



20 | FIRST HALF
22 | REPORT





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This document is an English translation of the original Portuguese language document “Relatório de Gestão e Contas - 1º semestre de 2022”. The Portuguese original prevails in the event of any inconsistency.

1.

BOARD OF
DIRECTORS'
REPORT



1.1. Highlights

CGD recorded a net income of €486 million, supported by the improvement in the cost of risk and in the international area profitability.

- In the first half of 2022, Group Caixa Geral de Depósitos generated a consolidated net income of €486 million, an increase of 65% compared to the same period of 2021. Excluding the non-recurring events recorded in 2021, with emphasis on employee costs, and in 2022 with the sale of several non-core properties, the increase in income is from €221 million to €443 million is equivalent to a ROE of 10.6%.

This evolution reflects a lower cost of credit risk in the period after the most acute phase of the Covid-19 pandemic, as well as the contribution of the international activity to the Group's net income of €109 million, around 22% of the total, an increase of 77% compared to the first half of 2021.

Net interest income recorded an evolution of €101 million, dominated by international activity (+€47 million, including €32 million of exchange rate variation), and by the ECB's TLTRO program (+€29 million).

The current cost-to-income ratio continues to show a sustained decline, to 43.4%, reflecting gains in efficiency levels and improved income.

- Business volume was up €3.2 billion (+2%) compared to the end of 2021, recording an evolution both in credit (+€1,226 million, +2%) and in customer resources, including off-balance sheet products (+€1,993 million, +2%), driven by international activity, which grew by 7%.

In the corporate segment in Portugal, the production of credit stands out in the first half of the year, in particular, the 5% rise in the stock of loans to SME (Small and Medium-sized Enterprises). Reference should also be made to the growth in the sale of core products to corporates, including medium-long term financing (up 46%), non-financial insurance (up 35%), bank guarantees (up 48%) and factoring and confirming (up 24%). Credit transactions through the Flexcash platform were up 21% over the first half 2021, highlighting the growing importance of the digital channels.

In the individuals segment in Portugal, the production of mortgage loans grew by 10% in the half-year period, reaching €1,731 million. Consumer credit benefited from initiatives to reduce the approval period and disbursement of funds, with an increase in production of 47% compared with the same period last year.

Customer deposits were up 4% by €2,604 million across the semester in Portugal, particularly in the corporate segment (+4%) and customers (+4%), continuing to have a negative impact on bank accounts by around 26 b.p..

CGD maintained its leadership position in several business segments. In credit, CGD is the leader with a market share of 18% and 20% in loans to individuals, particularly mortgage loans (24%). CGD also occupies the top position in specialized credit, in the equipment leasing segment, with a market share of 20%. In terms of deposits, CGD has a total market share of 24% and a 32% share for individual customers, reinforced, in terms of resource raising, by its leadership in securities investment funds (36%). In banking services, CGD is the bank with the largest number of debit cards issued (26%) and the largest provider of minimum banking service accounts (42%).

- The 2021-2024 Strategic Plan continued to be pursued, with the effect of improving business in areas such as credit to SME, consumer credit and the number of digital customers.

The number of active customers using digital banking reached 2.14 million at the end of June 2022, with a 19% growth in mobile users. The number of financial operations on digital channels in the first half increased by 11% over the same period last year.

- Asset quality improved with NPL ratio decreasing to 2.6% while NPL ratio net of impairment remained at 0%. Foreclosed assets was down 15% to €339 million, falling again significantly.

The evolution recorded in the loan portfolio since the end of the moratoriums within the scope of the pandemic, has a relevant impact on the result, allowing the partial reversal of impairments constituted preventively in previous years, concretely in 2020 and 2021. Recovery activity also continued to deliver good results. Overall, the evolution of the portfolio and recovery activity resulted in a credit risk cost of -0.58% reflecting the favourable evolution compared to initial expectations in the context of a pandemic.

- CGD continues to enjoy a robust capital status, higher than the average for Portuguese and European banks. The Tier 1 and Total ratios stood at 18.5% and 20.0% respectively, even after the payment of dividends approved at the General Meeting.
- In the beginning of June, an issue of €300 million of senior preferred debt was carried out - the first carried out with the investment grade category by the 3 rating agencies and the first "green" issue by a Portuguese bank - continuing the constitution of eligible emissions to comply with the MREL requirements with application from 2024.

- On March 9, 2022, Fitch Ratings upgraded CGD's IDR and long-term preferred senior debt ratings from BB+ to BBB-, and revised its outlook from Positive to Stable. With this change, CGD is now rated investment grade by the three international agencies that monitor its rating.

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

	(EUR million)	
	<i>Restated</i>	
RESULTS	2021-06	2022-06
Net interest income	490.1	591.2
Net fees and commissions	269.8	306.0
Non-interest income	380.6	425.1
Total operating Income	874.8	1,025.9
Net operating Income before Impairments	562.8	526.3
Net operating income	458.2	756.4
Net income	294.2	485.7
PROFIT AND EFFICIENCY RATIOS		
Gross return on equity - ROE ^{(1) (2)}	11.2%	17.0%
Net return on equity - ROE ⁽²⁾	7.2%	11.5%
Gross return on assets - ROA ^{(1) (2)}	1.0%	1.5%
Net return on assets - ROA ⁽²⁾	0.7%	1.0%
Cost-to-income BoP ⁽¹⁾	34.6%	47.6%
Cost-to-income ^{(1) (3)}	47.8%	43.4%
Employee costs recurrents / Total core operating income ^{(1) (3)}	29.6%	26.0%
Total operating income / Average net assets ⁽²⁾	1.9%	2.0%
BALANCE SHEET		
	2021-12	2022-06
Net assets	104,010	106,596
Cash and loans and advances to credit instit.	26,924	28,530
Securities investments	21,152	20,150
Loans and advances to customers (net)	50,184	51,560
Loans and advances to customers (gross)	52,498	53,725
Central banks' and credit institutions' resources	6,745	6,512
Customer resources	79,756	83,373
Debt securities	1,790	828
Shareholders' equity	9,287	9,397
CREDIT QUALITY AND COVER LEVELS ⁽⁴⁾		
NPL ratio - EBA	2.8%	2.6%
NPE ratio - EBA	2.3%	2.1%
NPL coverage - EBA	107.8%	108.1%
NPE coverage - EBA	98.6%	99.2%
Crđ. imp. (P&L) / Loans & adv. custom. (aver.) ^(*)	0.08%	-0.58%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	48.2%	48.4%
Loans & adv. custom. (net) / Custom. dep.	63.0%	61.9%
SOLVENCY RATIOS		
CET 1 (fully implemented) ⁽⁵⁾	18.2%	18.5%
Tier 1 (fully implemented) ⁽⁵⁾	18.2%	18.5%
Total (fully implemented) ⁽⁵⁾	19.7%	19.9%
Leverage ratio (fully implemented)	7.3%	7.1%
LIQUIDITY RATIOS		
Liquidity coverage ratio	357%	356%
Net stable funding ratio	165%	175%
OTHER INDICATORS		
Branch office network - CGD Group	927	921
Number of branches and corporate offices - CGD Portugal	555	552
Number of employees - CGD Group	11,471	11,371
Number of employees - CGD Portugal	6,117	6,035

Notes: Calculation of indicators as in the glossary: https://www.cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_10MAI2018.pdf. The June 2021 accounts of the consolidated activity were restated for comparability purposes due to the shareholder position in Banco Comercial do Atlântico (BCA) no longer being classified under "Non-current assets held for sale".

(1) Ratios defined by the Bank of Portugal (instruction 6/2018); (2) Average Equity and Net Assets (13 observations) (3) Excluding non-recurring costs; (4) Prudential perimeter, except when marked with (*); (5) Solvency ratios include net income for the periode (prudential perimeter), net of maximum dividend distribution (MDA).

1.2. CGD Group

Shareholder structure

CGD is a limited company and, under Decree-Law nº 287/93 of August 20, the shares representing their share capital, including those that may be issued in future capital increases, may only be owned by the Portuguese state.

Its share capital of €3,844,143,735 comprises 768,828,747 shares with a nominal value of €5 each, at 30 June 2022.

Shareholders	Share Capital at 30/06/2022	% Equity Stake at 30/06/2022
Portuguese State	€ 3,844,143,735	100%

There are no shareholders' agreements involving the share capital of CGD, held, by legal determination by a single shareholder.

Branch office network

CGD Group's branch office network, at the end of June 2022, comprised 921 banking presences, 10 fewer than in the same period last year.

At the domestic level, CGD had 509 active branches and CGD Stores, 13 self-service branches, 25 "corporate offices" and an additional 2 office extensions, 3 mobile units and one Caixa BI branch, coming to a total of 552 locations in Portugal and continuing to present itself as the largest branch office network in national retail banking, a position underlined by the significant reductions in the physical presence of several other banks. CGD provides 3,254 self-service equipment, including 689 items of equipment on its own network (bank passbook printers) plus 2,565 Multibanco network ATMs.

CGD group's foreign banking presence comprised a total number of 368 branches at the end of June 2022.

NUMBER OF BANK BRANCHES AND OTHER GROUP UNITS	2021-06	2021-12	2022-06
CGD (Portugal)	556	555	552
Physical branches and CGD Stores	511	510	509
Mobile branches	3	3	3
Self-service branches	13	13	13
Corporate offices and local extensions	29	29	27
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2	2
France Branch	48	48	48
Banco Nacional Ultramarino (Macau)	21	21	19
Banco Comercial e de Investimentos (Mozambique)	211	210	210
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	34	34	34
Banco Caixa Geral Brasil (Brazil) ¹	1	1	1
Banco Caixa Geral Angola	35	33	32
Other CGD Branches	14	14	14
Total	931	927	921
Representative offices	10	11	11

(1) Sale in progress

Human resources

CGD Group had 11,371 employees at 30 June 2022, down 100 employees over December 2021. The reduction is mainly explained by the variations observed at CGD Portugal (-82 employees). The departures of employees in Portugal continued to take place mainly through mutually agreed solutions between CGD and the employee, retirements and early retirements in order to contribute to CGD's competitiveness and sustainability in a harmonious and progressive way, in a context of structural changes in the banking business. Despite the net reduction recorded, CGD retained its ability to renew and rejuvenate, having carried out 62 hires and 95 remunerated internships in Portugal, of which 26 began in the first half of 2022.

NUMBER OF CGD GROUP EMPLOYEES	2021-06	2021-12	2022-06
CGD Portugal ⁽¹⁾	6,241	6,117	6,035
Other ⁽²⁾	5,393	5,354	5,336
Total	11,634	11,471	11,371

(1) Effective staff, includes employees from other Group companies.

(2) Doesn't include Caixa Geral de Aposentações' employees and employees in other situations such as secondments or extended absences.

In the last 5 years, the total salary mass of CGD employees grew by an average of 2.39%, above the inflation rate, which increased by 0.8% on average. The average remuneration in the first half of 2022 was 2,488 euros (+7% compared to 2017), with 5,578 euros for employees with managerial roles and 2,394 euros for those who do not have managerial roles. The minimum amount of the total monthly remuneration paid by CGD, as of 30 June 2022, to employees linked to CGD, SA with an open-ended contract was 1,359 euros.

EVOLUTION OF THE WAGE MASS ⁽¹⁾	2017	2018	2019	2020	2021	2022 (p)
Variation in the salary mass (total CGD employees)	2.19%	2.84%	2.41%	2.35%	2.16%	2.15%
Inflation rate (Portugal) ⁽²⁾	1.6%	1.2%	0.3%	-0.1%	0.9%	5.9%

Note: Scope CGD, SA. (1) Mass Salary means the Effective Monthly Remuneration, which includes: basic remuneration, diurnities, lunch subsidy and others subsidies; (2) Inflation Rate: - historical INE(HICP); (p) - Bank of Portugal economic projection of 9 June 2022.

In the 1st half of 2022, 452 promotions were carried out for employees from the domestic perimeter and 196,797 hours of training were recorded, representing 29.27 hours per employee.

Pensions	2017	2018	2019	2020	2021	Jun22
Pension update ⁽¹⁾ (CGD employees - indexed to CGD remuneration table)	n.a	0.95%	0.59%	0.69%	0.77%	0.85%
Average pension amount paid in the year	2,028	2,066	2,088	2,112	2,129	2,146

(1) CGD update the pensions considering the amounts agreed for 2021 and 2022.

CGD brand, prizes and distinctions

According to Brandscore, in the 2nd quarter of 2022, CGD maintained a "Very Positive" assessment of CGD brand's reputation (customer evaluation), as regards those attributes considered essential to the bank's sustainability (trust, financial strength, governance, ethics and transparency).

In terms of customer evaluation, CGD improves the score of the brand indicators, with emphasis on "Governance" and "Simplicity". CGD strengthened its nomination as the "Best Bank for Personal Customers" and "Best Bank for Young People" (spontaneous nomination) in the opinion of the customers of each bank in 1st half 2022.

In the context of Portuguese banking, CGD brand's maintained the leading position as the brand with the greatest appeal to new customers.

In the first half of 2022, the following awards and distinctions were awarded in relation to CGD Group's activity in retail and digital banking:

- Powerful Brand - CGD was distinguished in the Large Banks category by the Marktest Group and Cofina Media
- Best Bank in Sustainability – CGD was elected "Best Bank in Sustainability in 2021" by the Brandscore study, by consulting firm Scopen
- Banking – Virtual Assistant – Caixadirecta App Digital Assistant – 5 Star Award
- Banking – Open Banking – DABOX App - 5 Star Award
- Special Award - 34th edition of the Investor Relations & Governance Awards (IRG Awards) – Deloitte - Completion of the Recapitalization Plan

- National Sustainability Award - Sustainable Finance - First sustainable debt issue by a Portuguese bank - Jornal de Negócios
- No. 1 in Portugal and No. 188 worldwide in the “TOP 1000 World Banks 2022” ranking by The Banker magazine of the Financial Times group

Social responsibility and sustainability

The sustainability strategy for the period 2021-2024 embodies CGD's ambition to be the sustainable financing leader in Portugal, in its support for the transition to a low carbon economy, financing projects with a social impact on people's lives based on five strategic operational pillars:

- Equity, digital and financial inclusion
- Disclosure of sustainability-related information
- Transparent governance models
- Sustainable, inclusive financing
- Climate risk management

As a benchmark institution in the financial sector, CGD's priority is to support the transition to a low carbon economy based on its financing and investing activities.

CGD has accordingly issued €300 million in "Green" senior preferred bonds. This operation is the first “Green” issuance by a Portuguese financial institution, gearing the financing of credit operations to the environmental domains, promoting energy efficiency by financing houses with category A+, A and B energy certificates. As CGD's second ESG issuance it shows that the commitments undertaken in the field of sustainable financing are being fulfilled, creating value for customers and reducing the environmental impact of their activity. The sustainable characteristics of the issuance succeeded in attracting the interest of ESG investors who accounted for 78% of the issuance.

CGD published its 2021 Sustainability Report and 2021 Sustainability Brochure, in 2022 in conformity with the Global Reporting Initiative (GRI) or the Task Force on Climate-Related Financial Disclosures (TCFD).

In terms of external recognition, reference should be made to the fact that CGD's sustainable debt issuance was one of the three projects nominated in the Sustainability Initiative Award category in the 34th edition of the Investor Relations & Governance Awards.

In social terms, reference should be made to the Caixa Social 2022 Awards prize-giving ceremony at Culturgest - Fundação Caixa Geral de Depósitos, in which a total amount of €500,000 was shared by 29 projects in the following areas:

- Recovery and resilience of the social sector
- Digital transformation and training
- Green economy and ecological transition

CGD maintained its strong commitment, supporting the areas of Culture and Education in excess of €10 million.

Thus, the commitment to Culture continued with the allocation of €2.8 million to Fundação Caixa Geral de Depósitos – Culturgest, whose program of activities for 2022 was part of the mission and purposes established in its statutes of promoting culture, art and thinking. In pursuit of this mission, Culturgest has maintained a consistent position over the last 28 years, which represents a valuable asset in terms of renown, public recognition and accumulated experience. A position based on a contemporary matrix and on a multidisciplinary activity, covering the areas of performing arts, music, visual arts and cinema, accompanied by a critical dialog and a varied range of educational and participatory initiatives, at the intersection between the local and the global.

The Caixa Mais Mundo Awards aim to recognize the academic merit of students who have completed high school education and to encourage the continuity of studies in universities. In 2022, 300 students were supported with a unit value of €1,000, in a global support of €300,000. Added to this amount was the support to 38 universities registered with CGD, in the amount of €7.5 million.

1.3. Economic and financial framework

The economic environment in first half 2022 was in stark contrast to the projections at the beginning of the year. Expectations of an easing of restrictions related to the pandemic and expected positive impacts, particularly in services-related sectors, together with the resolution of supply constraints, high savings levels and recovering labour markets in January, were indicative of a highly positive outlook for global growth. Notwithstanding a hike in inflation and the need to normalise monetary policy, the global post-pandemic environment was favourable to a robust rate of growth.

However, at the start of the year two relevant factors emerged which contributed to the containment of the favourable outlook. Firstly, the spread of the Omicron variant had a particularly negative impact on China where government mandated lockdowns and disruptions in several cities contributed to a significant reduction of economic activity, including a contraction of consumption.

The second factor, which would prove to be the most relevant, was the outbreak of armed conflict in Ukraine at the end of February. In addition to the adverse (human) implications arising from any such event there were major repercussions in commodity markets, trade, and financial channels. The offensive in Ukraine has contributed to economic fragmentation, as a significant number of countries and companies, particularly multinationals, have cut their trading links with Russia, which has been subject to various economic and financial sanctions.

Owing to the proportion accounted for by Russia and Ukraine of the supply of certain raw materials, such as natural gas and oil in the case of the former and cereals and agricultural fertilisers, in the case of the latter, hikes in energy and food prices contributed to successive price hikes, both in production and consumption. With shortages of labour and intermediate goods, other inflation-related components began to show signs of an increased contribution to price acceleration, further aggravating the preceding year's strong inflationary pressures. This framework is evident in the constant upward revisions of inflation projections, both for 2022 and the following year, with a trend towards further, more gradual, moderation. Consumer price growth has already had a direct impact on household disposable income, while the uncertainty arising from the war has had an adverse effect on corporate investment decisions.

Together with higher inflation projections, expectations regarding the monetary policy normalisation trajectory have also been significantly adjusted, deriving from the actions of the monetary authorities themselves. Reference should be made to the fact that, in 2021, several central banks in the emerging bloc had already embarked upon a cycle of financial restrictions. This was not only the case of Brazil and Russia but also central banks in commodity exporting countries such as Norway. In first half 2022, the Federal Reserve initiated a cycle of benchmark rate increments, while the European Central Bank, also with the aim of making monetary policy less expansionary, announced the ending of its quantitative easing programme in anticipation of an early increase in base rate. This is visible in the sharp increase in short term interest rates. Other central banks in developed economies such as, inter alia, the Bank of England and Bank of Canada, have also imposed more restrictive financial conditions.

In spite of continuing to focus on the evolution of price growth, economic growth projections in most economies have been revised downwards, increasing the risk of stagflation which is visible in several economic indicators, notwithstanding the fact that the labour market has remained reasonably strong with low levels of unemployment.

The monetary normalisation cycle in financial markets has resulted in an across-the-board increase in money market and sovereign debt yields to multiannual highs. In the case of the former, the largest variations were noted in the 6 month (up 80 b.p.) and 12 month (up 153 b.p.) maturities, with interest rates at positive values for the first time since 2015 and 2016, at 0.26% and 1.04% respectively. Ten year European sovereign bond yields worsened in the face of inflationary pressures in the euro area and a consequently more aggressive approach from the ECB. Although uncertainties over the outbreak of war contributed to a certain volatility in the bond market, the half year ended with variations of between 151 b.p. in Germany (1.34%) and 227 b.p. in Greece (3.62%). Portugal's yield curve returned to positive values across all maturities, with the 10 year maturity at 2.42% (up 195 b.p.), while the risk premium compared to Germany was up 44 b.p. to 108 b.p..

An expected economic context of stagflation and growing fears of recession were reflected in sharp falls in the major stock markets. In Europe, the Eurostoxx600 was down 16.5%, led by Italy's MIB (down 22.1%) and the DAX (down 19.5%), ending the half year with the least favourable evolution since 2008. The US turned in its worst half year performance of the last 50 years, with the NASDAQ technology index down 29.5% and S&P 500 down 20.6%.

As regards commodities, the energy segment recorded the strongest gains, fuelled by the development of the armed conflict in Eastern Europe and constraints in the supply of oil and natural gas to Europe, owing to the EU's strong reliance thereon to meet its energy needs, accompanied by increasing fears of a total cut-off of supplies by

Russia. Natural gas prices in the European market rose 105.4% to €144 Mw/h, with Brent crude up 48.5% to \$115.04/barrel.

In the foreign exchange market, the euro depreciated by 7.8% to \$1.04 US dollars, coming close to parity, given the US currency's safe haven status and prospects for a faster normalisation of monetary policy by the Federal Reserve.

Given all this uncertainty and volatility related to the evolution of the European context itself, the stock market valuations of European banks have been significantly penalized. Despite the fact that there has been a recovery from the very low levels of P/B (Price/Book Value) seen in 2020, after the outbreak of the Covid-19 pandemic, since February this year the main European banking indices continue to trade with P/B multiples much lower than one.

1.4. Main risks and uncertainties for the second half 2022

The more favourable economic forecasts at the beginning of the year were quickly revised in light of successive negative developments throughout the first half of 2022. While global economic performance was slightly better than expected in the first quarter, the latest estimates from the International Monetary Fund point to a slight contraction of the world's Gross Domestic Product (GDP) in the second quarter.

Risks to the outlook are skewed to the downside. The war in Ukraine has led to a sudden halt in European gas imports from Russia, making it difficult to bring down inflation either because labour markets are more compressed or because inflation expectations remain high. At the same time, more restrictive global financial conditions will tend to accentuate the funding difficulties of the most indebted emerging and developing economies. In China, the possibility of new outbreaks and confinements caused by COVID-19, as well as the worsening crisis in the real estate sector, could further hinder economic growth. At the global level, there are fears that geopolitical fragmentation could impede trade and cooperation between major economic blocs.

Central banks' expectations regarding inflation in 2022 were not confirmed, as the more temporary nature motivated by the scarcity of goods and the difficulty of resuming distribution chains interrupted by the pandemic, was aggravated by the sharp rise in food and energy prices. Global inflation levels continued to rise well above central bank targets, reaching the highest levels of the last four decades.

The determinants of the inflation trajectory extended to all categories, following the worsening of the shortage of intermediate goods. After repeated upward revisions, inflation profiles are now not only higher, but are also expected to stabilize at higher levels, with a more gradual pace of moderation expected in the coming years.

Additional supply-related shocks to food and energy prices resulting from the war in Ukraine could lead to an increase in global and underlying inflation, ultimately resulting in a recession accompanied by permanent high inflation: stagflation. The availability of workers is very low in many economies, so demands for wage compensation will put even more pressure on prices, running the risk of triggering a wage-price spiral.

With the upward revision of inflation projections, the forecasts for the normalization of monetary policy were significantly adjusted, also induced by the actions of central banks, which have announced greater increases in key rates, while the necessary monetary adjustment limit is still unpredictable. The risk of recession is prominent in 2023 for several economies, coupled with the fact that the household savings rate has decreased by 2 p.p. since the beginning of the pandemic.

Real GDP growth is expected to moderate in the coming years as the spill over effects of Russian military aggression against Ukraine continue to exacerbate supply chain disruptions and price pressures, with a consequent deterioration in economic sentiment. A permanent ending of Russian gas exports to European economies would significantly increase inflation through rising energy prices. In Europe, it could force energy rationing, affecting key industrial sectors and drastically reducing growth in 2023.

Worsening debt dynamics and widening sovereign and corporate spreads, especially in high-debt countries, are evidence of tighter financial conditions, which are already contributing to a divergence in rates and concerns about the risk of "financial fragmentation" in the Euro Area, potentially harming the transmission of monetary policy, despite the ECB's announcement of the creation of a protection instrument, known as the Transmission Protection Instrument (TPI).

A risk to the medium-term outlook is the war in Ukraine contributing to the fragmentation of the world economy into geopolitical blocks with different technological standards, cross-border payment systems and reserve currencies. Fragmentation can also diminish the effectiveness of multilateral cooperation to address climate change, with the additional risk that the current food crisis will continue indefinitely.

In Portugal, the risks are similar to the rest of the European Union. The context of high uncertainty, associated with the invasion of Ukraine, is having a negative impact on the Portuguese economy, both in terms of consumption and investment. Inflationary pressures and measures to tighten funding conditions accentuate downside risks to household income and corporate operations.

The adverse evolution of the conflict in Eastern Europe and the commercial and financial sanctions between Russia and the Europe/USA bloc may contribute to an energy blockade, aggravating the risks of widespread recession at European level, given the inability to substitute other suppliers and distribution channels.

In recent years, and possibly as a result of the pandemic, the debt stock of companies and individuals in Portugal has been increasing. In parallel, and despite the substantial increase following the confinements imposed after the declaration of the state of emergency, the savings rate of individuals has been systematically lower than the European average. Added to these facts is the high level of public debt in relation to GDP, one of the highest at

European level. Given the ongoing process of normalization of monetary policy by the ECB, the accumulation of debt, combined with the weak capacity of agents to retain resources, may pose a risk to financial stability. At the same time, difficulties arise from the current worsening inflationary pressures, namely due to the conflict in Ukraine. In particular, the compression of real disposable income and the impact of rising interest rates on credit instalments will be the most pressing challenges in the coming months for households and banks, as the latter have an increased risk of failure to meet its financial obligations. This possible fragility in the financial situation of individuals will consequently represent an increased risk for prices in the residential real estate market, since housing concerns a relevant part of their global assets. Any sudden drop in house prices could pose a threat to financial stability.

In turn, companies, especially those operating in sectors that have not yet fully recovered from the pandemic or in very flexible markets, may face greater difficulties in this new macroeconomic context. In particular, if rising inflation levels lead to significant increases in costs without the necessary growth in revenues, non-performing loans may increase, particularly among financially more vulnerable companies.

Notwithstanding the growth in net interest income of Portuguese banks being potentially favoured by the end of the more accommodative nature of monetary policy in the Euro Area, considering the prevalence of the use of variable rate in credit operations at national level, the deterioration and greater uncertainty regarding the prospects economic conditions in the short and medium term may have a negative impact on the new loans production. On the other hand, there will be an increase in bank funding costs, with the risk that an exacerbation of war and geopolitical tensions will condition capital markets. Difficulties in accessing the wholesale market may also make it difficult to comply, by 1 January 2024, with the minimum requirements for own funds and eligible liabilities (MREL).

The greater uncertainty associated with the duration and impacts of the war in Ukraine will tend to constrain the revenues associated with asset management, insofar as economic agents will be able to channel their savings towards products with a lower degree of associated risk, but, perhaps, with lower prospects of earning commissions for the banking sector (e.g. term deposits). The outlook for the evolution of investment banking also poses downward risks to bank profitability, given that the activity associated with public offerings or mergers and acquisitions could be affected by greater economic uncertainty or increased volatility in the markets. On the other hand, this increased volatility could negatively impact banks that have a high level of mark-to-market exposures. If the increase in the exposure of the banking sector to the Public Administration that was observed during the pandemic persists, there may be adverse feedback effects on the banking sector and a greater concern about the sustainability of the national public debt.

From a more structural point of view, banks face increased competition from new players (fintechs, including neobanks and bigtechs), which, due to their technological specialization and focus on characteristics such as agility and convenience, have influenced the definition of standards in terms of banking customer experience. Therefore, banks will have to continue to invest in the transformation of their business model and in the incorporation of technological and innovative elements such as artificial intelligence, distributed ledger technologies, such as blockchain, biometrics, the Internet of Things, computing in cloud, quantum computing or augmented reality, virtual reality and, more recently, the metaverse. However, these indispensable investments in the field of digitalisation and technological innovation will have to be carried out in an increasingly challenging context marked by high uncertainty. This systematic effort towards greater digital efficiency and a greater degree of computerization implies some risks in terms of data security, of the institutions themselves and their customers, of fraud, but above all reputational. Furthermore, given the rigidity and a certain mismatch of skills between supply and demand in the labour market, banks' competition for talent has meant upward pressure on personnel costs, especially in areas such as information technologies.

Sustainable financing is one of the priorities of the financial sector, so investing in business models that are not in line with the transition to a more efficient and sustainable economy in the use of resources, poses risks for institutions, namely due to the demanding regulatory agenda and greater scrutiny of institutional investors, who integrate information on Environmental, Social and Governance (ESG) performance into their decision-making processes.

1.5. Activity and financial information

1.5.1. Consolidated activity¹

Results

CGD ended the first 6 months of 2022 with consolidated net income of €485.7 million, up 65% from €294.2 million in June 2021. This evolution allowed an increase of 4.3 percentage points in return on equity (ROE), from 7.2% over the same period last year to 11.5% in June 2022.

Excluding the non-recurring events recorded in 2021, with emphasis on employee costs, and in 2022 with the sale of several non-core properties, the increase in income from €221 million to €443 million, is equivalent to a ROE of 10.6%.

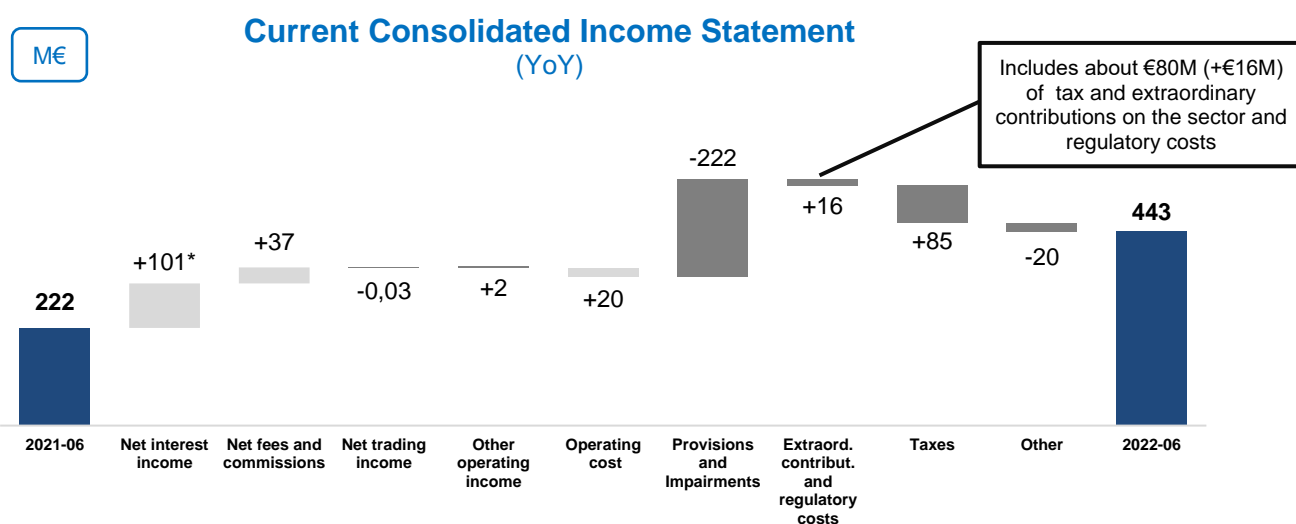
With a positive impact on net income, the following stand out: the €334.7 million reduction of provisions and impairment, essentially through the evolution of the cost of credit risk to -58 b.p. in June 2022, compared to +18 b.p. in the same period last year, a variation of -€197 million in credit impairment corresponding to a partial reduction in the levels of additional impairments recorded in the context of a pandemic between 2020 and 2021. An additional contribution was the reversal of provisions in the amount of €58.5 million associated with PPR 2022 (retirement savings plans), reflected on employee costs. In 2021 this provision was up €35.4 million.

Net interest income increased €101.1 million (+21%) compared to the first half of 2021, driven by the contribution of international entities, in particular BCI Mozambique (up €27.9 million) and BCG Angola (up €20 million), it should be noted that for all international units, the exchange rate variation represents an impact of €31.7 million, i.e. 31.3% of this aggregate's total variation. The growth in CGD's net interest income in Portugal was up €46.7 million and includes, among other effects, an impact of €29 million related to the conditions of the TLTRO-III refinancing operation.

Other operating income was up €55.3 million over the same period 2021, owing to the effect of the sale of a Fundolis Fund property (€25.1 million) and a France branch property (€35.9 million).

Commissions were up €36.2 million. Here, too, the international activity contributed a notable amount, of €5.7 million, with the increase in Portugal focused on commissions for the placement of investment funds (+€8 million), insurance brokerage (+€4.2 million), credit operations (+€2.8 million) and issue of guarantees (+€2.2 million).

Recurring Core Operating Income was also up €122 million (+34%), compared to the same period last year, to a value of €478 million.



* Includes +€47M from international activity, +€29M TLTRO and +€25M Other

Consolidated Income Statement	2021-06	Net interest income	Net fees and commissions	Net trading income	Other operating income	Operating cost	Provisions and Impairments	Extraord. contribut. and regulatory costs	Taxes	Other	2022-06
	294	+101	+36	-47	+63	+188	-335	+16	+73	-20	486

¹ The June 2021 accounts of the consolidated activity were restated for comparability purposes due to the shareholder position in Banco Comercial do Atlântico (BCA) no longer being classified under "Non-current assets held for sale".

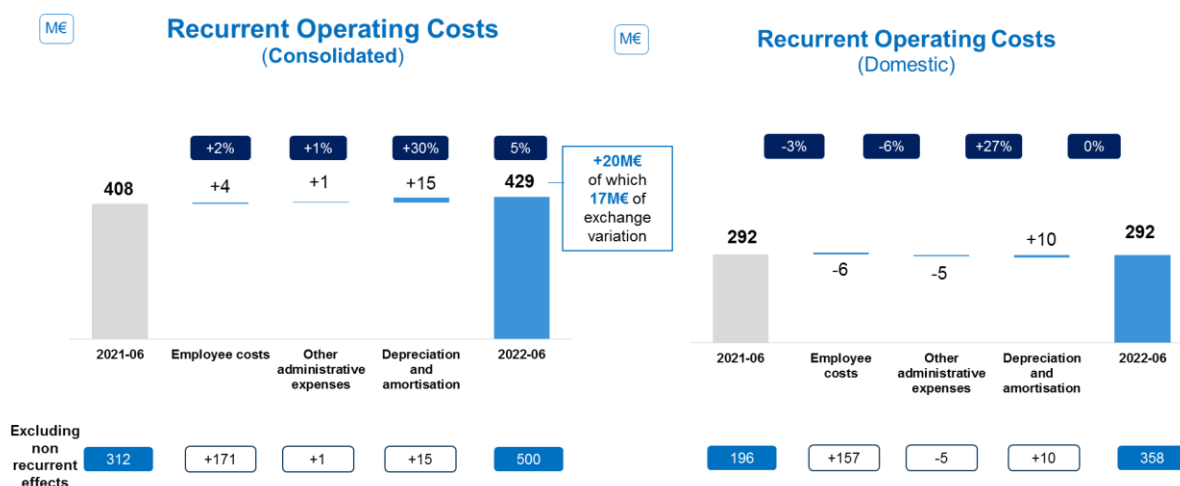
Conversely, Net Trading Income shows a reduction of €47 million (-38%) compared to the one obtained in June 2021, totalling €76 million. After deducting the extraordinary effects that occurred in 2021, the variation is only €30 thousand.

Recurring Structural Costs recorded in June 2022 an increase of €20.4 million (+5.0%) compared to the same period in 2021, mainly explained by the variation exchange rate of international activity.

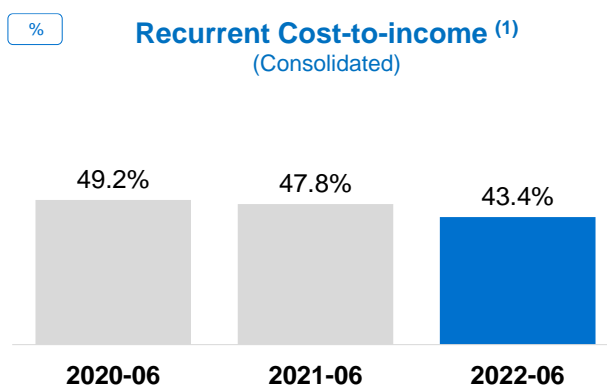
(EUR million)

OPERATING COSTS (CONSOLIDATED)	Restated		Change	
	2021-06	2022-06	Total	(%)
Employee costs	156.3	327.5	171.2	109.6%
Administrative expenses	105.7	107.0	1.4	1.3%
Depreciation and amortisation	50.1	65.1	15.0	30.0%
Total	312.0	499.6	187.6	60.1%

Operating Costs increased by €187.6 million (+60.1%) compared to the same period in 2021, an evolution determined by the non-recurring event in 2021 of a €145.4 million reduction in provisions for past services associated with the medical services protocol signed by CGD in Portugal. Also in Portugal, a provision for the pre-retirement program (PPR) of €55.3 million in 2022 (€26.2 million in 2021) was recorded. Also noteworthy is BCI Mozambique, which posted an increase of €11.6 million, (+23%) largely explained by the exchange rate evolution (+€8.6 million).



In terms of efficiency, the cost-to-income and cost-to-core income ratios showed a downward trajectory, reflecting the improvement in CGD Group's operating efficiency, with decreases of 4.4 pp compared to the same period in 2021.



(1) Ratio defined by the Bank of Portugal Instruction 6/2018 [Operating Costs / (Total Operating Income + Income From Associated Companies)]

Regarding the evolution of Provisions and Impairments, the stability registered in the asset quality indicators allowed the reversal of €109.6 million of credit impairments recorded in previous periods, concretely in 2020 and 2021, in the context of the covid-19 pandemic, with a relevant impact on the consolidated results.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)	Restated		Change	
	2021-06	2022-06	Total	(%)
	Provisions (net)	36.1	-79.6	-115.7
Credit impairment	46.0	-151.0	-197.0	-
Impairments of other financial assets	4.6	8.1	3.5	77.1%
Impairments of other assets	17.9	-7.7	-25.6	-
Provisions and impairments for period	104.6	-230.1	-334.7	-

It should also be noted that the credit recovery activities, including the write-off of assets and the sale of NPL and real estate, had a positive impact on several components of the CGD Group's income statement, essentially resulting in increases in the net interest income, Other Operating Income and a recovery in credit impairment (€41.4 million).

The income tax burden in June 2022 increased by around €81 million (+47%) over June 2021, following the increase in the Group's results. However, excluding the non-recurring events recorded in the first half of 2021 and 2022, the change in the tax burden would be higher, reaching approximately €93 million.

Reference should be made to Income Tax and Other operating income, impacted by a 25% increase in extraordinary contributions on the sector and regulation costs, which in the 1st half of the year exceeded €80 million.

Regulatory costs for 2022, including special contributions and additional solidarity contributions on the banking sector (according to Law No. 55-A/2010, of 31 December and Ordinance No. 191/2020, of 10 August), accounted for in the first half, totalled €80.5 million, representing an increase of €15.9 million (+25%) compared to the same period in 2021.

In the remaining items of the CGD Group's income statement, while Results of Associated Companies were down 13.9% by €3.7 million over the same period of the preceding year to €22.8 million, in Results of Subsidiaries Held for Sale there were no particularly relevant changes. The Non-Controlling Interests component recorded a notable growth of €21.7 million, of which €9.3 million are associated with exchange rate variations in CGD's main subsidiaries. Income from Equity Instruments recorded significant growth in the first half 2022, compared to the same period of 2021, reflecting the increase in income distributed by Investment Funds. Altogether, these variables represented a reduction of approximately €20 million.

Operating income, up 65.1% by €298.2 million over first half last year, was also positively impacted by the evolution of impaired credit, net of recoveries which was down €197 million over the first six months of 2021. The aggregate of provisions and impairments decreased by €334.7 million compared to the same period of the previous year.

The impaired credit aggregate in the period under review reflects a cost of credit risk cost of -58 b.p., against +18 b.p. for the first half of 2021.

As a result of the above, CGD recorded a consolidated result was up 65.1%, to €485.7 million, in the first half of 2022, which compares with a net result of €294.2 million in the same period last year.

(EUR thousand)

CONSOLIDATED INCOME STATEMENT	Restated		Change	
	2021-06	2022-06	Total	(%)
Interest and similar income	705,529	846,328	140,800	20.0%
Interest and similar costs	215,470	255,120	39,651	18.4%
Net interest income	490,059	591,208	101,149	20.6%
Income from equity instruments	4,111	9,536	5,425	132.0%
Net interest inc. incl. inc. from eq. investm.	494,170	600,744	106,574	21.6%
Income from services and commissions	326,629	375,603	48,974	15.0%
Costs of services and commissions	56,817	69,576	12,759	22.5%
Results from services and commissions	269,812	306,027	36,215	13.4%
Income from financial operations	122,932	75,894	-47,038	-38.3%
Other operating income	-12,112	43,207	55,318	-
Non-interest income	380,633	425,128	44,496	11.7%
Total operating income	874,803	1,025,872	151,070	17.3%
Employee costs	156,306	327,544	171,238	109.6%
Administrative expenses	105,657	107,007	1,350	1.3%
Depreciation and amortisation	50,065	65,068	15,004	30.0%
Operating costs	312,027	499,619	187,591	60.1%
Net operating income before impairments	562,775	526,254	-36,522	-6.5%
Credit impairment (net)	45,982	-151,000	-196,982	-
Provisions and impairments of other assets (net)	58,581	-79,126	-137,707	-
Provisions and impairments	104,563	-230,126	-334,689	-
Net operating income	458,212	756,380	298,167	65.1%
Income Tax	170,838	251,816	80,979	47.4%
Current	39,315	47,412	8,098	20.6%
Deferred	102,790	167,300	64,509	62.8%
Contribution on the banking sector	28,733	37,104	8,372	29.1%
Net op. inc. after tax and before non-controlling interests	287,374	504,563	217,189	75.6%
Non-controlling interests	19,980	41,765	21,785	109.0%
Results of associated companies	26,519	22,838	-3,681	-13.9%
Results of subsidiaries held for sale	294	63	-231	-78.7%
Net income	294,206	485,698	191,492	65.1%

Balance sheet

CGD's consolidated net assets were up 2.5% by €2,585 million over December 2021 to €106,596 million at the end of first half 2022. This evolution also derives from the 5.8% increase of €1,340 million in Cash and equivalents with central banks, over December 2021, Loans and advances to customers with an increase of 2.7% by €1,377 million and Securities investments with a reduction of €1,002 million (-4.7%).

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2021-12		2022-06	
	Total	Structure	Total	Structure
Caixa Geral de Depósitos ⁽¹⁾	88,920	85.5%	90,216	84.6%
Banco Nacional Ultramarino, SA (Macau)	5,681	5.5%	6,126	5.7%
Caixa Banco de Investimento	454	0.4%	484	0.5%
Banco Comercial Investimento (Mozambique)	2,512	2.4%	2,892	2.7%
Banco Comercial do Atlântico (Cape Verde)	813	0.8%	825	0.8%
BCG Angola	977	0.9%	1,439	1.3%
Other companies ⁽²⁾	4,654	4.5%	4,614	4.3%
Consolidated net assets	104,010	100.0%	106,596	100.0%

(1) Includes CGD Portugal + Nostrum Mortgage

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

CGD accounts for 84.6% of total consolidated net assets.

(EUR million)

CONSOLIDATED BALANCE SHEET	Change			
			2022-06 vs 2021-12	
ASSETS	2021-12	2022-06	Total	(%)
Cash and equiv. with central banks	23,000	24,340	1,340	5.8%
Loans and advances to credit instit.	3,924	4,190	267	6.8%
Loans and advances to customers	50,184	51,560	1,377	2.7%
Securities investments	21,152	20,150	-1,002	-4.7%
Assets with repurchase agreement	8	46	38	485.0%
Non-current assets held for sale	336	375	39	11.5%
Inv. in subsid. and assoc. companies	530	473	-57	-10.7%
Intangible and tangible assets	746	792	46	6.1%
Current tax assets	443	445	2	0.4%
Deferred tax assets	1,132	931	-201	-17.7%
Other assets	2,556	3,293	737	28.8%
Total assets	104,010	106,596	2,585	2.5%
LIABILITIES				
Central banks' and cred. inst. resources	6,745	6,512	-233	-3.5%
Customer resources	79,756	83,373	3,617	4.5%
Debt securities	1,790	828	-961	-53.7%
Financial liabilities	382	210	-172	-45.1%
Non-current liabilities held for sale	148	197	50	33.7%
Provisions	977	858	-119	-12.2%
Subordinated liabilities	1,118	1,104	-14	-1.3%
Other liabilities	3,808	4,117	309	8.1%
Sub-total	94,723	97,198	2,475	2.6%
Shareholders' equity	9,287	9,397	110	1.2%
Total	104,010	106,596	2,585	2.5%

Securities investments were down 4.7% by €1,002 million over December 2021 to €20,150 million on 20 June 2022. Contributory factors to this reduction were the sale of public debt securities and securities issued by other public entities and increase in investments at amortised cost, particularly Portuguese debt instruments and debt instruments issued by foreign entities, which translate the effect of CGD's liquidity management policy.

SECURITIES INVESTMENTS (CONSOLIDATED)	Change			
			2022-06 vs 2021-12	
ASSETS	2021-12	2022-06	Total	(%)
Fin. assets at fair value through profit or loss	2,125	2,703	578	27.2%
Financial assets at fair value through other comprehensive income	6,032	3,563	-2,468	-40.9%
Other investments at amortized cost	12,994	13,883	889	6.8%
Total	21,152	20,150	-1,002	-4.7%

Gross loans and advances to customers of €53,725 million were up 2.3% across the half year. CGD achieved an 18% share of the domestic credit market in June 2022, with 14.2% for corporate loans and 24.1% for mortgage loans to individual customers.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED) ⁽¹⁾	Change 2022-06 vs 2021-12			
	2021-12	2022-06	Total	(%)
Companies	19,153	19,487	333	1.7%
General government	3,578	3,871	293	8.2%
Individual customers	29,767	30,366	600	2.0%
Mortgage loans	27,265	27,739	474	1.7%
Other	2,502	2,627	126	5.0%
Total	52,498	53,725	1,226	2.3%

(1) Before impairment

The loans and advances to companies portfolio was up 1.7% as a reflection of CGD's support for the national economy. The sectors with the largest contributions to this variation were transport and warehousing with a variation of 12.4%, wholesale and retail trade (up 6.5%) and agriculture, forestry and fisheries (up 10%).

(EUR million)

LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED) ⁽¹⁾	Change 2022-06 vs 2021-12			
	2021-12	2022-06	Total	(%)
Agriculture, forestry and fishing	369	406	37	10.0%
Mining and manufacturing	2,972	2,846	-126	-4.2%
Construction and real estate activities	4,577	4,702	124	2.7%
Electricity, gas and water	1,031	964	-67	-6.5%
Wholesale and retail trade	2,528	2,692	164	6.5%
Transports and warehousing	1,172	1,318	145	12.4%
Accommodation and food service activities	964	946	-18	-1.8%
Professional, scientific and technical activities	2,684	2,810	126	4.7%
Financial activities and other	2,855	2,802	-52	-1.8%
Total	19,153	19,487	333	1.7%

(1) Before impairment

The loans and advances to individual customers in Portugal, production of mortgage loans grew 10.1% in the first half of the year, reaching €1,731 million. Consumer credit, meanwhile, benefited from initiatives to reduce the time taken to approve and disburse funds, with an increase in production of 47.1% compared to the first half of 2021.

Asset quality continued to trend to improvement with NPLs (non-performing loans as defined by the EBA) down 6.2% by €132 million over December 2021 owing to the positive evolution of cured credit and recovery components. The NPL ratio stood at 2.6% against 2.8% in December 2021. The overall volume of impaired credit resulted in a coverage ratio of 108.1% (total coverage of 134.5% including the allocation of collateral), resulting in an NPL ratio net of impairment of 0%.

CREDIT QUALITY (CONSOLIDATED)	2021-12	2022-06
NPE ratio ⁽¹⁾	2.3%	2.1%
NPL ratio ⁽²⁾	2.8%	2.6%
Forborne ratio for loans and advances ⁽³⁾	2.2%	2.2%
NPE coverage by impairment	98.6%	99.2%
NPL coverage by impairment	107.8%	108.1%
Coverage ratio on forborne loans and advances ⁽⁴⁾	96.2%	82.1%
Credit impairment (P&L) / Loans & advanced to customers (average)	0.08%	-0.58%

(1) NPE - Non performing exposure - EBA; (2) NPL - Non performing loans - EBA; (3) Forborne loans and advances under probation / Total loans advances to customers (gross); (4) Accumulated impairment on forborne loans under probation / Total forborne exposures.

In the first half of 2022, total liabilities were up 2.6% to €2,475 million. Special reference should be made to customer resources, which had a growth of €3,617 million (determined by the evolution of customer deposits).

Customer deposits were up 4.5% by €3,564 million over the end of 2021, essentially on account of higher levels of household savings.

The loans-to-deposits ratio, as a reflection of the sharp increase in deposits, totalled 61.9% in June 2022, in comparison to 63% in December 2021.

CGD retained its leading position in the national market, both in terms of total customer deposits with a June 2022 market share of 24.2% and individual customers' deposits with a market share of 31.5%.

Total resources taken were up 0.5% by €580 million over December 2021 to €111,661 million.

(EUR million)

RESOURCES TAKEN	Change 2022-06 vs 2021-12			
	2021-12	2022-06	Total	(%)
Balance sheet	89,408	91,817	2,408	2.7%
Central banks' & cred instit. resources	6,745	6,512	-233	-3.5%
Customer deposits (Consolidated)	79,666	83,230	3,564	4.5%
Domestic activity	68,728	71,332	2,604	3.8%
International activity	10,939	11,898	959	8.8%
Covered bonds	1,259		-1,259	-100.0%
EMTN and other securities	1,648	1,932	284	17.2%
Other	89	143	53	59.6%
Off-balance sheet	21,672	19,844	-1,828	-8.4%
Investment funds	6,952	6,172	-780	-11.2%
Real estate investment funds	892	891	-1	-0.1%
Pension funds	4,555	4,220	-334	-7.3%
Financial insurance	7,639	7,452	-187	-2.5%
OTRV Portuguese Governm. Bonds	1,635	1,109	-525	-32.1%
Total	111,081	111,661	580	0.5%
Total resources (domestic activity) ⁽¹⁾	86,048	87,082	1,034	1.2%

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

Total resources taken from domestic activity at the end of June 2022 were up 1.2% over December last year to €87,082 million. Lower levels of off-balance sheet products derive from maturities in the case of financial insurance and maturity without renewal of an OTRV.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED BALANCE SHEET)	Change 2022-06 vs 2021-12			
	2021-12	2022-06	Total	(%)
Customers deposits	79,666	83,230	3,564	4.5%
Sight deposits	42,963	45,206	2,243	5.2%
Term and savings deposits	35,845	37,104	1,259	3.5%
Mandatory deposits	857	919	62	7.2%
Other resources	89	143	53	59.6%
Total	79,756	83,373	3,617	4.5%

By type, term deposits and savings accounts of €37,104 million at the end of June, accounted for around 44.6% of total customer deposits.

(EUR million)

SECURITIES (CONSOLIDATED)	Change			
	2021-12	2022-06	2022-06 vs 2021-12	
			Total	(%)
Senior Debt	530	826	296	55,7%
Covered bonds	1.259	0	-1.259	-100,0%
Subordinated debt	1.118	1.104	-14	-1,3%
Other	0	2	2	-
Total	2.908	1.932	-976	-33,6%

There was a €961.4 million reduction in debt securities issuances owing to the €1.259 million reimbursement of covered bonds. A new senior “Green Bonds” debt issuance for the amount of €300 million was made in June 2022.

Liquidity

Considering the high level of liquidity, CGD proceeded, during the first half of 2022, to the reimbursement of two mortgage bonds in the total amount of €1,250 million without resource to market refinancing.

At the same time, CGD exercised the option of early redemption of the perpetual issue of additional Tier 1 capital (Additional Tier 1), in the amount of €500 million and an interest rate of 10.75%, with effect from 30 March 2022, the first contractually foreseen date for the exercise of the call, thus obtaining important annual savings.

The prior authorization granted by the European Central Bank (ECB) to carry out this redemption results from the positive assessment of CGD's financial strength, reflecting the successful completion of the difficult and demanding restructuring plan.

CGD continued with its issuance plan, aiming to fully comply with the MREL regulatory requirements, having issued, on 7 June 2022, senior preferred debt in the amount of €300 million, with term of four years and possibility of early redemption after three years, placed on international markets and issued with a coupon of 2.875%.

This issue has the particularity of being CGD's first “Green” issue, directing the funds raised to the funding of credit operations in the environmental domains, being the second issue with ESG characteristics.

As part of the Eurosystem's monetary policy measures, CGD Group continues to hold €5.8 billion in ECB funding from the third TLTRO-III series (targeted longer-term refinancing operations).

The total value of assets available as collateral for the Eurosystem is approximately €10.8 billion, in addition to the significant volume of the cash balance with the Bank of Portugal.

The liquidity coverage ratio (LCR) of 356%, at the end of June 2022, was much higher than the current liquidity regulatory requirement (100%).

The NSFR (net stable funding ratio) of 175% at the end of June of 2022 in comparison to 165% at the end of 2021 also confirms CGD Group's comfortable liquidity situation.

Capital management

As at 30 June 2022, consolidated shareholders' equity was up €110 million, to €9,397 million, over the end of 2021. The reduction of €500 million in “Other capital instruments”, which referred to securities representing additional Tier 1 own funds (Additional Tier 1) that were called in March 2022, was offset by the €746 million increase in “Other reserves and retained earnings”, already taking into account the payment of dividends to the Shareholder. This change is justified, among others, by the incorporation of the positive results of 2021 and by the positive impacts of exchange rate variations.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	2021-12	2022-06
Share capital	3,844	3,844
Other equity instruments	500	0
Fair value reserves	255	168
Other reserves and retained earnings	3,867	4,613
Non-controlling interests	238	287
Net income	583	486
Total	9,287	9,397

The Common Equity Tier 1 (CET 1) and Total ratios, calculated according to CRD IV/CRR rules, reached 17.8% and 19.3%, respectively, in June 2022.

If the positive net income of the prudential perimeter for the period (€488 million) were considered, net of the maximum dividend distribution (MDA) allowed by CGD's dividend policy (approximately €198 million), the CET1 and Total ratios would be of 18.5% and 19.9%, respectively.

Information on the amount of own funds and capital ratios between June 2021 and June 2022 is set out below, as reported to the Supervisor, along with the information referring to the first half of 2022, considering the net income discounted by the MDA.

(EUR million)

SOLVENCY RATIOS	CRR/CRD IV Rules (1)			2022-06 (3)
	2021-06	2021-12 (2)	2022-06	
Own funds				
Common equity tier 1 (CET 1)	7,756	7,775	7,770	8,060
Tier 1	8,261	7,781	7,777	8,067
Tier 2	634	629	628	628
Total	8,896	8,409	8,405	8,695
Weighted assets	42,959	42,636	43,628	43,628
Solvency ratios				
CET 1	18.1%	18.2%	17.8%	18.5%
Tier 1	19.2%	18.2%	17.8%	18.5%
Total	20.7%	19.7%	19.3%	19.9%

(1) The values presented are applicable in Phasing-in and Full Implementation;

(2) Includes the positive net income previously approved by the Supervisor and pursuant to Article 26(2) of Regulation (EU) No. 575/2013;

(3) Version including the positive result of around €290 M (net value of MDA), made available for comparison purposes with the values at the end of the year. If the inclusion of the entire positive net income (480 M€) were considered, the CET1 ratio would be 18.9%; Tier 1 of 18.9% and Total of 20.4%.

Between December 2021 and June 2022, both considering in own funds the positive net income deducted of MDA, the CET 1 ratio was up around 24 b.p. as a result of the improvement in own funds (+65 b.p.), partially absorbed by the increase in risk-weighted assets (RWA) (-41 b.p.).

The improvement in own funds, is essentially explained by the following components:

- Other reserves and retained earnings were up by around €404 million (with a positive impact of 93 b.p., on the CET1 ratio), essentially the result of positive actuarial deviations of around €488 million for post-employment benefits, which more than offset the additional dividend distribution of €137 million;
- The positive net income from the prudential perimeter for the half year, deducted of MDA, totalled around €290 million (with a positive impact of 66 b.p. on the CET1 ratio);
- There was a €10 million improvement of prudential minority interests (with an impact of 2 b.p., on the CET1 ratio);
- The component responsible for the most negative contribution to own funds is related to the deduction of excess funding from defined benefit Pension Fund liabilities (as defined by article 41 of EU Regulation no 575/2013), in the amount of around €316 million, contributing to a reduction of 72 b.p., in the CET1 ratio;
- Reduction in revaluation reserves of about €87 million (with an impact of -20 b.p., on the CET 1 ratio);
- An increase of around €14 million in intangible assets resulting in a deduction of the same order of magnitude from own funds (contributing to a 3 b.p., reduction of the CET1 ratio).

RWAs were up by around €992 million in the first half year, explained essentially by:

- a) Increase, by €474 million (-20 b.p. in CET1), of RWA allocated to sovereign debt, in particular sovereign debt of Mozambique and Angola. The increase in sovereign exposure stems from the evolution of CGD Group's activity in these geographies but also from the exchange rate appreciation of local currencies: the metical (MZN) appreciated by 8.3% and the kwanza (AOA) by around 32% in the first half of 2022. The impact on RWA was mitigated by the improvement in Angola's rating, which led to a reduction, from 150% to 100%, of the risk weight applicable to sovereign debt.
- b) Increase in RWA for market risk by €301 million (-13 b.p., in CET1), of which €273 million refer to exchange rate risk. In this risk dimension, reference should be made to the increase in the foreign exchange position in Hong Kong dollars (HKD) resulting from the activity of the CGD Group in Macao and the increase in open positions in kwanzas (AOA), reflecting the exchange rate appreciation. Structural positions in Cape Verde escudos (CVE), which are no longer eligible for the application of the exemption provided for in article 352(2) of the CRR, also contributed to the worsening of RWA for exchange rate risk.
- c) Growth of the loan portfolio, in particular mortgage and retail loans, with an impact of €529 million on RWA (-22 b.p. in the CET1 ratio). This increase was particularly relevant in terms of domestic activity and BNU Macao.
- d) Decrease in RWA for deferred tax assets of around €171 million (+7 b.p. in CET1) and decrease of €121 million (+5 b.p. in CET1) of RWA allocated to equity investments.

SREP capital requirements on consolidated activity for 2022

The European Central Bank (ECB), as authorised by Regulation (EU) no. 1024/2013 of 15 October, carries out reviews and evaluations on institutions. These include stress tests and, based on this SREP, may require credit institutions to comply with specific additional own funds requirements in addition to specific information disclosure requirements.

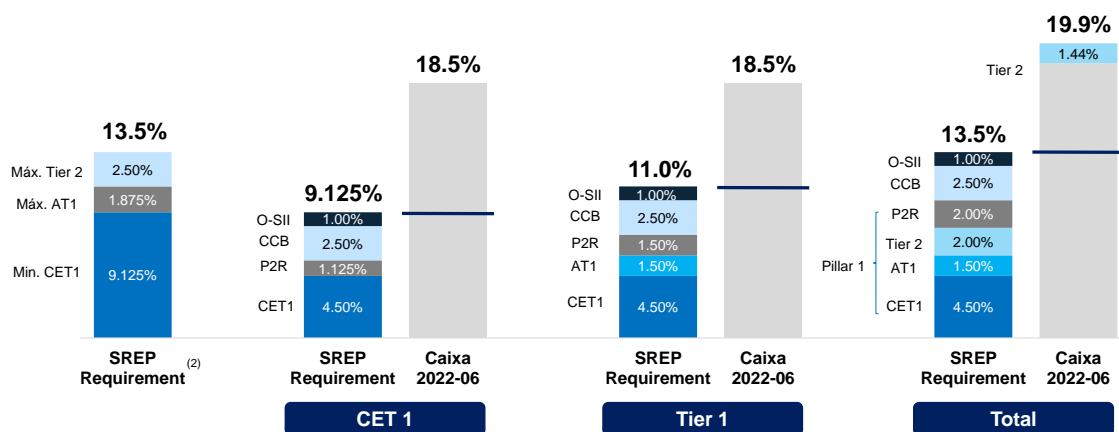
In February 2022, the ECB informed CGD of the minimum prudential requirements to be in force this year, noting that the Pillar 2 requirement defined for CGD is now 2%, which represents a reduction of 0.25% compared to 2021, thus reflecting an improvement in the Supervisor's perception of the institution's overall risk.

Based on the results of the SREP, as well as the communication from Banco de Portugal about the additional reserve of own funds that is required of it as an "Other Institution of Systemic Importance" (O-SII), Caixa Geral de Depósitos, S.A. must ensure, on a consolidated basis, in 2022, a total ratio (TSCR) of 10.00% (of which 8% from Pillar 1 and 2.00% from Pillar 2 – P2R), with the P2R value fixed for CGD being covered by 56.25% by CET 1 instruments, 18.75% by AT 1 instruments and 25% by Tier 2 instruments, with application from March 2022 onwards.

Therefore, the minimum CET1 (phased-in) requirement required of CGD on a consolidated basis is now 9.125%, which includes: i) the minimum CET1 capital ratio required under Pillar 1 of 4.50%; ii) the minimum required CET1 capital ratio under Pillar 2 (P2R) of 1.125%; iii) the capital conservation buffer (CCB) of 2.50%; iv) reserve for "Other Institutions of Systemic Importance" of 1.0% and v) Countercyclical Own Funds reserve of 0% of the total amount of positions at risk (as defined by Banco de Portugal, for the first and second quarters of 2022), as shown in the table below:

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2022
Common Equity Tier 1 (CET1)	9.125%
Pillar 1	4.50%
Pillar 2 Requirement	1.125%
Capital Conservation Buffer (CCB)	2.50%
O-SII Buffer (other systemic important institution)	1.00%
Tier 1	11.00%
Total	13.50%

CAPITAL RATIOS CGD 30 JUNE 2022 AND 2022 SREP REQUIREMENTS (INCLUDING NET INCOME)⁽¹⁾



(1) Excluding from net income the maximum distributable amount according to dividend policy
(2) P2R composition: 56.25% CET1, 18.75% AT1 and 25% Tier 2; O-SII buffer: 1% in 2022 and 2023

O-SII: Other Systemically Important Institutions buffer
CCB: Capital Conservation buffer
P2R: Pillar 2

MREL

CGD was informed of the Single Resolution Board's decision to revise its MREL (minimum requirement for own funds and eligible liabilities) requirements under the European Banking Resolution Directive (BRRD2), in first quarter 2022. Starting 1 January 2024, CGD's own funds and eligible liabilities must be equivalent to 25.95% of total risk-weighted assets (including a combined buffer requirement of 3.5%) and a total leverage exposure of 5.94%.

The requirements apply on a sub-consolidated basis for the determined resolution perimeter, translated into the European perimeter. Until this decision, the resolution perimeter also included Banco Nacional Ultramarino in Macau.

The revision of the requirement applicable on January 1, 2024 is consistent with CGD's expectations and with its funding plan, which provides for the reinforcement of own funds and eligible liabilities to ensure due compliance.

As part of the Funding Plan defined to comply with the MREL requirements, CGD issued in June 2022 the aforementioned "Green" senior preferred debt, in the amount of €300 million, the third issue being placed on the international debt markets for this purpose, following the issuance of senior non-preferred debt in November 2019 and senior preferred debt in September 2021.

The MREL requirement resolution is based on current legislation and is subject to a review by the supervisor in due course.

Rating

On March 9, 2022, Fitch Ratings upgraded CGD's IDR and long-term preferred senior debt ratings from BB+ to BBB-, and revised its outlook from Positive to Stable.

The rating upgrade reflects the improvement in asset quality even during the pandemic period, the resilience of profitability - based on market leadership and strong levels of efficiency - and better capital ratios. The IDR and senior short-term preferred debt ratings were upgraded from B to F3.

With this change, CGD is now rated investment grade by the three international agencies that monitor its rating.

In May, DBRS affirmed CGD's rating at BBB, having revised the trend from Negative to Positive. This improvement reflects CGD's leadership position in Portugal, its solid funding and capital, as well as the resilience demonstrated during the pandemic.

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

RATING			
	Short Term	Long Term	Date of last assessment
FitchRatings	F3	BBB-	2022-03
Moody's	Prime-2	Baa2	2021-09
DBRS	R-2 (high)	BBB	2022-05

1.5.1.1. Domestic activity

Domestic activity's contribution to CGD Group's net income in first half 2022 was up 62% to €377.0 million against €232.7 million for the same half of the preceding year.

The cost of risk reduction and the positive, but still contained, contribution to net interest income and commissions, as well as sustained improvements in efficiency levels, contributed decisively to this growth in the contribution to net income.

In terms of domestic activity structural costs were up 82.8% to €358.5 million. The largest contribution was made by €239.7 million in employee costs, essentially on account of the extraordinary adjustment to provisions associated with post-employment benefits in 2021 and the costs of the early retirement programme. Excluding recurring effects, structural costs would have had a positive effect of €1 million.

(EUR million)			
DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2021-06	2022-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	303.4	362.1	19.4%
Results from services and commissions	227.2	256.7	13.0%
Income from financial operations	104.5	50.3	-51.9%
Other operating income	-1.4	12.4	-
Total operating income	633.7	681.4	7.5%
Employee costs	82.5	239.7	190.5%
Administrative expenses	76.6	71.9	-6.2%
Depreciation and amortisation	37.0	46.8	26.6%
Operating costs	196.1	358.5	82.8%
Net operating income before impairments	437.5	323.0	-26.2%
Credit impairment (net)	37.3	-157.1	-
Provisions and impairments of other assets (net)	45.5	-86.7	-
Net operating income	354.8	566.8	59.7%
Income Tax	146.9	211.8	44.2%
Net operating income after tax and before non-controlling interests	207.9	355.0	70.7%
Non-controlling interests	1.1	0.0	-99.5%
Results of associated companies	26.0	22.0	-15.2%
Net income	232.7	377.0	62.0%

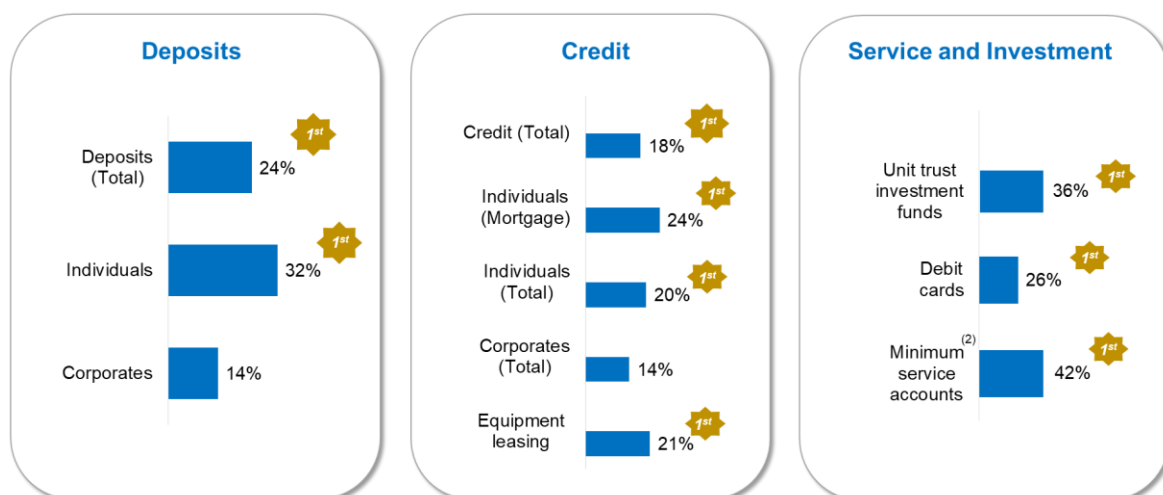
(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

Provisions and impairment in the first six months of 2022 were down €326.5 million owing to the €194.3 million reduction of net credit impairment, resulting in a cost of credit risk of -58 b.p. in comparison to 18 b.p. in the same period last year and a €132.2 million reduction in provisions and impairment of other assets (net), reflecting a favourable evolution in relation to initial expectations in the context of a pandemic and partially reducing the levels of reinforcement of impairments carried out in 2020 and 2021.

CGD Portugal

CGD maintains its leadership in the main customer and product segments, with emphasis on securities investment funds, deposits, loans to families, digital business and equipment leasing.

MARKET SHARES¹



Source: CGD and Bank of Portugal. (1) June 2022; (2) December 2021

Companies

CGD has remained committed to supporting Portuguese business in first half 2022, maintaining a close relationship with customers in this period of recovery, proposing solutions to enable them to contend with the new international economic environment, with a 5% increase in financing for SMEs (small and medium-sized enterprises) over June 2021 and thus ensuring the continuity and development of its customers' business.

With the mission of backing the investment projects of Portuguese companies and of being a reference bank in supporting the economy, in the first half of 2022, several products and services aimed at companies were launched:

- The CGD RRF/PT2030 platform with information on European funds; RRF notices; information on financial incentives systems and the application process, which brings together two new products: approved incentive advances (up to 100% of the non-refundable incentive) and medium and long term Caixa Flex with non-linear repayment plans, exclusively for companies with RRF/PT2030 applications and Caixa TOP customers;
- Treasury support and corporate investment finance solutions:
 - Production support line - to provide for additional treasury needs resulting from rising commodity and energy costs and supply chain disruptions (the €64 million plafond allocated to CGD was used up in a few days);
 - Lines of credit with a guarantee from Banco Português do Fomento: Tourism Support Line 2021 (80% guarantee) and Pig Farming and Milk Production Treasury Support line of credit (75% guarantee);
 - CGD EIB 2021 line of credit for the investment needs of midcaps, large corporates and public sector entities (CGD has already contracted for €60 million);
 - EIF lines of credit – More customers have benefited from reinforcements to the available limits on Caixa Invest Transforma, Green Land, Start II and treasury lines.
- ESG offer with innovative products and solutions for SMEs:
 - CAIXA/EDP solar solution in the form of Caixa finance for the acquisition/servicing of solar panels for the corporate market (It is estimated that the 11,383 solar panels financed are equivalent to the planting of 2,658 trees and an emission reduction of 963 tons CO₂/year);
 - Leasing and renting solutions with price reductions for the acquisition of “green vehicles”;
 - Decarbonisation and circular economy support line.
- Digital solutions to facilitate the day-to-day life of companies:
 - Flexcash as a fully digital integrated treasury management solution (factoring and confirming). This innovative CGD service already had more than 1,860 active companies (national and international), in June 2022 with a take-up of €437 million (up 21% year-on-year);
 - Subscriptions for new platforms for the digital processing of foreign trade documents and secure solutions for distance payments;

- New Caixadirecta Empresas functionalities with factoring and confirming and trade finance operations on digital channels, namely, exports and imports (Finex) loans; access to accounts and frequent autonomous, user-friendly banking operations without the need to visit a corporate or branch office.

First half 2022 witnessed significant annual growth of sales of core products for companies: medium to long term financing (up 46%); non-financial insurance (up 35%); bank guarantees (up 48%) and factoring and confirming (up 24%). CGD's leadership of the equipment leasing sector since June 2021 is indicative of its support for companies' productive investments.

The capacity of the Caixa Negócios service model was strengthened across this period. An additional number of around 26 thousand customers have benefited from the specialised monitoring services of a Caixa Negócios manager. Agreements for more than 8,000 Caixa Business Accounts were also entered into as a multi-product solution that includes a current account, the Caixadirecta Empresas service, online SEPA transfers, debit and credit cards, cheques and access to lower prices on CGD's POS equipment for a fixed monthly charge. Caixa accounts for companies were further enhanced with the launch of CGD's new Corporate Account.

The PME Líder (leading SMEs) 2021 programme distinguished 11,221 companies of which 3,774 were beneficiaries of CGD support, representing growth of 19% over 2020. The PME Excelência (SME Excellence) 2021 programme remains operational.

CGD's acquiring service continued to trend to growth, following initiatives to support the digitalisation of the economy and business, in its provision of comprehensive payment solutions tailored to the needs of each economic activity. With more than €3 billion in operations and almost 81 million transactions in the first 5 months of 2022, these figures represent growths of 44.2% and 48.7% respectively, in comparison to the same period 2021.

CGD's service is across-the-board to all business sectors. Its user-friendly and quickly implemented solutions permit the secure acceptance of payments, either in traditional forms or through emerging solutions, both on the level of face-to-face or remote sales to end-user customers.

In its pursuit of economic digitalisation, CGD has been at the forefront of providing equipment with the capacity to dematerialise payments – as exemplified by the greater preponderance and growth of contactless, NFC and MBWay solutions with payment apps, card payments in vending machines and state-of-the-art terminals using the Android operating system.

Individuals

Credit products, in first half 2022, witnessed the continued growth of mortgage sales, with a focus on quality of service and customer satisfaction. The Casa+Eficiente (More Efficient Home) campaign for the acquisition of properties with a higher level of energy performance (A+, A and B ratings) was introduced with new maximum maturities and age limits being defined for mortgage operations as recommended by the Bank of Portugal.

As regards services provided to personal customers, Caixa Accounts as a multi-product solution comprising products and services which were warmly welcomed by customers, posted an increase in the number of subscribers with over 40 thousand active accounts in the half year, to a total of 2.07 million accounts. An account upgrade facility was provided by the Caixadirecta app in the second quarter, avoiding the need to visit a branch office.

CGD commercialised several savings and investment solutions in first half 2022, aimed at helping customers to improve their savings habits, in the form of deposits, financial insurance, retirement savings plans, investment and pension funds. The range of investment products was expanded with the launch of three new types of financial insurance and commercial initiatives making it possible to direct customers according to the target market for such products and to meet their needs, including diversification of investments and the creation of saving habits for retirement in the form of periodic contribution programmes. This range was complemented by the offer to subscribe for bonds with CGD participation in the Benfica SAD and Porto SAD public offers for sale.

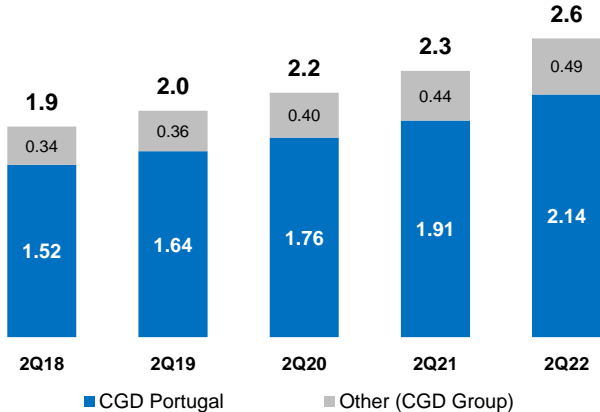
CGD's standing offer includes restructured pension funds to provide customers with added value, entailing several alterations to the characteristics of such funds. Reference should also be made to the additions to the two standing financial insurances offers in the form of Flexi-Mais personal life insurance and PPR Evolve.

Non-financial insurance was promoted through the application of Multicare health insurance's protective measures, the expansion of specialist consultations available and with the replacement of absolute permanent disability cover through illness or accident in the case of life insurance associated with mortgage loans by new coverage.

In the case of the branch office network and with the aim of improving customer service, the process for opening Caixa Accounts, financial assets accounts and debit cards was dematerialised, with the display of pre-contractual information and a digital signature, based on the use of a signature pad, in addition to the automatic delivery of documentation to the customer's email address. Two million active customers were also asked to give their opinion for the purpose of tailoring commercial communications to their preferences.

ACTIVE DIGITAL CUSTOMERS

Millions of customers



CGD ended first half 2022 with more digital customers, more access to distance channels and more business. The domestic market had 2.14 million active digital customers (personal and corporate) representing 62% of the customer base and 12% growth over the same period last year. Reference should also be made to the 19% growth of the mobile channel over the same period last year to 1.36 million customers with increasing relevance to users, in their preference for convenience in a context of mobility.

There were 177 million accesses to Caixadirecta across the half year, up 16% over the same period last year. The total number of 40 million operations was also up by a significant 11% in comparison to the same period of the preceding year. Reference should be made to online subscriptions for core products and services for personal customers, such as personal credit (up 45%) and securities accounts (up 74%) and, in the case of companies, factoring and confirming (up 33%).

The contact centre, which has had a Virtual Assistant since 2021, ensures a more efficient service, with call retention rates of 50% and high levels of satisfaction (75%). The Digital Assistant, as a benchmark solution in the national banking sector, not only on account of its transactional component but also as an inclusive solution, registered 453 thousand accesses at the end of the half year. Compared to the same period last year, the fact that consultations and transactions made via the Assistant were up 266% and 95% respectively, denotes the utility of the voice service and the trust placed in it by users.

CGD continues to invest in the evolution of digital channels, having improved access to online services, such as updates of personal details using the Digital Mobile Key, which enables the user experience to be transformed into a faster and simpler process.

The Caixadirecta app continues to be Portugal's banking app with the highest number of users and the main channel of access to the bank, with more than 1.32 million active personal users, up 19% over the same period last year. With the increase in the number of mobile customers, the number of reviews in the 3 app stores (App Store, Google Play and App Gallery) has grown and shows that the Caixadirecta app continues to be the financial sector app with the highest number of reviews, already in excess of 130 thousand.

The increasing use of remote channels has triggered new developments: the implementation of a new brokerage service, the provision of "corporate events", completion of the investor profile questionnaire and the opening of multiuser financial asset accounts via the Caixadirecta app, use of credit cards for the payment of services and the voicebot operated cancellation of direct debits.

Investment banking

Caixa-Banco de Investimento, S.A. (CaixaBI) is Caixa Geral de Depósitos group's investment banking platform. Its operating areas include the debt and equities capital market, corporate finance, project and structured finance advisory services, financial brokerage operations, equity research, market-making, risk advisory and management for corporates and venture capital.

CaixaBI's total operating income in first half 2022 was €10.7 million. Positive contributions were made by net interest income of €0.9 million, commissions from advisory and financial brokerage services of €8.8 million, income from financial assets (€0.2 million) and other operating income (€0.7 million). Net income for the half year totalled €2.7 million.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS ⁽¹⁾	Change			
	2021-06	2022-06	Total	(%)
Net interest income	1.4	0.9	-0.5	-35.1%
Commissions (net)	9.6	8.8	-0.8	-8.2%
Income from financial operations	0.3	0.2	0.0	-15.0%
Total operating income	13.0	10.7	-2.3	-17.8%
Operating costs	7.1	7.4	0.3	3.9%
Net op. income before impairments	5.8	3.3	-2.6	-44.2%
Provisions and impairments	-1.7	-0.5	1.3	-
Net income	5.2	2.7	-2.5	-47.9%
Net assets	551	496	-55	-9.9%
Securities investments	410	258	-152	-37.0%
Loans and adv. to customers (net)	2	2	0	3.6%
Customer deposits	33	59	27	81.6%

(1) Statutory consolidated accounts

CaixaBI retained its position as the benchmark institution in Portugal's debt capital market's bond sectors. Coming second in Bloomberg's ranking on bonds issued by domestic entities, having provided advisory services for an overall amount of €1,147 million in issuances.

In the Portuguese public debt segment, CaixaBI was joint lead manager and bookrunner for the syndicated placement of 1.65% treasury bonds maturing in 2032 and co-lead manager for the syndicated placement of 1.15% treasury bonds maturing in 2052, each for a global amount of €3 billion.

In the sustainability segment, reference should be made to CaixaBI's role as joint lead manager and bookrunner for CGD's €300 million issuance of Senior Preferred Green Bonds, organisation and lead of the issuance of sustainability-linked bonds by The Navigator Company (€150 million), NOS (€75 million) and Sonae Sierra (€50 million).

In the private debt segment, reference should be made to CaixaBI's role as joint lead manager and bookrunner for the €455 million bond issuance of the Autonomous Region of the Azores, organisation and joint lead of the €260 million bond issuance of the Autonomous Region of Madeira, organisation and lead of the €100 million bond issuance of Locarent, Cin (€40 million) and Greenvolt (€35 million). Across this period the bank also participated as co-lead manager for UBS, Credit Suisse and Santander issuances. Reference should also be made to CaixaBI's intervention as the entity responsible for the public offer for sale of Sport Lisboa e Benfica - Futebol, SAD (€60 million) bonds and the public offer for sale and public offer for exchange of Futebol Clube do Porto - Futebol, SAD bonds (€50 million) in addition to the organisation and lead of twenty one new commercial paper programmes for corporate customers and the organisation and structuring of the credit assignment operation of SU Eletricidade (€80 million).

As regards advisory activity in the organisation and structuring of financing, reference should be made to the successful completion of the refinancing of the Parque Atlântico shopping mall (€22.5 million) and successful completion of operations in the project finance, real estate and acquisition finance areas.

Reference should be made to the financial advisory services provided to Altri for the distribution of dividends as an operation in which the bank also acted as the paying agent.

CaixaBI continued to operate as a liquidity provider on a collection of Euronext Lisbon listed securities which continued to enjoy a high rating from Euronext as well as being the market-maker for a Fundiestamo real estate fund.

Caixa Capital's venture capital activity across the half year, as a wholly owned CaixaBI company, focused on the analysis of investment opportunities and management of the corporate portfolio held by the venture capital funds under its management. Investments of €9.5 million and divestments of €12.6 million, split between the two funds under management were made.

Specialised credit

According to data published by the Portuguese Leasing, Factoring and Renting Association (ALF), for the first half of 2022, positive trends were recorded in the business sectors, with emphasis on the beginning of the recovery from the pandemic, which strongly affected the economy sector. In this context, only equipment leasing showed a decrease of 4.4%, while real estate leasing, factoring and confirming presented increases of 10.1%, 21.7% and 34.9%, respectively, compared to June of 2021.

(EUR million)					
SECTOR PRODUCTION ⁽¹⁾	2020-06	2021-06	2022-06	Change 20-21 (%)	Change 21-22 (%)
Property leasing	378	371	408	-2.0%	10.1%
Equipment leasing	756	730	697	-3.5%	-4.4%
Domestic and International Factoring	9,016	9,285	11,304	3.0%	21.7%
Consumer credit	6,130	6,489	8,750	5.8%	34.9%

(1) Estimated data - Associação Portuguesa de Leasing, Factoring e Renting (ALF)

CGD achieved a favourable level of performance in terms of its commercial activity in first half 2022, notwithstanding the inevitable negative impacts of the Covid-19 pandemic. This was particularly the case of real estate leasing, factoring and confirming and vehicle finance.

(EUR million)							
CAIXA LEASING E FACTORING - PRODUCTION				Change 20-21	Change 21-22	Market Share 2021	Market Share 2022
Product	2020-06	2021-06	2022-06	(%)	(%)	(%)	(%)
Total leasing	178.3	210.5	227.8	18.0%	8.2%	19.1%	20.6%
Property leasing	51.9	56.9	84.0	9.6%	47.8%	15.3%	20.6%
Equipment leasing	126.4	153.6	143.7	21.5%	-6.5%	21.1%	20.6%
Factoring	2,017.9	2,159.5	2,728.0	7.0%	26.3%	13.7%	13.6%
Domestic and International Factoring	1,088.3	1,032.4	1,202.9	-5.1%	16.5%	11.1%	10.6%
Confirming	929.5	1,127.1	1,525.1	21.3%	35.3%	17.4%	17.4%
Consumer credit	4.5	5.4	5.0	20.0%	-7.1%		
of which:							
Vehicle finance ⁽¹⁾	55.2	65.2	66.4	18.0%	1.9%		
Equipment leasing	50.8	59.8	61.4	17.8%	2.7%		
Consumer credit	4.5	5.4	5.0	20.6%	-6.8%		

(1) Light vehicles (thousands €).

Real estate leasing sales in first half 2022 were up 47.8% over the same period 2021 to €84 million. CGD's market share of 20.6% in this segment, in June 2022, was a 5.3 pp improvement over the same period 2021.

The production of equipment leasing reached, in June 2022, €143.7 million, presenting a negative variation of 6.5% compared to the same period of the previous year. Financing for light vehicles in the first half of 2022 increased by 2.7%, representing around 42.7% of the business's global production. CGD's market share in new operations reached 20.6% at the end of the first half of 2022.

Confirming sales, up 35.3% in first half 2022, account for 55.9% of total factoring. The market share of this product stands at 17.4%. Factoring and confirming operations were up 26.3% over June 2021. Market share, which was slightly down by 0.1 pp over first half 2021 totalled 13.6% in June 2022.

Traditional credit for the acquisition of light passenger and heavy goods vehicles totalled €5 million at the end of first half 2022, down 6.8% over the same period 2021.

Asset management

According to data published by the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP), in June 2022, the national market for unit trust funds was down 12.8% over the start of the year to €17.3 billion. Caixa Gestão de Ativos, SGOIC SA (CXA) retained its market lead with a share of 35.7% (€6,171.8 million) at the end of June. This was an increase of 0.7 percentage points over first half 2021. Notwithstanding the increase in market share, the amounts under CXA management were down €779.7 million and across-the-board to all fund managers.

Caixa Gestão de Ativos continues to lead the market in the higher value-added funds, shares and multiasset segments.

In the multiasset funds segment, the "Caixa Seleção Global Moderate" fund, with €1,246.1 million under management at 30 June 2022, was the second largest fund in the national market. Reference should also be made to the launch of Caixa PPR/UCITS funds at the end of 2019 with €535 million under management in June 2021, up 128% since 2020.

In the stocks segment special reference should be made to the "Caixa Ações Líderes Globais" fund which invests in the worldwide listed shares of companies with a strong brand recognition factors, for several reasons:

- It has retained its position as the largest unit trust investment fund in the national market, ending first half 2022 with €2,035.6 million under management,
- It ranks among the national funds with the highest annualised returns over the last three years, according to data published by APFIPP;
- It continues to enjoy the highest performance consistency rating from Morningstar - 5 stars.

Greater incorporation of ESG principles in the management process of Caixa Gestão de Ativos

The last few years have been marked by an acceleration of the integration of environmental, social and corporate governance (ESG) aspects in the investment strategy of Caixa Gestão de Ativos and CGD Pensões. Both companies, as signatories to the PRI - Principles for Responsible Investment of the United Nations in 2019, have reinforced the importance of incorporating ESG factors in the investment process of the funds under management.

Socially responsible investment is a strategy and practice aimed at incorporating environmental, social and corporate governance factors in investment decisions. This approach is a strategic pillar of the activity of the fund managers and an integral part of CGD group's extended strategy, designed to support a more sustainable future.

Caixa Gestão de Ativos and CGD Pensões continue to commit to the adoption of a socially responsible investment model in order to improve the understanding of the risks and opportunities existing in investment portfolios, while contributing to strengthening environmental, social and best corporate governance practice.

In first half 2022, in parallel with the response to the new regulatory requirements on this issue, namely with regard to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (SFDR - Sustainable Finance Disclosure Regulation) on the disclosure of sustainability-related information in the financial services sector, the companies have continued to focus on three dimensions:

- Integration of ESG factors as part of investment processes, in parallel with the use of traditional financial analysis factors;
- Involvement with companies by exercising voting rights associated with assets under management, namely, on issues such as human and labour rights, environment, ethics, among others;
- Involvement with target investment companies, fostering engagement on matters of socially responsible investment.

With this action, the fund managers simultaneously aim to safeguard concerns over sustainable development and leverage sustainable, long term yields in their customers' best interests.

(EUR million)

ASSET MANAGEMENT - INDICATORS	Change			
	2021-06	2022-06	Total	(%)
Commissions (net)	14.6	16.4	1.8	12.4%
Total operating income	15.6	17.2	1.6	10.4%
Operating costs	6.5	6.4	-0.2	-2.5%
Net op. income before impairments	9.1	10.8	1.8	19.7%
Provisions and impairments	-0.2	-0.2	0.0	-
Net income	7.0	8.3	1.3	18.7%

1.5.1.2. International activity

CGD group continued to strengthen the governance model of its international branches in first half 2022, both as a result of changes to the parent company's actual governance model and regulatory evolutions in the countries in which CGD operates. These evolutions have promoted the adequacy thereof to internationally accepted good practice, as regards good corporate governance, in order to strengthen compliance with the financial legal framework applicable to each geography and ensure the existence of adequate mechanisms and procedures to meet the challenges currently involved in the activity being performed, in terms proportional to the business plan, complexity of such activities and associated risks.

CGD's representation on the governing bodies of such units and effective oversight of the committees advising such governing bodies, in parallel with the corporate performance of control functions and harmonisation of corporate policies are tools that help to strengthen and harmonise the group's strategy and contribute to consolidated profit and risk management.

In strategic terms, the objective is to remain highly committed to the quality of governance across all units, ensuring a consolidated CGD group vision of the activity performed and all attached risks, investing in a value proposal for customers, exploiting CGD group's international presence to provide better support to the internationalisation process of Portuguese companies and strengthening financial solutions and partnerships in the most relevant geographies.

(EUR million)			
INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L ⁽¹⁾	Restated 2021-06	2022-06	Change (%)
Net interest inc. incl. inc. from eq. investm.	190.8	239.1	25.3%
Results from services and commissions	42.9	48.6	13.3%
Income from financial operations	18.5	25.6	38.5%
Other operating income	-0.1	42.5	-
Total operating income	252.1	355.8	41.1%
Employee costs	73.8	87.8	19.0%
Administrative expenses	39.7	46.1	16.0%
Depreciation and amortisation	13.4	18.5	38.8%
Operating costs	126.9	152.5	20.2%
Net operating income before impairments	125.2	203.3	62.3%
Credit impairment (net)	8.7	6.1	-30.3%
Provisions and impairments of other assets (net)	13.1	7.6	-42.0%
Net operating income	103.4	189.6	83.4%
Income Tax	23.9	40.0	67.2%
Net operating income after tax and before non-controlling interests	79.5	149.6	88.3%
Non-controlling interests	18.8	41.8	121.7%
Results from subsidiaries held for sale	0.3	0.1	-78.7%
Results of associated companies	0.6	0.8	-
Net income	61.5	108.7	76.8%

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

The international business area's contribution to consolidated net income in June 2022 was up 76.8% over first half 2021 to €108.7 million. The main contributions to income from international activity in first half 2022 were from BCI Moçambique (€33 million), BNU Macau (€19 million), BCG Angola (€19 million), and CGD's France branch (€31 million).

In first half 2022, total operating income from international activity was up 41% over the same half of the preceding year. In turn, the performance of operating costs largely reflected the exchange rate evolution registered in some of the most important markets, with an increase of €25.6 million (+20%). The €5.5 million decrease of net provisions and impairment made a positive contribution to the increase in international activity's contribution to CGD group.

The contribution of the international area to CGD Group's consolidated balance sheet was stable when compared to June 2021.

The net assets of the international activity registered an increase of 14.8%, amounting to 15.0 billion euros. Loans to customers also rise compared to June 2021, up 6.5% to a total of €7,967 million. With regard to customer deposits, there was an increase (11.8%) to a total of €11,898 million.

Main units

BNU Macau

Banco Nacional Ultramarino, S.A. ("BNU") is a wholly owned CGD subsidiary. Founded in 1902, it mainly operates in the Macao Special Administrative Region where it has a network of eighteen branch offices. It also has a branch office in Hengqin, an island adjacent to Macao, founded to take advantage of the development of the Guangdong-Hong Kong-Macao Greater Bay, and a representative office in Shanghai.

In 2020, the Government of the Special Administrative Region of Macau extended the agencying agreements with the Bank of China and Banco Nacional Ultramarino as currency issuing banks for a period of ten years. This represents recognition of the role played by this CGD group entity, a currency issuer for more than 100 years, both as regards the development of the region and as a primary vehicle operating as a link between the Portuguese economy and Asian markets and Portuguese-speaking countries.

Macao's first quarter 2022 GDP (latest available data from the Statistics and Census Bureau - DSEC - Macau) was down in real annual terms by 8.9%, essentially owing to diminishing gambling revenues on account of border restrictions owing to the pandemic situation, resulting in a 82.4% decrease over 2019 and having strongly affected the bank's activity.

In the first quarter and year-on-year, expenditure on private consumption was down 2.7% owing to an uncertain economic outlook and a weakening labour market. Gross fixed capital formation was up by an annual 3.4%, and reference should be made to the variation of 30.5% in construction. As for the public sector, investment in public works was up by an annual 40.6%.

Monthly revenues from gambling, which since September 2020 had been gradually increasing up the end of 2021, albeit always significantly lower than their pre-pandemic levels, were, once again, down in June owing to new outbreaks of Covid-19 in several regions of China together with the outbreak in Macau and consequent sharp downturn in the number of visitors.

BNU's consolidated activity (together with its Hengqin branch) resulted in a net profit of 171 million patacas (€19.5 million) in 1st half 2022. Return on equity (ROE) was 5.7%.

Net interest income was 341 million patacas (€38.7 million). The decrease of 1.9% over the end of June last year reflects the impact of the progressive decline in interest rates. Net interest income has, however, been stabilising in recent months.

Structural costs remain stable and practically in line with the preceding year. There has even been a slight decrease in employee costs and administrative overheads. BNU recognised provisions and impairment of 55 million patacas (€6.2 million) in the first 6 months of the year.

The solvency ratio, calculated according to the requirements of the local regulator (Monetary Authority of Macao), stood at 22.2% at the end of June and far in excess of regulatory requirements. The bank also continued to enjoy high levels of liquidity.

Total net loans and advances to customers at the end of June amounted to MOP 25,597 million (€3,050 million), thus stabilizing compared to the end of June 2021. The default ratio continued to show very low values (1.06%) and the efficiency ratio remained low, which compares very favourably with the industry average, cost-to-income of 43.2%. Noteworthy is the growth in credit to households and individuals, driven by mortgage loans, despite the considerable shortage of supply of new properties on the market and the deterioration of the economic climate due to the pandemic. However, credit to corporates declined, due in part to the decline in two large operations.

Total customer resources were slightly down over the same date of the preceding year essentially on account of the lower level of deposits of public sector entities and large companies, which are more volatile and price-sensitive.

It continues to focus on two strategic objectives: on the one hand, increasing the number of customers who consider BNU as their bank of choice and, on the other, increased sales of commissions-earning products for the bank for which several credit and stock trading and bancassurance campaigns for customers were launched in first half 2022.

Reference should also be made, this half year, to the beginning of the start-up project for BNU branches with two closures to a current total of 18 branches.

BNU - MACAU	(EUR Million)			(MOP Million)		
	Change			Change		
MAIN INDICATORS	2021-06	2022-06	(%)	2021-06	2022-06	(%)
Net interest income	36.1	38.7	7.2%	348	341	-1.9%
Total operating income	46.4	49.4	6.6%	447	436	-2.5%
Operating costs	19.6	21.5	9.4%	189	189	0.1%
Net op. income before impairments	26.8	28.0	4.5%	258	246	-4.5%
Provisions and impairments	-1.2	6.2	-	-11	55	-
Net income	24.7	19.5	-21.2%	238	171	-27.9%
Net assets	5,758.6	6,500.7	12.9%	54,743	54,565	-0.3%
Loans and adv. to customers (net)	2,779.9	3,049.5	9.7%	26,427	25,597	-3.1%
Customer deposits	3,772.1	4,231.5	12.2%	35,858	35,518	-0.9%

EUR/MOP exchange rate: Balance sheet: 9.506 in June 2021 and 8.393 in June 2022; P&L: 9.636 in June 2021 and 8,313 in June 2022.

BNU Macau's contribution to CGD Group's consolidated net income in first half 2022 amounted to €19.5 million.

France Branch

France branch is geared to its natural market of the Portuguese community in France. It also services other (particularly Portuguese-speaking) communities and assists Portuguese companies operating in France, both in the sphere of bilateral trade between the two countries as in the sphere of the free provision of services.

France's economy was the stage for developments with very divergent effects across first half 2022. On the one hand the lifting of health restrictions benefited consumption and growth, while, on the other, the economic consequences of the conflict in Ukraine weighed on activity. Supply problems continued to be an issue and were accompanied by the inflationary shock and its adverse effect on household purchasing power and economic growth.

In this context, French GDP was a slight 0.2% down in the first quarter, followed by a slight second quarter increase of 0.2%, which nevertheless enabled the French economy to remain slightly above its pre-crisis level. GDP is expected to maintain a moderate growth rate of around 0.3% per quarter between the start of the second half and end of the year. The projections accordingly point to economic growth of 2.3% for 2022 as a whole. Notwithstanding being considered moderate following the 6.8% achieved in 2021, the year of post-Covid recovery, it is approaching the average rate posted in the decade prior to the pandemic.

This macroeconomic context, marked by geopolitical tensions leading to the largest price hikes for several decades in addition to the rise in interest rates governed the branch's domestic activity in the first half year. Special reference should be made to a 3.7% decrease of lending over the same period of the preceding year and 0.8% decline in resource-taking in the form of customer deposits.

First half 2022 was also marked by the completion of the sales process of the head office building in France, in pursuit of the objective of increasing equity, avoiding significant investments in works and benefiting from revamped facilities with optimised areas in the future. This operation enabled the branch to achieve extraordinary income and, consequently, good results in the French market.

France branch's balance sheet was up 2.4% by €80 million over the same period last year to €3,365 million in June 2022, following the increase in regulatory reserves.

Loans and advances to customers were, however, down 3.7% by €100 million year-on-year, reflecting a combination effect between lower demand for credit in the corporate segment, high levels of uncertainty in the global economy and greater competition in France's banking sector for business with the best risk companies. Loans and advances to households were, in turn, up 1.2%.

Net income, up 246.1% by €22 million over June 2021 to €31 million was impacted by the slowdown in lending, reflected in net interest income and commissions.

The cost of risk evolved favourably over the previous year (0.09% vs. 0.23%), notwithstanding monthly increases in impairment and provisions, owing to the effect of a revised macroeconomic scenario and strengthening of backstops.

Notwithstanding such a difficult environment France branch continues to work towards overcoming its main challenges in the form of an expansion of its business customer base, development of bilateral trade between Portugal and France, development of digital banking aimed at achieving a higher rate of market penetration

among young Portuguese and Luso-descendants; greater transparency and a risk policy integrating best market practice.

				(EUR Million)	
FRANCE BRANCH			Change		
MAIN INDICATORS	2021-06	2022-06	Total	(%)	
Net interest income	36.2	34.4	-1.9	-5.1%	
Total operating income	45.8	77.8	32.0	69.9%	
Operating costs	30.6	35.2	4.6	14.9%	
Net op. income before impairments	15.2	42.6	27.4	180.7%	
Provisions and impairments	2.7	0.0	-2.7	-99.8%	
Net income	8.9	31.0	22.0	246.1%	
Net assets	3,284.7	3,364.8	80.1	2.4%	
Loans and adv. to customers (net)	2,690.8	2,591.1	-99.7	-3.7%	
Customer deposits	2,826.0	2,804.9	-21.1	-0.7%	

France branch contributed €31 million to CGD's consolidated net income in first half 2022.

BCG Angola

Angola's economy continues to enjoy the benefits of high oil prices which have positively influenced the balance of goods account, which up to first quarter recorded a surplus of USD 4,715.4 billion, equivalent to 18.1% of GDP, focusing mainly in the business area.

BCG Angola posted net interest income of 20,354 million kwanzas in first half 2022 (up 30% year-on-year) and non-interest income of 9,149 million kwanzas (up 36% year-on-year), contributing to a 31% growth of total operating income.

Net operating income of 20,764 million kwanzas (€41.2 million) before impairment was up 57% over the same period last year, owing to the increase of total operating income, which was impacted by the increase in interest and income similar in net interest income and the reduction of structural costs.

BCGA's net assets of 694,339 million kwanzas (€1,591 million) were down 8% over the same period last year. This slight reduction derives essentially from the decrease in cash and cash equivalents at central banks and other credit institutions.

The credit portfolio was up 5% over the same period last year. Overdue credit was up 14% over the same period last year with a default ratio of 7.6%. Deposits, particularly foreign currency resources, were down 13%, owing to the Kwana's appreciation against the major currencies.

BCG Angola posted net income of 10,437 million kwanzas in first half 2022, up 93% over the same period 2021. The increase is partly explained by a reversal of impairment resulting from an upgrade to Angola's rating at the end of 2021.

				(EUR Million)		(AOA Million)	
BCG - ANGOLA			Change			Change	
MAIN INDICATORS	2021-06	2022-06	(%)	2021-06	2022-06	(%)	
Net interest income	20.3	40.3	98.7%	15,701	20,354	29.6%	
Total operating income	29.0	58.5	101.5%	22,444	29,503	31.5%	
Operating costs	11.9	17.3	45.6%	9,201	8,739	-5.0%	
Net op. income before impairments	17.1	41.2	140.4%	13,243	20,764	56.8%	
Provisions and impairments	3.5	-2.9	-	2,670	-1,470	-	
Net income	13.5	40.0	196.4%	10,437	20,180	93.4%	
Net assets	980.9	1,590.8	62.2%	757,191	694,339	-8.3%	
Loans and adv. to customers (gross)	190.0	353.9	86.3%	146,625	154,472	5.4%	
Customer deposits	855.0	1,313.6	53.6%	659,946	573,337	-13.1%	

Exchange rate EUR/AOA: Balance sheet 771.909 in June 2021 and 436,470 in June 2022; P&L: 773.381 in June 2021 and 504,444 in June 2022.

BCG Angola's contribution to CGD Group consolidated net income in first half 2022 totalled €19.3 million.

Banco Comercial e de Investimentos

Mozambique's economy continued to trend to recovery in first quarter 2022, with the progressive reopening of its economy and a resumption of economic activity, evident in year-on-year first quarter 2022 GDP growth of 4.1%, in comparison to the preceding quarter's 3.3%.

The Bank of Mozambique (BM) has left its outlook on economic recovery for the short and medium term unchanged with expansion of 3.8% this year, notwithstanding the hike in inflation. In view of the above referred to macroeconomic scenario, Banco Comercial e de Investimentos (BCI) has retained and reinforced its financial strength over the last few years, maintaining its leading position in the national banking system, in the three main market share areas (May data) of credit (26.0%), deposits (25.6%) and assets (23.1%).

In balance sheet terms net assets were up 5.9% to 195,182 million meticaïs (€2,951 million) against 184,394 million meticaïs, in December 2021. This evolution essentially reflects a combination between the following: debt securities (up 8,746 million meticaïs), loans and advances to credit institutions (up 4,554 million meticaïs) and loans and advances to customers (down 1,481 million meticaïs). The 3.3% reduction in loans and advances to customers (net) was influenced by the lower volume of disbursements associated with the effects of the Covid-19 pandemic, notwithstanding the economy's trend to recovery.

Customer deposits were up 3.5% over December 2021 to 152,630 million meticaïs (€2,304 million) in June 2022, owing to a combination effect between the 3.5% growth of deposits in national currency and 6.2% increase in foreign currency deposits. This evolution largely reflects a recovery of economic activity in several sectors, such as hotels and gas exploration.

In June 2022, the loans-to-deposits ratio was 42.3%, comprising an annual reduction of 2.7 pp (45% in June 2021).

Equity amounted to 22,842 million meticaïs. This was up 13 million meticaïs over December 2021 (22,829 million meticaïs) and was reflected in the maintenance of the bank's financial strength as shown in its solvency ratio of 25.8% in June 2022 (23.1% in December 2021). This level is well above the 15.0% minimum for systemically important financial institutions.

Total operating income was 10,035 million meticaïs (€145.3 million) in comparison to 8,514 million meticaïs (€106.2 million) for the same period 2021. This growth was driven, to a large extent, by the good performance of net interest income which was up 16.8% (1,069 million meticaïs) to 7,363 million meticaïs (€106.6 million) in June 2022, having benefited from the sharp rise in policy rates and the increase in the volume of financial assets in national currency.

The cost-to-income ratio of 42.7% was a 4.8 pp improvement over the 47.5% for the same period of the preceding year as a reflection of the 17.9% increase in total operating income as opposed to the 5.9% increase in structural costs.

In terms of its results, BCI made a net profit of 3,618 million meticaïs in June 2022 (€52.4 million). This was up 104.7% over the same period last year with ROE of 33% (18% in June 2021). This evolution is mainly the result of the positive performance of total operating income (17.9%), accompanied by a controlled growth of structural costs (up 5.9%) and a 782 million meticaïs reduction of impairment costs.

BCI - MOZAMBIQUE	(EUR Million)			(MZN Million)		
			Change			Change
MAIN INDICATORS	2021-06	2022-06	(%)	2021-06	2022-06	(%)
Net interest income	78.7	106.6	35.5%	6,306	7,363	16.8%
Total operating income	106.2	145.3	36.8%	8,514	10,035	17.9%
Operating costs	50.7	62.3	22.9%	4,064	4,304	5.9%
Net op. income before impairments	55.5	83.0	49.4%	4,450	5,731	28.8%
Provisions and impairments	17.8	9.2	-48.4%	1,427	635	-55.5%
Net income	22.0	52.4	137.5%	1,767	3,618	104.7%
Net assets	2,529.6	2,950.6	16.6%	188,355	195,182	3.6%
Loans and adv. to customers (net)	897.3	976.8	8.9%	66,811	64,612	-3.3%
Customer deposits	1,978.7	2,304.4	16.5%	147,333	152,435	3.5%

Exchange rate EUR/MZN: Balance sheet: 74.460 in June 2021 and 66,150 in June 2022; P&L: 80.152 in June 2021 and 69,084 in June 2022.

BCI Moçambique's contribution to CGD Group's consolidated income in first half 2022 amounted to €33.1 million.

1.5.2. Separate Activity

Results

Caixa Geral de Depósitos earned net income of €458.6 million from its separate activity in the first six months of 2022. This amount was up 64.9% by €180.5 million over the same half of the preceding year in which a profit of €278.1 million was made.

(EUR thousand)

SEPARATE INCOME STATEMENT ⁽¹⁾	Restated		Change	
	2021-06	2022-06	Value	(%)
Interest and similar income	499.532	567.728	68.196	13,7%
Interest and similar costs	166.653	189.737	23.084	13,9%
Net interest income	332.879	377.991	45.113	13,6%
Income from equity instruments	68.527	70.825	2.298	3,4%
Net interest income incl. income from eq. investm.	401.406	448.816	47.411	11,8%
Income from services and commissions	266.036	305.749	39.712	14,9%
Costs of services and commissions	44.384	53.132	8.748	19,7%
Results from services and commissions	221.652	252.616	30.964	14,0%
Income from financial operations	98.723	56.072	-42.651	-43,2%
Other Operating Income	-18.072	12.949	31.021	-
Non-interest income	302.303	321.638	19.335	6,4%
Total operating income	703.709	770.454	66.745	9,5%
Employee costs	89.447	249.590	160.143	179,0%
Administrative expenses	79.513	75.425	-4.088	-5,1%
Depreciation and amortisation	39.359	50.042	10.682	27,1%
Operating costs	208.319	375.057	166.738	80,0%
Net operating income before impairments	495.389	395.397	-99.993	-20,2%
Credit impairment (net)	27.440	-157.671	-185.112	-
Provisions and impairments of other assets (net)	43.747	-123.744	-167.491	-
Provisions and impairments	71.188	-281.415	-352.603	-
Net operating income	424.202	676.812	252.610	59,5%
Tax	146.149	218.241	72.092	49,3%
Current	21.307	14.211	-7.095	-33,3%
Deferred	96.287	167.121	70.834	73,6%
Banking sector contribution	28.555	36.909	8.354	29,3%
Net income	278.053	458.571	180.518	64,9%

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

Net interest income, including income from equity instruments, was up 11.8% over first half 2021 to €448.8 million. The growth of net interest income includes, inter alia, the impact of €29 million on the conditions of the TLTRO-III refinancing operation.

In turn, with the exception of income from financial operations which was down by €42.7 million, all other non-interest income components evolved positively. Reference should be made to the 14% growth of income from services and commissions and €31 million growth of operating profit.

Structural costs, influenced by the 179% increase of €160.1 million in employee costs and 27.1% increase of €10.7 million in depreciation and amortisation were up 80% by €166.7 million. The variation in employee costs includes the evolution deriving from a non-recurring event in 2021 involving a €145.4 million reduction of provisions for past services associated with the medical services agreement entered into by CGD in Portugal and the €55.3 million provision for the early retirement programme in 2022 against €26.2 million in 2021.

Net operating income before impairment was therefore down 20.2% by €100 million owing to the €66.7 million growth of total operating income and mainly on account of the already referred to increase of €166.7 million in structural costs.

Provisions and impairment over the same half 2021 were down €352.6 million, mainly owing to the reversal of CGD's preventive measures to provide for the expected impact of the pandemic.

As a result of these developments, operating profit for the half year was up 59.5% over June 2021 to €676.8 million. The net profit on CGD's separate activity was up €180.5 million over the first six months of 2021 to €458.6 million in first half 2022.

Balance sheet

Caixa Geral de Depósitos' separate activity net assets reached €97,480 million at the end of June 2022, up 1.2% compared to the end of 2021. Reference should be made to loans and advances to customers, with an increase of €931 million (up 2.0%) and to cash and equivalents with central banks (+5.6%), which were up €1,246 million, and securities investments, down by €1,355 million (-6.2%).

			(EUR million)	
SEPARATE BALANCE SHEET ⁽¹⁾			Change	
			2022-06 vs 2021-12	
ASSETS	2021-12	2022-06	Value	(%)
Cash and equival. with central banks	22,082	23,327	1,246	5.6%
Loans and advances to cred. inst.	2,236	2,116	-120	-5.4%
Securities investments	21,708	20,354	-1,355	-6.2%
Loans and advances to customers	45,613	46,544	931	2.0%
Assets with repurchase agreement		46	46	-
Non-current assets held for sale	121	112	-8	-7.0%
Intangible and tangible assets	559	592	33	5.9%
Inv. in subsid. and assoc. companies	1,265	1,264	-1	-0.1%
Current and deferred tax assets	1,535	1,332	-203	-13.2%
Other assets	1,250	1,793	543	43.5%
Total assets	96,368	97,480	1,112	1.2%
LIABILITIES				
Central banks' and cred. inst. resources	7,216	7,007	-209	-2.9%
Customer resources	72,092	74,693	2,601	3.6%
Debt securities	1,790	828	-962	-53.7%
Financial liabilities	381	209	-172	-45.1%
Provisions	933	812	-121	-13.0%
Subordinated liabilities	1,118	1,104	-14	-1.3%
Other liabilities	4,694	4,696	2	0.0%
Sub-total	88,224	89,349	1,125	1.3%
Shareholders' equity	8,145	8,131	-13	-0.2%
Total	96,368	97,480	1,112	1.2%

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

As at 30 June 2022, securities investments decreased from €21,708 million on 31 December 2021 to €20,354 million on 30 June 2022. This variation is a consequence of the liquidity management strategy followed by CGD, which aims to concentrate investments at amortized cost.

Total liabilities were up 1.3% to €89,349 million, showing a variation of €1,125 million in the semester, justified by the increase of €2,601 million (up 3.6%) in customer resources.

Equity remained stable compared to December 2021, even after exercising the option of early repayment of the perpetual issue of additional Tier 1 capital (Additional Tier 1), in the amount of €500 million in March 2022. Savings on coupon payments of 10.75% allow for the generation of organic capital in the future.

Capital management

Equity in the individual activity stood at €8,131 million in June 2022. The reduction of €500 million in "Other capital instruments", which referred to securities representing additional Tier 1 own funds (Additional Tier 1) that were called in March 2022, was offset by the €541 million increase in "Other reserves and retained earnings", already taking into account the payment of dividends to the Shareholder. This change is justified, among others, by the incorporation of the positive results of 2021.

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2021-12	2022-06
Share capital	3,844	3,844
Other equity instruments	500	0
Revaluation reserves	244	172
Other reserves and retained earnings	3,115	3,656
Net income	442	459
Total	8,145	8,131

The Common Equity Tier 1 (CET 1) and Total ratios, calculated in accordance with the CRD IV/CRR rules, reached 20.3% and 22.1%, respectively, in June 2022.

If the positive net income of the prudential perimeter for the period (€459 million) were taken into account, net of the maximum dividend (MDA) allowed by CGD's dividend policy (approximately €198 million), the CET1 and Total ratios would be of 21.1% and 22.9%, respectively.

Information on the amount of own funds and capital ratios between June 2021 and June 2022 is set out below, as reported to the Supervisor, along with the information referring to the first half of 2022, considering the net income discounted by the MDA.

(EUR million)

SOLVENCY RATIOS (SEPARATE)	CRR/CRD IV Rules (1)			
	2021-06	2021-12 (2)	2022-06	2022-06 (3)
Own funds				
Common equity tier 1 (CET 1)	7,004	6,854	6,793	7,054
Tier 1	7,504	6,854	6,793	7,054
Tier 2	600	600	600	600
Total	8,104	7,454	7,393	7,654
Weighted assets	33,704	33,408	33,435	33,435
Solvency ratios				
CET 1	20.8%	20.5%	20.3%	21.1%
Tier 1	22.3%	20.5%	20.3%	21.1%
Total	24.0%	22.3%	22.1%	22.9%

(1) The values presented are applicable in Phasing-in and Full Implementation;

(2) Includes the positive net income previously approved by the Supervisor and pursuant to Article 26(2) of Regulation (EU) No. 575/2013;

(3) Version including the positive result of around €261 M (net value of MDA), made available for comparison purposes with the values at the end of the year. If the inclusion of the entire positive net income (459 M€) were considered, the CET1 ratio would be 21.7%; Tier 1 of 21.7% and Total of 23.5%.

The variation of the CET 1 ratio of about +58 b.p. between December 2021 and June 2022, both with the inclusion of the positive net income deducted by the MDA, results from the improvement seen in own funds (up 60 b.p.), partially absorbed by the increase in risk-weighted assets (RWA) (-2 b.p.).

The improvement in own funds is essentially on account of the following elements:

- The improvement of around €340 million in other reserves and retained earnings (with a positive impact of 102 b.p. on the CET 1 ratio), was essentially due to the positive actuarial deviations of €488 million related to post-employment benefits, which more than offset the additional distribution of dividends of €137 million;
- Income, deducted by the MDA, of around €261 million from the prudential perimeter for the half year (with a positive impact of 78 b.p. on the CET 1 ratio);
- The element that contributed the most negatively to own funds is related to the deduction of excess funding from the liabilities of the defined benefit Pension Fund (defined by Article 41 of EU Regulation No. 575/2013), of around €316 million, contributing to a 94 b.p. reduction in the CET1 ratio;
- Reduction in revaluation reserves of about €71 million (with an impact of -21 b.p. on the CET 1 ratio);
- An increase of around €12 million in intangible assets, responsible for a deduction of the same order to own funds (contributing a 4 b.p. reduction to the CET 1 ratio);

In the first half, there was an increase in RWA of around €27 million, justified by:

- a) Growth of the loan portfolio, in particular mortgage loans, with an impact of €111 million on RWA (-7 b.p. in the CET1 ratio).

- b) Increase in the foreign exchange position subject to the calculation of capital requirements for foreign exchange risk, with an impact of around €87 million in RWA (-5 b.p. in CET1). This increase stems from the fact that the structural exchange position in Cape Verde escudos (CVE) is no longer covered by the exemption provided for in article 352(2) of the CRR, but also from the exchange rate evolution, with an impact on the increase in the position in kwanzas (AOA) and in patacas (MOP).
- c) Decrease in RWA for deferred tax assets of around €182 million (+11 b.p. in CET1).

ECB capital requirements on CGD's separate activity

The ECB, as authorised by regulation (EU) n°. 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.

For 2022 it is defined that Caixa Geral de Depósitos, S.A. (parent company) the obligation to permanently satisfy own funds and applicable liquidity requirements under Regulation (EU) n°. 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.

1.6. Subsequent Events

Interest rate increase

In July 2021, the European Central Bank (ECB) raised the three key interest rates by 50 b.p., a decision based on the updated assessment of inflation risks and in line with the commitment to fulfil its mandate to maintain price stability. At the same meeting, the Transmission Protection Instrument (TPI) was also approved, justified by its contribution to the effective transmission of monetary policy, ensuring that guidance is transmitted uniformly in all euro area countries.

In September, the ECB again increased the three key interest rates by 75 b.p. (the interest rate applicable to the main refinancing operations, the interest rates applicable to the marginal lending facility and the deposit facility will be increased to 1.25%, 1.50% and 0.75%, respectively), not ruling out further rises, as inflation remains too high and is likely to remain above target for an extended period.

At the same meeting, the ECB revised upward its projections for inflation, now expecting it to be, on average, 8.1% in 2022, 5.5% in 2023 and 2.3% in 2024 and, in the opposite direction, due to the high prices of energy products that affect economic activity and the adverse geopolitical environment, the projection for economic growth was revised downwards to 3.1% in 2022, 0.9% in 2023 and 1.9% in 2024.

Branch reduction compared to other banks

Caixa continues to provide its Customers with a multifaceted service, encompassing its network of branches and corporate offices, automatic self-service branches, digital channels, including apps, and telephone service. As in the rest of the Portuguese banking system, the organisation of the branch network is carried out on a permanent basis and, in this context, 23 branches were closed during the third quarter of 2022. Leader in the national market in terms of the retail network which, between branches and Espaços Caixa, ensures its representation in all municipalities in the country, continuing the implementation of the new service model using new technologies. In the same period, a new business office was opened in Covilhã, reinforcing its support to the region's business network.

SSM Climate Risk Stress Test 2022 Results

Caixa Geral de Depósitos was subject to the SSM Climate Risk Stress Test 2022 conducted by the European Central Bank (ECB). This exercise involved a total of 104 banks and was designed to be used as an important source of qualitative information for the SREP conclusions.

The exercise results show that CGD's overall score was above average. Around 65% of banks, regarding the progress of their Climate Risk Stress Test Framework, scored 3 (Medium) or 4 (Underdeveloped), while CGD obtained a better rating with a score of 2 (Medium-Advanced), together with one third of the best participating banks. This result confirms the relevance for Caixa Geral de Depósitos and its commitment to sustainability and environmental concerns, including climate change.

In particular, Caixa Geral de Depósitos performed well in terms of data quality and business model sustainability, compared to its peers. The data quality results show the significant efforts that Caixa Geral de Depósitos has made to improve the completeness of existing information, demonstrating that Caixa Geral de Depósitos is well prepared for the exercises and challenges ahead.

This exercise also provided insights and identified opportunities to improve the climate risk management framework, for which Caixa Geral de Depósitos has designed and is implementing specific action plans. In addition, the ECB will accompany this exercise, providing guidance on best practices for dealing with climate risk, which Caixa Geral de Depósitos will follow closely, in order to remain a reference bank in a matter that will continue to be of particular concern for the foreseeable future.

Disposal of the Interest in Esegur, S.A.

On 28 July 2022, Caixa's stake in Esegur was sold to the Spanish group Trablisa for the amount of €6.5 million. The balance sheet value already reflected the estimated sale value, so no additional impact on the Group's accounts was recognized.

Banco Interatlântico

On 3 August 2022, CGD acquired 11,687 shares, representing 11.69% of Banco Interatlântico, increasing CGD's stake from 70% to 81.687% of the bank's share capital.

Nostrum Mortgages No. 2

Following CGD's decision, on 22 August the option of early repayment of the Nostrum 2010 transaction was exercised and the credits comprising the portfolio were repurchased from TAGUS (securitization company), resulting in the structure liquidation.

Agreement for the sale of participation held in restructuring funds and other assets (Crow Project)

CGD and the other participants launched in 2021, through the management company ECS Capital, an organised and competitive sale process of 100% of the shares of the FLIT - PTREL SICAV ("FLIT") fund, 100% of the shares of the Recovery Tourism, FCR ("FRT") and some hotel assets of the Recovery Fund, FCR ("Project Crow")

As a result, on August 12, purchase and sale agreements were signed with Corvus Acquisitions DAC.

The implementation of Project Crow involves an asset reorganisation to be carried out prior to closing, which will include:

- (a) Certain assets currently held indirectly by FLIT and FRT will have to be withdrawn from the transaction perimeter prior to closing ("Carve-Out"); and
- (b) Certain hotel assets currently held indirectly by the Recovery Fund, FCR to be acquired indirectly by FLIT prior to the closing of the transaction (the "Carve-In").

The Project Crow transaction perimeter will therefore involve:

- (i) The FRT shares together with the assets directly and indirectly held by it, with the exception of those that are part of the Carve-Out;
- (ii) The FLIT shares together with the assets directly and indirectly held by it, with the exception of those that are part of the Carve-Out; and
- (iii) Each of the Carve-In assets that will be previously transferred to a FLIT branch.

The closing of the Project Crow transaction, scheduled for the end of the year, is also subject to certain conditions precedent, including regulatory and other conditions, thus remaining potential effects associated with the operation that cannot be quantified with complete reliability on this date.

1.7. Statement of Conformity of the Financial Information

Under the terms of sub-paragraph c) of no. 1 of article 29-J of the Securities Market Code, each of the undersigned, as indicated, declares that the separate and consolidated condensed interim financial statements for 1st half 2022, 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, 29 September 2022

Chairman of the Board of Directors

António Farinha Morais

Vice-Chairman of the Board of Directors

Paulo José de Ribeiro Moita de Macedo

Members of the Board of Directors

José João Guilherme

Francisco Ravara Cary

João Paulo Tudela Martins

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Madalena Rocheta de Carvalho Talone

Maria Manuela Martins Ferreira

António Alberto Henriques Assis

José António da Silva Brito

María del Carmen Gil Marín

Maria João Martins Ferreira Major

Arlindo Manuel Limede de Oliveira

Hans-Helmut Kotz

Luís Filipe Coimbra Nazaret

Monique Eugénie Hemerijck

1.8. Condensed Interim Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED INTERIM SEPARATE BALANCE SHEET

(EUR thousand)

	Notes	30-06-2022		31-12-2021	
		Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net assets	Net assets
ASSETS					
Cash and cash equivalents at central banks	3	23,327,162	-	22,061,560	7,215,620
Cash balances at other credit institutions	4	253,135	-	368,601	72,092,064
Loans and advances to credit institutions	5	1,864,346	1,848	1,867,041	1,790,117
Financial assets at fair value through profit or loss	6	3,810,029	-	3,240,561	380,605
Financial assets at fair value through other comprehensive income	7	3,058,178	-	5,415,687	2,593,366
Financial assets with repurchase agreement	8	45,797	-	-	35,628
Hedging derivatives	9	24,123	-	5,898	933,152
Investments at amortised cost	11	13,485,764	16	13,052,244	3,192
Loans and advances to customers	12	48,448,705	1,904,834	46,543,871	93,573
Non-current assets held-for-sale	13	323,881	211,583	120,689	1,117,883
Investment properties		6,122	-	7,847	1,968,635
Other tangible assets		1,381,797	961,609	399,545	89,349,073
Intangible assets		276,444	104,207	159,761	3,844,144
Investments in subsidiaries, associates and jointly controlled entities	14	1,600,535	336,722	1,264,710	500,000
Current tax assets	15	434,625	-	434,631	172,330
Deferred tax assets	15	897,596	-	897,596	3,655,999
Other assets	16	1,958,480	195,784	1,235,936	468,571
Total Assets		101,196,719	3,716,603	97,480,117	97,480,117
LIABILITIES AND EQUITY					
Resources of central banks and other credit institutions	17				7,007,102
Customer resources and other loans	18				74,693,117
Debt securities	19				828,351
Financial liabilities at fair value through profit or loss	9				209,063
Financial liabilities associated with transferred assets					2,461,586
Hedging derivatives	9				2,741
Provisions	21				811,762
Current tax liabilities	15				10,629
Deferred tax liabilities	15				51,766
Other subordinated liabilities	22				1,103,744
Other liabilities	23				2,169,212
Total Liabilities					89,349,073
Share capital	24				3,844,144
Other equity instruments	24				-
Revaluation reserves	25				172,330
Other reserves and retained earnings	25				3,655,999
Net income for the period	25				468,571
Total Equity					8,131,043
Total Liabilities and Equity					97,480,117

Certified Public Accountant
Andreia Júlia Meneses Alves

Chairman

António Farinha Morais

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

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Monique Eugénie Hemerijck

CONDENSED INTERIM SEPARATE INCOME STATEMENT

(EUR thousand)

	Notes	30-06-2022	30-06-2021
Interest and similar income	26	567,728	499,532
Interest and similar expenses	26	(189,737)	(166,653)
Net Interest Income		377,991	332,879
Income from equity instruments	27	70,825	68,527
Income from services and commissions	28	305,749	266,036
Costs of services and commissions	28	(53,132)	(44,384)
Results from assets and liabilities at fair value through profit or loss	29	48,026	96,409
Results from financial assets at fair value through other comprehensive income	29	2,433	1,598
Exchange revaluation results	29	4,699	4,581
Hedge accounting results	29	915	(3,865)
Other operating income	30	12,949	(18,072)
Total Operating Income		770,454	703,709
Employee costs	31	(249,590)	(89,447)
Other administrative costs	33	(75,425)	(79,513)
Depreciation and amortisation		(50,042)	(39,359)
Other provisions	21	80,677	(37,376)
Loan impairment	34	157,671	(27,440)
Other assets impairment	34	43,067	(6,372)
Income Before Tax		676,812	424,202
Income tax	15	(218,241)	(146,149)
Net Income For The Period		458,571	278,053
Average number of ordinary shares outstanding	24	768,828,747	768,828,747
Earnings per share (in Euros)		0.60	0.36

Certified Public Accountant
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CONDENSED INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2022	30-06-2021
Balances subject to reclassification to profit or loss		
Gains / (losses) arising during the period	(95,839)	135
Adjustments of fair value reserves reclassified to net income		
Impairment recognised in the period	46	97
Disposal of financial assets	(2,433)	(1,598)
Tax effect	26,865	374
Foreign exchange differences in branches		
Gains / (losses) arising during the period	2,424	801
Other	28	(27)
	(68,909)	(218)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the period	502,864	279,529
Tax effect	(14,686)	3,621
Changes in the fair value of financial assets (option of valuation of equity instruments at fair value through other comprehensive income)	47	42
	488,225	283,192
Total comprehensive net income for the period recognised in reserves	419,316	282,974
Net income for the period	458,571	278,053
Total comprehensive net income for the year	877,887	561,026

CONDENSED INTERIM SEPARATE CASH FLOW STATEMENTS

(EUR thousand)

	Notes	30-06-2022	30-06-2021
OPERATING ACTIVITIES			
Cash flows from operating activities before changes in assets and liabilities			
Interest, commissions and similar income received		921,550	787,560
Interest, commissions and similar costs paid		(255,058)	(189,325)
Recovery of principal and interest		39,264	40,493
Payments to employees and suppliers		(221,626)	(241,896)
Payments and contributions to pensions funds and other benefits		(56,314)	(56,581)
Other results		(28,286)	(24,065)
		399,530	316,187
(Increases) / decreases in operating assets			
Loans and advances to credit institutions and customers		(777,303)	(1,230,963)
Assets held-for-trading and other assets at fair value through profit or loss		(582,078)	1,873,333
Other assets		(552,031)	(1,293,655)
		(1,911,412)	(651,286)
Increases / (decreases) in operating liabilities			
Resources of central banks and other credit institutions		(160,886)	4,771,220
Customer resources		2,598,937	3,954,070
Other liabilities		(71,124)	(21,735)
		2,366,927	8,703,555
Net cash from operating activities before taxation		855,046	8,368,456
Income tax		(37,490)	(39,042)
Net cash from operating activities		817,555	8,329,414
INVESTING ACTIVITIES			
Dividends received from subsidiaries, associates and jointly controlled entities		70,604	68,439
Dividends received from financial assets at fair value through other comprehensive income		221	88
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net of disposals		42,973	30
Acquisition of financial assets at fair value through other comprehensive income, net of disposals		2,084,697	(225,623)
Acquisition of tangible and intangible assets, net of disposals		15,623	(20,049)
Net cash from investing activities		2,214,118	(177,115)
FINANCING ACTIVITIES			
Interest on subordinated liabilities		(35,016)	(35,016)
Interest on debt securities		(10,367)	(11,154)
Interest on other equity instruments		(13,438)	(26,875)
Interest on lease agreements		(2,006)	(2,159)
Issue of debt securities, net of repayments		(949,566)	(13,329)
Reimbursement of other equity instruments		(500,000)	-
Repayments of financing operations through lease agreements		(15,356)	(18,544)
Dividends paid		(378,231)	(83,639)
Net cash from financing activities		(1,903,980)	(190,715)
Increase / (decrease) in cash and cash equivalents		1,127,694	7,961,584
Cash and cash equivalents at the beginning of the period		22,450,160	9,928,363
Foreign exchange differences on cash and cash equivalents		2,443	540
Net change of cash and cash equivalents		1,127,694	7,961,584
Cash and cash equivalents at end of the period	3 & 4	23,580,297	17,890,488

CONDENSED INTERIM SEPARATE 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, 2020	3,844,144	500,000	200,219	(54,760)	110,425	255,884	224,891	2,575,240	2,800,129	406,539	7,806,696
Appropriation of net income for 2020	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	81,308	241,592	322,900	(322,900)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(83,639)	(83,639)
Other entries directly recorded in equity	-	-	(1,366)	374	-	(983)	-	-	-	-	(983)
Measurement gains / (losses) on revaluation reserves	-	-	-	-	-	-	-	42	42	-	42
Measurement gains / (losses) on equity instruments	-	-	-	-	-	-	-	283,150	283,150	-	283,150
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	801	801	-	801
Foreign exchange differences in branches	-	-	-	-	-	-	-	-	(27)	-	(27)
Other	-	-	-	-	-	-	-	-	-	278,053	278,053
Net income for the period	-	-	(1,366)	374	-	(983)	-	283,993	283,966	278,053	561,026
Total gains and losses for the period recognised in equity	-	-	(1,366)	374	-	(983)	-	(26,722)	(26,722)	-	(26,722)
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2021	3,844,144	500,000	198,852	(54,386)	110,425	254,891	306,198	3,074,103	3,380,273	278,053	8,257,361
Balances at December 31, 2021	3,844,144	500,000	183,435	(50,169)	110,425	243,691	306,198	2,808,988	3,115,158	441,534	8,144,527
Appropriation of net income for 2021	-	-	-	-	-	-	-	-	-	(200,463)	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	88,307	112,156	200,463	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(241,071)	(241,071)
Dividends paid 2021	-	-	-	-	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-	(137,160)	(137,160)	-	(137,160)
Other entries directly recorded in equity	-	-	-	-	-	-	-	-	-	-	-
Measurement gains / (losses) on revaluation reserves	-	-	(98,225)	26,865	-	(71,361)	-	-	-	-	(71,361)
Measurement gains / (losses) on equity instruments	-	-	-	-	-	-	-	47	47	-	47
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	488,178	488,178	-	488,178
Foreign exchange differences in branches	-	-	-	-	-	-	-	2,424	2,424	-	2,424
Other	-	-	-	-	-	-	-	-	-	28	28
Net income for the period	-	-	(98,225)	26,865	-	(71,361)	-	488,571	488,571	458,571	458,571
Total gains and losses for the period recognised in equity	-	-	(98,225)	26,865	-	(71,361)	-	490,649	490,677	458,571	877,887
Reimbursement of other equity instruments (AT1)	-	(500,000)	-	-	-	-	-	-	-	-	(500,000)
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(13,139)	(13,139)	-	(13,139)
Balances at June 30, 2022	3,844,144	-	85,210	(23,305)	110,425	172,330	394,505	3,261,494	3,655,999	458,571	8,131,043

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

(EUR thousand)

		<i>Restated</i>	
	Notes	30-06-2022	30-06-2021
Interest and similar income	28	846,328	705,529
Interest and similar expenses	28	(255,120)	(215,470)
Net Interest Income		591,208	490,059
Income from equity instruments	29	9,536	4,111
Income from services and commissions	30	375,603	326,629
Costs of services and commissions	30	(69,576)	(56,817)
Results from assets and liabilities at fair value through profit or loss	31	54,757	106,793
Results from financial assets at fair value through other comprehensive income	31	(3,349)	2,829
Exchange revaluation results	31	27,347	22,044
Hedge accounting results	31	915	(3,865)
Other results of financial operations	31	(3,777)	(4,869)
Other operating income	32	43,207	(12,112)
Total Operating Income		1,025,872	874,803
Employee costs	33	(327,544)	(156,306)
Other administrative costs	35	(107,007)	(105,657)
Depreciation and amortisation		(65,068)	(50,065)
Other provisions	22	79,569	(36,087)
Loan impairment	36	151,000	(45,982)
Other assets impairment	36	(443)	(22,494)
Income Before Tax		756,380	458,212
Income tax	17	(251,816)	(170,838)
Results of associates and jointly controlled entities	16	22,838	26,519
Results of Continuing Activities		527,401	313,893
Results of subsidiaries held-for-sale	14	63	294
Consolidated Net Income for the Period, of which		527,464	314,187
Non-controlling interests	27	(41,765)	(19,980)
Net Income Attributable to the Shareholder of CGD		485,698	294,206
Average number of ordinary shares outstanding	25	768,828,747	768,828,747
Earnings per share (in Euros)		0.63	0.38

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

António Farinha Morais

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

Members

José João Guilherme

Francisco Ravara Cary

João Paulo Tudela Martins

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Madalena Rocheta de Carvalho Talone

Maria Manuela Martins Ferreira

António Alberto Henrique Assis

José António da Silva Brito

Maria del Carmen Gil Marín

Maria João Martins Ferreira Major

Arlindo Manuel Limedede de Oliveira

Hans-Helmut Kotz

Luís Filipe Coimbra Nazaret

Monique Eugénie Hemerijck

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2022			30-06-2021		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Balances subject to reclassification to profit or loss						
Gains / (losses) arising during the period	(122,376)	(17)	(122,394)	1,681	(446)	1,235
Reclassification adjustments in revaluation reserves	-	-	-	-	-	-
Financial assets impairment	1,086	-	1,086	1,892	103	1,995
Disposal of financial assets	3,349	870	4,218	(3,299)	470	(2,829)
Tax effect	30,339	(384)	29,955	749	572	1,321
Adjustments in associates and jointly controlled entities	(65,790)	-	(65,790)	(19,781)	-	(19,781)
Foreign exchange difference resulting from consolidation	-	-	-	-	-	-
Gains / (losses) arising during the period	170,061	8,050	178,111	72,347	3,894	76,241
Other	421	-	421	574	-	574
	17,089	8,519	25,607	54,161	4,593	58,754
Balances not subject to reclassification to profit or loss						
Benefits to employees - actuarial gains and losses						
Gains / (losses) arising during the period	502,084	-	502,084	279,482	-	279,482
Tax effect	(14,686)	-	(14,686)	4,473	-	4,473
Changes in the fair value of financial assets (option of valuation of equity instruments at fair value through other comprehensive income)	2,379	-	2,379	42	-	42
	489,777	-	489,777	283,997	-	283,997
Total comprehensive net income for the period recognised in reserves	506,866	8,519	515,385	338,158	4,593	342,751
Net income for the period	527,401	63	527,464	313,893	294	314,187
Total comprehensive net income for the period, of which	1,034,268	8,581	1,042,849	652,052	4,887	656,938
Non-controlling interests	(91,261)	-	(91,261)	(40,066)	-	(40,066)
Total comprehensive net income attributable to the shareholder of CGD	943,006	8,581	951,587	611,985	4,887	616,872

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(EUR thousand)

	Notes	30-06-2022	30-06-2021
OPERATING ACTIVITIES			
Cash flows from operating activities before changes in assets and liabilities			
Interest, commissions and similar income received		1,253,136	1,023,440
Interest, commissions and similar expenses paid		(330,059)	(237,087)
Recovery of principal and interest		41,415	42,190
Payments to employees and suppliers		(323,616)	(349,214)
Payments and contributions to pensions funds and other benefits		(56,756)	(29,230)
Other results		(15,623)	(10,918)
		568,496	439,181
(Increases) / decreases in operating assets			
Loans and advances to credit institutions and customers		(1,571,971)	(1,304,514)
Assets held-for-trading and other assets at fair value through profit or loss		(583,455)	1,987,783
Other assets		(1,131,291)	(1,790,517)
		(3,286,716)	(1,107,248)
Increases / (decreases) in operating liabilities			
Resources of central banks and other credit institutions		(185,667)	4,742,895
Customer resources		3,608,489	4,543,974
Other liabilities		155,156	95,102
		3,577,979	9,381,970
Net cash from operating activities before taxation			
		859,759	8,713,903
Income tax		(60,782)	(51,066)
Net cash from operating activities			
		798,976	8,662,837
INVESTING ACTIVITIES			
Dividends received from equity instruments		9,536	4,097
Acquisition of investments in subsidiaries and associated companies, net of disposals		10,111	1,715
Acquisition of available-for-sale financial assets, net of disposals		2,178,969	(355,109)
Acquisition of tangible and intangible assets and investment property, net of disposals		27,157	(46,240)
Net cash from investing activities			
		2,225,773	(395,536)
FINANCING ACTIVITIES			
Interest on subordinated liabilities		(35,016)	(35,016)
Interest on debt securities		(10,363)	(11,151)
Interest on other equity instruments		(13,438)	(26,875)
Interest on lease agreements		(2,500)	(2,618)
Issue of debt securities, net of repurchases and repayments		(949,165)	(13,329)
Reimbursement of other equity instruments		(500,000)	-
Repayments of financing operations through lease agreements		(18,504)	(21,640)
Dividends paid		(378,231)	(83,639)
Net cash from financing activities			
		(1,907,217)	(194,268)
Increase / (decrease) in cash and cash equivalents			
		1,117,533	8,073,033
Cash and cash equivalents at the beginning of the period		23,677,423	10,972,276
Foreign exchange differences on cash and cash equivalents		146,352	121,465
Net change of cash and cash equivalents		1,117,533	8,073,033
Cash and cash equivalents at end of the period			
	4 & 5	24,941,309	19,166,774

CONDENSED INTERIM 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, 2020	3,844,144	500,000	267,266	3,393,753	491,592	8,496,754	204,076	8,700,830
Other entries directly recorded in equity	-	-	-	-	-	-	-	-
Changes in the revaluation reserves	-	-	1,920	-	-	1,920	(200)	1,721
Appropriation of comprehensive income from associates and jointly controlled entities	-	-	-	(19,781)	-	(19,781)	-	(19,781)
Employee benefits - actuarial gains and losses	-	-	-	283,619	-	283,619	337	283,955
Foreign currency differences	-	-	-	56,449	-	56,449	19,792	76,241
Changes in the fair value of equity instruments	-	-	-	42	-	42	-	42
Net income for the period	-	-	-	-	294,206	294,206	19,980	314,187
Other	-	-	-	417	-	417	157	574
Total gains and losses for the period recognised in equity	-	-	1,920	320,745	294,206	616,872	40,066	656,938
Appropriation of net income for 2020	-	-	-	-	-	-	-	-
Transfer to reserves and retained earnings	-	-	-	407,953	(407,953)	-	-	-
Dividends paid	-	-	-	-	(83,639)	(83,639)	-	(83,639)
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(26,722)	-	(26,722)	-	(26,722)
Equity transactions with non-controlling interests	-	-	-	115	-	115	-	115
Dividends paid to non-controlling interests	-	-	-	-	-	-	(13,421)	(13,421)
Balances at June 30, 2021	3,844,144	500,000	269,186	4,095,843	294,206	9,003,379	230,722	9,234,101
Balances at December 31, 2021	3,844,144	500,000	255,079	3,866,572	583,361	9,049,156	237,807	9,286,963
Other entries directly recorded in equity	-	-	-	-	-	-	-	-
Changes in the revaluation reserves	-	-	(87,002)	-	-	(87,002)	(132)	(87,134)
Appropriation of comprehensive income from associates and jointly controlled entities	-	-	-	(65,790)	-	(65,790)	-	(65,790)
Employee benefits - actuarial gains and losses	-	-	-	487,690	-	487,690	(292)	487,399
Foreign currency differences	-	-	-	128,219	-	128,219	49,892	178,111
Changes in the fair value of equity instruments	-	-	-	2,373	-	2,373	6	2,379
Net income for the period	-	-	-	-	485,698	485,698	41,765	527,464
Other	-	-	-	399	-	399	22	421
Total gains and losses for the period recognised in equity	-	-	(87,002)	552,891	485,698	951,587	91,261	1,042,849
Appropriation of net income for 2021	-	-	-	-	-	-	-	-
Transfer to reserves and retained earnings	-	-	-	342,290	(342,290)	-	-	-
Dividends paid	-	-	-	(137,160)	(241,071)	(378,231)	-	(378,231)
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(13,139)	-	(13,139)	-	(13,139)
Reimbursement of other equity instruments (AT1)	-	(500,000)	-	-	-	(500,000)	-	(500,000)
Equity transactions with non-controlling interests	-	-	-	1,180	-	1,180	(759)	421
Dividends paid to non-controlling interests	-	-	-	-	-	-	(41,751)	(41,751)
Balances at June 30, 2022	3,844,144	-	168,076	4,612,635	485,698	9,110,553	286,557	9,397,110

2.

NOTES AND REPORTS



2.1. Notes to the Condensed Interim Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

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1. Introductory note

Caixa Geral de Depósitos, S.A. (CGD), founded in 1876, is an exclusively state-owned public limited liability company. Caixa became a public limited 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 incorporated into CGD on July 23, 2001.

CGD's operations at June 30, 2022 comprised a nationwide network of 552 branch offices (509 of which with face-to-face services and Caixa spaces, 3 mobile branches, 13 self-service branches and 27 corporate offices and extensions), a branch in France with 17 offices and a branch in Timor with 14 offices.

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

CGD also has direct and indirect equity stakes in a significant number of national and foreign companies in which it has controlling interests. They include Spain, Cape Verde, Angola, Mozambique, Brazil and Macau. These companies comprise Caixa Geral de Depósitos group (group) and operate in diverse sectors such as commercial banking, investment banking, brokerage, venture capital, property area, asset management, specialised credit and cultural activities. CGD also has non-controlling equity stakes in companies in non-financial sectors of the Portuguese economy.

The condensed interim consolidated financial statements at June 30, 2022 were approved by the board of directors on September 29, 2022.

Strategic plan

The group, under the banner: "Building the Future", promoted the necessary strategic initiatives to strengthen CGD's sustainability, in 2021 in carrying out the works leading to the preparation of the bases of its strategic plan for the period 2021-2024, to be implemented by a new board of directors, which was formally appointed in December 2021. The strategic plan was submitted for the consideration of Caixa's new board at the time of its appointment and was approved at the beginning of 2022.

The strategic plan for the referred to period allows CGD to embark upon a new cycle, focused on ensuring the group's provision of universal banking services, based on end-to-end digital processes to service and provide its customers with more face-time. Based on the training and further qualification of its employees' skills, CGD aims to make innovation into a differentiating market factor, along with a purpose genetically linked to a "green and sustainable" economy with the end result of guaranteeing adequate returns for its state and private investors.

2. Accounting policies

2.1 Presentation bases

The condensed interim consolidated financial statements at June 30, 2022 have been prepared on the basis of the international financial reporting standards (IFRS) as adopted in the European Union, in accordance with regulation (EC) no. 1606/2002 of July 19 of the European Parliament and of the Council and the dispositions of decree law 35/2005 of February 17.

These condensed interim consolidated financial statements, comply with the requirements of IAS 34 – “Interim financial reporting” but do not include all of the information required for the preparation of the annual financial statements.

As referred to in note 14, the group reversed the reclassification of the assets and liabilities of Banco Comercial Atlântico (Cape Verde), in November 2021, from "Investments in subsidiaries, associates and joint ventures" accounts, hitherto recognised under IFRS 5 - "Non-current assets held for sale and discontinued operations". The period has been re-expressed for comparison purposes owing to the fact that the income generated by this equity stake under this standard has been set out in a single line of the profit and loss statement (“Income from subsidiaries held-for-sale”) at June 30, 2021. The reclassification effect has been set out in the note on an aggregate basis.

The accounting policies described in this note have been implemented on a consistent basis across all of the periods set out in the financial statements. Any exceptions have been identified.

2.2 Amendments to accounting policies

2.2.1 Voluntary amendments to accounting policies

There were no voluntary modifications to accounting policies in first half 2022, in comparison to those considered in the preparation of the financial information for the preceding year, which has been set out for comparison purposes. Neither have there been any alterations of judgments or estimates for past years, or corrections of material errors.

2.2.2 New standards and interpretations for the period

Effective January 1, 2022 CGD adopted the following standards, interpretations, amendments or alterations of relevance to its activity, as issued by the IASB and endorsed by the European Union:

- IFRS 16 (amendments) – Covid-19 related rent concessions after June 30, 2021. The amendments to the wording of the standard clarify that a lessee may choose not to assess whether a Covid-19 related rent concession is a lease modification. If choosing to apply this expediency, they account for the alteration of rent payments resulting from a Covid-19 related concession in the same way as they would account for a change other than a lease modification in accordance with IFRS 16, for payments originally due by June 30, 2022.

These amendments must be implemented in the financial years beginning on or after April 1, 2021.

– IFRS 3 (amendments) – “Business combinations”. The amendments to the wording of this standard include:

- (i) A correction of the reference to the applicable conceptual structure, which continued to refer to the version published in 1989, as opposed to the most recent version (published in 2018);
- (ii) The introduction of a clarification on the treatment of liabilities acquired as the result of a business combination, which should be processed under IAS 37 and IFRIC 21, when eligible under their sphere of application;
- (iii) An explanation of the wording of the standard that states that an acquirer should not recognise contingent assets acquired as the result of a business combination.

These amendments, whose effects are prospective, must be implemented in the financial years beginning on or after January 1, 2022.

– IAS 16 (amendments) – “Tangible fixed assets”. The amendments to the wording of this standard clarify that any income earned from the use of an asset prior to its definitive installation on the location on which it is to be operated, in accordance with the conditions defined by management for its intended use, may not be deducted from the acquisition cost. An entity recognises the income obtained from the sale of such products and their production costs directly in profit and loss.

These amendments must be implemented in the financial years beginning on or after January 1, 2022. Retrospective implementation is only mandatory in the case of eligible assets which have been installed on their intended location after the date of the presentation of the first comparative period.

– IAS 37 (amendments) – “Provisions, contingent liabilities and contingent assets”. The amendments to the wording of this standard specify the accounting definition of eligible costs for classification as a sales contract. All costs which may be directly allocated to the fulfilment of contractual obligations, which may be incremental in nature (such as goods, equipment or fees) or on the basis of other types of allocation, provided that they are clearly identifiable (such as the depreciation costs of the equipment used to fulfil the referred to obligations) are considered for this purpose.

These amendments, whose effects shall be prospective, must be implemented in the financial years beginning on or after January 1, 2022. In the first year of implementation of the amendment, all contracts whose obligations have not been fully met by the date of the presentation of the beginning of the first comparative period are included, without the need to re-express the comparison.

– *Annual Improvements to IFRS standards 2018-2020*. The planned introduction of annual improvements for the period 2018-2020 considered non-urgent, but necessary, by the IASB, published on May 14, 2020, amends the wording of standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. Reference should be made to the following points which are potentially relevant to CGD’s activity.

- (i) IFRS 9. This amendment clarifies the eligibility criteria for commissions to be considered by an entity in the sphere of the liabilities derecognition test in conformity with paragraph B3.3.6 of the standard (10% test). Only commissions paid or received between an institution (issuer of a financial liability) and an investor (or investors), including commissions paid or received in the name or on behalf of another party are recognised.
- (ii) IFRS 16. This amendment eliminates the example of reimbursements of charges paid by the lessor on improvements to the leased asset from the wording of *illustrative example* no. 13 (text accompanying IFRS 16), as its wording was not considered to provide a correct and clear interpretation of the treatment of lease agreement incentives.

These amendments must be implemented in the financial years beginning on or after January 1, 2022.

The adoption of the referred to standards, interpretations, amendments and revisions did not have any significant equity impacts on CGD’s preparation of its financial statements for first half 2022.

2.2.3 New standards and interpretations applicable to future periods

The following standards, interpretations, amendments and revisions, already endorsed by the European Union, must be implemented in future financial years.

– IAS 1 (amendments) and IFRS *practice statement* 2. The amendments to the wording of the standard and *practice statement* aim to clarify the requirements to be considered in the assessment of the accounting policies for disclosure purposes, replacing the expression “significant accounting policies” by “material accounting policies”. This was accompanied by the introduction of illustrative examples to demonstrate the application of the concept of materiality.

The amendments must be implemented in the financial years beginning on or after January 1, 2023 and should be implemented prospectively.

– IAS 8 (amendments). The amendments to the wording of the standard differentiate between the presentation and disclosure of the different types of modifications of the financial statements, with the introduction of clarifications on the treatment of accounting estimates, and in particular:

- Measurement in a concept of uncertainty;
- Difference between modifications of accounting estimates and corrections of errors;
- Accounting for the effects of modifications of accounting estimates.

The amendments must be implemented in the financial years beginning on or after January 1, 2023.

The adoption of the referred to standards, interpretations, amendments and revisions is not expected to have any significant equity impacts on the Group's preparation of its financial statements.

2.3 Consolidation principles

The consolidated financial statements include the accounts of CGD and entities directly and indirectly controlled by the group (note 3), including special purpose entities.

Under IFRS 10 – “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 manage their relative activities, take control of them (*de facto* power).

CGD group subsidiaries were consolidated by the global integration method. Significant transactions and balances between the consolidated companies were eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the implementation 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 of holders of non-controlling interests are recognised at its equity value in "Other liabilities" (note 24). Their corresponding variations 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 its respective effective 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.

2.4 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 as part of 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. Similarly, the impacts of disposals of non-controlling interests when not entailing a loss of control over a subsidiary are also recognised in reserves. Profit or loss on disposals of non-controlling interests, when entailing changes in control over the subsidiary, are recognised by the group as a charge to profit and loss on the transaction date.

The group performs impairment tests on balance sheet goodwill at least once a year, in accordance with the requirements of IAS 36 – “Impaired assets”. For this purpose, goodwill is allocated to cash flow generating units whose respective recoverable value is based on future cash flow estimates 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 by IFRS 1 – “First-time adoption of international financial reporting standards” and as the group did not make any changes to this recognition procedure, goodwill 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 variations in 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 financing costs on registering the liability, which are recognised in “Interest and similar costs” in profit and loss.

2.5 Investments in associates and joint ventures

Associates are entities over which the group wields significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, significant influence is not considered to exist whenever the referred to investment is less than 20%, unless the opposite, in this case, can also be clearly shown.

According to the requirements of IAS 28 – “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 associate and group;
- Existence of interchange between members of management; and,
- Supply of essential technical information.

There are also situations in which the group, in conjunction with other entities, wields control over the activity of a company in which the equity stake is held (joint ventures). This is usually structured on a basis of shared voting and similar decision-making rights.

Investments in associates and joint ventures are recognised by the equity accounting method, under which equity stakes are initially measured at their respective acquisition cost and subsequently adjusted on the basis of the group’s effective percentage of variations of 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 joint venture, 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 the creation of a specific provision to recognise such losses.

The equity of the companies used for the application of the equity accounting method is adjusted to reflect the application of the group’s accounting principles in the case of differences with a materially relevant impact.

Unrealised profit or loss on transactions with associates and joint ventures are eliminated to the extent of the group’s effective stake in the said entities.

2.6 Translation of balances and transactions in foreign currency

The separate accounts of each group entity included in the consolidation are prepared in accordance with the currency used in the economic environment in which they operate (“functional currency”). Each entity’s profit and loss and financial position is expressed in euros as the group’s operating currency in the consolidated accounts.

In the preparation of its consolidated financial statements, foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates. Monetary assets and liabilities denominated in a foreign currency are translated into each entity’s functional currency at the exchange rate in force at each balance sheet date. Non-monetary assets at fair value are translated at the exchange rate in force

at each 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 on translation is recognised in profit and loss for the period, except when deriving from non-monetary financial instruments, such as equity instruments, recognised at fair value, upon which an option to classify them at fair value through other comprehensive income has been exercised and which are directly recognised in "Other reserves".

In the consolidated accounts the assets and liabilities of entities with a functional currency other than the euro are translated at the closing exchange rate, as opposed to income and 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 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.

2.7 Financial instruments

A. Financial assets

The classification of financial assets depends upon the group's business model and characteristics of the financial instrument's contractual cash flows, unless an option to measure the financial instrument at fair value through profit or loss has been exercised.

CGD 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 payments of principal and interest on the outstanding principal. The group also classifies and measures a financial asset at fair value through other comprehensive income (FVTOCI) when it is included in 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 principal or by sale. A financial asset is classified and measured at fair value through profit or loss (FVTPL) when it is neither classified nor measured at amortised cost or by FVTOCI. At the time of initial recognition, however, the group may irrevocably opt to classify and measure an investment in an equity instrument through FVTOCI (when not held-for-trading nor comprising the recognition of a contingent payment by the acquirer in a business combination subject to IFRS 3 – "Business combinations") which otherwise would have been classified and measured by FVTPL.

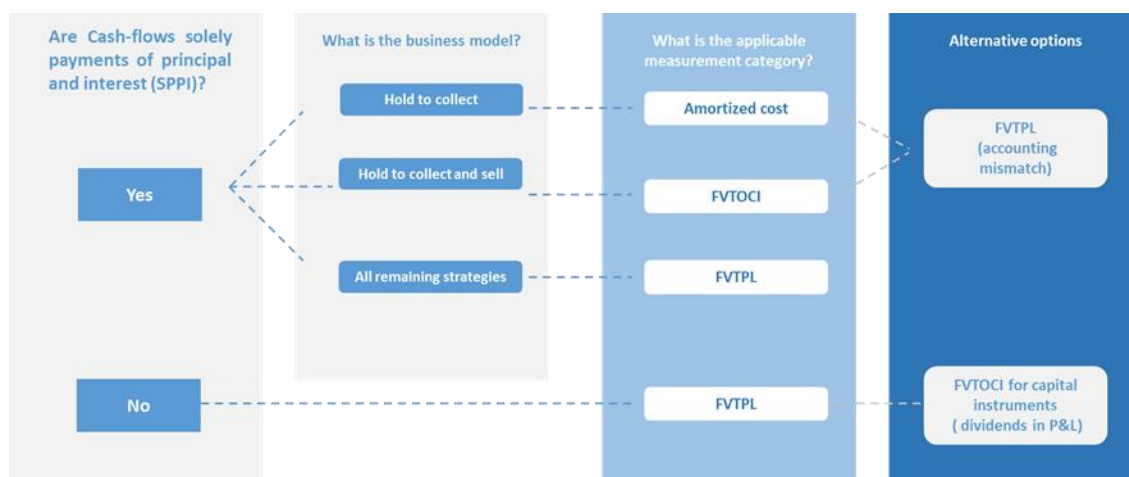
To assess the business model used for the management of a financial asset, the group defines how it expects to obtain cash flows from the financial asset. The business model is determined at a level that reflects how a group of financial assets is managed as a whole, in order to achieve this business model's specific objective and is not reliant upon the plans for any financial asset in particular. As the allocation to a business model is a fact and not an assertion, the group considers all relevant information enabling a conclusion to be reached on the business model to be considered for the management of its financial assets. The group therefore evaluates:

- The way in which the performance of the business model and the financial assets related are measured and communicated to management;
- The risks affecting the performance of the business model (and respective financial assets held thereunder) and, particularly, how such risks are managed; and,
- The way in which companies' managers are compensated (e.g. if based on the fair value of the assets managed or receipt of contractual cash flows).

As referred to above, two criteria are considered for the purpose of classifying and measuring financial assets under IFRS 9 – "Financial instruments":

- An entity's business model for managing the financial asset; and,
- The characteristics of the financial asset's contractual cash flows: solely payments of principal and interest (SPPI).

Information on the classification process applied by the group is shown in the following image:



Derecognition

A financial asset is derecognised when, and only when, the contractual right to receive cash flows expires or the financial asset is transferred and the transfer qualifies for derecognition. A financial asset is considered to have been transferred if, and only if, the contractual rights to receive the cash flows from the said financial asset have been transferred or if the contractual rights to receive the cash flows have been retained but the group has contractually committed 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 if 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 a financial asset's contractual cash flows are renegotiated or in any other way modified and such a 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 renegotiated or modified cash flows, discounted at the asset's original effective rate (or adjusted interest rate in the case of loans purchased or originated credit impaired) or, when applicable, the revised effective interest rate. Any costs or commissions incurred are included in the new gross balance sheet amount and amortised over the asset's remaining life.

A scenario in which the modification of the contractual cash flows results in the financial asset's derecognition implies the following:

- The need for a new analysis to assess whether the contractual conditions of the modified financial asset meet *SPPI* criteria;
- Initial recognition of the new financial asset at its fair value, with the recognition of any difference between the former asset's net book value in profit and loss;
- 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) whose impairment losses are recognised on the basis of a lifetime PD, i.e. the new asset can never be classified in stage 1;
- The new asset's amortised cost will be measured on the basis of expected cash flows;
- 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 marked as such, with the cure period restarting from the date of the last restructuring operation; and,

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

Reclassification of financial assets

If the group makes changes to its financial assets management business model (which is only expected to occur relatively infrequently and on an exceptional basis) all of the financial assets affected are reclassified in conformity with the requirements of IFRS 9 – “Financial instruments”. The reclassification shall be implemented prospectively from the date upon which it becomes effective. Under IFRS 9 – “Financial instruments”, reclassifications of equity instruments on whose fair value assessment through other comprehensive income or other financial assets and liabilities at fair value under the fair value option have been exercised, are not permitted.

Fair value

As stated, “Financial assets at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income” are measured at their fair value.

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

The fair value of financial assets is measured by a CGD 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 the market prices available on recent transactions;
 - (ii) Bid prices obtained from financial institutions operating as market-makers; and,
 - (iii) Internal measurement models, based on market data which would be used to define the price of a financial instrument, reflecting market interest rates and volatility, in addition to the instrument's associated liquidity and credit risk.
- Investment funds not traded in active markets are measured on the basis of the last available NAV (net asset value). Whenever considered adequate, NAV may be adjusted on the basis of the group's critical appraisal of the measurement criteria applied to the assets under the management of the referred to investment funds.

Amortised cost

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

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

– 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 resulting from their subsequent valuation is recognised in “Income from financial operations”.

– Other financial liabilities

This category includes credit institutions' and customers' resources, 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. Any interest thereon is recognised by the effective interest rate method.

C. Derivatives and hedge accounting

The group's activity includes derivatives 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 which incorporate measurement techniques based on discounted cash flows which also reflect counterparties' credit and own credit risk (credit value adjustments and debt value adjustments – CVA/DVA).

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 their respective variations being recognised in profit and loss.

The main impact of this procedure on the group's activity consists of the need to separate out and measure the value of 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 or other rates). 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 contracted to hedge the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering the use of hedge accounting unnecessary;
- Risk hedging derivatives which do not fulfil the conditions required 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 results of the effectiveness tests show that it is not effective; and,
- Derivatives contracted for trading purposes.

Trading derivatives are registered at fair value. Their results are revalued on a daily basis and recognised in "Income from financial operations" in income and costs for the period, 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" balance sheet accounts, respectively.

Hedge derivatives

These derivatives are contracted for to hedge the group's exposure to the risks inherent to its activity.

At June 30 2022 and December 31, 2021 the group only hedged its exposure to variations 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 hedged risk(s);
- Identification and description of hedged and hedging financial instruments; and,
- Hedge effectiveness and periodicity assessment method.

Hedge derivatives are registered at fair value and their results recognised daily in income and costs for the period. If the hedge is shown to be effective, the group also recognises the change in fair value of the hedged item, attributable to the hedged risk, in "Income from financial operations" in profit and loss for the period. In the case of instruments such as interest rate swaps, which include an interest component, 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 no longer meet the hedge accounting requirements defined in the standard. In such situations adjustments to hedged items up to the date upon which hedge accounting is no longer applied, are recognised in profit and loss up to the maturity of the corresponding financial asset or liability, 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.

– Assessment of effectiveness of hedge relationships with interest rate swaps

The effectiveness of the hedge relationship is assessed in qualitative terms by comparing the critical terms of the hedged item and the hedging instrument. The hedge relationship is expected to be highly effective given that the key terms of the hedging instrument and the hedged item (such as notional amount, amortisation schedule, interest rate indexer, start and maturity dates) are identical and the only identified source of ineffectiveness is the different basis used to calculate interest between the hedged item and the hedging instrument, which should not call the effectiveness of the hedge relationship into question as explained below.

This form of assessing the hedge's effectiveness is consistent with the management approach used to monitor the hedge which ensures that it is back-to-back and only, at each moment, that the notional value of contracted derivatives is equal to the nominal value of the bonds held.

Notwithstanding the fact that the critical terms comparison method is considered to be sufficient to enable a conclusion to be reached on the effectiveness of the hedge relationship (notwithstanding the identified source of ineffectiveness) a quantitative analysis was carried out at the time of initial designation to reinforce the conclusion previously reached on the existence of an economic relationship.

In this context, a sensitivity analysis on the variations of the fair value of the hedged item and hedging instrument, in light of variations of interest rate was carried out. This involved the use of DV01, as one of the risk metrics used by CGD for interest rate risk management purposes.

– Assessment of effectiveness of hedge relationships with interest rate futures on German sovereign bonds

The effectiveness of the hedge relationship is assessed in qualitative terms, as the terms of the hedged item and the hedging instruments are not directly comparable. On the other hand, as futures are standardised products, they cannot be adjusted to the characteristics of the hedged item and a qualitative evaluation based on a comparison of the critical terms is therefore not adequate.

An approach based on the use of a quantitative method was therefore considered for the purpose of measuring the hedge relationship's prospective effectiveness. The method used consists of a sensitivity analysis on variations of the fair value of the hedged item and hedging instrument in light of variations of market interest rate. This involved the use of DV01 as one of CGD's preferred risk metrics for risk management purposes.

– Sources of ineffectiveness of hedge relationships with interest rate swaps

As already referred to and in light of the characteristics of the hedged item and hedging instruments, it has been noted that the only source of ineffectiveness in this hedge relationship corresponds to the different basis used to calculate interest between the hedged item and the hedging instrument. It is considered that the cash flow differential arising from this situation is not expected to call into question the effectiveness of the hedge relationship as a whole. The amount of the ineffectiveness is recognised in profit or loss on the revaluations of the hedged item and hedging instruments.

– Sources of ineffectiveness of hedge relationships with interest rate futures on German sovereign bonds

The above referred to hedge relationship contains sources of ineffectiveness that lead to a situation in which the hedge does not result in a nil fair value:

- The quantity of the nominal amount between the hedged item and the hedging instrument is not strictly equivalent;

- Alteration of cheapest to deliver bond;
- Acquisitions of the instrument designated as a hedged item that will be designated in the same hedge relationship and disposals of the hedged item;
- Sale or acquisition of new hedging instruments; and,
- Credit risk.

As futures trade in contracts of €100 thousand, the quantities needed to cover the total variation of interest rate risk may be slightly unbalanced.

An alteration in the cheapest to deliver bond, may change the quantity of futures needed to cover the hedged item, as there may be a slight alteration in sensitivity to interest rates.

The disposal or acquisition of quantities of the hedged item may lead to ineffectiveness at specific times in the hedge relationship, owing to daily variations in the valuations of purchases or inversely of sales, until the structure is rebalanced.

– Frequency of assessment of compliance with hedge relationship effectiveness requirements

CGD assesses whether a hedge relationship meets hedge effectiveness requirements when a hedge relationship is entered into and on a continuous basis. At the very least CGD undertakes a continuous assessment in each reporting period or when there is a significant alteration of the circumstances affecting hedge effectiveness requirements, whichever occurs soonest.

– Rebalancing of hedge relationship

When a hedge relationship no longer meets the hedge effectiveness requirement for the hedge relationship but the risk management objective for this relationship has not been altered, CGD shall adjust the respective ratio. This rebalancing refers to adjustments made to the designated quantities of the hedged item or hedging instrument in this relationship in order to maintain a hedge ratio in accordance with the defined risk management objective.

In this context, in a scenario in which:

- (i) New securities are acquired and when a new hedge relationship for these securities acquisitions has not been designated, but when the designation of these new securities in this hedge relationship is used; or,
- (ii) In the event of the partial disposal of the securities designated as hedged items in this hedge relationship and when CGD rebalances the hedge relationship in such a way as for the hedge relationship to remain in line with the defined risk management objective.

All elements of the hedge relationship are discontinued when, taken as a whole, it no longer meets the qualification criteria and in particular when:

- (i) A hedge ratio no longer meets the risk management objective on the basis of which it was qualified for hedge accounting purposes;
- (ii) The hedging instrument is sold or cancelled; and,
- (iii) An economic relationship between the hedged item and the hedging instrument no longer exists or the effect of credit risk begins to dominate changes in value resulting from the referred to economic relationship.

D. Impaired 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 16 – “Leases”);
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- The rights and obligations referred to in IFRS 15 – “Revenue from contracts with customers”, when this standard refers to IFRS 9 – “Financial instruments”;
- Assets which translate the right to the reimbursement of payments made by an entity when liquidating the liabilities recognised under IAS 37 – “Provisions, contingent liabilities and contingent assets”; and,
- Loan liabilities (unless measured at fair value through profit or loss).

These financial assets are divided up into 3 risk groups:

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.* This is the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations; and,
- *Lifetime expected losses.* This is the expected loss based on the difference between contractual cash flows and cash flows the entity expects to receive up to the contract's maturity. The expected loss is therefore the result of all potential loss events up to maturity and is applied for stage 2 and 3 operations.

Although IFRS 9 - "Financial instruments" does not define a 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 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 a significant increase in credit risk (SICR) since the time of initial recognition.

The quantitative metric used to decide 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: 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, the measurement of an expected loss also incorporates reliable, reasonable, justifiable and forward-looking projection scenarios which are available at no cost or without unduly excessive endeavours.

The amount of the expected credit loss to be recognised accordingly considers a forward-looking component based on the weighting of three different macroeconomic scenarios (central, pessimistic and optimistic). The scenarios to be considered are defined by a methodological approach comprising the projection of macroeconomic variables in which the probabilities of the occurrence of each of the scenarios are internally defined.

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

2.8 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 assets and assets disposal groups, either by sale or another aggregate means, in a single transaction and 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 assets and liabilities disposal groups are classified as being held-for-sale whenever their book value is expected to be recovered on sale and not continued use. The following requirements must be met for an asset (or assets and liabilities disposal group) 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 is expected to take place 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.

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

Property and other assets which have been auctioned for overdue credit recovery purposes are also recognised in this account at the lesser of the following amounts:

- (i) Bid price; or,
- (ii) Balance sheet carrying amount, net of impairment on the recovered loans with which they are directly associated.

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

Impairment model

The impairment model for non-current property held-for-sale is split up between individually and collectively analysed property.

Impairment on property assets is measured separately for all property with a gross book value (before impairment) of €3,000 thousand or more and properties with a lesser book value, when an individual analysis is justified by their specific characteristics.

Individual impairment is measured on the basis of an individual analysis of each property's worth in accordance with the commercial disinvestment strategy for the property which includes all information available on demand, supply and specific risks such as licences, investment needs, occupancy status and rental or other agreements which could affect the property's value.

Impairment on other property is measured on the basis of a collective model.

- The collective model for calculating impairment on property assets is based on an assessment of the recoverable value of each property and comprises its acquisition price to which an adjustment factor is applied and discounted over an average length of time estimated for the sale. Both parameters are measured on the basis of the type of property and the length of time it has been listed in the portfolio. Impairment is calculated on the difference between the acquisition price and recoverable amount;
- This collective impairment model applies to all property not included in an individual analysis, except for properties with promissory contracts or when an immediate sales process is in progress, in which the recoverable amount is the amount negotiated for its sale. Promissory sales contracts and properties with an immediate sales process in progress, not in excess of 30 days, are considered valid for this purpose. If this period is exceeded, impairment is calculated on the basis of the collective parameters model.

A reversal of impairment losses for past periods is always recognised when the property is sold or when there is evidence to the effect that the previously recognised impairment losses no longer exist or have diminished. An impairment loss on an asset which has been recognised in past periods is reversed in the event of any alteration to the estimates used to measure the asset's recoverable amount since the time of recognition of the last impairment loss.

Auctioned assets are written-off. The amount of the respective proceeds is measured by the difference, on the said date, between its realisation price and respective book value, adjusted for impairment.

2.9 Investment properties

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

Investment properties are not depreciated and are recognised at fair value, determined annually on the basis of experts' appraisals. Fair value variations are recognised in "Other operating income" in profit and loss.

2.10 Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued under 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".

The group revalued its tangible assets up to January 1, 2004 under the terms of the applicable legislation. As permitted by IFRS 1 – "First time adoption of international financial reporting standards", their cost, in the transition to IFRS, including the effect of the referred to revaluations, was deemed to be their book value, as the respective proceeds, at the time of the referred to revaluations generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect alterations of price indices. As, in Portugal, 40% of the increase in depreciation on these revaluations is not tax deductible, the corresponding deferred tax liabilities thereon have been recognised.

Depreciation is recognised on a straight line basis across an asset’s estimated useful life, comprising the period in which it is 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 used 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 tangible assets are performed annually. An impairment loss is recognised in “Impairment of other assets net of reversals and recoveries” in profit and loss 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.

2.11 Leases

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 provides a proper representation of such transactions.

Lessee

The standard defines a unique accounting procedure for lease agreements, based on 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 for exemption from the recognition provided for in IFRS 16, in which case it recognises the lease payments for these agreements as costs. CGD considers an underlying asset to be of low value when the value of the new asset is less than €4,814 (according to IASB guidelines - value translated from dollars to euros at the June 2022 closing rate).

Lessor

Leases are classified as financial or operating leases. Assets under financial leases are recognised in the balance sheet as “Loans and advances to customers” and reimbursed by the repayment of principal as set out in the agreements’ financial schedules. Interest included in the instalments is recognised as “Interest and similar income”.

2.12 Intangible assets

This account essentially comprises the costs of acquiring, developing or preparing software for use on the group’s activities. When 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 across the assets’ estimated useful lives, which is normally between 3 and 6 years.

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

2.13 Income taxes

Current tax

CGD pays tax under the fiscal regime set out in the IRC (corporate income tax) code and is taxed under the special tax regime for corporate groupings of article 69 *et seq* of the code. The group perimeter covered by this tax regime, in which CGD is the dominant entity, comprises all companies with headquarters or 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 holds either a direct or indirect stake of at least 75%, for a period of more than a year and when such an equity stake entitles it to more than 50% of 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 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 in accordance with double taxation agreements under article 91 of the respective code.

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

– *Profits made by non-resident subsidiaries with a more favourable tax regime*

Under article 66 of the IRC code, the profit made by non-resident companies benefiting from a clearly more favourable tax regime is included in CGD's accounts, in proportion to its equity stake and independently of its distribution, provided that CGD has a direct or indirect equity stake of at least 25%, voting rights or rights to income or a part of such entities' equity.

An entity is considered to benefit from a clearly more favourable regime when:

- (i) It is resident in a territory listed in a ministerial order approved by the member of government responsible for the finance area; or,
- (ii) The income tax effectively paid is less than 50% of the IRC rate payable under the IRC code.

The profit, in such cases, is included in the period in which the end of the non-resident company's tax period is included in the form of the proportion of its net profit to CGD's capital holding. The amount of income included is deductible from the taxable profit for the period in which the profit is distributed to CGD. CGD does not recognise any deferred taxes for this situation.

– *Impaired credit*

Law 98/2019 was published on September 4, 2019. It alters the IRC code on impairment in credit institutions and other financial institutions and creates rules on non-tax deductible impairment losses not recognised in taxation periods prior to January 1, 2019. Under this new regime, impairment losses on the credit risk of individually analysed exposures or when analysed on a collective basis and in taxation periods beginning on or after January 1, 2019, recognised under the terms of 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 deductible. The rules in force up to December 31, 2018, i.e. limitation of tax deductions to the amounts calculated under the dispositions of Bank of Portugal notice 3/95 (subsequently revoked) provided that the credit was not covered by real rights over immovable assets, continue to apply to impairment losses and other value adjustments for specific credit risk, accounted for in past tax periods.

Based on the dispositions of article 4 of the new law, CGD formalised its intention to subscribe for the new regime for the tax periods beginning January 1, 2019 in the form of a communication sent to the director general of the tax and customs authority on October 31, 2019 from which date it is covered by the new regime.

– *Credit write-offs*

At June 30, 2022 and December 31, 2021 the group continued to recognise deferred tax assets on non tax deductible impairment on credit operations which had already been written off from assets, based on the expectation of their inclusion as taxable items in the taxation periods in which the conditions required for their deduction have been met, both in term of the delay period (24 months) and compliance with the limits set out in the legislation in force on the referred to 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

Under 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.

Article 51-C of the corporate tax code was amended by the publication of law 42/2016, based on an addendum to no. 6, ruling that, for 2017 and following periods, impairment losses and other value adjustments on equity investments or other own equity instruments, included in taxable profit, are considered to be positive components of taxable profit for the taxation period in which the respective sale has taken place. As a result of this situation, CGD began to recognise deferred tax liabilities on impaired financial investments as being deductible as a tax cost at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress). These amounted to €31,065 thousand and €30,055 thousand, at June 30, 2022 and December 31, 2021 respectively.

The amount of unrecognised deferred tax liabilities on the impaired 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 €65,610 thousand and €71,173 thousand at June 30, 2022 and December 31, 2021 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 liabilities and other post employment benefits, to be tax deductible, up to the limit of the contributions effectively paid into the pension fund. This procedure is in line with the respective understanding on this matter 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 paid into the pension fund in the same or past periods, under article 43 of the IRC code, are tax deductible.

Also as a result of the change of accounting policy on the recognition of actuarial profit and loss on pension plans and other post employment benefits, with reference to December 31, 2011, the full amount of the deferred net liabilities balance in CGD's balance sheet at that date was recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities fulfilled the requirements of article 183 of law 64-B/2011 of December 30, the negative equity variations originated in 2011, which were not considered for tax purposes, in the period, are recognised as a deduction from taxable profit, in equal parts, in the ten years beginning on or after January 1, 2012.

CGD did not recognise deferred tax on actuarial or financial profit and loss on its pension plan for its working employees at June 30, 2022 and December 31, 2021.

– Settlement result

Under article 92 of the IRC code, taxable income, net of international double taxation deductions 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 implementation 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 2022 or the 2021 financial year 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 of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit on tax recoverable/payable in future periods.

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. Neither are deferred tax assets recognised in cases in which their recoverability is questionable on account of other situations, including different interpretations of the tax legislation in force.

Nor is deferred tax on temporary differences originating on the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit recognised.

The principal situations originating temporary differences on a group level are temporarily non-tax deductible provisions, impairment and employee benefits.

Deferred taxes are calculated on the basis of the tax rates expected to be in force upon the temporary differences' reversal dates, comprising the approved or substantially approved rates, at the balance sheet date.

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

2.14 Provisions and contingent liabilities

A provision is set up whenever a current (legal or constructive) obligation resulting from past events 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 possibility 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.

2.15 Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – "Employee benefits". The group'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, in several situations, defined contribution plans. CGD has set up a defined benefit pension plan which aims to ensure the payment of retirement, disability and survivors' pensions to its employees. Other group companies, including Banco Comercial do Atlântico and Banco Nacional Ultramarino (Macau) also have liabilities for defined benefit plans.

Healthcare for CGD Portugal's working and retired employees is also provided by Caixa Geral de Depósitos' social services and funded by contributions from CGD Portugal and its employees.

CGD also has liabilities for contributions to SAMS (healthcare services) for its former BNU employees retiring 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 purposes 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 of liabilities.

Profit and loss on differences between actuarial and financial assumptions and the effective amounts regarding the evolution of liabilities and the pension fund's expected yield, in addition to alterations 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 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 also directly recognised in "Employee costs". CGD also recognises a specific liability for the impact of the change to "non-working" status of those employees with whom it has entered into redundancy agreements. This provision is recognised as a charge to "Employee costs" in profit and loss.

Liabilities for healthcare costs are recognised in "Provisions for the costs of employee benefits" (note 22).

Other long term benefits

CGD also has other liabilities for long term benefits to its workers, including liabilities for early retirements, career bonuses (seniority bonus up to 2019) and grants for deaths occurring prior to the standard retirement age. Death grants after the standard retirement age are the responsibility of the pension fund.

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

Liabilities for the costs of career bonuses (seniority bonus up to 2019) and death grants are recognised in "Other liabilities" (note 24) and "Provisions for the costs of employee benefits" (note 22), respectively.

Short term benefits

Short term benefits, including employees' productivity bonuses, are recognised on an accrual basis in "Employee costs" for the respective period (note 33).

Redundancy benefits

Redundancy benefits include the costs of redundancy agreements between the group and its employees. These costs are recognised in "Employee costs" in profit and loss (note 33).

2.16 Commissions

As referred to in note 2.7, commissions on credit operations and other financial instruments, i.e. commissions directly charged or paid on originating operations, are recognised over the course of such operations, in "Interest and similar income" and "Interest and similar costs" (note 28).

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

2.17 Issuance of equity instruments

The issuance of equity instruments is recognised at the fair value of the compensation received, net of the issuance's direct costs.

Preference shares issued by the group are classified 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 (note 27).

2.18 Securities and other items held under custody

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

2.19 Cash and cash equivalents

For the preparation of its cash flow statement, the group considers "Cash and cash equivalents" to be the "Cash and cash equivalents at central banks" (note 4) and "Cash balances at other credit institutions" (note 5) total.

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

The implementation of the above referred to accounting policies requires CGD's executive committee and group companies to make estimates. The following estimates have the greatest impact on the group's consolidated financial statements, as set out below, with the effects of the Covid-19 pandemic and crisis between the Russian Federation and Ukraine in eastern Europe having also been taken into consideration, whenever relevant.

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

Impairment losses on loans at amortised cost are measured by the methodology defined in note 2.7 d). This measurement is, *inter alia*, based on the weighting of a series of factors reflecting knowledge of a customer's circumstances, treatment of historical data, value of guarantees associated with the operations in question and is therefore highly subjective.

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

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

According to the measurement requirements on such assets, variations of fair value are recognised as a charge to other comprehensive income. Whenever the results of the analyses (note 2.7 d)), show the existence of impairment, the amount of the estimated loss is reclassified from other comprehensive income to costs for the period.

This measurement is based on available market information and includes modelling assumptions and judgements, alterations to which could produce different results. The group, however, considers that impairment measured by the use of this methodology adequately reflects the risk associated with such assets, taking the rules defined in IFRS 9 – “Financial instruments” into account.

c) *Valuation 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 2.7 are used to measure the value of financial instruments not traded in liquid markets. The measurements obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet. To ensure adequate separation between functions, the value of such financial instruments is measured by a body that is independent from the trading function.

d) *Valuation 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 measurement methodologies mainly supported by external valuations, using different fair value measurement techniques, considering the management body’s estimates for each entity, market conditions in which they operate and certain assumptions or judgments. Alternative methodologies and use of different assumptions and estimates may result in a different valuation level for these investments.

e) *Employee benefits*

As referred to in note 2.15 the group’s liabilities for post employment and other long term benefits granted to its employees are assessed actuarially. The actuarial assessments incorporate, *inter alia*, 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 situations, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. The amounts recognised in such cases represent the best understanding of CGD group’s entities on the correctness of the operations although this may be challenge by the fiscal authorities.

The group’s recognition of deferred tax assets, including the carry-back of tax losses, is based on its 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 recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of the strategy by CGD’s board of directors, namely the capacity to generate the estimated taxable profit and interpretation of fiscal legislation in force in the future (note 17).

g) *Property valuations*

Property valuations, recognised in “Non-current assets held-for-sale” 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, could have different real results. By way of example, changes may occur on a level of property market expectations, relevant macroeconomic variables or on a level of the intrinsic characteristics of the actual property and its physical surrounds.

h) *Provisions and contingent liabilities*

As referred to in note 2.14 above, provisions are always 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 with information thereon being disclosed if the possibility of the need to make payments is not considered to be remote.

Decisions regarding the recognition of provisions and their respective measurement take into account the board of directors' assessment of the risks and uncertainties associated with ongoing processes and expected confirmation of future cash flows, based on the best information available on the date upon which the financial statements are filed.

i) Impairment of investments in associates and joint ventures

The group undertakes an annual year-end evaluation of the recoverable value of its investments in associates and joint ventures. Recoverable value is measured on the basis of valuation methodologies using discounted cash flow techniques, considering the board of directors' strategy for each entity, market conditions and value over time and business risks whose fair value is estimated by specific assumptions or judgements.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of valuation of investments in associates and joint ventures and, *ipso facto*, consequent impact on the group's profit and loss.

3. Group companies and transactions in period

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

Activity / Entity	Head office	30-06-2022			31-12-2021	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	203,432	25,637	170,563	27,698
Banking						
Banco Caixa Geral - Brasil, S.A.	São Paulo	100.00%	54,625	(9)	50,130	(1,529)
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	911,436	14,533	825,628	47,249
CGD Investimentos CVC, S.A.	São Paulo	100.00%	4,343	70	3,692	78
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.77%	372,692	2,702	385,650	8,100
Banco Interatlântico, S.A.R.L.	Praia	70.00%	28,588	1,316	27,415	2,470
Banco Comercial e de Investimentos, S.A.	Maputo	63.27%	354,032	52,370	334,243	67,893
Banco Comercial do Atlântico, S.A.	Praia	58.19%	81,090	7,053	80,728	13,042
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	232,728	38,041	158,543	45,261
Asset Management						
Caixa Gestão de Ativos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Lisbon	100.00%	32,833	6,978	38,356	12,495
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	8,923	1,272	10,228	2,578
Venture Capital						
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.77%	10,181	887	15,294	1,728
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	4,403	168	4,269	19
Real Estate						
SCI du 8 Rue du Helder	Paris	100.00%	7,170	201	6,969	333
Inmobiliaria Caixa Geral, S.L.	Madrid	100.00%	(75,921)	(137)	(75,784)	(314)
Caixa Imobiliário, S.A.	Lisbon	100.00%	33,993	8,370	25,623	5,807
Imobci, Lda.	Maputo	46.33%	1,529	380	841	337
Complementary Corporate Groupings						
Caixa - Serviços Partilhados, A.C.E.	Lisbon	100.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	85,871	4,942	82,215	4,332
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	135,037	(1,976)	137,014	18,146
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	21,582	6,154	45,428	(1,742)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	30.83%	109,431	5,248	105,291	8,981
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	26.23%	63,103	805	63,944	7,019

(a) Equity includes net income for the year.

(b) Data taken from consolidated financial statements. The consolidated data from Caixa - Banco de Investimento, S.A. includes data from Caixa Capital - Sociedade de Capital de Risco, S.A.

Information on the principal movements of group subsidiaries across the period ended June 30, 2022 and in 2021 is given below:

GIE - Groupement d'Intérêt Économique

This IIG was liquidated at June 30, 2021, as part of the ongoing restructuring process.

Parbanca, SGPS, S.A.

Parbanca, SGPS, S.A. and its activity as a whole was incorporated into Caixa - Participações, SGPS, S.A., at June 30, 2021.

Fundo de Capital de Risco Caixa Crescimento

Fundo de Capital de Risco Caixa Crescimento was incorporated into Fundo de Capital de Risco Empreender Mais - Caixa Capital in August 2021 as part of the ongoing restructuring process, via the global transfer of its assets, with the objective of simplifying the structure of the venture capital funds managed by Caixa Capital and an inherent reduction of costs and to reorganise a fund specialising in direct investment based on an increase in its investment capacity. In accounting and tax terms the merger was effective January 1, 2021.

Fundiestamo

CGD disposed of a significant part of its holding in Fundo Especial de Investimento Imobiliário Fechado Fundiestamo I, in December 2021, reducing its equity stake from 78% to 45.4%. The investment units held by CGD do not, however, enable it to control or even significantly influence the relevant activities associated with the management of the fund's assets. As it does not have the power to elect any director of the fund manager its holding in this fund has been excluded from the scope of CGD group's consolidation perimeter under IFRS 10.

Caixa Serviços Partilhados (CSP)

Owing to the fact that the insurance group companies ceased to be members of Caixa Geral de Depósitos group this company's exclusion as a member of Caixa Serviços Partilhados, A.C.E. ("ACE") was requested on February 9, 2022 since when this economic interest grouping became a fully owned Caixa Geral de Depósitos ("CGD") subsidiary.

4. Cash and cash equivalents at central banks

This account comprises the following:

	30-06-2022	31-12-2021
Cash	596,887	597,910
Demand deposits in central banks	23,747,653	22,405,417
	24,344,540	23,003,327
Interest on demand deposits in central banks	(4,958)	(3,254)
	24,339,582	23,000,073

The objective of CGD's demand deposits with the Bank of Portugal is to comply with the minimum reserve requirements of the European Central Banks System (ECBS).

The funds deposited at central banks by CGD and CGD group banks at June 30, 2022 and December 31, 2021 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:

	30-06-2022	31-12-2021
Cheques for collection		
Portugal	47,310	20,064
Abroad	9,877	12,106
	57,187	32,171
Demand deposits		
Portugal	140,517	149,174
Abroad	402,655	494,560
	543,172	643,734
Accrued interest	1,368	1,446
	601,727	677,351

Cheques for collection are 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:

	30-06-2022	31-12-2021
Interbank money market	-	39,901
Term deposits		
Portugal	117,513	180,615
Abroad	1,564,511	1,540,330
Loans		
Portugal	307,839	297,182
Abroad	222,476	143,870
Other applications		
Portugal	0	639
Abroad	982,432	823,219
Purchase operations with resale agreement	396,497	221,821
Overdue loans and interest	27	27
	3,591,295	3,247,603
Accrued interest	1,687	1,343
Deferred income	(2,194)	(519)
	3,590,787	3,248,427
Impairment (Note 36)	(2,083)	(2,062)
	3,588,704	3,246,364

The "Purchase operations with resale agreements" account at June 30, 2022 and December 31, 2021 refers to contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as a loan to credit institutions, measured at its respective amortised cost. These operations were contracted for under GMRA's (global master repurchase agreements), whose mechanisms provide for a strengthening of the collateral associated with such transactions based on the evolution of their respective market value in accordance with the specifications agreed between the counterparties, usually in the form of surety deposits.

Information on impairment movements in first half 2022 and in 2021, is given in note 36.

7. Financial assets at fair value through profit or loss

This account comprises the following:

	30-06-2022			31-12-2021		
	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	9,429	-	9,429	10,775	-	10,775
Treasury bills	734,302	-	734,302	46	-	46
Bonds of other public issuers						
Foreign	279,149	-	279,149	311,897	-	311,897
Other issuers						
Bonds and other securities						
Residents	21,242	95	21,338	27,522	100	27,621
Non-residents	25,428	-	25,428	22,507	-	22,507
	1,069,551	95	1,069,646	372,748	100	372,848
Equity instruments						
Residents	1,374	239,299	240,673	1,849	236,113	237,962
Non-residents	-	113,928	113,928	-	104,898	104,898
	1,374	353,227	354,601	1,849	341,011	342,860
Other financial instruments						
Residents	-	529,251	529,251	-	560,633	560,633
Non-residents	-	334,179	334,179	-	332,608	332,608
	-	863,430	863,430	-	893,240	893,240
Loans and receivables						
Loans and advances to customers	-	80,342	80,342	-	82,853	82,853
Other loans and receivables	-	15,902	15,902	-	16,146	16,146
	-	96,244	96,244	-	98,999	98,999
Derivatives with positive fair value (Note 10)						
<i>Swaps</i>	295,917	-	295,917	351,341	-	351,341
Futures and other forward operations	5,801	-	5,801	7,979	-	7,979
Options - shares, currency and commodities	2,685	-	2,685	8,278	-	8,278
Caps and floors	15,114	-	15,114	49,943	-	49,943
	319,517	-	319,517	417,542	-	417,542
	1,390,442	1,312,996	2,703,438	792,139	1,333,350	2,125,489

The "Other financial instruments" account, at June 30, 2022 and December 31, 2021 includes €388,794 thousand and €391,992 thousand, respectively, in subscriptions for investments in vehicles created under financial assets lending operations (loans and advances to customers).

Following their transfer (to the company itself or companies owned by the corporate vehicle in which CGD has a stake), these assets were derecognised from the balance sheet, as the respective IFRS 9 – "Financial instruments" requirements, i.e. the transfer of a substantial part of the risks and benefits associated with the credit operations and their respective control were considered to have 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 their realisation, impairment on the estimated losses on the transferred assets was set against the amount of the equity investment in the respective associated corporate vehicles. Following their initial recognition, such holdings reflect the revaluation of the companies' equity.

Information on CGD's exposure to such assets at June 30, 2022 and December 31, 2021 is as follows:

	30-06-2022	31-12-2021
Fundo Imobiliário Aquarius	83,397	83,767
Fundo Recuperação, FCR	53,373	53,373
Flit-Ptrel SICAV	187,089	186,401
OXI Capital, SCR	14,084	14,084
Predicapital FEIIF	11,555	11,555
Fundo Recuperação Turismo, FCR	23,324	23,324
Fundo Imobiliário Vega	12,717	16,233
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	3,255	3,255
	388,794	391,992

As the value of the asset transfer funds considers the group's analysis of the recoverable value of each fund's equity, the amount recognised may be less than the respective NAV (net asset value) as calculated and disclosed by the management companies. Information on the internal measurement criteria applied to these funds is given in note 40 – "Disclosures relating to financial instruments" in the chapter on "Restructuring Funds".

At June 30, 2022 and December 31, 2021 the book value of the securities and real estate investment funds managed by group entities and recognised in financial assets at fair value through profit or loss, was as follows:

	30-06-2022		31-12-2021	
	Securities investment funds	Real estate investment funds	Securities investment funds	Real estate investment funds
Book value	21,930	109,843	25,291	112,697

The book value of the securities funds managed by group entities and recognised in financial assets at fair value through profit or loss, at June 30, 2022, was as follows:

Securities investment funds	Number	Book value
Caixagest Infraestruturas	909	7,454
Caixa Disponível	2,798	14,476
	3,707	21,930

8. Financial assets at fair value through other comprehensive income

This account comprises the following:

	30-06-2022	31-12-2021
Debt instruments		
Public debt	1,456,284	2,050,522
Other public issuers	1,027,765	2,773,984
International financial organisations	125,660	-
Other issuers	798,280	1,043,996
	3,407,988	5,868,502
Equity instruments	93,245	101,396
Other instruments	62,404	62,406
	3,563,637	6,032,304
Impairment (Note 36)		
Debt instruments	(143)	(485)
	3,563,495	6,031,819

The reduction of debt instruments comes under the aegis of liquidity surplus management and is mainly explained by the decrease of the short term securities component, in which a contributory factor was the maturing of instruments held.

Details on the group's exposure to "Other Instruments" at fair value through other comprehensive income – securities subscribed for under asset transfer operations, at June 30, 2022 and December 31, 2021, are as follows:

	30-06-2022		31-12-2021	
	Book value	Fair value reserve	Book value	Fair value reserve
Discovery Portugal Real Estate Fund	62,404	(22,935)	62,404	(22,935)

CGD opted to classify and measure this equity instruments at fair value through other comprehensive income in conformity with the option provided by IFRS 9 – "Financial instruments" (note 2.7). Detailed information on the internal measurement criteria applied to these funds are given in note 40 - "Disclosures relating to financial instruments" in the chapter on "Restructuring Funds".

The fair value reserves, net of deferred taxes associated with assets measured at fair value through other comprehensive income, amounted to €55,127 thousand and €143,034 thousand at June 30, 2022 and December 31, 2021, respectively (note 26).

9. Financial assets with repurchase agreements

The following is a breakdown of information on financial assets with repurchase agreements at June 30, 2022 and December 31, 2021:

	30-06-2022	31-12-2021
At fair value through other comprehensive income		
Debt instruments from public issuers		
Debt securities of other foreign public issuers	-	7,828
At amortised cost		
Debt instruments from public issuers		
Public debt	45,797	-
	45,797	7,828

The group entered into sales operations on financial assets with purchase agreements at a future date and predefined price with financial institutions and customers at June 30, 2022 and December 31, 2021.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised from the balance sheet and their value continues 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 across the period of the agreement.

The liabilities arising on the repurchase agreements are recognised in “Customers’ resources and other loans – Other resources – Operations with repurchase agreements” (note 20).

10. Derivatives

The group's activity includes operations on 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 its approval procedures on operations, definition of exposure limits per product and customer and daily oversight of their evolution and respective results.

The value of these operations, at June 30, 2022 and December 31, 2021, was measured in conformity with the criteria described in note 2.7 c). A breakdown of information on the operations' notional and book values at the said dates is given below:

	30-06-2022							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Exchange Fowards				5,801	(5,577)	-	-	224
Purchase	198,506	-	198,506					
Sale	198,171	-	198,171					
Swaps								
Currency swaps				19,436	(5,872)	-	-	13,565
Purchase	1,348,604	-	1,348,604					
Sale	1,333,437	-	1,333,437					
Equity swaps				-	(384)	-	-	(384)
Purchase	960	-	960					
Sale	881	-	881					
Interest rate swaps and cross currency interest rate swaps				276,480	(179,906)	24,123	(2,741)	117,956
Purchase	14,113,169	659,300	14,772,469					
Sale	14,032,708	659,300	14,692,008					
Futures								
Currency				-	-	-	-	-
Long positions	43,855	-	43,855					
Interest rate				-	-	-	-	-
Long positions	7,441	-	7,441					
Short positions	149,061	1,201,485	1,350,546					
Other				-	-	-	-	-
Long positions	1,486,176	-	1,486,176					
Short positions	554,287	-	554,287					
Options								
Currency				12	(19)	-	-	(7)
Purchase	770	-	770					
Sale	786	-	786					
Equity				2,673	(2,653)	-	-	20
Purchase	23,085	-	23,085					
Sale	5,672	-	5,672					
Interest rate (Caps & Floors)				15,114	(15,170)	-	-	(56)
Purchase	209,835	-	209,835					
Sale	198,948	-	198,948					
	33,906,350	2,520,085	36,426,435	319,517	(209,580)	24,123	(2,741)	131,319

	31-12-2021							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Exchange Fowards				1,326	(1,416)	-	-	(90)
Purchase	151,015	-	151,015					
Sale	137,755	-	137,755					
Forwards Bond				6,653	-	-	-	6,653
Swaps								
Currency swaps				14,108	(4,936)	-	-	9,172
Purchase	1,375,312	-	1,375,312					
Sale	1,365,592	-	1,365,592					
Equity swaps				224	(158)	-	-	66
Purchase	1,843	-	1,843					
Sale	1,843	-	1,843					
Interest rate swaps and cross currency interest rate swaps				337,009	(317,009)	5,898	(35,628)	(9,729)
Purchase	16,014,715	619,409	16,634,124					
Sale	15,964,490	619,409	16,583,899					
Futures								
Currency				-	-	-	-	-
Long positions	44,850	-	44,850					
Interest rate				-	-	-	-	-
Short positions	78,211	1,878,564	1,956,774					
Equity				-	-	-	-	-
Long positions	1,418	-	1,418					
Other				-	-	-	-	-
Long positions	1,540,104	-	1,540,104					
Short positions	977,826	-	977,826					
Options								
Currency				32	(21)	-	-	11
Purchase	4,834	-	4,834					
Sale	4,834	-	4,834					
Equity				8,247	(8,096)	-	-	151
Purchase	22,774	-	22,774					
Sale	8,270	-	8,270					
Interest rate (Caps & Floors)				49,943	(50,026)	-	-	(83)
Purchase	209,870	-	209,870					
Sale	200,144	-	200,144					
	38,105,697	3,117,381	41,223,079	417,542	(381,661)	5,898	(35,628)	6,151

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2022 and December 31, 2021, include operations collateralised by surety accounts designed to hedge the fair value of exposures on lending and borrowing operations between CGD and various financial institutions. The balances deposited by these financial institutions with CGD and by CGD with these financial institutions at the above dates are recognised in the "Other liabilities - resources - surety account" (note 24) and "Other assets - debtors and other assets - other debtors" account (note 18), respectively.

Details on the amounts of CVAs (credit value adjustments) and DVAs (debt value adjustments) are given in note 40.

11. Hedge accounting

As referred to in note 2.7 c), the group performs derivative operations with the objective of hedging its exposure to the risks inherent to its activity. In first half 2022 and in 2021 the option to apply hedge accounting in accordance with the requirements of IFRS 9 applied to the change in the fair value hedge model associated with interest rate risk on the securities portfolio in addition to non-subordinated debt issued under the EMTN programme.

Hedge derivatives are measured at their fair value whose respective variations are recognised as a charge to profit or loss. The fair value of derivatives not traded in organised markets is calculated on the basis of internal models that incorporate discounted cash flow measurement techniques which make use of observable market data, whenever available. According to the fair value ranking criteria set out in note 40, these instruments are classified at level 2.

The following is a breakdown of hedging instruments at June 30, 2022 and December 31, 2021:

	30-06-2022				
	Notional value			Book value	
	<= 3 months	> 1 year	Total	> 1 year	Total
Derivatives for hedging the fair value of interest rate changes					
Interest rate swaps and cross currency interest rate swaps				21,382	21,382
Purchase	-	659,300	659,300		
Sale	-	659,300	659,300		
Interest rate futures				-	-
Sale	1,201,485	-	1,201,485		
	1,201,485	1,318,600	2,520,085	21,382	21,382

	31-12-2021							
	Notional value				Book value			
	<= 3 months	> 3 months <= 6 months	> 1 year	Total	<= 3 months	> 3 months <= 6 months	> 1 year	Total
Derivatives for hedging the fair value of interest rate changes								
Interest rate swaps and cross currency interest rate swaps					(3)	22	(29,749)	(29,729)
Purchase	1,398	7,382	610,628	619,409				
Sale	1,398	7,382	610,628	619,409				
Interest rate futures					-	-	-	-
Sale	-	-	1,878,564	1,878,564				
	2,797	14,764	3,099,820	3,117,381	(3)	22	(29,749)	(29,729)

The following is a breakdown of hedged items at June 30, 2022 and December 31, 2021:

	30-06-2022			31-12-2021		
	Hedging element			Hedging element		
	Book value	Accumulated amounts corrections (Assets / Liabilities)	Hedge accounting adjustment (*) (Note 31)	Book value	Accumulated amounts corrections (Assets / Liabilities)	Hedge accounting adjustment (*)
Financial assets at fair value through other comprehensive income						
Public debt	1,340,859	84,842	(108,819)	1,901,877	585	(45,494)
Foreign public debt	694,663	71,817	(68,388)	839,109	(4,684)	(8,498)
	2,035,522	156,659	(177,207)	2,740,986	(4,099)	(53,991)
Bonds issued under the EMTN programme	26,050	(2,116)	3,677	26,050	(5,793)	(1,227)
	2,061,572	154,543	(173,530)	2,767,036	(9,892)	(55,219)

(*) Corresponds to the accumulated variation in the exercise of the fair value of the hedged instruments associated with hedging operations, considered for the determination of the ineffectiveness of the relationship

The group recognised gains of €915 thousand (note 31) on the ineffectiveness component of its hedge relationships in first half 2022.

12. Investments at amortised cost

The following is a breakdown of investment balances at amortised cost at June 30, 2022 and December 31, 2021:

	30-06-2022	31-12-2021
Debt instruments		
Public debt	5,082,586	4,810,376
Other public issuers		
Other residents	15,243	-
Other non-residents	8,297,324	7,785,138
	13,395,153	12,595,515
Other international issuers	142,453	-
Other issuers		
Other non-residents	364,260	408,292
	506,713	408,292
	13,901,866	13,003,807
Impairment (Note 36)	(18,852)	(9,533)
	13,883,014	12,994,274

Investments at amortised cost, include €523,480 thousand and €327,396 thousand in Angola sovereign debt instruments at June 30, 2022 and December 31, 2021 respectively.

The “Debt instruments – Public debt” account at June 30, 2022 and December 31, 2021, includes securities allocated to the issuance of covered bonds with a book value of €15,232 thousand and €15,097 thousand, respectively.

13. Loans and advances to customers

This account comprises the following:

	30-06-2022	31-12-2021
Domestic and foreign loans		
Loans	40,043,156	39,307,902
Current account loans	1,046,024	923,958
Other loans	3,524,131	3,421,519
Other loans and amounts receivable - securitised		
Commercial Paper	1,157,909	1,177,048
Other	3,614,938	3,330,906
Property leasing operations	824,476	829,489
Discounts and other loans secured by bills	114,389	127,310
Equipment leasing operations	782,367	771,793
Factoring	1,411,433	1,469,452
Overdrafts	226,550	138,241
	52,745,374	51,497,618
Accrued interest	111,695	109,409
Deferred income, commissions and other cost and income associated with amortised cost	32,269	(4,163)
	52,889,338	51,602,865
Overdue loans and interest	835,165	895,228
	53,724,503	52,498,093
Impairment (Note 36)	(2,164,186)	(2,314,429)
	51,560,317	50,183,664

“Domestic and foreign loans – other loans”, at June 30, 2022 and December 31, 2021, include €29,567 thousand and €31,237 thousand, relating to mortgage and personal loans respectively, issued by CGD to its employees.

Other credit disposal operations

CGD disposed of a series of mainly non-performing mortgage and non-mortgage loans with a book value, before impairment on the transaction date of approximately €66,096 thousand across first half 2022. The losses made on these loans were recognised in “Impaired credit net of reversals and recoveries” in the profit and loss statement (note 36).

Credit-write offs on the asset at the time of the transaction were included. Income of approximately €4,312 thousand (note 36) was also recognised on these transactions.

The “Loans” portfolio at June 30, 2022 and December 31, 2021 includes mortgage loans assigned by CGD in securitisation operations. Movements in first half 2022 and in 2021 were as follows:

**Nostrum
Mortgages no. 2**

Balances at 31-12-2020	2,827,163
Repayments	(240,348)
Repurchase	(10,654)
Other	(1,706)
Balances at 31-12-2021	2,574,455
Repayments	(124,769)
Repurchase	(890)
Other	(2,477)
Balances at 30-06-2022	2,446,319

The liabilities associated with this operation are entirely obligations of Group companies and are therefore eliminated in the preparation of its consolidated financial statements.

The "Loans" account, at June 30, 2022 and December 31, 2021 includes mortgage loans with a book value of €4,345,622 thousand and €5,604,258 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising the referred to issuances, at June 30, 2022 and December 31, 2021 also includes debt securities with a book value of €15,232 thousand and €15,097 thousand, respectively (note 12) at these dates.

Following CGD's resolution of August 22, 2022, the early repayment option on the Nostrum 2010 transaction was exercised and the portfolio credits repurchased from TAGUS (securitisation company), resulting in the liquidation of the structure (note 41).

Information on impairment movements in first half 2022 and in 2021, is given in note 36.

14. Non-current assets and liabilities held-for-sale

Information on non-current assets and liabilities held-for-sale balances at June 30, 2022 and December 31, 2021, is set out below:

ASSETS	30-06-2022	31-12-2021
Property and equipment	341,374	402,896
Subsidiaries		
Banco Caixa Geral - Brasil, S.A.	247,277	189,749
CGD Investimentos CVC, S.A.	5,029	4,449
Esegur, S.A.	6,486	-
	600,166	597,093
Impairment (Note 36)		
Property and equipment	(170,248)	(214,006)
Subsidiaries	(54,812)	(46,483)
Other	(196)	(257)
	(225,257)	(260,746)
	374,909	336,347
LIABILITIES		
Subsidiaries		
Banco Caixa Geral Brasil, S.A.	196,833	146,958
CGD Investimentos CVC, S.A.	661	756
	197,494	147,714

The results of "subsidiaries held-for-sale", in first half 2022 and 2021, are itemised in the consolidated profit and loss statement, as set out below:

	30-06-2022	30-06-2021
Results of subsidiaries held-for-sale		
Banco Caixa Geral - Brasil, S.A.	(8)	250
CGD Investimentos CVC, S.A.	70	44
	63	294

These entities are classified in the "Other" lines of the business segment (note 37).

Subsidiaries

In the framework of CGD's recapitalisation commitments, agreed between the Portuguese state, as the sole shareholder of Caixa Geral de Depósitos and the competent European authorities, CGD took a series of steps leading to the disposal of the group's equity stakes in Banco Caixa Geral – Brasil, S.A., CGD Investimentos CVC, S.A. and Banco Comercial do Atlântico in the Republic of Cape Verde. The balances of such investments in these entities, net of their respective impairment, were reclassified from "Investments in subsidiaries, associates and joint ventures" to "Non-current assets held for sale", as a direct result of this situation.

The BCG Brazil disposal process was, in the first instance, conditioned by the period of political instability affecting the country in 2018 which was responsible for various delays to the completion of several initially scheduled initiatives which it was only possible to develop further across 2019. The government's approval of the tender documents for the direct sale of BCG Brazil's equity shares held directly by Caixa Geral de Depósitos in August 2019 was particularly relevant in these circumstances.

A capital reduction of €71,689 thousand and €2,732 thousand in BCG Brazil and CGD Investimentos, respectively (at the December 2019 exchange rate) was approved during the course of 2019 in preparation of the current disposal process.

On September 4, 2019 the Portuguese government selected three investors for stage II, beginning September 25 (following the publication of the ministerial order announcing the periods for stage II on September 24) whose bidders were able to prepare a comprehensive due diligence report on BCG Brazil and interact with CGD on strategic matters, in addition to key aspects underpinning the transaction documents.

Although binding offers were received on December 16, 2019, none of the bids received was considered acceptable by CGD and the process was brought to an unsuccessful conclusion.

Initiatives leading to an assessment of the opportunity to initiate new contacts with potential investors were resumed during the course of 2020, notwithstanding the uncertainty deriving from the effects of the current pandemic. Notwithstanding the current difficulties, partly associated with the impact of the Covid-19 pandemic CGD's board of directors still intends to dispose of its equity stake in BCG Brazil and is considering the circumstances and terms under which it may be undertaken in accordance with its objectives and best interests of its shareholder.

Based on a revision of its commitments to DGComp under the recapitalisation process, Caixa Geral de Depósitos, S.A. decided to dispose of its equity stake in Banco Comercial do Atlântico in the Republic of Cape Verde (BCA) in January 2019 and embarked upon the process and development of the respective legal and procedural steps. Decree law 146/2019, approving the terms governing the total or partial disposal of CGD's equity shares in BCA, was published in September 2019. Several steps have been taken since then with a view to selecting potential investors as a precondition for the evolution of the negotiating process.

The group reversed the reclassification of the assets and liabilities of Banco Comercial do Atlântico (Cape Verde) from "Investments in subsidiaries, associates and joint ventures", hitherto classified under IFRS 5 - "Non-current assets held for sale and discontinued operations", in November 2021 as the disposal process on BCA, in progress since 2019 was considered to have reached an unsuccessful conclusion, with the conditions of IFRS 5 for retaining this subsidiary as a non-current asset held-for-sale no longer being met.

Taking into account that under this standard, the results generated by this equity stake were set out in a single line of the profit and loss statement ("Results of subsidiaries held-for-sale"), the comparative period was re-expressed as set out below:

		<i>Restated</i>	
	30-06-2021	IFRS 5 - Reclassification BCA	30-06-2021
Interest and similar income	689,554	15,975	705,529
Interest and similar expenses	(213,268)	(2,201)	(215,470)
Net Interest Income	476,285	13,774	490,059
Income from equity instruments	4,097	14	4,111
Income from services and commissions	324,905	1,725	326,629
Costs of services and commissions	(56,590)	(227)	(56,817)
Results from assets and liabilities at fair value through profit or loss	106,793	-	106,793
Results from financial assets at fair value through other comprehensive income	2,829	-	2,829
Exchange revaluation results	21,354	690	22,044
Hedge accounting results	(3,865)	-	(3,865)
Other results of financial operations	(4,869)	-	(4,869)
Other operating income	(12,174)	63	(12,112)
Total Operating Income	858,765	16,038	874,803
Employee costs	(151,558)	(4,748)	(156,306)
Other administrative costs	(103,302)	(2,354)	(105,657)
Depreciation and amortisation	(49,248)	(817)	(50,065)
Provisions	(36,608)	521	(36,087)
Loan impairment	(47,978)	1,996	(45,982)
Other assets impairment	(20,875)	(1,619)	(22,494)
Income Before Tax	449,196	9,016	458,212
Income tax	(169,617)	(1,220)	(170,838)
Results of associates and jointly controlled entities	26,230	288	26,519
Results of Continuing Activities	305,809	8,084	313,893
Results of subsidiaries held-for-sale	8,378	(8,084)	294
Consolidated Net Income for the Period, of which	314,187	(0)	314,187
Non-controlling interests	(19,980)	(0)	(19,980)
Net Income Attributable to the Shareholder of CGD	294,206	(0)	294,206

CGD intends to relaunch its disposal of BCA over the short term. The respective decision will be made by the council of ministers.

Banco Caixa Geral – Brasil, S.A.

Information on the key financial data of Banco Caixa Geral – Brasil, at June 30, 2022 and December 31, 2021, is set out below:

ASSETS	30-06-2022	31-12-2021
Cash balances and loans and receivables at other credit institutions	37,016	34,028
Financial assets at fair value through profit or loss	47,098	31,198
Financial assets at fair value through other comprehensive income	55,110	47,796
Financial assets with repurchase agreement	4,532	293
Non-current assets held-for-sale	7,917	6,804
Other tangible assets	270	219
Investments in associates and subsidiaries excluded from consolidation (*)	10,046	8,634
Current tax assets	388	357
Deferred tax assets	15,563	13,712
Loans and advances to customers	75,443	51,564
Other assets	3,939	3,777
Total assets	257,323	198,382
LIABILITIES AND EQUITY		
Resources of other credit institutions	67,400	30,956
Customer resources	112,988	102,955
Financial liabilities at fair value through profit or loss	12,794	9,429
Provisions for guarantees and other commitments	375	347
Provisions for other risks	989	766
Deferred tax liabilities	1,328	855
Other liabilities	958	1,649
Total Liabilities	196,833	146,958
Total Equity, of which	60,490	51,425
Revaluation reserves	(701)	(1,170)
	257,323	198,382

Note: On June 30, 2022 and December 31, 2021, the individual balance sheet of Banco Caixa Geral Brasil, incorporates the interest it holds on CGD Investimentos, CVC, in the amount of 10,046 tEuros and 8,634 tEuros.

NET INCOME	30-06-2022	30-06-2021
Other income and expenses		
Interest and similar income	9,217	4,186
Interest and similar expenses	(6,897)	(1,270)
Income from services rendered and commissions	168	488
Cost of services and commissions	(27)	(28)
Results from financial operations	831	222
Employee costs	(2,072)	(1,819)
Other administrative costs	(1,704)	(1,405)
Depreciation and amortisation	(33)	(31)
Provisions and impairments	1,006	309
Other	(314)	(187)
	174	465
Income tax	(181)	(216)
Net Income	(8)	250

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 given in the following table:

	30-06-2022	31-12-2021
Net assets	142	242
Liabilities	60,105	33,941

	30-06-2022	30-06-2021
Other income	3	43
Other expenses	193	202

Impairment of €54,812 thousand and €46,483 thousand was declared on BCG Brazil at June 30, 2022 and December 31, 2021, respectively, to adjust the equity value of these subsidiaries' assets and liabilities to their estimated respective fair value, net of disposal costs (note 36) at the said date.

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at June 30, 2022 and December 31, 2021, is set out below:

ASSETS	30-06-2022	31-12-2021
Cash balances and loans and receivables at other credit institutions	4,769	4,087
Financial assets at fair value through profit or loss	-	75
Other tangible assets	(0)	8
Current tax assets	154	131
Other assets	107	148
Total Assets	5,029	4,449
LIABILITIES AND EQUITY		
Provisions for other risks	114	80
Current tax liabilities	42	109
Deferred tax liabilities	416	358
Other liabilities	89	210
Total Liabilities	661	756
Total Equity	4,368	3,692
	5,029	4,449

NET INCOME	30-06-2022	30-06-2021
Other income and expenses		
Interest and similar income	238	53
Other administrative costs	(52)	(44)
Provisions and impairments	(23)	(1)
Other	(45)	34
	111	42
Income tax	(41)	2
Net Income	70	44

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 given in the following tables:

	30-06-2022	31-12-2021
Net assets	3,554	3,090

	30-06-2022	30-06-2021
Other income	182	17

Esegur, S.A.

The integration method used to include Esegur as the group entity which is now recognised as non-current assets held for sale under IFRS 5 was changed in June 2022 and it is no longer accounted for by the equity accounting method.

Caixa's equity stake in Esegur was sold to the Spanish group Trablisa on July 28 2022 after the necessary authorisations had been obtained. No additional impact was recognised in the group's accounts as its book value had already been reflected in the estimated amount of the sale.

Real estate

The sale of a Caixa Imobiliário warehouse, in March 2022, was responsible for an €8,400 thousand reversal of impairment (note 36).

Foreign currency reserves

As referred to in note 2.6, at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss on the exchange rates previously recognised in "Other reserves" are transferred to profit and loss for the period as they constitute an integral part of the profit or loss made on the transaction. For this purpose and in light of the requirements of IAS 21 – "The effects of changes in foreign exchange rates", operations classified as a reimbursement of the amount invested, when share capital reductions, are also considered to be reductions of an interest in subsidiaries. The foreign currency reserves to be reclassified to profit and loss, in such cases, are measured by the proportion of the amount of the reimbursement to the total amount invested.

Accumulated profit and loss on foreign exchange operations at June 30, 2022, recognised as a charge to "Other reserves" as part of the consolidation of subsidiaries classified as non-current assets and liabilities held-for-sale, comprises losses of approximately €69,154 thousand (€79,103 thousand at December 31, 2021).

15. Investment properties

Investment properties owned by the group, at June 30, 2022 and December 31, 2021 are recognised at fair value. Profit and loss on the revaluation of such properties is recognised as a charge to “Other operating income” (note 2.9) in profit and loss.

"Investment properties" at December 31, 2021 included €155,615 thousand in property owned by the Fundiestamo fund. CGD reduced a significant part of its holding in this fund – from 78% to 45.4% – in December 2021. However, as CGD's investment units do not enable it to control or significantly influence the relevant activities associated with the management of the fund's assets its holding in the fund has been excluded from CGD group's consolidation perimeter under IFRS 10.

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 type, 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 estimates the transaction price of a specific asset based on prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally employs statistical methods after the various items of market data obtained have been harmonised. This is the principal method used whenever there is information on a significant number of 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 from 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, the discounted cash flows (DCF) technique is 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 is to be exploited economically.
- Cost method. The cost method estimates the value of property on the basis of the amount which would currently be needed to obtain alternative property, as a replica of the original or with an equivalent use, adjusted for obsolescence. It is calculated on the basis of the sum of the acquisition cost of the land and construction costs (including charges), depreciation based on a property's present physical, functional, environmental and economic conditions plus commercialisation costs and its developer's margin/risk. This is the principal method used when there is no market information available on transactions of similar property and no potential income associated with it is identifiable.
- Residual worth method. The residual worth method estimates the residual worth of land, constructions to be rehabilitated or unfinished properties, net of the presumed sales price of the finished property, obtained by the use of the market method and all costs and margins associated with the unfinished construction.

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in this case, should particularly focus 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. parking spaces). 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. parking spaces). In active rental markets, these variables are provided by directly or indirectly observable data in the market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.
- Variables contributing to the assessment of operating income from the property. These variables may differ in line with the type of property and are generally assessed on the basis of a property's potential income generating capacity, taking into account the information available on the assumptions of market actors. The data supplied by the entity operating the property may be used in the absence of any reasonably available information indicating that market actors 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 expected market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market for a certain geography and a specific property product segment, with an identical risk and identical evolution of rents.

– *Discounted cash flow technique*

- Diverse variables may contribute to the estimated cash flow based on the type of property. This technique is reliant on current expectations of changes to 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 taken into account. 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 2.8. 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, 2022 and December 31, 2021, by type, development status in terms of their preparation for use and current occupancy, considering the methodologies used to measure fair value:

30-06-2022						
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Housing	Concluded	Rented	1.073	Cost method / Income capitalisation method	Estimated rental value per m2	2
			6.060	Market comparable method	Estimated rental value per m2	[475 - 2308]
			266	Market comparable method	Estimated sale value / rental value per m2	[244 - 1194]
			67	Income capitalisation method / Market comparable method / Cost method	Estimated rental value per m2	[1561 - 1633]
			560	Capitalisation / sale	Income capitalisation method	Estimated rental value per m2
			8.026			
Stores	Concluded	Rented	1.196	Market comparable method	Estimated rental value per m2	387
			50	Income capitalisation method / Market comparable method	Estimated sale value per m2	5.0 / 740
			1.246			
Land	n.a.	Capitalisation / sale	200	Income capitalisation method / Market comparable method / DCF	Estimated sale value per m2 housing / stores	[3315 - 4200]
			200			
Storage	Concluded	Rented	1.236	Market comparable method	Estimated rental value per m2	[156 - 274]
			1.236			
			10.708			
Other			8.073			
			18.782			

31-12-2021						
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Housing	Concluded	Rented	1,229	Cost method / Income capitalisation method	Estimated rental value per m2	2
			5,895	Market comparable method	Estimated rental value per m2	[437 - 2123]
			257	Market comparable method	Estimated sale value / rental value per m2	[224 - 1098]
			67	Income capitalisation method / Market comparable method / Cost method	Estimated rental value per m2	[1561 - 1633]
			630	Capitalisation / sale	Income capitalisation method	Estimated rental value per m2
			8,079			
Stores	Concluded	Rented	1,111	Market comparable method	Estimated rental value per m2	356
			369	Income capitalisation method / Market comparable method	Estimated sale value per m2	5.0 / 740
			1,480			
Land	n.a.	Capitalisation / sale	13,082	Income capitalisation method / Market comparable method / DCF	Estimated sale value per m2 housing / stores	[3315 - 4200]
			13,082			
Storage	Concluded	Rented	1,176	Market comparable method	Estimated rental value per m2	[143 - 252]
			1,176			
			23,817			
Other			9,529			
			33,346			

As previously stated, valuations of land and buildings maximise the use of observable market data. However, as they also consider non-observable data, most valuations are classified at level 3 of the fair value ranking of IFRS 13 – “Fair value measurement”.

16. Investments in associates and joint ventures

This account comprised the following at June 30, 2022 and December 31, 2021:

	30-06-2022			31-12-2021	
	Effective participating interest (%)	Book value	Contribution to the results of the group	Effective participating interest (%)	Book value
Jointly controlled entities					
Esegur, S.A.	50.00	-	311	50.00	6,486
Locarent, S.A.	50.00	21,793	967	50.00	21,215
		21,793	1,278		27,701
Associated companies					
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	4,966	429	27.00	4,952
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	51,930	2,646	22.97	52,571
Fidelidade – Companhia de Seguros, S.A.	15.00	386,715	17,890	15.00	436,607
Other	-	8,287	594	-	8,401
		451,898	21,559		502,531
Impairment (Note 36)	-	(439)	-	-	(439)
		473,252	22,838		529,794

Information on the statutory financial data (unaudited financial statements) of the principal associates and joint ventures, at June 30, 2022 and December 31, 2021 is set out below:

Activity / Entity	Head office	30-06-2022				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	21,150,818	18,008,645	3,142,173	95,842	2,610,877
Other						
Esegur, S.A.	Lisbon	29,888	12,752	17,136	929	20,738
Locarent, S.A.	Lisbon	272,469	228,091	44,378	1,892	17,320
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	383,881	157,767	226,113	16,616	118,213

(a) Equity includes net income for the year and excludes non-controlling interests.

(b) Data taken from the consolidated financial statements.

Activity / Entity	Head office	31-12-2021				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	20,356,841	16,729,018	3,627,823	274,640	4,339,019
Other						
Esegur, S.A.	Lisbon	39,461	23,546	15,915	220	39,922
Locarent, S.A.	Lisbon	278,141	235,667	42,475	2,466	35,014
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	396,497	166,403	230,094	44,256	275,663

(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 €6,471 thousand and €3,605 thousand from these entities in first half 2022 and in 2021 respectively.

The integration method used to include Esegur as the group entity which is now recognised as non-current assets held for sale under IFRS 5 was changed in June 2022 and it is no longer accounted for by the equity accounting method.

17. Income tax

Tax assets and liabilities balances on income, at June 30, 2022 and December 31, 2021, were as follows:

	30-06-2022	31-12-2021
Current tax assets		
Income tax recoverable	21,050	19,138
Tax credits	420,575	420,575
Other	3,466	3,449
	445,091	443,163
Current tax liabilities		
Income tax payable	32,758	26,229
Other	19,526	6,259
	52,284	32,489
	392,807	410,674
Deferred tax assets		
Temporary differences	917,220	1,117,599
Reported tax losses	14,186	14,349
	931,407	1,131,948
Deferred tax liabilities		
	68,844	111,431
	862,563	1,020,517

"Current tax assets – tax credits" at June 30, 2022 and December 31, 2021, refers to the conversion of deferred taxes into tax credit under the special regime approved by law 61/2014.

Deferred tax movements in the half years ended June 30, 2022 and June 30, 2021, were as follows:

	Balance at 31-12-2021	Change in		Transfers to current tax	Other	Balance at 30-06-2022
		Equity	Profit or loss			
Impairment losses on credit	780,167	-	(146,725)	-	(47)	633,395
Employee benefits	205,415	(14,686)	(12,465)	-	-	178,265
Impairment and adjustments in property and tangible and intangible assets	19,649	(408)	(129)	-	-	19,111
Measurement of financial assets at fair value through other comprehensive income	(51,461)	30,747	-	-	-	(20,714)
Impairment and other value changes in equity investments and other securities	20,943	-	(5,763)	(6,185)	-	8,995
Other provisions and impairment non-tax deductible	16,830	-	(574)	-	-	16,256
Tax loss carry forward	14,349	-	(162)	-	-	14,186
Other	14,625	-	(1,481)	-	(75)	13,069
	1,020,517	15,653	(167,300)	(6,185)	(122)	862,563

	Balance at 31-12-2020	Change in		Transfers to current tax	Other	Balance at 31-12-2021
		Equity	Profit or loss			
Impairment losses on credit	915,343	-	(83,664)	-	-	831,679
Employee benefits	228,191	(5,610)	(11,551)	-	-	211,030
Impairment and adjustments in property and tangible and intangible assets	22,648	(21)	2,614	-	-	25,241
Measurement of financial assets at fair value through other comprehensive income	(57,179)	657	-	-	-	(56,523)
Impairment and other value changes in equity investments and other securities	46,877	-	(9,393)	1,032	(8,062)	30,453
Other provisions and impairment non-tax deductible	16,462	-	(47)	-	-	16,415
Tax loss carry forward	8,793	-	5,556	-	-	14,349
Other	10,363	-	(6,454)	-	10,170	14,079
	1,191,497	(4,974)	(102,941)	1,032	2,108	1,086,722

As described in greater detail in note 14, in November 2011 the group discontinued the application of IFRS 5 - "Non-current assets held for sale and discontinued operations" on BCA.

The periods have been re-expressed for comparison purposes as the results generated by this equity stake under this standard were set out in a single line of the profit and loss statement ("Results of subsidiaries held-for-sale"). In first half 2020, €150 thousand in deferred tax income deriving from this subsidiary's activity was recognised in profit and loss for the period.

Special regime applicable to deferred tax assets

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

This regime (and latter amendments), approved by law 61/2014 of August 26, includes deferred tax assets on the non-deduction of costs and negative equity variations 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 the post employment or long term benefits of employees.

Alterations to the regime brought in by law 23/2016 of August 19, excluded the costs and negative equity variations accounted for in the taxation periods beginning on or after January 1, 2016, in addition to their associated deferred taxes, from the scope of its timeframe. The deferred taxes protected by this regime therefore solely correspond to the assessment of costs and negative equity variations calculated up to December 31, 2015.

Deferred tax assets resulting from the non-deduction of costs and negative equity variations with impairment losses on loans and the post employment or long term benefits of employees are converted into tax credit when the taxpayer's net results in the respective tax period are negative or in the event of a voluntary liquidation or court ordered insolvency. In the case of a conversion resulting from negative net results, the amount of the tax credit to be attributed will be the result of the proportion of such negative net results for the period to the taxpayer's total equity (assessed prior to the deduction of the result) plus the amount of CoCo bonds, applied to the eligible deferred tax assets balance. In cases in which the conversion results from liquidation or insolvency or the taxpayer has negative equity, the full amount of the deferred tax assets is converted into tax credit.

In cases of conversions into tax credit (other than in cases of liquidation or insolvency), a special reserve, plus 10%, is set up for the amount of the respective credit and adjusted when equity is less than share capital by the quotient between the former and latter which is deducted from the amount of the increased tax credit, together with the issuance of securities in the form of conversion rights to be attributed to the state that, in the case of CGD, is, at the same time, its 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 enjoy the potestative 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 this regime, at June 30, 2022 and December 31, 2021, is set out below:

Deferred tax within the scope of the special regime for deferred tax assets	30-06-2022	31-12-2021
Impairment losses on credit	161,470	305,706
Employee benefits	55,922	59,318
	217,392	365,024

As a consequence of Caixa Geral de Depósitos' assessment of negative net results from its separate activity in 2016, the eligible deferred tax assets at the close of the referred to period were converted into tax credit, based on the proportion of its net results to shareholders' equity and amounting to €420,575 thousand.

Under applicable legislation, the conversion of deferred tax assets was preceded by the creation of a special reserve of €681,571 thousand, for the amount of the tax credit calculated under the conversion, plus 10% and adjusted to the requirements of no. 3 of article 11 of law 61/2014 (note 26). The creation of the special reserve was accompanied by the issuance and simultaneous attribution of conversion rights for an equivalent amount to the state. As specified in article 12 of the appendix to law 61/2014 (of which it is an integral part), the above capital transactions, in addition to the amount of the tax credit conversion were certified by a statutory auditor.

Owing to its status as CGD's sole shareholder, the issuance and attribution of conversion rights to the state did not entail any dilution of its equity status.

Income tax as a charge to shareholders' equity

The group altered its accounting policy on the recognition of actuarial profit and loss on pension plans and other post employment benefits in 2011, pursuant to which actuarial profit and loss on revaluations of pensions and healthcare liabilities and pension fund yield projections were fully recognised as a charge to a shareholders' equity account. Up to 2010 such profit and loss had been accounted for by the corridor method.

The amount of tax on the contribution of the actuarial deviations component after the date of the accounting policy change, 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, in conformity with the recognition basis of its originating liabilities.

Income tax as a charge to profit and loss

Information on income tax costs recognised in profit and loss, in addition to the fiscal burden, measured by the tax appropriation to net results for the period before tax ratio for the half years ended June 30, 2022 and June 30, 2021, is set out below:

	30-06-2022	<i>Restated</i> 30-06-2021
Current tax		
For the year	41,437	18,979
Extraordinary contribution of the banking sector	37,104	28,733
Prior year adjustments (net)	5,975	20,335
	84,516	68,047
Deferred tax	167,300	102,790
Total income tax	251,816	170,838
Consolidated income before tax	756,380	458,212
Tax charge	33.29%	37.28%

Information on the "Adjustments for past years" account for the half years ended June 30, 2022 and June 30, 2021 comprised the following:

	30-06-2022	30-06-2021
Insufficiency / (excess) of estimated tax for 2021, 2020 and 2019)	5,641	21,859
Adjustments to previous years taxable income	334	(1,524)
	5,975	20,335

The "Insufficiency/(excess) of estimated tax" for the amount of €5,641 thousand at June 30, 2022, mainly refers to temporary differences determined under the calculation of IRC for the 2021 financial year, adjustable to the taxable income of future years. These differences led to the constitution of deferred taxes for the same period.

Information on the reconciliation between the amount of tax calculated on the basis of the nominal rate and costs/(income) on tax on profit for the half years ended June 30, 2022 and June 30, 2021 is set out in the following table:

	30-06-2022		30-06-2021	
	Rate	Tax	Rate	Tax
Income before tax		756,380		458,212
Tax at the nominal rate	27.35%	206,870	27.35%	125,321
Impact of companies with tax rates different from the nominal rate in Portugal	0.22%	1,645	0.17%	800
Permanent differences to be deducted	(0.05%)	(362)	(0.07%)	(328)
Permanent differences to be increased				
Non-deductible provisions and impairment	0.08%	617	0.04%	197
Other	0.56%	4,233	0.10%	448
Recognition of impairment on equity investments, net of write-offs	0.52%	3,931	0.20%	913
Annulment of tax losses considered non-recoverable	0.00%	38	0.00%	17
Autonomous taxation	0.02%	130	0.02%	90
Contribution of the banking sector	4.91%	37,104	6.27%	28,733
Dividend charges on other equity instruments	(0.48%)	(3,593)	(1.60%)	(7,309)
Other	(0.27%)	(2,034)	3.84%	17,606
	32.86%	248,578	36.33%	166,488
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate related to previous years and other corrections to the taxable base, net of deferred tax	0.43%	3,239	0.95%	4,349
Other	0.00%	-	0.00%	-
	0.43%	3,239	0.95%	4,349
	33.29%	251,816	37.28%	170,838

CGD's nominal tax rate, for the half year ended June 30, 2022, considering the surcharge rates applicable to its operations was 27.35%.

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit.

Article 51-C of the IRC code was altered by the publication of law 42/2016, on the basis of an addendum to no. 6, which rules, for 2017 and following years, that impairment losses and other value adjustments to 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 has taken place.

The group accordingly recognised deferred tax liabilities for impairment on financial investments, deductible as a tax expense at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress), for the amounts of €31,065 thousand and €30,055 thousand, at June 30, 2022 and December 31, 2021, respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments (note 2.13)

Law 98/2019, amending the IRC code on impairment in credit institutions and other financial institutions and establishing rules on impairment losses recognised in tax periods prior to January 1, 2019, not yet accepted as a fiscal cost, was published on September 4, 2019. Under this new regime, impairment losses on credit risk for exposures analysed on an individual or collective basis, recognised in tax periods beginning on or after January 1, 2019 in accordance with the applicable accounting and regulatory standards (with the exceptions provided for in no. 7 of article 28c of the IRC code) are fully deductible.

The rules in force at December 31, 2018 continue to apply to impairment losses and other value adjustments for specific credit risk accounted for in prior tax periods, i.e. limiting tax deductions to the amounts assessed under the provisions of Bank of Portugal notice 3/95 (subsequently repealed) provided that such loans were not collateralised by real rights over immovable assets.

According to the provisions of article 4 of the new law, CGD and other relevant entities included in the national fiscal perimeter formalised their intention to subscribe for the new regime for the tax periods beginning January 1, 2019, on the basis of a communication addressed to the director general of the tax and customs authority on October 31, 2019.

The applicable deduction rules under this law were incorporated into the analysis of the recoverability of deferred tax assets recognised in the balance sheet.

Analysis of recoverability of deferred tax assets (note 2.13)

Based on the requirements of IAS 12 – “Income taxes”, deferred tax assets are recognised to the extent 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) An interpretation of the legal framework in force in the relevant analysis period.

This evaluation was carried out on the basis of exercises projecting the activities listed in the strategic objectives submitted to the shareholder to be implemented across the current term of office of the board of directors and will allow CGD, over the referred to timeframe, to ensure adequate profitability and capital levels and achieve the non-performing asset reduction targets communicated to the supervisory entities.

The potential impacts on CGD’s activity owing to the evolution of the pandemic on national and global economic development and its undeniable effects on the capacity to achieve the desired economic and financial goals were also considered.

Expectations of generating future taxable profits are based on profitability projections which have been duly adjusted to the evolution of the relevant macroeconomic and financial indicators.

The following assumptions relevant to the estimations of the recoverability of deferred tax assets were also considered:

- (i) The application of deduction rules on impaired credit risk as defined by law 98/2019;
- (ii) The incorporation of the estimated fiscal profit/loss deriving from the restructuring strategy for international operations and the deleveraging process on non-performing assets agreed with the supervisory bodies; and,
- (iii) Projected deduction of the costs of present and future employee benefits based on the tax period in which the respective payments are likely to be made.

No losses in relation to the amounts posted to the balance sheet were estimated in this review. Any changes to the assumptions employed or pertinent variables for assessing projections of taxable income may lead to substantially different results and conclusions.

Faced by the uncertainties introduced by the outbreak of armed conflict in the European territorial space in February 2022 and its undeniably profound geopolitical dimension and impacts, the type of exercise performed and the robustness of its results enable the board of directors, according to the data currently at its disposal, to continue to consider the results obtained as being valid.

Banking sector and additional solidarity contribution

The terms of article 141 of the state budget law for 2011 (law 55-A/2010 of December 31), introduced a new contribution regime for the banking sector. This contribution, regulated under the terms of ministerial order 121/2011 of March 30, is levied on an institution's liabilities, net of the own and complementary funds, in addition to the deposits covered by the deposit guarantee fund and the notional amount of derivatives other than hedge derivatives. It 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.

This regime was expanded in 2020 to include a "solidarity" component levied on the banking sector as a fiscal policy instrument in response to the Covid-19 pandemic crisis. The basis upon which the contribution is levied is regulated by ministerial order 191/2020 of August 10. The requirements are the same as those applicable to the assessment of the previously described banking sector contribution.

The group recognised costs of €37,104 thousand and €28,733 thousand, for the periods ended June 30, 2022 and June 30, 2021 respectively, for the total amount payable by it in the respective taxation periods.

The tax authorities are normally entitled to review the tax situation across a certain period, which, in Portugal, is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the same year as this right). Different interpretations of the legislation may result in the possibility of adjustments to taxable profit for past years (considering that inspections were carried out on most entities headquartered in Portugal and included in the group's fiscal perimeter by the tax authorities in 2017 and 2018 although the fiscal years 2019 to 2021 are still subject to inspection), any potential adjustments, cannot be quantified at present. CGD's board of directors considers, however, that any adjustments for these years are unlikely to have a significant effect on its consolidated financial statements.

18. Other assets

This account comprises the following:

	30-06-2022	31-12-2021
Other assets		
Debt certificates of the Territory of Macau	1,390,728	1,239,001
Gold, precious metal, numismatics and medals	3,448	3,424
Other receivables	23	23
Other	8,011	5,957
Debtors and other investments		
Central and local government	12,323	7,818
Shareholders' loans	7,186	7,167
Debtors - futures contracts	33,614	25,688
Grants receivable from		
The State	20,159	18,183
Other entities	13,798	13,299
Amount receivable from the sale of assets recovered as settlement of defaulting loans	1,647	640
Other overdue debtors	17,612	18,150
Other debtors	883,504	837,451
Commitments with pension and other employee benefits		
Excess responsibilities coverage		
Caixa Geral de Depósitos	693,986	259,079
Other	8	8
Income receivable	30,447	56,073
Deferred costs		
Rent	199	186
Other	24,891	20,060
Operations pending settlement	230,807	159,892
Stock exchange operations	35,005	742
	3,407,396	2,672,841
Impairment (Note 36)	(157,618)	(156,513)
	3,249,779	2,516,327

Information on impairment movements on debtors and other assets in first half 2022 and in 2021 is set out in note 36.

The “Debtors and other investments – other debtors” account at June 30, 2022 and December 31, 2021 included €66,061 thousand and €241,148 thousand, respectively, for surety accounts in several financial institutions. These sureties derive from the liquidity injection operations collateralised by financial assets and interest rate swap (IRS) agreements with such entities (note 10). The observed variation results from the evolution of the fair value of the underlying operations.

The “Debtors and other investments – other debtors” account, at June 30, 2022 and December 31, 2021, includes €26,279 thousand and €22,575 thousand, respectively, for sureties in the form of an irrevocable commitment to make contributions to the European single resolution fund (note 32).

Under the contract to issue notes between Banco Nacional Ultramarino, S.A. (Macau) and the Administrative Region of Macau, the bank provides the region with convertible currency for 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 24). The amounts to be provided by the bank to the region are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month's average daily balances. The debt certificates of the government of Macau at June 30, 2022 and December 31, 2021 totalled €1,390,728 thousand and €1,239,001 thousand, respectively.

The "Debtors and other investments - other overdue debtors" account at June 30, 2022 and December 31, 2021 includes outstanding balances for the execution of guarantees provided to customers and other expenses directly associated with such operations for the amounts of €15,677 thousand and €15,896 thousand, respectively. The accumulated impairment associated with these operations amounted €12,442 thousand and €12,318 thousand, respectively.

The amounts of "Other lending operations pending settlement" at June 30, 2022 and December 31, 2021 essentially refer to stock market derivatives operations, means of payment and bank transfers, payment of which had not yet been made.

Information on shareholders' loans, at June 30, 2022 and December 31, 2021, is set out below:

	30-06-2022	31-12-2021
Other	7,186	7,167
	7,186	7,167

19. Resources of credit institutions' and central banks

This account comprises the following:

	30-06-2022	31-12-2021
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	5,800,000	5,800,000
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	1,075	1,149
Of foreign credit institutions	14,850	40,791
Other resources	62,519	3,176
Interest payable / (receivable)	(75,810)	(28,697)
	5,802,634	5,816,419
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	74,284	236,623
Of foreign credit institutions	500,201	611,893
Interbank money market resources	-	17,800
Immediate short term resources		
Of domestic credit institutions	65,433	35,207
Of foreign credit institutions	18,475	20,350
Loans		
Of domestic credit institutions	210	300
Resources of international financial entities	-	1,428
Sale operations with repurchase agreement	46,003	-
Interest payable / (receivable)	4,469	5,183
	709,074	928,782
	6,511,708	6,745,201

The "Resources of central banks – resources – European Central Bank – loans, deposits and other resources – Caixa Geral de Depósitos" account at June 30, 2022 and December 31, 2021 refers to CGD's participation in the 3rd series of the longer term refinancing programme (TLTRO) created by the ECB to assist eurozone financial institutions in their lending to the economy on favourable terms and as a preferred instrument for the implementation of its monetary policy.

The operation was recognised under IFRS 9 requirements in accordance with ECB administrative variable-rate financing. Each alteration to programme rates has the effect of changing the effective interest rate on the financing, whose impacts are recognised prospectively.

There have been several adaptations regarding participation in and conditions governing interest on the third TLTRO series, announced on March 7, 2019, initially for operations with a maturity of two and subsequently

changed to three years, with quarterly auctions. Access to financing by financial institutions could extend to up to 55% of a specific set of loans (for all of the 10 operations provided for under the programme). Interest is payable on the basis of the average interest rate level on the main refinancing operations (MRO). In addition and of relevance to the group, in the case of institutions maintaining their level of eligible credit in relation to the reference value in the period between April 1, 2021 and March 31, 2022, the rate on the refinancing operations between June 24, 2021 and June 23, 2022 would correspond to the average level of the interest rate on the permanent deposit facility in force across the period of the operation net of 50 basis points, but never more than a -1%.

For existing contracts, it has already been possible to confirm that the conditions regarding the counting of the relevant time period have been met and interest adjusted accordingly. This reflects an adjustment to the interest rate (from -0.5% to -1%). For the period after June 24, 2022, the interest rate will be dependent on the evolution of the average rates on the deposit facility across the whole of a transaction's lifetime.

An amount of €47,181 thousand in interest was recognised in CGD's accounts, with reference to first half 2022, including the premium for having met the benchmark.

Considering that, owing to Caixa's excess liquidity situation, these resources were deposited in the central bank's account across the referred to period at an interest rate of -0.5%, CGD supported an estimated cost of €14,500 thousand in its net interest income aggregate.

The net impact of these operations on the financial statements for the period was therefore €32,681 thousand.

20. Customers' resources and other loans

This account comprises the following:

	30-06-2022	31-12-2021
Savings deposits	2,379,711	2,394,938
Other debts		
Repayable on demand	45,199,768	42,960,088
Term		
Deposits	32,582,727	31,523,069
Mandatory deposits	910,421	848,512
Other resources		
Cheques and orders payable	143,813	82,127
Loans	2,515	2,826
Operations with repurchase agreement	-	7,750
Other	2,117,043	1,908,200
	35,756,519	34,372,483
	80,956,287	77,332,572
Interest payable	41,309	32,218
Deferred costs net of deferred income	(645)	(665)
Commissions associated with amortised cost (deferred)	(3,927)	(3,380)
Adjustments to liabilities under hedging operations	8	8
	36,745	28,180
	83,372,744	79,755,690

21. Debt securities

This account comprises the following:

	30-06-2022	31-12-2021
Bonds in circulation		
Bonds issued under the EMTN Programme		
Remuneration indexed to interest rates	826,050	526,050
Covered bonds	-	1,249,600
	826,050	1,775,650
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
Commercial Paper	830	395
	830	395
Adjustments to liabilities under hedging operations	2,116	5,793
Deferred costs net of income	(2,541)	(2,007)
Interest payable	1,896	9,884
	828,351	1,789,714

The breakdown of the debt securities account, at June 30, 2022 and December 31, 2021 is net of the accumulated debt balances repurchased in the meantime, as follows:

	30-06-2022	31-12-2021
Covered bonds	3,000,000	3,000,000
	3,000,000	3,000,000

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro Commercial Paper and Certificates of Deposits (ECP e CCP)

Under the “€10,000,000,000 euro commercial paper and certificates of deposit” programme, CGD (either directly or through its France branch) may issue certificates of deposit (CDs) and notes with a maximum maturity of 5 years and 1 year, respectively, denominated in euros, US dollars, sterling, Japanese yen or another 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) may issue a maximum amount of €15,000,000 thousand in debt securities under this programme.

Bonds with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively, may be issued in any currency. No maximum maturities have been defined 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 set up 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 loans bonds portfolio which must, at all times, comply with the minimum conditions required by the regulation applicable to issuances of such instruments, i.e. decree law 59/2006, Bank of Portugal notices 5, 6, 7 and 8 and instruction 13.

The bonds may be issued in any currency with a minimum maturity of 2 and maximum maturity of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

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

In accordance with the issuance conditions defined under 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 these 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 these 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.

A maximum of 20% of the assets pool may also include autonomous assets, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of CGD's covered bonds issuances at June 30, 2022 and December 31, 2021, totalled €3,000,000 thousand and €4,250,000 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal amount		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2022	Interest rate at 31-12-2021
	30-06-2022	31-12-2021						
Hipotecárias Série 4 2007/2022	-	250,000	2007-06-28	2022-06-28	Quarterly, on March 28, June, September and December	3 month Euribor rate + 0.05%	-	-0.050%
Hipotecárias Série 14 2012/2022 (a)	1,500,000	1,500,000	2012-07-31	2022-07-31	Quarterly, on January 31, April, July and October	3 month Euribor rate + 0.75%	0.031%	-0.556%
Hipotecárias Série 17 2015/2022	-	1,000,000	2015-01-27	2022-01-27	Annually, on January 27	Fixed rate	-	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%	0.043%	-0.589%
	3,000,000	4,250,000						

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

The assets pool used to collateralise the issuances comprises mortgage loans originating in Portugal with a book value of €4,345,622 thousand and €5,604.258 thousand respectively (note 13), at June 30, 2022 and December 31, 2021.

The assets pool used as collateral for the issuances also comprised debt securities, with a book value of €15,232 thousand and €15,097 thousand respectively (note 13), at June 30, 2022 and December 31, 2021.

The Moody's, Fitch and DBRS ratings on these covered bonds issuances, at June 30, 2022 were Aa2, AA and AAA, respectively.

CGD launched a €500,000 thousand senior preferred debt issuance on September 21, 2021, with a maximum maturity of 6 years at a coupon rate of 0.375%, which is the lowest ever achieved by the group in its capital market issuances. This issuance has the particularity of being sustainable, targeting the funds raised to the financing of its customers' credit operations in the environmental and socio-economic domain. This is the first time a Portuguese bank has launched an issuance with these characteristics.

Similarly, on June 15, 2022, CGD launched another "green" or senior preferred debt issuance for the amount of €300,000 thousand, with a maturity of 4 years and an early redemption option after 3 years at a coupon rate of 2.875%.

Both issuances are part of the funding plan defined for compliance with MREL (minimum requirements for own funds and eligible liabilities) as fixed by the Bank of Portugal and decided by the single resolution board. These are the second and third issuances, respectively, to be sold on international debt markets for this purpose, following the senior non-preferred debt issuance of November 2019. It represents an important milestone in terms of its undertakings in the field of sustainable financing, creating value and reducing the environmental impact of its activity.

Details on bond issuances, by type of interest and period to maturity at June 30, 2022 and December 31, 2021 are given below:

	30-06-2022		
	EMTN Programme assets indexed to interest rate	Other bonds	Total
Up to one year	-	830	830
One to five years	306,000	-	306,000
Five to ten years	500,000	-	500,000
Over ten years	20,050	-	20,050
	826,050	830	826,880

	31-12-2021			
	EMTN Programme assets indexed to interest rate	Covered bonds	Other bonds	Total
Up to one year	-	1,249,600	302	1,249,902
One to five years	6,000	-	92	6,092
Five to ten years	500,000	-	-	500,000
Over ten years	20,050	-	-	20,050
	526,050	1,249,600	395	1,776,045

The following debt securities were either issued or redeemed in the half years ended June 30, 2022 and June 30, 2021:

	Balance at 31-12-2021	Issues	Payments	Balance at 30-06-2022
Bonds issued under the EMTN programme	526,050	300,000	-	826,050
Covered bonds	1,249,600	-	(1,249,600)	-
Commercial paper issued under ECP and CCP programme	395	546	(111)	830
	1,776,045	300,546	(1,249,711)	826,880

	Balance at 31-12-2020	Payments	Balance at 30-06-2021
Bonds issued under the EMTN programme	109,490	(13,440)	96,050
Covered bonds	1,249,600	-	1,249,600
Commercial paper issued under ECP and CCP programme	70	111	181
	1,359,160	(13,329)	1,345,831

22. Provisions and contingent liabilities

Provisions

Movements in provisions for employee benefits and for other risks, for the half years ended June 30, 2022 and June 30, 2021 were as follows:

	Balance at 31-12-2021	Additions and reversals	Write-offs	Exchange differences	Transfers and others	Balance at 30-06-2022
Provision for employee benefits (Note 33)	658,255	(58,799)	(31,243)	216	(7,614)	560,815
Provision for litigation	24,846	(7,183)	(6)	91	(3)	17,745
Provision for guarantees and other commitments	219,685	(18,287)	-	314	1,804	203,516
Provision for other risks and charges	74,309	4,700	(4,058)	831	23	75,805
	318,839	(20,770)	(4,064)	1,236	1,824	297,066
	977,094	(79,569)	(35,307)	1,452	(5,790)	857,880

	Balance at 31-12-2021	Additions and reversals	Write-offs	Exchange differences	Transfers and others	Balance at 30-06-2022
Provision for employee benefits (Note 33)	725,478	35,422	(29,230)	661	(132,354)	599,978
Provision for litigation	21,179	(2)	-	-	(227)	20,950
Provision for guarantees and other commitments	235,273	(281)	(19)	241	1,116	236,329
Provision for other risks and charges	55,384	1,469	(3,583)	807	16,136	70,215
	311,836	1,186	(3,601)	1,048	17,025	327,494
	1,037,315	36,608	(32,831)	1,710	(115,329)	927,472

The use of the provision for liabilities for employee benefits, for the half years ended June 30, 2022 and June 30, 2021 totalling €31,243 thousand and €29,230 thousand, respectively, includes:

- €12,418 thousand for the medical/healthcare plan and €16,981 thousand for the Horizonte plan and other redundancy agreements and €1,402 thousand for voluntary redundancies, in first half 2022. An amount of around €442 thousand for pension and early retirement plans was also used by several group companies.
- €8,927 thousand for the medical/healthcare plan and €17,347 thousand for the Horizonte plan and other redundancy agreements and €2,603 thousand for voluntary redundancies, in first half 2021. An amount of around €353 thousand for pension and early retirement plans was also used by several group companies.

Activity performed under the aegis of Caixa Geral de Depósitos

Provisions for the costs of employee benefits at June 30, 2022 and December 31, 2021 were as follows:

	30-06-2022	31-12-2021
Provision for post-employment medical and social assistance	294,719	356,488
Provision for labour suspension agreements (PH+ASPT+PPR)	102,810	79,969
Provision for early retirement plan (PPR 2022-2024)	137,279	195,763
Provision for mutually agreed terminations	584	627
Responsibilities of the France Branch	15,247	15,247
	550,639	648,094

"Provisions for the costs of employee benefits" in first half 2022, included the use of €16,981 thousand from the voluntary redundancies provision (*Horizonte* plan, voluntary redundancies agreement and early retirements

programme 2018 to 2021) and a €39,832 thousand increase in the provision for the early retirement programme in 2022, as a charge to employee costs (note 31).

Information on the amounts recognised in the “Transfers and other” column in the table of provisions movements for the costs of employee benefits, for the periods ended June 30, 2022 and December 31, 2021 is set out below:

	30-06-2022	31-12-2021
Provisions recognised as employee costs		
Healthcare – CGD (Note 33)	4,345	8,263
Labour suspension agreements, Plano Horizonte and Early Retirement Plan (Note 33)	39,822	30,109
Mutually agreed terminations (Note 33)	1,358	5,164
Others (Gains associated with the change in the Medical Plan - Note 33)	-	(145,396)
	45,525	(101,860)
Provisions recognised as other reserves		
Actuarial and financial deviations	(53,696)	(8,854)
Others	-	(1,700)
	(8,171)	(112,415)

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

Provisions for legal contingencies comprise CGD's best estimate of any amounts to be spent on the resolution thereof, based on the estimates of its legal affairs department and its attendant lawyers.

Provisions for guarantees and commitments undertaken reflect estimated unrealised losses for liabilities to customers, deriving from CGD's commercial activity and have been determined by DGR (risk management division) in conformity with the requirements of IFRS 9 – “Financial instruments”.

Contingent liabilities and commitments

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

	30-06-2022	31-12-2021
Contingent liabilities		
Assets given as collateral	17,809,915	17,915,029
Guarantees and sureties	2,897,151	2,800,254
Open documentary credits	376,447	345,520
Stand by letters of credit	32,816	7,564
	21,116,329	21,068,367
Commitments		
Revocable commitments	9,473,930	9,067,350
Securities subscription	1,612,326	1,227,469
Irrevocable lines of credit	1,193,120	1,299,158
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor compensation system	50,147	48,710
Other irrevocable commitments	71,279	67,575
Forward deposit agreements		
To be created	45,181	-
	12,601,536	11,865,815
Deposit and custody of securities	51,652,840	53,831,053
Other values managed by the institution	22,908,097	25,287,904

“Asset-backed guarantees” at June 30, 2022 and December 31, 2021 include the following situations:

	30-06-2022	31-12-2021
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,232,462	1,139,088
Council of Europe Development Bank	8,000	10,400
Bank of Portugal (*)	15,818,650	16,581,683
Deposit Guarantee Fund	167,740	157,740
Investor Compensation System (futures)	23,500	20,500
Euronext	5,000	5,000
Other Assets		
Other	554,563	618
	17,809,915	17,915,029

(*) 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 refer to debt instruments which, based on their type, are recognised in assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans and advances to customers and debt securities accounts (note 21).

Asset-backed guarantees are not available for CGD'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, 2022 and December 31, 2021 was €10,994,906 thousand and €12,188,700 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 at June 30, 2022 and December 31, 2021 was €191,302 thousand and €178,356 thousand, 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 comprised an irrevocable commitment to make contributions when requested by the fund, with the amount not having been recognised as a cost. Commitments assumed since 1996 total €155,553 thousand. The group recognised liabilities of €2,058 thousand and €1,447 thousand for its annual contribution to the deposit guarantee fund at June 30, 2022 and December 31, 2021 respectively.

Competition authority

On June 3, 2015, CGD, together with fourteen other credit institutions, was charged by the competition authority, with certain practices, including exchanging information with several credit institutions, which, in the eyes of the said regulator, represented collusion with the aim of significantly distorting market competition.

Based on the requests submitted by several of these credit institutions, the initial period was extended on more than one occasion and has still not expired. CGD, nevertheless, prepared its defence to comply with the initial period which expired on November 17, 2015.

On March 14, 2017, CGD was formally notified by the competition authority of its board of directors' resolution to lift the suspension regarding the current offence, while retaining the suspension of the pronouncement period. A new resolution passed by the competition authority's board of directors terminated the suspension of the pronouncement period, ending September 27, 2017. CGD submitted its defence on September 26, during complementary evidentiary hearings which took place on December 5 and 6, 2017.

In June, July and October 2018, CGD responded to the competition authority's requests for additional elements.

In March 2019, CGD was notified of the competition authority's resolution to extend the process's investigation period up to December 31, 2020.

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

CGD considers that the charges concerning the alleged breaches and the fine levied on it contain errors and omissions and therefore contested the decision with the competition, regulation and supervision court on October 21, 2019.

Pursuant to the above a bank guarantee of €41,000 thousand was provided on December 21, 2020 that the court considered was necessary in order to suspend the execution of the fine. This decision is, however, being challenged by CGD.

The trial began on October 6, 2021 and the hearing reopened on April 8, 2022, after the final allegations made by the parties. The reopening of the hearing was determined by the presiding judge for the purpose of altering non-substantial facts in relation to those contained in the charge. On April 28, 2022, the court decided to refer a number of questions concerning the interpretation of European Union law to the Court of Justice of the European Union for a preliminary ruling pursuant to which the infringement procedure was suspended until the Court of Justice has issued its decision.

Resolution fund

The resolution fund was created by decree law 31-A/2012 of February 10. It is funded by resources from the contributions of the institutions participating in the fund and the banking sector contribution. Other means 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., as a new transitional banking institution created for the purpose and fully owned by the resolution fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund's own resources for the operation at the said date were insufficient, 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, initiated in 2014 and completed the process in progress without accepting any of the three binding proposals received, considering that their 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, inter alia, 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, having 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 €1,941,000 thousand, comprising a balance sheet carrying amount of €1,985,000 thousand. 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, on 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 that, in the event of the closure or liquidation of BES, 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 announced an alteration to 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 at December 31, 2017, without prejudice to early redemption or agreement to further alterations.

On September 28, 2016, the resolution fund announced that it had reached agreement with the ministry of finance on a revision 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 for the purpose of guaranteeing 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 is exposed." On the same date, the office of the ministry of finance also announced that: "under 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 alterations, including an extension of the maturity period to December 31, 2046. The objective behind the revision 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.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. The agreement entailed 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.

For this purpose, the resolution fund, used a liability management exercise (LME) 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 its assets under resolution fund management.

On October 18, 2017, the resolution fund complied with the operation's final formalities in implementing the resolutions of the Bank of Portugal as the national resolution authority, retaining a 25% equity stake in Novo Banco with 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, Novo Banco ceased to be subject to the transitional institutions regime and now operates normally and in full, albeit subject to several measures limiting its activity imposed by the European competition authority.

On March 28, 2018, following the bank's announcement of its 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 issuance of Novo Banco's statutory audit certificate and completion of the necessary certification procedures, resulting in 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, for the said purpose, used its own 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 the 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 2018-2020 term of office owing to the term of the preceding mandate. A proposal to reappoint the members of the supervisory board of Oitante and the company's statutory auditor in addition to the members of the board of the general meeting was also submitted to the Bank of Portugal. Oitante's accounts for 2017, showing a profit of €30,100 thousand, 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 sphere of the sale of this institution. In conformity with the results announced by Novo Banco, an amount of €1,149,000 thousand was paid by the resolution fund in 2019.

The amount payable by the resolution fund in 2019 was realised on May 6, 2019. The resolution fund, as in 2018, used its available financial resources from the contributions paid by the banking sector, complemented by a loan of €850,000 thousand from the Portuguese state.

In reporting its results for 2019, Novo Banco requested compensation of €1,037,000 thousand under the contingent capital mechanism, as stipulated in the sales contract. This payment was made in May 2020 for €1,035,000 thousand.

The resolution fund also provided the budget and finance committee with a written account of all clarifications on its decision to deduct the variable remuneration allocated to the members of Novo Banco's board of directors from the amount calculated under the terms of the contingent capital mechanism.

The amount of compensation paid in 2018 (€792,000 thousand for 2017), 2019 (€1,149,000 thousand for 2018) and 2020 (€1,035,000 thousand for 2019) totalled €2,976,000 thousand. The maximum amount of the payments to be made by the resolution fund as agreed in the contingent capitalisation agreement is €3,890,000 thousand.

Regarding the information disclosed on June 4, 2020, following the public finance council's publication of its "Economic and Fiscal Outlook 2020-2022", the resolution fund clarified that, in conjunction with Novo Banco, it had entered into an arbitration process for the purpose of clarifying the treatment, merited by the effects of Novo Banco's intention to dispense with the transitional regime from which it currently benefits and which was designed to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds, under the contingent capitalisation agreement entered into between both of them.

This arbitration process does not pose an additional risk to the €3,890,000 thousand limit.

In its announcement of June 16, 2020, the resolution fund provided the budget and finance committee with the contractual documents. They include the "Contract for the purchase and sale of and subscriptions for Novo Banco. S.A.'s shares" entered into between the resolution fund and Nani Holdings SGPS, S.A. on March 31, 2017, in addition to the "contingent capitalisation agreement", entered into between the resolution fund and Novo Banco on October 18, 2017.

On August 10, 2020, the resolution fund made an announcement clarifying that the sale of Novo Banco's equity stake in GNB - Companhia de Seguros de Vida, S.A. was an imperative dictated by the Portuguese state's undertakings to the European Commission. Under the terms of these undertakings, Novo Banco was forced to sell its equity stake in GNB Vida by December 31, 2019.

The stake was acquired by "APAX Partners" funds whose suitability was assessed by the competent authority. The resolution fund considered that the amount of the sale comprised the best offer received following an open and competitive sales process, reflecting the asset's market value at the time.

Following its payment to Novo Banco in May 2019 in compliance with the contingent capitalisation agreement, on September 3, 2020, the resolution fund announced that it had received the special audit report commissioned by the government, under law 15/2019 of February 12, which rules that whenever public funds are directly or indirectly made available to a credit institution, an audit shall be carried out by an independent entity, in this case Deloitte & Associados, SROC. It also provided for a need identified by the resolution fund in February 2019.

The audit's results show that Novo Banco continues to be severely prejudiced by the vast legacy of non-performing assets, left by Banco Espírito Santo, S.A., and consequent recognition of impairment and provisions but that it has strengthened its internal procedures. It also confirms the adequacy of the principles and criteria adopted with regard to the resolution fund's powers exercised under the contingent capitalisation agreement.

On June 4, 2021, the resolution fund paid an amount of €317,013 thousand to Novo Banco in respect of the contingent capitalisation agreement on its accounts for 2020. This payment was made on the basis of Novo Banco's request for the payment of €598,312 thousand, on April 7, 2021, following the completion of all of the validation procedures, it was confirmed that, with reference to December 31, 2020, the condition determining payment by the resolution fund had been met. The amount necessary for Novo Banco's CET1 ratio to achieve the contractually stipulated level of 12% is €598,312 thousand, which amount was confirmed by the Bank of Portugal and the European Central Bank as the authorities lawfully competent for this purpose.

The resolution fund considered that the aggregate amount of €169,299 thousand requested by Novo Banco required an adjustment. This adjustment derives from the sum of the figures for the following situations:

- (i) The reduction of the amount corresponding to the impact, on Novo Banco's capital holding, of the loss resulting from the decision to sell off Novo Banco's activity in Spain, with reference to December 31, 2020 (€147,442 thousand);

- (ii) The reduction corresponding to measurement differences on a collection of assets held by Novo Banco (€18,000 thousand);
- (iii) The reduction of costs corresponding to the variable remuneration attributed to the members of Novo Banco's executive board for the financial years 2020 (€1,860 thousand) and 2019 (€1,997 thousand). This latter tranche had already justified a reduction of the payment made in 2020, but should continue to be adjusted, taking into account the functioning of the contingent capitalisation mechanism. The amount of the payment to Novo Banco as determined by the resolution fund was therefore €429,013 thousand.

Payment made by the resolution fund required a budgetary amendment, which was authorised in a ruling issued by the minister of state and finance.

Authorisation for a tranche of €112,000 thousand of the amount of €429,013 thousand was made conditional on the completion of a further investigation, which included the need for an external opinion on the option taken by Novo Banco not to apply a hedge accounting policy on derivatives to hedge interest rate risk on exposure to long term sovereign debt bonds. A payment of €317,013 thousand was therefore made to Novo Banco and the necessary steps will be taken to assess the existence of the condition governing the transfer of the amount of €112,000 thousand.

The payment to Novo Banco was fully financed by resources from a loan obtained from seven national credit institutions. The loan matures in 2046 and pays interest at the Portuguese Republic's financing cost for the period between the date of conclusion of the contract (May 31, 2021) and December 31, 2026, plus a 15 basis points margin. The interest rate will be revised at December 31, 2026 and thereafter every five-years, corresponding to the Portuguese Republic's five year financing cost, plus a 15 basis points margin

Even considering the amount of €429,013 thousand (or up to the amount requested by Novo Banco), the amount defined for 2020 is less than the amount of the losses of €752,000 thousand recorded in that year on assets covered by the contingent capitalisation mechanism.

On the other hand, the accumulated amount of the losses on such assets (between June 30, 2016 and December 31, 2020) totals €4,367,000 thousand and even if the amount of €429,013 thousand for 2020 is taken into consideration the accumulated amount of resolution fund payments will be €3,405,000 thousand, which is €962,000 thousand less than the accumulated amount of the losses.

As in previous years, the contingent capitalisation mechanism limits the amount of the resolution fund's payments to the amount necessary for Novo Banco's capital ratios to remain at the agreed levels.

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

According to the Bank of Portugal's announcement of December 20, 2015, a decision was made to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150,000 thousand. According to the referred to announcement, the impositions of European institutions and the unfeasibility of the voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) as an asset management vehicle which was specifically created for this purpose, with the resolution fund as its sole shareholder. Oitante, accordingly, 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 delimitation of the disposal perimeter on assets and liabilities as agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €163,120 thousand to the state in part early repayment of the resolution measures on Banif – Banco Internacional do Funchal, S.A. (Banif), reducing the debt 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 unique mechanism of resolution regulation (UMR) to the same single resolution fund across a period of eight years (ending 2024), as provided for in Council implementing resolution no. 2015/81 (EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced changes to the conditions of the loans obtained to fund the Banif resolution measure, similar to those described for the funding of the BES resolution measure.

Notwithstanding, at the present time, in light of the above referred to developments:

- (i) As the resolution fund is unlikely to propose the creation of a special contribution to finance these resolution measures, the probability of any special contribution is remote; and,
- (ii) Any resolution fund deficits are expected to be financed by periodic contributions under article 9 of decree law 24/2013 of February 19, which stipulates that periodic contributions to the resolution fund should be paid by participating institutions that are active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised in costs for the period under IFRIC 21 – “Levies”.

Any changes on a level of the application of the resolution fund’s financing mechanisms may have significant impacts on CGD’s future financial statements.

23. Other subordinated liabilities

This account comprises the following:

	30-06-2022	31-12-2021
Bonds	1,100,000	1,100,000
Interest payable	5,885	20,311
Deferred income net of charges	(2,141)	(2,427)
	1,103,744	1,117,883

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 ruling 8840-C/2012 of June 28, 2012). These bonds were convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially relevant 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, obtained as part of the new recapitalisation process negotiated with the European authorities, Caixa received the hybrid financial instruments eligible as core tier 1 own funds (CoCo bonds), as a capital increase in kind plus their corresponding accrued and unpaid interest up to January 4, 2017 as the date of the capital increase.

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

CGD completed the last stage of the recapitalisation procedure agreed with the European institutions in 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 30-06-2022	Book value at 31-12-2021	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed Rate Reset Callable Subordinated Notes	EUR	500,000	500,000	500,000	2018-06-28	2028-06-28	5.75%. Annual interest payment on 28 June.	In the payment date of the coupons as from 28 June, 2023.
Caixa Geral de Depósitos	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.
Caixa Geral de Depósitos	Senior Non-Preferred Fixed Rate Notes due 2024	EUR	500,000	500,000	500,000	2019-11-25	2024-11-25	1.25%. Annual interest payment on 25 November.	n.a.

24. Other liabilities

This account comprises the following:

	30-06-2022	31-12-2021
Creditors		
Consigned resources	704,889	684,605
Resources - collateral account	472,636	308,884
Resources - subscription account	45,874	30,411
Resources - surety account	1,092	1,112
Suppliers of finance leasing assets	241,473	196,462
Caixa Geral de Aposentações	1,844	3,610
Creditors for transactions in securities	185	71
Creditors for sale of assets recovered as settlement of defaulting loans	5,185	4,936
Other suppliers	16,485	44,942
Other creditors	247,573	307,953
Other liabilities		
Notes in circulation - Macau (Note 18)	1,387,453	1,304,644
Withholding taxes	24,348	29,571
Social Security contributions	3,436	3,299
Other taxes payable	6,237	5,127
Collections on behalf of third parties	807	557
Other	20,978	9,587
Accrued costs	181,795	152,302
Deferred income	38,729	39,370
Liabilities pending settlement	567,836	500,466
Stock exchange operations	24,246	770
	3,993,101	3,628,679

The "Resources – surety account" at June 30, 2022 and December 31, 2021 includes €78,770 thousand and €27,300 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, 2022 and December 31, 2021 includes financial liabilities of €122,250 thousand and €119,213 thousand, respectively, for non-controlling interest investors in the securities investment funds included in CGD group's consolidation perimeter.

The "Costs payable" account at June 30, 2022 and December 31, 2021, includes €10,358 thousand and €10,965 thousand for CGD employees' seniority bonuses, respectively.

25. Capital and other instruments

CGD's share capital, at June 30, 2022 and December 31, 2021 was fully owned by the Portuguese state, as follows:

	30-06-2022	31-12-2021
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, on January 4, 2017, decided to perform the following operations:

- (i) An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 ordinary shares with a nominal value of €5 each through the transfer in kind of 490,000,000 Parcaixa, SGPS, S.A. equity shares for the amount of €498,996 thousand and transfer in kind of €900,000 thousand in CoCo bonds (note 21), plus €45,148 thousand in respective accrued interest; and,
- (ii) A €6,000,000 thousand reduction of CGD's share capital through the extinguishing of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves €4,595,494 thousand.

Subsequently, on March 30, 2017, the state issued a resolution undertaking a new capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, fully subscribed for by the sole shareholder.

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

On February 1, 2022, Caixa was authorised by the European Central Bank to make early repayment of its issuance of additional tier 1 capital for the amount of €500,000 thousand effective March 30, 2022.

The authorisation for early repayment derives from the ECB's positive assessment of Caixa's financial strength, reflecting the successful completion of its difficult, demanding restructuring plan.

26. Reserves, retained earnings and profit attributable to CGD's shareholder

Reserves and retained earnings, at June 30, 2022 and December 31, 2021, were as follows:

	30-06-2022	31-12-2021
Revaluation reserves		
Legal revaluation reserve of fixed assets	110,425	110,425
Fair value reserve, net of deferred tax		
Financial assets at fair value through other comprehensive income (Note 8)	55,127	143,034
Assets with repurchase agreement	143	-
Other revaluation reserves	2,381	1,619
	168,076	255,079
Other reserves and retained earnings		
Legal reserve - CGD	394,505	306,198
Special reserve associated with the special regime applicable to deferred tax assets (Note 17)	681,571	681,571
Other reserves	5,359,299	4,656,890
Retained earnings	(1,822,740)	(1,778,086)
	4,612,635	3,866,572
Net income attributable to the shareholder of CGD	485,698	583,361
	5,266,409	4,705,012

As referred to in greater detail in note 17, as a consequence of the negative net income from CGD's separate activity in 2016 and as defined by law 61/2014, the procedures for the conversion of deferred tax assets into tax credit, for a final amount of €420,575 thousand were completed in 2019. Under the applicable legislation, the conversion of deferred tax assets was preceded by the creation of a special reserve of €681,571 thousand plus 10%, for the amount of the tax credit calculated in the conversion process, adjusted to the requirements of no. 3 of article 11 of law 61/2014. The creation of the special reserve was accompanied by the issuance and simultaneous attribution of an equivalent amount of conversion rights to the state.

The special reserve is recognised in "Other reserves".

The "Fair value reserve" recognises unrealised capital gains and losses on debt instruments measured at fair value through other comprehensive 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 for fixed assets may only be used to cover accumulated losses or increase capital. CGD's non-distributable reserves of €110,425 thousand were, accordingly, set up in compliance with the following legislation:

Tangible fixed assets	
Decree-Law no. 219/82, of June 2	1,752
Decree-Law no. 399 - G/84, of December 28	1,219
Decree-Law no. 118 - B/86, of May 27	2,304
Decree-Law no. 111/88, of April 2	8,974
Decree-Law no. 49/91, of January 25	22,880
Decree-Law no. 264/92, of November 24	24,228
Decree-Law no. 31/98, of February 11	48,345
Financial fixed assets	723
	110,425

The net contribution of branches and subsidiaries to CGD's consolidated profit and loss, at June 30, 2022 and June 30, 2021 was as follows:

	30-06-2022	30-06-2021
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	311,075	180,765
France Branch	30,936	9,077
East Timor Branch	334	138
	342,345	189,979

	30-06-2022	30-06-2021
Contribution to net income from		
Subsidiaries		
Banco Caixa Geral - Brasil, S.A.	(8)	250
Caixa - Banco de Investimento, S.A. (a)	7,860	5,625
Banco Comercial e de Investimentos, S.A.	33,133	13,902
Banco Interatlântico, S.A.R.L.	744	937
Banco Comercial do Atlântico, S.A.	4,031	4,705
Banco Nacional Ultramarino, S.A. (Macau)	19,457	24,682
Caixa - Participações, SGPS, S.A.	(1,476)	(1,183)
CGD Investimentos CVC, S.A.	70	44
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	61	209
Caixa Gestão de Ativos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	6,978	5,637
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	1,299	1,337
Fundo de Capital de Risco Empreender Mais	2,656	(382)
Fundo de Capital de Risco Caixa Fundos	(1,436)	8,886
Fundo de Capital de Risco Caixa Crescimento	-	(300)
Caixagest Private Equity - Fundo Especial de Investimento	164	1,312
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	1,617	634
Fundolis - Fundo de Investimento Imobiliário Fechado	17,863	(402)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	-	4,047
Banco Caixa Geral Angola, S.A.	19,285	7,119
Inmobiliaria Caixa Geral, S.L.	(137)	(62)
Caixa Imobiliário, S.A.	8,367	796
Other	377	206
	120,905	77,997
Associates and jointly controlled entities	22,449	26,230
Consolidated net income attributable to the shareholder of CGD	485,698	294,206

(a) Data taken from the consolidated financial statements.

These amounts were assessed prior to the elimination of the intragroup operations performed in the consolidation process.

Appropriation of results for the period

Financial year 2021

A resolution was passed at the general meeting of shareholders held on May 31, 2022, to appropriate 20% of net profit to the legal reserve (€88,307 thousand), incorporate €112,156 thousand in the “Other reserves and retained earnings” account and distribute dividends of €241,071 thousand following the respective approval of the competent supervisors under the terms of European and national legislation in force. Considering that Caixa enjoys a robust financial situation and that the change in the amount to be paid to its shareholder does not prejudice its capacity to comply with legal and regulatory, namely prudential, requirements, including MREL (minimum requirement for own funds and eligible liabilities) and also considering the communications with supervisory entities on this matter, a decision was also made to pay an additional amount of €137,160 thousand, under the same terms and conditions as the resolution of November 29, 2021.

Caixa therefore paid an amount of €378,231 thousand to its shareholder in 2022.

Financial year 2020

A resolution was passed at the general meeting of shareholders of May 31, 2021, to appropriate 20% of net profit to the legal reserve (€81,308 thousand), incorporate €241,592 thousand in the “Other reserves and retained earnings” account and make a dividend payment of €83,639 thousand, after obtaining the respective approval of the competent supervisory entities, under European and national legislation in force.

Under the terms of its sole shareholder’s unanimously approved written corporate resolution of November 29, 2021, the Portuguese state decided to pay an extraordinary dividend of €300,000 thousand, which was settled in November 2021. This deliberation was based on the ECB’s recommendations on the distribution of dividends during the pandemic and the lifting, in July 2021, of restrictions on their distribution after September 2021, normalisation of economic activity and financial markets and the October 2021 resolutions of CGD’s management and supervisory bodies in favour of such a dividend distribution, pursuant to which Caixa paid a total amount of €383,600 thousand to its shareholder in 2021.

27. Non-controlling interests

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

	30-06-2022	31-12-2021
Caixa – Banco de Investimento, S.A.	845	884
Banco Comercial e de Investimentos, S.A.	126,841	117,259
Banco Interatlântico, S.A.R.L.	8,453	8,101
Banco Comercial do Atlântico, S.A.	33,252	33,101
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	2,176	2,102
Banco Caixa Geral Angola, S.A.	114,378	75,912
Other	613	448
	286,557	237,807

Information on the amount of consolidated profit attributable to non-controlling interests for the half years ended June 30, 2022 and June 30, 2021 is set out below:

	30-06-2022	30-06-2021
Banco Comercial e de Investimentos, S.A.	19,237	8,146
Banco Interatlântico, S.A.R.L.	319	402
Banco Comercial do Atlântico, S.A.R.L.	2,896	3,380
Fundiestamo - Fundo de Investimento Imobiliário Fechado	-	1,136
Banco Caixa Geral Angola, S.A.	19,030	6,584
Other	283	333
	41,765	19,980

28. Interest and income and interest and similar costs

These accounts comprise the following:

	30-06-2022	<i>Restated</i> 30-06-2021
Interest and similar income		
Interest on loans and advances to domestic credit institutions	148	805
Interest on loans and advances to foreign credit institutions	20,819	23,863
Interest on domestic credit	226,937	229,887
Interest on foreign credit	215,912	185,124
Interest on overdue credit	21,305	10,685
Interest on financial assets held-for-trade		
Derivatives	79,986	78,251
Securities	(693)	(74)
Interest on financial assets at fair value through profit or loss	1,110	1,622
Interest on financial assets at fair value through other comprehensive income	19,277	35,905
Interest on hedging derivatives	365	229
Interest on assets with repurchase agreement	94	779
Interest on debtors and other investments	873	1,054
Interest on cash equivalents	1,886	1,198
Interest on other loans and other amounts receivable	31,515	31,782
Other interest and similar income	(14)	(224)
Commissions received relating to amortised cost	105,824	59,339
Other	120,982	45,306
	846,328	705,529
Interest and similar costs		
Interest on deposits of		
Other residents	890	2,654
Emigrants	256	398
Other non-residents	78,019	57,062
Interest on resources of foreign credit institutions	5,851	6,667
Interest on resources of domestic credit institutions	42,451	20,899
Interest on swaps	79,075	77,780
Interest on other trading liabilities	38	2,513
Interest on unsubordinated debt securities	2,375	5,100
Interest on hedging derivatives	3,937	3,412
Interest on subordinated liabilities	20,590	20,596
Other interest and similar costs	7,810	7,639
Commissions paid relating to amortised cost	13,827	10,750
	255,120	215,470

29. Income from equity instruments

This account comprises the following:

	30-06-2022	<i>Restated</i> 30-06-2021
Income received from investment funds	8,658	3,378
Other	878	733
	9,536	4,111

30. Income and costs of services and commissions

These accounts comprise the following:

	<i>Restated</i>	
	30-06-2022	30-06-2021
Income from services rendered and commissions		
On guarantees provided	17,944	15,153
On commitments to third parties	5,197	4,613
On operations on financial instruments	1,951	573
On services provided		
Deposit and safekeeping of valuables	8,921	9,967
Collection of valuables	3,207	2,866
Management of securities	6,267	6,811
Collective investment in transferable securities	47,319	36,658
Transfer of valuables	9,611	8,775
Cards management	9,095	8,897
Annuities	15,515	16,382
Structured operations	705	1,308
Credit operations	20,864	17,636
Other services rendered	137,117	122,565
On operations carried out on behalf of third parties	6,622	5,484
Other commissions received	85,267	68,940
	375,603	326,629
Cost of services and commissions		
On guarantees received	1,116	67
On operations on financial instruments	403	165
On banking services rendered by third parties	58,764	51,579
On operations carried out by third parties	3,013	869
Other commissions paid	6,280	4,137
	69,576	56,817

31. Results of financial operations

These accounts comprise the following:

	30-06-2022	<i>Restated</i> 30-06-2021
Exchange revaluation results		
Revaluation of foreign exchange position	(2,344)	(19,223)
Results from currency derivatives	29,691	41,267
	27,347	22,044
Results from assets and liabilities at fair value through profit or loss		
Results from trading assets and liabilities		
Securities		
Debt instruments	(6,677)	(2,707)
Equity instruments	310	131
	(6,368)	(2,575)
Derivatives		
Interest rate	65,443	15,160
Equity	(6,896)	(555)
Other	(7,415)	(4,535)
	51,132	10,069
	44,764	7,494
Results on assets and liabilities mandatorily at fair value through profit or loss		
Securities		
Debt instruments	(9)	47,009
Equity instruments	10,319	19,216
Other securities	(749)	33,551
Loans and other amounts receivable	432	(477)
	9,993	99,299
	54,757	106,793
Results from financial assets at fair value through other comprehensive income		
Debt instruments	(3,349)	2,829
	(3,349)	2,829
Hedge accounting results		
Hedging derivatives	174,445	45,708
Value adjustments of hedged assets and liabilities (Note 11)	(173,530)	(49,573)
	915	(3,865)
Other results of financial operations	(3,777)	(4,869)
	75,894	122,932

The results of financial operations particularly reflect the impact of interest rate hikes on hedging instruments in light of the evolution of monetary policy. The reduction over the same period last year derives from the extraordinary effects recorded in 2021.

The "Other" account, at June 30, 2022 and in 2021 includes €4,091 thousand and €4,902 thousand, respectively, on minority investors' income in the investment funds included in CGD group's consolidation perimeter.

32. Other operating income

These accounts comprise the following:

	30-06-2022	<i>Restated</i> 30-06-2021
Other operating income		
Rendering of services	11,782	10,625
Expense reimbursement	3,323	3,416
Gains on subsidiaries, associates and jointly controlled entities	2	-
Lease income under operating lease agreements	2,371	7,330
Gains on non-financial assets		
Non-current assets held-for-sale	9,675	10,069
Other tangible assets	36,517	914
Investment property	25,759	1,348
Other	731	281
Secondment of employees to Caixa Geral de Aposentações	416	227
Sale of cheques	273	228
Other	23,576	13,387
	114,426	47,824
Other operating costs		
Donations and subscriptions	3,455	3,449
Losses on subsidiaries and jointly controlled entities	-	21
Losses on non-financial assets		
Non-current assets held-for-sale	948	1,947
Other tangible assets	17	722
Investment property	2,423	953
Other taxes	11,011	10,087
Contribution to the Deposit Guarantee Fund	2,058	1,058
Contribution to the Resolution Fund	33,985	28,437
Administrative expenditure under the Single Resolution Board	441	330
Fines and penalties	901	239
Other	15,980	12,694
	71,220	59,936
	43,207	(12,112)

The increase in "Income from non-financial assets - Other tangible assets" is explained by the capital gains of €35,902 thousand on France branch's sale of its headquarters building in Rue de Provence.

The increase in "Income from non-financial assets - Investment properties" derives from the proceeds of €25,118 thousand on the disposal of a Fundolis fund properly.

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime as part of the general credit institutions and financial corporations regime, approved by decree law 298/92 of December 31.

The measures provided for in the resolution 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 therefore to provide financial support for the implementation of the resolution mechanisms adopted by the Bank of Portugal.

The transposition of the bank recovery and resolution directive (directive 2014/59/EU) into national legislation introduced a common European Union resolution regime providing for losses on the bankruptcy processes of banking institutions to be borne by their shareholders and creditors. It will be financed by mandatory contributions to the single resolution fund.

	30-06-2022	30-06-2021
National Resolution Fund	12,993	10,233
Single Resolution Fund	24,697	21,360
	37,689	31,593

The group made cash contributions of €20,992 thousand and €17,587 thousand to the single European resolution fund in first half 2022 and 2021, respectively, and €3,704 thousand and €3,773 thousand, respectively, in the form of an irrevocable commitment comprising a surety for the said purpose (note 18).

At June 30, 2022 and June 30, 2021, the group's banking sector contribution amounted to €31,396 thousand and €24,190 thousand, respectively. The banking sector's additional solidarity contribution was €5,708 thousand and €4,543 thousand respectively (note 17).

33. Employee costs and average number of employees

This account comprises the following:

	30-06-2022	30-06-2021
Remuneration of management and supervisory bodies	7,431	9,023
Remuneration of employees	178,696	192,508
Provision for suspension of labour agreements and early retirement (Note 22)	39,822	18,829
Mutually agreed terminations (Note 22)	1,358	2,115
	227,307	222,475
Other charges relating to remunerations	17,673	16,642
Healthcare - CGD		
Normal cost (Note 22)	4,345	4,132
Gains associated with changing the Plan	-	(145,396)
Contributions relating to current employees	5,760	5,899
Pension liabilities - CGD		
Normal cost	25,514	33,245
Gains associated with changing the Plan	-	-
Retirements before the normal retirement age	15,469	7,389
Gains associated with termination by mutual agreement	(1,209)	(3,462)
Other pension costs	14,800	4,371
Other mandatory social charges	4,415	3,529
	86,766	(73,652)
Other employee costs	13,470	7,483
	327,544	156,306

At the end of 2021, the human resources adjustment programme, created under CGD's restructuring plan based on retirements, early retirements and voluntary redundancies, applicable to the group's domestic perimeter was renewed for the period 2022 to 2024.

Pursuant to the above, CGD recognised an overall amount of €55,291 thousand, in employee costs for the half year ended June 30, 2022. Of this amount, €39,822 thousand was associated with the provision for early retirements and voluntary redundancies, with the remainder comprising the recognition of an increase of €15,469 thousand in the "Retirements prior to the standard retirement age" component of "Pension liabilities". A net cost of €149 thousand was also recognised in employee costs as a result of the combination of the costs of voluntary redundancies (around €1,358 thousand) and income of around €1,209 thousand associated with this agreement.

The average number of employees in CGD and its subsidiaries, for the half years ended June 30, 2022 and June 30, 2021, by type of function, was as follows:

	30-06-2022	30-06-2021
Senior management	472	462
Management	2,199	2,212
Technical staff	4,465	4,537
Administrative staff	4,163	4,334
Auxiliary	116	131
Average number of employees	11,415	11,676
Number of employees at the end of the period	11,334	11,592

The average number of employees at June 30, 2022 and June 30, 2021 does not include employees of the Caixa Geral de Aposentações support department (242 and 252 respectively), employees assigned to CGD's social services (38 and 43, respectively) and employees in other situations i.e. secondments or extended absences (144 and 168 respectively).

34. Retirement pensions and other employee benefits

Activity performed under the aegis of Caixa Geral de Depósitos

Retirement pensions and post retirement death grant

Under article 39 of decree law no. 48.953 of April 5, 1969 and decree law no. 161/92 of August 1, CGD is responsible for the payment of employees' sickness, disability or old age retirement pensions and the survivors' pensions of employees hired after January 1, 1992. Caixa Geral de Aposentações ("CGA") was responsible for the survivors' pensions of employees hired before January 1, 1992. These employees discounted 2.5% of their remuneration to CGA, for the purpose in question.

In conformity with the vertical collective wage bargaining negotiations in force in the banking sector, the former BNU had also undertaken to make monetary payments to its employees for their early retirement and old age, disability and survivors' pensions. These payments comprised a percentage increasing in line with the number of years' service, applied to wage scales and negotiated annually with banking employees' unions. Pension liabilities for BNU employees were transferred to CGD in 2001, following BNU's incorporation into CGD. Former BNU employees, still working at the date of the merger, were therefore covered by the pension and benefits plan in force in CGD. The pension plan in force at the date of the respective retirements continued to be applied to BNU retirees and pensioners on the merger date.

With reference to November 30, 2004 all retirement pension liabilities for CGD employees, for their length of service up to December 31, 2000, under decree law no. 240-A/2004 of December 29 and decree law no. 241-A/2004 of December 30, were transferred to CGA with reference to November 30, 2004. The transfer included a liability for death grants after the standard retirement age, relative to the above referred to length of service.

CGD's pension liabilities, at June 30, 2022, therefore comprised the following:

- (i) Liabilities for the services of working employees, after December 31, 2000;
- (ii) Part share of liabilities for the length of service provided in the said period, for employees retiring between January 1, 2001 and June 30, 2022;
- (iii) Liabilities for the retirement and respective survivors' pensions of BNU employees already being paid at the date of the merger; and,
- (iv) Liabilities for death grants for the length of service provided after December 31, 2000.

Pension payments are based on employees' length of service and respective remuneration upon their retirement date and are revised on the basis of the remuneration in force for working employees.

CGD's pension plan does not apply to its working employees who were hired by CGD after January 1, 2006.

CGD makes the contributions necessary to cover its pensions liabilities, for which it set up a pension fund in December 1991. CGD's employees pay the following percentages of their remuneration into the pension fund under this regime:

- Employees hired before January 1, 1992 - 7.5%
- Employees hired after January 1, 1992 - 11%

The full amount of the latter's contribution is paid into the pension fund given that it is responsible for the respective survivors' pensions regime.

The transfer of liabilities to CGA, under decree law no. 240-A/2004 of December 29 and decree law no. 241-A/2004 of December 30, entailed the transfer of an equivalent amount in assets from the pension fund.

The liability for defined benefit plans recognised in the balance sheet is the difference between the present value of liabilities and fair value of the pension fund's assets. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and adequate actuarial assumptions. The rate used for liabilities discounting purposes 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 of liabilities, in line with IAS 19.

Profit and loss on differences between the actuarial and financial assumptions used and the effective amounts of liabilities and the pension fund's expected yield, in addition to the income resulting from changes to actuarial assumptions are recognised directly in an equity account.

The annual cost of retirement and survivors' pensions, including current servicing and interest costs, net of the expected yield on fund assets and employee contributions, comprises the net amount of the "Employee costs" account.

The impact of employees' early retirements, as defined in the actuarial study, is recognised directly in "Employee costs".

Assessment of liabilities for retirement pensions and post-retirement death grants.

Actuarial studies on the assessment of liabilities for the current payment of retirement pensions and the past services of working employees, with reference to June 30, 2022 and December 31, 2021 have been carried out by specialised entities.

The following hypotheses and technical bases were used:

	30-06-2022	31-12-2021
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
Men	TV 88/90 (-1 year)	TV 88/90
Women	TV 99/01 (-2 years)	TV 88/90 (-3 years)
Disability table	EKV 80	EKV 80
Discount rate	3.200%	1.350%
Salary growth rate	1.20% until 2024 and 0.90% after	0.60% from 2022
Pension growth rate	0.60% until 2024 and 0.50% after	0.30% from 2022
Retirement age	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.

As defined by IAS 19 – "Employee benefits", the discount rate is assessed on the basis of market rates on low risk bonds, with a similar maturity to CGD's liabilities (15 years). In 2022, in view of the significant changes to the principal market benchmarks used to set the discount rate between December 2021 and June 2022, CGD opted to increase its discount rate from 1.35% to 3.20% to reflect the across-the-board benchmark trend.

Across first half 2022, the invasion of Ukraine and effects of the pandemic conditioned economic activity, trade and global inflation, which remained globally high and accompanied by the significant and widespread growth of international commodity prices.

As a consequence, there has been an across-the-board reduction in the accommodative nature of monetary policy, pursuant to which the monetary and financial conditions in the euro area have become markedly less favourable, as exemplified by the increase in the 6 month EURIBOR rate to positive levels for the first time in six years.

This framework had a strong impact on the behaviour of the various reference rates calculated for actuarial liabilities discounting purposes.

This trend was observed in a rise in the principal reference interest rates, including, in Europe, a situation having material impacts on the behaviour of the various reference rates calculated for actuarial liabilities discounting purposes.

Assumptions regarding the rate of wage and pensions growth and women's and men's mortality tables have also been changed to incorporate more conservative expectations in terms of the life expectancy of fund beneficiaries. A comparison between the actuarial and financial assumptions used to assess CGD's pension costs for June 2022 and 2021 and effective amounts is set out in the following table:

	30-06-2022		31-12-2021	
	Assumption	Real	Assumption	Real
Rate of return of fund asset	3.200%	(6.140%)	1.350%	5.610%
Salary growth rate	1.200%	1.915%	0.600%	0.850%
Pension growth rate	0.600%	0.800%	0.300%	0.350%

Liabilities for past services to the group in accordance with the actuarial studies and the funds and provisions available for their cover, at June 30, 2022 and December 31, 2021 totalled:

	30-06-2022		31-12-2021	
	Number of people	Responsibilities	Number of people	Responsibilities
Past service liability				
Current employees	3,909	1,031,751	4,254	1,537,877
Retired and early retired employees	9,759	1,606,993	9,469	1,761,742
	13,668	2,638,744	13,723	3,299,619
Autonomous pension funds	-	3,332,730	-	3,558,698
Excess(+) / Deficit(-) of financing	-	693,986	-	259,079
Funding level	-	126.30%	-	107.85%

The Bank of Portugal's *notice* no. 4/2005 of February 28 sets out an obligation to fully finance liabilities for retirees and early retirees with a minimum financing level of 95% for liabilities relating to the past services of working employees.

At June 30, 2022, according to the fund manager's calculations, the fund was worth €3,332,730 thousand. This amount was sufficient to cover the minimum mandatory funding required by the current regulations applicable to this category of liabilities, i.e. the need to cover 100% of liabilities for retirees and at least 95% for working employees. At the end of the first half of 2022, around 126.30% of liabilities for the pension scheme had been funded.

The sensitivity analysis on a change of the principal actuarial assumptions applied to the timeframe under assessment, at June 30, 2022, would lead to the following impacts on the present value of liabilities for past services:

	%	Value
Change in discount rate		
Increase of 0.25%	(3.79%)	(99,997)
Decrease of 0.25%	4.02%	106,076
Change in salary growth rate		
Increase of 0.25%	0.61%	15,982
Decrease of 0.25%	(0.59%)	(15,588)
Change in pension growth rate		
Increase of 0.25%	2.54%	67,046
Decrease of 0.25%	(2.42%)	(63,970)
Change in mortality table		
Increase of 1 year in life expectancy	2.77%	73,193

Information on changes in the spread between the liabilities for past services and the pension fund in addition to the corresponding impact in its financial statements, at June, 2022 and December 31, 2021 is given below:

	30-06-2022	31-12-2021
Initial situation (I)	259,079	(52,912)
Current service cost	(27,321)	(66,015)
Expected return on pension fund assets	23,804	35,126
Interest cost	(21,997)	(35,600)
Normal cost of the period (Note 33)	(25,514)	(66,489)
Accrued liability for retirement before the normal retirement age (Note 33)	(14,260)	(6,406)
Change with impact on results (II)	(39,774)	(72,895)
Other deviations from responsibilities	692,943	179,232
Income deviations	(243,775)	149,950
Actuarial and financial deviations (III)	449,168	329,182
Regular contributions to CGD Pension Funds (IV)	25,514	55,704
Period situation before Extraordinary Contrib. (I) + (II) + (III) + (IV)	693,986	259,079

The deviation of responsibility that occurred in June 2022, in the global amount of around €692,943 thousand, is mainly explained by the impact of the change in the discount rate (1.35% to 3.20%).

35. Other administrative costs

This account comprises the following:

		<i>Restated</i>
	30-06-2022	30-06-2021
Specialised services		
IT services	21,888	28,244
Safety and security services	3,347	2,727
Information services	2,988	2,722
Cleaning services	2,722	2,751
Contracts and service fees	2,783	1,665
Studies and consultancy	353	338
Other	23,203	19,946
Operating leases	3,117	3,164
Communications and postage	11,523	10,475
Maintenance and repairs	13,960	12,607
Advertising and publications	4,464	4,086
Water, energy and fuel	5,616	6,522
Transport of cash and other values	3,236	3,087
Travel, lodging and representation expenses	1,979	1,366
Standard forms and office supplies	1,645	1,702
Other	4,184	4,254
	107,007	105,657

36. Impaired assets

Information on impairment movements for the periods June 30, 2022 and June 30, 2021 is set out below:

	Balances at 31-12-2021	Reinforcements					Exchange differences	Transfers and others	Balances at 30-06-2022	Credit recovery, interest and expenses
		New production	Remaining	Additions and reversals	Write-offs					
Impairment of loans and advances to customers (Note 13)	2,314,429	36,621	143,940	(290,147)	(67,207)	23,300	3,249	2,164,186	(41,415)	
Impairment of loans and advances to credit institutions (Note 6)	2,062	-	1,121	(1,170)	-	285	(215)	2,083	-	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	485	-	1,086	(1,312)	-	0	(116)	143	-	
Impairment of financial assets at amortised cost (Note 12)	9,533	-	6,884	(564)	-	3,066	(67)	18,852	-	
Impairment of other tangible assets	29,366	-	307	-	-	849	1,448	31,968	-	
Impairment of intangible assets	13,037	-	-	-	-	-	6,045	19,082	-	
Impairment of non-current assets held-for-sale (Note 14)										
Properties	213,090	-	13,131	(30,952)	(27,559)	1,574	248	169,532	-	
Equipment	915	-	218	(119)	(298)	-	(0)	716	-	
Subsidiaries	46,483	-	8,329	-	-	-	-	54,812	-	
Other assets	257	-	-	-	-	16	(77)	196	-	
Impairment of investments in associates and jointly controlled entities (Note 16)	439	-	475	-	(2,533)	-	2,058	439	-	
Impairment of other assets (Note 18)	156,513	3	5,801	(2,795)	(2,388)	1,320	(838)	157,618	-	
	472,181	3	37,352	(36,912)	(32,778)	7,109	8,486	455,441	-	
	2,786,610	36,625	181,292	(327,059)	(99,984)	30,409	11,735	2,619,626	(41,415)	

	Balances at 31-12-2021	Reinforcements					Exchange differences	Transfers and others	Balances at 30-06-2022	Credit recovery, interest and expenses
		New production	Remaining	Additions and reversals	Write-offs					
Impairment of loans and advances to customers (Note 13)	2,245,857	38,006	985,908	(933,746)	(31,163)	22,004	(10,387)	2,316,480	(42,190)	
Impairment of loans and advances to credit institutions (Note 6)	3,100	-	2,902	(4,152)	(0)	68	(20)	1,896	-	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	863	-	1,892	(2,019)	(76)	3	(72)	591	-	
Impairment of financial assets at amortised cost (Note 12)	19,101	158	5,708	(369)	-	842	0	25,439	-	
Impairment of other tangible assets	24,992	-	3,374	-	-	797	624	29,787	-	
Impairment of intangible assets	10,725	-	-	-	-	0	304	11,029	-	
Impairment of non-current assets held-for-sale (Note 14)										
Properties	243,660	-	39,296	(38,716)	(3,756)	47	2,518	243,049	-	
Equipment	741	-	274	(111)	(45)	-	(10)	849	-	
Other tangible assets	6,080	-	-	-	-	1,021	(4,011)	3,090	-	
Subsidiaries	48,659	-	3,034	-	-	-	-	51,693	-	
Other assets	77	-	-	-	-	-	-	77	-	
Impairment of investments in associates and jointly controlled entities (Note 16)	439	-	-	-	-	-	(0)	439	-	
Impairment of other assets (Note 18)	139,842	-	23,862	(14,258)	(1,864)	822	(2,838)	145,565	-	
	498,278	158	80,343	(59,625)	(5,742)	3,600	(3,506)	513,504	-	
	2,744,135	38,164	1,066,251	(993,372)	(36,905)	25,604	(13,893)	2,829,984	(42,190)	

Impairment on subsidiaries classified as being held-for-sale at December 31, 2021 – BCG Brazil – amounted to €46,483 thousand.

Impairment of €54,812 thousand on BCG Brazil had also been recorded at June 30, 2022 for the purpose of adjusting the equity value of this subsidiary's assets and liabilities to its estimated respective fair value, net of disposal costs (note 14) at the said date.

The sale of a Caixa Imobiliário warehouse was behind an €8,400 thousand reversal of impairment (note 14).

As increases of impairment on loans and advances to customers in first half 2022, were lower than recoveries and cancellations, a combination thereof with asset write-offs resulted in a reduction of impairment from €2,314,429 thousand at December 31, 2021 to €2,164,186 thousand at June 30, 2022. Reference should, herein, be made to the completion of the sale of Mercury credits and the portfolio's positive performance, particularly the completion of credit recovery processes and finalisation of credit cure periods in recovery processes implemented in past years, as well as customers' early repayment of several loans. This evolution of impairment was mitigated by profit and loss on exchange rates.

Total impairment was in line with impairment on loans and advances to customers with a reduction of the total impairment balance from €2,786,610 thousand at the end of 2021 to €2,619,626 thousand at June 30, 2022.

Credit disposals, in first half 2022, originated the use of €61,128 thousand in impairment (note 13).

Information on impairment movements on loans and advances to customers by stages is given below:

	Impairment of loans and advances to customers			
	Stage 1	Stage 2	Stage 3	Total
Balances at 31-12-2021	246,050	320,690	1,747,689	2,314,429
Movements resulting from changes in the classification by stages	(939)	(8,960)	9,899	-
Stage 1 - Inputs / (outputs)	-	287	1,191	1,478
Stage 2 - Inputs / (outputs)	154	-	8,708	8,862
Stage 3 - Inputs / (outputs)	(1,093)	(9,246)	-	(10,339)
Movements resulting from changes in credit risk	(21,206)	(6,541)	(118,626)	(146,373)
Write-offs	(948)	(3,757)	(62,502)	(67,207)
Other changes	(61,487)	440,075	(315,251)	63,337
Balances at 30-06-2022	161,470	741,508	1,261,209	2,164,186

More detailed information on impairment on credit movements for first half 2022 are given in the chapter on "Disclosures relating to financial instruments" (note 40).

37. Segment reporting

The group adopted the following business segments to comply with IFRS 8 – “Operating segments” and measurement of own funds requirements to cover operational risk, using the standard method under the terms of regulation (EU) no. 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 debt instrument issuances, 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 deposit-taking from personal customers;
- Commercial banking. Commercial banking includes lending activities and resource-taking from large enterprises and SMEs. This segment includes loans, current accounts, investment project finance, discounted bills, venture capital activity, factoring, equipment and property leasing and the underwriting of syndicated loans as well as loans and advances to the public sector;
- Asset management. Asset management includes activities associated with customer portfolio management, open-ended or closed end securities and property fund management 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 activity segments not described in the above business areas, namely:
 - Payment and settlement. This includes payment operations and the issuance and management of means of payment;
 - Agency services. These services includes the custodianship and administration of financial instruments on behalf of customers, including custodianship and related services such as treasury/collateral management;
 - Retail portfolio intermediation. This comprises banking activity with personal customers, sole traders and micro enterprises. Activities involving the receipt and transmission of orders on one or more financial instruments, processing of orders on behalf of customers and sales of financial instruments without underwriting operations, should be included;
 - Activities of non-financial corporations. This comprises the activity carried out by commercial, industrial, technological and other companies.

Information on the distribution of profit and principal balance sheet aggregates, by business areas and geographies, at June 30, 2022 and December 31, 2020 is given below:

Business areas

	30-06-2022						Total
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	
Net interest income	105,548	274,994	121,154	(3)	88,756	759	591,208
Income from equity instruments	403	-	201	8,902	30	-	9,536
Income from services rendered and commissions	57,864	74,683	26,785	18,188	9,586	188,497	375,603
Cost of services and commissions	(10,555)	(8,001)	(504)	(2,690)	(135)	(47,690)	(69,576)
Results from financial operations	65,529	2,446	6,894	786	(4,671)	4,911	75,894
Other net operating income	(79)	29,271	3,712	6,415	(2,542)	6,429	43,207
Net operating income from banking	218,710	373,393	158,242	31,598	91,024	152,905	1,025,872
Other income and expenses	-	-	-	-	-	-	(540,174)
Net income attributable to the shareholder of CGD							485,698
Cash balances and loans and advances to credit institutions (net)	26,915,168	656,206	958,143	0	286	210	28,530,013
Investments in securities and derivatives (net)	19,058,678	4,894	822,473	161,364	-	172,457	20,219,866
Loans and advances to customers (net)	-	32,983,827	18,396,430	3	180,056	-	51,560,317
Non-current assets held-for-sale	-	-	-	-	-	374,909	374,909
Investments in associates by the equity method	-	-	-	-	-	473,252	473,252
Total net assets	47,989,813	33,738,833	20,427,015	658,713	180,345	3,600,862	106,595,581
Resources of central banks and credit institutions	6,508,476	3,232	-	-	-	-	6,511,708
Customer resources	-	71,411,267	11,958,495	-	-	2,981	83,372,744
Debt securities	800,185	28,166	-	-	-	-	828,351

	31-12-2021						Total
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	
Net interest income	420,763	279,063	153,677	4	161,424	(9,112)	1,005,818
Income from equity instruments	227	-	367	12,407	63	-	13,066
Income from services rendered and commissions	46,410	188,638	54,903	34,767	17,876	347,003	689,597
Cost of services and commissions	(19,307)	(15,131)	(727)	(3,010)	(663)	(86,026)	(124,864)
Results from financial operations	135,649	4,805	3,622	7,271	(2,569)	26,958	175,736
Other net operating income	(499)	6,382	4,714	10,308	790	(8,091)	13,604
Net operating income from banking	583,243	463,758	216,556	61,748	176,921	270,731	1,772,957
Other income and expenses	-	-	-	-	-	-	(1,189,596)
Net income attributable to the shareholder of CGD							583,361
Cash balances and loans and advances to credit institutions (net)	25,437,780	653,165	832,538	-	90	215	26,923,788
Investments in securities and derivatives (net)	20,208,014	-	633,798	163,047	-	160,449	21,165,308
Loans and advances to customers (net)	-	37,199,295	12,812,798	3	171,568	-	50,183,664
Non-current assets held-for-sale	-	-	-	-	-	336,347	336,347
Investments in associates by the equity method	-	-	-	-	-	529,794	529,794
Total net assets	47,079,786	37,943,453	14,513,121	743,697	171,657	3,558,434	104,010,147
Resources of central banks and credit institutions	6,741,738	-	-	-	-	3,464	6,745,201
Customer resources	-	68,914,471	8,018,162	-	-	2,823,057	79,755,690
Debt securities	1,789,714	-	-	-	-	-	1,789,714

The financial information on 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 at market prices. The "Other" segment includes investments in associates and joint ventures based on the equity accounting method and non-current assets and liabilities held-for-sale.

Geographies

	30-06-2022						Total
	Portugal	Rest of European Union	Latin America	Asia	Africa	Intragroup	
Net interest income	343,617	34,709	-	40,374	163,885	8,623	591,208
Income from equity instruments	106,676	-	-	15	789	(97,944)	9,536
Income from services rendered and commissions	315,789	16,383	-	11,709	38,381	(6,659)	375,603
Cost of services and commissions	(56,319)	(5,077)	-	(3,735)	(9,373)	4,929	(69,576)
Results from financial operations	62,933	20	-	416	25,127	(12,601)	75,894
Other net operating income	(6,074)	31,932	-	4,087	6,464	6,799	43,207
Net operating income from banking	766,622	77,966	-	52,866	225,272	(96,854)	1,025,872
Other income and expenses	-	-	-	-	-	-	(540,174)
Net income attributable to the shareholder of CGD							485,698
Cash balances and loans and advances to credit institutions (net)	25,292,600	843,036	-	1,848,566	1,971,933	(1,426,122)	28,530,013
Investments in securities and derivatives (net)	21,008,385	4,894	-	466,035	1,366,601	(2,626,049)	20,219,866
Loans and advances to customers (net)	43,934,017	5,027,343	-	3,069,992	2,010,383	(2,481,420)	51,560,317
Total net assets	95,481,417	5,950,307	262,352	6,831,035	5,645,556	(7,575,086)	106,595,581
Resources of central banks and credit institutions	7,442,133	78,696	-	119,043	24,423	(1,152,588)	6,511,708
Customer resources	71,665,088	2,886,506	-	4,525,424	4,583,436	(287,710)	83,372,744
Debt securities	800,185	2,587,262	-	-	-	(2,559,096)	828,351

	31-12-2021						Total
	Portugal	Rest of European Union	Latin America	Asia	Africa	Intragroup	
Net interest income	588,682	73,764	-	75,835	259,372	8,164	1,005,818
Income from equity instruments	92,388	-	-	48	453	(79,823)	13,066
Income from services rendered and commissions	582,125	33,220	-	25,262	61,736	(12,746)	689,597
Cost of services and commissions	(102,701)	(9,307)	-	(8,100)	(15,166)	10,409	(124,864)
Results from financial operations	165,602	29	-	5,121	31,834	(26,850)	175,736
Other net operating income	28,317	(4,961)	-	384	11,333	(21,469)	13,604
Net operating income from banking	1,354,413	92,746	-	98,549	349,563	(122,314)	1,772,957
Other income and expenses	-	-	-	-	-	-	(1,189,596)
Net income attributable to the shareholder of CGD							583,361
Cash balances and loans and advances to credit institutions (net)	24,106,942	751,996	-	1,701,998	1,710,574	(1,347,722)	26,923,788
Investments in securities and derivatives (net)	22,356,609	10,575	-	575,134	974,108	(2,751,118)	21,165,308
Loans and advances to customers (net)	42,954,814	5,201,792	-	2,798,915	1,838,499	(2,610,356)	50,183,664
Total net assets	94,279,481	6,053,278	202,831	6,373,973	4,789,430	(7,688,846)	104,010,147
Resources of central banks and credit institutions	7,625,916	62,954	-	113,715	35,943	(1,093,326)	6,745,201
Customer resources	68,990,220	2,907,238	-	4,210,871	3,927,706	(280,346)	79,755,690
Debt securities	1,758,272	2,720,238	-	-	-	(2,688,796)	1,789,714

The following is a breakdown of the contribution to group profit by business area, based on internal management criteria, for the half years ended June 30, 2022 and June 30, 2021:

	30-06-2022					Total
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare	Intragroup	
Interest and similar income	541,466	320,932	12,284	-	(28,354)	846,328
Interest and similar costs	(199,689)	(82,299)	(1,031)	-	27,900	(255,120)
Income from equity instruments	221	456	201	-	8,658	9,536
Net interest income	341,998	239,088	11,454	-	8,204	600,744
Income from services rendered and commissions	287,979	66,473	6,624	-	14,527	375,603
Cost of services and commissions	(48,669)	(17,850)	(2,093)	-	(964)	(69,576)
Results from financial operations	47,262	25,563	4,987	-	(1,917)	75,894
Other net operating income	(18,369)	42,482	574	-	18,519	43,207
Net operating income	268,203	116,668	10,092	-	30,165	425,128
Net operating income from banking	610,202	355,756	21,546	-	38,368	1,025,872
Other income and expenses	(299,126)	(247,045)	(12,469)	17,890	576	(540,174)
Net income attributable to the shareholder of CGD	311,075	108,712	9,077	17,890	38,945	485,698

Restated

	30-06-2021					
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare	Intragroup	Total
Interest and similar income	484,815	252,884	5,482	-	(37,653)	705,529
Interest and similar costs	(189,695)	(62,327)	(1,059)	-	37,611	(215,470)
Income from equity instruments	88	277	367	-	3,378	4,111
Net interest income	295,208	190,834	4,791	-	3,336	494,170
Income from services rendered and commissions	248,591	57,860	8,646	-	11,533	326,629
Cost of services and commissions	(40,621)	(14,933)	(2,100)	-	837	(56,817)
Results from financial operations	91,833	18,460	13,239	-	(601)	122,932
Other net operating income	(15,196)	(93)	1,032	-	2,146	(12,112)
Net operating income	284,606	61,295	20,816	-	13,915	380,633
Net operating income from banking	579,815	252,129	25,607	-	17,251	874,803
Other income and expenses	(399,050)	(190,654)	(11,786)	19,044	1,850	(580,596)
Net income attributable to the shareholder of CGD	180,765	61,476	13,821	19,044	19,101	294,206

The "Intragroup" column includes balances between group companies eliminated in the consolidation process, in addition to other consolidation adjustments.

As regards business segments, reference should also be made to the effects of group activity in the property sector.

38. Related entities

Associates, joint ventures, group companies' management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The group's financial statements, at June 30, 2022 and December 31, 2021 include the following balances and transactions with related entities, excluding management bodies:

	30-06-2022			31-12-2021		
	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	7,280,679	327,628	59,599	6,857,263	370,865	55,000
Loans and advances to customers	29,633	584,588	135,349	29,543	591,232	142,675
Impairment of loans and advances to customers	-	28,905	18	-	31,223	18
Other assets	52,687	14,376	350,280	-	5,518	361,845
Liabilities						
Customer resources	66,639	1,467,453	356,400	6,683	346,093	310,577
Financial liabilities held-for-trading	233	8,504	1,821	233	16,702	142
Other liabilities	3,575	161,260	37,966	1,197	194,395	697
Guarantees given	3,810	492,873	47,632	3,810	488,623	39,619
Net income						
Interest and similar income	32,892	5,764	1,400	57,565	11,270	5,350
Interest and similar costs	-	5,018	(78)	-	7,395	192
Income from services rendered and commissions	6	42,043	1,810	52	82,873	5,028
Cost of services and commissions	-	165	9	15	2,059	524
Results from financial operations	(9,882)	(25,645)	2,816	(72,194)	(13,147)	(1,291)
Other operating income	(1)	26	14	(4)	269	108
General administrative costs	-	2	307	-	(6)	2,083

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, 2022 and December 31, 2021, does not include balances with regional or local government.

39. Lease agreements

Lease agreements at June 30, 2022 and December 31, 2021 were accounted for as follows:

Leases	30-06-2022		
	Property	Vehicles	Other
Amortisation costs of right-of-use assets in the period	16,075	1,151	-
Interest costs of lease liabilities in the period	2,482	18	0
Costs related to low-value leases	252	-	447
Carrying amount of right-of-use assets at the end of the period	167,640	2,197	58,388
Carrying amount of lease liabilities at the end of the period	(173,693)	(2,025)	(58,388)
Maturity of lease liabilities			
Up to one year	29,578	1,521	12,975
One to five years	100,706	684	45,413
Over five years	64,692	-	-

Leases	31-12-2021		
	Property	Vehicles	Other
Amortisation costs of right-of-use assets in the period	30,841	2,551	-
Interest costs of lease liabilities in the period	5,210	52	-
Costs related to low-value leases	567	-	814
Carrying amount of right-of-use assets at the end of the period	182,139	2,962	-
Carrying amount of lease liabilities at the end of the period	(188,295)	(2,898)	-
Maturity of lease liabilities			
Up to one year	30,047	2,099	-
One to five years	105,286	911	-
Over five years	73,288	-	-

40. Disclosures relating to financial instruments

Management policies on financial risks inherent to the group's activity

CGD adopted a centralised risk management model, in 2001, for the assessment and control of all of the group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

Credit risk

The credit risk attached to CGD's customer portfolio is overseen and controlled by the monitoring of indicators which are split up by type of product, customer segment, maturities, types of guarantee, level of exposure to the financial system, sector of activity and geography. The amount of large exposures vis-à-vis the maximum limits defined by supervisors is also analysed. CGD has implemented a system for the identification, assessment and control of risk on its credit portfolio, beginning at the time the loan is made and continually monitored over the lifetime of the operations.

CGD assesses the amount of impairment on each credit sub-portfolio on a monthly basis in its implementation of the international accounting standards by splitting them up into like-for-like risk segments and use of probabilities of default (PD) and migration to default and recoveries after default (loss given default – LGD) annually updated on the basis of historical information.

The credit portfolio was monitored by the credit risk division (DGR) which revised the credit oversight and recovery policy in addition to incorporating default and non-performing exposure concepts, in alignment with the definitions published by the European Banking Authority (EBA) as part of the operational system used for daily monitoring operations on the credit portfolio. This system incorporates a series of rules and functionalities designed to promptly recognise risk events and enable work to begin on a series of corrective actions designed to regularise and recover credit:

- (i) All customers have an associated risk level which is updated daily;
- (ii) Retail customers on which more serious risk levels are identified are automatically allocated to specialised recovery areas; and,
- (iii) The measures taken to regularise the loan are identified, enabling their level of efficiency to be assessed.

The process is monitored and reported by the risk management division on a monthly basis.

As part of the lending process, the credit risk division, which has corporate functions and reports directly to the executive committee, is responsible for decision-making and/or credit analysis functions on corporates, financial institutions, institutionals and personal customers.

The analysis of lending to corporates, in addition to natural portfolio oversight, focuses on customer credit risk, respective economic group and proposed operations. Its functions are separate from those of the commercial area which is responsible for submitting the proposals containing the conditions attached to the operations.

The analysis is based on the ratings issued by rating agencies and internal assessment models in addition to quantitative and qualitative weighting factors on the customer/economic group and operation in question. The overall market and the economy in which the entities operate and any aspects/conditions which could mitigate credit risk are also taken into account.

Market risk

Market risk management rules are defined for each portfolio or business unit at least once a year to ensure that the risk levels incurred on CGD group's credit portfolios are commensurate with its risk appetite. They include the relevant types of market risk, including concentration of exposure (by name, sector, rating and country), asset market liquidity indicators, composition of authorised assets and instruments and also define maximum acceptable loss levels.

Portfolio changes are subject to an exhaustive daily examination for the purpose of identifying changes in profile or any segments meriting special attention. The use of the defined limits is overseen by the risk management function on a daily basis and communicated to the management bodies and officers responsible for each portfolio.

Market risk hedging operations are decided by portfolio or business unit managers, based on the need to comply with market risk management rules in the form of authorised instruments and defined limits.

The most common market risk metric used for all types of market risk is value at risk (VaR) which is calculated for all types of market risk (interest rates (and spread), shares, exchange rates and volatility), based on the historical simulation method, whose confidence levels used in the simulation are contingent upon portfolio retention objectives. Additional “Expected Shortfall” and “Third Worst” metrics are also monitored in certain portfolios. Other market risk measurements, such as sensitivity to the price changes of underlying assets (basis point value – bpv, on interest rates) and other sensitivity indicators commonly used for share portfolios and usually referred to as “Greeks”, are also used.

The reliability of the VaR (value at risk) model is monitored daily on the basis of a comparative analysis between value at risk and theoretical and real backtesting results. The number of exceptions obtained enables the model’s accuracy to be assessed and any necessary adjustments or calibrations made. Backtesting operations also include hypotheses, excess and normality tests.

CGD group also performs regular stress tests on its market and foreign exchange risk at least once a month. Stress tests aim to measure the impact of adverse events on exposure to risk, based on their impact on the fair value of investments and the quantitative and qualitative suitability of CGD group’s own funds. Stress tests are based on risk factor scenarios that, as a whole, represent situations that could originate extraordinary losses on portfolios subject to market risk. These factors specifically include events with a low possibility of occurrence associated with the principal types of risk, including various market and foreign exchange risk components. The scenarios used aim to identify the potential risk of extreme market conditions and the probabilities of occurrence not covered by VaR. Several of the scenarios accordingly aim to replicate the behaviour of financial variables to past events (i.e. crises) whereas others correspond to sensitivity analyses on one or more risk factors

Executory functions on market operations and their associated risk control are completely separate.

Foreign exchange risk

Foreign exchange risk is controlled and assessed daily on a separate basis for domestic operations and for each of the branches and subsidiaries and monthly, on a consolidated level, for the group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Liquidity and balance sheet interest risk

Liquidity and balance sheet interest risk management policies are defined by the ALCO (asset-liability) committee. The risk management division’s liquidity and balance sheet interest rate risk area measures, monitors and reports on the two types of risk.

The specialised capital, assets and liabilities management board is the executive committee’s decision-making arm responsible for the integrated assets and liabilities management process (ALM- asset liability management), which aims to achieve proactive balance sheet management and CGD group profitability. In the risk management domain, the ALM process normally focuses on liquidity and balance sheet interest rate risk, as a forum for the rapid dissemination of group-wide management information.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity risk management also includes stress tests based on an internally developed methodology articulated with the existing liquidity contingency plan, designed to assess the funding situation at any point of time, strengthening CGD’s resistance to adverse shocks and examining funding alternatives.

CGD group has endeavoured to guarantee a sustainable resource-taking structure for its activity, across the year as a whole, based on the liquidity and period to maturity of its assets and off-balance-sheet exposures.

The methodology used to measure interest rate risk management includes a short term or accounting perspective and a long term or economic perspective.

The short term or accounting perspective for interest rate risk measurement purposes aims to estimate the effect of adverse variations in interest rates on interest margins. The methodology used for this purpose aggregates all assets and liabilities sensitive to interest rate changes into time bands, in accordance:

- (i) With periods to maturity for fixed-rate financial instruments; and,
- (ii) With periods between the repricing of interest rates for variable-rate financial instruments.

The respective interest rate gaps for these time bands are then calculated to match the effects of interest rate changes to net interest income.

Net interest income simulations are also used to improve the reliability of the estimates obtained from interest rate gaps on the sensitivity of interest margin. They include projections on the evolution of the group's balance sheet, integrating behaviours and trends relevant to banking activity in addition to scenarios on the evolution of different market rates and expectations reflected in yield curves.

The long term or economic perspective on the assessment of interest rate risk aims to estimate the effect of adverse changes in interest rates on the economic value of capital. The methodology used for the purpose involves calculating the effective duration of assets and liabilities sensitive to changes in interest rates in addition to the respective duration gap, enabling the effect of interest rate changes to be matched to the economic value of capital.

Simulation techniques are also used to improve the reliability of the estimates obtained from the duration gap of the sensitivity of the economic value of capital. They include the assessment and respective estimation of all future cash flows on assets and liabilities sensitive to interest rate variations (i.e. full valuation).

Liquidity and balance sheet interest rate risks are managed by a set of guidelines approved by the ALCO committee which includes limits on several significant exposure variables to such types of risk. The guidelines aim to ensure that CGD group is able to manage the return-risk trade-off for its balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its risk policies and positions.

Credit risk

Maximum exposure to credit risk

The following is a breakdown of the group's maximum exposure to credit risk at June 30, 2022 and December 31, 2021:

	30-06-2022	31-12-2021
Trading securities		
Public debt	1,022,880	322,719
Private debt	46,671	50,029
	1,069,551	372,748
Financial assets at fair value through profit or loss		
Private debt	95	100
Credit and securities	96,244	98,999
	96,339	99,098
Financial assets at fair value through other comprehensive income (*)		
Public debt	2,484,049	4,824,506
Private debt	923,797	1,043,511
	3,407,846	5,868,017
Financial assets at amortised cost (*)		
Public debt	13,395,153	12,595,515
Private debt (a)	487,861	398,759
	13,883,014	12,994,274
Financial assets with repurchase agreement		
Public debt	-	7,828
Credit and securities	45,797	-
	45,797	7,828
	18,502,546	19,341,965
Derivatives	343,640	423,440
Cash balances at other credit institutions	601,727	677,351
Loans and advances to credit institutions (*)	3,590,898	3,246,884
Loans and advances to customers (*)	51,527,897	50,187,698
Other debtors (*)	2,947,405	2,326,054
Other operations pending settlement	265,812	160,634
	59,277,381	57,022,061
Other commitments		
Personal/ Institutional guarantees given (**)		
Guarantees and sureties	2,693,636	2,580,569
Stand-by letters of credit	32,816	7,564
Open documentary credits	376,447	345,520
Forward deposit agreements	45,181	-
Irrevocable lines of credit	1,193,120	1,299,158
Securities subscription	1,612,326	1,227,469
Other irrevocable commitments	71,279	67,575
	6,024,805	5,527,855
Maximum exposure to credit risk	83,804,731	81,891,881

[*] Balances net of impairment [**] Balances net of provisions

(a) On June 30, 2022 and December 31, 2021, includes debt acquired from the European Union's Financial Stabilization Mechanism, in the amount of 10,722 Euros and 101,102 Euros, respectively.

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect of surety accounts (note 24) and netting agreements.

Exposure to the sovereign debt of peripheral eurozone countries

Information on the principal characteristics of the sovereign debt issuances of peripheral eurozone countries in Caixa's and its subsidiaries' portfolios at June 30, 2022 and December 31, 2021 is set out below:

	Book value net of impairment at 30-06-2022			Fair value	Fair value reserve	Rating
	Residual maturities					
	2022	After 2022	Total			
Financial assets at fair value through profit or loss						
Portugal	92,049	651,682	743,731	743,731	-	
Italy	274,893	-	274,893	274,893	-	
	366,942	651,682	1,018,624	1,018,624	-	
Financial assets at fair value through other comprehensive income						
Portugal	20,235	1,441,534	1,461,769	1,461,769	1,720	
Ireland	-	158,192	158,192	158,192	(14,283)	
Spain	-	221,611	221,611	221,611	(17,609)	
Italy	206,597	19,198	225,795	225,795	(173)	
	226,832	1,840,535	2,067,367	2,067,367	(30,344)	
Financial assets at amortised cost						
Portugal	300,213	4,760,010	5,060,223	5,097,829	-	
Ireland	-	1,035,223	1,035,223	1,037,180	-	
Spain	-	3,445,486	3,445,486	3,468,419	-	
Italy	150,025	861,040	1,011,064	1,012,136	-	
	450,238	10,101,759	10,551,997	10,615,564	-	
Total						
Portugal	412,497	6,853,226	7,265,723	7,303,328	1,720	BBB
Ireland	-	1,193,415	1,193,415	1,195,373	(14,283)	AA-
Spain	-	3,667,098	3,667,098	3,690,030	(17,609)	A-
Italy	631,515	880,238	1,511,752	1,512,823	(173)	BBB
	1,044,011	12,593,976	13,637,987	13,701,554	(30,344)	

	Book value net of impairment at 31-12-2021			Fair value	Fair value reserve	Rating
	Residual maturities					
	2021	After 2021	Total			
Financial assets at fair value through profit or loss						
Portugal	46	10,775	10,822	10,822	-	
Italy	301,422	-	301,422	301,422	-	
	301,468	10,775	312,244	312,244	-	
Financial assets at fair value through other comprehensive income						
Portugal	31,127	2,021,433	2,052,561	2,052,561	140,118	
Ireland	-	178,898	178,898	178,898	5,706	
Spain	-	480,652	480,652	480,652	8,522	
Italy	1,809,243	-	1,809,243	1,809,243	1,334	
	1,840,371	2,680,984	4,521,354	4,521,354	155,680	
Financial assets at amortised cost						
Portugal	314,412	4,455,144	4,769,557	4,810,376	-	
Ireland	-	917,848	917,848	925,482	-	
Spain	160,068	3,459,678	3,619,746	3,644,829	-	
Italy	501,137	822,295	1,323,431	1,324,163	-	
	975,617	9,654,965	10,630,582	10,704,849	-	
Total						
Portugal	345,586	6,487,353	6,832,939	6,873,758	140,118	BBB
Ireland	-	1,096,746	1,096,746	1,104,380	5,706	AA-
Spain	160,068	3,940,330	4,100,398	4,125,481	8,522	A-
Italy	2,611,802	822,295	3,434,097	3,434,828	1,334	BBB
	3,117,455	12,346,724	15,464,180	15,538,447	155,680	

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. These portfolios were segmented into levels 1 and 2 of the fair value ranking at June 30, 2022 and December 31, 2021. Greater detail on the distinguishing elements of these categories together with their principal assumptions are provided 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 Portugal's 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 acceptance), 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 policies defined by the competent CGD bodies.

CGD has defined a centralised decision-making model on credit in which its credit risk division is responsible for making decisions on loans to corporates, financial institutions and institutionals in addition to personal customers. The governance model for the decisions to issue loans, including the limits on the delegating of authority have been defined in internal regulations.

The credit risk management division's main functions also include:

- (i) The prior, mandatory issuance of a risk opinion on attributing internal limits or consideration of operations not covered by the said limits on customers whose exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justifies (in accordance with internal regulations);
- (ii) A redefinition of credit limits to be submitted to a more senior level whenever deemed advisable under the circumstances; and,
- (iii) The approval of the constitution/alteration of economic groups.

Credit decisions on the most relevant exposures are the responsibility of the board of directors, credit risks executive committee or credit board, depending upon the amounts of the exposure in question. Other operations are the responsibility of credit risk committees on a credit risk division level.

The submission of operations/limits for a decision of the board of directors requires the advance approval of the financial risks committee.

The risk management division intervenes in the credit risk control and monitoring process, lending stages and latter oversight, on both a customer/operation and a credit portfolio approach based on:

- (i) The definition, development and maintenance of internal rating and scoring models;
- (ii) Monitoring and global control of CGD group's credit risk by credit portfolios, products and subsidiaries;
- (iii) Identification of customers at greater risk of default based on early warning signs;
- (iv) 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.

The risk management division may also submit the approval and revision of policies and guidelines in the sphere of the group's credit risk management to a more senior level.

1.1.2 Credit portfolio oversight

Credit portfolio oversight permits the early identification of signs of potential default, facilitating decisions for optimising debt recovery. The oversight process is regulated by an internal “credit oversight and recovery policy regulation”.

CGD has implemented a workflow process across commercial, recovery and credit risk areas. The workflow classifies a customer’s creditworthiness daily on the basis of pre-defined events and the level of severity of 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:

- (i) Performing customers without any additional risk events having been identified;
- (ii) Performing customers but with early warnings which may indicate a greater probability of default;
- (iii) Customers registering serious events and a high probability of default who are classified as being in financial distress;
- (iv) Customers in a 24 months’ probation period following the occurrence of a restructuring operation owing to its financial difficulties;
- (v) Customers classified as being in default; and,
- (vi) Customers classified as being in quarantine following actions taken to remedy default situations.

The workflow process incorporates operational measures which vary in line with the severity of the event and which provide 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 whenever more serious events have been identified, to ensure that potentially more problematic cases are handled by specialised credit recovery managers.

When such more serious events involve corporate customers with relevant exposures, the decision to maintain customer management in commercial structures or to transfer them to specialised recovery areas is the responsibility of the credit risks executive committee and credit board, depending on an analysis of the customers’ level of liabilities, based on a specific report to be produced by the risk management division.

The credit risk management division diagnoses the process as a whole as part of the credit portfolio oversight process and makes any necessary changes in line with its analysis of metrics and indicators, based on monthly monitoring reports on credit portfolio quality to be reported to the executive committee.

1.1.3 Credit recovery

As soon as any arrears of payment have been noted, adequate steps are taken to recover the overdue credit to enable a settlement of the situation, in due compliance with the provisions of decree law 227/2012 (“PARI” and “PERSI”) as regards loans and advances to individual customers.

Credit recovery consists of a series of CGD group actions on arrears of payment of 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 up to settlement.

Negotiated credit recoveries comprise three types of action by order of priority in terms of their application:

- (i) Collection of payments in arrears;
- (ii) Restructuring solutions; and,
- (iii) Terminal solutions not involving litigation.

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 the litigation stage. 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 its risk management division which identifies, measures and controls significant exposures.

Risk appetite statement metrics have been developed to monitor concentration risk. They permit the evolution of portfolio segments considered more critical in terms of credit risk to be controlled on a monthly basis.

Decisions to enter into agreements for operations entailing materially relevant exposures (as defined in an internal regulation) require the opinion of the credit risk division. The limit naturally considers the amount of CGD group's total exposure to a relevant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off an asset, based on the write-off policy, as formalised in an internal regulation, is made at a senior level when expectations of credit recovery are nil or highly residual and when all of the negotiating and, when applicable, legal proceedings have been taken with all of the parties involved in a loan agreement. Loans eligible for write-offs, when implying the full recognition of provisions and impairment, also include:

- (i) Loans in arrears for more than 24 months; and,
- (ii) Loans without a real guarantee.

3. Impairment reversal policy

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

In situations involving the occurrence of significant improvements in a debtor's creditworthiness and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss with a direct reversal of impairment.

Impairment is also reversed when loans are sold for a higher amount than their net impairment exposure.

4. Description of restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is understood to be any changes to the conditions in force on credit 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 limits defined in internal regulations.

Recovery solutions always bear a customer's individual circumstances and CGD's best interests in mind, in line with three basic principles:

- (i) Impact on capital and cash flows. The first aspect to consider is the referred to process's impact on CGD group's invested capital and cash flows generated by the operation in the future. This impact should be measured by calculating the incremental NPV on processing the operation as opposed to a solution involving litigation (considered to be a last recourse in terms of credit recovery);
- (ii) 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 be able to meet its financial commitments in the new scenario, based on its expected income; and,
 - *Sustainability of process*. The process must be sustainable over time, i.e. the customer, with a high level of probability, must be able to make all necessary payments and should not relapse into a default situation.
- (iii) 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 its treatment 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 has been 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) no. 2017/1443 of June 29, 2017.

5. Description of collateral valuation and management process

Immovable assets

The following types of immovable assets are considered for valuation purposes:

- (i) Constructions:
 - Finished constructions; and,
 - Unfinished constructions.
- (ii) 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 on immovable assets within CGD group are:

- (i) Inspection of property. Property is inspected when all new mortgage lending operations are entered into, with the objective of assessing its presumed transaction price in a free market.

Certification of the value of an item of property is documented and comprises, *inter alia*, copies of the plans, property registration booklet and description in the land registry, when supplied. These valuations are complemented by individual, direct *in situ* observations.
- (ii) Revision of the valuation of a property's worth by an appraiser. Mortgage lending operations whose contractual terms have been changed usually require a new valuation as if they were new operations.

In the case of non-performing credit, the amounts of real guarantees are examined and/or revised in line with the frequency defined in internal regulations; and,
- (iii) Revision of indexed amount. A revision of property prices whenever there is sufficient data enabling a measurement to be made by this method by an internal CMVM-registered property appraiser. This methodology is used for residential or commercial properties, non-performing credit with a debtor balance of less than €300 thousand and, in the case of performing credit, a debtor balance of less than €500 thousand.

Valuation procedures for immovable assets:

- The staff of CGD's property valuation area has engineers and architects with significant experience in the valuations area. Those with technical approval functions have complementary training in the form of 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 spread out over the whole of the country based on the area in which they perform their professional activity. There are several appraisers for each municipal district to ensure adequate diversification and rotation.
- Valuation requests are received by CGD in digital format together with the essential documentation for property valuation purposes. An internal technical operative is responsible for the approval process by type of valuation and the municipal district in which the property is located, and
- The appraisers are set out on a list defining the priority municipal districts for operational purposes, based on criteria of efficiency in terms of travel and in-depth knowledge of the local market. 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:

- (i) Pledges over term deposits – assessed on the amount of the pledge;
- (ii) Pledges over bonds issued by CGD – assessed on the nominal value of the bonds; and,
- (iii) 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, well established methodologies to ensure that the impairment calculation is in conformity with IFRS 9 – “Financial instruments”.

There are several modelling approaches CGD considers to be more adequate 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 and advances 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) *Corporate lending*: 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 to defined credit risks for individual impairment assessments;
- (vi) Criteria used to measure significant increases in risk from the time of the financial instrument’s initial recognition, incorporating forward-looking information; and,
- (vii) The credit loss is measured on the basis of three probable macroeconomic scenarios (optimistic, pessimistic and basic) which are revised 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 lending to corporate and personal customers. It also includes 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*. This is based on an assessment of customers with individually significant exposures by filling in an impairment form and calculation template based on a going or gone concern approach; and,
- (ii) *Collective or parametric impairment*. This is automatically assessed by the credit impairment model. Parametric calculations are performed by dividing the portfolio up into risk sub-segments comprising assets with similar risk.

IFRS 9 – “Financial instruments” defines principles for the classification 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 initial recognition, are considered:

- (i) *Stage 3*: exposures for which objective evidence of credit impairment exists, for operations in default;
- (ii) *Stage 2*: exposures with a significant increase in credit risk (SICR) since initial recognition or with objective criteria of signs of impairment; and,
- (iii) *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:

- Contractual defaults to CGD group, particularly credit materially overdue for more than 90 consecutive days;
- Existence of a material impairment provision resulting from an individual analysis of customers with individually significant exposures;
- Declaration of insolvency;
- An insolvency application, including PERs (special revitalisation programmes) submitted by the debtor or CGD;
- Operations at a litigation stage in CGD;
- Contamination of loans, based on the identification of loss events on other operations involving the same customer. In the case of loans and advances to 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;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with new restructuring operations during the surveillance period of 2 years, when classified as a non-performing exposure prior to the start of the probation period;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with arrears of more than 30 days, when classified as a non-performing exposure prior to the start of the probation period; and,
- Restructuring operations owing to a customer's financial difficulties in the event of loss events (in accordance with the defined materiality).

Although IFRS 9 "Financial instruments" does not define a 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), issued on September 28, 2016. Past events for modelling purposes reflect the definition of default at the said date.

Stage 2 classification

Stage 2 credit classification is based on the observation of a significant increase of credit risk (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:

- (i) An absolute variation of the forward-looking lifetime PD since origination, weighted by a residual maturity in excess of a certain threshold; and,
- (ii) A 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 at this stage, whatever the deterioration in credit risk, as follows:

- Credit overdue in CGD for more than 30 days but not classified as being in default;
- Operations restructured owing to financial difficulties which do not meet stage 3 classification criteria;
- POCI (purchased or originated credit-impaired) operations which do not meet stage 3 classification criteria;
- 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;
- 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 *PERs* (special revitalisation 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 and 3 classification criteria.

In this context, securities portfolios exposures that do not meet stage 2 or stage 3 criteria are also classified in stage 1.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

- 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 the CAE (classification of economic activity) segment for loans to corporates and type of card for credit cards) applicable to unrated portfolios;
- Lifetime default probability (PDLT)*. This is the probability of a loan defaulting up 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 the level of a customer's or operation's ratings. Lifetime PDs on unrated portfolios are different for customers or operations with:
 - External signs accompanied by arrears of less than 30 days;
 - Arrears of between 30 and 90 days; and,
 - Restructuring operations owing to financial difficulties with arrears of up to 30 days.
- 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,
- Exposure at default (EAD)*. EAD is the amount of each operation's exposure upon the date of default. It comprises the sum of equity and off-balance sheet exposures following the CCF. The CCF is a credit conversion factor which 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, i.e. probabilities of default, include a forward-looking component.

8. Indication of thresholds defined for individual analyses

The limits on individual impairment assessments, defined in an internal CGD group standard, take the specific characteristics of each group unit's diverse credit portfolios into account, with the objective of assessing all exposures considered to be individually significant in each unit and the group. In the case of CGD and with reference to June 30, 2022, an individual analysis is performed on all corporate customers whose exposure together with risk criteria meet the following criteria:

- Stage 1*. All customers with an exposure of €20 million or more or with an exposure of €10 million or more if the customer is showing signs of an increased risk (e.g. early warnings) or has a rating of less than 12;
- Stage 2*. All customers with an exposure of €10 million or more or more than €3 million if the customer shows signs or warnings of increased risk (e.g. early warnings or more serious events) or has a rating of less than 12;
- Stage 3*. All customers with an exposure of €3 million or more.

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

Under internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The 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 adequate to customers' and CGD's interests is applied, on the basis of an analysis, with litigation for credit recovery purposes as 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 expected future cash flows on loans considers the extent to which a customer will generate free cash flows for debt payment purposes. A loan's recoverable amount is the sum of the expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.) in accordance with underlying expectations of 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:

- (i) 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 estimated future cash flows (i.e. provided that they are non-operating assets). This going concern approach is used if:
 - a) The company's future operating 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.
- (ii) A gone concern approach associated with a scenario of the termination of the activity of a company whose collateral is executed and when the company's operating cash flows therefore cease to exist. The application of this approach is considered when at least one of the following situations occurs:
 - a) When the customer's exposure has been overdue for a considerable length of time with the presumption that the gone concern approach should be applied when the loan has been overdue for more than 18 months;
 - b) When estimated 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 estimated future cash flows, namely when EBITDA over the last few years has been negative; and,
 - f) When the available information on a going concern analysis is insufficient.

A mixed approach can be adopted in several situations, considering the cash flows produced by a company's activity, which may be complemented by cash flows originating from disposals of the company's assets, assuming that the company will continue to operate as a going concern. If the disposal of the assets has an impact on the company's future operating cash flows a respective adjustment will be made to assess the recoverable amounts.

Collective impairment

For stage 1 operations, the expected credit loss – ECL⁽¹⁾, considers a 12 months' loss and is calculated by the following formula:

$$ECL_{Stage\ 1} = EAD \times PD_{12\ months} \times LGD^{(1)}$$

For stage 2 operations lifetime credit losses are calculated by the following formula:

$$ECL_{Stage\ 2} = \sum_{k=t}^{Term} \frac{EAD_k \times LGD_k \times SR_{k-1} \times PD_k^{(1)}}{(1+r)^k}$$

In which r represents the original interest rate and SR represents the default's survival probability.

Given that the stage 3 concept is aligned with the internal default concept, a lifetime PD of 100% is considered. Expected losses on stage 3 operations are therefore given by the following formula:

$$ECL_{Stage\ 3} = EAD \times LGD_{time\ from\ default\ entry}^{(1)}$$

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, 2022 and December 31, 2021 is set out below:

Segment	Exposure in 30-06-2022				Impairment in 30-06-2022			
	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
Government	3,836,808	23,186	10,784	3,870,778	7,216	594	557	8,368
Other financial institutions	281,755	50,086	6,261	338,102	1,479	10,407	2,722	14,609
Non-financial institutions	15,274,542	2,461,517	1,413,097	19,149,156	140,952	492,813	870,866	1,504,631
Small and medium institutions	8,248,898	1,761,063	972,102	10,982,063	108,522	345,233	610,066	1,063,821
Commercial real estate	2,898,085	445,291	329,942	3,673,318	17,783	81,355	163,478	262,616
Others	5,350,813	1,315,773	642,160	7,308,745	90,739	263,878	446,589	801,205
Other institutions	7,025,644	700,453	440,995	8,167,092	32,430	147,580	260,800	440,810
Commercial real estate	674,170	59,966	45,420	779,557	4,947	9,924	26,283	41,154
Others	6,351,474	640,487	395,575	7,387,536	27,482	137,656	234,518	399,656
Households	28,314,855	1,461,852	589,759	30,366,467	11,822	237,694	387,063	636,578
Mortgage loans with property mortgage	26,212,395	1,258,700	268,152	27,739,247	1,223	202,628	128,090	331,940
Consumption	1,368,733	97,190	55,178	1,521,102	7,920	15,251	35,182	58,353
Others	733,726	105,962	266,429	1,106,118	2,679	19,815	223,790	246,285
	47,707,960	3,996,641	2,019,902	53,724,503	161,470	741,508	1,261,209	2,164,186

(1): EAD = Exposure at risk; PD = Probability of default; LGD = Loss given default.

Segment	Exposure in 31-12-2021				Impairment in 31-12-2021			
	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
Government	3,541,963	23,106	5,107	3,570,176	6,455	546	36	7,037
Other financial institutions	233,385	60,148	5,385	298,918	1,111	12,838	3,413	17,361
Non-financial institutions	14,676,968	2,675,790	1,509,335	18,862,093	143,997	532,785	977,402	1,654,184
Small and medium institutions	7,987,434	1,986,124	988,750	10,962,309	107,871	392,602	647,598	1,148,071
Commercial real estate	2,661,008	552,052	293,618	3,506,678	15,737	99,574	189,739	305,500
Others	5,326,426	1,434,072	695,133	7,455,631	92,134	293,028	457,859	843,020
Other institutions	6,689,534	689,666	520,584	7,899,784	36,126	140,184	329,804	506,114
Commercial real estate	924,695	65,486	48,033	1,038,215	13,145	9,661	32,325	55,131
Others	5,764,839	624,180	472,551	6,861,570	22,981	130,523	297,478	450,983
Households	27,686,120	1,430,608	650,178	29,766,906	11,460	212,013	412,374	635,846
Mortgage loans with property mortgage	25,710,643	1,224,608	329,961	27,265,211	1,390	176,998	155,504	333,892
Consumption	1,238,636	88,561	50,892	1,378,089	7,130	14,066	31,861	53,057
Others	736,842	117,439	269,325	1,123,606	2,940	20,948	225,009	248,898
	46,138,436	4,189,652	2,170,004	52,498,093	163,023	758,182	1,393,224	2,314,429

Information on exposures and impairment, between performing and non-performing operations, at June 30, 2022 and December 31, 2021 is set out below:

Segment	Exposure in 30-06-2022							Impairment in 30-06-2022										
	Performing		Non-Performing					At Performing Exposures		At Non-Performing Exposures								
	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 <= 30 days	Expired > 30 days <= 90 days	Expired > 90 days <= 180 days	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years	Expired > 5 years					
Government	3,856,202	3,792	3,859,994	2,542	6,420	-	1,039	783	10,784	3,870,778	7,810	7	550	-	-	557	8,368	
Other financial institutions	331,889	153	331,841	15	4,803	1	1,405	37	6,261	338,102	11,886	-	1,796	-	574	262	2,722	14,808
Non-financial institutions	17,621,350	114,708	17,736,059	873,632	67,216	74,950	294,714	102,586	1,413,097	19,149,156	633,785	483,253	36,779	53,056	224,940	72,638	870,866	1,504,031
Small and medium institutions	9,941,563	68,399	10,009,961	543,425	48,119	63,604	236,871	80,983	972,102	10,982,063	453,755	313,437	28,755	42,084	171,549	54,241	610,066	1,063,821
Commercial real estate	3,330,871	12,504	3,343,375	180,635	18,494	10,337	70,479	49,997	329,942	3,673,318	99,139	77,517	12,089	2,879	39,861	31,132	163,478	262,616
Others	6,610,692	55,894	6,669,586	362,790	29,625	53,266	166,392	30,986	642,160	7,308,745	354,616	235,919	16,666	39,206	131,689	23,109	446,589	801,205
Other institutions	7,679,787	46,310	7,726,098	330,206	19,097	11,347	57,842	22,503	440,995	8,167,092	180,010	169,817	8,024	10,971	53,390	16,597	260,800	440,810
Commercial real estate	781,563	2,574	784,137	26,149	95	2,905	3,444	12,827	45,420	779,557	14,871	10,205	95	2,604	2,702	10,676	26,283	41,154
Others	6,948,225	43,736	6,991,961	304,057	19,002	8,441	54,398	9,676	395,575	7,387,536	165,139	159,612	7,930	8,369	50,688	7,921	234,518	399,656
Households	29,686,266	80,441	29,776,707	198,155	20,951	29,523	102,776	238,354	589,759	30,366,467	249,512	103,618	8,633	16,019	54,382	204,415	387,066	636,578
Mortgage loans with property mortgage	27,409,630	61,465	27,471,095	125,308	11,505	14,480	72,385	44,474	268,152	27,739,247	203,851	56,100	4,071	6,341	33,911	27,667	128,090	331,940
Consumption	1,453,748	12,175	1,465,924	9,671	5,713	11,792	15,955	12,047	55,178	1,521,102	23,169	7,616	2,983	8,018	10,895	5,672	35,186	58,353
Others	832,888	6,801	839,688	63,177	3,734	3,251	14,436	181,833	266,429	1,106,118	22,453	39,902	1,579	1,690	9,576	171,075	223,792	246,285
	51,605,608	199,095	51,704,601	1,074,344	99,390	104,474	399,934	341,760	2,019,902	53,724,603	902,674	586,879	47,758	69,075	279,885	277,605	1,261,212	2,164,185

Segment	Exposure in 31-12-2021							Impairment in 31-12-2021										
	Performing		Non-Performing					At Performing Exposures		At Non-Performing Exposures								
	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 <= 30 days	Expired > 30 days <= 90 days	Expired > 90 days <= 180 days	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years	Expired > 5 years					
Government	3,556,303	8,766	3,565,069	3,305	-	1,006	-	797	5,107	3,570,176	7,001	36	-	-	-	-	36	7,037
Other financial institutions	290,547	2,986	293,533	19	2,755	323	1,267	1,021	5,385	298,918	13,948	2	1,681	199	586	945	3,413	17,361
Non-financial institutions	17,227,319	125,428	17,352,748	952,369	58,068	47,217	327,841	123,750	1,509,345	18,862,093	676,782	579,046	38,748	23,552	250,732	85,304	977,402	1,654,184
Small and medium institutions	9,875,493	98,064	9,973,557	541,340	43,502	45,625	262,127	96,158	988,752	10,962,309	500,473	341,989	28,683	22,135	192,950	61,861	647,598	1,148,071
Commercial real estate	3,190,675	22,385	3,213,060	97,017	28,884	22,023	92,980	52,732	295,618	3,506,678	115,311	80,039	21,506	7,065	68,643	32,498	305,050	
Others	6,684,818	75,679	6,760,497	444,323	14,619	23,602	169,167	43,425	695,134	7,455,631	385,161	281,950	7,158	15,080	124,307	29,364	457,859	843,020
Other institutions	7,351,827	27,365	7,379,191	411,029	14,567	1,592	65,814	27,592	520,593	7,899,784	176,310	237,057	10,085	1,417	57,782	23,463	329,804	506,114
Commercial real estate	969,597	585	970,182	26,910	3,592	2,787	7,614	9,899	48,033	1,038,215	22,806	15,252	1,868	2,227	6,292	8,696	32,325	55,131
Others	6,362,230	26,780	6,389,010	384,119	10,974	1,364	58,199	17,903	472,560	6,861,570	153,504	221,805	8,217	1,190	51,490	17,797	249,478	450,983
Households	29,032,654	84,045	29,116,699	200,562	20,439	24,628	143,112	261,265	650,206	29,766,906	223,469	102,249	7,626	13,063	74,205	215,245	412,374	635,846
Mortgage loans with property mortgage	26,872,946	62,304	26,935,251	128,673	12,760	10,974	111,413	329,961	27,265,211	178,388	55,324	3,983	4,118	53,760	38,320	155,504	333,892	
Consumption	1,314,561	12,618	1,327,179	7,635	5,008	10,917	16,076	11,274	50,909	1,378,089	21,193	5,663	2,413	7,450	11,121	5,217	31,861	53,057
Others	845,147	9,123	854,270	64,255	2,672	2,937	15,623	183,850	269,326	1,123,606	23,888	41,262	1,231	1,485	9,324	171,708	225,009	248,898
	50,106,823	221,226	50,328,049	1,156,255	81,263	73,373	472,320	386,832	2,170,043	52,498,093	921,201	681,332	48,055	36,803	325,524	301,514	1,393,224	2,314,429

Information on the credit portfolio, by segment and year of production at June 30, 2022, is given below:

Year of production	Government			Other financial institutions			Non-financial institutions			Non-financial institutions of which commercial real estate			Households: of which loans with mortgage property			Households: of which consumption and other purposes			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
2007 and before	964	744,151	372	18	123	2	5,010	1,311,257	365,816	841	565,999	115,957	270,758	8,422,269	163,384	136,477	539,299	236,194	412,227	11,017,100	765,768
2008	81	774,440	158	25	51,661	3,601	1,221	854,626	111,542	277	297,822	29,307	29,882	1,507,919	38,050	19,258	57,062	4,765	50,467	3,245,708	158,116
2009	61	106,913	2	7	104	0	1,159	298,274	76,451	232	143,948	35,647	26,303	1,960,327	36,582	20,273	65,384	6,077	47,803	1,981,002	113,112
2010	45	32,996	23	11	157	8	1,319	279,255	49,894	241	40,804	13,082	19,424	1,304,092	37,609	22,088	59,716	2,379	42,836	1,676,677	89,910
2011	20	29,784	16	9	125	5	1,075	186,829	26,404	198	65,213	7,715	8,750	852,477	12,916	16,187	39,314	2,330	26,041	789,030	41,671
2012	11	8,367	1,850	4	84	0	1,081	181,385	38,699	191	32,361	9,870	3,856	236,420	6,065	13,321	41,524	9,263	18,283	466,790	55,876
2013	13	34,124	935	6	226	150	1,669	222,341	67,254	206	25,049	4,849	3,967	265,095	6,482	52,907	58,110	3,395	58,562	580,396	78,115
2014	21	210,215	1,254	8	15,683	170	2,609	669,855	220,764	349	109,179	15,443	5,031	387,239	7,870	17,451	48,880	8,788	25,120	1,331,872	233,847
2015	40	39,056	99	12	510	5	4,213	1,114,417	193,871	620	175,798	27,566	8,844	706,406	16,306	20,452	79,956	3,300	33,561	1,943,345	218,900
2016	83	284,194	706	15	79,156	9,848	5,382	1,088,707	103,742	762	122,602	5,719	10								

Information on the amount of gross credit exposure and impairment by segment at June 30, 2022 and December 31, 2021, is as follows:

	30-06-2022													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions: of which commercial real estate		Households: of which loans with mortgage property		Households: of which consumption and other purposes		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation														
Individual	178,800	1,804	-	-	835,380	524,777	170,216	76,639	3,338	1,828	213,232	191,674	1,230,750	720,084
Collective	3,691,977	6,563	338,102	14,609	18,313,776	979,854	4,282,659	227,130	27,735,909	330,112	2,413,988	112,964	52,493,753	1,444,102
	3,870,778	8,368	338,102	14,609	19,149,156	1,504,631	4,452,875	303,770	27,739,247	331,940	2,627,220	304,638	53,724,503	2,164,186

	31-12-2021													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions: of which commercial real estate		Households: of which loans with mortgage property		Households: of which consumption and other purposes		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation														
Individual	175,196	1,805	2,144	21	1,197,319	611,873	154,837	120,946	26,662	1,363	550,335	192,375	1,951,655	807,437
Collective	3,394,980	5,232	296,774	17,341	17,664,775	1,042,311	4,390,056	239,235	27,238,549	332,529	1,951,360	109,579	50,546,437	1,506,992
	3,570,176	7,037	298,918	17,361	18,862,093	1,654,184	4,544,892	360,181	27,265,211	333,892	2,501,694	301,954	52,498,093	2,314,429

Information on the amount of gross credit exposure and impairment by sector of activity at June 30, 2022 and December 31, 2021, is as follows:

Activity sector	30-06-2022			
	Credit exposure			
	Gross carrying amount	Of which with forbearance measures	Of which non-performing	Accumulated impairment
Agriculture, forestry and fishing	406,186	34,172	59,035	43,376
Extraction industries	164,062	11,943	5,456	6,506
Manufacturing	2,682,277	190,981	273,088	222,830
Production and distribution of electricity, gas, steam and air conditioning	759,514	15,288	1,154	6,984
Water supply	204,662	56,330	14,253	20,161
Construction	2,049,836	217,459	198,213	166,497
Wholesale and retail trade	2,691,817	135,965	138,164	162,947
Transport and storage	1,317,644	253,193	93,226	178,999
Accommodation and food service activities	946,385	182,582	75,697	154,425
Information and communication	209,323	11,557	14,080	13,276
Real estate activities	2,651,687	161,050	209,535	166,413
Consulting, scientific, technical and similar activities	2,810,299	179,668	192,246	193,413
Administrative and support services activities	408,375	34,920	32,518	28,234
Public administration and defense, compulsory social security	471	115	-	24
Education	108,464	32,556	27,558	19,196
Human health services and social action activities	245,840	15,475	8,790	14,150
Arts, entertainment and recreation	104,193	12,175	10,170	34,520
Other services	1,388,120	140,301	59,915	72,680
Public administrations	3,870,778	628,217	10,784	8,368
Other financial activities	338,102	9,296	6,261	14,609
Households: of which mortgage loans with property mortgage	27,739,247	1,273,457	268,152	331,940
Households: of which consumption	1,521,102	43,078	55,178	58,353
Households: of which others	1,106,118	292,582	266,429	246,285
	53,724,503	3,932,358	2,019,902	2,164,186

	31-12-2021			
	Credit exposure			
	Gross carrying amount	Of which with forbearance measures	Of which non-performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	369,349	33,087	42,572	34,925
Extraction industries	122,971	19,079	11,062	9,596
Manufacturing	2,849,354	151,300	266,502	222,996
Production and distribution of electricity, gas, steam and air conditioning	809,546	9,426	1,431	2,288
Water supply	221,453	59,354	15,287	22,863
Construction	2,145,105	256,947	212,428	252,998
Wholesale and retail trade	2,527,522	160,669	148,090	181,872
Transport and storage	1,172,423	260,526	91,717	174,942
Accommodation and food service activities	964,081	203,936	83,827	165,474
Information and communication	202,516	12,197	11,596	11,780
Real estate activities	2,432,383	208,171	149,644	123,780
Consulting, scientific, technical and similar activities	2,684,392	170,032	245,326	253,072
Administrative and support services activities	417,466	12,820	34,490	44,489
Public administration and defense, compulsory social security	7,711	113	193	176
Education	115,650	42,178	28,586	25,351
Human health services and social action activities	256,015	25,057	7,707	15,116
Arts, entertainment and recreation	189,170	51,144	107,400	50,535
Other services	1,374,987	81,674	51,489	61,931
Public administrations	3,570,176	506,192	5,107	7,037
Other financial activities	298,918	8,503	5,385	17,361
Households: of which mortgage loans with property mortgage	27,265,211	1,326,905	329,961	333,892
Households: of which consumption	1,378,089	34,285	50,909	53,057
Households: of which others	1,123,606	307,647	269,336	248,898
	52,498,093	3,941,241	2,170,043	2,314,429

Information on the fair value of collateral underlying the non-financial corporations and household credit portfolio: of which mortgage loans with a pledge on the property at June 30, 2022 and December 31, 2021 is as follows:

	30-06-2022													
	<0.5 ME		≥ 0.5 ME and < 1 ME		≥ 1 ME and < 5 ME		≥ 5 ME and < 10 ME		≥ 10 ME and < 20 ME		≥ 20 ME and < 50 ME		≥ 50 ME	
	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	624,823	380,745	501,250	284,632	3,978,840	1,014,164	1,024,946	476,953	2,153,911	531,744	1,191,454	694,287	9,799,606	466,372
Non-financial institutions: of which commercial real estate	157,690	99,070	164,382	105,023	777,804	430,367	338,421	155,948	587,369	319,749	451,887	215,784	828,624	343,900
Households: of which loans with mortgage property	55,478,540	38,084,671	2,999,398	1,211,245	834,871	369,250	202,133	10,541	156,427	1,397	133,102	681	78,339	44
	56,261,053	38,564,486	3,665,031	1,600,899	5,591,515	1,813,781	1,565,499	643,442	2,897,707	852,890	1,776,443	910,753	10,706,569	810,316

	31-12-2021													
	<0.5 ME		≥ 0.5 ME and < 1 ME		≥ 1 ME and < 5 ME		≥ 5 ME and < 10 ME		≥ 10 ME and < 20 ME		≥ 20 ME and < 50 ME		≥ 50 ME	
	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	677,226	377,783	515,662	274,278	3,870,892	985,680	1,008,744	461,753	945,438	494,388	1,305,304	663,106	10,891,191	338,835
Non-financial institutions: of which commercial real estate	159,887	110,937	149,638	99,402	746,450	424,610	342,563	169,143	583,282	310,126	544,287	287,243	771,616	269,172
Households: of which loans with mortgage property	54,830,089	38,000,617	2,603,396	1,111,086	763,852	336,670	204,946	9,140	167,616	1,442	133,102	681	78,339	44
	55,667,202	38,489,337	3,268,695	1,484,767	5,381,194	1,746,960	1,556,253	640,036	1,696,337	805,956	1,982,693	951,031	11,741,147	608,051

Details on the restructured loan portfolio by the application of the deferral method (Forborne) at June 30, 2022 and December 31, 2021, are as follows:

Measure	30-06-2022											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual impairment	Collective impairment	Number of operations	Exposure	Individual impairment	Collective impairment	Number of operations	Exposure	Individual impairment	Collective impairment
Credit term extension	2,794	878,985	142	76,358	1,641	182,657	56,999	53,216	4,435	1,061,642	57,141	129,574
Grace period	542	198,633	-	17,992	309	27,380	-	15,038	851	226,013	-	33,030
Interest rate changes	306	614,541	-	117,489	352	307,543	224,895	22,408	658	922,084	224,895	139,897
Other	6,194	1,138,227	-	151,223	6,770	584,392	242,968	174,380	12,964	1,722,619	242,968	325,602
	9,836	2,830,386	142	363,061	9,072	1,101,972	524,862	265,041	18,908	3,932,358	525,004	628,102

Measure	31-12-2021											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual impairment	Collective impairment	Number of operations	Exposure	Individual impairment	Collective impairment	Number of operations	Exposure	Individual impairment	Collective impairment
Credit term extension	3,174	974,757	18	85,880	1,625	215,118	80,958	58,623	4,799	1,189,875	80,977	144,504
Grace period	617	262,127	-	16,379	423	98,053	13,681	21,450	1,040	360,180	13,681	37,829
Interest rate changes	350	596,311	-	163,443	341	332,122	244,890	26,495	691	928,434	244,890	189,938
Other	6,199	873,739	-	99,836	5,737	589,014	251,358	163,170	11,936	1,462,752	251,358	263,006
	10,340	2,706,934	18	365,538	8,126	1,234,307	590,887	269,738	18,466	3,941,241	590,905	635,276

Information on additions to and exits from the deferred credit portfolio (Forborne) at June 30, 2022 and December 31, 2021 is given below:

Balance of restructured loans (gross of impairment) at 31-12-2020	4,078,931
Credits with deferral measures in the period (Forborne)	597,578
Accrued interest on credit with deferral measures (Forborne)	4,476
Credits with deferral measures liquidation (Forborne), partial or total	(654,357)
Credits reclassified from "with deferral measures" (Forborne) to "normal"	(68,880)
Other	(16,506)
Balance of restructured loans (gross of impairment) at 31-12-2021	3,941,241
Credits with deferral measures in the period (Forborne)	504,139
Accrued interest on credit with deferral measures (Forborne)	7,003
Credits with deferral measures liquidation (Forborne), partial or total	(560,046)
Credits reclassified from "with deferral measures" (Forborne) to "normal"	(28,959)
Other	68,981
Balance of restructured loans (gross of impairment) at 30-06-2022	3,932,358

Details on the credit portfolio by LTV ratio at June 30, 2022 and December 31, 2021 are set out below:

Segment / Ratio	30-06-2022					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	17,736,059	1,413,097	19,149,156	633,765	870,866	1,504,631
With no associated collateral	13,310,830	991,713	14,302,543	501,648	647,006	1,148,654
< 60%	3,437,182	325,146	3,762,328	110,318	180,533	290,851
>= 60% and < 80%	197,716	20,771	218,487	4,270	10,471	14,741
>= 80% and < 100%	502,594	43,333	545,927	13,280	20,617	33,896
>= 100%	287,737	32,134	319,871	4,250	12,239	16,489
Commercial real estate	4,077,512	375,362	4,452,875	114,010	189,760	303,770
With no associated collateral	370,596	73,136	443,732	3,383	21,982	25,364
< 60%	2,921,743	251,546	3,173,289	95,957	144,944	240,901
>= 60% e < 80%	141,024	14,076	155,100	1,324	6,522	7,846
>= 80% e < 100%	419,498	27,521	447,019	10,799	11,355	22,154
>= 100%	224,651	9,083	233,733	2,547	4,958	7,504
Households: of which loans with property mortgage	27,471,095	268,152	27,739,247	203,851	128,090	331,940
< 60%	16,349,753	150,313	16,500,066	97,830	64,135	161,966
>= 60% and < 80%	8,607,540	58,371	8,665,911	68,228	30,752	98,980
>= 80% and < 100%	2,413,545	42,321	2,455,867	35,086	22,386	57,473
>= 100%	100,257	17,146	117,403	2,706	10,816	13,522
Households: of which consumption and other	2,305,612	321,608	2,627,220	45,662	258,976	304,638
With no associated collateral	2,003,322	240,194	2,243,516	37,018	212,133	249,151
< 60%	171,433	35,503	206,936	1,310	20,947	22,257
>= 60% and < 80%	66,469	25,526	91,995	4,000	16,434	20,434
>= 80% and < 100%	37,165	4,806	41,972	3,079	2,202	5,281
>= 100%	27,222	15,579	42,801	254	7,261	7,515
Other financial institutions	331,841	6,261	338,102	11,886	2,722	14,609
With no associated collateral	205,570	3,756	209,326	1,902	2,306	4,208
< 60%	90,814	216	91,029	686	193	879
>= 60% and < 80%	35,214	1,560	36,774	9,299	71	9,370
>= 80% and < 100%	243	729	973	-	153	153
Government	3,859,994	10,784	3,870,778	7,810	557	8,367
With no associated collateral	3,785,655	9,784	3,795,439	7,779	557	8,336
< 60%	44,158	1,000	45,158	13	-	13
>= 60% and < 80%	4,116	-	4,116	-	-	-
>= 80% and < 100%	6,504	-	6,504	18	-	18
>= 100%	19,560	-	19,560	-	-	-
	51,704,601	2,019,902	53,724,503	902,973	1,261,212	2,164,186

Segment / Ratio	31-12-2021					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	17,352,748	1,509,345	18,862,093	676,782	977,402	1,654,184
With no associated collateral	12,914,226	1,024,858	13,939,084	524,812	716,384	1,241,196
< 60%	3,233,111	327,713	3,560,824	124,703	181,932	306,635
>= 60% and < 80%	360,098	55,470	415,568	6,875	32,124	39,000
>= 80% and < 100%	495,319	47,160	542,479	14,196	23,415	37,611
>= 100%	349,993	54,145	404,138	6,195	23,546	29,741
Commercial real estate	4,203,242	341,651	4,544,892	138,117	222,064	360,181
With no associated collateral	809,002	43,354	852,356	16,885	24,082	40,967
< 60%	2,616,383	216,628	2,833,011	105,402	145,851	251,253
>= 60% e < 80%	203,348	39,392	242,740	1,879	27,101	28,980
>= 80% e < 100%	331,608	23,955	355,563	10,218	15,157	25,375
>= 100%	242,901	18,322	261,223	3,733	9,873	13,606
Households: of which loans with property mortgage	26,935,251	329,961	27,265,211	178,388	155,504	333,892
< 60%	16,201,165	170,051	16,371,216	89,253	69,268	158,521
>= 60% and < 80%	8,153,887	69,624	8,223,511	54,831	34,621	89,452
>= 80% and < 100%	2,426,783	60,231	2,487,014	29,971	32,533	62,504
>= 100%	153,415	30,055	183,470	4,333	19,082	23,415
Households: of which consumption and other	2,181,449	320,246	2,501,694	45,081	256,873	301,954
With no associated collateral	1,876,966	238,416	2,115,382	36,824	209,268	246,092
< 60%	162,805	37,632	200,438	887	22,626	23,514
>= 60% and < 80%	62,019	23,590	85,610	4,193	15,166	19,359
>= 80% and < 100%	50,632	13,430	64,061	3,066	5,214	8,281
>= 100%	29,026	7,178	36,204	110	4,599	4,709
Other financial institutions	293,533	5,385	298,918	13,948	3,413	17,361
With no associated collateral	206,957	4,994	211,951	2,070	648	2,717
< 60%	45,144	391	45,535	1,093	2,766	3,859
>= 60% and < 80%	35,338	-	35,338	10,771	-	10,771
>= 80% and < 100%	6,095	-	6,095	14	-	14
Government	3,565,069	5,107	3,570,176	7,001	36	7,037
With no associated collateral	3,484,361	4,768	3,489,129	6,975	12	6,987
< 60%	48,854	339	49,193	9	23	32
>= 80% and < 100%	10,914	-	10,914	18	-	18
>= 100%	20,940	-	20,940	-	-	-
	50,328,049	2,170,043	52,498,093	921,201	1,393,228	2,314,429

Details on the fair value and net accounting value of property received in kind or repossessed by type of assets and seniority at June 30, 2022 and December 31, 2021 are set out below:

Asset	30-06-2022			Time elapsed since the initial recognition / repossession	30-06-2022			
	Number of real estate	Assets' fair value	Book value		< 1 year	>= 1 year < 2.5 years	>= 2.5 years < 5 years	>= 5 years
Land								
Urban	153	57,195	24,331	4,534	6,341	2,654	10,801	24,331
Rural	46	1,390	593	70	274	181	68	593
Under construction buildings								
Commercial	28	5,693	3,309	169	1,651	468	1,021	3,309
Housing	86	9,994	5,298	312	70	3,519	1,397	5,298
Concluded buildings								
Commercial	607	137,673	71,823	13,513	7,290	33,163	17,857	71,823
Housing	1,244	119,822	64,127	9,967	11,780	23,627	18,753	64,127
Other	1	383	383	-	-	-	383	383
Other	42	1,833	1,261	347	266	161	487	1,261
	2,207	333,983	171,125	28,912	27,673	63,774	50,767	171,125

Asset	31-12-2021			Time elapsed since the initial recognition / repossession	31-12-2021				
	Number of real estate	Assets' fair value	Book value		< 1 year	>= 1 year < 2.5 years	>= 2.5 years < 5 years	>= 5 years	Total
Land									
Urban	167	65,131	31,311		6,584	6,087	2,758	15,881	31,311
Rural	46	1,531	577		75	247	191	64	577
Under construction buildings									
Commercial	25	9,613	4,670		23	1,627	2,053	968	4,670
Housing	106	12,850	4,376		314	149	1,667	2,246	4,376
Concluded buildings									
Commercial	650	149,359	76,999		9,083	7,635	34,059	26,222	76,999
Housing	1,470	132,038	69,544		5,957	17,293	27,521	18,774	69,544
Other	1	352	352		-	-	-	352	352
Other	48	1,395	1,061		200	373	3	485	1,061
	2,513	372,270	188,890		22,236	33,411	68,252	64,992	188,890

Explanatory notes on preparing the quantitative disclosures:

Common definitions

- (i) "Segmentation". The segments used are based on the definitions provided in the Bank of Portugal's monetary and financial statistics publication:
- "Government". Local and central government sector which includes institutional units whose principal activity consists of the production of non-mercantile goods and services for individual or collective consumption and/or the redistribution of income and national wealth;
 - "Corporate". Non-financial corporations sector, comprising institutional units having their own legal personality whose principal activity consists of producing non-financial goods and services;
 - "*CRE-construction and real estate*" - *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;
 - "*Household sector*". Includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies;
 - Also included are the self-employed as members of individual companies and companies of persons not having a legal personality which are mercantile producers;
 - "Personal – housing". household sector comprising mortgage loans;
 - "Personal – consumption and other purposes". household sector not comprising mortgage loans (usually consumer credit); and,
 - "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.
- (ii) "Performing/non-performing loans". Follow the default criteria defined in item 8 of the qualitative information.
- (iii) "Restructured credit". Follows the criteria defined in item 4 of the qualitative information.
- (iv) "Individual and collective analysis". Difference between credit with individual and collective impairment in accordance with the impairment model.

Legal and corporate moratoria granted in the sphere of the Covid-19 pandemic

The moratoria granted in Portugal, in the context of mitigating the economic impacts of the pandemic, ended during 2021, including corporate moratoria granted under the interbank protocol mentored by the Portuguese Banking Association and the legal moratoria as published in decree law 10-J/2020.

However, at June 30, 2022, legal moratoria were still in place in Cape Verde and Macau, in due compliance with the local rules extending these economic support measures. Legal moratoria are still, therefore, in force in the following CGD group entities: Banco Interatlântico de Cabo Verde, Banco Comercial do Atlântico de Cabo Verde and Banco Nacional Ultramarino de Macau.

The moratoria, granted at June 30 2020, were distributed between performing and non-performing loans as follows:

	Exposure in 30-06-2022						Impairment in 30-06-2022						Inflows in Non-Performing
	Performing		Of which with significant increase in credit risk since initial recognition (Stage 2)		Non-Performing		Performing		Of which with significant increase in credit risk since initial recognition (Stage 2)		Non-Performing		
		Of which with forbearance measures		Of which with significant increase in credit risk since initial recognition (Stage 2)		Unlikely to pay that are not past-due or past-due <= 90 days		Of which with forbearance measures		Of which with significant increase in credit risk since initial recognition (Stage 2)		Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium (granted)	46,525	28,500	6,744	21,847	18,025	18,025	(2,773)	(2,117)	(280)	(2,112)	(656)	(656)	1
Households	12,266	12,266	6,744	7,910	-	-	(311)	(311)	(280)	(310)	-	-	-
Mortgage loans with property mortgage	1,758	1,758	-	-	-	-	(0)	(0)	-	-	-	-	-
Non-financial institutions	34,259	16,235	-	13,938	18,025	18,025	(2,461)	(1,806)	-	(1,802)	(656)	(656)	1
Small and medium institutions	11,452	7,122	-	5,126	4,330	4,330	(794)	(656)	-	(653)	(138)	(138)	-
Commercial real estate	1,705	-	-	-	1,705	1,705	(18)	-	-	-	(18)	(18)	-

The moratoria, granted at June 30 2020, were distributed among the following periods to maturity:

	Number of clients	Exposure in 30-06-2022					
		Of which legislative moratoria	Of which expired	Residual maturity of moratoria			
				<= 3 months	> 3 months <= 6 months	> 6 months	
Loans and advances for which moratorium was offered	71,077						
Loans and advances subject to moratorium (granted)	64,785	6,892,837	6,375,148	6,846,312	28,185	7,336	11,003
Households		3,052,109	2,534,421	3,039,844	1,263	-	11,003
Mortgage loans with property mortgage		2,795,017	2,322,814	2,793,259	262	-	1,495
Non-financial institutions		3,789,674	3,789,674	3,755,415	26,923	7,336	-
Small and medium institutions		3,043,349	3,043,349	3,031,897	9,507	1,945	-
Commercial real estate		1,332,653	1,332,653	1,330,948	1,649	56	-

New credit operations granted under public guarantee programmes in response to the Covid-19 pandemic

At June 30, 2022, lines contracted under public guarantees were distributed according to the following segments and collateralisation levels:

	Exposure in 30-06-2022		Maximum amount of the guarantee that can be considered	Inflows to Non-Performing
		Of which with forbearance measures	Public guarantees received	
Newly originated loans and advances within the scope of public guarantees	1,662,670	10,335	1,339,846	9,505
Households	39,912	-	-	26
Non-financial institutions	1,614,273	8,931	1,300,431	9,479
Small and medium institutions	1,472,683	-	-	5,816
Commercial real estate	275,364	-	-	1,102

Strengthening of oversight and monitoring of the credit portfolio

To prepare CGD for an efficient response to the pandemic's impacts on its credit portfolio, CGD revised its internal procedures for identifying customers who could be most affected by the pandemic, as follows:

- (i) Specific forward-looking analyses on the pandemic's potential impacts on CGD's activity for the corporate and personal segments having subscribed for the moratoria or belonging to sectors considered most vulnerable to the effects of the pandemic (e.g. hotels and restaurants, transport, etc.);
- (ii) A revision of the classification criteria for operations/customers with restructured credit operations owing to financial difficulties and default, with their consequent allocation to stage 2 or stage 3, based on forward-looking and case-by-case analyses to identify the unlikelihood of receiving payment, with direct impacts on the measurement of expected credit loss;
- (iii) Definition of restructuring measures tailored to the perceived risk on each customer in order to provide effective support to enable them to service their debt.

The process developed in response to the pandemic across the years 2020 and 2021 was incorporated into CGD's internal processes for responding to disruptive events or extraordinary situations with potentially negative

impacts on its customers' economic-financial capacity and potentially less positive effects on the quality of the bank's credit portfolio.

When identifying disruptive events, the risk management division defines a proactive action plan, comprising the following guidelines:

- To identify customers potentially most vulnerable to the event in question;
- To define bottom-up or top-down analysis methodologies, including sensitivity analyses, based on a forward-looking approach to identify potential financial difficulties in order to mitigate potential future defaults;
- To define rules and criteria on the rating of the potentially most vulnerable customers and the credit decision-making process;
- To develop dedicated processes for monitoring credit risk on potentially vulnerable customers.

Russia-Ukraine conflict - potential impacts on credit portfolio

CGD initiated an assessment of the potential impacts on its credit portfolio owing to the outbreak of the conflict between Russia and Ukraine, considering the following approach:

- (i) 1st order impacts related to exposures under the sanctions regime defined by the European Union have not been identified in CGD group;
- (ii) 2nd order impacts, related to direct or indirect exposures to Russian or Ukrainian customers were not considered relevant, as CGD group's exposure to these customers is relatively immaterial (€2,900 thousand);
- (iii) 3rd order impacts related to the credit portfolio resulting from a general deterioration of macroeconomic conditions.

To assess 3rd order impacts, CGD carried out several analyses with the aim of assessing the potential deterioration of its credit portfolio considering higher energy costs, interest rate hikes and inflation and existing constraints in production and distribution chains:

1. Identification of sectors considered most vulnerable to rising energy prices (which represent around 20% of the total exposure of the corporate segment):
 - a) An evaluation based on a forward-looking questionnaire, on a customer by customer basis, to identify situations of financial difficulties, with impacts on a level of stage 2 or stage 3 classification;

Reference should, herein, be made to the questionnaires sent to customers which, as a whole, represented an exposure of €2,900,000 thousand and which resulted in the following:
 - A relevant proportion of the exposure (85%) was classified as showing no signs of increased risk (questionnaire with a score of 1) with the remaining 15% being classified in the questionnaire with a need for continuous monitoring (scores of 2, 3 or 4);
 - The customers with the lowest scores (scores of 3 and 4 in the questionnaire) represent only 5% of the evaluated exposure and are, at a minimum, classified in stage 2 although it should be noted that, for a relevant proportion of such customers this result does not imply the worsening of the stage in which CGD had already classified the customer on the basis of other existing criteria.
 - b) Definition of more conservative tolerance levels in credit decision-making decisions and proactive credit restructuring processes;
 - c) The assumption that improvements to automatically generated ratings on customers in these sectors will not show any improvements.
2. Sensitivity analysis on the personal customers credit portfolio:
 - a) Assessment of the impact of rising interest rates and inflation on customers' income levels;
 - b) Identification of any customer migrations to stage 2 or stage 3.

The analyses did not identify any material impacts for 2022 in terms of a significant degradation of the quality of credit risk. The materialisation of several risks, particularly in the sectors most vulnerable to rising energy prices and/or those most affected by the pandemic, may lead to a deterioration of the portfolio's credit quality in 2023, leading to the recognition of overlays.

Macroeconomic scenarios used in the impairment model

The macroeconomic projections upon which the impairment model's forward-looking information is based are revised every six months with the definition of three scenarios with different probabilities of occurrence. Information on the economic indicators for each of the updated scenarios is set out in the following table:

Portugal - Macroeconomic projections (in percentage) used in the ECL on 30 June, 2022												
	Favourable scenario				Central scenario				Adverse scenario			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Occurrence probability	22.5%				60%				17.5%			
GDP (1)	4.90%	6.90%	3.00%	2.70%	4.90%	5.80%	1.90%	2.40%	4.90%	2.90%	-1.00%	1.80%
Harmonized consumer price index (1)	0.90%	7.90%	4.60%	2.90%	0.90%	6.10%	3.50%	2.30%	0.90%	3.70%	1.00%	0.20%
Unemployment rate (2)	6.60%	5.60%	5.40%	5.10%	6.60%	6.50%	6.40%	6.40%	6.60%	6.90%	6.70%	6.60%
Euribor 3M	-0.55%	0.33%	2.12%	2.23%	-0.55%	0.16%	1.63%	1.78%	-0.55%	-0.06%	0.72%	0.74%
Yield 10 years - Portugal	0.29%	2.34%	2.70%	2.87%	0.29%	2.28%	2.63%	2.82%	0.29%	2.05%	2.38%	2.43%

(1) Annual percentage rate of change
(2) Percentage of the active population

A comparison with the macroeconomic scenarios at December 31, 2021, as set out in the following table. Reference should be made to the sharp increase in inflation and interest rates, both over the short and long terms. The probability of occurrence of the adverse scenario rose to 17.5%, an increase of 2.5 pp.

Portugal - Macroeconomic projections (in percentage) used in the ECL on 31 December, 2021												
	Favourable scenario				Central scenario				Adverse scenario			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Occurrence probability	25.0%				60.0%				15.0%			
GDP (1)	-8.40%	5.40%	6.50%	3.30%	-8.40%	4.40%	5.10%	2.50%	-8.40%	3.40%	2.90%	1.10%
Harmonized consumer price index (1)	-0.10%	1.30%	2.30%	1.90%	-0.10%	1.20%	1.30%	1.40%	-0.10%	0.80%	0.50%	0.30%
Unemployment rate (2)	7.00%	6.50%	5.90%	5.40%	7.00%	6.90%	6.70%	6.30%	7.00%	7.40%	7.10%	7.30%
Euribor 3M	-0.42%	-0.51%	-0.44%	-0.35%	-0.42%	-0.54%	-0.49%	-0.39%	-0.42%	-0.55%	-0.55%	-0.53%
Yield 10 years - Portugal	0.42%	0.34%	0.90%	1.30%	0.42%	0.30%	0.46%	0.58%	0.42%	0.26%	0.30%	0.35%

(1) Annual percentage rate of change
(2) Percentage of the active population

Additional impairment (overlays)

Although the projected growth rates are highly positive, the recession was very deep (with an 8.4% contraction of GDP in 2020) and recovery among the various sectors of activity will be predictably asymmetric. It is expected to be gradual in the services sector, where downturns in activity are still being recorded, as referred to in the Bank of Portugal's December 2021 and June 2022 financial stability reports. The same reports indicate a series of financial system risks and vulnerabilities of which reference should be made to the materialisation of credit risk driven by the withdrawal of support measures in response to the pandemic and potential for deterioration fuelled by the current macroeconomic framework (hikes in energy prices, inflation, interest rates and constraints in supply and production chains) which could lead to an increase in financial difficulties and non-performing loans (NPLs).

CGD has also carried out several analyses to identify the potential short and medium term deterioration of its credit portfolio, taking the current macroeconomic environment into account and including the potential impacts deriving from the pandemic on its most vulnerable customers, which may still materialise, in particular as regards increases in exposure in stage 2 and stage 3. Following such analyses, CGD recognised €629,000 thousand in additional impairment to address potential expected losses not identified by the current impairment model, representing an increase of €52,000 thousand over the previous period. The increase is largely the result of the use of more conservative assumptions for customers in the sectors most vulnerable to rising energy prices, as well as the non-existence of rating upgrades over the projection horizon.

Sensitivity analyses

Owing to the high levels of uncertainty over macroeconomic projections and considering that deviations from the scenarios presented may have an impact on the amount of loss estimations, sensitivity tests on the distribution of the portfolio by stages and respective impact on impairment were carried out

The following analyses were performed for this purpose:

- 1) Consideration of a probability of occurrence of 100% for the favourable scenario;
- 2.a) Consideration of a probability of occurrence of 100% for the baseline scenario, assuming that the property market remains stable (i.e. no fall in property prices);

2.b) Consideration of a probability of occurrence of 100% for the baseline scenario, assuming slightly lower prices (5% reduction of property prices);

3.a) Consideration of a probability of occurrence of 100% for the severe scenario assuming that the property market remains stable (i.e. no fall of property prices);

3.b) Consideration of a probability of occurrence of 100% for the severe scenario, assuming slightly lower prices (5% reduction of property prices);

3.c) Consideration of a probability of occurrence of 100% for the severe scenario, assuming a sharper fall (10% reduction of property prices).

The sensitivity analyses measure the impacts of the expected loss (ECL) and evolution of stage 1 and stage 2 resulting from the application of the different macroeconomic scenarios, in conjunction with different depreciation factors for collateral on property.

The impacts are measured against the calculation of impairment for June 2022, on CGD Portugal's credit portfolio whose expected losses are estimated on the basis of the presentation of the three macroeconomic scenarios: a central scenario with 60%, favourable scenario with 22.5% and adverse scenario with 17.5%.

The following tables provide information on the total impacts of sensitivity analyses on credit impairment and provisions for off-balance sheet exposures (e.g. bank guarantees provided and unused lines of credit), in addition to migrations of exposure between stage 1 and stage 2 deriving from the identification of a significant increase in credit risk in comparison to the time of the origination of operations, owing to a change of the lifetime default probability curves estimated for each scenario.

Distribution of credit portfolio stock (assets and off-balance sheet) and respective impairment and provisions, by the considered sensitivity analysis:

	30-06-2022	Favourable scenario	Central scenario		Adverse scenario		
Occurrence probability of the scenario	Ponderação dos três cenários	100%	100%		100%		
Sensitivity scenario		1)	2.a)	2.b)	3.a)	3.b)	3.c)
Devaluation of real estate		0%	0%	5%	0%	5%	10%
Exposure (EAD)	57,096	57,096	57,096	57,096	57,096	57,096	57,096
Stage1	50,956	50,948	50,959	50,959	50,918	50,918	50,918
Corporates	20,545	20,587	20,552	20,552	20,463	20,463	20,463
Personal	26,905	26,848	26,898	26,898	26,967	26,967	26,967
Specialised credit	3,506	3,513	3,509	3,509	3,488	3,488	3,488
Stage 2	4,133	4,141	4,130	4,130	4,171	4,171	4,171
Corporates	2,494	2,453	2,487	2,487	2,576	2,576	2,576
Personal	1,328	1,385	1,335	1,335	1,265	1,265	1,265
Specialised credit	311	303	308	308	329	329	329
Stage 3	2,008	2,008	2,008	2,008	2,008	2,008	2,008
Corporates	1,514	1,514	1,514	1,514	1,514	1,514	1,514
Personal	289	289	289	289	289	289	289
Specialised credit	205	205	205	205	205	205	205
Impairment and provisions	1,440	1,430	1,437	1,445	1,462	1,470	1,479
Stage1	119	116	118	118	127	127	128
Corporates	89	86	88	88	97	97	97
Personal	5	5	5	5	5	5	5
Specialised credit (*)	25	25	25	25	26	26	26
Stage 2	206	201	204	206	219	220	222
Corporates	191	186	189	191	203	204	206
Personal	3	3	3	3	3	3	4
Specialised credit (*)	12	12	12	12	13	13	13
Stage 3	1,115	1,114	1,115	1,121	1,116	1,123	1,130
Corporates	960	960	960	963	961	964	967
Personal	85	85	85	88	86	88	91
Specialised credit (*)	69	69	69	71	69	71	72

in Millions of euros

(*) Does not incorporate individual impairment and comfort chart adjustments

EAD: Exposure at default

Impacts as a percentage of the results of the sensitivity analyses in comparison to impairment calculated at June 30, 2022:

	Favourable scenario	Central scenario		Adverse scenario		
Occurrence probability of the scenario	100%	100%		100%		
Sensitivity scenario	1)	2.a)	2.b)	3.a)	3.b)	3.c)
Devaluation of real estate	0%	0%	5%	0%	5%	10%
Exposure (EAD)						
Stage1	-0.02%	0.01%	0.01%	-0.08%	-0.08%	-0.08%
Corporates	0.20%	0.03%	0.03%	-0.40%	-0.40%	-0.40%
Personal	-0.21%	-0.02%	-0.02%	0.23%	0.23%	0.23%
Specialised credit	0.21%	0.09%	0.09%	-0.52%	-0.52%	-0.52%
Stage 2	0.20%	-0.08%	-0.08%	0.93%	0.93%	0.93%
Corporates	-1.65%	-0.27%	-0.27%	3.32%	3.32%	3.32%
Personal	4.29%	0.49%	0.49%	-4.72%	-4.72%	-4.72%
Specialised credit	-2.40%	-0.96%	-0.96%	5.90%	5.90%	5.90%
Impairment and provisions	-0.66%	-0.19%	0.37%	1.55%	2.11%	2.73%
Stage1	-2.80%	-1.00%	-0.76%	6.77%	7.03%	7.32%
Corporates	-3.59%	-1.32%	-1.00%	8.56%	8.90%	9.27%
Personal	-1.62%	-0.35%	-0.33%	3.05%	3.13%	3.25%
Specialised credit	-0.19%	0.03%	0.03%	1.16%	1.16%	1.17%
Stage 2	-2.57%	-0.70%	-0.01%	6.16%	6.89%	7.64%
Corporates	-2.49%	-0.68%	0.05%	6.18%	6.94%	7.72%
Personal	-5.16%	-0.55%	-0.20%	10.32%	11.64%	13.64%
Specialised credit	-3.08%	-1.02%	-1.00%	4.70%	4.71%	4.84%
Stage 3	-0.08%	-0.01%	0.56%	0.14%	0.71%	1.33%
Corporates	-0.05%	-0.01%	0.27%	0.10%	0.38%	0.68%
Personal	-0.51%	-0.02%	2.71%	0.71%	3.48%	6.50%
Specialised credit	0.00%	0.00%	1.85%	0.01%	1.85%	3.95%

EAD: Exposure at default

A severe scenario would lead to the transfer of 0.1% of exposure from stage 1 to stage 2, entailing a 0.9% increase of exposure in stage 2. The impact on impairment may vary between 1.5% and 2.7%, depending on the level of the fall in property market prices.

There would be a slight 0.7% reduction of impairment in the favourable scenario assuming that property prices remain stable. There would also be a reduction of 1.7% of exposure of the corporate sector in stage 2, owing to migration to stage 1.

In the case of personal customers, exposure in stage 2 is slightly higher in the optimistic scenario in comparison to the baseline scenario. The fact that the inflation rate, which has a positive correlation with the probability of default (PD), is higher in the optimistic scenario and overlaps the positive effect of economic growth in the reduction of the PD explains the statistical effect observed.

Restructuring funds

The restructuring funds in which CGD has holdings (notably structures associated with asset lending operations - notes 7 and 8) are measured at their respective fair value by reference to the net asset value (NAV) reported by the fund manager and subject to the risk management division's internal revision of the recoverable value of the assets held by these structures. The analysis indicates the possibility of the need for negative adjustments to the NAV of the restructuring funds and recognition of additional losses to those that would be recognised on the basis of the valuation reported by the fund managers.

This analysis derives from the internal policy approved by CGD's management bodies for the purposes of monitoring the risks inherent to exposures to restructuring funds, in line with the supervisor's recommendations in the furtherance of its adequate internal control and governance activity for the bank's profile and organisational structure and aims to carry out analyses making it possible to challenge the assumptions used by each fund manager.

The work is based on the development of alternative analysis methodologies used to measure the value of the funds' principal assets and accordingly a perception of the deviation potential from the NAV reported by the fund manager.

For analysis purposes, CGD evaluates the information it has available on the assets of each business restructuring fund (representing at least 80% of NAV whenever possible), by verifying historical and projected EBITDA, when provided, and a sensitivity analysis on the fund managers' assumptions in measuring companies' NAVs (namely: discount rates, levels of sales growth, EBITDA margins) whenever available.

As the restructuring fund managers do not supply information on all of the assumptions and respective rationale underpinning corporate valuations, CGD makes use of the internal information housed in its systems which it seeks to complement with the use of sectoral EBITDA multiples to challenge the NAV, i.e. producing a sensitivity analysis on asset valuations.

In the property component, CGD's real estate business division issues an opinion on the valuation of this type of assets, in comparison to the real estate valuations sent to it by the fund managers, applying depreciation rates according to the type of asset and its location. The real estate business division's opinion is used by the risk management division for comparison purposes with the NAV reported by the fund managers.

The analysis carried out by the real estate business division focuses on a prudential approach to the future commercialisation of real estate, taking into account aspects of the long term sustainability of the property price, normal and local market conditions, in addition to current use and possible alternative uses when elements of a speculative nature are not considered in the valuation. The analysis should also include the valuation of external factors, such as the current situation of shortage of raw materials, increase in the price of construction materials and labour and consequent increase in construction costs, hikes in inflation rates and reference interest rates, in addition to the constraints resulting from the current pandemic scenario (incorporation of the effect on the value of assets reflected in several variables, since the worsening of discount rates, capitalisation rates, reduction of occupancy rates or extension of sales periods, etc.), in addition to the effects of the war in Ukraine.

As regards the quantitative information underlying the fair value valuations of the real estate restructuring funds, information on valuations of the analysis of real estate is summarised below:

Fund	Available evaluations vs. GAV(*) of the Fund (in %)	Age of Evaluation Reports	
		Percentage of evaluations carried out in the last 12 months	
		In number of analysed evaluations	In value of analysed evaluations
Fundo Imobiliário Aquarius	100.00%	-	-
Discovery Portugal Real Estate Fund	96.00%	100.00%	100.00%
Flit-Ptrel SICAV	99.00%	43.00%	62.00%
Fundo Recuperação Turismo, FCR	100.00%	100.00%	100.00%
Fundo Imobiliário Vega	100.00%	75.00%	99.00%

(*) GAV: Gross Asset Value

The following table provides a sample of the assumptions underlying the available valuation reports on real estate assets broken down by type of asset:

Type of Asset	Average occupancy rate			Average daily value		
	Minimum	Average	Maximum	Minimum	Average	Maximum
Hotels	20.00%	59.00%	83.00%	40	161	747

Type of Asset	Discount rate			Capitalisation rate			Evaluation method
	Minimum	Average	Maximum	Minimum	Average	Maximum	
Hotels	6.25%	8.71%	19.50%	5.41%	7.33%	9.00%	Market and Income
Land under development	5.00%	10.28%	19.40%	5.40%	7.06%	8.50%	Market and Income
Comercial centers	8.40%	9.01%	9.60%	7.25%	7.98%	9.00%	Market and Income
Rustic land	7.00%	8.56%	12.50%	7.00%	7.17%	7.50%	Market and Income
Housing for sale	5.00%	7.28%	8.50%	5.21%	5.61%	6.00%	Market and Income
Income housing	4.00%	7.83%	11.10%	6.45%	7.30%	8.50%	Market and Income
Offices	7.00%	7.00%	7.00%	6.50%	8.18%	9.00%	Market and Income

The following table provides information on average haircuts by asset type resulting from CGD's analysis of valuations (real estate assets) in comparison to the amount of the valuation:

Type of Asset	Average Haircut
	CGD Analysis vs. Evaluation Value
Hotels	24.00%
Land under development	35.00%
Comercial centers	33.00%
Rustic land	57.00%
Housing for sale	24.00%
Income housing	27.00%
Offices	30.00%

These analyses have resulted in the reporting of adjustments to the NAV of the restructuring funds.

CGD continued to implement its procedures for the disposal of certain holdings in restructuring funds in first half 2022. Reference should be made to the evolution of the organised, competitive sale process, referred to as *Project Crow*, on 100% of the shares of the *FLIT - PTREL SICAV* fund, 100% of the investment units of the *Fundo de Recuperação Turismo* and several hotel assets owned by the referred to recovery fund. The process was launched by CGD and other participants in 2021, and notwithstanding its evolution, there are, to-date, no reliably quantifiable potential effects.

The purchase and sale agreements were signed in August 2022 and the transaction is expected to be completed within 120 days, although it is subject to certain prior conditions, including, *inter alia*, regulatory conditions. There continue to be no reliably quantifiable potential effects (note 41).

Liquidity risk

Liquidity risk derives from the possibility of difficulties:

- (i) In obtaining resources to finance assets, normally leading to higher resource-taking costs but which may also imply a restriction on asset growth; and,
- (ii) The prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution's financial assets.

Liquidity risk may be exemplified by the impossibility of achieving a quick sale of a financial asset at close to its fair value.

Information on the contractual periods to maturity of financial instruments, at June 30, 2022 and December 31, 2021 is set out below in line with the requirements of IFRS 7 - "Financial instruments: disclosures":

	30-06-2022									
	Residual terms of 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	24,344,540	-	-	-	-	-	-	-	-	24,344,540
Cash balances at other credit institutions	600,363	-	-	-	-	-	-	-	(3)	600,360
Loans and advances to credit institutions	2,398,945	732,129	204,310	136,829	28,184	2,489	6,166	47,507	64,426	3,620,984
Securities										
Trading	179	82,000	285,195	647,735	16,475	3,120	36,482	15,277	311,285	1,397,748
Other	392,973	597,955	950,355	694,114	3,154,885	3,221,862	9,520,670	1,052,609	205,956	19,791,380
Loans and advances to customers (gross balances)	2,309,637	2,192,873	2,413,222	3,528,476	11,317,427	9,129,037	14,250,710	24,184,591	219,836	69,545,811
Assets with repurchase agreement	-	-	-	540	1,080	1,080	31,759	20,085	(4,203)	50,341
Hedging derivatives	-	-	-	-	-	-	-	-	24,123	24,123
	30,046,637	3,604,957	3,853,082	5,007,695	14,518,051	12,357,589	23,845,788	25,320,068	821,420	119,375,287
Liabilities										
Resources of central banks and credit institutions	(396,173)	(437,386)	(24,279)	(102)	(5,926,093)	(10)	(240)	-	(9,389)	(6,793,672)
Customer resources and other loans	(54,480,179)	(10,043,829)	(16,554,725)	(1,622,205)	(519,087)	(6,482)	(7,079)	(4,546)	(240,322)	(83,478,453)
Debt securities	-	(1,875)	-	(8,625)	(18,375)	(812,376)	-	(20,050)	(830)	(862,131)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(209,580)	(209,580)
Hedging derivatives	-	-	-	-	-	-	-	-	(2,741)	(2,741)
Subordinated liabilities	-	-	(6,250)	(5,980)	(1,053,212)	(11,960)	(105,994)	-	-	(1,183,395)
Consigned resources	(28,235)	(21,373)	(3,599)	(302,570)	(27,057)	(318,578)	(15,893)	(8,864)	(2)	(726,170)
	(54,904,586)	(10,504,463)	(16,588,853)	(1,939,482)	(7,543,824)	(1,149,405)	(129,205)	(33,459)	(462,864)	(93,256,142)
Derivatives	(1,519)	12,492	(26)	7,851	36,060	20,203	19,492	(15,309)	-	79,244
Difference	(24,859,468)	(6,887,015)	(12,735,797)	3,076,063	7,010,288	11,228,387	23,736,074	25,271,301	358,556	26,198,388

	31-12-2021									
	Residual terms of 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	23,003,327	-	-	-	-	-	-	-	-	23,003,327
Cash balances at other credit institutions	675,926	-	-	-	-	-	-	-	-	675,926
Loans and advances to credit institutions	2,210,163	632,732	175,024	130,993	36,534	2,471	6,167	48,739	33,495	3,276,318
Securities										
Trading	315	4,156	7,403	300,327	6,407	5,977	49,875	3,356	419,961	797,777
Other	256,810	788,397	1,713,140	1,541,880	2,771,261	2,762,389	10,423,550	611,414	1,056,235	21,925,075
Loans and advances to customers (gross balances)	2,257,424	2,340,386	2,287,380	3,425,566	11,105,341	8,693,386	12,840,193	17,621,143	220,338	60,791,157
Assets with repurchase agreement	-	2,374	6,613	-	-	-	-	-	(308)	8,679
Hedging derivatives	-	-	-	-	-	-	-	-	5,898	5,898
	28,403,964	3,768,044	4,189,561	5,398,767	13,919,542	11,464,223	23,319,786	18,284,651	1,735,618	110,484,156
Liabilities										
Resources of central banks and credit institutions	(479,793)	(124,871)	(5,841,149)	(447,889)	-	-	(221)	-	(9,911)	(6,903,835)
Customer resources and other loans	(52,166,560)	(9,596,677)	(15,916,584)	(1,784,665)	(661,230)	(17,461)	(6,864)	(6,150)	(151,554)	(80,307,744)
Debt securities	(1,009,596)	(16)	(250,371)	(1,881)	(9,762)	(503,750)	-	(20,050)	(395)	(1,795,822)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(381,661)	(381,661)
Hedging derivatives	-	-	-	-	-	-	-	-	(35,628)	(35,628)
Subordinated liabilities	-	(5,980)	(28,750)	(6,250)	(1,053,212)	(11,960)	(111,974)	-	-	(1,218,125)
Consigned resources	(6,972)	(202)	(90)	(23,359)	(329,078)	(341,905)	(14,848)	(8,737)	9	(725,181)
	(53,662,920)	(9,727,746)	(22,036,944)	(2,264,045)	(2,053,282)	(875,075)	(133,907)	(34,937)	(579,139)	(91,367,996)
Derivatives	(733)	8,016	1,842	6,733	24,402	(8,710)	(8,683)	(13,871)	-	8,995
Difference	(25,259,690)	(5,951,686)	(17,845,542)	3,141,455	11,890,663	10,580,438	23,177,196	18,235,843	1,156,479	19,125,155

The above tables also include cash flow projections on principal and interest and are not directly comparable to the accounting balances at June 30, 2022 and December 31, 2021. 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 principal and interest flows took into consideration expectations of early repayment rates based on an analysis of the past performance of operations and present macroeconomic context.

The following tables, which provide information on the "structural" (as opposed to contractual) periods to maturity in CGD group's balance sheet, at June 30, 2022 and December 31, 2021, differ from the latter tables in employing the following assumptions:

- (i) *Debt and equity securities*. Reallocation of amounts with adequate liquidity to the "up to 1 month" bucket, except for collateralised debt securities which are allocated to buckets corresponding to the maturity of the operations they are collateralising;
- (ii) *Customers' demand deposits and savings accounts without a defined maturity (CGD Portugal, France branch and BNU)*. Distribution of balance by period-to-maturity buckets in accordance with internally developed studies and models;
- (iii) *Customers' demand deposits (CGD group entities)*. Distribution of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to "up to 6 years buckets" based on a uniform distribution of balances. This approach endeavours to meet

the recommendations of the Basel Committee on Banking Supervision (BCBS) on the average and maximum maturity of core deposits.

The amounts presented also correspond to outstanding capital balances and do not include interest projections or accrued interest.

30-06-2022										
Residual terms of structural 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	24,344,540	-	-	-	-	-	-	-	0	24,344,540
Cash balances at other credit institutions	600,359	-	-	-	-	-	-	-	0	600,359
Loans and advances to credit institutions	2,398,356	428,392	210,967	149,365	85,432	61,582	153,904	37,633	65,637	3,591,268
Securities										
Trading	453,384	11,994	40,925	92,599	310,814	215	4,963	164,263	311,285	1,390,442
Other	7,670,308	75,455	123,609	64,344	5,582,557	391,864	1,243,097	2,879,913	205,956	18,237,104
Loans and advances to customers (gross balances)	2,216,910	2,018,949	2,121,761	2,969,595	8,637,380	6,978,197	9,920,486	17,662,260	219,836	52,745,374
Assets with repurchase agreement	45,797	-	-	-	-	-	-	-	-	45,797
Hedging derivatives	-	-	-	-	-	-	-	-	24,123	24,123
	37,729,654	2,534,790	2,497,261	3,275,904	14,616,183	7,431,857	11,322,451	20,744,070	826,838	100,979,007
Liabilities										
Resources of central banks and credit institutions	(390,465)	(355,170)	(24,197)	(476)	(5,801,318)	(1,355)	(678)	-	(9,389)	(6,583,048)
Customer resources and other loans	(2,598,284)	(1,976,146)	(2,192,044)	(3,194,289)	(5,699,059)	(3,989,913)	(6,400,761)	(55,338,826)	(1,946,675)	(83,335,998)
Debt securities	-	-	-	-	(6,000)	(800,000)	-	(20,050)	(830)	(826,880)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(209,580)	(209,580)
Hedging derivatives	-	-	-	-	-	-	-	-	(2,741)	(2,741)
Subordinated liabilities	-	-	-	-	(1,000,000)	-	(100,000)	-	-	(1,100,000)
Consigned resources	(27,245)	(17,537)	(2,766)	(300,000)	(19,393)	(315,089)	(14,286)	(8,571)	(2)	(704,889)
	(3,015,993)	(2,348,853)	(2,219,007)	(3,494,766)	(12,525,770)	(5,106,357)	(6,515,724)	(55,367,448)	(2,169,218)	(92,763,137)
Derivatives	(1,519)	12,492	(26)	7,851	36,060	20,203	19,492	(15,309)	-	79,244
Difference	34,712,142	198,428	278,228	(211,011)	2,126,473	2,345,702	4,826,219	(34,638,687)	(1,342,380)	8,295,114

31-12-2021										
Residual terms of structural 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	23,003,327	-	-	-	-	-	-	-	-	23,003,327
Cash balances at other credit institutions	675,905	-	-	-	-	-	-	-	-	675,905
Loans and advances to credit institutions	2,206,020	631,413	174,524	130,514	33,969	4	6	37,633	33,495	3,247,577
Securities										
Trading	171,971	683	110,313	45,006	686	664	7,332	53,034	402,449	792,139
Other	8,961,159	117,366	5,932,491	205,002	323,692	344,772	1,429,311	2,819,690	143,732	20,277,214
Loans and advances to customers (gross balances)	1,953,780	1,997,600	2,036,373	2,437,773	8,179,819	6,533,388	9,365,811	18,772,737	220,338	51,497,618
Assets with repurchase agreement	5,650	2,047	131	-	-	-	-	-	-	7,828
Hedging derivatives	-	-	-	-	-	-	-	-	5,898	5,898
	36,977,810	2,749,110	8,253,832	2,818,294	8,538,166	6,878,828	10,802,460	21,683,094	805,912	99,507,505
Liabilities										
Resources of central banks and credit institutions	(442,164)	(125,773)	(5,804,395)	(356,417)	(12,022)	(12,022)	(6,012)	-	(9,911)	(6,768,715)
Customer resources and other loans	(5,460,433)	(2,798,153)	(2,041,419)	(3,170,551)	(5,591,027)	(3,933,726)	(5,682,075)	(50,898,573)	(151,554)	(79,727,510)
Debt securities	(999,600)	-	(250,000)	-	(6,000)	(500,000)	-	(20,050)	(395)	(1,776,045)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(381,661)	(381,661)
Hedging derivatives	-	-	-	-	-	-	-	-	(35,628)	(35,628)
Subordinated liabilities	-	-	-	-	(1,000,000)	-	(100,000)	-	-	(1,100,000)
Consigned resources	(6,972)	-	-	(20,303)	(317,855)	(316,627)	(14,286)	(8,571)	9	(684,605)
	(6,909,169)	(2,923,926)	(8,095,814)	(3,547,271)	(6,926,904)	(4,762,374)	(5,802,372)	(50,927,194)	(579,139)	(90,474,163)
Derivatives	(733)	8,016	1,842	6,733	24,402	(8,710)	(8,683)	(13,871)	-	8,995
Difference	30,067,908	(166,800)	159,860	(722,244)	1,635,664	2,107,744	4,991,405	(29,257,972)	226,773	9,042,337

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 main financial assets and liabilities, at amortised cost, at June 30, 2022 and December 31, 2021:

	30-06-2022						Total book value
	Balances analysed				Difference	Balances not analysed	
	Book value	Fair value				Book value	
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalents at central banks	24,339,582	-	-	24,339,582	-	-	24,339,582
Cash balances at other credit institutions	601,727	-	-	601,727	-	-	601,727
Loans and advances to credit institutions	3,524,272	-	-	3,533,283	9,011	64,432	3,588,704
Financial assets with repurchase agreement	50,000	-	-	45,079	(4,921)	(4,203)	45,797
Investments at amortised cost	13,821,778	11,221,309	251,425	1,475,627	(873,418)	61,236	13,883,014
Loans and advances to customers	52,686,164	1,161,200	43,066	53,402,868	1,920,970	(1,125,847)	51,560,317
	95,023,522	12,382,509	294,490	83,398,166	1,051,643	(1,004,382)	94,019,140
Liabilities							
Resources of central banks and other credit institutions	(6,578,236)	-	-	(6,400,817)	177,418	66,528	(6,511,708)
Customer resources and other loans	(83,315,933)	-	-	(83,458,549)	(142,616)	(56,811)	(83,372,744)
Debt securities	(828,168)	(733,376)	-	(56,123)	38,669	(183)	(828,351)
Other subordinated liabilities	(1,103,744)	(1,092,794)	-	(6,433)	4,517	-	(1,103,744)
Consigned resources	(704,872)	-	-	(724,846)	(19,974)	(17)	(704,889)
	(92,530,952)	(1,826,170)	-	(90,646,769)	58,014	9,517	(92,521,435)

	31-12-2021						Total book value
	Balances analysed				Difference	Balances not analysed	
	Total book value	Fair value				Book value	
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalents at central banks	23,000,073	-	-	23,000,073	-	-	23,000,073
Cash balances at other credit institutions	677,351	-	-	677,351	-	-	677,351
Loans and advances to credit institutions	3,188,633	-	-	3,197,302	8,669	57,731	3,246,364
Financial assets with repurchase agreement	8,136	-	-	8,098	(38)	(308)	7,828
Investments at amortised cost	12,978,162	11,836,730	227,376	1,196,778	282,722	16,112	12,994,274
Loans and advances to customers	51,526,513	1,241,577	385,558	50,413,747	514,369	(1,342,849)	50,183,664
	91,378,868	13,078,307	612,934	78,493,349	805,722	(1,269,314)	90,109,553
Liabilities							
Resources of central banks and other credit institutions	(6,764,941)	-	-	(6,750,434)	14,506	19,739	(6,745,201)
Customer resources and other loans	(79,746,003)	-	-	(79,802,808)	(56,804)	(9,687)	(79,755,690)
Debt securities	(1,789,581)	(1,501,115)	-	(279,926)	8,539	(133)	(1,789,714)
Other subordinated liabilities	(1,117,883)	(1,062,873)	-	(89,701)	(34,690)	-	(1,117,883)
Consigned resources	(684,588)	-	-	(688,297)	(3,708)	(16)	(684,605)
	(90,102,997)	(2,563,988)	-	(87,611,165)	(72,157)	9,903	(90,093,093)

Fair value was assessed on the following assumptions:

- (i) The book value of balances payable on demand corresponds to their fair value;
- (ii) The fair value corresponds to the respective net market price of listed debt issuances;
- (iii) 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, in addition to, 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 rates incorporating average spreads on new lending operations and customers' deposits on like-for-like loans and deposits.
- (iv) The "Balances not analysed" column essentially includes:
 - Overdue credit, net of impairment; and,
 - The balances of several branches not included in CGD's centralised calculation.

Fair value

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at June 30, 2022 and December 31, 2021 may be summarised as follows:

	30-06-2022			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	1,070,924	-	0	1,070,925
Other financial assets at fair value through profit or loss	176,350	-	1,136,646	1,312,996
Financial assets at fair value through other comprehensive income	3,260,058	84,370	219,066	3,563,495
Assets with repurchase agreement	28,343	-	17,454	45,797
Trading derivatives	-	109,860	77	109,937
Hedging derivatives	-	21,382	-	21,382
	4,535,676	215,613	1,373,243	6,124,531

	31-12-2021			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	373,402	1,194	0	374,597
Other financial assets at fair value through profit or loss	182,294	-	1,151,056	1,333,350
Financial assets at fair value through other comprehensive income	5,720,014	109,008	202,797	6,031,819
Assets with repurchase agreement	-	-	7,828	7,828
Trading derivatives	-	35,760	120	35,880
Hedging derivatives	-	(29,729)	-	(29,729)
	6,275,710	116,233	1,361,802	7,753,745

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 – Observable market inputs. This column includes financial instruments whose value is measured on the basis of internal models using, *inter alia*, observable market inputs (interest rates, exchange rates, ratings attributed by external entities). 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 NAV (net asset value) as supplied by restructuring or closed-end fund management companies.

Information on financial instruments movements across first half 2022 classified in the "Other valuation techniques" column is set out below:

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income			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 31-12-2021	1,150,957	100	1,151,057	89,044	2,385	119,196	210,625	120	1,361,802
Acquisitions	26,473	-	26,473	37	-	98,549	98,586	-	125,058
Sales	(21,801)	-	(21,801)	(6,208)	(356)	-	(6,564)	-	(28,365)
Amortisations	(22,993)	-	(22,993)	-	(15)	(52,077)	(52,092)	-	(75,086)
Gains / (losses) recognised as a charge to net income - alienated instruments	3,600	-	3,600	87	-	(19,048)	(18,961)	-	(15,362)
Gains / (losses) recognised as a charge to net income - portfolio instruments (*)	(3,380)	(5)	(3,385)	(302)	18	2,130	1,846	(1,783)	(3,321)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(79)	(54)	(3,365)	(3,498)	-	(3,498)
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	-	-	-	1,739	1,739
Exchange differences	3,696	-	3,696	425	-	6,153	6,578	-	10,274
Other	-	-	-	-	0	-	0	-	0
Book value (net) at 30-06-2022	1,136,551	95	1,136,646	83,005	1,978	151,538	236,520	77	1,373,243

(*) Includes values of equity unit redemption portfolios

At June 30, 2022 and December 31, 2021 a positive shift of 100 bps on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, would result in decreases of around €55.66 thousand and €36.80 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

At June 30 2022, equity instruments measured by other measurement techniques (level 3) essentially include investment structures measured on the basis of data on the net asset value of the underlying assets supplied by management bodies or other information services providers.

Transfers between levels 1 and 2 of the fair value ranking, across the first half year, were as follows:

	30-06-2022	
	Assets at fair value through other comprehensive income	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	12,627	13,331
	12,627	13,331

Derivatives

Derivatives are traded in organised and OTC (over-the-counter) 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 inputs necessary for the measurement also depends upon the operations' characteristics, but generally includes yield curves, volatility curves, equities/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 (forwards rate agreements) 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 of a series of its component parts if there are no listed options for an underlying asset.

The prices of shares/indices, exchange rates and dividend yields are provided by Reuters/Bloomberg.

Under IFRS 13 – “Fair value measurement” requirements, CGD incorporated add-ons to its measurement of these said financial instruments to reflect its own credit risk based on a market discount curve it considers 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 obtained therefore comprises the risk-free measurement combined with this element.

Credit value adjustments and debt value adjustments – CVAs/DVAs – are assessed by a methodology implemented on a Caixa group level. This methodology is based on an estimation of exposure at the time of default (exposure at default or EAD) on each operation and the application of risk parameters on the estimated EAD for assessing CGD’s expected loss (CVA) and that of the counterparty (DVA).

In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the operations’ future potential exposure. For the remaining products, EAD usually corresponds to the instrument’s fair value on the reference date.

The risk parameters consist of probabilities of default (PDs) and loss given defaults (LGDs) and are centrally assessed by the group on the basis of the following criteria:

- (i) For counterparties or projects with listed debt or available credit default swap prices, the group infers the prices’ underlying risk parameters which it uses in the calculation; and,
- (ii) The remaining counterparties or projects are classified by credit quality based on a set of quantitative and qualitative criteria, resulting in an internal rating the group matches to a historical PD.

The value of credit value adjustments (CVAs) at June 30, 2022 recognised in the "Financial assets held-for-trading" account and DVAs recognised in the "Financial liabilities held-for-trading" account totalled €4,758 thousand and €851 thousand respectively (€8,335 thousand and €704 thousand, respectively, at December 31, 2021).

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 adequate 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 inputs used for internal valuations are obtained from Bloomberg and Refinitiv (e.g. Thomson Reuters) systems. There are, however, several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. The prices of these securities are measured by the use of theoretical internal/external valuations.

The measurements are generally based on estimated future discounted cash flows which may be forecast by a reasonably complex model ranging from simple discounted cash flows resulting from forward rates (obtained from the most appropriate 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 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 measurements provided by structurers, issuing entities or counterparties (external measurements) are generally allocated to level 3 as are securitisations with reduced liquidity.

Yield curves are produced using 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 levels of exposure, at June 30, 2022 and December 31, 2021 were as follows:

	30-06-2022			31-12-2021		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	(0.4750)	1.7250	1.3600	(0.5650)	0.0600	0.1700
1 month	(0.4050)	1.8950	1.3400	(0.5550)	0.1550	0.2450
2 months	(0.2750)	2.2050	1.5500	(0.5550)	0.1750	0.3150
3 months	(0.1750)	2.3750	1.7000	(0.5550)	0.2150	0.3750
6 months	0.2450	3.1250	2.2300	(0.5350)	0.3450	0.5550
9 months	0.6950	3.5150	2.7000	(0.5050)	0.4750	0.7550
1 year	1.0250	3.7350	3.0000	(0.4850)	0.6150	0.8850
2 years	1.3620	3.2605	2.8503	(0.2970)	0.9215	1.2180
3 years	1.5440	3.1180	2.7812	(0.1450)	1.1575	1.3218
5 years	1.7910	3.0430	2.7028	0.0190	1.3550	1.3087
7 years	1.9650	3.0220	2.6299	0.1320	1.4615	1.2554
10 years	2.1710	3.0430	2.6013	0.3010	1.5735	1.2217
15 years	2.3520	3.1120	2.5620	0.4850	1.6980	1.1945
20 years	2.2660	3.0880	2.5116	0.5380	1.7610	1.1658
25 years	2.1160	2.9810	2.4746	0.5120	1.7570	1.1419
30 years	1.9830	2.8790	2.4339	0.4650	1.7380	1.1197

The values of the credit curves of the Portuguese and German governments, at June 30, 2022 and December 31, 2021 were as follows:

	30-06-2022		31-12-2021	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	(0.2806)	(0.4980)	(0.8634)	(0.7300)
6 months	(0.1015)	(0.1090)	(0.8392)	(0.6990)
9 months	0.2328	0.0920	(0.7445)	(0.7040)
1 year	0.4978	0.4010	(0.7217)	(0.6520)
2 years	1.0232	0.6315	(0.6117)	(0.6350)
3 years	1.1677	0.7221	(0.4624)	(0.6736)
5 years	1.5989	1.0630	(0.1738)	(0.4585)
7 years	1.8776	1.1240	0.1091	(0.3580)
10 years	2.2622	1.3395	0.4306	(0.1825)
15 years	2.6454	1.5940	0.8317	0.0150
20 years	2.8035	1.5912	1.0401	(0.0617)
25 years	2.9400	1.5870	1.1664	0.0614
30 years	2.9565	1.6150	1.1742	0.1845

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several of the relevant currencies at June 30, 2022 and December 31, 2021:

	30-06-2022	31-12-2021
EUR/USD	1.0387	1.1326
EUR/GBP	0.8582	0.8403
EUR/CHF	0.9960	1.0331
EUR/AUD	1.5099	1.5615
EUR/JPY	141.5400	130.3800
EUR/BRL	5.4229	6.3101

Market risk

Market risk comprises the risk of a change in fair value or the cash flows of financial instruments deriving from changes in market prices, including foreign exchange, interest rate and price risks.

Market risk assessment is based on the following metrics:

- (i) 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 creating a value and liquidity reserve. It includes the remaining securities in CGD'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 Brazil, BCI and BNU.
- (ii) Sensitivity analysis on all financial instruments sensitive to interest rate risk, managed by the trading rooms and recognised in CGD's and the following group subsidiaries' separate financial statements:
 - Caixa - Banco de Investimento;
 - BCI; and,
 - BNU.
- (iii) Sensitivity analysis on all financial instruments with optionality; and,
- (iv) 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 fully explained by past events, based on the following assumptions:

- *Holding period*. 10 days (investment and own portfolios) and 1 day (trading portfolio and treasury management activity);
- *Confidence level*. 99% (investment and own portfolios) and 95% (trading portfolio and treasury management activity);
- *Price sample period*. Last 500 observations; and,

- Decay factor = 1, i.e. all 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, 2022 and December 31, 2021:

Activity performed under the aegis of Caixa Geral de Depósitos

Held-for-Trading portfolio (VaR 99%, 10 days)

	30-06-2022	Maximum	Minimum	31-12-2021
VaR	12,178	15,264	9,773	14,467

Held-for-Trading portfolio (VaR 95%, 1 day)

	30-06-2022	Maximum	Minimum	31-12-2021
<i>VaR by type of risk</i>				
Interest rate	199	555	158	205
Foreign exchange rate	38	495	2	38
Price	-	30	-	-
Volatility	2	12	1	7
Diversification effect	(12)	-	-	(52)
	226	1,092	161	197

Treasury management (VaR 95%, 1 day)

	30-06-2022	Maximum	Minimum	31-12-2021
<i>VaR by type of risk</i>				
Interest rate	2,911	2,911	1,738	2,367
Foreign exchange rate	4,211	4,804	2,810	3,928
Diversification effect	(2,391)	-	-	(1,596)
	4,731	7,715	4,548	4,698

Own portfolio (VaR 99%, 10 days)

	30-06-2022	Maximum	Minimum	31-12-2021
<i>VaR by type of risk</i>				
Interest rate	617	617	288	290
Foreign exchange rate	4	139	-	111
Price	256	1,290	-	1,272
Diversification effect	(379)	-	-	(427)
	498	2,046	288	1,246

Investment portfolio (VaR 99%, 10 days)

	30-06-2022	Maximum	Minimum	31-12-2021
<i>VaR by type of risk</i>				
Interest rate	16,863	71,091	14,837	71,430
Volatility	-	3	-	3
Diversification effect	-	-	-	(9)
	16,863	71,094	14,837	71,424

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2022	Maximum	Minimum	31-12-2021
<i>VaR by type of risk</i>				
Interest rate	962	5,985	714	5,820
Foreign exchange rate	319	980	319	970
Price	8	458	8	46
Volatility	3	7	1	4
Diversification effect	(484)	-	-	(779)
	809	7,430	1,042	6,061

The diversification effect is calculated implicitly. Total VaR (value at risk) refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

Foreign exchange risk

VaR analysis – foreign exchange risk

To guarantee the control and measurement of foreign exchange risk, CGD calculates and monitors value at risk (VaR) and limits on its total open position and open position by currency for each relevant group subsidiary on a daily basis, consolidating the amounts every month.

Information on CGD group management perimeter's VaR (10 days with a 99% confidence level) by currency, at June 30, 2022 and December 31, 2021 is shown in the following table:

	30-06-2022	31-12-2021
Hong Kong Dollar	548	12
Macau Pataca	1	2
South African Rand	2	21
US Dollar	390	1,679
Mozambican Meticaís	699	587
Pound Sterling	33	52
Japanese Yen	10	3
Other currencies	1,527	3,602
Diversification effect	(1,101)	(1,445)
	2,110	4,513

Based on the application of the above referred to methodology the diversification effect is calculated implicitly.

41. Subsequent events

Disposal of holding in Esegur, S.A.

Caixa's equity stake in Esegur was sold to the Spanish group Trablisa on July 28 2022. No additional impact was recognised in the group's accounts as its book value had already been reflected in the estimated amount of the sale.

Banco Interatlântico

CGD acquired 11,687 shares representing 11.69% of the equity of Banco Interatlântico on August 3, 2022, increasing its stake in the bank from 70% to 81.687%.

Nostrum Mortgages N.º 2

Following CGD's resolution of August 22, 2022, the early repayment option on the Nostrum 2010 transaction was exercised and the portfolio credits repurchased from TAGUS (securitisation company), resulting in the liquidation of the structure.

Agreement for the sale of investments in restructuring funds and other assets (Project Crow)

In first half 2022, CGD and other investors used the *ECS Capital* fund manager to launch an organised, competitive sale process, on the sale of 100% of the shares of the *FLIT - PTREL SICAV* ("FLIT") fund, 100% of the investment units of the *Fundo de Recuperação Turismo, FCR* ("FRT") and several hotel assets owned by the *Fundo de Recuperação* ("Project Crow").

This was followed by the purchase and sale agreements entered into with Corvus Acquisitions DAC on August 12.

The implementation of *Project Crow* involves a reorganisation of assets to be carried out before its closing date and will include:

- (a) Several assets currently indirectly owned by FLIT and FRT which will have to be eliminated from the transaction perimeter prior to the transaction's closing date ("carve-out"); and,
- (b) Several hotel assets currently indirectly owned by *Fundo Recuperação, FCR* to be indirectly acquired by FLIT prior to the transaction's closing date ("carve-in").

Project Crow's transaction perimeter will therefore involve:

- (i) FRT's investment units together with the assets directly and indirectly owned by it, with the exception of those included in the carve-out;
- (ii) FLIT shares together with the assets directly and indirectly owned by it, with the exception of those included in the carve-out; and,
- (iii) Each of the carve-in's assets that will be previously transferred to a FLIT subsidiary.

The closing date of the *Project Crow* transaction, scheduled for the end of the year, is also subject to certain prior conditions, including regulatory and other conditions, thus, remaining potential effects associated with the operation that cannot be quantified with complete reliability on this date.

42. 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 AUGUST.

I. Business Model	
1. Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	Board of Directors' Report 2021: <ul style="list-style-type: none"> • Message from the Chairman and CEO of Board of Directors • CGD Today • Activity and financial information Corporate Governance Report. See I.1 above.
2. Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	Board of Directors' Report 1st half 2022: <ul style="list-style-type: none"> • Activity and financial information • Notes 13, 21 and 23 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 2021: <ul style="list-style-type: none"> • CGD today • Activity and financial information Board of Director's Report – 1st half 2022: <ul style="list-style-type: none"> • Activity and financial information • Notes 26 and 37 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 2021: <ul style="list-style-type: none"> • Risk management Board of Director's Report – 1st half 2022: <ul style="list-style-type: none"> • 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 2021: <ul style="list-style-type: none"> • Risk management • Note 43 (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 2022: <ul style="list-style-type: none"> • Note 40 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 2022: <ul style="list-style-type: none"> • Activity and financial information • Notes 6, 8, 18 and 36 of Annex to the Consolidated FS.

III. Impact of period of financial turmoil on results (cont.)		
9.	<p>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);</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Note 40 (types of products and instruments affected by the period of turmoil) of Annex to the Consolidated FS.
10.	<p>Description of the reasons and factors responsible for the impact;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Economic and Financial Situation • Activity and financial information <p>See items III. 8 and III.9 above.</p>
11.	<p>Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;</p>	<p>See items III.8 to III.10 above.</p>
12.	<p>Breakdown of "write-downs" between realised and unrealised amounts;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Note 40 of Annex to the Consolidated FS <p>See items III.8 to III.10 above.</p>
13.	<p>Description of the influence of the financial turmoil on the entity's share prices;</p>	<p>N.A.</p>
14.	<p>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;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Risks and uncertainties <p>See item III.10 above.</p>
15.	<p>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;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Activity and financial information <p>Liabilities issued by CGD Group are recognised at amortised cost.</p>
IV. Levels and types of exposures affected by the period of turmoil		
16.	<p>Nominal (or amortised cost) and fair value of "live" exposures;</p>	<p>Board of Directors' Report 2021:</p> <ul style="list-style-type: none"> • Risk management <p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Note 2 and Note 40 (comparison between the fair and book value of assets and liabilities recognised at amortised cost) of Annex to the Consolidated FS.
17.	<p>Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 10 and Note 40 of Annex to the Consolidated FS.
18.	<p>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;</p>	<p>Board of Director's Report – 1st half 2022:</p> <ul style="list-style-type: none"> • Note 40 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 2022: • 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 2022: • Notes 7, 8 and 40 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 2021: • Note 43 of Annex to the Consolidated FS; Board of Director's Report – 1st half 2022: • Note 2 and 40 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 2022: • Note 2 of Annex to the Consolidated FS.

2.3. Glossary and acronyms

Glossary

Cost-to-income ⁽¹⁾

Operating costs / (Total operating income + Income of associated companies).

Cost of credit risk

Credit impairment for the period (net) / Average* loans and advances to customers balance (gross).

Coverage ratio on forborne loans and advances ⁽²⁾

Accumulated impairment on forborne loans under probation / Total forborne exposures.

Coverage ratio on Non-performing exposure ⁽²⁾

(Accumulated impairment on: Debt securities + Loans and advances to customers + Off balance-sheet exposures) / Total non-performing exposures (gross).

Coverage ratio on Non-performing loans ⁽²⁾

Accumulated impairment on loans and advances to customers / Total non-performing loans (gross).

Employee costs / Total operating income ⁽¹⁾

Employee costs / Total operating income.

Forborne ratio for loans and advances ⁽²⁾

Forborne loans and advances under probation / Total loans advances to customers (gross).

Gross return on assets (ROA) ⁽¹⁾⁽³⁾

Income before tax and non-controlling interests / Average* net assets.

Gross return on equity (ROE) ⁽¹⁾⁽³⁾

Income before tax and non-controlling interests / Average* shareholders' equity.

Loans-to-deposits ratio ⁽¹⁾

(Total loans and advances to customers – Accumulated impairment on loans and advances to customers) / Customer deposits.

Net interest income

Interest and similar income - Interest and similar costs.

Net interest income including income from equity instruments

Net interest income + Income from equity instruments.

Net operating income

Net operating income before impairments - Provisions and impairments.

Net operating income before impairments

Total operating income - Operating costs.

Net return on assets (ROA) ⁽³⁾

(Income after tax and non-controlling interests) / Average* net assets.

Net return on equity (ROE) ⁽³⁾

Income after tax and non-controlling interests / Average* shareholders' equity.

Non-interest income

Net fees and Commissions + Net trading income + Other operating income.

NPE - Non-performing exposure ratio ⁽²⁾

(Non-performing: Debt securities + Loans and advances to customers + Off balance-sheet exposures) / (Gross: Total debt securities + Loans and advances to customers + Off balance-sheet exposures).

NPL - Non-performing loans ratio ⁽²⁾

Non-performing loans and advances to customers / Total loans and advances to customers (gross).

Operating costs

Employee costs + Administrative costs + Depreciation and amortization for the period.

Operating costs / average net assets

Operating costs / Average* net assets.

Return on Tangible Equity (ROTE)

Net income / (Average* shareholders' equity – Average* intangible assets).

Net fees and commissions

Fees and commissions income – Fees and commissions expenses.

Securities investments

Financial assets at fair value through profit or loss + Available for sale financial assets + Financial assets held to maturity.

Total operating income

Net interest income + Income from equity instruments + Non-interest income.

Total operating income / average net assets ⁽¹⁾

(Total operating income + Income from associated companies) / Average* of net assets.

*Average of the last 13 monthly observations.

1) As defined by Bank of Portugal Instruction 6/2018.

2) As defined by EBA.

3) Income after tax: net income for the period attributable to the shareholder of CGD and net income for the period attributable to non-controlling interests.

Acronyms

€, EUR – Euro	mEuros – Thousands of euros
EA – Euro Area	Mios - Millions
APFIPP – Portuguese Investment, Pension and Asset Funds Association	MPE – Multiple Point-of-Entry
ASPT – Suspension of Work Agreements	MREL – Minimum Requirements for own funds and Eligible Liabilities
AT1 – Additional Tier 1	NPE – Non-performing exposures
BCBS – Basel Committee on Banking Supervision	NPL – Non performing loans
ECB – European Central Bank	NSFR - Net Stable Funding Ratio
BCGA – Banco Caixa Geral Angola	WHO – World Health Organization
BCI – Banco Comercial e de Investimentos	O-SII – Other Systemically Important Institutions
BNU – Banco Nacional Ultramarino, S.A.	b.p. – basis points
Bpv – Baisis point value	p.p. – percentual points
BRRD2 – Bank Recovery Resolution Directive 2	P2R – Pillar 2 Requirement
Caixa, CGD – Caixa Geral de Depósitos,SA	P2G – Pillar 2 Guidance
CALCO – Asset-liability committee	PEPP – Pandemic Emergency Purchase Programme
CCB – Capital Conservation Buffer	PH – Retirement and early retirement voluntary plan
CDP – Carbon Disclosure Project	GDP – Growth Domestic Product
CDS – Credit Default Swaps	SME – Small and medium-sized enterprises
CEBS – Committee of European Banking Supervisors	PPR – Retirement plan
CET1 – Common Equity Tier 1	PRR – Recovery and Resilience Plan
CoCos – Contingent Convertibles	RAEM – Macau Special Administrative Region
CRO – Chief Risk Officer	ROA – Return on Assets
CRR – Capital Requirements Regulation	ROE - Return on Equity
DG Comp – Directorate-General for Competition	RWA – Risk-Weighted Assets
DGS – Directorate-General of Health	SGCN – Business Continuity Management System
EBA – European Banking Authority	SREP - Supervisory Review and Evaluation Process
ES – Expected Shortfall	SSM – Single Supervisory Mechanism
ESG - Environmental, social, and governance	TLAC - Total Loss Absorbing Capacity
US – United States of America	TLTRO – Targeted longer-term refinancing operations
FED – Federal Reserve	ATP – Automatic Payment Terminal
EIF – European Investment Fund	TSCR – Total SREP Capital Requirement
IMF – International Monetary Fund	EU – European Union
FVTOCI - Fair Value Through Other Comprehensive Income	VaR – Value at Risk
FVTPL – Fair Value Through Profit or Loss	
IDR – Issuer Default Rating	
IFRS – International Financial Reporting Standards	
HICP – Harmonised Index of Consumer Prices	
KPI – Key Performance Indicator	
LCR – Liquidity Coverage Ratio	
LGD – Loss Given Default	
MDA – Maximum Distributable Amount	
M&A – Mergers & Acquisitions	
M€ – Millions of euros	

*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 interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements of Caixa Geral de Depósitos, S.A. ("CGD") which comprise the condensed consolidated interim balance sheet as at June 30, 2022 (which shows a total of 106,595,581 thousands euros and total equity of 9,397,110 thousand euros, including a net income attributable to the shareholder of CGD of 485,698 thousand euros), the condensed consolidated interim income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement 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 interim 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 interim 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 interim financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2022 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 29th September 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC n.º 1230
Registered at CMVM with n.º 20160841





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