MARKET DISCIPLINE

2022

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Introductory note

The document “Market Discipline 2022” 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 2022 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

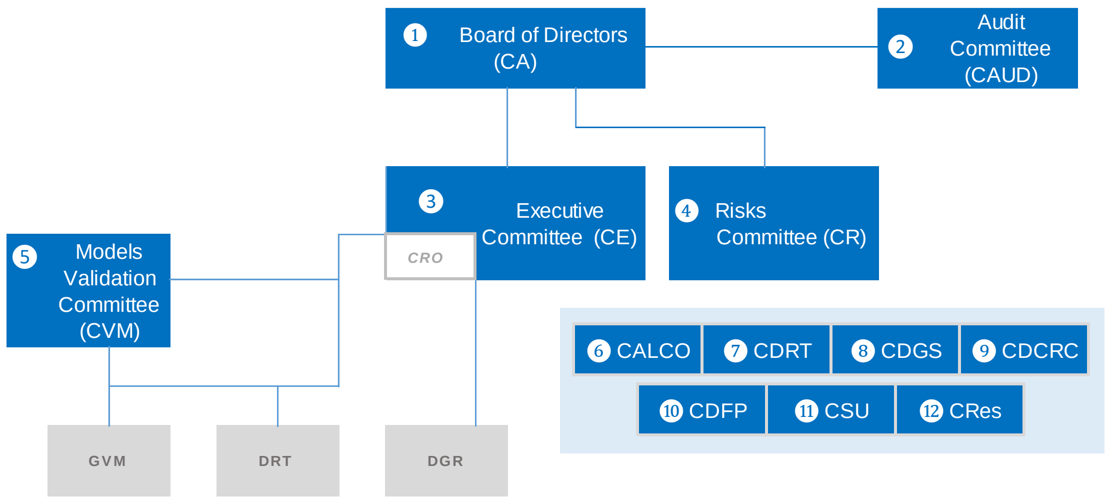
The officer ultimately in charge of CGD's risk management function is its "chief risk officer" or "CRO", who is a member of the executive committee of CGD's board of directors. CGD's CRO has global responsibility for monitoring the group's risk management framework and particularly for ensuring the adequate 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) (1), with the support of **Risk Committee** (CR) (4) and **Audit Committee** (CAUD) (2), defines CGD's risk appetite statement which is implemented by the

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

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 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;

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[2] In compliance with article 435, no. 2 (d) it is noted that the Risk Committee held 18meetings in 2022.

- **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**;
- **Develop, implement and monitor** of Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Group Recovery Plan, 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 analyzing 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;
- **Supporting** the Risks Commission by means of specific analysis in advising the Board of Directors on measures that are expected to have an impact on CGD's strategy and risk profile;
- **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, with emphasis in this context on the continued development of the risk management framework climate and environmental;
- **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;
- Confirm/validate the successful resolution of deficiencies in the internal control of the 1st line of defence;
- **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 the most appropriate 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;
- Issuing an opinion on the appointment and assessment of the Chief Executive Officer of CGD's subsidiaries and the Local Responsible for Risk Management.

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 Specialized **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 Specialized **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)** deliberate body of the Executive Committee that supervises activities carried out in the field of Data Governance and Quality and assesses and coordinates 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)** the body responsible for coordinating, assessing and debating matters related to the management of operational risk and deficiencies in internal control at Group level, as well as matters relating to monitoring and managing Data Protection and monitoring reputational risk.: It is responsible for (a) 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; (b) promote the effectiveness of the internal control system, by monitoring deficiencies and their action plans, streamlining management decisions that make their implementation more efficient; (c) ensure decision-making at the structural level to enable data protection management, enforcement by top management and training of the Data Protection Officer and the Data Protection Office in day-to-day management; and (d) monitor the global level of reputational risk and raise the awareness of top management to the issues raised in this context

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

⓫ The **Sustainability committee (CSU)** as an advisory body to the executive committee that supervises management and guides decisions regarding the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking and sustainable finance in CGD's current activities, in line with the Institution's Strategic Plan and the expectations of the interested parties.

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: : (i) providing support and advice to the Board of Directors with regard to drawing up and reviewing the remuneration policy for Caixa Group Employees; (ii) provide support to the Board of Directors to ensure the overall coherence of the Group's remuneration policies, including processes for identifying Relevant Function Holders and their correct implementation on a consolidated, sub-consolidated and individual basis, in the supervision of processes, policies and remuneration practices and control of compliance with the remuneration policies of Caixa and Grupo Caixa; (iii) preparing, in conjunction with the General Meeting's

[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

Remuneration Committee (CRAG), the annual statement on the Remuneration Policy for Members of the Board of Directors, to be submitted for approval by the General Meeting.

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 2022, 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 2022

After two years of the Covid-19 pandemic, which led to constraints on economic activity and an interruption in the normal functioning of the production and supply chains, it was expected that the year 2022 would be characterized by a relevant economic recovery.

The invasion of Ukraine by Russia in February 2022 generated impacts and uncertainties about the recovery of economic activity, contributing to the worsening of energy prices, rising inflation and the consequent sudden rise in interest rates by the European Central Bank. In the second half of 2022, the ECB successively increased the reference interest rates, with an increase of 50 bps in June, 75 bps in September and November and 50 bps in December.

With the objective of assessing the possible impacts on CGD arising from the current macroeconomic environment, regular analyzes were promoted and carried out by the Risk Management Department, covering the different geographies in which the CGD Group is exposed, with the aim of identifying the main vulnerabilities and respective potential impacts on the financial statements and consequent impacts on capital, namely:

a) Identification of debtors from the business sector belonging to sectors of activity that are more vulnerable to rising energy prices, with prospective impact analyzes being carried out on the current and expected economic and financial capacity of each debtor, with an impact on their classification in credit risk terms;
b) Sensitivity analyzes on the impacts of rising interest rates on the portfolio of loans to individuals with variable rate loans;
c) Sensitivity analyzes on interest rate risk and risk premiums on exposures classified at fair value;
d) Assessment by each CGD Group Entity abroad of the possible impacts of the current and expected macroeconomic situation.

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[4] In compliance with article 435, no. 2 (c) with regard to gender equality, in September 2022 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

With the rise in inflation and interest rates, CGD promoted specific programs to support families and companies, with emphasis on measures related to loans for permanent home ownership at a variable rate, which were reinforced with the publication of Decree- Law No. 80-A/2022.

In April 2022, measures were approved for the Companies most vulnerable to the increase in energy costs and, in December 2022, measures were also approved within the scope of the Operational Plan for the most vulnerable Individuals due to the increase in the Euribor (within and outside the scope of the DL No. 80-A/2022).

Additionally, the Rating Division, in conjunction with the Risk Management Division and the Credit Risk Division, defined the sectors most vulnerable to energy price increases, with specific actions for each area. Regarding the Rating, a study was carried out on the potential rating upgrade, where firm evidence of the absence of negative impact and/or mitigation measures with proven effect must be presented.

In 2022, the easing of measures to combat the pandemic resulted in the gradual lifting of restrictions allowing the return to normal functioning of the various CGD operative services.

On 1 January 2022, CGD complied with the binding intermediate requirement defined by the Single Resolution Committee (CUR), presenting MREL-eligible instruments corresponding to 24.58% of RWA and 8.84% of LRE. In 2022, CGD registered a positive evolution of Own Funds and carried out three more issues to comply with the requirements, in a total of 834,037 thousand euros. On 31 December 2022, CGD recorded an MREL ratio of 27.82% RWA and 9.97% LRE, thus exceeding the binding final requirement, determined by the CUR, applicable from 1 January 2024.

CGD, throughout 2022, continued the work of integrating the new Companies Platform (decision workflow) as one of the means to achieve the objective of reinforcing the Immediate Decision. For the Individuals segment (home loans and credit cards), and in order to achieve this same objective, a set of improvements/automations in the risk algorithms was also approved, always maintaining the good practices of the sector and all the risk principles from CGD.

The year 2022 was also marked by the updating of regulations for all Units abroad (Internal Credit Regulations/Guidelines).

In 2022, the European Central Bank carried out two supervisory exercises related to climate and environmental risks, namely climate stress tests and a thematic assessment on banks' alignment with supervisory expectations. The purpose of the latter is to assess the soundness and scope of the respective plans to strengthen the governance and management strategy for these risks. Caixa's results in both years were very positive, positioning the institution above the average performance of its peers.

The results of the climate stress test show that CGD was above the average of the 104 banks that participated in this exercise, with a score of 2 (Medium-Advanced), where around 65% of the banks had scores of 3 (Medium) or 4 (Underdeveloped), regarding its climate stress testing framework, confirming the importance that Caixa Geral de Depósitos (“CGD” or “Caixa”) has given to combating climate change and the progress it has been making in this regard.

Throughout the year, the Risk Management Department continued to implement the new Strategic Plan for the Risk Management function for the years 2022-2024, integrated into the CGD Group's Strategic Plan, in order to position CGD as a reference in the system national bank. During this period, the Risk Management Function was strengthened, highlighting the new organizational model of the Risk Management Department. The information disclosed in this chapter is also complemented by that contained in the Corporate Report (3.6.2. Internal Control and Risk Management).

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.

For the management and control of credit risk, there are internal regulations and models that, by resorting to internal risk ratings, exposure value, existence of preventive alerts (early warnings) or financial difficulties, define the levels of skills required in the decision-making process credit.

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 early warnings, which may represent a deterioration of the financial capacity of the debtors, 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 subjects: 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 expected credit losses (impairment), in compliance with IFRS 9, has also been implemented in CGD group and is overseen by the Executive Committee on a monthly basis.

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 recognized at fair value. All balance sheet positions contributing to the foreign exchange position (including off balance sheet positions) are considered 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, standardized and timely transmission of information on the foreign exchange rate position of CGD and any CGD group entity.

Pension fund risk

Employees admitted to Caixa Geral de Depósitos (CGD) up to 31 December 2005, including employees of Banco Nacional Ultramarino (BNU), merged into CGD in July 2001, are beneficiaries of Caixa Geral de Aposentação (CGA), which was, historically, the social security system of state employees, including companies. Under legal terms, the payment of pensions and other social benefits to CGD employees is ensured by the CGA. To finance the right to reimbursement of amounts paid by CGA, in 1991 Caixa Geral de Depósitos created a defined benefit pension fund.

In early 2023, the Portuguese government approved a legal[5] diploma that transferred to CGA all current and potential liabilities with CGD's Pension Fund, together with the corresponding pecuniary compensation. This operation allowed CGD to almost completely eliminate the actuarial and financial

[5] Decree-Law No. 14/2023, of February 24

risks associated with its Pension Fund, as the discount rate risk and the demographic risk were fully transferred to CGA.

After the transfer of responsibility to the CGA, the remaining pension fund risk will refer to the value associated with the compensation mechanism for possible deviations between the salary and pension growth rates used as assumptions in the transfer operation and the effective rates up to end of 2027. This compensation will be calculated in 2028 with data up to December 2027 and is subject to a maximum amount defined during the process of transferring responsibilities to CGA.

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).

Non-Financial Risks

I - 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.

Operational risk management at the CGD Group adopts a methodology based on an end-to-end vision of processes and which is supported by a set of guidelines, principles and regulations recognized as good practice at national and international level.

This methodology includes the **definition, monitoring and reporting of tolerance limits and risk appetite** for the entire Group. It also covers the identification and analysis of operational risk events, the analysis of new products and services, the monitoring of subcontracted activities, the self-assessment of risks and controls associated with processes, the analysis of impacts of extreme scenarios, key risk management indicators, the identification and validation of the implementation of recommendations for internal control deficiencies, as well as the promotion of action plans aimed at mitigating exposure to operational risk, namely through the implementation of adequate control procedures and risk mitigants.

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 Delegated Council/Committees and the disclosure of reports to various Group structures.

II. Other Non-Financial Risks

Non-financial risks at the CGD Group include, in addition to the traditional operational risk, 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 the IT systems delivery risk;
- **Reputational risk**: losses originating from the negative perception of the institution’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 specialized area in "traditional operational" risks) across CGD group as a whole. The main objective is to monitor, in an integrated manner, 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 2022, climate and environmental risk was considered a material and emerging risk.

Climate and environmental risk corresponds to the risk of negative impacts on earnings or capital resulting 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 essentially comprise risk factors, related to transition risk, physical risk and other environmental risks.

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.

Solvency Risk

Solvency risk corresponds to the risk of negative **impacts on results or capital resulting from changes in regulatory or fiscal frameworks**, including the risk of misalignment between capital adequacy and risk profile.

Formalized in the last revision of the CGD Group's risk taxonomy, in terms of the perimeter of prudential consolidation, solvency risk comprises the dimensions of fiscal risk, regulatory capital and internal capital.

As part of the monitoring of solvency risk, emphasis should be placed on **regular monitoring of the adequacy between own funds and the risk profile**. In accordance with the approved risk appetite framework and 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 via controlling relationships or relationships of economic dependence is also assessed.

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

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

2.4 Risk Appetite Statement

The **Risk Appetite Statement** (RAS) formally establishes the Bank's risk appetite, defining 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 assessment of the balance sheet structure;
  - 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 respective dissemination by Caixa Group entities (international and domestic) and by the Risk Appetite Governance Model (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[6] Group are presented below. The information disclosed in this chapter is also complemented by that contained in the 2022 Annual Report (3.8. Transactions with related parties and others).

Table 1| EU KM1 Key metrics template

		a	c	e
		31-12-2022	30-06-2022	31-12-2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	8,120,748	7,770,145	7,775,322
2	Tier 1 capital	8,126,369	7,777,001	7,780,558
3	Total capital	8,752,684	8,405,041	8,409,296
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	43,363,368	43,627,644	42,635,560
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18.7%	17.8%	18.2%
6	Tier 1 ratio (%)	18.7%	17.8%	18.2%
7	Total capital ratio (%)	20.2%	19.3%	19.7%

[6] Information complemented by the CGD Indicators included in point "1.2 Highlights of 2022" of the Annual Report.

		a	c	e
		31-12-2022	30-06-2022	31-12-2021
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional CET1 SREP requirements (%)	2.0%	2.0%	2.3%
EU 7b	Additional AT1 SREP requirements (%)	1.1%	1.1%	1.3%
EU 7c	Additional T2 SREP requirements (%)	1.5%	1.5%	1.7%
EU 7d	Total SREP own funds requirements (%)	10.0%	10.0%	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	1.0%	1.0%	0.8%
11	Combined buffer requirement (%)	3.5%	3.5%	3.3%
EU 11a	Overall capital requirements (%)	13.5%	13.5%	13.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.2%	9.3%	9.5%
	Leverage ratio			
13	Leverage ratio total exposure measure	105,213,486	109,448,491	106,522,359
14	Leverage ratio	7.7%	7.1%	7.3%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional CET1 leverage ratio requirements (%)	0.0%	0.0%	0.0%
EU 14b	Additional AT1 leverage ratio requirements (%)	0,00 pp	0,00 pp	0,00 pp
EU 14c	Additional T2 leverage ratio requirements (%)	3.0%	3.0%	3.0%
	Total SREP leverage ratio requirements (%)			
EU 14d	Applicable leverage buffer	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	35,503,618	35,902,256	33,873,079
EU 16a	Cash outflows - Total weighted value	13,985,692	13,374,731	12,370,327
EU 16b	Cash inflows - Total weighted value	3,707,550	3,529,918	3,950,346
16	Total net cash outflows (adjusted value)	10,278,143	9,844,813	8,419,981
17	Liquidity coverage ratio (%)	346.1%	365.4%	408.0%
	Net Stable Funding Ratio			
18	Total available stable funding	85,756,710	89,788,544	81,611,786
19	Total required stable funding	46,928,809	51,216,713	49,573,693
20	NSFR ratio (%)	182.7%	175.3%	164.6%

Value in thousand of Euros

Table 2| Other Relevant Indicators

	a	b
	2022	**2021**
Credit Quality and Coverage		
NPL Ratio[1]	2.4%	2.8%
NPE ratio[2]	2.1%	2.3%
NPL coverage for Impairments	122.0%	110.5%
NPE Coverage for Impairments	107.8%	99.8%
Cost of Credit Risk	-0.01%	0.08%
Profitability and Efficiency Ratios		
Yield Liquidity Equity - ROE[3]	9.8%	7.0%
Yield Liquidity of Assets - ROA[3]	0.9%	0.6%
cost-to-income	51.1%	42.4%
Ratings (Long/Short Term)		
Moody's	Baa2/P-2	Baa2/P-2
Fitch	BBB-/F3	BBB-/F3
DBRS	BBB/R-2 (high)	BBB /R-2 (high)

(1) Non-performing loans (NPL) - EBA RISK Dashboard definition

(2) Non-performing exposures (NPE) - EBA 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 2022, 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 disclouse of an investment in a subsidiary through the update of acquisition costs by the of variation 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:** 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:** 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 determined 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 and 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 this group pertains to 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 considered 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 characterizes 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 organizations, as well as special-purpose vehicles, which were not included in the banking 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 2022 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)

	a	b	c	d	e
	Consolidation Method		Effective participation (%)	Country	Economic activity
	Perimeter Publication	Perimeter Prudential			
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	82%	Cape Verde	Financial institutions
Banco Comercial do Atlântico, S.A. (*)	Full	Full	59%	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 (holdings)
CGD Investimentos CVC, S.A. (*)	Full	Full	100%	Brazil	Brokerage and Exchange
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Full	Full	46%	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
Flitptrel IV, S.A.	Full	Full	100%	Portugal	Real Estate Management
Flitptrel Porto Santo, S.A.	Full	Full	100%	Portugal	Real Estate Management
Imobci, Lda. (**)	Full	Full	46%	Mozambique	Real Estate Management
Caixa Serviços Partilhados	Full	Full	100%	Portugal	Complementary Companies Grouping
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
Entidades de Propósitos Especiais					
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		21%	Portugal	Open Real Estate Investment Fund
Caixagest Imobiliário Internacional - Fundo Especial de Investimento (**)	Full		28%	Portugal	Closed Real Estate Investment Fund
Fundolis - Fundo de Investimento Imobiliário Fechado	Full		100%	Portugal	Closed Real Estate Investment Fund
Associadas					
GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	36%	Mozambique	Venture Capital
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
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	Telecomunications 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%	São Tomé Príncipe	Financial institutions

(*) With the application of IFRS 5 - "Non-current assets held for sale and discontinued operating units"
(**) With the application of IFRS 10 - "Principle of Exercise of Control"

Additionally, it should be noted that BCG Brasil and CGD Investimentos CVC and Banco Comercial do Atlântico are registered in the publication perimeter 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 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 were 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 that are subject to own funds calculation 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 2022, in the persuit of the Strategic Plan's objectives, continuity was given to the corporate reorganization of the CGD Group with:

- the termination of the Nostrum Mortgage 2 securitization transaction on August 22, 2022;
- the sale of the stake in Esegur, S.A. on July 28, 2022;
- the increase from 70% to 81.69% of the financial stake in Banco Interatlântico, S.A.R.L. through the purchase, on August 3, 2022, of the position previously held by the minority shareholder Empreitel Figueiredo S.A;
- the increase from 90% to 100% of the financial stake in Caixa Serviços Partilhados, ACE in June 2022;
- the increase to 100% of the share capital of Caixa - Banco de Investimento, S.A. through a statutory acquisition completed in December 2022

On 27 December 2022, under the Crow operation, the CGD Group became the owner of 100% of the company Flitptrel IV, S.A., which in turn owns the entire share capital of Flitptrel Porto Santo, S.A..

Finally, it should be noted that S.G.P.I.C.E - Sociedade de Serviços de Gestão de Portals na Internet e de Consultoria de Empresas, S.A (ex: Yunit Serviços, SA) remains suspended from the consolidation process and Companhia Papel do Prado, S.A. left the CGD Group on May 31, 2022.

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
		Accounting values (published financial statements)	Accounting values within the 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
1	**Assets**							
2	Cash and cash equivalents at central banks	21,811,574	21,847,179	21,847,179	0	0	0	0
3	Availability at other credit institutions	569,985	574,125	574,125	0	0	0	0
4	Applications in credit institutions	3,421,920	3,635,067	3,118,395	516,672	0	0	0
5	Financial assets at fair value through profit or loss	2,079,941	1,858,580	784,102	342,492	0	731,985	0
6	Financial assets available for sale	2,367,366	2,428,681	2,426,544	0	2,137	0	0
7	Financial assets with repurchase agreement	0	5,699	5,699	0	0	0	0
8	hedging derivatives	51,601	51,601	0	51,601	0	0	0
9	Investments held until maturity	14,242,097	14,242,097	14,242,097	0	0	0	0
10	credit to customers	50,777,949	51,362,402	51,242,098	0	0	0	120,303
11	Non-current assets held for sale	1,220,466	155,420	155,420	0	0	0	0
12	Investment properties	56,419	56,432	56,432	0	0	0	0
13	Other tangible assets(1)	585,343	601,395	346,128	0	0	0	255,267
14	intangible assets	194,948	195,992	0	0	0	0	195,992
15	Investments in associates and joint ventures	476,188	664,346	664,346	0	0	0	0
16	Current tax assets	61,115	62,973	62,973	0	0	0	0
17	Deferred tax assets (2)	967,858	982,844	915,977	0	0	0	66,867
18	Other assets (3)	3,618,239	3,620,160	2,640,036	37,772	0	0	942,352
19	**Total assets**	**102,503,009**	**102,344,993**	**99,081,552**	**948,537**	**2,137**	**731,985**	**1,580,781**
20	**Liabilities**							
21	Resources from credit institutions and central banks	338,153	303,075	0	0	0	0	303,075
22	Customer funds and other loans	83,971,711	84,982,476	0	0	0	0	84,982,476
23	Responsibilities represented by titles	1,368,330	1,368,330	0	0	0	0	1,368,330
24	Financial liabilities at fair value through profit or loss	221,099	232,476	0	232,476	0	0	0
25	hedging derivatives	310	310	0	310	0	0	0
26	Non-current liabilities held for sale	989,507	0	0	0	0	0	0
27	Provisions for employee benefits	556,864	559,245	0	0	0	0	559,245
28	Provisions for guarantees and other commitments assum	247,044	247,536	247,536	0	0	0	0
29	Provisions for other risks	102,479	139,160	0	0	0	0	139,160
30	Current tax liabilities	47,819	50,449	0	0	0	0	50,449
31	Deferred tax liabilities	77,740	64,737	0	0	0	0	64,737
32	Other subordinated liabilities	1,118,490	1,118,490	0	0	0	0	1,118,490
33	Other liabilities	3,980,803	3,833,010	0	0	0	0	3,833,010
34	**Total Liabilities**	**93,020,348**	**92,899,293**	**247,536**	**232,785**	**0**	**0**	**92,418,972**

(1) Amount related to leased assets

Values in thousand of euros

(2) Amount related to DTA for tax losses

(3) Amount deducted from Own Funds, related to the Defined Benefit Pension Fund and the collateral placed with the CCP within the scope of the provision of derivatives clearing services.

When reconciling prudential balance sheet balances and regulatory exposure figures, 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.

When reconciling the value of book balances and the value of exposures at risk for prudential purposes, it is also important to mention that, under article 306 of the CRR, the value of assets pledged by CGD to central counterparties (CCP) in the context of the provision of clearing services between a customer and the CCP may, provided they are protected against the remote failure of the CCP, be considered null.

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	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**100,764,212**	**99,081,552**	**948,537**	**2,137**	**731,985**
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	480,322	247,536	232,785	0	0
3	**Total net amount under the scope of prudential consolidation**	**100,283,891**	**98,834,016**	**715,752**	**2,137**	**731,985**
4	Off-balance-sheet amounts	15,446,015	15,446,015	0	0	
5	Differences in valuations[1]	54,487	0	54,487	0	
6	Differences due to different netting rules, other than those already included in row[2]	75,521	0	75,521	0	
7	Differences due to consideration of provisions	0	0	0	0	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(322,622)	(280,768)	(41,854)	0	
9	Differences due to credit conversion factors	(12,682,446)	(12,682,446)	0	0	
10	Differences due to Securitisation with risk transfer	0	0	0	0	
11	Other differences[3]	65,804	65,804	0	0	
12	**Exposure amounts considered for regulatory purposes**	**102,920,650**	**101,382,622**	**803,907**	**2,137**	**731,985**

Values in thousandsof Euros

1 Value corresponding to the potential future value of the 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 destined to contributions to the protection fund of a CCP and the difference between the book value of the UPs in funds and the value of the assets that compose them.

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 **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 objectives described, Caixa Geral de Depósitos plans its capital needs and liabilities eligible for MREL in the short and medium term with the purpose of 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, preferred and non preferred, 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 pertained to 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), in order to prevent 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 has 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, we highlight the entry into force, on 27 June 2019, of the main changes in Capital, deductions from Own Funds and calculation of Credit Risk under the standardized and IRB approaches.

As a **result of the Covid-19 Pandemic, the supervisor authority 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 (included).

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.

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

		a	c	e	f	g	h	i	j	k	l	m
		General credit exposures	Relevant credit exposures – Market risk			Own fund requirements						
	Country Relevant	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Securitisation exposures Exposure value for non-trading book	Total exposure value	*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	38,920,141	646	2,137	38,922,925	1,809,671	9	122	1,809,802	22,622,531	75%	0%
20	Mozambique	1,066,228	0	0	1,066,228	68,576	0	0	68,576	857,196	3%	0%
30	Macao	3,668,554	0	0	3,668,554	171,013	0	0	171,013	2,137,668	7%	0%
40	France	2,942,336	7,168	0	2,949,504	150,976	33	0	151,010	1,887,619	6%	0%
50	Other Countries	4,126,867	39,233	0	4,166,100	226,785	237	0	227,022	2,837,769	9%	0%
60	**Total**	**50,724,126**	**47,047**	**2,137**	**50,773,311**	**2,427,022**	**278**	**122**	**2,427,423**	**30,342,782**	**100%**	**0%**

Values in thousand of Euros

For the year 2022, Banco de Portugal maintained the countercyclical reserve applicable in Portugal at 0%. The same reserve is applicable to the remaining relevant geographies, whereby CGD's specific countercyclical capital reserve is 0%

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

		a
		Amount
1	Total risk exposure amount	43,363,368
2	Institution specific countercyclical capital buffer rate	0
3	Institution specific countercyclical capital buffer requirement	0

Values in thousand of Euros

It should be noted that the potential breach of some of the previously identified reserves (O-SII, countercyclical reserve and Specific reserve) would not jeopardize the continuity of the institution's 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 reached in 2018.

Deferred Tax Assets' (DTA) Treatment

Deferred Tax Assets' prudential treatment has been scrutinized 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 2022

Based on the results obtained within the scope of the Supervisory Review and Evaluation Process (SREP), as well as the communication from Banco de Portugal about the additional reserve of Own Funds required of it as an “Other Institution of Systemic Importance” (O- SII), CGD was notified by the European Central Bank (ECB) of the minimum capital requirements applicable in 2022, detailed below.

In the letter issued on February 2, 2022, the minimum required for the total ratio (TSCR) of 10.00% (of which 8% from Pillar 1 and 2.00% from Pillar 2 - P2R), with CET 1 (phased-in) required from CGD on a consolidated basis would be 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 1,00 %;
- v) the Countercyclical reserve of Equity Funds, of 0%.

CGD was also subject to compliance with a minimum Tier 1 requirement of 11.00% and Total Capital of 13.50% in 2022.

With regard to the Own Funds reserve for “Other Institutions of Systemic Importance” (O-SII), Banco de Portugal defined a gradual implementation period of 0.25% per year between 2018 and 2021, foreseeing that in the last period the requirement reached the value of 1%.

However, to allow the banking system to mitigate the shock of the economic and financial conditions caused by the COVID-19 pandemic, Banco de Portugal granted the possibility of extending for another year the period for full compliance with the percentage of O-SII reservation, with this decision communicated to CGD in May 2020.

At the end of 2021, the period of phased implementation of the Reserve of Own Funds for “Other Institutions of Systemic Importance” ended, starting in 2022 the requirement to be 1%.

On 30 September 2022, Banco de Portugal issued a Communiqué informing that the value of 0% for the countercyclical reserve of Own Funds would be maintained.

In these terms, the minimum ratios to be respected by CGD in 2022 are:

Table 8| Minimum Capital Ratios 2022

Ratio	Minimum	of which			
		Pillar 1	Pillar 2	Buffers	
				Conservation	O-SII
CET 1	9.125%	4.50%	1.125%	2.50%	1.00%
Tier 1	11.00%	6.00%	1.50%	2.50%	1.00%
Total	13.50%	8.00%	2.00%	2.50%	1.00%

Capital requirements to be applied in 2023

On 14 December 2022, the European Central Bank (ECB) communicated to CGD the minimum prudential requirements that will be in force in 2023, highlighting that the Pillar 2 requirement will now be 1.90%, which will represent a reduction of 0.10% compared to 2022. Considering that this is the second consecutive downward revision of the Pillar 2 requirement, the Supervisor thus recognizes the positive evolution of the institution's overall risk.

From this SREP Decision, as well as from the communication from Banco de Portugal regarding the additional reserve of Own Funds required to “Other Institution of Systemic Importance” (O-SII), it follows that Caixa Geral de Depósitos, S.A. should ensure, on a consolidated basis, a total ratio (TSCR) of 9.90% in 2023 (of which 8% in Pillar 1 and 1.90% in Pillar 2 – P2R), with the P2R value set for CGD to be 56.25% covered by CET 1 instruments, 18.75% by AT1 instruments and 25% by Tier 2 instruments, with application starting from March 2023.

Thus, the minimum CET 1 requirement (phased-in) applicable to CGD on a consolidated basis will now be 9.069%, 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 1.069%;
- iii) Capital Conservation Buffer (CCB), of 2.50%;
- iv) reserve for 'Other Institutions of Systemic Importance of 1.0%;
- v) the Countercyclical Own Funds reserve of 0% of the total amount of exposures (as defined by the Bank of Portugal, for the first quarter of 2023).

CGD must also ensure compliance with a minimum Tier 1 requirement of 10.925% and Total Capital of 13.40% in 2023, as shown in the table below.

Table 9| Minimum Capital Ratios 2023

	Ratio	Minimum	of which			
			Pillar 1	Pillar 2	Buffers	
					Conservation	O-SII
10	CET 1	9.069%	4.50%	1.069%	2.50%	1.00%
20	Tier 1	10.925%	6.00%	1.425%	2.50%	1.00%
30	Total	13.40%	8.00%	1.90%	2.50%	1.00%

4.3 Regulatory Capital

Own Funds and Capital Ratios

CGD presents in 2022, own funds levels are **comfortably above the minimum solvency** requirements, as the result of a high Capital quality:

Table 10 | Eligible own funds and capital ratios

Solvency Indicators		Own Funds and RWA	Capital Ratios	Minimum Ratios (SREP)	Excess Own Funds
31-12-2022	CET 1	8,120,748	18.7%	9.125%	4,163,841
	Tier 1	8,126,369	18.7%	11.00%	3,356,399
	Totais	8,752,684	20.2%	13.500%	2,898,629
	RWA totais	43,363,368			
31-12-2021	CET 1	7,775,322	18.2%	9.016%	3,931,459
	Tier 1	7,780,558	18.2%	10.938%	3,117,293
	Totais	8,409,296	19.7%	13.500%	2,653,496
	RWA totais	42,635,560			

Values in thousand of Euros

Presented below the comparison between the Own Funds and Capital ratios between 2021 and 2022.

Table 11 | Eligible own funds

		a	b
		31-12-2022	31-12-2021
10	Share Capital	3,844,144	3,844,144
20	Retained earnings	4,333,971	3,847,503
30	Net income	483,723	329,378
40	Revaluation reserves	129,663	255,079
50	Total minority interest given recognition in CET 1 capital	68,269	66,713
60	**Total CET 1 capital prior to regulatory adjustments**	**8,859,770**	**8,342,817**
70	Goodwill, net of deferred tax	0	0
80	Intangibles other than Goodwil, net of deferred tax liability	(195,992)	(177,534)
90	Deferred tax assets for Tax losses, net of related deferred tax liabilities	(66,867)	(14,349)
100	Assets of defined benefit pension funds	(288,530)	(188,221)
110	Other deductions on CET1	0	0

		a	b
		31-12-2022	31-12-2021
120	**Total CET 1 capital after the regulatory adjustments above**	**8,308,381**	**7,962,714**
130	National filters and deductions that affect CET1, of which:	(187,633)	(187,392)
140	Irrevocable Commitments - Deposit Guarantee Fund	(155,553)	(155,553)
150	Irrevocable Commitments - Resolution Fund	(26,279)	(22,575)
160	AVA - Additional Valuation Adjustment	(4,820)	(8,418)
170	Insufficient coverage for non-performing exposures	(981)	(846)
180	**Common Equity Tier 1 (CET 1)**	**8,120,748**	**7,775,322**
190	Tier 1 Adicional	0	0
200	AT 1 - Subsidiaries (IM)	5,622	5,236
210	Regulatory adjustments	0	0
220	**Tier 1 Own Funds**	**8,126,369**	**7,780,558**
230	Tier 2 Instruments	600,000	600,000
240	Tier 2 Instruments - Subsidiaries (IM)	26,314	28,738
250	Regulatory adjustments	0	0
260	**Total Own Funds**	**8,752,684**	**8,409,296**
270	**RWA Total**	**43,363,368**	**42,635,560**
280	Credit	37,935,281	37,698,227
290	Market	1,833,042	1,579,902
300	operational	3,595,045	3,357,431
310	**Rátio CET1**	**18.7%**	**18.2%**
320	**Rátio T1**	**18.7%**	**18.2%**
330	**Rátio Total**	**20.2%**	**19.7%**
340	**Accounting net income (per memo)**	**837,759**	**570,449**

Values in thousand of euros

In calculating consolidated own funds and prudential ratios reported to the supervisor, referring to 31 December 2022, a net income of 483,723 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 February 4, 2015, on the inclusion of interim or end-of-year profits in Tier 1 Core Equity, this amount having been calculated on the accounting net income of 837,759 thousand euros, deducting 354,036 thousand euros relating to the maximum amount of distributable dividends in accordance with the dividend payment ratio for the previous year (application of Decision (EU) 2015/656 of the ECB - conditions where credit institutions may include interim or year-end earnings in Common Equity Tier 1).

Dividend distribution

As a result of the Covid-19 Pandemic, the ECB adopted a set of measures in order to ensure that the Banks maintain their ability to absorb losses and reinforce their ability 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 approaches, 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 income 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 latest 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 83,639 thousand euros 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.

On May 31, 2022, the Board of Directors deliberated in the General Meeting on the application of the result for the 2021 financial year in the amount of approximately 570,449 thousand euros, for the distribution of dividends of approximately 241,071 thousand euros (maximum distributable amount of in accordance with internal policy) and the payment of an additional amount of around 137,160 thousand euros via reserves (under the same terms and conditions as the November 2021 determination, referred to in the previous paragraph).

Since the completion of CGD's recapitalization until the end of the 2022 financial year, a total amount of 961,870 thousand euros in dividends has been paid to shareholders.

Reimbursement of the AT1 (Additional Tier 1)

In March 2017, within the scope of the Recapitalization Plan agreed between the Portuguese State and the European Commission, CGD issued an Instrument eligible as AT 1 in the amount of 500,000 thousand euros, under market conditions, with institutional investors internationally, with an interest rate of 10.75%.

The high levels of capitalization place CGD above the European average (according to the EBA Dashboard), both in CET 1, Tier 1 and Total ratios.

In 2021, CGD requested the early repayment of the AT Instrument 1 from the ECB and, having received from the ECB on 28 January 2022 authorization for the early repayment and without replacing the issuance of additional Tier 1 Own Funds, carried out the operation on 30 March 2022, the first contractually foreseen date for exercising the call.

Tier 2 Instrument Reimbursement

In June 2018, CGD successfully completed the third and final phase of the recapitalization plan, with an issue of EUR 500,000 thousand of Tier 2 securities, fully placed with institutional investors.

This issue had a maturity of 10 years, with a repurchase option at the end of the fifth year and a coupon of 5.75% in the first 5 years.

Since then, CGD has reinforced its capital position and has shown robust capital ratios, at levels that comfortably exceed regulatory requirements and the targets defined in its Risk Appetite policy.

Thus, on 30 December 2022, CGD requested authorization from the ECB to redeem the Tier 2 issue, which was authorized on 14 March 2023.

Similar to what occurred with the early repayment of AT 1, this operation allows CGD to reduce the cost of financing and increase Its ability to generate organic Capital.

Main aggregates that contributed to the annual variation of the CET 1 ratio

Since 2019, there is no difference between Own funds and ratios in Transitional and Full implemented Basel framework, since there is no element computed in Own funds and in Risk-weighted Assets that are subject to an implementation period nor a phased disqualification.

The CET1 ratio variation between December 2021 and December 2022 is explained by the improvement in Own funds at levels that made it possible to accommodate the increase in Risk Weighted Assets (RWA - Risk Weighted Assets):

1. The improvement in CET 1 Capital by around + 345.4 million euros represents a positive contribution to the CET 1 ratio of 80 basis points (bp) and results essentially from the contribution of the following components:
   a) Net Profit in the amount authorized by the ECB and considered in Own Funds (483.7 million euros) was the main positive contributor, with a impact of +112 bp in the variation of the CET 1 ratio;

b) Change in Other Reserves and Retained Earnings of +157.1 million euros, which contributed with around +36 bp in the change in the CET1 ratio;

c) The negative evolution of revaluation reserves by around -125.4 million euros (essentially related to debt instruments), which turns into an impact of -29 b.p. in the variation of the CET 1 ratio;

d) Increase in the deduction related to the excess coverage of the Pension Fund (despite the decrease of Its asset value, more than offset by the reduction in liabilities, contributing to an increase in excess funding compared to 2021) by approximately -100.3 million euros, which turns into an effect of -23 bp on the change in the CET 1 ratio, and ;

e) Increase in the deduction of deferred tax assets (arising from tax losses) by around 52.5 million euros, causing an impact of -12 b.p. in the variation of the CET 1

The impacts of the variation of the net income and the amount of excess funding of the Pension Fund on the CET 1 ratios described above already reflect the effects in December 2022 of the Liabilities transfer from CGD to CGA (Caixa Geral de Aposentação) under the Pension Fund Liquidation operation, with a total a gain in CET 1 of around 136.3 million euros at that point.

2. From December 2021 to December 2022, there was an increase in RWA of around 727.8 million euros, with an impact of -30 bp on the CET 1 ratio. This variation is essentially explained by the following factors :

- Increase of around 681 million euros (-28 bp in the CET 1 ratio) in RWA for credit risk allocated to BCI Moçambique. This increase is explained by the joint effect of the appreciation of the metical exchange rate (6%) and the growth of the position at risk, in particular the sovereign exposure weighted at 150%.

- Increase of around 338 million euros (-14 bp in the CET 1 ratio) in the RWA for credit risk allocated to BNU Macau, justified both by the effect of the exchange rate appreciation of the patacas (MOP) and the Hong Kong dollar (HKD), by around 6%, either due to the increase in business, especially in the corporate segment.

- Favorable evolution of Angola's external rating which offset the impact of the AOA appreciation (by 15.6%) on the RWA for credit risk arising from BCG Angola's activity.

- Growth in the loan portfolio secured by real estate, particularly at CGD-Sede, with an impact of €218 million on RWA (-9 bp in the CET 1 ratio).

- Reduction of exposure in the form of investment units in funds, with a contribution to the decrease in RWA of EUR 346 million (+14 bp in the CET 1 ratio);

- Decrease in exposure to derivative instruments, particularly in the corporate segment, with a global contribution of 336 million euros in the reduction of RWA (+14 bp in the CET 1 ratio).

- Decrease in the volume of investments in Credit Institutions, which contributed to the decrease of RWA by 183 million euros (+7bp in the CET 1 ratio);

- Decrease in the portfolio of non-performing assets, with a global contribution of 246 million euros in the reduction of RWA (+10 bp in the CET 1 ratio);

- Increase in market risk RWAs by EUR 253 million (-10 bp in the CET 1 ratio). The exchange rate appreciation observed in 2022, reflected in the increase in open exchange positions in patacas (MOP) and in Hong Kong dollars (HKD), but also in meticais (MZN) and kwanzas (AOA justifies most of the RWA increase for cambial risk

- Increase of RWA for operational risk by 238 million euros, with an impact of -10 bp on the CET 1 ratio.

Characteristics of Tier 2 Instruments issued

The following table contains detailed information about the main features of Tier 2 Equity instruments, as defined in Article 437(1)(b) of Regulation (EU) 575/2013.

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

		a	b
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	N/A

		a	b
	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	Obligatoriness	Obligatoriness
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Obligatoriness	Obligatoriness
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)	Estatutária	Estatutária
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)	See ISIN Table	See ISIN Table

(1) Indicate "N/A" if the question is not relevant
Early repayment clause (article 489 EU regulation 575 /2013)

In addition to the information presented in the table above, the technical data sheets of emissions are available at the following addresses:

ISIN

PTCGDKOM0037 https://www.bourse.lu/security/PTCGDKOM0037/267807

PTCGHFOM0006 https://www.bourse.lu/security/PTCGHFOM0006/135956

Composition of Own Funds - positive elements, prudential filters and deductions

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

		a	b	c	d
		31-12-2022	Reference to Article of Regulation (EU) No. 575/2013	Balance Key Bank	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	0	EBA list 26 (3)		
	of which: Instrument type 2	0	EBA list 26 (3)		
	of which: Instrument type 3	0	EBA list 26 (3)		
2	Retained earnings	4,687,768	26 (1) (c)	2;ajustamentos	(b)
3	Accumulated other comprehensive income (and other reserves)	(224,134)	26 (1)	4;ajustamentos	(c)
EU-3a	Funds for general banking risk	0	26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0	486 (2)		
5	Minority interests (amount allowed in consolidated CET1)	68,269	84, 479, 480	5	(d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	483,723	26 (2)	3	(e)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**8,859,770**			
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(4,820)	34, 105		(f)
8	Intangible assets (net of related tax liability) (negative amount)	(195,992)	36 (1) (b), 37, 472 (4)	6	(g)
9	Not applicable	0			
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) CRR are met) (negative amount)	(66,867)	36 (1) (c), 38, 472 (5)	7	(h)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	33 (a)		
12	Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159, 472 (6)		
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	33 (1) (b) (c)		
15	Defined-benefit pension fund assets (negative amount)	(288,530)	36 (1) (e), 41, 472 (7)		(i)
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0	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)	0	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)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)		
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)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)		
20	Not applicable	0			
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	36 (1) (k)		
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91		
EU-20c	of which: securitisation positions (negative amount)	0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258		
EU-20d	of which: free deliveries (negative amount)	0	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) CRR are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		
22	Amount exceeding the 17,65% threshold (negative amount)	0	48 (1)		
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	0	36 (1) (i), 48 (1) (b), 470, 472 (11)		
24	Not applicable	0			
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		
EU-25a	Losses for the current financial year (negative amount)	0	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)	0	36 (1) (l)		
26	Not applicable	0			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	36 (1) (j)		
27a	Other regulatory adjustments	(182,813)			(j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(739,022)**			
29	**Common Equity Tier 1 (CET1) capital**	**8,120,748**			

		a	b	c	d
		31-12-2022	Reference to Article of Regulation (EU) No. 575/2013	Balance Key Bank	Notes
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	0	51, 52		
31	of which: classified as equity under applicable accounting standards	0			
32	of which: classified as liabilities under applicable accounting standards	0			
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	0	486 (3)		
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0			
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	0			
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	5,622	85, 86, 480	5	(k)
35	of which: instruments issued by subsidiaries subject to phase out	0	486 (3)		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**5,622**			
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	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)	0	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)	0	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)	0	56 (d), 59, 79, 475 (4)		
41	Not applicable	0			
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	56 (e)		
42a	Other regulatory adjustments to AT1 capital	0			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	0		
44	**Additional Tier 1 (AT1) capital**	**5,622**	**0**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**8,126,369**	**0**		
	Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	600,000	62, 63	11	(l)
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	0	486 (4)		
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	0			
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	0			
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	26,314	87, 88, 480	5	(m)
49	of which: instruments issued by subsidiaries subject to phase out	0	486 (4)		
50	Credit risk adjustments	0	62 (c) & (d)		
51	**Tier 2 (T2) capital before regulatory adjustments**	**626,314**			
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	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)	0	66 (b), 68, 477 (3)		
54	Direct, indirect and synthetic 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)	0	66 (c), 69, 70, 79, 477 (4)		
54a	Not applicable	0			
55	Direct, indirect and synthetic 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)	0	66 (d), 69, 79, 477 (4)		
56	Not applicable	0			
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)		
EU-56b	Other regulatory adjustments to T2 capital	0	475, 475 (2) (a), 475 (3), 475 (4) (a)		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**			
58	**Tier 2 (T2) capital**	**626,314**			
59	**Total capital (TC = T1 + T2)**	**8,752,684**			
60	**Total Risk exposure amount**	**43,363,368**			

		a	b	c	d
		31-12-2022	Reference to Article of Regulation (EU) No. 575/2013	Balance Key Bank	Notes
	Capital ratios and requirements including buffers				
61	**Common Equity Tier 1 capital**	**18.7%**	**92 (2) (a), 465**		
62	**Tier 1 capital**	**18.7%**	**92 (2) (b), 465**		
63	**Total capital**	**20.2%**	**92 (2) (c)**		
64	Institution CET1 overall capital requirements	9.13%	CRD 128, 129, 140		
65	of which: capital conservation buffer requirement	2.50%			
66	of which: countercyclical capital buffer requirement	0.00%			
67	of which: systemic risk buffer requirement	0.00%			
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.00%	CRD 131		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.13%			
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	10.18%	CRD 128		
	National minima (if different from Basel III)				
69	Not applicable				
70	Not applicable				
71	Not applicable				
	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)	2,545	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)		(n)
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)	440,923	36 (1) (i), 45, 48, 470, 472 (11)	8	(o)
74	Not applicable	0			
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) CRR are met)	748,280	36 (1) (c), 38, 48, 470, 472 (5)	9;10	(p)
	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)	0	62		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	5,927	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)	0			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0			
	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	0	484 (3), 486 (2) e (5)		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) e (5)		
82	Current cap on AT1 instruments subject to phase out arrangements	0	484 (4), 486 (3) e (5)		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) e (5)		
84	Current cap on T2 instruments subject to phase out arrangements	0	484 (5), 486 (4) e (5)		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) e (5)		

Values in thousand 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 fulfills all the conditions of Article 28 in order to be classified as Common Equity Tier 1 Capital.

b) Amount of “Other Reserves and Retained Earnings” (item with key 2 of the Prudential balance sheet) adjusted with the impact of contributions to post-employment benefits and medical plan of around 353,797 thousand euros.

c) Amount of the “Revaluation Reserves” (item with key 4 of the Prudential Balance Sheet) deducted from the adjustment related to the above mentioned contributions.

d) Amount of minority interests is included in the Prudential balance sheet in the “Non-controlling interests” aggregate and better identified with Key 5. Part of minority interests in the balance sheet that, due to Regulatory restrictions, is not considered in Tier 1 Core Equity becomes, within the conditions set out in Regulation (EU) 575/2013, eligible for additional Tier 1 Own Funds and/or Tier 2 Own Funds.

e) Part of the positive consolidated net income attributable to the shareholder (item identified with key 3 of the Prudential balance sheet) included in the calculation of 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 2022 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 4,820 thousand euros.

g) Deduction of intangible assets (net of corresponding taxes). This deduction benefited from the transitional regime until 2017, and its impact in 2022 corresponds to 100% of the balance sheet value (item identified with Key 6 of the Prudential Balance).

h) Deduction 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 2022 corresponds to 100% of the balance sheet value (item identified with Key 7 of the Prudential Balance Sheet).

i) Deduction of the excess funding of the defined benefit pension fund resulting from the application of Articles 36, 1, e) and 41 CRR.

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

k) Amount of minority interests included in the Prudential Balance Sheet in the “Non-Controlling Interests” aggregate, identified with key 5, excluding the part eligible for CET 1 Own Funds and which Regulation 575/2013 allows to consider as additional Tier 1.

l) These are subordinated bonds (ISIN PTCGHFOM0006 and PTCGDKOM0037) issued by Caixa Geral de Depósitos, SA and which meet all the conditions for qualification as Tier 2 Equity Instruments. The characteristics of these issues can be consulted in **Table 12 | Main characteristics of Fund Instruments**. In the Prudential Balance Sheet, they are included in the item identified with key 11.

m) Amount of minority interests included in the Prudential Balance Sheet in the “Non-Controlling Interests” aggregate, identified with key 5, excluding the portions eligible for CET 1 and Additional Tier 1 and that Regulation 575/2013 allows to be considered as Tier 2.

n) The amount of the institution's direct and indirect holdings of CET 1 instruments in financial entities in which the institution **does not have a significant investment**. By applying the deduction mechanism, this portion is not deducted from Own Funds.

o) The amount of the institution's direct and indirect holdings of CET 1 instruments in financial and insurance entities in which the institution **has a significant investment** (included in item

8 of the Prudential Balance Sheet). The application of the deduction mechanism did not imply any deduction from Tier 1 Core Equity. The portion not deducted is risk weighted at 250%.

p) Refers to the deduction of the amount of assets for Deferred Taxes arising from temporary differences, (DTA – Deferred Tax Assets) not covered by the special national legislation of the DTA (Law No. 61/2014 of August 26), net of deferred tax liabilities (DTL – Deferred Tax Liability), identified by keys 9 and 10 of the Prudential Balance Sheet, respectively. There is no deduction from Own Funds since the net DTA are lower than the limits of 10% and 17.65% of the reference Own Funds, and the portion not deducted is risk weighted at 250%.

Reconciliation between the Accounting Balance, Prudential Balance and Own Funds

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	21,811,574	35,606	0	0	21,847,179	
Cash balances at other credit institutions	569,985	(117,983)	0	122,124	574,125	
Loans and advances to credit institutions	3,421,920	318,171	0	(105,024)	3,635,067	
Financial assets at fair value through profit or loss	2,079,941	(262,085)	40,724	0	1,858,580	
Available-for-sale financial assets	2,367,366	61,315	0	0	2,428,681	
Financial assets with repurchase agreement	0	5,699	0	0	5,699	
Hedging derivatives	51,601	0	0	0	51,601	
Held-to-maturity investments	14,242,097	0	0	0	14,242,097	
Loans and advances to customers	50,777,949	586,891	(2,439)	0	51,362,402	
Non-current assets held-for-sale	1,220,466	(1,107,884)	42,837	0	155,420	
Investment properties	56,419	(16,125)	16,138	0	56,432	
Other tangible assets	585,343	16,052	0	0	601,395	
Intangible assets	194,948	1,044	0	0	195,992	6
Investments in associates and jointly controlled entities, of which:	476,188	4,521	183,638	0	664,346	
Insurance companies	377,618	0	0	0	377,618	8
Significant investments in the common stock of financial entities	63,305	0	0	0	63,305	8
Other Investments outside the scope of consolidation process	35,265	4,521	183,638	0	223,423	
Current tax assets	61,115	1,858	0	0	62,973	
Deferred tax assets, of which:	967,858	14,986	0	0	982,844	
Deferred tax assets for temporary differences	900,991	14,986	0	0	915,977	9
Deferred tax assets for tax losses carry forward	66,867	0	0	0	66,867	7
Other assets	3,618,239	282	0	1,639	3,620,160	
Total assets	**102,503,009**	**(457,653)**	**280,898**	**18,739**	**102,344,993**	
Liability						
Resources of central banks and other credit institutions	338,153	70,462	0	(105,539)	303,075	
Customer resources and other loans	83,971,711	888,665	0	122,099	84,982,476	
Debt securities	1,368,330	0	0	0	1,368,330	
Financial liabilities at fair value through profit or loss	221,099	11,377	0	0	232,476	
Hedging derivatives	310	0	0	0	310	
Non-current liabilities held-for-sale	989,507	(989,507)	0	0	0	
Provisions for employee benefits	556,864	2,380	0	0	559,245	
Provisions for guarantees and other assumed commitments	247,044	492	0	0	247,536	
Provisions for other risks	102,479	(3,717)	40,398	0	139,160	
Current tax liabilities	47,819	2,630	0	0	50,449	
Deferred tax liabilities, of which:	77,740	883	(13,886)	0	64,737	
Deferred tax liabilities arising from temporary differences	77,740	883	(13,886)	0	64,737	10
Deferred tax liabilities arising from tax losses	0	0	0	0	0	7
Other subordinated liabilities	1,118,490	0	0	0	1,118,490	11
Other liabilities	3,980,803	(33,308)	(116,664)	2,179	3,833,010	
Total Liabilities	**93,020,348**	**(49,643)**	**(90,151)**	**18,739**	**92,899,293**	
Equity						
Equity attributable to CGD's shareholders	9,182,497	(408,010)	371,049	0	9,145,537	
Share capital	3,844,144	(417,804)	417,804	0	3,844,144	1
Other equity instruments	0	0	0	0	0	
Revaluation reserves	129,663	0	0	0	129,663	4
Other reserves and retained earnings	4,365,905	30,206	(62,141)	0	4,333,971	2
Net income attributable to CGD shareholder	842,786	(20,413)	15,386	0	837,759	3
Non-controlling interests, of which:	300,163	0	0	0	300,163	5
Common shares	300,163	0	0	0	300,163	
Preferred shares	0	0	0	0	0	
Total equity	**9,482,661**	**(408,010)**	**371,049**	**-**	**9,445,700**	
Total liabilities and equity	**102,503,009**	**(457,653)**	**280,898**	**18,739**	**102,344,993**	

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

Values in thousand of euros

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

	a Key (*)	b Prudential Balance Sheet	c Own Funds
Share Capital	1	3,844,144	3,844,144
Other reserves and retained earnings	2	4,333,971	4,333,971
Net income (included in CET 1 capital)	3	837,759	483,723
Revaluation reserves	4	129,663	129,663
Non-controlling interests given recognition in CET 1 capital	5	300,163	68,269
State Aid Instruments considered eligible for CET 1			0
Total CET 1 capital prior to regulatory adjustments			**8,859,770**
Intangibles , net of related DTL	6	195,992	(195,992)
DTA (arising from tax losses carry forward), net of related DTLs	7	66,867	(66,867)
Defined benefit pension fund assets			(288,530)
Other deduction affecting CET1			0
Total CET 1 capital after the regulatory adjustments identified above			**8,308,381**
Investments in significant financial entities (amount above the 10% threshold)	8	440,923	0
DTAs arising from temporary differences (amount above the 10% threshold), net of related DTL	9;10	851,240	0
Total CET 1 capital after the regulatory adjustments identified above			**8,308,381**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)			0
Total CET 1 capital after the regulatory adjustments identified above			**8,308,381**
Amount exceeding the 17,65% threshold, of which:			0
Financial institutions and Insurance companies	8	440,923	0
DTA arising from temporary differences, net of related DTL	9;10	851,240	0
National filters and other deduction affecting CET1, of which:			(187,633)
Irrevocable payment commitments arising from Deposit Guarantee Scheme			(155,553)
Irrevocable payment commitments arising from Resolution Fund			(26,279)
AVA - Additional Valuation Adjustment			(4,820)
Insufficient coverage for non-performing exposures			(981)
National filters and other deduction			0
Common Equity Tier 1 (CET 1)			**8,120,748**
Additional Tier 1, of which:			**5,622**
Instruments issued by parent company of group			0
Issued by subsidiaries to third parties			5,622
Regulatory adjustments			0
Tier 1 capital			**8,126,369**
Tier 2 Capital, of which:			**626,314**
Instruments issued by parent company of group	11	1,118,490	600,000
Issued by subsidiaries to third parties			26,314
Regulatory adjustments			0
Total capital			**8,752,684**
RWA totals, of which:			**43,363,368**
Credit		0	37,935,281
Market		0	1,833,042
Operational		0	3,595,045
Ratios			
CET 1			18.7%
Tier 1			18.7%
Total			20.2%

Values in thousand of euros

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

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 on 31 December 2022 and 2021.

Table 16 | EU OV1 Overview of total risk exposure amounts

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		2022-12-31	2021-12-31	2022-12-31
1	**Credit risk (excluding CCR)**	**37,093,762**	**36,847,248**	**2,967,501**
2	Of which the standardised approach	37,093,762	36,847,248	2,967,501
3	Of which the Foundation IRB (F-IRB) approach	0	0	0
4	Of which slotting approach	0	0	0
EU 4a	Of which equities under the simple riskweighted approach	0	0	0
5	Of which the Advanced IRB (A-IRB) approach	0	0	0
6	**Counterparty credit risk - CCR**	**839,989**	**848,364**	**67,199**
7	Of which the standardised approach	101,745	440,829	8,140
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	16,099	2,228	1,288
EU 8b	Of which credit valuation adjustment - CVA	35,578	71,867	2,846
9	Of which other CCR	686,567	333,440	54,925
10	Not applicable	0	0	0
11	Not applicable	0	0	0
12	Not applicable	0	0	0
13	Not applicable	0	0	0
14	Not applicable	0	0	0
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**1,531**	**2,615**	**122**
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	1,531	2,615	122
19	Of which SEC-SA approach	0	0	0
EU 19a	Of which 1250% / deduction	0	0	0
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,833,042**	**1,579,902**	**146,643**
21	Of which the standardised approach	1,833,042	1,579,902	146,643
22	Of which IMA	0	0	0
EU 22a	**Large exposures**	**0**	**0**	**0**
23	**Operational risk**	**3,595,045**	**3,357,431**	**287,604**
EU 23a	Of which basic indicator approach	0	0	0
EU 23b	Of which standardised approach	3,595,045	3,357,431	287,604
EU 23c	Of which advanced measurement approach	0	0	0
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,973,009**	**2,881,214**	**237,841**
25	Not applicable	0	0	0
26	Not applicable	0	0	0
27	Not applicable	0	0	0
28	Not applicable	0	0	0
29	**Total**	**43,363,368**	**42,635,560**	**3,469,069**

Values in thousand of euros

In December 2022, the value of risk weighted assets (RWA) to EUR 43,363 million, of which around 87% related to credit risk (including counterparty risk and securitizations). Compared to the previous period, there was a decrease in RWA of around 1.71% (EUR 728 million), explained by the increase in RWA for credit (0.7%), market (16.0%) and operational (7.1%) risks. The value of RWA for credit adjustments (CVA), registered a reduction of EUR 30.6 million, compared to that observed in 2021.

In absolute terms, the most significant variation in RWAs was observed in terms of credit risk, EUR 237 million, largely explained by the exchange rate appreciation of the metical (MZN), pataca (MOP) and Hong Kong dollar (HKD), by around 6%, with a global impact on the RWAs of BCI Mozambique and BNU of around 1,000 million euros. The impact arising from the appreciation of the kwanza (AOA), of which 15.6%, was offset by the reduction in the risk weight applicable to sovereign debt and exposure to BCG Angola companies, as a result of the favorable evolution of Angola's external rating.

Reference should also be made to the growth of the home loan portfolio, particularly relevant in terms of domestic activity, with an impact of 218 million euros on the value of risk-weighted assets.

On the other hand, the reduction in the portfolio of equity investments in funds, in particular the reduction resulting from the Crow project, justifies a decrease in RWA for credit risk by approximately 346 million euros.

Reference should also be made to the reduction in RWA allocated to exposure to banks (183 million euros) and to the non-performing asset portfolio (246 million euros).

Lastly, the decrease in exposure to derivative instruments, particularly in the corporate segment, and in RWAs for counterparty credit risk (336 million euros) should be highlighted.

In terms of market risk, there was an increase in RWA by 252 million euros. The exchange rate appreciation observed in 2022, 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 of RWA for currency risk, which was partially offset by the reduction in RWA allocated to the trading book.

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

With regard to operational risk, the evolution of banking income justifies the increase, by 238 million euros, of RWA allocated to this risk.

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

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 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 organizational amendments, the adoption of new methods, optimization 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 analyzed the ICAAP process in order to assess compliance with legal requirements and internal regulations and policies.

With reference to December 31, 2022, internal capital needs were measured for the following risk categories:

- Credit Risk (including the subcategories of default risk, sovereign, real estate and credit concentration)
- Market Risk (including CVA, currency risk and bank book credit spread risk)
- Reputational Risk
- Strategy and Business Risk
- Banking Book Interest Rate Risk
- Operational Risk
- Pension Fund Risk
- Compliance Risk and Internal Government Risk
- IT risk

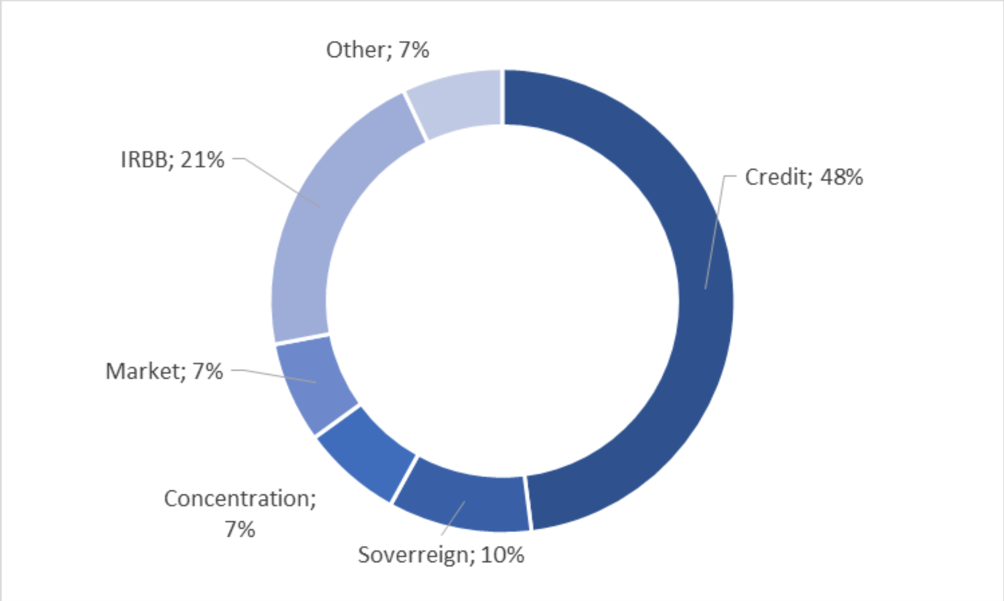
Capital adequacy is evaluated via comparison between internal capital and internal capital needs ascertained in accordance with internal quantification methodologies.

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 2022, internal capital needs corresponded to around **61.8% of the available internal capital,** evidencing the bank´s solid position, with the following distribution by type of risk:

Figure 2 | Internal capital requirements (Dec22)



Credit risk, in the default risk subcategory, is considered the most relevant, as the respective capital requirements correspond to around 48% 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 29% of internal capital requirements, while sovereign risk (including exposure to Central Banks and public sector entities equivalent to Central Government) represent, 10% 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 2022, CGD's leverage ratio was 7.7%, indicating that CGD is not at risk of excessive leverage.

Table 17 | Leverage ratio

		a	b
		2022-12-31	2021-12-31
10	Total SFT Exposure	521,638	261,572
20	Total derivates exposures	349,388	774,013
30	Total off-balance exposure	3,526,819	3,312,990
40	Other assets	101,554,663	102,741,279
50	(-) Asset amount deducted - Tier 1	(739,022)	(567,495)
60	(-) Deducted asset value - Tier 1 - transition definition	(739,022)	(567,495)
70	Total exposure Leverage Ratio by fully phased setting	105,213,486	106,522,359
80	Capital Tier 1 - fully phased definition	8,126,369	7,780,558
90	Leverage Ratio (phasing-in)	7.7%	7.3%
100	Total Leverage ratio exposure	105,213,486	106,522,359
110	Tier 1 Capital	8,126,369	7,780,558
120	**Leverage Ratio fully (loaded)**	**7.7%**	**7.3%**

Values in thousand of euros

In 2022, the leverage ratio increased by 0.4% (from 7.3% in 2021 to 7.7% in 2022), justified both by the decrease, by approximately 1,309 million euros, in the exposure measure, mainly sovereign exposure, or by the increase in Tier 1 capital (346 million euros).

It should be noted that the leverage ratio is monitored monthly within the scope of the Group's Risk Appetite Framework (RAS), thus enabling regular monitoring by the management bodies and the taking of corrective measures deemed 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
		2022-12-31
1	Total assets as per published financial statements	102,503,009
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(158,015)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
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)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	(44,705)
9	Adjustment for securities financing transactions (SFTs)	4,966
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,526,819
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	(618,587)
13	**Total exposure measure**	**105,213,486**

Values in thousand of euros

Table 19 | EU LR2 Leverage ratio common disclosure

		a	b
		CRR leverage ratio exposures	
		2022-12-31	2021-12-31
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	101,573,355	102,995,720
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(18,692)	(254,441)
4	~~(~~Adjustment for securities received under securities financing transactions that are recognised as an asset~~)~~	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	(739,022)	(567,495)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	100,815,641	102,173,784
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	242,792	396,830
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	106,596	377,183
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original **E**xposure **M**ethod)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	349,388	774,013
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	516,672	255,239
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	4,966	6,333
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	521,638	261,572
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	15,446,015	14,510,653
20	(Adjustments for conversion to credit equivalent amounts)	(11,919,196)	(11,197,663)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	**Off-balance sheet exposures**	3,526,819	3,312,990

		a	b
		CRR leverage ratio exposures	
		2022-12-31	2021-12-31
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks **(or units)** - Public sector investments**)**	0	0
EU-22d	(Excluded **exposures** of public development banks **(or units) - Promotional loans**):	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)**)**:	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	(Total exempted exposures)	0	0
Capital and total exposure measure			
23	**Tier 1 capital**	**8,126,369**	**7,780,558**
24	**Total exposure measure**	**105,213,486**	**106,552,359**
Leverage ratio			
25	Leverage ratio	7.7%	7.3%
EU-25	Leverage ratio-**excluding the impact of the exemption of public sector investments and promotional loans**) (%)	7.7%	7.3%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.7%	7.3%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%
27	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU-27a	Overall leverage ratio requirement (%)	3.0%	3.0%
Choice on transitional arrangements and relevant exposures			
EU-27**b**	Choice on transitional arrangements for the definition of the capital measure	NA	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**	400,039	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	516,672	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)	105,096,854	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)	105,096,854	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)	7.7%	7.3%
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)	7.7%	7.3%

Value in thousand euros

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 thousand of euros

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

Regulatory framework

The **Single Resolution Mechanism (SRM)** – 2nd pillar of the Banking Union – sets the framework for the resolution of banks in all participating Member States. The purpose of the SRM 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

As of January 1, 2022, CGD was obliged to comply with the intermediate MREL requirement, established, under the terms of the CUR Decision in force on that date, which determined that the institution would have to hold own funds and equivalent eligible liabilities to hold:

- 19.63% of total risk-weighted assets, plus a combined capital reserve requirement of 3.5%, corresponding to a total requirement of 23.13%;
- 6.00% of total leverage ratio exposure.

On January 1, 2022, CGD complied with the binding intermediate requirement, presenting MREL-eligible instruments corresponding to 24.58% of RWA and 8.84% of LRE.

In March 2022, Banco de Portugal communicated the binding MREL decision, determining compliance with the following MREL requirements, as of January 1, 2024:

- 22.45% of total risk-weighted assets, plus a combined capital reserve requirement of 3.5%, corresponding to a total capital requirement of 25.95%;
- 5.94% of total leverage ratio exposure.

In March 2023, CGD was notified regarding the new binding MREL Decision determined by the CUR, which revokes and replaces the one received in 2022, establishing compliance with the following MREL requirements, as of 1 January 2024:

- 22.94% of total risk-weighted assets, plus a combined Own Funds reserve requirement of 3.5%, corresponding to a total requirement of 26.44%;
- 6.27% 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).

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 2022, CGD already complies with the final binding requirement determined by the SRB, under the terms of the decision in force at the time, recording the following ratios:

Table 21 | Own funds and eligible liabilities in percentage

	31-12-2022
Own funds and eligible liabilities as a percentage of RWA (MREL % RWA)	27.82%
Own funds and eligible liabilities as a percentage of LRE (MREL % LRE)	9.97%

To ensure compliance with the MREL requirements, CGD implemented a financing plan, which allowed a gradual convergence with the requirement stipulated for January 2024.

The first stage of this funding plan was implemented in 2019, with a senior non-preferred debt issuance of 500,000 thousand of euros. This was the first such issuance of this type of debt by a Portuguese bank.

Additionally, in 2021, Caixa carried out a senior preferred debt issue (senior preferred), in the amount of EUR 500,000 thousand, with a maturity of 6 years and with the possibility of early repayment after 5 years, and a coupon of 0.375%, the lowest the lowest ever achieved by Caixa in capital market issues. This issuance has the particularity of being sustainable (Environment, Social and, Governance Bonds), directing the funds raised towards the financing of credit operations of its customers in the environmental domain and socio-economic development. This is the first issue carried out by a Portuguese bank with these characteristics and constitutes an important milestone in fulfilling the commitments assumed by Caixa in the field of sustainable financing, creating value for its customers and reducing the environmental impact of its activity.

Finally, in 2022, CGD carried out three more issues to comply with the requirements for a total of 834,037 thousand euros. In June 2022, a “Green” issue of senior preferred debt (senior preferred) was carried out, in the amount of 300,000 thousand euros, with a maturity of 4 years and the possibility of early repayment after 3 years, and a coupon of 2.875 %. This was Caixa's first “Green” issue; i.e., directs the funds raised to finance credit operations in the environmental domains, in this case, promoting energy efficiency by financing homes with an energy certificate in classes A+, A and B.

In October 2022, Caixa carried out a new issue of “Green” debt in the amount of 500,000 thousand euros, with a maturity of 6 years and the possibility of early repayment after 5 years, and a coupon of 5.75%. This was Caixa's third issue with ESG features, totaling €1,334,037 thousand.

Finally, also in October 2022, CGD issued a Senior Preferred bond in the amount of 5,000,000 thousand Yen (about 34,037 thousand euros), placed with a private investor, with a maturity of 4 years and the possibility of early repayment after 3 years, and a 1.3% coupon.

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 standardized approach. Exposures that are subject of counterparty credit risk and the securitization 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 organizing 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 analysing 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 centered 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 for 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 analyzing 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 compares it 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 2022, 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**[7] 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:

- 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[8]:

- 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;
- Non-performing /Default 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.

[7] 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.

[8] 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

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;
- 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 has developed internal Rating Models covering the main corporate loan portfolios. They include a set of quantitative variables, qualitative variables and behavioural variables, considered discriminating and with predictive capacity, present in the constructed statistical algorithms and/or in the expert judgment questionnaires. Weights and weights are applied to these variables that result in a final score, which corresponds to a Rating notation.

The methodology is therefore based, in general, on the combination of two analysis modules, one quantitative and the other qualitative (expert judgment), on the application of rating blockers and/or financial caps and on the consideration of the potential negative influence of an economic group through of an adjustment per group cap, which constitutes the maximum rating limit for investee companies. In situations of potential positive influence, an adjustment will be applied through a given company classification, in cases where the company presents a rating that is worse than the group cap.

The information resulting from the application of rating models in CGD's portfolio is incorporated into internal risk management, allowing differentiated treatment of customers/operations based on their risk profile. Specifically, CGD incorporates information relating to the risk of customers/operations in some key processes:

- Credit approval with delegation of powers indexed to the risk level of the customer/operation, ensuring that higher risk operations are approved by a higher level of responsibility.
- Providing information from the rating systems to the commercial and marketing areas to serve as support for prioritizing and differentiating commercial actions based on the risk level of customers.
- Determining the internal capital to be allocated to clients' exposures.
- Definition of PARE, in the internal pricing model for companies' risk-adjusted credit based on internal model parameters (PD – probability of default).
- Inclusion in the impairment model, either by defining segments by risk level (rated portfolio), or by determining the SICR (Significant Increase in Credit Risk), which aims to capture degradations in credit risk quality in view of the PD implicit in the grant of credit, transferring the financial instruments to Stage 2.

The rating attribution process includes a set of review triggers that consist of a set of events/indications that can be captured automatically or at the request of a Business or Risk Unit, which, due to their relevance and impact on the level of the customer in question, should trigger an early review process of the Customer's rating.

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

Regarding calculating **own fund requirements for credit risk**, the CGD Group has adopted the **standardized 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 and Institutions, 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 2022, the CGD Group maintained its use of public credit quality evaluations, attributed by the ECAIs: Fitch and 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 encompasses 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, debt securities, shares and participation units in investment portfolio funds, investments and cash in credit institutions, demand deposits on Central Banks, other debtors, assets for income taxes, among other items, of minor relevance 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 2022, 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 114,346 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

		a	b
		Net exposure	Net exposure (period average)
10	**Exposure classes:**		
20	Central governments or central banks	42,009,047	42,060,713
30	Regional government or local authorities	1,940,102	1,738,491
40	Public sector entities	1,378,552	1,067,658
50	Multilateral development banks	0	0
60	International organisations	551,058	202,514
70	Institutions	3,157,421	3,688,005
80	Corporates	19,331,571	18,966,367
90	Retail	11,388,499	10,510,517
100	Exposures secured by mortgages on immovable property	28,688,339	27,672,326
110	Exposures in default	732,930	913,918
120	Exposures associated with particulary high risk	1,814,195	1,836,401
130	Exposures in form of covered bonds	21,253	43,765
140	Institutions and corporates with a short-term credit assessment	0	0
150	Exposures in form of units or share in collective investment undertakings	894,109	1,023,953
160	Equity	768,677	795,452
170	Other items	1,670,082	1,370,395
180	**Total exposure value**	**114,345,835**	**111,890,474**

Values in thousand of euros

Compared to 31 December 2021, the value of the net impairment position registered a decrease of approximately EUR 1,330 million (-1.2%), of which EUR 2,920 million related to positions with central administrations or central banks. Also noteworthy is the decrease in exposure observed in the institutions risk classes (EUR 643m), collective investment undertakings (EUR 272m), which includes the impact arising from the sale of participation units in the context of the Crow project. Exposure to the Overdue Items risk class decreased by around EUR 181 million, reflecting both the continued execution of the plan to reduce non-performing assets and the increase in impairment coverage, which also reflects the necessary reinforcement to comply with the minimum requirements impairment coverage (backstops).

On the other hand, exposure to retail risk classes, companies and positions secured by real estate increased by around 1,636 million, with the individual increase of each class reaching around 550 million euros.

Structurally, there is a concentration of positions in the risk classes Central Administrations or Central Banks, Positions Guaranteed by Real Estate Companies, and Retail, which together represent around 88.8% of the CGD Group's net exposure.

The amount of the net position associated with Assets is mainly concentrated in the risk classes Central Administrations or Central Banks (41.4%), Positions Guaranteed by Real Estate (28.0%), Companies (11.0%) and Portfolio of Retail (6.2%) which globally represent around 86.6% of active exposure. The risk classes Companies (56.9%) and Retail (35.8%) contribute to off-balance sheet items with 92.7% of the balance.

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
10	**Initial stock of non-performing loans and advances**	**2,136,860**
20	Inflows to non-performing portfolios	471,300
30	Outflows from non-performing portfolios	(754,473)
40	Outflows due to write-offs	(111,758)
50	Outflow due to other situations	(642,714)
60	**Final stock of non-performing loans and advances**	**1,853,688**

Values in thousand of euros

The table below details the performing and non-performing exposures, credit risk adjustments and financial guarantees and collateral received by type of exposure, in accordance with article 442, paragraph c) and e), of the CRR. At 31 December 2022, 14% of off-balance sheet exposures and 86% of balance sheet exposures contribute to the composition of the CGD Group's portfolio, of which 48% 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	Collateral 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**	**21,769,129**	**21,769,129**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**52,608,170**	**48,775,763**	**3,832,407**	**1,853,688**	**0**	**1,853,688**	**872,417**	**275,875**	**596,542**	**1,389,149**	**0**	**1,389,149**	**181,806**	**36,477,496**	**325,436**
020	Central banks	1,669,307	1,669,307	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	3,357,467	3,331,663	25,804	4,529	0	4,529	2,748	2,466	283	203	0	203	0	2,199,931	3,549
040	Credit institutions	2,776,694	2,776,692	2	11	0	11	892	892	0	7	0	7	0	658	4
050	Other financial corporations	239,546	184,715	54,831	3,838	0	3,838	7,321	2,859	4,462	935	0	935	0	89,242	12
060	Non-financial corporations	14,564,022	12,321,709	2,242,313	1,278,761	0	1,278,761	616,957	171,606	445,351	939,570	0	939,570	94,787	6,938,482	240,261
070	Of which SMEs	9,244,964	7,651,115	1,593,849	855,644	0	855,644	372,660	108,592	264,068	640,384	0	640,384	85,440	5,229,056	149,528
080	Households	30,001,135	28,491,677	1,509,458	566,548	0	566,548	244,498	98,052	146,446	448,434	0	448,434	87,019	27,249,183	81,611
090	**Debt securities**	**20,942,812**	**20,789,205**	**153,607**	**78,222**	**0**	**78,222**	**70,100**	**60,707**	**9,393**	**23,527**	**0**	**23,527**	**0**	**0**	**0**
100	Central banks	31,266	31,266	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	16,556,104	16,556,104	0	0	0	0	12,215	12,215	0	0	0	0	0	0	0
120	Credit institutions	870,692	870,692	0	0	0	0	63	63	0	0	0	0	0	0	0
130	Other financial corporations	108,501	108,501	1	0	0	0	1,946	1,946	0	0	0	0	0	0	0
140	Non-financial corporations	3,376,249	3,222,643	153,607	78,222	0	78,222	55,876	46,482	9,393	23,527	0	23,527	0	0	0
150	**Off-balance-sheet exposures**	**14,804,715**	**14,198,081**	**606,634**	**482,815**	**0**	**482,815**	**55,509**	**32,633**	**22,876**	**192,027**	**0**	**192,027**	**0**	**316,724**	**468**
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	630,175	630,169	6	408	0	408	46	39	7	0	0	0		0	0
180	Credit institutions	26	26	0	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	575,405	574,608	797	31	0	31	3,517	3,512	5	21	0	21		0	0
200	Non-financial corporations	10,296,722	9,742,546	554,177	474,221	0	474,221	50,285	27,838	22,447	189,502	0	189,502		20,331	454
210	Households	3,302,386	3,250,732	51,654	8,154	0	8,154	1,661	1,243	418	2,504	0	2,504		296,393	14
220	**Total**	**110,124,826**	**105,532,178**	**4,592,648**	**2,414,724**	**0**	**2,414,724**	**998,026**	**369,214**	**628,812**	**1,604,704**	**0**	**1,604,704**	**181,806**	**36,794,220**	**325,904**

Values in thousand of Euros

About 43% of non-performing exposures are represented by exposures that are not overdue or less than 90 days old, of which 92% relate to Loans and advances. Regarding the age of productive positions, only 0.2% refer to exposures overdue for more than 30 days and less than 90 days. The ratio between the gross carrying amount of loans and advances in NPL (column (d) row (010)) divided by the total gross carrying amount of loans and advances (sum of column (d) row (10) plus column (a) row (010)), of the previous table, is 3.40%. This ratio compares favorably with the same ratio as of 31 December 2021, of 4.10%, due to a significant reduction of NPL during 2022. Both ratios are below the threshold of 5%, as defined in Article 8 (3) of Regulation (EU) 2021/637.

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 are 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 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**21,769,129**	**21,769,129**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**52,608,170**	**52,371,585**	**236,585**	**1,853,688**	**949,050**	**65,329**	**94,039**	**168,348**	**244,387**	**228,101**	**104,435**	**1,796,939**
020	Central banks	1,669,307	1,669,307	0	0	0	0	0	0	0	0	0	0
030	General governments	3,357,467	3,343,829	13,638	4,529	2,124	0	576	1,055	1	227	547	4,529
040	Credit institutions	2,776,694	2,776,694	0	11	11	0	0	0	0	0	0	11
050	Other financial corporations	239,546	235,752	3,793	3,838	13	2	3,256	297	269	0	0	3,838
060	Non-financial corporations	14,564,022	14,438,938	125,084	1,278,761	760,165	44,725	63,206	126,903	185,329	36,684	61,750	1,226,629
070	Of which SMEs	9,244,964	9,169,262	75,702	855,644	415,612	39,666	54,351	113,077	148,355	30,145	54,437	841,972
080	Households	30,001,135	29,907,065	94,070	566,548	186,736	20,602	27,002	40,093	58,788	191,190	42,138	561,932
090	**Debt securities**	**20,942,812**	**20,942,812**	**0**	**78,222**	**77,217**	**401**	**0**	**0**	**604**	**0**	**0**	**78,158**
100	Central banks	31,266	31,266	0	0	0	0	0	0	0	0	0	0
110	General governments	16,556,104	16,556,104	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	870,692	870,692	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	108,501	108,501	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	3,376,249	3,376,249	0	78,222	77,217	401	0	0	604	0	0	78,158
150	**Off-balance-sheet exposures**	**14,804,715**			**482,815**								**482,749**
160	Central banks	0			0								0
170	General governments	630,175			408								408
180	Credit institutions	26			0								0
190	Other financial corporations	575,405			31								31
200	Non-financial corporations	10,296,722			474,221								474,176
210	Households	3,302,386			8,154								8,134
220	**Total**	**110,124,826**	**95,083,526**	**236,585**	**2,414,724**	**1,026,267**	**65,730**	**94,039**	**168,348**	**244,990**	**228,101**	**104,435**	**2,357,846**

Values in thousand 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					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	179,978	6,611,418	7,887,674	36,326,649	1,194,573	52,200,292
2	Debt securities	22,982	3,579,252	7,230,832	10,094,340	0	20,927,406
3	**Total**	**202,959**	**10,190,670**	**15,118,507**	**46,420,989**	**1,194,573**	**73,127,698**

Values in thousand 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		Collateral 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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**3,102,381**	**1,044,797**	**1,044,797**	**1,044,797**	**395,562**	**854,034**	**2,573,751**	**136,740**
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	685,110	227	227	227	153	0	676,055	0
040	Credit institutions	0	11	11	11	0	7	8	4
050	Other financial corporations	11,518	0	0	0	1,070	0	2,629	0
060	Non-financial corporations	1,141,266	681,641	681,641	681,641	329,707	545,703	701,126	105,413
070	Households	1,264,488	362,918	362,918	362,918	64,632	308,324	1,193,933	31,323
080	**Debt Securities**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
090	**Loan commitments given**	**238,462**	**2,652**	**2,652**	**2,652**	**408**	**408**	**0**	**0**
100	**Total**	**3,340,843**	**1,047,449**	**1,047,449**	**1,047,449**	**395,970**	**854,442**	**2,573,751**	**136,740**

Values in thousand 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	
		Value at initial recognition	Accumulated negative changes
10	**Property, plant and equipment (PP&E)**	**0**	**0**
20	**Other than PP&E**	**315,228**	**(165,685)**
30	Residential immovable property	94,870	(32,329)
40	Commercial Immovable property	219,409	(132,843)
50	Movable property (auto, shipping, etc.)	949	(513)
60	Equity and debt instruments	0	0
70	Other collateral	0	0
80	**Total**	**315,228**	**(165,685)**

Values in thousand 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 78% of CGD Group's exposures. Outside Europe, the geographies with the greatest weight are Macau representing 5% and the PALOPs representing 7%, 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	c	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: defaulted			
010	**On balance sheet exposures**	**75,482,892**	**1,875,097**	**2,317,904**		**37,290**
020	Portugal	48,590,855	1,464,911	1,889,663		839
030	France	4,731,766	106,450	77,389		10
040	Spain	4,475,489	26,549	30,559		0
050	Other countries European Union	5,246,466	22,717	44,816		3
060	Macao	3,596,219	47,026	36,227		0
070	Timor	26,439	1	995		0
080	Mozambique	2,712,236	109,054	114,943		0
090	Angola	1,318,018	15,528	34,928		0
100	Cape Green	1,280,724	31,810	31,106		0
110	Brazil	357,618	45,615	9,110		36,415
120	Other countries	3,147,061	5,438	48,168		22
130	**Off balance sheet exposures**	**15,287,530**	**482,749**		**247,536**	
140	Portugal	13,030,932	473,121		241,885	
150	France	252,683	3,189		2,073	
160	Spain	81,662	1		178	
170	Other countries European Union	94,302	2		222	
180	Macao	1,231,838	873		1,189	
190	Timor	4,806	0		8	
200	Mozambique	295,777	4,010		1,381	
210	Angola	127,192	620		15	
220	Cape Green	61,025	887		247	
230	Brazil	22,474	1		285	
240	Other countries	84,838	44		53	
250	**Total**	**90,770,421**	**2,357,846**	**2,317,904**	**247,536**	**37,290**

Values in thousand 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 12% and 16%, respectively, and the Wholesale and retail trade sector, which represents 16%.

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

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: defaulted		
010	Agriculture, forestry and fishing	403.692	40.495	(42.706)	0
020	Mining and quarrying	89.730	17.960	(14.588)	0
030	Manufacturing	2.400.117	254.733	(306.339)	0
040	Electricity, gas, steam and air conditioning supply	305.910	706	(20.691)	0
050	Water supply	186.104	13.097	(22.047)	0
060	Construction	1.846.265	184.842	(163.099)	0
070	Wholesale and retail trade	2.494.954	128.608	(164.443)	0
080	Transport and storage	1.348.006	131.083	(179.707)	(36.415)
090	Accommodation and food service activities	936.223	61.810	(147.087)	0
100	Information and communication	206.228	12.392	(12.175)	0
110	Real estate activities	451.834	18.700	(28.318)	0
120	Financial and insurance actvities	2.572.187	139.010	(143.769)	0
130	Professional, scientific and technical activities	725.140	104.315	(112.104)	0
140	Administrative and support service activities	318.726	31.797	(33.300)	0
150	Public administration and defense, compulsory social security	790	0	(18)	0
160	Education	107.474	15.160	(14.454)	0
170	Human health services and social work activities	251.541	9.737	(13.752)	0
180	Arts, entertainment and recreation	102.335	9.856	(33.123)	0
190	Other services	1.095.528	52.329	(68.394)	0
200	**Total**	**15.842.783**	**1.226.629**	**(1.520.112)**	**(36.415)**

Values in thousand 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 recognized fund and with a protection level, highlighted in the haircut, applied to the security or shareholding unit value, determined according to its characteristics[9];
- **Deposits** made at CGD or other Institutions in the CGD Group, in which financial collateral from contracts with Credit Support Annexes (CSA) are included;
- **Real collateral** represented by Real Estate Mortgages intended for the Borrower's Housing or for multipurpose reasons such as Commerce and/or Offices.

With the application of **personal guarantees** and **credit derivatives**, 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.

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 emphasized 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.

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[9] 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.

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 guaranteed 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 standardized, 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.

Control and monitoring is particularly important to ensure the replacement of coverage ratios when contractually foreseen, or to proactively request the reinforcement of guarantees in other situations and to ensure compliance with the eligibility credits provided for in the CRR for the purpose of reducing credit risk.

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 recognized for prudential purposes corresponds to **residential real estate**. The **remaining real collateral** are of marginal expressiveness 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 recognized 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 2022, 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**	**40,837,488**	**36,802,932**	**35,393,499**	**1,409,433**	**0**
2	**Debt securities**	**21,021,034**	**0**	**0**	**0**	
3	**Total**	**61,858,522**	**36,802,932**	**35,393,499**	**1,409,433**	**0**
4	Of which non-performing exposures	1,615,196	325,436	274,046	51,390	0
EU-5	Of which defaulted	1,615,196	325,436			

Values in thousand 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 Standardized approach – Credit risk exposures and DRM effects

		a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	41,948,842	60,204	42,714,318	2	4,955,781	11.6%
2	Regional government or local authorities	1,770,817	169,285	1,314,851	7,593	300,413	22.7%
3	Public sector entities	1,015,121	363,431	1,890,373	158,940	704,066	34.4%
4	Multilateral development banks	0	0	1,217,237	28	0	0.0%
5	International organisations	551,058	0	551,058	0	0	0.0%
6	Institutions	3,004,376	153,045	2,794,537	75,107	861,562	30.0%
7	Corporates	11,202,864	8,128,707	10,287,601	1,630,821	11,240,836	94.3%
8	Retail	6,276,012	5,112,488	4,986,189	355,144	3,492,415	65.4%
9	Secured by mortgages on immovable property	28,360,378	327,961	28,300,378	99,978	9,996,374	35.2%
10	Exposures in default	471,999	260,931	422,001	65,909	552,115	113.2%
11	Exposures associated with particularly high risk	1,191,769	622,427	1,127,515	28,920	1,734,652	150.0%
12	Covered bonds	21,253	0	21,253	0	2,125	10.0%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.0%
14	Collective investment undertakings	894,109	0	894,109	0	853,838	95.5%
15	Equity	768,677	0	768,677	0	1,430,062	186.0%
16	Other items	1,670,082	0	1,670,082	0	969,523	58.1%
17	**TOTAL**	**99,147,357**	**15,198,478**	**98,960,177**	**2,422,444**	**37,093,762**	**36.6%**

Values in thousand of euros

Personal guarantees, with substitution effect, amount to EUR 4,808 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 65% 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 the 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 fallback approach has been applied.

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

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	39,279,610	0	0	0	1,158	0	254,528	0	0	1,377,064	1,053,680	748,280	0	0	0	42,714,320	0
2	Regional government or local authorities	8,665	0	0	0	1,275,696	0	0	0	0	23,698	14,384	0	0	0	0	1,322,444	1,313,779
3	Public sector entities	1,326,994	0	0	0	92,843	0	0	0	0	517,431	112,044	0	0	0	0	2,049,313	2,008,437
4	Multilateral development banks	1,217,265	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,217,265	1,217,265
5	International organisations	551,058	0	0	0	0	0	0	0	0	0	0	0	0	0	0	551,058	551,058
6	Institutions	0	0	0	0	2,238,931	0	436,815	0	0	190,956	2,941	0	0	0	0	2,869,644	2,160,352
7	Corporates	0	0	0	0	6,953	0	235,835	0	0	11,448,712	226,922	0	0	0	0	11,918,423	10,728,900
8	Retail exposures	0	0	0	0	0	0	0	0	5,341,334	0	0	0	0	0	0	5,341,334	5,341,334
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	26,974,621	1,425,735	0	0	0	0	0	0	0	0	28,400,356	28,400,356
10	Exposures in default	0	0	0	0	0	0	0	0	0	359,500	128,410	0	0	0	0	487,910	487,910
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	1,156,435	0	0	0	0	1,156,435	1,156,435
12	Covered bonds	0	0	0	21,253	0	0	0	0	0	0	0	0	0	0	0	21,253	0
13	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Units or shares in collective investment undertakings	94,724	0	0	0	25,175	0	5,742	0	0	558,864	115,906	0	0	510	93,188	894,109	894,109
15	Equity exposures	0	0	0	0	0	0	0	0	0	327,754	0	440,923	0	0	0	768,677	768,677
16	Other items	655,670	0	0	0	56,603	0	0	0	0	957,024	786	0	0	0	0	1,670,082	1,670,082
17	**TOTAL**	**43,133,985**	**-**	**-**	**21,253**	**3,697,360**	**26,974,621**	**2,358,656**	**-**	**5,341,334**	**15,761,004**	**2,811,508**	**1,189,203**	**-**	**510**	**93,188**	**101,382,622**	**56,698,693**

Values in thousands of euros

Taking into account the materiality of the, direct and indirect, exposure 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 provided by the Counter-Guarantee Fund and by the FEI, around 42.6% of CGD Group's exposures are weighted at 0%.

Mortgage credit, which in 2022 grew by around 540 million euros, is typically weighted at 35% (weight applicable to positions secured by mortgage on residential property) and represents around a quarter (26.6%) of all risk positions.

The positions weighted at 100%, around 15.46%, 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 same period last year, there was a decrease in positions weighted at 0% (due largely to the decrease in deposits at the Bank of Portugal), in contrast to the increase in the weight of exposure weighted at 100% or 35% (most relevant weights).

Reference should also be made to the decrease in weighted exposure to 150%, reflecting the improvement in Angola's external rating, which enabled the revision, from 150% to 100%, of the risk weight applicable to sovereign exposure and to the portfolios of companies and public sector entities of this geography.

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 centralized 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 centralized 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.

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 exposure 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 **Standardized 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 institution's derivative portfolio.

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

$$\textbf{Valor da posição em risco} = \alpha \cdot (RC + PFE)$$

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 Standardized 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, no sources of additional impact were identified in view of an event of this nature under the existing contractual conditions.

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
EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
SA-CCR (for derivatives)	77,412	38,919		1.4	162,864	162,864	160,717	101,745
IMM (for derivatives and SFTs)			0	0	0	0	0	0
Of which securities financing transactions netting sets			0		0	0	0	0
Of which derivatives and long settlement transactions netting sets			0		0	0	0	0
Of which from contractual cross-product netting sets			0		0	0	0	0
Financial collateral simple method (for SFTs)					0	0	0	0
Financial collateral comprehensive method (for SFTs)					474,819	474,819	474,819	686,567
VaR for SFTs					0	0	0	0
Total					**637,682**	**637,682**	**635,536**	**788,312**

Values in thousand of euros

As mentioned above, CGD determines the value of the exposure according to the **Standardized 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 recognized in the balance sheet, with the purchase value recorded as a loan to credit institutions, which is valued at its respective amortized cost. These financial instruments, if eligible, are recognized 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 **Standardized 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	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	73,426	35,578
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	73,426	35,578

Values in thousand 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)**		**16,056**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	168,256	3,365
3	(i) OTC derivatives	168,256	3,365
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	0	
8	Non-segregated initial margin	0	0
9	Prefunded default fund contributions	138,097	12,690
10	Unfunded default fund contributions	0	0
11	**Exposures to non-QCCPs (total)**		**44**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	115	44
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	115	44
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	34,136	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

Values in thousand 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 Standardized Approach).

Table 37 | EU CCR3 Standardized 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	0	0	0	0	0	0	0	0	38,410	431,442	0	469,852
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	22,515	0	0	0	0	0	0	0	0	0	0	22,515
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	168,256	0	0	36,296	23,498	0	0	17,942	0	0	245,992
7	Corporates	0	0	0	0	0	0	0	0	64,980	0	0	64,980
8	Retail	0	0	0	0	0	0	0	0	0	0	0	0
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	568	0	568
11	Total exposure value	0	0	0	0	0	0	0	0	0	0	0	0
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
14	Unit or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity	0	0	0	0	0	0	0	0	0	0	0	0
16	Other items	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total exposure value**	22,515	168,256	0	0	36,296	23,498	0	0	121,332	432,010	0	803,907

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	728,007	115,358	4,207	33,374	0	46,820	0	0
2	Cash – other currencies	0	0	0	0	0	0	0	0
3	Domestic sovereign debt	0	0	0	0	0	0	0	0
4	Other sovereign debt	0	0	0	0	0	0	0	0
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	0
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	0
9	**Total**	**728,007**	**115,358**	**4,207**	**33,374**	**0**	**46,820**	**0**	**0**

Values in thousands of euros

As at 31 December 2022, 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 maintained until 22 August 2022 the asset securitization operation of “Nostrum Mortgages 2010-2”. This securitization, initiated in 2010, had as its main objective the optimization of its funding and more adequate risk management.

Within the scope of this mortgage loan securitization operation, CGD **did not derecognise** them, as the requirements for removing them from the balance sheet were not met. In this way, the outstanding amounts of securitized loans remain recorded in the balance sheet, under the heading “Loans to customers”, in accordance with the same rules applied to other credit operations. In this context, the end of the securitization had no impact on the calculation of capital requirements for the credit risk of the assets that had been assigned, maintaining the use of the methodology 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 emphasized that, in the last two years, the Bank has disposed of a significant percentage of its positions, maintaining only a residual percentage in securitizations 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 emphasize that CGD does not have positions in securitizations in its trading book, nor exposure in re-securitizations 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 39 | 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					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
1	**Total exposures**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,137**	**0**	**2,137**	**0**	**0**	**0**	**0**
2	**Retail (total)**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	residential mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	credit card	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	other retail exposures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	**Wholesale (total)**	0	0	0	0	0	0	0	0	2,137	0	2,137	0	0	0	0
8	loans to corporates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	commercial mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	lease and receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	other wholesale	0	0	0	0	0	0	0	0	2,137	0	2,137	0	0	0	0
12	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Values in thousand of euros

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

As at 31 December 2022, CGD held only a residual position in securitization positions, EUR 2,137 thousand, of which 95.6% entered the RW interval that varies between 20% and 50%, the RW being implicit in this portfolio of about 79%.

Table 40 | 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	k	m	o	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**	**0**	**2,044**	**0**	**0**	**93**	**2,044**	**93**	**367**	**1,164**	**29**	**93**
2	Traditional securitisation	0	2,044	0	0	93	2,044	93	367	1,164	29	93
3	Securitisation	0	2,044	0	0	93	2,044	93	367	1,164	29	93
4	Retail underlying	0	0	0	0	0	0	0	0	0	0	0
5	Of which STS	0	0	0	0	0	0	0	0	0	0	0
6	Wholesale	0	2,044	0	0	93	2,044	93	367	1,164	29	93
7	Of which STS	0	0	0	0	0	0	0	0	0	0	0
8	Re-securitisation	0	0	0	0	0	0	0	0	0	0	0
9	Synthetic securitisation	0	0	0	0	0	0	0	0	0	0	0
10	Securitisation	0	0	0	0	0	0	0	0	0	0	0
11	Retail underlying	0	0	0	0	0	0	0	0	0	0	0
12	Wholesale	0	0	0	0	0	0	0	0	0	0	0
13	Re-securitisation	0	0	0	0	0	0	0	0	0	0	0

Values in thousand of euros

Considering that the securitized assets underlying the operation in which CGD acts as an originator were not derecognized 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 securitization 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 securitization positions prescribed in Article 449 of the CRR. The information disclosed in this chapter is also complemented by that contained in the 2022 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 characterized by the uncertain behavior 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 set of liquidity risk measurement and monitoring mechanisms are based **on dynamic processes of continuous improvement**, namely in terms of risk control and quantification processes.

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 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.

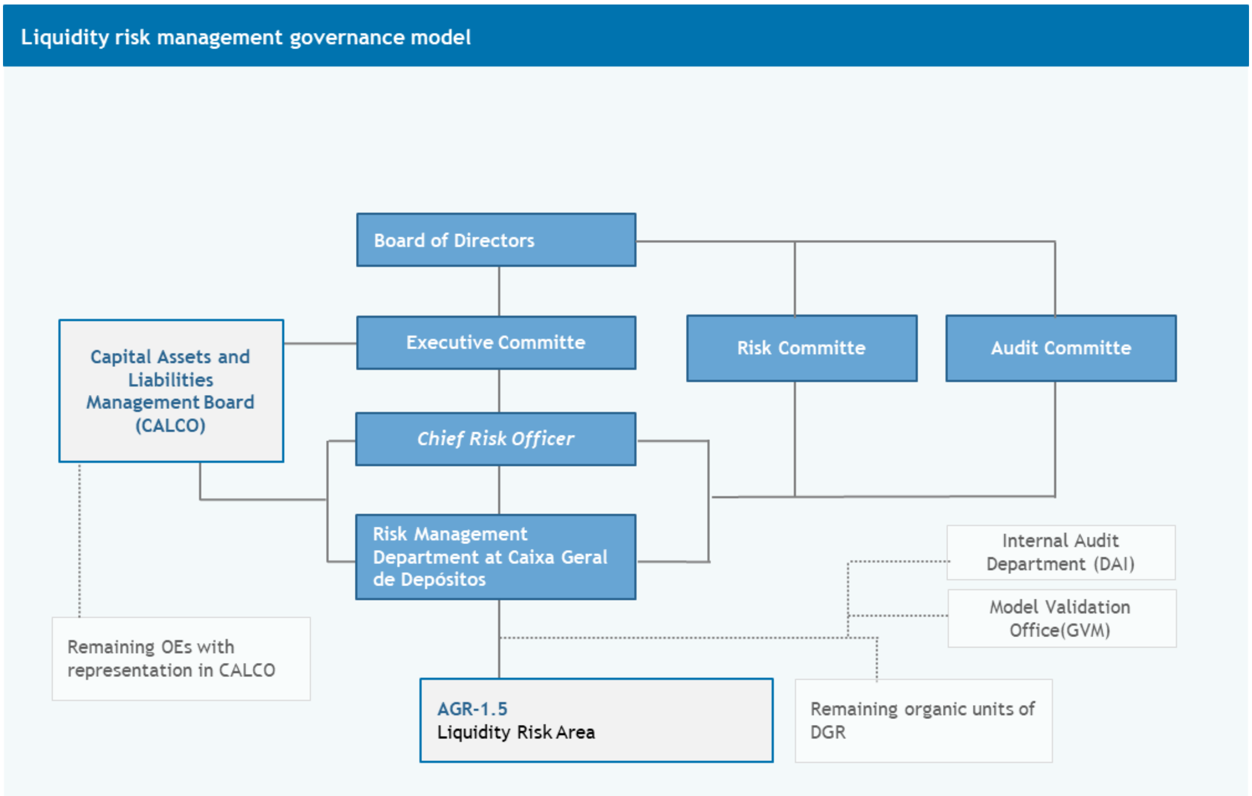
With regard, specifically, to organizational policies and procedures, CGD's Risk Management Division has the following attributions:

- 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 that 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.

Additionally, the Financial Markets Department (DMF) is responsible for monitoring liquidity risk, within the scope of ALM activity, by monitoring risk appetite indicators and other regulatory ratios, as well as establishing corporate policies supporting CGD Group entities in its transposition.

Figure 3 | Governance model for liquidity risk management



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

The Board of Directors is ultimately responsible for defining and approving 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:

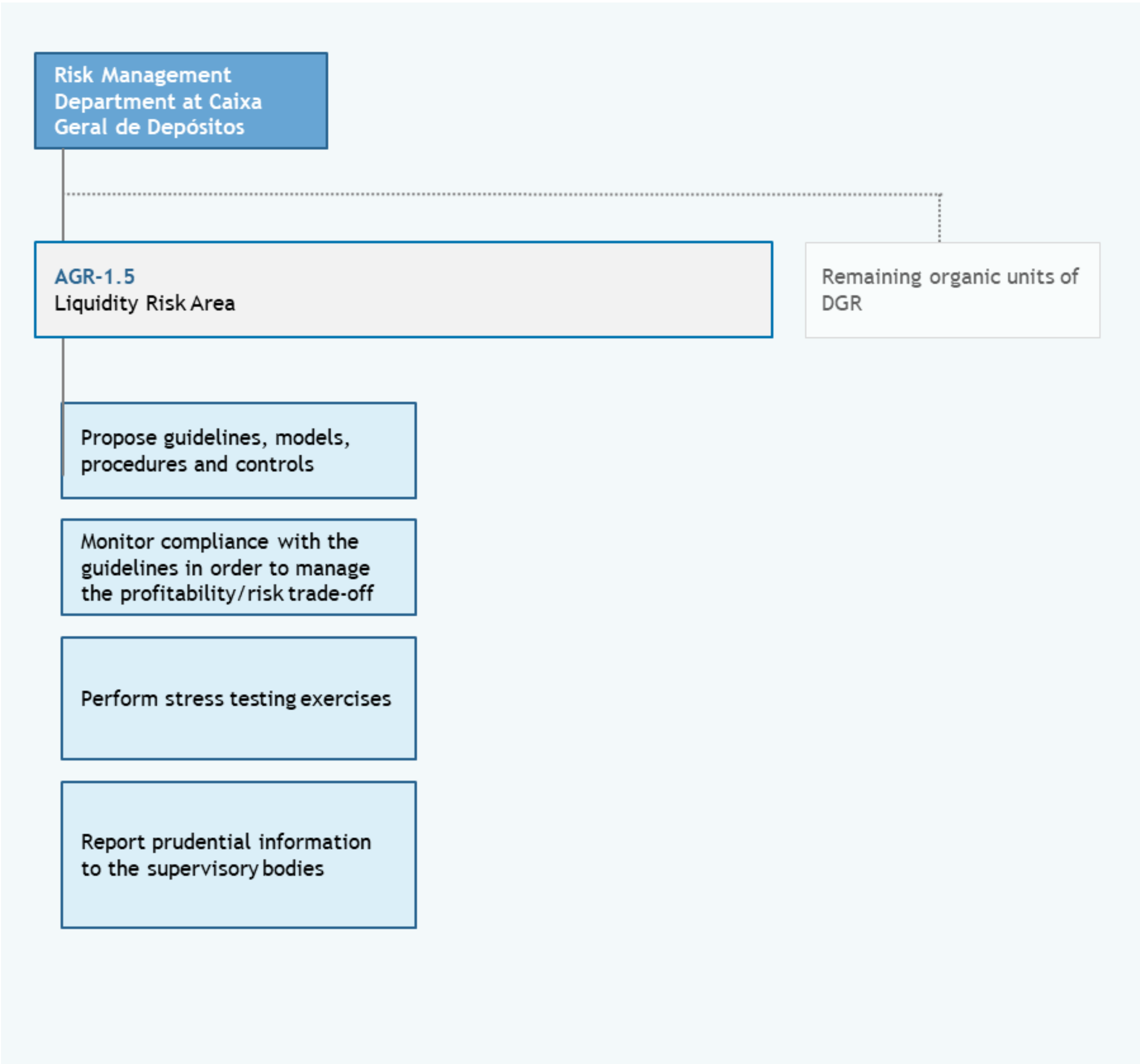
- Management and execution of the Risk Appetite approved for the CGD Group;
- Monitoring the evolution of risk metrics, and the respective rationale underlying the observed evolution;
- Discussion of exceeded limits or tolerance levels and, where applicable, review and approval of the proposed remediation 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.

Figure 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 the available unencumbered assets, and iii) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

10.2 Qualitative 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 41 | 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
Assets of the reporting institution	**10,123,536**	**7,005,350**			**96,628,826**	**9,533,380**		
Equity instruments	0	0	0	0	1,103,628	0	1,103,628	0
Debt securities	6,940,034	6,813,869	6,940,034	6,813,869	16,661,881	9,533,380	16,661,881	9,533,380
of which: covered bonds	0	0	0	0	44,674	43,450	44,674	43,450
of which: securitisations	0	0	0	0	42,873	0	42,873	0
of which: issued by general governments	6,931,199	6,813,869	6,931,199	6,813,869	11,664,617	8,895,614	11,664,617	8,895,614
of which: issued by financial corporations	0	0	0	0	996,208	5,837	996,208	5,837
of which: issued by non-financial corporations	5,011	0	5,011	0	3,899,327	613,315	3,899,327	613,315
Other assets	2,998,674	283,532			78,401,278	0		

Values in thousand of Euros

The table below follows the EU AE2 model regarding Collateral received from the CGD Group

Table 42 | 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 disclosing institution**	**0**	**0**	**50,720**	**0**
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	0	0
170	of which: covered bonds	0	0	0	0
180	of which: securitisations	0	0	0	0
190	of which: issued by general governments	0	0	0	0
200	of which: issued by financial corporations	0	0	0	0
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	18,294	0
230	Other collateral received	0	0	33,935	0
240	**Own debt securities issued other than own covered bonds or securitisations**	**0**	**0**	**0**	**0**
241	**Own covered bonds and securitiesation issued and not yet pledged**			**0**	**0**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**10,123,536**	**7,005,350**		

Values in thousand of Euros

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

Table 43 | 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	6,697,892	9,055,581

Values in thousand 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 available 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 2022, as well as the respective estimates for the time horizon 2023-2025:

Table 44 | Asset encumbrance ratio

		Time horizon			Risk Profile
	2022	2023	2024	2025	2022
Asset encumbrance ratio	3%	3%	3%	2%	≤ 25%

The encumbrance ratio is, on average, 3% over the projection horizon, which represents a stabilization trend compared to December 2022, maintaining particularly low levels that reveal i) an adequate dependence on guaranteed funding and a significant capacity to manage adverse situations in the wholesale funding markets, due to the ability to resort to guaranteed funding, and ii) that should not have an adverse effect on the “market appetite” for the Institution's unsecured debt.

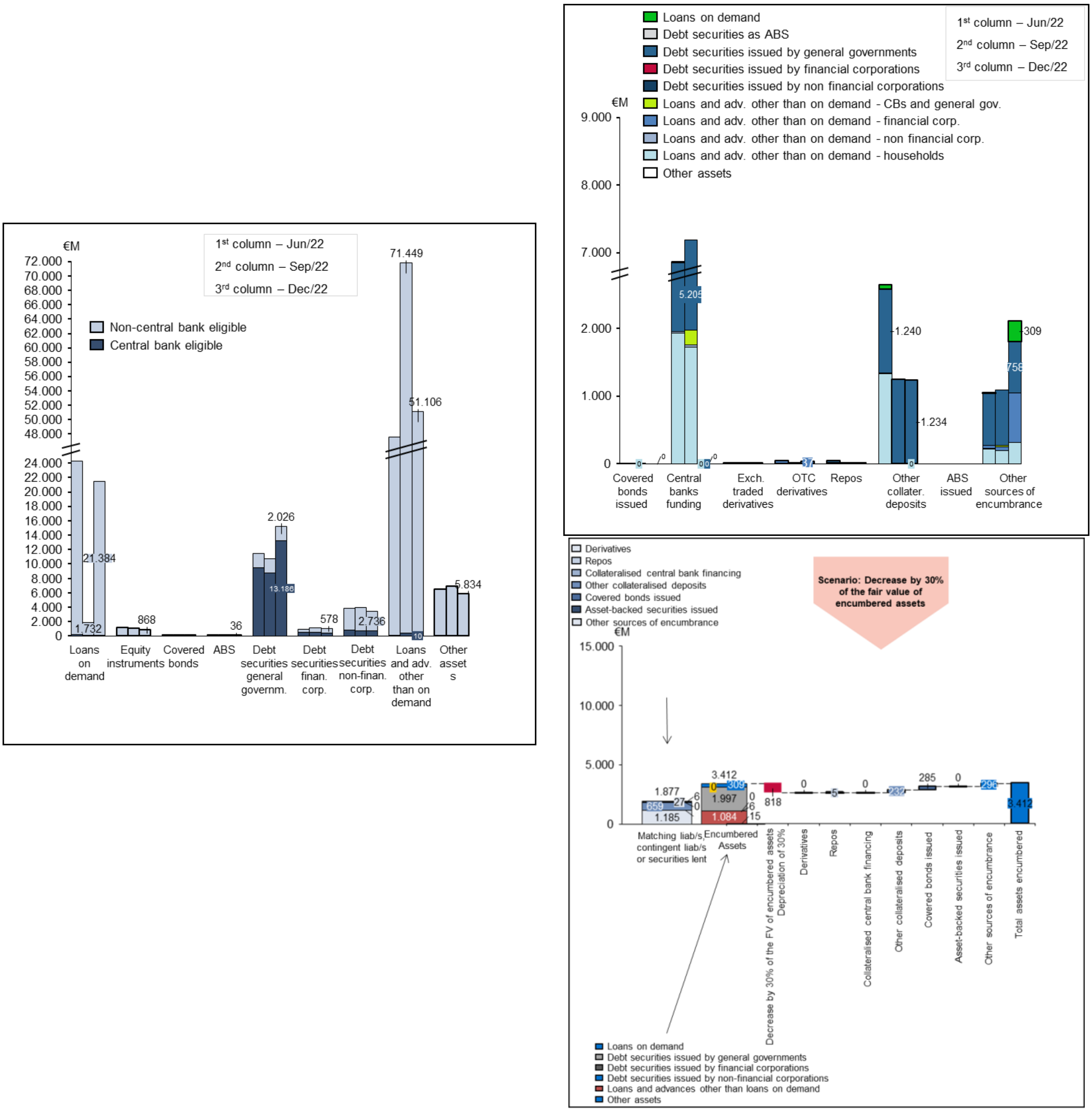
The projection of the Group's asset encumbrance ratio is positively impacted by the total amortization of the TLTRO and by the maintenance of the CGD Group's funding profile.

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).

Figure 5 | Encumbrance of Group Assets



In the context of regulatory commitments to report liquidity risk, 2022 maintained the different levels of scrutiny and complexity used in 2021 as shown below:

- In 2022, 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 makes it possible to assess 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.** Calculated under the regulatory framework of CRR2. According to article 428 of Regulation (EU) 2019/876, the ratio must be greater than or equal to 100% to ensure that the available funding meets the required 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 45 | 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-22	30-jun-22	30-set-22	31-dez-22	31-mar-22	30-jun-22	30-set-22	31-dez-22
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					35,286,235	35,902,256	35,936,216	35,503,618
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	64,897,453	65,884,135	66,998,504	67,985,086	4,610,822	4,690,491	4,791,139	4,829,718
3	Stable deposits	48,863,541	49,403,211	49,979,406	50,769,365	2,443,177	2,470,161	2,498,970	2,538,468
4	Less stable deposits	16,033,912	16,480,924	17,019,098	17,195,184	2,167,645	2,220,330	2,292,169	2,291,250
5	Unsecured wholesale funding	14,534,245	14,999,535	15,229,140	15,184,017	5,402,068	5,589,329	5,658,144	5,859,701
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,827,791	7,103,554	7,159,363	5,977,553	1,580,715	1,647,454	1,659,518	1,384,591
7	Non-operational deposits (all counterparties)	7,561,077	7,731,455	7,913,219	9,136,271	3,675,976	3,777,348	3,842,068	4,404,917
8	Unsecured debt	145,377	164,527	156,558	70,192	145,377	164,527	156,558	70,192
9	Secured wholesale funding					243	-	29,167	29,167
10	Additional requirements	15,236,753	15,505,131	15,673,564	15,667,841	1,879,643	1,940,976	1,947,752	1,945,330
11	Outflows related to derivative exposures and other collateral requirements	1,481,792	1,447,562	1,075,835	731,083	305,337	298,432	224,109	170,218
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	13,754,961	14,057,569	14,597,729	14,936,758	1,574,306	1,642,544	1,723,643	1,775,113
14	Other contractual funding obligations	1,131,981	1,240,991	1,382,875	1,484,435	899,386	981,907	1,084,204	1,154,870
15	Other contingent funding obligations	148,115	172,029	189,434	166,907	148,115	172,029	189,434	166,907
16	TOTAL CASH OUTFLOWS					12,940,277	13,374,731	13,699,840	13,985,692
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	200,280	218,107	268,880	294,279	0	0	0	0
18	Inflows from fully performing exposures	3,460,290	3,597,006	3,695,955	3,768,468	2,686,081	2,785,766	2,875,209	2,950,458
19	Other cash inflows	1,005,669	744,153	791,749	757,092	1,005,669	744,153	791,749	757,092
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	4,666,239	4,559,266	4,756,584	4,819,838	3,691,750	3,529,918	3,666,959	3,707,550
EU-20a	**Fully exempt inflows**	0	0	0	0	0	0	0	0
EU-20b	**Inflows subject to 90% cap**	0	0	0	0	0	0	0	0
EU-20c	**Inflows subject to 75% cap**	4,666,239	4,559,266	4,756,584	4,819,838	3,691,750	3,529,918	3,666,959	3,707,550
	TOTAL ADJUSTED VALUE								
21	LIQUIDITY BUFFER					**35,286,235**	**35,902,256**	**35,936,216**	**35,503,618**
22	TOTAL NET CASH OUTFLOWS					**9,248,527**	**9,844,813**	**10,032,882**	**10,278,143**
23	LIQUIDITY COVERAGE RATIO					385%	365%	359%	346%

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.

In this way, for the level of risk appetite established for the LCR, the minimum buffer of liquid assets of the CGD Group amounted, on average, to 13 billion euros during the year 2022, well below its observed value, given the solid and stable base of retail deposits 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 2022, the net stable funding ratio recorded was 183%.

Table 46 | 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**	**7,757,177**	**0**	**500,000**	**1,488,360**	**9,245,537**
2	Own funds	7,757,177	0	500,000	134,719	7,891,895
3	Other capital instruments		0	0	1,353,642	1,353,642
4	**Retail deposits**		**68,325,158**	**1,223,811**	**263,096**	**65,476,727**
5	Stable deposits		52,017,559	373,619	201,437	49,973,056
6	Less stable deposits		16,307,598	850,192	61,660	15,503,671
7	Wholesale funding:		**14,986,286**	**354,289**	**799,654**	**7,232,898**
8	Operational deposits		0	0	0	0
9	Other wholesale funding		14,986,286	354,289	799,654	7,232,898
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:	**0**	**2,599,961**	**0**	**3,801,548**	**3,801,548**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		2,599,961	0	3,801,548	3,801,548
14	**Total available stable funding (ASF)**					**85,756,710**

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**1,928,154**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**0**	**0**	**0**	**0**
17	Performing loans and securities:		**6,881,333**	**1,182,287**	**48,113,812**	**39,935,007**
18	Performing securities financing transactions with financial customers *collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,394,886	105,338	186,693	476,509
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		3,231,134	673,708	15,828,127	15,863,517
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		207,992	132,173	4,843,752	20,408,765
22	Performing residential mortgages, of which:		13,318	27,965	27,847,323	18,875,257
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		9,526	24,712	24,078,042	15,667,847
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		1,241,994	375,277	4,251,669	4,719,723
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:	**0**	**0**	**0**	**0**	**3,969,220**
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				37,402	31,792
29	NSFR derivative assets				169,172	169,172
30	NSFR derivative liabilities before deduction of variation margin posted				228,058	11,403
31	All other assets not included in the above categories		4,283,056	26,817	2,423,425	3,756,853
32	Off-balance sheet items		**6,602,135**	**1,595,128**	**7,386,568**	**1,096,428**
33	**Total RSF**					**46,928,809**
34	**Net Stable Funding Ratio (%)**					183%

Values in thousand of Euros

By systematizing, the measurement, monitoring and control of liquidity risk by CGD is materialized 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 47 | Liquidity risk monitoring metrics

Frequency	Metric	Management	RAS/RAF	Prudential Report	Liquidity Contigengy 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 2022, 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 scratches.

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 analyzed 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 12-month repricing gap;
- 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.

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

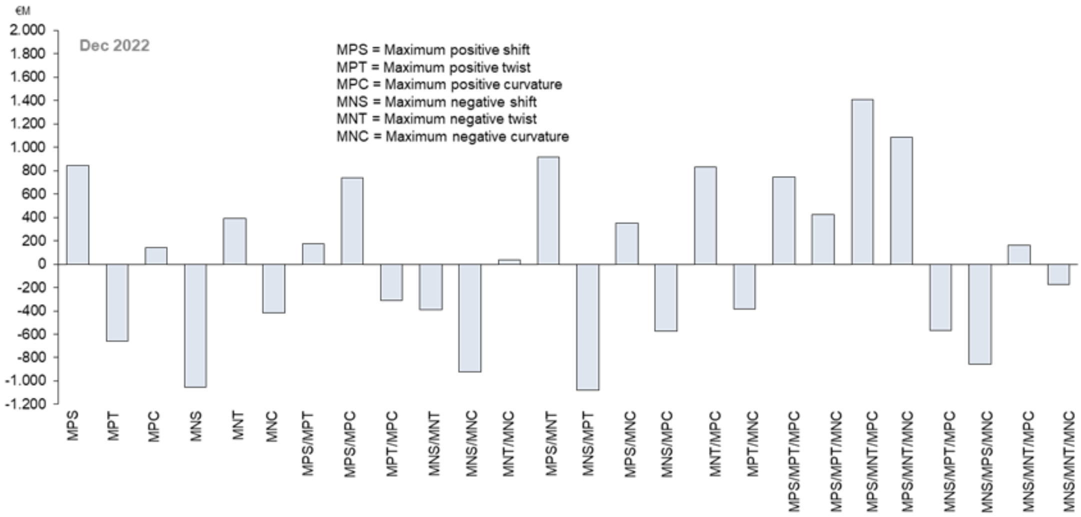
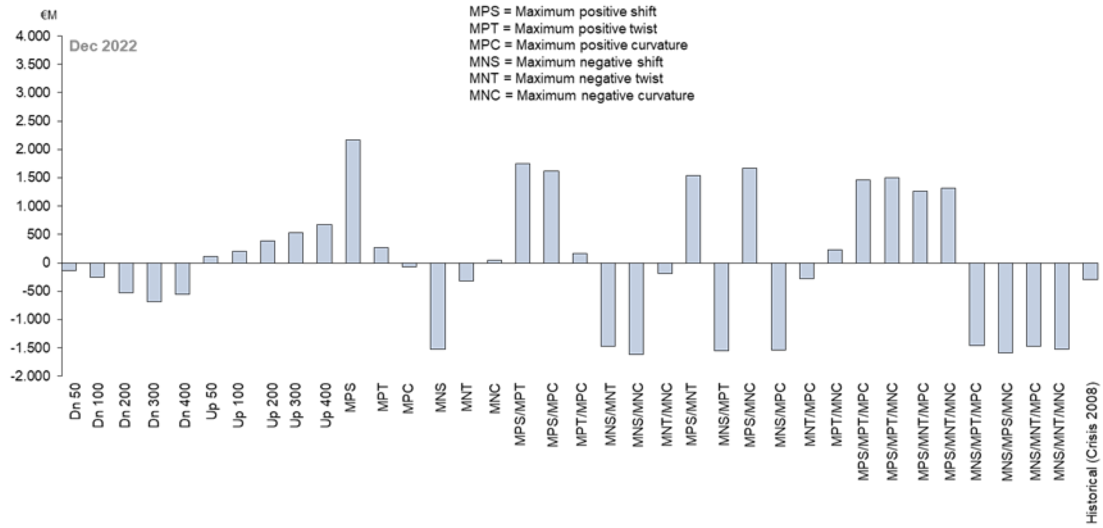
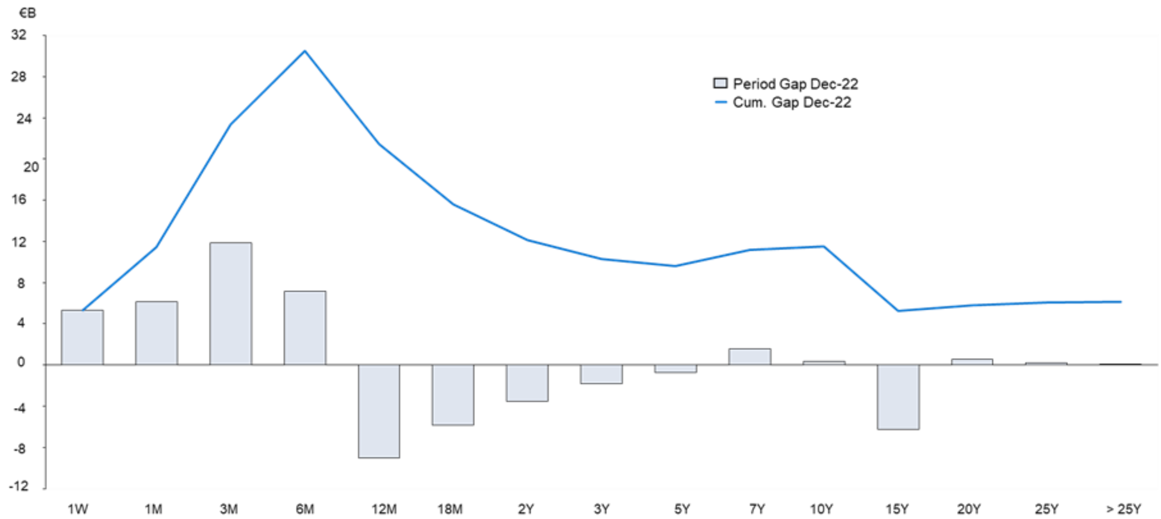


Figure 7 | Estimated impact on the economic value of capital of changes in interest rates



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.

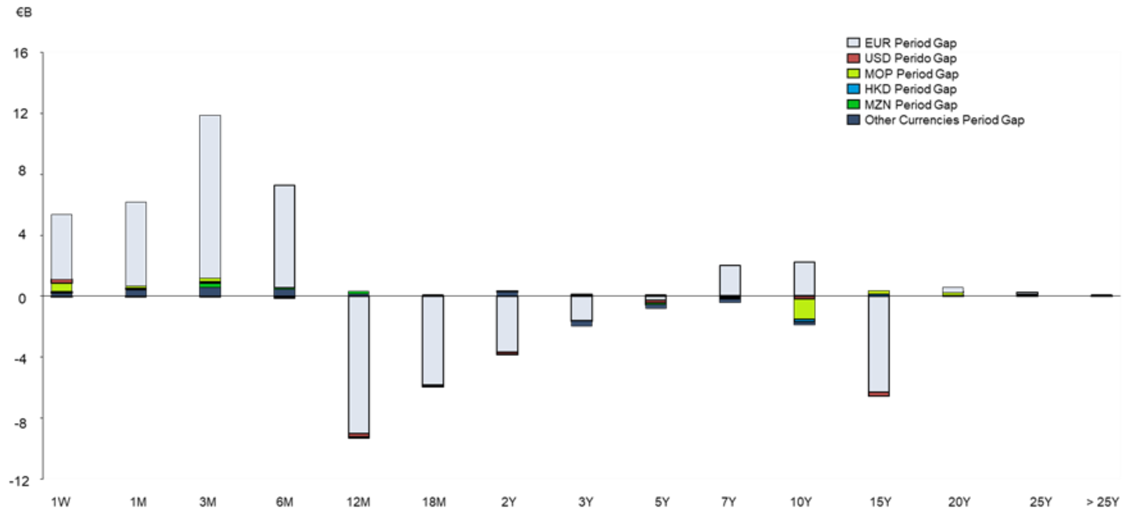
Figure 8 | Repricing gap – Direction of the impact of changes in interest rates



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.

Figure 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 (behavioral 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 2.6 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 the results of the 12-month repricing gap 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 bp, 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 operations at variable rates, or with short maturities, implies that the proportion of credit included the 12-month accumulated repricing gap is extremely significant.

   The risk of repricing is mitigated by the volume, which is also significant, of liabilities, also at variable rates or with short maturities, which contribute to attenuating the size of the repricing gap accumulated over 12 months.

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.

Contexts of extremely low, and even negative, interest rates, such as those verified in the Euro Area over the last few years, accentuate the potential negative impact of a possible drop in rates, in a context of active restriction on the border of 0% and in view of the treatment legal asymmetric in terms of the adjustment of rates practiced on loans and deposits.

This risk is mitigated by the introduction of a zero floor contractual clause at the level of the market index in corporate credit operations granted in Portugal.

In turn, credit granted at medium and long-term fixed rates, over 12 months, has a smaller impact on the Group's balance sheet, with an impact on the metric of 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 that are also longer than 12 months, whether in contractual terms, as in the cases of time deposits, securities debt issues or consigned credit lines, or in terms of the behavioral interest rate setting date, as in the case of demand deposits or savings deposits with no defined maturity. In this way, management of the interest rate risk implicit in credit operations granted at medium and long-term fixed rates 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 balance.

However, it is possible to decide to take out specific coverage for the interest rate risk of a loan (micro-coverage) or set of loans (macro-coverage) 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 for this purpose.

It should be noted that loans are carried in CGD's balance sheet at amortized cost, while hedging carried out 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 hedging, however they do not have any impact on the value of the assets covered.

The market risk resulting from contracting 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 the CGD Group, without prejudice to the former being part of the Group bank book.

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 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.

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 for the purpose, which will take into account i) the overall management of the interest rate risk inherent in the Institution's balance sheet, and ii) the current interest rate environment and expectations for its evolution . In the case of securities carried on CGD's balance sheet at amortized cost, with hedging carried out using derivative instruments, they are valued at fair value, fluctuations in market interest rates have an impact on the results of financial operations in terms of hedging, however not have no impact on the value of the assets covered.

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.

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.

   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 behaviour.

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 behaviour 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 48 | Quantitative information on the interest rate risks of activities not included in the trading book

		a	b	c	d
Supervisory Shock Scenarios		Change of economic value of Equiity		Change of the interest incone	
		Current Period	Last Period	Current Period	Último Período
1	Parallel up	136,408	(119,838)	619,675	684,661
2	Parallel down	(319,628)	251,575	(616,713)	(236,925)
3	Steepener	(108,075)	(3,666)		
4	Flattener	65,141	48,656		
5	Short rates up	122,138	51,770		
6	Short rates down	(246,278)	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 2022, CGD Group applied exclusively the **Standardized 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 unfavorable 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 **Standardized 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[10]) 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 2022, the CGD Group's portfolio had no positions subject to Own Funds requirements relating to commodity risk.

Although CGD applies the **Standardized Approach** in calculating capital requirements for market risks, capital requirements are also determined in accordance with the new quantification methodologies (**FRTB**). Currently, this quantification is of an informative nature, it is estimated that only in 2025 will it be considered in the determination of regulatory capital ratios.

12.2 Quantitative data

In quantitative terms, the amount of Own Funds requirements calculated for market risk, through the application of the **Standardized Approach** to debt, equity and foreign exchange instruments, totaled, as at 31 December 2022, EUR 146 million, an increase of 20 million, compared to December 2021. The increase, by EUR 23 million, in exchange rate risk requirements contributed to this evolution, as a result of the prudential restructuring of structural exchange positions arising from the international activity in Cape Verde, as well as the effect of the exchange rate appreciation of the pataca (MOP), Hong Kong dollar (HKD), metical (MZN) and kwanza (AOA). This increase was partially offset by the reduction in capital requirements at the level of capital instruments.

Also with regard to foreign exchange risk, CGD Group calculates Own Funds requirements as the overall net position (EUR 1,612 million) is above the threshold of 2% of the Group's total Own Funds (approximately EUR 175 million).

Table 49 | EU MR1 Market risk under the standardized approach

		a	b
		RWEAs	Own funds requirements
	Outright products		
1	Interest rate risk (general and specific)	247,282	19,783
2	Equity risk (general and specific)	2,006	161
3	Foreign exchange risk	1,583,680	126,694
4	Commodity risk	0	0
	Options		
5	Simplified approach	0	0
6	Delta-plus approach	74	6
7	Scenario approach	0	0
8	Securitisation (specific risk)	0	0
9	**Total**	**1,833,042**	**146,643**

Values in thousand of Euros

[10] 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)

13. Non-Financial Risk

13.1 Qualitative data

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

This is a transversal risk to the various processes developed, which is minimized through the implementation of appropriate control and mitigation procedures.

Operational risk management at the CGD Group adopts a methodology that is based on a process-based view (end-to-end) and is supported by a set of guidelines, principles and regulations recognized as good practice at national and international level.

In terms of calculating own funds requirements to cover operational risk, CGD Group adopts, on a consolidated basis, the standard method. On an individual basis, Caixa Geral de Depósitos and Caixa Banco de Investimento also adopt this method.

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

- Definition, monitoring and reporting of tolerance limits and risk appetite for the entire Group;
- Identification of operational risks and respective controls, supported by the mapping of processes in the analysis of new products and services and the monitoring of activities carried out under subcontracting arrangements;
- Identification and analysis 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;
- 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 suited to the significance of identified operational risks;
- Identification of internal control deficiencies and validation of the implementation of recommendations for mitigating the operational risk of internal control deficiencies;
- The methodology implemented at Grupo Caixa is supported by a corporate governance model and incorporates the disclosure of information through an internal reporting system which includes regular holding of Delegated Council /Committees and the disclosure of reports to the Group's various structures.

At organizational level, the management of non-financial risks (including operational risk) 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 non-financial risks (including operational) and risk appetite limits;

- **Delegated Council for Business Continuity, Operational Risk and Internal Control (CDCRC),** body responsible for coordinating, assessing and debating matters related to the management of business continuity, operational risk and internal control deficiencies at Group level, as well as matters relating to the monitoring and management of Data Protection and the monitoring of reputational risk;
- Area **dedicated exclusively to the management of non-financial risks,** integrated in the DGR, responsible for developing and implementing the strategy and policies, ensuring that non-financial risks (including operational risk) are being properly managed, articulating with the other Divisions, Branches and Subsidiaries in order to ensure the harmonization of practices across Group entities. As a control function of the 2nd Line of Defense, it promotes the strengthening of the Internal Control System, as a body that identifies and validates the resolution of internal control deficiencies related to non-financial risks.
- 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 issue in the Group Entities;
- **Process Owners**, whose role is to facilitate and promote the non-financial risk management process in their 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 (Timor branch and France branch), 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).

With regard to CGD's Business Continuity Management System (SGCN), in September 2022, an external audit was carried out to monitor the certification and transition of CGD's SGCN to the new version of the ISO22301:2019 – Business Continuity standard Management System (BCMS), by BSI (British Standards Institution), maintaining certification (since 2019) with number BCMS 697876.

CGD continues to ensure the response to the set of recommendations defined by circular letter no. CC/2021/00000047 of the Bank of Portugal on Business Continuity Management in the financial sector, as well as to develop the necessary actions to comply with the requirements specific to the norm.

By maintaining certification, CGD confirms that the principles and good practices of Business Continuity are ensured and implemented, thus remaining resilient and able to respond to potential threats to its business.

The methodology adopted by CGD follows the PDCA cycle (Plan - Do - Check - Act), which establishes the requirements for the development, maintenance and improvement of the System, in order to support the achievement of CGD's mission and strategic objectives and has as its final objective the continuous provision of a quality service to the customer.

The PDCA cycle applied to CGD's BCMS processes has the following objectives:

- Planning: Establish the relevant policy, objectives, targets, controls, processes and procedures to improve Business Continuity and obtain results in line with CGD's policies and strategic objectives;
- Operation: Implement and operate the defined policy, controls, processes and procedures;
- Performance evaluation: Monitor and review the performance of the BCMS in relation to the Business Continuity policy and objectives, report the results to management for system review and identification of corrective and improvement actions;
- Continuous Improvement: Maintain and improve the BCMS through the implementation of corrective actions, based on the results of the management review, reassess the scope of the BCMS, the Business Continuity policy and objectives.

In terms of the Group, the GCD is responsible for ensuring the supervision of this issue with the Group Entities, carrying out the respective report to the regulatory and supervisory authorities.

The publication of corporate regulations on this subject reinforces the methodological support and regular follow-up that CGD continues to promote among them, resulting in greater proximity and effective support.

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 for operational risk, according to one of three different approaches: **Basic Indicator Approach, the Standard Approach or the Advanced Measurement Approach**.

As at 31 December 2022, CGD Group calculated own funds requirements for operational risk in accordance with the **Standard 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 50 | 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 51 | 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 52 | EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
Bamking Activities		Relevant indicator			Own funds requirements	Risk exposure amount
		2020-12-31	2021-12-31	2022-12-31		
1	Banking activities subject to basic indicator approach (BIA)	0	0	0	0	0
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,676,743	1,681,298	2,312,901	287,604	3,595,045
3	Subject to TSA:	1,676,743	1,681,298	2,312,901		
4	Subject to ASA:	0	0	0		
5	Banking activities subject to advanced measurement approaches AMA	0	0	0	0	0

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 characterized 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 authorized, 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 recognized, 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 2022.

Table 53 | 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	
		31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021
10	Acquisition Cost / Notional Value	4,289	4,244	196,268	197,258			**200,557**	**201,502**
20	Fair value	40,970	13,176	247,222	284,928			**288,192**	**298,105**
30	Market value	40,970	13,176	0	0			**40,970**	**13,176**
40	Income from sales and settlements	9,639	0	(462)	267			**9,177**	**267**
50	Total unrealized gains or losses	36,681	8,932	50,954	87,671			**87,635**	**96,603**
60	Total gains or losses inherent to latent revaluations							**0**	**0**

Values in thousand of Euros

15. Environmental, Social and Governance Risks (ESG)

In June 2021, with the revision of the Capital Regulation Requirements (known as CRRII), requirements for the disclosure of environmental, social and governance risks (ESG risks) were introduced through Article 449a. This article obliges large institutions that have issued securities admitted to trading on a regulated market in any Member State to disclose, as of June 2022, to disclose information on ESG risks, including physical and transitional risks.

In January 2022, the EBA published the Recommendations and Requirements on Prudential Disclosures of ESG Risks (EBA/ITS/2022/01), pursuant to Article 449 of the CRRII.

These requirements were developed in line with other initiatives taking place at the European Union (EU) and international level, namely the recommendations presented by the Financial Stability Board's **Task Force** on **Climate-**related **Financial Disclosures** (TCFD), Regulation (EU) 2020/852 on the establishment of a regime for the promotion of sustainable investment (Taxonomy Regulation) and Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 with regard to EU benchmarks for climate transition , EU benchmarks aligned with the Paris Agreement and disclosure of information related to sustainability benchmarks.

Globally, reference bodies and regulators continue to publish various proposals and discussion papers on the ESG.

The 21-24 Strategic Plan embodies Caixa's ambition to serve the financial needs of Portuguese families and companies, being present in their day-to-day activities and supporting their medium-to-long-term projects, committed to service excellence and simplicity to the customer, in innovative solutions and in a complete value proposition. As a driver for a business model aligned with the best practices in terms of profitability and sustainability, the Strategic Plan 21-24 is made up of six pillars, in which the "Sustainability and Social Impact"[11] pillar stands out.

This pillar is implemented through the Sustainability Strategy 21-24[12], made up of five strategic axes that are streamlined through a progressive and dynamic action plan that includes the participation of various internal structures:

- Sustainable and Inclusive Financing;
- Climate Risk Management;
- Equity, Digital and Financial Inclusion;
- Transparent Governance Models;
- Disclosure of Sustainability Information;

The initiatives developed within the scope of the 21-24 Sustainability Strategy, as a workstream of the 21-24 Strategic Plan, are subject to a monthly status report to the Board of Directors and a quarterly report to the Governance Committee and the Sustainability Committee – an advisory body

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[11] For more information, see chapter “chapter 1.4.2” of the 2022 Sustainability Report, included in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf

[12] For more information For more information, consult chapter “4.7 – Sustainability Strategy 2021-2024” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at:

of the Executive Committee, chaired by the Chief Executive Officer and composed of Chief Risk Officer and top managers from different corporate areas.

15.1 Environmental Risk

Business Strategy and Processes

In terms of integrating environmental factors and risks into Caixa's strategy and business model, the "Sustainable and Inclusive Financing" and "Climate Risk Management" pillars of Sustainability Strategy 21-24 stand out.

The development of the 21-24 Sustainability Strategy was based on the definition of a sustainability materiality matrix, which identified nine themes considered relevant for Caixa's **stakeholders**, namely the themes "Sustainable management of operations" and "Environmental risks and climate action " that directly contribute to the theme under analysis. In order to consider the integration of environmental factors, the methodological approach was based on three dimensions/perspectives:

- Global perspective: Analysis of the main trends, regulations and global initiatives in environmental matters, such as the United Nations Sustainable Development Goals (ONS);
- Sectorial perspective: Analysis of the most relevant sectoral initiatives and guides that represent the best practices used by companies in the financial sector in terms of environmental/climate risk management, such as the **Global Risks Report of the World Economic Forum, the Encouraging and rewarding Sustainability report – Accelerating sustainable finance in the banking sector of the European Banking Federation (EBF), the Carbon Disclosure Project (CDP)** and the TCFD recommendations;
- Organizational perspective: Alignment with the organization's strategy, impact assessment results and with the main expectations of stakeholders, in which we highlight i) a consultation process carried out with 15 groups of **stakeholders**, with more than 3,000 participants, which allowed identifying the Caixa's priority ODS, namely ODS 11[13] and ODS 13[14], ii) Analysis according to the Impact Analysis Tool provided by the Principles for **Responsible Banking** (PRB) **of the United Nations Environment Program Finance Initiative** (UNEP FI) and which corroborated the critical issues (climate, healthy and inclusive economies and access to housing) that are addressed in the strategy.

CGD subscribes to a set of policies and commitments that demonstrate its ambition with sustainable development and the climate agenda[15], namely the Business Ambition for 1.5ºC and UNEP FI's **Net Zero Banking Alliance** (NZBA).

Caixa is defining a transition plan towards carbon neutrality (Transition Plan) for emissions financed up to 2050 and emissions related to banking operations up to 2030, compared to the base year of 2021, with a view to boosting the transition towards a low carbon economy. The Transition Plan defines Caixa's strategy and ambition in responding to risks and opportunities arising from the mitigation and adaptation of climate change, contributing to the global ambition to reduce greenhouse gas emissions and limit the increase in global average temperature to 1.5ºC above pre-industrial levels. This plan is based on the analysis of scenarios aligned with science, in accordance with the Science Based Targets Initiative (SBTi) and establishes guidelines, as well as financial

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[13] The ODS 11 aims to make cities and communities inclusive, safe, resilient and sustainable

[14] The ODS 13 aims to adopt urgent measures to combat climate change and its impacts

[15] For more information, consult chapter "4.5 - Policies, commitments and working groups" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations /Informacao-Financial/CGD/Reports-Accounts/2022/Documents/Report-Accounts-CGD-2022.pdf.

planning, to streamline actions/processes that allow minimizing transition risks and maximize short-term (2030) and long-term (2050) climate-related opportunities for sectors deemed most critical. In order to align with the different frameworks for reducing greenhouse gas emissions (SBTi and NZBA), the goals contained in the Transition Plan were defined in accordance with the SBTi tool for the sectors of electricity generation, commercial mortgages and cement. For the 2023/2024 biennium, Caixa will set emission reduction targets for the remaining sectors, namely agriculture, aluminium, coal, iron and steel, oil and gas and transport.

Additionally, as a signatory of the PRB, CGD committed itself to strategically aligning its businesses with the PRB framework in order to make a positive contribution to society and the environment, in line with the expectations of its stakeholders. According to the timeline established by the entity, Caixa defined three objectives that address the most significant positive and negative impacts indicated by the “Impact Analysis Tool”, according to the specific context and challenges of Portugal, the type of business developed by the bank and its level of funding exposure to certain sectors of activity[16]:

- Job creation (ODS 8[17]): Channeling Eur 500M through a sustainable debt issue (with maturity until 2027) that supports Micro and SMEs in Portugal in economically disadvantaged areas, thus promoting job creation and maintenance;
- Access to housing (ODS 11): Finance Eur 5,900M in housing loans, of which Eur 841M in housing loans for properties with energy certificates A+, A and B by 2024;
- Environmental impact (SDG 13): Approval and achievement of emission reduction targets by 2030, in line with the SBTi methodology.

With regard to Caixa's action in terms of sustainable investment, this is implemented through the Caixa Gestão de Ativos, SGOIC, S.A. (CXA)[18].

The process of identifying sustainable credit lines is supported by the eligibility criteria defined in Caixa's **Sustainable Finance Framework**[19], which acts as a reference for identifying credit lines that provide environmental or social benefits. Financing considered to have environmental benefits is grouped into the following categories: sustainable water management and wastewater management; renewable energy and energy efficiency; green buildings; sustainable mobility; circular economy and sustainable management of resources);

The eligibility criteria defined in the Sustainable Finance Framework aim at the gradual alignment of Caixa's financing activities with the Taxonomy Regulation. This way this will be revised whenever necessary in order to comply with CGD's strategic objectives and the future regulatory requirements of the Taxonomy Regulation.

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[16] Step 2: Target Setting & Implementation

[17] The ODS 8 aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

[18] For more information, consult chapter “4.8 - Sustainable and Inclusive Financing: Action strategy in terms of sustainable investment” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf.

[19] Sustainable Finance Framework: https://www.cgd.pt/English/Investor-Relations/DebtIssuances/Prospectus/Documents/CGD-SustainableFinanceFramework.pdf.

As part of the disclosures to be made pursuant to Article 8 of the Taxonomy Regulation and the European Union Delegated Act on the Taxonomy of Climate[20], Caixa disclosed its degree of eligibility in the 2022 Sustainability Report[21] .

Currently, in order to comply with the timetable established by the European Commission, Caixa is drawing up a roadmap for the implementation of the criteria set out in the Taxonomy Regulation on the classification of environmentally sustainable activities and for the calculation of the degree of alignment. The results will be announced in due course in the 2023 Sustainability Report. In this context, CGD's ambition is to reinforce its offer and in environmentally sustainable activities.

In 2021, Caixa defined and implemented a new risk assessment methodology, called ESG Rating, which assesses the counterparties' ESG criteria and allows its integration into decision-making processes.

The ESG Rating model aims to complement the financial rating information, considering non-financial aspects, although equally important in terms of risk impact and viability, contributing to a prospective view of the economic and financial situation of companies and consequently to a more holistic and robust risk management. The ESG Rating is, to a certain extent, a preview of the evolution of the financial rating considering that, from a medium-term perspective, non-financial risks (environmental, social and governance) will be expressed in the companies' balance sheet and income statement.

Its objectives are to contribute with inputs for regulatory obligations, but also, and with equal importance, the integration of these criteria in the decision-making processes and granting of credit to companies, contributing not only to better risk management, but also to boost returns that are more resilient to ESG risks in the long term.

Aiming to ensure stakeholders value maximization, ESG Rating has the objective, to reinforce the customer-centric vision, creating opportunities for dialogue and awareness, between commercial areas and companies and promoting advice and anticipation of needs, of in order to better support companies in the process of transition to a greener, more inclusive and more responsible economy.

Caixa's ESG Rating covers approximately 400,000 companies and Eur 23 billion of bank loans and is made up of 3 dimensions, including the environmental one, which includes the following components:

- Physical risk rating, which includes indicators such as:
    - Regional physical climate risk – assesses physical risks at the Municipality level (floods, urban and coastal flooding, earthquakes, landslides, tsunami, volcanic phenomena, water shortages, extreme heat and fires);
    - Activity risk – assesses sectoral climate sensitivity;
    - Country risk – assesses the physical climate risk at country level;
    - Company risk – evaluates the greater or lesser flexibility of the company to face the physical risks inherent to its location or sector of activity in which it operates.
- Transition risk rating, which includes indicators such as:
    - Greenhouse gas emissions for Portugal and by sector;

[20]Delegated Regulation (EU) 2021/2139 adopted by the European Commission on June 4, 2021.

[21] For more information, consult chapter "4.12 - Disclosure of Sustainability Information – Alignment with regulatory requirements" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/ Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pd

- Variation of carbon intensities (Scope 1, Scope 2 and Scope 3); Energy expenses;
- Investment in research and development.

It should be noted that, in addition to the calculation of the ESG Rating as a whole, each dimension and each component are calculated independently, with this information available for consultation and inclusion in credit allocation decisions by the commercial and risk areas in respective credit decision platforms.

A new version of Caixa's ESG Rating is currently being developed, which will include new indicators, such as water consumption, waste treatment and the impact of the carbon price on gross value added by sector.

The contribution of the information collected and worked on in the ESG Rating, can help to assess the current position of the company with regard to the environmental dimension and provide inputs on what can be improved.

Governance

To ensure the involvement and discussion of Caixa's climate and environmental risk model, CGD's board of directors, senior management and relevant committees have established the following governance structure.

The Board of Directors defines, supervises and is responsible, within the scope of its competences, for the application of governance systems that guarantee effective and prudent management, including the separation of functions within the organization and the prevention of conflicts of interest.

The Board of Directors, supported by the Risk Committee and the Audit Committee, establishes the risk appetite, which is implemented by the Executive Committee with the support of the Risk Management Department and the control and business areas. The Board of Directors is also responsible for aligning the risk appetite with the bank's strategic priorities for sustainable financing and climate action.

Caixa's current management is delegated by the Board of Directors in the Executive Committee. The Executive Committee is responsible for Caixa Group's overall risk management, namely managing and implementing risk appetite, monitoring risk metrics, and ensuring consistency between risk appetite and the corporate strategy for sustainable financing and climate action.

The Risk Committee monitors the management policy for all risks in Caixa Group's activity, namely climate and environmental risk, in particular the risk measurement models and calculation of own funds adopted internally, as well as the Community Directives and Bank of Portugal and European Central Bank guidelines on this matter. As part of its duties and competences, it analyses, among other things, the reports submitted by the Risk Management Department on climate and environmental risk. The Risk Committee is also responsible for monitoring the management policies of all financial and non-financial risks inherent to Caixa's activity, particularly with regard to climate and environmental risk.

The Sustainability Committee (CSU) is the advisory body to the Executive Committee which supervises management and guides decisions on the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking and sustainable finance into CGD's current operations, in line with the institution's Strategic Plan and stakeholder expectations. The CSU operates from a corporate perspective, covering the CGD Group's Branches and Subsidiaries. Within the scope of its competencies in relation to climate and environmental risk management (C&ER), the following stand out:

- Monitor the development and implementation of CGD Group's strategic guidelines for climate action;

- Reviewing CGD Group's climate position statements and carbon neutrality commitments, including climate commitments in sectors with higher carbon emissions;
- Monitor and streamline the implementation of business strategy and key policies with regard to climate change and C&ER risks;
- Promote the corporate alignment of sustainable financing, according to C&ER;
- Monitoring and promoting the implementation of measures to mitigate and adapt to C&ER;
- Monitoring and promoting the measurement of the carbon footprint, pricing mechanisms and transition plans;
- Monitoring and promoting the measurement, management and reduction of financed emissions;
- Monitoring and promoting actions for the good performance of C&ER targets and KPIs;
- Discuss and propose strategies for integrating the results of climate stress tests and scenario analyses into CGD Group's business strategy;
- Monitor and promote the development of action plans in response to the demands of the regulator and supervisor;
- Discussing and promoting the integration of climate and ESG aspects into CGD Group's main business lines, internal processes and regulations.
- Monitoring documents and reports on CGD's positioning and performance on C&ER.

Caixa's climate and environmental risk management model is supported by the three lines of defense framework.

The responsibility for the first line of defense is transversal to the entire organization and includes the participation of various CGD structural bodies. Being responsible for ensuring the daily execution and supervision of risk management and internal control procedures. It must also identify, assess, control and mitigate risks, by monitoring the development and implementation of internal policies and procedures, in order to ensure that the proposed objectives for the activities carried out are achieved. In this context, the Corporate Support Department (DSC) plays a key role in supervising the Board of Directors.

Risk management, as a second line of defense, is carried out centrally and supported by a dedicated structure, the Risk Management Department, under the responsibility of the Chief Risk Officer. The Risk Management Division is responsible for providing structural management, identifying known and emerging problems/shortcomings, identifying changes in the institution's implicit risk appetite and supporting the management body with regard to the development of processes and controls to manage risks and related issues.

The Internal Audit Department is responsible for the third line of defense, which is responsible for monitoring and evaluating the risk management and internal control actions of the first and second line of defense.

Details on the governance model for climate and environmental risk management, as well as on the relevant forums for assessing climate and environmental risk issues, are available in the disclosure made by CGD in accordance with TCFD[22] recommendations and in the annual response to the CDP[23] Index's Climate Change Questionnaire.

During the first quarter of 2023, a process was launched to review the remuneration policy of CGD's governing bodies and employees to integrate ESG criteria into the variable remuneration, aligning with the bank's strategy, namely with regard to the growing initiatives related to sustainable development and climate action, whose completion is expected during the second half of this year.

In compliance with the provisions of the policy, CGD's Board of Directors it is the responsible to approve the revision, after the assessment and favourable resolution of CGD's Appointments, Assessment and Remuneration Committee (CNAR), Executive Committee (EC) and Risk Committee (RC), as well as the favourable opinions of the risk management and compliance functions.

Risk Management

Climate and environmental risks are integrated into Caixa Group's risk framework, thus integrating risk appetite, decision-making processes and the bank's strategy. They are currently a subcategory of strategy and business risk and also an additional risk factor for other prevailing risk categories: credit risk, market risk, liquidity risk, operational risk, reputational risk and compliance risk.

Grupo Caixa has instituted a process for identifying the Group's risk profile, which is carried out in annual cycles and is based on Caixa Group's taxonomy of risks, in order to assess and inventory the risks that are the subject of concern. The process is structured in two phases, the first phase being risk self-assessment by Caixa and the Group entities, and the second phase determining Caixa Group’s risk profile based on the result of the self-assessment of all participating entities in the process.

This process has the wide involvement of different areas of the bank (including the first line of defense, the Compliance Department for compliance risk and the Risk Management Department for all other risks) and culminates with the definition of the risk profile of the Caixa Group and with the identification of the risks subject to quantification within the scope of the internal capital adequacy assessment process (ICAAP).

Identification of the risk profile is crucial insofar as it makes it possible to draw conclusions about the risks to which Caixa is exposed, thus enabling more informed decision-making within the risk management framework, namely in essential pillars such as the ICAAP, the risk appetite assessment, internal stress testing exercises and corporate strategy definition.

Notwithstanding climate and environmental risk being a main risk category for the CGD Group, Caixa recognizes that this risk could also have an impact on the Group's risk profile via the other risk categories in force. In this way, an assessment was made of the materiality of the impact of the different risk factors associated with climate change, on the remaining risks in force.

The estimate of the level of sensitivity to transition risk is based on a qualitative analysis of the estimated exposure of a given type of risk to regulatory, technological, market and reputational changes caused by decarbonization, and the impact of these effects over a given time horizon.

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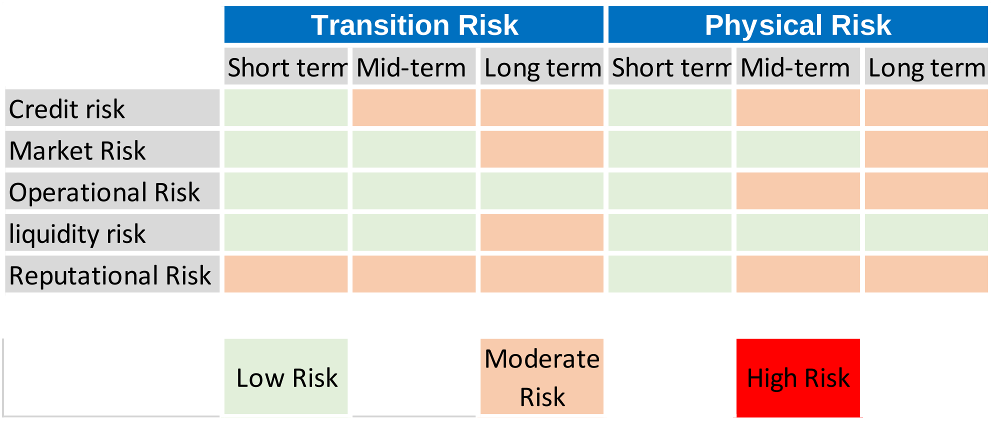
[22] For more information, consult Appendix “D - Response to the recommendations of the Task Force on Climate Financial Disclosures (TCFD)” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd .pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf

[23] For more information, consult Caixa's response to the CDP's Climate Change Questionnaire 2022 at https://www.cgd.pt/Sustentabilidade/Desempenho/Documents/CGD-ClimateChange2022.pdf

The estimate of the level of sensitivity to physical risk is based on the qualitative analysis of the estimated exposure of a given type of risk to chronic and acute climatic phenomena and the impact of these effects over a given time horizon.

The results of Caixa's self-assessment were as follows for each risk category:

Figure 10 | Materiality of transition and physical risks



It should be noted that the risk assessment presented in the table above reflects the level of risk in a prospective perspective.

For the identification and assessment of transition risk and physical risk, CGD uses defined methodologies and standards based on information from organizations and global initiatives in these matters, such as the TCFD, UNEP FI, the Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change and the Climate Financial Risk Forum, combined with expert judgment in this area and regulator recommendations.

For physical risk identification and assessment methodologies, Caixa also uses information sources and data providers specialized in these matters, namely the Taxonomy Regulation, the National Emergency and Civil Protection Authority and the Think Hazard platform.

Since 2021, CGD has disclosed climate and environmental risks in line with TCFD recommendations. These disclosures are contained in an annex to CGD's Sustainability Report and contain more detailed information on the assessment methodologies and the materiality of these risks[24].

Caixa has sought to develop skills in identifying, assessing, monitoring and managing climate and environmental risks, which will make it possible to improve the resilience of the business model to the possible impact and magnitude of these risks. A prospective and long-term approach is especially important given the uncertainty regarding the time horizon for the manifestation of these risks, which appears to be longer term but dependent on short-term action.

Scenario analyzes are one of the main climate and environmental risk management tools, as they allow for a prospective assessment of existing vulnerabilities and contribute to a better understanding of the impact of these risks. This type of tool makes it possible to anticipate the taking of mitigating measures that prevent the materialization of impacts with a view to adapting and making Caixa more resilient to climate change.

For this prospective and long-term sustainability approach, inherent to these risks, Caixa has invested in the development of projections, stress tests, sensitivity analyzes and scenario analyses,

[24] For more information, consult Annex "D - Response to the recommendations of the Task Force on Climate Financial Disclosures (TCFD)" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd .pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf.

considering short, medium and long-term scenarios, as well as different transition trajectories towards carbon neutrality, considering not only the transition scenario consistent with the objectives of the Paris Agreement but also more adverse scenarios.

Additionally, within the scope of the commitments assumed by CGD for carbon neutrality, medium and long-term projections have been developed for the alignment of the loan portfolio with the established objectives.

Climate and environmental risk is already part of the CGD Group's stress testing framework, with short- and long-term scenarios being developed based on a set of scenarios developed by the NGFS.

It should therefore be noted that during 2022 these prospective approaches were taken into account when drawing up the bank's multi-annual budgeting exercise, as well as in the ICAAP, where CGD also used scenario analyzes to assess the impact of climate and environmental risk on capital adequacy.

In this context, scenarios were used that simulate the impact of an increase in the price of carbon on the credit risk of CGD customers. In terms of operational risk, CGD evaluates possible impacts of low-frequency and high-severity events associated with climate and environmental risk drivers. In the latter, Caixa develops loss estimates considering a series of hypothetical impacts that include an estimate of remediation costs, legal costs, regulatory sanctions, customer compensation, asset devaluation and lost revenue.

The climate and environmental risk management strategy, namely its monitoring and control, was established based on Caixa's appetite for risk, formalized through the Declaration of Appetite for Risk. The Board of Directors is ultimately responsible for defining and approving the Risk Appetite, which is defined in line with the bank's strategic priorities and objectives.

The Risk Appetite Statement contains climate and environmental risk metrics that are continuously monitored and included in 2022 the following risk indicators[25]:

Figure 11 | Risk Indicators

Indicator	Definition
Income generated from interest, fees and commissions from companies in GHG-intensive sectors	Percentage of income generated from interest, fees and commissions by companies in carbon-intensive sectors in relation to the total generated by non-financial companies
Financed GEE emissions	Exposure to carbon intensive companies based on a weighted average of carbon intensity. Includes Scope 1 Scope 2 issues by counterparties with the highest exposure by sector
Loan portfolio exposures in regions most exposed to the risk of climate change	Percentage of exposure in the 10 worst performing industrialized countries on the Climate Change Performance Index (CCPI) over total credit exposure, in the corporate segment

The appetite for risk is also 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.

[25] For more information, consult Appendix “D - Response to the recommendations of the Task Force on Climate Financial Disclosures (TCFD)” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd .pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf.

CGD recognizes the existence of activity sectors or projects that may be environmentally harmful or contribute negatively to sustainable development. The Credit Risk Policy contains specific rules that ensure that environmental risks are duly identified and mitigated, namely through the Sector Exclusion and Limitation Principles and the consideration of the ESG Rating in credit decision procedures.

Under the Sectorial Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under international regulations or conventions and agreements;
- Unlicensed wildlife or endangered species businesses and activities;
- Companies or projects that use scarce natural resources, whose exploration or extraction could cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area;
- Companies producing or processing dangerous materials or substances restricted by national legislation, among others related to environmental, social and reputational risks.

The ESG Rating developed by Caixa evaluates and weighs several specific environmental factors of the counterparty. This assessment supports the prioritization and differentiation of commercial action based on the risk level of customers, contributing to a holistic and integrated view of risk in decision-making.

The availability and quality of ESG data, and namely climate has been a challenge for the organization. Caixa created a working group dedicated to the governance and management of ESG data, which meets regularly and has the participation of various areas, namely areas more closely linked to the business and others with responsibility for analysis and risk management. Caixa's objective is to ensure that there is an effective and holistic aggregation of data and that, as the availability and quality of data evolve, the organization can improve the accuracy and estimates of the climate data it uses, always maintaining transparency regarding the limitations data that support analysis and reporting.

Caixa's response to climate and environmental risks involves optimizing the bank's adaptive and dynamic capacity in the face of emerging national, international, political and regulatory developments in these risks. This effort is being carried out by all of Caixa's structural bodies, in a holistic and forward-looking approach.

15.2 Social Risk

Business Strategy and Processes

In terms of integrating social factors and risks into Caixa's strategy and business model, the "Equity, Digital and Financial Inclusion" and "Transparent Governance Models" pillars of Sustainability Strategy 21-24 stand out.

The development of the 21-24 Sustainability Strategy was based on the definition of a sustainability materiality matrix, which identified nine themes considered relevant for Caixa's stakeholders, namely the themes "ESG Practices", "Equity, development and well-being of employees", "Investment in the community" and "Accessibility and financial inclusion", which contributes to the above theme. In order to consider the integration of social factors, the methodological approach was based on the three dimensions / perspectives mentioned in chapter 15.1 Environmental Risk, in the business strategy and processes section.

Caixa assumes a commitment to the community through the Caixa Social Program, the aim of which is to promote best practices in responding to the challenges of Portuguese society through initiatives in the field of financial, social and digital literacy and inclusion, job creation, education, volunteering and cultural support.

In addition to developing internal policies and regulations that guide its actions in terms of social responsibility[26], Caixa, as a subscriber to the 10 principles of the Global Compact, aligns its social responsibility principles with this international framework, which imply respect for references such as the Universal Declaration of Human Rights, International Labor Organization's Declaration on Fundamental Principles and Rights at Work, among others.

Additionally, in anticipation of the obligation to report in 2024 its alignment with the Taxonomy Regulation, Caixa is determining which mechanisms are necessary to implement to ensure compliance with the minimum safeguards established in Article 18 of the Taxonomy Regulation, which have the objective to ensure alignment with the guidelines of the Organization for Economic Co-operation and Development for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

In the final report of the Sustainable Finance Platform on the Social Taxonomy[27], the European Commission recognizes the existence of three main groups of stakeholders: i) workforce (included in the value chain); ii) end-users/consumers; iii) affected communities (directly or through the value chain).

From an internal perspective, namely in terms of CGD's workforce/employees, there is a Plan for Equality, which establishes the principles to guarantee management centered on the human factor and socially responsible leadership, promoting the creation of an environment of respect, equity and inclusion and allowing the development and well-being of employees[28]. To this end and within the scope of the “Transparent Governance Models” pillar of the 21-24 Sustainability Strategy, Caixa has established the objective of reaching 38% of women in management positions by 2024.

Although suppliers are not a material stakeholder in the financial sector, Caixa recognizes that its activities can cause positive and negative environmental impacts along the value chain. When signing contracts with suppliers, the Ethical Principles and Good Business Practices of the CGD Group are attached, which seek to ensure an operational performance that guarantees the efficient management and use of economic, social and environmental resources. In 2022, Caixa launched a sustainability questionnaire (ESG Supplier Rating) to characterize its supplier portfolio in all dimensions of sustainability. On the social front, Caixa evaluated the performance of its suppliers on different topics such as internal policies and regulations, certifications, representation of women in the company's staff/management positions, the countries of origin of the activities subcontracted by Caixa's suppliers and also mechanisms implemented that aim to ensure concepts of diversity, equal opportunities and the protection of human rights. The conclusions drawn from the sustainability questionnaire are converted into an evaluation matrix for suppliers that sign a contract with Caixa.

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[26] For more information, consult chapter “4.5 – Policies, commitments and working groups” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations /Informacao-Financial/CGD/Reports-Accounts/2022/Documents/Report-Accounts-CGD-2022.pdf.

[27] For more information see the Final Report on the Social Taxonomy at: https://commission.europa.eu/document/d07e1f1e-3a1f-4d55-add4-a130f26b33e3_en.

[28] For more information, consult chapter “4.10 – Equity, digital and financial inclusion” of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/ Financial-Information/CGD/Accounts-Reports/2022/Documents/CGD-Accounts-Report-2022.pdf.

From an external perspective, namely in terms of end users/customers, Caixa defines targets for the offer of products, services and financial instruments. The start of the 21-24 Sustainability Strategy was marked by the definition of the objective of channeling Eur 500M through a sustainable debt issue, whose funds raised are intended for the refinancing and financing of new operations with an environmental and/or socioeconomic benefit, namely support to micro and small and medium-sized Portuguese companies located in economically disadvantaged areas, thus promoting the creation and maintenance of employment[29] .

Additionally, as a public capital bank, Caixa assumes a commitment to the community in which it operates through the Caixa Social Program. Within the scope of the "Equity, Digital and Financial Inclusion" pillar of the 21-24 Sustainability Strategy, Caixa has set the objective of investing Eur 40M in the community by 2024, which is ensured through various CGD social solidarity[30] initiatives.

Caixa also has internal policies and regulations in place that contribute to the achievement of its strategic vision in terms of social responsibility, in particular the Code of Conduct, the Corporate Policy on Reputational Risk, CGD's Principles of Sectoral Exclusion and Limitation , the Community Engagement Policy, the Declaration of Commitment to Human Rights, the Code of good conduct for preventing and combating harassment at work, the Equality Plan, the CGD Group employee remuneration policy, the of Subcontracting[31] .

CGD recognizes the existence of sectors of activity or projects that may be socially harmful. The Credit Risk Policy contains specific rules that ensure that social risks are duly identified and mitigated, namely through the Sectorial Exclusion and Limitation Principles and the consideration of the ESG Rating in credit decision procedures.

Under the Sectorial Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under international regulations or conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial or gender terms;
- Military activities, manufacture or supply of related material, limited by legislation.

The ESG Rating developed by Caixa assesses and weighs various social factors specific to the counterparty. This assessment supports the prioritization and differentiation of commercial action based on the customers' risk level, contributing to a holistic and integrated view of risk in decision-making.

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[29] For more information consult the Allocation and Impact Report available at: https://www.cgd.pt/Institucional/Sala-de-Imprensa/2022/Documents/CGD_ALLOCATION_AND_IMPACT_REPORT_22.pdf.

[30] For more information, consult chapter "4.10 – Equity, digital and financial inclusion" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/ Financial-Information/CGD/Accounts-Reports/2022/Documents/CGD-Accounts-Report-2022.pdf.

[31] For more information, consult chapter "4.5 – Policies, commitments and working groups" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations /Informacao-Financial/CGD/Reports-Accounts/2022/Documents/Report-Accounts-CGD-2022.pdf.

Additionally, within the scope of reputational risk management, operations with customers are analyzed whenever there are controversies related to the principles of social responsibility, compliance with labor legislation or conduct practices that are inconsistent with the ethical principles and good business practices observed by CGD.

Governance

The Risk Management Function, with in the CGD Group, is supported by a governance model in line with best practices, as defined in the "Guidelines on Internal Governance under Directive 2013/36/UE" (EBA/GL/2021/05), and guarantee robustness and effectiveness in identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

CGD Group's Risk Management Framework is oversight by CGD's Group CRO, a member of CGD's Executive Committee and globally responsible for monitoring the Group's risk management framework and, in particular, for ensuring the adequate and effective functioning of the RMF, being responsible for informing and clarify the members of the management and supervisory bodies about the risks incurred, the global risk profile of CGD and the Group and the degree of compliance with the defined risk tolerance levels.

Risk management is carried out centrally and supported by a dedicated structure, the Risk Management Department (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks, with stability objectives, solvency and financial solidity, guaranteeing the functions of identification, evaluation, measurement, monitoring, control and reporting of the risks to which the CGD Group is exposed and the interrelationships 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 Board of Directors defines, supervises and is responsible, within the scope of its respective powers, for the application of governance systems that guarantee effective and prudent management, including the separation of functions within the organization and the prevention of conflicts of interest.

The Board of Directors, supported by the Risk Committee and the Audit Committee, establishes risk appetite, which is implemented by the Executive Committee with the support of the Risk Management Department and the control and business areas. The Board of Directors is also responsible for aligning risk appetite with the bank's strategic priorities for sustainable finance and climate action.

Caixa's current management is delegated by the Board of Directors to the Executive Committee, which is responsible for the overall risk management of the Caixa Group, namely for the management and execution of risk appetite, for monitoring risk metrics and for ensuring coherence between risk appetite and corporate strategy for social responsibility and impact.

The Risk Committee monitors the management policy for all risks involved in the Caixa Group's activities, particularly non-financial risks. The Risk Committee monitors the models for measuring risk and calculating own funds adopted internally, as well as the Community Directives and guidelines from the Bank of Portugal and the European Central Bank, in this matter. As part of its functions and responsibilities, it analyzes, among others, the reports presented by the Risk Management Department on financial and non-financial risks.

CGD's Sustainability Committee stands out as the forum that evaluates and monitors the implementation of projects aimed at creating a positive social impact in the various dimensions of society. The initiatives promoted within the scope of the Caixa Social Program stand out, the aim of which is to promote best practices in responding to the challenges of Portuguese society through six axes of intervention such as Financial Inclusion and Job Creation, Social Inclusion and Solidarity, Digital and Financial Literacy, Education and Knowledge, Volunteering and Support for the Social Economy and Culture. CGD recognizes that involvement with the community (internal and external) should be one of Caixa's main areas of social responsibility and has implemented a Caixa community involvement policy.

For more information on the responsibilities of the forums and management bodies, see chapter 2.1 "Governance model" of Market Discipline.

CGD recognizes that involvement with the community (internal and external) should be one of Caixa's main areas of social responsibility and has implemented a Caixa community involvement policy.

The Caixa Social Awards are a CGD initiative, as part of the bank's contribution to the SDGs and the 10 Principles of the United Nations Global Compact, which inspire Caixa's sustainability strategy. These prizes aim to financially support social initiatives and projects undertaken by tertiary sector entities with an innovative, replicable nature and that promote poverty alleviation, improved quality of life, inclusion or equal opportunities for people in social situations. of social vulnerability. Taking into account the current economic and social crisis, the 4th edition of the Caixa Social Awards, which took place between February and March 2022, required a greater scope and scope of action to respond to the post-pandemic challenges, supporting the recovery and strengthening of institutions of social solidarity (IPSS) that respond to the most vulnerable populations, contributing to their sustainable and inclusive growth through the following axes of intervention: i) Recovery and resilience; ii) Digital transformation and empowerment; iii) Green economy and ecological transition.

Caixa also promotes support in different areas such as entrepreneurship, employability, economics, innovation and technology. In this context, initiatives to support the academic population and higher education institutions stand out, through which CGD contributes to projects capable of promoting knowledge and improving the quality of customer service, products and services aimed at students.

Caixa became a signatory to the CEO's Guide on Human Rights, prepared by the World Business Council for Sustainable Development (WBCSD) and transferred to Portugal by the Business Council for Sustainable Development (BCSD). The signature by CGD's Chief Executive Officer reinforces the bank's commitment to universally recognized human rights, valuing and respecting the BCSD Charter of Principles and the development of products and services, in its relationship with employees, customers, suppliers and communities in which it operates inserts, ensuring that its activity develops in full respect and fulfillment of these.

Caixa's volunteer program aims to encourage solidarity, team spirit, a culture of social responsibility, as well as involvement in projects and social and environmental causes by CGD employees. In this context, in 2022, volunteering initiatives were carried out, in groups or individually, in different areas and locations, with the participation of several volunteers and which contributed to supporting 16 social institutions, in particular: i) EUSOUDIGITAL Program; ii) Initiative for the collection of medicines in participating pharmacies for the Pharmaceutical Bank[32].

With regard to the bank's value chain, all suppliers that sign a contract with CGD must subscribe to the Ethical Principles and Good Business Practices of the CGD Group, which include principles related to the promotion of labor practices that respect human rights.

[32] Banco Farmacêutico is an initiative of the Associação para a Assistência Farmacêutica, whose mission is to help the most needy people by supplying medicines and health products. For more information consult: https://bancofarmaceutico.pt

Additionally, from a perspective of combating and mitigating social risks from a corporate perspective, the bank provides its employees with mechanisms for denouncing and mitigating situations of harassment in the workplace[33].

With regard to remuneration practices, Caixa's Compliance Department annually checks the legal and/or regulatory adequacy of the respective practices.

Within the scope of the products marketed by Caixa, in line with the new requirements of the regulator, within the scope of behavioral supervision, Caixa specifies the types of customers for which a financial instrument is suitable, considering their needs, characteristics and objectives, including consideration of any objectives related to sustainability[34].

Caixa's internal reporting framework and governance model for ESG risk management is transversal to all ESG dimensions, as described in the governance section of point 15.1 Environmental Risk of this document.

Risk Management

Caixa has implemented internal policies and regulations that contribute to the achievement of its strategic vision in terms of social responsibility, which are based on a set of internationally recognized principles and guidelines, as discussed above in the chapter "Business Strategy and Processes", and which constitute the framework and and social risk management, in particular:

- Corporate Policy on Reputational Risk;
- CGD Group's Subcontracting Policy;
- CGD Code of Conduct;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Money Laundering and Terrorism Financing Prevention Policy:
- Personal data protection policy:
- CGD's exclusion and sectoral limitation principles;
- Socially responsible investment policy;
- Quality policy[35];
- Sustainability Policy:
- Community engagement policy:
- Human rights declaration of commitment;
- Code of good conduct for preventing and combating harassment at work;
- Diversity policy for Caixa group employees and members of CGD's management and supervisory bodies;

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[33] For more information, consult chapter "4.10 – Equity, digital and financial inclusion" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf

[34] Products covered by articles 309.º-I to 309.º-N of the Securities Code (with the amendments introduced by Decree-Law no. 109-H/2021, of 10 December).

[35] Defines Caixa's commitments and principles with regard to Quality Management and expresses the organization's commitment to customer satisfaction and to the improvement of its products/services and processes.

- Plan for equality;
- CGD Group employee remuneration policy;
- Sustainable financing framework;
- Ethical principles and good business practices for suppliers
- CEO's Guide to Human Rights

These norms bind employees, functional structures, as well as other stakeholders and delimit Caixa's activities in relation to its responsible management practices, emphasizing the primacy of ethical conduct, precision and transparency in all its activities and transactions.

The social risk management framework includes processes for identifying, evaluating and monitoring exposures sensitive to social risk, when applicable.

CGD Group has instituted a process for identifying the Group's risk profile, which is carried out in annual cycles and is based on Caixa Group's taxonomy of risks, in order to assess and list the risks that are the subject of concern. The process is structured in two stages, the first being a self-assessment of risk by Caixa and Group entities, and the second phase determines Caixa Group's risk profile based on the result of the self-assessment of all entities participating in the process.

This process has broad involvement from different areas of the bank (including the first line of defense, the Compliance Department for compliance risk and the Risk Management Department for all other risks) and culminates in the definition of the bank's risk profile. Caixa Group and with the identification of risks subject to quantification within the scope of the internal capital adequacy assessment process (ICAAP).

Identification of the risk profile is crucial insofar as it makes it possible to draw conclusions about the risks to which Caixa is exposed, thus enabling more informed decision-making within the risk management framework, namely in essential pillars such as the ICAAP, the risk appetite assessment, internal stress testing exercises and corporate strategy definition.

The availability and quality of ESG data has been a challenge in the organization. Caixa created a working group dedicated to ESG data governance and management, which meets regularly and has the participation of several areas, namely areas more linked to the business and others with responsibility for analysis and risk management. Caixa's objective is for there to be an effective and holistic aggregation of data and that as the availability and quality of data evolve, the organization can improve the accuracy and estimates of the ESG data it uses, always maintaining transparency regarding limitations of data that supports analysis and reporting.

Caixa has various mechanisms for identifying, evaluating and mitigating social risk, highlighting the reputational risk management framework, the compliance risk management framework and the credit risk management framework, namely the Rating ESG and the Sector Exclusion and Limitation Principles.

Reputational risk management framework

Reputational risk is integrated into the CGD Group's risk framework, thus integrating risk appetite, decision-making processes and the bank's strategy. This includes, among others, the subcategories of banking and global activity risk and personal data protection risk, which cover risks related to social factors.

The reputational risk management strategy, which covers risks related to social factors, namely their monitoring and control, was established based on Caixa's Risk Appetite, formalized through the Risk Appetite Statement.

The Risk Appetite Statement contains reputational risk metrics that are continuously monitored and include:

- The Reputation Index, which reflects Caixa's global activity and its action towards stakeholders, namely the perception of CGD's attitude towards the duty of confidentiality, ethical principles and social responsibility and towards emerging themes such as sustainable financing and inclusive;
- Complaints and customer satisfaction;
- Breach of bank secrecy or personal data protection.

Within the scope of reputational risk management, internal procedures are also provided for situations that may represent a reputational risk, which can be identified by any structural body of Caixa. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, particularly when situations such as:

- Failure to comply with labor, environmental legislation or other applicable legal and regulatory provisions; • Controversies related to the principles of social responsibility;
- Corrupt practices;
- Conduct practices that are not consistent with the ethical principles and good business practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interests, sanctions and practices in the context of money laundering and combating the financing of terrorism.

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into credit decision-making processes, namely by monitoring proposals in decision forums.

The identification of situations that may represent a reputational risk can also raise triggers that originate action plans to mitigate the risk.

Within the scope of subcontracting activities, the risk management function issues a reputational risk opinion prior to decision-making or within the scope of contract renewal, where social factors of suppliers are considered, such as non-compliance with labor legislation or the existence of controversies related to the principles of social responsibility, corrupt or discriminatory practices and adverse media related to corporate bodies and supplier conduct.

In relation to suppliers who engage on a contract with CGD, it is mandatory to subscribe to the CGD Group's Ethical Principles and Good Business Practices, as well as the assessment of suppliers' social criteria, carried out through the ESG Supplier Rating. It is worth noting that 181 Caixa suppliers have social clauses in the contracts signed with CGD.

Additionally, as part of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct and possible fines or processes related to labor legislation are assessed.

Credit risk management framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the fundamental values that guide Caixa's activity and conduct, namely those that may be socially harmful. The Credit Risk Policy contains specific rules that ensure that social risks are duly identified and mitigated, namely through the Sectorial Exclusion and Limitation Principles and the consideration of the ESG Rating in credit decision procedures.

Under the Sectorial Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under international regulations or conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial or gender terms;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The ESG Rating developed by Caixa assesses and weighs various social factors specific to the counterparties. This assessment supports the prioritization and differentiation of commercial action based on the risk level of customers, contributing to a holistic and integrated view of risk in decision-making.

Within the scope of the social dimension, the ESG Rating considers several indicators, including those related to the principles of exclusion and sectoral limitation provided for in Caixa's credit policies, and others related to the working conditions of company employees, including gender equality, conditions salaries and training. The new version of the ESG Rating, which is currently being implemented, will include an additional indicator related to safety conditions at work.

Compliance risk management framework

Within the scope of compliance risk management, Caixa has implemented permanent measures that aim to ensure the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, particularly the Code of Conduct, the Policy of Prevention of Corruption and Related Offenses, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Reporting System on Irregular Practices.

It is also highlighted the fact that Caixa has organizational and administrative mechanisms appropriate to the nature, scale and complexity of its activity, which enable, effectively, the identification of possible conflicts of interest, the adoption of appropriate measures to avoid or mitigate the risk of its occurrence and designed to prevent that, when a situation of conflict of interest is identified, the interests of its clients are harmed.

15.3 Governance Risk

Governance/ Risk Management

The Risk Management Function, with in the CGD Group, is supported by a governance model in line with best practices, as defined in the "Guidelines on Internal Governance under Directive 2013/36/UE" (EBA/GL/2021/05), and guarantee robustness and effectiveness in identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

CGD Group's CRO is the highest responsible for the Risk Management Framework, being a member of CGD's Executive Committee, is globally responsible for monitoring the Group's risk management framework and, in particular, for ensuring the adequate and effective functioning of the RMF, and for informing and clarifying members of the management and supervisory bodies about the risks incurred, the global risk profile of CGD and the Group and the degree of compliance with the defined risk tolerance levels.

Risk management is carried out centrally and supported by a dedicated structure, the Risk Management Department (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks, with stability objectives, solvency and financial solidity, guaranteeing the functions of identification, evaluation, measurement, monitoring, control and reporting of the risks to which the CGD Group is exposed and the interrelationships 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 Board of Directors defines, supervises and is responsible, within the scope of its respective powers, for the application of governance systems that guarantee an effective and prudent management, including the separation of functions within the organization and the prevention of conflicts of interest.

The Board of Directors, supported by the Risk Committee and the Audit Committee, establishes risk appetite, which is implemented by the Executive Committee with the support of the Risk Management Department and the control and business areas. The Board of Directors is also responsible for aligning risk appetite with the bank's strategic priorities for sustainable finance and climate action.

Caixa's current management is delegated by the Board of Directors to the Executive Committee, which is responsible for the overall risk management of the Caixa Group, namely for the management and execution of risk appetite, for monitoring risk metrics and for ensuring coherence between the risk appetite and corporate strategy for social responsibility and impact.

The Risk Committee monitors the management policy for all risks involved in the Caixa Group's activities, particularly non-financial risks. The Risk Committee monitors the models for measuring risk and calculating own funds adopted internally, as well as the Community Directives and guidelines from the Bank of Portugal and the European Central Bank, in this matter. As part of its functions and responsibilities, it analyzes, among others, the reports presented by the Risk Management Department on financial and non-financial risks.

Risk management related to governance is carried out from a corporate perspective and also from a risk management perspective of Caixa's counterparties.

Caixa Geral de Depósitos' mission is to create value for Portuguese society, providing quality banking services to individuals and companies, thus contributing to improving the well-being of Portuguese families and to the development of the business sector, generating adequate return for the shareholder. Caixa guarantees customers access to a diversified set of quality financial products and services, with particular focus on attracting savings and granting medium and long-term financing, based on an efficient corporate governance model and respect for highest ethical standards.

Themes related to sustainability and ESG risks have an increasingly strong reputational weight, inherent to the high scrutiny by not only customers but all stakeholders, emphasized by the fact that it is a public capital bank. Caixa has sought to ensure that these issues are addressed in the business strategy in a transparent and rigorous manner and has been assuming commitments to sustainable financing, carbon neutrality and alignment of its business with the challenges and opportunities of ESG issues.

CGD has published its Mission Letter[36], which highlights its commitment to the principles of social responsibility, sustainability and respect for stakeholders, as well as the fundamental values that guide Caixa's activity and conduct, in particular trust, profitability, transparency, integrity, professionalism, proximity, responsibility, risk and rigor culture and innovation.

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[36] For more information consult: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Pages/Missao-Estrategia.aspx.

Caixa's Reputational Index is made up of indicators considered fundamental to the sustainability of a bank (Confidence, Solidity, Transparency, Ethics and Governance) and reflects good governance factors. CGD has stood out in terms of the Reputational Index, which recorded a value of 76 at the end of 2021 and 77 at the end of 2022. The credibility of Caixa's President's image has also been increasing and contributes significantly to the good assessment of this indicator, positively impacting Caixa's image. In 2021 and 2022, the CEO of Caixa stands out at the top of the credibility and notoriety indices of bank chief executives in Portugal.

As part of the definition of the 21-24 Sustainability Strategy, Caixa carried out a consultation process based on the 17 SDGs, which involved the participation of 3,087 stakeholders. Through this initiative, Caixa developed a materiality analysis process in which nine topics considered relevant to stakeholders were identified and served as the basis for defining the 21-24 Sustainability Strategy and for aligning and organizing the sustainability report.[37]

Caixa manages governance-related risks through different structures and processes, namely within the scope of the compliance function and the risk management function, which addresses reputational risk.

Caixa has implemented internal policies and regulations that contribute to the achievement of its strategic vision in matters of governance and that define commitments, procedures and responsibilities for the management and mitigation of risks related to governance, in particular:

- CGD Code of Conduct;
- Corporate Policy on Reputational Risk;
- Regulation of the Compliance Function;
- Money Laundering and Terrorism Financing Prevention Policy;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Adequacy Assessment Policy for the Selection of Members of the Management and Supervisory Bodies and Holders of Essential Functions (Adequacy Policy);
- Policy for the Prevention of Corruption and Related Infractions;
- Prevention of Market Abuse;
- Related Party Transactions Policy;
- Subcontracting Policy;
- Socially responsible investment policy;
- Human rights declaration of commitment;
- Ethical principles and good business practices for suppliers.

The governance risk management framework includes processes for identifying, assessing and monitoring sensitive exposures to governance risk, when applicable.

The CGD Group has established a process to identify the Group's risk profile, which is developed in an annual cycle and is based on the Caixa Group's risk taxonomy, in order to assess and inventory concerning risks. The process is structured in two phases, the first phase being a self-assessment of risk by Caixa and the Group's entities, and the second phase being the determination of the Caixa

[37] For more information, see chapter “4.7. Sustainability Strategy 2021 – 2024" of the 2022 Sustainability Report, integrated in CGD's 2022 Management and Accounts Report, available at: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2022/Documents/Relatorio-Contas-CGD-2022.pdf

Group's risk profile based on the results of the Risk self-assessment of all participating entities in the process.

This process has broad involvement from different areas of the bank (including the first line of defense, the Compliance Department for compliance risk and the Risk Management Department for all other risks) and culminates in the definition of the Caixa Group's risk profile and with the identification of risks subject to quantification within the scope of the internal capital adequacy assessment process (ICAAP).

The identification of the risk profile appears crucial as it allows us to conclude about the risks to which Caixa is exposed, thus allowing for more informed decision-making within the risk management framework, particularly in essential pillars such as ICAAP, the appetite for risk, internal stress testing exercises and the definition of corporate strategy.

From a risk management perspective for Caixa's counterparties, there are various mechanisms for identifying, assessing and mitigating governance risk, with emphasis on the reputational risk management framework, the compliance risk management framework and the credit risk, namely the ESG Rating and the Sector Exclusion and Limitation Principles.

Credit risk management framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the fundamental values that guide Caixa's activity and conduct. The Credit Risk Policy contains specific rules that ensure that this risk is duly identified and mitigated, namely through the Sectorial Exclusion and Limitation Principles and the consideration of the ESG Rating in credit decision procedures.

Under the Sectorial Exclusion and Limitation Principles, Caixa limits financing to companies or projects with the following characteristics:

- Production or trade in any product or activity considered illegal in the country where the investment takes place, or considered illegal under the terms of international regulations or conventions and agreements, including those that CGD subscribes to or integrates;
- Companies or projects that use child labor, or labor considered forced;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial or gender terms;
- Unlicensed wildlife or endangered species businesses and activities;
- Companies and projects that use scarce natural resources, whose exploration or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area;
- Companies producing or processing dangerous materials or substances restricted by national legislation;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The ESG Rating developed by Caixa evaluates and weighs several factors in the governance dimension, for which it considers several indicators such as the quality of the partners/shareholders and the quality of the management carried out, namely in the context of strategy risk whose contribution comes from the qualitative assessment carried out by the commercial areas within the scope of their relationship with the counterparty. This assessment carried out through the ESG Rating supports the prioritization and differentiation of commercial action based on the risk level of customers, contributing to a holistic and integrated view of risk in decision-making.

The new version of the ESG Rating, which is being developed, will have an additional indicator regarding the reliability of the financial statements and the respective reservations and emphases identified by an independent auditor.

Compliance risk management framework

Within the scope of Compliance Risk Management, Caixa has implemented permanent measures aimed at ensuring the prevention and repression of the crime of corruption and related infractions, which are reflected in various procedures and internal rules, notably the Code of Conduct, the Prevention of Corruption and Related Offenses, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Communication System on Irregular Practices.

We also highlight the fact that Caixa has organizational and administrative mechanisms suited to the nature, scale and complexity of its activity, which make it possible to effectively identify possible conflicts of interest, adopt appropriate measures to avoid or mitigate the risk of its occurrence and intended to prevent that, when a situation of conflict of interests is identified, the interests of its clients are harmed.

With regard to Financial Crime Risks, these are managed by the PBC/CFT Regulatory Compliance Function through the maintenance and development of a specific program with regard to the risks of money laundering and financing of terrorism, sanctions and embargoes, corruption and bribery and market abuse.

In order to comply with the legal norms, regulations and recommendations issued by relevant international entities in terms of the Prevention of Money Laundering and Combating the Financing of Terrorism (PBC/CFT), Caixa has implemented an advanced and effective system to prevent money laundering phenomena of capital and the financing of terrorism, which makes it possible to identify, assess and mitigate the potential risks associated with its Customers and the business relationships established with them.

To this end, Caixa, through its Financial Anti-Crime Area, is equipped with IT tools suitable for PBC/CFT, in particular applications dedicated to monitoring accounts and customers, classifying the risk profile of customers and filtering sanctioned customers and politically exposed persons.

PBC/CFT activity is carried out based on defined policies and procedures with the aim of ensuring strict compliance with internationally accepted legal, regulatory, ethical, deontological and good practice standards.

Reputational risk management framework

Within the scope of reputational risk management, internal procedures are foreseen for situations that may represent a reputational risk, which can be identified by any of Caixa's structural bodies. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations such as:

- Non-compliance with labor, environmental or other applicable legal and regulatory provisions;
- Controversies related to the principles of social responsibility, a balanced relationship with the environment and sustainable development;
- Corrupt practices;
- Conduct practices not consistent with the ethical principles and good business practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interest, sanctions and practices in the context of money laundering and combating the financing of terrorism.

The conclusions of the analysis within the scope of reputational risk are incorporated in a risk opinion that is integrated in the credit decision processes, namely accompanying the proposals in the decision forums.

The identification of situations that may represent reputational risk can also trigger triggers that originate action plans to mitigate the risk.

Within the scope of subcontracting activities, the risk management function issues a reputational risk opinion prior to decision-making or within the scope of contract renewal, where supplier governance factors are considered, such as non-compliance with legislation, existence of controversies related to the principles of social and environmental responsibility, corrupt or discriminatory practices and adverse media related to corporate bodies and supplier conduct.

With regard to suppliers that enter into a contract with CGD, it is foreseen that they must subscribe to the Ethical Principles and Good Business Practices of the CGD Group, as well as the evaluation of suppliers' governance criteria, carried out through the ESG Supplier Rating.

Additionally, as part of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct, possible fines or legal proceedings and the existence of possible conflicts of interest are assessed.

15.4 Transition Risk: Exposure, Credit Quality, Issues and residual maturity by sector

Table 54 reports, with a reference date of December 31, 2022, the breakdown of gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations by sectors that contribute significantly to climate change, including, among others, information on the creditworthiness of financed exposures and issues.

As of 31 December 2022, approximately 74% of the total exposure to loans and advances, debt securities and equity instruments to non-financial corporations relates to sectors identified by the EBA as major contributors to climate change (NACE codes A-I and L).

It is reported in column “B” of Table 54 the exposures excluded from the benchmarks aligned with the Paris Agreement. CGD identified exposure according to eligible sectors in the light of the Climate Benchmark Standards Regulation (EU) 2020/1818[38], applying the thresholds defined in the regulation and based on public information from counterparties, and in cases where it is not available, the counterparty was considered to be excluded from benchmarks aligned with the Paris Agreement.

Greenhouse gas (GEE or GHG) emissions can be distinguished into three categories: Scope 1, 2 and 3[39]:

- Scope 1 - Direct GEE emissions from sources owned or controlled by the company;
- Scope 2 - Indirect GEE emissions from the purchase of electricity by the company;
- Scope 3 - Other indirect GEE emissions resulting from activities that do not belong or are not controlled by the company; can be subdivided into upstream emissions, ie lifecycle of materials, products or services up to the point of sale and downstream emissions, ie distribution, storage, use and end-of-life treatment of products and services.

[38] In accordance with Article 12.1 paragraphs d) to g).

[39] Also referred to as scope 1, 2, and 3.

Table 54 reports in columns “I)” and “J)” the emissions financed by CGD, calculated according to the following methodologies:

- For companies disclosing Scope 1, 2 and 3 GHG emissions, information was gathered directly from company reports or Refinitiv's database;
- For cases where there is no real data on emissions:
    - For Scope 1 and Scope 2 emissions, values are estimated according to the Partnership of Carbon Accounting Financials (PCAF) methodology, using industry-specific emission factors and the company's Gross Value Added (GVA)[40].
    - For scope 3 emissions, values are estimated based on the average distribution of emissions per scope, based on observed data from comparable counterparts. The observation was based on the maximum number of counterparty peers reporting scope 1, 2 and 3 issues[41]. The sample was considered robust and representative of the respective sectors, since customers in each sector are typically key-players. The weights that each scope represents in total GHG emissions were aggregated by NACE code. Then, having estimated scope 1 and 2 emissions and the weight of scope 3 corresponding to a given sector, scope 3 emissions are deducted according to the aforementioned methodology.

For counterparties belonging to a holding company with available information on actual emissions, the parent company approach was followed, i.e., the counterparty's emissions were considered as a percentage of the holding's total emissions, taking into account the weight of the counterparty in the result of the holding. This methodology follows the same approach used for the ECB Climate Stress Test, as per the exercise FAQs.

[40] The PCAF methodology uses the turnover

[41] Based on information available on the Refinitiv platform.

Table 54 | ESG 1: Banking portfolio – Indicators of potential tansition risk associated with climate change: Credit quality of exposures by sector, emissions and residual maturity

		A	B	D	E	F	G	H	I	J	L	M	N	O	P
	Sector / Subsector	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions					
1	**Exposures towards sectors that highly contribute to climate change***	**14.029,83**	**320,46**	**1.942,56**	**1.091,57**	**-904,72**	**-168,05**	**-627,07**	**739.051.512,44**	**512.262.189,08**	**9.441,87**	**2.384,30**	**2.110,16**	**93,50**	**5,23**
2	**A - Agriculture, forestry and fishing**	**411,60**	**0**	**50,49**	**57,08**	**-34,90**	**-3,16**	**-28,74**	**2.022.679,86**	**399.152,13**	**286,37**	**73,71**	**50,85**	**0,67**	**4,03**
3	**B - Mining and quarrying**	**110,82**	**0**	**10,67**	**18,00**	**-8,04**	**-1,04**	**-6,33**	**9.235.567,13**	**8.752.661,64**	**93,41**	**16,81**	**0,53**	**0,07**	**3,13**
4	B.05 - Mining of coal and lignite	0,92	0	0,00	0,00	-0,01	-0,00	-0,00	0	0	0,92	0	0	0	0,40
5	B.06 - Extraction of crude petroleum and natural gas	1,72	0	0,00	0,00	-0,02	-0,00	-0,00	0	0	1,72	0	0	0	0,75
6	B.07 - Mining of metal ores	22,95	0	2,07	0,00	-0,22	-0,03	-0,00	6.198.260,16	5.874.168,11	22,95	0	0	0,00	0,30
7	B.08 - Other mining and quarrying	53,33	0	8,14	17,95	-7,63	-1,01	-6,30	2.804.945,86	2.658.282,02	45,27	7,46	0,53	0,07	3,46
8	B.09 - Mining support service activities	31,90	0	0,46	0,04	-0,16	-0,00	-0,03	232.361,11	220.211,51	22,55	9,35	0	0,00	4,97
9	**C - Manufacturing**	**3.684,95**	**3,91**	**355,15**	**297,71**	**-220,43**	**-24,13**	**-171,20**	**266.830.609,40**	**221.561.824,82**	**3.122,42**	**448,12**	**68,18**	**46,23**	**3,09**
10	C.10 - Manufacture of food products	464,73	0	47,97	22,86	-20,48	-2,54	-14,52	6.412.059,27	5.239.445,80	410,17	47,01	5,10	2,45	2,21
11	C.11 - Manufacture of beverages	242,06	0	91,70	8,02	-12,11	-6,58	-4,27	1.511.255,33	1.056.616,30	137,53	85,28	3,49	15,77	3,62
12	C.12 - Manufacture of tobacco products	2,15	0	0,34	0,10	-0,13	-0,01	-0,10	3.486,53	2.437,66	1,76	0,35	0,04	0	2,50
13	C.13 - Manufacture of textiles	166,01	0	22,13	29,96	-20,17	-1,92	-16,79	778.915,74	544.332,68	132,14	19,38	7,39	7,11	3,24
14	C.14 - Manufacture of wearing apparel	111,39	0	19,55	7,79	-8,13	-1,07	-5,86	457.337,83	319.754,44	99,34	10,87	1,10	0,08	3,21
15	C.15 - Manufacture of leather and related products	69,14	0	12,24	10,22	-9,92	-1,62	-7,81	247.379,09	172.958,71	57,91	9,03	2,16	0,04	3,30
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	155,40	0	11,56	7,92	-7,86	-1,27	-5,60	615.364,16	483.990,21	130,77	13,65	2,85	8,12	2,74
17	C.17 - Manufacture of pulp, paper and paperboard	372,65	0	1,92	0,93	-2,82	-0,07	-0,62	34.077.328,55	23.780.637,51	368,79	3,79	0,06	0,01	3,77
18	C.18 - Printing and service activities related to printing	38,69	0	6,21	2,98	-3,14	-0,28	-2,57	84.989,45	59.421,62	28,86	8,56	1,22	0,05	3,79
19	C.19 - Manufacture of coke oven products	241,11	3,64	2,30	0,08	-1,72	-0,32	-0,08	82.313.752,91	76.950.125,35	240,79	0,28	0,03	0	1,10
20	C.20 - Production of chemicals	184,56	0,27	11,09	1,87	-3,52	-1,41	-1,05	65.334.037,80	45.679.065,96	163,75	18,78	0,36	1,67	3,06
21	C.21 - Manufacture of pharmaceutical preparations	89,59	0	1,97	0,08	-0,73	-0,14	-0,08	53.250,66	37.230,98	80,75	8,61	0,23	0,00	2,23
22	C.22 - Manufacture of rubber products	137,86	0	10,27	7,68	-5,75	-0,66	-3,90	516.693,10	361.253,55	110,79	23,72	1,51	1,84	3,34
23	C.23 - Manufacture of other non-metallic mineral products	479,02	0	14,87	7,92	-9,76	-1,15	-5,08	21.097.315,04	14.750.496,77	433,49	40,94	4,58	0,02	2,54
24	C.24 - Manufacture of basic metals	72,27	0	3,84	9,46	-7,47	-0,09	-6,98	994.539,87	695.347,10	69,54	2,60	0,13	0,00	1,58
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	344,72	0	40,25	24,05	-18,76	-2,27	-13,96	712.409,55	498.091,54	277,43	57,15	9,57	0,57	3,61
26	C.26 - Manufacture of computer, electronic and optical products	21,09	0	0,41	2,76	-2,13	-0,02	-1,94	118.966,87	83.177,43	11,33	9,76	0	0,00	4,86
27	C.27 - Manufacture of electrical equipment	77,95	0	4,92	41,09	-21,31	-0,19	-20,90	101.550,33	71.000,40	71,38	2,51	4,06	0,01	3,02
28	C.28 - Manufacture of machinery and equipment n.e.c.	103,67	0	15,83	5,92	-5,83	-0,64	-4,69	531.466,40	371.556,01	69,41	18,51	7,50	8,25	6,59
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	80,88	0	3,77	45,84	-19,95	-0,56	-19,00	49.865.170,71	49.703.384,82	68,61	11,06	1,18	0,03	2,97
30	C.30 - Manufacture of other transport equipment	38,07	0	3,37	28,31	-16,85	-0,16	-16,65	17.989,28	12.577,45	15,86	21,40	0,79	0,02	5,48
31	C.31 - Manufacture of furniture	68,17	0	9,07	8,29	-5,60	-0,69	-4,52	129.189,63	90.324,82	46,93	19,66	1,48	0,10	4,03
32	C.32 - Other manufacturing	72,13	0	15,82	10,13	-6,10	-0,36	-4,45	122.021,65	85.313,23	50,97	9,05	12,10	0,01	5,54
33	C.33 - Repair and installation of machinery and equipment	51,64	0	3,74	13,43	-10,20	-0,10	-9,76	734.139,65	513.284,48	44,13	6,17	1,23	0,11	2,66

Values in millions of euros

		A	B	D	E	F	G	H	I	J	L	M	N	O	P
	Sector / Subsector	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions					
34	**D - Electricity, gas, steam and air conditioning supply**	**519,04**	**307,12**	**46,89**	**0,72**	**-15,49**	**-7,11**	**-0,54**	**257.944.122,62**	**111.544.127,33**	**303,32**	**48,15**	**167,57**	**0,00**	**5,56**
35	D35.1 - Electric power generation, transmission and distribution	517,78	306,83	46,62	0,71	-15,41	-7,06	-0,52	257.738.644,33	111.399.690,34	302,45	47,76	167,57	0,00	5,59
36	D35.11 - Production of electricity	470,08	268,16	41,98	0	-14,41	-6,84	0,00	208.985.950,80	39.131.961,84	256,03	47,45	166,61	0,00	5,84
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0,54	0,29	0,15	0,01	-0,06	-0,05	-0,01	200.148,30	141.970,01	0,54	0	0	0	1,41
38	D35.3 - Steam and air conditioning supply	0,71	0	0,12	0	-0,02	-0,00	0,00	5.329,99	2.466,98	0,32	0,39	0	0	3,68
39	**E - Water supply; sewerage, waste management and remediation activities**	**262,55**	**0,00**	**57,88**	**13,78**	**-23,03**	**-8,39**	**-13,49**	**2.386.671,80**	**700.526,65**	**162,91**	**64,25**	**35,16**	**0,23**	**5,60**
40	**F - Construction**	**1.410,10**	**0**	**187,98**	**165,56**	**-127,68**	**-11,42**	**-100,39**	**15.297.922,17**	**9.965.706,00**	**1.016,68**	**126,45**	**258,00**	**8,96**	**4,71**
41	F.41 - Construction of buildings	573,87	0	114,67	76,79	-64,13	-7,16	-51,80	418.748,07	211.307,12	378,42	84,58	106,68	4,19	5,34
42	F.42 - Civil engineering	599,09	0	35,01	73,31	-49,83	-2,57	-38,63	14.512.768,40	9.569.484,41	452,78	7,90	137,10	1,31	4,37
43	F.43 - Specialised construction activities	237,14	0	38,30	15,46	-13,72	-1,70	-9,96	366.405,70	184.914,47	185,48	33,97	14,23	3,45	4,12
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	**2.528,96**	**0,42**	**297,74**	**149,50**	**-146,74**	**-20,57**	**-103,22**	**161.922.037,74**	**152.790.721,25**	**2.122,78**	**312,75**	**79,36**	**14,07**	**3,08**
45	**H - Transportation and storage**	**1.372,78**	**8,99**	**328,31**	**131,95**	**-149,80**	**-49,84**	**-84,06**	**22.711.735,24**	**6.315.523,59**	**733,23**	**430,51**	**205,04**	**4,00**	**6,25**
46	H.49 - Land transport and transport via pipelines	476,85	0	76,59	19,90	-23,86	-6,14	-11,19	2.324.101,98	550.164,59	357,88	102,54	13,69	2,74	3,96
47	H.50 - Water transport	137,48	0	24,35	5,93	-8,52	-3,07	-1,12	1.633.258,70	782.213,28	32,89	68,90	35,47	0,22	8,69
48	H.51 - Air transport	105,57	0	75,61	8,70	-9,22	-7,44	-1,08	5.218.056,44	1.247.427,88	72,97	25,35	6,90	0,36	9,76
49	H.52 - Warehousing and support activities for transportation	636,34	8,99	144,88	95,17	-106,57	-32,09	-70,35	13.477.184,81	3.692.502,75	262,14	226,59	147,02	0,59	8,10
50	H.53 - Postal and courier activities	16,53	0	6,87	2,25	-1,63	-1,10	-0,31	59.133,31	43.215,09	7,36	7,13	1,96	0,09	3,98
51	**I - Accommodation and food service activities**	**948,07**	**0**	**278,63**	**60,35**	**-58,54**	**-18,47**	**-32,65**	**298.233,26**	**2.614,57**	**454,52**	**239,55**	**249,03**	**4,97**	**6,39**
52	**L - Real estate activities**	**2.780,97**	**0,02**	**328,82**	**196,93**	**-120,06**	**-23,91**	**-86,45**	**401.933,22**	**229.331,10**	**1.146,23**	**624,01**	**996,42**	**14,30**	**7,92**
53	**Exposures towards sectors other than those that highly contribute to climate change***	**5.267,43**	**0**	**365,92**	**265,41**	**-731,21**	**-296,29**	**-336,03**	**48.528.883,26**	**12.841.426,20**	**4.220,87**	**672,94**	**313,91**	**59,71**	**3,56**
54	**K - Financial and insurance activities**	**1.081,15**	**0**	**46,64**	**16,88**	**-32,66**	**-3,79**	**-14,17**	**211.730,00**	**114.087,84**	**830,31**	**196,45**	**51,69**	**2,70**	**3,54**
55	**Exposures to other sectors (NACE codes J, M - U)**	**4.186,28**	**0**	**319,28**	**248,53**	**-698,55**	**-292,50**	**-321,86**	**48.317.153,26**	**12.727.338,36**	**3.390,56**	**476,48**	**262,22**	**57,01**	**3,47**
56	**TOTAL**	**19.297,25**	**320,46**	**2.308,47**	**1.356,98**	**-1.635,93**	**-464,34**	**-963,10**	**787.580.395,70**	**525.103.615,28**	**13.662,74**	**3.057,24**	**2.424,07**	**153,21**	**5,09**

Values in millions of euros

15.5 Transition Risk: Loans collateralized by properties and energy efficiency levels of properties pledged as collateral

Table 55 reports, with a reference date of December 31, 2022, the gross amounts of CGD Group loans, collateralized with commercial or residential properties, as well as the level of energy efficiency expressed in kWh/m2 and the energy performance according to the energy certificate of the property (CE or EPC).

With the aim of promoting the energy efficiency of buildings, the Energy Performance of Buildings Directive (2010/31/EU) and the Energy Efficiency Directive (2012/27/EU) introduced the energy rating of buildings in Europe. The obligation to obtain energy certificates in Portugal has only applied since 2013 (Decree-Law No. 118/2013, of 20 August). After its entry into force, the energy certificate is mandatory for new or old buildings at the time they are placed on the market for sale or lease. The Energy Certificate must be presented at the time of signing a purchase and sale contract, financial lease or lease. Buildings that are subject to interventions exceeding 25% of the total value of the building are also required to request the issuance of an energy certificate.

The Energy Certificate provides information on the energy performance of a property, classifying the property on a scale from A+ (very efficient) to F (poorly efficient), issued in Portugal by qualified experts recognized by the Energy Agency (ADENE).

It is important to consider the following in the analysis of Table 55:

- Transactions (sales/lease) prior to the date of entry into force of the directive were not subject to the obligation to provide the Energy Certificate;
- The directive is applicable in the European Union and, as such, does not cover all jurisdictions where CGD operates;
- Within the European Union, and as recognized by the EBA in the implementation of technical standards on prudential disclosures about ESG risks, the application of the directive is not standard.

CGD developed a project during 2022 to collect the Energy Certificates of properties pledged as guarantee for operations in Portugal. CGD already collects information on the Energy Certificate of properties pledged as guarantee for new operations.

However, and given that it was not possible to obtain an Energy Certificate for the entire portfolio, a model was developed that estimates the energy rating of the property taking into account specific information about the property, namely location, typology, year of construction, value of the evaluation.

The model was developed using the Decision Trees method, which, by obtaining alternative models, selects the final model taking into account a set of performance measures and expert analysis.

The level of energy efficiency (expressed in kWh/m2) was determined based on the energy classification of the property, according to the total average values of this energy class, determined by the "European building emission factor database" of the PCAF[42] for residential and commercial properties and according to the country where the property is located.

[42] https://building-db.carbonaccountingfinancials.com/

Table 55 | ESG 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Counterparty sector	Total gross carrying amount amount															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	**30.043,94**	**23.620,79**	**1.416,50**	**259,73**	**474,43**	**207,32**	**104,62**	**1.191,63**	**1.747,51**	**3.015,92**	**2.647,12**	**1.407,26**	**665,11**	**4,35**	**19.365,04**	**80%**
2	Of which Loans collateralised by commercial immovable property	3.984,48	0	267,07	259,81	474,57	207,39	104,65	72,16	221,85	315,06	194,10	35,08	60,81	0,82	3.084,59	13%
3	Of which Loans collateralised by residential immovable property	25.763,57	23.620,41	1.149,49	0	0	0	0	1.119,46	1.525,65	2.700,87	2.453,02	1.372,18	604,30	3,53	15.984,57	94%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	295,88	0	0	0	0	0	0	0	0	0	0	0	0	0	295,88	0%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	15.404,49	14.449,35	736,34	37,84	159,36	13,35	8,24	0	0	0	0	0	0	0	15.404,49	100%
6	**Total non-EU area**	**2.378,74**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2.378,74**	**0%**
7	Of which Loans collateralised by commercial immovable property	356,08	0	0	0	0	0	0	0	0	0	0	0	0	0	356,08	0%
8	Of which Loans collateralised by residential immovable property	2.004,26	0	0	0	0	0	0	0	0	0	0	0	0	0	2.004,26	0%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	18,40	0	0	0	0	0	0	0	0	0	0	0	0	0	18,40	0%
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%

Values in millions of euros

15.6 Transition Risk: Exposures to the 20 Most Carbon Intensive Companies

Table 56 reports, with a reference date of December 31, 2022, gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations, as well as CGD's exposure to the 20 most carbon-intensive companies in the world. The CGD Group is not exposed to the 20 most carbon-intensive companies in the world, nor to their respective subsidiaries.

To identify the 20 most carbon-intensive companies in the world, CGD resorted to a public data source "The Climate Accountability Institute".

The report by The Climate Accountability Institute contains data for 2018, this being the most recent of the sources analyzed by CGD. There is data available on cumulative emissions for periods of up to 50 years, which are intended to identify the companies most responsible for the worsening of climate crises due to their global GHG emissions. However, given that some of the companies may have made a greater contribution to carbon emissions in the past but may have improved their performance, CGD considers that the most recent and static information is the most relevant to identify the companies that, in according to the most recent data, they have the worst performance in terms of GHG emissions.

Table 56 | ESG4 - Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

	a	b	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Weighted average maturity	Number of top 20 polluting firms included
1	0	0	0	0

Values in millions of euros

15.7 Physical Risk: Exposures subject to physical risk

Table 57 reports, with a reference date of December 31, 2022, gross amounts of loans and advances, debt securities and equity instruments in non-financial corporations, with a breakdown by economic activity sector (classification by NACE) and by exposures considered sensitive to the impact of chronic and severe phenomena related to climate change.

The methodology developed by the World Bank Group (Think Hazard!) maps physical risks (coastal floods, water shortages, heat waves, river floods, floods, earthquakes, landslides, tsunamis, volcanic eruptions, hurricanes, forest fires) applying a risk level (not applicable, low, medium and high) by country, district and municipality.

To identify CGD's exposures sensitive to the impact of physical risk phenomena, locations with at least one climatic phenomenon characterized as high according to information from “Think Hazard” and considering the location of the counterparty were considered.

The methodology used by Caixa defines extreme weather events such as river floods, floods, earthquakes, landslides, tsunami, volcanic eruptions, hurricanes and forest fires as severe phenomena, and as chronic phenomena those triggered by long-term climate change, such as sea level rise, water scarcity and global warming.

Table 57 | ESG5 - Banking book - Climate change physical risk: Exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	411,60	188,54	43,76	22,59	0,51	0,00	15,25	255,29	15,14	21,66	30,67	-24,31	-1,52	-21,04
2	B - Mining and quarrying	110,82	60,31	12,75	0,53	0,07	0,00	8,14	65,80	0,28	5,15	14,05	-6,05	-0,87	-4,77
3	C - Manufacturing	3.684,95	1.854,08	262,35	36,76	34,55	0,00	245,65	2.187,70	245,64	229,03	201,75	-145,72	-16,33	-115,81
4	D - Electricity, gas, steam and air conditioning supply	519,04	124,88	34,13	85,56	0,00	0,00	1,95	244,56	1,95	43,27	0,72	-10,05	-6,98	-0,54
5	E - Water supply; sewerage, waste management and remediation activities	262,55	134,08	42,74	34,80	0,12	0,00	1,77	211,74	1,77	38,56	12,37	-22,04	-7,98	-13,11
6	F - Construction	1.410,10	746,43	63,84	112,91	7,67	0,00	112,82	1.012,55	112,50	102,57	135,06	-93,19	-4,89	-78,68
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2.528,96	1.415,22	186,53	57,69	9,85	0,00	59,96	1.664,25	55,04	187,04	95,95	-100,39	-13,04	-72,78
8	H - Transportation and storage	1.372,78	602,55	273,32	155,92	3,47	0,00	176,91	1.035,16	176,89	281,90	65,41	-92,20	-47,41	-34,69
9	L - Real estate activities	2.780,97	920,13	570,44	972,21	13,95	0,00	52,73	2.469,80	51,61	305,10	168,49	-103,36	-22,47	-71,72
10	Loans collateralised by residential immovable property	27.767,84	1.958,39	1.866,10	4.302,07	18.406,52	0,00	1.296,75	26.525,15	1.289,00	1.166,75	207,46	-191,96	-61,30	-101,37
11	Loans collateralised by commercial immovable property	4.337,06	1.188,07	586,64	942,91	25,87	0,00	178,77	2.740,75	176,78	342,99	129,86	-225,16	-35,05	-118,84
12	Repossessed colalterals	18,40	0,00	0,00	0,00	0,00	0,00	0,00	8,58	0,00	0,00	0,00	0,00	0,00	0,00
13	Other relevant sectors (breakdown below where relevant)														

Values in millions of euros

16.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)[43] .

It is also the responsibility of this committee[44] 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 2022, CRAG and CNAR held 6 and 12 meetings, respectively.

In compliance with the provisions of article 450 of the CRR, CGD will disclose, in the 2022 Annual Report and Accounts (chapter 3.7. Remuneration), information regarding the respective remuneration policies and practices applicable to 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.

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[43] 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

[44] For additional information about the powers of this Committee, refer to chapter 3.5. Governing Bodies and Committees, item “Remuneration Committee of the General Meeting” of the Annual Report.

Table 58 | EU REM1 Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Outro pessoal identificado
1	Fixed remuneration	Number of identified staff	47	48	173	75
2		**Total fixed remuneration**	**2,268**	**10,944**	**19,785**	**4,906**
3		Of which: cash-based	2,268	10,921	19,699	4,904
4		(Not applicable in the EU)	0	0	0	0
EU-4a		Of which: shares or equivalent ownership interests	0	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	0	0	0
6		(Not applicable in the EU)	0	0	0	0
7		Of which: other forms	0	23	87	2
8		(Not applicable in the EU)	0	0	0	0
9	Variable remuneration	Number of identified staff	0	38	125	61
10		**Total variable remuneration**	**0**	**2,757**	**2,691**	**769**
11		Of which: cash-based	0	1,625	2,326	769
12		Of which: deferred	0	771	453	-
EU-13a		Of which: shares or equivalent ownership interests	0	0	0	0
EU-14a		Of which: deferred	0	0	0	0
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-14b		Of which: deferred	0	0	0	0
EU-14x		Of which: other instruments	0	1,132	365	0
EU-14y		Of which: deferred	0	553	182	0
15		Of which: other forms	0	0	0	0
16		Of which: deferred	0	0	0	0
17	Total remuneration (2 + 10)		**2,268**	**13,701**	**22,476**	**5,675**

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 59 | 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	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
	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	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	2	0	0
7	Severance payments awarded during the financial year - Total amount	0	250	0	0
8	Of which paid during the financial year	0	250	0	0
9	Of which deferred	0	0	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
11	Of which highest payment that has been awarded to a single person	0	0	0	0

Values in thousand of 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 60 | 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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2	Cash-based	0	0	0	0	0	0	0	0
3	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
4	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
5	Other instruments	0	0	0	0	0	0	0	0
6	Other forms	0	0	0	0	0	0	0	0
7	**MB Management function**	**1,710**	**322**	**1,388**	**0**	**0**	**0**	**281**	**108**
8	Cash-based	779	235	545	0	0	0	202	28
9	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
10	Share-linked instruments or equivalent non-cash instruments	917	80	837	0	0	0	79	79
11	Other instruments	14	7	7	0	0	0	0	0
12	Other forms	0	0	0	0	0	0	0	0
13	**Other senior management**	**878**	**288**	**590**	**1**	**0**	**0**	**217**	**93**
14	Cash-based	535	199	336	1	0	0	130	6
15	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
16	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	87	87
17	Other instruments	343	89	254	0	0	0	0	0
18	Other forms	0	0	0	0	0	0	0	0
19	**Other identified staff**	**18**	**13**	**4**	**0**	**0**	**0**	**11**	**5**
20	Cash-based	12	8	4	0	0	0	7	0
21	Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
22	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	4	4
23	Other instruments	5	5	0	0	0	0	0	0
24	Other forms	0	0	0	0	0	0	0	0
25	**Total amount**	**2,605**	**623**	**1,982**	**1**	**0**	**0**	**509**	**206**

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 61 | 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	0
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0

Values in thousand of Euros

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 62 | 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**										**343**
2	Of which: members of the MB	47	48	95							
3	Of which: other senior management				19	19	9	27	28	48	
4	Of which: other identified staff				7	4	0	3	41	43	
5	**Total remuneration of identified staff**	**2,268**	**13,701**	**15,969**	**3,266**	**3,441**	**746**	**4,446**	**5,951**	**10,303**	
6	Of which: variable remuneration	-	2,757	2,757	275	322	81	436	672	1,675	
7	Of which: fixed remuneration	2,268	10,944	13,212	2,991	3,119	665	4,010	5,279	8,628	

Values in thousand of Euros

Annexes

Annex I - Impacts and mitigation measures Covid-19

This section below reinforces the information on Covid-19 impacts and mitigation measures disclosed in Note 43 of CGD Group's 2022 Annual Report.

The moratoriums granted in Portugal, within the scope of mitigating the economic impacts of the pandemic, will end during 2021, including the private moratoriums granted under the Interbank Protocol promoted by the Portuguese Association of Banks and the legal moratoriums instituted through Decree-Law nº 10-J/ 2020.

However, on December 31, 2022, legal moratoriums were still in force in Macau, respecting the local rules for the extension of measures to support the economy. Thus, in the CGD Group there are only active legal moratoriums on the Banco Nacional Ultramarino de Macau.

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

Table 63 | 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)	**12,986**	**12,986**	**8,812**	**9,954**	**0**	**0**	**0**	**(347)**	**(347)**	**(321)**	**(347)**	**0**	**0**	**0**	**0**
Families	**11,318**	**11,318**	**7,144**	**8,286**	**0**	**0**	**0**	**(218)**	**(218)**	**(191)**	**(217)**	**0**	**0**	**0**	**0**
Home loans with mortgage on the property	1,835	1,835	370	370	0	0	0	(18)	(18)	(18)	(18)	0	0	0	0
non-financial companies	**1,668**	**1,668**	**1,668**	**1,668**	**0**	**0**	**0**	**(130)**	**(130)**	**(130)**	**(130)**	**0**	**0**	**0**	**0**
Small and Medium Enterprises	1,668	1,668	1,668	1,668	0	0	0	(130)	(130)	(130)	(130)	0	0	0	0
Commercial real estate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Values in thousand of Euros

As at 31 December 2022, the stock of moratoria granted had the following distribution of residual and expired maturity:

Table 64 | Details of loans and advances subject to moratoria (legislative and non-legislative) by moratoria residual period

		a	b	c	d	e	f	i
			Exposure in 30-06-2021					
		Number of obligors		Of which legislative moratoria	Of which expired	Residual maturity of moratoria		
						<= 3 months	> 3 months <= 6 months	> 6 months
10	**Loans and advances for which moratorium was offered**	**70,642**						
20	**Loans and advances subject to moratorium (granted)**	**61,891**	**6,296,679**	**5,811,068**	**6,283,693**	**12,616**	**370**	**0**
30	**Households**		2,877,269	2,391,658	2,865,952	10,948	370	0
40	Mortgage loans with property mortgage		2,644,451	2,198,628	2,642,616	1,465	370	0
50	**Non-financial institutions**		3,376,859	3,376,859	3,375,191	1,668	0	0
60	Small and medium institutions		2,708,393	2,708,393	2,706,724	1,668	0	0
70	Commercial real estate		1,229,931	1,229,931	1,229,931	0	0	0

Values in thousand of Euros

As at 31 December 2022, the lines contracted within the scope of public guarantees had the following distribution by segment and collateralization level:

Table 65 | 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**	**1,478,236**	**10,080**	**1,191,607**	**12,923**
20	**Households**	**36,355**			**60**
30	Mortgage loans	0			0
40	**Non-financial institutions**	**1,434,196**	**8,747**	**1,155,760**	**12,864**
50	Small and medium institutions	1,316,267			9,144
60	Commercial real estate	248,083			1,878

Values in thousand of Euros

To prepare CGD for an efficient response to the impacts of the pandemic on the loan portfolio, CGD reviewed its internal procedures for identifying customers who could be most affected by the effects of the pandemic:

(i) Carrying out specific and prospective analyzes on the potential impacts of the pandemic on CGD's activity for the segments of companies and individuals that adhered to the moratoriums or that belonged to sectors considered more vulnerable to the effects of the pandemic (e.g. Hotels and Restaurants, Transport, etc.);

(ii) Review of the criteria for classifying operations/clients in credit restructured due to financial difficulties and default, with the consequent allocation to stage 2 or stage 3, supported by prospective analyzes and case-by-case analyzes to identify situations of reduced probability of payment (unlikely-to-pay), with direct impacts on the measurement of the expected credit loss;

(iii) Definition of restructuring measures adjusted to the perceived risk of each customer, with the aim of providing effective support that would enable it to support the fulfillment of debt service.

The process developed to respond to the pandemic was incorporated into CGD's internal processes, to respond to disruptive events or extraordinary situations that could potentially have a negative impact on the economic and financial capacity of customers, with potentially less positive effects in terms of the quality of the loan portfolio from the bank.

In this way, in view of the identification of disruptive events, the Risk Management Department defines a proactive action plan, which is embodied in the following guidelines:

- Identify customers potentially more vulnerable to the event in question;
- Define bottom-up or top-down analysis methodologies, including sensitivity analyses, supported by prospective analyzes that make it possible to identify potential financial difficulties with the aim of mitigating possible future defaults;
- Definition of rules and criteria on the rating to be in force for potentially more vulnerable customers, as well as for the credit decision process;
- Elaboration of dedicated processes for monitoring credit risk for potentially more vulnerable customers.

Annex II - Russia-Ukraine Conflict – Potential impacts on the loan portfolio

With the outbreak of the conflict between Russia and Ukraine, CGD carried out an assessment of the potential impacts on the loan portfolio, considering the following approach:

- 1st order impacts, related to exposures under the sanctions defined by the European Union, were not identified in the CGD Group;
- 2nd order impacts, related to direct or indirect exposure to customers with Russian or Ukrainian nationality, were considered not relevant, given that the CGD Group's exposure to these customers is of little material;
- 3rd order impacts, related to the impacts on the loan portfolio resulting from a generalized deterioration of macroeconomic conditions.

In order to assess the 3rd order impacts, CGD carried out various analyzes with the objective of assessing potential deteriorations in the loan portfolio, taking into account the increase in energy costs, the rise in interest rates and inflation, as well as existing constraints at the level of production and distribution chains:

1. Identification of the sectors considered most vulnerable to rising energy prices (which represent around 20% of the total exposure of the corporate segment):
    a. Carrying out an assessment supported by a prospective questionnaire, customer by customer, to identify situations of financial difficulties, with impacts at the level of classification in stage 2 or stage 3;
    In this context, questionnaires were carried out in two rounds throughout the year. The last round was carried out in the last quarter of 2022, and customers from other sectors were also included. In terms of results, it is important to highlight:
        i. A relevant part of the exposure (79%) was classified without evidence of increased risk (questionnaire with score 1) and the remaining 21% classified in the questionnaire as needing continued monitoring (score 2, 3 or 4);
        ii. Customers classified in the worst scores (scores 3 and 4 of the questionnaire) represent only 7% of the assessed exposure and are classified at least in stage 2, although it should be noted that, for a significant number of customers, this result does not imply a worsening of the stage in which CGD already classified the customer using other existing criteria;
    b. Definition of more conservative tolerance bands in the credit decision process and proactive processes in credit restructuring;
    c. Do not assume improvements in automatically generated ratings for customers in these sectors.
2. Sensitivity analysis of the private loan portfolio:
    a. Assessment of the impact of the rise in interest rates and inflation on customer income;
    b. Identification of possible customer migrations to stage 2 or stage 3.

As a result of the analyses, no material impacts were identified for the year 2022 with regard to the significant degradation of the credit risk quality. The materialization of some risks, namely in the sectors most vulnerable to the increase in energy prices and/or most affected by the pandemic, could lead to a degradation of the credit quality of the portfolio in 2023, which determined the recognition of overlays.

Annex III - 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 f)
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	rticle 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	EU SEC1	Securitisation exposures in the non-trading book	9. Securitization Operations	Article 449 (j)
40	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	9. Securitization Operations	Article 449 (k), subparagraph ii)
41	EU AE1	Encumbered and unencumbered assets	10. Liquidity Risks	Article 443
42	EU AE2	Collateral received and own debt securities issued	10. Liquidity Risks	Article 443
43	EU AE3	Sources of encumbrance	10. Liquidity Risks	Article 443
44		Asset encumbrance ratio	10. Liquidity Risks	
45	EU LIQ1	Quantitative information of LCR	10. Liquidity Risks	article 451-A 2
46	EU LIQ2	Net Stable Funding Ratio	10. Liquidity Risks	article 451-A 3
47		Liquidity risk monitoring metrics	10. Liquidity Risks	
49	EU MR1	Market risk under the standardised approach	12. Market Risk	Article 445
50		Weighting applied by business segment	13. Operational Risk	
51		Accounting Items Relevant Indicator	13. Operational Risk	
52	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	13. Operational Risk	Articles 446 and 454
53		Equity exposures not included in the trading book	14. Risk Positions on Banking Portfolio Shares	
58	EU REM1	Remuneration awarded for the financial year	15. Remuneration	Article 450 1 (h), subparagraphs i) and ii)
59	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), subparagraphs v), vi) and vii)
60	EU REM3	Deferred remuneration	15. Remuneration	Article 450 1 (h), subparagraphs iii) and iv)
61	EU REM4	Remuneration of 1 million EUR or more per year	15. Remuneration	Article 450 item (i)
62	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				
63		Information on loans and advances subject to moratoriums	Annex I - Impacts and mitigation measures Covid19	
64		Details of loans and advances subject to moratoriums (legislative and non-legislative) by moratorium residual period	Annex I - Impacts and mitigation measures Covid19	
65		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				
48	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
Regulation (EU) 2022/2453				
54	ESG1	Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	x. Risco Environmental, Social and Governance (ESG)	Article 449-A
55	ESG2	Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	x. Risco Environmental, Social and Governance (ESG)	Article 449-A
56	ESG4	Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	x. Risco Environmental, Social and Governance (ESG)	Article 449-A
57	ESG5	Indicators of potential climate change physical risk: Exposures subject to physical risk	x. Risco Environmental, Social and Governance (ESG)	Article 449-A
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 IV - 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		

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. Non-Financial 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. Non-Financial Risk	EU OR1	
(c) in the case of partial use, the scope and coverage of the different methodologies used.	13. Non-Financial 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;			
(ii) the risk incurred in relation to transactions originated by third parties;			
(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;			
(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.	15. Environmental, Social and Governance Risks (ESG)	ESG 1 ESG 2 ESG 4 ESG 5 ESG 10	
The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter.	15. Environmental, Social and Governance Risks (ESG)		

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;	16. 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;			
(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;			
(d) the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;			
(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;			
(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;			
(g) aggregate quantitative information on remuneration, broken down by business area;	16. 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;	16. 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;	16. 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;	16. 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;	16. 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;	16. 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;	16. 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.	16. 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	16. 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		

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		