900,549	692,705	-	692,705
	7,421,455	1,582,264	9,003,719	6,067,887	1,628,195	7,696,083

The "Other financial instruments" account, at June 30, 2019 and December 31 2018 included €509,340 thousand and €551,110 thousand, respectively, in subscriptions for investments in vehicles set up as part of financial assets transfer operations (loans and advances to customers).

Following the transfer of these to 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 respective IFRS 9 − “Financial instruments” requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control had been met. The corporate vehicles in which CGD has a non-controlling interest continue to enjoy management autonomy. To ensure the neutrality of operations, at the time of performance, impairment equivalent to the estimated losses on the transferred assets was set against the equity investment in the respective associated corporate vehicles. After recognition, these positions reflect the revalued amounts of these companies' equity.

Information on the Group's exposure in such assets at June 30, 2019 and December 31, 2018 was as follows:

	30-06-2019	31-12-2018
Fundo Imobiliário Aquarius	117,164	117,164
Fundo Recuperação, FCR	84,938	92,096
Flit-Ptrel SICAV	198,656	197,863
OXI Capital, SCR	42,033	53,887
Predicapital FEIIF	11,555	35,107
Fundo Recuperação Turismo, FCR	32,508	32,508
Fundo Imobiliário Vega	18,156	18,156
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	4,330	4,330
	509,340	551,110

This reclassification results from the application of the classification and measurement criteria of IFRS 9 – "Financial instruments".

The value of the asset transfer funds at June 30, 2019 and December 31, 2018 is based on 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 the case of certain operations Caixa also made shareholders' loans and additional capital payments, recognised in "Other assets" accounts, with a fully provisioned balance sheet carrying amount of €39,040 thousand and €38,772 thousand, respectively, at June 30, 2019 and December 31, 2018 (note 17).

The balance sheet carrying amount of the property investment funds managed by Group entities, recognised in the financial assets at fair value through profit or loss portfolio, at June 30, 2019 and December 31, 2018, was as follows:

	30-06-2019	31-12-2018
	Real Estate Investment Funds	Real Estate Investment Funds
Book value	19,922	20,667

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account comprises the following:

	30-06-2019	31-12-2018
Debt instruments		
- Public debt	2,271,120	2,753,896
- Other public issuers	860,019	652,352
- Other issuers	1,002,916	1,200,450
	4,134,056	4,606,698
Equity instruments		
- Measured at fair value	74,684	76,920
	74,684	76,920
Other instruments	89,199	147,306
	4,297,938	4,830,924
Impairment (Note 34)		
- Debt instruments	(2,151)	(4,758)
	(2,151)	(4,758)
	4,295,788	4,826,167

The "Other instruments" account, at June 30, 2019 and December 31, 2018 included €58,343 thousand and €58,808 thousand, respectively, in credit securities issued by the state of Cape Verde resulting from the conversion of matured treasury bonds (*TCFMs* or "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 terminated in August 2018.

Following the negotiations entered into between BCA (Group entity holding the *TCFMs*) and the state of Cape Verde, a repurchase agreement, defining the conditions attached to the purchase of the securities was entered into at December 31, 2018.

The details on the Group's exposure to this category of financial assets at fair value through other comprehensive income, at June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019		31-12-2018	
	Book value	Fair value reserve	Book value	Fair value reserve
Discovery Portugal Real Estate Fund	88,866	6,419	88,074	6,718

CGD opted to classify and measure this equity instrument at fair value through other comprehensive income in conformity with the option provided for by IFRS 9 – "Financial instruments" (note 2.9).

The fair value reserves, net of deferred tax associated with assets measured at fair value through other comprehensive income, amounted to €235,181 thousand and €136,183 thousand at June 30, 2019 and December 31, 2018, respectively (note 25).

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on financial assets with repurchase agreements at June 30, 2019 and December 31, 2018, is set out below:

	30-06-2019	31-12-2018
At fair value through profit or loss		
Debt instruments		
. Portuguese debt securities	21,033	-
At fair value through fair value reserves		
Debt instruments		
. Portuguese debt securities	-	55,009
. Foreign debt securities	10,335	-
	31,368	55,009

The Group entered into financial assets sales operations with purchase agreements at a future date at a predefined price with financial institutions and customers during the six months ended June 30, 2019 and in 2018.

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

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

10. DERIVATIVES

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

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

The value of these operations, at June 30, 2019 and December 31, 2018, was measured in conformity with the criteria set out in note 2.9.c). Information on the operations' notional and book values at the said dates is given below:

	30-06-2019							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Fowards				684	(1,421)	-	-	(737)
Purchase	213,916	-	213,916					
Sale	216,203	-	216,203					
Swaps								
Currency swaps				3,219	(13,086)	-	-	(9,867)
Purchase	1,415,466	-	1,415,466					
Sale	1,422,184	-	1,422,184					
Equity swaps				-	(452)	-	-	(452)
Purchase	2,641	-	2,641					
Sale	2,641	-	2,641					
Interest rate swaps and cross currency interest rate swaps				625,259	(705,412)	7,528	(3,250)	(75,875)
Purchase	29,531,659	56,782	29,588,442					
Sale	29,472,552	60,767	29,533,319					
Futures								
Currency				-	-	-	-	-
Long positions	82,490	-	82,490					
Interest rate				-	-	-	-	-
Long positions	18	-	18					
Short positions	4,669,237	-	4,669,237					
Equity				6,650	-	-	-	6,650
Long positions	14,358	-	14,358					
Short positions	1,395	-	1,395					
Other				-	-	-	-	-
Long positions	61,220	-	61,220					
Short positions	365,960	-	365,960					
Options								
Currency				395	(375)	-	-	21
Purchase	95,790	-	95,790					
Sale	100,412	-	100,412					
Equity				20,606	(23,139)	-	-	(2,532)
Purchase	18,626	-	18,626					
Sale	3,339	-	3,339					
Interest rate (Caps & Floors)				243,737	(243,589)	-	-	148
Purchase	1,395,134	-	1,395,134					
Sale	1,326,910	-	1,326,910					
	70,412,150	117,549	70,529,700	900,549	(987,473)	7,528	(3,250)	(82,645)

	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)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2019 and December 31, 2018, included operations collateralised by surety accounts to hedge the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by financial institutions with Caixa and by Caixa with the financial institutions on the said dates are recognised in "Other liabilities - resources - surety account" (note 23) and "Other assets - debtors and other assets - other debtors" accounts (note 17), respectively.

Details on *CVAs* (credit value adjustments) and *DVAs* (debt value adjustments) are given in note 37.

11. INVESTMENTS AT AMORTISED COST

The following is a breakdown of investment balances at amortised cost at June 30, 2019 and December 31, 2018:

	30-06-2019	31-12-2018
Debt instruments		
Public debt	1,801,259	1,037,812
Other public issuers		
Other residents	15,442	15,132
Other non-residents	4,094,073	2,808,517
	5,910,774	3,861,460
Other international issuers	-	61,661
Other issuers		
Other non-residents	182,520	1,092
	182,520	62,752
	6,093,294	3,924,213
Impairment (Note 34)	(6,577)	(4,245)
	6,086,717	3,919,967

Investments at amortised cost, at June 30, 2019 and December 31, 2018 included Angolan sovereign debt instruments of €374,003 thousand and €396,089 thousand respectively.

The “Debt instruments – issued by national entities − public debt securities” account at June 30, 2019 and December 31, 2018, included securities allocated to the issuance of covered bonds with a balance sheet carrying amount of €127,927 thousand and €126,713 thousand, respectively.

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	30-06-2019	31-12-2018
Domestic and foreign loans		
Loans	37,138,241	37,899,004
Current account loans	1,514,740	1,359,035
Other loans	2,896,114	3,165,390
Other loans and amounts receivable - securitised		
. Commercial Paper	1,973,411	2,437,916
. Other	3,195,605	3,705,184
Property leasing operations	813,614	833,642
Discounts and other loans secured by bills	461,266	646,141
Equipment leasing operations	699,510	710,272
Factoring	945,130	957,447
Overdrafts	227,712	237,502
	49,865,342	51,951,532
Accrued interest	129,162	128,203
Deferred income, commissions and other cost and income associated with amortised cost	(44,213)	(56,185)
	49,950,291	52,023,550
Overdue loans and interest	2,429,030	2,902,862
	52,379,321	54,926,412
Impairment (Note 34)	(2,930,774)	(3,336,927)
	49,448,547	51,589,485

"Domestic and foreign credit – other loans", at June 30, 2019 and December 31, 2018, included €44,577 thousand and €48,236 thousand, in mortgage and personal loans issued by CGD to its employees, respectively.

The "Other loans and receivables – securitised − other" account at June 30, 2019 and December 31, 2018 includes bonds of €789,569 thousand and €1,128,369 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 for by these companies from Caixa, were transferred to the Portuguese state. The state also assumed the liabilities deriving from a commercial paper programme subscribed for by Caixa of €1 billion, following the transfer of the contractual position between BPN and Parvalorem. This operation is recognised in the "Other loans and receivables – securitised – commercial paper" account, with €600,000 thousand having been repaid in first half 2019. Parpública has also redeemed the bond issuance of €750,000 thousand.

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 loans in settlement.

The "Loans" account, at June 30, 2019 and December 31, 2018, included mortgage loans issued by Caixa as part of its securitisation operations. Loan movements in the first half of 2019 and in 2018 were as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2017	3,677,930
Repayments	(287,288)
Repurchase	(4,134)
Other	(17,614)
Balances at 31-12-2018	3,368,894
Repayments	(133,965)
Repurchase	(1,362)
Other	(5,154)
Balances at 30-06-2019	3,228,413

The Group is fully responsible for the liabilities associated with this operation which are therefore eliminated in the preparation of the consolidated financial statements.

The "Loans" account, at June 30, 2019 and December 31, 2018, included mortgage loans with a book value of €7,863,124 thousand and €7,510,594 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising these bonds, at June 30, 2019 and December 31, 2018 also included debt securities with a book value of €127,927 thousand and €126,713 thousand, respectively, at these dates (note 11).

Information on impairment movements in first half 2019 and in 2018, is detailed in note 34.

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

Information on non-current assets and liabilities held-for-sale balances at June 30, 2019 and December 31, 2018, is set out below:

	30-06-2019	31-12-2018
ASSETS		
Property and equipment	713,147	769,420
Subsidiaries		
Banco Caixa Geral, S.A. (Spain)	4,770,017	4,874,456
Mercantile Bank Holdings, Ltd.	953,396	895,366
Banco Comercial Atlântico	841,146	-
Banco Caixa Geral Brasil, S.A.	315,304	395,763
CGD Investimentos CVC, S.A.	28,012	27,465
	7,621,021	6,962,470
Impairment (Note 34)		
Property and equipment	(332,908)	(335,990)
Subsidiaries	(278,308)	(413,263)
	(611,216)	(749,253)
	7,009,806	6,213,217
LIABILITIES		
Subsidiaries		
Banco Caixa Geral, S.A. (Espanha)	4,207,379	4,316,249
Mercantile Bank Holdings, Ltd.	798,290	748,059
Banco Comercial Atlântico	792,751	-
Banco Caixa Geral Brasil, S.A.	249,960	330,196
CGD Investimentos CVC, S.A.	1,769	1,950
	6,050,149	5,396,454

Income generated by held-for-sale business units, in first half 2019 and in 2018, is classified as "Income from subsidiaries held-for-sale" in the consolidated profit and loss statement, as set out below:

	30-06-2019	30-06-2018
Results of subsidiaries held-for-sale		
Banco Comercial do Atlântico, S.A.	10,832	3,473
Mercantile Bank Holdings, Ltd.	7,847	8,660
Banco Caixa Geral, S.A. (Espanha)	5,949	14,244
CGD Investimentos CVC, S.A.	567	891
Banco Caixa Geral Brasil, S.A.	31	1,004
	25,226	28,273

These entities are classified in the “Other” line of the business segment (note 35).

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, for the disposal of the Group’s equity stake in Mercantile Bank Holdings, Ltd., Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral − Brasil, S.A. and CGD Investimentos CVC, S.A. with the objective of 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 is a significant part of Caixa’s objectives in implementing its 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 services to its customers and Portuguese communities in the above geographies.

Decree law 153/2017 was published on December 22 for the purpose of ensuring that domestic legislation was adapted to the particularities of the disposal process on these equity investments. This decree law regulated the terms and modalities relating to these transactions as well as the instruments to be used for their implementation.

Accordingly and in conformity with the dispositions of IFRS 5 – “Non-current assets held-for-sale and discontinued operations”, these business units’ assets and liabilities at December 31, 2017 were aggregated and recognised in “Non-current assets and liabilities held-for-sale – subsidiaries”. Information on the income from these equity stakes is also set out in a single line of the profit and loss statement, with the comparative periods having been similarly re-stated. In conformity with the standard the Group did not eliminate the balances with other companies in the consolidation perimeter as part of the consolidation process.

On November 22, 2018, as part of the disposal processes on all or part of CGD’s equity shares 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 the equity 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..

The agreement for the purchase and sale of Banco Caixa Geral, S.A., together with the initial payment of €25,000 thousand, concluded on December 19, 2018.

On April 16, 2019 Spain's competition authority decided not to oppose the sale and on September 9 2019, the ECB (European Central Bank) declared its non-opposition to the disposal of 99.79% of the equity shares of Banco Caixa Geral, S.A. to ABANCA Corporación Bancaria, S.A. This declaration concludes the approval process of the sale of this subsidiary by the competent authorities. According to the agreement the disposal process will be completed in October 2019 (note 38).

The agreement for the purchase and sale of Mercantile Bank Holdings, Ltd, together with the initial payment of €7,000 thousand, was concluded on January 23, 2019.

The operation is currently dependent upon the authorisation of *SARB* (South African Reserve Bank) and the minister of finance.

Upon confirmation of the transaction, the equity stake in Mercantile Bank Holdings Limited will be disposed of for an overall amount of ZAR 3,200,000 thousand (or around €200,000 thousand at a EUR/ZAR exchange rate of 16.1). These amounts may be adjusted for changes in the equity value of Mercantile Bank Holdings Limited, between the reference date as defined in the direct sales agreement and the last day of the second month prior to the effective disposal date.

As the global disposal price referred to in the preceding paragraph may be adjusted by the equity value of Mercantile Bank Holdings Limited, between the reference date set out 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 from the amounts above.

As regards the disposal process on BCG Brasil, the period of political instability affecting the country in 2018 caused various delays to the completion of several initiatives which had been initially scheduled. Caixa's executive committee continues to oversee this process on a regular basis. The first stage, which includes contacts with investors, preparation and presentation of bids and selection of entities with whom to enter into more detailed negotiations of the terms and conditions of a second stage, which includes due diligence, the submission and analysis of binding offers and selection of a potential purchaser or purchasers is currently in progress.

The council of ministers' communication of August 1, 2019, approved the tender documents for the direct sale of the equity shares of Banco Caixa Geral – Brasil, S.A., directly and indirectly owned by Caixa Geral de Depósitos. After due consultation of the intentions of potentially interested parties in the operation, the government will approve and set out the specific conditions governing the direct sale. This will be followed by the selection of interested parties to be included in the subsequent stage of this disposal process. The Group continues to expect that the sale will be completed by the end of 2019 following the normalisation of the country's political situation and sales process stages which have already been completed. The approval of this resolution signifies that the government has taken another important step towards meeting its commitments under CGD's strategic plan, underlying the state-backed recapitalisation plan.

On December 21, 2018 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 equity investment in Banco Comercial do Atlântico in the Republic of Cape Verde, by the end of 2020 and to initiate the process involving the respective legal and procedural considerations starting January 2019. The requirements for the application of IFRS 5 have consequently been met at that date and BCA was reclassified as a held-for-sale subsidiary.

Impairment of €278,308 thousand and €413,263 thousand was also recorded at June 30, 2019 and December 31, 2018, respectively, to adjust the equity value of these units' assets and liabilities to their respective fair values, net of disposal costs (note 34).

Mercantile Bank Holding Ltd

Information on the key financial data of Mercantile Bank Holdings, Ltd, at June 30, 2019 and December 31, 2018, is set out below:

ASSETS	30-06-2019	31-12-2018
Cash balances and loans and receivables at other credit institutions	108,601	97,595
Financial assets at fair value through profit or loss	1,006	1,088
Financial assets at fair value through other comprehensive income	497	487
Investments at amortized cost	54,591	48,051
Other tangible assets	7,177	7,044
Intangible assets	6,662	7,782
Current tax assets	35	-
Deferred tax assets	2,632	2,578
Loans and advances to customers	635,055	599,930
Other assets	137,140	130,811
TOTAL ASSETS	953,396	895,366
LIABILITIES AND EQUITY		
Resources of other credit institutions	17,224	12,282
Customer resources	669,030	626,623
Debt securities	76,142	74,517
Financial liabilities at fair value through profit or loss	425	938
Provisions for employee benefits	2,301	2,165
Current tax liabilities	-	347
Deferred tax liabilities	2,022	1,756
Other liabilities	31,146	29,431
TOTAL LIABILITIES	798,290	748,059
TOTAL EQUITY, of which:	155,106	147,306
Revaluation reserves	3,069	3,006
	953,396	895,366

	30-06-2019	30-06-2018
Other income and expenses		
Interest and similar income	41,509	39,581
Interest and similar expenses	(22,420)	(20,412)
Income from services rendered and commissions	19,256	18,248
Cost of services and commissions	(8,700)	(8,485)
Results from financial operations	2,780	2,758
Employee costs	(10,756)	(10,922)
Other administrative costs	(4,402)	(4,961)
Depreciation and amortisation	(2,605)	(2,386)
Provisions and impairments, net of reversals and recoveries	(859)	631
Other	(2,862)	(2,089)
	10,941	11,964
Income tax	(3,094)	(3,304)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	7,847	8,660
Non-controlling interests	-	-
NET INCOME	7,847	8,660

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process, details on which are provided in the following table:

	30-06-2019	31-12-2018
Assets	1,516	10,542
Liabilities	7,235	500

	30-06-2019	30-06-2018
Other income	-	-
Other expenses	53	51

Banco Caixa Geral – Brasil, S.A.

Information on the key financial data of Banco Caixa Geral – Brasil, at June 30, 2019 and December 31, 2018, is set out below:

ASSETS	30-06-2019	31-12-2018
Cash balances and loans and receivables at other credit in	161,520	219,383
Financial assets at fair value through profit or loss	60,708	65,099
Financial assets at fair value through other comprehensive	2,153	6,469
Financial assets with repurchase agreement	13,280	10,887
Non-current assets held-for-sale	10,855	4,865
Other tangible assets	528	539
Intangible assets	23	30
Investments in associates and subsidiaries excluded from	33,665	32,961
Current tax assets	512	1,469
Deferred tax assets	11,344	11,561
Loans and advances to customers	53,056	73,610
Other assets	1,324	1,852
TOTAL ASSETS	348,969	428,724
LIABILITIES AND EQUITY		
Resources of other credit institutions	47,172	113,741
Customer resources	181,189	196,049
Financial liabilities at fair value through profit or loss	14,494	12,689
Provisions for guarantees and other commitements	482	463
Provisions for other risks	1,511	1,290
Current tax liabilities	-	1,018
Deferred tax liabilities	3,635	3,562
Other liabilities	1,478	1,384
TOTAL LIABILITIES	249,960	330,196
TOTAL EQUITY, of which:	99,008	98,528
Revaluation reserves	(1,247)	(1,494)
	348,969	428,724

Note: Banco Caixa Geral Brasil balance sheet includes the participation held on CGD Investimentos, CVC, in the amount of 33,665 thousand euros.

	30-06-2019	30-06-2018
Other income and expenses		
Interest and similar income	11,321	15,061
Interest and similar expenses	(7,336)	(8,488)
Income from services rendered and commissions	540	3,904
Cost of services and commissions	(52)	(69)
Income from equity instruments (*)	384	5,485
Results from financial operations	725	1,193
Employee costs	(2,837)	(2,875)
Other administrative costs	(2,104)	(2,349)
Depreciation and amortisation	(78)	(84)
Provisions and impairments, net of reversals and recoveries	97	(2,976)
Other	(200)	(880)
	458	7,922
Income tax	(43)	(1,433)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	415	6,489
Non-controlling interests	-	-
NET INCOME	415	6,489

(*) - In June 30, 2019 and 2018, The caption "Income from equity instruments" includes the amount of 384 thousand Euros and 5,485 thousand Euros, respectively, of dividends distributed by CGD Investimentos, CVC, held 50% by Banco Caixa Brasil de Euros

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process, details on which are provided in the following table:

	30-06-2019	31-12-2018
Assets	227	743
Liabilities	62,043	125,686

	30-06-2019	30-06-2018
Other income	92	123
Other expenses	1,700	2,314

Banco Caixa Geral, S.A. (Spain)

Information on the key financial data of Banco Caixa Geral at June 30, 2019 and December 31, 2018, is set out below:

ASSETS	30-06-2019	31-12-2018
Cash balances and loans and receivables at other credit institutions	346,534	290,685
Financial assets at fair value through profit or loss	2	3
Financial assets at fair value through other comprehensive income	778,379	884,634
Financial assets with repurchase agreement	148,519	158,316
Non-current assets held-for-sale	1,090	466
Other tangible assets	6,724	5,676
Intangible assets	3,539	3,990
Current tax assets	8,058	6,475
Deferred tax assets	70,682	70,682
Loans and advances to customers	3,354,843	3,394,441
Other assets	51,646	59,089
TOTAL ASSETS	4,770,017	4,874,456
LIABILITIES AND EQUITY		
Resources of other credit institutions	1,025,646	990,322
Customer resources	3,050,958	3,185,827
Financial liabilities at fair value through profit or loss	9	10
Provisions for guarantees and other commitements	6,750	7,105
Provisions for other risks	3,963	3,767
Deferred tax liabilities	24,409	29,715
Other subordinated liabilities	31,118	31,077
Other liabilities	64,525	68,426
TOTAL LIABILITIES	4,207,379	4,316,249
TOTAL EQUITY, of which:	562,638	558,207
Revaluation reserves	27,736	22,347
	4,770,017	4,874,456

	30-06-2019	30-06-2018
Other income and expenses		
Interest and similar income	33,688	35,522
Interest and similar expenses	(4,677)	(3,556)
Income from services rendered and commissions	7,089	7,461
Cost of services and commissions	(981)	(1,236)
Income from equity instruments	2	1
Results from financial operations	6,490	13,534
Employee costs	(18,345)	(18,472)
Other administrative costs	(9,660)	(9,278)
Depreciation and amortisation	(1,195)	(1,207)
Provisions and impairments, net of reversals and recoveries	(2,558)	(2,319)
Other	(1,271)	(101)
	8,582	20,349
Income tax	(2,633)	(6,105)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	5,949	14,244
Non-controlling interests	-	-
NET INCOME	5,949	14,244

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process, details on which are provided in the following table:

	30-06-2019	31-12-2018
Assets	251,284	199,105
Liabilities	118,268	191,881

	30-06-2019	30-06-2018
Other income	3,459	2,625
Other expenses	72	496

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at June 30, 2019 and December 31, 2018, is set out below:

ASSETS	30-06-2019	31-12-2018
Cash balances and loans and receivables at other credit institutions	19,374	19,125
Financial assets at fair value through other comprehensive income	8,134	2,094
Current tax assets	287	396
Other assets	216	5,851
TOTAL ASSETS	28,012	27,465
LIABILITIES AND EQUITY		
Provisions for other risks	123	172
Current tax liabilities	155	167
Deferred tax liabilities	1,033	1,125
Other liabilities	458	486
TOTAL LIABILITIES	1,769	1,950
TOTAL EQUITY, of which:	26,243	25,516
Revaluation reserves	-	-
	28,012	27,465

	30-06-2019	30-06-2018
Other income and expenses		
Interest and similar income	844	1,210
Results from financial operations	(2)	(3)
Employee costs	(29)	(38)
Other administrative costs	(120)	(129)
Depreciation and amortisation	-	(19)
Provisions and impairments, net of reversals and recoveries	(12)	213
Other	(75)	(152)
	606	1,082
Income tax	(39)	(191)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	567	891
Non-controlling interests	-	-
NET INCOME	567	891

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process, details on which are provided in the following table:

	30-06-2019	31-12-2018
Assets	16,746	16,628
Liabilities	-	-

	30-06-2019	30-06-2018
Other income	518	880
Other expenses	-	-

<u>Banco Comercial Atlântico, S.A. (Cape Verde)</u>

Information on the key financial data of Banco Comercial do Atlântico, S.A. at June 30, 2019, is set out below:

ASSETS	30-06-2019
Cash balances and loans and receivables at other credit institutions	278,738
Financial assets at fair value through other comprehensive income	59,228
Non-current assets held-for-sale	12,914
Investment property	13
Other tangible assets	17,036
Intangible assets	637
Investments in associates and subsidiaries excluded from consolidation	4,845
Current tax assets	363
Deferred tax assets	1,636
Loans and advances to customers	445,427
Other assets	20,665
TOTAL ASSETS	841,501
LIABILITIES AND EQUITY	
Resources of other credit institutions	1,571
Customer resources	713,621
Provisions for employee benefits	62,471
Provisions for guarantees and other commitements	193
Provisions for other risks	235
Current tax liabilities	5,898
Deferred tax liabilities	1,727
Other liabilities	7,037
TOTAL LIABILITIES	792,751
TOTAL EQUITY, of which:	48,750
Revaluation reserves	242
	841,501

	30-06-2019
Other income and expenses	
Interest and similar income	15,900
Interest and similar expenses	(3,874)
Income from services rendered and commissions	2,171
Cost of services and commissions	(310)
Income from equity instruments	213
Results from financial operations	987
Employee costs	(4,788)
Other administrative costs	(2,597)
Depreciation and amortisation	(797)
Provisions and impairments, net of reversals and recoveries	6,773
Other	196
	13,873
	(3,036)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	10,838
Non-controlling interests	(6)
NET INCOME	10,832

The balances set out in the preceding tables include operations with other Group entities which were not eliminated in the consolidation process, details on which are provided in the following table:

	30-06-2019
Assets	28,632
Liabilities	810

	30-06-2019
Other income	189
Other expenses	21

Foreign currency reserves

As described in note 2.8., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss on the exchange rates previously recognised in "Other reserves" will be transferred to profit and loss for the period as they constitute an integral part of the profit or loss made on the transaction.

Accumulated profit and loss on foreign exchange operations, at June 30, 2019 recognised as a charge to "Other reserves" on the consolidation of units classified as non-current assets and liabilities held-for-sale, represents losses of approximately €149,162 thousand (€153,579 thousand at December 31, 2018).

14. INVESTMENT PROPERTIES

Investment properties owned by the Group, at June 30, 2019 and December 31, 2018, 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) in profit and loss.

"Investment properties", at June 30, 2019 and December 31, 2018, included €731,403 thousand and €727,490 thousand, respectively, in property owned by the Fundimo and Fundiestamo funds. Negative revaluations of €1,879 thousand were made on the property managed by these funds in first half 2019.

The other properties recognised in this account essentially derive from overdue credit recoveries.

Measurement methodologies and fair value assessment

The measurement of the fair value of investment properties, in addition to other relevant factors, takes into consideration the nature, characteristics and geographies of the properties, with the objective of assessing the best price to be achieved on their disposal under normal market conditions. Fair value is assessed by appraisers who should employ at least two of the following methods:

- Market comparison method. The market comparison method assesses the amount of a specific transaction based on prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising the various items of market data obtained. This is the principal method used whenever there is a significant number of known transactions.

- Income method. The income method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the building. When, over time, changes in income are likely to be more significant than generally expected in the market, *DCF* (discounted cash flows) analysis techniques are used. The income method is applied in the case of the effective rental of a property, when the property is for rent, when the rental market for the type of property being valued is active or when the property has an economic activity.

- Cost method. The cost method estimates the value of property on the basis of the amount which would currently be needed to obtain alternative property, as a replica of the original or with an equivalent use, adjusted for obsolescence. It is calculated on the basis of the sum of the acquisition cost of the land and construction and other costs, depreciation based on a property's present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This is the principal method used when no market information is available on transactions of similar property and no potential income associated with it is identifiable.

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in each case, should particularly be based on those which maximise the use of relevant observable variables.

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

(i) Market comparison method.

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

(ii) Income method.

- *Capitalisation technique*

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

- *Variables contributing towards the assessment of operating income from the property*

- These variables may vary in line with the 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 employ different assumptions.

- Capitalisation rate. This is associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate and expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market, relating to a certain geography and a specific property product segment, with an identical risk and identical evolution of rents.

- *Discounted cash flow technique*

- Diverse variables may contribute to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the amounts and times of future cash flows. The inclusion of a risk adjustment factor based on the uncertainty of this type of measurement is usually required.

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

(iii) Cost method.

- Construction cost per sqm. This variable is essentially reliant upon a property's construction characteristics although the place of construction is also a contributory factor. It is based on directly or indirectly observable construction market data.

- Investment properties acquired on credit recovery operations are also included in the analysis of the individual and collective impairment valuation model on property recognised as non-current assets held-for-sale, whose principal characteristics are described in note 2.11. The respective fair value, in these cases, is measured by reference to the assessment of the respective recoverable amount.

To meet the requirements of IFRS 13 – "Fair value measurement", the following table provides information on the investment properties in the Group's portfolio, at June 30, 2019 and December 31, 2018, by type, development status in terms of their preparation for use and current occupancy, considering the methodologies used to measure fair value:

			30-06-2019			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Offices	Concluded	Rented	27,194	Presumed transaction value method	Estimated sale value per m2	[434 -1056]
			137,867	Presumed transaction value method	Estimated sale value per m2	[1129 -2200]
			141,668	Presumed transaction value method	Estimated sale value per m2	[2010 - 3862]
			736	Income capitalisation method / Market comparable method	Estimated sale value per m2	[15216 - 17529]
			135,867	Income capitalisation method / Market comparable method	Discount rate	[6,50%-8,50%]
		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]
			464,636			
Housing	Concluded	Rented	7,021	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,6 - 6,1 / 370 - 1880
			355	Income capitalisation method / Market comparable method	Estimated sale value per m2	20,0 - 30,00 / 3500 - 6000
			317	Income capitalisation method	Estimated rental value per m2	[2350 - 2550]
		Capitalisation / sale	1,416	Income capitalisation method	Estimated rental value per m2	[2350 - 2550]
	Under construction	Capitalisation / sale	3,666	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1350-1650]
			13,495			
Stores	Concluded	Rented	13,883	Income capitalisation method / Market comparable method	Estimated sale value per m2	7,4 / 1440
			153	Income capitalisation method / Market comparable method	Estimated sale value per m2	2.3
			23,649	Presumed transaction value method	Estimated sale value per m2	437-1120
			25,886	Presumed transaction value method	Estimated sale value per m2	938-7783
			8,957	Presumed transaction value method	Estimated sale value per m2	14784 - 21164
		Capitalisation / sale	538	Replacement cost method / Market comparable method	Estimated sale value per m2	900-1100
			73,066			
Parking	Concluded	Rented	4,991	Market comparable method / Income capitalisation method	Discount rate	6,00% - 7,50%
			3,808	Market comparable method / Income capitalisation method	Estimated sale value per m2	
			9,324	Presumed transaction value method	Estimated sale value per m2	[650-9921]
			22,617	Presumed transaction value method	Estimated sale value per m2	[10000-26500]
			16,654	Presumed transaction value method	Estimated sale value per m2	[26600-48800]
			57,394			
Land	n.a.	Capitalisation / sale	10,147	Replacement cost method / Market comparable method	Estimated sale value per m2	1.000-1.350 / 900-1.000
			1,157	Replacement cost method / Market comparable method	Estimated sale value per m2	200
		Rented	256	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	90-140
			5,718	Market comparable method	Estimated rental value per m2	1,1-1,7
			17,278			
Warehouses	Concluded	Rented	18,770	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			132,741	Presumed transaction value method	Estimated rental value per m2	[233 - 1075]
			3,845	Presumed transaction value method	Estimated rental value per m2	[1341 - 2219]
			155,356			
			781,225			
Other			23,310			
			804,535			

			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]
			135,010	Presumed transaction value method	Estimated sale value per m2	[2010 -3862]
			140,160	Income capitalisation method / Market comparable method	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	200
		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]
		Sale	39	Market comparable method / Income capitalisation method	Estimated sale value per m2	
			196,580			
			799,292			
Other			10,671			
			809,963			

Although valuations of land and buildings maximise the use of observable market data most valuation techniques also consider non-observable data, consequently they are classified at level 3 of the fair value ranking of IFRS 13 – “Fair value measurement”.

15. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of this account, at June 30, 2019 and December 31, 2018 is set out below:

	30-06-2019			31-12-2018	
	Effective participating interest (%)	Book Value	Contribution to the results of the group	Effective participating interest (%)	Book Value
Jointly controlled entities					
Locarent, S.A.	50.00	19,781	753	50.00	19,019
Esegur, S.A.	50.00	8,400	266	50.00	8,639
		28,180	1,019		27,658
Associated companies					
Fidelidade – Companhia de Seguros, S.A	15.00	321,700	2,861	15.00	290,719
Fidelidade Assistence Consolidated (a)	20.00	8,063	471	20.00	7,538
Multicare - Seguros de Saúde, S.A.	20.00	17,752	769	20.00	16,910
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	33,520	2,341	22.97	33,818
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	4,039	131	27.00	4,301
Other	-	3,345	186	-	8,070
		388,420	6,760		361,355
Impairment (Note 34)		(449)	-		(469)
		416,150	7,779		388,544

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

Information on the statutory financial data (unaudited financial statements) of the principal associates and jointly controlled enterprises, at June 30, 2019 and December 31, 2018 is set out below:

Business sector / Entity	Registered office	30-06-2019				
		Assets	Liabilities	Equity (a)	Net income	Total income
<u>**Insurance**</u>						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	19,853,056	16,762,207	3,090,849	55,021	2,238,608
Fidelidade Assistence Consolidated	Lisbon	57,564	19,309	38,255	2,356	26,325
Multicare - Seguros de Saúde, S.A.	Lisbon	200,019	114,087	85,932	4,016	186,737
<u>**Other**</u>						
Esegur, S.A.	Lisbon	36,407	19,715	16,691	444	20,883
Locarent, S.A.	Lisbon	269,346	229,785	39,561	1,507	36,268
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	271,581	125,647	145,933	16,276	109,777

(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	31-12-2018				
		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.

The Group received dividends of €3,634 thousand and €4,312 thousand from these entities in the first half of 2019 and in 2018 respectively.

16. INCOME TAX

Tax assets and liabilities balances on income, at June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019	31-12-2018
Current tax assets		
Income tax recoverable	23,425	32,414
Other	11,126	12,206
	34,551	44,620
Current tax liabilities		
Income tax payable	30,259	34,869
Other	5,279	2,961
	35,538	37,830
	(987)	6,790
Deferred tax assets		
Temporary differences	1,972,284	2,077,032
Reported tax losses	7,635	30,663
	1,979,919	2,107,695
Deferred tax liabilities	181,865	189,965
	1,798,053	1,917,730

Deferred tax movements, for the half years ended June 30, 2019 and 2018, were as follows:

	Balance at 31-12-2018	Change in Equity	Change in Profit or loss	Transfers	Other	Balance at 30-06-2019
Impairment losses on credit	1,643,052	-	(82,031)	8,683	189	1,569,892
Employee benefits	265,250	(7,150)	(11,184)	-	1,020	247,936
Impairment and adjustments to property and tangible and intangible assets	32,520	142	1,396	-	23	34,081
Measurement of available-for-sale financial assets	(52,463)	(33,613)	-	-	(1,484)	(87,559)
Impairment and other value changes in equity investments and other securitie	(42,582)	-	49,551	(15,421)	1,818	(6,633)
Other provisions and impairment not tax deductible	23,770	-	(4,423)	-	-	19,347
Tax loss carry forward	30,663	-	(23,028)	-	-	7,635
Other	17,518	-	(1,162)	-	(3,003)	13,354
	1,917,730	(40,621)	(70,881)	(6,738)	(1,437)	1,798,053

	Balance at 31-12-2017	Change in Equity	Change in Profit or loss	Transfers	Other	Balance at 30-06-2018
Impairment losses on credit	1,822,036	-	(97,898)	11,732	(1,003)	1,734,866
Employee benefits	224,405	(482)	(8,527)	-	(51)	215,345
Impairment and adjustments to property and tangible and intangible assets	4,227	900	12,279	-	35,993	53,399
Measurement of available-for-sale financial assets	(94,818)	2,808	-	40,349	1,468	(50,193)
Impairment and other value changes in equity investments and other securitie	(33,414)	-	(2,831)	(12,585)	(4,988)	(53,818)
Other provisions and impairment not tax deductible	24,605	-	1,466	1	(1)	26,071
Tax loss carry forward	24,625	-	-	-	-	24,625
Other	38,351	-	933	-	(1,034)	38,251
	2,010,018	3,225	(94,579)	39,497	30,384	1,988,545

The “Other” column in the table of deferred tax movements for the half year ended June 30, 2019 includes €964 thousand on the transfer of BCA’s assets and liabilities to non-current assets and liabilities held-for-sale categories (note 13) under IFRS 5 – “Non-current assets held-for-sale and discontinued operations”.

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied for the special deferred tax assets regime, in 2014, following the resolutions in favour of their respective general meetings of shareholders.

This regime, approved by law 61/2014 of August 26 (and latter amendments) applies to deferred tax assets on 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 of law 23/2016 of August 19, excluded the costs and negative equity changes accounted for in the taxation periods 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 on the non-deduction of costs and negative equity changes with impairment losses on loans and with the post-employment or long term benefits of employees are converted into tax credit when the taxpayer’s net income in the respective tax period is negative or, in the event of liquidation based on voluntary dissolution or a court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit to be attributed will be the result of the proportion of such negative net income for the period to the taxpayer’s total equity (assessed prior to the deduction of the result) plus the value of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency, or the taxpayer’s 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 proportion of equity to capital 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, Caixa’s sole shareholder. The consequence of exercising conversion rights is to increase 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 distributed. On the date of the issuance of the conversion rights, shareholders have a unilateral 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 June 30, 2019 and December 31, 2018, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	30-06-2019	31-12-2018
Impairment losses on credit	803,274	957,623
Employee benefits	164,185	168,626
	967,459	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 the close of that year 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 €421, 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 their review procedures of reported taxable income.

As the state is Caixa's sole shareholder the issuing and attributing 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 for recognition of actuarial gains and losses on pension plans and other post-employment benefits in 2011, pursuant to which actuarial profit and loss on revaluations of pensions and healthcare liabilities and pension fund yield projections were fully recognised as a charge to a shareholders' equity. Up to 2010 actuarial gains and losses had been accounted for by the corridor method.

The amount of tax on the actuarial gains and losses component from the date upon which the accounting policy was changed, considered deductible under the terms of the limits of numbers 2 and 3 of article 43 of the IRC code, or under number 8 of this article, is recognised in an equity account mirroring 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, in addition to the effective tax rate measured by the tax charge compared with net profit for the period before tax, is set out below:

	30-06-2019	30-06-2018
Current tax		
For the year	69,177	39,273
Extraordinary contribution of the banking sector	27,030	32,814
Prior year adjustments (net)	4,424	401
	100,631	72,489
Deferred tax	70,881	94,579
Total income tax	171,512	167,068
Consolidated income before tax and non-controlling interests	577,850	324,161
Tax charge	29.68%	51.54%

Information on the "Adjustments for past years" for the half years ended June 30, 2019 and 2018, comprised the following:

	30-06-2019	30-06-2018
Insufficiency / (excess) of estimated tax for 2017 and 2016	4,261	155
Adjustments to previous years taxable income	163	248
Other	-	(2)
	4,424	401

The reconciliation between the nominal and effective tax rates for the half years ended June 30, 2019 and 2018 was:

	30-06-2019		30-06-2018	
	Rate	Tax	Rate	Tax
Income before tax		577,850		324,161
Tax at the nominal rate	27.35%	158,042	27.35%	88,658
Impact of companies with tax rates different from the nominal rate in Portugal	0.28%	1,619	1.53%	4,946
Permanent difference to be added:				
Non deductable provisions and impaiment	0.45%	2,574	13.34%	43,256
Other	0.29%	1,676	0.07%	217
Other permanent differences to be deducted				
Non deductable provisions and impaiment	(0.33%)	(1,919)	0.00%	-
Other	(0.08%)	(448)	(0.43%)	(1,382)
Impairment on available-for-sale financial assets, net of write-offs	(8.80%)	(50,866)	0.42%	1,368
Annulment of tax losses considered non recoverable	0.20%	1,177	0.12%	381
Autonomous taxation	0.02%	135	0.12%	399
Contribution of the banking sector	4.68%	27,030	10.12%	32,814
Change in the net monetary position of Caixa Angola under IAS 29	0.51%	2,937	1.17%	3,794
Other	0.68%	3,916	(2.69%)	(8,708)
	25.24%	145,874	51.13%	165,742
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	4.44%	25,638	0.41%	1,328
Other	0.00%	-	(0.00%)	(2)
	4.44%	25,638	0.41%	1,326
	29.68%	171,511	51.54%	167,068

CGD's nominal tax rate, for the half years ended June 30, 2019 and 2018, considering the surcharge rates applicable to its operations, was 27.35%.

CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit. Regarding the state surcharge, reference should be made to the amended wording of article 87-A of the IRC code under law 114-2017 of December 29, whose no° 1 provides for the application of the following rates on different levels of taxable profit:

- 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 amended by the publication of law 42/2016, on the basis of an addendum to no° 6, which ruled, for 2017 and following years, that impairment losses and other value adjustments to equity 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 of this situation, the Group recognised deferred tax liabilities for the impairment of financial investments, tax deductible at the time of their constitution when the intention involves a sale or liquidation (or when in progress), for the amounts of €77,820 thousand and €116,449 thousand, at June 30, 2019 and December 31, 2018 respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments

During the course of 2016, following 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 of that year.

Regulatory decree 5/2016, published on November 18, 2016, defined the maximum limits on impairment losses and other value adjustments on specific credit risk, deductible for the calculation of IRC taxable profit, extending the framework deriving from *notice* 3/95 for the taxation period starting January 1, 2016, for fiscal purposes.

The maintenance of the application of these rules as a reference for the 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 of December 28.

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 that date.

Law 98/2019 which made changes to the IRC code on impairment issues regarding credit institutions and other financial institutions and created rules on the recognition of impairment losses still not accepted for tax purposes in tax periods prior to January 1 2019, was published on September 4, 2019. According to this new legislation impairment losses on credit risk on individually or collectively analysed exposures recognised in tax periods starting on or after January 1, 2019, under the applicable accounting and regulatory standards (with the exceptions provided for in no° 7 of article 28-C of the IRC code) are now fully tax deductible. The deduction rules in force up to December 31, 2018 continue to apply to the impairment losses and other value corrections for specific credit risk accounted for in prior tax periods.

According to the dispositions of no° 4 of the new law, taxpayers wishing to apply for the new tax regime starting January 1, 2019 must formalise their option in the form of a written communication to be sent to the director general of the tax and customs authority by October 31, 2019. The failure to send this communication results in the postponement of the application of the new rules until the tax period starting January 1, 2024 and consequent maintenance of existing legislation up until the entry into effect of the new law in the interim period.

As the board of directors, at the date of the approval of these financial statements had not applied for the new regime, Caixa considered that the legal framework in force in 2018 should be maintained in the preparation of its estimates for the first half of 2019.

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 period under review.

This assessment was made on the basis of the implementation of the strategic plan which was developed under the agreement entered into between the Portuguese state and the European authorities for the period 2017-2020, allowing the Group to achieve adequate profitability and capital levels over this timeframe as well as to achieve its objectives of reducing non-performing assets as communicated to the supervisors.

The expectation of generating future taxable profit is based on profitability projections prepared in conformity with the strategic plan, based on a highly conservative approach. Reference should be made to the following factors:

(i) The improvement in net interest income, attributable to a sustained reduction of financing costs, consistent with its commercial policy and the current market environment of very low interest rates;

(ii) An increase in revenue from services, aligned with a commercial strategy essentially 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 properly sustainable risk appetite policy;

(iv) Sharp cost reductions, aligned with measures to rationalise its operational structure to be implemented 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 the workforce; 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 generated, was kept constant for all taxation periods after 2021.

The following assumptions of relevance to the recoverability of deferred tax assets, were also considered:

(i) Conversion of around €421,000 thousand in eligible deferred tax assets under the special regime;

(ii) 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;

(iii) 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

(iv) Projection of the deductibility of the costs of present and future employee benefits based on an estimate of the tax period for realising the respective payments.

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, in December 2018, derecognised deferred tax assets on the carry-back of tax losses and tax credit based on the application of the international double taxation mechanism for 2017, comprising an overall amount of €93,824 thousand (from Caixa's separate activity), given that it considered that recoverability prior to the end of the regulatory period available (end of 2022) would be remote.

The Group also performed a sensitivity analysis on the results of its assessment on the recoverability of deferred tax assets considering a 15% decrease in profit before tax applicable to all of the years in the projection. No additional losses other than those referred to above were recognised.

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 introduced a new contribution regime for the banking sector, the Group recognised costs of €27,030 thousand and €32,814 thousand for the half years ended June 30, 2019 and 2018, respectively, in respect of the total costs to be paid in the respective tax period. The tax, regulated under the terms of ministerial order 121/2011 of March 30, is levied on the liabilities of credit institutions headquartered on Portuguese territory, net of the institution's 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 and the branches in Portugal of credit institutions headquartered outside the European Union.

The tax authorities are entitled to perform tax examinations for four prior years in Portugal (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 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). Any possible adjustments, cannot be quantified at present. Caixa's board of directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on the consolidated financial statements.

17. OTHER ASSETS

This account comprises the following:

	30-06-2019	31-12-2018
Other assets		
Debt certificates of the Territory of Macau	1,012,482	973,371
Gold, precious metals, numismatics and medals	3,462	3,476
Other receivables	27	25
Other	5,550	5,655
Debtors and other investments		
Central and local government	38,779	45,016
Shareholders' loans	47,970	47,770
Debtors - futures contracts	25,303	21,024
Grants receivable from		
The State	9,551	13,041
Other entities	17,824	17,483
Amount receivable from the sale of assets recovered as settlement of defaulting loans	1,512	489
Other past due debtors	36,858	34,474
Other debtors	856,236	869,255
Commitments with pension and other employee benefits		
Excess responsabilities coverage		
Caixa Geral de Depósitos	-	1,105
Other	-	20
Income receivable	42,150	42,952
Deferred costs		
Rent	848	3,322
Other	19,154	15,889
Operations pending settlement	275,453	176,750
Stock exchange operations	89,062	44,017
	2,482,221	2,315,134
Impairment (Note 34)	(198,062)	(203,289)
	2,284,159	2,111,845

Information on impairment movements on debtors and other assets for the half years ended June 30, 2019 and 2018 is set out in note 34.

The “Debtors and other assets – other debtors” account at June 30, 2019 and December 31, 2018 included €629,247 thousand and €502,224 thousand, respectively, for surety accounts in various financial institutions. These sureties derive from the liquidity injection operations collateralised by financial assets and IRS (interest rate swap) agreements with these entities (note 10).

The “Debtors and other assets – other debtors” account, at June 30, 2019 and December 31, 2018, included €16,320 thousand and €12,977 thousand, respectively, for sureties in the form of an irrevocable commitment for contributions to the European single resolution fund (note 31).

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Administrative Region of Macau, the Bank provides the Region with convertible currency corresponding to the countervalue 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 23). The amounts to be provided to the Territory by the Bank are reconciled on a monthly basis and 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 June 30, and 2019 December 31, 2018 totalled €1,012,482 thousand and €973,371 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 June 30, 2019 and December 31, 2018 included outstanding balances for the calling in of guarantees provided to customers and other costs directly associated with such operations for the amounts of €28,946 thousand and €25,684 thousand, respectively. Accumulated impairment on these operations on the said dates amounted to €17,234 thousand and €17,065 thousand, respectively.

The amounts of “Other lending operations pending settlement” at June 30, 2019 and December 31, 2018, essentially refer to stock market derivatives operations, means of payment and bank transfers whose financial settlement had not yet occurred.

Shareholders’ loans, at June 30, 2019 and December 31, 2018, comprised the following:

	30-06-2019	31-12-2018
Relating to financial assets transferred (Note 7)		
Moretextile, SGPS, S.A.	39,040	38,722
Other	8,930	9,048
	47,970	47,770

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). They bear interest at the 6 month Euribor rate plus a spread of 2.5%. Under the agreement, the principal and interest on the debt would be paid off 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 €39,040 thousand on its losses on this asset, €317 thousand of which in first half 2019.

18. RESOURCES OF CREDIT INSTITUTIONS' AND CENTRAL BANKS

This account comprises the following:

	30-06-2019	31-12-2018
Resources of central banks		
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	551	248
Of foreign credit institutions	193,231	247,878
Other resources	813	525
Interest payable	19	445
	194,614	249,096
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	242,909	241,930
Of foreign credit institutions	1,063,799	1,045,120
Interbank money market resources	13,900	15,700
Immediate short term resources		
Of domestic credit institutions	86,424	113,382
Of foreign credit institutions	36,343	18,412
Loans		
Of domestic credit institutions	210	-
Of foreign credit institutions	3,295	3,908
Resources of international financial entities	4,346	5,511
Sale operations with repurchase agreement	21,038	55,202
Interest payable	11,131	10,281
Charges with deferred cost	(4)	-
	1,483,390	1,509,447
	1,678,004	1,758,542

The "Sales operations with repurchase agreements" account, at June 30, 2019 and December 31, 2018, refers to contracts for loan operations on financial assets with an agreement to purchase at a future date at a predefined price, entered into between the Group and various financial institutions.

The assignment of financial instruments in sales operations with repurchase agreements is not derecognised in the balance sheet and continues to be measured in accordance with the accounting policies applicable to the underlying assets (note 9). The difference between the sales and repurchase price is recognised as an interest expense and deferred over the contract's lifetime.

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

19. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	30-06-2019	31-12-2018
Savings deposits	2,428,707	2,381,617
Other debts		
Repayable on demand	31,476,911	28,701,749
Term		
Deposits	29,852,175	30,403,904
Mandatory deposits	260,680	258,226
Other resources:		
Cheques and orders payable	135,609	88,065
Operations with repurchase agreement	9,989	-
Other	1,556,398	1,507,311
	31,814,850	32,257,506
	63,291,761	60,959,255
Interest payable	70,450	87,387
Deferred costs net of deferred income	(1,528)	(2,228)
Commissions associated with amortised cost (deferred)	(3,644)	(3,514)
Adjustments to liabilities under hedging operations	7	7
	65,285	81,652
	65,785,754	63,422,525

20. DEBT SECURITIES

This account comprises the following:

	30-06-2019	31-12-2018
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	40,000	12,498
- Fixed interest rate	125,226	108,066
- Remuneration indexed to exchange rates	32,916	76,861
	198,142	197,425
Covered bonds	2,244,050	2,993,450
	2,442,192	3,190,875
Adjustments to liabilities under hedging operations	4,236	1,569
Deferred costs net of income	(477)	(2,122)
Interest payable	21,856	69,999
	2,467,808	3,260,321

The breakdown of the debt securities account, at June 30, 2019 and December 31, 2018, is net of the accumulated debt balances repurchased in the meantime, as follows:

	30-06-2019	31-12-2018
Bonds issued under the EMTN programme	78,000	78,000
Covered bonds	3,005,550	3,006,550
	3,083,550	3,084,550

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 medium term notes *(EMTN)*

CGD Group, through CGD (either directly or through its France branch) and CGD Finance, are entitled to issue a maximum amount of €15,000,000 thousand in debt securities under this programme. All CGD Finance issuances are guaranteed by France branch.

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 €15,000,000 thousand, in November 2006. The bonds to be issued are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulation applicable to issuances of such instruments, 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 have access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise residential mortgage or commercial loans in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral for residential property (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with across the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;
- The total amount of interest payable by 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, being deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of covered bonds issued by Caixa at June 30, 2019 and December 31, 2018 totalled €5,250,000 thousand and €6,000,000 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal amount		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2019	Interest rate at 31-12-2018
	30-06-2019	31-12-2018						
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%	0.000%
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%	0.440%	0.432%
Hipotecárias Série 16 2014/2019 (b)	-	750,000	2014-01-15	2019-01-15	Annually, on January 15	Fixed rate	-	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	1,500,000	2018-12-19	2028-12-19	Quarterly, on March 19, June, September and December	3 month Euribor rate + 0.6%	0.280%	0.289%
	5,250,000	6,000,000						

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

The assets pool collateralising the issuances includes mortgage loans issued in Portugal with a book value of €7,863,124 thousand and €7,510,594 thousand (note 12), at June 30, 2019 and December 31, 2018, respectively.

The assets pool used as collateral for the issuances also included debt securities, with a book value of €127,927 thousand and €126,713 thousand (note 11) at June 30, 2019 and December 31, 2018, respectively.

The Moody's and DBRS ratings on these covered bonds, at June 30, 2019 were Aa3 and AA Low, respectively.

Details of bond issuances, by type of interest and period to maturity at June 30, 2019 and December 31, 2018 are as follows:

	30-06-2019				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	3,000	31,359	34,359	994,450	1,028,809
One to five years	1,631	123,866	125,498	1,249,600	1,375,098
Five to ten years	18,235	-	18,235	-	18,235
Over ten years	10,050	10,000	20,050	-	20,050
	32,916	165,226	198,142	2,244,050	2,442,192

	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

Derivatives were contracted for to convert the amounts of most EMTN programme issuances into euros and their respective interest into 3 or 6 month Euribor rates, net of a spread.

The following debt securities were either issued or redeemed in the half years ended June 30, 2019 and 2018:

	Balance at 31-12-2018	Payments	Exchange differences	Other	Balance at 30-06-2019
Bonds issued under the EMTN programme	197,425	-	717	-	198,142
Covered bonds	2,993,450	(750,000)	-	600	2,244,050
	3,190,875	(750,000)	717	600	2,442,192

	Balance at 31-12-2017	Payments	Exchange differences	Other	Balance at 30-06-2018
Bonds issued under the EMTN programme	195,593	-	1,164	-	196,757
Covered bonds	3,761,050	(750,000)	-	2,400	3,013,450
	3,956,643	(750,000)	1,164	2,400	3,210,207

21. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Provisions movements for employee benefits and for other risks, in the half years ended June 30, 2019 and 2018, were as follows:

	Balance at 31-12-2018	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2019
Provision for employee benefits	758,492	(36,339)	(31,902)	4	21,371	711,627
Provision for litigation	16,697	1,873	(26)	-	(34)	18,509
Provision for guarantees and other commitments	211,769	(35,505)	-	117	330	176,712
Provision for other risks and charges	128,941	(1,958)	(4,161)	(99)	(41,265)	81,458
	357,408	(35,590)	(4,187)	18	(40,969)	276,679
	1,115,900	(71,929)	(36,089)	23	(19,599)	988,306

	Balance at 31-12-2017	IFRS 9 - Transition (Note 2.3.)	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2018
Provision for employee benefits	814,064	-	(32,620)	(31,593)	(627)	51,250	800,474
Provision for litigation	17,464	-	2,451	-	-	(4,689)	15,225
Provision for guarantees and other commitments	328,437	(25,057)	(53,928)	(113)	36	928	250,304
Provision for other risks and charges	128,326	-	15,029	(3,527)	(1,745)	8,239	146,323
	474,227	(25,057)	(36,447)	(3,640)	(1,709)	4,478	411,852
	1,288,291	(25,057)	(69,067)	(35,233)	(2,336)	55,728	1,212,326

The provisions for employee benefits, for the half years ended June 30, 2019 and 2018 totalling €30,943 thousand and €29,993 thousand, respectively, included:

- €11,796 thousand for the healthcare plan and €15,619 thousand for the *Horizonte* plan and other redundancy agreements for first half 2019 and €3,918 thousand for voluntary redundancies, in first half 2019,
- €10,858 thousand for the healthcare plan, €15,018 thousand for the *Horizonte* plan and other redundancy agreements and €4,117 thousand for voluntary redundancies and rescissions for first half 2018.

The "Transfers and other" column in the provisions table for the half year 2019 included €49,258 thousand, €19,003 thousand and €294 thousand, for accumulated provisions recognised as liabilities for employee benefits, other provisions and provisions for guarantees and other risks commitments, respectively, related to the activity of BCA., which, at July 30, of the said year, were recognised as non-current assets held-for-sale (note 13).

Provisions for other risks and liabilities are for contingencies arising from the Group's activity.

Provisions for legal contingencies comprise the Group's best estimate of any amounts to be spent on the resolution thereof, based on estimates made by the legal department and the Group's legal advisors.

Contingent liabilities and commitments

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

	30-06-2019	31-12-2018
Contingent liabilities		
Assets given as collateral	12,781,079	13,426,227
Guarantees and sureties	2,652,435	2,821,574
Open documentary credits	329,020	287,643
Stand by letters of credit	91,502	50,391
Other contingent liabilities	9,540	9,548
	15,863,576	16,595,383
Commitments		
Revocable commitments	8,212,893	7,948,168
Securities subscription	705,918	1,291,400
Irrevocable lines of credit	376,676	351,363
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	46,284	45,543
Other irrevocable commitments	16,320	12,997
Forward deposit agreements		
Receivable	211,674	140,006
To be created	-	117,336
Other	214,531	192,500
	9,939,850	10,254,865
Deposit and custody of securities	47,131,203	46,987,976

The composition of asset-backed guarantees is as follows:

	30-06-2019	31-12-2018
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,151,000	1,662,500
Council of Europe Development Bank	15,500	17,500
Bank of Portugal (*)	11,400,723	11,467,376
Deposit Guarantee Fund	157,740	157,740
CECABANK	-	45,000
Interbank Deposit Market - MIC Market	30,000	50,000
Investor Compensation System (futures)	20,500	20,500
Euronext	5,000	5,000
Other Assets		
Other	616	611
	12,781,079	13,426,227

(*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million and other interbank money market transactions.

Asset-backed guarantees at June 30, 2019 and December 31, 2018, 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 (note 20).

Asset-backed guarantees are not available for Caixa’s free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

The market value of debt instruments given as collateral, at June 30, 2019 and December 31, 2018 was €8,604,492 thousand and €15,698,771 thousand, respectively.

The market value of securities collateralising the group’s term liabilities for its annual contributions to the deposit guarantee fund and the investors’ indemnity system was €200,038 thousand and €197,147 thousand, at June 30, 2019 and December 31, 2018, respectively.

The object of the deposit guarantee fund is to guarantee customers’ deposits in conformity with the limits defined by the general credit institutions regime. This takes the form of regular annual contributions. In past years a part of the liabilities took the form of an irrevocable commitment to make the referred to contributions when requested by the fund, with the amount not being recognised as a cost. Commitments assumed since 1996 total €155,553 thousand. The Group recognised liabilities on its annual contribution to the deposit guarantee fund of €1,709 thousand and €705 thousand at June 30, 2019 and December 31, 2018, respectively.

Caixa Brasil, SGPS, S.A

CGD was notified by the Portuguese tax authorities of their inspection report for 2005 in respect of an adjustment of €155,602 thousand in taxable income for the year, in 2009. This amount included, *inter alia,* an adjustment of €135,592 thousand because Caixa had benefited from the elimination of double taxation on its share of the profit made by Caixa Brasil SGPS, S.A. in the said period. Caixa contested these adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force. The Lisbon tax court also issued a ruling, in 2014, annulling the adjustments made by the tax and customs authority to the profit made on the liquidation of Caixa Brasil.

The contents of the ruling of the southern central administrative court were announced in April 2015 in which a decision was made, in the second instance, to revoke the ruling of the first instance by the Lisbon tax court. In response to this ruling, Caixa decided to appeal against the ruling in the first half of 2015. Based on the arguments submitted, the review appeal was considered to be admissible within the legal framework.

In December 2016, Caixa decided to apply for the exceptional fiscal debt and social security contributions settlement regime (*PERES – special programme for the reduction of debt to the state*), approved by decree law 67/2016 of November 3, An amount of €34,071 thousand in tax associated with the current dispute was settled in full on that date.

Caixa was notified of the ruling on its review appeal by the supreme administrative court, on May 31 2017. The ruling accepted the arguments put forward and consequently ruled 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.

In the light of these events and because the decision of the court was not contested the impairment for risk of the non-recovery of the tax balance paid to the state under the *PERES* application and recognised in "Other assets", recorded in 2016, was fully reversed in the period.

Competition authority

On June 3, 2015, together with fourteen other credit institutions, CGD was charged by the competition authority, with collusion with the aim of significantly distorting market competition by exchanging information with these other credit institutions.

Based on the requests submitted by several of these credit institutions, the initial deadline was extended on more than one occasion and has still not expired. CGD has, nevertheless, prepared its defence to comply with the initial deadline 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, although the suspension regarding the period for the decision on the charge remained. A new resolution passed by the competition authority's board of directors subsequently terminated the suspension of the indictment period, ending on September 27, 2017. CGD submitted its defence on September 26, 2017, having requested additional evidentiary hearings which took place on December 5 and 6, 2017. In June, July and October 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 which extended the process's investigation period up to December 31, 2019.

CGD was notified of the unprecedented final decision of the competition authority on September 10, 2019 which levied a fine of €82,000 thousand (calculated, by law, on the basis of its business revenue in the credit segments in question). The other institutions involved in the process received similar notifications.

As opposed to the statements made in its decision, the *AdC* (competition authority) did not conclude that there was a "banking cartel" in the mortgage lending sphere.

As stated by the *AdC*, the issue at stake is an alleged "concerted practice involving an exchange of sensitive commercial information" that, according to the *AdC,* provided companies with information on the market strategies of their competitors or anticipated their conduct. This would facilitate the alignment of their respective market behaviour and prevent consumers from benefiting from the level of competition that would exist in the absence of such an interchange."

No price fixing, market sharing or other types of collusion characterising what is commonly referred to as a cartel was, accordingly, alleged (nor could it have been).

As stated by Caixa in its announcement of September 10, 2019, mortgage lending has always been the banking business area in Portugal with the largest number of competitors, with the periodic *entry* of new players and aggressive commercial proposals, both in terms of communication as in price, having always compared most competitively with most European markets.

This could hardly amount to the existence of a cartel. The alleged violation translates what is referred to in competition law as "restriction of competition by object", i.e. the unlawfulness of the conduct is not the conduct itself but depends upon its capacity to produce anti-competitive effects.

The competition authority's decision cannot therefore be interpreted as a conclusion regarding the existence of negative effects for consumers, which conclusion is not, in any event, either affirmed or much less proved.

There is, in any event, nothing unlawful about the benchmarking exercises which effectively took place and which are recommended by best practice. Such exercises are fundamental for the improvement of the services provided and from which, in the last instance consumers, benefit.

As CGD considers that the alleged violations and the fine levied on it contain flaws and omissions, it will register an appeal against the decision with the court of competition, regulation and supervision pursuant to the terms and periods of the law (note 38).

Resolution fund

The resolution fund was created by decree law 31-A/2012 of February 10. It is funded by resources from the payment of contributions by the institutions participating in the fund and the banking sector contribution. Other sources of funding may also be used whenever such resources are shown to be insufficient to meet liabilities, namely: (i) special contributions from 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 BES's activity and assets 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 did not have sufficient own resources for the operation at the said date, the capital was subscribed for on the basis of two loans:

- €3,900,000 thousand from the Portuguese state; and
- €700,000 thousand from eight fund member institutions (of which €174,000 thousand from CGD).

In September 2015 the Bank of Portugal suspended the sales process on the resolution fund's equity stake in Novo Banco, starting 2014 and completed the process in progress without accepting any of the three binding proposals, considering that the terms and conditions were not satisfactory. In its announcement of December 21, 2015 the Bank of Portugal disclosed information on the agreement reached with the European Commission, providing for an extension to the period for the full disposal of the resolution fund's equity stake in Novo Banco.

On December 29, 2015 the Bank of Portugal announced the approval of a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to 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 to this measure, the Bank of Portugal also clarified that the resolution fund is responsible for neutralising any negative effects of future decisions resulting in liabilities or contingencies deriving from the resolution process, by compensating Novo Banco.

The disposal process on the resolution fund's equity stake in Novo Banco was re-launched in January 2016.

In July 2016, deriving from the completion of the independent assessment process on 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 than would otherwise have been the case and should be compensated for the difference by the resolution fund.

On August 4, 2016, the resolution fund informed that it had changed the conditions of the loans obtained to fund 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 redemption or an agreement to other changes.

On September 28, 2016, the resolution fund announced that it had reached an agreement with the ministry of finance for a 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 based on its regular revenue, notwithstanding any positive or negative contingencies to which the resolution fund was exposed." On the same date, the office of the ministry of finance also announced that: "in the context of the agreement with the resolution fund and bases already established, any increases or reductions of liabilities deriving from any future contingencies, shall entail an 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 the above contractual changes, including an extension of the maturity period to December 31, 2046. The objective behind the review of the loan conditions was to ensure the resolution fund's sustainability and financial balance, based on stable, foreseeable, manageable costs for the banking sector.

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 for €750,000 thousand in October of the said year and the second for €250,000 thousand in December 2017.

The sale was preceded by 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 any losses on some of its assets under resolution fund management.

On October 18, 2017, the resolution fund complied with the operation's final formalities in implementing the decisions 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 institutions regime ceased to be applied 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 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, following expiry 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, were 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, in the context of the sale of this institution. According to the results announced by Novo Banco, an amount of €1,149,000 thousand should be paid by the resolution fund in 2019.

The amount payable by the resolution fund in 2019 will be realised following the statutory certification of the accounts of Novo Banco and following a verification procedure to be realised by an independent entity with the aim of confirming if the amount to be paid by the fund has been correctly assessed. The resolution fund will for this purpose, as in 2018, use its available financial resources 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.

Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.

The Bank of Portugal's announced on December 20, 2015, a 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, given the constraints of European institutions and with the voluntary sale of Banif proving unviable the disposal was being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) an asset management vehicle which was specifically created for the purpose, with the resolution fund as its sole shareholder. Oitante issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee having been issued by the resolution fund and counter guaranteed by the Portuguese state.

The operation involved a state loan of around €2,255,000 thousand to cover future contingencies of which €489,000 thousand from the resolution fund and €1,766,000 thousand directly from the Portuguese state, as a result of the options for the determination of the assets and liabilities to be disposed of, as agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €163,120 thousand to the state by way of part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the debt to be reduced from €489,000 thousand to €353,000 thousand.

The amount not transferred to the single resolution fund will be paid by the institutions covered by the *UMR* (unique mechanism of resolution) regulation to the same single resolution fund across a period of eight years (ending 2024), as provided for in the Council's implementing resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced a change to the conditions of the loans obtained to fund the Banif resolution measure, similar to the funding of the BES resolution measure.

In light of these developments: (i) as the resolution fund is unlikely to propose the creation of a special contribution to finance the above resolution measures, 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 institutions participating therein that are active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised in costs for the period 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.

22. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	30-06-2019	31-12-2018
Bonds	600,000	1,136,729
Interest payable	2,152	26,266
Deferred income net of charges	(1,581)	(3,174)
	600,571	1,159,821

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 (as defined in ministerial order 8840-C/2012 of June 28, 2012). These bonds are convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A significant violation 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 of 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, in the context 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), in the form of 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 realised.

Following this process, the European Commission also lifted the veto on the payment of discretionary coupons on subordinated debt. Caixa resumed payment of the respective coupons in first quarter 2017.

Caixa completed the last stage of the recapitalisation procedure agreed with the European institutions during the course of first quarter 2018, through its issuance of €500,000 thousand in tier 2 subordinated debt (see introductory note).

The following is a summary of the principal issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2019	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	2009-05-11	2009-05-11	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	500,000	2018-06-28	2018-06-28	5.75%. Annual interest payment on 28 June.	In the payment date of the coupons as from 28 June, 2023.
Caixa Geral de Depósitos	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.

23. OTHER LIABILITIES

This account comprises the following:

	30-06-2019	31-12-2018
Creditors		
Consigned resources	788,755	967,404
Resources - collateral account	70,217	31,906
Resources - subscription account	19,132	24,972
Resources - secured account	-	1,281
Suppliers of finance leasing assets	225,134	10,397
Creditors for factoring ceded	77,078	93,664
Caixa Geral de Aposentações	18,235	4,059
CGD's Pension Fund	79,705	129,593
Creditors for futures contracts	-	899
Creditors for transactions in securities	515	506
Creditors for sale of assets recovered as settlement of defaulting loans	7,038	24,663
Other suppliers	19,089	41,883
Other creditors	180,460	186,882
Other liabilities		
Notes in circulation - Macau (Note 17)	1,009,144	1,001,247
Withholding taxes	23,662	22,032
Social Security contributions	4,319	3,297
Other taxes payable	2,683	3,742
Collections on behalf of third parties	646	385
Other	10,039	5,433
Accrued costs	222,642	209,850
Deferred income	55,195	57,107
Liabilities pending settlement	1,257,939	899,442
Stock exchange operations	124,498	2,464
	4,196,126	3,723,106

The “Resources – surety account” account at June 30, 2019 and December 31, 2018 included €31,332 thousand and €28,905 thousand respectively relating to interest rates swap (IRS) contracts deposits made in CGD by several financial institutions.

The "Lending operations pending settlement” account at June 30, 2019 and December 31, 2018 included financial liabilities of €652,890 thousand and €519,715 thousand, respectively, to non-controlling interest investors in the unit trust investment funds included in CGD Group’s consolidation perimeter.

The "Costs payable" account at June 30, 2019 and December 31, 2018, included €34,976 thousand and €35,613 thousand for employees’ seniority bonuses, respectively.

24. CAPITAL AND OTHER INSTRUMENTS

CGD's share capital, at June 30, 2019 and December 31, 2018, was totally owned by the Portuguese state, as follows:

	30-06-2019	31-12-2018
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:

a) 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 representing an amount of €498,996 thousand and the transfer in kind of €900,000 thousand in CoCo bonds (note 22), plus respective accrued interest of €45,148 thousand; and

b) A €6,000,000 thousand reduction in CGD's share capital through the cancellation of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves for €4,595,494 thousand.

Subsequently, 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 by the sole shareholder.

Caixa issued €500,000 thousand in additional tier 1 shares, fully subscribed for by private professional investors on the same date. Interest of 10.75% is paid on this issuance.

25. RESERVES, RETAINED EARNINGS AND PROFIT ATTRIBUTABLE TO CGD'S SHAREHOLDER

Reserves and retained earnings, at June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019	31-12-2018
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)	235,181	136,183
Assets with repurchase agreement	3,904	3,742
Other revaluation reserves	6,935	7,142
	356,445	257,492
Other reserves and retained earnings		
- Legal reserve - CGD	72,488	4,928
- Other reserves	4,396,737	4,357,270
- Retained earnings	(1,464,456)	(1,507,207)
	3,004,769	2,854,992
Net income attributable to the shareholder of CGD	417,495	495,776
	3,778,709	3,608,259

The "Fair value reserve" recognises unrealised capital gains and losses on debt instruments measured at fair value through other income.

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

Branches' and subsidiaries' net contribution to CGD's consolidated profit, at June 30, 2019 and 2018 is as follows:

	30-06-2019	30-06-2018
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	286,438	31,250
France Branch	10,223	9,817
East Timor Branch	1,739	1,610
Luxembourg Branch	(1,419)	(1,644)
Spain Branch	888	4,852
New York Branch	-	(1,840)
Zhuhai Branch	-	(50)
	297,870	43,994

	30-06-2019	30-06-2018
Contribution to net income from		
subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	32,968	30,525
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	20,030	4,668
Banco Comercial e de Investimentos, S.A.R.L.	18,520	10,079
Mercantile Bank Holdings, Ltd.	7,847	8,660
Fundimo - Fundo de Investimento Imobiliário Aberto	6,710	5,146
Banco Comercial do Atlântico, S.A.R.L.	6,304	2,021
Banco Caixa Geral, S.A.	5,933	14,215
Fundiestamo - Fundo de Investimento Imobiliário Fechado	5,167	3,646
Caixa Imobiliário, S.A.	(5,163)	(6,383)
Banco Caixa Geral Angola, S.A.	4,183	8,871
Caixa Banco de Investimento, S.A. (a)	4,011	39,322
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	3,614	1,181
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(3,346)	(2,467)
Partang, SGPS	(2,858)	(13,261)
Caixagest - Técnicas de Gestão de Fundos, S.A.	2,834	2,026
Fundo de Capital de Risco Caixa Crescimento	(1,882)	(388)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	1,734	2,454
Banco Interatlântico, S.A.R.L.	1,497	793
Inmobiliaria Caixa Geral, S.A.U.	(1,446)	(1,378)
CGD Pensões, S.A.	1,229	1,172
Caixagest Infra-Estruturas - Fundo Especial de Investimento	793	626
Fundo de Capital de Risco Caixa Fundos	698	5,914
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	621	(990)
CGD Investimentos CVC, S.A.	567	890
Parbanca, SGPS	448	(301)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	422	608
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	315	119
Caixa - Participações, SGPS, S.A.	(253)	(268)
Imocaixa - Gestão Imobiliária, S.A.	203	942
Caixagest Private Equity - Fundo Especial de Investimento	(190)	492
Beirafundo - Fundo de Investimento Imobiliário Fechado	(163)	(291)
Fundo de Capital de Risco Empreender Mais	(135)	(691)
Fundolis - Fundo de Investimento Imobiliário Fechado	88	(369)
Banco Caixa Geral Brasil, S.A.	31	1,004
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	(14)	(874)
Caixa Seguros e Saúde, SGPS, S.A.	-	22,726
Parcaixa, SGPS, S.A.	-	6,269
Cibergradual, Investimento Imobiliário, S.A.	-	(324)
Other	528	(358)
	111,846	146,028
Associates and jointly controlled entities:	7,779	4,077
Consolidated net income attributable to the shareholder of CGD	417,495	194,099

(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 implemented to rationalise the Group's presence in the international market pursuant to the commitments agreed between the Portuguese state and the competent European authorities for CGD's recapitalisation. To pursue these objectives, Caixa closed down the financial activities of its Cayman and Macau offshore branches, as well as its London branch in 2017. Caixa continued to implement this process, in 2018, having closed down the financial activities of its New York and Zhuhai branches.

Appropriation of profit for period

2018

A resolution was passed at the general meeting of shareholders of May 31 2019, to pay 20% of separate net profit of €67,560 thousand into the legal reserve, include €70,238 thousand in the "Other reserves and retained earnings" account and make a dividend payment of €200,000 thousand, after approval by the competent European and domestic supervisory entities.

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.

26. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	30-06-2019	31-12-2018
Banco Comercial e de Investimentos, S.A.	91,479	84,287
Banco Caixa Geral Angola, S.A.	79,490	92,818
Fundiestamo - Fundo de Investimento Imobiliário Fechado	35,236	33,785
Banco Comercial do Atlântico, S.A.	19,773	16,105
Banco Interatlântico, S.A.R.L.	6,303	5,630
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,920	1,540
Banco Caixa Geral, S.A.	1,161	1,149
Caixa – Banco de Investimento, S.A.	847	907
Caixa Geral Finance	-	96,245
Other	159	576
	236,368	333,042

Caixa Geral Finance was founded in 2004 as a wholly owned Caixa Geral de Depósitos, SA (CGD) subsidiary with the principal objective of issuing shares eligible as tier 1 preference shares. During the course of its activity the Group repurchased the preference shares issued by Caixa Geral Finance.

CGD obtained authorisation from the ECB (European Central Bank) to repurchase its two tier 1 issuances made in June 2018, having exercised its early redemption option on these two issuances. Following its exercising of the early redemption options on the two tier 1 issuances, CGD's executive committee, on January 30, 2019, decided to close down the activity of Caixa Geral Finance, having repurchased the shares and requested the company's dissolution. This is scheduled for completion on September 30, 2019.

Information on the amount of consolidated profit attributable to non-controlling interests for the periods ended June 30, 2019 and 2018 is set out below:

	30-06-2019	30-06-2018
Banco Comercial e de Investimentos, S.A.R.L.	(10,852)	(5,906)
Banco Comercial do Atlântico, S.A.R.L.	(4,529)	(1,452)
Banco Caixa Geral Angola, S.A.	(4,019)	(8,523)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	(1,451)	(1,024)
Banco Interatlântico, S.A.R.L.	(641)	(340)
Caixa Geral Finance	-	(815)
Other	(357)	(242)
	(21,849)	(18,301)

27. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	30-06-2019	30-06-2018
Interest and similar income		
Interest on loans and advances to domestic credit institutions	1,473	169
Interest on loans and advances to foreign credit institutions	31,090	32,486
Interest on domestic credit	282,242	307,981
Interest on foreign credit	209,375	210,660
Interest on overdue credit	16,787	18,722
Interest on financial assets held-for-trade		
- Derivatives	175,775	200,209
- Securities	3,606	381
Interest on financial assets at fair value through profit or loss	2,081	520
Interest on financial assets at fair value through other comprehensive income	73,593	95,900
Interest on hedging derivatives	716	656
Interest on debtors and other investments	1,105	2,461
Interest on cash equivalents	1,610	1,304
Interest on other loans and other amounts receivable	57,059	66,799
Other interest and similar income	42	966
Commissions received relating to amortised cost	57,101	68,319
Other	24,147	13,494
	937,802	1,021,026
Interest and similar costs		
Interest on deposits of		
- Central and local government	7	16
- Other residents	22,452	41,549
- Emigrants	3,753	4,754
- Other non-residents	77,551	99,513
Interest on resources of foreign credit institutions	14,831	14,538
Interest on resources of domestic credit institutions	8,542	8,576
Interest on swaps	175,953	204,401
Interest on other trading liabilities	4,410	3,896
Interest on unsubordinated debt securities	28,840	38,921
Interest on subordinated liabilities	20,185	10,259
Other interest and similar costs	9,425	6,566
Commissions paid relating to amortised cost	7,297	5,082
	373,246	438,071

28. INCOME FROM EQUITY INSTRUMENTS

This account comprises the following:

	30-06-2019	30-06-2018
Income received from investment funds	15,016	10,549
Other	352	1,232
	15,368	11,781

29. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	30-06-2019	30-06-2018
Income from services rendered and commissions:		
On guarantees provided	21,652	18,842
On commitments to third parties	4,730	5,985
On operations on financial instruments	377	322
On services provided		
Deposit and safekeeping of valuables	12,183	11,801
Collection of valuables	3,365	3,401
Management of securities	7,305	8,690
Collective investment in transferable securities	20,866	15,649
Transfer of valuables	8,483	8,223
Cards management	8,167	7,256
Annuities	19,721	28,219
Structured Operations	180	2,474
Credit operations	17,002	17,987
Other services rendered	110,671	100,582
On operations carried out on behalf of third parties	2,749	4,563
Other commissions received	66,701	65,560
	304,150	299,555
Cost of services and commissions:		
On guarantees received	104	211
On operations on financial instruments	78	87
On banking servicers rendered by third parties	52,810	50,040
On operations carried out by third parties	2,752	1,896
Other commissiond paid	4,932	5,229
	60,676	57,462

30. INCOME FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	30-06-2019	30-06-2018
Result from foreign exchange operations:		
Revaluation of foreign exchange position	50,220	28,607
Results from currency derivatives	(6,241)	17,476
	43,979	46,083
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	4,616	(2,761)
Equity instruments	1,990	424
	6,607	(2,336)
Derivatives:		
Interest rate	(143,198)	(8,896)
Equity	(1,250)	782
Other	9,609	(7,946)
	(134,839)	(16,061)
	(128,233)	(18,397)
Result from other financial assets at fair value through profit or loss:		
Debt instruments	10	188
Equity instruments	18,959	15,710
Other securities	(4,153)	13,734
Loans and other amounts receivable	(439)	(864)
	14,378	28,769
Debt instruments	120,069	24,177
	120,069	24,177
Result of hedging operations:		
Hedging derivatives	1,679	(1,296)
Value adjustments of hedged assets and liabilities	(2,667)	(518)
	(988)	(1,814)
Other		
Net monetary loss (IAS 29)	(10,737)	(15,026)
Other	(15,946)	(13,519)
	(26,684)	(28,545)
	22,522	50,274

The "Other" account, at June 30 2019 and 2018, includes losses of €15,508 thousand and €12,690 thousand, respectively, on income with minority investors in the investment funds included in CGD Group’s consolidation perimeter.

31. OTHER OPERATING INCOME

These accounts are made up as follows:

	30-06-2019	30-06-2018
Other operating income:		
Rendering of services	11,160	11,965
Expense reimbursement	3,767	3,333
Gains on subsidiaries and jointly controlled entities	1,055	-
Lease income under operating lease agreements	29,420	25,443
Gains on non-financial assets:		
- Non-current assets held-for-sale	70,686	30,867
- Other tangible assets	66	182
- Investment property	16,339	11,390
- Other	311	396
Secondment of employees to Caixa Geral de Aposentações	538	161
Sale of cheques	2,848	3,523
Other	14,679	26,318
	150,870	113,578
Other operating costs:		
Donations and subscriptions	3,966	3,388
Losses on non-financial assets:		
- Non-current assets held-for-sale	4,688	4,501
- Other tangible assets	477	15,560
- Investment property	13,431	13,255
- Other	1	34
Other taxes	13,149	20,479
Contribution to the Deposit Guarantee Fund	1,709	705
Contribution to the Resolution Fund	31,285	36,984
Administrative expenditure under the Single Resolution Board	515	732
Fines and penalties	917	273
Other	18,487	15,668
	88,626	111,580
	62,244	1,998

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 corporations regime, approved by decree law 298/92 of December 31.

The measures provided for in the new regime have been designed, as appropriate, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress. They comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The resolution fund's principal mission, 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 ring-fencing of losses on bankruptcy of banking institutions to their shareholders and creditors. It will be financed by mandatory contributions to the single resolution fund.

The Group contributed €22,629 thousand and €29,640 thousand to the single European resolution fund in first half 2019 and 2018, respectively of which €19,306 thousand and €25,397 thousand, respectively, in cash and €3,323 thousand €4,243 thousand, respectively, in the form of an irrevocable commitment comprising a surety for this purpose (note 17).

The Group's periodic contribution to the domestic resolution fund at June 30, 2019 and 2018 totalled €11,980 thousand and €11,588 thousand, respectively.

32. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account comprises the following:

	30-06-2019	30-06-2018
Remuneration of management and supervisory bodies	6.164	7.329
Remuneration of employees	188.386	202.470
Provision for suspension of labour agreements (Note 21)	147	(735)
Pre-retirement program	22.947	27.324
Mutually agreed terminations (Note 21)	3.728	12.860
	221.373	249.248
Other charges relating to remunerations	15.703	14.729
Healthcare - CGD		
- Normal cost (Note 21)	7.649	7.967
- Contributions relating to current employees	7.212	8.021
Pension Liabilities - CGD		
- Normal cost	30.998	31.698
- Retirements before the normal retirement age	8.829	4.783
- Gains associated with termination by mutual agreement	(6.781)	(8.942)
Other pension costs	275	266
Other mandatory social charges	4.719	4.815
	68.603	63.336
Other employee costs	6.728	9.321
	296.704	321.905

A staff adjustment programme was created following the approval of CGD's restructuring plan, providing for a substantial reduction of operating costs with an adjustment to CGD's structure and resources to the current and future size of its business. The programme was based on retirements, early retirements and voluntary redundancies in the Group's domestic perimeter across the period 2018-2020.

CGD recognised an overall amount of €25,143 thousand in employee costs relating to the exit potential for early retirements in 2019, in the half year ended June 30, 2019 (around €22,947 thousand deriving from a reclassification of the costs associated with the early retirement programme in 2019, an increase in costs of around €147 thousand in "Provisions for redundancy agreements" with the remainder relating to the recognition of a €2,048 thousand increase in the "Liabilities for early retirement"). It also recognised an amount of around €3,728 thousand in employee costs for voluntary redundancies.

The average number of employees in Caixa and its subsidiaries, for the half years ended June 30, 2019 and 2018, by type of function, was as follows:

	30-06-2019	30-06-2018
Senior management	495	508
Management	2,673	2,709
Technical staff	5,082	5,118
Administrative staff	5,455	5,603
Auxiliary	227	442
	13,932	14,380
Number of employees at the end of the period	13,828	14,262

These numbers, at June 30, 2019 and 2018 did not include the employees of the Caixa Geral de Aposentações support department (221 and 220 respectively), employees assigned to CGD's social services (28 and 29, respectively) and employees in other situations i.e. secondments or extended absences (125 and 138 respectively).

33. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	30-06-2019	30-06-2018
Specialised services		
- IT services	26,707	26,737
- Safety and security	3,246	3,450
- Information services	2,594	2,402
- Cleaning	2,485	2,559
- Contracts and service fees	2,199	1,387
- Studies and consultancy	495	874
- Other	34,108	32,274
Operating leases	4,429	25,816
Communications and postage	12,681	12,930
Maintenance and repairs	15,569	15,236
Advertising and publications	7,131	8,198
Water, energy and fuel	7,270	7,798
Transport of cash and other values	4,175	4,307
Travel, lodging and representation expenses	2,584	2,827
Standard forms and office supplies	2,554	2,138
Other	5,981	5,871
	134,208	154,803

The decrease in “Rents and hires” derives from the changes to the recognition of the right-to-use associated with property and other rented premises for Caixa’s activities deriving from the implementation of IFRS 16 – “Leases” (note 2.3).

34. ASSET IMPAIRMENT

Information on impairment movements for the periods June 30, 2019 and 2018 is set out below:

	Balances at 31-12-2018	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2019	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	3,336,927	42,669	(454,278)	(2,169)	7,625	2,930,774	(39,853)
Impairment of loans and advances to credit institutions (Note 6)	9,009	539	-	(83)	(14)	9,451	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	4,758	(1,552)	-	(1)	(1,054)	2,151	
Impairment of financial assets at amortised cost	4,245	2,750	-	(396)	(22)	6,577	
Impairment of other tangible assets	20,066	(109)	-	(143)	(844)	18,970	
Impairment of intangible assets	23,971	-	-	-	(2,100)	21,871	
Impairment of non-current assets held-for-sale (Note 13)							
Properties	333,008	7,748	(9,146)	-	(2,041)	329,568	
Equipment	2,269	597	(340)	-	-	2,526	
Other tangible assets	713	(29)	-	3	127	814	
Subsidiaries	413,263	(134,955)	-	-	-	278,308	
Impairment of investments in associates and jointly controlled entities (Note 15)	469	-	(19)	-	-	449	
Impairment of other assets (Note 17)	203,289	46,942	(49,592)	2	(2,579)	198,062	
	1,015,059	(78,069)	(59,097)	(618)	(8,528)	868,747	-
	4,351,986	(35,400)	(513,375)	(2,787)	(902)	3,799,521	(39,853)

	Balances at 31-12-2017	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2018 (unaudited)	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	4,555,961	153,912	(406,644)	(11,642)	(94,154)	4,181,618	(40,302)
Impairment of loans and advances to credit institutions (Note 6)	7,125	1,284	-	(139)	-	9,165	
Impairment of financial assets at fair value through other comprehensive income (Note 8)						-	
Equity instruments	111,268	-	-	-	-	-	
Debt instruments	3,622	805	(1,121)	134	2	5,110	
Other instruments	374,694	-	-	-	-	-	
Impairment of financial assets at amortised cost	-	75	-	(73)	-	210	
Impairment of other tangible assets	13,980	14,892	-	-	-	28,872	
Impairment of intangible assets	55,919	5,133	-	-	(3,175)	57,878	
Impairment of non-current assets held-for-sale (Note 13)						-	
Properties	461,878	(12,187)	(1,507)	(84)	(12,427)	435,673	
Equipment	2,202	267	(333)	39	690	2,865	
Subsidiaries	408,263	5,000	-	-	-	413,263	
Impairment of investments in associates and jointly controlled entities (Note 15)	469	-	-	-	-	469	
Impairment of other assets (Note 17)	287,643	(1,342)	(24,849)	(50)	(3,105)	232,811	
	1,727,063	13,928	(27,810)	(174)	(18,016)	1,186,316	-
	6,283,024	167,839	(434,455)	(11,816)	(112,169)	5,367,933	(40,302)

		IFRS 9 - Transition							
	Balances at 31-12-2017	With impacts on equity (Note 2.3.)	Transfers	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2018 (unaudited)	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	4,555,961	63,933	(79,748)	153,912	(406,644)	(11,642)	(94,154)	4,181,618	(40,302)
Impairment of loans and advances to credit institutions (Note 6)	7,125	896	-	1,284	-	(139)	-	9,165	
Impairment of financial assets at fair value through other comprehensive income (Note 8)								-	
Equity instruments	111,268	-	(111,268)	-	-	-	-	-	
Debt instruments	3,622	-	1,668	805	(1,121)	134	2	5,110	
Other instruments	374,694	-	(374,694)	-	-	-	-	-	
Impairment of financial assets at amortised cost	-	208	-	75	-	(73)	-	210	
Impairment of other tangible assets	13,980	-	-	14,892	-	-	-	28,872	
Impairment of intangible assets	55,919	-	-	5,133	-	-	(3,175)	57,878	
Impairment of non-current assets held-for-sale (Note 13)								-	
Properties	461,878	-	-	(12,187)	(1,507)	(84)	(12,427)	435,673	
Equipment	2,202	-	-	267	(333)	39	690	2,865	
Subsidiaries	408,263	-	-	5,000	-	-	-	413,263	
Impairment of investments in associates and jointly controlled entities (Note 15)	469	-	-	-	-	-	-	469	
Impairment of other assets (Note 17)	287,643	3,508	(28,992)	(1,342)	(24,849)	(50)	(3,105)	232,811	
	1,727,063	4,611	(513,286)	13,928	(27,810)	(174)	(18,016)	1,186,316	-
	6,283,024	68,544	(593,034)	167,839	(434,455)	(11,816)	(112,169)	5,367,933	(40,302)

The following impairment movements were recognised in first half 2018 under the transition to IFRS 9 – “Financial instruments”:

- The use of €94,837 thousand in accumulated impairment for operations classified as “Loans and advances to customers”, measured at amortised cost under IAS 39 and reclassified to “Financial assets at fair value through profit or loss”;
- 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 assets category or having been transferred to “Financial assets at fair value through other comprehensive income”; and

- 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”.

Credit disposals, in 2018, resulted in the use of €108,239 thousand in impairment.

The “Transfers and other” column in the table of impairment movements for the half year ended June 30, 2019 includes €33,322 thousand, on the recognition of accumulated impairment on financial and non-financial assets related with the activity of BCA, which, on June 30, was recognised in the non-current assets held for sale category (note 13).

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.

35. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 − "Operating segments" and the measurement of own funds requirements to cover operational risk, using the standard method under the terms of regulation (EU) 575/2013 of June 26, 2013 of the European Parliament and of the Council:

- *Trading and sales*. Trading and sales include banking activity related to the management of the treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Loans and advances to and cash balances at other credit institutions and derivatives are included in this segment;
- *Retail banking*. Retail banking comprises banking activities for personal customers, the self-employed and micro enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from personal customers;
- *Commercial banking*. Commercial banking includes lending activities and resource-taking from major enterprises and SMEs. The segment includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and loans to the public sector;
- *Asset management*. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trust and property funds and discretionary wealth management funds;
- *Corporate Finance*. Corporate finance includes activities related to acquisitions, mergers, restructuring operations, privatisations, subscriptions for and sales of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan sales), investment management, market and corporate financial analyses and advisory services; and
- *Other*: This includes all operating segments not described in the above business areas.

Information on the appropriation of results and principal balance sheet aggregates, by business areas and geographies, at June 30, 2019 and December 31, 2018, is given below:

Business areas

	30-06-2019						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	325,826	133,304	51,949	1	51,618	1,858	564,556
Income from equity instruments	13	-	87	15,259	9	-	15,368
Income from services rendered and commissions	5,672	102,388	32,343	23,444	7,201	133,102	304,150
Cost of services and commissions	(13,101)	(1,062)	(1,186)	(4,089)	(6)	(41,232)	(60,676)
Results from financial operations	38,240	89	298	(21,112)	(12)	5,019	22,522
Other net operating income	(1,427)	1,783	(2,021)	29,616	(35)	34,327	62,244
Net operating income from banking	355,223	236,502	81,470	43,119	58,775	133,075	908,165
Other income and expenses							(490,670)
Net income attributable to the shareholder of CGD							417,495
Cash balances and loans and advances to credit institutions (net)	9,054,039	169,510	3	618	-	8,808	9,232,978
Investments in securities and derivatives (net)	18,936,891	-	263	283,100	-	204,865	19,425,119
Loans and advances to customers (net)	17,540	30,213,306	19,099,791	-	-	117,910	49,448,547
Non-current assets held for sale	-	-	-	-	-	7,009,806	7,009,806
Investments in associates by the equity method	-	-	-	-	-	416,150	416,150
Total net assets	29,160,718	30,456,772	19,157,538	1,208,371	-	11,350,664	91,334,063
Resources of central banks and credit institutions	1,663,035	222	10,581	115	-	4,051	1,678,004
Customer resources	53,040	51,538,123	14,191,959	-	-	2,632	65,785,754
Debt securities	2,467,808	-	-	-	-	-	2,467,808

	31-12-2018 (restated amounts)						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	548,415	364,897	178,480	(9)	87,709	3,622	1,183,114
Income from equity instruments	13	-	1,134	15,572	109	-	16,828
Income from services rendered and commissions	27,049	199,056	55,149	40,821	20,041	261,760	603,876
Cost of services and commissions	(29,977)	(2,194)	(1,635)	(5,776)	(1)	(84,203)	(123,786)
Results from financial operations	32,157	585	1,016	(19,262)	(406)	16,107	30,197
Other net operating income	(3,324)	19,990	42,785	36,670	69,341	(117,755)	47,707
Net operating income from banking	574,333	582,334	276,929	68,016	176,793	79,531	1,757,936
Other income and expenses							(1,262,160)
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

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

	30-06-2019						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Other	Total
Net interest income	368,340	35,904	-	51,256	105,204	3,852	564,556
Income from equity instruments	90,387	-	-	9	21,699	(96,727)	15,368
Income from services rendered and commissions	267,061	18,764	-	17,956	25,288	(24,918)	304,150
Cost of services and commissions	64,113	4,556	-	9,562	5,434	(144,341)	(60,676)
Results from financial operations	27,188	137	-	4,483	21,030	(30,316)	22,522
Other net operating income	80,411	(734)	-	174	(3,442)	(14,165)	62,244
Net operating income from banking	897,500	58,627	-	83,440	175,212	(306,615)	908,165
Other income and expenses							(490,670)
Net income attributable to the shareholder of CGD							417,495
Cash balances and loans and advances to credit institutions (net)	10,356,628	707,356	-	1,950,514	1,229,923	(5,011,443)	9,232,978
Investments in securities and derivatives (net)	21,951,229	24,928	-	474,086	821,513	(3,846,637)	19,425,119
Loans and advances to customers (net)	42,696,988	6,090,635	-	2,672,937	1,334,359	(3,346,373)	49,448,547
Total net assets	82,470,960	11,692,803	376,980	6,170,088	5,577,125	(14,953,893)	91,334,063
Resources of central banks and credit institutions	4,578,103	1,426,430	-	322,868	15,222	(4,664,618)	1,678,004
Customer resources	56,787,081	2,551,435	-	4,130,509	2,745,806	(429,078)	65,785,754
Debt securities	2,406,544	3,422,367	-	-	-	(3,361,104)	2,467,808

	31-12-2018						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Other	Total
Net interest income	788,658	74,516	-	91,201	221,526	7,212	1,183,114
Income from equity instruments	90,114	-	-	109	10,043	(83,438)	16,828
Income from services rendered and commissions	524,073	37,526	-	35,769	51,791	(45,283)	603,876
Cost of services and commissions	126,341	8,988	-	18,300	11,091	(288,505)	(123,786)
Results from financial operations	65,819	779	-	13,025	24,821	(74,247)	30,197
Other net operating income	(26,967)	(25,487)	-	(3,068)	6,202	97,027	47,707
Net operating income from banking	1,568,038	96,322	-	155,336	325,474	(387,233)	1,757,936
Other income and expenses							(1,262,160)
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

The "Other” column includes balances between Group companies eliminated in the consolidation process, in addition to other consolidation adjustments.

The following is a breakdown of the contribution to the Group's income by business area, based on internal management criteria, for the half years ended June 30, 2019 and 2018:

	30-06-2019					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	680,149	289,392	17,404	-	(49,144)	937,802
Interest and similar costs	(332,487)	(97,469)	(12,368)	-	69,078	(373,246)
Income from equity instruments	87	265	-	-	15,016	15,368
Net interest income	347,749	192,189	5,036	-	34,950	579,925
Income from services rendered and commissions	230,686	62,008	8,540	-	2,917	304,150
Cost of services and commissions	(37,550)	(19,111)	(3,890)	-	(125)	(60,676)
Results from financial operations	8,560	25,650	8,038	-	(19,726)	22,522
Other net operating income	36,358	(4,002)	135	-	29,754	62,244
Net operating income	238,054	64,545	12,822	-	12,820	328,241
NET OPERATING INCOME FROM BANKING	585,803	256,734	17,859	-	47,770	908,165
Other income and expenses	(299,365)	(170,736)	(11,551)	4,102	(13,120)	(490,670)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	286,438	85,997	6,308	4,102	34,650	417,495

	30-06-2018					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	743,925	318,339	60,229	-	(101,466)	1,021,026
Interest and similar costs	(376,301)	(129,270)	(51,275)	-	118,775	(438,071)
Income from equity instruments	104	274	855	-	10,549	11,781
Net interest income	367,728	189,343	9,808	-	27,858	594,737
Income from services rendered and commissions	221,953	60,136	13,942	-	3,524	299,555
Cost of services and commissions	(36,731)	(17,076)	(2,818)	-	(837)	(57,462)
Results from financial operations	1,666	18,767	31,938	-	(2,097)	50,274
Other net operating income	(21,805)	(8,429)	12,555	(34)	19,710	1,998
Net operating income	165,083	53,397	55,617	(34)	20,300	294,364
NET OPERATING INCOME FROM BANKING	532,811	242,740	65,426	(34)	48,157	889,101
Other income and expenses	(501,561)	(167,337)	(20,089)	22,760	(28,775)	(695,002)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	31,250	75,403	45,337	22,726	19,383	194,099

The "Other" column includes balances between Group companies eliminated in the consolidation process. As regards business segments, reference should also be made to the effects of the Group's activities in the property sector.

36. RELATED ENTITIES

Associates, jointly controlled enterprises, the Group's management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The Group's financial statements, at June 30, 2019 and December 31, 2018, included the following balances and transactions with related entities, excluding management bodies:

	30-06-2019			31-12-2016 (Restated amounts)		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Securities and derivatives held-for-trading	7,661,082	266,917	4,760	7,165,001	230,451	5,008
Loans and advances to customers	-	1,272,046	95,580	2,041	2,665,876	99,414
Impairment for loans and advances to customers	-	29	99	-	-	-
Other assets	181,057	83,453	315,975	226,031	80,771	310,618
Liabilities:						
Customer resources	126,781	393,309	1,556,344	29,719	463,677	462,398
Financial liabilities held-for-trading	1,444	22,316	64	1,444	20,935	46
Other liabilities	118,677	87,997	1,512	118,004	107,656	847
Guarantees given	3,810	68,111	36,354	1,500	82,757	35,149
Net income:						
Interest and similar income	26,131	33,480	1,878	65,494	98,668	3,794
Interest and similar costs	-	4,948	1,170	10,323	12,096	1,545
Income from services rendered and commissions	174	30,419	4,140	73	55,856	8,688
Cost of services and commissions	14	450	208	26	1,075	400
Results from financial operations	169,090	39,296	(243)	(268,223)	5,254	(786)
Other operating income	(5)	890	112	(546)	3	50
General administrative costs	-	-	1,015	378	76	2,508

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at June 30, 2019 and December 31, 2018, does not include balances with regional or local government.

37. DISCLOSURES RELATED TO FINANCIAL INSTRUMENTS

Credit Risk

Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at June 30, 2019 and December 31, 2018:

	30-06-2019	31-12-2018
Trading securities		
Public debt	6,467,654	5,349,916
Private debt	44,311	13,031
	6,511,965	5,362,947
Financial assets at fair value through profit or loss		
Private debt	95	85
Credit and securities	161,467	84,868
	161,562	84,953
Financial assets at fair value through other comprehensive income *		
Public debt	3,131,140	3,404,871
Private debt	1,000,765	1,197,070
	4,131,905	4,601,941
Financial assets at amortised cost *		
Public debt a)	6,011,720	3,861,460
Private debt	74,997	58,507
	6,086,717	3,919,967
Financial assets with repurchase agreement		
Public debt	31,368	55,009
	31,368	55,009
	16,923,516	14,024,817
Derivatives	908,078	698,228
Cash balances at other credit institutions	755,079	1,014,098
Loans and advances to credit institutions*	2,629,176	2,197,232
Loans and advances to customers*	49,492,760	51,645,671
Other debtors*	1,890,615	1,862,722
Other operations pending settlement	364,516	220,766
	56,040,224	57,638,717
Other commitments		
Personal/ Institutional guarantees given:**		
Guarantees and sureties**	2,475,722	2,609,805
Stand-by letters of credit	91,502	50,391
Open documentary credits	329,020	287,643
Other personal guarantees given and other contingent liabilities	9,540	9,548
Forward deposit agreements	-	117,336
Irrevocable lines of credit	376,676	351,363
Securities subscription	705,918	1,291,400
Other irrevocable commitments	16,320	12,997
	4,004,699	4,730,483
Maximum exposure to credit risk	76,968,439	76,394,016

[*] Balances net of impairment
[**] Balances net of provisions
[a)] Includes debt acquired from the European Financial Stabilization Mechanism, valued at € 100,946.

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (note 23) and netting agreements.

Exposure to the sovereign debt of peripheral eurozone countries

Information on the principal characteristics of these issuances within Caixa Group, at June 30, 2019 and December 31, 2018, is set out below:

	Book value net of impairment at 30-06-2019			Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities						
	2019	after 2019	Total				
Financial assets at fair value trough profit or loss							
Portugal	704,279	2,409,892	3,114,171	3,114,171	-	-	
Ireland	-	-	-	-	-	-	
Spain	315,586	687,007	1,002,593	1,002,593	-	-	
Italy	1,115,439	1,235,451	2,350,890	2,350,890	-	-	
	2,135,305	4,332,349	6,467,654	6,467,654	-	-	
Financial assets at fair value through revaluation reserves							
Portugal	988	2,295,200	2,296,189	2,296,189	-	204,213	
Ireland	-	270,329	270,329	270,329	-	9,651	
Spain	-	366,799	366,799	366,799	-	11,246	
Italy	-	20,006	20,006	20,006	-	32	
	988	2,952,335	2,953,324	2,953,324	-	225,142	
Held-to-maturity investments							
Portugal	15,000	1,779,708	1,794,708	1,816,686	(15)	-	
Ireland	-	437,708	437,708	438,677	-	-	
Spain	-	1,632,419	1,632,419	1,644,619	-	-	
Italy	-	591,801	591,801	593,691	-	-	
	15,000	4,441,636	4,456,636	4,493,673	(15)	-	
Total							
Portugal	720,268	6,484,800	7,205,068	7,227,045	(15)	204,213	BBB
Ireland	-	708,037	708,037	709,006	-	9,651	A+
Spain	315,586	2,686,225	3,001,811	3,014,011	-	11,246	A-
Italy	1,115,439	1,847,258	2,962,697	2,964,587	-	32	BBB
	2,151,293	11,726,320	13,877,613	13,914,650	(15)	225,142	

	Book value net of impairment at 31-12-2018			Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities						
	2019	after 2019	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	-	-	
Financial assets at fair value through revaluation reserves							
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	
Total							
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	

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

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. At June 30, 2019 and December 31, 2018, these portfolios were segmented into levels 1 and 2 of the fair value ranking. Greater detail on the distinguishing elements of these categories along with the principal premises used are given in the “Fair value” column.

Quality of loans and advances to customers

Disclosures on asset quality and credit risk management are set out below and are essentially based on CGD headquarters practice.

Qualitative

1. Credit risk management policy

1.1 Credit risk management

In its response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos has implemented a credit risk management process based on an organisational structure guaranteeing that the commercial (risk undertaking), recovery, decision-making and risk areas are independent from each other.

1.1.1 Issuance 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 to personal customers. The governance model for the decisions to issue loans, including the limits on the delegating of authority are defined in internal regulations. DRC’s principal functions also include: (i) the prior, mandatory issuance of a risk opinion on the attribution of internal limits or consideration of operations not covered by the said limits for customers whose exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justifies (in accordance with internal regulations); (ii) to submit the redefinition of credit limits to a more senior level whenever deemed advisable under the circumstances; and (iii) to approve the constitution/alteration of economic groups.

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 of the exposure. Other operations are the responsibility of credit risk committees at 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 subsequent 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 allocation 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 <u>Credit portfolio oversight</u>

Credit portfolio oversight permits 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 which 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, automatically identifying customers in financial distress and in default. All portfolio customers are segmented into one of the following categories:

1. Performing customers without any additional risk events having been identified;
2. Performing customers but with early warnings which may indicate a greater probability of customer default;
3. Customers experiencing serious events and a high probability of default who are classified as being in financial distress;
4. Customers in 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 which vary in line with the severity of the event and provides the first line of defence based on the use of mechanisms designed to actively prevent potential future defaults. An automatic process immediately transfers customers from commercial to recovery areas in situations in which more serious events have been identified, to ensure that potentially more problematic cases are handled by specialised credit recovery managers. When more serious events involve corporate customers with significant 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 credit risk management division oversees the process as a whole and makes any necessary changes, in line with its analysis of measurements and indicators, based on monthly monitoring reports on credit portfolio quality for the executive committee.

1.1.3 <u>Credit recovery</u>

As soon as any arrears of payment have been noted, appropriate steps are taken to recover the overdue credit to enable a settlement, in compliance with the dispositions of decree law 227/2012 (PARI and PERSI) as regards loans and advances to personal 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 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.

Contacts with customers with a view to the settlement of overdue amounts at the initial credit collection phase are made by the call centre and the commercial area. If the initial contacts are not successful and the customer is in arrears for more than 30 days, the case is re-allocated to a recovery area with the objective of finding the most appropriate credit recovery solution.

In cases in which the negotiating process with a customer is not producing the desired effect 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) which identifies, measures and controls significant exposures.

For the monitoring of concentration risk, the risk appetite statement defines measurements on a monthly basis of the evolution of segments of the portfolio considered to be critical in terms of credit risk.

Decisions to enter into agreements for operations entailing significant exposures (as defined in internal regulations) require a report by 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, based on the write-off policy as formalised in internal regulations, is taken at a senior level when expectations of credit recovery are nil or minimal and when all negotiations and, when applicable, legal proceedings have been performed with all the parties involved in a loan agreement. Loans eligible for write-offs, when implying the recognition of 100% provisions and impairment, also include: i) loans in arrears for more than 24 months; ii) loans without any 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 a 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 impaired exposure.

4. Description of the restructuring measures applied and respective associated risks, in addition to 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 Group and its customers' interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

Recovery solutions always give due consideration to 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 is the 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 recourse in terms of credit recovery);
- Impact on customer. Secondly, the impact of the processing solution on the customer should be considered, based on two fundamental criteria:
  - *Payment capacity*. The customer must to be able to meet its financial commitments in the new scenario, based on their 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 which may add to the complexity of default situations, with a different treatment from the one proposed, solely taking the former two principles into account. Even if the financial impact of the solution may not be optimal, other parameters such as a customer's specific characteristics, the impact of the process on CGD Group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit which is restructured owing to a customer's financial difficulties is subject to a specific impairment calculation process, across the whole of the minimum surveillance 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 property.* Property is inspected when all new mortgage lending operations are entered into, with the objective of assessing its likely transaction price in a free market.

Certification of the value of a property asset is documented and comprises, copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by individual direct on site visits.

ii. *Update of the valuation of the property by an expert appraiser*. Mortgage lending operations whose contractual terms have been changed usually require a new valuation which is performed as if they were new operations.

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 uses the information contained in the preceding valuation report and does not involve a personal visit to the property. This methodology is exclusively used for residential properties, non-productive credit with a debtor balance of less than €300 thousand and, in the case of performing credit, a debtor balance of more than €500 thousand.

Property valuation procedures:

- CGD’s property valuation function 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’s network of external service providers in its property valuation area comprises external corporate and individual appraisers, registered with the CMVM and located throughout the country based in the area where 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
- A register of appraisers is maintained indicating the priority municipal districts for their operations, based on criteria of efficiency in terms of travel and in-depth knowledge of the local market. Valuation requests are delivered to appraisers via a CGD 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 the property, the following collateral is eligible for mitigating the calculation of credit impairment:

- Pledges over term deposits – assessed on the amount of the pledge;
- Pledges over bonds issued by CGD – assessed on the nominal value of the bonds; and

- Pledges over listed shares – assessed at market value at the calculation’s reference date.

6. Type of principal judgments, estimates and hypotheses used to measure impairment

CGD’s credit impairment model uses appropriate, applicable methodologies to ensure that the impairment calculation is in conformity with IFRS 9 − “Financial instruments”.

There are several modelling approaches CGD considers to be most appropriate for assessing impairment but which involve judgments in defining the processes, namely:

i. Historical information considered for modelling purposes (PDs, LGDs, collateral haircuts);

ii. Workout period for the calculation of LGDs and multiple default assessment methodologies;

iii. Portfolio segmentation criteria:

   a. *Loans to personal customers* – type of product (e.g. housing), purpose of loan, type of collateral, present and past performance of the operation, length of current performance; and

   b. *Loans to companies* – type of company, amount of exposure, sector of economic activity, quality and amount of collateral, present and past performance of the operation, length of current performance.

iv. Loan conversion factors applied to off-balance sheet exposures;

v. Defined exposure level for individual impairment assessments;

vi. Criteria used to measure significant risk increases, from the time of the financial instrument’s initial recognition, incorporating prospective information; and

vii. The credit loss is measured 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 corporate and personal 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 sub-segments of 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 credit impairment, for operations in default;

b) *Stage 2*: exposures with an *SICR* (significant increase in credit risk) since initial recognition or with objective criteria of signs of impairment; and

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 in alignment with the ratings issued by external rating agencies and considers all exposures with a D rating.
- The definition of stage 3 for the credit portfolio is in alignment with CGD's definition of default. The following events are considered:

  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*-special revitalisation programme) 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 personal 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 does not define the concept of default, CGD applies the same definition as used for management purposes, on an internal credit risk level, 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* 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 default, 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* 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 with an exposure of more than €250 thousand not included in the individual analysis;
- 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;
- Insolvency processes other than a declaration of insolvency and *PER* 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 personal 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. Lifetime PDs on unrated portfolios are different for customers or operations with (i) external signs. Accompanied by arrears of less than 30 days (ii) arrears of between 30 and 90 days and (iii) restructuring operations owing to financial difficulties with arrears of up to 30 days.

3. *Loss given default (LGD).* A loss when an operation or customer defaults. *LGD* assessments involve observations of recoveries of operations or customers who default within the defined historical period, assessed in accordance with the length of default 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. *Exposure at default (EAD)*. *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* (credit conversion factor). The *CCF* 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. Indication of thresholds defined for individual analyses

The limits on individual 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. Policy relating to internal risk levels, specifying the treatment of a borrower classified as being in default

Pursuant to internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the credit board or credit risks executive committee.

Owing to the innovation introduced by the customer oversight workflow process (item 1.1.2. above) as most defaulting customers had previously been allocated to recovery area managers, there were no breaks in the negotiating process at the time of the transfer of customers from commercial to recovery areas.

The recovery solution considered most appropriate to customers' and CGD's interests is applied, on the basis of the analysis. Legal action for credit recovery purposes is a last resort.

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

Individual assessment

The assessment of estimations of future cash flows on loans considers the extent to which a customer will generate free cash flows for debt payment purposes. A loan's recoverable amount is the sum of the expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), discounted at the agreement's original effective interest rate in accordance with the underlying expectations of its collectability.

An assessment is made as to whether the estimations of the future cash flows of customers with signs of loss are less than the contractual cash flows. The amount of the impairment, in such cases, is consequently adjusted.

One of the following approaches is used to assess a company's future cash flows:

1. A going concern approach which considers the continuation of a company's activity based on operating cash flow projections to assess whether they are sufficient to ensure the payment of the debt to all creditors. The sale or execution of collateral for debt settlement purposes 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:

    a) The company's future operational cash flows are material and can be adequately estimated; and

    b) The repayment of the debt does not involve the execution of collateral which is decisive for the company's normal operation.

    An independent valuation of the assets portfolio showed a deterioration of the former scenarios of analyses on going concern customers on which the sensitivity analysis of several business plans was based, including, by way of example, estimations of cash flows from emerging markets. In the case of several customers, impairment was also measured 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 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 as opposed 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 to perform a going concern analysis.

A mixed approach can be adopted in several situations in consideration of the cash flows produced by a company's activity, which may be complemented by cash flows originating from disposals of the company's assets, assuming that the company will continue to operate as a going concern. If the disposal of the assets has an impact on the company's future operating cash flows a respective adjustment will be made to assess the recoverable amounts.

<u>Collective impairment</u>

The expected credit loss calculation for stage 1 operations, comprising a period of 12 months, 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:

$$ECL_{Stage\ 2} = \sum_{k=t}^{\text{Maturity}} \frac{EAD_k \times LGD_k \times SR_{k-1} \times PD_k}{(1+r)^k} \quad (1)$$

In which $r$represents the original interest rate and SRrepresents the default's survival probability.

As the concept of *stage* 3 is aligned with the internal default concept, the lifetime PD is considered to be 100%. 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 derive from the losses calculated on the basis of three possible macroeconomic scenarios (central, pessimistic and optimistic), weighted by the probabilities of each scenario's occurrence.

Quantitative

The following tables provide information on the loans and advances to customers portfolio and property received in kind or repossessed, based on the contents applicable to the Group's activity:

Information on exposures and impairment, by segment, at June 30, 2019 and December 31, 2018 is set out below:

	Exposure in 30-06-2019				Impairment in 30-06-2019			
	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	3,896,149	220,681	28,055	4,144,885	742	874	10,316	11,931
Other financial institutions	202,571	13,682	235,201	451,454	3,163	481	118,056	121,699
Non-financial institutions	14,194,955	2,162,514	2,660,595	19,018,065	306,937	103,928	1,731,776	2,142,641
Small and medium institutions	6,886,925	1,378,260	1,906,908	10,172,094	101,788	65,880	1,205,821	1,373,490
Commercial real estate	2,173,027	309,459	990,005	3,472,491	34,008	13,504	581,495	629,007
Others	4,713,898	1,068,801	916,904	6,699,603	67,780	52,376	624,327	744,483
Other institutions	7,308,030	784,254	753,687	8,845,971	205,149	38,048	525,955	769,152
Commercial real estate	959,699	179,840	173,708	1,313,247	5,263	16,977	116,219	138,459
Others	6,348,331	604,414	579,979	7,532,724	199,886	21,071	409,736	630,693
Households	25,233,394	2,247,268	1,284,255	**28,764,917**	17,745	54,415	582,343	**654,502**
Mortgage loans with property mortgage	23,669,686	1,984,048	872,715	26,526,450	10,624	41,810	271,193	323,627
Consumption and other purposes	1,007,619	148,430	61,052	1,217,101	4,953	7,603	33,890	46,446
Others	556,089	114,790	350,487	1,021,366	2,168	5,002	277,259	284,429
	43,527,069	**4,644,146**	**4,208,106**	**52,379,321**	**328,586**	**159,697**	**2,442,491**	**2,930,774**

	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**

Information on exposures and impairment, between performing and non-performing operations, at June 30, 2019 and December 31, 2018 is set out below:

	Exposure in 30-06-2019										Impairment in 30-06-2019							
	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	**4,087,892**	**28,938**	**4,116,831**	**13,372**	**146**	**0**	**3,484**	**11,054**	**28,055**	**4,144,885**	**1,615**	**80**	**-**	**-**	**2,346**	**7,890**	**10,316**	**11,931**
Other financial institutions	**213,896**	**2,357**	**216,253**	**839**	**38**	**1,365**	**116,628**	**116,332**	**235,201**	**451,454**	**3,644**	**239**	**11**	**1,362**	**5,867**	**110,576**	**118,056**	**121,699**
Non-financial institutions	**16,126,402**	**178,424**	**16,304,826**	**1,174,430**	**139,439**	**139,410**	**843,082**	**416,877**	**2,713,239**	**19,018,065**	**399,551**	**725,762**	**81,494**	**75,162**	**572,818**	**287,854**	**1,743,090**	**2,142,641**
Small and medium institutions	8,094,948	123,366	8,218,314	736,356	94,243	107,773	678,494	336,913	1,953,780	10,172,094	156,928	419,775	45,614	59,842	449,108	242,223	1,216,561	1,373,490
Commercial real estate	2,453,413	24,924	2,478,337	342,798	47,842	46,659	334,007	222,847	994,153	3,472,491	46,586	170,437	31,170	27,615	192,431	160,769	582,421	629,007
Others	5,641,536	98,441	5,739,977	393,558	46,401	61,114	344,487	114,066	959,627	6,699,603	110,343	249,338	14,444	32,227	256,677	81,454	634,140	744,483
Other institutions	8,031,454	55,059	8,086,512	438,074	45,196	31,637	164,588	79,964	759,459	8,845,971	242,623	305,988	35,880	15,320	123,710	45,631	526,529	769,152
Commercial real estate	1,135,408	2,766	1,138,174	53,674	12,407	15,482	59,733	33,777	175,073	1,313,247	21,977	27,508	11,272	1,341	54,870	21,489	116,481	138,459
Others	6,896,046	52,292	6,948,339	384,400	32,788	16,155	104,855	46,187	584,386	7,532,724	220,646	278,479	24,608	13,978	68,840	24,142	410,047	630,693
Households	**27,222,016**	**185,310**	**27,407,326**	**347,105**	**58,415**	**52,088**	**491,156**	**408,828**	**1,357,591**	**28,764,917**	**58,889**	**153,681**	**10,634**	**14,853**	**234,206**	**182,239**	**595,613**	**654,502**
Mortgage loans with property mortgage	25,426,313	162,794	25,589,108	246,526	45,199	34,027	266,042	345,549	937,342	26,526,450	42,048	78,783	5,595	4,939	51,243	141,018	281,579	323,627
Consumption and other purposes	1,143,601	10,599	1,154,200	13,720	5,586	12,014	26,521	5,059	62,901	1,217,101	11,477	9,214	2,733	7,623	11,084	4,315	34,969	46,446
Others	652,101	11,917	664,018	86,859	7,630	6,047	198,593	58,220	357,349	1,021,366	5,365	65,685	2,306	2,291	171,879	36,905	279,065	284,429
	47,650,206	**395,029**	**48,045,235**	**1,535,746**	**198,037**	**192,863**	**1,454,349**	**953,090**	**4,334,086**	**52,379,321**	**463,699**	**879,763**	**92,139**	**91,377**	**815,237**	**588,559**	**2,467,075**	**2,930,774**

	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**

Information on the credit portfolio, by segment and year of production at June 30, 2019, 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
Ano de produção																					
2004 e anteriores	1,102	433,828	53	8	758	352	3,878	892,364	208,130	665	283,779	92,248	241,672	5,845,511	92,090	17,713	141,335	30,706	264,373	7,313,795	331,331
2005	204	53,602	4,571	8	1,607	7	478	191,052	74,894	113	86,781	30,731	38,889	1,908,642	28,415	26,089	66,902	21,084	65,668	2,221,806	128,971
2006	145	61,350	2,773	8	37,391	1,382	1,666	461,123	150,509	389	146,120	108,839	35,520	1,971,582	34,022	95,643	117,249	6,029	132,982	2,648,694	194,716
2007	118	448,810	3,237	36	239,329	115,272	2,440	760,884	382,972	599	371,591	151,486	41,990	2,240,236	52,643	23,440	233,991	176,867	68,024	3,923,251	730,991
2008	86	683,393	49	29	4,869	54	2,130	875,743	320,264	525	375,898	114,097	35,912	1,982,855	34,791	23,867	74,341	11,219	62,024	3,621,202	366,376
2009	67	88,863	13	21	364	64	2,112	882,494	130,690	494	499,526	82,978	32,000	2,040,201	29,035	31,193	65,422	6,728	65,393	3,077,344	166,529
2010	50	839,439	49	20	590	134	2,395	483,877	68,941	471	234,975	34,226	23,957	1,733,603	22,196	34,504	79,675	6,499	60,926	3,137,185	97,820
2011	16	77,171	2	54	414	120	2,094	479,283	74,816	384	100,388	22,405	10,831	773,216	6,554	25,890	57,847	3,724	38,885	1,387,931	85,216
2012	17	8,269	0	16	8,885	125	2,324	318,878	66,073	402	91,914	31,788	4,859	345,597	3,434	22,764	50,741	14,056	29,980	732,371	83,689
2013	25	60,779	79	23	4,954	220	4,066	571,749	104,729	616	91,294	14,353	5,013	411,298	3,594	75,448	81,129	4,827	84,575	1,129,909	113,448
2014	41	223,895	30	26	2,512	56	6,950	981,835	192,914	1,005	184,581	15,956	6,405	618,119	2,886	40,685	101,081	6,018	54,107	1,927,442	201,903
2015	60	230,079	264	71	30,426	1,049	12,437	2,234,323	184,898	1,832	268,555	30,390	11,109	1,039,917	3,904	62,593	170,010	13,483	86,270	3,704,754	203,599
2016	114	531,192	98	74	39,440	589	13,248	1,945,056	66,834	1,846	374,150	14,394	12,494	1,213,103	3,622	63,279	172,356	8,591	89,209	3,901,148	79,734
2017	76	153,430	636	51	26,498	1,626	15,580	1,398,187	57,818	2,135	447,344	11,244	13,604	1,398,375	2,911	63,415	220,777	7,061	92,726	3,197,266	70,051
2018	71	60,271	27	64	22,062	73	16,201	2,630,752	29,467	2,149	684,030	7,819	17,138	1,924,725	2,556	85,785	357,292	9,192	119,259	4,995,102	41,315
2019	77	190,514	50	57	31,356	577	19,826	3,910,467	28,691	2,527	544,812	4,510	9,489	1,079,468	976	123,211	248,318	4,791	152,660	5,460,122	35,085
	2,269	**4,144,885**	**11,931**	**566**	**451,454**	**121,699**	**107,825**	**19,018,065**	**2,142,641**	**16,152**	**4,785,737**	**767,465**	**540,882**	**26,526,450**	**323,627**	**815,519**	**2,238,467**	**330,875**	**1,467,061**	**52,379,321**	**2,930,774**

Information on the amount of gross credit exposure and impairment by segment at June 30, 2019 and December 31, 2018, is as follows:

	30-06-2019													
	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	13,614	10,210	117,556	111,741	1,467,150	1,089,212	632,034	418,327	45,831	5,488	226,667	195,251	1,870,818	1,411,902
Collective	4,131,272	1,721	333,897	9,959	17,550,915	1,053,429	4,153,704	349,138	26,480,619	318,139	2,011,800	135,624	50,508,503	1,518,872
	4,144,885	**11,931**	**451,454**	**121,699**	**19,018,065**	**2,142,641**	**4,785,737**	**767,465**	**26,526,450**	**323,627**	**2,238,467**	**330,875**	**52,379,321**	**2,930,774**

	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	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	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**

Information on the amount of gross credit exposure and impairment by activity sector at June 30, 2019 and December 31, 2018, is as follows:

	30-06-2019			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	375,440	33,020	69,196	27,669
Extraction industries	83,866	11,218	7,972	4,222
Manufacturing	2,837,390	170,944	251,508	189,279
Production and distribution of electricity, gas, steam and air conditioning	466,670	16,190	242	3,088
Water supply	236,146	68,435	54,989	30,130
Construction	2,668,887	515,075	691,558	613,423
Wholesale and retail trade	2,226,582	161,411	285,776	194,795
Transport and storage	1,164,576	357,260	143,025	97,278
Accommodation and food service activities	992,969	143,287	137,159	67,465
Information and communication	172,696	8,957	10,433	10,982
Real estate activities	2,300,269	417,869	496,738	248,502
Consulting, scientific, technical and similar activities	3,534,305	326,669	401,946	540,514
Administrative and support services activities	415,309	13,829	22,437	21,655
Public administration and defense, compulsory social security	20,567	19,032	79	492
Education	142,607	32,221	61,193	27,733
Human health services and social action activities	229,329	13,876	18,403	9,841
Arts, entertainment and recreation	179,472	44,011	18,827	31,632
Other services	970,985	43,242	41,757	23,940
Public administrations	4,144,885	404,945	28,055	11,931
Other financial activities	451,454	71,682	235,201	121,699
Households - housing with mortgage of the property	26,526,450	1,292,749	937,342	323,627
Households - housing	1,217,101	46,557	62,901	46,446
Households - others	1,021,366	301,090	357,349	284,429
	52,379,321	**4,513,568**	**4,334,086**	**2,930,774**

	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**

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 June 30, 2019 and December 31, 2018, is as follows:

	30-06-2019													
	<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	1,530,557	604,701	906,905	380,786	3,241,328	1,146,268	1,155,265	515,985	861,379	497,196	1,306,440	697,259	842,089	430,325
Non-financial institutions - Commercial real estate	405,701	191,847	269,376	124,163	861,857	406,027	344,884	145,978	435,987	219,169	698,706	369,277	653,126	317,374
Households - Loans with mortgage Property	53,972,302	38,371,304	1,913,782	838,453	540,485	212,238	205,698	6,223	229,617	1,926	180,952	731	78,339	44
	55,908,560	**39,167,853**	**3,090,063**	**1,343,402**	**4,643,670**	**1,764,532**	**1,705,848**	**668,186**	**1,526,983**	**718,291**	**2,186,098**	**1,067,268**	**1,573,555**	**747,743**

	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**

Details on the restructured loan portfolio by the application of the deferral method (Forborne) at June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019											
	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	1,473	407,089	6,882	2,822	478,062	117,390	63,566	4,295	885,151	117,390	70,448
Grace period	230	159,175	1,793	577	71,003	810	18,189	807	230,177	810	19,982
Interest rate changes	186	550,733	3,738	561	622,240	338,203	34,997	747	1,172,972	338,203	38,735
Other	4,263	1,078,460	27,421	10,311	1,146,808	411,669	224,259	14,574	2,225,268	411,669	251,680
	6,152	**2,195,456**	**39,834**	**14,271**	**2,318,113**	**868,073**	**341,012**	**20,423**	**4,513,568**	**868,073**	**380,846**

	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**

Information on additions to and exits from the deferred credit portfolio (Forborne) for the half year ended June 30, 2019 and in 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**
New restructured loans	431,943
Accrued interest of the restructured loans	9,797
Restructured loans liquidation (partial or total)	(597,038)
Reclassifyed loans from "restructured" to "normal"	(17,756)
Other	(9,758)
Balance of restructured loans at 30-06-2019	4,513,568

Details on the credit portfolio by LTV ratio at June 30, 2019 and December 31, 2018, are set out below:

Segment / Ratio	30-06-2019					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**16,304,826**	**2,713,239**	**19,018,065**	**399,551**	**1,743,090**	**2,142,641**
With no associated collateral	7,868,177	544,254	8,412,431	292,621	561,044	853,665
< 60%	6,242,243	1,688,482	7,930,725	81,387	929,266	1,010,653
>= 60% and < 80%	661,426	123,832	785,257	6,140	70,701	76,841
>= 80% and < 100%	774,472	142,971	917,443	9,994	84,164	94,159
>= 100%	758,509	213,700	972,209	9,409	97,915	107,325
Commercial real estate	**3,616,511**	**1,169,226**	**4,785,737**	**68,563**	**698,902**	**767,465**
With no associated collateral	966,950	70,917	1,037,868	35,744	131,855	167,600
< 60%	1,980,869	861,585	2,842,453	26,594	433,132	459,726
>= 60% e < 80%	239,474	66,630	306,103	2,494	44,533	47,027
>= 80% e < 100%	225,677	53,773	279,450	1,920	23,370	25,290
>= 100%	203,541	116,322	319,863	1,811	66,012	67,823
Households - Loans with property mortgage	**25,589,108**	**937,342**	**26,526,450**	**42,048**	**281,579**	**323,627**
With no associated collateral	105,957	24,532	130,489	898	62,940	63,838
< 60%	12,024,928	331,465	12,356,392	19,152	69,863	89,015
>= 60% and < 80%	5,645,229	128,211	5,773,440	5,590	16,875	22,465
>= 80% and < 100%	7,344,291	252,375	7,596,666	13,369	53,061	66,429
>= 100%	468,703	200,759	669,462	3,039	78,841	81,880
Households - Consumption and other purposes	**1,818,218**	**420,249**	**2,238,467**	**16,842**	**314,034**	**330,875**
With no associated collateral	863,250	73,729	936,979	6,991	70,431	77,422
< 60%	418,750	233,755	652,504	3,237	190,647	193,884
>= 60% and < 80%	148,313	31,690	180,003	971	16,569	17,540
>= 80% and < 100%	154,528	46,952	201,480	880	20,758	21,638
>= 100%	233,378	34,124	267,501	4,763	15,628	20,391
Other financial institutions	**216,253**	**235,201**	**451,454**	**3,644**	**118,056**	**121,699**
With no associated collateral	64,859	115,157	180,017	636	109,061	109,697
< 60%	96,095	3,349	99,444	1,498	2,545	4,043
>= 60% and < 80%	8,738	114,925	123,663	20	4,911	4,931
>= 80% and < 100%	41,387	1,698	43,086	1,399	1,439	2,838
>= 100%	5,172	71	5,244	91	99	191
Government	**4,116,831**	**28,055**	**4,144,885**	**1,615**	**10,316**	**11,931**
With no associated collateral	1,643,367	5,217	1,648,584	665	3,027	3,692
< 60%	705,235	12,189	717,423	119	7,217	7,336
>= 60% and < 80%	120,691	10,649	131,340	348	72	420
>= 80% and < 100%	889,134	-	889,134	128	-	128
>= 100%	758,404	-	758,404	355	-	355
	48,045,235	4,334,086	52,379,321	463,699	2,467,075	2,930,774

Segment / Ratio	31-12-2018					
	Exposure			Impairment		
	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

Details on the fair value and net accounting value of property received in kind or repossessed by type of assets and seniority are set out below:

	30-06-2019		
	Number of real estate	Fair value of assets	Book value
Land			
Urban	312	119,937	30,781
Rural	44	1,668	902
Under construction buildings			
Commercial	2	673	174
Housing	242	18,678	13,207
Other	61	16,305	13,992
Concluded buildings			
Commercial	275	91,248	23,758
Housing	2,414	178,644	138,275
Other	1,449	216,102	158,451
	4,799	643,254	379,540

	30-06-2019				
	< 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	1,759	16,881	6,707	5,434	30,781
Rural	51	275	475	101	902
Under construction buildings					
Commercial	-	-	-	174	174
Housing	1,509	4,703	4,538	2,457	13,207
Other	1,957	10,859	605	571	13,992
Concluded buildings					
Commercial	2,830	2,596	9,814	8,518	23,758
Housing	42,168	48,230	31,807	16,069	138,275
Other	41,039	85,148	14,616	17,648	158,451
	91,314	168,692	68,562	50,972	379,540

	31-12-2018		
Asset	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

	31-12-2018				
Time elapsed since the initial recognition / repossesssion	< 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

Explanatory notes regarding 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" – the local and central government sector which includes institutional units whose principal activity consists of the production of non-mercantile goods and services for individual or collective consumption and/or the redistribution of income and national wealth;

2. "Corporate" – non-financial corporations sector, comprising institutional units having their own legal personality whose principal activity consists of producing non-financial goods and services; and

3. "CRE construction" – 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. Households sector – includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies.

Also included are the self-employed who are members of individual companies and companies of persons not having a legal personality which are mercantile producers.

5. “Individuals − housing” – household sector comprising mortgage loans;
6. “Individuals - consumption and other purposes” – household sector not comprising mortgage loans (usually consumer credit); and
7. “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 liabilities 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 June 30, 2019 and December 31, 2018 were as follows:

	30-06-2019									
	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	5,851,318	-	-	-	-	-	-	-	-	5,851,318
Cash balances at other credit institutions	753,526	-	-	-	-	-	22	258	360	754,165
Loans and advances to credit institutions	1,433,977	862,622	70,677	63,043	2,589	2,592	6,502	40,137	165,735	2,647,874
Securities										
Trading	49,540	834,056	1,290,186	4,303,709	6,593	13,598	7,809	7,612	925,421	7,438,523
Other (net of impairment)	98,806	154,425	207,208	654,511	1,771,741	2,292,955	5,623,235	388,705	2,206,759	13,398,346
Loans and advances to customers (gross)	2,491,393	2,526,369	3,342,455	3,043,064	9,575,867	7,573,420	10,837,698	19,303,963	(30,985)	58,663,245
Assets with repurchase agreement	-	-	21,000	-	-	-	-	-	10,368	31,368
Hedging derivatives	-	-	-	-	-	-	-	-	7,528	7,528
	10,678,561	4,377,473	4,931,526	8,064,327	11,356,790	9,882,566	16,475,266	19,740,674	3,285,185	88,792,366
Liabilities										
Resources of central banks and credit institutions	(535,333)	(316,448)	(12,258)	(48,744)	(155,076)	(356,893)	(355)	(217)	(300,236)	(1,725,559)
Customer resources and other loans	(36,961,004)	(9,325,874)	(13,629,216)	(2,709,712)	(1,809,046)	(569,091)	(620,493)	(3,156)	(213,385)	(65,840,977)
Debt securities	(201)	(23,350)	(10,446)	(1,052,732)	(1,398,123)	(6,000)	(12,235)	(20,050)	3,139	(2,519,999)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(987,473)	(987,473)
Hedging derivatives	-	-	-	-	-	-	-	-	(3,250)	(3,250)
Subordinated liabilities	(26,589)	-	-	(6,080)	(70,505)	(570,202)	(124,269)	-	-	(797,644)
Consigned resources	(52,291)	(19,241)	(3,451)	(2,247)	(51,176)	(339,363)	(336,758)	(17,685)	(53)	(822,265)
	(37,575,418)	(9,684,914)	(13,655,371)	(3,819,514)	(3,483,925)	(1,841,549)	(1,094,109)	(41,108)	(1,501,258)	(72,697,166)
Derivatives	(3,715)	12,320	(4,176)	(3,630)	(8,450)	8,845	28,193	45,692	-	75,078
Difference	(26,900,572)	(5,295,121)	(8,728,021)	4,241,182	7,864,415	8,049,862	15,409,349	19,745,257	1,783,928	16,170,279

	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)	(744,712)	(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	2,169,751	19,181,875

The above tables also include cash flow projections on principal and interest and are not therefore directly comparable to the accounting balances at June 30, 2019 and December 31, 2018. Interest projections on variable-rate operations incorporate the forward rates implicit in the yield curve in force on the respective reference dates.

In the special case of mortgage loans, the distribution of capital flows and interest 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 provide information on CGD Group's "structural" (as opposed to contractual) periods to maturity, at June 30, 2019 and December 31, 2018, 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 headquarters): 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.

	30-06-2019									
	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	5,851,318									5,851,318
Cash balances at other credit institutions	754,165	-	-	-	-	-	-	-	-	754,165
Loans and advances to credit institutions	1,432,644	861,871	70,382	61,212	3	4	16	38,376	165,762	2,630,270
Securities										
Trading	4,187,658	231,170	191,024	637,381	770	1,842	928	2,067,210	103,471	7,421,455
Other (net of impairment)	2,547,471	135,523	58,859	390,693	797,516	1,474,086	3,519,545	1,284,812	1,717,018	11,925,523
Loans and advances to customers (gross)	2,378,526	2,369,406	3,103,470	2,658,192	8,336,057	6,578,910	8,761,141	15,710,624	(30,985)	49,865,342
Assets with repurchase agreement	31,368	-	-	-	-	-	-	-	-	31,368
	17,183,150	3,597,971	3,423,735	3,747,477	9,134,347	8,054,841	12,281,630	19,101,023	1,955,267	78,479,441
Liabilities										
Resources of central banks and credit institutions	(534,922)	(301,871)	(12,207)	(40,315)	(125,878)	(350,877)	(344)	(210)	(300,236)	(1,666,859)
Customer resources and other loans	(18,870,105)	(9,814,934)	(14,375,744)	(4,215,640)	(7,898,611)	(6,667,899)	(3,666,854)	(3,026)	(207,656)	(65,720,468)
Debt securities	-	(22,000)	(10,000)	(999,948)	(1,375,098)	(6,000)	(12,235)	(20,050)	3,139	(2,442,192)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(987,473)	(987,473)
Subordinated liabilities	-	-	-	-	-	(500,000)	(100,000)	-	-	(600,000)
Consigned resources	-	-	-	-	-	-	-	-	(788,755)	(788,755)
	(19,405,027)	(10,138,805)	(14,397,951)	(5,255,903)	(9,399,586)	(7,524,776)	(3,779,432)	(23,286)	(2,280,982)	(72,205,748)
Difference	(2,221,877)	(6,540,834)	(10,974,216)	(1,508,426)	(265,240)	530,065	8,502,198	19,077,737	(325,715)	6,273,694

	31-12-2018									
	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

Interest rate risk

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may change as the result of a change in market interest rates.

Long term or economic perspective – fair value

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at June 30, 2019 and December 31, 2018.

	30-06-2019					
	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	5,850,661	-	5,850,661	-	-	5,850,661
Cash balances at other credit institutions	755,079	-	755,079	-	-	755,079
Loans and advances to credit institutions	2,602,831	-	2,615,151	12,321	24,408	2,627,238
Financial assets with repurchase agreement	21,000	-	21,034	34	10,368	31,368
Held-to-maturity investments	5,956,515	-	5,981,441	24,926	130,202	6,086,717
Loans and advances to customers	49,867,653	-	50,235,552	367,900	(419,106)	49,448,547
	65,053,738	-	65,458,918	405,180	(254,129)	64,799,609
Liabilities						
Resources of central banks and other credit institutions	(1,629,826)	-	(1,632,225)	(2,399)	(48,178)	(1,678,004)
Customer resources and other loans	(65,567,913)	-	(65,624,067)	(56,155)	(217,841)	(65,785,754)
Debt securities	(2,463,424)	(2,204,098)	(432,787)	(173,462)	(4,384)	(2,467,808)
Subordinated liabilities	(600,268)	(609,429)	(108,783)	(117,944)	(303)	(600,571)
Consigned resources	(788,702)	-	(801,837)	(13,135)	(53)	(788,755)
	(71,050,133)	(2,813,527)	(68,599,699)	(363,094)	(270,758)	(71,320,891)

	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
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)

Fair value was assessed on the following assumptions:

- The book value of balances payable on demand corresponds to their fair value;
- The net fair value of Caixa's listed debt issuances corresponds to their respective market price;
- The fair value of the remaining financial instruments is measured on the basis of discounted cash flow models up to the maturity of the operations for both fixed and variable interest rate instruments. The contractual conditions of the operations as well as, for the estimated variable-rate instruments, the future cash flows, incorporating the forward rates implicit in the yield curve in force on the respective reference dates were considered for the purpose in question together with the use of discount curves appropriate to the type of instrument, including:

→ Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources; and

→ Market interest rates incorporating average spreads on new lending operations and customer deposits on like-for-like loans and deposits;

- The "Balances not analysed" column essentially includes:

→ Overdue credit, net of impairment; and

→ The balances of several branches not included in Caixa's centralised calculation.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at June 30, 2019 and December 31, 2018 may be summarised as follows:

	30-06-2019			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	6,516,770	4,135	0	6,520,905
Securities at fair value through profit or loss	150,745	-	1,431,519	1,582,264
Available-for-sale financial assets	3,828,953	174,907	291,927	4,295,788
Assets with repurchase agreement	21,033	-	10,335	31,368
Trading derivatives	-	(87,200)	276	(86,924)
Hedging derivatives	-	4,279	-	4,279
	10,517,501	96,121	1,734,058	12,347,680

	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	0	5,375,183
Securities at fair value through profit or loss	172,335	-	1,455,860	1,628,195
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	1,830,510	11,841,274

The preparation of the above table was based on the following criteria:

- **Level 1** – Market prices – this column includes financial instruments measured on the basis of prices in active markets;
- **Level 2** – Measurement techniques – observable market input – this column includes financial instruments whose value is measured on the basis of internal models using observable market input (interest rates, exchange rates, ratings of external entities, other). It also includes financial instruments measured on the basis of the bid prices supplied by external counterparties; and
- **Level 3** – Other measurement techniques – 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 their *NAV* as supplied by restructuring or closed-end fund management companies.

Movements in financial instruments, classified in the "Other measurement techniques" column, in first half 2019, were as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2016	1,455,776	85	1,455,861	182,327	4,459	178,352	365,138	9,511	1,830,510
Acquisitions	123,107	-	123,107	4,487	-	20,755	25,243	-	148,349
Sales	(76,510)	-	(76,510)	(12,105)	(369)	(746)	(13,221)	-	(89,731)
Amortisations	-	-	-	-	-	(19,981)	(19,981)	-	(19,981)
Gains / (losses) recognised as a charge to net income - alienated instruments	17,068	-	17,068	-	-	47	47	-	17,115
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	(88,245)	10	(88,235)	2	40	5,016	5,058	12	(83,164)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(4,536)	81	3,372	(1,083)	-	(1,083)
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	-	288	288	(9,248)	(8,959)
Transfers from / (to) other accounting captions	-	-	-	(589)	-	-	(589)	-	(589)
Exchange differences	229	-	229	(58,905)	-	217	(58,689)	-	(58,460)
Other			-	13	-	38	51	-	51
Book value (net) at 31-12-2017	1,431,424	95	1,431,519	110,694	4,210	187,358	302,262	276	1,734,058

A positive shift of 100 bps on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, at June 30, 2019 and December 31, 2018, would result in decreases of around €0.05 thousand and €4 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

Equity instruments measured using other measurement techniques (level 3) at June 30, 2018, essentially included investment structures measured at the net asset value of the underlying assets as supplied by the management bodies or other information services providers.

Transfers between levels 1 and 2 of the fair value ranking, in first half 2019, were as follows:

	30-06-2019	
	Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	36,803	24,731

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 for 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. Based on its current exposure, the Group also 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 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* − 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) and *LGDs* (loss given defaults) and are centrally assessed by the Group on the basis of the following criteria:

- For counterparties or projects with listed debt or available credit default swap prices, the Group infers the 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,* as recognised in "Financial assets held-for-trading", and *DVAs* as recognised in "Financial liabilities held-for-trading" at June 30, 2019 totalled €19,294 thousand and €1,952 thousand respectively (€17,445 thousand and €495 thousand, respectively at December 31, 2018).

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 contributors defined internally by CGD. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general, the input used for internal valuations is obtained from Bloomberg and Refinitiv (ex Thomson Reuters) systems.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. These securities are measured by the use of internal/external valuation techniques. The measurements 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 on the basis of 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* to a *CLO* (collateralised loan obligation) cascade payment.

For discount purposes, internal measurements use a listed credit curve complying with the issuance's currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of input sources for measurement purposes. The valuations provided by structurers, issuing entities or counterparties (external measurements) are generally allocated to level 3. Securitisations with reduced liquidity are also allocated to level 3.

Yield curves are calculated on money market rates and swap prices. Euro, GBP and USD yield curves are adjusted by the market price of interest rate futures and/or *FRAs.*

The values of the curves of the currencies with the highest exposure, at June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019			31-12-2018		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.4400	2.5500	0.7600	-0.4300	2.2700	0.7450
1 month	-0.4400	2.5200	0.7500	-0.4100	2.5900	0.8200
2 months	-0.4247	2.4100	0.8000	-0.3872	2.6400	0.8800
3 months	-0.4104	2.3687	0.8226	-0.3633	2.6854	0.9190
6 months	-0.3674	2.1763	0.8032	-0.2913	2.7064	0.9349
9 months	-0.3899	2.0866	0.8061	-0.2765	2.7105	0.9624
1 year	-0.3842	1.9958	0.7962	-0.2562	2.7136	0.9873
2 years	-0.3973	1.7876	0.7744	-0.1890	2.6444	1.0666
3 years	-0.3546	1.7130	0.8458	-0.0733	2.5910	1.2051
5 years	-0.2318	1.7270	0.8998	0.1965	2.6010	1.2895
7 years	-0.0720	1.8155	0.9572	0.4668	2.6450	1.3492
10 years	0.1771	1.9420	1.0435	0.8089	2.7340	1.4281
15 years	0.4911	2.0895	1.1578	1.1669	2.8240	1.5109
20 years	0.6561	2.1570	1.2138	1.3239	2.8530	1.5415
25 years	0.7141	2.1820	1.2311	1.3702	2.8550	1.5450
30 years	0.7261	2.1920	1.2356	1.3792	2.8520	1.5368

Credit curve values are obtained from Bloomberg/Refinitiv (ex Thomson Reuters) systems 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 June 30, 2019 and December 31, 2018, were as follows:

	30-06-2019		31-12-2018	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.4052	-0.5750	-0.4820	-1.0110
6 months	-0.4088	-0.6010	-0.4172	-0.8410
9 months	-0.3913	-0.6955	-0.3995	-0.6725
1 year	-0.3780	-0.6830	-0.4004	-0.6160
2 years	-0.4130	-0.7480	-0.2622	-0.6190
3 years	-0.3287	-0.7660	-0.0449	-0.5489
5 years	-0.1106	-0.6660	0.5999	-0.2784
7 years	0.1350	-0.5728	1.2311	-0.0592
10 years	0.5075	-0.3300	1.7767	0.2285
15 years	0.8856	-0.1244	2.2529	0.5095
20 years	1.2237	0.0516	2.7324	0.6063
25 years	1.4530	0.1576	2.9353	0.7374
30 years	1.4924	0.2635	3.0001	0.8685

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at June 30, 2019 and December 31, 2018:

	30-06-2019	31-12-2018
EUR/USD	1.1380	1.1450
EUR/GBP	0.8966	0.8945
EUR/CHF	1.1105	1.1269
EUR/AUD	1.6244	1.6220
EUR/JPY	122.6000	125.8500
EUR/BRL	4.3511	4.4440

Market risk

Market risk comprises the risk of a change in fair value or 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 Banco de Investimento, BCG Spain, BCG Brasil. BCI and BNU Macau.

. Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in Caixa's and the following Group business units' separate financial statements;

- Caixa - Banco de Investimento;
- BCG Spain;
- BCI; and
- BNU.

. 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 empirical.

The following is a breakdown of VaR, at June 30, 2019 and December 31, 2018:

Activity of Caixa Geral de Depósitos

Held-for-Trading portfolio (VaR 99%, 10 days)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk	27,183	34,554	22,046	22,387

Held-for-Trading portfolio (VaR 95%, 1 day)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk				
Interest rate	757	1,179	459	503
Foreign exchange rate	74	184	2	36
Price	20	94	17	21
Volatility	6	17	5	17
Diversification effect	(91)	-	-	(65)
	765			512

Treasury management (VaR 95%, 1 day)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk				
Interest rate	105	118	99	110
Foreign exchange rate	3,306	4,917	1,326	2,113
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(115)	-	-	(78)
	3,296			2,145

Own portfolio (VaR 99%, 10 days)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk				
Interest rate	772	936	739	780
Foreign exchange rate	45	408	3.4	23
Price	2,139	2,232	1,896	2,045
Volatility	-	-	-	-
Diversification effect	(469)	-	-	(554)
	2,487			2,294

Investment portfolio (VaR 99%, 10 days)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk				
Interest rate	51,515	60,817	37,886	50,434
Foreign exchange rate	-	-	-	-
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	-	-	-	-
	51,515			50,434

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2019	Maximum	Minimum	31-12-2018
VaR by type of risk				
Interest rate	2,421	4,534	2,198	4,557
Foreign exchange rate	1,646	2,283	1,646	1,724
Price	33	198	5	86
Volatility	1	2	0	2
Diversification effect	(1,440)	-	-	(1,892)
	2,661			4,476

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

38. SUBSEQUENT EVENTS

The ECB (European Central Bank) declared its non-opposition to the disposal process of 99.79% of Banco Caixa Geral, S.A.'s equity shares to ABANCA Corporación Bancaria, S.A., on September 9, 2019. This declaration completes the approval process by the competent authorities on the sale of this subsidiary, information on which was supplied in the Group's market communication of November 2018. In accordance with the agreement the disposal process is scheduled for completion in October 2019.

As CGD Group considers this to be a "subsequent adjustable event" as duly announced at the end of July 2019, its accounts for the period ended June 30, 2019 were adjusted to provide for the effects of this decision on the basis of an adjustment of the amount of impairment on BCG Spain in line with the agreed transaction price. The measurement of this equity investment had a positive impact of €134,955 thousand on net profit for the period with reference to June 30, 2019

CGD Group agreed to the disposal of the Beirafundo and Fundo Ibéria closed-end investment funds in July 2019. The completion of this operation had been dependent upon several preceding conditions which have already been met.

The book value of the properties owned by the Beirafundo and Ibéria funds at June 30, 2019 totalled €34,514 thousand and was recognised in the investment properties category (note 14).

On September 10, 2019, CGD was notified of the final decision of the competition authority which levied a fine of €82,000 thousand (calculated, by law on the basis of its business revenue in the credit segments in question). The other institutions involved in this process were also notified of similar decisions.

As CGD considers that the alleged violations and the fine levied on it contain flaws and omissions, it will appeal the decision with the court of competition, regulation and supervision in compliance with the terms and periods set out in law (note 21).

39. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese version language version prevails.

2.2. Information transparency and asset valuation

ADOPTION OF RECOMMENDATIONS RELATED TO INFORMATION TRANSPARENCY AND ASSET VALUATION, ACCORDING TO THE BANK OF PORTUGAL'S CIRCULAR LETTER NO. 97/2008/DSB, OF 3 DECEMBER AND CIRCULAR LETTER NO. 58/2009/DSB OF 5 DECEMBER.

I.	Business Model	
1.	Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	Board of Directors' Report 2018: • Message from the Chairman and CEO of Board of Directors • CGD Today • Activity and financial information Corporate Governance Report 2018.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. Board of Directors' Report 1st half 2019: • Activity and financial information • Notes 12, 20 and 22 of Annex to the Consolidated FS-Financial Statements (Securitisation operations & Structured products).
3	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	Board of Director's Report 2018: • CGD today • Activity and financial information Board of Director's Report – 1st half 2019: • Activity and financial information • Notes 25 and 35 of Annex to the Consolidated FS.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. Board of Directors' Report 2018: • Risk management Board of Director's Report – 1st half 2019: • 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 2018: • Risk management • Note 41 (description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate) of Annex to the Consolidated FS. Board of Director's Report – 1st half 2019: • Note 37 of Annex to the Consolidated FS.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/ weaknesses identified and the corrective measures taken;	See II.6 above.
III.	Impact of period of financial turmoil on results	
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	Board of Director's Report – 1st half 2019: • Activity and financial information • Notes 6, 8, 17 and 34 of Annex to the Consolidated FS.

III.	**Impact of period of financial turmoil on results (cont.)**	
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	Board of Director's Report – 1st half 2019: • Note 37 (types of products and instruments affected by the period of turmoil) of Annex to the Consolidated FS.
10.	Description of the reasons and factors responsible for the impact;	Board of Director's Report – 1st half 2019: • Economic and Financial Situation • Activity and financial information See items III. 8 and III.9 above.
11.	Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 aboves.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	Board of Director's Report – 1st half 2019: • Note 37 of Annex to the Consolidated FS See items III.8 to III.10 above.
13.	Description of the influence of the financial turmoil on the entity's share prices;	N.A.
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	Board of Director's Report – 1st half 2019: • Risks and uncertainties See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	Board of Director's Report – 1st half 2019: • 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 2018: • Risk management Board of Director's Report – 1st half 2019: • Note 2 and Note 37 (comparison between the fair and book value of assets and liabilities recognised at amortised cost) of Annex to the Consolidated FS.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	Board of Director's Report – 1st half 2019: • Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 10 and Note 37 of Annex to the Consolidated FS.
18.	Detailed disclosure of exposures, broken down by: -Level of seniority of exposures/tranches held; -Level of credit quality (e.g. ratings, vintages); -Geographic areas of origin; -Sector of activity; -Origin of exposures (issued, retained or acquired); -Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance; -Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses;	Board of Director's Report – 1st half 2019: • Note 37 of Annex to the Consolidated FS.

IV.	**Levels and types of exposures affected by the period of turmoil (cont.)**	
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See items III.8 to III.15 above.
20.	Explanations of exposures (including “vehicles” and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: -Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; -Fair value of "live” exposures and respective credit protection; -Value of write-downs and losses, split up between realised and unrealised amounts; -Breakdown of exposures by rating or counterparty;	CGD does not have any exposure to monoline type insurance companies.
V.	**Accounting policies and valuation methods**	
22.	Classification of transactions and structured products for accounting and respective processing purposes;	Board of Director’s Report – 1st half 2019: • Note 2 (description of the financial instruments and how they are processed in the accounts) of Annex to the Consolidated FS.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.A.
24.	Detailed disclosure of the fair value of financial instruments: -Financial instruments at fair value; -Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); -Processing of “day 1 profits” (including quantitative information); -Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	Board of Director’s Report – 1st half 2019: • Notes 7, 8 and 37 of Annex to the Consolidated FS. See item IV.16 above.
25.	Description of modelling techniques used to value financial instruments, including information on: -Modelling techniques and instruments on which they are applied; -Valuation processes (particularly including the assumptions and inputs upon which the models are based); -Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; -Sensitivity of fair value (namely changes to assumptions and key inputs); -Stress Scenarios;	Board of Directors’ Report 2018: • Note 41 of Annex to the Consolidated FS; Board of Director’s Report – 1st half 2019: • Note 2 and 37 of Annex to the Consolidated FS (information and processes applied by CGD in the valuation of financial instruments).
VI.	**Other relevant disclosure aspects**	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	Board of Director’s Report – 1st half 2019: • Note 2 of Annex to the Consolidated FS.

2.3. Report on Limited Review of Condensed Consolidated Financial Statements

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This report is a free translation of the Portuguese version
(in case of any doubt or misinterpretation the Portuguese version will prevail)

Report on Limited Review of Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. ("Group" or "CGD") which comprise the condensed consolidated balance sheet as at June 30, 2019 (which shows a total of 91,334,063 thousands euros and total equity of 8,359,220 thousand euros, including a net income attributable to the shareholder of CGD of 417,495 thousand euros), the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six- month period then ended, and accompanying notes thereto, including a summary of significant accounting policies.

Responsibilities of management

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting purposes (IAS 34), and designing and maintaining an appropriate system of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement,whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical guidelines from Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). These Standards require that our work be conducted for the purpose of expressing a conclusion about whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

A limited review of financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained.

A limited review is substantially less in scope than an audit conducted in accordance with International standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2019 have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

Lisbon 27th September 2019

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

Sociedade de Revisores Oficiais de Contas

Represented by:

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230

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