MARKET DISCIPLINE

2020

Contents

List of Tables

List of Figures

Introductory note

The document 'Market Discipline 2020' aims to supplement the Notes to the annual Financial Statements, providing more detailed information to the market on the risk exposure and solvency of the Caixa Geral de Depósitos Group ('CGD' or 'CGD Group'), as planned in Part VIII of Regulation (EU) no. 575/2013 of the European Parliament and of the Council and following EBA directives (EBA/2016/11) of 4 August 2017.

Except when explicitly mentioned, the information provided concerns the CGD Group's position and banking book perimeter, on 31 December 2020 and monetary amounts correspond to thousands of euros, having been ascertained through prudential consolidation.

I. Declaration of responsibility

The Board of Directors of Caixa Geral de Depósitos, S.A.:

- Certifies that all procedures considered necessary were undertaken and that, to its knowledge, all disclosed information is factual and reliable;
- Ensures the quality of all disclosed information, including any that is associated or comes from entities encompassed in the economic group to which Caixa Geral de Depósitos, S.A., belongs;
- Commits to disclosing, in a timely manner, any significant amendments that occur during subsequent activity to which this document refers;
- Promotes the continued improvement of our risk management system, considering it fit for the CGD Group's complexity, nature, dimension and risk profile.

Information on activity and subsequent facts relating to the CGD Group can be found on our website https://cgd.pt/, with the information under 'Investor Relations' being particularly relevant in this context.

II. Risk management objectives and policies

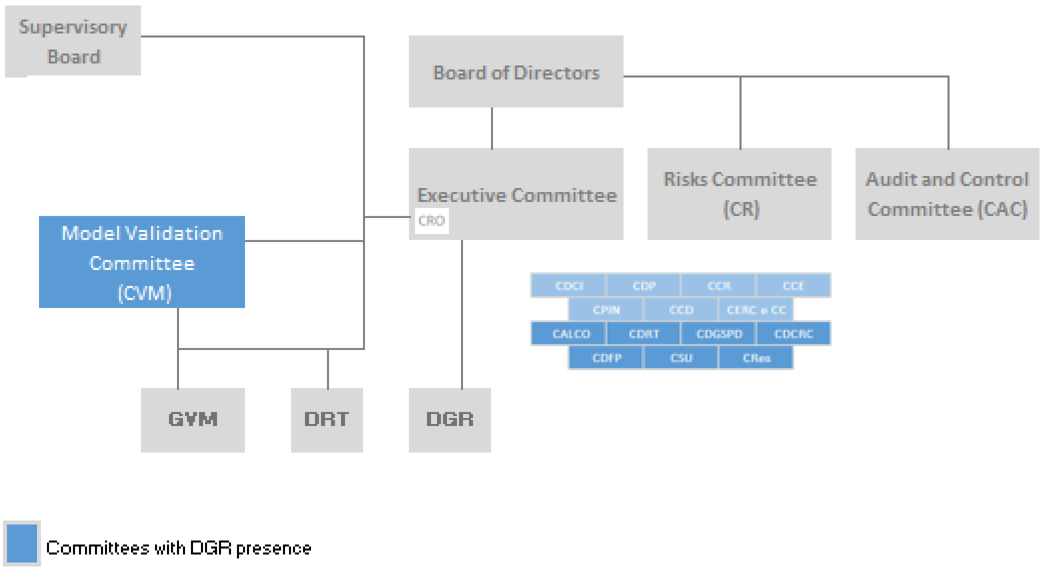
II.1 Governance Model

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

CGD group's risk management function is based on a governance model which simultaneously aims to comply with best practice as set out in directive 2013/36/EU and to enhance the strength and effectiveness of the system for the identification, measurement, monitoring, reporting and control of financial risks (credit, market, liquidity, balance sheet interest rate and pension funds) and non-financial risks (strategy and business, operational, IT and reputational) to which CGD Group is or may be exposed.

Risk management is centralised and assisted by a dedicated structure in the form of the Risk Management Division, for which the CRO is responsible.

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



The board of directors (CA), with the support of Risks Committee (CR) and Audit and Control Committee (CAC), defines CGD's risk appetite statement which is implemented by the Executive Committee (CE) with the support of the Risk Management Division (DGR) and control and business areas.

The Supervisory Board (CF) is the independent body responsible for ensuring that the risk management function complies with its responsibilities in an independent and effective manner.

The Risks Committee (CR)[1] oversees the management policy on all risks attached to CGD group's activity, namely solvency, liquidity and financing, banking portfolio interest rate, credit, market, pension fund, operational and non-financial risks. The risk committee oversees the risk measurement and calculation of the internal adoption of own funds models, in addition to Community directives and Bank of Portugal and European Central Bank guidelines on financial and specifically credit risks. Its functions and remit include, inter alia, an analysis of the risk reports produced by DGR, considering the financing and refinancing proposals submitted by the respective structural bodies and decisions on several necessary appointments of officers in charge of the risk management function.

The Audit and Control Committee (CAC) is responsible for overseeing, assessing and furthering the efficiency of internal control and audit Risk systems.

The Risk Management function is supported by a dedicated structure, the Corporate Risk Management Division (DGR), which covers the assessment and control of solvency, credit,

[1] In compliance with article 435, paragraph 2 (d) it is noted that the Risk Committee held 15 meetings in 2020.

market, liquidity, bank portfolio interest rate, operational and non-financial risks, incurred by the CGD Group, establishing the principle of segregation of responsibilities between commercial areas, and the risk management area.

The Head of Risk is directly responsible for the risk management function (managing director of DGR), who is also responsible, without prejudice to the other duties established in CGD's internal standards, for developing and leading a benchmark Division taking into account the dispositions of the RGICSF (Legal Framework of Credit Institutions and Financial Companies), other applicable legal texts and best international practice and standards, to ensure the effectiveness and efficiency of the risk management system and help make continuous improvements to a risk culture within CGD Group.

The CRO and the Head of Risk (Central Manager of the DGR), together with the CRO, have free access to top management and supervisory bodies in order to, in a proactive and unrestricted way, provide information and clarification concerning risks incurred, CGD and the Group's global risk profile and the degree of fulfilment of the risk tolerance levels set.

To fulfil its mission, the Risk Management Function is responsible for:

- Ensuring the implementation and monitoring of the risk appetite framework (RAF) under the terms of the internal RAF standard;
- Ensuring the development and implementation of a risk management system based on robust identification, assessment, oversight, prevention and risk control processes, risk oversight and, and coordinating the development of policies and procedures upon which these processes are based;
- Identifying the risks involved in the activity being performed on a separate, aggregate, present and prospective basis, assessing such risks and measuring exposure thereto using appropriate methodologies;
- Permanently overseeing risk generating activities and risk exposure, assessing them in the context of the approved risk appetite limits and defined risk limits and ensuring the planning of the corresponding capital and liquidity requirements in normal and adverse circumstances;
- Developing, implementing and monitoring of Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), as well as coordinating the production of the respective reports;
- Participating in the processes for the approval of new products and services and subcontracting of activities, based on an assessment of their respective associated risks and analysing CGD's management capacity of such risks;
- Ensuring that operations with related parties are revised and that CGD's real or potential risks, caused by them are identified and adequately assessed;

- Advising administration and inspection bodies prior to making any decisions involving the taking of material risks, namely when involving acquisitions, disposals, mergers or the launch of new activities or products, for the purpose of ensuring the opportune and appropriate assessment of the impact of risk-taking in terms of CGD's and CGD Group's global risk exposure;
- Overseeing market evolution, legal and regulatory amendments in respect of the Risk Management function, strategic planning process and CGD and CGD Group's respective decisions to ensure that the actions of the function are permanently up-to- date;
- Developing and implementing early warning mechanisms for situations of default and breaches of the Risk Appetite or established limits;
- Issuing recommendations based on the results of the assessments made and continuous oversight of the situations identified, with a frequency in line with the associated risk;
- Producing and maintaining an up-to-date Risk Management Plan to ensure that all of CGD and CGD Group's material risks are adequately identified, assessed, overseen and reported;
- Supplying information, analyses and pertinent, independent expert appraisals on risk positions, in addition to issuing an opinion on the compatibility of the risk-related proposals and decisions with CGD's risk tolerance/appetite;
- Producing and submitting reports with an adequate frequency on risk management to the administration and inspection bodies, including an assessment of the global risk profile and CGD's and CGD Group's various material risks, a summary of the main defects identified in control actions, including immaterial defects when considered separately but which could indicate a deteriorating trend in the internal control system in addition to the identification of recommendations that were (or not) implemented;
- Informing the administration and inspection bodies of any breach or violation (including their causes and a legal and economic analysis of the real cost of eliminating, reducing or offsetting the risk position in light of the possible cost of the continuation thereof), informing, if appropriate, the areas in question and recommending any solutions;
- Ensuring the preparation and submission of prudential reports on CGD's and CGD Group's risk management system;
- Ensuring the implementation of CGD's business continuity strategy based on the global coordination and planning of the respective activities and ensuring the supervision of such matters in group entities.

The Risk Management Division (DGR), is present in the following forums:

At Executive Committee meetings when specifically called and monthly with its own item on the agenda for a presentation of the evolution of the main financial and non-financial risks measurement indicators and respective essential concerns on this issue for the following periods.

At Risk Committee meetings on the basis of a specific request and monthly with its own item on the agenda for a description of the evolution of the principal financial and non-financial risks measurement indicators and essential concerns on this issue for the following periods.

At the Capital, Asset and Liability Management Committee (CALCO), in conjunction with business generating areas, support areas and members of the Executive Committee. CALCO is the executive Board's decision-making body and aims to achieve proactive balance sheet management and CGD Group profitability. This committee has, among others the following responsibilities:

- Furthering of the capital, assets and liability (ALM) management process and actions and procedures necessary for its implementation, including the definition of an oversight and systematic reporting system on financial risks, liquidity situation, capital and regulatory ratios situation on a consolidated and separate basis for diverse CGD group entities;
- Consideration and decisions on proposals for strategic guidelines on CGD group's financing and liquidity policy;
- Consideration and decisions on proposals for strategic guidelines (and latter oversight) on risk management policy, namely the group's balance sheet interest rate and market risks, defining indicators, limits and management rules;
- Analysis of and decisions on proposals for strategic guidelines (and latter oversight) on the group's capital ratios and its capital funding and management policy based on a regulatory and economic approach.

At the Executive Board of Rating (CDRT), which is responsible for attributing or revising the internal rating on counterparties, with an exposure equal to or greater than €50 million, and by approving internal rating derogations for counterparties whose exposure is equal to or greater than €10 million, in both cases measured at the level of the economic group in which they operate. The CDRT is also responsible for monitoring and controlling the evolution of all assigned ratings, as well as for accompanying reviews of rating assignment methodologies.

At the Business Continuity, Operational Risk and Internal Control Executive Board (CDCRC which is the body responsible for the coordination, assessment and discussion of issues related with CGD´s operational risk management and Business Continuity: (i) monitoring the overall level of operational risk assumed by the Group, verifying compliance with the established strategy and policies, as well as deciding on the action plans presented or submitting them to the EC's decision; and (ii) promoting the effectiveness of the internal control system, through the monitoring of deficiencies and their action plans, streamlining management decisions that make their implementation more efficient.

In the Governance, Data Security and Protection Board (CDGSPD). This body reports to the executive committee which supervises governance and data quality-related activities, data protection monitoring and management issues and which considers and coordinates CGD's and CGD group's information security initiatives. The authority to make structural decisions to ensure data protection management, enforcement by top management and the empowerment of the data protection officer and data protection office in terms of current management has been delegated to CDGSPD.

At the Model Validation Committee (CVM), in which the Credit Risk Division (DRC) and the Model Validation Office (GVM) are also present. The CVM is the body responsible for the functional management of the GVM, responsible for assessing validation reports, deciding on submitted recommendations and approving amendments to the Validation Manual or to other methodological documents within the scope of the GVM's responsibilities.

On the resolution committee (CRes), as the body responsible for the analysis, discussion, decision and approval of all resolution-related issues.

At the Sustainability Committee (CSU), as an advisory body to the executive committee which supervises the management of and issues guidelines on decisions regarding the implementation of the sustainability strategy, incorporating sustainable development, responsible banking and sustainable finance principles regarding CGD's current operations, in alignment with its strategic plan and its stakeholders' expectations.

In the Pension Fund Risk Board (CDFP), responsible for assessing and debating matters related to CGD's Pension Fund risk, which is responsible for strategically assessing proposals on the fund's investment policy, the hedging strategy of the pension fund's liabilities, and respective grounds; and convey to the EC the demographic, actuarial and market assumptions, as well as the impacts of any changes thereto.

CGD also has an Appointment, Assessment and Payments Committee (CNAR). In terms of the Selection and Evaluation of Board of Directors and Supervisory Board Members and Essential Posts Policy, available at CGD's institutional site[2], the CNAR, in its filling of vacancies in the governing and supervisory bodies and the appointment of Executive and non-Executive

[2]https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf

Directors members of the Board of Directors, evaluate, at least annually, the structure, dimension, composition and undertakings of the Board of Directors and Supervisory Board and, when required, make recommendations to said Boards, as well as evaluating, at least annually, the knowledge, skills, experience and fulfilment of specific duties inherent to roles undertaken by each member of the Board of Directors and the Supervisory Board, in addition to their affiliated bodies, and communicate the respective results to them.

This policy further establishes that the evaluation of adequacy must take into account the individual characteristics of members of bodies which are collective, as well as the safeguard of conditions underlying the functioning of these bodies as collective entities, notably the diversity of qualifications and skills, the availability of the members of the top management and supervisory bodies as a whole and the promotion of the increase in the number of people who are[3] underrepresented in terms of gender in these bodies.

Lastly, concerning the requirement to disclose information related to posts held by members of the management body, within and outside of the Group, and other relevant activities undertaken by members of the management bodies throughout 2020, reference is made to the Report and Accounts: section 'Accumulations of Tasks' and 'Appendix III – Curriculum Vitae of the Members of the Corporate Bodies'.

II.2 Key developments in 2020

The year 2020 was impacted by several challenges inherent to the Covid-19 pandemic, resulting in an increase in risk management requirements. The focus on gearing activities to minimising the pandemic's internal and economic impacts was accompanied by their respective regulatory requirements. CGD has, however, met its annual risk management objectives.

Pursuant to the scope of its activity the risk management division accompanied the effects of the pandemic on a CGD (and CGD group) level as the entity in charge of the broadest range of operational issues inherent to business continuity, ranging from the coordination of the crisis management team and updating the contingency plan, to overseeing constraints on a branch office and employee level, reporting regularly to management and administrative bodies. Reference should be made to all of the efforts made deriving from the guidelines issued by regulators and supervisors (EBA, ECB, ESMA and IASB) in addition to decree laws for the purpose of adjusting internal processes to measures in response to the pandemic, including sensitivity analyses, based on different macroeconomic scenarios for

[3] Concerning gender equality, for additional information, we refer to the 2020 Report and Accounts, items 'Gender Equality and anti-discrimination practices'.

assessing impacts on impairment and capital requirements and the production of several internal periodic reports for the supervisor.

Despite the adversity deriving from the pandemic, reference should be made to the fulfilment of the strategic plan for the risk management function (approved by the board of directors in June 2019), which is based on four operating pillars: (i) governance, (ii) human resources, (iii) organisation and (iv) tools and data. With the aim of strengthening its scope and optimising and consolidating its modus operandi, a broad review of the organic structure of the risk management division (DGR) was also carried out in 2019. This comprised a reorganisation of core areas, with the inclusion of a non-financial risks area and the integration of an internal control area. The risk management function further consolidated its commitment to transforming and strengthening the function, in 2020, based on the timely implementation of the referred to plan in which reference should be made to:

- The development of a non-financial risks governance model, established in accordance with CGD group's risk appetite statement, with the aim of exercising suitable control over all activities and processes in order to limit losses on non-financial risks, keeping them within the tolerance levels defined by CGD's board of directors and mitigating other relevant negative impacts, such as the achievement of strategic objectives, reputation or compliance with regulatory requirements;
- The implementation of the integrated system's risk component to support activities in financial markets ("front- to-back-to-risk" or "F2B2R"), which, in addition to being better suited to current requirements, allows better monitoring and control of information, minimising operational risks;
- The production of the first self-assessment report, in lieu of the internal control report, in line with the requirements of Bank of Portugal notice 3/2020, setting out various changes to the legal framework of financial institutions, new reporting dates and content, in addition to new responsibilities for the supervisory and management bodies of entities and group;
- The development of a new corporate internal use of capital policy, formally establishing that the identification of internal capital needs should support strategic decision-making in addition to current decisions, as part of the prevailing business model but which, together, may constitute material alterations to the risk profile of each CGD group entity;
- The automation and optimisation of a series of processes and reports to provide various teams with greater opportunity for the analysis and management of issues pertaining to their area of activity;
- Strengthening risk culture dynamics in various CGD group entities.

In parallel to the implementation of the strategic plan, a number of other major initiatives has been followed up. They include the preparation of and response to the first phase of the EBA's stress test 2020 exercise and subsequent preparation of the 2021 exercise, as a result of the break in and postponement of the 2020 exercise on account of the Covid-19 pandemic.

In 2020, as part of the response to the crisis caused by the Covid-19 pandemic, the procedures defined in the Business Continuity Plan and in the Contingency Plans were implemented with regard to the protection of the health and safety of its customers, employees and suppliers, through the adoption of measures and procedures that help to minimize the spread of the infection, thus helping to reduce its impact on people, the bank, the economy and society. In this context, and in accordance with the guidelines of the leading healthcare institutions, the Directorate-General for Health (DGS) and the World Health Organization (WHO), CGD has implemented a Contingency Plan applicable to all Group companies. The objective was to establish and describe the internal procedures to be adopted by CGD and group companies, in order to prevent, minimize and manage the risks of infection and spread of the disease among its employees in order to ensure the continuity of the operation of the various services, business processes and relationships with customers and other institutions.

Additionally, since the beginning of the pandemic, a set of operational and business information has been ensured for regular reporting to the Supervisory Entities.

II.3 Key risks to which the bank is exposed

This segment aims to comply with the disclosure obligations under Article 435(1) (a) to (e) of Regulation (EU) No. 575/2013.

CGD undertakes its activities in the context of universal banking, without overlooking specialised financial services, so its clients have a full range of services provided by an international Group.

CGD is present in an integrated fashion in almost all quadrants in the banking business, namely: commercial banking, investment banking, brokering and risk capital, real estate, asset management, specialised credit, among others, incurring credit, market, liquidity and operational risks (exposure to exchange rate risk is negligible here).

Credit risk

Credit risk is associated with losses and a degree of uncertainty concerning a client's/counterparty's ability to comply with their obligations.

Given the nature of the banking activity, credit risk takes on particular importance, given its materiality, notwithstanding its connection with the other risks.

For credit risk management and control, there are internal regulations that, namely based on ratings/scorings and exposure value, the early warning system, as well as the classification of clients as being in financial difficulty, set forth the necessary competency levels in credit-granting decisions.

For Corporates, municipalities, autonomous regions and financial institutions with a more significant exposure level, or other criteria/triggers of added risk, the assessment of credit risk, in addition to being supported on internal rating models (which incorporate either financial information or qualitative elements), is subject to individual assessment by a team of analysts (from the DRC- Credit Risk Department) who produce credit risk analysis reports and issue an opinion on the inherent credit risk. The analysis is always undertaken from an economic group perspective to which the bidder belongs, and the analysis teams follow, from a certain exposure level, a logic of sector specialization.

In the retail segment, credit risk assessment is supported by the use of statistical risk assessment tools (Probability of Default - PD - and Loss Given Default - LGD - models), by a set of internal regulations that establishing objective criteria to be observed when granting credit, as well as by a delegation of competencies in accordance with various risk factors, including the risk notations assigned to clients or operations (as in the other segments).

At the end of 2018, the new centralised business credit decision-making model came into service, ensuring that all credit operations have the intervention (direct or indirect) of the Credit Risk Division (DRC). The centralization to grant credit to private clients was also implemented in June 2018, ensuring intervention (direct or indirect) of the DRC in the risk analysis of all proposals.

The follow-up of credit portfolios and credit risk control is regularly undertaken by the DGR, supported by operational systems that identify daily events which could potentially increase credit risk. Reports are produced revealing the behavior and perceived quality of the credit portfolio, namely in the components of i) new production, ii) restructuring due to a client in financial difficulty, iii) non-performing exposures, iv) default, and v) concentration.

Also related to the default and credit asset valuation, a process to determine object impairment losses is deployed in the CGD Group, monitored monthly by the management body, with criteria and methods inherent to calculating impairment being subject to control and audit processes whether by internal bodies responsible for checks (the Model Validation Office and the Internal Audit Division), or by external auditors producing an independent report to be sent to the Bank of Portugal each semester.

Additionally, credit risk control has been the subject of progressive improvements, both concerning the outlining of new approaches to credit portfolio segmentation and in terms of a greater uniformity of applied treatment methods.

Market Risk

Market risk entails potential negative impacts on results or on the Institution's capital, arising from unfavorable performance of the price of the assets in the portfolio. It arises, as such, from uncertainty as to price and market rate fluctuation, be they equity or index prices, or interest or exchange rates, and the behavior of correlations between them.

The Group has approved a Corporate Policy for Market Risk Management (PCGRM), which outlines the responsibilities and establishes the principles applicable to the management of market risk, both on an individual and a consolidated basis, as well to as all foreign branches and subsidiaries that integrate the prudential supervision perimeter. The management strategy and tolerance to market risk are established in conformity with the CGD Group's risk appetite statement, with the aim of keeping the focus of the Group's activity center in products and services that are in accordance with the strategy of a retail/commercial bank, limiting the complexity of products and positions and ensuring that these are in line with the risk monitoring abilities in place.

Market risk and foreign exchange position risk management in the balance sheet is additionally supported by a formal authorisation structure – market or foreign exchange risk guidelines – requiring the approval of the Executive Board of Capital, Asset and Liability Management (CALCO). These guidelines formalise, inter alia, business, risk management and control strategies, authorised instruments, metrics and their market risk limits, constituting such business units discretionary boundary on hedging or mitigating market risk.

Market concentration and liquidity, market risk and loss level indicators ensure that the levels risk levels of risk taken are commensurate with the Group's risk appetite framework. The limits are controlled, monitored and reported daily or on an intradaily basis to the management bodies (CRO and CFO) and to the business units. The operating rules when limits are exceeded, which aim to ensure a speedy defining of the action plan and resolution of the excess, are defined in internal regulations.

Market risk is centrally controlled, monitored and reported by the market risk area of the Risk Management Division, which directly reports to the Chief Risk Officer. Thus, there is a direct line of reporting that is independent from the business areas reporting to the CFO or to other members of the Executive Committee. CGD's Risk Committee is tasked with monitoring market and exchange rate risks affecting CGD and other Group entities.

The calculation of the capital requirements for market risk takes into account the Prudential Trading Book), i.e., all positions in securities and derivative financial instruments held for trading or for hedging positions held for trading purposes, in accordance with the strategy applicable to the CGD Group's Trading Book and in compliance with the internal definition of 'Trading Book'. This specifically includes any position that results from market creation, short positions in stock derivatives with a rotational nature, arbitration positions or those destined for resale in the short term, and intentional trading books which are related to or result from services provided to costumers. Any instruments intended to hedge the listed items or for the dynamic hedging of items that would qualify for the banking book by themselves, form an integral part of the trading book. This portfolio is actively managed, taking into account the time horizons for holding provided for in the strategy applicable to the CGD Group's Trading Book, as it is revalued daily for fair value, following the principles of independence, precision, clarity and accuracy, established in the Bank's internal regulations – corporate policy for the valuation of own positions in securities and derivatives recognised at fair value. With regard to the calculation of capital requirements for foreign exchange risk, all balance sheet positions contributing to the foreign exchange position (including off-balance sheet) both in the trading book and in the banking book, are considered.

The risk assessment accounts for general market risks, non-linear risks and the specific risks that affect the positions held. To this end, the Value at Risk (VaR), Expected Shortfall (ES) and Three Worst (3W) risk metrics are used. VaR is used as a reference methodology for the monitoring of market risks in general, and it is based on historical simulations. The VaR is calculated for an investment period of one day (95% trust interval) for management trading books and with a retention period of 10 days (99% trust interval) for the remaining portfolios of the Group, including the scopes of the prudential and accounting Trading Portfolios. The risk assessment is further complemented by other risk metrics such as duration, bpv and greeks (delta, gamma, rho, vega and theta).

In order to assess the quality of the VaR model used, each month, the daily VaR is compared with the actual results obtained ("backtesting") in line with the methodologies and recommendations issued by the Basel Committee, without prejudice to other backtesting approaches deemed appropriate.

At least once a month, the CGD Group conducts stress tests, focusing on market and foreign exchange risks, within the framework of a global stress tests programme and in accordance with current best practices. The conducting of stress tests is intended to assess the impact of adverse events arising from exposure to market risk, by measuring the impact on the fair value of investments and on the quantitative and qualitative adequacy of the CGD Group's own funds. The stress tests are based on risk factors, which, as a whole, represent the circumstances which may generate extraordinary losses on portfolios exposed to market risks. These factors include low-probability events associated with the main types of risk, including the many components of market and foreign exchange risks.

The identification of market risk at the CGD Group is based on a robust, continually reliable, centralised and integrated structure, which aims at ensuring a timely and comprehensive knowledge of the traded products, enabling the identification, measuring, controlling and reporting of market risk. The registering of transactions in the front office system is subject to a specific internal regulation that ensures that the process of transmitting information is fulfilled and reliably reaches the market risk system, for evaluation of the respective metrics. With regard to foreign exchange risk, its identification is also ensured, based on the accurate, standardised and timely transmission of CGD's and any Group entity's foreign exchange position.

Pension fund risk

The group maintains a defined benefit pension plan for current and former employees of Caixa Geral de Depósitos S.A., subject to certain eligibility conditions. The plan has been closed to new entrants since 2012. The ability to meet the responsibilities of the pension plan is ensured by the management of a portfolio of assets whose strategy is approved by the Board of Directors of the member, under the management of an independent asset management entity. In addition, regular contributions to the fund from members and participants are established.

Pension fund risk arises from potential mismatches between the pension fund's asset and liability amounts. This mismatch may arise from the degradation of the market value of the pension fund's assets or from the increase in the estimated value of pension liabilities due to actuarial, demographic or market factors. Depending on the magnitude of the mismatch and the reason therefor, the member may need to prepare for potential shortages or make up for shortages through extraordinary contributions to the pension fund, thus materialising this risk.

Pension fund risk is monitored by the area in charge of Risk Appetite, with monthly reporting to the Executive Committee and the Risk Committee. In this context, any mismatches between the value of the asset portfolio and the estimated liabilities are closely monitored, as is the evolution of the performance of the portfolio and the prospective evolution of the discount rate of liabilities, in order to mitigate the possibility, or, at least, the unpredictability of significant mismatches. The evaluation of the defined benefit plan is adversely affected by a fall in the discount rate of liabilities, in an environment of persistent low levels of interest rate/credit spreads, monitoring focused on this assumption is justified, using an internal reference curve for the discount rate of the fund's liabilities.

Liquidity and Interest Rate Risks

Liquidity risk in the banking business may result from i) difficulties in raising funds for assets, naturally driving up uptake costs, but which may also imply a restriction in asset growth, or ii) difficulties ensuring a timely liquidation of obligations by third-parties, induced by significant gaps between the residual maturity dates of asset and liabilities.

The balance sheet interest rate risk is the risk incurred by a financial institution whenever, in the course of its activity, it contracts transactions with financial flows that are sensitive to interest rate variations. In other words, it is the risk resulting from a variation in the interest rate associated, namely, with the gap between assets and liabilities repricing dates, decreasing their profitability or increasing their financial cost.

The particular dichotomy in the universe of assets and liabilities held by credit institutions between fixed and variable rate, short-, medium- and long-term portfolios, can also foster interest rate risk in its dimensions of basis risk and yield curve risk, which should be subject to close monitoring when evaluating interest rate risk.

In the context of the liquidity and interest rate risk management and control procedures, the Institution has set forth guidelines that define the roles and responsibilities of the various stakeholders, the metrics being monitored, their respective limits and the limits control system. The continuous monitoring process of the exposure dimension to these risks translates into monthly reports that support the control of compliance with existing guidelines.

Operational Risk

Operational risk corresponds to the risk of negative impacts on results or capital arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of subcontracted resources, internal inefficient decision-making processes, insufficient or inadequate human resources or the inoperability of infrastructure.

The CGD Group's operational risk management adopts a methodology supported by a process-based vision (end-to-end), implemented both by CGD and by its Branches and Subsidiaries.

This methodology includes the definition, monitoring and reporting tolerance limits and risk appetite for the entire Group. It also covers the identifying operational risk events, the analysis of the impacts of extreme scenarios, risks and controls self-assessments associated with processes, managing key risk indicators, analysis of new products and services and monitoring of subcontracted activities, as well as the dynamization of action plans which aim to mitigate exposure to operational risk, namely through the implementation of adequate control procedures and risk mitigators.

As a risk mitigated, CGD has implemented a Business Continuity Management System, which is certified in the reference international standard in this area, ISO 22301:2012 - Societal security - Business continuity management systems – Requirements. This certification was confirmed following an external follow-up audit carried out in December 2020.

Solvency Risk

Solvency risk refers to the risk of negative impacts on earnings or capital resulting from changes in regulatory or tax environments, including the risk of misalignment between capital adequacy and risk profile.

Formalised in the CGD Group's latest risk taxonomy review, solvency risk comprises the sub-categories of tax risk, regulatory capital risk and internal capital risk.

In the context of solvency risk monitoring, the regular monitoring of the adequacy between own funds and the risk profile is noteworthy. In accordance with the approved risk appetite framework and statement, the capital adequacy assessment, both internal and regulatory, focuses on the planning that supports the implementation of the Group's strategy.

In the context of solvency risk, compliance with the regulatory limit of exposure to a client or group of clients with which there is a relationship, be it of control or economic dependence.

Under Part IV of the CRR, the amount of exposure to a client or group of related clients, net of impairment and exemptions provided for in the regulation, cannot exceed 25% of eligible own funds.

Additionally, the calculation and monitoring of the leverage ratio is also ensured. The leverage ratio is a regulatory and supervisory instrument, calculated by dividing a measure of own funds (Tier 1 capital) by a measure of total exposure whose calculation rules are provided for in Part VII of the CRR and in the Regulation Delegate (EU) 2015/62.

Non-Financial Risks

Non-financial risks include Business and Strategy, model, information technology (IT) and reputational risk. These risks consist of the probability of negative impacts on income or capital depending on the risk category, namely:

- Business and Strategy Risk: losses deriving from macroeconomic, geopolitical, business model, investment, equity investments in banks and non-banks entities, as well as climate change and pandemics;

- IT risk: losses deriving from the risk of, data integrity, IT system failure, access risk and the delivery risk of IT systems;
- Model risk: losses caused by failures of inadequately applied models/algorithms, used to define prices or to facilitate decision to made on transactions or other business decisions;
- Reputational risk: losses originating from the negative perception of CGD's public image (banking activity, bancassurance, asset management and risk of the protection of confidential data).

The Non-Financial Risks Area’s main responsibilities are the identification, assessment, measurement, monitoring, controlling and reporting of the CGD Group's non-financial risks, other than those addressed by the specialised operational risk center. It is also intends to define the strategy and the consequent risk management model, within a framework of coordinated intervention across the three lines of defense, with a single and common language between them.

The non-financial risks governance model is established in accordance with the CGD Group's risk appetite statement, aiming to adequately controlling all activities and processes, in order to limit losses motivated by non-financial risks and keeping them within the tolerance levels defined by CGD's Board of Directors and to mitigating other relevant negative impacts, namely, in terms of achieving strategic objectives, reputation or compliance with regulatory requirements

II.4 Risk Appetite Statement

The Risk Appetite Statement (RAS) formally establishes the Bank's risk appetite, detailing the maximum risk level that the Bank is willing to take on for each material risk category. This risk strategy is directly related to the Bank's objectives and strategic plan, regularly revised and monitored by the Board of Directors and the management team.

The general principles of Risk Appetite are realised through qualitative statements outlining the Group's risk strategy. These principles derive from, and are aligned with, CGD's business strategy and the agreement on resulting risk-benefit trade-offs. They are part of the Bank's culture and strategy and underpin all its activities.

The Bank has established these three general principles:

- Ensuring solvency and liquidity levels – The CGD Group must guarantee adequate solvency and liquidity levels, applying this principle as follows:
  - Maintaining capital strength through regular balance sheet assessments;

- Maintaining a capital level above regulatory requirements, guaranteeing a buffer in line with market expectations, whether in normal or adverse scenarios;
    - Continuing to ensure a stable, solid and secure liquidity position, capable of supporting adverse scenarios;
    - Maintaining stable levels of financing capability and an adequate stock of high-quality net assets through an approach targeting the market, enabling structural adaptations to the balance sheet when needed;
    - Controlling the exposure to risk of international entities, simultaneously maintaining their independence in terms of financing and capital adequacy;
- Ensuring long-term sustainability and maintaining the market leadership position – The CGD Group must ensure its sustainability and leadership position, while observing the following principles:
    - Long-term sustainability through the adequate remuneration of balance sheet risks, improvements to operating efficiency, and management of ant risks that may jeopardize the pursuit of the Bank's strategy, in particular those linked to credit risk;
    - Maintaining an identity as a Commercial Bank and the leadership position in the Portuguese market, whether in deposits or in loans to the economy and to households, with a focus on retail customers and small and medium-sized businesses;
    - Ensure a simple and transparent Group structure, based in a modern infrastructure, to provide high levels of satisfaction to clients and minimize the operational risk;
- Adopting excellent practices in risk management - The CGD Group shall ensure the adoption of best practices in risk management, while observing the following principles:
    - Strengthening Governance and Risk Management and Control, guaranteeing that they observe market best practices, thus contributing to higher stakeholder confidence;
    - Operating in accordance with solid risk management principles, with an effective Governance model and policies that ensure compliance with laws and regulations, and guaranteeing full alignment with the directives of the European Central Bank's Supervisory Review and Evaluation Process (SREP) (cross-sectional method of structured supervision of the i) analysis of the institutions' business models, ii) assessment of internal governance and established controls, iii) evaluation of risks to capital and the adequacy of its

levels to mitigate them, and iv) assessment of risks to the institutions' liquidity levels, and the adequacy of liquidity sources to mitigate them);

    - Developing a strong risk management culture focused on protecting the bank's solvency and funding capacity, avoiding risks that may affect stakeholders, particularly depositors, and ensuring a strong reputation and image in the market.

The Board of Directors is the highest body responsible for outlining and approving Risk Appetite, whether at the level of the Governance Model or the Declaration. The specific responsibilities of the Board of Directors include:

- Aligning the Risk Appetite with the Bank's strategic priorities and objectives;
- Continually monitoring the development of risk metrics, before each meeting and, if necessary, more often;
- Discussing tolerance limits or levels.

The Risk Appetite Statement (RAS) is supplemented by 'cascade' statements to Group units (international entities and domestic activity) and by the Risk Appetite Framework (RAF), which establishes the governance model and involvement of different areas of the Bank, risk management and monitoring mechanisms, and the integration of Risk Appetite in risk management and decision-making processes.

As such, an RAS dashboard was designed, containing 'Level 1' metrics, i.e. basic metrics which express the Group's position in various risk categories, namely, solvency, liquidity and finance, business and strategy, credit, market, operational, reputational…). These corporate metrics are controlled by the Board of Directors.

Apart from 'Level 1' metrics, the supporting risk metric report also includes a series of 'Level 2' metrics which provide additional (supplementary) information on risk categories. This document is produced monthly for the CE, the CR and the CAC.

Each Risk Appetite metric has a target, a tolerance level, a limit and a Recovery Plan trigger. These borders increase risk appetite visibility and constitute an effective defense mechanism against an excessive risk level.

The fall in tolerance level, limit or Recovery Plan trigger requires specific methods to be activated by the respective person in charge of the risk.

Risk Appetite is integrated into the Bank's management through interdependence with other exercises, namely capital and liquidity adequacy (ICAAP and ILAAP) exercises, Budget, capital planning and allocation and Stress Tests.

As specified in internal regulations, Risk Appetite should be revised and updated annually, between September and December of each year, by the DGR's central team, interacting, as needed, with other areas of the Bank.

In order to present an extensive overview of the CGD's risk management and in compliance with article 435(f) of the CRR, the CGD Group's main ratios and metrics are outlined below[4].

Table 1 | Key indicators

	2020	2019
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	7,619,599	7,493,283
Tier 1 capital	8,123,854	8,001,913
Total capital	8,748,270	8,638,862
Risk-weighted exposure amount	**41,819,403**	**44,324,806**
Solvency Ratios		
Common Equity Tier 1 ratio (%)	18.2%	16.9%
Tier 1 ratio (%)	19.4%	18.1%
Total capital ratio (%)	20.9%	19.5%
MREL Ratio	24.7%	21.6%
Leverage and liquidity ratios		
Leverage ratio (phasing-in)	8.7%	9.1%
Net Stable Funding Ratio	173.0%	156.0%
Liquidity Coverage Ratio	449.0%	331.1%
Credit quality and Coverage Degree		
NPL Ratio (1)	3.9%	4.7%
NPE Ratio (2)	2.9%	3.8%
NPL Impairment coverage	97.0%	79.3%
NPE Impairment coverage	91.3%	73.5%
Credit risk cost	0.3%	-0.1%
Profitability and eficiency ratios		
Return on Equity - ROE (3)	6.1%	9.8%
Return on Asseta - ROA (4)	0.8%	1.3%
Cost-to-income	50.0%	50.1%
Ratings (Long/Short Term)		
Moody's	Ba1/NP	Ba1/NP
Fitch	BB+/B	BB+/B
DBRS	BBB / R-2 (high)	BBB / R-2 (high)

Values in thousands of euros

(1) *Non-performing loans* (NPL) - EBA's definition

(2) *Non-performing exposures* (NPE) - EBA's definition

(3) Indicator calculated in accordance with Bank of Portugal rules

[4] Information supplemented by CGD Indicators included in item '1.2 Key Highlights of 2020' of the Report and Accounts.

III. Regulatory framework's scope of application

Caixa Geral de Depósitos, S.A. is a public limited company of exclusively public capital, whose shares can only belong to the Portuguese Republic. On 31 December 2020, its share capital amounted to 3,844,143,735 euros, represented by 768,828,747 shares with a nominal value of 5 euros each.

III.1 The CGD Group's consolidation perimeter

Caixa Geral de Depósitos, S.A. is the parent company of the CGD Group. The Group is composed of a vast series of units undertaking activities predominantly in the fields of banking and provision of financial services.

The CGD Group uses two consolidation methods:

⇨ Full consolidation method

This method consists of aggregating all elements of the balance sheet and results statements of the parent company and its subsidiaries, wiping all balances that result from transactions made between the latter and the parent company. In summary, it is a line-by-line consolidation;

⇨ Equity method

This method consists of accounting relief of an investment in a subsidiary through updating acquisition costs by means of variations in its net worth. Acquisition costs are updated through a single book entry (one line consolidation).

The entities' type and applied consolidation methods are as follows:

⇨ Branches: these are establishments without their own legal personality, which aim to directly carry out the banking and finance service operations provided by the parent company. These entities are consolidated by the full method.

⇨ Subsidiaries: these are entities over which the Group exercises effective control in terms of management in order to obtain a series of economic benefits resulting from their activity. The effective control exercise is usually underpinned by ownership of more than 50% of their share capital or voting rights.

In situations where the Group owns 50% or less of its capital or voting rights, it is necessary to analyse CGD's effective degree of influence in accordance with the provisions of IFRS 10. As such, it is necessary to verify the degree of the subsidiary's management control, its profits and duties arising from its management control the way in which benefits resulting from the company's activity are influenced. If influence in these three respects is significant and prevalent, the entities shall be considered Subsidiaries of the Group. These entities are consolidated by the full consolidation method.

- Associates: Entities over which the Group has significant influence but doesn't assume control. An entity is considered to have significant influence in another's current management when it has, directly or indirectly, a level of participation or voting rights between 20% and 50%, inclusive. This set of entities is consolidated by the equity method.
- Special purpose entities (EPE): Within the framework of the IAS/IFRS, these are considered securitization vehicles and funds, risk capital funds and other entities, created to serve a very specific purpose which, when said purpose is accomplished, are the subject of extinction. Entities with such characteristics are consolidated by the full consolidation method when the Group exercises effective control over its activity in accordance with the provisions of IFRS 10 or holds the majority of its economic benefits and associated risks.

The CGD Group's financial statements incorporate the financial statements of Caixa Geral de Depósitos, S.A., as well as the entities directly or indirectly controlled by the Group.

On 31 December 2020, the CGD Group's accounting and prudential consolidation scope included the following entities:

Table 2| Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3)

		Consolidation Method		% of Equity	Country	Activities
		Financial Perimeter	Prudential Perimeter			
	Branches					
	Sucursal de França	Full	Full	100.00%	France	Financial institutions
	Sucursal de Timor	Full	Full	100.00%	Timor	Financial institutions
	Subsidiaries					
(*)	Banco Caixa Geral Brasil, S.A.	Full	Full	100.00%	Brazil	Financial institutions
	Caixa - Banco de Investimento, S.A.	Full	Full	99.77%	Portugal	Financial institutions
	Banco Comercial e de Investimentos, S.A..	Full	Full	63.05%	Mozambique	Financial institutions
	Banco Interatlântico, S.A.	Full	Full	70.00%	Cape Verde	Financial institutions
(*)	Banco Comercial do Atlântico, S..A.	Full	Full	58.19%	Cape Verde	Financial institutions
	Banco Nacional Ultramarino, S.A.	Full	Full	100.00%	China (Macau)	Financial institutions
	Caixa - Participações, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
	Parbanca, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
(*)	CGD Investimentos CVC	Full	Full	100.00%	Brazil	Financial institutions
	A Promotora, S.A.	Full	Full	45.33%	Cape Verde	Venture Capital
	Caixa Gestão de Ativos Sociedade Gestora de Fundos de Investimento, SA	Full	Full	100.00%	Portugal	Asset Management
	CGD Pensões - Soc. Gestora de Fundos de Pensões, S..A.	Full	Full	100.00%	Portugal	Asset Management
	Sogrupo - Compras e Serviços Partilhados, S.A.	Full	Full	90.00%	Portugal	Ancillary Services
	GIE - Groupment d'Interet Economique	Full	Full	100.00%	France	Ancillary Services
	Banco Caixa Geral Angola	Full	Full	51.00%	Angola	Financial institutions
	SCI - Rue du Helder	Full	Full	100.00%	France	Real Estate Management
	Inmobiliaria Caixa Geral, S.L.	Full	Full	100.00%	Spain	Real Estate Management
	Caixa - Imobiliário, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
	Special Purpose Entities					
	Nostrum Mortgages 2	Full	Full	100.00%	Portugal	Securitisation Fund
	FCR - Empreender+	Full	-	100.00%	Portugal	Venture Capital Fund
	FCR - Caixa Fundos	Full	-	100.00%	Portugal	Venture Capital Fund
	FCR - Caixa Crescimento	Full	-	100.00%	Portugal	Venture Capital Fund
	Caixagest Private Equity (FEI)	Full	-	30.14%	Portugal	Investment Fund (open-end)
	Caixagest Imobiliário Internacional (FEI)	Full	-	32.82%	Portugal	Investment Fund (open-end)
	Fundolis - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
	Fundiestamo	Full	-	78.08%	Portugal	Real Estate Investment Fund (closed-end)
	Associated					
	GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	35.67%	Mozambique	Venture Capital
	Esegur - Empresa de Segurança, S.A.	Equity	Equity	50.00%	Portugal	Ancillary Services
	Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50.00%	Portugal	Financial institutions
	SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	22.97%	Portugal	Financial institutions
	Fidelidade Companhia de Seguros SA	Equity	Equity	15.00%	Portugal	Insurance company
(**)	Imobci, Lda.	Full	Full	46.31%	Mozambique	Real Estate Management
(***)	Companhia Papel do Prado, SA.	Equity	Equity	38.15%	Portugal	Industry
	S.G.P.I.C.E - Sociedade de Serviços de Gestão de Portais na Internet e de Consultoria de Empresas, S.A	Equity	Equity	33.33%	Portugal	Telecommunication services
	Turismo Fundos, SGFII, S.A.	Equity	Equity	33.47%	Portugal	Asset management
	Bem Comum, Sociedade Capital Risco	Equity	Equity	32.00%	Portugal	Venture Capital
	Banco Internacional de S.Tomé e Príncipe	Equity	Equity	27.00%	Sao Tome Príncipe	Financial institutions

(*) With IFRS 5 implementation- "Non-current Assets Held for Sale and Discontinued Operations"
(**) With IFRS 10 implementation- "Principle of Control"
(***) Effective Participation in the Prudential Perimeter = 37.4%

At the end of 2020, and with a view to pursuing the Strategic Plan, the CGD Group's structure was reorganised, with the merger of Caixa Leasing e Factoring - Sociedade Financeira de Crédito, SA and Partang, SGPS, SA in Caixa Geral de Depósitos, which holds the entire share capital of the two merged entities

It should also be noted that, in September 2020, Fidelidade – Companhia de Seguros, SA carried out a capital increase, with Caixa Geral de Depósitos maintaining its shareholding, delivering, for this purpose, the shares it held in the Fidelidade companies Assistance Companhia de Seguros SA and Multicare - Seguros de Saúde, SA and exercising their subscription rights to the shares previously held.

Also noteworthy in 2020 was the merger of the Venture Capital Fund - CGD Group - Caixa Capital by incorporation into the Empreender Mais Venture Capital Fund, as well as the liquidation of the Cidades de Portugal Fund - Closed-end Investment Fund for Housing and Rent, branches in Spain and Luxembourg. Caixagest Infra-Estruturas Fund - Special Investment Fund is also no longer part of CGD Group.

Lastly, it should be noted that Companhia Papel do Prado, S.A. and S.G.P.I.C.E - Sociedade de Serviços de Gestão de Portais na Internet e de Consultoria de Empresas, S.A (formerly Yunit Serviços, S.A.) were removed from the consolidation process.

The prudential consolidation perimeter differs from the CGD Group's accounting perimeter in the treatment of entities whose economic activity is different from that which characterises credit institutions and financial companies, in compliance with the provisions of the 'General Scheme of Credit Institutions and Financial Companies', namely;

i) Subsidiaries that develop an activity in economic sectors that are not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are included in the prudential consolidation perimeter using the equity method ;ii) collective investment organisations, as well as special-purpose vehicles, which weren't included in the banking supervision supervision perimeter, as they do not fit the definition of a financial company, as determined in the 'General Scheme of Credit Institutions and Financial Companies'. do not form part of the consolidation perimeter, remaining recorded at their acquisition cost or at their fair value, according to the class of assets in which they belong (unconsolidated subsidiaries and subsidiaries or financial assets at fair value through profit or loss or other income integral).

Additionally, it should be noted that BCG Brasil, Banco Comercial do Atlântico SA and CGD Investimentos CVC are registered in the perimeter of publication in accordance with the regulations provided for in IFRS 5 – “Non-current assets held for sale and discontinued operating units” (the assets of these entities are recorded in a single heading of consolidated assets, under “Non-current assets held for sale” while the liabilities are recorded under “Non-current liabilities held for sale”). In the prudential perimeter, the consolidation of these entities is carried out item by accounting item.

Pursuant to Article 36(1) (i) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June, participations in financial sector entities in which the group has significant investment (capital shareholdings over 10%) and which was recorded in the prudential consolidation scope by the equity method are the subject of deductions in their main level 1 funds. The amount to be decreased corresponds with the portion that exceeds 10% of the institution's main level 1 funds, as outlined under article 48 of the aforementioned Regulation. The prudential perimeter entities in this situation are as follows: Banco Internacional de S. Tomé e Príncipe and SIBS – Sociedade Interbancária de Serviços, S.A.

There are no subsidiaries not included in the prudential consolidation perimeter and that are subject to clearance of their funds and, to the knowledge of Caixa Geral de Depósitos, S.A., there are no significant impediments to a rapid transfer of their funds or to the immediate reimbursement of liabilities between the parent company and its subsidiaries.

III.2 Reconciliation between accounting and regulatory consolidation elements

In compliance with the requirements included in Part VIII, article 436, of the CRR, the following tables present the differences in terms of consolidation base for prudential and accounting purposes.

Table 3| Differences between accounting and regulatory scopes of consolidation (EU LI1)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or deduction from capital
Assets							
Cash and cash equivalents at central banks	10,277,778	10,309,221	10,309,221	0	0	0	0
Cash balances at other credit institutions	694,498	697,101	697,101	0	0	0	0
Loans and advances to credit institutions	2,617,319	2,832,140	2,520,665	311,474	0	0	0
Financial assets at fair value through profit or loss	5,332,567	5,214,350	1,129,008	904,931	0	3,180,412	0
Available-for-sale financial assets	6,855,916	6,919,862	6,911,136	0	8,727	0	0
Financial assets with repurchase agreement	13,877	15,189	15,189	0	0	0	0
Hedging derivatives	7,325	7,325	0	7,325	0	0	0
Held-to-maturity investments	11,256,822	11,256,822	11,256,822	0	0	0	0
Loans and advances to customers	47,902,966	48,410,355	48,282,365	0	0	0	127,991
Non-current assets held-for-sale	1,158,949	249,345	249,345	0	0	0	0
Investment properties	188,849	20,098	20,098	0	0	0	0
Other tangible assets	554,396	571,192	571,192	0	0	0	0
Intangible assets	126,294	126,721	0	0	0	0	126,721
Investments in associates and jointly controlled entities	505,158	758,427	758,427	0	0	0	0
Current tax assets	436,137	437,394	437,394	0	0	0	0
Deferred tax assets	1,314,396	1,328,378	1,328,378	0	0	0	9,399 (*)
Other assets	2,132,200	2,130,537	1,647,228	168,547	0	0	314,763
Total assets	**91,375,446**	**91,284,457**	**86,133,568**	**1,392,276**	**8,727**	**3,180,412**	**578,873**
Liabilities							
Resources of central banks and other credit institutions	2,040,418	2,030,724	0	0	0	0	2,030,724
Customer resources and other loans	72,032,958	72,891,218	0	0	0	0	72,891,218
Debt securities	1,371,033	1,371,033	0	0	0	0	1,371,033
Financial liabilities at fair value through profit or loss	921,391	933,486	0	933,486	0	0	0
Hedging derivatives	56,295	56,295	0	56,295	0	0	0
Non-current liabilities held-for-sale	864,287	0	0	0	0	0	0
Provisions for employee benefits	725,478	727,932	0	0	0	0	727,932
Provisions for other risks	311,836	361,420	235,785	0	0	0	125,635
Current tax liabilities	16,350	19,291	0	0	0	0	19,291
Deferred tax liabilities	122,899	119,679	0	0	0	0	119,679
Other subordinated liabilities	1,117,317	1,117,317	0	0	0	0	1,117,317
Other liabilities	3,094,353	3,010,549	0	0	0	0	3,010,549
Total Liabilities	**82,674,616**	**82,638,944**	**235,785**	**989,782**	**0**	**0**	**81,413,377**

Values in thousand Euros

(*) Referring to DTA for tax losses

Table 4 | Main sources of differences between regulatory amounts and carrying amounts in financial statements (EU LI2)

	Total	Items subject to:			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	90,714,983	86,133,568	1,392,276	8,727	3,180,412
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	1,225,567	235,785	989,782	-	-
Total net amount under the regulatory scope of consolidation	89,489,417	85,897,783	402,494	8,727	3,180,412
Off-balance sheet amounts	13,745,696	13,745,696	-	-	-
Amount relative with Potential Future Exposure of derivatives (1)	38,052	-	38,052	-	-
Differences due to compensation rules (2)	(2,428,519)	-	751,893	-	(3,180,412)
Differences due to CCF application	(11,304,090)	(11,304,090)	-	-	-
Differences due to mitigation effect	(311,800)	(273,499)	(38,301)	-	-
Exposure amounts considered for regulatory purposes	**89,228,755**	**88,065,890**	**1,154,138**	**8,727**	**-**

values in thousands of euros

(1) Exposure relative to the potential future value of derivatives according with article 274 (2) from CRR, and after netting effects

(2) Exposure relative to the adjustment of the derivative's substitution value, according with article 274 (1) from CRR, and after netting effects

While reconciling prudential balance sheet balances and regulatory exposure values, it is worth highlighting the exposure pertaining to off-balance commitments, duly adjusted by respective credit conversion factors, as set forth in article 111 and Appendix I of the CRR. The risk reduction techniques, namely financial collateral, and netting agreements of transactions subject to the CCR framework, equally justify the differences between the prudential scope's accounting balances and the positions that are the subject of weighting.

IV. Capital Adequacy

IV.1 Capital management

The objectives of Caixa Geral de Depósitos' Capital management are guided by the following general principles:

Complying with the regulatory requirements established by the Supervisory Authorities, namely the European Central Bank, the Bank of Portugal and the National Board of Financial Supervisors;

- ⇨ Generating an adequate level of profit for the company, creating value for shareholders, providing them with applicable capital payments;
- ⇨ Sustaining the development of operations which CGD is legally authorised to conduct, maintaining a solid capital structure, able to respond to the growth in activity and which is proven to be adequate for the Institution's risk profile;
- ⇨ Ensuring the Institution's and the Group's reputation, by preserving integrity in all operations conducted in the course of its activity.

In order to achieve the objectives described above, Caixa Geral de Depósitos carefully plans its short- and medium-term capital needs, taking into account the financing of its activity, especially resorting to self-finance and external fundraising. Said planning is based on internal estimates of growth in balance sheet transaction and financing through external funds, predominantly, through issuing subordinate debt, into which Supplementary Own Funds, within certain limits, are integrated.

IV.2 SREP and Capital Buffers

Regulatory framework

The activity of credit institutions in Portugal is regulated by the General Scheme of Credit Institutions and Financial Companies, approved by Decree-Law No. 298/92, which assumes a vital role in prudential regulation in Portugal, reflecting, to a large extent, EU Directives applicable to the financial system (Directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

Until 31 December 2013, the constituent elements of CGD Group's capital (basic own funds, complementary own funds and deductions) are those listed in Notice 6/2010, as amended by Notices 7/2011, 2/2012 and 3/2013, all issued by Banco de Portugal.

With the entry into force, in January 2014, of the new regulatory framework called Basel III [Regulation (EU) No 575/2013 and of Directive 2013/36/EU of the European Parliament and of the Council, both of 26 June], which applies to all Member States of the European Union, which defined the prudential requirements applicable to credit institutions and investment firms, the regulatory framework now provides for a set of transitional provisions allowing for the phased application of the new capital requirements, including more stringent requirements regarding the quality of capital that can be computed and the calculation of risk-weighted assets, giving the competent authorities of Member States the possibility of maintaining or accelerating their implementation.

The main impacts of Regulation (EU) no. 575/2013 (CRR/CRD IV) on capital ratios were in terms of deferred tax assets (DTA), provisions for insufficient impairment against expected losses, pension fund corridor, minority shareholdings in consolidated subsidiaries, significant shareholdings in non-consolidated financial institutions and additional requirements for market and counterparty risk.

In this context, the Bank of Portugal issued Notice 6/2013, regulating the transitional regime set out in Regulation (EU) No 575/2013, establishing the transitional implementation of the impacts of own funds elements.

With the entry into force, on 1 October 2016, of Regulation (EU) 2016/445 of the European Central Bank, credit institutions now disregard the applicable percentage of unrealised gains [as per the definition provided in Article 468(1) of Regulation (EU) No 575/2013] in the calculation of their Common Equity Tier 1 (CET1) Capital elements and include the gains related to exposures to central governments classified as available-for-sale, thereby accelerating the application of the transitional provisions.

In November of 2016, the European Commission published an outline of the new CRR and CRD IV, which incorporate various Basel standards, such as the Fundamental Review of the Trading Book for Market Risk, the Net Stable Funding Ratio (NSFR) for liquidity risk and interest rate risk in the banking book, as well as amendments regarding the treatment of central counterparties, the Minimum Distributable Amount (MDA), Pillar II, the leverage ratio and Pillar III, among others.

The most significant change was the implementation of the TLAC (Total Loss Absorbing Capacity) Term Sheet, established internationally by the Financial Stability Board (FSB) in the capital structure. Therefore, systemically important banks will have to comply with MREL/TLAC requirements under Pillar I, while banks that are not systemically important must only comply with MREL under Pillar II, as decided by the resolution authority on a case-by-case basis.

In December of 2017, the Bank of Portugal published Notice no. 10/2017, which revoked Notice no. 6/2013 and defined a new structure for the gradual application of deductions from own funds, among which, due to their relevance, deferred tax assets that depend on future profitability, as from January 1, 2018, stand out.

Also during the same period, Regulation (EU) 2017/2395 of the European Parliament and of the Council was published, amending Regulation (EU) No 575/2013 as regards a transitional regime to reduce the impact of the introduction of IFRS 9 - 'Financial Instruments' on own funds and for the treatment of large exposures of certain public sector exposures denominated in the national currency of any Member State.

It should be noted that CGD has not adhered to the possibility of gradual implementation of the transitional regime provided for in the above-mentioned Regulation, and the estimated impact on its Common Equity Tier 1 (CET 1) is -25 b.p., both in phasing-in and in full implementation.

On 17 April 2019, the European Parliament and the Council of the European Union published Regulation (EU) 2019/630, which amended Regulation (EU) 575/2013 as regards minimum loss coverage for Non-Performing Exposures (NPEs), with a view to preventing excessive accumulation of NPEs in the future and preventing the emergence of systemic risks in the non-banking sector.

This Regulation complements the prudential rules set out in Regulation (EU) 575/2013 with regard to provisions requiring a deduction from own funds when the NPE is not sufficiently covered by provisions or other adjustments.

It was set out in these Regulations that institutions must deduct from their Common Equity Tier 1 capital instruments, the applicable amount of insufficient coverage for non-performing exposures, if the exposure originated after 26 April 2019.

In May 2019, Regulation 2019/876 (so-called CRR II) was published, amending Regulation 575/2013 and Directive 2019/878 (so-called CRD V).

The amendments introduced by CRR II relate to: leverage ratio, liquidity ratio, own funds requirements and eligible liabilities, counterparty credit risk, market risk, central counterparty exposures, collective investment undertaking risks, large exposures and information and disclosure requirements.

On 27 June 2019, CRD V entered into force but it is not yet applicable, as Member States have until 28 December 2020 to transpose it into national law.

CRR II will come into force on 28 June 2021, with some exceptions that came into force for the period beginning on 1 January 2019.

Among these exceptions, highlight goes to the entry into force, on 27 June 2019, of the main amendments concerning Capital, deductions from Own Funds and calculation of Credit Risk under the standardised and IRB approaches.

Requirement of combined buffer

In September 2015, the Bank of Portugal, through Notice 1/2015, imposed on credit institutions based in Portugal the early adoption of the Conservation Buffer of own funds at 2.5%, pursuant to article 138-D of the General Scheme of Credit Institutions and Financial Companies.

Considering the context of the Single Supervision Mechanism (SSM) in which Capital decisions relating to credit institutions are determined and adopted for the entire Euro Zone and, on the other hand, Capital transactions arising from those decisions must be undertaken essentially by turning to the market, it was necessary to ensure that national credit institutions operated in the same conditions as the institutions in that same space. Within this framework, the Bank of Portugal issued Notice 6/2016, of 31 May, repealing Notice 1/2015. The obligation to choose the early adoption of the own funds conservation buffer was thus discontinued, and the temporary scheme established in Article 23(1) to (4) of Decree-Law No. 157/2014, of 24 October came into effect, resulting in a phased application with annual increases of 0.625% in the requirements of the Capital Conservation Buffer, starting in 2016.

The transitional period ended in early 2019 and an own funds conservation buffer of 2.5% is currently applicable.

'Other Systemically Important Institutions' Buffer Requirements

Pursuant to Article 138-Q of the General Scheme of Credit Institutions and Financial Companies, and in accordance with the Directives of the European Banking Authority (EBA) to identify 'Other Systemically Important Institutions' (O-SIIs), the Bank of Portugal identified CGD as an O-SII, having informed the European Banking Authority and the European Central Bank of this identification.

The practical consequence of this decision for CGD consists on a requirement of a Capital Buffer for an O-SII, fully covered by CET1 and applicable on a consolidated basis.

This Capital buffer was set by the Bank of Portugal at 1% for CGD, being implemented incrementally and applying to 25% of the fixed amount in 2018, 50% in 2019, 75% in 2020 and 100% in 2021, in compliance with the decision communicated on 30 November 2017. As such, CGD, in its consolidated scope, must consider an OSII Capital buffer of 0.25% in 2018, 0.50% in 2019, 0.75% in 2020 and 1.00% in 2021.

However, on 8 May 2020, the Bank of Portugal issued a Communication on the postponement of the phasing-in period of the own funds reserve for 'Other Systemically Important Institutions' by one year, thus delaying the 2020 requirement for 2021, which means the phasing-in period of the requirement will end in 2022.

Thus, CGD, in its consolidated perimeter, should consider a Capital reserve as OSII of 0.25% in 2018, 0.50% in 2019, 0.75% in 2020 and 2021, and 1.00% in 2022.

Countercyclical Buffer Requirements

In accordance with the Basel Committee, the Countercyclical Buffer's main objective is to guarantee that banks have a sufficiently large capital buffer, allowing them to deal with unexpected losses, when confronted with a negative system shock, without compromising the granting of credit to the real economy.

The Bank of Portugal, carrying out its competencies as a national macroprudential authority, can impose on credit institutions the constitution of an additional Capital Buffer whose objective is to protect the banking sector in periods of increased cyclical systemic risk, due to excessive credit increase.

The Countercyclical Buffer (measured as a percentage of the total exposure amount) will be set at between 0% and 2.5%, except when exceptional circumstances justify setting a higher percentage.

The Buffer percentage for each institution, or, the 'institution-specific Countercyclical Buffer', is an average of the countercyclical buffer percentages applicable in countries where said institution has exposure to credit.

For 2020, the Bank of Portugal set the Countercyclical Buffer at 0% of the total amount of exposure values.

In compliance with the information disclosure requirements in article 440 paragraph 1, subparagraph a) of the CRR, the table below presents the geographical breakdown of the relevant credit risk positions in the calculation of the institution's Countercyclical reserve. The Countercyclical reserve rate of relevant geographies (geographies whose risk position represents more than 2% of the total risk-weighted positions) is 0%, and therefore no own funds requirements for countercyclical reserve have been determined.

Table 5 | Geographical breakdown of credit exposures relevant to the calculation of the own funds Countercyclical Buffer (EU CCB1)

	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:					*Relevant credit risk exposures - Credit risk*	*Relevant credit exposures – Market risk*	*Relevant credit exposures – Securitisation positions in the non-trading book*	**Total**			
Portugal	38,348,878	3,254	8,727	38,360,859	1,840,952	70	290	1,841,313	23,016,409	75%	0.00%
Macao	3,130,517	0	0	3,130,517	142,676	0	0	142,676	1,783,450	6%	0.00%
France	3,031,840	1,600	0	3,033,439	164,001	10	0	164,011	2,050,143	7%	0.00%
Others	4,541,327	18,076	0	4,559,403	294,544	139	0	294,683	3,683,539	12%	-
Total	**49,052,561**	**22,929**	**8,727**	**49,084,217**	**2,442,173**	**219**	**290**	**2,442,683**	**30,533,542**	**100%**	**-**

values in thousands of euros

Nevertheless, it should be emphasised that the potential non-compliance of some formerly identified capital buffers (O-SII, Countercyclical Buffer and Specific Buffer) doesn't undermine the continuity of the institutions' activity.

However, it involves, namely, restrictions to distributing dividends and repurchasing own shares, as well as submitting to the supervisor, on the part of the institutions in question, of a duly scheduled own funds conservation plan, with the objective of completely fulfilling the agreed own funds requirement. The supervisor is tasked with setting the time frame to realise this plan.

Harmonizing national discretionary criteria – EU Regulation 445/2016

In the first quarter of 2016, the European Central Bank issued Regulation 445/2016, governing national discretionary criteria relating to the impact relief period of Basel III in the capital components. The practical outcome for CGD concerned the fair value reserves of exposure to Sovereign Funds classified as 'financial assets for sale', which from 1 October 2016 was incrementally reflected in the own funds, with the integration of 60% beginning in 2016, with increments of 20% each year until 100% was attained in 2018.

Deferred Tax Assets' (DTA) Treatment

Deferred Tax Assets' prudential treatment has been scrutinised both by the European Commission and the European Central Bank. In Portugal, as was the case in Spain and Italy, it was necessary to amend fiscal legislation on deferred taxes (Law No. 23/2016, which amended Law No. 61/2014), limiting the total protected stock existing on 31 December 2015, i.e., deferred taxes from 1 January 2016 were no longer subject to special treatment, thus being susceptible to being deducted from the Common Equity Tier 1 or weighted at 250%.

ECB 2020 Capital Requirements and levels for 2021

Requirements in 2020

The ECB, in the context of allocations under Regulation (EU) No. 1024/2013, of 15 October, is undertaking institution revision and evaluation exercises, including strength tests and, based on said revision process (SREP - Supervisory Review and Evaluation Process), may impose specific additional own fund requirements on credit institutions, as well as specific information disclosure requirements.

Based on the results obtained under the Supervisory Review and Evaluation Process (SREP), as well as the Bank of Portugal's communication about the additional reserve of own funds required of it as "Another Institution of Systemic Importance" (O- SII), CGD was notified by the European Central Bank (ECB) of the minimum capital requirements applicable from 1 January 2020.

In the letter issued on 4 December 2019, the minimum CET1 capital requirement (phased-in) applicable to CGD on a consolidated basis was 10.0%, which includes: i) the minimum CET1 capital ratio required under Pillar I of 4.5%; ii) the minimum CET1 capital ratio required under Pillar II (P2R) of 2.25%; iii) the 2.50% Capital Conservation Buffer (CCB), of 2.50%; iv) reserve for 'Other Institutions of Systemic Importance of 0.75% and v) the Countercyclical reserve of Equity Funds, of 0%.

Table 6 | Minimum Capital Ratios - 2020

2020					
Ratios	Total	of which:			
		Pillar 1	Pillar 2	Buffers	
				Conservation	O-SII
CET1	9.02%	4.50%	1.27%	2.50%	0.75%
TIER 1	10.94%	6.00%	1.69%	2.50%	0.75%
Total Capital	13.50%	8.00%	2.25%	2.50%	0.75%

However, as part of a set of initiatives to mitigate the impacts of the Covid-19 Pandemic, the ECB communicated to CGD on 8 April 2020 the amendment made to the SREP dated 4 December 2019, in which would maintain the requirement of a total ratio (TSR) of 10.25% (of which 8% corresponds to Pillar I and 2.25% to Pillar II – P2R). With the P2R value being fixed for CGD, which initially should be constituted exclusively by instruments classified as CET 1, it would be covered at 56.25% by CET 1 instruments, 18.75% by AT 1 instruments and at 25% by Tier 2 instruments, with application from March 2020, inclusive.

Thus, the minimum CET1 capital requirement (phased-in) required of CGD on a consolidated basis is now 9.02%, which includes: i) the minimum CET1 capital ratio required under Pillar 1 of 4.5% ; ii) the minimum CET1 capital ratio required under Pillar 2 (P2R) of 1.27%; iii) the 2.50% capital conservation buffer (CCB); iv) reserve for “Other Institutions of Systemic Importance” of 0.75% and v) Countercyclical Reserve for Own Funds of 0% of the total amount of exposures (as defined by Banco de Portugal, for the fourth quarter of 2020).

CGD is also subject to compliance with a minimum Tier 1 requirement of 10.94% and Total Capital of 13.50% in 2020, as shown in the table below:

Requirements in 2021

In the last SREP Decision, the Supervisor maintained the minimum requirements applicable to the CGD Group and, according to the Bank of Portugal's May 2020 statement, it was decided to postpone for 1 year the phased implementation period, defined in 2017 and revised in 2019 (which predicted that in 2021 the value would reach the maximum defined value of 1%), from the reserve of own funds for “other institutions of systemic importance” (in the English acronym, O-SII).

Thus, the minimum ratio requirements in 2021 remain at the same levels as in 2020.

IV.3 Regulatory Capital

Own Funds and Capital Ratios

Solvency indicators continue to show a trend that has been consolidating, even in the context of greater demand in the market context, caused by the Covid-19 Pandemic, as shown below, in the comparative table of Own Funds and Capital ratios between December 2019 and December 2020.

Table 7 | Eligible own funds

	31-12-2020	31-12-2019
Share Capital	**3,844,144**	**3,844,144**
Retained earnings	3,376,818	2,901,948
Net income	405,026	785,821
Revaluation reserves:	267,266	281,259
Unrealised gains and losses on available for sale items	29,810	33,500
Property revaluation reserve and unrealised gains in investment properties	124,931	134,350
Other	112,525	113,409
Total minority interest given recognition in CET 1 capital	49,716	51,241
Total CET 1 capital prior to regulatory adjustments	**7,942,969**	**7,864,413**
Intangibles other than goodwill, net of related DTLs	(126,721)	(75,167)
DTAs (excluding temporary differences only), net of related DTLs	(9,399)	(12,294)
Total CET 1 capital after the regulatory adjustments above	**7,806,849**	**7,776,951**
DTAs arising from temporary differences (amount above 10% threshold)	-	(52,858)
Total CET 1 capital after the regulatory adjustments above	**7,806,849**	**7,724,093**
Amount exceeding the 17,65 % threshold	-	(47,499)
*National filters and deductions that affect CET1**	-	(16,694)
CET 1 capital	-	(30,805)
National filters and deductions that affect CET1, of which:	(187,251)	(183,311)
Irrevocable Commitments - Deposit Guarantee Fund	(155,553)	(155,553)
Irrevocable Commitments - Resolution Fund	(19,419)	(16,320)
AVA	(12,279)	(11,438)
Tier 1 capital	**7,619,599**	**7,493,283**
Tier 1 Adicional	500,000	500,000
Tier 1 Adicional - Subsidiareis (IM)	4,256	8,630
Tier 1 Own Funds	**8,123,855**	**8,001,913**
Tier 2 Instruments	600,000	600,000
Tier 2 Instruments - Subsidiaries (IM)	24,415	36,949
Total Own Funds	**8,748,271**	**8,638,862**
Net Income (memorandum item)	**489,488**	**785,821**

Values in thousand euros

Note: values applicable to Phasing-in and Full Implementation

In the calculation of Consolidated Own Funds and prudential ratios, reported to the Supervisor and referring to December 31, 2020, a net profit of around 405 million euros was considered, as authorised by the ECB and pursuant to paragraph 2, article 26 of Regulation (EU) No. 575/2013 and Article 5 of Decision (EU) 2015/656 of the European Central Bank of 4 February 2015, on the inclusion of provisional or year-end profits in the main Tier 1 Own Funds, which amount calculated on the net accounting result of approximately 489.5 million

Euros, deducted from approximately 84.5 million Euros relative to the distributable dividend amount.

The amount of the distributable dividend referred to above was calculated considering CGD's Dividend Distribution Policy and pursuant to Recommendation ECB/2020/62 of 15 December 2020 on the distribution of dividends during the COVID-19 pandemic (which revokes Recommendation ECB/2020/35).

Dividend distribution

As a result of the exceptional situation caused by the COVID-19 pandemic, and, above all due to uncertainty about its impact on the evolution of the Eurozone economy the ECB update on 27 March 2020 its recommendation on distribution of dividends [(Recommendation (BCE/2020/35)], recommending that banks do not distribute dividends for the years 2019 and 2020 or repurchase their own shares at least until 1 October 2020.

This measure was intended to increase the banks' capacity of absorbing losses and supporting loans to households and businesses during the COVID-19 pandemic.

In this regard, the ECB admitted two situations, namely:

> a) maintaining the initial recommendation on dividend distribution, but making the actual payment conditional on a reassessment of the situation when the uncertainties caused by COVID 19 no longer exist (in any case, not before 1 October 2020);
>
> b) proposing a change in the dividend policy, whereby no dividend shall be distributed for FY 2019, committing to a possible distribution of reserves, subject to a reassessment of the situation when the uncertainties caused by COVID 19 no longer exist (in any case, not before 1 October 2020).

In this sense, the Board of Directors approved at the General Meeting, distribute dividends for the year 2019 integrate the net profit into free reserves, after deduction the legal reserve option b of the ECB recommendation.

On July 27, 2020, the ECB extended this guidance until January 1, 2021 by adopting Recommendation ECB/2020/35.

On 15 December 2020, the ECB issued a new Recommendation (ECB/2020/62) on the distribution of dividends during the Covid-19 pandemic (which revokes Recommendation ECB/2020/35) where it considers, in general terms, that credit institutions that decide to make dividend distributions or share repurchases must respect two limits: 15% of their accumulated profits for the financial years 2019 and 2020, or more than 20 basis points in terms of their own funds ratio Level 1 majors, whichever is lower.

Taking this last recommendation into account, in addition to its internal policy on the distribution of dividends, CGD takes into account recommendation ECB/2020/62 when calculating the amount of dividend for the 2020 financial year.

Table 8 | Capital ratios and own funds

	31-12-2019	31-12-2020
Regulatory capital		
CET 1 capital	7,493,283	7,619,599
Tier 1 capital	8,001,913	8,123,854
Tier 2 Instruments - Subsidiaries (IM)	8,638,862	8,748,270
RWA	44,324,806	41,819,403
Solvency Ratios		
CET1 ratio	16.9%	18.2%
Tier 1 ratio	18.1%	19.4%
Total ratio	19.5%	20.9%
Minimum Requirements (*SREP*)		
Common Equity Tier 1 (CET 1)	9.750%	9.016%
Tier 1 capital	11.250%	10.938%
Tier 2 Instruments - Subsidiaries (IM)	13.250%	13.500%

Since 2019, there is no difference between the value of Own Funds and the Capital ratios in Transitional and Full implementation, since there is no element computed in l Own Funds and Risk-Weighted Assets that are subject to a period of implementation or disqualification phased.

The variation in the CET1 ratio between December 2019 () and December 2020 is explained by the by the improvement in terms of Own Funds and the reduction in Risk Weighted Assets (RWA - Risk Weighted Assets):

1. The improvement in Common Equity Tier 1 (CET 1) Own Funds by around + 126 million euros represents a positive contribution to the CET 1 ratio of 30 basis points (bp) and is essentially the results of the contributions of the following components:

    a) Net income in the amount authorised by the ECB and computed into Own Funds (around 405 million euros) was the main component with a positive contribution, with a weight of +97 bp in the variation the CET 1 ratio;

    b) Reduction in the deduction amounts related to exceeding the prudential limits of 10% and 17.65% of Own Funds, totaling around 100 million euros, contributed with an impact on the CET 1 ratio of around +24 bp in the variation of the CET1 ratio;

    c) Change in Other reserves and Retained earnings of around -311 million euros, which translated into a decrease of around -74 bp in the variation in the CET1 ratio, essentially justified by the impacts of exchange rate variations related to the international activity (approximately -147 million euros), actuarial deviations related to employee benefits (about -110 million euros) and interest charges on Tier 1 Additional (about -54 million euros);

d) Increase in the deduction of intangible assets by around -53 million euros, which translated into a decrease of around -12 bp in the variation of the CET1 ratio;

e) Change in Revaluation Reserves of around -13 million euros, which translated into a decrease of around -14 basis points in the CET1 ratio.

2. The reduction in RWA, of around -2,505 million euros, contributed +101 bp to the variation in the CET 1 ratio and is mainly explained by the following factors:

a) Extension of the scope of the SME support factor, provided for in Regulation (EU) No. 873/2020, with an impact of around +20 bp on CET1;

b) Increase, by approximately 1,000 million, in the exposure guaranteed by the European Investment Fund or the Mutual Counter-guarantee Fund. This increase in exposure, offset by the decrease in unsecured credit, is in the context of credit granted under the Covid lines, with a positive contribution to the CET1 ratio of around +40 bp;

c) Reduction in BCI Mozambique's RWA due to the exchange rate depreciation of the metical (MZN), with a contribution of +30 bp in the CET1 ratio. At BCG Angola, the reduction in RWA resulting from the devaluation of the Kwanza (AOA) was offset by the worsening of the portfolio's risk weight, as a result of the downgrade of the country rating;

d) Reduction of exposure to other debtors justified by the settlement of sales operations of non-performing asset portfolios, reduction of the derivatives portfolio subject to counterparty credit risk and decrease of exposure in non-current assets held for sale, with a contribution global +17 bp on CET1;

e) Reduction of RWA for operational risk by 382 million euros, +16 bp in CET1.

The following table contains detailed information on the main characteristics of Common Equity Tier 1, Additional Common Equity Tier 1 and Common Equity Tier 2, as set forth in article 437(1)(b) of Regulation (EU) No. 575/2013.

Supplementing the information presented in the table below, the issued credits are available at the following addresses:

ISIN	
PTCGDJOM0022	https://www.bourse.lu/security/PTCGDJOM0022/249390
PTCGDKOM0037	https://www.bourse.lu/security/PTCGDKOM0037/267807
PTCGHFOM0006	https://www.bourse.lu/security/PTCGHFOM0006/135956

Table 9 | Capital instruments' main features

Issuer	CGD Lisboa	CGD Lisboa	CGD Lisboa
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	PTCGDJOM0022	PTCGHFOM0006	PTCGDKOM0037
Governing law(s) of the instrument	CRD IV (Directive 157/2014)	Bank of Portugal Notification 12/92	CRD IV (Directive 157/2014)
Regulatory treatment			
Transitional CRR rules	Additional Tier 1	Tier 2	Tier 2
Post-transitional CRR rules	Additional Tier 1	Tier 2	Tier 2
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual e (sub)Consolidated	Individual e (sub)Consolidated	Individual e (sub)Consolidated
Instrument type (types to be specified by each jurisdiction)	Other capital instruments	Subordinated bonds	Subordinated bonds
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	500	100	500
Nominal amount of instrument	500,000,000	100,000,000	500,000,000
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Own Funds	Liabilities - amortized cost	Liabilities - amortized cost
Original date of issuance	2017-03-30	2008-03-03	2018-06-28
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	Perpetual	2028-03-03	2028-06-28
Issuer call subjet to prior supervisory approval	Yes	No	Yes
Optional call date, contingent call dates, and redemption amount	2022-03-30	N/A	2023-06-28
Subsequent call dates, if applicable	After 1st call on each coupon payment date	N/A	After 1st call on each coupon payment date
Coupons / dividends			
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Coupon rate and any related index	10,75%	5.98%	5.75%
Existence of a dividend stopper	N/A	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	N/A	N/A	N/A
Noncumulative or cumulative	Noncumulative	N/A	N/A
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	CET1 Ratio<5,125%	N/A	N/A
If write-down, write-down trigger (s)	CET1 Ratio<5,125%	N/A	N/A
If write-down, full or partial	Partial	N/A	N/A
If write-down, permanent or temporary	Temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	Fully discretionary	N/A	N/A
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Lower Tier 2	Tier 2
Non-compliant transitioned features	No	No	No
If yes, specifiy non-compliant features	-	-	-

(1) 'N/A' inserted if the question is not applicable

Information relating to the nature and amount of prudential filters, realised deductions and non-deducted elements, as well as the description of restrictions applied to the own funds calculation, as specified in article 437(1)(d) and (e) of Regulation 575/2013, found in Appendix I – Details of Own Funds Composition of this document.

As previously mentioned, the consolidation perimeters for accounting and regulatory purposes are different, resulting in differences between the information used in the own funds calculation and that used in the published financial statements, in particular relating to own fund elements. In order to identify the origin of the disparity between data used in the own funds calculation and that used in the institutions' financial statements, Regulation (EU) No. 1423/2013 determines the need to disclose the way in which elements of the financial statements used in the own funds calculation develop when the consolidation for regulatory purposes is applied.

As such, in order to comply with the requirement to disclose a complete reconciliation of the own fund elements with the audited financial statements, as described in Article 437(1)(a) of Regulation (EU) No. 575/2013, the institutions must apply the method mentioned in Appendix I of Regulation (EU) No. 1423/2013 and publish the information on balance sheet reconciliation, as per the following tables:

Table 10 | Reconciliation of prudential and accounting balance sheet

	Financial Perimeter	Consolidation of other entities + IFRS6	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
Assets						
Cash and cash equivalents at central banks	10,277,778	31,442	-	-	10,309,221	
Cash balances at other credit institutions	694,498	(13,911)	-	16,513	697,101	
Loans and advances to credit institutions	2,617,319	217,979	-	(3,158)	2,832,140	
Financial assets at fair value through profit or loss	5,332,567	(299,692)	181,475	-	5,214,350	
Available-for-sale financial assets	6,855,916	63,947	-	-	6,919,862	
Financial assets with repurchase agreement	13,877	1,312	-	-	15,189	
Hedging derivatives	7,325	-	-	-	7,325	
Held-to-maturity investments	11,256,822	-	-	-	11,256,822	
Loans and advances to customers	47,902,966	507,389	-	-	48,410,355	
Non-current assets held-for-sale	1,158,949	(958,263)	48,659	-	249,345	
Investment properties	188,849	(204,111)	35,360	-	20,098	
Other tangible assets	554,396	16,796	-	-	571,192	
Intangible assets	126,294	426	-	-	126,721	9
Investments in associates and jointly controlled entities, of whic	505,158	3,629	249,641	-	758,427	11
Insurance companies	420,589	-	-	-	420,589	
Other financial institutions (Equity stake > 10%)	44,882	-	-	-	44,882	
Other Investments in associates and subsidiaries excluded f	39,686	3,629	249,641	-	292,956	
Current tax assets	436,137	1,258	-	-	437,394	
Deferred tax assets, of which:	1,314,396	13,975	7	-	1,328,378	
Deferred tax assets for temporary differences	1,305,603	13,369	7	-	1,318,979	10
Deferred tax assets for tax losses carry forward	8,793	606	-	-	9,399	8
Other assets	2,132,200	(59,598)	-	57,936	2,130,537	
Total assets	91,375,446	(677,421)	515,141	71,291	91,284,457	
Liability and Equity						
Resources of central banks and other credit institutions	2,040,418	40,171	-	(49,865)	2,030,724	
Customer resources and other loans	72,032,958	795,032	-	63,228	72,891,218	
Debt securities	1,371,033	-	-	-	1,371,033	
Financial liabilities at fair value through profit or loss	921,391	12,095	-	-	933,486	
Hedging derivatives	56,295	-	-	-	56,295	
Non-current liabilities held-for-sale	864,287	(864,287)	-	-	-	
Provisions for employee benefits	725,478	2,453	-	-	727,932	
Provisions for other risks	311,836	925	48,659	-	361,420	
Current tax liabilities	16,350	2,940	-	-	19,291	
Deferred tax liabilities, of which:	122,899	3,804	(7,023)	-	119,679	
Deferred tax liabilities for temporary differences	122,899	3,804	(7,023)	-	119,679	10
Other deferred tax assets liabilities	-	-	-	-	-	8
Other subordinated liabilities	1,117,317	-	-	-	1,117,317	7
Other liabilities	3,094,353	(28,825)	(112,907)	57,928	3,010,549	
Total Liabilities	82,674,616	(35,692)	(71,271)	71,291	82,638,944	
Capital	3,844,144	(698,557)	698,557	-	3,844,144	1
Other equity instruments (Additional Tier 1)	500,000	-	-	-	500,000	6
Revaluation reserves	267,266	-	-	-	267,266	2
Other reserves and retained earnings	3,393,753	66,891	(83,826)	-	3,376,818	3
Net income attributable to the shareholder of CGD	491,592	(10,063)	7,959	-	489,488	4
Shareholders' equity attributable to CGD	8,496,754	(641,729)	622,690	-	8,477,715	
Non-controlling interests, of which:	204,076	-	(36,277)	-	167,798	5
Ordinary shares	204,076	-	(36,277)	-	167,798	
Preference shares	-	-	-	-	-	
Total equity	8,700,830	(641,729)	586,412	-	8,645,513	
Total liabilities and equity	91,375,446	(677,421)	515,141	71,291	91,284,457	

Values in thousands of euros

(*) Link between elements on Prudential Balance Sheet and regulatory Own Funds

Table 11 | Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds

	Prudential Balance Sheet	Own Funds	Key (*)
Share capital	**3,844,144**	**3,844,144**	**1**
Other reserves and retained earnings	3,376,818	3,376,818	3
Net income (included in CET 1 capital)	489,488	405,026	4
Revaluation reserves	267,266	267,266	2
Non-controlling interests given recognition in CET 1 capital	167,798	49,716	5
State Aid Instruments considered eligible for CET 1	-	-	
Total CET 1 capital prior to regulatory adjustments		**7,942,969**	
Intangibles (Includes goodwill), net of related DTLs	126,721	(126,721)	9
DTAs (arising from tax losses carry forward), net of related DTLs	9,399	(9,399)	8
Total CET 1 capital after the regulatory adjustments identified above		**7,806,849**	
DTAs arising from temporary differences (amount above the 10% threshold)	1,318,979	-	10
Total CET 1 capital after the regulatory adjustments identified above		**7,806,849**	
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)		-	
Total CET 1 capital after the regulatory adjustments identified above		**7,806,849**	
Amount exceeding the 17,65% threshold, of which:		-	
Financial institutions and insurers	*758,427*	*-*	*11*
DTA's (arising from temporary differences)	*1,318,979*	*-*	*10*
National filters and other deduction affecting		(187,251)	
Irrevocable Commitments - Deposit Guarantee Fund		(155,553)	
Irrevocable Commitments - Resolution Fund		(19,419)	
AVA		(12,279)	
Common Equity Tier 1 (CET 1)		**7,619,599**	
Additional Tier 1, of which:		**504,256**	
Other equity instruments	*500,000*	*500,000*	*6*
AT 1 - subsidiaries (Non-controlling Interests)	*167,798*	*4,256*	*5*
Tier 1 capital		**8,123,854**	
Tier 2 capital instruments		**624,415**	
Equity instruments issued	*1,117,317*	*600,000*	*7*
Tier 2 capital instruments - subsidiaries (Non-controlling Interests)	*167,798*	*24,415*	*5*
Total capital		**8,748,270**	

Values in thousands of euros

(*) correspondence between elements of the Prudential Balance Sheet and regulatory Own Funds

IV.4 Capital Requirements

Regulatory Capital Requirements

Pursuant to Article 438(c) to (f) of the CRR, the following table contains the own fund requirements by risk type on 31 December 2020 and 2019.

Table 12 | Overview of Risk-Weighted Assets (RWA) (EU OV1)

	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	31-12-2020	31-12-2019	31-12-2020
Credit risk (excluding CCR)	**36,213,352**	**38,389,831**	**2,897,068**
Of which the standardised approach	36,213,352	38,389,831	2,897,068
Of which the foundation IRB (FIRB) approach	0	0	0
Of which: slotting approach	0	0	0
Of which: equities under the simple riskweighted approach	0	0	0
Of which the advanced IRB (AIRB) approach	0	0	0
Counterparty credit risk - CCR	**689,248**	**715,078**	**55,140**
Of which the standardised approach	232,172	330,627	18,574
Of which internal model method (IMM)	0	0	0
Of which exposures to a CCP	234	277	19
Of which credit valuation adjustment - CVA	29,680	37,572	2,374
Of which other CCR	0	0	0
Settlement risk	**0**	**0**	**0**
Securitisation exposures in the non-trading book (after the cap)	**3,631**	**5,999**	**290**
Of which SEC-IRBA approach	0	0	0
Of which SEC-ERBA (including IAA)	0	0	0
Of which SEC-SA approach	3,631	5,999	290
Of which 1250%/ deduction	0	0	0
Position, foreign exchange and commodities risks (Market risk)	**1,415,197**	**1,333,695**	**113,216**
Of which the standardised approach	1,415,197	1,333,695	113,216
Of which IMA	0	0	0
Large exposures	**0**	**0**	**0**
Operational risk	**3,497,976**	**3,880,203**	**279,838**
Of which basic indicator approach	0	0	0
Of which standardised approach	3,497,976	3,880,203	279,838
Of which advanced measurement approach	0	0	0
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	**0**	**0**	**0**
Lower limit adjustment	**0**	**0**	**0**
Total	**41,819,404**	**44,324,806**	**3,345,552**

Values in thousand euros

In December 2020, the value of risk weighted assets (RWA) to EUR 41,819 million, of which around 88% related to credit risk (including counterparty risk and securitizations). Compared to the previous period, there was a decrease in RWA of around 5.7% (EUR 2,505 million), mainly explained by the reduction in RWA for credit risk (-5.6%) and for operational risk (-9.9%). The value of RWA for market risk increase by EUR 82 million, compared to that observe in 2019.

In absolute terms, the most significant variation in RWAs was observed in terms of credit risk, EUR 2,205 million, largely justified by the implementation of the measures provided for in EU Regulation No. 873/2020, namely the extension of the scope of application of the SME support factor and the application of the infrastructure support factor, the latter with a lower impact. The anticipation of the entry into force of these measures aimed to allow institutions to effectively channel funds to companies and families and to mitigate the economic shock caused by the Covid-19 pandemic.

Additionally, in the context of credit granted under the Covid lines, in 2020, there was an increase of around 1,000 million in the exposure guaranteed by the European Investment Fund or the Mutual Counterguarantee Fund. This increase in guaranteed exposure was offset by the decrease in unsecured credit, resulting in a reduction in the group's RWAs.

It is also worth mentioning the impact arising from the exchange rate depreciation of the metical (MZN) and the Kwanza AOA. On the other hand, following the downgrade of the Angola rating, there was an aggravation of the risk weight and, consequently, of the RWA of the BCG-Angola portfolio. It should be emphasized that CGD deducts from own funds significant investments equity instruments of insurance companies, reassurance companies or holding companies in the insurance sector, so these positions do not contribute to CGD group's RWAs.

In a future perspective, it is important to highlight the regulatory changes provided for in Regulation (EU) No. 876/2019, which amends Regulation (EU) No. 575/2013, regarding the determination of capital requirements for counterparty credit risk and for positions on collective investment undertakings (UCI) and which come into force at the end of the first half of 2021

Internal Capital Requirements

In the context of Basel Pillar 2, the CGD Group annually conducts an evaluation exercise of internal capital adequacy, control systems and the institution's risk profile (ICAAP). The ICAAP is produced in the context of, and in conformity with, the approved Risk Appetite Framework and Statement (RAF and RAS). Quantifying internal capital adequacy concerns planning that supports implementing the Group's strategy. This involves a two-way process insofar as the results obtained inform strategy and contribute to calibrating planning. This self-assessment is also integrated into the risk management framework.

Given the structural nature and the recognized internal and external importance for implementing sustainable business strategies, supported by adequate controls, the ICAAP is supported by a robust governance model, with a clear-cut assignment of roles and responsibilities. Within this framework, the self-assessment process of internal capital adequacy abides by a governance model outlined by internal norms, guaranteeing the involvement of the Board of Directors, the Executive Committee of the Board of Directors, the Risk Committee and the Audit Committee.

The ICAAP process aims to identify, measure and allocate capital to risks to which the Banking Group is exposed or may become exposed, supported by 5 stages requiring the involvement of either Group entities (the prudential scope's branches and subsidiaries) or various divisions of the bank:

- Risk identification process: CGD carried out a self-assessment questionnaire of the risks in which all banking entities of the prudential perimeter assess the materiality of the risks to which the entity is, or may be, exposed. This process is widely involved in different areas of the bank (including the Compliance Office risk, the Real Estate Business Division and the Information Systems Division for their respective risks and the Risk Management Division for all other risks), culminating in the outlining of CGD's risk profile and the identification of risks that are the subject of quantification of internal capital needs, within the ICAAP framework.
- Risk quantification methods: for each risk category assessed as material, the bank quantifies the capital needs based on internal methodologies that reflect the Bank's perspective and the exposure to each risk. The quantifying methods are revised and discussed by the Steering Committees and the Risk Committee in order to address the supervisor's recommendations and guidelines, improve the quality of the models and ensure integration with risk management. Without prejudice to the conclusions resulting from the risk identification stage, the allocation of capital necessarily encompasses, with available methodologies, credit risk, market risk, interest rate risk in the banking book, exchange rate risk, operational risk (including information systems), strategic, compliance and reputational risks.
- Definition of macroeconomic scenarios: CGD presents a critical overview of the expected evolution of internal capital requirements in the base and adverse scenarios. In the context of the annual internal capital assessment process, the baseline scenario is reviewed and applied as part of budget planning In turn, the adverse scenario, which includes both a systematic perspective and events of an idiosyncratic nature, is based on an internal perspective guided by the CGD's concerns, discussed in the context of the annual revision of the Recovery Plan, updated, where necessary, in the framework of the ICAAP.
- Financial and capital projections: based on macroeconomic scenarios, CGD projects, in three years, its available internal capital (i.e., a balance sheet and statement of results) and the capital requirements under baseline and adverse conditions. The base scenario's financial projections are consistent with those of the Budget and with the FCP, while the projections underlying the adverse scenario are internally prepared based on statistical models whose methodology, assumptions and results are revised and discussed with several areas of the bank, including the risk management, finance market, planning and accounting divisions.

- Capital adequacy assessment and integration within CGD: CGD analyses the Group's solvency situation under different scenarios. The conclusions of this analysis are primarily quantitative and may trigger actions on the part of the Board of Directors or the Executive Committee in order to reinforce the Bank's capital position or adjust the Group's risk profile, in case capital is considered insufficient. Other qualitative conclusions may result in organisational amendments, the adoption of new methods, optimisation of information systems and processes, among others.

The results of the ICAAP's process are reported annually to the supervisor, however, the quantification of internal capital needs is updated on a quarterly basis for the most relevant risks, ensuring a regular monitoring of internal capital needs by the management bodies.

Furthermore, it is important to highlight that the ICAAP is audited, at least annually, by the Internal Auditing Division, covering all dimensions of the ICAAP, with a special focus on these three main blocks: auditing (i) (qualitative) risk profile assessment, (ii) scenario elaboration and selection, and (iii) quantifying processes.

Additionally, in the context of its internal control duties, the DC monitored and analysed the ICAAP process in order to assess compliance with legal requirements and internal regulations and policies.

As of 31 December 2020, internal capital needs were measured for the following risk categories:

- Credit Risk (including the subcategories of sovereign default, real estate and credit concentration risks);
- Market Risk (including CVA, foreign exchange rate risk and credit spread risk);
- Reputational Risk;
- Strategic Risk;
- Interest rate risk in the banking book;
- Operational Risk;
- Pension Fund Risk.

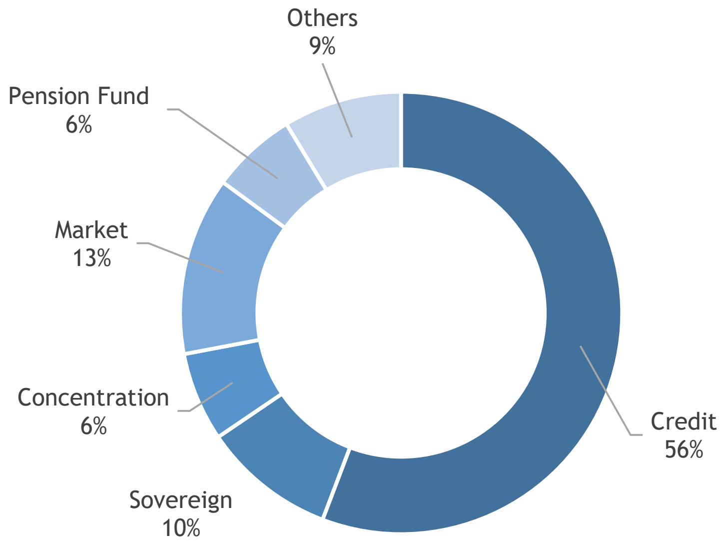
Capital adequacy is evaluated via comparison between internal capital and internal capital needs ascertained in accordance with internal quantification methodologies.

Internal capital is capital that the CGD Group holds in order to ensure that the Bank remains solvent. In other words, it corresponds to the available capital to absorb unexpected losses resulting from risks to which the bank is or may be exposed during its activity.

In order to guarantee the alignment between the definition of 'internal capital' and the concept of 'capital adequacy' from an economic perspective, provided for in the ECB guidelines on the ICAAP process, CGD uses regulatory own funds as a starting point for the implementation of its definition of 'internal capital', introducing the required adjustments, namely concerning balance sheet items that cannot be deemed available to cover losses, (including Tier 2 capital instruments and deferred tax assets), with a view to obtaining an adequate definition, consistent with the concept of 'economic value'.

At the end of 2020, internal capital needs corresponded to around 62% of the available internal capital, evidencing the bank´s solid position, with the following distribution by type of risk:

Figure 1 | Internal capital requirements (Dec20)



Credit risk, in the default risk subcategory, is considered the most relevant, as the respective capital requirements correspond to around 56% of the Group’s total internal capital requirements. Capital requirements for market risk (including CVA, foreign exchange risk, credit spread risk and bank nook interest rate risk) represent around 13% of internal capital requirements, while sovereign risk (including exposure to Central Banks and public sector entities equivalent to Central Government) and pension fund of 10% and 6% of total internal capital requirements respectively.

IV.5 Leverage ratio

The leverage ratio contributes to preserving financial stability, acting as a support for risk-based capital requirements and limiting the accumulation of excessive leverage in periods of economic recovery.

As set forth in article 4(94) of Regulation (EU) No. 575/2013, leverage corresponds to the relative level of assets, off-balance sheet obligations and contingent obligations to pay, deliver or provide collateral, including obligations arising from received funding, undertaken commitments, derivatives or repurchase agreements, but excluding obligations that may only be undertaken during an institution's liquidation process, compared to that institution's own funds. Leverage ratio is a regulatory and supervisory instrument whose examination rules are outlined in Part VII of the CRR and in Delegated Regulation (EU) 2015/62; it is calculated from the division of an own funds measure (level 1 own funds) by a total exposure measurement.

The EBA (European Supervisory Authority) concluded, in its report of 3 August 2016 on the leverage ratio requirement, that a Tier 1 leverage ratio calibrated at 3% for any type of credit institution would have a reliable protective effect. A 3% leverage ratio requirement was also agreed at an international level by the BCBS. Therefore, the leverage ratio requirement was formally calibrated at 3%, as per point 46 of Regulation (EU) No. 876/2019, which amends Regulation (EU) No. 575/2013 with regard, among others, to the leverage ratio.

On 31 December 2020, CGD's leverage ratio was 8.71%, indicating that CGD is not at risk of excessive leverage.

Table 13 | Leverage ratio

	31-12-2020	31-12-2019
Total SFT Exposure	354,226	616,899
Total derivates exposures	66,264	249,473
Total off-balance exposure	3,090,707	3,307,686
Other assets	90,066,468	84,330,394
(-) Asset amount deducted - Tier 1	(323,371)	(371,129)
Total LR exposure	93,254,294	87,922,872
Tier 1 Capital	8,748,270	8,001,913
Leverage Ratio	9.38%	9.10%

values in thousand euros

In 2020, the leverage ratio showed a decrease of 0.39% (from 9.10% in 2019 to 8.71% in 2020), justified by the increase of approximately EUR 5,331 million in the exposure measure.

It should be noted that the leverage ratio is monitored monthly under the Group's Risk Appetite Statement (RAS), thus enabling regular monitoring by management bodies and the application of corrective measures when necessary.

In compliance with what is stipulated in the Enforcement Regulation (EU) 2016/200 of 15 February, relevant information concerning the leverage ratio is presented in the following tables:

Table 14| Common rules on disclosure of leverage ratio

		2020
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	90,066,468
2	(Asset amounts deducted in determining Tier 1 capital)	(323,371)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	89,743,097
	Derivative exposures	
4	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	566,329
5	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	139,440
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross for derivatives collateral provided where deducted from the balance sheet assets pursant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(639,505)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures**	**66,264**
	Securities financing transaction (SFT) exposures	
12	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	311,474
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	42,751
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of regulation (EU) nº 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures**	**354,226**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	13,696,307
18	(Adjustments for conversion to credit equivalent amounts)	(10,605,600)
19	**Off-balance sheet exposures**	**3,090,707**
	Exempted exposures in accordance with Article 429 (7) of Regulation (EU) nº 573/2013 (on and off ballance sheet)	
EU-19a	(Intragroup Exposures (solo basis) exemted in accordance with Article 429(7)of Regulation (EU) nº 573/2013 (on and off ballance sheet)	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) nº 573/2013 (on and off ballance sheet)	-
	Capital and total exposure measure	
20	Tier 1 capital	8,123,854
21	Leverage ratio total exposure measure	93,254,294
	Leverage ratio	
22	Leverage ratio	8.71%
	Choice on transitional arrangements and relevant exposures	
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised items in accordance with Article 429(11) of Regulation (EU) nº 573/2013	-

Value in thousand euros

Table 15 | Leverage - Breakdown of on-balance sheet exposures

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**89,435,690**
EU-2	Trading book exposures	3,180,412
EU-3	**Banking book exposures, of which:**	**86,255,278**
EU-4	Covered bonds	44,178
EU-5	Exposures treated as sovereigns	31,955,322
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,069,017
EU-7	Institutions	2,840,650
EU-8	Secured by mortgages of immovable properties	26,761,883
EU-9	Retail exposures	5,508,160
EU-10	Corporate	11,049,676
EU-11	Exposures in default	752,957
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,273,437

Value in thousand euros

Table 16 | Reconciliation of account assets and leverage ratio exposures

1	Total assets as per published financial statements	91,375,446
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(90,989)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point Article (13) of Regulation (EU) nº 575/2013	-
4	Adjustments for derivative financial instruments	(845,991)
5	Adjustment for securities financing transactions (SFTs)	42,751
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,090,707
EU-6a	(Adjustment for intragroup exposures exclused from the levarage ratio total exposure measure in accordance with article 429(7) of Regulation (EU) nº 55/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) nº 55/2013)	-
7	Other adjustments	(317,631)
8	Leverage ratio total exposure measure	93,254,293

Value in thousand euros

V. Credit Risk

This chapter intends to comply with the duties to disclose information, as per Article 442 of the CRR. The information on credit risk included in the following items of this chapter refer only to instruments encompassed by Part III, Title II, Section 2, namely credit risk under the standardised approach. Exposures that are the subject of counterparty credit risk and the securitisation transactions will be addressed in specific sections.

V.1 Qualitative data

Credit risk is associated with the losses and degree of uncertainty concerning the capacity of a client/counterparty to fulfil contractual obligations.

Given the nature of the banking activity, credit risk takes on particular importance, given its materiality, notwithstanding its connection with the other risks.

The CGD Group has set up a system to identify, assess and control risk to its credit portfolio, which encompasses all client segments and concerns both the moment credit is granted and the monitoring of risk throughout its operating life cycle.

CGD's organising model establishes the independence of roles between commercial areas (risk takers), recovery areas (credit recovery), transaction decision areas and Risk areas, responsible for risk control, its identification, monitoring and measuring. The structural units that compete for the CGD Group's credit risk management, as well as its respective responsibilities, are broadly the following:

⇨ CGD Executive Committee

Based on presented proposals, the Executive Committee is responsible for approving guidelines, models and processes inherent to credit risk management. It is equally responsible for monitoring CGD's global credit portfolio's development; to this end, it receives outputs on CGD's credit portfolio monitoring process.

⇨ CGD Credit Board and Executive Committee for Credit Risk

The CGD's Credit Board (CC) and the Executive Committee for Credit Risk (CERC) are responsible for exercising delegated competencies concerning credit, namely authorising credit transactions (risk and/or pricing).

The CERC is furthermore responsible for, among other roles, discussing the specific situation of economic sectors and outlining strategy and policies on credit and its respective risk, as well as assessment, discussion and decision-making concerning attributing credit impairment levels to the CGD Group's clients (CGD and other companies in the Group) and guaranteeing the appropriate articulation of responsibility in treating at-risk clients between CGD's commercial structures and specialized areas for credit monitoring and recovery.

⇨ Heads of Branches and Subsidiary Boards of Directors

They are responsible for adopting guidelines proposed by the CGD's Executive Committee or outlining guidelines for CGD's approval, relating to the entity's credit risk management. They ideally adopt models approved by CGD's Board of Directors or others that allow them to autonomously assess and monitor credit risk.

⇨ Credit Risk Division (DRC)

The Credit Risk Department (DRC) is a top-level body in CGD's organic structure, with a corporate scope, with risk analysis functions, issuing opinions and deciding on credit operations, in accordance with the credit regulations and delegation of powers in force, with the attribution and validation of credit exposure limits, monitoring of defined credit alerts and approval of the constitution / amendment of Economic Groups, in accordance with the regulations in force.

⇨ Risk Management Division (DGR)

As part of the credit risk management process, the DGR intervenes in phases of granting credit and subsequent monitoring, both from the perspective of the client/transaction and the credit portfolio, through: i) establishing, undertaking and maintaining internal models for risk assessment (rating and); scoring; ii) globally monitoring and controlling the CGD Group's credit risk through credit portfolios, products and business units; iii) identifying clients with a high risk of default, through the detection of alert signals; iv) evaluating and validating individual impairment; v) determining impairment for all credit portfolio segments; vi) evaluating compliance with the set limits for Considerable Risks.

The DGR may also ultimately propose the approval and revision of policies and guidelines in the framework of the Group's credit risk management.

⇨ Executive Board of Rating (DRT)

Created in early 2019, the DRT is a first-level body within CGD's organic structure, with a corporate function that is independent of lines and business areas and whose responsibility is to assign risk ratings to all segments that have a relationship with the CGD Group, ensuring that all exposures are rated and permanently updated, so as to adequately reflect the clients' credit risk.

Within the scope of its responsibilities, it is also responsible for ensuring the adequacy of rating models (quantitative and qualitative), by analyzing rating waivers and risk level migrations, as well as all computer platforms that support the attribution process of rating.

Bearing in mind its corporate function, DRT assumes responsibility for ensuring the standardization of rating policies and processes at the level of the CGD Group, collaborating with the various Group Entities in the definition of methodologies, processes and internal regulations, accordingly to ensure the implementation of best practices in the rating attribution process.

In order to objectively and consistently integrate the impact of ESG criteria (ie, non-financial risks) in investment and financing decisions, DRT will be responsible for assigning a socio-environmental rating to the Corporate and Project Finance segments, which will be combined with traditional financial ratings, aiming to support the transition to a more sustainable economy.

⇨ Business Units:

Business units intervene in the credit risk management process (for both private and corporate clients) concerning granting credit and monitoring and recovering the credit portfolio.

With regard to granting credit, these units are involved in all stages of the risk management process. To this end, they are namely responsible for collecting necessary information to assess credit proposals; analysing and issuing commercial and/or technical reports; and approving or obtaining the necessary approvals for credit operations, taking into account current standards.

⇨ Recovery Units:

The recovery areas are independent structures dedicated to recovering credit for clients in financial difficulties and are centred on managing ongoing transactions and legal processes, namely responsible for preventing losses in credit transactions where alert signals were detected or which are already in a situation of default, and monitoring the development of CGD's credit portfolio, and that of the respective business unit, in terms of credit granted and current or potential default.

⇨ Units responsible for information systems:

They are responsible for guaranteeing the undertaking and maintenance of support systems for identifying, evaluating and controlling credit risk.

⇨ Organisation and Quality Division (DOQ):

It collaborates in establishing and transposing to internal regulations procedures to support the management of credit risk.

⇨ Units responsible for Internal Audit and Validation:

They are responsible for evaluating adequacy and compliance with internal regulations, as well as for validating the adequacy of models used in credit risk management and testing respective outputs.

Transcending the various structural units – notably, the Heads of Branches and Subsidiaries' Boards of Directors, DGR, Business Units, Units responsible for information systems, DOQ – they are all responsible for setting forth adequate internal controls on credit risk management tasks and collaborating in maintaining the Credit Risk Manual.

Credit risk policies

CGD's credit risk management is regulated by internal corporate policies and norms, which set forth the rules and procedures to be observed in the credit's life-cycle:

i. In decision-making;
ii. In credit recovery;
iii. In credit risk control and monitoring;
iv. In measuring credit risk.

The processes for the approval of granting and restructuring credit are subject to a delegation of powers, differentiated by certain decision-making levels, and with intervention from the Credit Risk Division in credit transaction decisions and issuing statements on risk.

Concepts and Definitions

For the purposes of evaluating credit risk, the CGD Group uses the following definitions:

Credit risk: corresponds to the likelihood of the occurrence of negative impacts on earnings or capital, arising from the failure to fully and/or timely fulfil the obligations contracted by customers, counterparties or third parties with the institution, agreed under the terms of the respective agreement.

Credit transaction: any act or contract, regardless of its legal structure, through which CGD or any other Group company places or is set to place repayable funds to the service of others, or ensures compliance with monetary obligations before third parties or good performance of agreements. Also considered credit transactions are those of leasing and factoring, in which the Group stands as creditor before the lessee, customer or subscriber, as applicable.

Financial transaction: any transaction carried out by CGD or any other Group entity, for its own account or of customers, on money market or foreign exchange instruments, on demand and at term financial instruments, options and transactions on currencies, interest rates, commodities or transferable securities, which may result in a credible position, for the Group, vis-à-vis a counterpart or third party.

Impairment: a credit granted to customers, or a credit portfolio, defined as a group of credits with similar risk characteristics, is considered to be impaired when: (i) there's objective evidence of at least one loss event occurring after its initial recognition, and (ii) that event (or events) has an impact on the recoverable amount of the cash flows of such credit, or credit portfolio, which can be reasonably estimated.

Expected credit losses within 12 months: for financial instruments which haven't recorded a significant increase in credit risk, compared with their origination, the provisions are measured for a value equivalent to the expected loss within 12 months.

Expected credit losses throughout the lifetime of the instrument: Correspond to the expected credit losses resulting from all possible defaults throughout the expected duration of the financial instrument, provided that said instrument has recorded a significant increase in credit risk since its origination.

Concentration risk: corresponds to the likelihood of the occurrence of negative impacts on earnings or capital, arising from the concentration of exposure on individual clients, economic groups, customer aggregates operating in the same economic sector or in the same geographical area, or resulting from the concentration in an identical activity or asset, or in the guarantees accepted by the institution.

Credit Default: The definition is outlined in the 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' issued by the European Banking Authority (EBA) on 28/09/2016 (EBA/GL/2016/07).

Non-performing exposures: The definition is outlined in the document 'EBA FINAL draft Implementing Technical Standards On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013', issued by the EBA (EBA/ITS/2013/03).

As part of granting credit, the Credit Risk Division (DRC), with corporate duties, depending directly on the Executive Committee, is skilled in decision-making and analysing credit for Companies, Financial, Statutory and Private Institutions, segregating duties with the commercial field, which is tasked with presenting proposals with operating conditions.

In the segment companies/groups and institutions, as well as Financial Institutions, the assessment of credit risk, in addition to support for internal rating models (which incorporates both financial information and qualitative elements), individual analysis is undertaken by a team of analysts (per defined standard criteria), who produce credit risk analysis reports and issue independent advice on the inherent credit risk. This analysis is periodically undertaken and whenever there are changes in our relation with the client or if internal or external factors are identified where re-evaluating the risk is recommended.

Producing and deciding on credit proposals for businesses is supported by an application support (credit proposal workflow), which contributes to ensuring the integrated and uniform application of rules and procedures.

Additionally, to streamline and support short-term granting of credit to Corporates and standardise the analysis of these operations' risk, the CGD Group has developed and implemented a model to set forth short-term exposure limits for businesses (Small Businesses, SMEs and Large Companies) with parameters based on economic-financial and sector indicators and in risk rating, which provides guidance concerning the short-term exposure level recommended for each client. The model enables the use of a standardised set of clear-cut, objective rules to calculate reference limits, which are only indicative and serve as a basis for case-by-case analysis for attributing effective limits to the client.

In the case of the segment private clients, assessing credit risk is supported by the use of statistical risk assessment tools (scoring models), through a set of internal regulations which establish objective criteria to be observed when granting credit, as well as through delegating skills in accordance with, among other criteria, risk rating attributed.

Regarding the segment financial institutions, for each institution, internal limits are approved. Setting limits takes into account the entity's framework in the financial sector and compared with its peers, their rating, their VaR (Value at Risk), as well as other relevant elements.

The fulfilment of these limits, credit exposures and the risk profiles of by counterparties and groups are regularly monitored by specialised analysts.

As part of credit portfolio follow-up and control and complying with IAS 39, the CGD Group developed a credit impairment model[5] that enables measuring impairment losses according to the borrowers' credit quality and meeting the level of existing collateral, encompassing granted credit to businesses and private clients, including Banking Guarantees Provided,

[5] Information supplemented by the Notes to the consolidated financial statements of the Report and Accounts, item 6 – 'Nature of key judgements, estimates and hypotheses used to determine Impairment' and following.

Revocable and Irrevocable Commitments and Revocable and Irrevocable Credit Lines, and which is supported by the following macro risk segmentation for the purpose of determining collective impairment:

- Credit for large companies;
- Credit for medium and small companies;
- Credit for small businesses;
- Mortgage Credit;
- Consumer Loans;
- Credit Cards;
- Overdrafts.

In the impairment model, additional disaggregation of exposure is undertaken in accordance with the following criteria[6]:

- Performing Loans (stage 1): No indication of loss is recorded at the time of the analysis;
- Performing Loans (stage 2): Significant increase in credit risk, including credit restructured by the client's financial difficulties;
- Defaulting Loans (stage 3).

The risk factors used in the credit impairment model (probability of default and loss given default) are updated annually, and are the subject of back testing and point-in-time adjustments to ensure they adequately reflect market conditions.

Through the credit impairment model, the credit portfolio analysis and processing is undertaken, which is subdivided in compliance with the following approaches:

⇨ Collective Impairment Analysis – for exposure individually considered not significant, impairment provisions are determined by risk sub-segments, which encompass assets with similar risk characteristics (credit segment, collateral type, payment behaviour history, among others);

⇨ Individual Impairment Analysis – for clients with exposure individually considered significant, an individual evaluation is undertaken involving the CGD's commercial, monitoring and credit recovery areas, DGR and DRC.

The individual analysis of clients with great exposure is focused, essentially, on the following items:

[6] Information supplemented by the Notes to the consolidated financial statements of the Report and Accounts, item 7 – 'Description of methods to calculate impairment, including the way in which the portfolios are segmented, to reflect the different credit characteristics.'

- Fulfilment of contractual conditions agreed with the CGD Group;
- Existence of restructuring due to financial difficulties;
- Existence of litigation or insolvency procedures;
- Assessment of their economic-financial situation;
- Perspectives on the development of the client's activity or that of the economic group to which they belong;
- Verification of the existence of credit and overdue interest transactions in the CGD Group and/or the financial system;
- Adequacy of guarantees and collateral to mitigate credit granted;
- Analysis of historical information on the clients' proper payment behaviour.

For individually significant exposure or that which is the subject of special monitoring by the recovery bodies, an individual impairment assessment is periodically undertaken, supported by going concern and gone concern methods, aligning with the criteria for individual impairment estimates, published by the ECB, in the document 'Guidelines on non-productive credit aimed at credit institutions', in March 2017, also safeguarding the recommendations from the Bank of Portugal informed in the Circular Letter 62/2018/DSPD.

Moreover, as part of the credit portfolio follow-up and control, the consolidation of the client follow-up workflow process is undertaken, supported by credit recovery monitoring policy, consolidated in the definition of classification rules of clients according to criteria for credit quality, allocation of clients to monitoring bodies, and recovery measure standardisation. For follow-up workflow control, metrics and indicators, which are the subject of guaranteed close supervision by the DGR's monthly monitoring reports, were set forth.

CGD uses internal models to estimate Probabilities of Default (PDs) in the credit portfolios of private clients (housing and other purposes) and Corporates, also making use of metrics to assess estimates of Loss Given Default (LGDs) in the mortgage loan portfolio. These models are used to internally allocate capital and determine a price reference adjusted for risk.

As part of the CGD Group's risk coverage and reduction policies internal regulations concerning credit risk for businesses set forth that any credit transaction entails, as a rule, establishing guarantees.

Concerning Financial Institutions, the exposure may also take into account risk-mitigating elements that, by hedging the operation, contribute to reducing credit risk exposure. With this aim, CGD has established contracts with other Financial Institutions, the ISDA, where clauses enabling the netting of exposure values between counterparties are prescribed.

These contracts may also prescribe Credit Support Annex (CSA) agreements, which can equally influence limit consumption.

OWN FUND REQUIREMENTS FOR CREDIT RISK

In regard to calculating own fund requirements for credit risk, the CGD Group has adopted the standardised approach, as set forth in Chapter 2, Title II, Part III of Regulation (EU) No. 575/2013.

This approach consists of the allocation of the original exposure amounts to the exposure classes established under article 112 of the aforementioned Regulation. Exposure amounts are the subject of value corrections for impairment to obtain net exposure figures.

Considering guarantees and collateral associated with the exposures, the aforementioned Regulation prescribes the application of risk reduction techniques to reclassify (personal protection) and/or reduce (actual protection) exposure values. Exposures are the subject of weighting in accordance with their final risk class (following potential reclassification), as set forth in Chapter 4, Title II, Part III of the aforementioned Regulation.

Exposure to Sovereigns, Public Sector Entities, Corporates, Institutions and Collective (Funds) Investment Organisations, regulation foresees that risk weight can be determined based on credit quality evaluations attributed by external credit assessment institutions (ECAIs) considered eligible (Regulation (CE) 1060/2009).

In 2020, the CGD Group maintained its use of public credit quality evaluations, attributed by the ECAIs: *Fitch Ratings* (Fitch) and *Moody's Investor Services* (Moody's).

The application of external credit quality assessments is governed by the stipulation in Subsection 3, Section 2, Chapter 2, Title II, Part III of Regulation (EU) No. 575/2013. In summary, when available, specific exposure/issue assessments are used; in the remaining situations, and if the degree of subordination allows, counterparty/issuer credit assessments are used.

Where two or more credit assessments are available, these are ordered from best to worst by credit quality step, and the second best is chosen. The same criterion is applied for both issue and issuer credit assessments.

It should be mentioned that the mapping between external assessments of each of the two ECAIs and the credit quality steps described in the CRR respect the standard relationship published by the EBA (Implementing Regulation (EU) 2016/1799).

V.2 Quantitative data

As part of calculating capital requirements for credit risk the exposure considered encompass asset exposures, from Group's consolidated balance sheet, as well as off-balance sheet exposures.

These exposures are associated with:

- Concerning Assets:

  Credit to customers, securities investments in the banking book, cash balances and loans and advances to credit institutions, Central Bank demand deposits, other borrowers, income tax assets, among other less relevant items in the Group's balance sheet;

- Concerning off-balance sheet elements:

  Undertaken revocable and irrevocable commitments, underwriting securities, guarantees provided, forward deposits, among others.

On 31 December 2020, the net exposure amount, net of value adjustments and provisions, not considering risk mitigation techniques and encompassing off-balance exposure, before applying credit conversion factors (CCF) amounted to EUR 94,620 million and was distributed by exposure classes set forth under article 112 of Regulation (EU) No. 575/2013 as outlined in the following table.

Table 17 | Total amount and average amount of net exposures (EU CRB-B)

Exposure classes	Net exposure	Net exposure (period average)
Central governments or central banks	31,615,542	27,540,006
Regional government or local authorities	1,651,258	1,563,556
Public sector entities	861,531	913,487
Multilateral development banks	0	0
International organisations	183,713	183,448
Institutions	3,690,965	4,107,364
Corporates	18,346,321	18,551,344
Retail	10,285,783	10,314,979
Exposures secured by mortgages on immovable property	26,974,663	26,934,310
Exposures in delault	1,003,244	1,065,703
Exposures associated with particulary high risk	2,296,091	2,123,759
Exposures in form of covered bonds	44,178	44,041
Institutions and corporates with a short-term credit assessment	0	0
Exposures in form of units or share in collective investment undertakings	427,302	649,813
Equity	784,619	706,014
Other items	1,478,269	1,410,261
Total exposure value	**99,643,479**	**96,108,086**

Value in thousand euros

Compared to 31 December 2019, the net exposure increased by approximately EUR 8,654 million (9.5%), of which EUR 8,761 million related to positions on central governments or central banks. On the other hand, exposure to the risk class Elements Past due decreased by around 21.0% (EUR 266 million), reflecting both measures to mitigate the impacts of the pandemic and the continued implementation of the non-performing assets deleveraging plan and the increase in impairment coverage.

With regard to the risk class of risk class Exposure in Default, the decrease in exposure, by approximately 43.7% (EUR 985 million) occurred due both to the effect of the sale of entities abroad and the implementation of the plan aimed at leveraging non-performing assets.

Structurally, there is a concentration of positions in the risk classes Central Administrations or Central Banks, Positions Guaranteed by Real Estate, Companies and Retail, which together represent around 87.5% of CGD Group's net exposure.

The on-balance net exposure amount is mainly concentrated in the risk classes, Central Governments or Central Banks (36.7%), Positions Guaranteed by Real Estate (31.1%), Corporates (12.8%) and Retail (6.4%), which, combined, represent around 87.0% of the total on-balance sheet exposure.

For off-balance sheet items, the following exposure classes constitute 89.4% of the balance: Corporates (54%) and Retail (35.4%).

Regarding the geographical breakdown of exposures, the increased in exposure, in the form of sovereign debt securities, to Portugal, Spain and Italy. On the other hand, there was a reduction in exposure to the PALOP, which reflects the effect of the exchange rate depreciation of the metical (MZN) and kwanza (AOA). The CGD Group's portfolio remained unevenly segmented throughout different regions of the world, representing a large concentration in Europe and in the Portuguese ex-colonies, in Africa and Asia.

Concerning Europe, it should be noted that the exposure to counterparties based in Portugal, Spain and France which, together, represent around 79.5% of the CGD Group's exposure.

Table 18 | Geographic breakdown of exposures (EU CRB-C)

Exposure classes	Portugal	Spain	France	Remaining U.E.
Central governments or central banks	17,408,920	4,429,888	727,517	4,480,522
Regional government or local authorities	1,597,757	9,351	0	0
Public sector entities	482,851	0	292,594	1
Multilateral development banks	0	0	0	0
International organisations	0	0	0	183,713
Institutions	550,350	408,260	455,274	939,709
Corporates	14,182,618	150,780	632,647	832,923
Retail	7,718,727	16,174	1,260,098	48,679
Exposures secured by mortgages on immovable property	22,957,522	56,160	949,260	455,505
Exposures in default	777,808	13,660	48,615	14,371
Exposures associated with particulary high risk	1,638,292	214	373,300	255,739
Exposures in form of covered bonds	34,942	0	0	9,236
Institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in form of units or share in collective investment undertakings	410,210	0	97	825
Equity	714,296	0	0	6,784
Other items	833,984	0	82,777	0
Total exposure value	**69,308,276**	**5,084,487**	**4,822,178**	**7,228,008**

Exposure classes	EUA	PALOP	Macao	Others	Total
Central governments or central banks	58,318	2,496,274	1,735,773	278,330	31,615,542
Regional government or local authorities	0	44,149	0	0	1,651,257
Public sector entities	0	86,084	0	1	861,531
Multilateral development banks	0	0	0	0	0
International organisations	0	0	0	0	183,713
Institutions	749,097	2,798	72,409	513,069	3,690,966
Corporates	108,148	679,781	1,480,472	278,952	18,346,321
Retail	3,946	556,337	603,160	78,661	10,285,782
Exposures secured by mortgages on immovable property	39,277	301,718	1,756,556	458,666	26,974,664
Exposures in default	1,246	96,545	29,208	21,790	1,003,243
Exposures associated with particulary high risk	732	26,519	0	1,294	2,296,090
Exposures in form of covered bonds	0	0	0	0	44,178
Institutions and corporates with a short-term credit assessment	0	0	0	0	0
Exposures in form of units or share in collective investment undertakings	1,195	0	0	14,976	427,303
Equity	45,719	7,690	1,924	8,205	784,618
Other items	0	323,218	220,208	18,083	1,478,270
Total exposure value	**1,007,678**	**4,621,115**	**5,899,710**	**1,672,027**	**99,643,479**

Value in thousand euros

The composition of the CGD Group's portfolio, measured by the exposure value, net of impairment, outlined in the previous tables, predicts the activity sectors in which there is a higher level of exposure concentration.

The Public Administration, Defence and Social Security sector, reflecting the exposure to Central Governments and Central Banks risk classes emerges as the most representative sector of the Group's positions (32% of the total exposure). With around 29.5% of the Group's position, exposure to Individuals is, at 98.8%, allocated to the Retail portfolios and Positions guaranteed by real estate.

The Services sector is the third most representative, with higher exposures in the Corporates, Public Sector and Retail Portfolio risk classes, which, together, represent around 88% of the sector's exposure.

Table 19 | Concentration of exposures by industry or counterparty types (EU CRB-D)

Exposure classes	Public administration, defence and social	Financial activities	Real estate activities and rentals	Construction	Education & helath and social action	Services	Transport, storage and communications
Central governments or central banks	30,619,136	36,984	0	0	0	959,422	0
Regional government or local authorities	1,648,963	0	0	0	0	2,295	0
Public sector entities	34,928	447,298	9,372	93,911	12,056	27,270	230,977
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	183,713	0
Institutions	0	3,690,965	0	0	0	0	0
Corporates	45	688,858	776,119	1,705,423	164,999	7,586,865	1,031,158
Retail	5,686	15,036	707,645	512,643	205,301	2,702,132	192,783
Exposures secured by mortgages on immovable property	44,341	52,795	389,138	200,684	173,843	1,273,353	36,918
Exposures in default	5,922	12,450	51,047	102,172	22,488	346,050	25,148
Exposures associated with particulary high risk	0	785,526	1,015,774	431,877	0	56,314	0
Exposures in form of covered bonds	0	44,178	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in form of units or share in collective investment undertakings	0	427,302	0	0	0	0	0
Equity	0	559,815	211	0	0	4	238
Other items	0	0	0	0	0	0	0
Total exposure value	**32,359,022**	**6,761,208**	**2,949,306**	**3,046,710**	**578,688**	**13,137,414**	**1,517,222**

Exposure classes	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing industries	Individuals	Electricity, gas and water production	Other activities	Total
Central governments or central banks	0	0	0	0	0	0	31,615,542
Regional government or local authorities	0	0	0	0	0	0	1,651,258
Public sector entities	0	0	0	0	5,718	0	861,531
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	183,713
Institutions	0	0	0	0	0	0	3,690,965
Corporates	206,043	75,626	3,837,440	59,852	2,213,891	0	18,346,321
Retail	202,371	23,313	964,192	4,708,124	46,557	0	10,285,783
Exposures secured by mortgages on immovable property	105,661	4,744	296,803	24,365,227	31,157	0	26,974,663
Exposures in default	23,269	1,722	111,959	299,485	1,532	0	1,003,244
Exposures associated with particulary high risk	579	0	893	5,128	0	0	2,296,091
Exposures in form of covered bonds	0	0	0	0	0	0	44,178
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in form of units or share in collective investment undertakings	0	0	0	0	0	0	427,302
Equity	0	0	4,435	0	219,920	0	784,619
Other items	0	0	0	0	0	1,478,269	1,478,269
Total exposure value	**537,923**	**105,405**	**5,215,722**	**29,437,816**	**2,518,775**	**1,478,269**	**99,643,479**

Value in thousand euros

In compliance with Article 442(f), the following table presents the on-balance exposure, net of impairment, disaggregated by residual maturity and exposure class. It should be noted that, in global terms, there were no significant changes in the distribution of exposures across the several residual maturity buckets, Despite a slight decrease in the residual maturity period, the preponderance of positions with a maturity period over 10 years, with particular emphasis on those secured by mortgage on immovable property.

Concerning risk classes Central Governments and Central Banks, the latter being the most significant in terms of exposure, the spotlight positions, essentially available in central banks, which represent around 29% of the exposure to this risk class, stand out. The remaining sovereign exposure is distributed over the residual maturity intervals of up to 10 years which, together, represent around 61% of the exposure values.

Table 20 | Residual maturity of exposures at risk (EU CRB-E)

Exposure classes	On demand	RV <= 1 year	1 year < RV <= 5 years	5 years < RV <= 10 years	RV > 10 years	No stated maturity	Total
Central governments or central banks	9,280,019	8,487,795	2,635,080	8,037,514	1,087,317	2,062,518	31,590,242
Regional government or local authorities	2,086	24,239	337,252	694,379	471,903	814	1,530,674
Public sector entities	57,542	70,909	27,076	50,545	198,462	315,176	719,709
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	183,713	0	0	183,713
Institutions	287,417	310,863	546,755	188,688	2,003,219	143,213	3,480,155
Corporates	1,296,652	2,163,494	4,010,806	2,023,809	1,503,020	51,895	11,049,676
Retail	843,372	301,282	1,654,748	1,588,703	1,118,628	1,426	5,508,160
Exposures secured by mortgages on immovable property	104,139	96,843	1,237,672	2,451,523	22,871,705	0	26,761,883
Exposures in default	72,594	123,872	111,149	131,587	338,581	252	778,034
Exposures associated with particulary high risk	203,526	293,519	417,210	173,646	709,073	729	1,797,704
Exposures in form of covered bonds	0	0	34,746	9,432	0	0	44,178
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in form of units or share in collective investment undertakings	62,977	0	0	0	0	363,575	426,552
Equity	0	0	0	0	0	784,619	784,619
Other items	646,014	47	0	0	0	832,208	1,478,269
Total exposure value	**12,856,339**	**11,872,863**	**11,012,495**	**15,533,540**	**30,301,908**	**4,556,424**	**86,133,568**

Value in thousand euros

As previously mentioned, the definition of 'default' incorporates specificities prescribed in the EBA publication 'Final Report from the EBA - Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013 (EBA/GL/2016/07 of 28/09/2016)', supplementing what is specified in Articles 127 and 178 of Regulation (EU) No. 575/2013, which stipulates that a situation of default is confirmed, in reference to a given borrower, when at least one of the following situations is observed:

i. The obligor is late by more than 90 days in fulfilling a significant credit obligation to the institution, its parent company or any of its subsidiaries;
ii. The institution attributes to the credit obligation the status of non-performing credit;
iii. The institution recognizes individual impairment resulting from the perception of an important deterioration in the borrower's credit quality;
iv. The resale or restructuring of a credit obligation in which the institution incurs in a significant economic loss is confirmed;
v. Insolvency declared as an Insolvency Application (including Special Revitalisation Processes) by the obligor or by CGD;
vi. Indicators of any ongoing legal proceedings.

Legislation adds that, regarding the non-retail sector, the measuring of default must depend on the client, such that the activation of default in an operation contaminates all of the client's exposure (cross default).

In compliance with Article 442(g) and (h), the institutions must disclose the disaggregation of default or non-default exposure values (on-balance and off-balance), by exposure class, activity sector and geographical area.

It should be noted that, in accordance with the hierarchy set forth when allocating exposures to exposure classes, elements associated with particularly high risks take precedence over the default exposure class. For this reason, there is a set of default exposures, whose on-balance and off-balance amounts total EUR 347,578 thousand, which, being classified as speculative immovable property financing, are not allocated to the default exposure class.

Table 21 | Credit quality of exposures by exposure class and instrument (EU CR1-A)

Exposure classes	Defaulted exposures (a)	Non-Defaulted exposures (b)	Specific credit adjustment (c)	General Credit risk adjustment (d)	Accumulated write-pffs	Net values (a+b-c-d)
Central governments or central banks	0	31,651,934	36,392	0	0	31,615,542
Regional government or local authorities	0	1,653,887	2,629	0	0	1,651,258
Public sector entities	0	877,729	16,197	0	0	861,532
Multilateral development banks	0	0	0	0	0	0
International organisations	0	183,730	16	0	0	183,714
Institutions	0	3,695,604	4,639	0	0	3,690,965
Corporates	0	18,787,950	441,629	0	0	18,346,321
Retail	0	10,470,042	184,259	0	0	10,285,783
Exposures secured by mortgages on immovable property	0	27,169,089	194,426	0	0	26,974,663
Exposures in default	2,431,014	0	1,427,770	0	3,806,215	1,003,244
Exposures associated with particulary high risk	347,578	2,227,913	279,400	0	0	2,296,091
Exposures in form of covered bonds	0	44,211	33	0	0	44,178
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in form of units or share in collective investment undertakings	0	427,302	0	0	0	427,302
Equity	0	884,308	99,689	0	0	784,619
Other items	0	1,885,209	406,940	0	0	1,478,269
Total	**2,778,591**	**99,958,908**	**3,094,020**	**0**	**3,806,215**	**99,643,479**

Value in thousand euros

Table 22 | Credit quality of exposures by industry or counterparty types (EU CR1-B)

Exposures by economic sector	Defaulted exposures (a)	Of which: overdue	Of which: impaired	Non-Defaulted exposures (b)	Specific credit adjustment (c)	General Credit risk adjustment (d)	Accumulated write-pffs	Net values (a+b-c-d)
Public administration, defence and social	6,666	1,808	6,594	32,391,883	39,496	0	217	32,359,053
Financial activities	26,235	7,321	26,183	7,027,415	101,659	0	37,367	6,951,992
Real estate activities and rentals	293,332	273,155	289,020	3,006,196	236,454	0	86,024	3,063,074
Construction	419,776	370,196	409,556	3,000,945	387,744	0	96,532	3,032,977
Education & helath and social action	39,789	30,168	39,664	565,479	33,298	0	777,135	571,969
Services	1,040,620	698,676	1,022,110	12,918,777	961,544	0	19,419	12,997,853
Transport, storage and communications	131,025	128,212	130,082	1,561,731	219,077	0	4,900	1,473,678
Agriculture, forestry and fishing	51,456	34,198	51,324	524,806	47,588	0	637,610	528,674
Mining and quarrying	4,339	4,199	4,334	105,971	5,691	0	500,676	104,619
Manufacturing industries	257,377	191,700	254,329	5,191,487	317,541	0	2,727	5,131,323
Individuals	491,832	474,827	490,748	29,218,485	275,900	0	1,275,348	29,434,417
Electricity, gas and water production	16,144	15,968	16,106	2,560,524	61,088	0	34,544	2,515,580
Other activities	0	0	0	1,885,209	406,940	0	333,717	1,478,269
Total	**2,778,591**	**2,230,429**	**2,740,050**	**99,958,908**	**3,094,020**	**0**	**3,806,215**	**99,643,479**

Value in thousand euros

Table 23 | Credit quality of exposures by geography (EU CR1-C)

Exposures by geography	Defaulted exposures (a)	Of which: overdue	Of which: impaired	Non-Defaulted exposures (b)	Specific credit adjustment (c)	General Credit risk adjustment (d)	Accumulated write-pffs	Net values (a+b-c-d)
Portugal	2,319,364	1,892,970	2,285,563	69,695,463	2,706,551	0	3,226,792	69,308,276
Spain	35,151	34,763	35,148	5,082,694	33,358	0	238,971	5,084,487
France	78,105	66,217	78,086	4,807,855	63,782	0	1,033	4,822,178
Remaining U.E.	42,519	34,736	42,514	7,219,227	33,739	0	333,076	7,228,008
EUA	2,693	2,693	2,693	1,007,327	2,342	0	76	1,007,678
PALOP	188,098	105,413	183,635	4,610,023	177,007	0	2,047	4,621,115
Macao	46,894	46,015	46,640	5,881,221	28,405	0	0	5,899,710
Others	65,765	51,621	65,771	1,655,097	48,835	0	4,220	1,672,027
Total	**2,778,591**	**2,234,429**	**2,740,050**	**99,958,908**	**3,094,020**	**0**	**3,806,215**	**99,643,479**

Value in thousand Euros

The following table presents the disaggregation of overdue on-balance positions, regardless of whether they are classified as default. Compared to December 2019, there was a 1% reduction in overdue positions, with a slight transition from seniority less than 1 year to seniority. This evolution was due in part to the effects of the Covid19 pandemic, although they were not very significant. Nevertheless, the strategy of deleveraging and reducing NPL's continued to contribute to the deleveraging of operations with longer delays. This strategy is based on the operationalisation of recovery methods by the specialised monitoring units, the Corporate Monitoring Division (DAE) and the Retail Business Monitoring Division (DAP) and which includes: i) settlement of arrears by customers and liquidation of their responsibilities, ii) restructuring and/or consolidation of debt, iii) structured processes to sell credit portfolios and iv) asset write-off.

Table 24 | Ageing of past-due exposures (EU CR1-D)

Term	Loans	Debt Securities	Total Exposures
≤ 30 days	627,992	0	627,992
> 30 days ≤ 90 days	417,162	0	417,162
> 90 days ≤ 180 days	55,000	0	55,000
> 180 days ≤ 1 ano	102,158	0	102,158
> 1 year	1,143,604	0	1,143,604

Value in thousand Euros

The information provided in compliance with Article 442 (g) and (h) on impaired positions and overdue exposure (tables above) is further supplemented by information on non-performing exposures and forborne exposures, in accordance with the EU CR1-E model below.

Table 25 | Non-performing and forborne exposures (EU CR1-E)

	Debt securities	Loans	Off-balance sheet exposures
Gross carrying values of performing and non-performing exposures	23,034,511	59,862,955	13,641,965
Of which performing but past due > 30 days and <= 90 days	0	405,692	0
Of which performing forborne	0	2,702,366	65,224
Of which non-performing:	118,019	306,892	65,224
Of which defaulted	118,019	2,306,892	408,422
Of which impaired	118,019	2,306,892	408,422
Of which forborne	0	1,396,557	2,586
Accumulated impairment and provisions and negative fair value adjustments due to credit risk	115,971	2,237,253	235,785
On performing exposures	54,170	783,299	60,289
Of which forborne	0	236,385	109
On non-performing exposures	61,642	1,453,955	175,496
Of which forborne	0	961,488	106
Collaterals and financial guarantees received	0	0	0
On non-performing exposures	0	667,477	905
Of which forborne exposures	0	327,746	0

Values in thousand Euros

The loan, securities and off-balance portfolios, accounted by the respective gross accounting value (gross of credit adjustments and application of credit conversion factors), amount to around approximately EUR 96,539 thousand, of which 2.9% (EUR 2,833 thousand in 2020, EUR

3,344 thousand in 2019) are classified as non-performing. These operations have an impairment charge of around 59.7%. Compared to the previous year, there was an increase in the gross book value, a combined effect of new lines made available under Covid19, an increase in cash at Central Banks (namely Banco de Portugal) and a lower repayment of loans due to the moratoriums in force during part significant of the period of 2020.

Supplementing the information previously disclosed, pursuant to EBA Guidelines on the disclosing of non-performing and forborne exposures (EBA/GL/2017/11), all additional disclosures applicable to the CGD Group have been include in Appendix III to this document.

Additionally, the Notes to the consolidated financial statements in the Annual Report, in item '43. Disclosures relating to Financial Instruments', includes a set of specific qualitative and quantitative disclosures, which cover, among other, the most relevant aspects concerning non-performing positions and forborne positions, namely:

- details on the exposure and impairment between performing and non-performing transactions;
- details on the gross credit and impairment exposure values, by activity sector (including details of the positions with renegotiation measures and non-performing positions);
- details on the restructured portfolio by forborne measure;
- withdrawals and deposits in the forborne credit portfolio;
- details on the credit portfolio by LTV ratio (including details on non-performing positions);
- details on fair value and net book value of real estate received in lieu of payment or foreclosure, by type of asset and age.

Table below presents the conciliation of adjustments for the specific and general credit risk regarding positions that are the subject of impairment, as required by Article 442 (i) of the CRR. This information is further supplemented by a conciliation of defaulting positions.

Table 26 | Changes in the stock of general and specific credit risk adjustments (EU CR2-A)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**2,199,405**	**119,161**
Increases due to amounts set aside for estimated loan losses during the period	2,767,227	33,445
Decreases due to amounts reverded for estimated loan losses during the period	(2,493,606)	(17,688)
Decreases due to amounts taked against accumulated credit risk adjustments	(168,873)	(12,360)
Transfers between credit risk adjustments	-	-
Impact of exchange rate diffrences	(37,715)	(671)
Business combinations, including acquisitions of subsidiaries	-	-
Other adjustments	24,263	(2,378)
Closing balance	**2,290,701**	**119,509**
Recoveries on credit risk adjustments recordd directly to the PnL statement	(106,173)	-
Specific credit risk adjustments directly to the PnL statement	-	-

values in thousan euros

The credit adjustments above include line items referencing credit impairment, borrower impairment and impairment for investments in financial institutions. Due to the nature of the exposures, the balances referring to impairment for financial fixed assets and tangible fixed assets were not considered.

Table 27 | Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)

	Gross carrying amount
Initial stock of non-performing loans and advances	**3,258,578**
Inflows to non-performing portfolios	(131,207)
Outflows from non-performing portfolios	(201,471)
Outflows due to write-offs	(61,496)
Outflow due to other situations	(85,813)
Final stock of non-performing loans and advances	**2,778,591**
Of witch exposures classified as am item associated with particulary high risk	347,578

values in thousan euros

* Includes portfolio sale, transfer to funds, new entries in default and impact of the sale of entities abroad
** In the hierarchy of allocation of positions to risk classes, the high risk element class prevails over the overdue element class

In 2020, the gross exposure value of non-performing positions decreased by approximately EUR 480 million. As mentioned above, in addition to the impact resulting from the measures to support the pandemic, namely the introduction of moratoriums that sought to safeguard the default of companies and families, this evolution is based on the continuity of the strategy of reducing Non Performing Loans positions, which materialized in a set of initiatives that included the recovery via the collection of late payments, the execution of collateral and the monitoring of a plan for the sale of non-performing loans.

Moreover, there was the write-off of exposures whose expected credit recovery was null or considerably residual after all possible negotiation and, when applicable, legal endeavours, with all parties involved in the credit contract, in compliance with the Write-offs Policy formalised in internal regulations.

VI. Credit risk mitigation

This chapter aims to comply with the duties to disclose information, as per Article 453 of the CRR.

VI.1 Qualitative data

In the context of healthy and careful credit risk management, CGD uses various techniques to mitigate risk, in order to safeguard against potential defaults on contracts concluded. In line with the eligibility requirements prescribed in Regulation (EU) No. 575/2013 (Chapter 4, Title II, Part III), the following collateral and guarantees are considered eligible:

- Guarantees and Sureties received from Sovereigns and Institutions (including Mutual Guarantee Companies), as well as Corporates, if subject to a credit assessment by an ECAI;
- Credit Derivatives, namely those set forth in Article 204 of Regulation (EU) No. 575/2013;
- Financial collateral, such as assets, debt securities or shareholding units in Investment Funds, if quoted in a recognised fund and with a protection level, highlighted in the haircut, applied to the security or shareholding unit value, determined according to its characteristics[7];
- Deposits made at CGD or other Institutions in the CGD Group, in which financial collateral from contracts with Credit Support Annexes (CSA) are included;
- Real collateral represented by Real Estate Mortgages intended for the Borrower's Housing or for multipurpose reasons such as Commerce and/or Offices.

With the application of personal guarantees and credit derivatives, there occurs a transfer of the risk associated with the client's exposure to the provider of the protection, when the latter is the subject of more favourable risk weighting. Personal guarantees are especially

[7] *Haircuts* applicable to the bond value, which reduces its ability to reduce risk, is determined by the Supervisor in Regulation (EU) No. 575/2013, taking into account its type, credit evaluation, counterparty, maturity, among other factors.

relevant in exposure values for Central Governments and Banks (Sovereigns) and Corporates, with these and Institutions, respectively, being the main providers of protection.

In the case of funded credit protection (collateral and deposits), the reduction of risk is calculated according to the method, with the following taking place: i) reduction of the exposure value, using the Comprehensive Approach on Financial Collateral or ii) transfer of risk, if the Simple Approach is used on Financial Collateral.

When applying the Comprehensive Approach, the one adopted by CGD, as well as haircuts to the value of securities (clarified above), the following, together with the indications of the Regulation, are also considered: exchange rate haircuts and haircuts for potential maturity mismatches between the contract and the respective guarantee (maturity mismatch).

It should be emphasised that the positions secured by Real Estate Mortgages (residential or commercial), which are not allocated to the exposure classes Defaults or Elements associated with particularly high risks, are classified in a distinct class, presented, for prudential purposes, in the Exposures secured by mortgage on immovable property risk class. This collateral is the Group's most representative, which is evidenced by the materiality of mortgage loans in CGD's total credit granted.

Given this segment's relevance in CGD's portfolio, it's important to present the main components of the real estate evaluation method:

- Verifying of the real estate: properties are inspected when all new mortgage lending operations are entered into, aiming to determine its most likely transaction price in a free market.

  The verification of the real estate value is documented and includes, among others, copies of floor plans, property number and description from the Land Registry Office, when provided. Moreover, individual analyses are undertaken (by observing the property directly);

- Updating real estate value evaluations by an expert appraiser: mortgage lending operations that are the subject of contractual amendments are, as a rule, liable to a new evaluation, conducted the same way as the new operations.

  Concerning Non-Performing Credit, the real guarantee values are subject to value checks and/or updates, in line with the frequency established under internal regulation; and,

- Revising indexed valuations: The revision of property prices is conducted by an internal expert real estate appraiser, registered at the CMVM, who draws on information from the previous evaluation report, without involving a personal visit to the property. This methodology is exclusively used for properties with residential purposes, with non-performing credit with a debit balance under EUR 300,000 and, in case of performing credit, a debit balance of more than EUR 500,000.

Property valuation procedures:

- CGD's evaluation area staff includes engineers and architects with significant experience in appraisals, and those responsible for additional technical inspections have completed additional real estate assessment courses, and are registered and certified as property appraisers with CMVM;
- CGD has a network of external service providers in its property valuation area, both Corporates and individuals registered with the CMVM, and distributed throughout Portugal, according to the area in which they exercise their professional activity. There are several appraisers for each municipality, in order to ensure adequate diversification and rotation;
- Digital evaluation requests are sent to CGD's property valuation area, containing essential documents for property valuation purposes. There is an internal technician responsible for the approval process for each assessment type and municipality where the property is located; and,
- The appraisers are listed, in which the priority operation municipalities are set forth, meeting efficiency criteria for visits and in-depth knowledge of the local market. The evaluation requests are sent to appraisers via the CGD's real estate management portal. In the portal, the appraiser records the visit date, as well as the assessment report, whose content is standardised, namely including relevant documents for the assessment and photographs of the property.

The remaining collateral is monitored by the Commercial Areas and the DGR, in line with its materiality. The respective valuing is at market prices, when available. In the remaining situations, when relevant, third-party valuations and/or internal models developed for this purpose are used.

Controlling and monitoring are particularly important to ensure the preservation of coverage ratios when contractually prescribed, or to pro-actively request the reinforcement of guarantees in the remaining situations.

As mentioned in the chapter on Credit Risk, any credit operation requires, as a rule, the constitution of guarantees. Given that loans secured by mortgage on immovable property is the Group's main portfolio, it is found that almost all collateral recognised for prudential purposes corresponds to residential real estate. The remaining real collateral is marginal for this purpose. Personal guarantees, though existing for most operations, do not fulfil eligibility criteria in most situations, due to being provided by individuals or businesses that are not subject to credit assessments by a recognised ECAI.

The table below presents the decomposition of the carrying amount for exposure values (net of impairment), according to their mitigation technique, regardless of its eligibility under Part III, Title II, Chapter IV of the CRR. For this purpose the following risk reduction techniques were considered: Collaterals (financial collateral such as deposits, debt securities and capital bonds – shares and shareholding units, real estate collateral) and Guarantees and Sureties received from sovereigns, institutions and businesses (guarantees provided by private clients and ENIs were not included in this analysis). On 31 December 2020, CGD had no positions hedged by credit derivatives.

Table 28 | CRM Techniques - Overview (EU CR3)

	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	21,107,141	36,518,561	30,882,207	5,636,354	0
Debt securities	22,163,938	755,023	0	755,023	0
Total	**43,271,080**	**37,273,584**	**30,882,207**	**6,391,377**	**0**
Of which defaulted	184,201	725,375	667,137	58,238	0

Values in thousand euros

Given the weight of real estate credit, mortgage-backed positions on real estate (residential or commercial) represent around 83% of total covered loans. Reference should also be made to the increase of around EUR 1.6 billion in positions guaranteed by sureties, the vast majority related to the granting of credit with public guarantees or guarantees from the European Investment Fund.

VI.2 Quantitative data

The table presents the impact of eligible mitigation techniques, pursuant to Part III, Title II, Chapter 4 of the CRR, on exposure values weighted by risk in accordance with the standardised approach.

Table 29 | Standardised approach - Credit risk exposure and CRM effects (EU CR4)

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
Central governments or central banks	31,590,242	25,300	32,181,528	2,714	4,257,831	13.2%
Regional government or local authorities	1,530,674	120,592	1,249,479	7,955	291,722	23.2%
Public sector entities	719,709	141,822	1,628,229	56,115	353,887	21.0%
Multilateral development banks	0	0	368,001	3	0	0.0%
International organisations	183,713	0	183,713	0	0	0.0%
Institutions	3,480,155	210,811	3,408,973	132,763	984,231	27.8%
Corporates	11,049,676	7,296,645	10,324,083	1,470,796	11,325,987	96.0%
Retail	5,508,160	4,777,623	4,604,902	307,460	3,191,765	65.0%
Secured by mortgages on immovable property	26,761,883	212,780	26,727,117	58,088	9,424,829	35.2%
Exposures in default	778,034	225,209	765,528	69,471	913,877	109.4%
Exposures associated with particularly high risk	1,797,704	498,387	1,768,087	21,392	2,684,218	150.0%
Covered bonds	44,178	0	44,178	0	7,400	16.8%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.0%
Collective investment undertakings	426,552	750	426,552	750	427,302	100.0%
Equity	784,619	0	784,619	0	1,482,762	189.0%
Other items	1,478,269	0	1,478,269	0	867,541	58.7%
Total	**86,133,568**	**13,509,919**	**85,943,259**	**2,127,508**	**36,213,352**	**0**

Values in thousand euros

Personal guarantees, with replacement effect, amount to EUR 3,498 million and are particularly relevant in exposures concerning Central Governments and Central Banks (Sovereigns) and Corporates, with the main protection providers being Central Governments and Central Banks (Sovereigns), the Mutual Counter-Guarantee Fund (within the European Investment Fund and classified in the Public Sector Entities risk classes) and Multilateral Development Banks, respectively.

Concerning financial collateral, around 73% of the credit risk mitigation is affected by the risk classes Corporates and Retail.

As mentioned above, positions secured by Real Estate Mortgages (residential or commercial) are typically classed in a distinct risk class, as such, being presented in the previous table within the class Exposures secured by mortgage on immovable property. This collateral is the Group's most representative, which is evidenced by the materiality of mortgage loans in CGD's total credit granted.

The following table details, by exposure class and risk weight, the exposure amounts net of impairment before and after applying risk mitigation techniques and credit conversion factors (CCF) on off-balance elements. It should be noted that exposure classes Central Governments and Banks and Equity, include assets not deducted from own funds, namely assets by deferred taxes and investments in financial sector entities, respectively, both subject to a risk weight of 250%.

Table 30 | Standardised Approach - RWA breakdown (EU CR5)

Exposures classes	Risk weight										Total	Deducted	Of which unrated
	0%	2%	20%	35%	50%	75%	100%	150%	250%	1250%			
Central governments or central banks	29,475,968	0	2,686	0	12,821	0	967,150	1,030,311	695,307	0	32,184,243	9,399	0
Regional government or local authorities	9,351	0	1,204,715	0	0	0	28,545	14,822	0	0	1,257,433	0	1,257,434
Public sector entities	1,325,563	0	10,378	0	0	0	341,585	6,818	0	0	1,684,344	0	1,668,849
Multilateral development banks	368,004	0	0	0	0	0	0	0	0	0	368,004	0	368,004
International organisations	183,713	0	0	0	0	0	0	0	0	0	183,713	0	183,713
Institutions	0	0	2,824,449	0	596,112	0	120,954	221	0	0	3,541,736	0	1,501,068
Corporates	0	0	4,728	0	157,945	0	11,168,840	463,366	0	0	11,794,879	0	10,483,034
Retail	0	0	0	0	0	4,912,362	0	0	0	0	4,912,362	0	4,912,362
Secured by mortgages on immovable property	0	0	0	25,306,059	1,479,146	0	0	0	0	0	26,785,205	0	26,785,205
Exposures in default	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	1,789,478	0	0	1,789,478	0	1,789,478
Covered bonds	0	14,351	29,826	0	0	0	0	0	0	0	44,177	0	330
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Unit or shares in collective investment undertakings	0	0	0	0	0	0	427,302	0	0	0	427,302	0	427,302
Equity	64	0	0	0	0	0	319,084	0	465,471	0	784,619	0	784,619
Other items	570,938	0	49,991	0	0	0	856,936	404	0	0	1,478,269	126,721	1,478,269
Total	**31,933,602**	**14,351**	**4,126,773**	**25,306,059**	**2,246,024**	**4,912,362**	**14,907,641**	**3,463,175**	**1,160,778**	**0**	**88,070,765**	**136,120**	**52,474,668**

Values in thousand euros

In view of the weight of mortgage loans in CGD's credit portfolio, around a third of the CGD Group's exposure values are the subject of a weighting of 35% (applicable to positions secured by mortgage on residential real estate). The positions weighted at 100% (around 17%) correspond, for the most part, to exposures to Corporates, Central Governments or Central Banks whose credit quality level, measured according to an external rating, is above 3 and to deferred tax assets, defaults with an impairment coverage over 20%, shareholding units in investment funds and tangible fixed assets. Lastly, it is highlighted that exposure values weighted at 0% represent around 36.3% of the total portfolio and that they correspond to exposure, direct or indirect on central administration or central banks and similar entities (public sector entities to which, pursuant to Article 116(4) of the CRR, the weight applicable to the respective central administration is applied), as well as Cash and equivalent assets.

In relative terms, it should be noted that, year on year, there was a decrease in the weight of positions weighted at 100% (in risk classes Corporates, Defaults, Central Governments or Central Banks), in contrast with the increased weight of Sovereign and equivalent exposures, subject to a 0% risk weighting.

With regards to positions deducted from own funds, these are not subject to risk weight allocation and include, in particular, intangible assets, holdings in financial companies and deferred tax assets. Lastly, in most risk classes, positions that are not externally rated represent the vast majority, if not all, of the exposure subject to weighting. The exception is exposures on central governments or central banks and institutions, whose weight of externally rated positions exceeds 50%.

VII. Counterparty Credit Risk

VII.1 Qualitative data

Counterparty credit risk arises due to the risk of default by a counterparty before the final liquidation of the respective financial flows, with derivative instruments, repurchase transactions or securities or commodities lending or borrowing, long settlement transactions and margin lending transactions being the subject of counterparty credit risk.

Regulation (EU) No. 642/2012, of the European Parliament and of the Council of 4 July 2012, referred to as 'EMIR" (European Market Infrastructure Regulation') came to establish rules aiming to limit risks associated with OTC derivatives and increase transparency in the unregulated market of these financial instruments, namely through the centralised clearing of some transactions, applying rules for mitigating risk in transactions that are not centrally cleared and requiring the production of business reports, also regulating the activity of Central Counterparties (CCP) and Transaction Repositories.

With respect to OTC Derivative transactions, which represent the vast majority of CGD's positions, the EMIR prescribes the obligation of centralised clearing (with a CCP) for certain OTC derivatives, as well as the implementation of methods to mitigate risk for derivatives not centrally cleared.

OTC derivative transactions require the prior conclusion of a contract for OTC Derivate financial instruments, which establishes the essential conditions of the relationship between CGD and each of its Counterparties. The contracts normally used by CGD to establish the rules of the relationship with Financial Counterparties in OTC Derivative transactions are the ISDA Master Agreement and the Credit Support Annex (CSA), for cases in which the exchange of collateral is agreed. These contracts may, while being carried out, be used in contracting with Non-Financial Counterparties.

Generally, with Non-Financial Counterparties (or Financial Counterparties that haven't signed ISDA contracts with CGD), the Framework Contract for OTC derivative instruments (CQIFD) and respective appendices is signed.

The collateral exchange agreements in derivative operations result from bilateral negotiation and, typically, assume the form of deposits with daily clearing, based on the exposure of the previous working day.

Credit risk management, including counterparty credit risk, of CGD is regulated by internal policies and standards, namely the Service Order (OS) on Credit Risk – Corporates and Institutions that consider OTC Derivative transactions as financial operations, framed in the sub-limit for financial credit and guarantees – Exposure value of exchange rate products and derivatives, which is the subject of approval in accordance with the delegation of competence for approvals, internally established.

The consumption of a derivative product's limit corresponds to the Exposure Value associated with said product at any given time, calculated according to the following formula:

Valor em Risco = Max {0;[Valor de Mercado + (Valor Nominal x Fator de Risco)]}

where the Market Value is set, at a given moment, as the value equivalent to the operation's replacement cost in the market, the Nominal Value is the theoretical amount or capital of the determined operation on the date it was contracted, and the Risk Factor is a weight applied to the nominal value representing the product's potential credit risk exposure. Risk factors are established for each product type and vary according to the product's specific attributes, for example, its residual maturity date, the price fluctuation of the underlying asset or the currency pair.

In the case of contracts signed pursuant to the "Framework Agreement for Derivative Instruments" or the 'ISDA Master Agreement', the total limit consumption is calculated in accordance with the principles prescribed in Article No. 298 (1c) of the CRR, according to which the reduction of the exposure value is allowed, due to effect of netting.

Periodically, CGD calculates credit valuation adjustments (CVA) for the derivatives portfolio, in line with the internal policy on Assessment of Own Positions in Bonds and Derivatives accounted at Fair Value, which is consolidated in a fair value adjustment, subsequently leading to a credit capital buffer. To determine the adjustment, various aspects are taken into consideration, namely: i) verifying the existence of periodic netting agreements or collateralisation mechanisms, ii) segmenting by rating/ credit quality assessment and iii) benchmarking the representative curve for the portfolio's counterparty credit risk.

Capital Requirements

Derivative instruments, repurchase transactions, securities or commodities lending or borrowing, long settlement transactions and margin lending transactions are the subject of prudential capital requirements for counterparty credit risk.

For these operations, the exposure value is determined through the market price assessment method (mark-to-market), as set forth in Article 274 of Regulation (EU) No. 575/2013, which consists of:

> Adding to the operation's market value, when positive, its potential future credit exposure, which results from multiplying the notional value by a prudential factor, according to the type of contract.

It should be noted that, with a view to filling the gaps identified in the current methods of calculating the value of exposures in derivative operations, namely because existing calibrations are outdated and do not reflect the volatility level of the positions or because they do not adequately reflect the effect of guarantees in terms of reducing the risk of positions, the Basel Committee on Banking Supervision decided to replace the market price valuation method with a new standard method for calculating the value-at-risk of exposures in derivatives, the so-called Standard Method for Risk of Counterparty Credit, which will be applied from the first half of 2021.

For calculating internal capital needs for positions subject to counterparty credit risk, derivatives and repurchase transactions, the exposure value is considered, calculated by the market price evaluation method – mark-to-market –, using the method set forth for quantifying capital needs for the remaining positions that are the subject of credit risk, supported, when possible, by risk factors - PD and LGD – both internal and in line with the IRB method prescribed in the CRR. The exception to this approach is a series of derivatives that, given the overlap with the quantifying method for internal capital requirements for Credit Value Adjustments (CVA), are the subject of capital requirements calculated using said method.

Wrong way risk

Wrong way risk entails the risk of a given exposure adversely correlating with the credit quality of the respective counterparty, namely by virtue of the received collateral for mitigating risk being related to that counterparty.

As for financial derivative instruments, these are perceived by the Bank as entailing low material risk. Regulation (EU) No. 648/2012, of the European Parliament and of the Council, (EMIR), introduced simple derivative clearing duties with qualified central counterparties, currently representing a significant component of this type of transaction at the Bank. Derivatives that are not centrally cleared are largely attributed to collateral agreements, almost exclusively reflected in the constitution of deposits calculated daily, based on the exposure of the previous working day. Risk not covered by collateral exchanges essentially results from derivatives associated with Project Finance operations which correlate neither with the underlying nor with any protection operation.

Concerning third-party counterparty credit risk by exposure to CGD, namely with respect to the amount of guarantees that the Institution should have provided in view of a downgrade of its own credit quality, sources of additional impact facing an event of this nature were not identified since the current CGD rating is still (despite the favourable outlook) lower than the investment grade, with all additional contractually established collateral appropriation thus having already been observed.

VII.2 Quantitative data

The following table presents the exposure values and the RWAs of instruments that are the subject of capital requirements for counterparty credit risk (excluding CVA requirements and exposure values cleared through a Central Counterparty (CCP)).

Table 31 | Analysis of CCR exposure by approach (EU CCR1)

	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	675,206	38,052			585,266	226,532
EU - Simplified SA-CCR (for derivatives)					-	-
SA-CCR (for derivatives)	-			-	-	-
IMM (for derivatives and SFTs)			-	-	-	-
Of which securities financing transactions netting sets			-	-	-	-
Of which derivatives and long settlement transactions netting sets			-	-	-	-
Of which from contractual cross-product netting sets			-	-	-	-
Financial collateral simple method (for SFTs)				-	287,264	427,162
Financial collateral comprehensive method (for SFTs)					-	-
VaR for SFTs					-	-
Total						**653,694**

Values in thousand euros

As mentioned above, CGD determines the exposure value following the market price evaluation method (mark-to-market), which consists of totaling the replacement cost (NPV, if positive) with the contract's potential future value. Exposure after applying risk reduction techniques (EAD) incorporates the effect of netting agreements and CSAs which contribute to reduce the amount of exposure subject to the weighting of capital requirements.

It should be noted that the exposure value of repurchase transactions is calculated using the comprehensive method for financial collateral. The financial instruments acquired in these operations are not recognised in the balance sheet, with the purchase value recorded as a loan to credit institutions, which is valued at its respective amortised cost. These financial instruments, if eligible, are recognised as credit protection and contribute to the reduction in credit risk exposure.

The following table presents the total exposure value and the total risk-weighted exposure of positions subject to 'Credit Valuation Adjustment' or 'CVA'. In accordance with Article 381 of the CRR, CVA corresponds to a mid-market evaluation adjustment of the portfolio of transactions with a counterparty, as said adjustment reflects the current market value of counterparty credit risk for the institution.

CGD calculates the own funds requirements for CVA risk in its portfolio, in relation to each counterparty, through the Standardised Approach, pursuant to Article 384 of the CRR, having calculated the following positions:

Table 32 | CVA capital charge (EU CCR2)

	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)	-	-
(ii) stressed VaR component (including the 3× multiplier)	-	-
Transactions subject to the Standardised method	44,324	29,680
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	**44,324**	**29,680**

Values in thousand euros

In compliance with Article 439 of the CRR, the table below shows the exposures on derivatives with Central Counterparties (CCP) and the respective associated exposure value totals.

Table 33 | Exposures to CCPs (EU CCR8)

	Exposure value	RWEA
Exposures to QCCPs (total)		**3,819**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	112,755	2,255
(i) OTC derivatives	24,731	495
(ii) Exchange-traded derivatives	88,024	1,760
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Initial margin	66,500	1,330
Prefunded default fund contributions	7,521	234
Exposures to non-QCCPs (total)		**165**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	306	165
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	306	165
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Initial margin	2,477	-

Values in thousand euros

Within the context of positions subject to CRR, the table below presents the exposure value (net of impairment and after applying CCF and risk reduction techniques), sorted by exposure class and risk weight (attributed in line with the Standardised Approach).

Table 34 | - Standardised approach - CCR exposures by regulatory portfolio and risk (EU CCR3)

Exposure classes	Risk weight						Total	of wich unrated
	0%	2%	20%	50%	100%	150%		
Central governments or central banks	0	0	0	0	0	284,392	284,392	0
Regional government or local authorities	0	0	0	0	0	0	0	0
Public sector entities	339,979	0	0	0	0	0	339,979	0
Multilateral development banks	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0
Institutions	0	273,781	22,674	6,636	17,886	0	320,978	0
Corporates	0	0	0	0	200,743	0	200,743	197,254
Retail	0	0	0	0	0	0	0	0
Secured by mortgages on immovable property	0	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	0	526	526	526
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0
Unit or shares in collective investment undertakings	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0
Total original exposure amounts	**339,979**	**273,781**	**22,674**	**6,636**	**218,630**	**284,918**	**1,146,617**	**197,780**

Values in thousand euros

The effect of the netting agreements and received collateral in guarantees in the calculation of final exposure value subject to weighting, as well as the detail regarding the nature of given and received collateral, are presented in the following tables:

Table 35 | Impact of netting and collateral held on exposure values (EU CCR5-A)

	Gross possitive fair value or net carrying amount	Netting benefits	Netted current credit exposur	collateral held	Net credit exposure
Derivatives	1,241,241	367,796	873,445	14,092	859,353
SFTs	311,474	-	311,474	24,210	287,264
Cross-product netting	-	-	-	-	-
Total	**1,552,715**	**367,796**	**1,184,918**	**38,301**	**1,146,617**

Values in thousand euros

Table 36 | Composition of collateral for exposures to CCR (EU CCR5-B)

Collateral type	Collateral used in derivative transactions		Fair value of collateral received	
	Fair value of collateral received	Fair value of posted collateral	Fair value of collateral received	Fair value of posted collateral
Cash	14,092	534,685	-	-
Domestic sovereign debt	-	-	-	-
Other sovereign debt	-	-	2,873	13,877
Corporate Bonds	-	-	-	1,312
Other collaterals	-	-	-	-
Total	**14,092**	**534,685**	**2,873**	**15,189**

Values in thousand euros

VIII. Securitisation Positions

VIII.1 Qualitative data

Positions where CGD Group is the lender

CGD, as the lender (or originator), maintains the process of asset securitisation for 'Nostrum Mortgages 2010-2', maintaining its main aim of optimising its funding and a more adequate risk management. Assets transferred to the vehicle are composed of mortgage loans and, in accordance with the 'Mortgage Sale Agreement' of the transaction 'Nostrum Mortgages 2010-2', the assignment of credit is valid, complete and effective.

In the context of risk mitigation and hedging strategies, with respect to securitisation originated by CGD, it is important to mention the existence of a swap with the Santander Bank whose purpose is to hedge interest rate risk arising from the different frequency between securitised loans (per month) and the securitisation coupon payment period (per quarter).

The following table presents a summary of the existing traditional securitisation operations, noting that CGD has no involvement as a lender or as a sponsor in synthetic securitisation operations.

Table 37 | Securitisation Operations

Traditional securitisation	Nostrum Mortgages 2010-1
Originator	CGD
Operation's information:	
Origination date	2010-11-05
Maturity date	2065-05-20
Step-up call date	N/A
Revolving (years)	N/A
Securitised assets	5,429,950
Value in debt	2,944,138
of which defaulted values	35,892
Informations about originator	
Existence of "implicit support" situations	
Assigned assets (by institutions)/ Securitised assets (total)	100%
Initial capital gains/ First loss reacquired gains	
Observations	
Initial objective from securitised transaction	⇨ Source *funding* optimization ⇨ Source *funding* diversification
Degree of involvement in the securitization process	⇨ Creditor ⇨ Credit manager ⇨ Domiciliary of fund's DO account ⇨ *"Swap back-to-back"* Counterparty
Significant risk transfer	No

Values in thousand euros

Concerning accounting, the CGD Group includes the Vehicle (SPV), the Fund and the Company created in the context of securitisation operations within its scope of consolidation and consolidates them using the Comprehensive Method, given that it exercises effective financial and operational control over them and takes on the majority of the risks and benefits associated with their activities.

As part of the mortgage loan securitisation operation, CGD did not derecognise it, as the requirements that would allow removing from the balance sheet were not met. As such, the securitised loans are still recorded in the balance sheet, under the line item 'Credit to customers,' in accordance with the same rules applicable to other credit exposures.

Securitised housing loan exposures in which the institution is the lender are subject to capital requirement for credit risk using the approach described in Chapter V. Credit Risk.

Positions in which the CGD Group is the investor

For operations in which CGD is the investor, never with the intention of actively trading them, the l risk-weighted exposure amount is calculated by applying the External Ratings Method for securitization (SEC-ERBA), as defined in article 263 of Regulation (EU) No. 2017/2401. According to this method, the capital requirements allocated to the securitization tranches are determined according to the risk rating assigned by the eligible external rating agencies (ECAIs) and the deadline of expiration of the tranches.

The fair value assessment considers the specificity of the underlying elements, resulting in levels that are greatly in line with the output level. It should be emphasised that, in the last two years, the Bank has disposed of a significant percentage of its positions, maintaining only a residual percentage in securitisations of energy tariff deficits, without any identified asymmetries in the balance sheet as a result of these sales.

Concerning the perceived risk of these positions, the main focus is on legal amendments that may compromise the flow of payments of these assets, which is engrained into the valuing through the inclusion of the effect of Portuguese sovereign risk.

Regarding the calculation of capital requirements, the Credit Quality level necessary for the application of the ERBA Method, is determined based on the credit risk assessment assigned by any of the two eligible ECAIs used by CGD: Fitch and Moody's, respecting the standard mapping between ratings and credit quality grades established by the EBA.

It is important to emphasise that CGD does not have positions in securitisations in its trading book, nor exposure in re-securitisations in its trading or investment portfolios.

VIII.2 Quantitative data

As mentioned above, CGD only determines capital requirements for securitizations in which it acts as an investor, and it should be noted that these positions are not classified as simple, transparent and standardized securitization (STS).

The table below details the exposure, RWA and capital requirements calculated according to the ERBA method, described above.

CGD holds only a residual position, of EUR 8,727 thousand, of which 98.8% are in the RW range that varies between 20% and 50%, with the implicit RW of this portfolio of around 42%.

Table 38 | Securitised operations: Standardised Approach

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)		RWEA (by regulatory approach)		Capital charge after cap	
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-ERBA (including IAA)	1250%/ deductions	SEC-ERBA (including IAA)	1250%/ deductions	SEC-ERBA (including IAA)	1250%/ deductions
Total exposures	-	8,628	-	-	99	8,727	-	3,631	-	290	-
Traditional securitisation	-	8,628	-	-	99	8,727	-	3,631	-	290	-
Securitisation	-	8,628	-	-	99	8,727	-	3,631	-	290	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	8,628	-	-	99	8,727	-	3,631	-	290	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-

Values in thousand euros

Considering that the securitised assets underlying the operation in which CGD acts as an originator were not derecognised from the balance sheet being, for this reason, monitored in the context of credit risk management framework and considering the reduced materiality of the securitisation position in which CGD acts as an investor, CGD does not disclose, observing Article 432 of the CRR on non-relevant information, all requirements to disclose information on securitisation positions prescribed in Article 449 of the CRR.

The information disclosed in this chapter is further supplemented by what is noted in the 2020 Report and Accounts (item 21. Financial Liabilities Associated with Transferred Assets).

IX. Liquidity and Interest Rate Risks

The importance of balance sheet risk management, the liquidity situation and the allocation of capital as a scarce resource, whose application must obey strict return and security parameters, entails a balanced management of the risk/profit binomial in a context characterised by the uncertain behaviour of variables that critically affect financial performance.

The main aim of the Asset-Liability Management (ALM) process is contributing to the equilibrium of the Group's consolidated balance sheet and the sustainable attainment of positive financial results, maintaining a prudent management of the liquidity situation, consumption of capital and control of interest rate risk.

The CGD's Executive Committee (CE) is ultimately responsible for the global management of the ALM process. CGD's CE delegates responsibilities in this domain to the Capital, Asset and Liability Committee (CALCO), establishing the respective guidance framework and defining the Committee’s scope, responsibilities, composition and functioning rules.

Within its strategic goals, CALCO has, in particular, the following responsibilities:

- Regular assessment of the liquidity situation, in consolidated terms and on an individual basis for the CGD Group entities, taking the necessary measures to ensure that the strategic objectives and established guidelines, as well as the regulatory/supervisory requirements, are met;
- Regular assessment of the interest rate risk, in consolidated terms and on an individual basis for the CGD Group entities, taking the necessary measures to ensure that the strategic objectives and established guidelines, as well as the regulatory/supervisory requirements, are met.

The centralised management of liquidity and interest rate in the banking book risks uses an Asset-Liability Management software tool, to measure the magnitude of the exposure to these risks for the set of entities included in the CGD Group's prudential banking perimeter.

In summary, the liquidity and interest rate risks measurement process encompasses two distinct steps: the identification and collection of the exposures associated with the various units of the Group and the subsequent calculation of the set of relevant indicators for the measurement of the two types of risks.

IX.1 Liquidity Risk

Liquidity risk entails the possibility of a mismatch or non-compensation between monetary payment flows and receipt occurring, leading to the inability to fulfil agreed commitments. In other words, in such a situation, the reserves and available cash of an institution would become insufficient to meet its obligations at the time they occur.

Liquidity risk in the banking business may arise when the following occur:

- Difficulties in raising funds to finance assets, normally leading to increases in funding costs, but potentially also entailing restrictions on asset growth;
- Difficulties in the timely settlement of obligations to third parties, prompted by significant mismatches between the residual maturities of assets and liabilities.

The management strategy and the liquidity risk tolerance are supported by the fundamental principles established in the Institution's Risk Appetite Statement, with the following aims:

- Maintaining a stable, solid and secure liquidity profile, guaranteeing adequate capacity to cope with situations of increased liquidity stress;
- Maintaining stable funding sources and an adequate liquidity buffer, through adopting a proactive, market-oriented approach that enables the Institution to adapt its balance sheet structure to existing conditions;
- Controlling the Group's international entities' exposure to risk, and maintaining their independence both in terms of fundraising and capital adequacy.

The principles presented are the result of the Institution's business strategy, and its perception of the involved risk/return trade-off, and are integrated into the organisation's culture and support the business processes and the organisational structures.

In this context, the Institution's Risk Appetite governance model guarantees the Group's adherence to the established principles and risk appetite limits and its permanent adequacy, reflecting the Institution’s strategic approach to liquidity risk exposure.

In accordance with the European Banking Authority's (EBA) Guidelines on Internal Governance (EBA Guidelines on Internal Governance ¤ EBA/GL/2017/11), the management body of a banking group's parent company is globally responsible for the internal governance of the entire group and for ensuring the existence of a governance framework that is suited to the organisational structure, scale and complexity of the activities carried out and to the risks associated with the operations of the Group itself and, in particular, with the entities that are a part thereof.

In this respect, CGD's Board of Directors approved in June 2017 the 'Liquidity Risk Management Corporate Policy', which sets forth the responsibilities and establishes the principles applicable to liquidity risk management for Caixa Geral de Depósitos, S.A., as well as for all branches abroad and subsidiaries integrating the prudential supervision perimeter.

The full application of the Liquidity Risk Management Corporate Policy in the Group's branches and subsidiaries was ensured by the respective local transposition during the second semester of 2017, providing a complete harmonisation of the CGD Group's internal policies and guidelines and, subsequently, promoting clarity and transparency in the entire liquidity risk measurement and control process for the Group's entities, and developing an alignment within the Group of liquidity risk management principles and techniques.

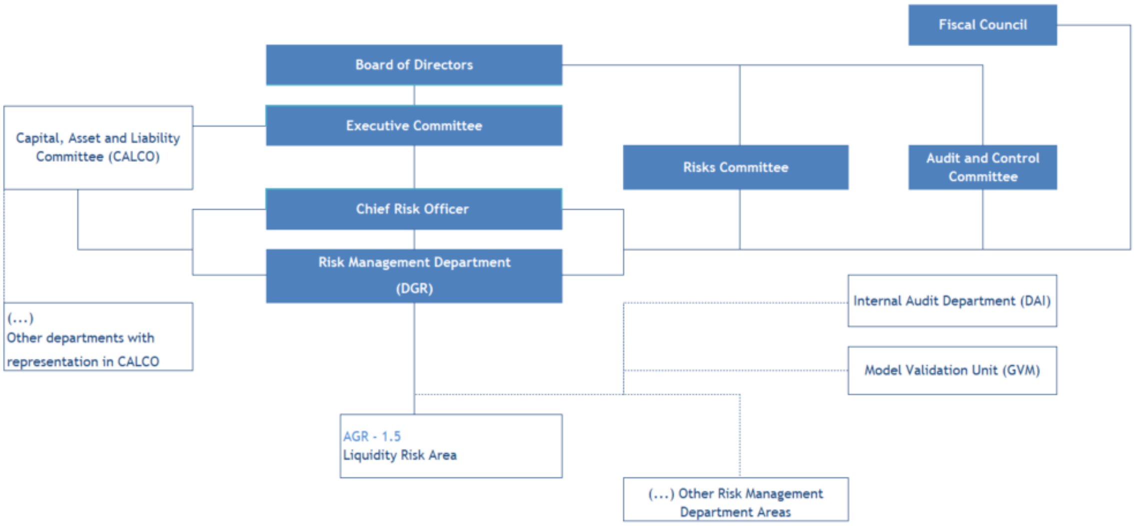
In this regard, 2020 was a year of consolidation of local practices with respect to liquidity risk measurement and monitoring, substantiated, inter alia, by the process aimed at identifying and resolving gaps in the fulfilment of the standards set out in the Liquidity Risk Management Corporate Policy.

Specifically in regard to organisational policies and procedures, CGD's Risk Management Division has the following responsibilities:

- Ensuring an adequate and effective liquidity risk management process for the Group, in coordination with the CGD's Chief Risk Officer;
- Developing specific proposals for the definition of policies and procedures that ensure a rigorous and robust risk management, guaranteeing its adequate documentation;
- Regularly evaluating the adequacy and efficiency of the provisions established in the previous items, and recommending necessary amendments whenever opportunities for improvement are perceived.

The Liquidity Risk Area of the Risk Management Division, while responsible for the liquidity risk management function, acts as a second line of defence in risk control (first line of defence comprised by the business areas), ensuring permanent risk monitoring processes and the evaluation of the effectiveness of the associated controls. Moreover, it contributes to outlining the strategy and implementing risk management policies and procedures within a framework of full compliance with applicable legal and statutory norms.

Figure 2 | Liquidity risk management governance model



The figure above presents the main bodies responsible for managing liquidity risk, whose responsibilities are detailed below.

The Board of Directors is ultimately responsible for defining and approving the CGD Group's Risk Appetite, whether at the level of the Governance Model or the Risk Appetite Statement. The Board of Directors' specific responsibilities are identified below:

- Aligning the Risk Appetite with the Bank's strategic priorities and objectives;
- Continually monitoring the development of risk metrics;
- Discussing exceeded limits/tolerance levels and, when applicable, revising and approving the proposed remediation plan.

The Board of Directors' Executive Committee is responsible for the CGD Group's global risk management. In particular, it has the following responsibilities:

- Managing and enforcing the Risk Appetite approved for the CGD Group;
- Monitoring the development of risk metrics and the rationales underlying the observed development;
- Discussing exceeded tolerance limits or levels and, when applicable, revising and approving the proposed remediation plan;
- Guaranteeing coherence between the Risk Appetite and the Group's strategic undertakings, namely the Funding and Capital Plan, the Budget, and the ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process).

The Capital, Asset and Liability Management Committee (CALCO) is the deliberative body of the Executive Committee responsible for assessing and monitoring the integrated capital, asset and liability management process, aimed at ensuring a proactive management of the CGD Group's balance sheet and profitability. The ALM process comprises the set of actions and procedures designed to control the risks and financial position of the Group, focusing on the security and robustness of the balance sheet and recognising that obtaining an adequate return on the allocated capital implies a sound management of the risk/return combination, in a context characterised by the uncertain behaviour of variables that critically affect financial performance.

The Risk Management Division is a first-level body in Caixa Geral de Depósitos' organic structure with control functions, which aims to protect the CGD Group's capital, namely through the management of solvency, credit, market, liquidity and operational and non-financial risks incurred by the Group, as well as the inter-relations between them, and ensuring a coherent integration of its partial contributions.

The Liquidity Risk Area of the Risk Management Division (AGR-1.5) is responsible for managing and controlling the Group's liquidity, and is responsible for ensuring the maintenance of a Group balance sheet structure geared towards an adequate risk/return ratio. The specific competencies of AGR-1.5 are illustrated in the figure below.

Figure 3 | Competencies of the Liquidity Risk Area

The Audit and Control Committee is responsible for monitoring the effectiveness of the internal control system, without prejudice to the responsibilities of the Supervisory Board in this respect.

The Financial Risks Committee, advisory body of the Board of Directors, oversees the process of identifying, measuring, monitoring and controlling the financial risks incurred by the CGD Group, in support of the Board of Directors.

From an operating point of view, liquidity risk management is supported by the measurement and monitoring of a set of key performance indicators (KPIs) and by a system of limits and early warning, intended to i) maintaining a stable funding structure in view of the liquidity characteristics of the Group's asset and off-balance positions, as well as their residual maturity terms, and ii) maintaining adequate liquidity levels to respond to stress scenarios.

The set of KPIs used originates from the analyses of the residual maturity terms of the assets and liabilities in the Group's balance sheet. The cash inflow and cash outflow volumes are allocated to time intervals according to their residual maturity terms and the respective liquidity gaps are subsequently determined (both the period liquidity gaps and the cumulative liquidity gaps).

For the purpose of analysing and setting exposure limits the Institution uses the concept of structural liquidity, which aims to incorporate, namely, the historical behaviour of depositors with respect to the management of their current, term and savings accounts, distributing their balances by the different time intervals considered in accordance with internally developed studies and models.

Liquidity gaps are calculated monthly and are subject to two short-term exposure limits set by the CALCO, which inform the Bank's Liquidity Contingency Plan.

The liquidity risk management also includes stress testing exercises in conjunction with the existing Liquidity Contingency Plan, in compliance with the principles and recommendations issued by the BCBS (Basel Committee on Banking Supervision) and the EBA (European Banking Authority).

The internally developed methodology for evaluating CGD's resilience facing potential liquidity difficulties includes measuring and monitoring the designated 'survival period' (the time up to the occurrence of liquidity difficulties if corrective measurements are not implemented in advance) in the face of three liquidity and funding stress scenarios. An additional scenario is considered (the base scenario) which assumes that CGD develops its activities in the conditions prescribed in its budget and, consequently, it’s funding plan.

The existing model also encompasses a set of minimum mandatory values for the survival periods determined in each of the aforementioned scenarios. Failure to comply with any of the established minimum values may lead to the implementation of the contingency measures provided for in CGD's Liquidity Contingency Plan, in accordance with the activation triggers established therein and the respective priority levels for using the different liquidity risk mitigation instruments.

The series of mechanisms and metrics for measuring and monitoring liquidity risk includes a general framework for monitoring the risks associated with collateral management and asset encumbrance, supported by the quarterly assessment and monitoring of i) the level, evolution and types of asset encumbrance and related sources of encumbrance, ii) the amount, evolution and credit quality of unencumbered but encumberable assets, and iii) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

The adoption of a general framework for monitoring the risks associated with asset encumbrance constitutes one of the dimensions of the governance framework for asset encumbrance risk management, approved by CALCO at the end of the first semester of 2015, which aims to comply with the legislative references/recommendations of the European Systemic Risk Board (ESRB/2012/2), of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, the EBA guidelines on the disclosure of encumbered and non-encumbered assets (EBA/GL/2014/3) and Bank of Portugal Instructions No 28/2014 ▫ *Divulgação de Informação sobre ativos onerados e não onerados* and No 29/2014 ▫ *Gestão do risco de oneração de ativos.*

In this context, CGD discloses in the tables below the information required under the European Commission's Delegated Regulation (EU) 2017/2295 of 4 September 2017, which complements the Regulation (EU) no ▫ 575/2013 of the European Parliament and of the Council, with regard to technical regulatory standards for the disclosure of encumbered and unencumbered assets, namely reporting templates A ▫ Encumbered and unencumbered assets, B ▫ Collateral Received and C ▫ Sources of encumbrance.

Table 39 | Template A ▫ Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	050	060	080	090	100
Assets of the reporting institution	7,585,684,770	3,430,670,320			82,663,892,424	19,135,964,839		
Equity instruments	-	-			1,242,273,942	-		
Debt securities	2,686,802,005	2,684,696,548	2,686,802,005	2,684,696,548	23,738,650,922	19,002,413,347	23,738,650,922	19,002,413,347
of which: covered bonds	-	-	-	-	48,033,868	43,111,573	48,033,868	43,111,573
of which: securitisations	-	-	-	-	9,904,851	-	9,904,851	-
of which: issued by general governments	2,684,696,548	2,684,696,548	2,684,696,548	2,684,696,548	18,148,687,218	17,789,043,204	18,148,687,218	17,789,043,204
of which: issued by financial corporations	-	-	-	-	1,046,724,668	540,131,427	1,046,724,668	540,131,427
of which: issued by non-financial corporations	2,105,457	-	2,105,457	-	4,485,300,317	668,744,181	4,485,300,317	668,744,181
Other assets	4,846,077,136	740,769,150			57,335,015,281	133,551,492		

Values in thousand euros

Table 40 | Template B ▫ Collateral received

	Valor justo do colateral recebido onerado ou de títulos de dívida própria emitidos onerados		Valor justo do colateral recebido ou de títulos de dívida própria emitidos e oneráveis	
		dos quais: EHQLA e HQLA nocionalmente elegíveis		dos quais: EHQLA e HQLA nocionalmente elegíveis
	010	030	040	060
Colateral recebido pela instituição que presta a informação	**0**	**0**	**321,110,161**	**289,762,097**
Empréstimos á vista	0	0	**0**	**0**
Instrumentos de capital próprio	0	0	0	0
Títulos de dívida	0	0	252,916,110	252,916,110
dos quais covered bonds	0	0	0	
dos quais asset-backed securities	0	0	0	
dos quais emitidos por administrações centrais	0	0	252,916,110	252,916,110
dos quais emitidos por empresas financeiras	0	0	0	0
dos quais emitidos por empresas não financeiras	0	0	0	0
Loans and advances other han loans on demand	0	0	30,007,840	0
Outro colateral recebido	0	0	37,850,921	37,850,921
Títulos de dívida própria emitidos, com excessão das obrigações cobertas próprias e títulos respaldados de ativos	0	0	**0**	**0**
Obrigações cobertas próprias e títulos respaldados por ativocps próprios emitidos e ainda não dados em garantia			**4,015,522,149**	**3,358,627,450**
Total dos Ativos, Colateral recebidos e Títulos de divida próprios emitidos	**7,585,684,770**	**3,430,670,320**		

Values in thousand euros

Table 41 | Template C ▫ Sources of encumbrance

		Associated liabilities, contingent liabilities and borrowed securities	Assets, collateral received and own debt securities issued with the exception of covered bonds and asset-backed securities
		10	**30**
010	Carrying amount of selected financial liabilitiess	4,040,364,395	6,615,327,631

Values in thousand euros

Additionally, in the following paragraphs, CGD discloses a set of descriptive information on the impact of its business model on the level of asset encumbrance, and on the importance of encumbrance in its business model, as provided for in reporting Template D ▫

Accompanying narrative information, under Commission Delegated Regulation (EU) 2017/2295.

Credit institution's funding conditions were significantly affected by the crisis of 2007-08, when developments in wholesale and retail markets exposed the vulnerabilities inherent to some of the asset classes (e.g. 'sub-prime' residential mortgages) and to some business models (e.g. reliance on short-term wholesale funding), with the following impacts on banks' funding sources and structures:

- An increase in the relative importance of secured funding (including from public sector funding sources) as a consequence of investors' risk aversion and of regulatory developments, notably the Basel III framework;
- Tightening supply of quality collateral, at a time when banks need stable funding sources to maintain their lending into the real economy;
- Increasing reliance on, and competition for, customer deposits, risking potentially increased volatility;
- Extraordinary measures by central banks, including longer-term operations and extended lists of eligible collateral.
- In the particular case of the increasing importance of secured funding, the benefits of its use are evident, namely the promotion of a diversified set of funding sources, the reduction of counterparty risk, and its particular use in periods of stress, nevertheless the associated risks, listed below, should also be taken into account: Excessive encumbrance entails further subordination of other creditors, in particular depositors, with consequences in terms of the potential usage of funds from deposit guarantee schemes;
- It may negatively affect future access to the unsecured markets and create challenges in pricing risks correctly, with implications for efficient resource allocation;
- Contingent encumbrance tends to be pro-cyclical since it increases in stress periods as a result of automatic increases in collateralisation requirements.

In addition, asset encumbrance can have direct impacts on the real economy, namely:

- Limit overall bank balance sheet growth and bank lending activity, given that the amount of encumberable collateral is finite, so a shortfall in secured funding directly affects banks' credit supply and, ceteris paribus, the growth of the real economy;
- Lead to a distortion in credit allocation given the greater likelihood that banks will invest in encumberable assets, including government bonds and commercial and residential mortgages, to the detriment of loans to small and medium-sized enterprises, considered of lower quality and normally not eligible as collateral;

- Increase the pro-cyclicality of credit intermediation, since the values of collateral usually tend to increase in economic upturns and decrease in economic downturns, automatically increasing banks' credit supply in good times and decreasing it in bad times. At high levels of encumbrance, the financial system might be riskier because it is more sensitive to pro-cyclical 'swings' in the underlying value of assets.

Against this background, and within CGD's general framework for monitoring the risks associated with asset encumbrance, the asset encumbrance ratio (the ratio of encumbered assets to total assets) is one of the metrics included in the close monitoring of asset encumbrance risks, not only from a perspective of realised values but also at the level of the estimates underlying the Group's Funding and Capital Plan.

As such, the table below presents the value of the asset encumbrance ratio for the reference date 31/12/2020, as well as the respective estimates for the 2021-2023 time horizon.

Table 42 | Asset encumbrance ratio

	2020	Projection horizon			Risk appetit
		2021	2022	2023	2020
Asset Encumbrance Ratio	8%	13%	11%	9%	<= 25%

The encumbrance ratio is, on average, at 11% over the projection time horizon, which represents an increase of around 2 percentage points compared to December 2020, even so, maintaining particularly low levels, which show i) an adequate reliance on secured funding and a significant capacity to manage adverse situations in the wholesale funding markets due to the ability to resort to secured funding, and ii) little probability of inducing an adverse effect on the 'market appetite' for the Institution's unsecured debt.

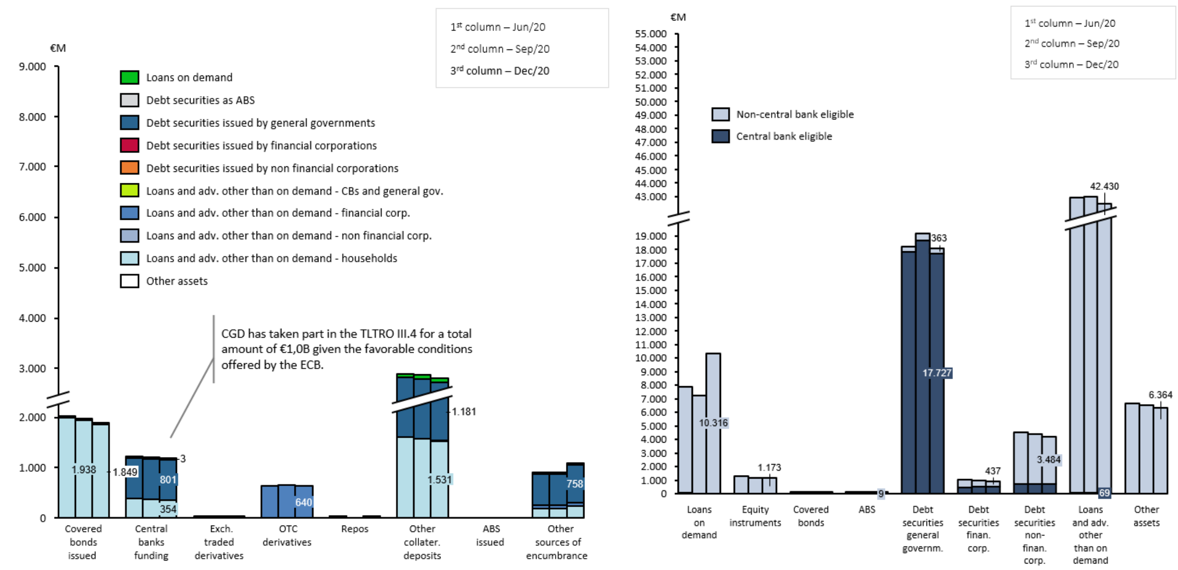
Within the scope of the Euro system's monetary policy measures and bearing in mind the changes introduced by the ECB in the context of the Covid-19 pandemic, CGD, in June 2020, obtained financing of 1,000 million euros, through the TLTRO-III operation (Targeted Longer-Term Refinancing Operations). The evolution of the Group's asset encumbrance ratio is fundamentally impacted by the entry and reinforcement of new financing, under the same conditions, with the ECB within the estimated time horizon.

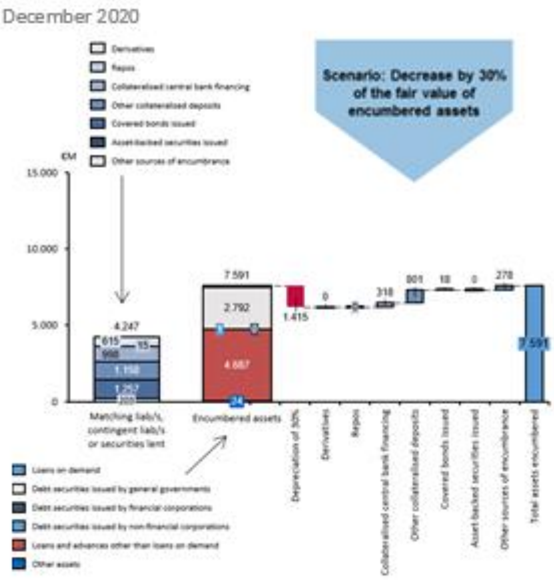
The structural composition of the Group's balance sheet contributes to the low levels of the asset encumbrance ratio, namely the low dependence on wholesale funding and the broad and stable base of customer deposit.

With respect to wholesale funding, the main markets used by the Group for this purpose are the mortgage obligation market and the repurchase agreement ('repo') market. This funding strategy is supported by i) low reliance on wholesale funding, ii) the comfortable profile of debt issuance reimbursements, iii) the current liquidity surplus, iv) the significant mortgage credit portfolio, v) the low level of asset encumbrance, and vi) the reduced depth of the unsecured interbank money market still observed, allowing an adequate management of the maturity profile and the level of diversification of funding sources, a periodic presence in the wholesale markets and the optimisation of funding costs.

The framework presented for the Group's funding strategy is the product of the characterisation presented in the figures below, of i) the level, evolution and types of asset encumbrance and connected sources of encumbrance, ii) the amount, evolution and credit quality of unencumbered but encumberable assets, and iii) the amount, development and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

Figure 4 | CGD Group's asset encumbrance





In the context of the regulatory liquidity risk reporting commitments, in 2020, the various levels of scrutiny and complexity of 2019 were maintained, as presented below:

- Liquidity Risk Monitoring Tool (quarterly) ¤liquidity risk monitoring methodology developed by the ECB which includes the calculation of i) liquidity ratios, ii) survival periods, and iii) liquidity gaps;
- Additional Liquidity Monitoring Metrics (monthly) ¤ a set of additional liquidity monitoring metrics in accordance with Article 415(3)(b) of Regulation (EU) No. 575/2013, which includes quantitative data with respect to i) the breakdown of assets, liabilities and counterbalancing capacity by residual maturity terms of principal and interest, ii)concentration of funding by counterparty and product type, iii)cost of funding, iv) roll-over of funding, and v) concentration of counterbalancing capacity (net assets) by issuer/counterparty;
- Short-Term Exercises (quarterly) ¤short-term data collection geared at providing essential information to the ECB's Supervisory Review and Evaluation Process, which, with regard to liquidity, includes information relating to the prudential liquidity ratio Net Stable Funding Ratio (NSFR);
- Downgrade Exercise of the Portuguese Sovereign (annual frequency) ¤ ECB monitoring exercise to assess the potential impact of the loss of eligibility of the Portuguese Sovereign debt for Eurosystem funding on the following dimensions: i) collateral available for Eurosystem funding, and ii)funding outflows, taking also into consideration the contagion effect on other Portuguese related instruments and of

Caixa's rating and debt instruments issued by any of the Caixa Group's entities following the respective downgrade of its credit quality by 1-notch by the four ECB-approved rating agencies;

⇨ Internal Liquidity Adequacy Assessment Process (yearly frequency) ¤self-assessment exercise of the adequacy of the liquidity levels of credit institutions, that in compliance with Article 86 of Directive 2013/36/EU shall have robust strategies, policies, processes and systems for i) the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, and ii) the management and monitoring of funding positions, so as to ensure that institutions maintain adequate levels of liquidity buffers and an adequate funding structure;

In addition to the Supervisor’s close monitoring of banks' liquidity situations, the Liquidity Coverage Ratio (LCR) - liquidity standard stemming from the CRR/CRD IV (regulatory framework) - completed its fifth year of application in 2020, the following transitional provision applying:

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

In compliance with the Guidelines of the European Banking Authority on LCR disclosure to complement the disclosure of liquidity risk management under Article 435¤ of Regulation (EU) No.¤ 575/2013 (EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 ¤ GL-2017-01), the LCR disclosure template on LCR quantitative information is presented below, which aims to disclose the level and components of the Group's Liquidity Coverage Ratio.

Table 43 | Liquidity Coverage Ratio level and components

		Total unweighted value (average)				Total weighted value (average)			
EU 1a		31-mar-20	30-jun-20	30-set-20	31-dez-20	31-mar-20	30-jun-20	30-set-20	31-dez-20
EU 1b		12	12	12	12	12	12	12	12
High-Quality Liquid Assets									
1	Total high-quality liquid assets (HQLA), after application of					20.198,24	21.293,48	22.967,73	24.729,09
Caixa - Saídas									
2	retail deposits and deposits from small business customers, of which:	55.574,71	56.856,75	57.401,13	58.747,79	3.731,00	3.752,15	3.715,93	3.789,45
3	*Stable deposits*	38.508,93	40.180,03	41.614,94	43.290,96	1.925,45	2.009,00	2.080,75	2.164,55
4	Less stable deposits	16.959,06	16.594,46	15.723,35	15.307,03	1.698,83	1.660,90	1.572,33	1.570
5	Unsecured wholesale funding	13.113,82	11.905,47	11.988,29	12.188,20	4.774,14	4.381,26	4.303,56	4.313,34
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	5.371,05	4.959,82	5.368,05	5.670,98	1.153,33	1.118,54	1.227,24	1.306,82
7	*Non-operational deposits (all counterparties)*	7.534,96	6.815,18	6.513,88	6.506,88	3.413,00	3.132,25	2.969,96	2.996,18
8	*Unsecured debt*	207,81	130,47	106,36	10,34	207,81	130,47	106,36	10,34
9	Secured wholesale funding					12,15	9,58	6,83	4,11
10	Additional requirements	11.462,81	14.240,77	14.283,05	14.727,78	2.254,33	2.250,97	2.006,57	1.937,55
11	*Outflows related to derivative exposures and other collateral requirements*	1.359,99	1.300,19	1.315,65	1.469,71	932,21	654,70	451,92	390,60
12	*Outflows related to loss of funding on debt products*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
13	*Credit and liquidity facilities*	10.102,82	12.940,58	12.967,40	13.258,07	1.322,12	1.596,27	1.554,65	1.546,95
14	Other contractual funding obligations	625,45	405,52	480,77	529,82	533,55	317,70	360,60	365,45
15	Other contingent funding obligations	1.682,13	97,03	93,44	91,05	115,26	80,17	81,99	83,67
16,00	TOTAL CASH OUTFLOWS					11.420,43	10.909,00	10.491,87	10.507,01
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	316,68	246,39	260,95	276,42	267,16	232,47	235,33	221,22
18	Inflows from fully performing exposures	3.831,79	3.572,45	3.196,84	3.183,21	2.949,69	2.767,95	2.474,49	2.488,41
19	Other cash inflows	2.340,47	2.110,76	1.874,16	1.786,94	2.240,45	1.938,15	1.751,56	1.714,34
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0,00	0,00	0,00	0,00
EU-19b	(Excess inflows from a related specialised credit institution)					0,00	0,00	0,00	0,00
20	**TOTAL CASH INFLOWS**	**6.488,95**	**5.992,33**	**5.345,35**	**5.242,37**	**5.457,30**	**4.974,35**	**4.450,82**	**4.428,04**
EU-20a	*Fully exempt inflows*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EU-20b	*Inflows subject to 90% cap*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EU-20c	*Inflows subject to 75% cap*	6.488,95	5.992,33	5.345,35	5.242,37	5.457,30	4.974,35	4.450,82	4.428,04
						Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value
21	**LIQUIDITY BUFFER**					**20.198,24**	**21.293,48**	**22.967,73**	**24.729,09**
22	**TOTAL NET CASH OUTFLOWS**					**5.963,12**	**5.934,65**	**6.041,04**	**6.078,97**
23	**LIQUIDITY COVERAGE RATIO**					340,29%	360,72%	381,29%	407,64%

The internally used method to determine the minimum level necessary for net assets is reflected in the Group's Risk Appetite Statement, namely in the appetite limits established for the liquidity hedging ratio.

As such, for the established/desired level of risk appetite for the LCR, the CGD Group's minimum net asset buffer amounted, on average, to EUR 8,6 billion during 2020, well below its observed value, despite the solid and stable retail deposit base and reduced dependence on wholesale funding, reflecting the Group's comfortable liquidity position.

With respect to the composition of the stock of liquid assets, it has historically included fundamentally cash and cash equivalents, central bank deposits and reserves (in excess of minimum mandatory reserves) and securities issued by sovereigns, showing the quality of the Group's liquid assets buffer also as regards its composition.

In summary, the measurement, monitoring and control of liquidity risk by CGD is materialised in a set of comprehensive metrics and serves various stakeholder objectives and reporting purposes, notably the Board of Directors, the Supervisor, the Risk Appetite (Risk Appetite Statement/Risk Appetite Framework – RAS/RAF) and the Liquidity Contingency Plan. All metrics are presented to and discussed with top management bodies prior to their use.

The table below shows the liquidity metrics currently used by CGD, as well as their reporting scopes and frequencies.

Table 44 | Liquidity risk monitoring metrics

Frequency	Metric	Management	RAS/RAF	Prudential Reporting	Liquidity Contingency Plan
Daily	Minimum cash reserve account stock gap	✓			
	Daily liquidity position	✓			
Monthly	Balance sheet structure by product type	✓			
	Credit to deposits ratio	✓	✓		✓
	Wholesale activity maturity profile	✓			
	Collateral available for ECB funding	✓	✓		✓
	Contractual liquidity Gaps	✓			
	Structural liquidity gaps	✓			✓
	Financing concentration	✓			✓
	Liquidity Coverage Ratio (LCR)	✓	✓	✓	✓
	Liquidity Coverage Ratio - Prospective	✓			
	Liquidity Coverage Ratio - Stressed	✓	✓		
	Buffer concentration and composition of HQLA	✓	✓		
	Intraday liquidity stress testing	✓			
	Cost of wholesale funding	✓			✓
	Additional liquidity monitoring metrics (ALMM)	✓		✓	
Quarterly	Net Stable Funding Ratio (NSFR)	✓	✓	✓	✓
	Asset encumbrance	✓	✓	✓	✓
	Liquidity risk monitoring tool	✓		✓	
	Short term exercise - Liquidity	✓		✓	
	Survival period	✓			✓
Half-yearly	Funding and capital plan	✓		✓	
Yearly	*Downgrade by rating agencies of PT sovereign instruments*	✓		✓	
	Crisis management liquidity exercise	✓		✓	
	Funding plan - EBA	✓		✓	

Throughout 2020, CGD pursued, as usual, a fund raising policy aimed at guaranteeing a sustainable funding structure for its activity, based on the liquidity and residual maturity term characteristics of its assets and off-balance sheet exposures.

IX.2 Interest Rate Risk

Interest rate risk is the risk incurred by a financial institution whenever it enters into transactions with financial flows sensitive to interest rate changes in the course of its activity. In other words, it is the risk that interest rate changes occur driving the decrease in the institution's profitability or the increase of its financial cost.

Interest rate risk falls within the broader category of market risks. In analytic terms, it is useful to distinguish different typologies of interest rate risk in order to more precisely isolate the source of the risk in the balance sheet structure of institutions. The types/sources of interest rate risk most frequently analysed are as follows:

- Repricing risk: arises from timing differences in the financial instruments' interest rate residual maturity and/or repricing. The transformation of maturities is at the heart of traditional bank activities: borrow short, lend long. Assuming as a typical situation a positive slope in the yield curve, this transformation, when assets and liabilities pay fixed rates, tends to be a relevant source of income for banks. In this context, in the case of sharp repricing mismatches, the bank's income and economic value are exposed to adverse movements as a result of interest rate changes and may compromise the profitability of institutions and their stability;
- Yield curve risk: refinement of the repricing risk approach in the sense that it allows for the possibility of non-parallel shifts in the yield curve;
- Basis risk: related to the lack of perfect correlation between rates received and paid on different instruments. Even on the assumption that the other characteristics of the financial instruments are similar, in particular repricing, movements in interest rates lead to non-anticipated changes in cash flows and in the income of assets, liabilities and off-balance sheet elements;
- Option risk: results from option clauses embedded in balance sheet or off-balance sheet instruments. Formally, an option provides the owner the right, but not the obligation, to buy, sell or in some manner alter the financial flow of an instrument. Many times this option is exercised as a response to changes in interest rates, with impact on the amount of interest rate risk to which a bank is exposed.

To measure this type of risk, the methodology adopted in CGD encompasses the accounting (or short-term) and economic value (or long-term) perspectives, and resorts either to simplified models of interest rate gaps (difference between assets, liabilities and off-balance sheet items sensitive to interest rate in each time band of a maturity/repricing schedule) and effective duration gaps (approximate percentage change in the price of a financial instrument for a 100 basis point change in rates), or to robust models of simulation techniques including the Earnings at Risk and the Economic Value of Equity at Risk metrics (measurement techniques of the interest rate effects on the profit and loss account and on the economic value of banks, respectively).

The Earnings at Risk and Economic Value of Equity at Risk metrics support the CGD Group's stress testing programme in the context of the measurement of the interest rate risk in the banking book, which includes a variety of idiosyncratic and market adverse scenarios (individually and in combination) with a view to identifying sources of potential aggravated situations of interest rate risk exposure, and ensuring that the current exposure remains in compliance with the Institution's risk tolerance.

The range of different interest rate scenarios takes into account the nature, scale and complexity of the interest rate risk arising from the Group's activity as well as its risk profile, as listed below:

- ⇨ Sudden up and down parallel shifts in the yield curve of different magnitudes, namely ± 50, ± 100, ± 200, ± 300 and ± 400 bps;
- ⇨ Sudden tilts and changes in the shape of the yield curve (for example short-term interest rates increasing/decreasing/remaining unchanged while medium-term and/or long-term interest rates move at a different pace or even in opposite direction. Additionally, even within the categories of short, medium and long term interest rates, shocks that diverge at different points of the yield curve must also be considered);
- ⇨ Basis risk (including that arising from changes in the relationships between key market rates);
- ⇨ Potential changes to the behaviour of different types of asset or liability under the chosen scenarios;
- ⇨ Specific interest rate scenarios for exposures in different currencies;
- ⇨ Scenarios based on the analysis of past behaviour of interest rates.

In this context, the results of the Group's net interest income and economic value sensitivities to the range of parallel and non-parallel interest rate scenarios included in the internal stress testing programme are presented in the figures below.

Figure 5 | Net interest income estimated sensitivity to interest rate changes

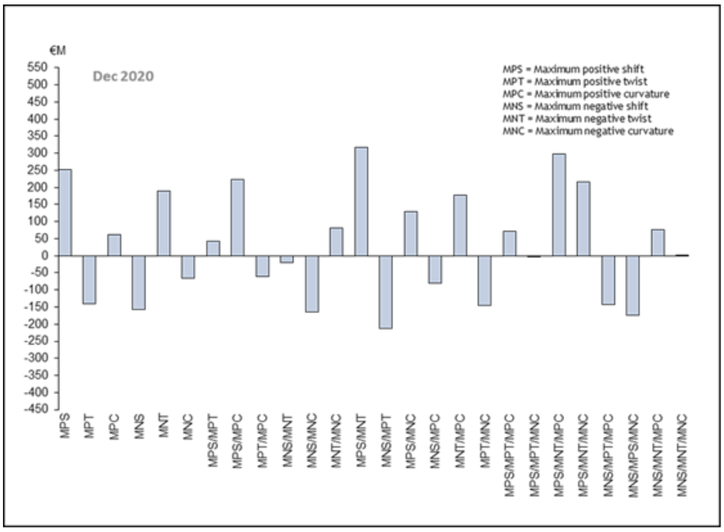
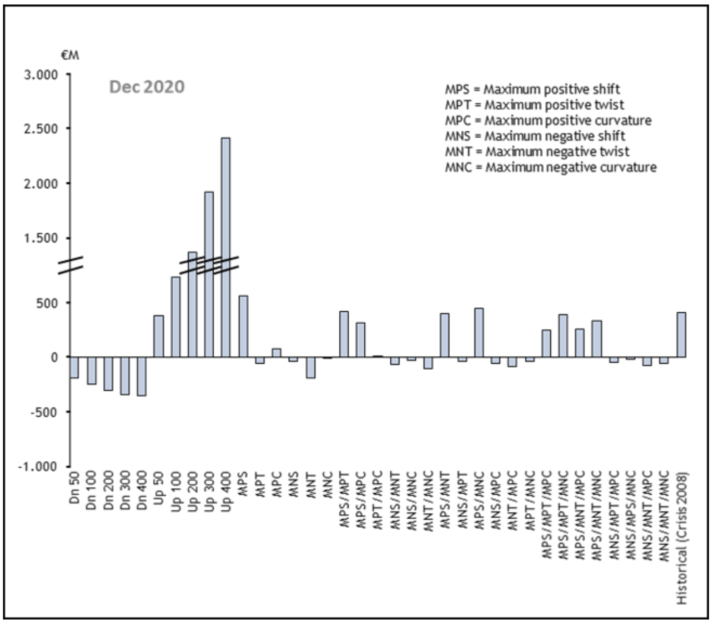
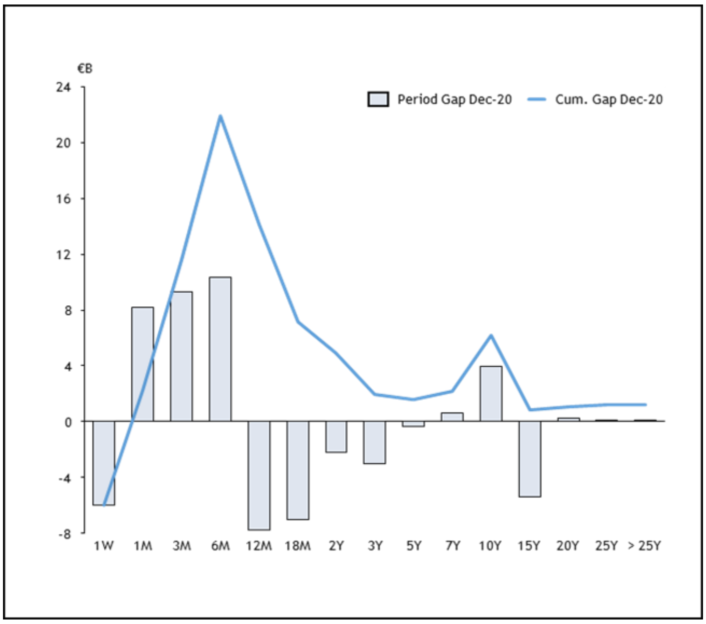


Figure 6 | Economic value of equity estimated sensitivity to interest rate changes



The analysis of the sensitivity graphs presenting the sensitivities of the net interest income and the economic value of equity to changes in interest rates particularly highlights the Group’s exposure to falling rates, as evidenced by the Institution's repricing gap, below.

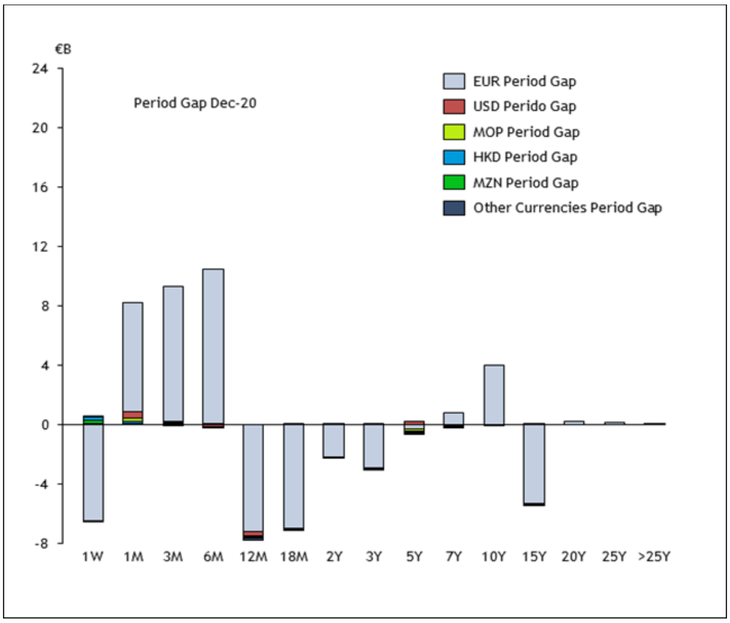
Figure 7 | Repricing gap - Direction of the impact of interest rate changes



The Group is essentially positively sensitive to the rise in interest rates up to the time interval of 2 years, recording a positive 12-month cumulative gap in line with the commercial policy of indexing a very significant part of the asset portfolio, namely the credit portfolio, to market rates, namely Euribor rates.

In addition, the contribution of the main currencies to which the Group is exposed to its interest rate risk exposure profile is reduced, as presented in the figure below.

Figure 8 | Repricing gap - Direction of the impact of interest rate changes by currency



The results presented in Figures 5, 6, 7 and 8 are 'sensitive' to the behavioural assumptions used to measure the CGD Group's interest rate risk, which are subject of a back testing framework that informs potential revisions to the models supporting the treatment of on and off-balance sheet items that have embedded options that could affect either the interest rate charged or the behavioural repricing date (as opposed to the contractual interest rate fixing date) of the relevant balances.

Specifically, the assumptions used by CGD relating to customer behaviour give particular consideration to the following:

- Mortgage loans prepayment assumptions driven by their residual maturity;
- Assumptions regarding products without contractually defined repricing dates, the management and control of the interest rate risk in the banking book are supported by a set of guidelines that include the establishment of limits for the variables considered significant to the measurement of the exposure to the risk. The aim of

complying with the guidelines is to ensure that CGD has, at all times, a means of managing the risk/return trade-off regarding balance sheet management and that, simultaneously, is able to secure the level of appropriate exposure and to control the results of the different policies and risk positions taken.

The table of internal limits for the level of exposure to interest rate risk in the banking book in force at the CGD Group (on a consolidated basis) includes the following metrics:

a) Impact on the results of the repricing gap accumulated at 12 months for an instantaneous parallel shift in the yield curve of a magnitude of 50 basis points;
b) Impact on the economic value of capital of an instantaneous parallel shift in the yield curve of a magnitude of 50 basis points, measured as a percentage of the Group's Own Funds;
c) Impact on the economic value of capital of an instantaneous parallel shift in the yield curve of a magnitude of 200 basis points, measured as a percentage of the Group's Own Funds ('EBA outlier test');
d) Impact on the economic value of capital of the yield curve shifts provided for in Annex III of the European Banking Authority's Guidelines – EBA/GL/2018/02 (Guidelines on the management of interest rate risk arising from non-trading book activities), measured as a percentage of the Group's Own Funds (Tier 1) ('EBA outlier test');
e) Internal capital allocated to the interest rate risk in the banking book.

Compliance with the interest rate risk appetite of the CGD Group's banking book substantiates the respective interest rate risk management strategy, as revised and approved by CALCO in June of 2019. In the context of the banking book, the following risk factors and their mitigation strategies (when applicable) stand out:

1) In terms of business activity:

Loans granted to customers represent the largest component of assets sensitive to interest rate changes. The predominance of floating-rate or short-term transactions implies that the proportion of credit included in the 12-month accumulated repricing gap is extremely significant.

Repricing risk is mitigated by the volume, also significant, of liabilities also at floating rates or with short maturities, which contribute to mitigate the size of the 12-month accumulated repricing gap. These liabilities include customer deposits, and also typically include resources from central banks and other credit institutions, as well as issues of liabilities securitised at a floating rate or with a residual maturity under 12 months.

However, the high weight of the component of demand deposits or savings deposits with no defined maturity in the Institution's liabilities translates into the setting of a date for a behavioural interest rate, which is extended for medium- and long-term tenors.

The combination of the characteristics described in terms of credit level and deposits is reflected in a positive 12-month accumulated repricing gap. A fall in interest rates is, therefore, an unfavourable scenario for the evolution of the net interest income.

The extremely low, even negative, levels of Euro interest rates accentuate the potential negative impact of possible rate drops, in a context of asymmetric legal treatment in terms of adjustments to rates in force for credit and deposits. This risk is mitigated by the introduction of the contractual clause that sets a zero floor for the value of the market index, in the context of credit granted to companies in Portugal.

In turn, medium- and long-term fixed-rate loans, with maturities over 12 months, have a smaller weight on the Group's balance sheet, with an impact on the metrics of the economic value of capital, depending on their duration. The associated interest rate risk is mitigated by the existence of fixed-rate liabilities with maturities also exceeding 12 months, both in contractual terms, as is the case with term deposits, securitised debt issues or dedicated financing lines, and in terms of the date of setting a behavioural interest rate, as in the case of demand deposits or savings deposits without defined maturities. Thus, the management of the interest rate risk implicit in medium- and long-term fixed-rate credit operations is carried out in the context of the aggregate balance sheet, i.e. considering the mitigating effect associated with the existence of 'natural hedges' in the balance sheet.

However, it is possible to decide to contract specific hedges for the interest rate risk associated with a loan (micro-hedging) or a set of loans (macro-hedging) either at the time of contracting or at a later time, using derivative instruments. The decision shall be supported by a case-by-case analysis to that effect, which shall take into account i) the overall management of the interest rate risk inherent to the Institution's balance sheet, and ii) in the case of loans to businesses, the intrinsic characteristics of the operations contracted, considering the interest rates in force and the expectations for their evolution.

It should be noted that loans are recorded in CGD's balance sheet at amortised cost, whereas derivatives are recorded at fair value, so fluctuations in market interest rates have an impact on the results of financial operations in terms of hedging, but have no impact on the value of the hedged assets.

Market risk resulting from the contracting of derivative instruments to hedge assets at amortised cost is monitored by CGD's Risk Management Division, as part of the monitoring of the market risk incurred by the CGD Group, whether or not those assets are part of the Group's banking book.

The offering of structured deposits is a particular case in terms of interest rate risk hedging, as it provides a remuneration indexed to the performance of an underlying asset, namely i) the evolution of market interest rates (e.g. Euribor), ii) the behaviour of the equity segment (indexes, baskets of shares, or company shares), or iii) the evolution of foreign exchange rates, and may or may not guarantee a minimum remuneration equal to zero. Due to the nature of the product, structured deposits are subject to specific hedging with instruments that are appropriate to the risks underlying their remuneration, which include interest rate risk.

2) In terms of the shareholding activity:

Debt securities held in the balance sheet constitute the second largest component of sensitive assets. The securities included in the perimeter of the banking book are mostly medium- long term and essentially fixed rate.

The balance sheet exposure to this type of assets is subject to the Group's risk appetite, which establishes limits to the holding of sovereign debt, as well as on its duration, which reduces the interest rate risk incurred in longer maturity tenors, and, consequently, the sensitivity of the capital and the economic value of capital to adverse changes in interest rates.

The interest rate risk inherent to these positions must also be framed within the respective risk appetite metrics in the context of the banking book.

Debt securities included in the banking book may be classified at amortised cost, or at fair value through reserves (FVTOCI ¤ Fair Value Through Other Comprehensive Income).

The portfolios of securities in the banking book at fair value through reserves are additionally regulated by guidelines which establish, among other rules, limits to the interest rate risk in which the Institution may incur, measured in terms of Value at Risk (VaR) and Basis Point Value (BPV) metrics. In these cases, interest rate risk management is subject to a specific active strategy and hedging operations are carried out to ensure compliance with the limits established in the guidelines, without prejudice to the inherent risk being considered for the balance sheet's total exposure and, therefore, for metrics of exposure to the interest rate risk of the banking book, and the respective risk appetite.

The hedging of the interest rate risk associated with securities portfolios at fair value through reserves allows limiting the impact on capital resulting from depreciation in the value of assets in a scenario of rising market interest rates, as well as on the economic value of capital. The purpose of such hedging is solely to manage interest rate risk and, therefore, does not mitigate the issuer's credit risk. Adverse oscillations in the spread (risk premium) between the return on the asset and the base interest rate associated with the hedging instrument translate into a deterioration in the market value of the asset and/or the value of the respective hedge.

Debt securities classified at amortised cost with a shorter term or with a variable interest rate type, due to their short duration, are not subject to specific hedging.

Medium-long term, fixed interest rate debt securities classified at amortised cost contribute to the exposure to interest rate risk, as per their duration. The risk incurred is controlled by the duration limits set for the sovereign debt portfolios. These portfolios are not usually hedged against interest rate risk, but are instead managed in the context of the aggregated balance sheet, i.e., considering the mitigating effect associated with the existence of 'natural hedging' in the balance sheet.

However, the Institution may decide to contract specific hedging for the interest rate risk associated with a given security or portfolio, either at the time of their acquisition or at a later time. The decision shall be supported by a case-by-case analysis to that effect, which shall take into account i) the overall management of the interest rate risk inherent to the institution's balance sheet, and ii) the current interest rate environment and the expectations for its evolution. It should be noted that, in this case, securities are recognised in CGD's balance sheet at amortised cost, while hedges using derivative instruments are recognised at fair value, so fluctuations in market interest rates have an impact on the results of financial operations in terms of the hedging, but have no impact on the value of the hedged assets.

Market risk resulting from the contracting of derivative instruments to hedge assets at amortised cost is monitored by CGD's Risk Management Division, as part of the monitoring of the market risk incurred by the CGD Group, whether or not those assets are part of the Group's banking book.

Assets relating to investments with central banks or in the interbank market, given their usual short maturity, are not usually subject to interest rate risk hedging. However, a decision to hedge on a case-by-case basis may be taken in the context of the overall management of the institution's balance sheet interest rate risk.

Issues of securitised liabilities made by CGD that include some type of structuring, namely the indexation of the respective coupon to an instrument other than an interbank market rate (for example, Euribor), are subject to specific hedging.

Securitised liability issues by CGD of the 'plain vanilla'" type are not usually hedged against interest rate risk, but are managed in the context of the aggregated balance sheet, i.e. taking into account that such issues are 'natural hedges' of fixed-rate assets on the balance sheet. The same is true of the dedicated financing lines obtained by CGD, for example from the EIB.

However, the Institution may decide to contract specific hedges for the interest rate risk associated with an issue or dedicated financing line either at the time of its origination/contracting or at a later time. The decision shall be supported by a case-by-case analysis to that effect, which shall take into account i)the overall management of the interest rate risk inherent to the institution's balance sheet, and ii) the current interest rate environment and the expectations for its evolution.

Liabilities obtained from central banks or in the interbank market, given their usual short maturity, are not usually subject to interest rate risk hedging. However, a decision to hedge on a case-by-case basis may be taken in the context of the overall management of the institution's balance sheet interest rate risk.

In order to ensure the pursuit of the interest rate risk management strategy, and to mitigate interest rate risk through hedging, the level of exposure to balance sheet interest rate risk may be adjusted using, in general terms, the set of available interest rate risk management instruments, including, interest rate swaps, cross-currency interest rate swaps, interest rate futures, interest rate forwards, caps, floors or swaptions, to the extent that they are necessary to manage the interest rate risk resulting from the Institution's commercial and shareholding activities.

The change in the constitution of the proprietary components of the balance sheet is another approach that can be implemented in the management of interest rate risk, namely through changes in the size or profile of the portfolio of securities held, or in the interest rate typology selected when contracting wholesale liabilities.

The information suite supporting the measurement and monitoring of the interest rate risk in the banking book is appraised monthly by the Executive Committee and at CALCO meetings. Therefore, and in compliance with the guidelines of the European Banking Authority regarding the management of interest rate risk resulting from activities not included in the trading book (EBA/GL/2018/02), namely paragraph 68, the systematic reporting to CALCO of the banking book interest rate risk includes the following contents:

1) From the point of view of income, short-term or accounting:

a) Evolution of the CGD Group's profile of exposure to interest rate (repricing risk) , showing the contribution of each Group entity, as well as the main currencies to which the Group is exposed;
b) Evolution of the impact on the Group's net interest income of its profile of exposure to interest rate repricing risk;
c) Projection of the Group's net interest income for the next 12 months (extended until the end of the 'management' year, whenever relevant) in a base scenario of business and interest rate evolution, respectively supported by the Financing and Capital Plans of the Group's entities and by the forward rates implicit in the spot interest rate curve, showing the contribution of each Group entity;
d) Back testing of the Group's net interest income projections for the next 12 months (extended until the end of the 'management' year, whenever relevant), comparing the figures projected in various simulation exercises with the actual figures;
e) Evolution of the sensitivity of the net interest income for the next 12 months to 37 interest rate stress tests, in order to identify sources of potential aggravated exposure to interest rate risk, and ensure that the current exposure remains in line with the Group's risk tolerance. Evaluation of the test scenarios that cause the three worst impacts on the net interest income, in view of the Group's risk exposure profile;

   Interest rate scenarios take into consideration the nature, scale and complexity of the exposure to interest rate risk arising from the Group's activity, as well as its risk profile, and include i) parallel shifts in the yield curve of □50 bps, □100 bps, □200 bps, □300 bps and □400 bps, ii) basis risk, including that arising from changes in the ratio between the main market rates, iii) specific interest rate scenarios for exposures to different currencies, iv) a historic scenario that intends to reflect the sharp drop in interest rates during the global financial crisis of 2007-2008, specifically the maximum change observed in the period from January 2008 to December 2009, and v) interest rate scenarios supported by a statistical analysis of their historic behaviour.

   It should be noted that interest rate scenarios for Euro curves that result in values below -0.50% when the maturities of those curves are greater than or equal to 18 months are subject to an interest rate floor of -0.50%, assuming that there is no financial rationale for the application of surplus liquidity by market agents at prices below the European Central Bank's liquidity absorption rate. In view of the volatility underlying the short terms of yield curves, it is considered, from a conservative point of view, that the value of interest rates at those maturities may occasionally fall below the said rate of liquidity absorption;

f) Evaluation of the impact of the various sources of interest rate risk on the sensitivity of the net interest income financial margin, namely index risk (basis risk) and option risk (materialised in the early repayment of variable-rate housing loans);
g) Assessment of potential changes in the behaviour of different types of assets or liabilities vis-à-vis the interest rate scenarios chosen, namely the right of a depositor to withdraw/transfer his deposit into higher yield products.

2) From the perspective of economic value, or long-term:

a) Evaluation of the effective duration gap, highlighting the contribution of each Group entity;
b) Evolution of the economic value of capital and its components;
c) Evolution of the sensitivity of the economic value of capital to 37 interest rate stress test scenarios, in order to identify sources of potential aggravated exposure to interest rate risk, and ensure that the current exposure remains in line with the Group's risk tolerance. Evaluation of the test scenarios that cause the three worst impacts on the economic value of capital, in view of the Group's risk exposure profile. The set of interest rate scenarios corresponds to that used from an accounting perspective to measure the interest rate risk of the banking book;
d) Assessment of the impact of option risk (materialised in the early repayment of variable-rate housing loans) in the economic value of capital.

3) Monitoring of the Group's compliance with the policies and limits established for interest rate risk in the banking book.

In the context of interest rate risk regulatory reporting requirements, the European Central Bank's supervision model, within of the Single Supervisory Mechanism (SSM) framework, the European Central Bank conducts quarterly 'Short-Term Exercises' encompassing short-term data collection geared at providing essential information to the Supervisory Review and Evaluation Process (SREP). With regard to the interest rate risk in the banking book, the Supervisor's requirements include i) the breakdown of assets, liabilities and off-balance sheet positions by residual maturity and/or repricing dates, and ii) analyses of the net interest income's and the economic value of equity's sensitivity to parallel shocks in interest rates of ¤200bps, as well as to non-parallel shocks.

X. Market Risk

This chapter aims to fulfill the obligations to disclose information pursuant toArticle 445 of the CRR.

X.1 Qualitative data

On 31 December 2020, the CGD Group applied exclusively the Standardised Approach to all sub-portfolios considered in the trading book, when determining the Own Funds requirements for hedging general and specific risk stemming from debt and capital instruments, as well as for trading financial derivatives.

For debt instruments, the own funds requirements for general market risk – which measures the risk of loss caused by unfavourable interest rate fluctuations –, were calculated using the method based on the maturity date, in accordance with Subsection 2, Section 2, Chapter 2, Title IV, Part III of Regulation (EU) No. 575/2013. Concerning specific risk, which measures the risk of losses as a result of factors associated with its issuer (e.g. solvency, declining profitability, etc.), the own funds requirements were calculated according to the method described in Subsection 1, Section 2, Chapter 2, Title IV, of the same regulation.

With regard to equity instruments, the calculation of capital requirements for general risk, which measures unfavourable developments in the equity market, is based on the method described in Section 3, Chapter 2, Title IV, Part III of Regulation (EU) No. 575/2013. For these instruments, specific risk is determined in accordance with Article 343 of the same regulation.

Regarding Own Funds requirements referring to foreign exchange risk, the CGD Group applied the Standardised Approach prescribed in Chapter 3, Title IV, Part III of Regulation (EU) No. 575/2013. This method consists of applying a weighting of 8% (or 4% for strictly correlated currencies[8]) to the sum of the overall net foreign exchange position and the net position in gold if this sum exceeds 2% of the total Own Funds.

At the end of 2020, the CGD Group's portfolio had no positions subject to Own Funds requirements for commodity risk.

X.2 Quantitative data

In quantitative terms, the amount of Own Funds requirements calculated for market risk, through the application of the Standardised Approach to debt, equity and foreign exchange

[8] Among other are considered to be closely correlated currencies The Hong Kong Dollar, the Macau Pataca and the US Dollar, according to the list published on the EBA website (https://www.eba.europa.eu/documents/10180/529426 /ITS+Annex+1+updated.pdf)

instruments totaled on December 31 2020, EUR 113 million, an increase of 7 million compared to December 2019. The increase of EUR 32 million in foreign exchange risk requirements contributed to this evolution, as a result of the prudential reframing of structural foreign exchange positions arising from the international activity of some of the Group's entities. This increase was partially offset by the reduction in capital requirements at the level of debt instruments. Also with regard to foreign exchange rate risk, the CGD Group determines own funds requirements, as its global net position (EUR 1.111 million) is above the 2% threshold of the Group's total Own Funds (around EUR 175 million).

Table 45 | Market risk under the standardised approach (EU MR1)

	RWA	Requisitos de fundos próprios
Produtos *Outright*		
Interest rate risk (general and Specific)	366,363	29,309
Equity risk (general ans specific)	3,017	241
Foreign exchange risk	1,045,303	83,624
Commodity risk	-	-
Option	-	-
Simplified approach	-	-
delta-plus method	514	41
Scenario approach	-	-
Securitisation (specific Risk)	-	-
Total	**1,415,197**	**113,216**

Values in thousand euros

XI. Operational Risk

XI.1 Qualitative data

Operational risk corresponds to the risk of negative impacts on results or capital arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of subcontracted resources, internal inefficient decision-making processes, insufficient or inadequate human resources or the inoperability of infrastructure.

This is a transversal risk to the various processes developed, and is mitigated through the implementation of adequate control procedures and mitigating.

The CGD Group's operational risk management is based on a process view (end-to-end) and is supported by a series of guidelines, methodologies and regulations recognised as best practices on a national and international level.

In terms of calculating own funds requirements for hedging operational risk, the CGD Group adopts the standardised approach on a consolidated basis. On an individual basis, this method is also adopted by Caixa Geral de Depósitos and Caixa Banco de Investimento.

The methodology adopted by the Group for operational risk management incorporates a series of components, namely:

- Definition and monitoring tolerance limits and risk appetite;
- Identifying operational risks supported by process, mapping, risks and controls, the analysis of new products and services, and the monitoring of subcontracted activities;
- Decentralised collection of operational risk events, losses and recoveries, reinforced and supported by control procedures;
- Self-assessment of potential operational risks and the respective controls;
- Analysis of impacts of extreme scenarios;
- Definition and monitoring of key risk indicators;
- Streamlining training and information dissemination programs through an internal reporting system which includes the regular holding of Committees and the disclosure of regular reports for the Group's various structures;
- Identifying, definition and implementing action plans as a corollary of the remaining components of the methodology. With regard to mitigating operational risk, each CGD Group entity must ensure the development and implementation of mitigation plans that are appropriate to the significance of the operational risks identified;
- Existence of an internal reporting system for the various levels of the organization, that includes operational and management information and is properly documented.

At an organizational level, the CGD's operational risk management is ensured by the following structures and roles with specific responsibilities in this process:

- Executive Committee of the Board of Directors (global coverage of risk management);
- Risk Committee, responsible for monitoring the fulfilment of the corporate policy for operational risk and risk appetite limits;
- Business Continuity, Operational Risk and Internal Control Executive Board (CDCRC)[9], a body responsible for coordinating, assessing and discussing issues relating to operational risk and Group-wide internal control deficiencies;
- Unit exclusively dedicated to operational risk management, part of the DGR, responsible for developing and implementing strategy and policies, ensuring that operational risk is being adequately managed, coordinating with the other Divisions, Branches and Subsidiaries in order to ensure that the Group's entities' practices are harmonized; This area is also responsible for guaranteeing the implementation of CGD's Business Continuity strategy, through global coordination and planning of

[9] In 2020, the Delegated Board for Business Continuity, Operational Risk and Internal Control (CDCRC) replaced the Operational Risk Committee (CROP).

activities relating to Business Continuity Management and ensuring the supervision of these issues in the Group's Entities;

⇨ Process Owners, who are tasked with facilitating and streamlining the operational risk management process in their respective scopes of intervention;

⇨ The following structures are also involved:

1. Organizational and Quality Division (DOQ) (process management and documentation, cataloguing/mapping the Group's processes);
2. Compliance Division (compliance risk management);
3. Accounting, Consolidation and Financial Information Division (calculating and reporting capital requirements);
4. Information Systems Division (information systems risk management and evaluating the internal control of information systems supported by the Cobit method);
5. Internal Audit Division (evaluating internal control procedures and revising the measuring system and management process).

This methodology is adopted by CGD and the respective Branches, Domestic Subsidiaries (Caixa Gestão de Ativos and Caixa Banco de Investimento g) and Foreign Subsidiaries (Banco Nacional Ultramarino, Banco Comercial e de Investimentos, Banco Comercial do Atlântico, Banco Interatlântico, BCG Brasil and BCG Angola).

Given the stage of consolidation of the Business Continuity Management System (SGCN), in January of 2019, CGD completed its certification under international standard ISO 22301:2012 Business Continuity Management System. This certification was already renewed twice, at the end of 2019 and 2020, after an audit carried out by the British Standards Institution (BSI), an entity specialized in the subject.

With the renewal of this certification, CGD confirms that Business Continuity principles and best practices are assured and implemented and that it, thus, remains resilient and able to respond to potential threats to its business.

In terms of the Group, Caixa continues to monitor and develop projects of supporting/executing the framework of best practices produced by the Bank of Portugal (circular letter No. 75/2010) with its Foreign Entities, having focused, in the current financial year, on remotely supporting its Entities and its respective report to the regulator.

With regard to own funds requirements for operational risk, regulatory provisions, namely Regulation (EU) No. 575/2013 of the European Parliament and of the Council, set forth that Credit Institutions must determine own funds requirements for operational risk, in accordance with one of three distinct approaches: The Basic Indicator Approach, the Standardised Approach or the Advanced Measurement Approach.

On 31 December 2020, the CGD Group calculated its own fund requirements for operational risk following the Standardised Approach, which, as set forth in the aforementioned Regulation, is the result of the three-year average of the relevant indicator, weighted by risk, calculated each year relating to one of the following business lines:

- Corporate finance (weight of 18%);
- Trading and sales (weight of 18%);
- Payment and settlement (weight of 18%);
- Commercial banking (weight of 15%);
- Agency services (weight of 15%);
- Retail banking (weight of 12%);
- Retail brokerage (weight of 12%);
- Asset management (weight of 12%).

The relevant indicator is determined as follows:

(+) Interest and similar income

(-) Interest payments and similar expenses

(+) Share revenue and other variable/fixed payment bonds

(+) Commissions earned

(-) Commissions paid

(+/-) Result of financial operations

(+) Other Operating Income

The nature of the costs and income and respective account line items that contributed to calculating the relevant indicator, in compliance with the parameters established in Chapter 3 Title III of Regulation (EU) No. 575/2013, were:

Line Item	Nature
66	Interest and similar costs
67	Commissions paid from items carried at amortised cost
68	Other commissions paid
69	Losses on financial transactions
79	Interest and similar income
80	Commissions received from items carried at amortised cost
81	Other commissions received

82	Income from equity instruments
83	Gains on financial transactions
84	Other income and operational revenues

Regarding the attribution criteria by segment, the following should be noted:

- All activities are distributed into previously identified business lines, so that each activity corresponds to just one segment and that none are excluded;
- Any activity that cannot be directly incorporated in any of the established business lines, but represents an auxiliary role in an activity included in one of said segments, is incorporated in that segment;
- If an activity cannot be incorporated into a specific activity segment, it is incorporated into the one to which the highest percentage corresponds;
- The distribution of activities into segments, for the purpose of determining own funds requirements for operational risk hedging, is consistent with the categories used for credit and market risks;
- The distribution of activities between the 'Commercial Banking' segment and the 'Retail Banking' segment is based on the commercial network criterion that manages clients (the 'Retail Banking' segment is encompassed within the activity of Private and Business Banking; the segment 'Commercial Banking' is encompassed as part of the activity of Corporate Banking, Large Corporate Banking and Institutional Banking);
- Clients managed by Private and Business Banking, with gross exposure (total credit, gross of provisions + unused credit limits + other off-balance sheet balances) greater than or equal to EUR 1 (one) million, are integrated into the “Commercial Banking” segment;
- The institution turns to internal methods to determine the funding cost, with opportunity costs and income generated by its operations being reflected in the net interest income-generating segments.

XI.2 Quantitative data

The calculation of own funds affecting operational risk, on a consolidated basis, following the Standardised Approach is as follows:

Table 46 | Capital requirements for Operational Risk

Activities	2018	2019	2020	Own funds requirements
Standardised approach				
Corporate finance	127,302	135,473	132,379	
Trading and sales	618,396	579,002	540,151	
Retail brokerage	24,968	32,518	37,073	
Commercial banking	334,314	28,117	280,358	279,838
Retail banking	595,979	529,082	445,774	
Payment and settlement	168,188	172,998	198,265	
Agency services	17,355	16,317	13,200	
Asset management	52,588	61,798	29,543	

Value in thousand euros

XII. Equity Exposures in the Banking Book

XII.1 Qualitative data

Equity exposures in the Banking Book are segmented in accordance with three macro-objectives, namely: divestment positions; strategic investments, and other financial participations. These are essentially positions in variable-income securities or investment funds, without access to any trading platform and characterised by low or no market liquidity. Investments in shares or financial assets whose value depends on the price of an Investment Portfolio share are not authorised, as set forth in the internal guidelines.

The Group's Banking Book includes equity exposures accounted as 'Financial assets designated at fair value through profit or loss (Fair Value Option)', 'Financial assets mandatorily at fair value through profit or loss' and 'Financial assets at fair value through other comprehensive income'. In view of the illiquidity of the securities, the application of fair value to equity positions in the banking book is subject to case-by-case criteria for the acceptance of valuations, which includes a critical intervention on the valuations obtained using the model and on the net asset value disclosed by management companies and explicit top management approval of the valuation of any material positions.

Equity exposures classified as 'Financial assets designated/mandatorily at fair value through profit or loss' are accounted at fair value, with the earnings and losses generated by the subsequent valuing being reflected in the income for the financial year, under 'Net trading income'.

Equity exposures classified as 'Financial assets at fair value through other comprehensive income' are measured at fair value, but the earnings and losses resulting from reassessment are accounted directly in capital, under 'Fair Value Reserves'.

When sold, or if impairment is recognised, the accumulated changes in the fair value are transferred to the financial year's revenue and costs, and accounted under 'Net trading income' or 'Impairment of other assets (net of reversals)', respectively.

Dividends are recorded as revenue under 'Income from equity instruments' when the Group's right to its payment is established.

Equities' fair value is determined by an internal regulation, under the responsibility of a CGD division that independent from the management function, based on:

- ⇨ Closing price at the reporting date, for instruments traded on active markets;
- ⇨ Prices charged by independent entities on materially relevant transactions during the last six months;
- ⇨ Multiples of comparable companies in terms of operating sector, dimension and profitability;
- ⇨ Asset value;
- ⇨ Case-by-case analysis.

XII.2 Quantitative data

In compliance with the provisions in Article 447 of the CRR, the table below presents the types, nature and amounts of equity exposure values not included in the trading book on 31 December 2020.

Table 47 | Equity exposures not included in the trading book

Equity exposure (banking book)	Quoted shares		Unquoted shares Private Equity		Other capital instruments		TOTAL	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Acquisition Cost / Notional Value	6,307	8,018	232,557	191,738	-	-	238,864	199,756
Fair value	42,306	43,123	230,016	207,226	-	-	272,322	250,349
Market value	42,306	43,123	-	-	-	-	42,306	43,123
Income from sales and settlements	-	-	22	820	-	-	22	820
Total unrealized gains or losses	35,999	35,105	(2,541)	15,488	-	-	33,458	50,593
Total gains or losses inherent to latent revaluations	-	-	-	-	-	-	-	-

Values in thousand euros

Note: Shares issued by the institution itself and derivatives of such shares are not included.

XIII. Remuneration

In terms of remuneration, the Remuneration Committee of the General Meeting (CRAG) is responsible for setting the remuneration of the members of the company's management and supervisory bodies, in its fixed and variable components, in compliance with the Remuneration Policy for Members of Management and Supervisory Bodies (Remuneration Policy)[10].

This committee[11] is also tasked with ensuring compliance with legal and regulatory requirements, particularly with regard to the definition and implementation of the remuneration policy.

In turn, the Appointments, Assessment and Payment Committee (CNAR) is tasked with supporting and advising the CA on appointing and setting of the remuneration of the members of the company’s management and supervisory bodies of the other companies belonging to the CGD Group and CGD employees with a directive status which report directly to the CA or any of its committees (including the Executive Committee).

In the course of 2020, CRAG and CNAR held 10 and 15 meetings, respectively.

In compliance with the provisions of Article 450 of the CRR, CGD discloses, in the 2020 Annual Report and Accounts (Item 3.7 - REMUNERATIONS), information concerning its remuneration policies and practices applicable to staff categories whose professional activities have a significant impact on the respective risk profile.

In addition to this information, the following tables present quantitative data on the remuneration of the top management employees whose actions have a significant impact on the institution's risk profile (Holders of Relevant Functions) of CGD and Entities in CGD’s Group. The process of identifying Relevant Functions complies with the new EBA Technical Regulatory Standards (EBA/RTS/2020/05), published on 06.18.2020, with effect on 12.28.2020, and the Human Resources Department carry out annual process of identifying Holders of Relevant Functions at CGD.

[10] The Remuneration Policy is published on CGD's website, available at: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Remuneracoes/Documents/Politica-de-Remuneracoes-Orgaos-Sociais-CGD. pdf
[11] For additional information about the competences of this Committee, refer to chapter 3.5. Governing Bodies and Committees, item “Remuneration Committee of the General Meeting” of the Annual Report.

Table 48 | Remuneration of Identified Persons

	Non-Executive Directors	Executive Directors	Investment banking	Retail banking	Asset management	Corporate functions	Independent management functions	Other areas	Total identified
N.º of beneficiaries	47	45	25	35	10	22	62	75	321
Fixed remuneration in 2019	2,013	9,689	2,523	3,774	729	2,145	4,295	6,552	31,718
Cash	2,013	9,681	2,480	3,765	722	2,145	4,289	6,535	31,629
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	8	43	9	7	0	6	17	89
Variable remuneration	0	54	46	41	0	0	52	110	303
Cash	0	54	46	41	0	0	52	110	303
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0	0
Variable remuneration attributed and deferred in the period 2019	0	23	13	0	0	0	0	0	36
Cash	0	23	13	0	0	0	0	0	36
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0	0
Total amount of deferred variable remuneration, unpaid and attributed in periods prior to 2020	0	1,899	53	218	22	66	112	257	2,629
Unpurchased parts									0
Acquired Parts									0
Explicit adjustment of exposure to performance applied in the year for payments accumulated in previous years	0	1,899	53	218	22	66	112	257	2,629
Number of beneficiaries of severance pay due to end of functions	0	0	0	0	0	0	0	0	0
Total amount of severance pay	0	0	0	0	0	0	0	0	0
Maximum amount paid to a single person	0	0	0	0	0	0	0	0	0
Number of beneficiaries of new subsidies per hiring									0
Total amount of severance pay	0	0	0	0	0	0	0	0	0
Maximum amount paid to a single person	0	0	0	0	0	0	0	0	0

Values in thousand euros

7. Article 450 (1) (h) (iii) of EU Regulation No 575/2013 of the European Parliament and of the Council of 26 June - Total amount of deferred variable remuneration not yet paid and attributed in periods prior to year N (Eur) (18)

11. Article 450 (1) (h) (v) of EU Regulation No 575/2013 of the European Parliament and of the Council of 26 June - Maximum amount paid as severance pay of duties to a single person (Eur)

Investment banking
Retail banking
Asset Management
Corporate Functions
Independent Control Functions
Remaining areas

Table 49 | Remunerations greater than or equal to EUR 1 million

EUR	Number of people who receive remuneration in excess of 1 million euros
> 1 million euros ≤ 1,5 million euros	-
> 1,5 million euros ≤ 2 million euros	-
> 2 million euros ≤ 2,5 million euros	-
> 2,5 million euros ≤ 3 million euros	-
> 3 million euros ≤ 3,5 million euros	-

XIV. Appendices

XIV.1 Appendix I – Detail of Capital Base composition (EU CC1)

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
	Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	3,844,144	26 (1), 27, 28, 29, EBA list 26 (3)	3,844,144	1	(a)
1a	of which: Instrument type 1	-	EBA list 26 (3)	-	-	
1b	of which: Instrument type 2	-	EBA list 26 (3)	-	-	
1c	of which: Instrument type 3	-	EBA list 26 (3)	-	-	
2	Retained earnings	4,382,708	26 (1) (c)	4,382,708	3 + ajustamentos	(b)
3	Accumulated other comprehensive income (andand other reserves, to include unrealized gains and stones under applicable accounting standards))	(738,625)	26 (1)	(738,625)	-	(c)
EU-3a	Funds for general banking risk	-	26 (1) (f)	-	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)	-	-	
4a	Public sector capital injections subject to rights acquired until January 1, 2018	-	483 (2)	-	-	
5	Minority interests (amount allowed in consolidated CET1)	49,716	84, 479, 480	49,716	5	(d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	405,026	26 (2)	405,026	4	(e)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	7,942,969	-	7,942,969	-	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(12,279)	34, 105	(12,279)	-	(f)
8	Intangible assets (net of related tax liability) (negative amount)	(126,721)	36 (1) (b), 37, 472 (4)	(126,721)	9	(g)
9	Empty set in the EU	-	-	12,279	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(9,399)	36 (1) (c), 38, 472 (5)	(9,399)	8	(h)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	33 (a)	-	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)	-	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b) (c)	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)	-	-	(i)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	-	-	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44, 472 (9)	-	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	-	11	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	-	
20	Empty set in the EU	-	-	-	-	-

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
	Common Equity Tier 1 (CET1) capital: instruments and reserves					
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	-	-	
EU-20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	10	(j)
22	Amount exceeding the 17,65% threshold (negative amount)	-	48 (1)	-	-	(k)
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	-	-	(l)
24	Empty set in the EU	-	-	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)	-	-	
26	Regulatory adjustments applied to Level 1 Main Own Funds for amounts subject to treatment prior to CRR	-	-	-	-	
EU-26a	Regulatory adjustments related to unrealized gains and losses pursuant to Articles 467 and 468	-	-	-	-	-
26a1	Of which: ... filter for unrealized losses 1	-	-	-	-	
26a2	Of which: ... filter for unrealized losses 2	-	-	-	-	
26a3	Of which: ... filter for unrealized gains 1	-	-	-	-	
26a4	Of which: ... filter for unrealized gains 2	-	-	-	-	
EU-26b	Amount to be deducted or added to Level 1 Core Equity with regard to additional filters and deductions required prior to CRR	-	481	(187,251)	-	-
26b1	Of which: ...	-	-	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	36 (1) (j)	-	-	
27a	Other regulatory adjusments *(including IFRS 9 transitional adjustments when relevant)*	(174,972)	-	-	-	(m)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(323,371)	-	(323,371)	-	
29	**Common Equity Tier 1 (CET1) capital**	7,619,599	-	7,619,599	-	
	Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	500,000	51, 52	500,000	-	-
31	of which: classified as equity under applicable accounting standards	500,000	-	500,000	6	(n)
32	of which: classified as liabilities under applicable accounting standards	-	-	-	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-	486 (3)	-	-	-
33a	Public sector capital injections subject to rights acquired until January 1, 2018	-	483 (3)	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	-	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	-	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	4,256	85, 86, 480	4,256	5	(o)
35	of which: instruments issued by subsidiaries subject to phase out	-	486 (3)	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	504,256	-	504,256	-	

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
	Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	-	-	
41	Regulatory adjustments applied to additional Tier 1 capital for amounts subject to pre-CRR treatment and transitional treatments subject to phasing out as prescribed in Regulation (EU) No. 575/2013 (ie CRR residual amounts)	-	-	-	-	
41a	Residual amounts deducted from Tier 1 Additional Own Funds relative to the deduction from Tier 1 Core Capital during the transition period pursuant to Article 472 of Regulation (EU) No. 575/2013	-	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-	-	-
41a1	Of which elements to be detailed line by line, eg Provisional material net losses, intangible assets, shortfalls in provisions for expected losses, etc.	-	-	-	-	
41b	Residual amounts deducted from Tier 1 Additional Own Funds relative to the deduction from Tier 2 Core Capital during the transition period pursuant to Article 475 of Regulation (EU) No. 575/2013	-	477, 477 (3), 477 (4) (a)	-	-	
41b1	Of which elements to be detailed line by line, eg Cross-holdings of FP2 Instruments, direct holdings in non-significant investments in the own funds of other financial entities, etc.	-	-	-	-	
41c	Amount to be deducted from or added to additional Tier 1 capital for additional filters and deductions required prior to CRR	-	467, 468, 481	-	-	
41c1	Of which: … possible filter for unrealized losses	-	467	-	-	
41c2	Of which: … possible filter for unrealized gains	-	468	-	-	
41c3	Of which: …	-	481	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	56 (e)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	-	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-	-	-	
44	**Additional Tier 1 (AT1) capital**	504,256	-	504,256	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	8,123,854	-	8,123,854	-	
	Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	600,000	62, 63	600,000	7	(p)
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	486 (4)	-	-	-
47a	Public sector capital injections subject to rights acquired until January 1, 2018	-	-	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2					
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2					
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	24,415	87, 88, 480	24,415	5	(q)
49	of which: instruments issued by subsidiaries subject to phase out	-	486 (4)	-	-	
50	Credit risk adjustments	-	62 (c) & (d)	-	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	624,415	-	624,415	-	

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
	Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	-	-	-
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	-	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	-	-	
54a	Of which new detentions not subject to transitional provisions	-	-	-	-	
54b	Of which detentions existing before January 1, 2013 and subject to transitional provisions	-	-	-	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79, 477 (4)	-	-	
56	Regulatory adjustments applied to Level 2 Own Funds for amounts subject to treatment prior to CRR and transitional treatments subject to phasing out as prescribed in Regulation (EU) No. 575/2013 (ie residual amounts CRR)	-	-	-	-	
EU-56a	Residual amounts deducted from Tier 2 Own Funds with regard to the deduction from Tier 1 Main Own Funds during the transition period pursuant to Article 472 of Regulation (EU) No. 2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	-	-	
EU-56a 1	Of which elements to be detailed line by line, for example, Temporary material net losses, intangible assets, insufficient provisions for expected losses, etc.	-	-	-	-	
56b	Residual amounts deducted from Tier 2 Own Funds in relation to the deduction from Tier 1 Additional Own Funds during the transition period pursuant to Article 475 of Regulation (EU) No. 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	-	-	
56b1	Of which elements to be detailed line by line, for example, cross holdings of FPA1 instruments, direct holdings of non-significant investments in the own funds of other financial sector entities, etc.	-	-	-	-	
56b2	Other regulatory adjustments	-	-	-	-	
56c	Amount to be deducted from or added to Level 2 Own Funds with regard to additional filters and deductions required prior to CRR	-	467, 468, 481	-	-	-
56c1	Of which: ... possible filter for unrealized losses	-	467	-	-	
56c2	Of which: ... possible filter for unrealized gains	-	468	-	-	
56c3	Of which:	-	481	-	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-	-	-	
58	**Tier 2 (T2) capital**	624,415	-	624,415	-	
59	**Total capital (TC = T1 + T2)**	8,748,270	-	8,748,270	-	

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
Tier 2 (T2) capital: regulatory adjustments						
59a	**Risk-weighted assets relative to amounts subject to pre-CRR treatment and transitional treatments subject to phasing out as prescribed in Regulation (EU) No. 575/2013 (ie CRR residual amounts)**	41,819,403	-	41,819,403	-	
59b	**Of which: ... elements not deducted from T1 (Regulation (EU) No. 575/2013, residual amounts) (elements to be broken down line by line, eg Deferred tax assets that depend on future profitability net of corresponding tax liability, holdings indirect actions of an institution in its own T2, etc.)**	-	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	-	-	
59c	**Of which: ... elements not deducted from the elements of the T1 (Regulation (EU) No. 575/2013, residual amounts) (elements to be detailed line by line, for example, Reciprocal cross-holdings of T2 instruments, direct holdings in non-significant investments in own funds of other financial sector entities, etc.)**	-	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	-	-	
59d	**Elements not deducted from the elements of T2 (Regulation (EU) No. 575/2013, residual amounts) (elements to be detailed line by line, for example, Indirect holdings of an institution in its own T2, indirect holdings in insignificant investments in own funds from other financial sector entities, indirect holdings in significant investments in the own funds of other financial sector entities, etc.)**	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	-	-	
60	**Total risk exposure amount**	41,819,403	-	41,819,403	-	
Capital ratios and buffers						
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	0	92 (2) (a), 465	0	-	
62	Tier 1 (as a percentage of total risk exposure amount)	0	92 (2) (b), 465	0	-	
63	Total capital (as a percentage of total risk exposure amount)	0	92 (2) (c)	0	-	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	0	CRD 128, 129, 140	0	-	
65	of which: capital conservation buffer requirement	0	-	0	-	
66	of which: countercyclical buffer requirement	-	-	-	-	
67	of which: systemic risk buffer requirement	-	-	-	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	CRD 131	0	-	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	0	CRD 128	0	-	
69	[non relevant in EU regulation]	-	-	-	-	
70	[non relevant in EU regulation]	-	-	-	-	
71	[non relevant in EU regulation]	-	-	-	-	
Amounts below the thresholds for deduction (before risk weighting)						
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,924	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	465,471	36 (1) (i), 45, 48, 470, 472 (11)	-	-	
74	Empty set in the EU	-	-	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	695,307	36 (1) (c), 38, 48, 470, 472 (5)	695,307	-	(j)

		2020-12-30	Reference to artile of Regulation (EU)) No. 575/2013 "	Fully implemented	Balance Sheet Key	Notas
Applicable caps on the inclusion of provisions in Tier 2						
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	5,767	62	461,328	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)						
80	Current cap on CET1 instruments subject to phase out arrangements	-	484 (3), 486 (2) e (5)	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) e (5)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	484 (4), 486 (3) e (5)	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) e (5)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	484 (5), 486 (4) e (5)	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) e (5)	-	-	

Description of the restrictions, prudential filters and deductions to which these restrictions apply

a) The amount of Share Capital set out in the prudential Balance Sheet (item with Key 1 on the Prudential Balance Sheet) that fulfils all conditions of Article 28 to be qualified as Common Equity Tier 1.

b) Amount of 'Other Reserves and Retained Earnings' (item identified with Key 3 of the prudential Balance sheet) corrected considering the contributions of post-employment benefits and the medical plan, of around 1,006 million euros.

c) The total of subparagraphs b), above, and c) amount to the value of Keys 2 and 3 of the prudential Balance Sheet.

d) The amount of minority interests is included in the prudential balance sheet in the aggregate 'Non-controlling Interests' and is identified with Key 5. The amount of minority interests in the balance sheet that, due to Regulatory restrictions, is not considered in the Common Equity Tier 1 becomes, under the conditions prescribed in Regulation No. 575/2013, eligible for Additional Tier 1 and/or Tier 2.

e) The consolidated net income attributable to the shareholder (item identified with Key 4 of the prudential Balance Sheet) was included in the own funds calculations, fulfilling the regulatory conditions for this purpose (the Inclusion of the positive result in the prudential Own Funds pursuant to Article 26(2) of Regulation No. 575/2013, namely, being certified and having the approval of the relevant authority).

f) The deduction from Common Equity Tier 1 of the 'Additional Value Adjustment' resulting from the prudent evaluation of the trading book, as prescribed in Article 34 of Regulation 575/2013. This adjustment has no accounting impact.

g) The deduction from Common Equity Tier 1 of intangible assets (net of the corresponding taxes). This deduction benefited from the transitional scheme until 2017 and its impact in 2020 corresponds to 100% of the balance sheet value (item identified with Key 9 of the Prudential Balance Sheet).

h) Deduction from Common Equity Tier 1 of deferred income tax assets resulting from reportable tax losses and net liabilities. This deduction benefited from the transitional scheme until 2017 and its impact in 2020 corresponds to 100% of the balance sheet value (item identified with Key 8 of the Prudential Balance Sheet).

i) Deduction from Common Equity Tier 1 of the asset value of the set contribution to pension funds, resulting from the application of Article 36(1)(e) of the CRR.

j) This refers to the deduction of the amount of deferred tax assets arising from temporary differences, net of deferred tax liabilities, which exceed 10% of main equity before certain deductions. Deferred Tax Assets arising from temporary differences and liabilities are both included in the item identified by Key 10 of the Prudential Balance Sheet. The net amount considered for the purposes of comparison with the 10% limit (780,685 thousand euros) is 695,307 thousand euros. Thus, if the threshold is not exceeded, there is no deduction from Own Funds. The portion not deducted from deferred taxes arising from temporary differences is weighted at 250%

k) Deferred taxes arising from temporary differences, net of deferred tax liabilities, also count towards another deduction. It is a deduction that is based on the comparison of an aggregate resulting from a summation. institution of CET1 instruments of financial entities in which the institution has a significant investment] against 17.65% of the main Equity before adjustments.

l) The amount of the institution's direct and indirect holdings of CET1 instruments in financial entities in which the institution has a significant investment amounts to approximately 465,471 thousand euros (included in the item with Key 11 of the Prudential Balance Sheet). The application of the deduction mechanism, as stated in the previous paragraph, did not imply any deduction in the main level 1 Own Funds. The non-deducted portion is weighted at 250%.

m) The deduction of irrevocable commitments with the Deposit Guarantee Fund and Resolution Fund are the result of the obligation prescribed in SREP Decision 2017.

n) Instruments for Additional Common Equity Tier 1 that arose from an issuance to the amount of 500 million euros by Caixa Geral de Depósitos, S.A. in 2017 and that meet all regulatory conditions for that classification (item 'Other capital instruments' identified with Key 6 of the Prudential Balance Sheet).

o) Amount of minority instruments included in the Prudential Balance Sheet in the aggregate 'Non-controlling Interests' identified with Key 5, excluding the eligible portion of Common Equity Tier 1 and which Regulation 575/2013 allows considering Additional Common Equity Tier 1.

p) This concerns subordinate debts (ISIN PTCGHFOM0006 and PTCGDKOM0037) issued by Caixa Geral de Depósitos, S.A., which meet all conditions for their qualification as Common Equity Tier 2 Instruments. The characteristics of the issuance can be consulted in Table 09 | Capital instruments. In the Prudential Balance, they are included in the item identified with Key 7.

q) Amount of minority interests included in the Prudential Balance Sheet, in the aggregate 'Non-controlling Interests' identified with Key 5, excluding portions eligible for Common Equity Tier 1 and Additional Common Equity Tier 1, and which Regulation 575/2013 allows considering as Common Equity Tier 2.

XIV.2 Appendix II – Disclosure of non-performing and forborne exposures

In compliance with the provisions of the EBA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10) Annex I – Disclosure templates: forbearance – Template 1: Credit quality of forborne exposures, the table below provides an overview of the quality of forborne exposures in accordance with Commission Implementing Regulation (EU) No 680/2014.

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing
			Of which defaulted	Of which impaired				
Loans and advances	2,702,366	1,396,557	1,396,557	1,396,557	236,385	961,123	2,600,521	327,746
Central banks	0	0	0	0	0	0	0	0
General governments	319,391	713	713	713	5,846	18	300,237	424
Credit institutions	0	13	13	13	0	7	12	6
Other financial corporations	4,567	344	344	344	243	323	4,364	20
Non-financial corporations	1,165,078	918,143	918,143	918,143	176,028	646,870	938,991	195,601
Households	1,213,330	477,344	477,344	477,344	54,268	313,906	1,356,916	131,695
Debt Securities	0	0	0	0	0	0	0	0
Loan commitments given	65,224	2,586	2,586	2,586	109	109	0	0
Total	2,767,590	1,399,143	1,399,143	1,399,143	236,493	961,232	2,600,521	327,746

Values in thousand euros

In compliance with the EBA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10) Annex II – Disclosure templates: non-performing exposures - Template 3: Credit quality of performing and non-performing exposures by past due days, the table below provides an overview of the credit quality of non-performing exposures in accordance with Commission Implementing Regulation (EU) No 680/2014.

	Gross carrying amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Loans and advances	57.556.063	57.150.372	405.692	2.306.892	1.006.130	55.000	102.158	271.742	578.995	138.341	154.526	2.265.797
Central banks	11.573.907	11.573.907	0	0	0	0	0	0	0	0	0	0
General governments	2.486.837	2.448.500	38.337	9.063	4.812	0	0	0	285	3.262	704	8.635
Credit institutions	2.387.384	2.387.384	0	14	13	0	1	0	0	0	0	14
Other financial corporations	182.686	182.648	39	2.450	669	55	95	242	540	144	706	2.450
Non-financial corporations	13.135.038	12.851.407	283.631	1.534.118	749.299	31.719	70.339	180.494	314.475	97.246	90.546	1.498.461
Of which SMEs	8.689.571	8.568.061	121.509	1.041.709	404.630	30.079	65.869	133.612	276.013	61.247	70.259	1.037.276
Households	27.790.211	27.706.526	83.685	761.246	251.337	23.226	31.723	91.006	263.695	37.688	62.571	756.237
Debt Securities	22.916.490	22.916.490	0	118.019	116.857	604	2	2	554	0	0	117.926
Central banks	15.707	15.707	0	0	0	0	0	0	0	0	0	0
General governments	17.746.985	17.746.985	0	0	0	0	0	0	0	0	0	0
Credit institutions	867.271	867.271	0	0	0	0	0	0	0	0	0	0
Other financial corporations	116.016	116.016	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	4.170.511	4.170.511	0	118.019	116.857	604	2	2	554	0	0	117.926
Off-balance sheet exposures	13.233.543	0	0	408.422	0	0	0	0	0	0	0	380.734
Central banks	83	0	0	0	0	0	0	0	0	0	0	0
General governments	265.967	0	0	472	0	0	0	0	0	0	0	472
Credit institutions	20.687	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	424.989	0	0	2.272	0	0	0	0	0	0	0	2.267
Non-financial corporations	9.325.861	0	0	390.371	0	0	0	0	0	0	0	365.276
Households	3.195.956	0	0	15.307	0	0	0	0	0	0	0	12.719
Total	93.706.096	80.066.862	405.692	2.833.332	1.122.987	55.604	102.160	271.744	579.549	138.341	154.526	2.764.458

Values in thousand euros

In compliance with the BA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10) Annex II – Disclosure templates: non-performing exposures - Template 4: Performing and non-performing exposures and related provisions, the following table provides an overview of the credit quality of non-performing exposures and their impairment, provisions and valuation adjustments by portfolio and exposure class.

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	57,556,063	53,578,550	3,977,513	2,306,892	0	2,306,892	783,299	184,429	598,870	1,453,955	0	1,453,955	217,084	33,721,677	667,477
Central banks	11,573,907	11,573,907	0	0	0	0	1,839	1,839	0	0	0	0	0	284,392	0
General governments	2,486,837	2,470,367	16,469	9,063	0	9,063	10,246	4,043	6,203	2,990	0	2,990	0	2,106,456	5,292
Credit institutions	2,387,384	2,373,262	14,122	14	0	14	1,254	737	517	7	0	7	0	1,411	6
Other financial corporations	182,686	114,994	67,692	2,450	0	2,450	13,942	1,473	12,469	1,825	0	1,825	0	117,938	174
Non-financial corporations	13,135,038	10,631,924	2,503,114	1,534,118	0	1,534,118	577,343	148,612	428,731	1,018,739	0	1,018,739	104,817	5,859,530	382,383
Of which: SMEs	8,689,571	6,943,005	1,746,566	1,041,709	0	1,041,709	401,237	115,071	286,166	679,458	0	679,458	1,191	4,515,658	292,094
Households	27,790,211	26,414,096	1,376,116	761,246	0	761,246	178,675	27,724	150,950	430,393	0	430,393	112,267	25,351,949	279,623
Debt Securities	22,916,492	22,859,805	56,687	118,019	0	118,019	54,170	50,623	3,547	61,642	0	61,642	0	0	0
Central banks	15,707	15,707	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	17,746,985	17,746,985	0	0	0	0	20,152	20,152	0	0	0	0	0	0	0
Credit institutions	867,271	867,271	0	0	0	0	305	305	0	0	0	0	0	0	0
Other financial corporations	116,017	116,016	1	0	0	0	543	543	0	0	0	0	0	0	0
Non-financial corporations	4,170,511	4,113,825	56,686	118,019	0	118,019	33,170	29,623	3,547	61,642	0	61,642	0	0	0
Off-balance sheet exposures	13,233,543	12,240,205	993,337	408,422	0	408,422	60,289	26,157	34,132	175,496	0	175,496	0	218,116	905
Central banks	83	83	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	265,967	265,191	777	472	0	472	164	151	13	6	0	6	0	0	0
Credit institutions	20,687	20,687	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	424,989	413,112	11,877	2,272	0	2,272	1,122	994	128	417	0	417	0	0	4
Non-financial corporations	9,325,861	8,402,263	923,598	390,371	0	390,371	56,765	23,214	33,550	173,470	0	173,470	0	2,718	383
Households	3,195,956	3,138,869	57,086	15,307	0	15,307	2,238	1,797	441	1,602	0	1,602	0	215,398	519
Total	**93,706,098**	**88,678,561**	**5,027,538**	**2,833,332**	**0**	**2,833,332**	**897,758**	**261,209**	**636,549**	**1,691,092**	**0**	**1,691,092**	**217,084**	**33,939,792**	**668,382**

In compliance with the EBA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10) Appendix V – Disclosure templates: foreclosed assets – Template 9: Collateral obtained by taking possession and execution processes, the following table provides an overview of foreclosed assets executed obtained from non-performing exposures.

	Collateral obtained by taking possession accumulated	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	-	-
Other than Property Plant and Equipment	**472,976**	**(227,769)**
Residential immovable property	172,160	(61,741)
Commercial Immovable property	300,272	(165,760)
Movable property (auto, shipping, etc.)	544	(268)
Equity and debt instruments	-	-
Other	-	-
Total	**472,976**	**(227,769)**

Values in thousand euros

XIV.3 Appendix III - Covid-19 impacts and mitigation measures

This section below corrects the information on Covid 19 impacts and mitigation measures disclosed in the scope of Note 40 of CGD Group's 2020 Annual Report.

The Covid-19 pandemic had a profound impact on economic activity in Portugal notwithstanding the government measures put in place to support businesses and individuals, such as the introduction of moratoria and new state-backed lines of credit to the economy through mutual guarantee societies.

However, the moratoria granted under the interbank protocol mentored by the Portuguese Banking Association for individuals with mortgage loans comes to an end in March 2021. The public moratoria established in decree law 10-J/2020, of March 26, will end in September 2021.

CGD has implemented a group-wide operational plan, to mitigate the potential increase of non-performing loans as a result of the end of the moratoria, with the aim of identifying the level of vulnerability of customers applying for the moratorium by preparing a set of different solutions to be proposed to customers according to the level of their financial difficulties. These support solutions for businesses and individuals include. *Inter alia*, options such as loan restructuring operations.

The Covid-19 pandemic has impacted business activity over several months, having justified the adoption of exceptional measures by governments and the supervisory and regulatory entities of various geographies in which CGD group operates. Such measures have been designed to assist corporates and individuals. They can be exemplified by the introduction of moratoria and new state-backed lines of credit to the economy, through mutual guarantee societies and aim to enable a more effective response to the economic effects of the Covid-19 pandemic, by easing corporate and individual treasury problems.

In Portugal, the Portuguese state, through decree law 10-J/2020 of March 26, which aims to protect the loans of households, corporates, private “social solidarity institutions” (i.e. charities) and other private “social economy” institutions, created a series of exceptional measures to ensure the sustainability of the economy and income of citizens and corporate entities.

This decree law approved a moratorium, up to September 30, 2020 (subsequently extended to March 31, 2021), prohibiting cancellations of lines of credit, extending or suspending loans up to the end of this period to ensure the continuity of funding for households and corporate entities and provide for any defaults resulting from the reduction of economic activity.

Entities eligible for this decree law benefit from the following support measures for their credit exposures to institutions:

a) Prohibition on the full or part cancellation of lines of credit contracted for and loans made, for the amounts contracted for at the date upon which the decree law comes into force during the period of this measure;

b) An extension for the period of application of this measure, of all loans involving the payment of principal up to the end of an agreement, in force on the date upon which this decree law comes into effect, together with, under the same terms, all associated elements, including interest and guarantees provided in the form of insurance or credit securities;

c) For loans with a part repayment of principal or part maturity of other pecuniary payments, for the period in which this decree law is in effect, suspension of the payment of principal, instalments and interest due up to the end of this period, with the contractual schedule of the part payment of principal, instalments, interest, commissions and other costs/charges being automatically extended for an identical period to the suspension, in order to guarantee that there are no costs/charges other than those that may derive from changes in the contractual interest rate, with all of the elements associated with the contract covered by this measure, including guarantees, also being extended.

For any entities not included in this statute (individuals), general moratoria in the form of an interbank protocol mentored by the Portuguese Banking Association were also provided by credit institutions, financial companies and diverse sectoral associations.

Beneficiaries of these general moratoria were entitled to adopt one of the following measures up to September 30, 2020:

- Suspension of the payment of principal falling due up to that date, in the case of loans with a part payment of principal or a part maturity of other pecuniary instalments; or

- Suspension of the payment of principal and interest falling due during the period of the moratorium on loans with a part payment of principal or a part maturity of other pecuniary instalments

– excluding any commissions and insurance premium or other costs/charges included in the amount of the monthly payment

– in which case the interest deriving from the period of the moratorium will be capitalised with the amount of the loan payable with reference to the time payable, at the contractual interest rate. The contractual schedule for the payment of parts of principal, instalments, interest, commissions and other costs/charges will be automatically extended for an identical period to that of the suspension, with all elements associated with the contracts covered by this measure, including guarantees, also being extended.

With the publication of Decree-Law 78-A/2020, of September 29, the period in force for the moratoriums was extended until September 30, 2021, with the moratorium now covering only the reimbursement of capital, with the exception of the exclusions provided for in the DL.

The moratoria, granted at December 31, 2020 were distributed between performing and non-performing loans as follows:

	Exposure in 31-12-2020							Impairment in 31-12-2020							Inflows to Non-Performing
		Performing			Non-Performing				Performing			Non-Performing			
			Of which with forebearance measures	Of which with significant increase in credit risk since initial recognition (Stage 2)		Of which with forebearance measures	Unlikely to pay that are not past-due or past-due <= 90 days			Of which with forebearance measures	Of which with significant increase in credit risk since initial recognition (Stage 2)		Of which with forebearance measures	Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium (active)	**6.100.821**	**5.645.428**	**69.634**	**1.448.035**	**455.393**	**22.662**	**411.668**	**452.230**	**198.287**	**1.546**	**148.500**	**253.943**	**4.238**	**230.928**	**106.315**
Households	**2.561.978**	**2.451.383**	**2.751**	**268.779**	**110.596**	**40**	**96.357**	**77.105**	**22.432**	**98**	**15.606**	**54.673**	**10**	**49.423**	**26.572**
Mortgage loans with property mortgage	2.329.598	2.276.365	1.517	219.422	53.233	-	41.567	37.452	16.847	65	10.964	20.605	-	16.287	23.743
Non-financial institutions	**3.520.898**	**3.176.147**	**66.882**	**1.164.612**	**344.751**	**22.622**	**315.287**	**370.097**	**170.830**	**1.448**	**127.925**	**199.267**	**4.228**	**181.503**	**79.743**
Small and medium institutions	2.761.935	2.504.778	26.482	893.267	257.157	10.541	232.366	294.981	132.603	529	98.385	162.378	1.119	149.053	68.703
Commercial real estate	1.084.097	973.929	2.989	287.904	110.168	14.201	98.892	68.297	42.896	135	25.677	25.401	648	20.313	6.896

Amounts in thousands

The existence of operations with general moratoria, classified as non-performing is justified by the conditions defined in article 2, sub-paragraphs c) and d) of decree law 10-J/2020 which is (similar to the interbank protocol), as follows:

c) (When) pecuniary payments to institutions on March 18, 2020, are not in arrears or in default for more than 90 days or, if in arrears, do not meet the materiality criterion of Bank of Portugal notice 2/2019 and regulation (EU) 2018/1845 of the European Central Bank of November 21, 2018 and arenot in a situation of insolvency or suspension or cessation of payments or which, on that date, are being executed by any of these institutions.

d) (When) their status, vis-à-vis, the tax and customs authority and social security services, as defined in the tax procedure and process code and the contributory regimes to the social security welfare system code has been “regularised” up to April 30, 2020, not including debts incurred in March 2020.

The conditions of sub-paragraph a) do not include all of the criteria governing the definition of non-performing exposures, namely the criterion on the existence of the unlikely probability that a debtor will pay off all of its liabilities in full without the execution of guarantees. Decree law-10-J/2020 is also explicit as regards the date on which the exclusion conditions should be observed. This is different from the moratorium’s access period which was extended up to September 30, 2020.

The moratoria granted, at December 31, 2020 were distributed as follows in terms of their residual maturity:

	Number of obligors	Exposure in 31-12-2020							
			Of which legislative moratoria	Of which expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months
Loans and advances for which moratorium was offered	**74.653**	**7.777.594**							
Loans and advances subject to moratorium (granted)	**68.656**	**7.704.360**	**6.951.900**	**1.603.539**	**1.138.754**	**177.642**	**4.753.350**	**29.375**	**1.700**
Households		**3.387.255**	**2.646.237**	**825.277**	**247.825**	**33.148**	**2.275.130**	**5.876**	**-**
Mortgage loans with property mortgage		3.114.736	2.444.214	785.138	199.872	9.404	2.116.534	3.788	-
Non-financial institutions		**4.299.160**	**4.287.718**	**778.262**	**890.127**	**144.494**	**2.461.418**	**23.158**	**1.700**
Small and medium institutions		3.477.055	3.474.737	715.120	676.469	97.506	1.982.435	3.826	1.700
Commercial real estate		1.670.105	1.670.105	586.008	420.417	47.845	608.042	6.092	1.700

Amounts in thousands

The table above has been restated vis a vis the one disclosed in CGD annual report to align the figures with the December 2020 Report on COVID19 Moratoria and State Guarantees template (EBA).

The lines of credit contracted for on the basis of public guarantees at December 31, 2020 were distributed as follows by segment and level of collateralisation:

	Exposure in 31-12-2020		Maximum amount of the guarantee that can be considered	*Inflows* to Non-Performing
		Of which with forebearance measures	Public guarantees received	
Newly originated loans and advances subject to public guarantee schemes	**1.193.404**	**9.615**	**964.937**	**2.280**
Households	**10.485**			**3**
Mortgage loans with property mortgage	-			-
Non-financial institutions	**1.182.496**	**9.615**	**956.362**	**2.277**
Small and medium institutions	1.091.310			1.327
Commercial real estate	120.770			17

Amounts in thousands

XIV.4 Appendix IV – Mapping of CRR tables

Table		EBA Reference	Section
	EBA GL/2016/11		
Table 3	Differences between accounting and regulatory scopes of consolidation	EU LI1	III.2 Reconciliation between accounting and regulatory consolidation elements
Table 4	Main sources of differences between regulatory amounts and carrying values in financial statements	EU LI2	III.2 Reconciliation between accounting and regulatory consolidation elements
Table 2	Outline of the differences in the scopes of consolidation	EU LI3	IV.3 Regulatory Capital
Table 12	Overview of Risk-Weighted Assets (RWA)	EU OV1	IV.4Capital requirements
N/A	Non-deducted participations in insurance companies	EU INS1	IV.4 Capital Requirements
Table 17	Total amount and average amount of net exposure values	EU CRB-B	V.2 Quantitative data
Table 18	Geographic breakdown of exposures	EU CRB-C	V.2 Quantitative data
Table 19	Concentration of exposures by industry or counterparty type	EU CRB-D	V.2 Quantitative data
Table 20	Maturity of exposures	EU CRB-E	V.2 Quantitative data
Table 21	Credit quality of exposures by exposure class and instrument	EU CRA1-A	V.2 Quantitative data
Table 22	Credit quality of exposures by industry or counterparty types	EU CR1-B	V.2 Quantitative data
Table 23	Credit quality of exposures by geography	EU CR1-C	V.2 Quantitative data
Table 24	Ageing of past-due exposures	EU CR1-D	V.2 Quantitative data
Table 25	Non-performing and forborne exposures	EU CR1-E	V.2 Quantitative data
Table 26	Changes in the stock of general and specific credit risk adjustments	EU CR2-A	V.2 Quantitative data
Table 27	Changes in the stock of defaulted and impaired loans and debt securities	EU CR2-B	V.2 Quantitative data
Table 28	CRM Techniques - Overview	EU CR3	VI.2 Quantitative data
Table 29	Standardised Approach – Credit Risk exposure and CRM effect	EU CR4	VI.2 Quantitative data
Table 30	Standardised approach – Exposures by asset classes and risk weights	EU CR5	VI.2 Quantitative data
Table 31	Analysis of CCR exposure by approach	EU CCR1	VII.2 Quantitative data
Table 32	Credit valuation adjustment (CVA) capital charge	EU CCR2	VII.2 Quantitative data
Table 33	Exposures to CCPs	EU CCR8	VII.2 Quantitative data
Table 34	Counterparty credit risk exposures by exposure classes and risk weight under the standardised approach	EU CCR3	VII.2 Quantitative data
Table 35	Impact of netting and collateral held on exposure values	EU CCR5-A	VII.2 Quantitative data
Table 36	Composition of collateral for exposures to CCR	EU CCR5-B	VII.2 Quantitative data
Table 45	Market risk under standardised approach	EU MR1	X.2 Quantitative data
	Asset encumbrance and Commission Delegated Regulation (EU) 2017/2295		
Table 39	Encumbered and unencumbered assets	Template A	IX.1Liquidity Risk
Table 40	Collateral received	Template B	IX.1Liquidity risk
Table 41	Sources of encumbrance	Template C	IX.1Liquidity risk
Table 42	Disclosure of asset encumbrance		IX.1Liquidity risk
	EBA/GL/2017/01		
Table 43	LCR disclosure template, on LCR quantitative information, complementing Article 435(1)(f) of Regulation (EU) No 575/2013.		IX.1Liquidity risk
	IMPLEMENTING REGULATION (EU) 2016/200 – Disclosing leverage ratio		
Table 14	Common rules on disclosure of leverage ratio		IV.5 Leverage ratio
Table 15	Leverage - Breakdown of on-balance sheet exposures (excluding derivatives, SFT and risk exempt exposures)		IV.5 Leverage ratio
Table 16	Reconciliation of account assets and leverage ratio exposures		IV.5 Leverage ratio
	DELEGATED REGULATION (EU) 2015/1555 - Countercyclical capital buffer		
Table 5	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer		IV.2 SREP and Capital Buffers
	IMPLEMENTING REGULATION (EU) No. 1423/2013 – Disclosure of own funds		
Table 9	Main characteristics of own funds instruments		IV.3 Regulatory Capital
Table 10	Reconciliation of accounting and prudential balance sheets		IV.3 Regulatory Capital
Table 11	Reconciliation of regulatory capital to balance sheet		IV.3 Regulatory Capital

XIV.5 Appendix V – Mapping of CRR articles

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 435 - Risk management objectives and policies		
1. Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:		
(a) the strategies and processes to manage those risks;	II. Governance model Chapters V to X, dependent on the risk type	
(b) the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements;		
(c) the scope and nature of risk reporting and measurement systems;		
(d) the policies for hedging and mitigating risk, nad the strategies and processes for monitoring the continuing affectiveness of hedges and mitigants;	Chapters V to X, dependent on the risk type	
(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	I. Responsability declaration	
(f) a concise risk statement approved by the management body succintly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk profile of the institution interacts with the risk tolerance set by the management body.	II.4 RAS	1.2 Highlights in 2020
2. Institutions shall disclose the following information, including regular, at least annual updates, regarding governance arrangements:		
(a) the number of directorships held by members of the management body;	II.1 Governance Model	Accumulations of duties of the members of the Board of Directors Annex III - Curriculum Vitae of the members of the governing bodies on
(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	II.1 Governance Model	
(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;	II.1 Governance Model	Gender equality and non-discrimination practices
(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	II.1 Governance Model	1.3.2 Governance Model
(e) the description of the information flow on risk to the management body.	II.1 Governance Model	1.3.2 Governance Model
Article 436 - Scope of application		
Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU:		
(a) the name of the institution to which the requirements of Regulation apply;	Introductory note	
(b) The specification of differences at the level of the consolidation basis for accounting and prudential purposes, including a synthetic description of the entities covered in each scope;	III. Regulatory framework's scope of application	
(c) any current or forseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	III. Regulatory framework's scope of application	
(d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;	NA	
(e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and	NA	

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 437 - Own funds		
1. Institutions shall disclose the following information regarding own funds:		
(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and balance sheet in the audited financial statements of the institution;	IV.3 Regulatory Capital Table 10 | Reconciliation between the accounting and prudential balance Table 11 | Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds	
(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instuments issued by the institution;	IV.3 Regulatory Capital Table 9 | Main characteristics of own funds	
(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	IV.3 Regulatory Capital	
(d) separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 abd 79;	Appendix I – Detail of Capital Base composition	
(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and instruments, prudential filters and deductions to which those restrictions apply;	Appendix I – Detail of Capital Base composition	
(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	NA	
Article 438 - Capital requirements		
1. Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation in Article 73 of Directive 2013/36/EU:		
(a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	IV.4 Capital Requirements	
(b) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessement process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	IV.4 Capital Requirements	
(c) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112;	IV.4 Capital Requirements Table 12| Overview of Risk-Weighted Assets (RWA) (EU OV1) VI. CRM Table 29 | Standardised Approach – Credit risk exposure and CRM effects (EU CR4)	
(d) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class, this requirement applies to each of the categories of exposures to which	NA(IRB)	
(e) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3);	IV.4 Capital Requirements Table 12| Overview of Risk-Weighted Assets	
(f) own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	(RWA) (EU OV1) Table 45 | Market risk under the standardised	
The institutions calculating the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2) shall disclose the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight mentioned in Article 155 (2).	NA(IRB)	

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 439 - Exposure to counterparty credit risk		
1. Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:		
(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	VII. Counterparty Credit Risk	
(b) a discussion of policies for securing collateral and establishing credit reserves;		
(c) a discussion of policies with respect to Wrong-Way risk exposures;		
(d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;		
(e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	VII. Counterparty Credit Risk Table 35 | Impact of netting and collateral held on exposure values (EU CCR5-A) Table 36 | Composition of collateral for exposures to CCR (EU CCR5-B)	
(f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	VII. Counterparty Credit Risk Table 31 | Analysis of CCR exposure by approach (EU CCR1)	
(g) the notional value of credit derivatives hedges, and the distribution of current credit exposure by types of credit exposure;	NA, without credit derivative operations VI. Credit risk mitigation	
(h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;		
(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α.	NA	
Article 440 - Capital Buffers		
1. An institution shall disclose the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:		
(a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	IV.2 SREP and capital reserves Table 5 | Geographical breakdown of credit exposures relevant to the calculation of the own funds Countercyclical Buffer	
(b) the amount of its institution specific countercyclical capital buffer.	IV.2 SREP and Capital Buffers	
Article 441 - Indicators of global systemic importance		
1. Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	NA	
Article 442 - Credit risk adjustments		
1. Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:		
(a) the definitions for accounting purposes of "past due" and "impaired";	V. Credit risk	Notes attached to the consolidated financial statements, paragraph 43.
(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;		
(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	V. Credit risk Table 17 | Total amount and average amount of net exposure values (EU CRB-B)	
(d) the geographic distribution of the exposures by industry or counter-party type, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 18 | Geographical breakdown of exposures (EU CRB-C)	
(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	V. Credit risk Table 19 | Concentration of exposures by sector or by counterparty type (EU CRB-D)	
(f) the residual maturity breakdown breakdown of all exposures, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 20 | Residual maturity of exposures (EU CRB-E)	
(g) by significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) specific and general credit risk adjustments during the reporting period;	V. Credit risk Table 21 | Credit quality of exposures by exposure class and instrument (EU CR1-A)	
(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	V. Credit risk Table 23 | Credit quality of exposures by geography (EU CR1-C)	

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 439 - Exposure to counterparty credit risk		
Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:		
(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures; (b) a discussion of policies for securing collateral and establishing credit reserves; (c) a discussion of policies with respect to Wrong-Way risk exposures; (d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	VII. Counterparty Credit Risk	
(e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	VII. Counterparty Credit Risk Table 36 | Impact of netting and collateral held on exposure values (EU CCR5-A) Table 37 | Composition of collateral for exposures to CCR (EU CCR5-B)	
(f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	VII. Counterparty Credit Risk Table 32 | Analysis of CCR exposure by approach (EU CCR1)	
(g) the notional value of credit derivatives hedges, and the distribution of current credit exposure by types of credit exposure; (h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;	NA, without credit derivative operations VI. Credit risk mitigation	
(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α.	NA	
Article 440 - Capital Buffers		
1. An institution shall disclose the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:		
(a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	IV.2 SREP and capital reserves Table 5 | Geographical breakdown of credit exposures relevant to the calculation of the own funds Countercyclical Buffer	
(b) the amount of its institution specific countercyclical capital buffer.	IV.2 SREP and Capital Buffers	
Article 441 - Indicators of global systemic importance		
1. Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	NA	
Article 442 - Credit risk adjustments		
Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:		
(a) the definitions for accounting purposes of "past due" and "impaired"; (b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	V. Credit risk	Notes attached to the consolidated financial statements, paragraph 42. Disclosures relating to financial instruments
(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	V. Credit risk Table 17 | Total amount and average amount of net exposure values (EU CRB-B)	
(d) the geographic distribution of the exposures by industry or counter-party type, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 19 | Geographical breakdown of exposures (EU CRB-C)	
(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	V. Credit risk Table 20 | Concentration of exposures by sector or by counterparty type (EU CRB-D)	
(f) the residual maturity breakdown breakdown of all exposures, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 21 | Residual maturity of exposures (EU CRB-E)	
(g) by significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) specific and general credit risk adjustments during the reporting period;	V. Credit risk Table 22 | Credit quality of exposures by exposure class and instrument (EU CR1-A)	
(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	V. Credit risk Table 24 | Credit quality of exposures by geography (EU CR1-C)	
(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences , business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances. Specify credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.	V. Credit risk Table 27 | Changes in the stock of general and specific credit risk adjustments (EU CR2-A)	

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences , business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances.	V. Credit risk Table 26 | Changes in the stock of general and specific credit risk adjustments (EU CR2-A)	
Specify credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.		
Article 443 - Unencumbered assets		
Overall, the bank shall be compliant with the EBA guidelines (EBA/GL/2014/03 - Disclosure of encumbered and unemcumbered assets - Título II e Anexo)/(Instrução 28/2014).	IX.1 Liquidity risk	2.3.1. Information on asset encumbrances
Article 444 - Use of ECAIs		
For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Cahpter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112:		
(a) the names of the nominated ECAIs and ECAs and the reasons for any changes;	V.1 Qualitative information	
(b) the exposure classes for which each ECAI or ECA is used;		
(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;		
(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;		
(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescrebed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	VI.2 Quantitative information Table 30 |Standardised Approach – RWA breakdown (EU CR5)	
Article 445 - Exposure to market risk		
The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	X. Market risk	
Article 446 - Operational risk		
Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	XI. Operational risk	
Article 447 - Exposures in equities not included in the trading book		
Institutions shall disclose the following information regarding the exposures in equities not included in the trading book:		
(a) the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	XII. Equity Exposures in the Banking Book	
(b) the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value;	XII.2 Quantitative information Table 47 | Equity exposures not included in the trading book	
(c) the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures;		
(d) the cumulative realised gains or losses arising from sales and liquidations in the period; and		
(e) the total unrealised gains and losses, the total latent revaluation gains and losses, and any of these amounts included in Common Equity Tier 1 capital.		

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 448 - Exposure to interest rate risk on positions not included in the trading book		
1. Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:		
(a) the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk;	II.3 Key risks to which the bank is exposed IV.4 Capital Requirements IX.2 Interest Rate Risk	
(b) the variation in earnings, economic value of other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	IX.2 Interest Rate Risk	
Article 449 - Exposure to securitisation positions		
1. Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose the following information, where relevant, separately for their trading and non-trading book:		
(a) a description of the institution's objectives in relation to securitisation activity;		
(b) the nature of other risks including liquidity risk inherent in securitised assets;		
(c) the type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with resecuritisation activity;		
(d) the different roles played by the institution in the securitisation process;		
(e) an indication of the extent of the institution's involvement in each of the roles referred to in point (d);		2.1. Annex to Separate Financial Statements
(f) a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures including how the behaviour of the underlying assets impacts securitisation exposures and a description of how those processes differ for re-securitisation exposures;	VIII. Securitisation Positions	21. Financial Liabilities Associated with Transferred Assets
(g) a description of the institution's policy governing the use of hedging and unfunded protection to mitigate the risks of retained securitisation and re-securitisation exposures, including identification of material hedge counterparties by relevant type of risk exposure;		
(h) the approaches to calculating risk-weighted exposure amounts that the institution follows for its securitisation activities including the types of securitisation exposures to which each approach applies;		
(i) the types of SSPE that the institution, as sponsor, uses to securitise third-party exposures including whether and in what form and to what extent the institution had exposures to those SSPes, separately for on- and off-balance sheet exposures, as well as a list if the entities that the institution manages or advises and that invest in either the securitisation positions that the institution has securitised or in SSPEs that the institution sponsors;	NA	
(j) a summary of the institution's accounting policies for securitisation activities.	VIII. Securitisation Positions	
(k) the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	VIII. Securitisation Positions	
(l) where applicable, a description of the Internal Assessment Approach as set out in Part Three, Title II, Chapter 5, Section 3	NA (Internal Assessment Approach)	
(m) an explanation of significant changes to any of the quantitative disclosures in points (n) to (q) since the last reporting period;	VIII. Securitisation Positions	
(n) separately for the trading and the non-trading book, the following information broken down by exposure type:		
i) the total amount of residual exposures securitized by the institution, separately for traditional and synthetic securitizations and securitizations where the institution acts only as a sponsor,	NA (no sponsor intervention)	
ii) the aggregate amount of held or purchased equity securitization positions and off-balance sheet securitization exposures,	VIII. Securitization Operations Table 38 | Securitization Operations: Standard Method	
iii) the aggregate amount of assets awaiting securitization,EN L 176/260 Official Journal of the European Union 27.6.2013	NA	
iv) for securitized instruments subject to an early amortization regime, the aggregate risk positions assigned, respectively, to the interests of the seller and investors, the aggregate own funds requirements applied to the institution in relation to the interest of the seller and the funds requirements own aggregates applied to the institution in relation to the investors' shares in the balances of the amounts used and of the unused lines,	NA	
v) the amount of securitization positions deducted from own funds or risk-weighted at 1 250 %	NA	
vi) a summary of the securitization activities carried out during the current period, namely the amount of securitized exposures and the gains or losses recognized on sales;	NA	

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
o) The following information, itemizing the elements of the trading book and extra trading book:		
i) the aggregate amount of securitization positions held or acquired and the associated own funds requirements, broken down by securitization and re-securitisation risk positions and broken down further into a significant number of risk weight ranges or own funds requirements, by each method used with regard to capital requirements,	VIII. Securitization Operations Table 38 | Securitization Operations: Standard Method	
ii) the aggregate amount of retained or purchased re-securitised exposures, broken down according to the exposure before and after the coverage/insurance and the exposure to financial guarantors, broken down according to the guarantor's credit quality categories or the name of the guarantor ;	NA	
(p) for the non-trading book and regarding exposures securitised by the institution, the amount of impaired/past due assets securitised and the losses recognised by the institution during the current period, both broken down by exposure type;	VIII. Securitisation Positions Table 37 | Securitisation Operations	
(q) for the trading book, the total outstanding exposures securitised by the institution and subject to a capital requirement for market risk, broken down into traditional/synthetic and by exposure type;	NA	
(r) where applicable, whether the institution has provided support within the terms of Article 248(1) and impact on own funds.	NA	
Article 450 - Remuneration policy		
1. Institutions shall disclose at least the following information regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile:		
(a)information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body oversseing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	XIII. Remuneration	3.7 Remuneration 3.5 Statutory Bodies and Committees: - General Meeting's Remuneration Committee (CRAG) - Nomination, Assessment and Remuneration Committee (CNAR) - Composition and Term of office
(b) information on link between pay and performance;		
(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;		
(d) the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;		
(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;		
(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;		
(g) aggregate quantitative information on remuneration, broken down by business area;	XIII. Remuneration Table 48 | Remuneration of Identified Persons	
(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution		
i) The number of individuals with remuneration equal to or greater than EUR 1 million per financial year, divided into remuneration brackets of EUR 500 000 for remunerations between EUR 1 million and EUR 5 million, and divided into remuneration brackets of 1 million of EUR for remuneration equal to or greater than EUR 5 million.;	XIII. Remuneration Table 49 | Remunerations greater than or equal to EUR 1 million	
j) At the request of the Member State or the competent authority, the total remuneration of each member of the management body or senior management.	XIII. Remuneration	3.7 Remuneration
2. For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution.	XIII. Remuneration	
Article 451 - Leverage		
1. Institutions shall disclose the following information regarding their leverage ratio calculated in accordance with Article 429 and their management of the risk of excessive leverage:		
(a) the leverage ratio and how the institution applies Article 499(2) and (3);	IV.5 Leverage ratio	
(b) a breakdown of the total exposure measure as well as a reconcilication of the total exposure measure with the relevant information disclosed in published financial statements;	IV.5 Leverage ratio Table 15| Leverage - Breakdown of on-balance sheet exposures	
(c) where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	Table 16| Reconciliation of account assets and leverage ratio exposures	
(d) a description of the processes used to manage the risk of excessive leverage;	IV.5 Leverage ratio	
(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.		