MARKET DISCIPLINE

2021

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Introductory note

The document “Market Discipline 2021” aims to complement the Notes to the annual Financial Statements, providing the market with more detailed information 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) 575/2013 of the European Parliament and of the Council and following the guidelines of the EBA (ITS/2020/04) of 24 June 2020 and Regulation (EU) 2021/637 of 15 March 2021 and Regulation (EU) 2022/631of 13 April 2022 of the European Parliament and of the Council.

Except when explicitly mentioned, the information provided concerns the CGD Group's position and banking book perimeter, on 31 December 2021 and the monetary amounts correspond to **thousands of euros**, having been calculated in the context of **prudential consolidation**.

1. Declaration of responsability

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 continuous improvement of the risk management system, considering it adequate to the complexity, nature, dimension and risk profile and strategy of the CGD Group.

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.

2. Risk management objectives and policies

2.1 Governance Model

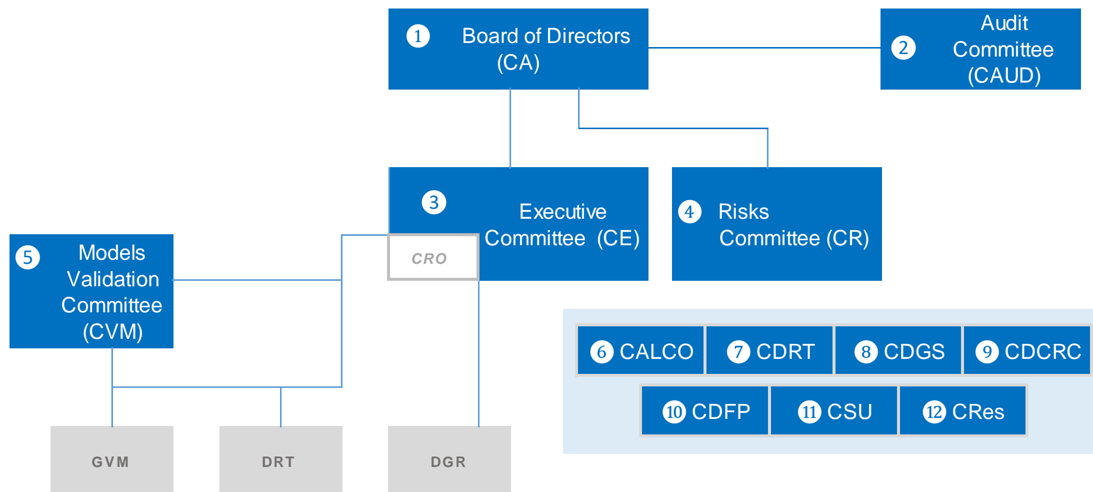
The officer ultimately in charge of CGD's risk management function is its "chief risk officer" or "CRO", who is a member of the executive committee of CGD's board of directors. CGD's CRO has global responsibility for monitoring the group's risk management framework and particularly for ensuring the adequate and effective operation of the risk management function and is also responsible for providing information to and clarifying issues with the management and supervisory bodies on the risks incurred, CGD's and CGD group's global risk profile and level of compliance with the defined risk tolerance levels.

The risk management function in CGD group is based on a governance model that simultaneously aims to comply with best practice on this matter, as set out in Community directive (EU) 36/2013 (EBA/GL/2021/05) and to ensure the soundness and effectiveness of the system for the identification, measurement, monitoring, reporting and control of financial risks (credit, market, liquidity, balance sheet interest rate risk and pension fund) and non-financial (strategy and business, operational, IT, and reputational) risks to which CGD group is or may be exposed.

Risk management is carried out centrally and supported by a dedicated structure, the **Risk Management Division (DGR)** under the responsibility of the CRO.

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

Figure 1 | Governance Model [1]



The **Board of Directors** (CA) (❶), with the support of **Risk Committee** (CR) (❹) and **Audit Committee** (CAUD) (❷), defines CGD's risk appetite statement which is implemented by the **Executive Committee** (CE) (❸) with the support of the **Risk Management Division (DGR)** and control and business areas.

The **Audit Committee** (❷) it is the body responsible for supervising the effective, independent and efficient functioning of the Risk Management and Compliance Functions, and for monitoring, evaluating and promoting the effectiveness of the internal control system and the Internal Audit Function.

The **Risk Committee** (CR) (❹) 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.[2].

Risk management is carried out centrally and supported by a dedicated structure, the **Risk Management Division** (DGR) under the responsibility of the CRO. The Risk Management Division carries out functions in the area of management and control of the Group's financial and non-financial risks with the objectives of stability, solvency and financial strength, guaranteeing the functions of

[1] In compliance with article 435, no. 2 (e), the flow of information on risk to the management body is described.

[2] In compliance with article 435, no. 2 (d) it is noted that the Risk Committee held 15 meetings in 2021

identification, assessment, monitoring, control and reporting of the risks to which the CGD Group is exposed and the interrelations between them, in order to ensure the coherent integration of its partial contributions, that they remain at the level of risk appetite defined by the board of directors and that they will not significantly affect the financial situation of the institution, continuously ensuring compliance with external standards and legal and regulatory requirements in this 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 person ultimately in charge of the risk management function in CGD Group is the "Chief Risk Officer" ("CRO"), as a member of the executive committee of CGD's board of directors. CGD's CRO has global responsibility for monitoring the Group's risk management framework and particularly for ensuring the adequate and effective operation of the risk management function and also having the duty to inform members of the administration and inspection bodies on the risks incurred, CGD's and CGD Group's global risk profile and level of compliance with the defined risk tolerance levels.

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**, 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;
- **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:

❸ **Executive Committee (CE)** 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.

❹ **Risks committee (CR)** 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.

❷ **Audit committee** meetings **(CAUD)** when specifically requested and periodically for a presentation on the evolution of financial and non-financial risks indicators and essential concerns on this issue for the following periods.

❺ **Models Validation Committee (CVM)** in which the Credit Risks Division (DRC) and the Models Validation Office (GVM) are also present. CVM is the body responsible for the functional management of the GVM and is responsible for considering the validation reports, deciding on the recommendations made and approving amendments to the Validation Manual or other methodological documents in the sphere of GVM.

❻ Specialised **Capital Management, Assets and Liabilities Management Executive Board (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:

- Promotion 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.

❼ Specialised **Rating Executive Board (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.

❽ **Council for Data Governance and Information Security (CDGS).** This body reports to the Executive Committee that oversees the activities carried out in the scope of Government and Data Quality and assesses and coordinates the Information Security initiatives at CGD and the CGD Group. Structural decision-making is delegated to the CDGS to ensure Data Governance and Information Security.

❾ **Business Continuity Executive Board, operational risk and Internal Control (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.

❿ **Pension fund risk executive board (CDFP)**, is responsible for considering and discussing issues related to CGD's pension fund risk. It has the authority to undertake a strategic assessment of the fund's investment policy proposals, the strategy for hedging pension fund liabilities and respective grounds and informing the executive committee of demographic, actuarial and market assumptions in addition to the impacts of any alterations thereto.

⓫ 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.

⓬ The **Resolution committee (CRES),** as the body responsible for the analysis, discussion, decision and approval of all resolution-related issues.

CGD also has a **Nomination, Evaluation and Remuneration Committee (CNAR)**. Under the terms of the **Policy for the Selection and Assessment of Members of the Management and Supervisory Bodies and of the Holders of Essential Functions**, available on CGD's institutional website[3], CNAR is responsible for supporting the filling of vacancies in the management and supervisory bodies and the appointment of the Executive and Non-Executive members of the Board of Directors, assess, at least annually, the structure, size, composition and performance of the Board of Directors and the Supervisory Board and, when deemed appropriate, make recommendations to them, as well as evaluating, at least annually, the knowledge, skills, experience and compliance with the specific duties inherent to the function performed by each of the members of the Board of Directors and the Supervisory Board, as well as those bodies as a whole and communicate them the respective results.

This policy also establishes that the assessment of suitability must take into account the individual characteristics of the members of the bodies that are collegiate, as well as the safeguarding of conditions underlying the functioning of these bodies as collegiate bodies, namely the diversity of qualifications and competences, the availability of the group of members of the management and supervisory bodies and the promotion of an increase in the number of people of the gender under-represented in these bodies[4].

Finally, with regard to the requirement to disclose information regarding the positions held by the members of the management body, inside and outside the Group, and other relevant activities carried out by the members of the management bodies during 2021, reference is made to of the Annual Report and Accounts: item “Accumulations of Functions” and “Annex III – Curriculum Vitae of the Members of the Governing Bodies”.

2.2 Main developments in 2021

The year 2021 was marked by several challenges inherent to the Covid-19 pandemic, owing to new variants of the virus, in which the demands on risk management remained high. The focus on gearing activities to minimising the pandemic’s internal and economic impacts continued to be accompanied

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[3] In compliance with article 435, no. 2 (b), the recruitment policy of the members of the management body and their respective knowledge, skills and effective technical skills can be consulted, https://www.cgd.pt/ Institutional/Government-Society-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf

[4] In compliance with article 435, no. 2 (c) with regard to gender equality, in September 2021 the report referring to Law no. 62/2017 was published in accordance with the guide provided for Normative Order no. 18/2019, of 21 June.

The document can be consulted on Caixa's institutional website at: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-BomGoverno/Documents/CGD_Plano-para-igualdade-genero.pdf

by the respective regulatory requirements on this issue. 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 of the contingency plan, to oversight of the constraints on a branch office and employee level, reporting regularly to management and supervisory bodies. Reference should be made to all of the endeavours made to meet the requirements of 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, considering different macroeconomic scenarios for the evaluation of impacts on impairment and capital requirements and the production of several internal periodic reports for the supervisor.

The results of the stress test across the European Union as a whole were published on 30 July 2021. It included 50 EBA banks, covering approximately 70% of the European banking system, together with high level aggregate results for another 51 significant SSM (single supervisory mechanism) banks. This exercise included two macroeconomic scenarios (base and adverse), starting on the basis of the 2020 balance sheet and with a 3 year timeframe (2020-2023). The exercise involved three formal quality assurance cycles aimed at at ensuring a level playing field and adherence to the methodology and represents a key supervisory tool for assessing banks' P2G/P2R requirements.

In spite of this exercise’s extremely conservative scenario, CGD’s results in terms of capital destruction were better than those of the last fiscal year of 2018 (a negative 288 basis points in 2021 in comparison to a negative 497 bps in 2018), reflecting the robustness of CGD group’s capital and liquidity positions and an improvement of its asset quality resulting from the marked, continuous downwards trajectory in terms of its non-performing credit achieved in recent years.

In 2021 DGR continued to implement the risk management function’s strategic plan for the 2019-2021 period and completed most of the planned initiatives. The risk management function was continuously strengthened across this period, with particular reference to the following initiatives:

- Implementation of the new organisational risk management function model, based on a matrix approach, providing for greater articulation across all areas and closer, dedicated oversight of issues and projects across the risk management function. Reference should be made to the creation of new transversal teams: internal control, planning and forward looking, transversal projects, data and IT and risk culture, in addition to a specific team dedicated to emerging non-financial risks and responsible for monitoring IT, climate change, reputational and other relevant risks;

- Implementation of new risk management and reporting tools, including the automating of existing reports, in addition to ensuring the integration of a risk vision in the implementation of the "single source of truth" in CGD group, based on 1) the implementation of a new market risk tool, 2) the automating of risk reports, transferring the time spent on collecting and validating information to risk analysis, using intelligent interfaces with drill-down capacities and 3) the integration of risk needs in the implementation of a "single source of truth", including the data of CGD group as a whole and close oversight of its implementation;
- Finalising of the implementation of the corporate risk management function model, based on greater alignment with best governance practice already implemented in CGD headquarters, in addition to a strengthening of the existing functional reporting procedure, highlighting: i) the implementation of holistic risk committees in each of the base model entities, with the presence of CGD group's CRO or the officer directly responsible for the risk management function; ii) the transposition of the new organisational structure of the central risk management function to each of the base model entities, adapted to local circumstances, albeit ensuring compliance with centrally defined requirements and; iii) the strengthening of the functional reporting procedure established by the corporate model, based on the validation and central approval of activity plans, resources, training and budget of each risk management function.

Notwithstanding the successes achieved with the implementation of the 2017-20 strategic plan, the commitment to the transformation and strengthening of the function prevails. In this sense, as part of the process of strengthening the risk management function and adapting it to the new needs and external and internal circumstances a new strategic plan for the risk function was developed for the 2022-2024 period as part of CGD group's strategic plan, with the aim of positioning the risk management function as a benchmark organisation in the national banking system.

At the same time, the Credit Risk Division developed a set of initiatives, also within the scope of the new Strategic Plan, which will allow, through increased automation and decision-making intelligence, to optimize CGD's decision-making capacity, consolidating quality standards compared to their peers.

2.3 Main risks to which the bank is exposed

This segment aims to comply with the information disclosure obligations, under the article 435 lines a) to e) of no. 1 of Regulation (EU) 575/2013.

CGD develops its activity from a universal banking perspective, 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 manner in almost all areas of the banking business, namely: commercial banking, investment banking, brokerage and risk capital, real estate, asset management,

specialized credit, among others, incurring credit risks, market, liquidity and operational (exposition to exchange risk assumes reduced expression)

Credit Risk

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

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

Credit risk is managed and controlled by internal regulations that, based on the use of a rating/scoring system and exposure level, an early warning system and classification of customers as being in financial distress, define the necessary levels of authority for the credit decision process.

For **Corporates, municipalities, autonomous regions and financial institutions** with a more significant level of exposure, or with other criteria/triggers of increased risk, the assessment of credit risk, in addition to the support of internal rating models (which incorporate both financial information or qualitative elements), not applicable to Financial Institutions, is subject to individual assessment by a team of analysts (from the DRC - Credit Risk Division) 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.

Credit risk assessment in the **retail segment** is supported by the use of statistical risk assessment tools (PD – probability of default and LGD - loss given default models), several internal regulations which define objective criteria to be complied with on lending operations and the delegating of authority in accordance with the risk ratings on customers/operations.

CGD has implemented a **centralised credit decision model** to ensure separation between credit applications and decision-making functions, ensuring that all credit proposals originating in commercial areas are decided with the intervention of the Credit Risk Division, according to the criteria published in internal policies and regulations.

Credit and credit risk control portfolios, including compliance with the criteria defined for credit risk decisions are regularly monitored by DGR, based on operational systems which identify events with the potential to increase credit risk on a daily basis, in addition to events that trigger automatic credit markers on forbearance measures or defaults/non-performing exposures. Reports making reference to the performance and perceived quality of the credit portfolio are produced in the following areas i) new credit agreements, ii) forbearance measures and debtors in financial difficulties, iii) non-performing exposures, iv) default and v) concentration. These reports are submitted for the consideration of the management bodies and shared with the first line of defence.

A process for measuring impairment losses related with default and the measurement of credit assets has also been implemented in CGD group and is overseen by the board of directors on a monthly basis in compliance with IFRS 9. The criteria and methodologies involved in the calculation of impairment subject to control and audit processes both by the internal bodies responsible for validation (Models Validation Office and Internal Audit Division) and CGD's external auditors who produce an independent report to be sent to the Bank of Portugal every six months. The Risk Management Division submits information on the evolution of provisions and impaired credit, to management bodies on a monthly basis. This includes the evolution of the portfolio by IFRS 9 stages and respective provisions and impaired credit levels.

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. Includes the impact of adverse exchange rate changes on the balance sheet currency position. It arises, therefore, from the uncertainty about the fluctuation of prices and market rates, such as stock prices and indices or interest or exchange rates, and about the behavior of the correlations between them.

CGD group has also approved a **corporate market risk management policy** which **defines the responsibilities** and sets out the **principles applicable** to market risk management, including foreign exchange risk, on a separate and consolidated basis, in addition to all overseas branches and subsidiaries in the prudential supervision perimeter. The management and market risk tolerance strategy is defined in accordance with CGD group's risk appetite statement, with the objective of maintaining the focus of the group's activity on products and services commensurate with the strategy of a retail/commercial bank, limiting the complexity of products and positions and ensuring that they are in line with existing risk monitoring capabilities.

Market risk and foreign exchange position risk management in the balance sheet is additionally supported by a formal authorisations structure − market or foreign exchange risk guidelines − requiring the approval of the capital, assets and liabilities executive board (CALCO). The 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.

The establishment of **limits for market concentration and liquidity**, **market risk and loss levels indicators** ensure that the levels of risk taken are commensurate with the group's risk appetite framework. The limits are controlled, monitored and reported daily or on an intraday basis to management bodies (CRO and CFO – Chief Financial Officer) and business units. **The operating rules when limits are exceeded,** which aim to ensure a speedy definition of the action plan and resolution of the excess, are defined in internal regulations.

The control, monitoring and reporting of market and foreign exchange risk is centrally ensured by the Risk Management Division’s market risk area, which reports to the CRO. A reporting line which is independent from the business areas reporting to the CFO or other members of the executive committee has therefore been established. CGD’s risk committee is responsible for overseeing CGD’s and CGD group entities’ market and foreign exchange risks.

The prudential trading book is used to calculate own funds requirements for market risk. It comprises all securities and derivatives held with trading intention or to hedge positions helded with trading intention, as part of CGD group’s trading book strategy and in compliance with the trading book’s internal definition. It specifically includes market-making positions, short positions in securities, rotating short positions in stock market derivatives, arbitrage positions or when the intention involves short-term resale and intentional or correlation trading portfolios or resulting from the services provided to customers. Any hedge of listed items or dynamic hedges on items that, on their own, would only qualify for the banking book are an integral part of the trading book.

This portfolio is **actively managed**, taking into account the timeframe for holding the assets provided for in CGD group’s trading book strategy, as well as being reassessed on a daily basis as regards fair value in line with the principles of **independence, precision, clarity and rigour**, defined in the bank’s internal regulations − corporate valuation policy on own positions in securities and derivatives recognised at fair value. All balance sheet positions contributing to the foreign exchange position (including off balance sheet positions) are taken into account for the calculation of own funds requirements for foreign exchange risk, including both trading and banking books.

The risk assessment considers general market risks, non-linear risks and specific risks attached to the positions held. To this end, the **Value at risk (VaR**), **expected shortfall (ES)** and **three worst (3W) risk metrics** are used for this purpose. VaR is used as a yardstick for monitoring market risks in general and is based on the historical simulation approach. VaR is calculated for an investment timeframe of 1 day (95% confidence interval) for management trading portfolios and a holding period of 10 days (99% confidence interval) for the group’s remaining portfolios, including prudential trading portfolio and the accounting trading portfolio perimeters. Risk assessment is further complemented by such **risk measures** as duration, bpv, Greeks (delta, gamma, rho, vega and theta).

To assess the quality of the VaR model used, monthly VaR is compared on a daily basis with the actual results obtained ("backtesting") in line with the methodologies and recommendations issued by the Basel Committee, with the additional application of other adequate backtesting approaches.

CGD group carries out **stress tests** at least once a month, focusing on market and foreign exchange rate risk, as part of the overall stress test programme and in accordance with current best practice. Stress tests aim to assess the impact of adverse events involving exposure to market risk, measuring their impact on the fair value of the investments and the quantitative and qualitative adequacy of CGD group's own funds. Stress tests are based on risk factors that, as a whole, represent situations

that could originate extraordinary losses on portfolios subject to market risk. These factors specifically include events with a low possibility of occurrence associated with the principal types of risk, including various market and foreign exchange risk components.

Market risk in CGD group is identified on the basis of a robust, continuously reliable, centralised and integrated structure which aims to ensure timely and complete knowledge of the products traded, allowing the identification, measurement, control and reporting of market risk. The registration of transactions in the front office system, which is the basis for identifying the object of the risk, is regulated by specific internal regulations which ensure that the information transmission process is complied with and that it is conveyed to the market risk system reliably to evaluate the respective metrics. With regard to foreign exchange rate risk, identification is also ensured on the basis of the rigorous, standardised and timely transmission of information on the foreign exchange rate position of CGD and any CGD group entity.

Pension fund risk

The Group continues to operate a defined benefit pension plan for the former and current employees of Caixa Geral de Depósitos SA, subject to certain conditions governing inclusion. This plan has been closed to new participants since 2012. The capacity to meet pension plan liabilities is hedged by the management of an assets portfolio whose strategy has been approved by the members' board of directors, under the management of an independent management entity. Regular contributions to the fund by the member and participants are also stipulated.

Pension fund risk derives from **mismatches between pension fund assets and liabilities**. Such mismatches can arise from the depreciation of the market value of pension fund assets or from the increase in the estimated value of pension liabilities due to actuarial, demographic or market factors. Depending on the magnitude and reason for the mismatch, the member may have to make up for potential shortfalls or resolve deficiencies, in the form of extraordinary contributions to the pension fund materialising this risk.

Pension fund risk is **monitored in terms of the risk appetite statement**, with monthly reporting to the executive and risk committees. The calculation monitors the deviations in value between the assets portfolio and the estimated value of liabilities, the evolution of the performance of the assets portfolio in addition to the prospective evolution of the liabilities discount rate, with the aim of mitigating possibly significant or at least, unforeseen mismatches. The assessment of the defined benefits plan is adversely affected by a fall in the liabilities discount rate, in an environment of persistently low interest rate/credit spread levels, which justifies the monitoring operations focused on this assumption, using an internal reference curve for the fund's liabilities discount rate.

Interest rate risk in the banking portfolio

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

The particular dichotomy, in the case of assets and liabilities held by credit institutions, between short, medium and long term fixed and variable-rate portfolios, may also lead to interest rate risk as regards the risk of mismatches between re-fixing periods, basis risk and yield curve risk, for which matters involving the assessment of interest rate risk in the banking portfolio should be closely monitored.

Guidelines defining the roles and responsibilities of the various parties, metrics to be monitored, limits on such metrics and the control system on these limits have been defined for the management and control of banking portfolio interest rate risk. The process of monitoring the size of the exposure to this risk results in the monthly production of reports supporting the monitoring of compliance vis-à-vis existing guidelines and subject to a monthly assessment by CALCO (and the executive committee in the context of the integrated risk report).

Liquidity Risk

Liquidity risk in the banking business area can occur in the event of i) difficulties in resource-taking to finance assets, normally leading to higher costs but which may also imply a restriction on asset growth, or ii) difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods to maturity of assets and liabilities.

Guidelines have been defined for the roles and responsibilities of the different actors, the metrics to be monitored, the limits on such metrics and the control system on such limits for the management and control of liquidity risk guidelines The process of monitoring the size of exposure to these risks results in the monthly production of reports supporting the monitoring of compliance vis-à-vis existing guidelines subject to a monthly assessment by CALCO (and the executive committee in the context of the integrated risk report).

Operational Risk

Operational risk comprises the risk of negative impacts on results or capital deriving from failures of analysis, processing or settlement of operations, internal and external fraud, use of subcontracted resources, internal processes involving the making of ineffective decisions, insufficient or inadequate human resources and situations of the inoperability of infrastructures.

The management of operational risk at CGD Group adopts a methodology supported by an end-to-end approach, implemented both at Caixa and at its branches and subsidiaries.

The referred to methodology includes the **definition, oversight and reporting of tolerance and risk appetite limits** for the Group as a whole. It also includes the identification of operational risk events, the analysis of new products and services, monitoring of subcontracted activities, self-assessment of risks and controls associated with processes and key risk management indicators, as well as the promotion of action plans designed to mitigate exposure to operational risk, based on the implementation of adequate control and risk-mitigating procedures.

The methodology implemented in the Group is supported by a corporate governance model and includes the disclosure of information through an internal reporting system that includes the regular Committees/Executive Committees and the disclosure of reports to various Group structures.

Solvency Risk

Solvency risk comprises the risk of negative **impacts on profit or equity resulting from changes to regulatory or fiscal frameworks**, including the risk of mismatches between capital adequacy and risk profile.

Solvency risk, formalised in the last revision of the classification of CGD group risks, comprises fiscal, regulatory and internal capital risk areas.

Within the scope of monitoring solvency risk, at the level of the prudential consolidation perimeter, the regular monitoring of the adequacy between own funds and the risk profile should be highlighted. In accordance with the approved framework and risk appetite statement, the assessment of capital adequacy, 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 exposure limit to a customer or group of customers related through control relationships or relationships of economic dependence is also assessed.

Under Part IV of the CRR, the value of exposure to a customer or group of related customers, 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 own funds) by a measure of total exposure whose calculation rules are provided for in Part VII of the CRR and in the Regulation Delegate (EU) 62/2015.

Non-financial risks

According to its definition formalised in the latest revision of CGD Group´s risk taxonomy, non-financial risks in the CGD Group include four key risks, namely: Business and strategy, Model, Information technology (IT) and Reputational. These risks consist of the likelihood of negative impacts on results or capital depending on the risk category, namely:

- **Business and strategy** risk: losses deriving from macroeconomic, geopolitical, positioning and business strategy, investment, equity investments in banks and non-banking entities, climate and environmental and pandemics;
- **Model risk**: losses motivated by decisions that can be taken mainly based on the results of internal models, due to the occurrence of errors in the development, application or use of these models;
- **IT risk**: losses deriving from the risk of change, data integrity, IT system failures, ciber risk and theIT systems delivery risk;
- **Reputational risk**: losses originating from the negative perception of CGD's public image in view of customers, counterparties, shareholders, investors or regulators due actions taken by the company or its employees (banking activity, bancassurance, asset management and risk of the protection of confidential data).

A specific management model for such risks has been implemented for the identification, evaluation, measurement, oversight, control and reporting of non-financial risks (complementary to the specialised area in "traditional operational" risks) across CGD group as a whole. The main objective is to achieve an integrated monitoring system on the adequacy and effectiveness of processes, policies and procedures, different non-financial risks components and to autonomously and independently ensure its effectiveness by keeping losses caused by non-financial risks within the tolerance levels defined by CGD's board of directors. The non-financial risk management model also aims to mitigate other relevant negative impacts, such as the level of achievement of strategic objectives, reputation or fulfilment of regulatory requirements.

The methodology implemented is based on a non-financial risks corporate policy and a reputational risk corporate policy that establishes all of the principles and responsibilities applicable to the management of such risks. One of the main elements of this methodology is CGD group's risk taxonomy, which uses a unique and common language for the three lines of defence, within a framework of coordinated intervention between them, establishing a basis on which the Group can create an integrated approach for the management of all non-financial risks that it faces.

Climate and environmental risk has been gaining importance in CGD Group's risk management. In the process of identifying the Group's risk profile carried out in 2021, climate and environmental risk was considered a material and emerging risk.

Climate and environmental risk corresponds to the risk of negative impacts on results or capital arising from climate change and environmental degradation that affect systems (natural and human) and regions and are sources of structural changes that affect economic activity. It is considered that, as a rule, climate and environmental risks comprise two fundamental risk factors, transition risk and physical risk.

Despite climate and environmental risk being a main risk category for CGD Group, Caixa recognizes that this risk could also have an impact on the Group's risk profile through other prudential risk categories.

Given the growing relevance of public disclosures on financial exposure to climate change by financial institutions, since 2021 CGD has been disclosing climate and environmental risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures – TCFD. These disclosures are included in an annex to CGD's Sustainability Report.

2.4 Risk Appetite Statement

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

The **general principles of Risk Appetite** are materialized in qualitative statements that define the Group's risk strategy. These principles derive from and are aligned with CGD's business strategy and the understanding of the resulting risk-benefit trade-offs. They are part of the Bank's culture and strategy, supporting all its activities.

The Bank has defined the three general principles:

- **Ensuring solvency and liquidity levels** - CGD Group must ensure adequate solvency and liquidity levels, applying this principle as follows:
  - Maintain capital strength through regular balance sheet assessment;
  - Maintain a level of capital above regulatory requirements, ensuring a buffer in line with market expectations in both normal and adverse scenarios;
  - Continue to ensure a stable, solid and secure liquidity position capable of supporting adverse scenarios;

  - Maintain stable levels of funding capacity and an adequate stock of high-quality net assets through an approach targeting the market, enabling structural adaptations to the balance sheet when needed;
  - Control the risk exposure of international entities, while maintaining their independence in terms of funding and capital adequacy.
- **Ensuring long-term sustainability and maintaining a leading position in the market** − The CGD Group must ensure sustainability and a leadership position by observing the following principles:
  - Long-term sustainability through an adequate return on balance sheet risks, an improvement in operational efficiency, and the management of risks that may jeopardize the execution of the Bank's strategy, in particular, those linked to credit risk;
  - Maintenance of the identity of a commercial bank and the leadership position in the Portuguese market, both in deposits and in credit to the economy and to households, with a focus on retail clients and small and medium-sized companies;
  - Search for a simple and transparent Group structure, based on a modern infrastructure, to provide high levels of customer satisfaction and minimize operational risk.
- **Adopting practices of excellence in risk management** - The CGD Group must ensure the adoption of best practices in risk management, observing the following principles:
  - Reinforce Governance and Risk Management and Control functions, ensuring that they are at the level of the best market practices and thus contributing to greater stakeholder confidence;
  - Operate in accordance with sound risk management principles, with an effective governance model and policies that ensure compliance with laws and regulations, and ensuring full alignment with the guidelines of the Supervisory Review and Evaluation Process (SREP) of the European Central Bank (cross-sectional supervisory methodology structured around i) analysis of the institutions' business model, ii) assessment of internal governance and the controls implemented, iii) assessment of capital risks and the adequacy of their levels to mitigate them, and iv) assessment of risks to institutions' liquidity levels, and the adequacy of liquidity sources to mitigate them);
  - Develop a strong risk management culture focused on safeguarding the Bank's solvency and financing capacity, avoiding risks that could affect stakeholders, in particular depositors, and ensuring a strong reputation and image in the market.

The Board of Directors is ultimately responsible for defining and approving Risk Appetite, both in terms of the Framework and Statement. The specific responsibilities of the Board of Directors are:

- Alignment of Risk Appetite with the Bank's strategic priorities and objectives;

- Continuous monitoring of the evolution of risk metrics, before each meeting and more frequently if necessary;
- Discussion of limits or tolerance levels.

The Risk Appetite Statement (RAS) is complemented by the “cascade” statements for the Group's 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.

In this sense, a RAS dashboard was designed that contains “**Level 1” and “Level 2” metrics**, summarizing the Bank's position in all risk categories, including the respective expected trend (forward looking), as well as indicators of the macroeconomic situation and, when necessary, of appropriate alarmism to specific contexts.

This document is submitted monthly to monthly to the Board of Directors (CA), the Risk Committee (CR) and the Executive Committee (CE) and quarterly to the Audit Committee (CAUD).

Each Risk Appetite metric has a target, a tolerance level, a threshold and a Recovery Plan trigger. These boundaries increase the visibility of risk appetite and provide an effective defense mechanism against an excessive level of risk.

The breach of the tolerance level, limit or trigger of the Recovery Plan requires the activation of specific measures by the respective responsible for the risk.

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

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

In order to present a comprehensive view of CGD's risk management and in compliance with the provisions of article 435 (f) of the CRR, the main ratios and metrics of CGD[5]. Group are presented below. The information disclosed in this chapter is also complemented by that contained in the 2021 Annual Report (3.8. Transactions with related parties and others).

[5] Information complemented by the CGD Indicators included in point “1.2 Highlights of 2021” of the Annual Report.

Table 1 | EU KM1 Key metrics template

		a	b	c
		dez-21	jun-21	dez-20
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7.775.322	7.756.330	7.619.599
2	Tier 1 capital	7.780.558	8.261.340	8.123.854
3	Total capital	8.409.296	8.895.617	8.748.270
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	42.635.560	42.958.854	41.819.403
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18,2%	18,1%	18,2%
6	Tier 1 ratio (%)	18,2%	19,2%	19,4%
7	Total capital ratio (%)	19,7%	20,7%	20,9%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2,3%	2,3%	2,3%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1,3%	1,3%	1,3%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1,7%	1,7%	1,7%
EU 7d	Total SREP own funds requirements (%)	10,3%	10,3%	10,3%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2,5%	2,5%	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0%	0,0%	0,0%
9	Institution specific countercyclical capital buffer (%)	0,0%	0,0%	0,0%
EU 9a	Systemic risk buffer (%)	0,0%	0,0%	0,0%
10	Global Systemically Important Institution buffer (%)	0,0%	0,0%	0,0%
EU 10a	Other Systemically Important Institution buffer	0,8%	0,8%	0,8%
11	Combined buffer requirement (%)	3,3%	3,3%	3,3%
EU 11a	Overall capital requirements (%)	13,5%	13,5%	13,5%
12	CET1 available after meeting the total SREP own funds requirements (%)	3.931.459	3.881.441	3.847.489
	Leverage ratio			
13	Total exposure measure	106.522.359	103.491.899	93.254.294
14	Leverage ratio (%)	7,3%	8,0%	8,7%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	0,0%	0,0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00 pp	0,00 pp	0,00 pp
EU 14c	Total SREP leverage ratio requirements (%)	3,0%	3,0%	0,0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0,0%	0,0%	0,0%
EU 14e	Overall leverage ratio requirements (%)	3,0%	3,0%	0,0%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	33.873.079	29.226.858	24.729.090
EU 16a	Cash outflows - Total weighted value	12.370.327	11.202.324	10.493.570
EU 16b	Cash inflows - Total weighted value	3.950.346	4.377.662	4.405.820
16	Total net cash outflows (adjusted value)	8.419.981	6.825.178	6.087.750
17	Liquidity coverage ratio (%)	408,0%	430,5%	407,6%
	Net Stable Funding Ratio			
18	Total available stable funding	81.611.786	87.200.489	79.752.371
19	Total required stable funding	49.573.693	50.032.906	46.067.150
20	NSFR ratio (%)	164,6%	174,3%	173,1%

Values in thousands of euros

Table 2 | Other Relevant Indicators

	a	b
	2021	2020
Credit quality and Coverage Degree		
NPL Ratio [(1)]	2.8%	3.9%
NPE Ratio [(2)]	2.3%	2.9%
NPL Impairment coverage	110.5%	97.0%
NPE Impairment coverage	99.8%	91.3%
Credit risk cost	0.08%	0.33%
Profitability and eficiency ratios		
Return on Equity - ROE [(3)]	7.0%	6.1%
Return on Asseta - ROA [(3)]	0.6%	0.6%
Cost-to-income	42.4%	50.0%
Ratings (Long/Short Term)		
Moody's	Baa2/P-2	Ba1/NP
Fitch	BBB-/F3	BB+/B
DBRS	BBB /R-2 (high)	BBB / R-2 (high)

(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

3. 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 be detained by the Portuguese State. On 31 December 2021, its share capital amounted to 3,844,143,735 euros, represented by 768,828,747 shares with a nominal value of 5 euros each.

3.1 The CGD Group's consolidation perimeter

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

The CGD Group consolidates its units under the following methods:

⇨ **Full consolidation method**

This method consists of aggregating all elements of the balance sheet and income statement of the parent company and its subsidiaries, excluding the balances resulting from transactions carried out between them and with the parent company. In short, 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 holds 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 level 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 with 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.

3.2 Consolidation perimeters of the CGD Group

In the consolidation process in the CGD Group, entities can be framed in prudential and/or accounting (or publication).

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 carries out 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 fulfill 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).

At 31 December 2021 the accounting consolidation perimeter of the CGD Group, as well as prudential, was composed of the following entities:

Table 3 | EU LI3 Outline of the differences in the scopes of consolidation (entity by entity)

	Consolidation Method		% of Equity	Country	Activities
	Financial Perimeter	Prudential Perimeter			
Branches					
Sucursal de França	Full	Full	100%	France	Financial institutions
Sucursal de Timor	Full	Full	100%	Timor	Financial institutions
Subsidiaries					
Banco Caixa Geral Brasil, S.A. (*)	Full	Full	100%	Brazil	Financial institutions
Caixa - Banco de Investimento, S.A.	Full	Full	100%	Portugal	Financial institutions
Banco Comercial e de Investimentos, S.A.	Full	Full	63%	Mozambique	Financial institutions
Banco Interatlântico, S.A.R.L.	Full	Full	70%	Cape Verde	Financial institutions
Banco Comercial do Atlântico, S.A.	Full	Full	58%	Cape Verde	Financial institutions
Banco Nacional Ultramarino, S.A.	Full	Full	100%	China (Macau)	Financial institutions
Caixa - Participações, SGPS, S.A.	Full	Full	100%	Portugal	Financial (holding)
CGD Investimentos CVC, S.A. (*)	Full	Full	100%	Brazil	Financial institutions
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Full	Full	45%	Cape Verde	Venture Capital
Caixa Gestão de Ativos, S.A.	Full	Full	100%	Portugal	Asset Management
CGD Pensões - Soc. Gestora de Fundos de Pensões, S.A.	Full	Full	100%	Portugal	Asset Management
Imobci, Lda. (**)	Full	Full	46%	Mozambique	Real Estate Management
Caixa Serviços Partilhados	Full	Full	90%	Portugal	Ancillary Services
Banco Caixa Geral Angola, S.A.	Full	Full	51%	Angola	Financial institutions
Société Civile Immatriculée du 8 Rue du Helder	Full	Full	100%	France	Real Estate Management
Inmobiliaria Caixa Geral, S.L.	Full	Full	100%	Spain	Real Estate Management
Caixa Imobiliário, S.A.	Full	Full	100%	Portugal	Real Estate Management
Special Purpose Entities					
Nostrum Mortgages 2	Full	Full	100%	Portugal	Securitisation Fund
Fundo de Capital de Risco Empreender Mais	Full		100%	Portugal	Venture Capital Fund
Fundo de Capital de Risco Caixa Fundos	Full		100%	Portugal	Venture Capital Fund
Caixagest Private Equity - Fundo Especial de Investimento	Full		27%	Portugal	Investment Fund (open-end)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Full		31%	Portugal	Real Estate Investment Fund (closed-end)
Fundolis - Fundo de Investimento Imobiliário Fechado	Full		100%	Portugal	Real Estate Investment Fund (closed-end)
Associated					
GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	36%	Mozambique	Venture Capital
Esegur - Empresa de Segurança, S.A.	Equity	Equity	50%	Portugal	Ancillary Services
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50%	Portugal	Financial institutions
SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	23%	Portugal	Financial institutions
Fidelidade - Companhia de Seguros S.A.	Equity	Equity	15%	Portugal	Insurance company
Companhia de Papel do Prado, S.A. (***)	Equity	Equity	38%	Portugal	Industry
S.G.P.I.C.E. - Soc. de Serviços de Gestão de Portais na Internet e de Consultoria de Empresas, S.A.	Equity	Equity	33%	Portugal	Telecommunication services
TF - Turismo Fundos - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Equity	Equity	33%	Portugal	Asset management
Bem Comum - Sociedade de Capital de Risco, S.A.	Equity	Equity	32%	Portugal	Venture Capital
Banco Internacional de São Tomé e Príncipe, S.A.R.L.	Equity	Equity	27%	Sao Tome Principe	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%

Additionally, it should be noted that BCG Brasil 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) 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 CET 1 Capital. The amount to be decreased corresponds with the portion that exceeds 10% of the institution's CET 1 Capital, according to the 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.

In 2021, and with a view to pursuing the Strategic Plan, the corporate reorganization of the CGD Group continued:

- with the merger by merger of Parbanca, SGPS, S.A. in Caixa - Participações, SGPS, S.A. held on 30 June 2021;
- with the merger by incorporation of The Groupment d'Interet Economique in the French Branch held on 1 July 2021;
- with the merger by incorporation of the Caixa Crescimento Venture Capital Fund into the Most Deliberate Venture Capital Fund on 23 July 2021.

It should be noted that, from an accounting point of view, The Company's operations were considered carried out on behest of the Incorporante, as of 1 January 2021, for the above cases.

On 31 December 2021, o Fundiestamo - Fundo de Investimento Imobiliário Fechado also ceased to be part of the CGD Group.

Finally, it should be noted that Companhia Papel do Prado, SA and S.G.P.I.C.E - Sociedade de Serviços de Serviços de Portals na Internet e de Consultoria de Empresas, S.A (ex Yunit Serviços, SA) remain suspended from the consolidation process.

3.3 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 for prudential and accounting purposes.

Table 4 | EU LI1 Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

	a	b	c	d	e	f	g
	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	23,000,073	23,000,177	23,000,177	-	-	-	-
Cash balances at other credit institutions	677,351	677,505	677,505	-	-	-	-
Loans and advances to credit institutions	3,246,364	3,250,152	2,994,914	255,239	-	-	-
Financial assets at fair value through profit or loss	2,125,489	1,886,899	1,066,058	432,324	-	388,518	-
Available-for-sale financial assets	6,031,819	6,079,615	6,074,151	-	5,464	-	-
Financial assets with repurchase agreement	7,828	8,121	8,121	-	-	-	-
Hedging derivatives	5,898	5,898	-	5,898	-	-	-
Held-to-maturity investments	12,994,274	12,994,274	12,994,274	-	-	-	-
Loans and advances to customers	50,183,664	50,235,227	50,111,023	-	-	-	124,205
Non-current assets held-for-sale	336,347	195,437	195,437	-	-	-	-
Investment properties	33,346	20,464	20,464	-	-	-	-
Other tangible assets	568,929	569,156	569,156	-	-	-	-
Intangible assets	177,534	177,534	-	-	-	-	177,534
Investments in associates and jointly controlled entities	529,794	715,609	715,609	-	-	-	-
Current tax assets	443,163	443,651	443,651	-	-	-	-
Deferred tax assets (1)	1,131,948	1,145,653	1,131,305	-	-	-	14,349
Other assets (2)	2,516,327	2,506,293	1,429,278	262,993	-	-	814,022
Total assets	**104,010,147**	**103,911,666**	**101,431,122**	**956,454**	**5,464**	**388,518**	**1,130,109**
Liabilities							
Resources of central banks and other credit institutions	6,745,201	6,745,134	-	-	-	-	6,745,134
Customer resources and other loans	79,755,690	79,946,304	-	-	-	-	79,946,304
Debt securities	1,789,714	1,789,714	-	-	-	-	1,789,714
Financial liabilities at fair value through profit or loss	381,661	391,091	-	391,091	-	-	-
Hedging derivatives	35,628	35,628	-	35,628	-	-	-
Non-current liabilities held-for-sale	147,714	-	-	-	-	-	-
Provisions for employee benefits	658,255	658,255	-	-	-	-	658,255
Provisions for other risks	318,839	365,412	220,032	-	-	-	145,380
Current tax liabilities	32,489	32,545	-	-	-	-	32,545
Deferred tax liabilities	111,431	100,658	-	-	-	-	100,658
Other subordinated liabilities	1,117,883	1,117,883	-	-	-	-	1,117,883
Other liabilities	3,628,679	3,474,063	-	-	-	-	3,474,063
Total Liabilities	**94,723,184**	**94,656,685**	**220,032**	**426,719**	**-**	**-**	**94,009,935**

Values in thousands of euros

(1) Referring to DTA for tax losses

(2) Amount deducted from Equity, related to the Defined Benefit Pension Fund

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.

Table 5 | EU LI2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	**Asset carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**102,781,557**	**101,431,122**	**956,454**	**5,464**	**388,518**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	646,750	220,032	426,719	-	-
3	**Total net amount under the regulatory scope of consolidation**	**102,134,807**	**101,211,090**	**529,736**	**5,464**	**388,518**
4	Off-balance sheet amounts	14,510,653	14,510,653	-	-	-
5	Amount relative with Potential Future Exposure of derivatives [1]	194,653	-	194,653	-	-
6	Differences due to compensation rules [2]	118,024	-	118,024	-	-
7	Differences due to CCF application	(11,914,077)	(11,914,077)	-	-	-
8	Differences due to mitigation effect	(311,852)	(281,978)	(29,873)	-	-
9	Other difference [3]	(45,479)	(45,479)		-	-
10	**Exposure amounts considered for regulatory purposes**	**104,298,213**	**103,480,209**	**812,539**	**5,464**	**-**

Values in thousands of euros

[1] Value corresponding to the future potential value of derivatives, according to article 274 (2) of the CRR, and after netting effects

[2] Value corresponding to the adjustment of the replacement value of derivatives, according to article 274 (1) of the CRR, and after netting effects

[3] Includes the value corresponding to exposures intended for contributions to the protection fund of a CCP

4. Capital Adequacy

4.1 Capital Management

The objectives of Caixa Geral de Depósitos's 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, National Council of Financial Supervisors and the Single Resolution Board, with regard to the **MREL**;
- 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 obove described principles, Caixa Geral de Depósitos plans its capital needs and liabilities eligible for MREL in the short and medium term, with a view to financing its activity and ensuring its ability to absorb losses and recapitalise in adverse scenarios.

This planning is carried out from the internal estimates of growth of balance sheet operations and financing through other resources is done primarily by issuing subordinated debt, under certain conditions, but also through senior debt issues, prefered and non prefered, for MREL purposes.

4.2 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 298/1992, which assumes a vital role in prudential regulation in Portugal, reflecting, to a large extent, the EU Directives applicable to the financial system (Directives 2006/48/EC, 2006/49/EC and (EU) 76/2010).

With the entry into force, in January 2014, of the new regulatory framework called Basel III [Regulation (EU) 575/2013 and of Directive (EU) 36/2013 of the European Parliament and of the Council, both of 26 June], mandatory 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) 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) 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) 445/2016 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) 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 10/2017, which revoked Notice 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 1 January 2018, stand out.

Also during the same period, Regulation (EU) 2395/2017 of the European Parliament and of the Council was published, amending Regulation (EU) 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) 630/2019, which amended Regulation (EU) 575/2013 as regards minimum loss coverage for Non-Performing Exposures (NPE), 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.

This Regulation as determined that institutions must deduct the amount of unhedged non-performing exposures from the Tier 1 capital items, in case the exposure originated after 26 April 2019.

In May 2019, Regulation (EU) 876/2019 (also known as CRR II) was published, amending Regulation (EU) 575/2013 and Directive 878/2019 (also known as 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 with full application from 28 December 2020, in order to allow Member States time to transpose them into national law.

CRR II entered into force on 28 June 2021, with some exceptions that had already entered into force during a 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.

As a result of the Covid-19 Pandemic, supervisors adopted a set of measures to keep banks able to absorb losses and maintain their capacity to support the economy, referred to in the following points.

Requirement for the establishment of a capital conservation reserve

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.

In this context, Bank of Portugal issued Notice 6/2016 of 31 May, which revoked Notice 1/2015, as it understood that the anticipation of the application of the own funds conservation reserve, under the terms set out in Notice 1/2015, could harm the verification of those conditions, implying the subjection of the entities to the transitional regime established in no. 1 to 4 of article 23 of Decree-Law no. 157/2014, of 24 October.

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 CET 1 and applicable on a consolidated basis.

The level of this capital buffer was set by Bank of Portugal at 1% for CGD, but a phased implementation was defined, with the application of 0.25% per year between 2018 and 2021, according to a decision communicated on 30 November 2017.

However, in May 2020, the Bank of Portugal, as part of measures to mitigate the impact of the Covid-19 Pandemic, issued a statement postponing the gradual implementation period of this requirement for 1 year.

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 2021, the Bank of Portugal set the Countercyclical Buffer at 0% of the total amount of exposure figures.

Table 6 | EU CCyB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	c	d	e	f	g	h	i	j	k	l
		General credit exposures	Relevant credit exposures – Market risk			Total exposure value						
		Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Total exposure value	*Relevant credit risk exposures - Credit risk*	*Relevant credit exposures – Market risk*	*Relevant credit exposures – Securitisation positions in the non-trading book*	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
10	Portugal	38,762,006	20,224	5,464	38,787,694	1,818,941	1,289	209	1,820,439	22,755,492	74%	0%
20	Mozambique	1,093,903	-	-	1,093,903	76,852	-	-	76,852	960,654	3%	0%
30	Macao	3,149,489	-	-	3,149,489	135,955	-	-	135,955	1,699,439	6%	0%
40	France	3,000,917	1,491	-	3,002,408	154,273	4	-	154,278	1,928,472	6%	0%
50	Others	4,252,307	19,507	-	4,271,814	257,722	281	-	258,003	3,225,042	11%	-
60	**Total**	**50,258,621**	**41,222**	**5,464**	**50,305,307**	2,443,743	1,575	209	2,445,528	**30,569,099**	**100%**	**-**

Values in thousands of euros

Table 7 | EU CCyB2 Amount of institution-specific countercyclical capital buffer

		a
		Value
10	Total risk exposure amount	42,635,560
20	Institution specific countercyclical capital buffer rate	-
30	Institution specific countercyclical capital buffer requirement	-

Values in thousand Euros

It should be noted that the possible failure of some of the previously identified reserves (O-SII, countercyclical reserve and Specific reserve) would not jeopardize the continuity of the institutions' activity.

However, it would, in particular, imply restrictions on the distribution of dividends and the repurchase of own shares, as well as the submission to Banco de Portugal, by the institutions concerned, of a plan for the conservation of own funds, duly scheduled, with the objective of fully comply with the combined capital requirement. Banco de Portugal is responsible for defining the time horizon for the implementation of 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 23/2016, which amended Law 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%.

Capital Requirements Applicable to Consolidated Perimeter under SREP Capital Requirements Applied in 2021

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 “Other 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) Capital Conservation Buffer (CCB), of 2.50%;
iv) reserve for 'Other Institutions of Systemic Importance of 0.75%;
v) the Countercyclical reserve of Equity Funds, of 0%.

However, as part of a set of initiatives to mitigate the impacts of the Covid-19 Pandemic, the ECB notified cgd on 8 April 2020, the amendment made on the SREP dated 4 December 2019, in which the requirement for a total ratio (TSCR) of 10.25% would be maintained (of which 8% of Pillar 1 and 2.25% of Pillar 2 (P2R), passing the P2R value fixed for CGD, which initially should consist exclusively of instruments classified as CET 1, to be covered in 56.25% by CET instruments 1, 18.75% by AT 1 instruments and 25% by Tier 2 instruments, with application from March 2020, including.

Thus, the minimum CET1 (phased-in) requirement required of CGD on a consolidated basis has become 9.02%, which includes: O rácio de capital CET1 mínimo exigido sob o Pilar 1 de 4.5%;

i) the minimum CET1 capital ratio required under Pillar II (P2R) of 1.27%;
ii) capital Conservation Buffer (CCB) of 2.50%;
iii) reserve for 'Other Institutions of Systemic Importance of 0.75%;
iv) the Countercyclical reserve of Equity Funds of 0%.

CGD is also subject to compliance with a minimum Tier 1 requirement of 10.94% and Total Capital of 13.50% in 2020.

With regard to the reserve of Own Funds for "Other Institutions of Systemic Importance" (O-SII), Bank of Portugal defined a gradual implementation period of 0.25% per year between 2018 and 2021, with the requirement expected to reach 1% in the last year.

However, in order to allow the banking system to mitigate the shock of the economic and financial conditions caused by the COVID-19 pandemic, Bank of Portugal granted the possibility of extending for another year the period for fully complying with the reserve percentage of O-SII, and this decision was communicated to CGD in May 2020.

In relation to the countercyclical reserve of Own Funds, Bank of Portugal issued the Communiqué on 30 September 2021, informing that the 0% buffer amount would be maintained. On 31 March 2022 Bank of Portugal maintained this decision and remained valid until the next review on June 2022.

Accordingly, the minimum ratios to be respected by CGD in 2021 remained unchanged from 2020:

Table 8 | Minimum Capital Ratios 2021

<table>
<tr><th></th><th colspan="6">2021</th></tr>
<tr><th rowspan="3">Ratio</th><th rowspan="3">Minimum ratio</th><th colspan="4">of which</th></tr>
<tr><th rowspan="2">Pillar 1</th><th rowspan="2">Pillar 2</th><th colspan="2">Buffers</th></tr>
<tr><th>Conservation</th><th>O-SII</th></tr>
<tr><td>CET1</td><td>9,02%</td><td>4,50%</td><td>1,27%</td><td>2,50%</td><td>0,75%</td></tr>
<tr><td>TIER 1</td><td>10,94%</td><td>6,00%</td><td>1,69%</td><td>2,50%</td><td>0,75%</td></tr>
<tr><td>Total Capital</td><td>13,50%</td><td>8,00%</td><td>2,25%</td><td>2,50%</td><td>0,75%</td></tr>
</table>

Capital requirements to be applied in 2022

In February 2022, the European Central Bank (ECB) informed CGD of the minimum prudential requirements to be held in 2022, having the Pillar 2 requirement for CGD set at 2%, which will represent a reduction of 0.25% compared to 2021, thus reflecting an improvement in the supervisor's perception of the institution's overall risk.

Based on the results of the Supervisory Review and Evaluation Process (SREP), as well as Bank of Portugal communication on the additional capital reserve required of it as "Other Institution of Systemic Importance" (O-SII), Caixa Geral de Depósitos, S.A. is expected to ensure, on a consolidated basis, in 2022, a total ratio (TSCR) of 10.00% (of which 8% of Pillar 1 and 2.00% of Pillar 2 – P2R) should be ensured, and the P2R value set for CGD should be covered at 56.25% per CET instruments 1, 18.75% for AT 1 instruments and 25% per Tier 2 instruments, starting from March 2022 inclusive.

Thus, the minimum CET1 (phased-in) requirement for CGD on a consolidated basis has become 9.125%, 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 1.125%;
iii) Capital Conservation Buffer (CCB), of 2.50%;
iv) reserve for 'Other Institutions of Systemic Importance of 1.0%;
v) the Countercyclical reserve of 0%.

Table 9 | Minimum Capital Ratios 2022

	2022				
Ratio	Minimum ratio	of which			
		Pillar 1	Pillar 2	Buffers	
				Conservation	O-SII
CET1	9.13%	4.50%	1.13%	2.50%	1.00%
TIER 1	11.00%	6.00%	1.50%	2.50%	1.00%
Total Capital	13.50%	8.00%	2.00%	2.50%	1.00%

4.3 Regulatory Capital

Own Funds and Capital Ratios

CGD presents in 2021, own funds levels comfortably above the minimum solvency requirements, achieved as the result of a high quality Capital:

Table 10 | Eligible own funds and capital ratios

	31-12-2021	31-12-2020
Regulatory capital		
Common Equity Tier 1 (CET 1)	7,775,322	7,619,599
TIER 1 capital	7,780,558	8,123,854
TIER 2 Total Own Funds	8,409,296	8,748,270
RWA - Risk Weight Assts	42,635,560	41,819,403
Solvency Ratios		
CET1 ratio	18.2%	18.2%
TIER 1 ratio	18.2%	19.4%
Total ratio	19.7%	20.9%
SREP - Minimum requirements		
Common Equity Tier 1 (CET 1)	9.0%	9.0%
Own Funds Tier 1	10.9%	10.9%
Total Own Funds	13.5%	13.5%
Surplus Own Funds		
Common Equity Tier 1 (CET 1)	3,931,459	3,849,318
Own Funds Tier 1	3,117,293	3,549,857
Total Own Funds	2,653,496	3,102,650

Values in thousands of Euros

It is presented below the comparison between the Own Funds and Capital ratios between 2020 and 2021, it should be noted the exclusion of the AT 1 Instrument in the amount of EUR 500 million in the last year as a result of the ECB's approval for its call (detailed in this chapter):

Table 11 | Eligible own funds

	31-12-2021	31-12-2020
Share Capital	3,844,144	3,844,144
Retained earnings	3,847,503	3,376,818
Net income	329,378	405,026
Revaluation reserves:	255,079	267,266
Unrealised gains and losses on available for sale items	32,713	29,810
Property revaluation reserve and unrealised gains in investment properties	109,428	124,931
Other	112,938	112,525
Total minority interest given recognition in CET 1 capital	66,713	49,716
Total CET 1 capital prior to regulatory adjustments	**8,342,817**	**7,942,969**
Goodwill, net of deferred tax	-	-
Intangibles other than Goodwil, net of deferred tax liability	(177,534)	(126,721)
Deferred tax assets for Tax losses, net of related deferred tax liabilities	(14,349)	(9,399)
Assets of defined benefit pension funds	(188,221)	-
Other deductions on CET1	-	-
Total CET 1 capital after the regulatory adjustments above	**7,962,714**	**7,806,849**
National filters and deductions that affect CET1, of which:	(187,392)	(187,251)
Irrevocable Commitments - Deposit Guarantee Fund	(155,553)	(155,553)
Irrevocable Commitments - Resolution Fund	(22,575)	(19,419)
AVA	(8,418)	(12,279)
Backstop	(846)	-
Common Equity Tier 1 (CET 1)	**7,775,322**	**7,619,599**
Tier 1 Adicional	-	500,000
Tier 1 Adicional - subsidiárias (IM)	5,236	4,256
Regulatory adjustments	-	-
Tier 1 Own Funds	**7,780,558**	**8,123,854**
Tier 2 Instruments	600,000	600,000
Tier 2 Instruments - Subsidiaries (IM)	28,738	24,415
Regulatory adjustments	-	-
Total Own Funds	**8,409,296**	**8,748,270**
RWA Total	**42,635,560**	**41,819,403**
Credit	36,409,203	35,712,872
Market	1,579,902	1,415,197
operational	3,357,431	3,497,976
CVA	71,867	29,680
Others	1,217,157	1,163,678
Rátio CET1	**18.2%**	**18.2%**
Rátio T1	**18.2%**	**19.4%**
Rátio Total	**19.7%**	**20.9%**
Accounting net income (per memo)	**570,449**	**489,488**

In the calculation of the Consolidated Own Funds and prudential ratios, reported to the Supervisor referring to 31 December 2021, a net profit of 329,378 thousand euros was considered, as

authorized by the ECB, pursuant to paragraph 2, article 26 of the Regulation (EU) 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 CET 1 Capital, this amount having been calculated on net accounting income of 570,449 thousand euros, excluding 241,071 thousand euros relating to the maximum amount of dividend distributable through profit or loss, calculated in accordance with CGD's Dividend Distribution Policy.

Dividend distribution

Since the beginning of the Covid-19 Pandemic, the ECB has adopted a set of measures to keep banks able to absorb losses and strengthen their capacity to support the economy.

Of these measures we highlight those related to the distribution of dividends that, in a first phase, aimed to ensure a greater retention of results generated by banks, with the publication on 27 March 2020 of Recommendation ECB/2020/19 which established that, by 1 October 2020, no dividends were paid, that no irrevocable dividend payment commitments were made by credit institutions and that credit institutions should refrain from repurchasing shares intended to remunerate shareholders.

In this regard, the ECB admitted two possible approches, 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, never before 1 October 2020);
>
> b) proposing a change in the dividend policy, whereby no dividend shall be distributed for 2019 financial year, 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).

Following this guidance, the non-distribution of dividends for 2019 was approved at the General Meeting, and the net result was integrated into free reserves after deduction of the legal reserve (option b of the ECB's recommendation).

These restrictive recommendations related to the distribution of dividends were successively extended, on 27 July 2020, with Recommendation ECB/2020/35 and on 15 December 2020, with Recommendation ECB/2020/62, having, however, the lattest came to allow the possibility of distributing dividends or repurchasing shares, subject to compliance with the lower of two limits: 15% of the respective retained earnings for the financial years 2019 and 2020, or 20 basis points of the CET 1.

Taking into account recommendation ECB/2020/62 and the Internal Dividend Distribution Policy, CGD delivered approximately EUR 83.6 million to the shareholder, as approved at the General Meeting of 31 May 2021, referring to further evaluation the possibility of resuming distributions as defined in its Policy, depending on the evolution of the ECB's position.

With the publication of Recommendation ECB/2021/31 of 23 July 2021 and considering the latest macroeconomic projections available at the time (indicating the beginning of the economic recovery and a further reduction in the level of economic uncertainty), the ECB decided not to extend the recommendation on the distribution of dividends beyond September 2021, while reinforcing the guidance that banks should remain prudent when deciding on dividends and share repurchase, carefully considering the sustainability of your business model. Similarly, they should not underestimate the risk in terms of capital arising from additional losses that may arise when measures to support the economy begin to expire.

In November 2021 CGD distributed dividends retained in the years 2019 and 2020, in the amount of 300,000 thousand euros, through the delivery to its shareholder of amounts available in "Other Reserves and Carried Forward Results", under Articles 31 to 33 of the Commercial Companies Code, thus totaling an amount delivered to the shareholder in 2021, 383,639 thousand euros.

From the completion of CGD's recapitalisation by the end of the 2021 financial year, a total amount of 583,639 thousand euros, has been delivered to the shareholder, of which 200,000 thousand euros in 2019 (for 2018 results) and the remainder in 2021 (as described above).

Reimbursement of the AT1 (Additional Tier 1)

On 28 January 2022, CGD received from the European Central Bank the authorisation for the early repayment of the Instrument eligible for additional tier 1 capital in the amount of 500,000 thousand euros, with effect on 30 March 2022, the first contractually stipulated date for the exercise of the call.

This perpetual Issuance was carried out in March 2017 under the Recapitalisation Plan agreed between the Portuguese State and the European Commission in a very demanding market conditions, to institutional investors at international level and with an interest rate of 10.75%, thus the authorisation for its early repayment outstands the robust solvency of CGD.

Accordingly, and in line with Article 28(2) of Delegated Regulation (EU) 241/2014, the ratios calculated (Individual and Consolidated) for December 2021 excludes the amount of 500,000 thousand euros of AT1.

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

The variation in the CET1 ratio between December 2020 and December 2021 is explained by the improvement of Own Funds at levels that made it possible to offset the increase in Risk Weighted Assets (RWA - Risk Weighted Assets):

1. The improvement in Common Equity Tier 1 (CET 1) Own Funds by around + 155.7 million euros represents a positive contribution to the CET 1 ratio of 37 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 329.4 million euros) was the main component with a positive contribution, with a weight of +79 bp in the variation the CET 1 ratio;

    b) Increase in Other Reserves and Results Carried over by +65,7 million euros (after payment of the extraordinary dividend through Reserves, in the amount of 300 million euros delivered to the shareholder in November 2021), which contributed around +16 bp to the variation of the CET1 ratio and is mainly the result of exchange rate impacts related to international activity (+90.6 million euros), actuarial deviations related to post-employment benefits (approximately +342.1 million euros) and tier 1 additional interest charges (-53.8 million euros)

    c) Deduction related to the excess coverage of the Pension Fund (combined effect of the reduction of liabilities and improvement in the performance of the Fund) by -188.2 million euros, which resulted in a decrease of 45 bp in the variation of the CET1 ratio, and an increase in the deduction of Intangibles by 50.8 million euros, which resulted in a decrease of -12 bp in the variation of the CET1 ratio.

2. From December 2021 to December 2020 there was an increase in RWA of around 816.2 million euros , with an impact of -35 bp on the CET1 ratio. This variation is essentially explained by the following factors:

    a) Exchange rate assessment of metical (MZN) and kwanza (AOA), circa 20%, with an overall impact on RWA for credit risk, BCI Mozambique and BCG Angola, which is around 780 million euros (-33 bp in CET1 ratio);

    b) Increase in the housing loan portfolio with an impact of EUR 350 million on the RWA (-15 bp in the CET1 ratio). This increase was particularly relevant in terms of domestic activity;

    c) Reduction of the portfolio of equity holdings which, together with the implementation of the regulatory changes provided for in Regulation (EU) 876/2019 on new clearance approaches to positions on collective investment bodies, contributed to the decrease in RWA by 300 million euros (+13 bp in the CET1 ratio);

d) Decrease in the non-performing asset portfolio and portfolio of non-current assets held for sale, with an overall contribution of 270 million euros in the reduction of RWA (+12 bp in cet1 ratio);

e) Increased market risk RWA by 165 million euros (-7 bp in CET1 ratio). The exchange rate appreciation observed in 2021, reflecting the increase in foreign exchange positions opened in meticais (MZN) and kwanzas (AOA) but also in patacas (MOP) and Hong Kong dollars (HKD), justifies the majority of the increase of RWA for foreign exchange risk, which was partially offset by the reduction of the trading book;

f) Reduction of RWA for operational risk by EUR 140 million, with an impact of 6 bp on the CET1 ratio.

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) 575/2013.

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

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

Table 12 | EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments

1	**Issuer**	**CGD Lisboa**	**CGD Lisboa**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	PTCGHFOM0006	PTCGDKOM0037
2a	Public or private placement	Private	Public
3	Legislation(s) applicable to the instrument (4)	Bank of Portugal Notice 12/92	CRD IV (Decree Law 157/2014)
3a	Contractual recognition of the powers of resolution authorities in terms of reducing book value and conversion	No	Yes
	Regulatory treatment		
4	**Transitional CRR rules**	**Tier 2**	**Tier 2**
5	**Post-transitional CRR rules**	**Tier 2**	**Tier 2**
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and (sub)Consolidated	Individual and (sub)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated obligations	subordinated obligations
8	**Amount recognised in regulatory capital (currency in million, as of most recent reporting date)**	**100.0**	**500.0**
9	**Nominal amount of instrument**	**100,000,000**	**500,000,000**
EU-9a	Issue price	100%	100%
EU-9b	Redemption price	100%	100%
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	2008-03-03	2018-06-28
12	Perpetual or dated	Fixed Term	Fixed Term
13	**Original maturity date**	**2028-03-03**	**2028-06-28**
14	Issuer call subjet to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	2023-06-28
16	Subsequent call dates, if applicable	N/A	After the 1st call on each coupon payment date
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	**Coupon rate and any related index**	**6.0%**	**5.8%**
19	Existence of a dividend stopper	N/A	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	non convertible	non convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Subordination type (only for eligible liabilities)	Statutory	Statutory
EU-34b	Hierarchical position of the instrument in a normal insolvency process	Rank 3 - Tier 2 instruments	Rank 3 - Tier 2 instruments
35	**Position in the subordination hierarchy in the event of liquidation (specify the instrument type immediately above in the priority hierarchy)**	**Lower Tier 2**	**Tier 2**
36	Non-conforming transition object characteristics	No	No
37	If yes, specify non-conforming characteristics	-	-
37a	Link to full instrument terms and conditions (flag)	https://www.bourse.lu/security/PTCGHFOM0006/135956	https://www.bourse.lu/security/PTCGDKOM0037/267807

(1) Indicate "N/A" if the question is not relevant

Early repayment clause (article 489 EU regulation 575 /2013))

Information relating to the nature and amount of prudential filters, applied 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 (EU) 575/2013, found in the following table.

Table 13 | EU CC1 Composition of regulatory own funds

		31-12-2021	Source based on reference numbers/letters of the balance sheet under the regulatory scoope of consolidation	Balance Key	Notes
	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)	1	(a)
	of which: Instrument type 1	-	EBA list 26 (3)		
	of which: Instrument type 2	-	EBA list 26 (3)		
	of which: Instrument type 3	-	EBA list 26 (3)		
2	Retained earnings	4,511,290	26 (1) (c)	3+adjustments	(b)
3	Accumulated other comprehensive income (and other reserves)	(408,708)	26 (1)		(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)		
5	Minority interests (amount allowed in consolidated CET1)	66,713	84, 479, 480	5	(d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	329,378	26 (2)	4	(e)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**8,342,817**			
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(8,418)	34, 105		(f)
8	Intangible assets (net of related tax liability) (negative amount)	(177,534)	36 (1) (b), 37, 472 (4)	9	(g)
9	Not applicable	-			
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)	(14,349)	36 (1) (c), 38, 472 (5)	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)	(188,221)	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	Not applicable	-			
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	Not applicable	-			
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 except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	36 (1) (l)		
26	Not applicable	-			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	36 (1) (j)		
27a	Other regulatory adjusments	(178,974)			(m)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(567,495)**			
29	**Common Equity Tier 1 (CET1) capital**	**7,775,322**			
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51, 52		
31	of which: classified as equity under applicable accounting standards	-		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	-	486 (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	5,236	85, 86, 480	5	(o)
35	of which: instruments issued by subsidiaries subject to phase out	-	486 (3)		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**5,236**			

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	Not applicable	-			
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**	**5,236**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,780,558**			
	Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	600,000	62, 63	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)		
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	28,738	87, 88, 480	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**	**628,738**			
	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	Not applicable	-			
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	Not applicable	-			
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)		
EU-56b	Other regulatory adjusments to T2 capital	-	475, 475 (2) (a), 475 (3), 475 (4) (a)		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**			
58	**Tier 2 (T2) capital**	**628,738**			
59	**Total capital (TC = T1 + T2)**	**8,409,296**			
60	**Total risk exposure amount**	**42,635,560**			
	Capital ratios and requirements including buffers				
61	**Common Equity Tier 1**	**18.2%**	**92 (2) (a), 465**		
62	**Tier 1**	**18.2%**	**92 (2) (b), 465**		
63	**Total capital**	**19.7%**	**92 (2) (c)**		
64	Institution CET1 overall capital requirements	9.0%	CRD 128, 129, 140		
65	of which: capital conservation buffer requirement	2.5%			
66	of which: countercyclical capital buffer requirement	0.0%			
67	of which: systemic risk buffer requirement	0.0%			
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.8%	CRD 131		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.0%			
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.2%	CRD 128		
	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)	2,918	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)	486,863	36 (1) (i), 45, 48, 470, 472 (11)		
74	Not applicable	-			
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)	665,623	36 (1) (c), 38, 48, 470, 472 (5)		(j)
	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	471,228	62		
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)		

Values in thousand of Euros

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

a) Share capital as presented on the Prudential Balance Sheet (item with Key 1 in the Prudential Balance Sheet) which fullfil all the conditions of Article 28 in order to be classified as Common Equity Tier 1 Capital.

b) Amount of the "Other Reserves and Retained Earnings" (item identified with Key 3 of the Prudential Balance Sheet) considering the impact of the contribution post-employment benefits and medical plan of 663,787 thousand euros.

c) The summition of points (b) and (c) above, match the value of Key 2 and 3 of the Prudential Balance Sheet.

d) Amount of non-controlling interest is included in the Prudential Balance Sheet in the aggregate "non-controlling interest" and better identified with Key 5. The part of minority interest in the balance sheet which, by Regulatory restrictions, is not considered in Tier 1 Capital Funds shall become, under the conditions laid down in Regulation (EU) 575/2013, eligible for additional Tier 1 and/or Tier 2 Own Funds.

e) The positive consolidated net income attributable to the shareholder (item identified with Key 4 of the Prudential Balance Sheet) included in the Own funds, meeting the regulatory conditions for this purpose (the inclusion of the net income in prudential Own Funds as defined by the Article 26(2) of Regulation (EU) 575/2013, in particular, being certified and having the authorization of the supervisory authority).

f) Deduction in Tier 1 Capital of the "Additional Value Adjustment" resulting from the prudent assessment of the trading book, as provided for in Articles 34 and 105 of Regulation (EU) 575/2013. This adjustment has no accounting impact. With reference to December 2021 the prudent assessment adjustment, calculated through the simplified approach set out in Articles 5 and 6 of Chapter II of EU Delegated Regulation No 101/2016, was around 8.4 million.

g) Deduction from Tier 1 Main Equity Funds of intangible assets (net of corresponding taxes). This deduction benefited from the transitional regime until 2017, and its impact in 2021 corresponds to 100% of the balance sheet value (item identified with Key 9 of the Prudential Balance).

h) Deduction from Tier 1 Capital of deferred tax assets resulting from reportable tax losses, net of liabilities. This deduction benefited from the transitional regime until 2017, and its impact in 2021 corresponds to 100% of the balance sheet value (item identified with Key 8 of the Prudential Balance Sheet).

i) Deduction in tier 1 capital of the value of defined benefit pension fund assets resulting from the application of Articles 36, 1, e) and 41 CRR.

j) It refers to the deduction of the Deferred Tax Assets (DTA)arising from temporary differences, not covered by the special national legislation of the DTA (Law 61/2014 of 26 August), net of Deferred Tax Liabilities (DTL), which exceed 10% of the Own Funds after regulatory adjustments described in paragraphs g), h) and i). The value of deferred tax assets arising from temporary differences and liabilities are both included in the item identified by Key 10 of the Prudential Balance Sheet. There is no deduction for own funds as net DTAs are below the 10% limit of reference Own Funds. The undeducted part of deferred taxes arising from temporary differences is weighted at 250% in RWA.

k) Deferred Taxes Assets arising from temporary differences, net of deferred tax liabilities, also contribute to another deduction. This is a deduction which is calculated on the basis of the comparison of an aggregate resulting from a sum [sum of deferred taxes arising from temporary differences, net of deferred tax liabilities referred to in the preceding paragraph, with the amounts of direct and indirect holdings of the institution of CET1 instruments of financial entities in which the institution has a significant investment] against the threshold of 17.65% of the Own Funds.

l) The amount of direct and indirect holdings of the institution of CET1 instruments of financial entities in which the institution has a significant investment amounts to EUR 486,863 thousand (included in key 11 item of the Prudential Balance Sheet). The application of the deduction mechanism, as set out in the preceding subparagraph, did not entail any deduction in the Tier 1 Capital. The undeducted part is weighted at 250% in RWA.

m) The deduction of irrevocable commitments of the Deposit Guarantee Fund and Resolution Fund results from the imposition communicated in the SREP Decision 2017.

n) The additional Tier 1 Capital Instruments resulting from an issue of EUR 500 million made by Caixa Geral de Depósitos, SA, in 2017 and which met all regulatory conditions for that classification (item "Other capital instruments" identified with Key 6 of the Prudential Balance Sheet). CGD requested the ECB in 2021 to early reimburse the AT1 Instrument in and it was authorised on 28 January 2022. In compliance with Article 28(2) of Delegated Regulation (EU) 241/2014, CGD no longer considers in its Own Funds this instrument from December 2021, inclusive.

o) Amount of minority interests included in the Prudential Balance Sheet in the aggregate "Non-Controlling Interests", identified with Key 5, excluding the portion eligible for Tier 1 Capital and that Regulation (EU) 575/2013 allows to elect as additional Tier 1 Own Funds.

p) These are subordinated debts (ISIN PTCGHFOM0006 and PTCGDKOM0037) issued by Caixa Geral de Depósitos, SA and which meet all the conditions for their qualification as Tier

2 Capital. The characteristics of these essuances can be found in **Table 12 | Main features of the Fund Instruments**. In the Prudential Balance sheet are included in the item identified with Key 7.

q) Amount of Non-Controlling Interests included in the Prudential Balance Sheet in the aggregate "Non-Controlling Interests", identified with Key 5, excluding amount eligible for Tier 1 Capital and Additional Tier 1 Own Funds and which Regulation (EU) 575/2013 allows to be elected as Tier 2 Capital.

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) 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) 575/2013, the institutions must apply the method mentioned in Appendix I of Regulation (EU) 1423/2013 and publish the information on balance sheet reconciliation, as per the following tables:

Table 14 | EU CC2 Reconciliation of prudential and accounting balance sheet

	a	b	c	d	e	f
	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	23,000,073	104	-	-	23,000,177	
Cash balances at other credit institutions	677,351	(88,127)	-	88,281	677,505	
Loans and advances to credit institutions	3,246,364	35,442	-	(31,654)	3,250,152	
Financial assets at fair value through profit or loss	2,125,489	(288,450)	49,861	-	1,886,899	
Available-for-sale financial assets	6,031,819	47,796	-	-	6,079,615	
Financial assets with repurchase agreement	7,828	293	-	-	8,121	
Hedging derivatives	5,898	-	-	-	5,898	
Held-to-maturity investments	12,994,274	-	-	-	12,994,274	
Loans and advances to customers	50,183,664	51,564	-	-	50,235,227	
Non-current assets held-for-sale	336,347	(187,393)	46,483	-	195,437	
Investment properties	33,346	(47,924)	35,042	-	20,464	
Other tangible assets	568,929	227	-	-	569,156	
Intangible assets	177,534	0	-	-	177,534	9
Investments in associates and jointly controlled entities, of which:	529,794	-	185,815	-	715,609	11
Insurance companies	429,339	-	-	-	429,339	
Other financial institutions (Equity stake > 10%)	57,524	-	-	-	57,524	
Other Investments in associates and subsidiaries excluded from consolidation	42,931	-	185,815	-	228,746	
Current tax assets	443,163	488	-	-	443,651	
Deferred tax assets, of which:	1,131,948	13,712	(7)	-	1,145,653	
Deferred tax assets for temporary differences	1,117,599	13,712	(7)	-	1,131,305	10
Deferred tax assets for tax losses carry forward	14,349	-	-	-	14,349	8
Other assets	2,516,327	(10,898)	-	864	2,506,293	
Total assets	**104,010,147**	**(473,167)**	**317,194**	**57,491**	**103,911,666**	
Liability and Equity						
Resources of central banks and other credit institutions	6,745,201	30,956	-	(31,024)	6,745,134	
Customer resources and other loans	79,755,690	102,955	-	87,659	79,946,304	
Debt securities	1,789,714	-	-	-	1,789,714	
Financial liabilities at fair value through profit or loss	381,661	9,429	-	-	391,091	
Hedging derivatives	35,628	-	-	-	35,628	
Non-current liabilities held-for-sale	147,714	(147,714)	-	-	-	
Provisions for employee benefits	658,255	-	-	-	658,255	
Provisions for other risks	318,839	89	46,483	-	365,412	
Current tax liabilities	32,489	56	-	-	32,545	
Deferred tax liabilities, of which:	111,431	1,213	(11,986)	-	100,658	
Deferred tax liabilities for temporary differences	111,431	1,213	(11,986)	-	100,658	10
Other deferred tax assets liabilities	-	-	-	-	-	8
Other subordinated liabilities	1,117,883	-	-	-	1,117,883	7
Other liabilities	3,628,679	(36,259)	(119,213)	856	3,474,063	
Total Liabilities	**94,723,184**	**(39,274)**	**(84,716)**	**57,491**	**94,656,685**	
Capital	9,049,156	(433,892)	401,910	-	9,017,174	
Other equity instruments (Additional Tier 1)	3,844,144	(464,099)	464,099	-	3,844,144	1
Revaluation reserves	500,000	-	-	-	500,000	6
Other reserves and retained earnings	255,079	-	-	-	255,079	2
Net income attributable to the shareholder of CGD	3,866,572	77,187	(96,257)	-	3,847,503	3
Shareholders' equity attributable to CGD	583,361	(46,981)	34,069	-	570,449	4
Non-controlling interests, of which:	237,807	-	-	-	237,807	5
Ordinary shares	237,807	-	-	-	237,807	
Preference shares	-	-	-	-	-	
Total equity	**9,286,963**	**(433,892)**	**401,910**	**-**	**9,254,981**	
Total liabilities and equity	**104,010,147**	**(473,167)**	**317,194**	**57,491**	**103,911,666**	

Values in thousands of Euros

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

Table 15 | Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds

	a	b	c
	Key (*)	Prudential Balance Sheet	Own Funds
Share capital	1	3,844,144	3,844,144
Other reserves and retained earnings	3	3,847,503	3,847,503
Result attributable to CGD shareholder (considered in CET 1 own funds)	4	570,449	329,378
Revaluation reserves	2	255,079	255,079
Non-controlling interests given recognition in CET 1 capital	5	237,807	66,713
State Aid Instruments considered eligible for CET 1		-	-
Total CET 1 capital prior to regulatory adjustments			**8,342,817**
Intangibles (Includes goodwill), net of related DTLs	9	177,534	(177,534)
Deferred tax assets (from tax losses), net of related deferred tax liabilities	8	14,349	(14,349)
Assets of defined benefit pension funds			(188,221)
Other deductions on CET1			-
Total CET 1 capital after the regulatory adjustments identified above			**7,962,714**
Significant investments in common shares of financial entities (amount above the 10% threshold)			-
Deferred tax assets arising from temporary differences (amount above the 10% threshold)	10	1,131,305	-
Amount exceeding the 17,65% threshold, of which:			-
Financial institutions and insurers	11	715,609	-
DTA's (arising from temporary differences)	10	1,131,305	-
National filters and other deduction affecting			(187,392)
Irrevocable Commitments - Deposit Guarantee Fund			(155,553)
Irrevocable Commitments - Resolution Fund			(22,575)
AVA			(8,418)
NPL (Backstop)			(846)
National filters and other deductions			-
Tier 1 Core Equity Funds (CET 1 - Common Equity Tier 1)			**7,775,322**
Additional Tier 1 Equity Funds (Additional Tier 1), of which:			**5,236**
Equity instruments issued	6	500,000	-
Subsidiaries' contribution	5	237,807	5,236
Tier 1 Equity Funds (Tier 1)			**7,780,558**
Tier 2 Own Funds (Tier 2), of which:			**628,738**
Equity instruments issued	7	1,117,883	600,000
Subsidiaries' contribution	5	237,807	28,738
Total Own Funds			**8,409,296**
RWA totals, of which:			**42,635,560**
Credit			37,698,227
Market			1,579,902
Operational			3,357,431
Ratio CET 1			18.2%
Ratio Tier 1			18.2%
Ratio Total			19.7%

Values in thousands of euros

(*) Correspondence between elements of the Prudential Balance and regulatory Own Funds
No. 575/2013). If the Net Result in Own Funds were not considered, the ratios would be: CET 1= 17.5% | Tier 1= 17.5% | Total= 18.9%.

4.4 Capital Requirements

Regulatory Capital Requirements

Pursuant to article 438, paragraphs d) of the CRR, the following table shows, by risk typology, the risk-weighted exposure amount as at 31 December 2021 and 2020.

Table 16 | EU OV1 Overview of total risk exposure amounts

		a	b	c
		Total dos montantes de exposição ao risco		Total dos requisitos de fundos próprios
		2021-12-31	2020-12-31	2021-12-31
1	**Credit risk (excluding CCR)**	**36,847,248**	**36,213,352**	**2,947,780**
2	Of which the standardised approach	36,847,248	36,213,352	2,947,780
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**848,364**	**689,248**	**67,869**
7	Of which the standardised approach	440,829	226,697	35,266
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	2,228	5,710	178
EU 8b	Of which credit valuation adjustment - CVA	71,867	29,680	5,749
9	Of which other CCR	333,440	427,162	26,675
15	**Settlement risk**	**-**	**-**	**-**
16	Securitisation exposures in the non-trading book (after the cap)	2,615	3,631	209
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	2,615	-	209
19	Of which SEC-SA approach	-	3,631	-
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,579,902**	**1,415,197**	**126,392**
21	Of which the standardised approach	1,579,902	1,415,197	126,392
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	**Operational risk**	**3,357,431**	**3,497,976**	**268,594**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	3,357,431	3,497,976	268,594
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,881,214	2,901,945	230,497
29	**Total**	**42,635,560**	**41,819,403**	**3,410,845**

Values in thousands of euros

In December 2021, the value of risk weighted assets (RWA) to EUR 42,635 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 1.95% (EUR 816 million), mainly explained by the

increase in RWA for credit (2.1%) and market (11.6%) risks. The value of RWA for operational risk decreased by EUR 140.5 million compared to 2020.

In absolute terms, the most significant variation in RWA was observed in terms of credit risk, EUR 792 million, largely justified by the exchange rate appreciation of metical (MZN) and kwanza (AOA), by about 20%, with a global impact on the RWA of BCI Mozambique and BCG Angola, which is around 780 million euros.

It should also be noted the growth of the home loan portfolio, particularly relevant in terms of domestic activity, with an impact of EUR 350 million on the value of risk-weighted assets.

On the other hand, the reduction in the portfolio of fund holdings, together with the implementation of the regulatory changes provided for in Regulation (EU) 876/2019 on new clearance approaches to positions on collective investment firms, justified a decrease in RWA for credit risk by around EUR 300 million.

Finally, it is worth mentioning the decrease in RWA for credit risk resulting from the decrease in the non-performing asset portfolio and the non-current assets held for sale portfolio.

In terms of market risk, there was an increase of RWA by 165 million euros. The exchange rate appreciation observed in 2021, reflected in the increase in open exchange positions in meticais (MZN) and kwanzas (AOA) but also in patacas (MOP) and in Hong Kong dollars (HKD), largely justifies the increase in RWA for foreign exchange risk, which was partially offset by the reduction in RWA allocated to the trading book.

Also with regard to own funds for market risk, it should be noted that as of the third quarter of 2021, inclusive, CGD began to report to the supervisor the value of capital requirements determined in accordance with the new quantification methodologies (FRTB) .Currently, this quantification is for information purposes only, it is estimated that it will only be considered in 2025 in the determination of regulatory capital ratios. Also with regard to own funds for market risk, it should be noted that third quarter of 2021, inclusive, CGD began to report to the supervisor the value of capital requirements determined in accordance with the new quantification methodologies (FRTB) is for information purposes only, it is estimated that it will only be considered in 2025 in the determination of regulatory capital ratios.

CGD deducts from its own funds significant investments in equity instruments of insurance companies, reinsurance companies or holding companies in the insurance sector, so these positions do not contribute to CGD group's RWAs.

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 process of self-assessment of the adequacy of internal capital respects a governance model defined in internal regulations, which guarantees 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 2021, 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 risk and credit spread risk of the banking book)
- Reputational Risk;
- Strategic Risk;
- Interest rate risk in the banking book;
- Operational Risk;

- Pension Fund Risk.

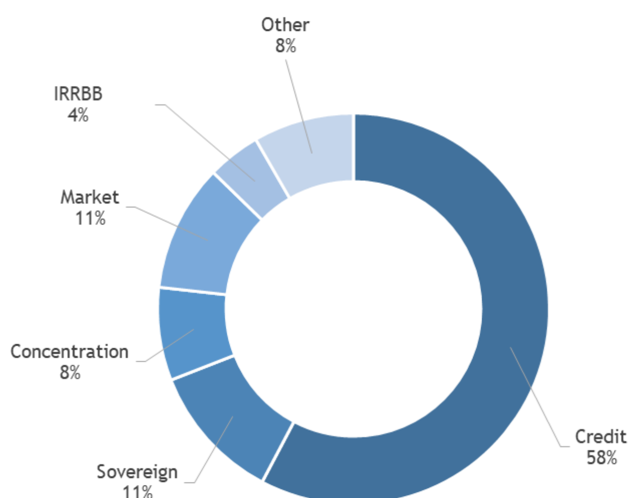
Capital adequacy is evaluated via comparison between internal capital and internal capital needs ascertained in accordance with internal quantification methodologies.

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 2021, internal capital needs corresponded to around 51.3% of the available internal capital, evidencing the bank´s solid position, with the following distribution by type of risk:

Figura 2 | Internal capital requirements (Dec21)



Credit risk, in the default risk subcategory, is considered the most relevant, as the respective capital requirements correspond to around 58% 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 11% of internal capital requirements, while sovereign risk (including exposure to Central Banks and public sector entities equivalent to Central Government) represent, 11% of the total internal capital requirements.

4.5 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) 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) 62/2015; 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, under paragraph 46 of Regulation (EU) 876/2019 amending Regulation (EU) 575/2013 with regard, among others, to the leverage ratio, a mandatory minimum leverage ratio requirement of 3% entered into force in June 2021.

On 31 December 2021, CGD's leverage ratio was 7.28%, indicating that CGD is not at risk of excessive leverage.

Table 17 | Leverage ratio

		a	b
		31-12-2021	31-12-2020
10	Total SFT Exposure	261,572	354,226
20	Total derivates exposures	774,013	66,264
30	Total off-balance exposure	3,312,990	3,090,707
40	Other assets	102,741,279	90,066,468
50	(-) Asset amount deducted - Tier 1	(567,495)	(323,371)
60	(-) Deducted asset value - Tier 1 - transition definition	(567,495)	(323,371)
70	Total exposure Leverage Ratio by fully phased setting	106,522,359	93,254,294
80	Capital Tier 1 - fully phased definition	7,780,558	8,123,854
90	Leverage Ratio (phasing-in)	7.3%	8.7%
100	Total Leverage ratio exposure	106,522,359	93,254,294
110	Tier 1 Capital	7,780,558	8,123,854
120	Leverage Ratio fully (loaded)	7.3%	8.7%

Values in thousands of Euros

In 2021, the leverage ratio showed a decrease of 1.4% (from 8.7% in 2020 to 7.3% in 2021), justified by the combined effect of the increase of around EUR 13,268 million in the exposure measure, mostly exposures treated as sovereign and the decrease in Tier 1 capital (-EUR 343 million).

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) 200/2016 of 15 February 2016, relevant information concerning the leverage ratio is presented in the following tables:

Table 18 | EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures

		a Applicable amount
1	Total assets as per published financial statements	104,010,147
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of **prudential** consolidation	(98,481)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank**s** (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	335,790
9	Adjustment for securities financing transactions (SFTs)	6,333
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,312,990
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(1,044,421)
13	**Total exposure measure**	**106,522,359**

Values in thousands of Euros

Table 19 | EU LR2 Leverage ratio common disclosure

		a
		CRR leverage ratio exposures
		2021-12-31
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	102,995,720
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(254,441)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital)	(567,495)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	102,173,784
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	396,830
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	377,183
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivatives exposures**	774,013
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	255,239
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	Counterparty credit risk exposure for SFT assets	6,333
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-
17	Agent transaction exposures	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-
18	**Total securities financing transaction exposures**	261,572
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	14,510,653
20	(Adjustments for conversion to credit equivalent amounts)	(11,197,663)
21	(General provisions **deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)**	-
22	**Off-balance sheet exposures**	3,312,990

	Excluded exposures	
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-
EU-22c	Excluded exposures of public development banks **(or units)** - Public sector investments**)**	-
EU-22d	(Excluded **exposures** of public development banks **(or units) - Promotional loans**):	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)**)**:	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-
EU-22k	(Total exempted exposures)	-
	Capital and total exposure measure	
23	**Tier 1 capital**	**7,780,558**
24	**Total exposure measure**	**106,522,359**
	Leverage ratio	
25	Leverage ratio	7.3%
EU-25	Leverage ratio-excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.3%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.3%
26	Regulatory minimum leverage ratio requirement (%)	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.0%
27	Leverage ratio buffer requirement (%)	0.0%
EU-27a	Overall leverage ratio requirement (%)	3.0%
	Choice on transitional arrangements and relevant exposures	
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA
	Disclosure of mean values	
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash -receivables	238,853
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	255,239
30	Total measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	106,505,974
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	106,505,974
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0

Table 20 | EU LR3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**102,741,279**
EU-2	Trading book exposures	388,518
EU-3	Banking book exposures, of which:	102,352,761
EU-4	Covered bonds	43,509
EU-5	Exposures treated as sovereigns	45,189,259
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	2,362,590
EU-7	Institutions	3,042,116
EU-8	Secured by mortgages of immovable properties	27,837,348
EU-9	Retail exposures	5,886,450
EU-10	Corporates	11,397,280
EU-11	Exposures in default	693,970
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,900,241

Values in thousands of Euros

5. MREL (Minimum Requirement for own funds and Eligible Liabilities)

Regulatory framework

The Single Resolution Mechanism (SUR) – 2nd pillar of the Banking Union – sets the framework for the resolution of banks in all participating Member States. The purpose of the MUR is to ensure the orderly resolution of bankrupt institutions with minimal costs to taxpayers and the real economy. To this end, Regulation (EU) 806/2014 - Single Resolution Mechanism Regulation (SRMR) and Directive (EU) 59/2014 - Bank Recovery and Resolution Directive (BRRD) determine compliance with a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), so that banking institutions have sufficient capacity to absorb losses and recapitalize, so as not to compromise the application of bail-in or other resolution instruments and guarantee the continuity of their functions criticisms without putting an additional burden on taxpayers.

The target level to be met is determined by the Resolution Authority, the CUR (Single Resolution Committee), on a case-by-case basis for each bank, based on its characteristics, namely complexity, risk profile and strategy of resolution. The methodology for calculating the requirement is applied in accordance with the legislation and MREL policy of the CUR, considering the balance sheet information at a given reference date (usually 31 December), so the stipulated requirement is subject to review over time (usually annually).

MREL decision

The binding MREL decision, announced by the Bank of Portugal in February 2021, determines compliance with the following MREL requirements under the terms of the European directive on bank recovery and resolution (BRRD2) and the single resolution mechanism regulation (SRMR 2):

- Starting 1 January 2022, under the interim requirement, the institution shall hold eligible own funds and liabilities equivalent to:
  - 19.63% of total risk-weighted assets plus a combined buffer requirement of 3.5% corresponding to a total requirement of 23.13 %;
  - 6.00% of total leverage ratio exposure.
- Starting 1 January 2024, the institution shall hold own funds and eligible liabilities equivalent to:
  - 22.08% of total risk-weighted assets plus a combined buffer requirement of 3.5% corresponding to a total requirement of 25.58%;
  - 6.00% of total leverage ratio exposure.

The requirements apply, on a consolidated basis, within the resolution perimeter established by the Single Resolution Board (prudential perimeter entities in banking union, including branches abroad

(not having their own legal personality) and Banco Nacional Ultramarino in Macao. The preferred resolution strategy is the MPE (multiple point-of-entry) approach. According to the decision in force at the time, CGD is not obliged to comply with any minimum subordination requirement.

As at 31 December 2021, CGD complied with the binding intermediate requirement determined by the SRB, recording the following ratios:

Table 21 | Own funds and eligible liabilities in percentage

	31-12-2021
Own funds and eligible liabilities as a percentage of RWA (MREL % RWA)	24.6%
Own funds and eligible liabilities as a percentage of LRE (MREL % LRE)	8.8%

In March 2022, new requirements and a new resolution perimeter excluding BNU Macao were announced by the Bank of Portugal, with a total requirement of 25.95% and 5.94% of total leverage ratio exposure coming into force as of 1 January 2024.

CGD has established eligible instruments to ensure compliance with MREL requirements, having produced a funding plan designed to achieve gradual convergence with the requirement set for January 2024 and adjusted by the evolution thereof.

The first stage of this funding plan was implemented in 2019, with a senior non-preferred debt issuance of €500 million. This was the first such issuance of this type of debt by a Portuguese bank.

CGD also realised a senior preferred debt issuance of € 500 million in 2021, with a 6-year maturity and possibility of early redemption after 5 years at a coupon rate of 0.375%, the lowest it ever achieved in terms of capital market issuances.

This issuance represented an important contribution to meeting the interim requirement set for January 2022 with an adequate safety margin, considering the disqualification of the eligible instrument as AT1 Capital (Additional Tier 1) for the amount of € 500 million.

This issuance has the particularity of being sustainable (Environment, Social and, Governance Bonds), directing the funds raised to the financing of credit operations of its clients in the environmental and socio-economic development domain. This is the first issue carried out by a Portuguese bank with these characteristics and is an important milestone in fulfilling the commitments assumed by Caixa in the field of sustainable financing, creating value for its clients and reducing the environmental impact of its activity.

This issuance represented an important contribution to the fulfillment of the intermediate requirement set for January 2022 with an adequate safety margin, already considering the disqualification of the instrument eligible of the AT 1, authorized by the Supervisor, in the amount of 500,000 m euros.

6. 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 refers only to instruments encompassed by Part III, Title II, Section 2, namely credit risk under the standardised approach. Exposures that are subject of counterparty credit risk and the securitisation transactions will be addressed in specific sections.

6.1 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 Division (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 (i.e., non-financial risks) in investment and financing decisions, DRT will be responsible for attributing an ESG (environmental, social and governance) rating. To the Corporate and Project Finance segments, which, combined with traditional financial ratings, will allow the definition of Sustainable Financing Strategies, aimed at supporting 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.

- **Office of Transformation (GTR):**

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, GTR – 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) 575/2013' issued by the European Banking Authority (EBA) on 28 September 2016 (EBA/GL/2016/07).

Non-performing exposures: The definition implemented is set out in paragraph 47a of Regulation (EU) 630/2019 of the European Parliament and the Council of 17 April 2019.

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 speed up and support the process of granting short-term credit to companies and standardize the risk analysis of these operations, CGD Group developed and implemented a model for defining short-term exposure limits for companies, which provides guidance on to the recommended short-term exposure level for each client. The model allows the use of the same set of clear and objective rules for calculating reference limits, which are only indicative and serve as a basis for a case-by-case analysis to effectively assign limits to the customer.

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.

In order to strengthen the credit risk framework of financial institutions in the CGD Group, during 2021, standards for credit risk of institutions and financial groups were adopted, which establish the regime applicable to the risk-taking of financial institutions, in which the CGD Group appears as a shareholding, assuming credit risk, with a view to identification, assessment, control and prevention of the credit risk in which it may incur.

As part of credit portfolio follow-up and control and complying with IAS 39, the CGD Group developed a credit impairment model[6] 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, 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:

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[6] 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.

- 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[7]:

- 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:

- Fulfilment of contractual conditions agreed with the CGD Group;

[7] 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

- 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) 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 2021, 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) 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) 1799/2016).

6.2 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 2021, 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 115,676 million and was distributed by exposure classes set forth under article 112 of Regulation (EU) 575/2013 as outlined in the following table.

Table 22 | Total amount and average exposure amount

	Net exposure	Net exposure (period average)
Exposure classes:		
Central governments or central banks	44,928,752	42,060,713
Regional government or local authorities	1,744,618	1,738,491
Public sector entities	1,177,218	1,067,658
Multilateral development banks	-	-
International organisations	261,219	202,514
Institutions	3,800,535	3,688,005
Corporates	18,803,962	18,966,367
Retail	10,823,480	10,510,517
Exposures secured by mortgages on immovable property	28,144,882	27,672,326
Exposures in default	913,726	913,918
Exposures associated with particulary high risk	1,713,982	1,836,401
Exposures in form of covered bonds	43,509	43,765
Institutions and corporates with a short-term credit assessment	-	-
Exposures in form of units or share in collective investment undertakings	1,166,296	1,023,953
Equity	815,679	795,452
Other items	1,338,407	1,370,395
Total exposure value	**115,676,264**	**111,890,474**

Values in thousands of Euros

Compared to 31 December 2020, exposure increased by approximately EUR 16,032 million (16.1%), of which EUR 13,313 million refer to positions on central governments or central banks. Also noteworthy was the increase in positions secured by real mortgages on immovable property (EUR 1,170m), corporates (EUR 468m) and retail (EUR 538m). On the other hand, exposure to non-performing assets decreased by approximately EUR 90 million, reflecting both the continued execution of the non-performing asset reduction plan and the increase in impairment coverage, which also reflects the reinforcement required to comply with minimum requirements for impairment coverage (backstops).

Finally, reference should be made to the increase in exposure to collective investment undertakings, partially offset by the decrease in exposure to elements associated with particularly high risks. This reclassification of positions between risk classes stems from the introduction, by Regulation (EU) 876/2019, of new approaches for calculating the RWA of risk positions on funds. According to the look-through approach, adopted by CGD for the vast majority of the fund's portfolio, the funds' assets must be risk weighted as if they were directly held by the institution. In this context, a set of positions,

namely venture capital funds, whose assets were weighted in accordance with the respective prudential framework, were reallocated to the collective investment organisms risk class.

Structurally, there is a concentration of positions in the risk classes Central Administrations or Central Banks, Positions Secured by Real Estate, Corporates and Retail, which together represent around 88,8% of CGD Group's net exposure.

The amount of net position associated with in-balance sheet items is mainly concentrated in the risk classes Central Administrations or Central Banks (44.3%), Positions Secured by Real Estate (27.5%), Corporates (11.2%) and Retail (5.8%) which globally represent around 88.7% of then on-balance exposure. For off-balance sheet items, the Corporate (52.4%) and Retail (34.5%) risk classes contribute with 86.9% of the expsoure.

In compliance with the requirements of article 442(a) of the CRR, CGD applies the same definition of “default” used for internal credit risk management purposes, incorporating the specificities provided for in the EBA publication “Final Report of the EBA - Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013 (EBA/GL/2016/07 of 28 September 2016)”, in addition to what is specified in the articles 127 and 178 of Regulation (EU) 575/2013, which determines that a situation of default occurs, with regard to a given borrower, when at least one of the following situations is observed:

i) The debtor is **more than 90 days** past due in relation to a **significant credit obligation** to the institution, its parent company or any of its subsidiaries;

ii) The institution assigns the non-performing credit status to the **credit obligation**;

iii) The institution recognizes individual **impairment** resulting from the perception of a significant **deterioration in the debtor's credit quality**;

iv) There is a **sale** or restructuring of a credit obligation where the institution has incurred a significant economic loss;

v) Declared insolvency Request for insolvency (includes PER's) by the debtor or CGD;

vi) Indicators of ongoing **legal proceedings**.

Additionally, the legislation defines that, at the level of the non-retail segment, the default must be measured at the customer level, so the activation of default in an operation contaminates the entire customer exposure (cross default).

It should be noted that, according to the hierarchy defined in the allocation of positions to risk classes, the risk class elements associated with particularly high risks prevails over the default risk class. For this reason, there is a set of defaulted positions, which fall within the definition of speculative financing of real estate, are not allocated to the default risk class.

The Table below presents the variations in non-performing loans and advances in accordance with Article 442(f) of the CRR.

Table 23 | EU CR2 Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**2,306,892**
020	Inflows to non-performing portfolios	599,852
030	Outflows from non-performing portfolios	(769,884)
040	Outflows due to write-offs	(62,393)
050	Outflow due to other situations	(707,490)
060	**Final stock of non-performing loans and advances**	**2,136,860**

Values in thousands of Euros

The table below shows the details of performing and non-performing exposures, credit risk adjustments and financial and collateral guarantees received by type of exposure in accordance with article 442(c) and e) of the CRR. As at 31 December 2021, 13% of off-balance sheet exposures and 87% of on-balance sheet exposures contributed to the composition of CGD Group's portfolio, of which 46% relate to loans and advances.

Table 24 | EU CR1 Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		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			
005	**Cash balances at central banks and other demand deposits**	**23,079,794**	**23,079,794**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**49,919,010**	**45,766,321**	**4,152,689**	**2,136,860**	**-**	**2,136,860**	**912,815**	**157,640**	**755,174**	**1,391,068**	**-**	**1,391,068**	**217,084**	**35,626,221**	**571,539**
020	Central banks	1,052,255	1,052,255	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	2,564,432	2,541,326	23,106	5,107	-	5,107	3,202	2,656	546	36	-	36	-	2,069,186	4,269
040	Credit institutions	2,791,135	2,770,210	20,925	14	-	14	2,056	910	1,147	6	-	6	-	1,004	8
050	Other financial corporations	265,674	205,525	60,148	5,529	-	5,529	13,782	944	12,838	3,553	-	3,553	-	100,157	480
060	Non-financial corporations	14,039,637	11,417,925	2,621,712	1,474,236	-	1,474,236	668,537	139,635	528,902	974,028	-	974,028	104,817	6,843,349	370,237
070	Of which: SMEs	9,173,374	7,207,457	1,965,916	944,011	-	944,011	497,842	108,020	389,822	649,087	-	649,087	1,191	5,297,835	204,495
080	Households	29,205,878	27,779,080	1,426,798	651,975	-	651,975	225,237	13,496	211,742	413,444	-	413,444	112,267	26,612,526	196,546
090	**Debt Securities**	**23,370,107**	**23,332,595**	**37,512**	**109,390**	**-**	**109,390**	**21,707**	**19,367**	**2,340**	**58,947**	**-**	**58,947**	**-**	**-**	**-**
100	Central banks	24,039	24,039	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	18,538,857	18,538,857	-	-	-	-	8,856	8,856	-	-	-	-	-	-	-
120	Credit institutions	962,662	962,662	-	-	-	-	326	326	-	-	-	-	-	-	-
130	Other financial corporations	176,036	176,036	1	-	-	-	195	195	-	-	-	-	-	-	-
140	Non-financial corporations	3,668,513	3,631,001	37,512	109,390	-	109,390	12,330	9,990	2,340	58,947	-	58,947	-	-	-
150	Off-balance sheet exposures	**14,031,996**	**11,400,488**	**813,409**	**384,399**	**-**	**384,399**	**47,780**	**22,475**	**25,305**	**172,252**	**-**	**172,252**		**403**	**741**
160	Central banks	4,067	-	4	-	-	-	-	-	-	-	-	-		-	-
170	General governments	416,771	233,856	1,131	408	-	408	94	78	15	-	-	-		-	-
180	Credit institutions	143	255	0	-	-	-	0	0	-	-	-	-		-	-
190	Other financial corporations	520,289	315,785	1,270	2,285	-	2,285	238	160	78	420	-	420		-	4
200	Non-financial corporations	9,711,589	8,149,365	755,129	368,418	-	368,418	45,615	20,915	24,700	168,667	-	168,667		403	713
210	Households	3,379,136	2,701,226	55,875	13,288	-	13,288	1,834	1,323	511	3,164	-	3,164		0	24
220	Total	**110,400,907**	**103,579,198**	**5,003,610**	**2,630,650**	**-**	**2,630,650**	**982,301**	**199,483**	**782,818**	**1,622,267**	**-**	**1,622,267**	**217,084**	**35,626,623**	**572,280**

Values in thousands of Euros

The age of non-performing exposures is represented by approximately 46% of exposures that are not overdue or for less than 90 days, of which 91% relate to loans and advances. Regarding the age

of productive positions, only 0.2% refer to exposures overdue for more than 30 days and for less than 90 days.

The table below details the productive and non-performing exposures by days of default in accordance with the provisions of article 442, point d), of the CRR

Table 25 | EU CQ3 Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal 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 or past-due < = 90 days	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
005	Cash balances at central banks and other demand deposits	23,079,794	23,079,794	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	49,919,010	49,697,239	221,771	2,136,860	1,106,524	82,208	74,094	174,965	309,092	248,727	141,250	2,089,534
020	Central banks	1,052,255	1,052,255	-	-	-	-	-	-	-	-	-	-
030	General governments	2,564,432	2,555,662	8,770	5,107	3,305	-	1,006	0	-	250	547	4,768
040	Credit institutions	2,791,135	2,791,135	-	14	14	-	-	-	-	-	-	14
050	Other financial corporations	265,674	262,688	2,986	5,529	19	2,755	323	688	579	344	821	5,529
060	Non-financial corporations	14,039,637	13,914,204	125,433	1,474,236	902,478	58,927	47,868	125,947	212,676	45,494	80,844	1,430,590
070	Of which SMEs	9,173,374	9,075,305	98,069	944,011	484,282	44,644	45,845	107,916	162,151	33,089	66,085	942,287
080	Households	29,205,878	29,121,296	84,582	651,975	200,709	20,526	24,898	48,329	95,837	202,639	59,038	648,633
090	Debt Securities	23,370,107	23,370,107	-	109,390	108,388	398	-	-	604	-	-	109,327
100	Central banks	24,039	24,039	-	-	-	-	-	-	-	-	-	-
110	General governments	18,538,857	18,538,857	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	962,662	962,662	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	176,036	176,036	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	3,668,513	3,668,513	-	109,390	108,388	398	-	-	604	-	-	109,327
150	Off-balance sheet exposures	14,031,996			384,399								384,394
160	Central banks	4,067			-								-
170	General governments	416,771			408								408
180	Credit institutions	143			-								-
190	Other financial corporations	520,289			2,285								2,285
200	Non-financial corporations	9,711,589			368,418								368,414
210	Households	3,379,136			13,288								13,286
220	Total	110,400,907	96,147,140	221,771	2,630,650	1,214,912	82,607	74,094	174,965	309,696	248,727	141,250	2,583,255

Values in thousands of Euros

In compliance with Article 442(g), the following table provides the balance sheet value of exposures net of residual term impairments.

Table 26 | EU CR1A Maturity of exposures

		a	b	c	d	e	f
		net exposure value					
		À vista	≤ 1 year	> 1 year ≤ 5 years	> 5 years	Expiration date not established	Total
10	Loans and advances	96,185	5,900,012	7,266,089	35,254,663	1,235,040	49,751,988
20	Securities representing debt	19,322	5,273,361	6,771,176	11,334,984	-	23,398,843
30	Total	-	-	-	-	-	-

Values in thousands of Euros

In compliance with Article 442(c), the following table provides an overview of the quality of restructured exposures

Table 27 | EU CQ1 Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		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 exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**2,706,939**	**1,239,431**	**1,239,431**	**1,239,431**	**365,556**	**865,146**	**2,657,984**	**300,744**
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	505,603	589	589	589	20	23	495,202	316
040	Credit institutions	-	14	14	14	-	6	16	8
050	Other financial corporations	7,862	640	640	640	858	461	608	179
060	Non-financial corporations	935,823	827,001	827,001	827,001	266,219	573,503	881,292	208,094
070	Households	1,257,651	411,187	411,187	411,187	98,459	291,153	1,280,866	92,148
080	**Debt Securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
090	**Loan commitments given**	**49,592**	**3,152**	**3,152**	**3,152**	**-**	**-**	**-**	**-**
100	**Total**	**2,756,531**	**1,242,583**	**1,242,583**	**1,242,583**	**365,556**	**865,146**	**2,657,984**	**300,744**

Values in thousands of Euros

Pursuant to Article 442(c), the following table provides an overview of collateral obtained through acquisition of possession and enforcement procedures.

Table 28 | EU CQ7 Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	**Property Plant and Equipment (PP&E)**	**-**	**-**
020	**Other than Property Plant and Equipment**	**384,927**	**(195,396)**
030	Residential immovable property	117,420	(43,524)
040	Commercial Immovable property	266,433	(151,386)
050	Movable property (auto, shipping, etc.)	1,074	(486)
060	Equity and debt instruments	-	-
080	Other	-	-
100	**Total**	**384,927**	**(195,396)**

Values in thousands of Euros

CGD Group's portfolio continued to be heterogeneously segmented by different regions of the world, with a high concentration on the European continent and in the former colonies of Portugal, on the African and Asian continents.

As regards Europe, the positions with counterparties based in Portugal, France and Spain stand out, which together represent around 77% of CGD Group's exposures. Outside Europe, the geographies with the greatest weight are Macau representing 5% and the PALOPs representing 6%, with Mozambique being the country with the greatest weight, 3%.

The table below shows the geographic breakdown in accordance with Article 442, paragraphs c) and e), of the CRR.

Table 29 | EU CQ4 Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	**On balance sheet exposures**	**75,535,368**	**2,246,251**	**2,198,861**	**75,417,029**	**2,349,150**		**35,386**
020	Portugal	48,387,182	1,737,683	1,737,682	48,322,949	1,962,812		852
030	France	4,295,028	108,601	108,601	4,294,982	67,221		9
040	Spain	4,654,340	29,595	29,595	4,654,256	28,294		1
050	Remaining U.E.	-	-	-	-	-		-
060	Macao	3,271,824	33,096	33,096	3,271,807	19,172		-
070	Timor	23,296	698	0	23,296	768		-
080	Mozambique	2,555,655	145,860	145,860	2,555,642	134,205		-
090	Angola	997,374	48,787	17,195	990,045	37,813		-
100	Cape Verde	1,300,352	38,544	38,136	1,300,347	37,517		-
110	Brazil	289,706	59,250	44,586	246,455	11,061		34,491
120	Other countries	9,760,610	44,138	44,110	9,757,250	50,288		33
130	**Off balance sheet exposures**	**14,416,396**	**384,399**	**384,394**			**220,032**	
140	Portugal	12,245,269	372,107	372,107			213,044	
150	France	257,220	4,481	4,481			2,221	
160	Spain	18,337	5	5			54	
170	Remaining U.E.	-	-	-			-	
180	Macao	1,281,565	2,659	2,659			1,594	
190	Timor	10,053	1	-			1	
200	Mozambique	257,565	3,450	3,450			2,128	
210	Angola	93,462	387	387			129	
220	Cape Verde	59,541	1,149	1,144			176	
230	Brazil	21,476	16	16			353	
240	Other countries	171,909	144	144			333	
250	**Total**	**89,951,763**	**2,630,650**	**2,583,255**	**75,417,029**	**2,349,150**	**220,032**	**35,386**

Values in thousands of Euros

The composition of CGD Group's Loans and advances portfolio by sector of activity is detailed in the table below, in accordance with article 442, paragraphs c) and e), of the CRR, evidencing its diversification, with emphasis on the sectors weight, such as the manufacturing sector, which represents 15%, construction and real estate activities, which represent 13% and 16%, respectively, and the Whosale and retail trade sector, which represents 15%.

Table 30 | EU CQ5 Credit quality of loans and advances by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	384,709	42,652	28,870	384,709	35,152	-
020	Mining and quarrying	96,615	11,062	11,062	96,615	9,428	-
030	Manufacturing	2,333,082	272,389	256,445	2,333,082	224,601	-
040	Electricity, gas, steam and air conditioning supply	381,763	1,431	1,419	381,763	1,774	-
050	Water supply	216,694	15,290	15,219	216,456	22,761	-
060	Construction	2,010,198	223,008	218,154	2,010,198	258,359	-
070	Wholesale and retail trade	2,342,195	152,831	144,668	2,342,195	184,031	-
080	Transport and storage	1,219,336	137,766	137,579	1,176,222	177,419	34,491
090	Accommodation and food service activities	942,140	84,551	84,363	942,140	165,263	-
100	Information and communication	197,529	11,654	11,624	197,529	11,820	-
110	Financial and insurance actvities	419,921	25,889	25,889	419,921	26,077	-
120	Real estate activities	2,419,723	150,268	150,268	2,419,723	124,020	-
130	Professional, scientific and technical activities	533,742	174,120	174,120	533,742	180,268	-
140	Administrative and support service activities	347,340	34,566	34,521	344,526	44,510	-
150	Public administration and defense, compulsory social security	7,711	193	193	7,711	176	-
160	Education	115,650	28,586	28,586	115,650	25,351	-
170	Human health services and social work activities	256,015	7,707	7,707	256,015	15,116	-
180	Arts, entertainment and recreation	131,157	49,387	49,282	131,157	40,766	-
190	Other services	1,158,352	50,886	50,621	1,158,352	61,183	-
200	**Total**	**15,513,873**	**1,474,236**	**1,430,590**	**15,467,706**	**1,608,074**	**34,491**

Values in thousands of Euros

7. Credit risk reduction

This chapter aims to fulfill the information disclosure duties pursuant to article 453 of the CRR.

7.1 Qualitative data

In the context of a 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) 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 defined in article 204 of Regulation (EU) 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[8];
- **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 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**, the risk associated with the customer's exposure is transferred to the protection provider, when this is subject to a more favorable weighting. Personal guarantees are particularly relevant in positions on Administrations and Central Banks (Sovereigns) and Companies, with the main providers of protection being Administrations and Central Banks (Sovereigns) and multilateral development banks and, in Portugal, the Mutual Counter-guarantee Fund (classified in the risk class of public sector entities), respectively.

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.

[8] The haircuts to be applied to the value of the security, which reduces its ability to reduce risk, is determined by the Supervisor in Regulation (EU) 575/2013, taking into account its type, credit assessment, counterparty, maturity, among other factors.

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 the importance of this segment in CGD's portfolio, it is important to present the main components of the real estate evaluation methodology:

- **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;
- **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.

Procedures inherent to the valuation of real estate:

- 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** are monitored by the Commercial Division and the DGR, according to their materiality. The respective valuation 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** are of marginal expresseveness for this purpose. **Personal guarantees**, although 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 rating by a recognised ECAI.

7.2 Quantitative data

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: collateral (financial collateral such as deposits, debt securities and equity securities - shares and participation units, real estate collateral, sureties) and **financial guarantees** received from mutual guarantee companies.

As of 31 December 2021, CGD had no positions covered by credit derivatives.

Table 31 | EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	**Loans and advances**	**40,576,894**	**36,197,760**	**34,558,771**	**1,638,989**	**-**
2	**Debt securities**	**23,479,497**	**-**	**-**	**-**	
3	**Total**	**64,056,391**	**36,197,760**	**34,558,771**	**1,638,989**	**-**
4	Of which non-performing exposures	1,683,542	571,539	494,813	76,726	-
EU-5	Of which defaulted	1,683,542	571,539			

Values in thousands of Euros

Given the weight of real estate credit, positions secured by mortgages on real estate (residential or commercial) represent the vast majority of covered loans. It is also worth mentioning the weight of positions secured by unfunded credit protection, the vast majority related to the granting of credit with public guarantees or guarantees from the European Investment Fund.

The table presents the impact of eligible mitigation techniques under Part III, Title II, Chapter 4 of the CRR, on exposures that are risk weighted according to the standard approach.

Table 32 | EU CR4 Standardised approach – Credit risk exposures and DRM effects

		a	b	c	d	e	f
	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet	Off-balance-sheet	On-balance-sheet	Off-balance-sheet	RWEA	RWEA density (%)
1	Central governments or central banks	44,881,012	47,740	45,436,370	24,890	4,750,934	10.5%
2	Regional government or local authorities	1,587,284	157,334	1,232,587	7,784	289,254	23.3%
3	Public sector entities	900,263	276,954	1,986,718	105,019	536,731	25.7%
4	Multilateral development banks	-	-	803,964	16	-	0.0%
5	International organisations	261,219	-	261,219	-	-	0.0%
6	Institutions	3,617,523	183,012	3,577,763	104,174	1,044,671	28.4%
7	Corporates	11,319,349	7,484,613	10,372,672	1,520,191	11,363,833	95.6%
8	Retail	5,886,450	4,937,030	4,725,198	371,652	3,315,139	65.0%
9	Secured by mortgages on immovable property	27,837,348	307,534	27,787,865	75,105	9,777,967	35.1%
10	Exposures in default	693,970	219,757	638,318	76,826	792,109	110.8%
11	Exposures associated with particularly high risk	1,037,333	676,648	986,116	21,871	1,511,981	150.0%
12	Covered bonds	43,509	-	43,509	-	7,281	16.7%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.0%
14	Collective investment undertakings	1,166,296	-	1,166,296	-	1,199,666	102.9%
15	Equity	815,679	-	815,679	-	1,545,973	189.5%
16	Other items	1,338,407	-	1,338,407	-	711,709	53.2%
17	**TOTAL**	**101,385,642**	**14,290,621**	**101,172,681**	**2,307,528**	**36,847,248**	**35.6%**

Values in thousands of Euros

Personal guarantees, with substitution effect, amount to EUR 4,014 million and are particularly relevant in positions on Governments and Central Banks (Sovereigns), Corporate and Retail, with the main protection providers being Administrations and Central Banks (Sovereigns), the Fund Counter-guarantee and the European Investment Fund (EIF), classified in the risk classes Public Sector Entities and Multilateral Development Banks, respectively.

With regard to **financial collateral**, around 81% of the effect credit risk mitigation is allocated to the Corporate and Retail risk classes.

As mentioned above, the **positions secured by Real Estate Mortgages** (residential or for commercial purposes) are typically classified in a differentiated risk class and, as such, are presented in the previous table in the class line Positions secured by Real Estate. These guarantees are the most representative of the Group, which is explained by materiality of mortgage loans in CGD's total credit portfolio.

The following table details, in accordance with article 444, point e), of the CRR, by class and risk weight, the exposure amount net of impairment and after application of risk reduction techniques and conversion factors in credit equivalents (CCF). It should be noted that, in the Central Administrations or Central Banks and Equity risk classes, 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%. Positions risk weighted at 1250% refer to collective investment undertakings where the fall back approach has been applied.

Table 33 .| EU CR5 Standard Method - Breakdown of the risk position

		a	d	e	f	g	i	j	k	l	n	o	p	q
	Exposure Classes	Risk weight											Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Others		
1	Central governments or central banks	42,290,457	-	2,819	-	242,993	-	848,468	1,410,899	665,623	-	-	45,461,260	-
2	Regional government or local authorities	9,126	-	1,187,637	-	-	-	27,370	16,238	-	-	-	1,240,371	1,231,245
3	Public sector entities	1,478,409	-	99,990	-	-	-	506,551	6,788	-	-	-	2,091,737	2,052,675
4	Multilateral development banks	803,980	-	-	-	-	-	-	-	-	-	-	803,980	803,980
5	International organisations	261,219	-	-	-	-	-	-	-	-	-	-	261,219	261,219
6	Institutions	-	-	2,880,955	-	669,010	-	127,968	4,004	-	-	-	3,681,938	1,245,414
7	Corporates	-	-	12,607	-	255,492	-	11,031,867	592,897	-	-	-	11,892,862	10,591,826
8	Retail	-	-	-	-	-	5,096,850	-	-	-	-	-	5,096,850	5,096,850
9	Secured by mortgages on immovable property	-	-	-	26,619,125	1,243,845	-	-	-	-	-	-	27,862,970	27,862,970
10	Exposures in default	-	-	-	-	-	-	561,215	153,930	-	-	-	715,144	715,144
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	1,007,987	-	-	-	1,007,987	1,007,987
12	Covered bonds	-	14,208	29,301	-	-	-	-	-	-	-	-	43,509	(0)
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	76,132	-	62,770	-	7,454	-	711,376	211,911	-	3,465	93,188	1,166,296	1,166,296
15	Equity	-	-	-	-	-	-	328,816	-	486,863	-	-	815,679	815,679
16	Other items	601,357	-	32,171	-	-	-	704,087	792	-	-	-	1,338,407	1,338,407
17	**TOTAL**	**45,520,680**	**14,208**	**4,308,249**	**26,619,125**	**2,418,794**	**5,096,850**	**14,847,718**	**3,405,447**	**1,152,486**	**3,465**	**93,188**	**103,480,209**	**54,189,691**

Values in thousands of Euros

Taking into account the materiality of the, direct and indirect, expsoure to central governments and equivalent entities (public sector entities that, under article 116 (4) of the CRR, benefit from the risk weight applicable to the respective central administration), as well as the materiality of the deposits at the Bank of Portugal and of the guarantees received from both the Counter-guarantee Fund and the EIF, around 43% of CGD Group's exposure is risk weighted at 0%.

Mortgage credit, which in 2021 grew by more than 1,000 million euros, is typically weighted at 35% (weight applicable to positions secured by mortgage on residential property) and represents a quarter of all exposures at risk.

The positions weighted at 100%, around 14%, correspond, for the most part, to risk positions on corporates, positions on central governments or central banks whose credit quality degree, resulting from the external rating is 4 or 5 and assets for deferred taxes, overdue positions with impairment coverage of more than 20%, equity investments and tangible fixed assets.

In relative terms, it should be noted that, compared to the previous year, there was an increase in weighted positions at 0% (due to the significant increase of the deposits with the Bank of Portugal), in contrast to the reduction in the weight of the weighted exposure to 100% or 35% (most relevant weights).

Finally, in most risk classes, positions that are not subject to an external risk rating represent the vast majority, if not all, of the exposure at default. The exception is positions on central governments or central banks and institutions, in which most positions are subject to an external risk rating.

8. Counterparty Credit Risk

8.1 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) 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.

Transactions in OTC derivatives require the prior execution of a contract for financial instruments OTC Derivatives, 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 for the relationship with **Financial Counterparties** in OTC Derivatives 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, as an exception, be used in contracting with Non-Financial Counterparties.

In general, with **Non-Financial Counterparties** (or Financial Counterparties that have not signed ISDA contracts with CGD), the Framework Agreement for OTC Derivatives (CQIFD) and its annexes are signed.

Collateral exchange agreements in derivative operations result from bilateral negotiation between counterparties and typically take the form of deposits with daily clearance, based on the exposure of the previous working day.

CGD's credit risk management, including counterparty credit risk, is regulated by internal policies and regulations, namely the Service Order (OS) on Credit Risk – Corporates and Institutions, which considers OTC Derivatives transactions as operations financial assets, falling within the sub-limit for

financial credit and financial guarantees – Value at risk of foreign exchange products and derivatives, which is subject to approval in accordance with the delegation of approval powers established internally.

The consumption of a derivative product's limit corresponds to the **Value at Risk** associated with the product itself at each moment in 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 defined, at each moment, as the value equivalent to the replacement cost of the operation in the market, the Nominal Value is the theoretical amount or capital of the operation determined at the contracting date and the Risk Factor is a weight to apply on the par value representing the potential exposure of credit risk in the product. Risk factors are defined for each type of product and vary according to the specific attributes of the product, such as the remaining term, the volatility of the price 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 set out in article 298 (1c) of the CRR, according to the which the reduction of the value of the risk position is allowed, due to the netting of operations.

CGD periodically calculates **credit valuation adjustments** (CVA) for the derivatives portfolio, as defined in the Policy for the Assessment of Equity Positions in Securities and Derivatives Recognized at Fair Value, which consists of an adjustment to fair value, resulting in a credit reserve buffer. For the calculation of the adjustment, several aspects are taken into account, among which: i) verification of the existence of periodic compensation agreements or collateralization mechanisms, ii) segmentation by rating/assessment of credit quality and iii) benchmarking to the representative curve of the portfolio counterparty credit risk.

Capital Requirements

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

Under the counterparty credit risk framework, defined in article 274 of Regulation (EU) 575/2013, CGD used, until June 2021, the Market Price Valuation Method to calculate the expsoure amount of derivative transactions. As of that date, under Regulation (EU) 876/2019, CGD adopted the new standard method for calculating the value at risk of exposures on derivatives, the so-called **Standardised Approach for Counterparty Credit Risk (SA-CCR).**

The revision of the method for calculating the value of exposures at risk is a result of the Basel Committee on Banking Supervision having recognized the existence of gaps in the methods in force

until then, namely because the existing calibrations are outdated and do not reflect the level of volatility of the positions or because it did not adequately reflect the effect of the guarantees in terms of reducing the risk of the positions, having decided to replace the valuation method at market price with the new standard method SA-CCR. This method is more sensitive to risk than the previous methods, and is expected to give rise to capital requirements that better reflect the risks associated with the institutions' derivative portfolio.

According to the standard method, the exposure value of a derivative transaction or netting set is determined as follows:

Valor da posição em risco = α · (RC + PFE)

On what:

RC = replacement cost;

PEF = potential future exposure;

α =1.4

The RC or replacement risk is intended to represent the value of the loss in the event of default, assuming that the closing and replacement of positions occur instantaneously. The replacement cost is determined on the basis of the market value and, if applicable, the collateral or the terms of the margin agreements.

The PFE or potential future exposure represents the potential change in the value of positions during the risk margin period, ie between the last collateral exchange, prior to default, and the replacement of market transactions. The PEF results from the multiplication of a factor (multiplier) and an Add-on, both computed at netting set level.

The multiplier makes it possible to recognize excess collateral and reflect it in the PFE value. The add-on results from the multiplication of the prudential factor, defined by the supervisor for each of the risk categories (interest rate risk, exchange rate risk, credit risk, capital risk, commodity risk) and the effective notional, which it is calculated at the level of operations and, later, aggregated at the level of the netting set, allowing the offsetting between long and short positions, belonging to the same risk category.

For the purposes of calculating the **internal capital needs** for positions subject to counterparty credit risk, derivatives and repurchase operations (SFT), the exposure amount is computed according to the Standardised Approach for Counterparty Credit Risk (SA-CCR), using the method set forth for quantifying capital needs for the remaining credit 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. Constitutes an exception to this approach 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) 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 due to exposure to CGD**, namely with respect to the amount of guarantees that the Institution should have to provide in the face 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.

8.2 Quantitative data

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

Table 34 | EU CCR1 Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		-	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		-	-	-	-	-
1	SA-CCR (for derivatives)	283,450	139,038		1.4	591,483	591,483	585,856	440,829
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					225,365	225,365	225,365	333,440
5	VaR for SFTs					-	-	-	-
6	**Total**					**816,848**	**816,848**	**811,221**	**774,269**

Values in thousands of Euros

As mentioned above, CGD determines the value of the exposure according to the d Standardised Approach for Counterparty Credit Risk (SA-CCR) which consists of multiplying by 1.4 (α) the result of adding the replacement cost with the future potential value of the set of compensation. The value of the risk position incorporates the effect of netting agreements and the collateral associated with the operations.

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 the 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 35 | EU CCR2 Transactions subject to own funds requirements for CVA risk

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) Stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	168,381	71,867
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**168,381**	**71,867**

Values in thousands of Euros

In compliance with article 439 of the CRR, the following table shows the exposures on derivatives with central counterparties (CCPs) and the respective amounts of the associated exposures.

Table 36 | EU CCR8 Exposures to CCPs

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**2,168**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,150	23
3	(i) OTC derivatives	1,150	23
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	45,479	2,145
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**60**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	168	60
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	168	60
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	33,349	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Values in thousands of 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 37 | EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights

		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure Classes	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	221,821	-	221,821
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	79,084	-	-	-	-	-	-	-	-	-	-	79,084
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	10,683	1,150	-	-	33,187	67,832	-	-	79,865	-	-	192,718
7	Corporates	-	-	-	-	-	-	-	-	314,390	-	-	314,390
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	4,526	-	4,526
11	**Total exposure value**	**89,767**	**1,150**	**-**	**-**	**33,187**	**67,832**	**-**	**-**	**394,255**	**226,347**	**-**	**812,539**

Values in thousand of Euros

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

Table 38 | EU CCR5 Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	278,317	19,560	299,349	276,058	-	33,437	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**278,317**	**19,560**	**299,349**	**276,058**	**-**	**33,437**	**-**	**-**

Values in thousands of Euros

As at 31 December 2021, CGD did not have positions in credit derivatives, therefore, Model EU CCR6 – Exposures on credit derivatives is not presented.

9. Securitisation Positions

9.1 Qualitative data

Positions in which the 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 39 | Securitisation Operations

Traditional securitisation	Nostrum Mortgages 2010-2
Assignor Institution	**CGD**
Operations information:	
Start date	2010-11-05
legal maturity	2065-05-20
Step-up clause (date)	N/A
Revolving (years)	N/A
securitized assets	5,429,950
Value in debt	2,574,455
of which in default	26,551
Impairment	10,529
Comments	**0**
Initial Purpose of the Securitization Transaction	● Optimization sources funding ● Diversification of funding sources
Degree of involvement in the securitization process	● Assignor of credits ● Credit manager ● Domicile of the DO account of the Fund ● Counterparty to "Swap back-to-back"
Significant transfer of credit risk	No

Values in Thousand of 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 6 Credit Risk.

Positions in which the CGD Group is the investor

For operations in which CGD is an investor, never with the intention of actively trading them, the risk-weighted amount of securitization positions is calculated by applying the **External Ratings Method for securitization (SEC-ERBA)**, as defined in article 263 of Regulation (EU) 2401/2017. According to this method, the capital requirements allocated to 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 of 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.

9.2 Quantitative data

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

The following table presents a summary of the securitization operations in which CGD acts as originator and investor.

Table 40 | EU SEC1 Securitisation exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT											
1	**Total exposures**	-	-	2,697	-	-	-	2,697	-	-	-	-	-	5,464	-	5,464
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	residential mortgage	-	-	2,697	-	-	-	2,697	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	5,464	-	5,464
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Values in thousands of Euros

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

CGD only holds a residual position in securitization positions, EUR 5,464 thousand, of which 98.2% are registered in the RW range that varies between 20% and 50%, with the implicit RW of this portfolio of around 48%.

Table 41 | EU SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

		a	b	c	d	e	g	i	j	m	n	EU-q
		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% RW / deductions	SEC-ERBA (including IAA)	1250% RW / deductions	SEC-ERBA (including IAA)	1250% RW / deductions
1	**Total exposures**	-	5,364	-	-	100	5,464	100	-	1,253	-	109
2	Traditional) securitisation	-	5,364	-	-	100	5,464	100	-	1,253	-	109
3	securitisation	-	5,364	-	-	100	5,464	100	-	1,253	-	109
4	Retail underlying	-	-	-	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	5,364	-	-	100	5,464	100	-	1,253	-	109
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-
10	securitisation	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-

Values in thousands of Euros

Considering that the securitised assets underlying the operation in which CGD acts as an originator were not derecognised from the balance sheet and, for this reason, are 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 also complemented by that contained in the 2021 Annual Report (Notes 13, 21 and 23 of the Annex to the Consolidated Financial Statements (Securitization operations and structured products)).

10. Liquidity Risk

10.1 Qualitative data

The importance assumed by the **management of liquidity risks** 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.

CGD's **Executive Committee (CE)** is the highest authority responsible for the overall management of the ALM process. CGD's EC delegates powers in this area to the Delegated Council for Capital, Assets and Liabilities Management (CALCO), establishing the respective guidance framework and defining its scope of action, powers and responsibilities, composition and operating rules.

Within the framework of its objectives, CALCO is **entrusted with the regular assessment of the liquidity situation**, in consolidated terms and on an individual basis, for the various entities of the CGD Group, taking the necessary measures to ensure compliance with the defined objectives and guidelines, as well as the compliance with regulatory determinations issued by the supervisory entities;

The **centralized management of liquidity risks** uses a computer tool for Assets and Liabilities Management, with which the scale of exposure to these risks of the group of entities that make up CGD Group's banking prudential perimeter is assessed.

In summary, the liquidity risk measurement process encompasses two distinct stages: identification and collection of risk positions from the different units of the Group, and determination of the set of relevant indicators in the assessment of the two types of risks.

Liquidity Risk is the possibility of a mismatch or non-compensation between the cash flows of payments and receipts, generating an inability to fulfill the commitments assumed. In other words, in such a situation, an institution's reserves and availabilities would become insufficient to honor its obligations when they occur.

Liquidity risk in the banking business may have its origin when:

- **Difficulties in raising funds to finance assets**, normally leading to an increase in funding costs, but which may also imply a restriction on asset growth;
- **Difficulties in the timely settlement of obligations towards third parties**, induced by significant mismatches between the residual maturity dates of assets and liabilities.

The management strategy and liquidity risk tolerance are based on the fundamental principles established in the Institution's Risk Appetite Statement, which aim to:

- Maintenance of a stable, solid and secure liquidity profile, which guarantees adequate capacity to deal with situations of increased liquidity tension;
- The maintenance of stable funding sources and an adequate liquidity reserve, through the adoption of a proactive and market-oriented approach that allows the adaptation of the Institution's balance sheet structure to existing conditions;
- Controlling the exposure to risk of the Group's international entities, and maintaining their independence both in terms of raising funds and in terms of capital adequacy.

The principles presented result from the Institution's business strategy, and from its perception of the risk/return trade-off involved, and are embedded in the organization's culture and support the business processes and organizational structures.

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

Under the European Banking Authority (EBA) Guidelines on the internal governance of banking institutions (EBA Guidelines on Internal Governance EBA/GL/2017/11), the management body of the parent company of a banking group is globally responsible for the internal governance of the entire group and for ensuring the existence of a governance framework suited to the organizational structure, the scale and complexity of the activities carried out and the risks inherent to the group's activities and, in particular, to the entities that comprise it.

In this context, in June 2017 CGD's Board of Directors approved the “Corporate Liquidity Risk Management Policy”, which defines responsibilities and establishes the principles applicable to liquidity risk management at Caixa Geral de Depósitos, S.A., as well as as in all branches abroad and subsidiaries that are part of the prudential banking supervision perimeter.

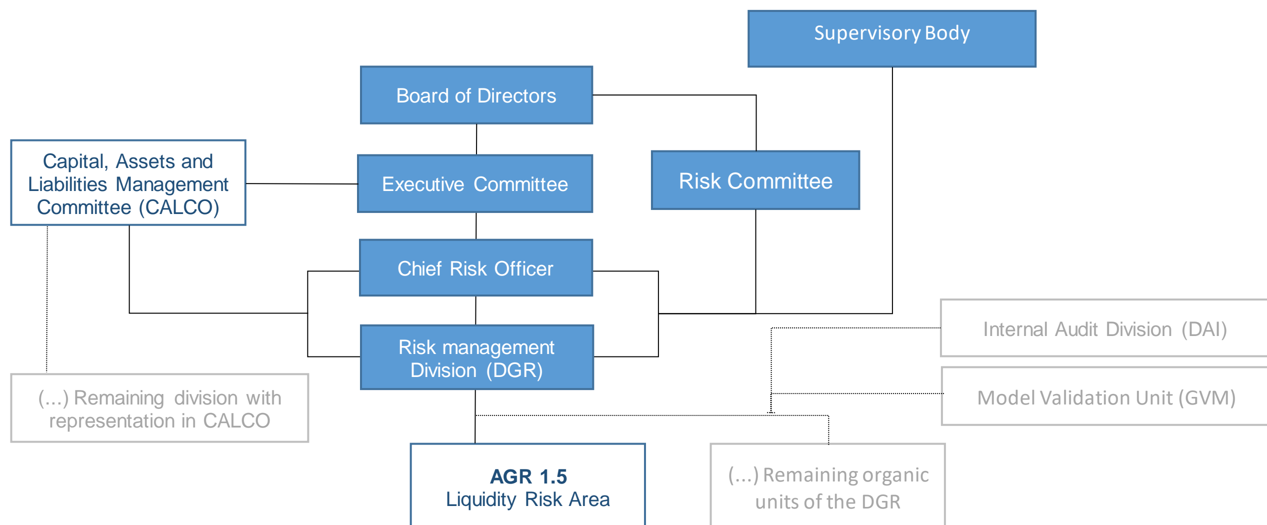
The full application of the Corporate Liquidity Risk Management Policy in the Group's branches and subsidiaries was ensured by the respective local transposition during the second half of 2017, providing a complete harmonization of CGD Group's internal policies and guidelines and, consequently, promoting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

With regard, specifically, to organizational policies and procedures, CGD's Risk Management Division has the following attributions:

- Ensuring an adequate and effective liquidity risk management process for the Group level, in coordination with CGD's Chief Risk Officer;
- Develop specific proposals for the definition of policies and procedures yhat ensure a rigorous and robust risk management function, and guaranteeing its adequate documentation;
- Regularly assess the adequacy and effectiveness of the provisions established in the previous points, and recommend the necessary amendments whenever opportunities for improvement are perceived.

The Liquidity Risk Area of the Risk Management Division, as responsible for the liquidity risk management function, acts as a second line of defense in terms of risk control (first line of defense constituted by the operational areas), ensuring the existence of permanent risk monitoring processes and the assessment of the effectiveness of associated controls. Additionally, it contributes to the definition of the strategy and implementation of risk management policies and procedures, within a framework of full compliance with applicable legal and regulatory standards.

Figura 3 | Governance model for liquidity risk management



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

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

- Alignment of Risk Appetite with the Bank's strategic priorities and objectives;
- Continuous monitoring of the evolution of risk metrics;

- Discussion of exceeded tolerance limits/levels and, where applicable, review and approval of the proposed remediation plan.

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

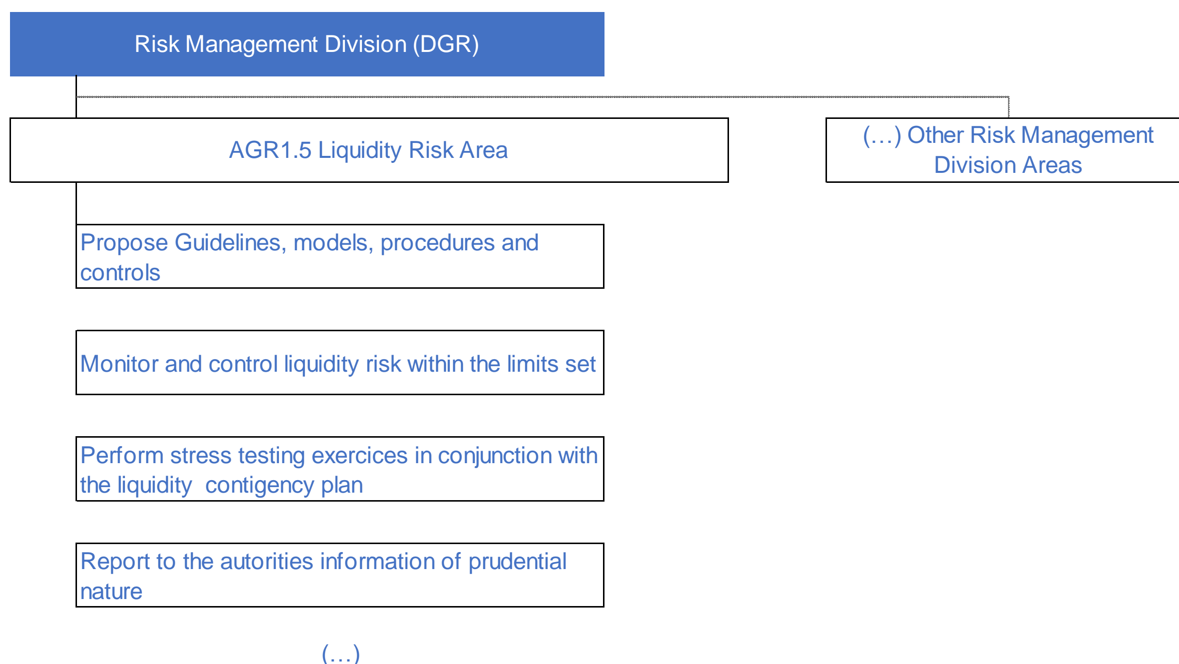
- Management and execution of the Risk Appetite approved for the CGD Group;
- Monitoring the evolution of risk metrics, and the respective rationale underlying the observed evolution;
- Discussion of exceeded limits or tolerance levels and, where applicable, review and approval of the proposed remediation plan;
- Ensuring consistency between Risk Appetite and the Group's strategic exercises, namely the Funding and Capital Plan, the Budget, and the internal processes for self-assessment of capital adequacy and liquidity, respectively ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process).

The Delegated Council for Capital, Assets and Liabilities Management (CALCO) is the deliberative body of the Executive Committee responsible for assessing and monitoring the process of integrated management of capital, assets and liabilities (ALM - Capital, Asset-Liability Management) proactive management of CGD Group's balance sheet and profitability. Within the scope of the ALM process, the set of actions and procedures intended to control the risks and the financial position of the Group are considered, giving priority to the security and robustness of the balance sheet and recognizing that obtaining an adequate return on the allocated capital implies management balance of the risk/return binomial, in a context characterized by the uncertain behavior 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 and whose purpose is to protect CGD Group's capital, namely through the management of solvency, credit, market, liquidity, operational and non-financial investments incurred by the Group, the interrelationships between them, and ensuring the coherent integration of their partial contributions.

The Liquidity Risk Area of the Risk Management Division (AGR-1.5) is responsible for managing and controlling the Group's liquidity risk, and is responsible for ensuring that the Group's balance sheet structure is oriented towards an adequate profitability/ risk. The specific competences of AGR-1.5 are systematized in the figure below.

Figura 4 | Competencies of the liquidity risk area



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

From an operational point of view, liquidity risk management is supported by the measurement and monitoring of a set of “key” metrics (key performance indicators - KPIs) and by a system of limits and early warning indicators (early warnings) with the aim of objective of ensuring i) the maintenance of a stable funding structure in view of the liquidity characteristics of the Group's assets and off-balance sheet positions, as well as their residual maturities, and ii) adequate levels of liquidity to respond to adverse scenarios (stress scenarios).

The set of “key” metrics used is based on the **analysis of the residual maturity periods** of the different assets and liabilities of the Group's balance sheet. The volumes of cash inflows and cash outflows are shown by time intervals depending on their residual period of occurrence and, then, the respective liquidity gaps are calculated both for the period and accumulated.

For the purposes of analysis and definition of exposure limits, the concept of **structural liquidity** is used, which intends to incorporate, namely, the historical behavior of depositors in terms of managing their current and savings accounts, distributing their balances over the different intervals time periods considered according to studies and models developed internally.

Liquidity gaps are calculated monthly and are subject to compliance with two short-term exposure limits established at CALCO, which inform Caixa's Liquidity Contingency Plan.

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

The methodology developed internally to assess CGD's resilience to possible liquidity difficulties includes the measurement and monitoring of the so-called "survival period" (time until liquidity difficulties occur if corrective measures are not previously implemented), given to three liquidity and funding stress scenarios. A fourth scenario is also considered – base scenario – which assumes that CGD carries out its activity under the conditions set out in its budget and consequent financing plan.

The existing model also includes a set of minimum values to be observed for the survival periods determined in each of the aforementioned scenarios. Any non-compliance with any of the established minimums contributes to a possible 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 the use of the different payment instruments liquidity risk mitigation.

The set 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**, through the quarterly calculation and monitoring i) of the level, evolution and types of encumbrance of assets and related encumbrance sources, ii) the amount, evolution and credit quality of unencumbered but encumbrable assets, and iii) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

10.2 Quantitativa data

The tables below relate to encumbered and unencumbered assets, namely the reporting models referred to in article 443 of the CRR.

The table below follows the EU AE1 model regarding encumbered and unencumbered assets of CGD Group

Table 42 | EU AE1 Ativos onerados e não onerados

		010	030	040	050	060	080	090	100
		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	**Assets of the reporting institution**	12,106,532	7,220,898			89,808,688	13,792,413		
030	Equity instruments	-	-	-	-	1,184,279	-	-	-
040	Debt securities	6,801,449	6,788,884	6,801,449	6,788,884	18,183,463	13,583,102	18,183,463	13,583,102
050	of which: covered bonds	-	-	-	-	68,143	66,507	68,143	66,507
060	of which: securitisations	-	-	-	-	4,007	-	4,007	-
070	of which: issued by general governments	6,799,357	6,788,884	6,799,357	6,788,884	13,162,029	12,312,924	13,162,029	12,312,924
080	of which: issued by financial corporations	-	-	-	-	1,074,199	545,113	1,074,199	513,381
090	of which: issued by non-financial corporations	2,446	-	2,446	-	3,923,628	715,189	3,923,628	714,939
120	Other assets	20,855	20,360			6,325,625	-		

Values in thousands of Euros

O quadro abaixo segue o modelo EU AE2 respeitante aos Colaterais recebidos do Grupo CGD

Table 43 | EU AE2 Collateral received and own debt securities issued

		010	030	040	060
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	Collateral received by the reporting institution	-	-	140,117	116,053
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	79,878	79,878
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	79,878	79,878
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	24,242	-
230	Other collateral received	-	-	36,174	36,174
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			2,963,632	2,318,141
250	**Total Assets, Collateral Received and Own Debt Securities Issued**	12,106,532	7,220,898		

Values in thousands of Euros

The table below follows the EU AE3 model regarding the CGD Group's Sources of Encumbrance

Table 44 | EU AE3 Sources of encumbrance

		010	030
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
010	Carrying amount of selected financial liabilities	8,399,722	11,138,034

Values in thousands of Euros

Additionally, in the following paragraphs, CGD discloses a set of descriptive information on the impact of its business model on the respective level of encumbrance on assets, and the importance of encumbrance in its business model.

The financing conditions of credit institutions were considerably affected by the crisis that started in 2007 and 2008, when the evolution of the wholesale and retail credit and financing markets exposed the vulnerabilities inherent to certain asset categories (e.g. "sub-prime" mortgage loans) and to some business models (such as the use of short-term wholesale financing), with the following impacts on the banks' financing model:

- Increase in the relative importance of secured funding (including from public sector funding sources) as a result of investors' risk aversion and regulatory developments, namely the Basel III Accord;
- Increasing restrictions in terms of the availability of quality guarantee assets, at a time when banks need stable sources of funding to continue providing credit to the real economy;
- Increased use of customer deposits and competition for them, with risks in terms of a possible increase in volatility;
- Extraordinary measures by central banks that included carrying out longer-term financing operations and expanding the lists of eligible collateral;
- In the particular case of the increase in the importance of secured financing, the benefits of its use are evident, namely the promotion of the diversification of funding sources, the reduction of counterparty risk, and its, in particular, usefulness in periods of tension, however, the associated risks must also be taken into account, as listed below: Excessive encumbrance implies the additional subordination of other creditors, in particular depositors, with consequences for the potential use of funds from deposit guarantee schemes;
- May adversely affect future access to markets for unsecured instruments and make it more difficult to correctly price risk, with implications for efficient resource allocation;
- Contingent encumbrance tends to be pro-cyclical, increasing in periods of stress, due to the automatic intensification of the guarantee requirement.

In turn, asset encumbrance can have concrete impacts on the real economy, namely:

- Limit the overall balance sheet growth and lending activity of banks, given that the volume of encumberable collateral is finite, so a shortage of secured funding directly affects the supply of credit by banks and, ceteris paribus, the real economy;
- Cause a distortion of credit allocation given the greater probability of investment in encumbered assets, which include government bonds and commercial and residential mortgages, to the detriment of loans to SMEs considered to be of lower quality and, as a rule, not eligible as Warranty;
- Foster the pro-cyclicality of credit intermediation, as the value of collateral tends to increase in periods of economic recovery and to decrease in periods of slowdown, automatically

increasing the supply of credit in favorable periods and decreasing it in periods of economic recovery adverse events, with an impact on the risk of the financial system insofar as it is more sensitive to pro-cyclical "swings" in the underlying value of assets.

In this framework, and within the scope of CGD's adoption of a general framework for monitoring the risks associated with asset encumbrance, the asset encumbrance ratio (ratio between the carrying amount of encumbered assets and total assets) is one of the metrics included in the proximity monitoring of asset encumbrance risk, being evaluated not only from the perspective of realized values, but also in terms of the estimates underlying the Group's Funding and Capital Plan.

Therefore, the table below presents the value of the asset encumbrance ratio for the reference date of 31 December 2021, as well as the respective estimates for the time horizon 2022-2024:

Table 45 | Asset encumbrance ratio

		Time horizon			Risk Appetite
	2021	2022	2023	2024	2021
Asset encumbrance ratio	12%	3%	2%	2%	≤ 25%

The encumbrance ratio is, on average, 2% over the projection horizon, which represents a decrease of around 10 percentage points compared to December 2021, maintaining particularly low levels that reveal i) an adequate dependence on guaranteed funding and a significant ability to manage adverse situations in the wholesale funding markets, due to the ability to resort to guaranteed funding, and ii) which should not have an adverse effect on the "market appetite" for the Institution's unsecured debt.

The projection of the Group's asset encumbrance ratio is positively impacted by the amortization of the mortgage bond issuance.

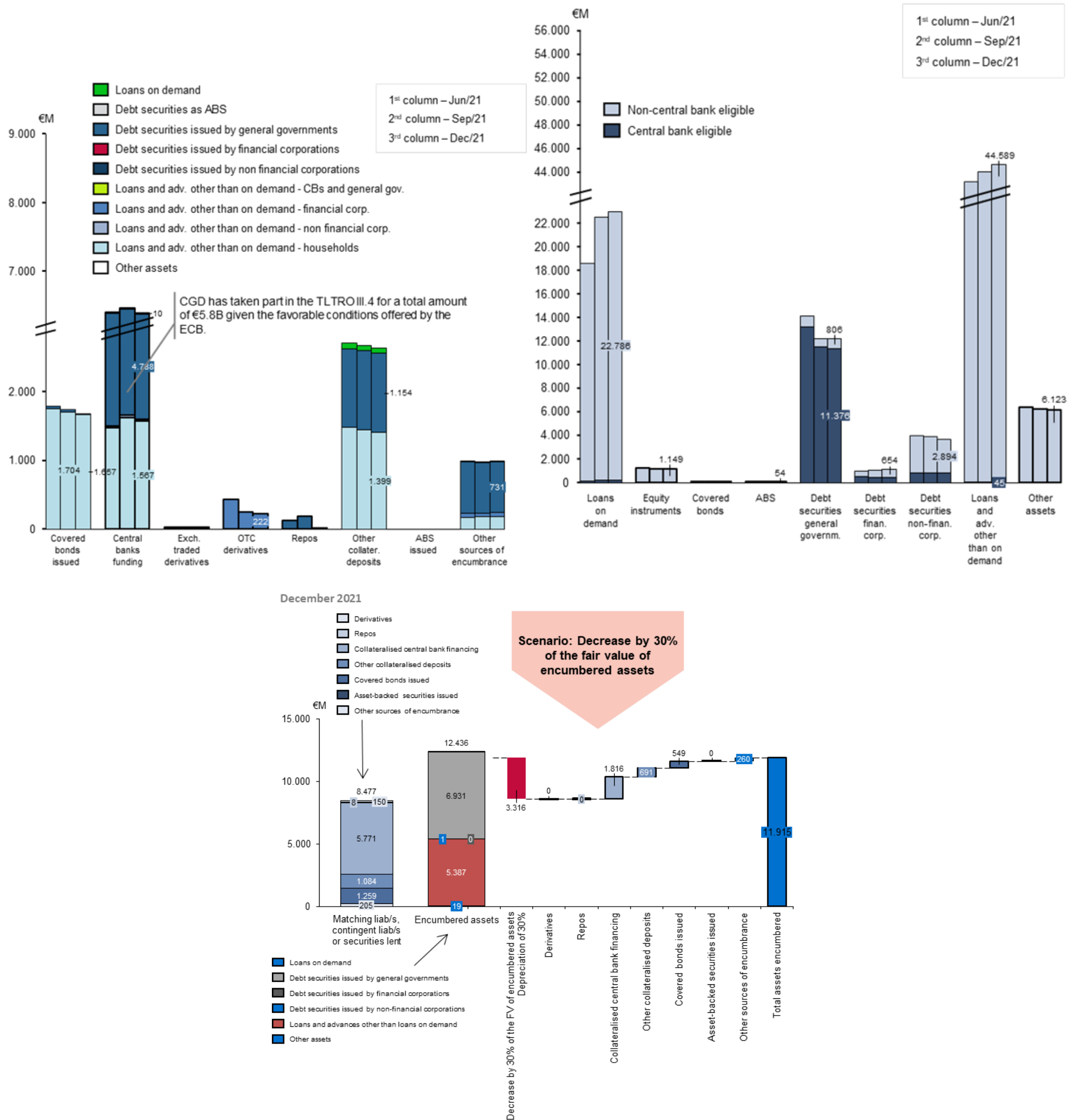
The structural composition of the Group's balance sheet contributes to the low levels of the asset encumbrance ratio, namely the low dependence on wholesale funding and the broad and stable base of customer deposits.

With regard to wholesale funding, the main markets used by the Group for this purpose are the mortgage bond market and the repo market. This funding strategy is supported by i) the low dependence on wholesale funding, ii) the comfortable profile of debt repayments, iii) the current excess liquidity, iv) the significant mortgage loan portfolio, v) the low level of 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 optimization of the costs of financing.

The framework presented for the Group's financing strategy results in the characterization shown in the figures below i) the level, evolution and types of encumbrance of assets and related

encumbrance sources, ii) the amount, evolution and credit quality of unencumbered assets but charges, and iii) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

Figura 5 | Encumbrance of Group Assets



In the context of regulatory commitments to report liquidity risk, 2021 maintained the different levels of scrutiny and complexity used in 2020, as shown below:

- In 2021, Caixa maintained the set of mechanisms and metrics for measuring and monitoring liquidity risk that aim to ensure the soundness of the Group's framework in assessing risk in particular; Liquidity Coverage Ratio (LCR), minimum liquidity standard within the regulatory framework of CRR/CRD IV; Additional Liquidity Monitoring Metrics (monthly) set of

additional liquidity monitoring measures in accordance with Article 415(3)(b) of Regulation (EU) 575/2013, which includes quantitative data on i) breakdown of assets, liabilities and net assets (counterbalancing capacity) by residual maturity of principal and interest, ii) concentration of funding by counterparty and type of product, iii) cost of funding, iv) renewal of funding, and v) concentration of counterbalancing capacity (liquid assets) by issuer/counterparty;

- Net Stable Funding Ratio (NSFR) - prudential ratio that allows assessing the Institution's dependence on stable funding and is calculated by the ratio between the amount of stable funding available and the amount of stable funding required. As part of the review of the regulatory framework related to CRR2, the calculation of the Net Stable Funding Ratio (NSFR) was updated in 2021. The review of the regulation, which came into force in June 2021, aims to align the reporting framework with the remaining regulatory liquidity reports. According to article 428 of Regulation (EU) 876/2019, the ratio must be greater than or equal to 100% to ensure that the available funding meets the necessary funding, within a time horizon of one year;
- Encumbrance ratio, value of encumbered assets and fair value of collateral received and reused over total assets and total collateral received available for encumbrance;
- Internal Liquidity Adequacy Assessment Process (annual periodicity) Self-assessment exercise of the adequacy of liquidity levels of credit institutions which, in compliance with Article 86 of Directive (EU) 36/2013, must have strategies, policies, processes and information systems robust i) for the identification, measurement, management and monitoring of liquidity risk over appropriate time horizons, and ii) for the management and monitoring of funding positions, in order to ensure adequate levels of liquidity buffers and a adequate funding structure.

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) 575/2013 (EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) 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 46 | EU LIQ1 Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				**Total** weighted value (average)			
EU 1a	**Quarter ending on**	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21
EU 1b	**Number of data points used in the calculation of averages**	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					26.872.105	29.226.858	31.577.206	33.873.079
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	60.199.075	61.551.751	62.749.705	63.884.077	3.959.145	4.167.241	4.369.244	4.526.907
3	Stable deposits	44.927.553	46.310.242	47.423.701	48.385.158	2.246.378	2.315.512	2.371.185	2.419.258
4	Less stable deposits	15.266.610	15.237.433	15.324.116	15.498.919	1.707.856	1.847.653	1.996.171	2.107.649
5	Unsecured wholesale funding	12.349.337	12.680.066	13.159.588	13.893.525	4.385.459	4.553.084	4.774.602	5.124.187
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	5.831.850	5.950.666	6.145.141	6.485.198	1.344.079	1.370.806	1.416.107	1.497.868
7	Non-operational deposits (all counterparties)	6.507.138	6.718.083	6.994.530	7.302.470	3.031.030	3.170.962	3.338.579	3.520.462
8	Unsecured debt	10.349	11.317	19.916	105.858	10.349	11.317	19.916	105.858
9	Secured wholesale funding					1.294	1.071	778	466
10	Additional requirements	14.882.695	14.966.487	14.982.653	15.037.519	1.821.028	1.828.135	1.827.878	1.827.310
11	Outflows related to derivative exposures and other collateral requirements	1.633.176	1.596.113	1.555.450	1.517.468	341.405	332.960	321.557	313.147
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	13.249.519	13.370.374	13.427.202	13.520.051	1.479.623	1.495.175	1.506.321	1.514.163
14	Other contractual funding obligations	621.260	788.013	889.364	993.233	431.857	557.946	658.683	764.636
15	Other contingent funding obligations	86.071	94.847	108.975	126.820	86.071	94.847	108.975	126.820
16	**TOTAL CASH OUTFLOWS**					10.684.854	11.202.324	11.740.160	12.370.327
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	298.451	295.719	254.012	229.265	165.912	107.794	48.245	-
18	Inflows from fully performing exposures	3.190.713	3.211.488	3.311.025	3.389.748	2.514.092	2.543.417	2.624.398	2.666.412
19	Other cash inflows	1.740.693	1.726.451	1.514.886	1.283.934	1.668.103	1.726.451	1.514.886	1.283.934
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)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	5.229.857	5.233.658	5.079.924	4.902.947	4.348.107	4.377.662	4.187.529	3.950.346
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows subject to 90% cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows subject to 75% cap**	5.229.857,2	5.233.658,2	5.079.923,9	4.902.946,9	4.348.107,1	4.377.662,3	4.187.529,3	3.950.345,5
	TOTAL ADJUSTED VALUE								
21	**LIQUIDITY BUFFER**					**26.872.105**	**29.226.858**	**31.577.206**	**33.873.079**
22	**TOTAL NET CASH OUTFLOWS**					**6.337.263**	**6.825.178**	**7.552.631**	**8.419.981**
23	**LIQUIDITY COVERAGE RATIO**					425,13%	430,50%	423,91%	407,99%

Values in thousand of Euros

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

Thus, for the established/desired level of risk appetite for the LCR, CGD Group's minimum buffer of net assets amounted, on average, to 10.7 billion euros during 2021, well below its value observed, given the solid and stable retail deposit base and reduced dependence on wholesale funding, and reflecting the Group's comfortable liquidity position.

With regard to the composition of the stock of liquid assets, it has historically been composed essentially of cash and cash equivalents, deposits and reserves in central banks (in excess of the minimum mandatory reserves), securities issued by sovereigns and securities issued by sovereigns, evidencing the quality of the Group's liquid asset buffer, also in terms of the assets that comprise it.

Additionally, in compliance with the European Banking Authority Guidelines on the disclosure of the NSFR as a complement to the disclosure of liquidity risk management pursuant to article 451-A, no.3 of Regulation (EU) 575/2013. The values at the end of the quarter are shown below in Table 44. In December 2021, the net stable funding ratio recorded was 165%.

Table 47 | EU LIQ2 Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**7,775,322**	**500,000**	**-**	**1,341,852**	**9,117,174**
2	Own funds	7,775,322	-	-	633,974	8,409,296
3	Other capital instruments		500,000	-	707,878	707,878
4	**Retail deposits**		**64,371,384**	**1,205,427**	**134,396**	**61,619,708**
5	Stable deposits		48,941,444	382,196	56,455	46,913,913
6	Less stable deposits		15,429,940	823,230	77,941	14,705,795
7	Wholesale funding:		**12,693,553**	**916,228**	**1,071,315**	**7,921,725**
8	Operational deposits		7,220,023	10,634	23,459	725,732
9	Other wholesale funding		5,473,531	905,594	1,047,857	7,195,993
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	6,365	**3,474,384**	**-**	**2,953,179**	**2,953,179**
12	NSFR derivative liabilities	6,365				
13	All other liabilities and capital instruments not included in the above categories		3,474,384	-	2,953,179	2,953,179
14	**Total available stable funding (ASF)**					**81,611,786**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	-	-	-	-	**4,527,244**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	**8,500,386**	**918,893**	**47,632,566**	**40,065,144**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	-	-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	-	33,407	-	-	1,670
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	-	2,871,748	569,807	15,254,205	15,651,877
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	221,951	178,702	28,030,742	20,365,943
22	Performing residential mortgages, of which:	-	6,782	23,772	27,272,728	18,578,667
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	6,782	18,899	23,092,145	15,022,735
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	-	5,588,449	325,314	5,105,633	5,832,930
25	Interdependent assets	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-			28,837	24,511
29	NSFR derivative assets	-			-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-			454,712	22,736
31	All other assets not included in the above categories	-	2,348,922	148,090	2,320,042	3,862,980
32	Off-balance sheet items	-	**5,915,560**	**1,017,044**	**7,572,495**	**1,071,079**
33	**Total RSF**	-	-	-	-	**49,573,693**
34	**Net Stable Funding Ratio (%)**	0	0	0	0	164.6%

Values in thousand of Euros

By systematising, the measurement, monitoring and control of liquidity risk by CGD is materialised in a set of comprehensive metrics, and serves various stakeholders and reporting purposes, namely

Management, the Supervisor, risk appetite (Risk Appetite Statement/Risk Appetite Framework □ RAS/RAF), and the liquidity contingency plan. All metrics are presented and discussed with the management bodies prior to their use.

The following table presents the liquidity metrics currently used by CGD, as well as their reporting scope and frequencies.

Table 48 | Liquidity risk monitoring metrics

Frequency	Metric	Management	RAS/RAF	Prudential Reporting	Liquidity Contingency Plan
Daily	Daily liquidity position	✓			
	transformation ratio	✓	✓		✓
	Collateral available for ECB funding	✓	✓		✓
	Contractual liquidity Gaps	✓			
	Structural liquidity gaps	✓			✓
	Financing concentration	✓			✓
	Liquidity Coverage Ratio (LCR)	✓	✓	✓	✓
	Liquidity Coverage Ratio - Stressed	✓	✓		
	Net Stable Funding Ratio (NSFR)	✓	✓		
	Buffer concentration and composition of HQLA	✓	✓		
	Intraday liquidity stress testing	✓			
	Additional liquidity monitoring metrics (ALMM)	✓		✓	
Quarterly	Net Stable Funding Ratio (NSFR)	✓	✓	✓	✓
	Asset encumbrance	✓	✓	✓	✓
	Survival period	✓			✓
Half-yearly	Funding and capital plan	✓		✓	
Yearly	*ILAAP*	✓		✓	

Throughout 2021, CGD pursued, as usual, a fund raising policy that sought to ensure a sustainable funding structure for its activity, based on the characteristics of liquidity and residual maturity of its assets and off-balance sheet exposures.

11. Balance Sheet Interest Rate Risks

11.1 Qualitative data

The main objective of the asset and liability management process (Asset-Liability Management, ALM) is to contribute to the balance of the Group's consolidated balance sheet and to the achievement of positive financial results, in a sustainable way, maintaining a prudent management of interest rate risk.

CGD's Executive Committee (CE) is the highest authority responsible for the overall management of the ALM process. CGD's EC delegates powers in this area to the Delegated Council for Capital, Assets and Liabilities Management (CALCO), establishing the respective guidance framework and defining its scope of action, powers and responsibilities, composition and operating rules.

Within the framework of its objectives, CALCO is entrusted with the regular assessment of the balance sheet interest rate risk, in consolidated terms and on an individual basis, for the various entities of the CGD Group, taking the necessary measures to ensure compliance with the defined objectives, as well as compliance with regulatory determinations issued by the supervisory entities.

The centralized management of liquidity and interest rate risks on the balance sheet uses a computer tool for Asset and Liability Management, which assesses the extent of exposure to these risks of the group of entities that make up CGD Group's banking prudential perimeter.

In summary, the process of measuring liquidity and interest rate risks on the balance sheet comprises two distinct stages: identification and collection of the risk positions of the different units of the Group, and determination of the set of relevant indicators in the assessment of the two types of scratchs.

Interest rate risk is the risk incurred by a financial institution whenever, in the course of its activity, it contracts operations with financial flows that are sensitive to interest rate variations, consisting of the possibility of incurring losses either in the net interest income or in economic value, as a result of the impact of an adverse change in interest rates. In other words, it is the risk that an interest rate variation will occur, leading to a decrease in the institution's profitability or increasing 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).

In the context of points i) and v) of subparagraph e) of number 1 of Article 448 of Regulation (EU) 575/2013 and number 2 of the same article, the following metrics are calculated on a monthly basis (considering static balance sheet):

- Impact on net interest income of adverse changes in interest rates (+/- 50 bps) - short-term perspective: calculated based on the repricing gap accumulated over 12 months;
- EVE (economic value of capital at risk) - long-term perspective: considering the impacts of adverse changes in interest rates (+/- 50bps) in terms of Equity;
- Duration Gap.

The following metrics are calculated on a quarterly basis:

- Impact of interest rate changes on net interest income and economic value, allowing for short-term gains to mitigate long-term losses - this measure is used to determine the internal capital requirements for the IRRBB, and takes into account parallel shifts and non-parallel interest rates (calculation with dynamic balance sheet);
- Impact on the economic value of a parallel displacement of +/- 200 bps as a percentage of Equity (Supervisory Outlier Test - EBA GL 2018/02), taking into account static balance sheet;
- Impact on the economic value of a parallel displacement of +/- 200 bps as a percentage of Tier 1 Equity (Supervisory Outlier Test - EBA GL 2018/02), taking into account static balance sheet.

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.

In the context of point iii) of subparagraph e) of number 1 of Article 448 of Regulation (EU) 575/2013 and number 2 of the same article, it is important to mention that the set of interest rate scenarios takes 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 includes the following dimensions:

- Instantaneous parallel shifts of yield curves of different magnitudes, namely ± 50, ± 100, ± 200, ± 300 and ± 400 basis points;
- Sudden slopes and changes in the shape of the yield curve (eg short-term interest rates rising/falling/staying unchanged, while medium and long-term rates change at a different pace or even in the opposite direction. Additionally , even within each of the short, medium and long term rate categories, shocks that diverge at different points on the yield curve must be considered);
- Index risk (including that arising from changes in the relationship between the main market rates);
- Potential changes in the behavior of different types of assets or liabilities in relation to the chosen interest rate scenarios;
- Specific interest rate scenarios for exposures in different currencies;
- Interest rate scenarios supported by the analysis of their historical behavior, such as the drop in rates between the last quarter of 2008 and the first quarter of 2009.

In this context, the results of the sensitivity of net interest income and the economic value of the Group's banking book to the set of parallel and non-parallel interest rate scenarios that are part of the internal stress testing program are shown in the figure below.

Figura 6 | Estimated impact on net interest income of changes in interest rates

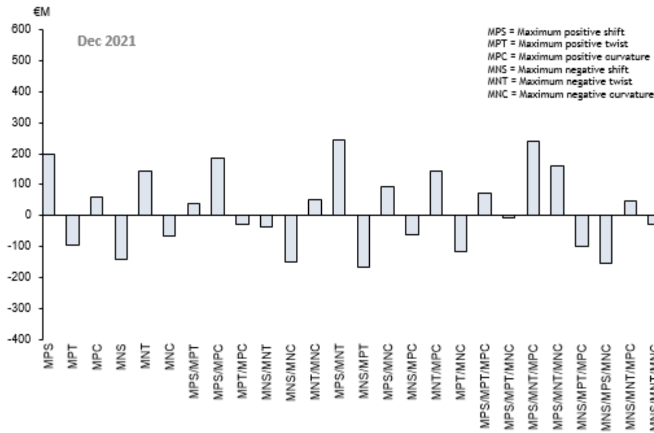
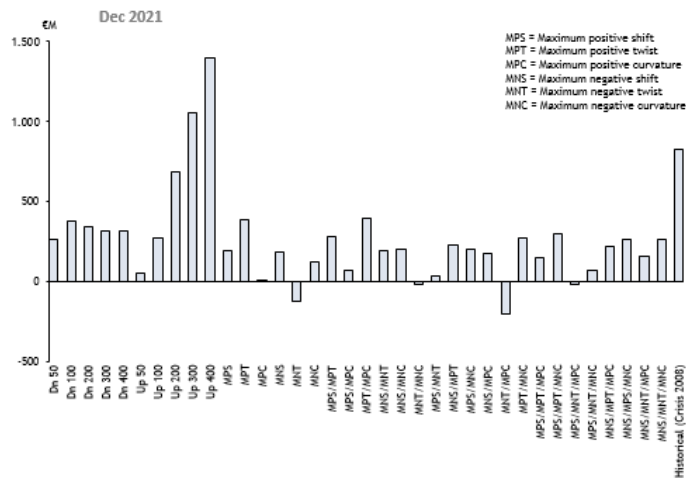
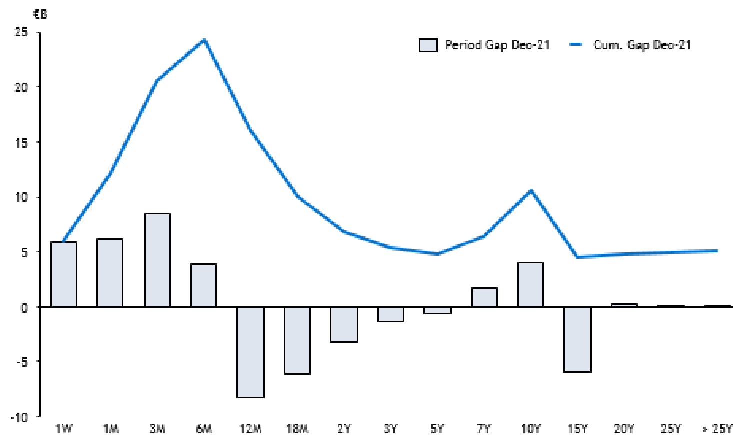


Figura 7 | Estimated impact on the economic value of capital of changes in interest rates



The analysis of the sensitivity graphs of net interest income and of the economic value of capital to changes in interest rates show particular exposure to shocks from lower interest rates, revealing the Group's exposure profile to lower rates, as shown in the graphic representation of the Institution's repricing gap below.

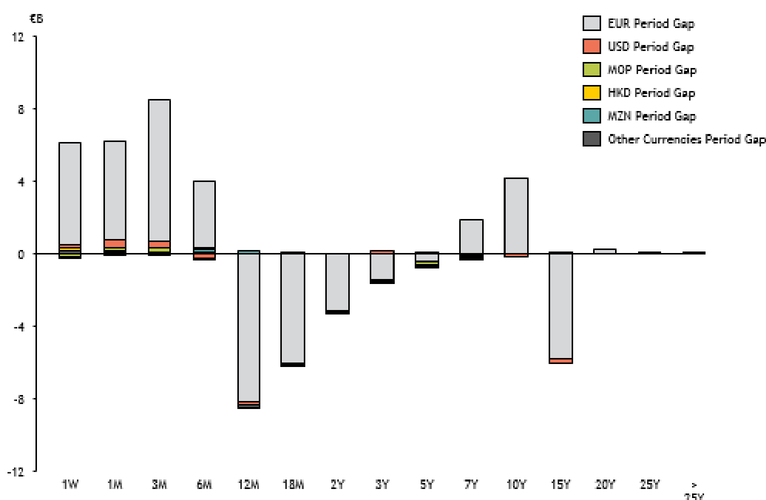
Figura 8 | Repricing gap – Direction of the impact of changes in interest rates



In the context of subparagraph d) of number 1 of Article 448 of Regulation (EU) 575/2013, the Group is essentially positively sensitive to the rise in interest rates in the rate revision intervals up to 2 years, registering a positive 12-month gap in line with the commercial policy of indexing a very significant part of its asset portfolio, namely the loan portfolio, at market rates, namely Euribor rates.

Additionally, the contribution of the main currencies to which the Group is exposed to its exposure profile to interest rate risk is low, as shown in the Figure below.

Figura 9 | Repricing gap – Direction of the impact of changes in interest rates by currency



From a long-term perspective, using internal methodologies, CGD is also exposed to declines in interest rates, as the increase in the duration of deposits without maturity leads to gains in the economic value of capital when rates rise and leads to losses when the interest rate goes down.

The results presented in Figures 6, 7, 8 and 9 are “sensitive” to the behavioral assumptions used to measure CGD Group's interest rate risk, which are the subject of a back testing framework that informs any revisions to the quantification models of risk of supporting balance sheet and off-balance sheet items with embedded behavioral optionality with the potential to affect the interest rates charged or the behavioral interest rate fixation date (as opposed to the contractual interest rate fixation date) of balances of significant size.

Specifically, the assumptions used by Caixa regarding customer behavior (behavioural assumptions) take into account the following dimensions, as described in Article 448(1)(c) of Regulation (EU) 575/2013):

- Assumptions for prepayment of housing loans according to the respective residual period of maturity;
- Assumptions related to products without a contractually defined interest rate fixing date.

Within the scope of point ii) of subparagraph e) of number 1 and number 2 of Article 448 of Regulation (EU) 575/2013, the differences between the behavioral hypotheses and internal assumptions used by CGD for the purposes of monitoring of IRRBB compared to those used for disclosure of the EU IRRBB1 model are only verified at the level of:

- No limitation of the wholesale segment's average term to 5 years;
- Use of credit spreads for the purpose of calculating the economic value of capital.

The average repricing period assigned to deposits with no assigned maturity is 2.4 years and the longest term is 12 years (item g) of number 1 of Article 448 of Regulation (EU) 575/2013).

The management and control of interest rate risk in the banking book are supported by a set of guidelines that include setting limits for variables considered significant in terms of the level of exposure to this type of risk. The objective of complying with these guidelines is to ensure that CGD has, at all times, a way of managing the return-risk trade-off with regard to the management of the banking book and that, at the same time, it is in a position to set the level of exposure and to control the results of the different policies and risk positions assumed.

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

a) Impact on results of the repricing gap accumulated over 12 months for an instantaneous parallel shift of the yield curve of magnitude ± 50 basis points;

b) Impact on the economic value of capital of an instantaneous parallel shift in the yield curve of magnitude ± 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 magnitude ± 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 shifts in the yield curve provided for in Annex III of the European Banking Authority 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 core capital (Tier 1) ("EBA outlier test");

e) Internal capital allocated to the interest rate risk of the banking book.

The management strategy and interest rate risk tolerance are established in accordance with the Institution's risk appetite statement, and are based on four basic pillars:

a) Maintenance of an adequate level of capital for a retail bank to cover expected losses;

b) Reduction in the volatility of the bank's results and capital through (i) minimizing exposure to interest rate variations, (ii) monitoring the proximity of exposure to sovereign debt, considering the Group's risk management objectives and adequate geographic diversification, and (iii) contractual implementation of the zero floor in the corporate credit market reference rates;

c) Interest rate risk coverage and proximity monitoring of unhedged risk;

d) Remuneration adequate to the risks assumed.

Compliance with the interest rate risk appetite of CGD Group's banking book constitutes the respective interest rate risk management strategy, as reviewed and approved in CALCO of June 2021. In the context of the banking book, and within the scope of the point f) and point iv) of point e) of number 1 of Article 448 of Regulation (EU) 575/2013, the following risk factors and respective mitigation strategies are highlighted (when applicable):

1) At the level of commercial activity:

   Loans granted to customers represent the largest component of assets sensitive to interest rate variations. The predominance of variable rate operations, or operations with short terms, implies that the proportion of credit included in the repricing gap accumulated over 12 months is extremely significant.

   The repricing risk is mitigated by the also significant volume of liabilities at variable rates or with short maturities, which contribute to attenuating the size of the repricing gap accumulated over 12 months. Among these liabilities, customer deposits stand out, and typically resources from

central banks and other credit institutions are also included, as well as issuance of liabilities held at a variable rate or whose residual maturity date is less than 12 months.

Notwithstanding, the high weight of demand deposits and savings deposits with no defined maturity in the Institution's liabilities translates into a behavioral interest rate fixation date that extends to medium and long-term tenors.

The combination of the characteristics described in terms of loans and deposits is reflected in a positive 12-month cumulative repricing gap. A decline in interest rates therefore constitutes an unfavorable scenario for the evolution of net interest income.

The extremely low, and even negative, levels of Euro interest rates accentuate the potential negative impact of possible rate cuts, in a context of asymmetrical legal treatment in terms of the adjustment of rates practiced on credit and deposits. This risk is mitigated by the introduction of the contractual clause of a floor of zero in the value of the market index, in the context of credit operations to companies granted in Portugal.

On the other hand, medium and long-term fixed-rate credit, over 12 months, has a lower expression on the Group's balance sheet, with an impact on the economic value of capital, depending on its duration. The associated interest rate risk is mitigated by the existence of fixed-rate liabilities with maturities of more than 12 months, either in contractual terms, as in the case of term deposits, securitized debt issues or consigned financing lines, or in terms of the behavioral interest rate setting date, as in the case of sight deposits or savings deposits with no defined maturity. In this way, 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 that is, considering the mitigation effect associated with the existence of “natural hedges” of swing.

However, it is possible to decide to contract specific hedges for the interest rate risk of a credit (micro-hedge) or set of credits (macro-hedge) either at the time of the respective contracting, or at a later time, using derivative instruments. The decision is supported by a case-by-case analysis, which will take into account i) the global management of the interest rate risk inherent to the Institution's balance sheet, and ii) in the case of loans to companies, the intrinsic characteristics of the contracted operations, considering the current interest rate environment and expectations for their evolution.

It should be noted that loans are carried on CGD's balance sheet at amortized cost, while hedges made with derivative instruments are valued at fair value, so that fluctuations in market interest rates have an impact on the results of financial operations in terms of hedges. , however they do not have any impact on the value of the covered assets.

The market risk resulting from the contracting of derivative instruments to hedge assets at amortized cost is monitored by CGD's Risk Management Division within the scope of monitoring

the market risk incurred by CGD Group, without prejudice to the former being part of the Group's bank book.

The offer of structured deposits is a particular case in terms of hedging interest rate risk, as it provides a remuneration indexed to the performance of an underlying asset, namely i) the evolution of market interest rates (for example, the Euribor), ii) the behavior of the shareholder segment (indices, baskets of shares, or company shares), or iii) the evolution of exchange rates, which may or may not guarantee a minimum remuneration equal to zero. Due to the nature of the product, structured deposits are subject to specific coverage with instruments appropriate to the risks underlying their remuneration, which includes interest rate risk.

2) At the level of proprietary activity:

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

The exposure of the balance sheet to this type of asset is subject to the Group's risk appetite, which sets limits for the holding of sovereign debt, as well as for the respective duration, which limits the interest rate risk incurred in tenors with longer maturity and, consequently, the sensitivity of 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 in the respective risk appetite metrics in the context of the banking book.

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

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

Hedging the interest rate risk of portfolios of securities at fair value through reserves makes it possible to limit the impact on capital arising from the depreciation of the value of assets in a scenario of rising market interest rates, as well as on the economic value of capital. The purpose of this coverage is exclusively the management of interest rate risk, so it does not mitigate the issuer's credit risk. Adverse fluctuations in the spread (risk premium) between the asset's return

rate and the base interest rate associated with the hedging instrument translate into a deterioration in the asset's market value and/or the value of the respective hedge.

Debt securities classified at amortized cost with a shorter term, or with a variable interest rate, have a reduced duration and are therefore not subject to specific coverage.

Debt securities classified at medium-long term amortized cost and type of fixed interest rate contribute to the exposure to interest rate risk according to their duration. The risk incurred is controlled by the duration limits established for sovereign debt portfolios. These portfolios are not usually hedged against interest rate risk, being managed in the context of the aggregate balance sheet, ie, considering the mitigation effect associated with the existence of “natural hedges” on the balance sheet.

However, it is possible to decide to contract specific coverage for the interest rate risk of a security (s) or portfolio (s) either at the time of the respective acquisition or at a later time. The decision is supported by a case-by-case analysis, which will take into account i) the global management of the interest rate risk inherent to the Institution's balance sheet, and ii) the current interest rate environment and expectations for its evolution . It should be noted that, in this case, since the securities are carried on CGD's balance sheet at amortized cost, while the hedges made with derivative instruments are valued at fair value, fluctuations in market interest rates have an impact on the results of financial operations at level of coverage, however they do not have any impact on the value of the covered assets.

The market risk resulting from the contracting of derivative instruments to hedge assets at amortized cost is monitored by CGD's Risk Management Division within the scope of monitoring the market risk incurred by CGD Group, without prejudice to the former being part of the Group's bank book.

Assets relating to investments with central banks or in the interbank market, given their tendential type of term, short-term operations, are not usually subject to interest rate risk coverage, although a case-by-case hedging decision in the context of the overall management of the interest rate risk of the Institution's balance sheet.

Issues of securitized liabilities carried out by CGD that include some type of structuring, namely the indexation of the respective coupon to an instrument other than an interbank market rate (eg Euribor), are subject to specific coverage.

Securities issued by CGD of the “plain vanilla” type are usually not hedged against interest rate risk, which is managed in the context of the aggregate balance sheet, that is, taking into account that the issues are as “natural hedges” of assets at a fixed rate on the balance sheet. The same applies to the consigned financing lines obtained by CGD, for example from the EIB.

However, it is possible to decide to contract specific coverage for the interest rate risk of an issue or consigned line, either at the time of the respective origination/contracting, or at a later time. The decision is supported by a case-by-case analysis, which will take into account i) the global management of the interest rate risk inherent to the Institution's balance sheet, and ii) the current interest rate environment and expectations for its evolution.

Liabilities obtained from central banks or the interbank market, given their tendential type of term and remuneration, short-term or variable rate operations, are not usually subject to interest rate risk coverage, although they may , a case-by-case hedging decision is taken in the context of the overall management of the interest rate risk of the Institution's balance sheet.

In order to ensure the pursuit of the interest rate risk management strategy, and the mitigation of interest rate risk through hedges, the level of exposure to interest rate risk on the balance sheet can be adjusted using, generally speaking, to the range of interest rate risk management instruments available, including interest rate swaps, cross currency interest rate swaps, interest rate futures, interest rate forwards, caps, floors or swaptions, to the extent that that this proves necessary to manage the interest rate risk resulting from the Institution's commercial and proprietary activity.

Changing the composition of the proprietary components of the balance sheet is also an 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 type of interest rate selected in contracting wholesale liabilities.

The set of information supporting the measurement and monitoring of interest rate risk in the banking book is assessed monthly by the Executive Committee and at CALCO meetings. In this way, and in compliance with the guidelines of the European Banking Authority on 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 the CALCO of interest rate risk in the banking book includes the following contents:

1) From an income, short-term or accounting perspective:

   a. The. Evolution of CGD Group's exposure profile to interest rate repricing risk, evidencing 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 exposure profile to interest rate reset 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 entities of the Group and the forward rates implicit in the spot interest rate curve, showing the contribution of each entity of the Group;

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 projected values in different simulation exercises with the actual values;
e. Evolution of the sensitivity of net interest income for the next 12 months to 37 interest rate scenarios (stress tests), with the aim of identifying sources of potential worsening of exposure to interest rate risk, and ensuring that the current exposure remains in accordance with the Group's risk tolerance. Assessment of the scenarios that give rise to the three worst impacts on net interest income in view of the Group's risk exposure profile.

Evolution of the sensitivity of net interest income for the next 12 months to 37 interest rate scenarios (stress tests), with the aim of identifying sources of potential worsening of exposure to interest rate risk, and ensuring that the current exposure remains in accordance with the Group's risk tolerance. Assessment of the scenarios that give rise to the three worst impacts on net interest income in view of the Group's risk exposure profile;

The interest rate scenarios take into account 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) the index risk (basis risk), including that arising from changes in the relationship between the main market rates, iii) interest rate scenarios specific interest rates for exposures in different currencies, iv) a historical scenario that intends to reflect the extreme reduction of interest rates during the global financial crisis of 2007-2008, specifically the maximum variation observed in the period from January 2008 to December 2009, and v) interest rate scenarios supported by the statistical analysis of its historical behavior.

It should be noted that interest rate scenarios for the Euro curves that result in values below -0.50% for terms of the respective curves greater than or equal to 18 months are subject to the application of an interest rate floor of -0, 50%, in the perspective that there is no financial rationale for the application of excess liquidity by market agents at prices below the liquidity absorption rate of the European Central Bank. Due to the volatility underlying the short terms of the yield curves, it is considered, from a conservative perspective, that, from time to time, the value of the interest rates in these terms may assume values lower than the aforementioned liquidity absorption rate;

f. Assessment of the impact of the different sources of interest rate risk on the results of the sensitivity of the net interest income, namely the index risk (basis risk) and the option risk (materialized by the prepayment of mortgage loans variable);
g. Assessment of potential changes in the behavior of different types of assets or liabilities against the chosen interest rate scenarios, namely the right of a depositor to withdraw/transfer their deposit to higher yielding products.

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

a. Assessment of the effective duration gap, evidencing the contribution of each entity of the Group;
b. Evolution of the economic value of capital, as well as its respective components;
c. Evolution of the sensitivity of the economic value of capital to 37 interest rate scenarios (stress tests), with the objective of identifying sources of potential worsening of exposure to interest rate risk, and ensuring that the current exposure remains in accordance with the Group's risk tolerance. Assessment of the scenarios that give rise to 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 the one used in the accounting perspective of measuring the interest rate risk of the banking book;
d. Assessment of the impact of option risk on the economic value of capital (materialized by prepayment of variable rate mortgage loans).

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

In the context of regulatory commitments to report the interest rate risk of the banking book, the European Central Bank's supervision model within the framework of the Single Supervisory Mechanism (SSM) includes the performance of Short Term Exercises on a quarterly basis, which are short-term data collection exercises designed to provide complementary information for the Supervisory Review and Evaluation Process (SREP). In terms of interest rate risk in the banking book, the Supervisor's requirements include i) the breakdown of assets, liabilities and off-balance sheet by residual interest rate review periods, and ii) sensitivity analyzes of the interest margin and the value capital to parallel interest rate shocks of ±200bps as well as non-parallel shocks.

11.2 Quantitative data

Pursuant to Article 1 of Regulation (EU) 631/2022, the following table shows quantitative information on the interest rate risks of activities not included in the trading book.

Table 49 | Quantitative information on the interest rate risks of activities not included in the trading book

		a	b	c	d
	Supervisory shock scenarios	Change of the economic value of Equity		Changes of the interest income	
		Current Period	Last period	Current Period	Last period
1	Parallel up	(119,838)		684,661	
2	Parallel down	251,575		(236,925)	
3	Steepener	(3,666)			
4	Flattener	48,656			
5	Short rates up	51,770			
6	Short rates down	205,305			

Values in thousand of Euros

12. Market Risk

This chapter aims to fulfill the information disclosure duties under article 445 of the CRR.

12.1 Qualitative data

As at 31 December 2021, 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 unfavorable 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) 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 methodology described in Section 3, Chapter 2, Title IV, Part III of Regulation (EU) 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) 575/2013. This method consists of applying a weighting of 8% (or 4% for strictly correlated currencies[9]) 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 2021, the CGD Group's portfolio had no positions subject to Own Funds requirements relatting to commodity risk.

12.2 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 instruments, totaled, as at 31 December 2021, EUR 126 million, an increase of 13 million, compared to December 2020. The EUR 20 million increase in foreign exchange risk requirements contributed to this evolution, as a result of the prudential restructuring of structural foreign exchange positions arising from international activity in Brazil, as well as the effect of the exchange rate appreciation of the metical (MZN), from the kwanza (AOA). This increase was partially offset by the reduction in capital requirements on debt instruments.

Also with regard to foreign exchange risk, CGD Group calculates Own Funds requirements as the overall net position (EUR 1,291 million) is above the threshold of 2% of the Group's total Own Funds (approximately EUR 168 million).

[9] Currencies are considered to be closely correlated, among others, the Hong Kong dollar, the Macau pataca and the US dollar, as per the list published on the EBA website (https://www.eba.europa.eu/documents/10180/529426/ITS+Annex+1+updated.pdf)

Table 50 | EU MR1 Market risk under the standardised approach

		a	b
		RWEAs	Own funds requirements
	Outright products		
1	Interest rate risk (general and specific)	249,785	19,983
2	Equity risk (general and specific)	29,767	2,381
3	Foreign exchange risk	1,299,940	103,995
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus approach	409	33
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**1,579,902**	**126,392**

Values in thousand of Euros

13. Operational Risk

13.1 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 measures.

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 of tolerance limits and risk appetite;
- Identification of operational risks supported by the mapping of processes, risks and controls, the analysis of new products and services and the monitoring of activities carried out under a subcontracting regime;
- Decentralized collection of operational risk events, losses and recoveries reinforced and supported by control procedures;
- Self-assessment of potential operational risks and respective controls;
- Analysis of impacts of extreme scenarios;
- Definition and monitoring of risk indicators (key risk indicators);
- Promotion of training programs and dissemination of information through an internal reporting system that includes the regular holding of Committees and the dissemination of periodic reports to various structures of the Group;
- Identification, definition and implementation of action plans as a corollary of the remaining components of the methodology. With regard to operational risk mitigation, each CGD Group

entity must ensure the development and implementation of mitigation plans appropriate to the significance of the operational risks identified;

- Existence of an internal reporting system for the different levels of the organization, which includes operational and management information and is properly documented.

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

- **Executive Committee of the Board of Directors** (global coverage in terms of risk management);
- **Risk Committee,** responsible for monitoring compliance with the corporate policy for managing operational risk and risk appetite limits;
- **Delegated Council for Business Continuity, Operational Risk and Internal Control (CDCRC),** body responsible for coordinating, appreciating and debating matters related to the management of operational risk and internal control deficiencies at the Group level.
- **Area dedicated exclusively to operational risk management,** integrated in the DGR, responsible for developing and implementing the strategy and policies, ensuring that operational risk is being managed properly, articulating with the other Divisions, Branches and Subsidiaries in order to ensure the harmonization of practices at the level of the Group's entities. As a 2nd Line of Defense control function, it promotes the strengthening of the Internal Control System, as a body that identifies and validates the resolution of internal control deficiencies related to operational risk.
- This area is also responsible for ensuring the implementation of the Business Continuity strategy at CGD, through the global coordination and planning of activities related to Business Continuity Management and ensuring the supervision of this topic in the Group Entities;
- **Process Owners**, responsible for the role of facilitator and driving force in the operational risk management process in the respective areas of intervention;
- The following structures are also involved:
  1. Transformation Office (management and documentation of processes, catalog/map of the Group's processes);
  2. Compliance Division (compliance risk management);
  3. Accounting, Consolidation and Financial Information Division (reporting of own funds requirements);
  4. Information Systems Division (management of information systems risk and assessment of the internal control of information systems based on the Cobit methodology);

5. Internal Audit Division (assessment of internal control procedures and review of the measurement system and management process).

This methodology is adopted by CGD and its branches, domestic subsidiaries (Caixa Gestão de Ativos and Caixa Banco de Investimento) and subsidiaries abroad (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 (BCMS), in January 2019 CGD obtained its certification according to the international standard ISO 22301:2012 Business Continuity Management System. This certification was renewed at the end of 2021, after an audit carried out by the British Standards Institution (BSI), an entity specialized in the subject.

With this renewal of certification, CGD confirms that the principles and good practices of Business Continuity are assured and implemented, thus remaining 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. 47/2021) 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) 575/2013, of the European Parliament and of the Council, define that Credit Institutions must determine own funds requirements to operational risk, according to one of three different approaches: The **Basic Indicator Approach, the Standardised Approach or the Advanced Measurement Approach**.

As at 31 December 2021, CGD Group calculated own funds requirements for operational risk in accordance with the **Standardised Approach**, which, as defined in the aforementioned Regulation, result from the triennial average of the relevant indicator, weighted by risk, calculated each year for each of the following business segments:

Table 51 | Weighting applied by business segment

Banking Activity	Weight
Corporate Finance	18%
Trading and sales	18%
Payment and settlement	18%
Commercial Banking	15%
Agency services	15%
Retail banking	12%
Retail brokerage	12%
Asset Management	12%

The determination of the relevant indicator is carried out as follows:

(+) Interest income and similar income

(-) Charges with interest and similar costs

(+) Income from shares and other variable/fixed-income securities

(+) Commissions received

(-) Commissions paid

(+/-) Result from financial operations

(+) Other Operating Income

The nature of costs and income and the respective accounting items that contributed to the calculation of the relevant indicator, in accordance with the parameters established in Chapter 3 of Title III of Regulation (EU) 575/2013 were:

Table 52 | Accounting Items Relevant Indicator

Item	Nature
66	Interest and similar charges
67	Commissions paid associated with amortized cost
68	Other commissions paid
69	Losses in financial operations
79	Interest and similar income
80	Commissions received associated with amortized cost
81	Other commissions received
82	Income from equity instruments
83	Gains on financial operations
84	Other operating income and income

As for the attribution criteria by activity segment, the following stand out:

- All activities are divided into the previously identified activity segments, so that each activity corresponds to a single segment and that none is excluded;
- Any activity that cannot be directly included in the defined activity segments, but which represents an auxiliary function of an activity included in one of these segments, is included in the same;
- If an activity cannot be framed in a specific activity segment, it is framed in the activity segment to which the highest percentage corresponds;
- The distribution of activities by segments, for the purpose of determining own funds requirements to cover operational risk, is consistent with the categories used in relation to credit and market risks;
- The distribution of activities between the “Commercial Banking” segment and the “Retail Banking” segment is based on the criterion of the commercial network that manages clients (the “Retail Banking” segment falls within the scope of Individuals and Business Banking

activities; the “Commercial Banking” segment falls within the scope of Corporate, Large Corporate and Institutional Banking activities);

- Clients managed by Individuals and Business Banking, with gross exposure (total credit, gross of provisions + unused credit limits + other off-balance sheet balances) equal to or greater than EUR 1 (one) million, are included in the “Commercial Banking” segment";
- The institution uses internal methods to calculate the cost of funding, with the opportunity costs and income generated by its operations being reflected in the financial margin generating segments.

13.2 Quantitative data

The calculation of capital requirements to be allocated to operational risk, on a consolidated basis, in accordance with the Standard Method is as follows:

Table 53 | EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		2019-12-31	2020-12-31	2021-12-31		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,808,363	1,676,743	1,681,298	268,594	3,357,431
3	Subject to TSA:	1,808,363	1,676,743	1,681,298		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Values in thousand of Euros

14. Equity Exposures on Banking Book

14.1 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.

14.2 Quantitative data

In compliance with the provisions of article 447 of the CRR, the table below shows the types, nature and amounts of exposures in shares not included in the trading book as at 31 December 2021.

Table 54 | Exposures in equities not included in the trading book

		a	b	c	d	e	f	g	h
		Quoted shares		*Unquoted shares Private Equity*		Other capital instruments		TOTAL	
		31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
10	Acquisition Cost / Notional Value	4,244	6,307	197,258	232,557	-	-	**201,502**	**238,864**
20	Fair value	13,176	42,306	284,928	230,016	-	-	**298,105**	**272,322**
30	Market value	13,176	42,306	-	-	-	-	**13,176**	**42,306**
40	Income from sales and settlements	-	-	267	22	-	-	**267**	**22**
50	Total unrealized gains or losses	8,932	35,999	87,671	(2,541)	-	-	**96,603**	**33,458**
60	Total gains or losses inherent to latent revaluations	-	-	-	-	-	-	**-**	**-**

Values in thousands of Euros

Note: Shares issued by the institution itself as well as derivatives on these Shares are not included.

15.Remuneration

In terms of remuneration, it is incumbent upon the Remuneration Committee of the General Meeting (CRAG) to set the remuneration of the members of the management and supervisory bodies of the company, in its fixed and variable components, in compliance with the Remuneration Policy for the Members of the Management Bodies and Inspection (Remuneration Policy)[10] .

It is also the responsibility of this committee to ensure compliance with legal and regulatory requirements, namely as regards the definition of their Remuneration Policy and its implementation.

In turn, the Appointments, Evaluation and Remuneration Committee (CNAR) supports and advises the Board of Directors in appointing and setting the remuneration of the management and supervisory bodies of the other Entities that make up the CGD Group and of CGD employees with directive status who report directly to the Board or any of its committees (including the Executive Committee).

As a result and during 2021, CRAG and CNAR held 9 and 17 meetings, respectively.

In compliance with the provisions of article 450 of the CRR, CGD will disclose, in the Annual Report for 2021 (item “REMUNERATIONS”), information on the respective remuneration policies and practices applicable to the categories of employees whose professional activities have or may have an impact significant impact on CGD's risk profile.

In addition to this information, the following tables present quantitative data on the remuneration of top management and employees whose actions have a significant impact on the risk profile of the institution (Relevant Function Holders) of CGD and the Entities that make up the CGD Group.

The Identification Process of Relevant Function Holders respects the rules provided for in the new Commission Delegated Regulation (EU) 923/2021, of 25 March 2021, published in the Official Journal of the European Union, L 203, of 9 June 2021 which revoked the Delegated Regulation (EU) 604/2014, which remained in force until 26 June 2021, and the Personnel Management and Development Division is responsible for carrying out the annual process of identifying CGD's Relevant Position Holders.

The table below refers to the remuneration attributed by CGD Group, reported in accordance with the provisions of Article 450, n 1, subparagraph h), subparagraphs i) and ii) - Remuneration awarded for the financial year.

[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

Table 55 | EU REM1 Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	45	46	160	71
2		**Total fixed remuneration**	**1,779**	**9,122**	**16,691**	**5,480**
3		Of which: cash-based	1,775	9,034	16,529	5,423
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	4	88	162	57
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	12	30	153	65
10		**Total variable remuneration**	**15**	**641**	**1,722**	**364**
11		Of which: cash-based	15	565	1,360	364
12		Of which: deferred	-	63	193	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	76	362	-
EU-14y		Of which: deferred	-	38	181	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**1,794**	**9,763**	**18,413**	**5,844**

Values in thousand of Euros

The table below concerns Special payments to staff whose professional activity has a significant impact on the risk profile of CGD Group, reported in accordance with the provisions of Article 450, no. Special payments to staff whose professional activity has a significant impact on the institutions' risk profile (identified staff)

Table 56 | EU REM2 Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Values in tousands Euros

The table below refers to deferred remuneration at CGD Group reported in accordance with the provisions of article 450, no. 1, point h), subparagraphs iii) and iv) Deferred remuneration

Table 57 | EU REM3 Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**199**	**26**	**173**	**-**	**-**	**-**	**26**	**9**
2	Cash-based	76	17	59	-	-	-	17	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	123	9	114	-	-	-	9	9
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**1,643**	**352**	**1,291**	**(0)**	**-**	**-**	**352**	**73**
8	Cash-based	788	283	505	(0)	-	-	283	11
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	841	62	779	-	-	-	62	62
12	Other forms	14	7	7	-	-	-	7	-
13	**Other senior management**	**699**	**176**	**523**	**(0)**	**-**	**-**	**176**	**72**
14	Cash-based	485	127	358	(0)	-	-	127	23
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	214	49	165	-	-	-	49	49
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**57**	**26**	**31**	**-**	**-**	**-**	**26**	**9**
20	Cash-based	40	17	23	-	-	-	17	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	17	9	8	-	-	-	9	9
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**2,598**	**580**	**2,018**	**(0)**	**-**	**-**	**580**	**163**

Values in thousand of Euros

The table below refers to remuneration equal to or greater than EUR 1 million per year at CGD Group reported in accordance with the provisions of article 450, 1(i) of the CRR — Remuneration equal to or greater than EUR 1 million per year

Table 58 | EU REM4 Remuneration of 1 million EUR or more per year

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

The table below concerns the remuneration of staff whose professional activity has a significant impact on the risk profile of CGD Group, reported in accordance with the provisions of article 450, 1 (g) Information on the remuneration of staff whose professional activity has a significant impact on the institutions' risk profile (identified staff)

Table 59 | EU REM5 Information on the remuneration of staff whose professional activity has a significant impact on the institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**322**
2	Of which: members of the MB	45	46	91							
3	Of which: other senior management				24	13	9	29	25	63	
4	Of which: other identified staff				5	3	2	6	41	11	
5	**Total remuneration of identified staff**	1,794	9,763	11,557	3,442	2,232	752	4,069	5,324	8,438	
6	Of which: variable remuneration	15	641	656	253	235	75	231	413	879	
7	Of which: fixed remuneration	1,779	9,122	10,901	3,189	1,997	677	3,838	4,911	7,559	

Values in thousand of Euros

Anexos

Annex I - Impacts and mitigation measures Covid-19

This section below reinforces the information on Covid-19 impacts and mitigation measures disclosed in Note 40 of CGD Group's 2021 Annual Report.

The Covid-19 pandemic caused profound impacts on economic activity in Portugal despite the government measures implemented to support companies and individuals, such as the introduction of moratoria and the granting of new lines of credit to the economy guaranteed by the State, through the Mutual Guarantee Societies.

The moratoria granted in the context of mitigating the economic impacts of the Covid-19 pandemic ended during 2021 for jurisdictions in the European Union, including the private moratoria granted under the Interbank Protocol promoted by the Portuguese Association of Banks, the public moratoria instituted through the Decree -Law No. 10-J/2020 (during the 4th quarter of the year depending on the time of renewal).

As of 31 December 2021, moratoria are still in force in Cape Verde and Macau, respecting local rules for the extension of measures to support the economy, and expected to end during the year 2022.

With the aim of mitigating the potential increase in non-performing credit as a result of the end of the moratoria, CGD implemented an operational plan, at Group level, with the aim of identifying the degree of vulnerability of customers who adhered to the moratoria by preparing a set of of different solutions that can be proposed to customers depending on the level of financial difficulties. These support solutions for companies and individuals include, for example, the option of restructuring loans, among others.

The Covid-19 pandemic caused impacts on business activity for several months, justifying the adoption of exceptional measures by the Governments and supervisory and regulatory entities of the various geographies where the CGD Group is present.

These support measures for companies and individuals, such as the introduction of moratoria and the granting of new lines of credit to the economy guaranteed by the State, through Mutual Guarantee Societies, aim to allow a more effective response to the economic effects through the relief of the treasury of companies and individuals.

In Portugal, the Portuguese State, through Decree-Law nº 10-J/2020, of March 26, with the objective of protecting the credits of families, companies, private social solidarity institutions and other entities

of the social economy exceptional measures in order to guarantee the sustainability of the economy, the income of citizens and companies.

The aforementioned DL approved a moratoria, until 30 September 2020 (however extended until 30 September 2021), providing for a ban on the revocation of contracted credit lines, the extension or suspension of credits until the end of this period, thus ensuring continuity of financing to families and companies and preventing possible defaults resulting from the reduction of economic activity.

The entities benefiting from the aforementioned DL benefit from the following support measures in relation to their credit exposures contracted with the institutions:

a) Prohibition of revocation, in whole or in part, of credit lines contracted and loans granted, in the amounts contracted on the date of entry into force of the DL, during the period in which this measure is in force;
b) Extension, for a period equal to the term of validity of said measure, of all credits with payment of capital at the end of the contract, in force on the date of entry into force of the DL, together, under the same terms, with all its elements associated, including interest, guarantees, namely provided through insurance or in securities;
c) Suspension, in relation to credits with partial repayment of capital or with installment maturity of other cash installments, during the period in which the DL is in force, of the payment of capital, rents and interest due until the end of that period, being the contractual plan for the payment of principal installments, rents, interest, commissions and other charges automatically extended for a period identical to that of the suspension, in order to ensure that there are no other charges in addition to those that may arise from the variability of the interest rate of underlying reference to the contract, and all elements associated with the contracts covered by the measure, including guarantees, are also extended.

In order to cover possible entities that are not covered by the aforementioned diploma (individuals) were also made available by credit institutions and financial companies promoted by the various associations of the sector, generic moratoria, formalized through an Interbank Protocol, promoted by the Portuguese Association of Banks.

Beneficiaries of these generic moratoria were able to adopt one of the following measures, until 30 September 2020:

a) Suspension, in relation to credits with partial repayment of capital or with partial maturity of other cash installments, of the payment of the capital due until the aforementioned date;
b) Suspension, in relation to credits with partial repayment of capital or with partial maturity of other cash benefits;
c) Excluding any commissions and insurance premiums or other charges that make up the monthly fee;

d) Payment of principal and interest that fall due during the moratoria period, in which case the interest arising from the moratoria period will be capitalized into the loan amount with reference to the time when they are due, at the rate of the contract in force.

The contractual plan for the payment of principal installments, rents, interest, commissions and other charges will be automatically extended for a period identical to the suspension period, with all the elements associated with the contracts covered by the measure, including guarantees, being also extended.

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

As of 31 December 2021, the stock of active moratoria had the following distribution between Performing and Non-Performing:

Table 60 | Information on loans and advances subject to moratoria

	Exposure in 31-12-2021							Impairment in 31-12-2021							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 moratoriums (active)	**95,023**	**94,550**	**188**	**45,485**	**472**	**-**	**472**	**4,899**	**4,711**	**1**	**4,301**	**188**	**-**	**188**	**198**
Families	**35,090**	**34,885**	**188**	**14,310**	**205**	**-**	**205**	**1,394**	**1,241**	**1**	**1,207**	**152**	**-**	**152**	**1**
Home loans with mortgage on the property	19,724	19,519	-	6,250	205	-	205	850	698	-	673	152	-	152	1
non-financial companies	**55,340**	**55,072**	**-**	**26,850**	**267**	**-**	**267**	**3,073**	**3,036**	**-**	**2,661**	**36**	**-**	**36**	**197**
Small and Medium Enterprises	23,604	23,556	-	9,585	47	-	47	1,251	1,238	-	986	12	-	12	24
Commercial real estate	18,629	18,629	-	3,925	-	-	-	474	474	-	249	-	-	-	-

Values in thousand of Euros

The existence of operations with generic moratoria, classified as non-performing, is justified by the conditions defined in Article 2 of Decree-Law 10-J/2020, paragraphs c) and d) (similar to the Interbank Protocol) which are transcribed:

c) Are not, on 18 March 2020, in arrears or non-payment of cash benefits for more than 90 days with the institutions, or if they do not comply with the materiality criterion provided for in Notice of Bank of Portugal No. 2/2019 and in Regulation (EU) 1845/2018 of the European Central Bank, of 21 November 2018, and are not in a situation of insolvency, or suspension or assignment of payments, or on that date are already in execution by any of the institutions;

d) Have their situation regularized with the Tax and Customs Authority and Social Security, within the meaning, respectively, of the Tax Procedure and Procedure Code and the Code of Contributory Regimes of the Social Security Welfare System, not relevant until the 30 April 2020, for this purpose, debts incurred in March 2020.

The conditions defined, namely with regard to point a), do not cover all the criteria of the definition of non-performing exposures, namely with regard to the criterion of the existence of a reduced

probability that the debtor will fully pay all its credit obligations without execution of guarantees. Additionally, DL-10-J/2020 is precise as to the date on which the exclusion conditions must be observed, which differs from the period of access to the moratoria, which was extended until 30 September 2020.

As of 31 December 2021, the moratoria implemented within the scope of the Covid-19 pandemic still in force at CGD Group are in the branches in Cape Verde and Macau, respecting the local rules for the extension of measures to support the economy, and expected to end during the period 1st semester of 2022.

As at 31 December 2021, the stock of moratoria granted had the following distribution of residual and expired maturity:

Table 61 | Details of loans and advances subject to moratoria (legislative and non-legislative) by moratoria residual period

	Number of obligors	Exposure in 30-06-2021							
			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	**72,167**	**7,591,662**							
Loans and advances subject to moratorium (granted)	**68,436**	**7,584,278**	**7,036,745**	**7,489,255**	**95,023**	**-**	**-**	**-**	**-**
Households		**3,253,679**	**2,706,146**	**3,218,589**	**35,090**	**-**	**-**	**-**	**-**
Mortgage loans with property mortgage		2,973,291	2,474,280	2,953,567	19,724	-	-	-	-
Non-financial institutions		**4,282,751**	**4,282,751**	**4,227,411**	**55,340**	**-**	**-**	**-**	**-**
Small and medium institutions		3,417,404	3,417,404	3,393,800	23,604	-	-	-	-
Commercial real estate		1,497,366	1,497,366	1,478,738	18,629	-	-	-	-

Values in thousand of Euros

As at 31 December 2021, the lines contracted within the scope of public guarantees had the following distribution by segment and collateralization level:

Table 62 | Information on new contracts within the scope of public guarantees presented the following distribution by segment and level of collateralization

		a	b	c	d
		Exposure in 30-06-2021		Maximum amount of the guarantee that can be considered	*Inflows* to Non-Performing
			Of which with forebearance measures	Public guarantees received	
10	**Newly originated loans and advances subject to public guarantee schemes**	**1,713,218**	**4,506**	**1,380,764**	**6,940**
20	**Households**	**39,990**			**4**
30	Mortgage loans	-			-
40	**Non-financial institutions**	**1,666,029**	**4,356**	**1,342,442**	**6,936**
50	Small and medium institutions	1,515,861			2,280
60	Commercial real estate	287,177			118

Values in thousand of Euros

Annex II - Mapping CRR tables

Template	Ref EBA	Name	Chapter	CRR Article
Regulation (EU) 637/2021				
1	EU KM1	Key metrics template	2.4 Risk Appetite Statement	article 447 (a) to (g) and article 438 (b)
2		Other Relevant Indicators	2.4 Risk Appetite Statement	article 435 (f)
3	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	3.2 CGD Group consolidation perimeters	article 436 (b)
4	EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	3.3 Reconciliation between accounting and regulatory consolidation elements	article 436 (c)
5	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	3.3 Reconciliation between accounting and regulatory consolidation elements	article 436 (d)
6	EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	4.2 SREP and capital reserves	article 440 (a)
7	EU CCyB2	Amount of institution-specific countercyclical capital buffer	4.2 SREP and capital reserves	article 440 (b)
8		Minimum Capital Ratios 2021	4.2 SREP and capital reserves	
9		Minimum Capital Ratios 2022	4.2 SREP and capital reserves	
10		Eligible own funds and capital ratios	4.3 Regulatory Capital	
11		Eligible own funds	4.3 Regulatory Capital	
12	EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	4.3 Regulatory Capital	article 437 (b) and (c)
13	EU CC1	Composition of regulatory own funds	4.3 Regulatory Capital	article 437 (a), (d), (e) and (f)
14	EU CC2	reconciliation of regulatory own funds to balance sheet in the audited financial statements	4.3 Regulatory Capital	article 437 (a)
15		Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds	4.3 Regulatory Capital	
16	EU OV1	Overview of total risk exposure amounts	4.4 Capital requirements	article 438 (d)
17		Leverage ratio	4.5 Leverage Ratio	
18	EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	4.5 Leverage Ratio	article 451 1 (b)
19	EU LR2	Leverage ratio common disclosure	4.5 Leverage Ratio	article 451 1 (a) and (b), and article 451 3
20	EU LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	4.5 Leverage Ratio	article 451 1 (b)
21		Own funds and eligible liabilities in percentage	5. MREL (Minimum Requirement for own funds and Eligible Liabilities) - Minimum Requirement for Own Funds and Eligible Liabilities	
22		Total amount and average exposure amount	6. Credit Risk	
23	EU CR2	Changes in the stock of non-performing loans and advances	6. Credit Risk	article 442 (f)
24	EU CR1	Performing and non-performing exposures and related provisions	6. Credit Risk	article 442 (c) and e)
25	EU CQ3	Credit quality of performing and non-performing exposures by past due days	6. Credit Risk	article 442 (d)
26	EU CR1-A	Maturity of exposures	6. Credit Risk	article 442 (g),
27	EU CQ1	Credit quality of forborne exposures	6. Credit Risk	article 442 (c)
28	EU CQ7	Collateral obtained by taking possession and execution processes	6. Credit Risk	article 442 (c)
29	EU CQ4	Quality of non-performing exposures by geography	6. Credit Risk	article 442 (c) and (e)
30	EU CQ5	Credit quality of loans and advances by industry	6. Credit Risk	article 442 (c) and (e)

Template	Ref EBA	Name	Chapter	CRR Article
31	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	7. Credit risk reduction	article 453 (f)
32	EU CR4	standardised approach – Credit risk exposure and CRM effects	7. Credit risk reduction	article 453 (g), (h) and (i), and in article 444 (e)
33	EU CR5	standardised approach	7. Credit risk reduction	article 444 (e)
34	EU CCR1	Analysis of CCR exposure by approach	8. Counterparty Credit Risk	article 439 (f), (g) and (k)
35	EU CCR2	Transactions subject to own funds requirements for CVA risk	8. Counterparty Credit Risk	article 439 (h)
36	EU CCR8	Exposures to CCPs	8. Counterparty Credit Risk	article 439 (i)
37	EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	8. Counterparty Credit Risk	article 444 (e)
38	EU CCR5	Composition of collateral for CCR exposures	8. Counterparty Credit Risk	article 439 (e)
39		Securitization Operations	9. Securitization Operations	
40	EU SEC1	Securitisation exposures in the non-trading book	9. Securitization Operations	article 449 (j)
41	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	9. Securitization Operations	article 449 (k) ii)
42	EU AE1	Encumbered and unencumbered assets	10. Liquidity Risks	article 443
43	EU AE2	Collateral received and own debt securities issued	10. Liquidity Risks	article 443
44	EU AE3	Sources of encumbrance	10. Liquidity Risks	article 443
45		Asset encumbrance ratio	10. Liquidity Risks	
46	EU LIQ1	Quantitative information of LCR	10. Liquidity Risks	article 451-A 2
47	EU LIQ2	Net Stable Funding Ratio	10. Liquidity Risks	article 451-A 3
48		Liquidity risk monitoring metrics	10. Liquidity Risks	
50	EU MR1	Market risk under the standardised approach	12. Market Risk	article 445
51		Weighting applied by business segment	13. Operational Risk	
52		Accounting Items Relevant Indicator	13. Operational Risk	
53	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	13. Operational Risk	articles 446
54		Exposures in equities not included in the trading book	14. Risk Positions on Banking Portfolio Shares	
55	EU REM1	Remuneration awarded for the financial year	15. Remuneration	article 450 1 (h), i) and ii)
56	EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	15. Remuneration	article 450 1, (h), v), vi) and vii)
57	EU REM3	Deferred remuneration	15. Remuneration	article 450 º 1 (h), iii) and iv)
58	EU REM4	Remuneration of 1 million EUR or more per year	15. Remuneration	article 450 (i)
59	EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	15. Remuneration	article 450 (g)
Covid19 Moratories Decree-Law 10-J/2020				
61		Information on loans and advances subject to moratoriums	Annex I - Impacts and mitigation measures Covid19	
62		Details of loans and advances subject to moratoriums (legislative and non-legislative) by moratorium residual period	Annex I - Impacts and mitigation measures Covid19	
63		Information on new contracts within the scope of public guarantees presented the following distribution by segment and level of collateralization	Annex I - Impacts and mitigation measures Covid19	
Regulation (EU) 2022/631 IRRBB				
49	EU IRRBB1	Quantitative information on the interest rate risks of activities not included in the trading book (amounts in thousands of euros)	11. Balance Sheet Interest Rate Risks	article 434a (EU) 2022/631

Template	Ref EBA	Name	Chapter	CRR Article
Regulamento (UE) 637/2021 - Quadros não aplicáveis a CGD				
NA	EU INS1	Insurance participations	It does not apply in the case of CGD	article 438 (f)
NA	EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	It does not apply in the case of CGD	article 438 (g)
NA	EU CQ2	Quality of forbearance	It does not apply in the case of CGD	article 442 (c)
NA	EU CQ6	Collateral valuation - loans and advances	It does not apply in the case of CGD	article 442 (c)
NA	EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	It does not apply in the case of CGD	article 442 (c)
NA	EU CRE	Qualitative disclosure requirements related to the IRB method	CGD does not apply the IRB Method	
NA	EU CR2-A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	It does not apply in the case of CGD	article 442 (c) and (f)
NA	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	CGD does not apply the IRB Method	article 452 (g)
NA	EU CR6-A	Scope of the use of IRB and SA approaches	CGD does not apply the IRB Method	article 452 (b)
NA	EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	CGD does not apply the IRB Method	article 453 (j)
NA	EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	CGD does not apply the IRB Method	article 453 (g)
NA	EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	CGD does not apply the IRB Method	article 438 (h)
NA	EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	CGD does not apply the IRB Method	article 452 (h)
NA	EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	CGD does not apply the IRB Method	article 180 1 (f)
NA	EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	It does not apply in the case of CGD	article 438 (e)
NA	EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	CGD does not apply the IRB Method	article 452 (g)
NA	EU CCR6	Credit derivatives exposures	It does not apply in the case of CGD	article 439 (j)
NA	EU CCR7	RWEA flow statements of CCR exposures under the IMM	CGD does not apply the IMM Method	article 438 (h)
NA	EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	CGD does not apply the IMA Method.	article 455 (a), (b), (c) and (f),
NA	EU MR2-A	Market risk under the internal Model Approach (IMA)	CGD does not apply the IMA Method.	article 455 (e)
NA	EU MR2-B	RWA flow statements of market risk exposures under the IMA	CGD does not apply the IMA Method.	article 438 (h)
NA	EU MR3	IMA values for trading portfolios	CGD does not apply the IMA Method.	article 455 (d)
NA	EU MR4	Comparison of VaR estimates with gains/losses	CGD does not apply the VaR Method	article 455 (g)
NA	EU-SEC2	Securitisation exposures in the trading book	It does not apply in the case of CGD	article 449 (j)
NA	EU-SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	It does not apply in the case of CGD	Article 449 (k)(i)
NA	EU-SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	It does not apply in the case of CGD	Article 449 (l)

Annex III - Mapping CRR articles

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 435º Disclosure of 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 in this Title. Those disclosures shall include:			
(a) the strategies and processes to manage those categories of risks;	2.1 Governance Model Chapters 6 to 11, depending on the risk typology		3.6.2. Internal Control and Risk Management
(b) the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;			
(c) the scope and nature of risk reporting and measurement systems;			
(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	Chapters 6 to 11, depending on the risk typology		
(e) a declaration approved by the management body on the adequacy of the risk management arrangements of the relevant institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	1. Declaration of responsibility		
(f) a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include:	2.4 Risk Appetite Statement		1.2 Highlighted Events in 2021
(i) key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body;	2.4 Risk Appetite Statement		1.2 Highlighted Events in 2021
(ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	2.4 Risk Appetite Statement		3.8. Transactions with related parties and others
2. Institutions shall disclose the following information regarding governance arrangements:			
(a) the number of directorships held by members of the management body; 7.6.2019 EN Official Journal of the European Union L 150/193	2.1 Governance Model		Accumulations of functions of the members of the Board of Directors Annex III - Curriculum Vitae of the members of the governing bodies
(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	2.1 Governance Model		https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf
(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 those objectives and targets have been achieved;	2.1 Governance Model		
(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	2.1 Governance Model		1.3.2 Governance Model
(e) the description of the information flow on risk to the management body.	2.1 Governance Model		1.3.2 Governance Model
Article 436 Disclosure of the scope of application			
Institutions shall disclose the following information regarding the scope of application of this Regulation as follows:			
(a) the name of the institution to which this Regulation applies;	Introductory note		
(b) a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds;	3. Scope of application of the regulatory framework	EU LI3	
(c) a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part;	3. Scope of application of the regulatory framework	EU LI1	
(d) a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	3. Scope of application of the regulatory framework	EU LI2	
e) for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	NA		
(f) any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries;	3. Scope of application of the regulatory framework		
(g) the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	NA		
(h) where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	NA		

Artigo/Descrição	Referência no Relatório de Disciplina de Mercado	Quadro	Referência no Relatório e Contas
Article 437 Disclosure of own funds			
Institutions shall disclose the following information regarding their own funds:			
(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	4.3 Regulatory Capital	EU CC1 EU CC2	
(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	4.3 Regulatory Capital	EU CCA	
(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	4.3 Regulatory Capital	EU CCA	
(d) a separate disclosure of the nature and amounts of the following:			
(i) each prudential filter applied pursuant to Articles 32 to 35;	4.3 Regulatory Capital	EU CC1	
(ii) items deducted pursuant to Articles 36, 56 and 66;	4.3 Regulatory Capital	EU CC1	
(iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	4.3 Regulatory Capital	EU CC1	
(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	4.3 Regulatory Capital	EU CC1	
(f) a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation	4.3 Regulatory Capital	EU CC1	
Article 437a Disclosure of own funds and eligible liabilities			
Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities:			
(a) the composition of their own funds and eligible liabilities, their maturity and their main features;	NA Article applicable to G-SIIs		
(b) the ranking of eligible liabilities in the creditor hierarchy;	NA Article applicable to G-SIIs		
(c) the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4);	NA Article applicable to G-SIIs		
(d) the total amount of excluded liabilities referred to in Article 72a(2).	NA Article applicable to G-SIIs		
Article 438 Disclosure of own funds requirements and risk-weighted exposure amounts			
Institutions shall disclose the following information regarding their compliance with Article 92 of this Regulation and with the requirements laid down in Article 73 and in point (a) of Article 104(1) of Directive 2013/36/EU:			
(a) a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	4.4 Capital requirements		
(b) the amount 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 and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	4.4 Capital requirements	EU KM1	
(c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	4.4 Capital requirements		
(d) the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	4.4 Capital requirements	EU OV1	
(e) the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balancesheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	NA		
(f) the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	NA		
(g) the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	NA		
(h) the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	NA		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 439 Disclosure of exposures to counterparty credit risk			
Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:			
(a) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	8. Counterparty Credit Risk		
(b) a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	8. Counterparty Credit Risk		
(c) a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;	8. Counterparty Credit Risk		
(d) the amount of collateral the institution would have to provide if its credit rating was downgraded;	8. Counterparty Credit Risk		
(e) the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions;	8. Counterparty Credit Risk	EU CCR5	
(f) for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	8. Counterparty Credit Risk	EU CCR1	
(g) for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	8. Counterparty Credit Risk	EU CCR1	
(h) the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	8. Counterparty Credit Risk	EU CCR2	
(i) the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	8. Counterparty Credit Risk	EU CCR8	
(j) the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	NA		
(k) the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	NA IRB		
(l) separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	NA IRB		
(m) for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	NA		
Where the central bank of a Member State provides liquidity assistance in the form of collateral swap transactions, the competent authority may exempt institutions from the requirements in points (d) and (e) of the first subparagraph where that competent authority considers that the disclosure of the information referred to therein could reveal that emergency liquidity assistance has been provided. For those purposes, the competent authority shall set out appropriate thresholds and objective criteria.	NA		
Article 440 Disclosure of countercyclical capital buffers			
Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer as referred to in Chapter 4 of Title VII of Directive 2013/36/EU:			
(a) the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	4.2 SREP and capital reserves	EU CCyB1	
(b) the amount of their institution-specific countercyclical capital buffer	4.2 SREP and capital reserves	EU CCyB2	
Article 441 Disclosure of indicators of global systemic importance			
G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Article 131 of Directive 2013/36/EU.	NA		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 442 Disclosure of exposures to credit risk and dilution risk			
Institutions shall disclose the following information regarding their exposures to credit risk and dilution risk:			
(a) the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	6. Credit Risk		
(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	6. Credit Risk		
(c) information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	6. Credit Risk	EU CQ5 EU CR1 EU CQ1 EU CQ7	
(d) an ageing analysis of accounting past due exposures;	6. Credit Risk	EU CQ3	
(e) the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and offbalance-sheet exposures;	6. Credit Risk	EU CQ5 EU CR1	
(f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	6. Credit Risk	EU CR2	
(g) the breakdown of loans and debt securities by residual maturity.	6. Credit Risk	EU CR1-A	
Article 443 Disclosure of encumbered and unencumbered assets			
Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks	10. Liquidity Risk		
Article 444 Disclosure of the use of the Standardised Approach			
Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:			
(a) the names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period;	6. Credit Risk 6.1 Qualitative information		
(b) the exposure classes for which each ECAI or ECA is used;	6. Credit Risk 6.1 Qualitative information		
(c) a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	6. Credit Risk 6.1 Qualitative information		
(d) the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by EBA;	6. Credit Risk 6.1 Qualitative information		
(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds.	7. Credit risk reduction	EU CR3 EU CR5 EU CCR3	
Article 445 Disclosure of exposure to market risk			
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 points. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	12. Market Risk	EU MR1	
Article 446 Disclosure of operational risk management			
Institutions shall disclose the following information about their operational risk management:			
(a) the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	13. Operational Risk	EU OR1	
(b) where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	13. Operational Risk	EU OR1	
(c) in the case of partial use, the scope and coverage of the different methodologies used.	13. Operational Risk	EU OR1	

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 447 Disclosure of key metrics			
Institutions shall disclose the following key metrics in a tabular format:			
(a) the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	2. Risk management objectives and policies	EU KM1	
(b) the total risk exposure amount as calculated in accordance with Article 92(3);	2. Risk management objectives and policies	EU KM1	
(c) where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU;	2. Risk management objectives and policies	EU KM1	
(d) their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	2. Risk management objectives and policies	EU KM1	
(e) their leverage ratio and the total exposure measure as calculated in accordance with Article 429;	2. Risk management objectives and policies	EU KM1	
(f) the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	2. Risk management objectives and policies	EU KM1	
(i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(ii) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-themonth observations over the preceding 12 months for each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(g) the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six:	2. Risk management objectives and policies	EU KM1	
(i) the net stable funding ratio at the end of each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(ii) the available stable funding at the end of each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(iii) the required stable funding at the end of each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(h) their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	NA		
Article 448 Disclosure of exposures to interest rate risk on positions not held in the trading book 1.			
As from 28 June 2021, institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU:			
(a) the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	2.3 Main risks to which the bank is exposed 4.4 Capital requirements 11. Interest Rate Risk		
(b) the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	11. Interest Rate Risk		
(c) a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	11. Interest Rate Risk		
(d) an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	11. Interest Rate Risk		
(e) the description of how institutions define, measure, mitigate and control the interest rate risk of their nontrading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	11. Interest Rate Risk		
(i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;	11. Interest Rate Risk		
(ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;	11. Interest Rate Risk		
(iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;	11. Interest Rate Risk		
(iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3);	11. Interest Rate Risk		
(v) an outline of how often the evaluation of the interest rate risk occurs;	11. Interest Rate Risk		
(f) the description of the overall risk management and mitigation strategies for those risks;	11. Interest Rate Risk		
(g) average and longest repricing maturity assigned to non-maturity deposits.	11. Interest Rate Risk		
2. By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.	11. Interest Rate Risk		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 449 Disclosure of exposures to securitisation positions			
Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading book and non-trading book activities:			
(a) a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	9. Securitization Operations		21. Financial Liabilities Associated with Transferred Assets See point I.1 above. Notes 13, 21 and 23 of the Annex to the Consolidated Financial Statements (Securitization Transactions and Structured Products)
(b) the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and:			
(i) the risk retained in own-originated transactions;	9. Securitization Operations		
(ii) the risk incurred in relation to transactions originated by third parties;	9. Securitization Operations		
(c) their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	9. Securitization Operations		
(d) a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts:			
(i) SSPEs which acquire exposures originated by the institutions;	N/A		
(ii) SSPEs sponsored by the institutions;	N/A		
(iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services;	N/A		
(iv) SSPEs included in the institutions' regulatory scope of consolidation;	N/A		
(e) a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;			
(f) a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	N/A		
(g) a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	9. Securitization Operations		
(h) the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	9. Securitization Operations		
(i) where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	N/A		
(j) separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	9. Securitization Operations		
(k) for the non-trading book activities, the following information:			
(i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	9. Securitization Operations		
(ii) the aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	9. Securitization Operations	EU SEC4	
(l) for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	9. Securitization Operations		
Article 449a Disclosure of environmental, social and governance risks (ESG risks)			
From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU.	NA		
The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter.	NA		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 450 Disclosure of remuneration policy			
1. Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the institutions:			
(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 overseeing remuneration during the financial year, including, where 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;	15. Remuneration		3.7 Remuneration 3.5. Governing Bodies and Commissions: - Remuneration Committee of the General Meeting (CRAG) - Nominations, Evaluation and Remuneration Committee (CNAR) - Composition and mandates Remuneration Policy for members of the management and supervisory bodies of Caixa Geral de Depósitos, S.A. Remuneration Policy for CGD workers
b) information about the link between pay of the staff and their performance;	15. Remuneration		
(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;	15. Remuneration		
(d) the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	15. Remuneration		
(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	15. Remuneration		
(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;	15. Remuneration		
(g) aggregate quantitative information on remuneration, broken down by business area;	15. Remuneration	EU REM5	
(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:			
(i) the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;	15. Remuneration	EU REM1	3.7 Remuneration 3.5. Governing Bodies and Commissions: - Remuneration Committee of the General Meeting (CRAG) - Nominations, Evaluation and Remuneration Committee (CNAR) - Composition and mandates Remuneration Policy for members of the management and supervisory bodies of Caixa Geral de Depósitos, S.A. Remuneration Policy for CGD workers
(ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;	15. Remuneration	EU REM1	
(iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;	15. Remuneration	EU REM3	
(iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments;	15. Remuneration	EU REM3	
(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;	15. Remuneration	EU REM2	
(vi) the severance payments awarded in previous periods, that have been paid out during the financial year;	15. Remuneration	EU REM2	
(vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	15. Remuneration	EU REM2	
(i) the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	15. Remuneration	EU REM4	
(j) upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management;	15. Remuneration		
(k) information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU. For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of point (a) or (b) of Article 94(3) of Directive 2013/36/EU. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.	15. Remuneration		
2. For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to Regulation (EU) 2016/679 of the European Parliament and of the Council	15. Remuneration		
Article 451 Disclosure of the leverage ratio			
1. Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage:			
(a) the leverage ratio and how the institutions apply Article 499(2);	4.5 Leverage Ratio	EU LR2	
(b) a breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	4.5 Leverage Ratio	EU LR1 EU LR2 EU LR3	
(c) where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	N/A		
(d) a description of the processes used to manage the risk of excessive leverage;	4.5 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.	4.5 Leverage Ratio		
2. Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	N/A		
3. In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	4.5 Leverage Ratio	EU LR2	

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 451a Disclosure of liquidity requirements			
1. Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	10. Liquidity Risk	KM1	
2. Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	10. Liquidity Risk	EU LIQ1	
(a) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	10. Liquidity Risk	EU LIQ1	
(b) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	10. Liquidity Risk	EU LIQ1	
(c) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	10. Liquidity Risk	EU LIQ1	
3. Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	10. Liquidity Risk	EU LIQ2	
(a) quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;	10. Liquidity Risk	EU LIQ2	
(b) an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;	10. Liquidity Risk	EU LIQ2	
(c) an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six.	10. Liquidity Risk	EU LIQ2	
4. Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU.	10. Liquidity Risk	EU LIQA	
Article 453 Disclosure of the use of credit risk mitigation techniques			
Institutions using credit risk mitigation techniques shall disclose the following information:			
(a) the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	7. Credit risk reduction		
(b) the core features of the policies and processes for eligible collateral evaluation and management;	7. Credit risk reduction		
(c) a description of the main types of collateral taken by the institution to mitigate credit risk;	7. Credit risk reduction		
(d) for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	7. Credit risk reduction	EU CR3	
(e) information about market or credit risk concentrations within the credit risk mitigation taken;	7. Credit risk reduction		
(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	NA		
(g) the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	7. Credit risk reduction	EU CR4	
(h) for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	7. Credit risk reduction	EU CR4	
(i) for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the riskweighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	7. Credit risk reduction	EU CR4	
(j) for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of riskweighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	NA		