



**MARKET DISCIPLINE**

**2023**





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## Introductory note

The document “**Market Discipline 2023**” 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 (European Banking Authority) (ITS/2020/04) of 24 June 2020 and Regulation (EU) 2021/637 of March 15, 2021 and Regulation (EU) 2022/631 of April 13 2022 of the European Parliament and of the Council and version 3.4 of the EBA reporting framework.

Except when explicitly mentioned, the information provided concerns the CGD Group's position and banking book perimeter, on 31 December 2023 and the monetary amounts correspond to **thousands of euros**, having been calculated in the context of **prudential consolidation**.

# 1. Declaration of responsibility

The Board of Directors of Caixa Geral de Depósitos, S.A. declares that the public disclosure of the “Market Discipline” document is compliance with the requirements contained in Regulation (EU) 575/2013 (Part VIII).

Regarding the information reported in this report, the Board of Directors:

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

Information on the activity and subsequent facts relating to the CGD Group can be consulted on our website, at <https://www.cgd.pt/>, with particular emphasis in this context on the informative content of the “Investor Relations” tab.

## 2. Risk management objectives and policies

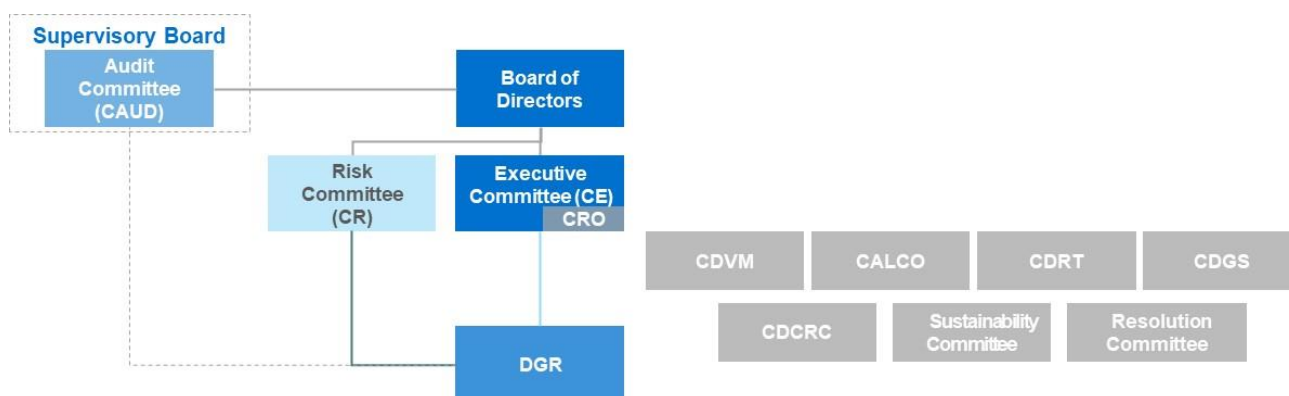
### 2.1 Governance Model

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 Corporate **Risk Management Division** (DGR), which covers the assessment and control of financial and non-financial risks incurred by the CGD Group, enshrining the principle the segregation of functions between the commercial areas and the risk management area. The DGR is a first-level structural body of CGD, with control functions and whose purpose is to protect the CGD Group's capital, namely through the management of capital and solvency, credit, market, liquidity, interest rate on the banking, operational and non-financial portfolio risks incurred by the Group, the interrelationships between them and ensuring the coherent integration of their partial contributions. Within the scope of its duties, it is responsible for managing transversal exercises such as the RAS (Risk Appetite Statement), the ICAAP (Internal Capital Adequacy Assessment Process), the ILAAP (Internal Liquidity Adequacy Assessment Process), the Recovery Plan and the Stress Testing, as well as the dissemination of the risk culture across the various Entities.

Figure 1 | Governance Model <sup>1</sup>



The **Board of Directors** (CA), supported by the **Risk Committee** (CR), establishes the Institution's risk appetite, which is implemented by the **Executive Committee** (EC) with the support of the **Risk Management Division** and the control and of business. The **Audit Committee** (CAUD) is

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

responsible for monitoring whether the Risk Management Function exercises its responsibilities effectively, independently and efficiently.

The **Audit Committee** is responsible for monitoring, evaluating and promoting the effectiveness and efficiency of the internal audit function, as well as other control functions and carrying out a critical assessment of the CGD Group's Internal Control System.

The **Risk Committee** monitors the management policy of all risks related to the activity of the CGD Group, namely solvency, liquidity and financing risks, interest rates on the banking portfolio, credit, market, pension fund, operational and non-financial. The Risk Committee monitors in particular 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 terms of financial risks, particularly relating to credit risks. Within the scope of its functions and responsibilities, it analyzes, among others, the reports presented by the DGR in matters of Risk, evaluates financing and refinancing proposals presented by the respective structural bodies and pronounces on some necessary appointments of those responsible for the Risk Management Function. Risk<sup>2</sup>.

The Head of Risk is directly responsible for the Risk Management Function (Central Director of DGR), who is responsible, without prejudice to other duties established by CGD's internal regulations, to develop and lead a reference Division taking into account the provisions of the RGICSF (Legal Framework of Credit Institutions and Financial Companies), other applicable legal texts and best practices and international standards, with a view to **ensuring the effectiveness and efficiency of the risk management system and contributing to the promotion and continuous improvement of a risk culture** within the scope of the CGD Group.

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

- Ensuring the implementation and monitoring of the risk **appetite framework** (RAF) under the terms of the internal RAF standard;
- Ensuring the development and **implementation of a risk management system based on robust identification, assessment, oversight, prevention and risk control processes**, and coordinating the **development of policies and procedures** upon which these processes are based;
- **Identifying the risks involved in the activity being performed** on a separate, aggregate, present and prospective basis, assessing such risks and measuring exposure thereto using appropriate methodologies;
- Permanently overseeing **risk generating activities** and risk exposure, assessing them in the context of the approved **risk appetite** limits and defined risk limits and ensuring the **planning of the corresponding capital and liquidity requirements in normal and adverse circumstances**;
- **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;

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<sup>2</sup> In compliance with article 435, no. 2 (d) it is noted that the Risk Committee held 20 meetings in 2023.

- **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 first 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:

At meetings of the **Board of Directors** upon specific request, and monthly in a specific agenda item to present the evolution of the main indicators for measuring financial and non-financial risks, and the essential concerns in this matter for the following periods.

At meetings of the **Executive Committee** upon specific request, and monthly in a specific agenda item to present the evolution of the main indicators for measuring financial and non-financial risks, and the essential concerns in this matter for the following periods.

At meetings of the **Risk Committee** upon specific request, and monthly in a specific agenda item to present the evolution of the main indicators for measuring financial and non-financial risks, and the essential concerns in this matter for the following periods.

At meetings of the **Audit Committee** upon specific request from either party and quarterly at specific agenda points to present the evolution of the main indicators for measuring financial and non-financial risks, and the essential concerns in this matter for the following periods.

The **Model Validation Delegate Council (CDVM)**, in which the Data, Reporting and Risk Models Division (DDM), Internal Audit Division (DAI) and the Model Validation Office (GVM) also participate. The CDVM is the deliberative body of the Executive Committee responsible for assessing, monitoring and approving the CGD Group's risk models, and is responsible for ensuring the adequacy, regulatory compliance and proper functioning of the models used by the CGD Group.

In the **Capital, Assets and Liabilities Management Delegate Council (CALCO)**, together with the business generating areas, support areas and members of the Executive Committee. CALCO is the deliberative body of the Executive Committee responsible for assessing and monitoring the process of integrated capital, asset and liability management (ALM – Asset and Liability Management) which aims to proactively manage the balance sheet and profitability of the CGD Group. The following responsibilities are delegated to this Committee, among others:

- 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;
- Assessment and deliberation on proposals for strategic guidelines for the CGD Group's financing and liquidity policy, defining objectives for liquidity indicators;
- 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.

**Specialised Rating Executive Board (CDRT)** which is responsible for attributing or revising the internal rating on counterparties, with an exposure at CGD Group is equal to or greater than 50 million euros, and by approving internal rating derogations for counterparties whose exposure is equal to or greater than 10 million euros, 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;

**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.

At the **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 the level of the CGD Group, as well as matters relating to the monitoring and management of Data Protection and the monitoring of reputational risk. It is responsible for: (i) monitoring the overall level of operational risk assumed by

the Group, verifying compliance with the established strategy and policies, as well as deciding on the action plans presented; (ii) promote the effectiveness of the internal control system, by monitoring deficiencies and their action plans, streamlining management decisions that make their implementation more efficient; (iii) ensure decision-making at the structural level to enable data protection management, enforcement by top management and training of the Data Protection Officer in day-to-day management; and (iv) monitor the overall level of reputational risk and raise awareness among top management of the issues raised in this context.

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.

The **Resolution Committee (CRes)**, advisory body to the Executive Committee 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<sup>3</sup>, 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 CGD 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 CGD and CGD Group; (iii) preparing, in conjunction with the General Meeting's 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<sup>4</sup>.

Finally, with regard to the requirement to disclose information relating to the positions held by members of the management body, within and outside the Group, and other relevant activities carried out by members of the management bodies during 2023, reference is made to of the Report and Accounts: point "Accumulation of duties of members of the Board of Directors" and "Appendix III – Curriculum Vitae of Members of the Governing Bodies".

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<sup>3</sup> 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/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf>

<sup>4</sup> In compliance with article 435, no. 2 (c) with regard to the matter of gender equality, the report referred to in Law no. 62/2017 was published in September 2023, prepared in accordance with the planned guide in Normative Order No. 18/2019, of June 21st.

The document can be consulted on CGD's institutional website at: [https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-Bom-Governo/Documents/CGD\\_Plano-para-igualdade-genero.pdf](https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-Bom-Governo/Documents/CGD_Plano-para-igualdade-genero.pdf)

## 2.2 Main developments in 2023

The year 2023 was marked by the strong impact of policies to combat inflation, which led to successive increases in interest rates, with the war in the Middle East joining the conflict in Ukraine. Inevitably, economic activity suffered from the impact of rising interest rates and the slowdown in external demand, along with the dispersion of the momentum associated with the post-pandemic recovery, mainly in the tourism sector.

Faced with this scenario, and in line with the established strategy, CGD sought to maintain and reinforce the availability of solutions to support families and corporates, highlighting measures related to credit for permanent home ownership at a variable rate with the adoption of the rules recommended in Decrees-Law No. 80-A/2022, No 20-B/2023 and No 91/2023.

Throughout 2023, CGD carried out more than a thousand credit restructurings and, proactively, in more than 15 thousand operations there was a renegotiation of the index and/or spread reduction. Additionally, CGD implemented the state bonus, supporting more than 2.200 customers. In a unique way in the market, extraordinary support was also implemented covering families with lower incomes, characterized in Decree-Law No 20-B, reducing the mortgage loan spread by 0,5 b.p. in its instalments until the end of 2023.

The General Meeting approved the distribution of a dividend for 2022 of 352 million euros, plus a distribution in kind in the amount of 361 million euros, in the form of handing over ownership of the Headquarters Building to the sole shareholder. This distribution in kind was subject to authorization from the European Central Bank, which took place in August, and all other necessary procedures were followed. Thus, in 2023, CGD deliver a total of 713 million euros to the State, the highest ever. In June, the Tier 2 issue was repaid in advance, worth 500 million euros, fully repaying the private sector financing for the 2017 recapitalization. In all these operations, CGD deliver 1.2 billion euros in 2023 of the 2017 recapitalization value, offsetting 1.675 million euros of the 2.500 million in public investment, representing 2/3 of the total.

On February 24, 2023, Decree-Law 14/2023 was published, which determined the transfer of all responsibilities covered by the Caixa Geral de Depósitos Personnel Pension Fund (FPCGD) to Caixa Geral de Aposentações (CGA), with effect from January 1, 2023, the extinction and liquidation of the FPCGD and the delivery, by CGD to CGA, of financial compensation for the transferred responsibilities.

This operation allowed a reduction in risk levels resulting from volatility, the nature of its assets and liabilities and the accounting and prudential treatment introduced in the Bank's income statement and balance sheet, with the remaining risk corresponding to the value associated with the compensation mechanism for possible deviations between the growth rates of wages and pensions used as assumptions in the transfer operation and the effective rates until the end of 2027, with a maximum contingency amount of 320 million euros.

CGD increased its share capital by 682 million euros, through the incorporation of reserves. As a result of this conversion, CGD's share capital increased from 3.844 million euros to 4.526 million euros, fully owned by CGD's sole shareholder, the Portuguese State.

Capital ratios are above 20%, after payment of dividends, and capital exceeds the regulatory requirement by 50%.

In December 2023, the amount of own funds and eligible liabilities held by CGD within the scope of the MREL (Minimum Requirement for Own Funds and Eligible Liabilities) represented 27,02% of total risk weighted assets (RWA) and 10,10% of total leverage ratio exposure (LRE), exceeding the target level determined by the Resolution Authority for mandatory compliance from January 1, 2024 (26,19% RWA and 6,27% LRE), after revision of the minimum prudential requirements applicable in

2024, despite the early redemption of the Tier 2 issuance in June and the dividend payment in September.

For 2024, the supervisor also reduced the O-SII requirement by 25 b.p., the fourth reduction since 2017.

CGD's performance received recognition from rating agencies. In December, DBRS Morningstar raised the outlook for long-term senior debt to positive, after raising the rating to BBB (high) in May. In November, Moody's raised the long-term Senior Debt rating and the Baseline Credit Assessment (BCA) to baa1, when in May it had raised the BCA to baa2 and placed the Long-term Senior Debt in a positive outlook. In September, Fitch Ratings raised the IDR (Issuer Default Rating) and CGD's preferred long-term senior debt ratings from BBB- to BBB, maintaining a Stable outlook. At the same time, the long-term nonpreferred senior debt rating also rose from BB+ to BBB-, reaching investment grade level, and the Tier 2 debt from BB to BB+.

According to the BrandScore study, in 2023 CGD's Reputational Index maintained a positive assessment, remaining above the Portuguese banking average. Additionally, CGD obtained the best rating in the Relevance and Emotional Reputation study carried out by the consultancy OnStrategy. This study has evaluated, since 2009, the positioning and emotional and rational levels of reputation associated with more than 2.000 brands in Portugal.

CGD achieved the best ESG Risk Rating at national level and 88<sup>th</sup> place among 1.032 banks by Sustainalytics with "Low Risk", as well as the best classification in the CDP Climate Change Questionnaire at national banking level with "A-", proving the evolution in the commitments assumed.

During the month of July 2023, the EBA released the results of the 2023 stress test exercise at European Union level. CGD was ranked as the first banking group among the banks supervised by the ECB and the third banking group with the lowest capital reduction among the 70 banks covered by the EBA, which cover, between them, 75% of the European Union's banking assets. The result achieved by CGD confirmed the Institution's solid capital position.

The application of the adverse scenario resulted in a reduction of 76 b.p. at the end of the 3-year analysis period, comparing favourably with the values of 288 and 497 b.p. of the past years of 2021 and 2018, respectively. The results reflect the progress in CGD's financial and prudential position, as well as the group's level of robustness, improving its ability to support corporates and families even when faced with the impact of exogenous shocks.

Regarding the Sustainability Strategy 2021-2024, CGD published the Transition Plan, thus constituting a significant milestone in achieving the objectives associated with the respective Strategy, as well as in the ambition of becoming a leader in sustainable financing in Portugal.

Additionally, CGD implemented the ESG Market Discipline in 2023, allowing it to accelerate the collection of data related to climate and environmental risks for the credit portfolio of CGD Group banking entities.

During 2023, CGD updated its non-performing loan (NPL) reduction strategy, defining more ambitious objectives such as having a faster convergence of CGD's NPL ratio to the NPL ratio reported on the EBA Dashboard.

Throughout the year, the Risk Management Division continued to implement the Strategic Plan for the Risk Management function for the three-year period 2022-2024, integrated into the CGD Group's Strategic Plan, in order to position CGD as a reference in the banking system national. Throughout this period, the Risk Management Division completed most of the initiatives foreseen in the respective Strategic Plan. The information disclosed in this chapter is also complemented with 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, meaning that its clients have access to a complete service Group, at national and international level.

CGD is present in an integrated manner in almost all aspects of the banking business, namely: commercial banking, investment banking, brokerage and venture capital, real estate, asset management, specialized credit, among others, incurring solvency risks, credit, market, liquidity and financing, pension fund, operational and non-financial.

## Credit Risk

**Credit risk** is associated with losses and the degree of uncertainty regarding the ability of a client/counterparty to fulfil its obligations. Given the nature of banking activity, credit risk is of particular importance given its materiality, despite its interconnection with other risks.

For the management and control of credit risk, there are internal regulations and models that, using ratings/scorings, the value of exposure at risk, the system of preventive alerts (early warnings), which includes the classification of customers in financial difficulties or non-performing exposures (NPE), define the levels of skills required in the credit decision process.

For **Corporates, central, regional and local governments and financial institutions** with a more significant level of exposure, or with other increased risk criteria/triggers, the assessment of credit risk, in addition to the support of internal rating models (which incorporate both information financial or qualitative elements), is subject to individual analysis by a team of analysts who prepare credit risk analysis reports, and issue an opinion on the inherent credit risk. The analysis is always carried out from the perspective of the economic group in which the proponent is part, and the analysis teams follow, from a certain level of exposure, a logic of sectoral specialization.

Credit risk assessment in the **retail segment** is supported by the use of statistical risk assessment tools (Probability of Default (PD) and Loss Given Default models (LGD)), by a set of internal regulations that establish criteria objectives to be observed when granting credit, as well as the delegation of powers in accordance with the risk ratings assigned to customers/operations.

To ensure the disaggregation of functions between credit capture and decision-making, CGD has implemented a **centralized credit decision model**, ensuring that all credit proposals originating in the commercial areas are decided and have the intervention of the Credit Risk Division (DRC), in accordance with the criteria formalized in internal policies and regulations.

The follow-up and monitoring of the quality of the credit portfolio and the control of credit risk, including compliance with the criteria defined for the credit risk decision, are carried out regularly by the DGR, supported by operational systems that daily identify potential events of increase in credit risk, including automatic marking of Restructured credit due to Financial Difficulties or default/Non-performing exposures. Reports are prepared that highlight the behaviour and perceived quality of the credit portfolio, particularly in terms of i) new production, ii) restructuring due to customer financial difficulties, iii) non-performing exposures, iv) default/default, and v) concentration. These reports are submitted for assessment by management bodies and shared with the Institution's first line.

For the purposes of measuring expected credit losses, the CGD Group developed credit impairment models, adjusted to the reality of each Group Entity, in compliance with IFRS 9. The criteria and methodologies inherent to calculating credit impairment are approved by the Executive Committee and its implementation is subject to periodic control and audit processes, either by the internal bodies responsible for validation (Model Validation Office and Internal Audit Division), or by the external auditors of each CGD Group Entity. For Group Entities with more relevant exposure (e.g., the Entity's

contribution to the credit portfolio is greater than 1%), the external auditor prepares, every six months, an independent report that is subject to analysis and assessment by CGD's management bodies. which is also sent to Banco de Portugal. The DGR, on a monthly basis, submits to management bodies for consideration:

- a) The evolution of provisions and credit impairment, including the evolution of the quality of the credit portfolio through its classification into IFRS 9 stages and the corresponding degree of coverage by provisions and credit impairment.
- b) The evolution of credit classified as non-performing exposure and the monitoring of the objectives defined in the NPE reduction strategy.
- c) The evolution of the quality of the credit portfolio, with regard to the existence of early warning indicators, customers in financial difficulties and compliance with credit decision rules.

## Market Risk

**Market risk** entails potential negative impacts on results or on the Institution's capital, arising from unfavourable 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 behaviour 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 an individual and consolidated basis, as well as to all branches abroad and subsidiaries in the prudential supervision perimeter. The management and market risk tolerance strategy are established 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 Delegated Council for Capital, Asset and Liabilities. 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 held with trading intention, as part of CGD group's trading book strategy and in compliance with the trading book's internal definition. Specifically includes positions resulting from market making, short positions in securities, short positions in rotating stock exchange derivatives, arbitrage positions or those

intended for 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**, considering 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.

Risk assessment considers general market risks, non-linear risks and specific risks of the positions held. For this purpose, the risk metrics **Value at Risk (VaR)**, **Expected Shortfall (ES)** and **Three Worst (3W)** are used. VaR is used as the reference methodology for monitoring market risks in general, based on the historical simulation approach. VaR is calculated for an investment time horizon of 1 day (95% confidence interval) for the management trading portfolios and with a holding period of 10 days (99% confidence interval) for the remaining trading portfolios. Group, including the perimeters of the prudential Trading Portfolio and the accounting Trading Portfolio. The risk assessment is also complemented with **risk measures** such 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.

The identification of market risk in the CGD Group is based on a robust, continuously reliable, centralized 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 recording of transactions in the financial markets front office system, which is essential for identifying the risk object, is regulated by specific internal regulations that ensure that the information transmission process is completed and that it reaches the market risk system reliably to evaluate the respective metrics. With regard to exchange rate risk, identification is also ensured based on the rigorous, standardized and timely transmission of the exchange rate position of CGD and any and all Group entities.

## Pension fund risk

Until December 31, 2022, the Group maintained a defined benefit pension plan for former and active employees of Caixa Geral de Depósitos S.A., under certain coverage conditions. It was a plan closed to the entry of new participants since 2005. The ability to meet the responsibilities of the pension plan was covered by the management of an asset portfolio with a strategy approved by the member's Board of Directors, under the management of an entity independent manager. Additionally, regular contributions from the member and participants to the fund were stipulated.

On February 24, 2023, Decree-Law 14/2023 was published, which determined the transfer of all responsibilities covered by the Caixa Geral de Depósitos Personnel Pension Fund (FPCGD) to Caixa Geral de Aposentações (CGA), with effect from January 1, 2023, the extinction and liquidation of FPCGD and the delivery, by CGD to CGA, of financial compensation for the transferred responsibilities.

This operation limits CGD's risk with the extinct Pension Fund to the amount calculated at the end of the first five-year period, through the compensation mechanism for possible differences between the effective growth rates of salaries and pensions and those considered as assumptions in the actuarial study that supported the transfer, with a maximum value of 320 million Euros.

## Interest rate risk in the Banking Book

**Interest rate risk** is the risk incurred in the activity of a financial institution whenever, during 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 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 book should be closely monitored.

For the management and control of interest rate risk in the banking book, guidelines are defined that define the roles and responsibilities of the various stakeholders, the metrics to be monitored, the limits for these metrics and the control system for these limits. The process of monitoring the extent of exposure to this risk results in the production of monthly reports to support the control of compliance with existing guidelines, subject to monthly assessment by CALCO (and the Executive Committee in the context of the Integrated Risk Report).

## Liquidity Risk

**Liquidity risk** refers to the risk of negative impacts on results or capital resulting from insufficient liquidity to face adverse events of idiosyncratic or systemic origin. In this sense, liquidity refers to the ability of an Institution to finance its balance sheet and meet its cash flow obligations as they fall due, without incurring significant losses.

The management strategy and liquidity risk tolerance are established in accordance with the CGD Group's risk appetite statement, and are based on three basic pillars:

- a) Maintenance of a stable, solid and safe liquidity profile, which guarantees adequate capacity to face liquidity stress situations;
- b) Maintaining stable financing sources and an adequate liquidity reserve, through the adoption of a proactive and market-oriented approach that enables the adaptation of the institution's balance sheet structure to existing conditions;
- c) Controlling the risk exposure of the Group's international entities and maintaining their independence both in terms of fundraising and in terms of capital adequacy.

For the management and control of liquidity risk, guidelines are defined that define the roles and responsibilities of the various stakeholders, the metrics to be monitored, the limits for these metrics and the control system for these limits. The process of monitoring the extent of exposure to these risks results in the production of monthly reports to support the control of compliance with existing

guidelines, subject to monthly assessment by CALCO (and the Executive Committee in the context of the Integrated Risk Report).

## Non-Financial Risks

Having formalized the definition of the CGD Group's risk taxonomy, non-financial risks in the CGD Group include five key risks, with specialized frameworks: Operational, Reputational, Strategy and business, Information technologies (IT) and Model.

The main objective of these frameworks is to monitor in an integrated manner the adequacy and effectiveness of processes, policies and procedures, of the different components of non-financial risks and ensure, in an autonomous and independent way, their effectiveness, keeping losses caused by non-financial risks within tolerance levels defined by CGD's Board of Directors. The non-financial risk management model also aims to mitigate other relevant negative impacts, namely in terms of achieving strategic objectives, reputation or compliance with regulatory requirements.

### I. Operational Risk

**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 situations of infrastructure inoperability.

Operational risk management in the CGD Group adopts a methodology supported by a process-based view (end-to-end), implemented at CGD, Branches and Subsidiaries.

This methodology includes the definition, monitoring and reporting of tolerance limits and risk appetite for the entire Group. It also covers the identification of operational risk events, the analysis of new products and services, the monitoring of activities carried out under subcontracting, the self-assessment of risks and controls associated with processes and the management of key risk indicators, as well as the promotion of action plans that aim to mitigate exposure to operational risk, namely through the implementation of appropriate control and risk mitigating procedures. It also includes the identification of deficiencies in internal control and assessment of the quality and completeness of the proposed action plans to resolve the respective recommendations, as well as the process of validating the implementation of recommendations for mitigating operational risk.

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

### II. Reputational Risk

**Reputational risk** corresponds to the risk of negative impacts on results or capital, resulting from the adverse perception of the institution's image by customers, counterparties, shareholders, investors, regulators or by public opinion in general, due to actions by the institution itself or its employees (banking activity, bancassurance, asset management and confidential data protection risk).

This risk is integrated into the CGD Group's risk framework, therefore integrating risk appetite, decision-making processes and the bank's strategy.

The methodology includes internal procedures for situations that may represent a reputational risk, which can be identified by any CGD's structure. With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations are identified with non-

compliance with environmental legislation, or other applicable legal and regulatory provisions or controversies related to the principles of balanced relationship with the environment and sustainable development.

The methodology implemented is based on the Corporate Reputational Risk Policy, which establishes all the principles and responsibilities applicable to the management of this risk.

### III. Strategy and Business Risk

Strategy and business risk corresponds to the risk of negative impacts on results or capital, resulting from inadequate strategic decisions, failure to meet business objectives, poor implementation of decisions or inability to respond to changes in the environment or banking ecosystem.

Includes climate and environmental risks, which correspond to the risks of negative impacts on results 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 comprise two fundamental risk factors: physical risk and transition risk.

These risks are integrated into the CGD Group's risk framework, therefore integrating risk appetite, decision-making processes and the bank's strategy.

The methodology implemented is based on the Corporate Climate and Environmental Risk Management Policy, which establishes all the principles and responsibilities applicable to the management of this risk.

### IV. IT Risk

IT risk corresponds to the risk of negative impacts on results or capital, resulting from inappropriate or defective technology that may compromise the availability, integrity, accessibility and security of infrastructures and data.

In IT risk, DGR is responsible for the second line, as defined in the risk management framework, with DSI being the first line of this risk. The objective is to have greater maturity and a better level of security with regard to the bank's IT risks.

This monitoring of IT risk is done through a monthly report, review of policies and procedures, monitoring of IT projects and regulatory audits carried out on technological assets and other activities necessary for this control purpose by the DGR.

### V. Model Risk

**Model risk** corresponds to the potential loss that an Institution may incur, as a result of decisions that may 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.

This risk is integrated into the CGD Group's risk framework, therefore integrating risk appetite, decision-making processes and the bank's strategy.

The model identification methodology is the responsibility of the Risk Models Area of the Data, Reporting and Risk Models Division and the risk assessment is based on a "risk tiering" structure, the definition of which is the responsibility of the Model Validation Office, being approved by the Model Validation Delegate Council.

The GVM, in cooperation with the DGR, is also responsible for transmitting specific guidelines and recommendations regarding the assessment of the model's risk, applicable to the entire CGD Group.

The GVM is responsible for maintaining and controlling the model's risk assessment, promoting the necessary assessments and reviews with the respective model owners with regard to the guidelines approved in the policy and whenever these are justified.

The second line is responsible for monitoring model risk.

## VI. Business Continuity

CGD is committed to ensuring **Business Continuity** in the event of anomalous events that may compromise the normal functioning of its activity, safeguarding the interests of its customers, its sole shareholder, the Portuguese State, the financial system and the authority's supervision, its employees and other interested parties.

This commitment is implemented through the implementation of a Business Continuity Management System (SGCN) that includes policies, assignment of responsibilities, processes and procedures with the aim of identifying anomalous events that may compromise the continuity of its activity, analyzing its impact, promoting its organizational resilience and providing CGD with the ability to prevent or, if this is impossible, respond effectively to these events.

In this way, CGD guarantees the following objectives:

- Safeguard human life and the well-being of people present in CGD Infrastructures;
- Protect CGD's image of solidity and trust;
- Maintain customer satisfaction;
- Ensure critical business processes;
- Maintain adequate and operational Business Continuity solutions;
- Comply with legal and regulatory obligations.

CGD's SGCN is certified according to the international reference standard, ISO 22301:2019 – Business Continuity Management System (BCMS) and is audited annually by the Internal Audit Division and by a specialized external audit entity, British Standards Institution (BSI), to ensure that the requirements necessary for the respective certification are implemented.

In terms of the Group, CGD continues to monitor and develop projects to support/implement the framework of good practices issued by the Bank of Portugal (circular letter no. 47/2021 of 20 September - Recommendations on Business Continuity Management) with its Entities abroad.

Regarding the Business Continuity Policy, it is communicated to all CGD employees and the general public, via the [cgd.pt](http://cgd.pt) website and is based on the following principles:

- Identify the business processes that support critical business functions and their recovery priorities and requirements - analyze the impact of business process disruption over time, determine recovery priorities and the resources that support them (information systems, human resources, infrastructures, suppliers);
- Assess the exposure of critical business processes to events that could compromise their continuity through the unavailability of the resources that support them and assess their level of exposure to risk;
- Implement prevention, response and recovery mechanisms for incidents resulting from these events - define and implement a Business Continuity strategy that allows eliminating or reducing the probability of incidents occurring or, if this is impossible, recovering critical business processes within the defined times, ensuring the continuity of its products and services at minimum acceptable levels, should these events materialize;
- Monitor and continuously improve CGD's ability to ensure Business Continuity - through exercises, tests and reviews of plans, analysis of performance indicators and periodic audits. Continuous improvement must be ensured through the implementation of corrective, preventive and improvement actions resulting from these activities;
- Incorporate a culture of Business Continuity at CGD - ensure that all employees understand their responsibilities through awareness raising actions.

## 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 CGD Group's risk taxonomy, solvency risk comprises the dimensions of tax risk, regulatory capital and internal capital.

Within the scope of monitoring solvency risk, regular **monitoring of the adequacy between own funds and the risk profile is highlighted.**

From a regulatory point of view, this monitoring takes the form of the regular calculation of regulatory capital requirements for risks that fall within the scope of Basel Pillar I: credit, market and operational risk. With regard to the calculation of own funds requirements for credit risk, the CGD Group adopted the standard method, as defined in Chapter 2, Title II, Part III of Regulation (EU) No. 575/2013 and, under Regulation (EU) No. 876/2019, has been applying since June 2021 the new method for calculating the value at risk of derivative positions, the so-called standard method for counterparty credit risk (SA-CCR). Own funds requirements for the trading portfolio are determined by applying the Standardized Method to debt, equity and foreign exchange instruments and, finally, own funds requirements for operational risk result from the three-year average of the relevant risk-weighted indicator, calculated each year for each of the activity segments, as defined in the same regulation under the standard method.

Within the scope of Basel Pillar II, the CGD Group annually carries out an internal capital adequacy assessment exercise that aims to identify, measure and allocate capital to the risks to which the banking Group is exposed or is likely to be exposed. In addition to the annual ICAAP exercise, the results of which are defined and reported to the supervisor in accordance with internal regulations, the quantification of internal capital needs is reviewed quarterly for the most relevant risks, thus ensuring regular monitoring by management of the needs and adequacy of internal capital. This measurement is supported by internally developed methodologies that cover the following risk categories: (i) Credit risk (including credit concentration risk, sovereign and real estate risk); (ii) Market Risk (including CVA, exchange rate risk and credit spread risk); (iii) interest rate risk banking book; (iv) Pension Fund Risk; (v) Operational Risk (including compliance and IT risk); (vi) Reputational Risk and (vii) Strategy and Business Risk.

In accordance with the approved risk appetite framework and statement, the assessment of internal and regulatory capital adequacy focuses on the planning that supports the implementation of the Group's strategy. Capital planning and short- and medium-term capital needs are prepared in the context of the normal scenario (base) but also considering a macroeconomic framework and idiosyncratic adverse events, thus allowing the assessment of the Group's capital sufficiency in adverse conditions.

In the context of solvency risk, **compliance with the regulatory limit of exposure to a client or group of customers** related through control relationships or relationships of economic dependence is also assessed. Additionally, the calculation and monitoring of the leverage ratio is also ensured.

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

CGD Group's Risk Appetite is based on three general principles:

- **Guarantee levels of solvency and liquidity** - The CGD Group must ensure adequate levels of solvency and liquidity, observing the following principles:
  - Maintain capital strength through a 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 safe liquidity position capable of withstanding adverse scenarios;
  - Maintain stable financing capacity and ensure adequate levels of liquidity buffers through a market-oriented approach that allows the balance sheet structure to be adapted to existing circumstances;
  - Control the risk exposure of international entities, while maintaining their independence in terms of financing and capital adequacy.
- **Ensure long-term sustainability and maintain a leading position in the market**, observing the following principles:
  - Long-term sustainability through adequate remuneration of risks on the balance sheet, an improvement in operational efficiency, and the management of risks that may jeopardize the execution of the Institution's strategy, in particular those linked to credit risk;
  - Maintaining the identity of a commercial bank and the leading position in the Portuguese market, both in deposits and credit to the economy and families, with a focus on retail customers and small and medium-sized corporates;
  - Search for a simple and transparent Group structure, based on a modern infrastructure that provides high levels of customer satisfaction and minimizes operational risk;
  - Long-term sustainability of the business model within the scope of the commitments made towards carbon neutrality and sustainable development.
- **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 solid risk management principles, with an effective Government model and policies that ensure compliance with laws and regulations, and ensuring full alignment with the European Central Bank's Supervisory Review and Evaluation Process (SREP) guidelines;
  - 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 exceeded limits or tolerance levels and, when appropriate, review and approval of the proposed remediation plan.

The Risk Appetite Declaration (RAS) is complemented by its dissemination by CGD Group entities (international and domestic) and by the Risk Appetite Governance Model (RAF), which establishes the governance model and involvement of the different areas of the Bank, risk management and monitoring mechanisms, and the integration of Risk Appetite into 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 defence 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), the Budget, planning and capital 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 the CGD<sup>5</sup> Group are presented below. The information disclosed in this chapter is also complemented with that contained in the Report and Accounts for 2023 (3.8. Transactions with related parties and others).

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<sup>5</sup> Information complemented by the CGD Indicators included in point “1.2 Highlighted events in 2023” of the Annual Report.

**Table 1 | EU KM1 Key metrics template**

		a	c	e
		31-12-2023	30-06-2023	31-12-2022
<b>Available own funds (amounts)</b>				
1	Common Equity Tier 1 (CET1) capital	8.914.780	8.749.614	8.120.748
2	Tier 1 capital	8.919.514	8.754.867	8.126.369
3	Total capital	9.032.071	8.875.307	8.752.684
<b>Risk-weighted exposure amounts</b>				
4	Total risk-weighted exposure amount	43.814.387	43.805.844	43.363.368
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
5	Common Equity Tier 1 ratio (%)	20,3%	20,0%	18,7%
6	Tier 1 ratio (%)	20,4%	20,0%	18,7%
7	Total capital ratio (%)	20,6%	20,3%	20,2%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,9%	1,9%	2,0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1,1%	1,1%	1,1%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1,4%	1,4%	1,5%
EU 7d	Total SREP own funds requirements (%)	9,9%	9,9%	10,0%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>				
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%	1,0%
11	Combined buffer requirement (%)	3,5%	3,5%	3,5%
EU 11a	Overall capital requirements (%)	13,4%	13,4%	13,5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10,7%	10,4%	10,2%

		a	c	e
		31-12-2023	30-06-2023	31-12-2022
<b>Leverage ratio</b>				
13	Total exposure measure	102.830.988	100.969.248	105.213.486
14	Leverage ratio (%)	8,7%	8,7%	7,7%
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	0,0%	0,0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00 pp	0,00 pp	0,00 pp
EU 14c	Total SREP leverage ratio requirements (%)	3,0%	3,0%	3,0%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
EU 14d	Leverage ratio buffer requirement (%)	0,0%	0,0%	0,0%
EU 14e	Overall leverage ratio requirements (%)	3,0%	3,0%	3,0%
<b>Liquidity Coverage Ratio</b>				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	32.441.844	33.816.856	35.503.618
EU 16a	Cash outflows - Total weighted value	14.067.867	14.366.378	13.985.692
EU 16b	Cash inflows - Total weighted value	3.323.263	3.632.033	3.707.550
16	Total net cash outflows (adjusted value)	10.744.604	10.734.345	10.278.143
17	Liquidity coverage ratio (%)	302,6%	316,0%	346,1%
<b>Net Stable Funding Ratio</b>				
18	Total available stable funding	84.070.887	82.287.504	85.756.710
19	Total required stable funding	45.246.090	47.440.942	46.928.809
20	NSFR ratio (%)	185,8%	173,5%	182,7%

Value in thousand of Euros

**Table 2 | Other Relevant Indicators**

		a	b
		2023	2022
1	<b>Credit Quality and Coverage</b>		
2	NPL Ratio <sup>(1)</sup>	1,7%	2,4%
3	NPE ratio <sup>(2)</sup>	1,5%	2,1%
4	NPL coverage for Impairments	172,2%	122,0%
5	NPE Coverage for Impairments	149,2%	107,8%
6	Cost of Credit Risk	0,29%	-0,01%
7	<b>Profitability and Efficiency Ratios</b>		
8	Yield Liquidity Equity - ROE <sup>(3)</sup>	14,0%	9,8%
9	Yield Liquidity of Assets - ROA <sup>(3)</sup>	1,4%	0,9%
10	cost-to-income	28,1%	50,9%
11	<b>Ratings (Long/Short Term)</b>		
12	Moody's	Stable	Baa1
13	Fitch	Stable	BBB
14	DBRS	Positive	BBB (high)

<sup>(1)</sup> Non-performing loans (NPL) - EBA RISK Dashboard definition

<sup>(2)</sup> Non-performing exposures (NPE) - EBA Definition

<sup>(3)</sup> 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 December 31, 2023, the share capital is 4.525.714.495 euros, represented by 905.142.899 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 disclosure 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 2023 the accounting consolidation perimeter of the CGD Group, as well as prudential, was composed of the following entities:

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

	Consolidation Method		c Effective participation (%)	d Country	e Economic activity
	a Perimeter Publication	b Perimeter Prudential			
<b>Branches</b>					
Sucursal de França	Full	Full	100%	France	Financial institutions
Sucursal de Timor	Full	Full	100%	Timor	Financial institutions
<b>Subsidiaries</b>					
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
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 SA (*)	Full	Full	100%	Portugal	Real Estate Management
Flitptrel Porto Santo SA (*)	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
<b>Special Purpose Entities</b>					
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		87%	Portugal	Open Real Estate Investment Fund
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Full		57%	Portugal	Open Real Estate Investment Fund
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Full		84%	Portugal	Open Real Estate Investment Fund
Fundolis - Fundo de Investimento Imobiliário Fechado	Full		100%	Portugal	Closed Real Estate Investment Fund
<b>Associates</b>					
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	Operational Car Rental
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	Telecommunications 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 management
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, CGD Investimentos CVC, Banco Comercial do Atlântico, Flitptrel IV S.A. and Flitptrel Porto Santo S.A. 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 paragraph i) of paragraph 1 of article 36 of Regulation (EU) 575/2013 of the European Parliament and of the Council, dated 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 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 2023, the main changes to the CGD Group's consolidation perimeter were associated with the following events:

- In February 2023, Caixa Geral de Depósitos transferred the responsibilities covered by the Pension Fund to Caixa Geral de Aposentações, the extinction and liquidation of the fund and the delivery, by Caixa Geral de Depósitos to this body, of compensation financial responsibility for the transferred responsibilities. Following this operation, CGD integrated the securities assets of the Pension Fund, meaning that the funds Fundimo - Fundo de Investimento Imobiliário Aberto and Caixagest Infra-Estruturas - Fundo Especial de Investimento began to be considered within the consolidation perimeter of the CGD Group, by integral method;
- In December 2023, Fundimo - Fundo de Investimento Imobiliário Aberto was excluded from the consolidation perimeter, as Caixa Geral de Depósitos consistently and progressively reduced its position from 36.48%, February 2023, to 19,80%, December 2023.

In December 2023, the liquidation of A Promotora, Sociedade de Capital de Risco, S.A.R.L. was completed, meaning this Entity was also excluded from the consolidation perimeter.

### 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	Carrying values of items:				
		Accounting values (published financial statements)	Accounting values within the scope of regulatory consolidation	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
				c	d	e	f	
1	<b>Assets</b>							
2	Cash and cash equivalents at central banks	23.332.826	23.376.719	23.376.719	0	0	0	0
3	Availability at other credit institutions	583.124	588.715	588.715	0	0	0	0
4	Applications in credit institutions	2.018.954	2.220.657	1.929.298	291.359	0	0	0
5	Financial assets at fair value through profit or loss	1.344.420	1.140.493	776.457	223.956	0	140.080	0
6	Financial assets available for sale	1.737.318	1.806.110	1.805.139	0	971	0	0
7	Financial assets with repurchase agreement	153.522	159.126	159.126	0	0	0	0
8	hedging derivatives	118.944	118.944	0	118.944	0	0	0
9	Investments held until maturity	13.345.380	13.345.380	13.345.380	0	0	0	0
10	credit to customers	50.529.103	51.158.760	51.040.367	0	0	0	118.393
11	Non-current assets held for sale	1.282.055	163.636	163.636	0	0	0	0
12	Investment properties	10.838	26.148	26.148	0	0	0	0
13	Other tangible assets	505.510	522.453	455.397	0	0	0	67.056
14	intangible assets	212.996	214.797	97.993	0	0	0	116.804
15	Investments in associates and joint ventures	473.394	667.442	667.442	0	0	0	0
16	Current tax assets	32.916	34.924	34.924	0	0	0	0
17	Deferred tax assets	802.773	819.586	819.586	0	0	0	0
18	Other assets	2.809.933	2.812.231	2.523.424	86.003	0	0	202.804
19	<b>Total assets</b>	<b>99.294.005</b>	<b>99.176.120</b>	<b>97.809.750</b>	<b>720.262</b>	<b>971</b>	<b>140.080</b>	<b>505.057</b>
20	<b>Liabilities</b>							
21	Resources from credit institutions and central banks	400.658	362.150	0	0	0	0	362.150
22	Customer funds and other loans	80.682.549	81.706.769	0	0	0	0	81.706.769
23	Responsibilities represented by titles	1.401.001	1.401.001	0	0	0	0	1.401.001
24	Financial liabilities at fair value through profit or loss	151.471	164.075	0	164.075	0	0	0
25	Hedging derivatives	5.824	5.824	0	5.824	0	0	0
26	Non-current liabilities held for sale	1.025.361	0	0	0	0	0	0
27	Provisions for employee benefits	708.324	710.919	0	0	0	0	710.919
28	Provisions for guarantees and other commitments assumed	299.058	299.436	299.436	0	0	0	0
29	Provisions for other risks	379.046	431.812	0	0	0	0	431.812
30	Current tax liabilities	499.472	503.146	0	0	0	0	503.146
31	Deferred tax liabilities	83.297	68.846	0	0	0	0	68.846
32	Other subordinated liabilities	606.064	606.064	0	0	0	0	606.064
33	Other liabilities	3.226.097	3.132.760	0	0	0	0	3.132.760
34	<b>Total Liabilities</b>	<b>89.468.221</b>	<b>89.392.801</b>	<b>299.436</b>	<b>169.899</b>	<b>0</b>	<b>0</b>	<b>88.923.467</b>

Values in thousand of Euros

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	<b>Assets carrying value amount under the scope of prudential consolidation (as per template LI1)</b>	<b>98.671.064</b>	<b>97.809.750</b>	<b>720.262</b>	<b>971</b>	<b>140.080</b>
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	469.334	299.436	169.899	0	0
3	<b>Total net amount under the scope of prudential consolidation</b>	<b>98.201.729</b>	<b>97.510.315</b>	<b>550.363</b>	<b>971</b>	<b>140.080</b>
4	Off-balance-sheet amounts	16.339.494	16.339.494	0	0	
5	Differences in valuations <sup>1</sup>	81.347	0	81.347	0	
6	Differences due to different netting rules, other than those already included in row <sup>2</sup>	50.677	0	50.677	0	
7	Differences due to consideration of provisions	0	0	0	0	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(192.700)	(156.455)	(36.245)	0	
9	Differences due to credit conversion factors	(13.519.498)	(13.519.498)	0	0	
10	Differences due to Securitisation with risk transfer	0	0	0	0	
11	Other differences <sup>3</sup>	130.918	130.918	0	0	
12	<b>Exposure amounts considered for regulatory purposes</b>	<b>101.091.967</b>	<b>100.304.774</b>	<b>646.142</b>	<b>971</b>	<b>140.080</b>

Values in thousands of 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.

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.

In the same period, Regulation (EU) 2017/2395 of the European Parliament and of the European Council was published, which amended Regulation (EU) 575/2013 with regard to the 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 April 17, 2019, the European Parliament and the European Council published Regulation (EU) 2019/630, which introduced changes to Regulation (EU) 575/2013 regarding the minimum coverage of losses for non-productive exposures ( NPE, from the English Non-Performing Exposures), with a view to preventing excessive accumulation of NPE 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**

The Bank of Portugal, under the terms of Article 138.<sup>o</sup>-Q of the General Regime of Credit Institutions and Financial Companies, and in accordance with the EBA Guidelines for identifying “Other Systemically Important Institutions” (Other Systemically Important Institutions – OSII), identified CGD as O-SII, having informed the European Banking Authority and the European Central Bank of this identification.

The practical consequence of this decision for CGD is the obligation to establish, on a consolidated basis, an O-SII reserve fully covered by CET 1.

The value of this Capital buffer was set by the Bank of Portugal at 1% for CGD, however, a phased implementation was defined, with the application of 0.25% per year between 2018 and 2021, as per the decision communicated in the November 30, 2017.

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

Therefore, CGD, in its consolidated perimeter, is required to have a Capital reserve as an OSII of 0,25% in 2018, 0,50% in 2019, 0,75% in 2020 and 2021, and 1,00% in 2022 and 2023.

## 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**

	Country Relevant	a	c	e	f	Own fund requirements			j	k	l	m
		General credit exposures	Relevant credit exposures – Market risk	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	39.806.621	411	971	39.808.002	1.894.730	11	106	1.894.847	23.685.593	77%	0,00%
20	Mozambique	1.170.122	0	0	1.170.122	83.011	0	0	83.011	1.037.641	3%	0,00%
30	Macao	3.005.477	0	0	3.005.477	119.510	0	0	119.510	1.493.870	5%	0,00%
40	France	2.896.024	12.789	0	2.908.813	139.490	66	0	139.556	1.744.456	6%	0,50%
50	Other Countries	4.294.383	75.677	0	4.370.061	239.273	436	0	239.709	2.966.367	10%	0,00%
60	<b>Total</b>	<b>51.172.627</b>	<b>88.877</b>	<b>971</b>	<b>51.262.475</b>	<b>2.476.014</b>	<b>514</b>	<b>106</b>	<b>2.476.633</b>	<b>30.927.927</b>	<b>100%</b>	<b>0,03%</b>

Values in thousand of Euros

For the year 2023, 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**

	Amount
1 Total risk exposure amount	43.814.387
2 Institution specific countercyclical capital buffer rate	0,03%
3 Institution specific countercyclical capital buffer requirement	12.345

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

The prudential treatment of deferred tax assets has been scrutinized, both by the European Commission and the European Central Bank. In Portugal, as happened in Spain and Italy, it was necessary to change the tax legislation on deferred taxes (Law No 23/2016 which amended Law No 61/2014), limiting the protected amounts to the stock existing in 31 December 2015, that is, deferred taxes arising from January 1, 2016 no longer have State protection, and are therefore susceptible to being deducted from Common Equity Tier 1 or weighted at 250%.

## Capital Requirements Applicable to Consolidated Perimeter under SREP Capital Requirements Applied in 2023

Based on the results obtained within the scope of the Supervisory Review and Evaluation Process, as well as the communication from Banco de Portugal regarding the additional reserve of Own Funds required of it as an "Other Institution of Systemic Importance" (O-SII).

In the letter issued by the ECB on December 14, 2022, the obligation to comply with a minimum total ratio (TSCR) of 9,90% was defined (of which 8,00% for Pillar 1 and 1,90% for Pillar 2 – P2R), CGD being required to have a CET1 ratio on a consolidated basis of 9,07%, which includes:

- i) the minimum CET1 capital ratio required under Pillar 1 of 4,5%;
- ii) the minimum CET1 capital ratio required under Pillar 2 (P2R) of 1,07%;
- iii) the capital conservation buffer (CCB) of 2,50%;
- iv) Reserve for "Other Systemically Important Institutions" of 1,00%; It is,
- v) Countercyclical Capital Reserve of 0% of the total amount of risk exposures (as defined by Banco de Portugal, for the fourth quarter of 2023).

CGD was also subject to compliance with a minimum Tier 1 requirement of 10,93% and Total Capital of 13,40% in 2023.

With regard to the Reserve of Own Funds for "Other Institutions of Systemic Importance" (O-SII), the Bank of Portugal defined a period of gradual implementation of 0,25% per year between 2018 and 2021, predicting that in the last period the requirement reached the value of 1,00%.

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

At the end of 2021, the period of phased implementation of the Own Funds Reserve for "Other Institutions of Systemic Importance" ended, and from 2022 the requirement will be 1%, a level that will be maintained for the year 2023.

On September 29, 2023, the Bank of Portugal issued a statement informing that the value of 0% for the Countercyclical Own Funds Reserve would be maintained for the fourth quarter of 2023.

**Table 8 | Minimum Capital Ratios 2023**

		a	b	c	d	e
		2023				
Ratio	Minimum	of which				O-SII
		Pillar 1	Pillar 2	Buffers		
				Conservation		
10	CET 1	9,07%	4,50%	1,07%	2,50%	1,00%
20	Tier 1	10,93%	6,00%	1,43%	2,50%	1,00%
30	Total	13,40%	8,00%	1,90%	2,50%	1,00%

## Capital requirements to be applied in 2024

On November 30, 2023, the European Central Bank communicated to CGD the minimum prudential requirements to be in force in 2024.

These requirements have not changed compared to those in force in 2023. However, as a result of the review of the O-SII Reserve by Banco de Portugal at -25 b.p. for the year 2024, the minimum requirements for the Capital ratios that CGD is obliged to comply with will, in 2024, be lower than those in 2023 as shown below:

**Table 9 | Minimum Capital Ratios 2024**

		a	b	c	d	e
		2024				
Ratio	Minimum	of which				O-SII
		Pillar 1	Pillar 2	Buffers		
				Conservation		
10	CET 1	8,82%	4,50%	1,07%	2,50%	0,75%
20	Tier 1	10,68%	6,00%	1,43%	2,50%	0,75%
30	Total	13,15%	8,00%	1,90%	2,50%	0,75%

## 4.3 Regulatory Capital

### Own Funds and Capital Ratios

CGD presents in 2023, 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
20	31-12-2023	CET 1	8.914.780	20,3%	9,069%	4.941.363
30		Tier 1	8.919.514	20,4%	10,93%	4.132.792
40		Totais	9.032.071	20,6%	13,400%	3.160.943
50		RWA totais	43.814.387			
60	31-12-2022	CET 1	8.120.748	18,7%	9,125%	4.163.841
70		Tier 1	8.126.369	18,7%	11,000%	3.356.399
80		Totais	8.752.684	20,2%	13,500%	2.898.629
90		RWA totais	43.363.368			

Values in thousand of Euros

Presented below the comparison between the Own Funds and Capital ratios between 2023 and 2022.

**Table 11 | Eligible own funds**

		a	b
		31-12-2023	31-12-2022
10	Share Capital	4.525.714	3.844.144
20	Retained earnings	3.568.727	4.333.971
30	Net income	746.087	483.723
40	Revaluation reserves	127.502	129.663
50	Total minority interest given recognition in CET 1 capital	89.916	68.269
<b>60</b>	<b>Total CET 1 capital prior to regulatory adjustments</b>	<b>9.057.947</b>	<b>8.859.770</b>
70	Intangibles other than Goodwil, net of deferred tax liability	(116.804)	(195.992)
80	Deferred tax assets for Tax losses, net of related deferred tax liabilities	0	(66.867)
90	Assets of defined benefit pension funds	0	(288.530)
<b>100</b>	<b>Total CET 1 capital after the regulatory adjustments above</b>	<b>8.941.143</b>	<b>8.308.381</b>
110	National filters and deductions that affect CET1, of which:	(26.364)	(187.633)
120	Irrevocable Commitments - Deposit Guarantee Fund	0	(155.553)
130	Irrevocable Commitments - Resolution Fund	(21.644)	(26.279)
140	AVA - Additional Valuation Adjustment	(3.555)	(4.820)
150	Insufficient coverage for non-performing exposures	(1.164)	(981)
<b>160</b>	<b>Common Equity Tier 1 (CET 1)</b>	<b>8.914.780</b>	<b>8.120.748</b>
170	AT 1 - Subsidiaries (IM)	4.734	5.622
<b>180</b>	<b>Tier 1 Own Funds</b>	<b>8.919.514</b>	<b>8.126.369</b>
190	Tier 2 Instruments	83.461	600.000
200	Tier 2 Instruments - Subsidiaries (IM)	29.096	26.314
<b>210</b>	<b>Total Own Funds</b>	<b>9.032.071</b>	<b>8.752.684</b>
<b>220</b>	<b>RWA Total</b>	<b>43.814.387</b>	<b>43.363.368</b>
230	Credit	37.795.158	37.935.281
240	Market	1.750.525	1.833.042
250	Operational	4.268.704	3.595.045
<b>260</b>	<b>Rácio CET1</b>	<b>20,3%</b>	<b>18,7%</b>
<b>270</b>	<b>Rácio T1</b>	<b>20,4%</b>	<b>18,7%</b>
<b>280</b>	<b>Rácio Total</b>	<b>20,6%</b>	<b>20,2%</b>
<b>290</b>	<b>Accounting net income (per memo)</b>	<b>1.285.806</b>	<b>837.759</b>

Values in thousand of Euros

When calculating the Own Funds and consolidated prudential ratios reported to the supervisor, referring to December 31, 2023, a net result of 746,087 thousand Euros was considered, as authorized by the ECB, in accordance with paragraph 2, article 26 of Regulation (EU) 575/2013 and article 5 of Decision (EU) 2015/656 of the European Central Bank of 4 February 2015, regarding the inclusion of provisional or end-of-year profits in Tier 1 Main Own Funds, this amount having been calculated on the net accounting profit of 1,285,806 thousand Euros, deducting approximately 539,719 thousand Euros relating to the maximum value of dividend distributable in accordance with the dividend payment ratio of the previous year (application of Decision (EU) 2015/656 ECB – conditions under which credit institutions can include interim or year-end profits in Tier 1 Common Equity Funds).

## Main operations with impacts on the Capital structure

### 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).

In 2023, on September 26<sup>th</sup>, CGD settled the largest dividend ever paid by it to its Shareholder, in the total value of around 712.653 thousand Euros.

This value corresponds to a cash payment, referring to the 2022 financial year, in the amount of approximately 351.651 thousand Euros and the transfer to the Portuguese State of the ownership of its Headquarters Building, located at Av. João XXI, 63, in Lisbon, in the form of an additional distribution in kind, worth 361.003 thousand Euros.

According to the Dividend Policy, the maximum distributable amount determined based on the result achieved at the end of the 2023 financial year was 524.727 thousand Euros, which will be delivered to the shareholder in 2024.

In the years 2023 and 2024, dividends exceed 1.2 billion euros, contributing significantly to the accumulated reimbursement of 2.2 billion euros, 90% of the value of the cash capital increase carried out in 2017.

## Tier 2 Instrument Reimbursement

On December 30, 2022, CGD requested authorization from the ECB to reimburse 500.000 thousand Euros of Tier 2 securities fully placed with institutional investors within the scope of the Recapitalization Plan, which was authorized on March 14, 2023.

The settlement of this operation follows the early reimbursement of the AT1 issue carried out in March 2022, thus concluding the payment of all issues placed with private investors within the scope of the Recapitalization Plan agreed between the Portuguese State and the European Commission, therefore that this became contractually possible. The issue was carried out in June 2018, under market conditions, with international institutional investors, with an annual interest rate of 5,75%.

The reimbursement of this Capital Instrument was previously communicated to the Market by CGD on May 29, 2023 and completed on June 28, 2023, as contractually provided.

## Capital Increase by conversion of Rights

In 2014, CGD activated the legal mechanisms to formalize its adherence to the Special Regime applicable to Deferred Tax Assets (identified by the acronym "READ"), in light of Law no. 61/2014, of 26 August.

In 2019, the conditions for the start of the process of converting deferred tax assets into tax credits were met, which resulted in a reduction of 681.570.760 euros in free reserves and the creation of

conversion rights of the same amount to be allocated to the State Portuguese. Under the law, these conversion rights must be converted into ordinary capital after certain conditions are met.

As part of this process, CGD issued 136.314.152 (one hundred and thirty-six million, three hundred and fourteen thousand, one hundred and fifty-two) conversion rights, registered with Interbolsa, for a total value of 681.570.760 euros, in favor of the its Shareholder, with the name "CAIXA GERAL DEPOSITOS - Conversion rights attributed to the State" under the code CGD2AM-D - (ISIN PTCGD2AMI002), which were deposited in the account of the Portuguese State with the Bank of Portugal, in the exercise of its respective functions of depositary.

On March 20, 2023, CGD increased its share capital by a total amount of 681.570.760 euros and issued 136.314.152 new shares, with a nominal unit value of 5 euros each, through the incorporation of reserves arising from equal number of conversion rights, issued in favor of the shareholder following their adherence to the Special Regime applicable to Deferred Tax Assets, approved in 2014.

As a result of this conversion, the share capital of Caixa Geral de Depósitos S.A. increased from 3.844 million euros to 4.526 million euros, fully owned by CGD's sole shareholder, the Portuguese State.

## Pension Fund transfer operation

On February 24, 2023, Decree-Law 14/2023 was published, which transferred all responsibilities covered by the Caixa Geral de Depósitos Staff Pension Fund (FPCGD) to Caixa Geral de Aposentações (CGA), with effect on January 1, 2023, the extinction and liquidation of FPCGD and the delivery, by CGD to CGA, of financial compensation for the transferred responsibilities.

With the extinction and liquidation of the Caixa Geral de Depósitos Staff Pension Fund, all its Participants and Beneficiaries, including also workers and former workers from the former Banco Nacional Ultramarino who were already participants or beneficiaries of the FPCGD, passed to Caixa Geral de Aposentações.

The extinction and liquidation of FPCGD was also determined, with its assets, valued at 3.307 million euros, on December 31, 2022, transferred to CGD, which, in turn, handed over to CGA the compensation due in cash, in the total of 3.018 million euros, also by reference to December 31, 2022.

A mechanism for reviewing this compensation was also foreseen, at the end of the first five-year period, considering the possible difference between the effective growth rates of salaries and pensions and those considered as an assumption in the actuarial study. CGD will be responsible for any positive difference that may result in the calculation of responsibilities assumed with installments in payment and new installments, deducted from the difference in contributions to the CGA, with a maximum value of 320 million euros.

This operation allowed CGD to reduce risk levels resulting from the volatility that the size of the Pension Fund, the nature of its assets and liabilities and the accounting and prudential treatment introduced into the Bank's income statement and balance sheet. It also constituted an important step towards bringing CGD's operating conditions closer to those of other banks, in the context of the European market.

## Settlement of Irrevocable Deposit Guarantee Fund Payment Commitments

In compliance with the decision communicated by the ECB in the letter dated February 5, 2019 (SREP Decision), the amounts of the Irrevocable Payment Commitments of the Deposit Guarantee Fund began to be deducted from the main level 1 Own Funds (CET 1), in all consolidation perimeters from that year onwards.

In December 2023, CGD settled all amounts of Irrevocable Payment Commitments relating to contributions to the national Deposit Guarantee Fund, following the request from the National Deposit Guarantee Fund.

Therefore, as of December 31, 2023, the CGD Group no longer has any Irrevocable Payment Commitments relating to contributions to the Deposit Guarantee Fund.

## Main aggregates that contributed to the annual variation in the CET 1 ratio

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

The variation in the CET 1 ratio between December 2022 and December 2023 is explained by the improvement in Own Funds at levels that made it possible to accommodate the increase in Risk Weighted Assets (RWA):

1. The improvement in Tier 1 Main Own Funds (CET 1) in the amount of + 794 million euros represents a positive impact on the CET 1 ratio of 181 basis points (bps) and essentially results from the contribution of the following components:
  - Net profit in the amount authorized by the ECB and computed in Own Funds (+ 746.1 million euros) was the main component with a positive contribution, with a weight of +170 b.p. in the variation of the CET 1 ratio;
  - The end of the deduction in Own Funds of the amount related to the defined benefit Pension Fund, which translated into a gain of 288.5 million euros, contributing +66 b.p. in the variation of the CET 1 ratio;
  - Lower deduction of Irrevocable Commitments due to the settlement of the Deposit Guarantee Fund in the amount of 155.6 million euros, contributing with +36 b.p. in the variation of the CET 1 ratio;
  - Reduction of the Intangible Asset deduction of 79.2 million euros, equivalent to a contribution of +18 b.p. in the variation in the CET 1 ratio. This reduction essentially results from the application of a prudential treatment of investment in Software, in accordance with paragraphs 2, 3 and 4 of Article 13a of Commission Delegated Regulation (EU) No. 241/2014 ;
  - Lower deduction of Deferred Tax Assets related to tax losses, which translated into a positive impact of 66.9 million euros, contributing +15 bps. in the variation of the CET 1 ratio;
  - The variation in Other reserves and retained earnings and Share Capital of -567.4 million euros (includes the impact of -361 million euros referring to the payment of the dividend in kind, of -86.6 million euros from the effect of the variation exchange rate and -47.6 million

euros associated with employee benefits), which contributed -130 b.p. in the variation of the CET 1 ratio;

2. From December 2022 to December 2023 there was an increase in RWA of 451 million euros, with an impact of -19 b.p. in the CET 1 ratio. This variation is essentially explained by the following factors:

- Increase of 674 million euros in RWA for operational risk (-29 b.p. in the CET1 ratio). The favorable evolution of the financial margin and, consequently, of the banking product justify this increase.
- Increased exposure in the corporate segment with an overall contribution of 756 million euros in RWA (-32 b.p. in the CET1 ratio). This increase was particularly relevant in terms of CGD Headquarters' activity.
- Increase of 298 million euros (-13 b.p. in the CET1 ratio) in RWA allocated to the Other Elements risk class, explained by the transfer of a set of tangible assets from the Pension Fund and the weighting of part of the CGD Group's intangible assets.
- Decrease by 298 million euros in RWA allocated to public sector entities (+13 b.p. in the CET1 ratio). This variation is largely explained by the upgrade of the Portuguese Republic's rating, which resulted in the change, from 100% to 50%, of the risk weight applicable to positions on these counterparties.
- Decrease of 1.200 million euros in exposure to institutions, particularly in investments in credit institutions, with an impact on the reduction of RWA by 231 million euros (+10 b.p. in the CET1 ratio).
- Decrease by 196 million euros (+8 b.p. in the CET1 ratio) in RWA allocated to the administrations and central banks risk class. The increase in RWA relating to sovereign debt in Mozambique, weighted at 150%, was offset by the decrease in exposure and RWA allocated to Angolan sovereign debt, impacted by the exchange rate devaluation of the kwanza against the euro (42%), so this decrease reflects the decrease in deferred tax assets (DTA), weighted at 250%, corresponding to around 200 million euros in RWA.
- Decrease in the credit portfolio secured by real estate with an impact of 155 million euros (+7 b.p. in the CET1 ratio) on RWA. The macroeconomic framework of rising interest rates encouraged, on the one hand, the early repayment of loans and, on the other, a decrease in new financing.
- Decrease in the portfolio of non-performing assets, with an overall contribution of 181 million euros to the reduction in RWA (+8 b.p. in the CET1 ratio);
- Decrease in market risk RWA by 83 million euros (+4 b.p. in the CET1 ratio), largely explained by the reduction in the position in debt instruments.

## Characteristics of the issued Tier 2 Instrument

The following table contains detailed information about the main characteristics of the Tier 2 Own Funds instrument, as defined in subparagraph b) of point 1 of article 437 of Regulation (EU) 575/2013.

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

<b>1</b>	<b>Issuer</b>	<b>CGD Lisbon</b>
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	PTCGHFOM0006
2a	Public or private placement	Toilet
3	Legislation(s) applicable to the instrument (4)	Banco de Portugal Notice 12/92
3a	Contractual recognition of the powers of resolution authorities in terms of reducing book value and conversion	No
	<b>Regulatory treatment</b>	
<b>4</b>	<b>Transitional CRR rules</b>	<b>Tier 2</b>
<b>5</b>	<b>Post-transitional CRR rules</b>	<b>Not eligible</b>
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and (sub)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated obligations
<b>8</b>	<b>Amount recognised in regulatory capital (currency in million, as of most recent reporting date)</b>	<b>83,5</b>
<b>9</b>	<b>Nominal amount of instrument</b>	<b>100.000.000</b>
EU-9a	Issue price	100%
EU-9b	Redemption price	100%
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	2008-03-03
12	Perpetual or dated	Fixed Term
<b>13</b>	<b>Original maturity date</b>	<b>2028-03-03</b>
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/coupon	Fixed
<b>18</b>	<b>Coupon rate and any related index</b>	<b>5,98%</b>
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Obligatoriness
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Obligatoriness

	Coupons / dividends	
21	Existence of step up or other incentive to redeem	N/A
22	Non cumulative or cumulative	N/A
23	Convertible or non-convertible	Not convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Subordination type (only for eligible liabilities)	Statutory
EU-34b	Hierarchical position of the instrument in a normal insolvency process	Rank 3 - Tier 2 instruments
<b>35</b>	<b>Position in the subordination hierarchy in the event of liquidation (specify the instrument type immediately above in the priority hierarchy)</b>	<b>Lower Tier 2</b>
36	Non-conforming transition object characteristics	Yes
37	If yes, specify non-conforming characteristics	Safeguarding rights of instruments issued before June 27, 2019 (Art. 494 -B of Regulation EU 575 /2013)
37a	Link to full instrument terms and conditions (flag)	<a href="https://www.bourse.lu/security/PTCGHFOM0006/135956">https://www.bourse.lu/security/PTCGHFOM0006/135956</a>

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

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

Information relating to the nature and amounts 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, paragraph 1, subparagraphs d) and e) of Regulation (EU) No. 575/2013, can be found in the following table:

**Table 13 | EU CC1 Composition of regulatory own funds**

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
1	Capital instruments and the related share premium accounts	4.525.714	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	3.685.953	26 (1) (c)	3;ajustamentos	(b)
3	Accumulated other comprehensive income (and other reserves)	10.276	26 (1)	2;ajustamentos	(c)
EU-3a	Funds for general banking risk	0	26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)		
5	Minority interests (amount allowed in consolidated CET1)	89.916	84, 479, 480	5	(d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	746.087	26 (2)	4	(e)
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>9.057.947</b>			
	<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	(3.555)	34, 105		(f)
8	Intangible assets (net of related tax liability) (negative amount)	(116.804)	36 (1) (b), 37, 472 (4)	6	(g)
9	Empty set in the EU	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) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)		
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)	0	36 (1) (e), 41, 472 (7)		
16	Direct and indirect 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)		

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
20	Empty set in the EU	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) 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	Empty set in the EU	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	Empty set in the EU	0			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	36 (1) (j)		
27a	Other regulatory adjustments ( <i>including IFRS 9 transitional adjustments when relevant</i> )	(22.808)			(h)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(143.168)</b>			
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>8.914.780</b>			
	<b>Additional Tier 1 (AT1) capital: instruments</b>				
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) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	0	486 (3)		
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0			
EU-33b	Amount of qualifying items referred to in Article 494b(1) 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	4.734	85, 86, 480	5	(i)
35	of which: instruments issued by subsidiaries subject to phase out	0	486 (3)		
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>4.734</b>			

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				
37	Direct and indirect 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	Empty set in the EU	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	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	0			
44	<b>Additional Tier 1 (AT1) capital</b>	<b>4.734</b>			
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>8.919.514</b>			
	<b>Tier 2 (T2) capital: instruments</b>				
46	Capital instruments and the related share premium accounts	83.461	62, 63	7	(j)
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0	486 (4)		
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0			
EU-47b	Amount of qualifying items referred to in Article 494b (2) 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	29.096	87, 88, 480	5	(k)
49	of which: instruments issued by subsidiaries subject to phase out	0	486 (4)		
50	Credit risk adjustments	0	62 (c) & (d)		
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>112.557</b>			
	<b>Tier 2 (T2) capital: regulatory adjustments</b>				
52	Direct and indirect 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 and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)		
54a	Empty set in the EU	0			

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	66 (d), 69, 79, 477 (4)		
56	Empty set in the EU	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)		
56b	Other regulatory adjustments to T2 capital	0	475, 475 (2) (a), 475 (3), 475 (4) (a)		
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	0			
58	<b>Tier 2 (T2) capital</b>	<b>112.557</b>			
59	<b>Total capital (TC = T1 + T2)</b>	<b>9.032.071</b>			
60	<b>Total risk exposure amount</b>	<b>43.814.387</b>			
	<b>Capital ratios and buffers</b>				
61	<b>Common Equity Tier 1 (as a percentage of total risk exposure amount)</b>	<b>20,3%</b>	<b>92 (2) (a), 465</b>		
62	<b>Tier 1 (as a percentage of total risk exposure amount)</b>	<b>20,4%</b>	<b>92 (2) (b), 465</b>		
63	<b>Total capital (as a percentage of total risk exposure amount)</b>	<b>20,6%</b>	<b>92 (2) (c)</b>		
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9,10%	CRD 128, 129, 140		
65	of which: capital conservation buffer requirement	2,50%			
66	of which: countercyclical buffer requirement	0,03%			
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	1,07%			
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	10,71%	CRD 128		
69	Not applicable				
70	Not applicable				
71	Not applicable				
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
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)	3.292	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)		(l)
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)	437.558	36 (1) (i), 45, 48, 470, 472 (11)		(m)
74	Empty set in the EU	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) are met)	0	36 (1) (c), 38, 48, 470, 472 (5)		

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
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	5.905	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			
		0			
		0			
		0			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0			
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>				
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 of euros

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

- Share of capital as presented on the Prudential Balance Sheet (item with key 1 in the Prudential Balance Sheet) that meets all the conditions of article 28 to be qualified as Common Equity Tier 1 Capital.
- Amount of “Other Reserves and Retained Earnings” (item with key 3 of the Prudential Balance Sheet) adjusted for the impact of contributions to post-employment benefits and medical plan of around 117.267 thousand Euros.
- Amount of “Revaluation Reserves” (item with key 2 of the Prudential Balance Sheet) deducted from the adjustment related to contributions made in the paragraph above.
- 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.
- Part of the positive consolidated result attributable to the shareholder (item identified with key 4 of the Prudential Balance Sheet) included in the calculations of Own Funds, if the regulatory

conditions for this purpose are met (the Inclusion of the positive result in Prudential Own Funds as defined in no. 2 of article 26 of Regulation (EU) 575/2013, namely, being certified and authorized by the competent authority).

- f) Deduction in Tier 1 Capital of the “Additional Value Adjustment” resulting from the prudent assessment of the trading portfolio, as provided for in articles 34 and 105 of Regulation 575/2013. This adjustment has no accounting impact. With reference to December 2023, the prudential assessment adjustment was determined using the defined simplified approach provided for in articles 5 and 6 of chapter II of EU Delegated Regulation No. 101/2016.
- g) Deduction from Tier 1 of intangible assets (net of corresponding taxes). The amount deducted differs from the total balance sheet value for this item (item with key 6 of the Prudential Balance Sheet), due to the application of a prudential treatment of investment in Software, under the terms set out in paragraphs 2, 3 and 4 of Article 13a of the Regulation Commission Delegate (EU) No. 241/2014.
- h) Includes the deduction of irrevocable commitments with the Resolution Fund resulting from the imposition communicated within the scope of the SREP Decision by the Supervisor and the relative amount: insufficient coverage for non-performing exposures (NPE - Non-Performing Exposures or prudential backstop), under the terms defined in paragraph m) of article 36, paragraph 1, and article 47 C of the CRR.
- i) Amount of minority interests included in the Prudential Balance Sheet in the aggregate “Non-controlling interests”, identified with key 5, excluding the portion eligible for main level 1 Own Funds and which Regulation 575/2013 allows to be elected as additional Own Funds of level 1.
- j) This is a subordinated bond (ISIN PTCGHFOM0006) issued by Caixa Geral de Depósitos, S.A. and which meets all the conditions for its qualification as Level 2 Own Fund Instruments. The characteristics of this issue can be consulted in Table 12 | Main characteristics of Fund Instruments. In the Prudential Balance Sheet it is included in the item identified with key 7.
- k) Amount of minority interests included in the Prudential Balance Sheet in the aggregate “Non-controlling interests”, identified with key 5, excluding the portions eligible for main level 1 Own Funds and additional level 1 Own Funds and that Regulation 575/2013 allows selection as level 2 Own Funds.
- l) The amount of the institution's direct and indirect holdings of CET 1 instruments from 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. It is,
- m) The amount of the institution's direct and indirect holdings of CET 1 instruments from financial entities and insurance companies in which the institution has a significant investment. The application of the deduction mechanism did not imply any deduction in the main Tier 1 Own Funds. The portion not deducted is weighted at 250%.

## Reconciliation between the Accounting Balance, Prudential Balance and Own Funds

As previously mentioned, the consolidation perimeters for accounting purposes and for regulatory purposes are different, which results in differences between the information used in the calculation of Own Funds and the information used in the published financial statements, in particular with regard to the elements of Own Funds. In order to identify the origin of the disparity between the data used in the calculation of Own Funds and the data used in the institutions' financial statements, Regulation (EU) 1423/2013 determines the need to disclose the way in which the elements of the financial statements used in the calculation of Own Funds evolve when consolidation is applied for regulatory purposes.

Therefore, in order to comply with the disclosure requirements for a full reconciliation of Own Funds elements with the audited financial statements, as described in article 437, paragraph 1, subparagraph a), of Regulation (EU) 575/2013, the Institutions must apply the methodology referred to in Annex I of Regulation (EU) 1423/2013 and publish information on balance sheet reconciliation, according to the following table:

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

		a	b	c	d	e	f
		Financial Perimeter	Consolidation of other entities	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
<b>10</b>	<b>Assets</b>						
20	Cash and cash equivalents at central banks	23.332.826	43.893	0	0	23.376.719	
30	Cash balances at other credit institutions	583.124	(9.498)	0	15.089	588.715	
40	Loans and advances to credit institutions	2.018.954	212.699	0	(10.996)	2.220.657	
50	Financial assets at fair value through profit or loss	1.344.420	(315.196)	111.269	0	1.140.493	
60	Financial assets at fair value through other comprehensive income	1.737.318	68.792	0	0	1.806.110	
70	Assets with repurchase agreement	153.522	5.605	0	0	159.126	
80	Hedging derivatives with positive revaluation	118.944	0	0	0	118.944	
90	Other Investments at amortized cost	13.345.380	0	0	0	13.345.380	
100	Loans and advances to customers	50.529.103	631.757	(2.100)	(0)	51.158.760	
110	Non-current assets held-for-sale	1.282.055	(1.210.496)	92.076	0	163.636	
120	Investment properties	10.838	35.980	(20.670)	0	26.148	
130	Other tangible assets	505.510	16.943	0	0	522.453	
140	Intangible assets	212.996	1.800	0	0	214.797	6
j0	Investments in associates and subsidiaries excluded from consolidation, of which:	473.394	4.932	189.116	0	667.442	
160	Insurance companies	377.618	0	0	0	377.618	
170	Significant investments in financial entities	63.305	0	0	0	63.305	
j0	Other Investments	32.471	4.932	189.116	0	226.519	
190	Current tax assets	32.916	2.009	0	0	34.924	
200	Deferred tax assets, of which:	802.773	16.814	0	0	819.586	
210	Deferred tax assets arising from temporary differences	802.773	16.814	0	0	819.586	
220	Deferred tax assets arising from tax losses	0	0	0	0	0	
230	Other assets	2.809.933	8.291	0	(5.993)	2.812.231	
<b>240</b>	<b>Total Assets</b>	<b>99.294.005</b>	<b>(485.676)</b>	<b>369.691</b>	<b>(1.900)</b>	<b>99.176.120</b>	

	a	b	c	d	e	f	
	Financial Perimeter	Consolidation of other entities	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)	
<b>250 Liability</b>							
260	Resources of central banks and other credit institutions	400.658	70.656	0	(109.164)	362.150	
270	Customer resources and other loans	80.682.549	920.810	0	103.410	81.706.769	
280	Debt securities	1.401.001	0	0	0	1.401.001	
290	Financial liabilities at fair value through profit or loss	151.471	12.604	0	0	164.075	
300	Hedging derivatives with negative revaluation	5.824	0	0	0	5.824	
310	Non-current liabilities held-for-sale	1.025.361	(1.025.361)	0	0	0	
320	Provisions for employee benefits	708.324	2.595	0	0	710.919	
330	Provisions for guarantees and other assumed commitments	299.058	377	0	0	299.436	
340	Provisions for other risks	379.046	(1.702)	54.468	0	431.812	
350	Current tax liabilities	499.472	3.674	0	0	503.146	
360	Deferred tax liabilities	83.297	1.474	(15.925)	0	68.846	
370	Deferred tax liabilities arising from temporary differences	83.297	1.474	(15.925)	-	68.846	
380	Deferred tax liabilities arising from tax losses	0	0	0	0	0	
390	Other subordinated liabilities	606.064	0	0	0	606.064	
400	Eligible as Tier 2 Capital	100.000	0	0	0	100.000	7
410	Other liabilities	3.226.097	(60.359)	(36.832)	3.854	3.132.760	
<b>420</b>	<b>Total Liabilities</b>	<b>89.468.221</b>	<b>(75.232)</b>	<b>1.712</b>	<b>(1.900)</b>	<b>89.392.801</b>	
<b>430 Equity</b>							
440	Share capital	4.525.714	(350.379)	350.379	0	4.525.714	1
450	Other equity instruments	0	0	0	0	0	
460	Revaluation reserves	127.502	0	0	0	127.502	2
470	Other reserves and retained earnings	3.605.846	(36.429)	(690)	0	3.568.727	3
480	Net income	1.291.152	(23.637)	18.291	0	1.285.806	4
490	Non-controlling interests	275.569	0	0	0	275.569	5
<b>500</b>	<b>Total Equity</b>	<b>9.825.784</b>	<b>(410.445)</b>	<b>367.980</b>	<b>0</b>	<b>9.783.319</b>	
<b>510</b>	<b>Total liabilities and equity</b>	<b>99.294.005</b>	<b>(485.676)</b>	<b>369.691</b>	<b>(1.900)</b>	<b>99.176.120</b>	

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

Values in thousands of Euros

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

	a	b	c
	Key (*)	Prudential Balance Sheet	Own Funds
10 Share Capital	1	4.525.714	4.525.714
20 Other reserves and retained earnings	3	3.568.727	3.568.727
30 Net income (included in Own Funds)	4	1.285.806	746.087
40 Revaluation reserves	2	127.502	127.502
50 Total minority interest given recognition in CET 1 capital	5	275.569	89.916
60 Total CET 1 capital prior to regulatory adjustments			9.057.947
70 Intangibles , net of related DTLs	6	214.797	(116.804)
80 Total CET 1 capital after the regulatory adjustments above			8.941.143
90 National filters and deductions that affect CET, of which:			(26.364)
100 Irrevocable payment commitments arising from Resolution Fund Scheme			(21.644)
110 AVA (Additional Valuation Adjustment)			(3.555)
120 Backstop related to the NPE (Non Performant Exposures)			(1.164)
<b>130 CET 1 capital</b>			<b>8.914.780</b>
<b>140 Additional Tier 1 (AT 1), of which:</b>			<b>4.734</b>
150 Issued AT1 Instruments			0
160 Total minority interest given recognition in AT1 capital			4.734
<b>170 Fondos Próprios de nível 1 (Tier 1)</b>			<b>8.919.514</b>
<b>180 Tier 2 Capital, of which:</b>			<b>112.557</b>
190 Issued Tier 2 Instruments (eligible amount)	7	100.000	83.461
200 Total minority interest given recognition in Tier 2 capital			29.096
<b>210 Total Capital</b>			<b>9.032.071</b>
<b>220 RWA totals, of which:</b>			<b>43.814.387</b>
230 <b>Credit</b>			37.795.158
240 <b>Market</b>			1.750.525
250 <b>Operational</b>			4.268.704
<b>260 Ratios</b>			
270 CET 1			20,3%
280 Tier 1			20,4%
290 Total			20,6%

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

Values in thousands of euros

## 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 December 31, 2023 and 2022.

**Table 16 | EU OV1 Overview of risk weighted exposure amounts**

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		2023-12-31	2022-12-31	2023-12-31
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>37.285.356</b>	<b>37.093.762</b>	<b>2.982.828</b>
2	Of which the standardised approach	37.285.356	37.093.762	2.982.828
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
<b>6</b>	<b>Counterparty credit risk - CCR</b>	<b>508.472</b>	<b>839.989</b>	<b>40.678</b>
7	Of which the standardised approach	140.907	101.745	11.273
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	7.003	16.099	560
EU 8b	Of which credit valuation adjustment - CVA	19.514	35.578	1.561
9	Of which other CCR	341.049	686.567	27.284
<b>15</b>	<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>16</b>	<b>Securitisation exposures in the non-trading book (after the cap)</b>	<b>1.330</b>	<b>1.531</b>	<b>106</b>
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	1.330	1.531	106
19	Of which SEC-SA approach	0	0	0
EU 19a	Of which 1250%	0	0	0

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		2023-12-31	2022-12-31	2023-12-31
<b>20</b>	<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>1.750.525</b>	<b>1.833.042</b>	<b>140.042</b>
21	Of which the standardised approach	1.750.525	1.833.042	140.042
22	Of which IMA	0	0	0
<b>EU 22a</b>	<b>Large exposures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>23</b>	<b>Operational risk</b>	<b>4.268.704</b>	<b>3.595.045</b>	<b>341.496</b>
EU 23a	Of which basic indicator approach	0	0	0
EU 23b	Of which standardised approach	4.268.704	3.595.045	341.496
EU 23c	Of which advanced measurement approach	0	0	0
<b>24</b>	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>1.093.895</b>	<b>2.973.009</b>	<b>87.512</b>
<b>29</b>	<b>Total</b>	<b>43.814.387</b>	<b>43.363.368</b>	<b>3.505.151</b>

Values in thousand of Euros

In December 2023, the total value of risk exposure amounts (RWA) amounted to 43.814 million Euros, of which around 86% referred to credit risk (including counterparty credit risk and securitizations). Compared to the previous period, there was an increase in RWA of around 1,04% (EUR 451 million), explained by the increase in RWA for operational risk (18,74%), partially offset by the reduction in RWA allocated to risks of market (-4,50%) and credit (-0,33%). The value of RWA for credit adjustments (CVA) registered a reduction of EUR 16.1 million, compared to that observed in 2022.

With regard to operational risk, the increase in RWA, of around 674 million euros, is mostly explained by the increase in interest rates, with an impact on the financial margin and, consequently, on the CGD Group's banking income.

Regarding credit risk, including counterparty credit risk and securitizations, RWAs decreased by EUR 124 million. In terms of risk classes, the corporates class registered the most significant variation, with an increase in RWA of EUR 1.020 million, as a result of increased exposure to the largest Portuguese economic groups.

The Other Elements risk class recorded an increase in RWA of EUR 298 million, explained by the transfer of a set of assets from the extinct Pension Fund and the fact that part of the CGD Group's intangible assets is now subject to weighting.

On the other hand, RWA allocated to the risk class of public sector entities decreased by EUR 298 million (42%). This variation is justified by the favorable evolution of Portugal's external rating, which resulted in the revision, from 100% to 50%, of the risk weight applicable to positions on entities in the Portuguese public sector, as long as they are not equated to central administration.

The exchange rate depreciation of the kwanza (AOA), of around 42%, contributed to the reduction of RWA associated with BCG Angola's activity, with a particular impact on the risk class of administrations and central banks. At the level of this risk class, it is also worth mentioning the decrease in deferred tax assets (DTA), weighted at 250% and, on the other hand, the increase in sovereign debt in Mozambique, weighted at 150%. Overall RWA decreased by EUR 196 million.

Also worth mentioning is the reduction in RWA allocated to exposure to banks (231 million euros), the retail portfolio (205 million euros) and the non-performing assets portfolio (181 million euros).

Finally, it is worth highlighting the contraction in the mortgage loan portfolio, particularly relevant in terms of domestic activity, with an impact of 155 million euros on the value of risk-weighted assets.

Own funds held through significant investments in equity instruments of insurance companies, reinsurance companies or holding companies in the insurance sector are detailed below.

**Table 17 | EU INS1 Insurance participations**

		a	b
		Exposure value	Risk-weighted exposure amount
10	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	365.885	914.712

Values in thousands of Euros

## Internal Capital Requirements

In the context of Basel Pillar 2, the CGD Group annually carries out an exercise to assess the adequacy of the institution's internal capital, control systems and risk profile (ICAAP). The ICAAP is prepared in the context of and in accordance with the Risk Appetite Framework and statement (RAF and RAS). Quantifying the adequacy of internal capital focuses on the planning that supports the implementation of the Group's strategy, being a bidirectional process in that the results obtained inform the strategy and contribute to the calibration of planning. This self-assessment is also an integral part of 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 the risks to which the Group is exposed or may become exposed, supported by 5 steps that require the involvement of both Group Entities (the prudential scope's branches and subsidiaries) or various divisions of the bank:

- **Risk identification process:** CGD has a risk self-assessment exercise in place in which all banking entities within the prudential perimeter assess the materiality of each of the risks to which the Entity is, or is expected to be, exposed. This process involves the broad involvement of different areas of the bank (including the first line, the Compliance Division for compliance risk 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 methodologies:** for each risk category considered material, the bank quantifies capital requirements based on internal methodologies that reflect the Bank's perspective and exposure to each risk. Quantification methodologies are reviewed and discussed in Steering Committees, in order to address supervisor and internal audit recommendations and guidelines, improve the quality of models and ensure integration with risk management.

- **Definition of macroeconomic scenarios:** CGD presents a critical view of the evolution of internal capital and the respective capital requirements for both base and adverse scenarios. In the context of the annual internal capital adequacy assessment process, the baseline scenario is reviewed and applied within the scope of budget planning. In turn, the adverse scenario, which includes both a systemic perspective and events of an idiosyncratic nature, is based on a narrative oriented towards CGD's concerns, discussed in the context of the annual review of the Recovery Plan and updated, whenever justified, within the framework of the ICAAP.
- **Projections of financial statements and capital:** based on macroeconomic scenarios, CGD projects, over a three-year period, internal capital and capital requirements under normal and adverse conditions. The financial projections of the base scenario are consistent with those of the Budget, while the projections underlying the adverse scenario are prepared internally based on statistical models whose methodology, assumptions and results are reviewed and discussed with various areas of the bank, including the Finance Management divisions, Risk, Financial Markets, Planning and Accounting.
- **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, within the scope of its internal control functions, the Compliance Division monitors and analyzes the ICAAP process in order to assess compliance with legal and regulatory requirements and internal policies.

With reference to December 31, 2023, internal capital needs were measured for the following risk categories:

- Credit Risk (including the subcategories of default, sovereign, real estate and credit concentration risk);
- Market Risk (including CVA, exchange rate risk and credit spread risk of the banking book);
- Reputational Risk;
- Strategy and business risk;
- Interest Rate Risk of the banking book;
- Operational Risk;
- Pension Fund Risk;
- Compliance Risk and Internal Government Risk;
- IT risk.

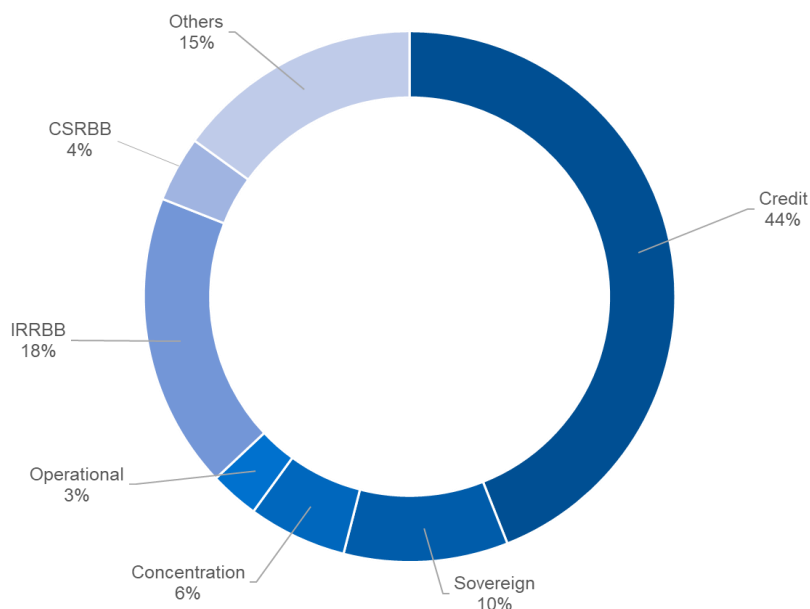
Capital adequacy is assessed by comparing internal capital and internal capital needs determined in accordance with internally defined quantification methodologies.

Internal capital is the amount of capital that the CGD Group holds to ensure that the Bank remains solvent. In other words, it corresponds to the capital available to absorb unexpected losses arising from the risks to which the Bank is or may be exposed in the development of its activity, within the limits of its risk appetite.

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 its definition of capital internal, with the necessary adjustments being applied, particularly at the level of balance sheet items that cannot be considered available to cover losses (including level 2 capital instruments and deferred tax assets), to obtain capital in accordance with the concept of "economic value".

At the end of 2023, internal capital needs corresponded to around 65,9% of available internal capital, demonstrating the bank's solid position, with the following distribution by risk type:

**Figure 2 | Internal capital requirements (Dec22)**



Credit risk, in the subcategory of default risk, is the most relevant, with the respective capital requirements corresponding to around 44% of the Group's total internal capital needs. Capital requirements for market risk (including CVA, foreign exchange risk, credit spread risk and banking book interest rate risk) represent around 28% of internal capital needs, while sovereign risk (including exposure to Central Banks and public sector entities equivalent to central administration) represents 10% of 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 credible protection function. A 3% leverage ratio requirement was also agreed internationally by the BCBS (Basel Committee on Banking Supervision). Therefore, under point 46 of Regulation (EU) 876/2019 amending Regulation (EU) 575/2013 as regards, among others, the leverage ratio, a mandatory minimum ratio requirement came into force in June 2021 3% leverage.

On December 31, 2023, CGD's leverage ratio was 8,7%, indicating that CGD is not at risk of excessive leverage.

**Table 18 | Leverage ratio**

		a	b
		2023-12-31	2022-12-31
10	Total SFT Exposure	295.660	521.638
20	Total derivatives exposures	400.838	349.388
30	Total off-balance exposure	3.645.039	3.526.819
40	Other assets	98.632.618	101.554.663
50	(-) Asset amount deducted - Tier 1	(143.168)	(739.022)
60	(-) Deducted asset value - Tier 1 - transition definition	(143.168)	(739.022)
70	Total exposure Leverage Ratio by fully phased setting	102.830.988	105.213.486
80	Capital Tier 1 - fully phased definition	8.919.514	8.126.369
90	Leverage Ratio (phasing-in)	8,7%	7,7%
100	Total Leverage ratio exposure	102.830.988	105.213.486
110	Tier 1 Capital	8.919.514	8.126.369
<b>120</b>	<b>Leverage Ratio fully (loaded)</b>	<b>8,7%</b>	<b>7,7%</b>

Values in thousand of Euros

In 2023, CGD Group's leverage ratio increased by 1% (from 7,7% in 2022 to 8,7% in 2023). This variation arises both from the decrease, by around 2.382 million euros, in the exposure measure, mainly exposure to sovereigns and institutions, and from the increase in Tier 1 capital (793 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 management bodies and the taking of corrective measures deemed necessary.

In compliance with the provisions of Implementing Regulation (EU) 200/2016 of February 15, 2016, the following tables present the relevant information regarding the leverage ratio:

**Table 19 | EU LR1 Summary reconciliation of accounting assets and leverage ratio exposures**

		a
		Applicable amount
		2023-12-31
1	Total assets as per published financial statements	99.294.005
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(117.885)
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	57.939
9	Adjustment for securities financing transactions (SFTs)	4.301
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3.645.039
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	(52.411)
<b>13</b>	<b>Total exposure measure</b>	<b>102.830.988</b>

Values in thousand of Euros

**Table 20 | EU LR2 Leverage ratio common disclosure**

		a	b
		CRR leverage ratio exposures	
		2022-12-31	2021-12-31
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	98.652.361	101.573.355
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)	(19.743)	(18.692)
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)	(143.168)	(739.022)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	98.489.450	100.815.641

		a	b
		CRR leverage ratio exposures	
		2022-12-31	2021-12-31
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	230.436	242.792
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	170.402	106.596
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 Exposure Method)	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	<b>Total derivatives exposures</b>	400.838	349.388
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	291.359	516.672
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	4.301	4.966
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	<b>Total securities financing transaction exposures</b>	295.660	521.638
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	16.339.494	15.446.015
20	(Adjustments for conversion to credit equivalent amounts)	(12.694.455)	(11.919.196)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	<b>Off-balance sheet exposures</b>	3.645.039	3.526.819
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

		a	b
		CRR leverage ratio exposures	
		2022-12-31	2021-12-31
<b>Capital and total exposure measure</b>			
23	Tier 1 capital	8.919.514	8.126.369
24	Total exposure measure	102.830.988	105.213.486
<b>Leverage ratio</b>			
25	Leverage ratio	8,7%	7,7%
EU-25	Leverage ratio <b>excluding the impact of the exemption of public sector investments and promotional loans</b> (%)	8,7%	7,7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8,7%	7,7%
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%
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
<b>Disclosure of mean values</b>			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash <b>receivables</b>	151.241	400.039
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	291.359	516.672
30	Total <b>measure</b> (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)	102.690.870	105.096.854
30a	Total <b>exposure measure</b> (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)	102.690.870	105.096.854
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)	8,7%	7,7%
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	8,7%	7,7%

Value in thousand of Euros

**Table 21 | EU LR3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**

		a
		CRR leverage ratio exposures
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>98.632.618</b>
EU-2	Trading book exposures	140.080
EU-3	Banking book exposures, of which:	98.492.538
EU-4	Covered bonds	93.730
EU-5	Exposures treated as sovereigns	42.261.289
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	2.746.662
EU-7	Institutions	1.741.864
EU-8	Secured by mortgages of immovable properties	27.944.369
EU-9	Retail exposures	6.118.268
EU-10	Corporates	11.930.431
EU-11	Exposures in default	328.345
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5.327.580

Values in thousand of euros

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

### Regulatory framework

The **Single Resolution Mechanism (SRM)** – 2<sup>nd</sup> 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 held:

- 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 fulfilled the binding intermediate requirement, presenting instruments eligible for MREL 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:

In March 2023, CGD was notified regarding the new binding MREL decision that determined compliance with the following MREL requirements, as of January 1, 2024:

- 22,94% of total risk-weighted assets, plus a combined Capital Reserve requirement of 3,25%, corresponding to a total requirement of 26,19%<sup>6</sup>;
- 6,27% of total leverage ratio exposure.

In January 2024, CGD was notified regarding the new binding MREL decision determined by the CUR, which revokes and replaces the one received in 2023, establishing compliance with the following MREL requirements, on a permanent basis:

- 23,08% of total risk-weighted assets, plus a combined Capital Reserve requirement of 3,25%, corresponding to a total requirement of 26,33%;

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<sup>6</sup> The reported value was 26,44%, however with the reduction of the O-SII requirement by 0,25%, it stood at 26,19%.

- 6,31% of total leverage ratio exposure.

**Table 22 | EU KM2 Main Indicators - MREL**

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
	Own funds and eligible liabilities, ratios and components	
1	Own funds and eligible liabilities	9.177.903
EU-1a	Of which own funds and subordinated liabilities	7.835.919
2	Total risk exposure amount of the resolution group (TREA)	33.961.949
3	Own funds and eligible liabilities as a percentage of the TREA	27,02%
EU-3a	Of which own funds and subordinated liabilities	23,07%
4	Total exposure measure (TEM) of the resolution group	90.853.460
5	Own funds and eligible liabilities as percentage of the TEM	10,10%
EU-5a	Of which own funds or subordinated liabilities	8,62%
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL expressed as a percentage of the TREA	26,19%
EU-8	Of which to be met with own funds or subordinated liabilities	N.A.
EU-9	MREL expressed as a percentage of the TEM	6,27%
EU-10	Of which to be met with own funds or subordinated liabilities	N.A.

Values in thousands of Euros

The organic generation of capital contributed to meeting the MREL requirements, namely through retained net profits and the implementation of a financing plan that allowed a gradual convergence with the requirement stipulated for January 2024.

The table below provides details of the elements eligible for MREL:

**Table 23 | EU TLAC1 Composition - MREL**

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
<b>Own funds and eligible liabilities and adjustments</b>		
1	Common Equity Tier 1 capital (CET1)	7.735.919
2	Additional Tier 1 capital (AT1)	0
3	Empty set in the EU	
4	Empty set in the EU	
5	Empty set in the EU	
6	Tier 2 capital (T2)	83.461
7	Empty set in the EU	
8	Empty set in the EU	
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	7.819.380
<b>Own funds and eligible liabilities: Non-regulatory capital elements</b>		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	16.539
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	0
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)	0
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	0
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	1.331.984
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	10.000
14	Amount of non subordinated eligible liabilities instruments, where applicable after application of Article 72b (3) CRR	1.341.984
15	Empty set in the EU	
16	Empty set in the EU	
17	Eligible liabilities items before adjustments	1.358.523
EU-17a	Of which subordinated liabilities items	16.539

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
<b>Own funds and eligible liabilities: Adjustments to non-regulatory capital elements</b>		
18	Own funds and eligible liabilities items before adjustments	9.177.903
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	
21	Empty set in the EU	
22	Own funds and eligible liabilities after adjustments	9.177.903
EU-22a	Of which: own funds and subordinated liabilities	7.835.919
<b>Risk-weighted exposure amount and leverage exposure measure of the resolution group</b>		
23	Total risk exposure amount (TREA)	33.961.949
24	Total exposure measure (TEM)	90.853.460
<b>Ratio of own funds and eligible liabilities</b>		
25	Own funds and eligible liabilities as a percentage of TREA	27,02%
EU-25a	Of which own funds and subordinated liabilities	23,07%
26	Own funds and eligible liabilities as a percentage of TEM	10,10%
EU-26a	Of which own funds and subordinated liabilities	8,62%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	0,00%
28	Institution-specific combined buffer requirement	
29	of which capital conservation buffer requirement	
30	of which countercyclical buffer requirement	
31	of which systemic risk buffer requirement	
EU-31a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
<b>Memorandum items</b>		
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013	

Values in thousands of euros

In compliance with what is defined in article 45.<sup>o</sup>-I, no. 3, subparagraph b), of Directive 2014/59/EU, below we present the details of the instruments eligible for MREL by category, for the purposes of insolvency and period of residual maturity:

**Table 24 | EU TLAC3b Creditor ranking – resolution entity**

1	Category description for insolvency purposes	Insolvency ranking			Total
		1	3	9	
		CET1 Instruments	Tier 2 Instruments	Common credits	
2	Empty set in the EU				
3	Empty set in the EU				
4	Empty set in the EU				
5	Own funds and liabilities potentially eligible for meeting MREL	7.808.592	100.000	1.341.984	9.250.576
6	of which residual maturity $\geq 1$ year < 2 years	0	0	0	0
7	of which residual maturity $\geq 2$ year < 5 years	0	100.000	1.331.984	1.431.984
8	of which residual maturity $\geq 5$ years < 10 years	0	0	0	0
9	of which residual maturity $\geq 10$ years, but excluding perpetual securities	0	0	10.000	10.000
10	of which perpetual securities	7.808.592	0	0	7.808.592

Values in thousand of Euros

## 6. Credit Risk

This chapter intends to comply with the duties to disclose information, as per Article 442 of the CRR. The information on credit risk included in the following items of this chapter refers only to instruments encompassed by Part III, Title II, Section 2, namely credit risk under the 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 entities 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)**

DGR intervenes, within the scope of the credit risk management process, in the credit granting and subsequent monitoring phases, both from a client/operation perspective and from a credit portfolio perspective, through: i) the definition of internal models risk assessment for credit to individuals (scoring) and participation in the development of credit granting policies and rules; ii) monitoring and global control of CGD Group's credit risk across credit portfolios, products and business units; iii) the identification of customers at increased risk of default, through the detection of early warning signs; iv) the assessment and validation of individual impairment; v) determination of impairment for all segments of the credit portfolio; vi) assessment of compliance with the limits defined for Major Risks; viii) assessment of compliance with the criteria for identifying customers in financial difficulties and classifying credit as restructured due to financial difficulties; viii) evaluation of the rules for activating default and NPE classifications.

The DGR may also propose the approval and review of policies and guidelines within the scope of the Group's credit risk management.

- **Rating Division (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.

In relation to granting credit, these units participate in all phases of the risk management process. In this context, they are responsible, namely for collecting information necessary to

evaluate credit proposals; analysis and issuance of commercial and/or technical opinions on the economic and financial capacity of debtors and proponents; and approval or obtaining of the necessary approvals for credit operations, taking into account the regulations in force.

- **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 that have not registered a significant increase in credit risk, compared to origination, provisions are measured at a value equivalent to the expected credit 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 no. 47-A of Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013.

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**<sup>7</sup> 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.

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<sup>7</sup> Information complemented by that contained in the annex to the consolidated financial statements of the report and accounts, point "6. Nature of the main judgments, estimates and assumptions used in determining Impairment" and following.

In the impairment model, additional disaggregation of exposure is undertaken in accordance with the following criteria<sup>8</sup>:

- 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.

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

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<sup>8</sup> Information supplemented by the Notes to the consolidated financial statements of the Annual Report, item 7 – “Description of methods to calculate impairment, including the way in which the portfolios are segmented, to reflect the different credit characteristics”.

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 2023, 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 December 31, 2023, the value of the risk position, net of value corrections and provisions, not considering risk mitigation techniques and considering the value of off-balance sheet exposure before applying the conversion coefficients into credit equivalents (CCF) - was EUR 113.981 million euros and was distributed across the risk classes defined in article 112 of regulation (EU) 575/2013 as shown in the following table.

**Table 25 | Total amount and average exposure amount**

		a	b
		Net exposure	Net exposure (period average)
<b>10</b>	<b>Exposure classes:</b>		
20	Central governments or central banks	41.635.209	39.566.027
30	Regional government or local authorities	2.076.933	2.095.748
40	Public sector entities	1.348.125	1.384.426
50	Multilateral development banks	0	0
60	International organisations	620.157	625.843
70	Institutions	1.938.200	2.798.274
80	Corporates	21.255.984	20.379.281
90	Retail	10.793.894	10.984.244
100	Exposures secured by mortgages on immovable property	28.298.044	28.223.980
110	Exposures in default	483.628	623.280
120	Exposures associated with particular high risk	1.782.791	1.865.685
130	Exposures in form of covered bonds	93.730	38.272
140	Institutions and corporates with a short-term credit assessment	0	0
150	Exposures in form of units or share in collective investment undertakings	907.161	1.047.073
160	Equity	721.479	766.543
170	Other items	2.025.398	2.038.132
<b>180</b>	<b>Total exposure value</b>	<b>113.980.733</b>	<b>112.436.806</b>

Values in thousand of euros

Compared to December 31, 2022, the value of the risk position net of impairment registered a decrease of around EUR 365 million (-0,3%), of which EUR 1.910 million refers to positions on institutions. It is also worth highlighting the decrease in exposure observed in the retail risk classes (EUR 594M), positions guaranteed by real estate (EUR 390M) and administration and central banks (EUR 374M). Exposure to the Overdue Items risk class decreased by around EUR 250 million, reflecting both the continued implementation of the non-performing asset reduction plan and the

increase in impairment coverage, which also reflects the reinforcement necessary to comply with minimum requirements impairment coverage (backstops).

On the other hand, exposure to the corporate risk class increased by EUR 1.924M and the exposure allocated to the other elements risk class increased by EUR 355M, as a result of the transfer of a set of tangible assets from the extinct Pension Fund and the inclusion of part of the intangible assets of the Group.

Structurally, a concentration of positions is maintained in the risk classes Central Governments or Central Banks, Positions Guaranteed by Real Estate, Companies, and Retail which, together, represent around 89,5% of the CGD Group's net exposure.

The amount of net position associated with the Asset is mainly concentrated in the risk classes Central Governments or Central Banks (41,0%), Positions Guaranteed by Real Estate (27,6%), Companies (11,8%) and Portfolio Retail (6,0%) which globally represents around 86,6% of active exposure. For off-balance sheet items, the Corporate (65,3%) and Retail (32,7%) risk classes contribute 98,0% of the balance.

In compliance with the requirements of article 442, paragraph a), of the CRR, CGD applies the same definition of “default” used for management purposes, at an internal level of credit risk, incorporating the specificities set out in the EBA publication “ EBA Final Report - Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013 (EBA/GL/2016/07 of 28/09/2016)”, in addition to that specified in articles 127 and 178 of Regulation (EU) 575/2013, which determines that a situation of default occurs, with regard to a given debtor, when at least one of the following situations is observed:

- i) The debtor registers a material delay of more than 90 consecutive days in relation to a significant credit obligation towards 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 26 | EU CR2 Changes in the stock of non-performing loans and advances**

		<b>a</b>
		<b>Gross carrying amount</b>
<b>10</b>	<b>Initial stock of non-performing loans and advances</b>	<b>1.853.688</b>
20	Inflows to non-performing portfolios	376.418
30	Outflows from non-performing portfolios	(997.080)
40	Outflows due to write-offs	(265.207)
50	Outflow due to other situations	(731.874)
<b>60</b>	<b>Final stock of non-performing loans and advances</b>	<b>1.233.026</b>

Values in thousand of Euros

The table below presents the details of productive and non-productive exposures, credit risk adjustments and financial guarantees and collateral received by type of exposure in accordance with the provisions of article 442, paragraph c) and e), of the CRR. As of December 31, 2023, 14% of off-balance sheet exposures and 86% of on-balance sheet exposures contribute to the composition of the CGD Group's portfolio, of which 46% relate to Loans and advances.

**Table 27 | 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					
5	<b>Cash balances at central banks and other demand deposits</b>	<b>23.372.611</b>	<b>23.372.611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
10	<b>Loans and advances</b>	<b>50.311.312</b>	<b>45.056.854</b>	<b>5.254.458</b>	<b>1.233.026</b>	<b>0</b>	<b>1.233.026</b>	<b>1.223.117</b>	<b>371.771</b>	<b>851.347</b>	<b>900.010</b>	<b>0</b>	<b>900.010</b>	<b>127.041</b>	<b>35.140.777</b>	<b>258.909</b>
20	Central banks	1.084.668	1.084.668	0	0	0	0	0	0	0	0	0	0	0	0	
30	General governments	3.356.473	3.320.121	36.352	6.004	0	6.004	3.406	2.499	907	3.699	0	3.699	0	2.084.364	1.429
40	Credit institutions	1.052.872	1.052.871	1	7	0	7	553	553	0	5	0	5	0	137	3
50	Other financial corporations	389.398	368.435	20.962	7.299	0	7.299	2.197	1.096	1.101	4.747	0	4.747	0	73.030	1.506
60	Non-financial corporations	14.554.090	12.559.016	1.995.074	827.163	0	827.163	504.106	187.228	316.878	600.842	0	600.842	127.031	6.544.904	163.904
70	Of which SMEs	9.097.345	7.606.871	1.490.474	579.361	0	579.361	323.885	126.608	197.278	459.114	0	459.114	77.065	4.839.804	75.311
80	Households	29.873.811	26.671.742	3.202.069	392.553	0	392.553	712.855	180.395	532.460	290.716	0	290.716	10	26.438.343	92.067
90	<b>Debt securities</b>	<b>20.150.947</b>	<b>19.956.916</b>	<b>194.031</b>	<b>28.876</b>	<b>0</b>	<b>28.876</b>	<b>58.494</b>	<b>48.097</b>	<b>10.396</b>	<b>16.607</b>	<b>0</b>	<b>16.607</b>	<b>0</b>	<b>0</b>	<b>0</b>
100	Central banks	30.870	30.870	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	15.438.672	15.438.672	0	0	0	0	11.036	11.036	0	0	0	0	0	0	0
120	Credit institutions	712.193	712.193	0	0	0	0	23	23	0	0	0	0	0	0	0
130	Other financial corporations	68.637	68.636	1	0	0	0	520	520	0	0	0	0	0	0	0
140	Non-financial corporations	3.900.575	3.706.545	194.030	28.876	0	28.876	46.914	36.518	10.396	16.607	0	16.607	0	0	0
150	<b>Off-balance-sheet exposures</b>	<b>15.656.130</b>	<b>15.134.421</b>	<b>521.709</b>	<b>412.564</b>	<b>0</b>	<b>412.564</b>	<b>52.756</b>	<b>40.004</b>	<b>12.753</b>	<b>246.683</b>	<b>0</b>	<b>246.683</b>	<b>0</b>	<b>252.233</b>	<b>301</b>
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	694.590	694.584	6	1.014	0	1.014	37	29	7	421	0	421		0	0
180	Credit institutions	191	191	0	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	413.670	413.386	284	997	0	997	3.840	3.834	6	382	0	382		0	0
200	Non-financial corporations	11.303.653	10.874.476	429.177	403.200	0	403.200	46.347	34.475	11.872	243.245	0	243.245		3.108	242
210	Households	3.244.026	3.151.784	92.241	7.354	0	7.354	2.533	1.666	867	2.635	0	2.635		249.126	58
220	<b>Total</b>	<b>109.491.000</b>	<b>103.520.802</b>	<b>5.970.198</b>	<b>1.674.466</b>	<b>0</b>	<b>1.674.466</b>	<b>1.334.367</b>	<b>459.872</b>	<b>874.495</b>	<b>1.163.301</b>	<b>0</b>	<b>1.163.301</b>		<b>35.393.011</b>	<b>259.210</b>

Values in thousand of Euros

Around 43% of defaulted exposures are represented by exposures not due or less than 90 days old, of which 96% relate to Credits and advances. In relation to the age of productive positions, only 0,3% refer to exposures overdue more than 30 days and less than 90 days. The ratio of the gross value of NPL loans and advances (column (d) line (10)) divided by the total gross value of loans and advances (sum of column (d) line (10) plus column (a) line (10)), from the previous table, is 2,39%. This ratio compares favorably with the same ratio as of December 31, 2022, of 3,40%, due to a significant reduction in NPL during 2023. Both ratios are below the 5% threshold as defined in article 8, no. 3, of Regulation (EU) 2021/637.

The table below details the productive and non-productive exposures for days of non-compliance in accordance with the provisions of article 442, paragraph d), of the CRR.

**Table 28 | EU CQ3 Credit quality of performing and non-performing exposures by past due days**

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	a	b	c	d	e	f	g	h	i	j	k	l
	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	
<b>5 Cash balances at central banks and other demand deposits</b>	<b>23.372.611</b>	<b>23.372.611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10 Loans and advances</b>	<b>50.311.312</b>	<b>49.980.553</b>	<b>330.759</b>	<b>1.233.026</b>	<b>683.926</b>	<b>89.254</b>	<b>77.216</b>	<b>147.905</b>	<b>130.331</b>	<b>33.883</b>	<b>70.511</b>	<b>1.193.129</b>
20 Central banks	1.084.668	1.084.668	0	0	0	0	0	0	0	0	0	0
30 General governments	3.356.473	3.356.228	245	6.004	3.392	184	0	572	1.108	0	748	6.004
40 Credit institutions	1.052.872	1.052.872	0	7	7	0	0	0	0	0	0	7
50 Other financial corporations	389.398	389.338	60	7.299	4.257	99	1	0	2.791	151	0	7.299
60 Non-financial corporations	14.554.090	14.368.700	185.389	827.163	488.828	51.443	48.355	96.647	92.560	19.055	30.273	789.915
70 Of which SMEs	9.097.345	8.995.834	101.511	579.361	280.154	46.239	47.717	92.395	75.956	11.809	25.091	567.916
80 Households	29.873.811	29.728.745	145.066	392.553	187.442	37.527	28.859	50.686	33.873	14.677	39.490	389.904
<b>90 Debt securities</b>	<b>20.150.947</b>	<b>20.150.947</b>	<b>0</b>	<b>28.876</b>	<b>27.894</b>	<b>0</b>	<b>0</b>	<b>983</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28.876</b>
100 Central banks	30.870	30.870	0	0	0	0	0	0	0	0	0	0
110 General governments	15.438.672	15.438.672	0	0	0	0	0	0	0	0	0	0
120 Credit institutions	712.193	712.193	0	0	0	0	0	0	0	0	0	0
130 Other financial corporations	68.637	68.637	0	0	0	0	0	0	0	0	0	0
140 Non-financial corporations	3.900.575	3.900.575	0	28.876	27.894	0	0	983	0	0	0	28.876
<b>150 Off-balance-sheet exposures</b>	<b>15.656.130</b>			<b>412.564</b>								<b>412.492</b>
160 Central banks	0			0								0
170 General governments	694.590			1.014								1.014
180 Credit institutions	191			0								0
190 Other financial corporations	413.670			997								997
200 Non-financial corporations	11.303.653			403.200								403.143
210 Households	3.244.026			7.354								7.339
<b>220 Total</b>	<b>109.491.000</b>	<b>93.504.111</b>	<b>330.759</b>	<b>1.674.466</b>	<b>711.820</b>	<b>89.254</b>	<b>77.216</b>	<b>148.888</b>	<b>130.331</b>	<b>33.883</b>	<b>70.511</b>	<b>1.634.498</b>

Values in thousand of Euros

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

**Table 29 | 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
10	Loans and advances	196.630	4.898.537	7.578.840	34.950.292	1.796.911	49.421.211
20	Debt securities	5.671	1.525.492	3.226.008	3.406.438	10.852	8.174.461
<b>30</b>	<b>Total</b>	<b>202.300</b>	<b>6.424.030</b>	<b>10.804.848</b>	<b>38.356.730</b>	<b>1.807.763</b>	<b>57.595.672</b>

Values in thousand of Euros

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

**Table 30 | 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								
5	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
10	Loans and advances	877.144	615.824	615.824	615.824	188.385	495.124	725.951	105.539
20	Central banks	0	0	0	0	0	0	0	0
30	General governments	35.199	201	201	201	56	0	30.702	0
40	Credit institutions	0	7	7	7	0	5	5	3
50	Other financial corporations	1.315	0	0	0	38	0	15	0
60	Non-financial corporations	375.093	431.238	431.238	431.238	86.987	350.187	298.347	68.645
70	Households	465.538	184.378	184.378	184.378	101.304	144.932	396.882	36.892
<b>80</b>	<b>Debt Securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
90	Loan commitments given	1.533	965	965	965	10	10	0	0
<b>100</b>	<b>Total</b>	<b>878.678</b>	<b>616.789</b>	<b>616.789</b>	<b>616.789</b>	<b>188.395</b>	<b>495.134</b>	<b>725.951</b>	<b>105.539</b>

Values in thousand of Euros

In compliance with Article 442(c), the following table provides an overview of the guarantees obtained through acquisition of possession and enforcement processes.

**Table 31 | EU CQ7 Collateral obtained by taking possession and execution processes**

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
<b>010</b>	<b>Property plant and equipment (PP&amp;E)</b>	<b>0</b>	<b>0</b>
<b>020</b>	<b>Other than PP&amp;E</b>	<b>254.014</b>	<b>(155.194)</b>
030	Residential immovable property	78.380	(31.157)
040	Commercial Immovable property	175.034	(123.813)
050	Movable property (auto, shipping, etc.)	600	(224)
060	Equity and debt instruments	0	0
070	Other collateral	0	0
<b>080</b>	<b>Total</b>	<b>254.014</b>	<b>(155.194)</b>

Values in thousand of Euros

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

Regarding the geographical distribution of exhibitions, with regard to Europe, the positions vis-à-vis counterparties based in Portugal, France and Spain stand out, which together represent around 79% of CGD Group's exhibitions. The geographies outside Europe with the greatest weight are Macau, representing 5% and the PALOPs, representing 6%, with Mozambique having the greatest weight, with 3%.

The table below presents the geographical breakdown in accordance with article 442, paragraphs c) and e), of the CRR.

**Table 32 | 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			
<b>10</b>	<b>On balance sheet exposures</b>	<b>71.724.162</b>	<b>1.222.006</b>	<b>2.181.965</b>		<b>2.181.965</b>
20	Portugal	47.379.931	877.804	1.792.672		632
30	France	4.511.977	91.936	79.123		10
40	Spain	3.697.736	28.499	37.907		3
50	Other countries European Union	5.328.974	5.100	22.980		3
60	Macao	3.142.063	45.985	40.759		0
70	Timor	47.206	1	931		0
80	Mozambique	2.292.969	83.719	98.292		0
90	Angola	1.247.317	5.020	25.737		0
100	Cape Green	1.270.615	32.650	26.546		0
110	Brazil	386.049	43.344	10.871		15.594
120	Other countries	2.419.324	7.947	46.148		21
<b>130</b>	<b>Off balance sheet exposures</b>	<b>16.068.694</b>	<b>412.492</b>		<b>299.440</b>	
140	Portugal	13.776.802	405.403		292.040	
150	France	273.242	3.619		3.012	
160	Spain	50.844	3		129	
170	Other countries European Union	197.303	23		445	
180	Macao	1.235.539	923		1.595	
190	Timor	8.544	0		10	
200	Mozambique	282.910	1.861		1.535	
210	Angola	93.089	5		199	
220	Cape Green	57.537	619		138	
230	Brazil	18.694	2		259	
240	Other countries	74.191	33		78	
<b>250</b>	<b>Total</b>	<b>87.792.856</b>	<b>1.634.498</b>	<b>2.181.965</b>	<b>299.440</b>	<b>2.181.965</b>

Values in thousand of Euros

The composition of the 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, highlighting its diversification, with emphasis on the major sectors such as the manufacturing sector, which represents 15%, construction and real estate activities, which represent 11% and 17%, respectively, and retail trade, which represents 14%.

**Table 33 | 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: non-performing		
010	Agriculture, forestry and fishing	353.983	26.457	27.180	0
020	Mining and quarrying	133.186	15.350	14.163	0
030	Manufacturing	2.268.847	145.036	173.732	0
040	Electricity, gas, steam and air conditioning supply	162.336	306	10.955	0
050	Water supply	260.100	2.509	18.230	0
060	Construction	1.678.839	110.864	125.007	0
070	Wholesale and retail trade	2.133.514	87.367	123.079	0
080	Transport and storage	1.277.701	112.826	124.479	15.594
090	Accommodation and food service activities	911.001	41.809	82.905	0
100	Information and communication	213.710	10.729	10.694	0
110	Real estate activities	528.083	13.803	21.326	0
120	Financial and insurance activities	2.561.080	78.027	106.843	0
130	Professional, scientific and technical activities	713.252	83.890	92.196	0
140	Administrative and support service activities	368.398	6.539	33.147	0
150	Public administration and defense, compulsory social security	928	0	14	0
160	Education	101.776	9.933	10.151	0
170	Human health services and social work activities	240.612	6.044	8.721	0
180	Arts, entertainment and recreation	66.016	7.977	31.576	0
190	Other services	1.407.890	30.448	74.960	0
<b>200</b>	<b>Total</b>	<b>15.381.253</b>	<b>789.915</b>	<b>1.089.355</b>	<b>15.594</b>

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<sup>9</sup>;
- **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.

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

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<sup>9</sup> 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.

- **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 are 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 following table presents the breakdown of the accounting amount of risk exposures (net of impairment), depending on the type of coverage by risk reduction technique, regardless of whether this technique is recognized as eligible in 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, guarantees) and financial guarantees received from mutual guaranteed companies.

As of December 31, 2023, CGD did not have positions covered by credit derivatives

**Table 34 | 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	40.502.727	35.399.687	34.414.222	985.465	0
2	Debt securities	20.179.824	0	0	0	
3	<b>Total</b>	<b>60.682.551</b>	<b>35.399.687</b>	<b>34.414.222</b>	<b>985.465</b>	<b>0</b>
4	Of which non-performing exposures	1.030.506	258.909	216.411	42.499	0
EU-5	Of which defaulted	1.030.506	258.909			

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 35 | EU CR4 Standardised approach -Credit risk exposure and CRM effects**

	Exposure classes	a		b		c		d		e		f	
		Exposures before CCF and before CRM				Exposures post CCF and post CRM				RWAs and RWAs density			
		On-balance-sheet exposures		Off-balance-sheet exposures		On-balance-sheet exposures		Off-balance-sheet exposures		RWAs		RWAs density (%)	
1	Central governments or central banks	41.612.405	22.803	42.488.413	2	5.105.016							12,0%
2	Regional government or local authorities	1.836.596	240.337	1.318.135	7.289	299.208							22,6%
3	Public sector entities	938.793	409.332	1.520.087	185.160	405.671							23,8%
4	Multilateral development banks	0	0	1.148.934	42	0							0,0%
5	International organisations	620.157	0	620.157	0	0							0,0%
6	Institutions	1.768.992	169.208	1.851.635	90.106	622.558							32,1%
7	Corporates	11.930.431	9.325.553	11.145.132	1.800.950	12.229.578							94,5%
8	Retail	6.118.268	4.675.627	4.741.160	261.984	3.287.332							65,7%
9	Secured by mortgages on immovable property	27.944.369	353.675	27.896.865	74.377	9.841.152							35,2%
10	Exposures in default	328.345	155.283	307.090	39.095	371.678							107,4%
11	Exposures associated with particularly high risk	1.094.544	688.247	1.038.780	21.613	1.590.590							150,0%
12	Covered bonds	93.730	0	93.730	0	9.373							10,0%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0							0,0%
14	Collective investment undertakings	907.161	0	907.161	0	877.423							96,7%
15	Equity	721.479	0	721.479	0	1.377.816							191,0%
16	Other items	2.025.398	0	2.025.398	0	1.267.962							62,6%
17	<b>TOTAL</b>	<b>97.940.668</b>	<b>16.040.065</b>	<b>97.824.157</b>	<b>2.480.617</b>	<b>37.285.356</b>							<b>37,2%</b>

Values in thousand of Euros

**Personal guarantees**, with replacement effect, amount to EUR 4.728 million and are particularly relevant in positions on Central Governments (Sovereigns), Companies and Retail, with the main protection providers being Central Governments (Sovereigns), the Mutual Counter guarantee Fund and the European Investment Fund (EIF), falling into the Public Sector Entities and Multilateral Development Banks risk classes, respectively.

With regard to **financial collateral**, around 61% 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, paragraph e), of the CRR, by class and risk weight the value of risk exposures net of impairment and after application of risk reduction techniques and conversion factors in credit equivalents (CCF) of off-balance sheet items. It should be noted that, in the risk classes Central Governments or Central Banks and Shares, assets not deducted from own funds were included, namely deferred tax assets and investments in entities in the financial sector, respectively, weighted at 250%. The 1250% weighted exposure refers to positions in collective investment undertakings where the recourse approach has been applied.

Table 36 | EU CR5 Standard Method - Breakdown of the risk position

Exposure classes	Risk weight												Total	Of which unrated
	0%	10%	20%	35%	50%	75%	100%	150%	250%	370%	1250%	Others		
	a	d	e	f	g	i	j	k	l	m	n	o		
1 Central governments or central banks	39.124.074	0	3.888	0	0	0	1.236.339	1.442.387	681.728	0	0	0	42.488.415	38.916
2 Regional government or local authorities	6.491	0	1.282.721	0	0	0	23.306	12.905	0	0	0	0	1.325.424	1.318.932
3 Public sector entities	1.082.719	0	1.130	0	490.985	0	71.337	59.077	0	0	0	0	1.705.247	1.705.247
4 Multilateral development banks	1.148.976	0	0	0	0	0	0	0	0	0	0	0	1.148.976	1.148.976
5 International organisations	620.157	0	0	0	0	0	0	0	0	0	0	0	620.157	620.157
6 Institutions	0	0	1.329.244	0	512.186	0	99.702	609	0	0	0	0	1.941.741	829.252
7 Corporates	0	0	26.896	0	69.907	0	12.505.895	343.384	0	0	0	0	12.946.082	11.906.570
8 Retail exposures	0	0	0	0	0	5.003.144	0	0	0	0	0	0	5.003.144	5.003.144
9 Exposures secured by mortgages on immovable property	0	0	0	26.388.235	1.583.007	0	0	0	0	0	0	0	27.971.242	27.971.242
10 Exposures in default	0	0	0	0	0	0	295.198	50.986	0	0	0	0	346.185	346.185
11 Exposures associated with particularly high risk	0	0	0	0	0	0	0	1.060.393	0	0	0	0	1.060.393	1.060.393
12 Covered bonds	0	93.730	0	0	0	0	0	0	0	0	0	0	93.730	(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
14 Units or shares in collective investment undertakings	77.020	0	29.893	0	9.883	0	578.613	118.414	0	0	150	93.188	907.161	763.022
15 Equity exposures	0	0	0	0	0	0	283.921	0	437.558	0	0	0	721.479	721.479
16 Other items	700.043	0	72.161	0	0	0	1.252.520	673	0	0	0	0	2.025.398	2.025.398
<b>17 TOTAL</b>	<b>42.759.480</b>	<b>93.730</b>	<b>2.745.933</b>	<b>26.388.235</b>	<b>2.665.967</b>	<b>5.003.144</b>	<b>16.346.832</b>	<b>3.088.829</b>	<b>1.119.285</b>	<b>0</b>	<b>150</b>	<b>93.188</b>	<b>100.304.774</b>	<b>55.458.913</b>

Values in thousands of Euros

In view of the weight of exposure, direct and indirect, on central administrations and similar entities (public sector entities that, under article 116 (4) of the CRR, benefit from the weighting applicable to the respective central administration), and the materiality of the deposits at Banco de Portugal and guarantees provided by the Counter-Guarantee Fund and the EIF, around 42,6% of the CGD Group's risk positions are weighted at 0%.

**Mortgage credit**, which, in 2023, recorded a decrease of around 587 million euros, is typically weighted at 35% (weight applicable to positions guaranteed by residential property) and represents around a quarter (26,3%) of total risk exposures.

Positions weighted at 100%, around 16,3%, mostly correspond to risk positions on companies, positions on central governments or central banks whose credit quality level, resulting from the external rating, is 4 or 5 and deferred tax assets, overdue positions with impairment coverage greater than 20%, equity participations 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 20%, as a result of the decrease in exposure to institutions, in contrast to the increase in the weight of exposure weighted at 100%.

It is also worth mentioning the decrease in exposure weighted to 100%, reflecting the improvement in Portugal's external rating, which made it possible to review, from 100% to 50%, the risk weight applicable to positions on entities in the Portuguese public sector.

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

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

On what:

RC = replacement cost;

PEF = potential future exposure;

$\alpha = 1.4$

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 37 | 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-1 EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU-2 EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1 SA-CCR (for derivatives)	77.412	38.919		1.4	162.864	162.864	160.717	101.745
2 IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a Of which securities financing transactions netting sets			0		0	0	0	0
2b Of which derivatives and long settlement transactions netting sets			0		0	0	0	0
2c Of which from contractual cross-product netting sets			0		0	0	0	0
3 Financial collateral simple method (for SFTs)					0	0	0	0
4 Financial collateral comprehensive method (for SFTs)					474.819	474.819	474.819	686.567
5 VaR for SFTs					0	0	0	0
6 <b>Total</b>					<b>637.682</b>	<b>637.682</b>	<b>635.536</b>	<b>788.312</b>

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 ( $\alpha$ ) 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 38 | 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 3x multiplier)		0
3	(ii) stressed VaR component (including the 3x multiplier)		0
4	Transactions subject to the Standardised method	78.197	19.514
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	<b>Total transactions subject to own funds requirements for CVA risk</b>	<b>78.197</b>	<b>19.514</b>

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 39 | EU CCR8 Exposures to CCPs**

	a	b
	Exposure value	RWEA
<b>1 Exposures to QCCPs (total)</b>		<b>7.003</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	199.972	3.999
3 (i) OTC derivatives	199.972	3.999
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	3.874	
8 Non-segregated initial margin	0	0
9 Prefunded default fund contributions	60.436	3.003
10 Unfunded default fund contributions	0	0
<b>11 Exposures to non-QCCPs (total)</b>		<b>0</b>
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13 (i) OTC derivatives	0	0
14 (ii) Exchange-traded derivatives	0	0
15 (iii) SFTs	0	0
16 (iv) Netting sets where cross-product netting has been approved	0	0
17 Segregated initial margin	0	
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 40 | EU CCR3 Standardised approach – CCR exposures by regulatory exposure class and risk weights**

	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
		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	72.063	178.750	0	250.813
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	15.341	0	0	0	0	0	0	0	0	0	0	15.341
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	199.972	0	0	21.170	41.550	0	0	19.483	0	0	282.175
7	Corporates	0	0	0	0	0	1.550	0	0	95.792	0	0	97.341
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	472	0	472
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	<b>Total exposure value</b>	15.341	199.972	0	0	21.170	43.099	0	0	187.338	179.222	0	646.142

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 41 | EU CCR5 Composition of collateral for CCR exposures**

	Collateral type	a	b	c	d	e	f	g	h
		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	249.309	109.157	1.561	25.567	0	40.546	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
<b>9</b>	<b>Total</b>	<b>249.309</b>	<b>109.157</b>	<b>1.561</b>	<b>25.567</b>	<b>0</b>	<b>40.546</b>	<b>0</b>	<b>0</b>

Values in thousands of Euros

As of December 31, 2023, CGD did not have positions in credit derivatives and 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 assignor or originator, maintained until August 22, 2022 the asset securitization operation of “Nostrum Mortgages 2010-2”. This securitization, which began in 2010, had as its main objective the optimization of its funding and more adequate risk management.

As of December 31, 2023, CGD did not have any securitization position in which it acted as originator.

#### 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 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 42 | EU SEC1 Securitisation exposures in the non-trading book**

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor				
		Traditional				Synthetic			Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS		of which SRT	STS	Non-STS		STS	Non-STS			STS	Non-STS		
of which SRT	of which SRT	of which SRT															
1	<b>Total exposures</b>	0	0	0	0	0	0	0	0	971	0	971	0	0	0	0	
2	<b>Retail (total)</b>	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	<b>Wholesale (total)</b>	0	0	0	0	0	0	0	0	971	0	971	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	971	0	971	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 previously.

As of December 31, 2023, CGD held only one residual position in securitization positions, EUR 971 thousand, of which 90% were in the RW range of less than 20%, with the implicit RW of this portfolio being around 81%.

**Table 43 | 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	<b>Total exposures</b>	875	0	0	0	96	0	971	367	96	29	93
2	Traditional securitisation	875	0	0	0	96	0	971	367	96	29	93
3	Securitisation	875	0	0	0	96	0	971	367	96	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	875	0	0	0	96	0	971	367	96	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

Given that it does not hold securitized assets in which it acts as a transferor and considering the reduced materiality of the securitization position in which CGD acts as an investor, CGD does not disclose, in compliance with article 432 of the CRR regarding non-relevant information, all the

requirements of disclosure of information on securitization positions provided for in article 449 of the CRR.

The information disclosed in this chapter is also complemented with that contained in the 2023 Report and Accounts (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

Liquidity Risk refers to the risk of negative impacts on results or capital resulting from insufficient liquidity to face adverse events of idiosyncratic or systemic origin.

The management strategy and liquidity risk tolerance are established in accordance with the CGD Group's risk appetite statement, and are based on three basic pillars:

- Maintenance of a stable, solid and safe liquidity profile, which guarantees adequate capacity to face situations of heightened liquidity tension;
- Maintaining stable financing sources and an adequate liquidity reserve, through the adoption of a proactive and market-oriented approach that enables the adaptation of the Institution's balance sheet structure to exist conditions;
- Controlling the risk exposure of the Group's international entities and maintaining their independence both in terms of fundraising and in terms of capital adequacy.

For the purposes of implementing what is established in the CGD Group's risk appetite statement, each entity, under the coordination of the local person responsible for the Risk Management Function (FGR), defines and formalizes a specific liquidity risk appetite framework, incorporating, whenever applicable, the transversal metrics, limits and tolerance levels communicated by the DGR, as well as the set of metrics and respective limits appropriate to the entity's strategy, as formalized and approved by its Management Body.

With regard to the governance model in managing liquidity risk, the Delegate Council for Capital, Assets and Liabilities Management (CALCO) is responsible for acting as a deliberative body of the CGD Executive Committee responsible for assessing and monitoring the process of integrated management of capital, assets and liabilities (ALM - Capital, Asset-Liability Management), with a view to proactively managing the balance sheet and profitability of the CGD Group, the provisions of the following paragraphs regarding liquidity risk management:

- a) Consider and deliberate on proposals for strategic guidelines for the CGD Group's financing and liquidity policy, defining objectives for liquidity indicators and general guidelines on financing matters, namely the wholesale financing program;
- b) Regularly assess the liquidity situation, in consolidated terms and on an individual basis for the various CGD Group Entities, taking the necessary measures to ensure compliance with the defined objectives and guidelines, as well as compliance with regulatory determinations issued by supervisory entities;
- c) Approve and review contingency plans to deal with unanticipated liquidity situations.

The DGR, in conjunction with CGD's Chief Risk Officer (CRO), is responsible for ensuring the existence of an adequate and effective liquidity risk management process at the level of the CGD Group, being responsible for developing and presenting specific proposals with a view to defining and establishing the policies and procedures necessary for rigorous and robust risk management in its various dimensions, as well as ensuring their appropriate documentation.

The Financial Markets Division (DMF) is responsible for monitoring liquidity risk, within the scope of ALM activity, from the individual perspective of CGD and the consolidated perspective of the CGD Group, namely by monitoring risk appetite indicators and other regulatory ratios, as well as how to

establish corporate policies, within the scope of the Management's specific functions, supporting the Group's entities in their transposition.

It is the responsibility of the Board of Directors of each Group Entity to ensure the existence of an adequate and effective liquidity risk management process in the respective entities, in a manner consistent and articulated with the process implemented by the parent company and in compliance with the policy requirements.

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.

## 10.2 Qualitative data

The tables below concern 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 the CGD Group's encumbered and unencumbered assets.

**Table 44 | EU AE1 Encumbered and unencumbered assets**

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA 030	040	of which notionally eligible EHQLA and HQLA 050	060	of which EHQLA and HQLA 080	090	of which EHQLA and HQLA 100
<b>010 Assets of the reporting institution</b>	<b>3.206.155</b>	<b>2.303.300</b>			<b>95.003.478</b>	<b>11.822.074</b>		
030 Equity instruments	0	0	0	0	1.038.264	0	1.038.264	0
040 Debt securities	1.607.766	1.556.942	1.607.766	1.556.942	19.352.277	11.781.142	19.352.277	11.781.142
050 of which: covered bonds	0	0	0	0	71.351	48.844	71.351	48.844
060 of which: securitisations	0	0	0	0	27.837	0	27.837	0
070 of which: issued by general governments	1.601.157	1.556.942	1.601.157	1.556.942	14.365.229	11.404.416	14.365.229	11.404.416
080 of which: issued by financial corporations	0	0	0	0	1.009.079	24.581	1.009.079	24.581
090 of which: issued by non-financial corporations	3.004	0	3.004	0	3.921.736	411.121	3.921.736	411.121
120 Other assets	1.598.389	746.358			74.612.937	34.693		

Values in thousand of Euros

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

**Table 45 | EU AE2 Collateral received and own debt securities issued**

		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	
		010	of which notionally eligible EHQLA and HQLA 030	040	of which EHQLA and HQLA 060
<b>130</b>	<b>Collateral received by the reporting institution</b>	<b>0</b>	<b>0</b>	<b>40.175</b>	<b>14.531</b>
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	11.313	0
230	Other collateral received	0	0	28.484	14.531
<b>240</b>	<b>Own debt securities issued other than own covered bonds or securitisations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>241</b>	<b>Own covered bonds and asset-backed securities issued and not yet pledged</b>			<b>0</b>	<b>0</b>
<b>250</b>	<b>TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	<b>3.278.545</b>	<b>2.282.397</b>		

Values in thousand of Euros

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

**Table 46 | EU AE3 Sources of encumbrance**

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
<b>010</b>	Carrying amount of selected financial liabilities	453.084	890.734

Values in thousands of Euros

As part 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 proximity monitoring of the risk of asset encumbrance, being assessed not only from the perspective of realized values, but also in terms of the estimates underlying the Group's Financing and Capital Plan.

Therefore, the table below presents the value of the asset encumbrance ratio for the reference date of December 31, 2023, as well as the respective estimates for the 2024 to 2026 time horizon.

**Table 47 | Asset encumbrance ratio**

		Time horizon			
		2023	2024	2025	2026
<b>010</b>	Asset encumbrance ratio	3%	3%	3%	2%

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 financing and a significant capacity to manage adverse situations in wholesale financing markets, due to the ability to resort to guaranteed financing, and ii) that should not have an adverse effect on the “market appetite” for the Institution's unsecured debt.

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 financing and the large and stable base of customer deposits.

With regard to wholesale financing, the main markets used by the Group for this purpose are the mortgage bond market and the repo market. CGD also discloses as other sources of encumbrance the financing obtained from the European Investment Bank (EIB), Operations on Derivatives, and commitments to the Deposit Guarantee Fund, Single Resolution Fund and Investor Compensation System.

In the context of liquidity risk reporting, the year 2023 maintained the different levels of scrutiny and complexity used in 2022, as shown below:

- In 2023, CGD maintained the set of mechanisms and metrics for measuring and monitoring liquidity risk that aim to guarantee the solidity of the Group's framework in assessing risk in particular; Liquidity Coverage Ratio (LCR), minimum liquidity standard within the CRR/CRD IV regulatory framework; Additional Liquidity Monitoring Metrics (monthly frequency) Set of additional liquidity monitoring measures in accordance with paragraph b) of number 3 of Article 415 of Regulation (EU) 575/2013, which includes quantitative data on i) disaggregation of assets, liabilities and liquid assets (counterbalancing capacity) by residual maturity periods of capital 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 (net assets) per issuer/counterparty;
- Net Stable Funding Ratio (NSFR) - prudential ratio that allows assessing the Institution's dependence on stable financing and is calculated by the ratio between the amount of stable financing available and the amount of stable financing required. Calculated within the scope of the CRR2 regulatory framework. According to article 428 of Regulation (EU) 2019/876, the ratio must be greater than or equal to 100% to ensure that the available financing meets the necessary financing, within a time horizon of one year;
- Encumbrance ratio, value of encumbered assets and fair value of guarantees received and reused over total assets and total guarantees received available for encumbrance;
- Internal Liquidity Adequacy Assessment Process (annual frequency) Self-assessment exercise of the adequacy of liquidity levels of credit institutions which, in compliance with Article 86 of Directive 2013/36/EU, 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 financing positions, in order to ensure adequate levels of liquidity buffers and an adequate financing structure;

In compliance with the Guidelines of the European Banking Authority on the disclosure of LCR as a complement to the disclosure of liquidity risk management in accordance with 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 reporting model in terms of LCR quantitative information is presented below, which aims to disclose the levels and components of the LCR ratio CGD Group's liquidity coverage.

**Table 48 | EU LIQ1 Quantitative information of LCR**

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYYY)		31-mar-23	30-jun-23	30-set-23	31-dez-23	31-mar-23	30-jun-23	30-set-23	31-dez-23
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					34.970.227	33.816.856	32.730.650	32.441.844
<b>CASH - OUTFLOWS</b>									
2	retail deposits and deposits from small business customers, of which:	68.500.297	68.298.043	67.849.351	67.422.001	4.793.573	4.676.058	4.502.327	4.384.671
3	Stable deposits	51.173.581	51.191.674	51.103.878	50.718.292	2.558.679	2.559.584	2.555.194	2.535.915
4	Less stable deposits	14.956.483	15.174.066	14.991.361	14.521.051	1.919.989	1.929.984	1.893.749	1.838.980
5	Unsecured wholesale funding	14.875.666	14.338.643	13.717.460	13.169.015	6.143.458	6.357.581	6.489.026	6.346.148
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4.205.301	2.364.993	594.486	0	973.848	546.671	137.365	0
7	Non-operational deposits (all counterparties)	10.644.051	11.926.524	13.076.406	13.123.366	5.143.296	5.763.784	6.305.093	6.300.498
8	Unsecured debt	26.315	47.126	46.569	45.649	26.315	47.126	46.569	45.649
9	Secured wholesale funding					29.167	29.167	0	0
10	Additional requirements	15.586.002	15.487.593	15.760.840	16.132.967	1.946.879	1.930.328	2.002.692	2.089.492
11	Outflows related to derivative exposures and other collateral requirements	431.336	141.002	197.403	233.857	154.385	141.002	197.403	233.857
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	15.154.666	15.346.590	15.563.437	15.899.111	1.792.494	1.789.326	1.805.289	1.855.635
14	Other contractual funding obligations	1.539.916	1.610.433	1.554.971	1.492.851	1.208.928	1.303.610	1.281.351	1.247.556
15	Other contingent funding obligations	122.673	69.634	16.887	0	122.673	69.634	16.887	0
16	<b>TOTAL CASH OUTFLOWS</b>					14.244.678	14.366.378	14.292.283	14.067.867
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	305.336	281.799	246.444	217.205	0	0	0	0
18	Inflows from fully performing exposures	3.724.514	3.693.952	3.550.515	3.339.639	2.932.823	2.898.428	2.736.561	2.531.185
19	Other cash inflows	760.382	768.268	782.596	864.647	760.382	768.268	782.596	864.647
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	34.663	54.541	72.570
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	<b>TOTAL CASH INFLOWS</b>	4.790.233	4.744.019	4.579.554	4.421.492	3.693.205	3.632.033	3.464.615	3.323.263
EU-20a	<b>Fully exempt inflows</b>	0	0	0	0	0	0	0	0
EU-20b	<b>Inflows subject to 90% cap</b>	0	0	0	0	0	0	0	0
EU-20c	<b>Inflows subject to 75% cap</b>	4.790.232,7	4.744.019,1	4.579.554,4	4.421.491,6	3.693.205,2	3.632.032,9	3.464.615,4	3.323.262,8
<b>TOTAL ADJUSTED VALUE</b>									
21	<b>LIQUIDITY BUFFER</b>					34.970.227	33.816.856	32.730.650	32.441.844
22	<b>TOTAL NET CASH OUTFLOWS</b>					10.551.473	10.734.345	10.827.667	10.744.604
23	<b>LIQUIDITY COVERAGE RATIO</b>					332,5%	316,0%	302,8%	302,6%

Values in thousands 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.

Therefore, for the level of risk appetite established for the LCR, the CGD Group's minimum buffer of liquid assets amounted, on average, to 14 billion euros during the year 2023, well below its observed value, given the solid and stable retail deposit base and reduced dependence on wholesale financing, and reflecting the Group's comfortable liquidity position.

With regard to the composition of the stock of liquid assets, historically it is essentially composed of deposits and reserves in central banks (in excess of the minimum mandatory reserves), bonds issued by sovereigns, demonstrating the quality of the Group's liquid asset buffer as well. regarding the assets that constitute it.

Additionally, in compliance with the Guidelines of the European Banking Authority regarding the disclosure of the NSFR as a complement to the disclosure of liquidity risk management in application of article 451.<sup>o</sup>-A, no. 3 of Regulation (EU) 575/2013, the values at the end of the quarter are represented below in Table 44. In December 2023, the net stable financing ratio recorded was 186%.

**Table 49 | EU LIQ2 Net Stable Funding Ratio**

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	<b>Available stable funding (ASF) Items</b>					
<b>1</b>	<b>Capital items and instruments</b>	<b>9.036.303</b>	<b>0</b>	<b>0</b>	<b>554.908</b>	<b>9.591.211</b>
2	Own funds	9.036.303	0	0	117.291	9.153.594
3	Other capital instruments		0	0	437.617	437.617
<b>4</b>	<b>Retail deposits</b>		<b>62.660.563</b>	<b>3.340.021</b>	<b>795.327</b>	<b>62.780.173</b>
5	Stable deposits		49.518.739	2.167.661	614.941	49.717.022
6	Less stable deposits		13.141.824	1.172.360	180.386	13.063.151
7	Wholesale funding:		<b>13.825.653</b>	<b>948.099</b>	<b>388.309</b>	<b>6.791.238</b>
8	Operational deposits		0	0	0	0
9	Other wholesale funding		13.825.653	948.099	388.309	6.791.238
10	Interdependent liabilities		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
11	Other liabilities:	<b>0</b>	<b>2.298.482</b>	<b>500.585</b>	<b>4.657.971</b>	<b>4.908.264</b>
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		2.298.482	500.585	4.657.971	4.908.264
<b>14</b>	<b>Total available stable funding (ASF)</b>					<b>84.070.887</b>

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Required stable funding (RSF) Items</b>						
15	Total high-quality liquid assets (HQLA)					<b>1.385.598</b>
EU-15a	Assets encumbered for more than 12m in 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:		<b>6.139.575</b>	<b>1.002.630</b>	<b>46.755.187</b>	<b>39.384.187</b>
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		1.374.258	161.267	141.283	357.315
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, <i>and PSEs, of which:</i>		3.091.358	594.948	15.533.611	16.320.253
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		209.468	146.804	4.583.333	21.279.008
22	Performing residential mortgages, of which:		16.043	23.878	27.473.999	18.468.710
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		9.304	19.778	24.520.753	15.953.030
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		1.657.916	222.537	3.606.294	4.237.909
25	Interdependent assets		0	0	0	0
26	Other assets:					<b>3.243.117</b>
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				52.092	44.278
29	NSFR derivative assets				105.474	105.474
30	NSFR derivative liabilities before deduction of variation margin posted				126.089	6.304
31	All other assets not included in the above categories		3.947.212	13.440	1.924.671	3.087.061
32	Off-balance sheet items		<b>7.468.848</b>	<b>1.472.305</b>	<b>7.888.165</b>	<b>1.233.188</b>
<b>33</b>	<b>Total RSF</b>					<b>45.246.090</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					186%

Values in thousand of Euros

Systematizing, the measurement, monitoring and control of liquidity risk by CGD is embodied 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 management bodies prior to their use.

Throughout 2023, CGD pursued, as usual, a fundraising policy that sought to guarantee a sustainable financing structure for its activity, based on the liquidity and residual maturity characteristics of its assets and off-balance sheet exposures.

# 11. Interest Rate Risks on the Banking Book

## 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 **balance sheet interest rate risks** uses a computerized Asset and Liability Management tool, with which the extent of exposure to these risks of the group of entities that make up the CGD Group's banking prudential perimeter is assessed.

In summary, the process of measuring balance sheet interest rate risk encompasses two distinct stages: identifying and collecting the risk positions of the different units of the CGD's Group and determining the set of indicators relevant to the assessment of this risk.

**Interest rate risk** is the risk incurred by a financial institution whenever, in carrying out its activity, it contracts operations with financial flows that are sensitive to interest rate variations, consisting of the possibility of losses occurring in the net interest income either 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.

From an analytical perspective, it is useful to distinguish different types of interest rate risk, to isolate, with greater precision, the origin of the risk in the institutions' balance sheet structure. The most analyzed types/sources of interest rate risk are identified/defined below:

- **Rate/yield curve refixing risk (gap risk):** is the risk resulting from the time lag in maturities/repricing of assets, liabilities and off-balance sheet positions, including parallel and non-parallel changes in the temporal structure of the yield curve. The transformation of maturities is the basis of traditional banking activity: collecting funds for typically short terms and granting loans for typically longer terms. Assuming a positive slope of the yield curve as a typical situation, this transformation, when assets and liabilities are remunerated at a fixed rate, tends to be, relatively automatically, a relevant source of income for banks. In this context, if these mismatches in resetting deadlines are very pronounced, they expose banks' income and economic value to adverse movements as a result of interest rate variations and may compromise the institutions' profitability and respective stability;
- **Basis risk:** is the risk arising from the impact of relative variations in the interest rates of financial instruments that have similar maturities, but whose price is established using different interest rate indices. Even assuming that all other characteristics of financial instruments are similar, namely the period for resetting the interest rate, movements in interest rates lead to unanticipated variations in cash flows and income from assets, liabilities and off-balance sheet items;

- Option risk: is the risk arising from positions in options (embedded and explicit), or optional elements (behavioral) implicit in assets, liabilities or off-balance sheet positions in which the institution or its clients can change the level or the timing of the respective cash flows. Formally, an option provides the owner with the right, but not the obligation, to buy, sell, or otherwise alter the financial flow associated with an instrument. This option is often exercised in response to changes in the interest rate, with an 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 results over the next 12 months (short-term perspective), measured as a percentage of CGD Group's Tier 1 capital (Tier 1 capital), considering an instantaneous parallel shift in the yield curve of +/- 200 basis points;
- Impact on the economic value of capital, measured as a percentage of CGD Group's Tier 1 (Tier 1) own funds, considering shifts in the yield curves provided for in article 1 of the European Banking Authority Guidelines EBA/RTS/2022/10 ("EBA outlier test");
- 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 and non-parallel shifts on interest rates (calculation with dynamic balance sheet).

The Earnings at Risk and Economic Value of Equity at Risk metrics support the CGD Group's stress testing program 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  $\pm 200$ ;
- Sudden changes in slopes and the shape of the yield curve (e.g. 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 behaviour, such as the drop-in rates between the last quarter of 2008 and the first quarter of 2009.

The sensitivity analysis of the financial margin to changes in interest rates highlights exposure to shocks of interest rate decrease, revealing the Group's exposure profile to falling rates.

In the context of paragraph 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 review tenors up to 18 months, recording an accumulated gap over 12 positive months in line with the commercial policy of indexing a very significant part of its asset portfolio, namely the credit portfolio, at market rates, namely Euribor rates.

From a long-term perspective, CGD is exposed to increases in interest rates, due to the migration of sight deposits and savings (without defined maturity) to term deposits during 2023, resulting in a deposit portfolio less sensitive. The decrease in the duration of deposits induces losses in the economic value of capital when interest rates increase and induces gains when the interest rate decreases.

The results of the interest rate risk monitoring metrics are “sensitive” to the behavioral assumptions used to measure the CGD Group's interest rate risk, which are subject of a backtesting framework that informs possible revisions to the risk quantification models supporting balance sheet and off-balance sheet elements with embedded behavioral optionality with the potential to affect the interest rates charged or the behavioral interest rate fixing date (as opposed to the contractual interest rate fixing date) of significant balances.

Specifically, the hypotheses used by CGD regarding customer behavior (behavioral assumptions) consider the following dimensions as described in paragraph c) of number 1 of Article 448 of Regulation (EU) 575/2013:

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

The average repricing period assigned to deposits without assigned maturity is 2.9 years and the longest period is 12 years (point 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 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, always, a way of managing the profitability-risk trade-off with regard to the management of the banking portfolio and that, at the same time, it is in a position to set the most appropriate exposure level and control the results of the different policies and risk positions assumed.

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

- a) Impact on results over the next 12 months, measured as a percentage of Tier 1 capital, considering for this purpose the 2 regulatory shocks provided for in article 1 of the European Banking Authority Guidelines EBA/RTS/2022/10
- b) Impact on the economic value of capital considering the shifts in the yield curve provided for in article 1 of the Guidelines of the European Banking Authority EBA/RTS/2022/10, measured as a percentage of the Group's Tier 1 capital (“EBA outlier test”)
- c) Internal capital allocated to the interest rate risk of the banking book.

The interest rate risk management and tolerance strategy are established in accordance with the Institution's risk appetite statement, and aim to:

- a) Maintaining an adequate level of capital for a retail bank to cover expected losses;
- b) Reducing the volatility of the bank's results and capital through (i) minimizing exposure to changes in interest rates, (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 a zero floor in market reference rates for corporate credit;
- c) Hedging interest rate risk and monitoring proximity to unhedged risk
- d) Adequate Remuneration to the risks assumed

Compliance with the interest rate risk appetite of the CGD Group's banking portfolio embodies the respective interest rate risk management strategy, as revised and approved in 2023. In the context of the banking book, the following risk factors and respective mitigation strategies stand out (when applicable):

1) At the level of commercial activity:

Credit granted to customers represent the largest component of assets sensitive to interest rate changes. 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 repricing risk is mitigated by the volume, also significant, of liabilities at variable rates or with short maturities, which contribute to mitigating the size of the repricing gap accumulated over 12 months.

The combination of the characteristics described in terms of credit and deposits is reflected in a positive repricing gap accumulated over 12 months. A fall in interest rates therefore constitutes an unfavorable scenario for the evolution of net interest income.

In turn, credit granted at medium and long-term fixed rates, longer than 12 months, has a smaller materiality on the Group's balance sheet, with an impact on the economic value metric of capital depending on its duration.

However, it is possible to decide to contract specific coverage for the interest rate risk of a loan (micro-coverage) or group of loans (macro-coverage) either at the time of the respective contracting or at a later date, using derivative instruments. The decision is supported by case-by-case analysis for this purpose.

During 2023, the scope of application of hedge accounting was expanded. However, there are still some economic hedges that are not recognized in hedge accounting, so in these situations the loans are recorded on CGD's balance sheet at amortized cost, while hedges made with derivative instruments are valued at fair value, at that fluctuations in market interest rates have an impact on the results of financial operations in terms of coverage, but do not have any impact on the value of the covered assets.

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's banking 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 are, essentially, at 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 exposure 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 subject to 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 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.

Fixed interest rate medium-long term debt securities classified at amortized cost 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 for specific hedges 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 consider 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 cover assets at amortized cost is subject to monitoring by CGD's Risk Management Division within the scope of monitoring the market risk incurred by the CGD Group

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 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 this is 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. Therefore, and in compliance with the guidelines of the European Banking Authority regarding the management of interest rate risk resulting from activities not included in the trading portfolio (EBA/GL/2022/14), namely paragraph no. 67, the systematic reporting to the CALCO of the interest rate risk of the banking book includes the following contents:

- 1) From an income perspective, short-term or accounting:
  - a. 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 CGD Group's net interest income of its exposure profile to interest rate reset risk;
  - c. Projection of the Group's financial margin for the next 12 months in a base scenario of business evolution and interest rates, respectively supported by the Financing and Capital Plans of the Group's entities and the forward rates implicit in the spot interest rate curve, highlighting the contribution of each Group entity;
  - d. Backtesting of the Group's financial margin projections for the next 12 months (extended until the end of the "management" year, if there is no coincidence), comparing the projected values in different simulation exercises, with the realized values;
  - e. Evolution of the sensitivity of the financial margin for the next 12 months to 17 interest rate scenarios (stress tests), with the aim of identifying sources of potential worsening 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 financial margin given 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  $\pm 200$  bps, ii) the index risk (basis risk), including that arising from changes in the relationship between the main market rates, iii) specific interest rate scenarios for exposures in different currencies and iv) supported interest rate scenarios by 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 financial margin, namely the index risk (basis risk) and the option risk (materialized by the prepayment of mortgage loans with a variable);
  - g. Assessment of potential changes in the behaviour of different types of assets or liabilities given the chosen interest rate scenarios, namely the right of a depositor to withdraw/transfer their deposit to higher yield products.
- 2) From economic value perspective or long-term:
  - 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 17 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).

Monitoring compliance by the CGD Group with the policies and limits established for the Interest Rate Risk of the Banking Book.

## 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 50 | EU IRRBB1 - Interest rate risks of non-trading book activities**

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
Parallel up	(296.775)	136.408	611.094	619.675
Parallel down	81.679	(319.628)	(609.918)	(616.713)
Steeper	15.067	(108.075)		
Flattener	(68.701)	65.141		
Short rates up	(137.637)	122.138		
Short rates down	57.877	(246.278)		

Values in thousand of Euros

The sensitivity of the financial margin to a decrease in interest rates (Parallel down) reduced significantly from 2022 to 2023, because of the business evolution regarding the migration of deposits without defined maturity to term deposits, increasing exposure to fix-to-float loans (fixed rate in the first 2/3 years) and new interest rate risk hedging operations.

The changes in the sensitivity of the economic value are mainly justified by the reduction in the duration of liabilities as a result of the change in the mix of deposits with an increase in the weight of term deposits, with CGD now exposed to increases in interest rates

## 12. Credit Spread Risk of Banking Book

### 12.1 Qualitative data

Credit Spread Risk of the Banking Book (CSRBB) is the risk resulting from changes in the market price with regard to credit risk, liquidity and, possibly, other characteristics of instruments with credit risk, and which is not captured by another existing prudential framework, such as the interest rate risk of the banking book or the default risk. Credit spread risk captures the risk of variation in the spread of an instrument, assuming the same level of credit quality, that is, the way in which the credit spread moves within a certain range of ratings/PD.

In the context of the new Guidelines EBA/GL/2022/14, the impact of changes in the credit spread on the bank's financial situation is assessed from two perspectives:

- a. Net interest income plus changes in market value, or short term perspective;
- b. Economic value, or long-term perspective.

## 13. Market Risk

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

### 13.1 Qualitative data

As of 31 December 2023, CGD Group applied exclusively the **Standardized Approach** to all sub-portfolios considered in the trading book, when determining the Own Funds requirements for 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.

Regarding **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<sup>10</sup>) 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 2023, 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.

### 13.2 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, amounts, on December 31, 2023, to EUR 140 million, a decrease of 6.6 million, compared to December 2022, explained by the reduction in capital requirements for debt instruments.

Regarding exchange rate risk, the CGD Group calculates Own Funds requirements since the global net position calculated (EUR 1.575 million) is above the threshold of 2% of the Group's total Own Funds (around EUR 180 million).

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<sup>10</sup> Currencies are considered to be closely correlated, among others, the Hong Kong dollar, the Macau pataca and the US dollar, as per the list published on the EBA website (<https://www.eba.europa.eu/documents/10180/529426/ITS+Annex+1+updated.pdf>)

**Table 51 | EU MR1 Market risk under the standardised approach**

		a	b
		RWEAs	Own funds requirements
	Outright products		
1	Interest rate risk (general and specific)	174.435	13.955
2	Equity risk (general and specific)	2.112	169
3	Foreign exchange risk	1.573.978	125.918
4	Commodity risk	0	0
	Options		
5	Simplified approach	0	0
6	Delta-plus approach	0	0
7	Scenario approach	0	0
8	Securitisation (specific risk)	0	0
<b>9</b>	<b>Total</b>	<b>1.750.525</b>	<b>140.042</b>

Values in thousand of Euros

# 14. Non-Financial Risk

## 14.1 Qualitative data

Non-financial risks at CGD Group include five key risks: Operational, Reputational, Strategy and Business, Information Technologies (IT) and Model.

### Operational Risk

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

## Reputational Risk

Reputational risk corresponds to the risk of negative impacts on results or capital, arising from the adverse perception of the institution's image by customers, counterparties, shareholders, investors, regulators or by public opinion in general, due to actions by the institution itself or its collaborators.

The methodology includes internal procedures for situations that may represent a reputational risk, which can be identified by anybody within CGD's structure. With regard to counterparties, there are also situations that trigger a prior analysis of reputational risk.

## Strategy and Business Risk

Strategy and business risk corresponds to the risk of negative impacts on results or capital, arising from inadequate strategic decisions, failure to meet business objectives, poor implementation of decisions or inability to respond to changes in the environment or banking ecosystem.

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

## IT Risk

IT risk corresponds to the risk of negative impacts on results or capital, arising from inappropriate or defective technology that may compromise the availability, integrity, accessibility and security of infrastructures and data.

IT risk monitoring is ensured through the implementation of a methodology with the involvement of the first and second line. The goal is to have greater maturity and a better level of security with regard to the bank's IT risks.

This monitoring of IT risk is done through regular reports, review of policies and procedures, monitoring of IT projects and regulator audits carried out on technological assets, among other activities.

## Model Risk

Model risk corresponds to the potential loss that an Institution may incur, as a result of decisions that may 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.

At an organizational level, the management of non-financial risks 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**, which is responsible for monitoring compliance with corporate policies for managing non-financial risks and risk appetite limits;
- **Business Continuity, Operational Risk and Internal Control Delegate Council (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 into the DGR, responsible for developing and implementing the strategy and policies, ensuring that non-financial risks are being managed appropriately, coordinating with the other Division's, Branches and Subsidiaries in order to ensure the harmonization of practices at the level of the Group's entities. As a 2nd Line of Defence control function, it promotes the strengthening of the Internal Control System, as an identifying and validating body for 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 topic 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:
  - Operations Center (process management and documentation, Group process catalogue/map);
  - Compliance Division (compliance risk management);
  - Accounting, Consolidation and Financial Information Division (reporting own funds requirements);
  - Information Systems Division (information systems risk management and assessment of internal control of information systems based on the Cobit methodology);
  - Internal Audit Division (evaluation of internal control procedures and review of the measurement system and management process).

This methodology is adopted at CGD and its branches (Timor Branch and France Branch), Domestic Subsidiaries (Caixa Gestão de Ativos/CGD Pensões 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).

In terms of Business Continuity, CGD implemented a Business Continuity Management System (SGCN) which includes policies, assignment of responsibilities, processes and procedures with the aim of identifying disruptive events that could compromise the continuity of its activity, analyzing the its impact, promoting its organizational resilience and providing CGD with the ability to prevent or, if this is impossible, respond effectively to these events.

In this way, CGD guarantees the following objectives:

- Safeguard human life and the well-being of people present in CGD Infrastructures;
- Protect CGD's image of solidity and trust;
- Maintain customer satisfaction;
- Ensure critical business processes;
- Maintain adequate and operational Business Continuity solutions;
- Comply with legal and regulatory obligations.

CGD's SGCN has been certified, since 2019, in the international reference standard, ISO 22301:2019 – Business Continuity Management System (BCMS), being audited annually by the Internal Audit Division and by a specialized external audit entity, to ensure that the Requirements necessary for the respective certification are implemented.

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

The methodology adopted by CGD follows the PDCA cycle (in English: 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 its ultimate objective is to continuously provide quality service to the customer.

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

- **Planning:** Establish the relevant policy, objectives, goals, 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 assessment:** Monitor and review the performance of the SGCN in relation to the Business Continuity policy and objectives, reporting the results to management to review the system and identify corrective and improvement actions;
- **Continuous Improvement:** Maintain and improve the SGCN through the implementation of corrective actions, based on the results of the management review, reassess the scope of the SGCN, Business Continuity policy and objectives.

In terms of the Group, CGD continues to monitor and develop projects to support/implement the framework of good practices issued by the Bank of Portugal (circular letter no. 47/2021 of 20 September - Recommendations on Business Continuity Management) with its Entities abroad.

The publication of corporate regulations on this topic reinforces the methodological support and regular monitoring that CGD continues to promote with 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 distinct approaches: **Basic Indicator Approach, the Standard Approach or the Advanced Measurement Approach.**

On 31 December 2023, the CGD Group calculated the own funds requirements for operational risk in accordance with the **Standard Approach**, which, as defined in the aforementioned Regulation, result from the three-year average of the relevant indicator, weighted by risk, calculated each year in relation to each of the following business segments:

**Table 52 | 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 Brokage	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 53 | Accounting Items of 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

In accordance with Article 316 of the regulation referred above, profits/losses made from the sale of items not included in the trading portfolio, extraordinary results and income from insurance intermediation activities were not considered in the calculation of the relevant indicator.

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 fits within the scope of Private and Business Banking activities; the “Commercial Banking” segment falls within the scope of Corporate, Large Corporate and Institutional Banking activities);
- Clients managed by Private 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.

## 14.2 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 54 | EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts**

Banking activities	a	b	c	d	e
	Relevant indicator			Own funds	Total operational risk-weighted exposure amount
	2021-12-31	2022-12-31	2023-12-31		
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	1.607.307	2.197.323	3.570.019	341.496	4.268.704
3 Subject to TSA:	1.607.307	2.197.323	3.570.019		
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

# 15. Equity Exposures on Banking Book

## 15.1 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.

## 15.2 Quantitative data

In compliance with the provisions of article 447 of the CRR, the table below presents the types, nature and amounts of risk positions in shares not included in the trading portfolio as of December 31, 2023.

**Table 55 | Exposures in equities not included in the trading book**

Risk positions on Shares (Bank Portfolio)	a		b		c		d		e		f		g		h	
	Quoted shares		Unquoted shares Private Equity		Other capital instruments		TOTAL									
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
10	Acquisition Cost / Notional Value	429	4.289	190.946	196.268	0	0	0	0	191.375	200.557					
20	Fair value	10.436	40.970	231.696	247.222	0	0	0	0	242.132	288.192					
30	Market value	10.436	40.970	0	0	0	0	0	0	10.436	40.970					
40	Income from sales and settlements	21.511	9.639	91	(462)	0	0	0	0	21.602	9.177					
50	Total unrealized gains or losses	10.007	36.681	40.751	50.954	0	0	0	0	50.757	87.635					
60	Total gains or losses inherent to latent revaluations	0	0	0	0	0	0	0	0	0	0					

Values in thousand of Euros

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

## 16. Environmental, Social and Governance Risks (ESG)

In June 2021, with the revision of the Capital Regulation Requirements (known as CRR II), requirements for the disclosure of environmental, social and governance risks (ESG risks) are 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, information on ESG risks, including physical and transitional risks.

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

These requirements were developed in line with other initiatives taking place at European Union (EU) and international level, namely the recommendations made by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) and Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris Agreement-aligned Benchmarks and sustainability-related disclosures for benchmarks.

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

In the last quarter of 2020, Caixa Geral de Depósitos began the formal process of elaborating the Strategic Plan 21-24 (SP21-24), under the guidance of the Board of Directors and whose implementation began promptly in 2021.

The SP21-24 embodies CGD'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, being committed to service excellence and simplicity to the customer, delivering innovative solutions and a complete value added proposals.

The definition of the "Sustainability and Social Impact" vector as one of the six pillars of action of SP21-24 has contributed to a transversal integration of the ESG (environmental, social and governance) concept in CGD's activity. This process is supported by the development of specific internal policies, the investment in the internal training and training of employees and the existence of an internal governance model that allows an efficient and effective approach to the respective risks and opportunities.

This pillar is implemented through the Sustainability Strategy 21-24<sup>11</sup>, 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 Finance;
- Climate Risk Management;
- Equity, Digital and Financial Inclusion;
- Transparent Governance Models;

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<sup>11</sup> For more information, consult chapter "4.7 – Sustainability Strategy 2021-2024" of the 2023 Sustainability Report, integrated in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

- Disclosure of Sustainability Information;

**Figure 3 | Sustainability Strategy 2021-2024**



The initiatives developed under the Sustainability Strategy 2021-2024, as a workstream of SP21-24, are subject to a monthly status report to the Executive Committee, on a regular basis to the Board of Directors and to a quarterly report to the Governance Committee and the Sustainability Committee – an advisory body to the Executive Board, chaired by the Chief Executive Officer and composed of the director responsible for ESG, the Chief Risk Officer, an administrator responsible for the commercial area and top managers from different corporate areas.

In 2023, a set of internal policies and regulations were reviewed and established<sup>12</sup> that consolidated CGD's performance in incorporating risks and opportunities inherent to sustainability into risk management and strategic planning processes, namely:

- **Sustainability Policy:** defines the governance model, guiding principles and specific activities, as well as the main actors and their responsibilities in the management of Sustainability at CGD and in the Group Entities covered.
- **Sustainable Finance and Energy Transition Policy:** establishes a set of principles and general rules that must be observed in the context of sustainable finance in CGD and in the Group's Entities and contributes to the achievement of the objectives of the Paris Agreement and the United Nations Sustainable Development Goals and in response to international commitments such as the Principles for Responsible Banking and the Net Zero Banking Alliance.

<sup>12</sup> For more information, see the subchapter "4.5.1 – ESG policies and other corporate documents" of the 2023 Sustainability Report, included in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

- **Climate Risk Management Policy:** establishes the governance model, the principles of replicability and auditability and, overall, describes the organization and processes associated with the management of climate and environmental risks. It is transposed by CGD Group entities that are part of the prudential supervision perimeter.
- **Diversity, Equity and Inclusion Policy:** establishes the principles applicable to Diversity, Equity and Inclusion (DEI) to CGD employees and CGD entities, also defining diversity objectives and goals for balanced representation between women and men in CGD's Management and Supervisory Bodies.

In addition, CGD subscribes to and is part of a set of commitments, associations and working groups<sup>13</sup> that enhance its performance in the field of sustainability and allow the creation of mechanisms and tools to respond to existing challenges.

In 2024, CGD will develop a set of core initiatives with the aim of strengthening its performance in ESG risk management, namely:

- A roadmap for the implementation of the requirements of the Corporate Sustainability Reporting Directive that will allow the identification of priority topics for the bank through a double materiality analysis (impact perspective and financial perspective), thus contributing to make the non-financial reporting process more transparent and the identification of impacts, risks and opportunities;
- ESG Expansion Plan for the entire CGD Group, in order to transpose and promote alignment in all geographies where the Group operates;
- Definition of the new Sustainability Strategy, aligned with the main benchmarks and expectations of the bank's stakeholders.

## 16.1 Environmental Risk

### 16.1.1 Business Strategy and Processes

#### Strategic approach

In terms of integrating environmental factors and risks into CGD's strategy and business model, it is to highlight the "Sustainable and Inclusive Finance" and "Climate Risk Management" pillars of Sustainability Strategy 21-24.

The development of the 21-24 Sustainability Strategy was based on the definition of a sustainability materiality matrix, which identified nine topics considered relevant to CGD's stakeholders, namely the themes "Financing the low-carbon economy", "Sustainable management of operations in the value chain" and "Environmental risks and climate action" that directly contribute to environmental risk. The methodological approach was based on an analysis of the main trends, regulation, global initiatives, sectoral guides, impact assessment tools and stakeholder consultation.

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<sup>13</sup> For more information, see the subchapter "4.5.2 – Commitments adopted" and "4.5.3 – Working groups" of the 2023 Sustainability Report, included in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

**Figure 4 | Topics resulting from the sustainability materiality matrix**

	<b>Finance the low-carbon economy:</b> funding the transition to a climate neutral economy in a fair and inclusive way.
	<b>Sustainable management of operations in the value chain:</b> promoting the development of projects and initiatives that contribute to reducing the environmental impact associated with CGD's operations, influencing the value chain.
	<b>Environmental risks and climate action:</b> Ensuring an efficient climate risk management and the incorporate of ESG factors into funding and investment policies and analyses.

Legislation around ESG risks is witnessing significant regulatory activity, with the main objective of defining a framework that encourages the transformation to a sustainable economy. In this sense, banks play a key role in channeling resources towards sustainable investments.

In this context, the European Central Bank (ECB) published, in 2020, the final version of the "Guide on climate-related and environmental risks" which explains how banks should manage and disclose climate and environmental risks in a transparent manner, based on prudential rules.

CGD thus established a Corporate Policy for the management of climate and environmental risks, which was published in July 2023. This policy establishes guidelines and procedures for the identification, assessment and management of these risks, in order to ensure and strengthen the sustainability and resilience of the institution.

The purpose of the Corporate Policy for the management of climate and environmental risks is to establish clear guidelines for the management of these risks. Among others, the policy defines the scope, the principles for the management of climate-related and environmental risks, the governance model, including the responsibilities of the three lines of defence, the procedures for identifying and assessing these risks, the integration of climate-related and environmental factors into business processes, and the appetite for risk. In addition, the policy establishes monitoring and reporting procedures to ensure transparency and effectiveness in the management of those risks.

This policy addresses applicable prudential regulations and the expectations of supervisors and regulators, considering internationally recognized practices in terms of climate and environmental (C&E) risk management. The established procedures are part of the general risk management framework, namely the CGD Group's risk assessment framework, the CGD Group's risk appetite framework, stress test exercises and the Internal Capital Adequacy Assessment Process (ICAAP).

## Climate goals and net-zero ambition

CGD ensures that its business and activity evolve in parallel with the main challenges, benchmarks and emerging issues in terms of climate and environmental risk management, highlighting the adhesion to the Net Zero Banking Alliance (NZBA) commitment, an initiative of the United Nations Environment Programme Finance Initiative (UNEP FI) which aims to promote carbon neutrality by 2050 in the financial system through an approach consistent with the Paris Agreement.

In its Transition Plan to Carbon Neutrality, CGD has defined carbon emission reduction trajectories (SBTi aligned) for its own business and financing activities.

## Figure 5 | Carbon emissions reduction trajectory for own activities

Own operations (perimeter of CGD S.A., Portugal)

Scope Emissions	Starting Point 2021	Metrics	Benchmark Climate Scenarios (1)	Target 2030	
Scope 1 and 2 (location-Based)	<b>8 410</b> ton CO <sub>2</sub> eq	Absolute	SBTi - Absolute Contration Approach	<b>-42%</b>	<b>4 878</b> ton CO <sub>2</sub> eq

## Figure 6 | Carbon emissions reduction trajectory for Financing Activities

Financing Activities (perimeter of CGD S.A., Portugal)

Sector of activity	Scope Emissions	Starting Point 2022	Metrics	Benchmark Climate Scenarios (1)	Target 2030	
Electricity Generation Corporate	Scope 1 and 2	<b>0.149</b> ton CO <sub>2</sub> eq/MVh	Relative intensity	SBTi - Energy SDA (corporate)	<b>-71%</b>	<b>0.043</b> ton CO <sub>2</sub> eq/MVh
Electricity Generation Project Finance	Scope 1	<b>0.305</b> ton CO <sub>2</sub> eq/MVh	Relative intensity	SBTi - Energy SDA (Project Finance)	<b>-71%</b>	<b>0.088</b> ton CO <sub>2</sub> eq/MVh
Cement Manufacturing	Scope 1 and 2	<b>0.841</b> ton CO <sub>2</sub> eq/ton cement	Relative intensity	SBTi - Cement SDA	<b>-21%</b>	<b>0.665</b> ton CO <sub>2</sub> eq/ton cement
Commercial Real Estate Resident segment	Scope 1 and 2	<b>0.011</b> ton CO <sub>2</sub> eq/m <sup>2</sup>	Relative intensity	SBTi - Commercial Real Estate SDA (corporate)	<b>-53%</b>	<b>0.005</b> ton CO <sub>2</sub> eq/m <sup>2</sup>
Commercial Real Estate Services segment	Scope 1 and 2	<b>0.059</b> ton CO <sub>2</sub> eq/m <sup>2</sup>	Relative intensity	SBTi - Commercial Real Estate SDA (corporate)	<b>-64%</b>	<b>0.021</b> ton CO <sub>2</sub> eq/m <sup>2</sup>

Based on the commitments made by CGD (NZBA), the Pillar III reporting obligations and the results obtained in the climate stress test exercises, the bank defined a phased action plan to address the most carbon-intensive sectors of its portfolio. In 2023, reduction targets were set for the cement, electricity production and commercial real estate sector for the activity in Portugal. In 2024, the bank will disclose an additional set of targets for the remaining priority sectors in all geographies where the Group operates. For more information on the methodology for calculating financed emissions and setting reduction targets, see "Annex C – Methodological Notes" of the 2023 Sustainability Report.

As part of the disclosures to be made under the European Taxonomy Regulation (EU Regulation 2020/852), CGD has been reporting<sup>14</sup> its degree of eligibility and alignment in accordance with the guidelines established by the European Commission.

Aware of the commitment that financial institutions must make in the pursuit of the Sustainable Development Goals (SDGs) and the 2030 Agenda, CGD has defined a set of quantitative and qualitative goals<sup>15</sup> that contribute to the achievement of the SDGs (11, 13, 16 and 17) identified as priorities for the Bank according to their contribution and potential impacts:

<sup>14</sup> For more information on the Taxonomy exercise, please consult chapter "4.12 – Disclosure of sustainability information" of the 2023 Sustainability Report, integrated in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

<sup>15</sup> For more information, consult chapter "4.6 – Sustainable Development Objectives" of the 2023 Sustainability Report, integrated in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

Figure 7 | Sustainable Development Goals



In addition, for more details, see the monitoring metrics of the **Risk Appetite Statement (RAS)**, for the year 2024, represented in the risk management subsection.

## Sustainable finance

As stipulated in its strategy, CGD aims to become a leader in sustainable finance through its financing and investment activities. Considering that this is a topic with implications and impacts at various levels (internal and external), CGD has been developing a holistic approach supported by mechanisms, processes and regulations that aim to provide a more sustainable, personalized offer that allows for the strengthening of mitigation and adaptation to climate change:

- The Principles of Exclusion and Sectoral Limitation<sup>16</sup> establish the principles underlying activities and projects that are excluded, or restricted under certain conditions, from CGD's credit policy;
- The Sustainable Financing Framework<sup>17</sup> (aligned with the Green Bond Principles and Sustainability Bond Guidelines) provides investors with detailed information on CGD's sustainable financing strategy and sustainability commitment. The document also includes technical criteria according to the European Union Taxonomy Regulation;
- CGD's Sustainable Finance and Energy Transition Policy defines a set of principles that guide the development of the commercial approach at the tactical level, capable of mobilizing

<sup>16</sup> For more information, consult the Sectoral Exclusion and Limitation Principles, available at: [https://www.cgd.pt/Sustentabilidade/Visao/Documents/CGD-Lista-Exclusao\\_CE\\_PT\\_Dsc.pdf](https://www.cgd.pt/Sustentabilidade/Visao/Documents/CGD-Lista-Exclusao_CE_PT_Dsc.pdf)

<sup>17</sup> For more information, consult CGD's Sustainable Financing Framework, available at: <https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD-SustainableFinanceFramework.pdf>

capital flows and financing options for the development of a more sustainable and inclusive economy;

- The Product Governance, Approval and Monitoring Policy establishes the principles, strategies, functions and internal processes for the creation and/or distribution of products in the market, with the aim of ensuring that they fit into the CGD Group's strategy and respect the risk appetite defined by the Board of Directors and that the interests, objectives and characteristics of customers are taken into account avoiding their potential detriment, as well as minimizing potential conflicts of interest.

Considering the guidelines explained in the processes, CGD is committed to developing customized sectoral business approaches aligned with the transition needs of its customers:

**Figure 8 | Sectorial Business Approaches**

Customer Prioritization	The categorization of companies and financing opportunities results from an integrated analysis of their ESG development and financing, which will reflect the current positioning of companies in their transition path and will define Caixa's approach as a financier. The approach may be maintenance, expansion or limitation
Maintenance	A concerted approach to support current customers in improving the environmental performance of their activities: <ul style="list-style-type: none"> <li>- Investing in debt conversion and specialized financing</li> <li>- Interaction and monitoring in the development and implementation of transition plans</li> <li>- Financing for conversion and transformation of assets</li> </ul>
Expansion	An approach based on financing opportunities for new customers or increasing exposure to current customers focused on activities with positive environmental performance and low carbon intensity
Limitation	An approach based on financing opportunities for new customers or increasing exposure to current customers focused on activities with positive environmental performance and low carbon intensity

## Engagement and evaluation of counterparties

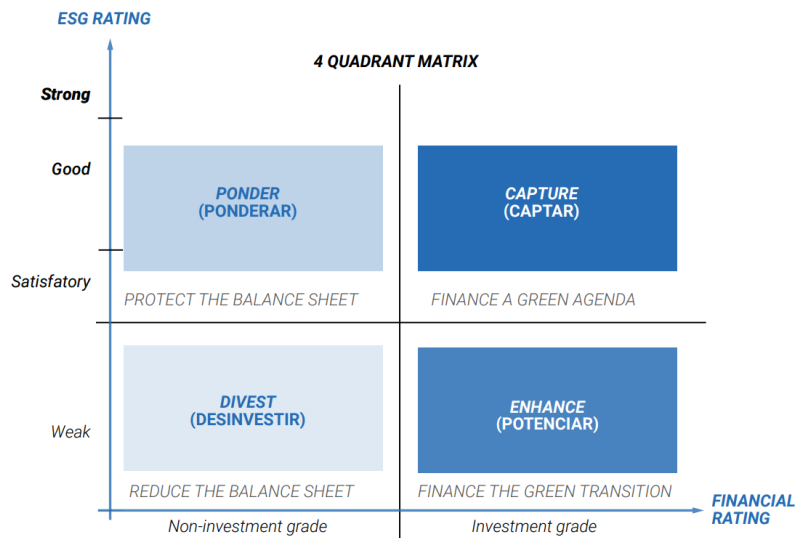
To assess the approach to engagement with its clients according to their maturity and ambition in climate risk management, in 2021 CGD defined and implemented a new risk assessment methodology, called ESG Rating, which assesses counterparties' ESG criteria and allows them to be integrated into decision-making processes.

The ESG Rating model aims to complement the Financial rating information, considering non-financial aspects, which are 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.

The ESG rating aims to contribute inputs to regulatory obligations, but also and equally important, 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 the enhancement of returns that are more resilient to ESG risks in the long term.

**Figure 9 | ESG Rating**



Aiming to ensure the maximization of value for the various stakeholders, it should also be highlighted the ESG Rating aims to reinforce the customer-centric vision, creating opportunities for dialogue and awareness between commercial areas and companies, and promoting advice and anticipation of needs to better support companies in the transition to a greener, more inclusive and more responsible economy.

CGD's ESG Rating covers approximately 400,000 companies and Eur 23Bn of bank loans and is composed of 3 dimensions, including the environmental dimension that includes the following components:

**Figure 10 | Components of the environmental dimension of the ESG Rating**

Components	
Rating Physical Risk	Regional physical climate risk – assesses physical risks at the municipality level (floods, urban and coastal flooding, earthquake, landslide, tsunamis, volcanic phenomena, water scarcity, extreme heat and fires)
	Activity risk – assesses sectoral climate sensitivity
	Country risk – assesses physical climate risk at country level
	Company risk – assesses 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
Rating Transition Risk	Greenhouse gas emissions for Portugal and by sector
	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 can be independently calculated, being this information available for consultation and inclusion in credit allocation decisions by the commercial and risk areas in the respective credit decision platforms.

A new version of CGD's ESG Rating was developed in 2023, which includes new indicators, such as water consumption, waste treatment and the impact of carbon pricing on gross value added by sector. This new version was implemented on March 28, 2024.

The contribution of the information collected and processed in the ESG Rating supports the assessment of the current position of the company in the environmental dimension and provides inputs on what could be improved in order to increase its performance and, consequently, access more advantageous conditions in the subscription of CDS's financial products dedicated to the transition to a greener economy.

## 16.1.2 Governance

### Relevant bodies

The Risk Management Function in the CGD Group is supported by a governance model that aims to respect best practices in the matter, as explained in the "**Guidelines on Internal Governance under Directive 2013/36/EU**" (EBA/GL/2021/05), and to ensure the solidity and effectiveness of the system for identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

To ensure the effective engagement and discussion of the climate and environmental risk management model at CGD, CGD's management body, management and relevant committees have established the following governance structure.

The Board of Directors defines, supervises and is responsible, within the scope of its respective competences, for the implementation of governance systems that ensure 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 Division 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.

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

The Governance Committee ensures compliance with the principles of internal governance and the assessment of sustainability strategies and policies, proposing guidelines for sustainability, social and environmental responsibility to the Board of Directors. Its competencies include, among others:

- Proposing guidelines for social responsibility, sustainability and environmental protection to the Board of Directors;
- Monitoring the definition of the Corporate Sustainability Strategy and its implementation, the development of policies, following global trends - existing and emerging - and best practices, with relevance to sustainability issues associated with governance, compliance, people development culture and their incorporation into business units;

- Monitor the initiatives in terms of Sustainable Finance and propose subsequent guidelines for analysis by the Board of Directors, considering the valuation of ESG criteria, to increase awareness and transparency about the government that can impact the stability of CGD, the investments and financial services provided.

The Risk Committee monitors the management policy for all risks in CGD 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 Division 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 CGD'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-related and environmental (C&E) risk management, 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 greater carbon emissions;
- Monitor and streamline the implementation of business strategy and key policies related to climate change and C&E risks;
- Promote the alignment of sustainable financing to the mitigation of C&E risks;
- Monitor and promote the implementation of measures to mitigate and adapt to C&E risks;
- Monitor and promote the measurement of the carbon footprint, pricing mechanisms and transition plans;
- Monitor and promote the measurement, management and reduction of financed emissions;
- Monitor and promote actions for the good performance of C&E 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;
- Discuss and promote the integration of ESG aspects into CGD Group's main business lines, internal processes and internal policies;
- Monitor documents and reports on CGD's exposure and performance with regard to C&E risks.

## Lines of defence

CGD's climate and environmental risk management model is supported by a coordinated intervention framework between the three lines of defence.

Responsibility for the first line of defence is transversal to the entire organization and includes the participation of various CGD structural bodies. It is 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 the achievement of the proposed objectives for the activities carried out. In this context, the Corporate Support Division (DSC) plays a key role in executing the oversight of the Board of Directors.

Risk management, as a second line of defence, is carried out in a centralized manner and supported by a dedicated structure, the DGR, under the responsibility of the Chief Risk Officer, who carries out functions in the area of management and control of the Group's financial and non-financial risks, with objectives of stability, solvency and financial soundness, ensuring the identification functions, assessment, 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 consistent integration of its partial contributions, that they remain at the level of the risk appetite defined by the Board of Directors and that they will not significantly affect the financial situation of the institution, continuously ensuring compliance and compliance with external standards and legal and regulatory requirements in this area.

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

## Environmental criteria in variable remuneration

In 2023, the CGD Group's Employee Remuneration Policy<sup>18</sup> and the Remuneration Policy for the Members of CGD's Management and Supervisory Bodies<sup>19</sup> were reviewed with the aim of incorporating ESG criteria and, in this way, promoting alignment with the bank's strategy. ESG performance is assessed through seven environmental, social and governance indicators, including, among others, the following environmental metrics:

- Classification in CDP's Climate Change Questionnaire;
- Definition of emission reduction objectives in different sectors of activity and geographies of the Group;
- Portfolio exposure noted with the ESG Rating Model;
- Rate of achievement of initiatives and deliverables related to the implementation of the ECB Guide on Climate-related and Environmental Risks.

### 16.1.3 Risk Management

According to CGD's Risk Taxonomy, non-financial risks include four key risks, namely: strategy and business, model, information technology and reputational.

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<sup>18</sup> For more information, consult the CGD Group Employee Remuneration Policy, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Politica-Remuneracoes-Colaboradores.pdf>

<sup>19</sup> For more information, consult the Remuneration Policy for Members of Caixa's Management and Supervisory Bodies, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Remuneracoes/Documents/Politica-de-Remuneracoes-Orgaos-Sociais-CGD.pdf>

Climate and environmental risks are considered a subcategory of strategy and business risk and also an additional risk factor for traditional risk categories, namely credit risk, market risk, operational risk and reputational risk, thus being considered a cross cutting risk.

This subcategory includes an analysis of the materialization of negative impacts on results or capital, resulting from climate change and environmental degradation that affect the economic system and activities, natural and human systems and regions.

A specific management model has been implemented for these risks, which provides for the identification, evaluation, measurement, monitoring, control and reporting of non-financial risks throughout the Group.

This process is detailed in the Corporate Policy for the Management of Climate and Environmental Risks, approved by the Board of Directors, and was transposed by the entities of the CGD Group in 2023. The Policy defines the principles and governance model for the management of climate risks, namely the responsibilities of the three lines of defence, the procedures for the identification and assessment of climate risks, the integration of their factors into business processes, which are intrinsically related to business strategies and risk appetite and, and finally, the monitoring and reporting procedures.

The C&E risk management model supported in the guidelines and objectives established in CGD Group's C&E risk appetite and integrates, in a manner adjusted to the C&E objectives of each geography in which the CGD Group is present, the following elements:

- Risk profile identification and assessment exercise, including scenario components;
- Business strategy integration;
- Risk assessment and quantification;
- Periodic monitoring and provision of information.

CGD Group has implemented a process to identify the Group's risk profile, which is carried out in annual cycles and is based on CGD Group's risk taxonomy, on order to assess and inventory the risks that are of concern.

The process is structured in two phases, the first consists of a risk self-assessment carried out by CGD and CGD Group entities, while the second phase consists of determining CGD Group's risk profile based on the results of the self-assessment of all entities participating in the process.

This exercise applied to climate and environmental risks culminates in:

- a. the recognition of the dynamics between climate risk factors and traditional risks;
- b. quantifying the materiality of climate risks;
- c. the identification of risks that give rise to additional monitoring and control due diligence and the integration of the results into subsequent processes, such as the ICAAP, the risk appetite framework, the internal stress testing exercises and the definition of the corporate strategy.

The process of identifying and assessing climate and environmental risks is linked to a CGD Group-wide risk assessment, employing both quantitative and qualitative factors, as well as an assessment of the effectiveness of related controls.

This process covers short-, medium- and long-term time horizons and an analysis of how climate-related and environmental risks influence different categories of risk, including liquidity risk, credit risk, operational risk, market risk, reputational risk and any other materially material capital risks.

The climate and environmental risk assessment also includes the analysis of the concentrations that C&E risks may generate at the level of the different risk categories; the analysis of the different risk



drivers, including the transition risk drivers and the physical risk drivers, including the vulnerabilities of the economic (sub)sectors, as well as the operational and physical locations of the institution and its clients and counterparties, as well as reporting on results other exercises such as stress tests, the ICAAP and the Internal liquidity adequacy assessment process (ILAAP), where applicable. The long-term risk assessment includes an analysis of the climate and environmental risks to which the CGD Group is exposed beyond the typical business planning horizon, i.e. more than 5 years and at least until 2050, in line with public policy commitments towards the transition to a more sustainable economy, in order to assess the resilience of the current business model against a set of plausible future scenarios, which are relevant for estimating climate and environmental risks.

To assess the risk materiality, CGD established 4 specific materiality intervals, based on the estimated impacts on capital.

The overall result of the assessment of the CGD Group's risk profile, carried out in 2023, is that climate and environmental risk is considered material and emerging.

The following table summarizes the results of the assessment of transition risk and physical risk in the short, medium and long term.

**Figure 11 | Materiality of transition risk and physical risk**

	 <b>TRANSITION RISK</b>			 <b>PHYSICAL RISK</b>		
	Short-Term	Medium-Term	Long-Term	Short-Term	Medium-Term	Long-Term
Credit Risk	Not material	Somehow material	Somehow material	Not material	Not material	Somehow material
Market Risk	Not material	Not material	Not material	Not material	Not material	Not material
Liquidity Risk	Not material	Not material	Not material	Not material	Not material	Not material
Operational Risk	Not material	Not material	Not material	Not material	Not material	Somehow material
Other Risks	Somehow material	Somehow material	Somehow material	Not material	Somehow material	Somehow material
Global	Somehow material	Somehow material	Somehow material	Not material	Somehow material	Somehow material

Not material
  Somehow material
  Very material
  Critical

Medium and long-term impacts are expected on credit risk, compliance, and reputational risk, which were considered to be immaterial at CGD. Operational Risk was also considered something material, but only in the long term in terms of physical risk.

The scope of climate risk models includes the identification and assessment of the Bank's most relevant portfolios in terms of exposure, risks, and opportunities. Thus, after the climate risk assessment, the effect is translated into macroeconomic variables that affect CGD's portfolios and overall financial results.

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 regulatory recommendations.

The assessment of the impact of physical risk involves the identification and analysis of areas affected by the materialization of physical risk events<sup>20</sup> and the distribution of assets located in these areas, namely the location of companies and their assets and the location of properties that guarantee security credit operations are considered for this analysis. Additionally, different drivers are taken into account, namely acute risks, which pertain to the consequences of extreme weather events like fires, floods or storms, as well as chronic risks, associated with gradual climate changes, such as alterations in temperature, precipitation, periods of drought and rising sea levels.

CGD Group's exposure to physical risk is more relevant for acute risks than for chronic risks. Particularly, in domestic activity, about 21% of the corporate loan portfolio is underpinned by companies located in areas sensitive to chronic risks and about 34% is underpinned by companies located in areas sensitive to acute risks.

The transition risk assessment considers structural changes in the economy, resulting from the reduction of GHG emissions from fiscal and regulatory changes, technological advances needed for climate adaptation, changes in consumer preferences, and reputational pressure.

CGD Group's exposure to transition risk is relevant with regard to sectors that contribute most to climate change. Particularly, in domestic activity, about 75%.

The assessment of the impact of other environmental risks was considered in the CGD Group's risk profile assessment process. Biodiversity risk has been identified and analysed, and a top-down approach has been developed to understand the concentration of exposure to non-financial corporations (NFCs) in sectors that are most harmful to biodiversity. A heat-map approach was developed, following the ENCORE methodology: the level of dependence of each economic sector in relation to natural resources was assessed.

Within the framework of the credit risk framework, CGD recognizes the existence of sectors of activity 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 properly identified and mitigated, namely through the Principles of Exclusion and Sectoral Limitation and the consideration of the ESG Rating in credit decision-making procedures.

Under the Principles of Exclusion and Sectoral Limitation, CGD limits financing to companies or projects with the following characteristics:

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

The ESG Rating developed by CGD evaluates and weights specific environmental factors of the counterparty. This assessment supports the prioritization and differentiation of commercial action

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<sup>20</sup> For the methodologies for identifying and evaluating the materialization of physical risk events, Caixa uses information sources and data providers specialized in these matters, namely the Taxonomy Regulation, the National Emergency and Civil Protection Authority and the ThinkHazard platform.

depending on the clients' risk level, contributing to a holistic and integrated risk view in decision making.

Within the scope of the operational risk framework, CGD has implemented a methodology for collecting and validating operational risk events and their respective losses (direct and indirect), recoveries and non-financial impacts. This includes, among others, strategic and business risks, including climate and environmental risks.

CGD also considers climate and environmental risk in the analysis and evaluation of the occurrence of physical risk events, as well as in the consideration of physical risk and transition risk scenarios in the ICAAP.

Within the scope of the Business Continuity Management System, a risk assessment is carried out annually, which analyses various types of events that may compromise the continuity of critical processes, their consequences and impact on the business, existing vulnerabilities and implemented controls.

In the identification stage, the risk events are considered grouped into environmental, technological, human and organizational that impact the resources that support CGD's critical processes, that is, facilities, information systems, human resources and suppliers. In terms of climate risks, the analysis is conducted at the level of the environmental events group, namely floods.

Within the scope of the reputational risk framework, internal procedures are also provided for situations that may present a reputational risk, which can be identified by anyone within CGD's structure. Regarding counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations are identified with non-compliance with environmental legislation or other applicable legal and regulatory provisions or controversies related to the principles of balanced relationship with the environment and sustainable development.

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

The identification of situations that may represent a reputational risk can also awaken triggers that lead to action plans for risk mitigation.

Within the scope of subcontracting activities, the risk management function (RMF) issues a reputational risk assessment prior to decision-making, or in the context of contract renewals, where environmental factors of suppliers are considered, such as non-compliance with environmental legislation or the existence of controversies related to balanced relationship principles with the environment and sustainable development.

CGD's approach towards climate change encompasses a "double materiality" perspective, taking into account not only the impact of climate change on CGD's activity, detailed previously, but also CGD's impact on the environment. CGD recognizes that a relevant component of commercial business and investment initiatives arises from opportunities linked to the economy's climate and energy transition. At the same time, this business perspective supports the management of climate and environmental risks, in that it promotes a reduction in transition risk in the CGD Group's balance sheet.

In this context, CGD uses strategies related to aligning the portfolio with the objectives of reducing financed carbon emissions.

Since 2021, CGD has been disclosing information on climate and environmental risks in alignment with TCFD recommendations. These disclosures are contained in an annex to CGD's Sustainability

Report and provide more detailed information on the assessment methodologies and the materiality of these risks<sup>21</sup>.

CGD has sought to develop skills in the identification, assessment, monitoring, and management of climate and environmental risks, which will enable improving the resilience of the business model to the potential impact and magnitude of these risks. A forward-looking and long-term approach is especially important given the uncertainty regarding the timeframe of these risks, which appears to be longer-term but dependent on short-term action.

CGD, as the largest Portuguese banking institution, and aware of the growing importance of climate and environmental risks for society, supervisors and governments, seeks to meet expectations in the assessment, management and mitigation of this type of risk, having developed a climate Stress Test tool.

This tool aims to assess climate and environmental risks and their short, medium and long-term impacts, both in terms of transition risks, referring to the financial losses of the institution resulting directly or indirectly from the adjustment process towards a low-carbon economy, and physical risks, arising from the financial impact of climate change, including the more frequent occurrence of extreme weather events, as well as gradual climate change and environmental degradation.

The analysis of the various time horizons is carried out based on the different scenarios encompassed by the tool, allowing to assess, in a prospective manner, the existing vulnerabilities and anticipate the taking of mitigating measures that prevent the materialization of negative impacts.

The climate scenarios are based on information provided by the Network for Greening the Financial System (NGFS) and consider, for transition risk, levels of environmental policy ambition, market developments and different technological changes, in order to reflect a wide range of possible climate risks to which the Bank is subject. For the long-term, three NGFS scenarios, with different environmental policy ambitions and technological changes, were considered: Net Zero 2050 (1.5°C), Delayed Transition (<2°C) and Current Policies (3°C+). For the short-term, two scenarios were considered: the Delayed Transition scenario (<2°C) and the base scenario of the budget, complemented with climatic factors. At the level of physical risk, a single climatic event scenario is considered to assess the impacts of acute physical events. According to the Group's risk taxonomy, climate-related and environmental risks are a sub-category of strategy and business risk and also an additional risk factor for the other prudential risk categories. Thus, the climate Stress Test methodologies are mainly focused on the risk categories in which the climate impact is most materialized in CGD, such as credit risk, market risk and operational risk.

The impact of climate risk on credit risk projection was assessed by incorporating climate drivers into the models, such as clients' carbon emissions, their ESG rating or the real estate energy certificate (EPC), leading to economic, financial and macroeconomic impacts on credit factors such as Probability of Default (PD) and Loss Given Default (LGD). i.e. the probability of default and the expected loss in that case, respectively.

The results of this tool allowed an analysis of the portfolio sectors most susceptible to climate risks, in addition to assessing the bank's exposure to potential operating losses and devaluation of assets at fair value in the portfolio.

The Institution has integrated all these results into the various aspects of its activity, in order to inform Management about current and latent vulnerabilities, as well as to assist in strategic decision-making. In particular, climate and environmental risk is already part of the stress testing framework, the results of which influence and are an integral part of several planning exercises, such as CGD's

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<sup>21</sup> For more information, see Annex "D - Response to the recommendations of the Task Force on Climate Financial Disclosures (TCFD)" of the 2023 Sustainability Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

Budget, ICAAP, Recovery Plan and Transition Plan, which, in turn, impact the bank's results and are taken into account for strategic management actions.

In this way, CGD's approach to climate and environmental risks will strengthen the resilience of the business model in the short, medium and long term, prepare the Group for a set of unpredictable, although increasingly plausible, risks, and also embrace the opportunities that a future that is more aware and concerned about climate change will bring.

The Risk Management Division regularly monitors climate and environmental risk indicators and their tolerance limits.

This information on climate and environmental risks is presented on a quarterly basis in the CGD Group's RAS Dashboard, which is submitted monthly to the Risk Committee, the Executive Committee and the Board of Directors.

The Risk Appetite Statement contains climate and environmental risk metrics that are continuously monitored, including:

### Figure 12 | Risk Indicators

RAS Indicators
Interest, fee and commission income from greenhouse gas intensive industries
Financed greenhouse gas emissions
Loans collateralized by immovable property with low energy performance (<=EPC E)
Loans collateralized by immovable located in regions sensitive to the impact from climate change acute physical events
NFC portfolio sensitive to the impact from climate change acute physical events
NFC's with ESG Rating "Weak"
NFC's with Environmental Rating "Weak"

To consider the materially relevant risks in the risk appetite with key risk indicators, appropriate and adequate thresholds were defined in order to effectively manage climate and environmental risks, which were approved by the Board of Directors.

Climate and environmental risk information is also monitored and submitted on a quarterly basis in the Integrated Risk Report (RIR), which is submitted monthly to the Executive Committee and quarterly to the Risk Committee and the Board of Directors.

In the scope of climate and environmental risk, the RIR includes transition risk indicators, physical risk indicators, the Environmental, Social and Governance (ESG) Rating, in a distribution of exposure by risk level, and forward-looking risk indicators (KRIs) related to CGD's business strategy.

This report monitors and analyzes two of the current transition risk indicators present in the RAS:

- Interest, fee and commission income from greenhouse gas intensive industries GHG emissions financed.
- Financed greenhouse gas emissions.

In addition to this, it also evaluates:

- Exposure to climate-relevant sectors (CPRS) non-financial corporations (NFCs) by type of impact.

In the IRR, by monitoring the KRIs related to the business strategy, CGD intends to monitor the performance in reducing emissions, in accordance with the objectives assumed in the transition plan. It also intends to monitor, in a more granular way, the exposures that are most relevant to contribute to or condition CGD's progress in meeting long-term objectives and business strategy for climate and environmental risks.

The information related to the Transition Plan is analysed from a risk management perspective, as it aims to monitor compliance with the Transition Plan by reputational impact issues due to non-compliance with it and by issues impacting the bank's transition risk.

The availability and quality of ESG, and particularly climate, data has been an ongoing challenge in the organization. CGD works continuously through a working group dedicated to governance and ESG data management, which meets regularly and has the participation of several areas, namely areas more related to the business and others with responsibility for analysis and risk management. CGD's goal is that there is an effective and holistic aggregation of data and that as the availability and quality of data evolves, the organization can improve the accuracy and estimates of the climate and environmental data it uses, while always maintaining transparency regarding the limitations of data that supports analysis and reporting.

CGD'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 CGD's structural bodies, in a holistic and forward-looking approach.

For more information on climate and environmental targets and issues, please refer to CGD's response to the recommendations of the Taskforce on Climate-related Climate Disclosures (TCFD).

## 16.2 Social Risk

### 16.4.1 Business Strategy and Processes

#### Strategic approach

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

Similarly to what was reported in Environmental Risk, the sustainability materiality exercise also identified a set of social issues considered relevant to CGD's activity, namely the topics "ESG Practices", "Equity, Development and Well-Being of Employees", "Investment in the Community" and "Accessibility and Financial Inclusion".

**Figure 13 | Topics resulting from the sustainability materiality matrix**

	<b>ESG governance practices and ethical conduct in business:</b> Ensuring the integration of ESG principles into governance practices ensuring the highest standards of ethics and transparency
	<b>Equity, development and well-being of employees:</b> promoting the development and well-being of employees, safeguarding culture of diversity and equal opportunities
	<b>Investment in the community:</b> Supporting the development of the communities in which CGD operates, contributing to creating social and economic value
	<b>Accessibility and financial inclusion:</b> Accelerating digital transformation as an agent promoting the population inclusion and financial literacy and reducing inequalities in access to financials product and services

CGD has several communication mechanisms<sup>22</sup> that allow it to listen to the main expectations of its stakeholders, in particular employees, the community and social organizations, and which are incorporated into its social responsibility initiatives and projects through the CGD Social Programme, whose objective is to promote best practices in responding to the challenges of Portuguese society through initiatives in the field of literacy financial, social and digital inclusion, job creation, education, volunteering and cultural support.

To ensure that its activity is guided by the best practices in social matters, CGD has implemented a set of internal policies and regulations<sup>23</sup> that play an active role in the development of a culture supported by principles of diversity, equity and inclusion, which guarantees not only the creation of value and well-being of its employees, but also an effective response to society's main challenges:

- The Diversity, Equity and Inclusion (DEI) Policy aims to define the principles, responsibilities and implementation mechanisms in terms of Diversity, Equity and Inclusion, ensuring a humane, innovative, resilient and sustainable organizational culture.
- The Code of Conduct<sup>24</sup> establishes the values, principles of action and standards of professional conduct that are fundamental to the ethical positioning of the institution and its employees, as well as defining how CGD relates to the various stakeholders.
- The 2024 Equality Plan<sup>25</sup> is based on the principles defined and approved in the DEI Policy and aims to define, implement, monitor and annually review initiatives that ensure a humane, innovative, resilient and sustainable organisational culture.

<sup>22</sup> For more information, see subchapter “4.7.1 – Stakeholders and materiality” of the 2023 Sustainability Report, integrated in CGD’s 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

<sup>23</sup> For more information, see subchapter “4.5.1 – ESG Policies and other corporate documents” of the 2023 Sustainability Report, integrated into CGD’s 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

<sup>24</sup> For more information, consult the Code of Conduct, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduca-CGD.pdf>

<sup>25</sup> For more information, consult the 2024 Equality Plan, available at: [https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-Bom-Governo/Documents/CGD\\_Plano-para-igualdade-genero.pdf](https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Praticas-de-Bom-Governo/Documents/CGD_Plano-para-igualdade-genero.pdf)

- The Declaration of Human Rights Commitment reinforces CGD's commitment to respect human rights in the development of its relationships with stakeholders and the communities in which it operates, seeking to avoid or mitigate the adverse impacts, direct or indirect, of its activity.

Also in 2023, an E-Learning on Diversity, Equity and Inclusion was developed with the aim of reinforcing employees' knowledge of this topic and promoting a better understanding of the different characteristics that make one individual or group different from another.

At the same time, the Bank subscribes to the 10 principles of the United Nations Global Compact and reports annually through Communication on Progress its progress and alignment with the principles of the United Nations initiative, which imply respect for benchmarks such as the Universal Declaration of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, among others.

## Social Objectives

In the final report of the Sustainable Finance Platform on Social Taxonomy, the European Commission recognizes the existence of three main stakeholder groups: i) workforce (included in the value chain); (ii) end-users/consumers; iii) affected communities (directly or through the value chain). In this sense, the Sustainable Finance and Energy Transition Policy also took into account the definition of social objectives in alignment with the aforementioned report.

From an internal perspective, namely in terms of CGD's workforce/employees, the existence of an Equality Plan stands out, which establishes the principles to ensure 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<sup>26</sup>. To this end, and within the scope of the "Transparent Governance Models" pillar of the 21-24 Sustainability Strategy, CGD has set itself the objective of reaching 38% of women in management positions by 2024.

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

From an external perspective, namely in terms of end-users/customers, CGD operates through its offer of products, services and financial instruments. In 2023, CGD published the Allocation and

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<sup>26</sup> For more information, see subchapter "4.10.1 – Equity, development and well-being of employees" of the 2023 Sustainability Report, integrated in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/2023/Documents/Annual-Report-CGD-2023.pdf>

Impact Report<sup>27</sup> on the two "green" senior preferred debt issues it issued in the previous year, taking another significant step towards achieving its goal of achieving leadership in sustainable finance in Portugal. Since 2021, CGD has already carried out three sustainable debt issuances, totalling an amount of 1.300 million euros. The allocation of assets and the calculation of their impact is supported by CGD's Sustainable Finance Framework, which defines the eligible funding categories (namely social financing – microfinance, support for small farmers, health care and job creation).

In addition, as a publicly owned bank, CGD is committed to the community in which it operates through the CGD Social Programme. As part of the "Equity, Digital and Financial Inclusion" pillar of the 21-24 Sustainability Strategy, CGD has set the objective of investing Eur 40M in the community by 2024, which is ensured through CGD's various social solidarity initiatives.

Throughout 2023, CGD carried out more than a thousand credit restructurings and, proactively, in more than 15 thousand operations, there was index renegotiation and/or spread reduction. In addition, CGD implemented the state subsidy, supporting more than 2,200 customers. Unique in the market, an extraordinary support was also implemented covering low-income families, characterized in Decree-Law No. 20-B, reducing the spread of housing loans by 0.5 b.p. in their installments until the end of 2023.

## Engagement in the assessment and limitation of social risks

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 properly identified and mitigated, namely through the Principles of Exclusion and Sectoral Limitation and the consideration of the ESG Rating in credit decision-making procedures.

Under the Principles of Exclusion and Sectoral Limitation, CGD 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 CGD assesses and weights 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.

The assessment of the social dimension of the ESG Rating considers several indicators, such as those related to the principles of exclusion and sectoral limitation provided for in CGD's credit policies, and others related to the working conditions of the companies' employees, including gender equality, salary conditions and training. The new version of the ESG Rating, which has already been

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<sup>27</sup> For more information, consult the Allocation and Impact Report published in 2023, available at: [https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD\\_Green\\_Bond\\_and\\_Allocation\\_Report\\_2023-06.pdf](https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD_Green_Bond_and_Allocation_Report_2023-06.pdf)

developed and implemented in the meantime (28 March 2024), includes an additional indicator related to safety conditions at work.

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

## 16.4.2 Governance

Social risk governance is part of the common governance established for sustainability. See the "governance" section in Chapter 1.1 "Environmental Risk".

More information on the responsibilities of the forums and management bodies can be found in chapter 2.1 "Governance model" of the Market Discipline.

In addition, from a perspective of combating and mitigating social risks from a corporate perspective, the bank provides its employees with mechanisms for reporting and mitigating situations of harassment in the workplace<sup>28</sup>.

Regarding remuneration practices, CGD's Compliance Division annually verifies the legal and/or regulatory adequacy of the respective practices.

Within the scope of the products marketed by CGD, in line with the new requirements of the regulator, within the scope of conduct supervision, CGD specifies the types of clients for which a financial instrument is suitable, considering their needs, characteristics and objectives, including the consideration of possible objectives related to sustainability<sup>29</sup>.

## Social criteria in variable remuneration

As reported in chapter 15.1 Environmental Risk, in 2023 the CGD Group's Employee Compensation Policy and the Remuneration Policy for the Members of CGD's Management and Supervisory Bodies were revised with the aim of incorporating ESG criteria and, thus, promoting alignment with the bank's strategy. ESG performance is assessed through seven environmental, social and governance indicators, including, among others, the following social metrics:

- Social investment in the community;
- Rating obtained in the ESG Risk Rating of Sustainalytics (whose evaluation also focuses on social risk management).

## 16.4.3 Risk Management

CGD 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 previously discussed in the chapter "Business Strategy and Processes", and which constitute the framework for social risk management, including:

<sup>28</sup> For more information, consult chapter "4.10 – Equity, digital and financial inclusion" of the 2023 Sustainability Report, integrated in CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2023/Documents/Relatorio-Contas-CGD-2023.pdf>

<sup>29</sup> Products covered by articles 309.º-I to 309.º-N of the Securities Code (with the changes introduced by Decree-Law no. 109-H/2021, of December 10).

- Sustainability Corporate Policy;
- Sustainable Finance and Energy Transition Corporate Policy;
- Reputational Risk Corporate Policy;
- CGD Group's Outsourcing Policy;
- CGD Code of Conduct;
- Global Policy on Prevention and Management of Conflicts of Interest;
- Money Laundering and Terrorism Financing Prevention Policy;
- Personal Data Protection Policy;
- CGD Exclusion and Sectoral Limitation Principles;
- Socially Responsible Investment Policy;
- Quality Policy<sup>30</sup>;
- Community Engagement Policy;
- Human Rights Commitment Statement;
- Code of Good Conduct for the Prevention and Combating of Workplace Harassment;
- Diversity Policy for CGD Group Employees and Members of CGD's Management and Supervisory bodies;
- Equality Plan;
- CGD Group Employee Remuneration Policy;
- Sustainable Financing Framework;
- Ethical principles and Best business practices for suppliers;
- CEO Guide on Human Rights;
- Climate and Environmental Risk Management Policy.

These norms bind employees, functional structures, and other stakeholders and delimit CGD's responsible management practices, emphasizing on ethical conduct, accuracy and transparency in all activities and transactions.

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

CGD Group has implemented a process to identify the Group's risk profile, which is carried out in annual cycles and is based on CGD Group's risk taxonomy, in order to assess and inventory the risks that are of concern. The process is structured in two phases, the first consists of risk self-assessment carried out by CGD and Group entities, while the second phase consists of determining CGD Group's risk profile based on the results of the self-assessment of all entities participating in the process.

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<sup>30</sup> It defines CGD's commitments and principles regarding Quality Management and expresses the organization's commitment to customer satisfaction and the improvement of its products/services and processes.

This process has the wide involvement of different areas of the bank (including the first line of defence, the Compliance Division for compliance risk and the Risk Management Division for all other risks) and culminates in the definition of the CGD 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 CGD 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.

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

CGD has several mechanisms in place to identify, assess and mitigate social risk, including the reputational risk management framework, the compliance risk management framework and the credit risk management framework, namely the ESG Rating and the Sectoral Exclusion and Limitation Principles.

## Reputational risk management framework

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

The reputational risk management strategy has been established based on CGD's Risk Appetite, formalized through the Risk Appetite Statement, which contains reputational risk metrics, such as:

- The Reputational Index, which reflects CGD's global activity and its engagement towards stakeholders, namely their perception of CGD's attitude towards the duty of confidentiality, ethical principles, social responsibility and emerging issues such as sustainable inclusive finance;
- Customer complaints and satisfaction;
- Bank secrecy or personal data protection breach.

In 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 CGD. Regarding counterparties, there are situations that trigger a prior analysis of reputational risk, particularly when situations such as the following are identified:

- Non-compliance with labor, environmental legislation or other applicable legal and regulatory requirements;
- Controversies related to social responsibility principles;
- Corruption practices;

- Conduct practices inconsistent with the ethical principles and best business practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interests, sanctions, and practices related to money laundering and combating terrorism financing.

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

The identification of situations that may represent a reputational risk can also raise triggers that lead to action plans risk mitigation.

Within the scope of outsourcing activities, the risk management function issues a reputational risk opinion prior to decision-making or within the context 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.

Suppliers that enter a contract with CGD are required to subscribe to the CGD Group's Ethical Principles and Good Business Practices, as well as the evaluation of suppliers' social criteria, carried out through the ESG Supplier Rating, the conclusions of which will be reflected in the evaluation matrix of suppliers that enter into contracts with CGD in the future. It should be noted that 344 of CGD's suppliers have environmental or social clauses in the contracts signed with CGD.

In addition, within the scope 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 evaluated.

## Credit risk management framework

CGD acknowledges the existence of sectors of activity or projects that are not aligned with the core values that guide CGD's activity and conduct, namely those that may be socially harmful. The Credit Risk Policy contains specific rules which 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-making procedures.

Under the Sectorial Exclusion and Limitation Principles, CGD 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 deemed illegal under international regulations or conventions and agreements;
- Companies or projects that use child labor or engage in forced labor;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religion, politics, race or gender;
- Military activities, manufacturing or supply of related materials, limited by national legislation and international conventions.

The ESG Rating developed by CGD assesses and weights 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 risk view in decision-making.

In the scope of the social dimension, the ESG Rating considers several indicators, including those related to the principles of sectoral exclusion and limitation provided in CGD'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, currently being implemented, will include an additional indicator related to workplace safety conditions.

## Compliance risk management framework

Within the scope of compliance risk management, CGD has implemented permanent measures aimed to ensure the prevention and repression of corruption and related offenses, which are reflected in various internal procedures and regulations, particularly the Code of Conduct, the Corruption Prevention and Related Offenses Policy, the Global Policy on Conflict of Interest Prevention and Management or the Internal Reporting System for Irregular Practices.

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

## 16.3 Governance Risk

### 16.5.1 Governance/Risk Management

The Risk Management Function in the CGD Group is supported by a governance model that aims to comply with best practices in the field, as explained in the "Guidelines on Internal Governance under Directive 2013/36/UE" (EBA/GL/2021/05) and ensure solidity and effectiveness to the system for identifying, measuring, monitoring, reporting and controlling the various risks incurred by the Group.

The ultimate responsible for the CGD Group's FGR is the CRO, a member of the Executive Committee of CGD's and globally responsible for monitoring the Group's risk management framework. Particularly, the CRO is responsible for ensuring the proper and effective functioning of the RMF, including informing and clarifying the management and supervisory bodies about the incurred risks, the global risk profile of CGD and the Group and the degree of compliance with the defined risk tolerance levels.

Risk management is conducted in a centralized manner and supported by a dedicated structure, the Risk Management Division (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks. The objectives of the DGR are to ensure stability, 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. This ensures the coherent integration of their individual contributions, while maintaining alignment with risk appetite defined by the Board of Directors and without significantly impacting the financial situation of the institution. Continuously ensuring compliance with external standards and legal and regulatory requirements in this area.

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 Division 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.

CGD's current management is delegated by the Board of Directors to the Executive Committee, which is responsible for the CGD Group's overall risk management, namely the management and execution of risk appetite, the monitoring risk metrics and 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 CGD Group's activities, particularly non-financial risks. The Risk Committee monitors the risk measurement models and capital calculation adopted internally, as well as the Community Directives and guidelines from the Bank of Portugal and the European Central Bank. As part of its functions and responsibilities, it analyzes, among others, the reports presented by the Risk Management Division on both financial and non-financial risks.

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

CGD's mission is to create value for Portuguese society, by providing high-quality banking services to individuals and businesses, thereby contributing to the improvement of the well-being of Portuguese families and the development of the business sector, generating adequate profitability for shareholders. CGD guarantees client's access to a diversified set of quality financial products and services, with particular emphasis on savings capture and medium to long-term financing. This is achieved based on an efficient corporate governance model and respect for highest ethical standards.

Themes related to sustainability and ESG risks carry an increasingly strong reputational weight, inherent in the high scrutiny not only from clients but from all stakeholders, emphasized by being a public capital bank. CGD has sought to ensure that these issues are addressed in the business strategy in a transparent and rigorous manner and has been making commitments to sustainable financing, carbon neutrality and aligning its business with the challenges and opportunities of ESG themes.

CGD has published its Mission Letter<sup>31</sup>, which highlights its commitment to the principles of social responsibility, sustainable development and respect for stakeholders, as well as the fundamental values that guide CGD's activity and conduct, in particular trust, profitability, transparency, integrity, professionalism, proximity, responsibility, risk culture, rigor and innovation.

CGD's Reputational Index is comprised of essential indicators bank's sustainability (Trust, Solidity, Transparency, Ethics and Governance) and reflects good governance factors. CGD has stood out in the values of the Reputational Index, which registered a value of 77 at the end of 2023, maintaining the value of previous quarters. The credibility of the image of CGD's CEO has also been increasing and contributes significantly to the good evaluation of this indicator, positively impacting the image of CGD itself. In 2024, CGD's CEO stands out in business leadership, being the only one to present a score higher than 70 points.

As part of the definition of the 21-24 Sustainability Strategy, CGD has developed a consultation process by the 17 SDGs, which has involved the participation of 3,087 stakeholders. Through this initiative, CGD developed a materiality analysis process where nine themes considered relevant to

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<sup>31</sup> For more information consult: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Pages/Missao-Estrategia.aspx>.

stakeholders have been identified and have served as the basis for defining the 21-24 Sustainability Strategy as well as aligning and organizing the sustainability reporting<sup>32</sup>.

CGD has implemented internal policies and regulations that contribute to the achievement of its strategic vision with regard to governance. These policies and regulations define commitments, procedures and responsibilities for the managing and mitigating governance-related risks, in particular:

- CGD Code of Conduct;
- Reputational Risk Corporate Policy;
- Compliance Function Regulation;
- 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);
- Prevention of Corruption and Related Infractions Policy;
- Market Abuse Prevention;
- Related Party Transactions Policy;
- CGD Group's Outsourcing Policy;
- Socially responsible investment Policy;
- Human Rights Commitment Declaration;
- Ethical Principles and Best Practices for suppliers.

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

The CGD Group has established a process to identify the Group's risk profile, which is developed in annual cycles and is based on the CGD Group's risk taxonomy, to evaluate and inventory concerning risks. The process is structured in two phases, with the first phase consisting of self-assessment of risk by CGD and the Group's entities, and the second phase determining the CGD Group's risk profile based on the results of the self-assessment from all participating entities in the process.

This process has broad involvement from different areas of the bank (including the first line of defence, the Compliance Division for compliance risk and the Risk Management Division for all other risks) and culminates in the definition of the CGD Group's risk profile and with the identification of risks subject to quantification within the Internal Capital Adequacy Assessment Process (ICAAP).

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

From a risk management standpoint regarding CGD's counterparties, there are several mechanisms for identifying, assessing and mitigating governance risk, with emphasis on the reputational risk

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<sup>32</sup> For more information, see chapter "4.7. Sustainability Strategy 2021 – 2024" of the 2023 Sustainability Report, integrated into CGD's 2023 Management and Accounts Report, available at: <https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2023/Documents/Relatorio-Contas-CGD-2023.pdf>

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 acknowledges the existence of sectors of activity or projects that are not aligned with the core values that guide CGD'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 the credit origination and decision-making procedures.

Under the Sectorial Exclusion and Limitation Principles, CGD restricts 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 international conventions and agreements, including those subscribed or integrated by CGD;
- Companies or projects that use child labor, or engage in forced labor;
- Companies and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religion, politics, race or gender;
- Unlicensed wildlife or endangered species businesses and activities;
- Companies and projects that exploit scarce natural resources, and may cause a negative environmental impact and do not comply with conditions defined in national or international regulations in this area;
- Companies producing or processing restricted hazardous 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 CGD evaluates and weighs several factors in the governance dimension, related to sustainability practices and the existence of ESG policies, 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 client risk, contributing to a holistic and integrated view of risk in decision-making.

The new version of the ESG Rating, currently being implemented, will include 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

In the scope of Compliance Risk Management, CGD has implemented permanent measures aimed at ensuring the prevention and repression of corruption and related offenses, which are reflected in various internal procedures and regulations. Noteworthy among these are the Code of Conduct, the Anti-Corruption and Related Offenses Prevention Policy, the Global Policy for Conflict of Interests Prevention and Management, and the Internal Communication System for Irregular Practices.

It is also highlighted the fact that CGD 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 prevent or mitigate the risk of their occurrence and prevent any harm to the interests of its clients of interest is identified. Regarding the risks of Financial Crime, these are managed by the Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations through the maintenance and development of a specific program to address risks to money laundering and financing of terrorism, sanctions and embargoes, corruption and bribery and market abuse.

In order to comply with the legal and regulatory requirements, as well as recommendations issued by relevant international entities in the field of AML/CFT, CGD has implemented an advanced and effective system to prevent money laundering and financing of terrorism, which makes it possible to identify, assess and mitigate the potential risks associated with its clients and the business relationships established with them. To achieve this, CGD's Financial Anti-Crime Area, is equipped with IT tools suitable for AML/CFT, including applications dedicated to monitoring accounts and clients, classifying the risk profiles and filtering sanctioned clients and politically exposed persons.

Our AML/CFT activities are carried out based on defined policies and procedures with the aim of ensuring strict compliance with legally and ethically accepted standards, as well as internationally recognized best practices.

## 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 CGD's structural bodies. Regarding counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations such as the following are identified:

- Non-compliance with labor, environmental or other applicable legal and regulatory requirements;
- Controversies related to the principles of social responsibility, a balanced relationship with the environment and sustainable development;
- Corrupt practices;
- Conduct practices that do not align with the ethical principles and good corporate practices observed by CGD;
- Harassing or discriminatory practices;
- Conflicts of interest, sanctions and practices related to money laundering and fight against terrorism financing.

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk assessment which is integrated into the credit decision processes, namely by accompanying the proposals in the decision forums. The identification of situations that may represent reputational risk can also trigger triggers that lead to action plans to mitigate the risk.

Within the scope of outsourcing activities, the risk management function issues a reputational risk assessment prior to decision-making or within the context 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. Regarding suppliers who enter into a contract with CGD, it is mandatory that they will subscribe to the Ethical Principles and Good Business Practices of the CGD Group, as well as the assessment 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 processes and the existence of possible conflicts of interest are evaluated.

## 16.4 Transition Risk: Exposure, Credit Quality, Issuances and Residual Maturity by Sector

Table 56 reports, with a reference date of 31 December 2023, the breakdown of gross amounts of loans and advances, debt securities and capital instruments in non-financial corporations by sectors that contribute significantly to climate change, including, but not limited to, information on the creditworthiness of the exposures and issues.

As of December 31, 2023, about 73% 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).

Exposures excluded from Paris-aligned benchmarks are reported in column "B" of Table 54. CGD identified the exposure according to eligible sectors considering the Climate Benchmark Standards Regulation (EU) 2020/1818<sup>33</sup> applying the thresholds defined in the regulation and based on public information from the counterparties, and in cases where it is not available, the counterparty was considered to be excluded from the benchmarks aligned with the Paris Agreement.

Greenhouse gas (GHG) emissions can be distinguished into three categories: Scope 1, 2 and 3<sup>34</sup>:

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

In Table 56, the emissions financed by CGD are reported in columns "I" and "J)", calculated according to the following methodologies:

- For counterparties disclosing Scope 1, 2 and 3 GHG emissions, the information was collected directly from companies integrated or sustainability reports or other public sources.
- For counterparties that are part of an Economic Group, whose holding company discloses information on real emissions, in consolidated terms, the emissions considered represent a percentage of the holding company's emissions corresponding to the counterparty's weight in turnover.
- For cases where there is no real data on emissions, emissions were estimated based on sector-specific average emission factors, according to the following methodology:
  - For scope 1 emission estimations, GHG emission intensities per sector were used, then applying an average emission factor specific to the counterparty's sector, as a proxy.

<sup>33</sup> In accordance with Article 12.1 (d) to (g).

<sup>34</sup> Also referred to as scope 1, 2 and 3.

- The estimation of scope 2 values considered as a proxy for applying the sector-specific average emission factor, the average electricity consumption per sector after its conversion into emissions.
- For scope 3 emission estimations, values are estimated based on the average distribution of emissions by scope, according to observed data from comparable counterparties. The observation was made based on the maximum number of counterparty peers that disclose scope 1, 2 and 3 emissions.

**Table 56 | ESG 1: Banking portfolio – Indicators of potential transition risk associated with climate change: Credit quality of exposures by sector, emissions and residual maturity**

Sector / Subsector	Gross carrying amount (Mn EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mn EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column I): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 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 environmentally sustainable (CCM)	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									
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	
<b>1 Exposures towards sectors that highly contribute to climate change</b>	<b>13,803.48</b>	<b>285.43</b>	<b>99.16</b>	<b>1,767.63</b>	<b>676.82</b>	<b>-686.84</b>	<b>-164.89</b>	<b>-396.09</b>	<b>8,268,064.75</b>	<b>5,834,017.64</b>	<b>2.47%</b>	<b>9,173.61</b>	<b>2,488.86</b>	<b>2,028.25</b>	<b>112.76</b>	<b>4.72</b>
<b>2 A - Agriculture, forestry and fishing</b>	<b>369.88</b>	<b>0</b>	<b>0</b>	<b>51.10</b>	<b>36.04</b>	<b>-24.97</b>	<b>-4.91</b>	<b>-16.51</b>	<b>1,308,358.70</b>	<b>969,964.07</b>	<b>0.00%</b>	<b>275.81</b>	<b>49.45</b>	<b>43.50</b>	<b>1.11</b>	<b>4.08</b>
<b>3 B - Mining and quarrying</b>	<b>218.80</b>	<b>0.07</b>	<b>0</b>	<b>8.42</b>	<b>15.35</b>	<b>-9.55</b>	<b>-0.33</b>	<b>-7.41</b>	<b>895,088.73</b>	<b>857,639.03</b>	<b>0.03%</b>	<b>159.93</b>	<b>58.36</b>	<b>0.49</b>	<b>0.02</b>	<b>2.44</b>
4 B.05 - Mining of coal and lignite	0	0	0	0	0	0	0	0	0	0	0.00%	0	0	0	0	0
5 B.06 - Extraction of crude petroleum and natural gas	0.07	0.07	0	0.00	0.02	-0.01	-0.00	-0.01	0	0	0.00%	0.07	0	0	0	0.00
6 B.07 - Mining of metal ores	91.58	0	0	0.01	0	-0.89	-0.00	0	682,684.47	654,121.58	0.03%	91.58	0	0	0.00	0.17
7 B.08 - Other mining and quarrying	50.25	0	0	4.26	15.31	-7.98	-0.29	-7.38	201,558.07	193,125.06	0.00%	44.54	5.20	0.49	0.02	3.05
8 B.09 - Mining support service activities	76.89	0	0	4.15	0.02	-0.67	-0.05	-0.02	10,846.19	10,392.39	0.00%	23.74	53.16	0.00	0.00	4.75
<b>9 C - Manufacturing</b>	<b>3,260.37</b>	<b>3.18</b>	<b>9.74</b>	<b>301.38</b>	<b>167.98</b>	<b>-163.53</b>	<b>-25.37</b>	<b>-107.44</b>	<b>4,315,747.78</b>	<b>3,268,980.36</b>	<b>0.32%</b>	<b>2,639.16</b>	<b>521.65</b>	<b>53.85</b>	<b>45.71</b>	<b>2.81</b>
10 C.10 - Manufacture of food products	458.08	0	0	39.46	13.59	-18.37	-3.30	-10.20	325,292.22	246,393.86	0.00%	401.08	50.76	2.80	3.45	2.04
11 C.11 - Manufacture of beverages	275.53	0	0	78.88	3.37	-9.95	-5.45	-2.18	84,793.71	64,227.35	0.00%	179.63	79.22	3.40	13.28	2.83
12 C.12 - Manufacture of tobacco products	11.46	0	0	0	0.06	-0.14	0	-0.03	234.84	177.88	0.00%	11.46	0	0	0	0.44
13 C.13 - Manufacture of textiles	160.87	0	0	14.51	27.05	-20.83	-0.85	-18.38	158,005.09	119,681.58	0.02%	130.68	24.08	1.06	5.05	2.80
14 C.14 - Manufacture of wearing apparel	94.32	0	0	13.40	16.49	-12.49	-1.17	-10.33	21,386.92	16,199.61	0.00%	83.93	8.97	1.31	0.11	2.59
15 C.15 - Manufacture of leather and related products	66.69	0	0	9.52	9.29	-8.37	-0.70	-6.85	9,714.77	7,358.48	0.03%	57.38	5.48	3.56	0.27	2.84
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	187.71	0	1.56	11.76	6.86	-7.44	-1.23	-4.38	72,036.28	54,564.19	0.00%	158.89	9.24	2.79	16.79	1.75
17 C.17 - Manufacture of pulp, paper and paperboard	283.30	0	8.18	0.61	0.64	-3.00	-0.03	-0.51	313,446.92	237,421.61	0.00%	178.73	104.56	0	0.00	3.85
18 C.18 - Printing and service activities related to printing	35.35	0	0	6.16	2.36	-2.73	-0.43	-2.01	9,864.02	7,471.55	0.00%	29.06	4.87	1.39	0.03	3.58
19 C.19 - Manufacture of coke oven products	7.41	3.07	0	0.66	0	-0.13	-0.02	0	271,953.78	205,992.47	0.00%	7.41	0	0	0	1.32
20 C.20 - Production of chemicals	185.20	0.10	0	2.15	3.72	-2.90	-0.09	-1.11	292,576.36	221,613.14	0.00%	176.15	6.80	0.31	1.94	2.29
21 C.21 - Manufacture of pharmaceutical preparations	126.28	0	0	1.18	1.07	-1.98	-0.03	-0.78	15,867.25	12,018.71	0.00%	119.19	6.95	0.14	0.01	0.88
22 C.22 - Manufacture of rubber products	126.90	0	0	11.64	5.62	-5.51	-0.86	-3.41	29,956.72	22,690.83	0.00%	101.99	23.18	0.31	1.43	3.25
23 C.23 - Manufacture of other non-metallic mineral products	379.43	0	0	15.35	5.14	-9.07	-2.19	-3.45	2,524,448.68	1,912,153.75	0.27%	332.93	43.77	2.59	0.14	2.64
24 C.24 - Manufacture of basic metals	52.99	0	0	3.66	5.99	-5.49	-0.10	-5.02	28,671.67	21,717.48	0.00%	48.81	2.75	1.44	0.00	1.85

Values in millions of euros

Sector / Subsector	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Gross carrying amount (Mn EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mn EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column J): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 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 environmentally sustainable (CCM)	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									
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	345.27	0	0	31.16	18.31	-17.94	-1.80	-12.89	72,410.16	54,847.35	0.00%	271.65	59.70	11.51	2.41	3.46
26 C.26 - Manufacture of computer, electronic and optical products	25.79	0	0	2.85	1.32	-1.80	-0.69	-0.67	1,846.88	1,398.92	0.00%	18.22	7.56	0	0.00	3.42
27 C.27 - Manufacture of electrical equipment	52.66	0	0	1.80	4.27	-2.79	-0.06	-2.44	3,758.56	2,846.92	0.00%	47.44	1.82	3.39	0.01	2.97
28 C.28 - Manufacture of machinery and equipment n.e.c.	105.19	0	0	16.62	1.93	-3.23	-1.12	-1.31	36,314.51	27,506.59	0.00%	71.30	28.05	5.80	0.04	4.32
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	71.99	0	0	8.18	14.00	-8.79	-0.55	-7.58	6,525.00	4,942.38	0.00%	62.07	9.07	0.78	0.07	2.66
30 C.30 - Manufacture of other transport equipment	34.15	0	0	10.42	15.08	-12.13	-3.73	-8.28	1,851.56	1,402.46	0.00%	14.11	19.24	0.72	0.08	4.63
31 C.31 - Manufacture of furniture	72.34	0	0	8.98	5.29	-4.71	-0.74	-3.31	17,181.71	13,014.35	0.00%	60.28	9.43	2.08	0.56	3.10
32 C.32 - Other manufacturing	50.07	0	0	6.85	5.34	-2.50	-0.18	-1.92	2,981.54	2,258.39	0.00%	37.44	5.98	6.64	0.01	5.66
33 C.33 - Repair and installation of machinery and equipment	51.39	0	0	5.59	1.20	-1.26	-0.24	-0.39	14,628.63	11,080.51	0.00%	39.33	10.18	1.82	0.06	3.48
<b>34 D - Electricity, gas, steam and air conditioning supply</b>	<b>484.25</b>	<b>273.51</b>	<b>74.78</b>	<b>30.95</b>	<b>0.32</b>	<b>-9.82</b>	<b>-3.91</b>	<b>-0.32</b>	<b>130,491.73</b>	<b>67,387.54</b>	<b>0.83%</b>	<b>205.40</b>	<b>64.12</b>	<b>214.74</b>	<b>0.00</b>	<b>8.31</b>
35 D35.1 - Electric power generation, transmission and distribution	482.75	273.28	74.78	30.88	0.31	-9.79	-3.90	-0.31	129,527.54	66,889.62	0.83%	203.90	64.12	214.74	0.00	8.33
36 D35.11 - Production of electricity	437.78	230.87	74.78	29.78	0	-9.11	-3.81	0	75,998.55	42,651.98	0.67%	159.89	63.53	214.36	0.00	8.69
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0.30	0.23	0	0	0.01	-0.01	0	-0.01	9.59	4.95	0.00%	0.30	0	0	0	1.97
38 D35.3 - Steam and air conditioning supply	1.20	0	0	0.07	0	-0.02	-0.00	0	954.60	492.97	0.00%	1.20	0	0	0	1.87
<b>39 E - Water supply, sewerage, waste management and remediation activities</b>	<b>280.89</b>	<b>0</b>	<b>0</b>	<b>61.51</b>	<b>3.19</b>	<b>-20.26</b>	<b>-15.01</b>	<b>-2.94</b>	<b>550,644.70</b>	<b>188,633.62</b>	<b>0.00%</b>	<b>181.81</b>	<b>60.05</b>	<b>35.64</b>	<b>3.39</b>	<b>5.99</b>
<b>40 F - Construction</b>	<b>1,417.52</b>	<b>0.55</b>	<b>0.05</b>	<b>177.29</b>	<b>112.23</b>	<b>-102.75</b>	<b>-14.69</b>	<b>-71.70</b>	<b>201,299.44</b>	<b>123,997.84</b>	<b>0.00%</b>	<b>1,117.65</b>	<b>111.49</b>	<b>181.19</b>	<b>7.19</b>	<b>3.84</b>
41 F.41 - Construction of buildings	482.36	0	0	124.67	47.97	-49.45	-9.99	-35.65	42,528.42	26,196.96	0.00%	356.73	74.44	48.10	3.10	4.02
42 F.42 - Civil engineering	708.11	0.55	0.05	17.80	52.16	-41.03	-2.41	-28.52	88,458.91	54,489.53	0.00%	575.41	10.82	121.22	0.66	3.73
43 F.43 - Specialised construction activities	227.04	0	0	34.81	12.10	-12.26	-2.29	-7.53	70,312.11	43,311.35	0.00%	185.51	26.22	11.88	3.43	3.77
<b>44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	<b>2,755.84</b>	<b>0.67</b>	<b>14.59</b>	<b>260.22</b>	<b>112.72</b>	<b>-124.28</b>	<b>-21.20</b>	<b>-73.77</b>	<b>414,480.96</b>	<b>245,446.79</b>	<b>1.28%</b>	<b>2,384.95</b>	<b>266.65</b>	<b>79.20</b>	<b>25.05</b>	<b>2.82</b>
<b>45 H - Transportation and storage</b>	<b>1,459.32</b>	<b>7.42</b>	<b>0</b>	<b>319.16</b>	<b>112.45</b>	<b>-105.20</b>	<b>-43.01</b>	<b>-47.50</b>	<b>426,100.33</b>	<b>109,405.15</b>	<b>0.00%</b>	<b>753.27</b>	<b>455.97</b>	<b>244.42</b>	<b>5.66</b>	<b>5.93</b>
46 H.49 - Land transport and transport via pipelines	533.14	0	0	85.29	14.32	-19.42	-5.09	-7.94	326,483.51	83,827.63	0.00%	431.81	85.82	10.86	4.65	3.38
47 H.50 - Water transport	103.29	0	0	31.80	0.42	-9.93	-5.89	-0.40	46,807.83	12,018.34	0.00%	22.43	80.05	0.81	0.00	7.13
48 H.51 - Air transport	109.58	0	0	108.73	0.08	-15.35	-15.29	-0.05	44,899.80	11,528.43	0.00%	37.49	72.10	0	0	6.45
49 H.52 - Warehousing and support activities for transportation	710.14	7.42	0	92.21	96.81	-59.84	-16.66	-38.53	7,685.74	1,973.38	0.00%	258.99	217.62	232.53	1.00	7.61
50 H.53 - Postal and courier activities	3.16	0	0	1.13	0.84	-0.67	-0.07	-0.59	223.45	57.37	0.00%	2.56	0.37	0.22	0.01	3.19
<b>51 I - Accommodation and food service activities</b>	<b>864.24</b>	<b>0</b>	<b>0</b>	<b>171.13</b>	<b>38.81</b>	<b>-44.62</b>	<b>-11.78</b>	<b>-23.97</b>	<b>21,168.45</b>	<b>66.31</b>	<b>0.00%</b>	<b>406.11</b>	<b>261.63</b>	<b>190.96</b>	<b>5.54</b>	<b>6.54</b>
<b>52 L - Real estate activities</b>	<b>2,692.38</b>	<b>0.02</b>	<b>0</b>	<b>386.46</b>	<b>77.72</b>	<b>-81.86</b>	<b>-24.69</b>	<b>-44.53</b>	<b>4,683.93</b>	<b>2,496.93</b>	<b>0.00%</b>	<b>1,049.53</b>	<b>639.50</b>	<b>984.26</b>	<b>19.08</b>	<b>8.22</b>
<b>53 Exposures towards sectors other than those that highly contribute to climate change</b>	<b>5,059.45</b>	<b>0.24</b>	<b>231.29</b>	<b>295.62</b>	<b>178.06</b>	<b>-472.09</b>	<b>-156.48</b>	<b>-220.48</b>	<b>150,359.29</b>	<b>95,184.98</b>	<b>4.74%</b>	<b>4,219.38</b>	<b>587.07</b>	<b>237.01</b>	<b>15.97</b>	<b>3.54</b>
<b>54 K - Financial and insurance activities</b>	<b>1,038.73</b>	<b>0</b>	<b>0.49</b>	<b>20.98</b>	<b>16.82</b>	<b>-27.41</b>	<b>-2.53</b>	<b>-14.79</b>	<b>8.93</b>	<b>0</b>	<b>1.07%</b>	<b>844.12</b>	<b>131.40</b>	<b>62.47</b>	<b>0.73</b>	<b>3.32</b>
<b>55 Exposures to other sectors (NACE codes J, M - U)</b>	<b>4,020.72</b>	<b>0.24</b>	<b>230.81</b>	<b>274.64</b>	<b>161.24</b>	<b>-444.68</b>	<b>-153.95</b>	<b>-205.69</b>	<b>150,350.36</b>	<b>95,184.98</b>	<b>3.67%</b>	<b>3,375.27</b>	<b>455.67</b>	<b>174.54</b>	<b>15.24</b>	<b>3.67</b>
<b>56 TOTAL</b>	<b>18,862.93</b>	<b>285.66</b>	<b>330.45</b>	<b>2,063.25</b>	<b>854.88</b>	<b>-1,158.93</b>	<b>-321.37</b>	<b>-616.57</b>	<b>8,418,424.04</b>	<b>5,929,202.62</b>	<b>7.21%</b>	<b>13,393.00</b>	<b>3,075.93</b>	<b>2,265.26</b>	<b>128.74</b>	<b>4.48</b>

Values in millions of euros

## 16.5 Transition Risk: Loans collateralized by real estate and energy efficiency levels of real estate pledged as collateral

Table 57 reports, with a reference date of 31 December 2023, the gross amounts of CGD Group loans, collateralized with commercial or residential real estate, as well as the level of energy efficiency expressed in kWh/m<sup>2</sup> and the energy performance according to the Energy Performance Certificate (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 EPC 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 EPC.

The EPC 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 EPC;
- 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 EPC of properties pledged as guarantee for operations in Portugal. CGD already collects information on the EPC of properties pledged as guarantee for new operations.

However, and given that it was not possible to obtain an EPC for the entire portfolio, a model was developed that estimates the energy rating of the property considering 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, proceeds to the selection of the final model considering a set of performance measures and expert analysis.

The energy efficiency level (expressed in kWh/m<sup>2</sup>) was determined based on the energy rating of the property, according to the total average values of that energy class, determined by the PCAF's

"European building emission factor database"<sup>35</sup> "for residential and commercial properties and according to the country of location of the property.

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<sup>35</sup> <https://building-db.carbonaccountingfinancials.com/>

**Table 57 | ESG 2a: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral**

Counterparty sector	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	Total gross carrying amount amount														
	Level of energy efficiency (EP score in kWh/m <sup>2</sup> 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		
1 Total EU area	29,352.90	23,246.63	1,440.06	258.80	423.02	169.16	92.68	1,256.66	1,736.11	2,925.52	2,687.69	1,454.48	656.84	3.10	18,632.50
2 Of which Loans collateralised by commercial immovable property	3,916.07	0	295.48	258.80	423.02	169.16	92.68	42.24	216.74	206.26	156.28	22.62	16.60	0.04	3,255.29
3 Of which Loans collateralised by residential immovable property	25,436.83	23,246.63	1,144.58	0	0	0	0	1,214.42	1,519.37	2,719.26	2,531.40	1,431.86	640.25	3.06	15,377.21
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	212.50	0	0	0	0	0	0	0	0	0	0	0	0	0	212.50
5 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	14,909.89	13,830.26	754.52	42.06	216.76	12.88	53.42								14,909.89
6 Total non-EU area	2,326.23	0	0	0	0	0	0	0	0	0	0	0	0	0	2,326.23
7 Of which Loans collateralised by commercial immovable property	327.60	0	0	0	0	0	0	0	0	0	0	0	0	0	327.60
8 Of which Loans collateralised by residential immovable property	1,982.21	0	0	0	0	0	0	0	0	0	0	0	0	0	1,982.21
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	16.42	0	0	0	0	0	0	0	0	0	0	0	0	0	16.42
10 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	0	0	0	0	0	0	0								0

Values in millions of euros

**Table 58 | ESG 2b: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral**

Counterparty sector		P
		Without EPC label of collateral
		Of which level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated
<b>1</b>	<b>Total EU area</b>	<b>80%</b>
2	Of which Loans collateralised by commercial immovable property	18%
3	Of which Loans collateralised by residential immovable property	93%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0%
5	Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	0%
<b>6</b>	<b>Total non-EU area</b>	<b>0%</b>
7	Of which Loans collateralised by commercial immovable property	0%
8	Of which Loans collateralised by residential immovable property	0%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0%
10	Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	0%

## 16.6 Transition Risk: Exposures to the 20 Most Carbon Intensive Companies

Table 59 reports, with a reference date of 31 December 2023, 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 59 | 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
0	0	0	0

Values in millions of euros

## 16.7 Physical Risk: Exposure subject to physical risk

Table 60 reports, with a reference date of December 31, 2023, 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.

The Portuguese national platform for reduction of the risk of calamities by the Civil Protection Authority (PNRRC), has a physical risks mapping (river floods, coastal floods, land displacements, tsunami, extreme heat, urban fires, rural fires, earthquakes, water shortages, strong winds and snowfall), by risk level (not available, low, medium and high) and by parish council level to Portugal.

To identify CGD's exposures sensitive to the impact of physical risk, locations with at least one climatic phenomenon classified as high or critical, according to information from the "PNRRC" Platform for exposure in Portugal and from "Think Hazard" for the remaining geographies and considering the location of the counterparty.

The methodology used by CGD 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 60 | ESG5 - Banking book - Climate change physical risk: Exposures subject to physical risk

a Variable: Geographical area subject to climate change physical risk - acute and chronic events	b	Gross carrying amount												
		of which exposures sensitive to impact from climate change physical events											Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		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			
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures		
c	d	e	f	g	h	i	j	k	l	m	n	o		
1 A - Agriculture, forestry and fishing	369.88	186.40	41.59	33.72	0.88	4.40	112.08	95.18	55.33	40.75	31.73	19.71	4.04	13.33
2 B - Mining and quarrying	218.80	149.09	47.84	0.39	0.02	2.29	116.01	73.09	8.24	7.17	13.91	8.39	0.20	6.51
3 C - Manufacturing	3,260.37	1,508.96	347.65	35.52	32.16	2.88	471.99	1,244.67	207.62	198.91	98.65	94.92	12.66	63.86
4 D - Electricity, gas, steam and air conditioning supply	484.25	169.39	63.68	214.74	0.00	8.73	155.88	289.70	2.23	30.95	0.32	9.57	3.91	0.32
5 E - Water supply; sewerage, waste management and remediation activities	280.89	149.41	42.31	0.42	3.38	4.32	28.24	130.42	36.86	17.88	0.22	3.50	1.33	0.14
6 F - Construction	1,417.52	808.50	64.92	154.50	6.11	4.03	331.45	638.17	64.41	130.02	39.89	51.52	9.53	28.39
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,755.84	1,281.49	149.51	50.80	15.35	2.49	332.69	984.76	179.70	158.41	71.05	82.03	11.93	52.33
8 H - Transportation and storage	1,459.32	548.97	235.34	38.28	3.99	4.15	118.82	511.54	196.22	192.63	107.54	70.22	20.13	44.14
9 L - Real estate activities	2,692.38	843.51	556.56	922.63	19.01	8.17	168.31	2,028.96	144.44	349.21	61.46	62.51	20.88	31.28
10 Loans collateralised by residential immovable property	27,419.04	457.06	1,381.03	3,821.00	13,120.50	25.07	4,011.25	12,441.79	2,326.55	1,864.71	182.05	329.36	173.73	105.70
11 Loans collateralised by commercial immovable property	4,243.68	1,821.25	778.41	1,126.97	31.97	6.73	223.28	3,241.25	294.07	465.65	153.25	201.10	39.47	116.34
12 Repossessed colaterals	228.92	0.00	0.00	0.00	9.03	0.00	0.00	9.03	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

## 16.8 Green Asset Ratio (GAR)

In 2020, the European Parliament and the European Council adopted Regulation (EU) 2020/852, known as the Taxonomy Regulation, on the establishment of a framework to facilitate sustainable investment.

This Regulation establishes a set of uniform and common criteria in the European Union in order to determine whether an economic activity can be considered environmentally sustainable and establishes the obligation for companies subject to the Non-Financial Reporting Directive (NFRD) to disclose how their operations are aligned with the criteria set out in the European Union Taxonomy.

The main indicator used to measure the alignment of economic activities with the Taxonomy Regulation is the so-called Green Asset Ratio (GAR). This ratio indicates the percentage of assets covered by the institution that are used for activities aligned with the criteria of the European Union Taxonomy.

According to Article 8 of the Taxonomy Regulation, as of 2023 banks are required to determine and report, for the first time, the Green Asset Ratio with respect to climate change mitigation and adaptation objectives.

In this sense, in this report, CGD discloses, with a reference date of December 31, 2023, the templates related to the GAR. Namely, the summary of the key performance indicators related to exposures aligned according to the European Union Taxonomy, the assets taken into account in the denominator and numerator of the ratio, and, finally, the value of the GAR based on the information reported in the templates mentioned above.

### Summary of key performance indicators for Taxonomy-aligned exposures

Tables 61 and 62 provide, with a reference date of 31 December 2023, an overview of the key performance indicators (KPI) on CGD Group's Taxonomy-aligned exposures.

This table represents the green asset ratio in two ways:

- in terms of stock, based on the total gross amount of loans and advances as of December 31, 2023;
- in terms of flow, based on the gross amount of new loans and advances during 2023.

As of December 31, 2023, CGD has a total stock GAR of 2,31% and a total flow GAR of 0,03%. Noting that both ratios result from the sum of the KPI ratios related to climate change mitigation and adaptation.

For climate change adaptation KPIs, both ratios are zero.

**Table 61 | ESG 6a: Summary of key performance indicators (KPIs) relating to exposures aligned according to the Taxonomy**

		KPI		
		Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)
		0010	0020	0030
0010	GAR stock	2,31%	0,00%	2,31%
0020	GAR flow	0,03%	0,00%	0,03%

**Table 62 | ESG 6b: Summary of key performance indicators (KPIs) relating to exposures aligned according to the Taxonomy**

		% coverage (over total assets)
		0040
0010	GAR stock	58.36%
0020	GAR flow	0,00%

## Mitigation actions: assets for GAR calculation

Tables 63 and 64 report, with a reference date of December 31, 2023, the assets that constitute the numerator and denominator of the ecological assets ratio.

The exposures reported in these tables are presented by type of counterparty, namely financial and non-financial companies and households, by type of product, loans and advances, debt securities and equity instruments. Highlighting that assets that are not taken into account in the GAR calculation, in particular exposures to sovereign entities, central banks and the trading portfolio, are also reported in this table. Additionally, the eligibility and alignment, according to the Taxonomy, of the assets included in the GAR numerator are also assessed in this table.

As of December 31, 2023, approximately 82% of the assets covered in both the numerator and denominator of the GAR relate to loans secured by residential properties. Of which, approximately 5% are considered sustainable from an environmental point of view.

With regard to the “Climate Change Mitigation” and “Adaptation to Climate Change” criteria, around 84% of the assets covered in the numerator and denominator of the ratio are classified in the “Climate Change Mitigation” category.

**Table 63 | ESG 7a: Mitigating actions: Assets for the calculation of GAR (I)**

Disclosure reference date: December 2023																	
a. Total gross carrying amount	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	b. Of which towards taxonomy relevant sectors (Taxonomy-eligible)						g. Of which towards taxonomy relevant sectors (Taxonomy-eligible)					i. Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
	c. Of which environmentally sustainable (Taxonomy-aligned)						h. Of which environmentally sustainable (Taxonomy-aligned)					m. Of which environmentally sustainable (Taxonomy-aligned)					
				d. Of which specialised lending	e. Of which transitional	f. Of which enabling			i. Of which specialised lending	j. Of which adaptation	k. Of which enabling			n. Of which specialised lending	o. Of which transitional/adaptation	p. Of which enabling	
0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150	0160		
<b>GAR - Covered assets in both numerator and denominator</b>																	
<b>1. Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b>	<b>0010</b>	<b>33.396,74</b>	<b>27.959,86</b>	<b>1.321,51</b>	<b>0</b>	<b>17,56</b>	<b>0,05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27.959,86</b>	<b>1.321,51</b>	<b>0</b>	<b>17,56</b>	<b>0,05</b>
2. Financial corporations	0020	1.992,72	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>3. Credit institutions</b>	<b>0030</b>	<b>999,26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4. Loans and advances	0040	391,72	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Debt securities, including UoP	0050	607,53	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Equity instruments	0060	0,01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>7. Other financial corporations</b>	<b>0070</b>	<b>993,47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
8. Of which investment firms	0080	907,94	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Loans and advances	0090	350,64	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Debt securities, including UoP	0100	50,04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Equity instruments	0110	507,26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Of which management companies	0120	65,04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Loans and advances	0130	2,64	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Debt securities, including UoP	0140	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Equity instruments	0150	62,40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Of which insurance undertakings	0160	20,49	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Loans and advances	0170	3,25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Debt securities, including UoP	0180	17,24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Equity instruments	0190	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>20. Non-financial corporations (subject to NFRD disclosure obligations)</b>	<b>0200</b>	<b>1.137,66</b>	<b>43,67</b>	<b>15,06</b>	<b>0</b>	<b>0</b>	<b>0,05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43,67</b>	<b>15,06</b>	<b>0</b>	<b>0</b>	<b>0,05</b>
21. Loans and advances	0210	802,99	10,92	0,19	0	0	0,03	0	0	0	0	0	10,92	0,19	0	0	0,03
22. Debt securities, including UoP	0220	334,67	32,75	14,86	0	0	0,03	0	0	0	0	0	32,75	14,86	0	0	0,03
23. Equity instruments	0230	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>24. Households</b>	<b>0240</b>	<b>30.266,36</b>	<b>27.916,19</b>	<b>1.306,45</b>	<b>0</b>	<b>17,56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27.916,19</b>	<b>1.306,45</b>	<b>0</b>	<b>17,56</b>	<b>0</b>
25. Of which loans collateralised by residential immovable property	0250	27.419,17	27.419,17	1.288,89	0	0	0	0	0	0	0	0	27.419,17	1.288,89	0	0	0
26. Of which building renovation loans	0260	491,87	491,87	17,28	0	17,28	0	0	0	0	0	0	491,87	17,28	0	17,28	0
27. Of which motor vehicle loans	0270	5,28	5,15	0,28	0	0,28	0	0	0	0	0	0	5,15	0,28	0	0,28	0

	a. Total gross carrying amount	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		b. Of which towards taxonomy relevant sectors (Taxonomy-eligible)						g. Of which towards taxonomy relevant sectors (Taxonomy-eligible)					i. Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		c. Of which environmentally sustainable (Taxonomy-aligned)						h. Of which environmentally sustainable (Taxonomy-aligned)					m. Of which environmentally sustainable (Taxonomy-aligned)				
		0010	0020	0030	d. Of which specialised lending	e. Of which transitional	f. Of which enabling	0070	0080	i. Of which specialised lending	j. Of which adaptation	k. Of which enabling	0120	0130	n. Of which specialised lending	o. Of which transitional/adaptation	p. Of which enabling
	0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150	0160	
28. Local governments financing	0280	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
29. Housing financing	0290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
31. Collateral obtained by taking possession: residential and commercial immovable properties	0310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>32. TOTAL GAR ASSETS</b>	<b>0320</b>	<b>33.396,74</b>	<b>27.959,86</b>	<b>1.321,51</b>	<b>0</b>	<b>17,56</b>	<b>0,05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27.959,86</b>	<b>1.321,51</b>	<b>0</b>	<b>17,56</b>	<b>0,05</b>
<b>Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>																	
<b>33. EU Non-financial corporations (not subject to NFRD disclosure obligations)</b>	<b>0330</b>	<b>14.807,10</b>															
34. Loans and advances	0340	11.234,66															
35. Debt securities	0350	3.328,41															
36. Equity instruments	0360	244,03															
<b>37. Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)</b>	<b>0370</b>	<b>4.506,85</b>															
38. Loans and advances	0380	4.044,94															
39. Debt securities	0390	442,43															
40. Equity instruments	0400	19,48															
41. Derivatives	0410	118,94															
42. On demand interbank loans	0420	588,74															
43. Cash and cash-related assets	0430	696,58															
44. Other assets (e.g. Goodwill, commodities etc.)	0440	3.112,11															
<b>45. TOTAL ASSETS IN THE DENOMINATOR (GAR)</b>	<b>0450</b>	<b>57.227,06</b>															
<b>Other assets excluded from both the numerator and denominator for GAR calculation</b>																	
46. Sovereigns	0460	18.801,15															
47. Central banks exposure	0470	22.783,87															
48. Trading book	0480	364,04															
<b>49. TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR</b>	<b>0490</b>	<b>41.949,06</b>															
<b>50. TOTAL ASSETS</b>	<b>0500</b>	<b>99.176,12</b>															

Values in millions of euros



## Green Asset Ratio

The following Tables disclose, with a reference date of December 31, 2023, the value of the GAR.

The ratio reported in these tables allows us to determine to what extent the institutions' activities qualify as environmentally sustainable, that is, they are aligned according to the European Union Taxonomy.

These tables include the GAR related to stock ICD based on the data disclosed in the ESG7 tables, reflecting the percentage of exposures related to eligible activities and aligned with the Taxonomy in relation to the total assets covered. Additionally, the tables include the GAR related to flow ICD which corresponds to the flow of new loans and advances, debt securities and equity instruments eligible and aligned with the Taxonomy in relation to the total flow of loans and advances, debt securities and instruments of capital. Pointing out that the data taken into consideration in the flow are determined based on the gross amount of exposure incurred during the year 2023.

With regard to the GAR relating to flow ICD, CGD presents a ratio of 0,03% as of December 31, 2023. The proportion of the total new assets covered corresponds to 0,00%

As of December 31, 2023, CGD presents a GAR relating to stock ICD of 48,86%, of which 2,31% belong to sectors relevant to the Taxonomy. Noting that the proportion of total assets covered corresponds to 58,36%.

**Table 65 | ESG 8a: GAR (%) (Stock)**

Disclosure reference date T: KPIs on stock																					
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)									
a. Proportion of eligible assets funding taxonomy relevant sectors		b. Of which environmentally sustainable					f. Proportion of eligible assets funding taxonomy relevant sectors					g. Of which environmentally sustainable									
		c. Of which specialised lending			d. Of which transitional		e. Of which enabling			h. Of which specialised lending			i. Of which adaptation		j. Of which enabling		k. Proportion of eligible assets funding taxonomy relevant sectors				
		m. Of which specialised lending			n. Of which transitional/ada ptation		o. Of which enabling			p. Of which specialised lending			q. Of which adaptation		r. Of which enabling		l. Of which environmentally sustainable				
		0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150	0110	0120	0130	0140	0150
1. GAR	0010	48,86%	2,31%	0,00%	0,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	48,86%	2,31%	0,00%	0,03%	0,00%	48,86%	2,31%	0,00%	0,03%	0,00%
2. Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	0020	48,86%	2,31%	0,00%	0,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	48,86%	2,31%	0,00%	0,03%	0,00%	48,86%	2,31%	0,00%	0,03%	0,00%
3. Financial corporations	0030	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
4. Credit institutions	0040	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
5. Other financial corporations	0050	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
6. Of which investment firms	0060	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
7. Of which management companies	0070	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
8. Of which insurance undertakings	0080	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
9. Non-financial corporations subject to NFRD disclosure obligations	0090	0,08%	0,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,08%	0,03%	0,00%	0,00%	0,00%	0,08%	0,03%	0,00%	0,00%	0,00%
10. Households	0100	48,78%	2,28%	0,00%	0,03%	0,00%						48,78%	2,28%	0,00%	0,03%	0,00%	48,78%	2,28%	0,00%	0,03%	0,00%
11. Of which loans collateralised by residential immovable property	0110	47,91%	2,25%	0,00%	0,00%	0,00%						47,91%	2,25%	0,00%	0,00%	0,00%	47,91%	2,25%	0,00%	0,00%	0,00%
12. Of which building renovation loans	0120	0,86%	0,03%	0,00%	0,03%	0,00%						0,86%	0,03%	0,00%	0,03%	0,00%	0,86%	0,03%	0,00%	0,03%	0,00%
13. Of which motor vehicle loans	0130	0,01%	0,00%	0,00%	0,00%	0,00%						0,01%	0,00%	0,00%	0,00%	0,00%	0,01%	0,00%	0,00%	0,00%	0,00%
14. Local government financing	0140	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
15. Housing financing	0150	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
17. Collateral obtained by taking possession: residential and commercial immovable properties	0170	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

**Table 66 | ESG 8b: GAR (%) (Stock)**

		Disclosure reference date T: KPIs on stock														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		a. Proportion of eligible assets funding taxonomy relevant sectors					f. Proportion of eligible assets funding taxonomy relevant sectors					k. Proportion of eligible assets funding taxonomy relevant sectors				
		b. Of which environmentally sustainable					g. Of which environmentally sustainable					l. Of which environmentally sustainable				
		c. Of which specialised lending					d. Of which transitional					e. Of which enabling				
		h. Of which specialised lending					i. Of which adaptation					j. Of which enabling				
		m. Of which specialised lending					n. Of which transitional/adaptation					o. Of which enabling				
		0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150
<b>1. GAR</b>	0010	<b>48,86%</b>	<b>2,31%</b>	<b>0,00%</b>	<b>0,03%</b>	<b>0,00%</b>	<b>0,00%</b>	<b>0,00%</b>	<b>0,00%</b>	<b>0,00%</b>	<b>0,00%</b>	<b>48,86%</b>	<b>2,31%</b>	<b>0,00%</b>	<b>0,03%</b>	<b>0,00%</b>
2. Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	0020	48,86%	2,31%	0,00%	0,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	48,86%	2,31%	0,00%	0,03%	0,00%
16. Other local governments financing	0160	0,00%	0,00%	0,00%	0,00%	0,00%						0,00%	0,00%	0,00%	0,00%	0,00%

**Table 67 | ESG 8c: GAR (%) (ICD de Flows)**

		Disclosure reference date T: KPIs on flows														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		q. Proportion of new eligible assets funding taxonomy relevant sectors					v. Proportion of new eligible assets funding taxonomy relevant sectors					aa. Proportion of new eligible assets funding taxonomy relevant sectors				
		r. Of which environmentally sustainable					w. Of which environmentally sustainable					ab. Of which environmentally sustainable				
			s. Of which specialised lending	t. Of which transitional	u. Of which enabling		x. Of which specialised lending	y. Of which adaptation	z. Of which enabling		ac. Of which specialised lending	ad. Of which transitional/adaptation	ae. Of which enabling			
		0170	0180	0190	0200	0210	0220	0230	0240	0250	0260	0270	0280	0290	0300	0310
<b>1. GAR</b>	<b>0010</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.00%</b>
2. Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	0020	0.03%	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.03%	0.03%	0.03%	0.00%
3. Financial corporations	0030	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Credit institutions	0040	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5. Other financial corporations	0050	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6. Of which investment firms	0060	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7. Of which management companies	0070	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8. Of which insurance undertakings	0080	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9. Non-financial corporations subject to NFRD disclosure obligations	0090	0.03%	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.03%	0.03%	0.03%	0.00%
10. Households	0100	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
11. Of which loans collateralised by residential immovable property	0110	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
12. Of which building renovation loans	0120	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
13. Of which motor vehicle loans	0130	0.01%	0.00%	0.00%	0.00%	0.00%						0.01%	0.00%	0.00%	0.00%	0.00%
14. Local government financing	0140	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
15. Housing financing	0150	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
17. Collateral obtained by taking possession: residential and commercial immovable properties	0170	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%

Table 68 | ESG 8d: GAR (%) (ICD de Flows)

		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		q. Proportion of new eligible assets funding taxonomy relevant sectors					v. Proportion of new eligible assets funding taxonomy relevant sectors					aa. Proportion of new eligible assets funding taxonomy relevant sectors					
		r. Of which environmentally sustainable					w. Of which environmentally sustainable					ab. Of which environmentally sustainable					
		s. Of which specialised lending			t. Of which transitional		x. Of which specialised lending			y. Of which adaptation		ac. Of which specialised lending			ad. Of which transitional/adaptation		ae. Of which enabling
		0170	0180	0190	0200	0210	0220	0230	0240	0250	0260	0270	0280	0290	0300	0310	
<b>1. GAR</b>	<b>0010</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.00%</b>	
2. Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	0020	0.03%	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.03%	0.03%	0.03%	0.00%	
16. Other local governments financing	0150	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	

**Table 69 | ESG 8e: GAR (%)**

		KPIs on stock	KPIs on flows
		total assets covered	total new assets covered
		0160	0320
<b>1. GAR</b>	<b>0010</b>	<b>58.36%</b>	<b>0,00%</b>
2. Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0020	58.36%	0.24%
3. Financial corporations	0030	3.48%	0.00%
4. Credit institutions	0040	1.75%	0.00%
5. Other financial corporations	0050	1.74%	0.00%
6. Of which investment firms	0060	1.59%	0.00%
7. Of which management companies	0070	0.11%	0.00%
8. Of which insurance undertakings	0080	0.04%	0.00%
9. Non-financial corporations subject to NFRD disclosure obligations	0090	1.99%	0.24%
10. Households	0100	52.89%	0.00%
11. Of which loans collateralised by residential immovable property	0110	47.91%	0.00%
12. Of which building renovation loans	0120	0.86%	0.00%
13. Of which motor vehicle loans	0130	0.01%	0.01%
14. Local government financing	0140	0.00%	0.00%
15. Housing financing	0150	0.00%	0.00%
16. Other local governments financing	0160	0.00%	0.00%
17. Collateral obtained by taking possession: residential and commercial immovable properties	0170	0.00%	0.00%

## 17. 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)<sup>36</sup>.

It is also the responsibility of this committee<sup>37</sup> 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).

Following this and throughout 2023, CRAG and CNAR held 11 and 15 meetings, respectively.

In compliance with the provisions of article 450 of the CRR, CGD will disclose, in the 2023 Report and Accounts (chapter 3.7. Remuneration), information relating to the respective remuneration policies and practices applicable to the categories of employees whose professional activities have or may have an impact significant impact on CGD's risk profile.

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

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

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

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<sup>36</sup> 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>

<sup>37</sup> 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 70 | EU REM1 Remuneration awarded for the financial year**

			a. MB Supervisory function	b. MB Management function	c. Other senior management	d. Other identified staff
			0010	0020	0030	0040
Fixed remuneration	1. Number of identified staff	0010	9	8	221	109
	2. Total fixed remuneration	0020	1.132	2.737	25.454	6.290
	3. Of which: cash-based	0030	1.131	2.701	24.364	6.215
	EU-4a. Of which: shares or equivalent ownership interests	0040	0	0	0	0
	5. Of which: share-linked instruments or equivalent non-cash instruments	0050	0	0	0	0
	EU-5x. Of which: other instruments	0060	0	0	0	0
	7. Of which: other forms	0070	1	36	1.091	75
Variable remuneration	9. Number of identified staff	0080	0	0	178	51
	10. Total variable remuneration	0090	0	0	3.575	647
	11. Of which: cash-based	0100	0	0	2.973	604
	12. Of which: deferred	0110	0	0	430	93
	EU-13a. Of which: shares or equivalent ownership interests	0120	0	0	0	0
	EU-14a. Of which: deferred	0130	0	0	0	0
	EU-13b. Of which: share-linked instruments or equivalent non-cash instruments	0140	0	0	0	0
	EU-14b. Of which: deferred	0150	0	0	0	0
	EU-14x. Of which: other instruments	0160	0	0	603	43
	EU-14y. Of which: deferred	0170	0	0	301	22
	15. Of which: other forms	0180	0	0	0	0
16. Of which: deferred	0190	0	0	0	0	
<b>17. Total remuneration</b>	<b>0200</b>	<b>1.132</b>	<b>2.737</b>	<b>29.030</b>	<b>6.937</b>	

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

			a. MB Supervisory function	b. MB Management function	c. Other senior management	d. Other identified staff
			0010	0020	0030	0040
Guaranteed variable remuneration awards	1. Guaranteed variable remuneration awards - Number of identified staff	0010	0	0	0	0
	2. Guaranteed variable remuneration awards -Total amount	0020	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	0030	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	0040	0	0	0	0
	5. Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0050	0	0	0	0
Severance payments awarded during the financial year	6. Severance payments awarded during the financial year - Number of identified staff	0060	0	0	0	0
	7. Severance payments awarded during the financial year - Total amount	0070	0	0	0	0
	8. Of which paid during the financial year	0080	0	0	0	0
	9. Of which deferred	0090	0	0	0	0
	10. Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0100	0	0	0	0
	11. Of which highest payment that has been awarded to a single person	0110	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 72 | EU REM3 Deferred remuneration**

		Deferred and retained remuneration							
		a. Total amount of deferred remuneration awarded for previous performance periods			d. Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e. Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f. 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)	EU - g. Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU - h. Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
		b. Of which due to vest in the financial year	c. Of which vesting in subsequent financial years						
		0010	0020	0030	0040	0050	0060	0070	0080
1. MB Supervisory function	0010	0	0	0	0	0	0	0	0
Cash-based	0020	0	0	0	0	0	0	0	0
Shares or equivalent ownership interests	0030	0	0	0	0	0	0	0	0
4. Share-linked instruments or equivalent non-cash instruments	0040	0	0	0	0	0	0	0	0
Other instruments	0050	0	0	0	0	0	0	0	0
Other forms	0060	0	0	0	0	0	0	0	0
7. MB Management function	0070	156.942	4.635	152.307	0	0	0	4.635	2.761
Cash-based	0080	151.368	1.875	149.494	0	0	0	1.875	0
Shares or equivalent ownership interests	0090	0	0	0	0	0	0	0	0
10. Share-linked instruments or equivalent non-cash instruments	0100	0	0	0	0	0	0	0	0
Other instruments	0110	5.574	2.761	2.813	0	0	0	2.761	2.761
Other forms	0120	0	0	0	0	0	0	0	0
13. Other senior management	0130	2.410	798	1.612	0	0	0	798	266
Cash-based	0140	1.701	545	1.155	0	0	0	545	13
Shares or equivalent ownership interests	0150	0	0	0	0	0	0	0	0
16. Share-linked instruments or equivalent non-cash instruments	0160	0	0	0	0	0	0	0	0
Other instruments	0170	709	253	457	0	0	0	253	253
Other forms	0180	0	0	0	0	0	0	0	0
19. Other identified staff	0190	233	140	93	0	0	0	140	67
Cash-based	0200	125	73	52	0	0	0	73	0
Shares or equivalent ownership interests	0210	0	0	0	0	0	0	0	0
22. Share-linked instruments or equivalent non-cash instruments	0220	0	0	0	0	0	0	0	0
Other instruments	0230	108	67	41	0	0	0	67	67
Other forms	0240	0	0	0	0	0	0	0	0
25. Total amount	0250	159.586	5.574	154.012	0	0	0	5.574	3.094

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 73 | EU REM4 Remuneration of 1 million EUR or more per year**

	Remuneration: Payment band	a. Identified staff that are high earners as set out in Article 450(i) CRR
	0010	0020
1	>= 1,000,000 and < 1 500,000	0
2	>= 1,500,000 and < 2,000,000	0
3	>= 2,000,000 and < 2,500,000	0
4	>= 2,500,000 and < 3,000,000	0
5	>= 3,000,000 and < 3,500,000	0
6	>= 3,500,000 and < 4,000,000	0
7	>= 4,000,000 and < 4,500,000	0
8	>= 4,500,000 and < 5,000,000	0
9	>= 5,000,000 and < 6,000,000	0
10	>= 6,000,000 and < 7,000,000	0
11	>= 7,000,000 and < 8,000,000	0

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 74 | EU REM5a Information on the remuneration of staff whose professional activity has a significant impact on the institutions' risk profile (identified staff)**

		Management body remuneration			Business areas					
		a. MB Supervisory function	b. MB Management function	c. T total MB	d. Investment banking	e. Retail banking	f. Asset management	g. Corporate functions	h. Independent internal control functions	i. All other
		0010	0020	0030	0040	0050	0060	0070	0080	0090
<b>1. Total number of identified staff</b>	<b>0010</b>									
2. Of which: members of the MB	0020	9	8	17	36	82	11	52	59	90
<b>5. Total remuneration of identified staff</b>	<b>0050</b>	<b>1.132</b>	<b>2.737</b>	<b>3.868</b>	<b>3.737</b>	<b>11.850</b>	<b>945</b>	<b>6.108</b>	<b>5.445</b>	<b>7.883</b>
6. Of which: variable remuneration	0060	0	0	0	406	1.307	105	1.017	579	809
7. Of which: fixed remuneration	0070	1.132	2.737	3.868	3.330	10.543	840	5.091	4.866	7.074

Values in thousand of Euros

**Table 75 | EU REM5b Information on the remuneration of staff whose professional activity has a significant impact on the institutions' risk profile (identified staff)**

		Business areas						
		d. Investment banking	e. Retail banking	f. Asset management	g. Corporate functions	h. Independent internal control functions	i. All other	j. Total
		0040	0050	0060	0070	0080	0090	0100
<b>1. Total number of identified staff</b>	<b>0010</b>							347
3. Of which: other senior management	0030	21	50	9	49	27	65	
4. Of which: other identified staff	0040	15	33	1	2	32	26	

# Annexes

## Annex I - Macroeconomic framework

Given the scenario of rising interest rates and inflation, the DGR promoted the update of sensitivity analyzes on the credit portfolio to individuals, with the following objectives:

- a) Assessment of current and expected impacts on customers' effort rate, measured at the Debt-Service-to-Income (DSTI) level;
- b) Estimation of expected losses, considering different macroeconomic scenarios.

As a result of the analyzes carried out, CGD promoted a review of the criteria for assigning credit operations to individuals at stage 2, assuming more conservative criteria, in order to capture degradations in the credit quality of customers, given the moment of origination of the credit. Additionally, and given the high existing geopolitical uncertainty and the future evolution of the economy, CGD chose to recognize impairment overlays, to anticipate possible risks of a significant degradation in the credit portfolio.

## Annex II - Mapping CRR tables

Template	Ref EBA	Name	Chapter	CRR Article
<b>Regulation (EU) 637/2021</b>				
1	EU KM1	Key metrics template	2.4 Risk Appetite Statement	artigo 447 (a) a (g) e do artigo 438 (b)
2		Other Relevant Indicators	2.4 Risk Appetite Statement	artigo 435 (f)
3	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	3.2 CGD Group consolidation perimeters	artigo 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	artigo 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	artigo 436 (d)
6	EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	4.2 SREP and capital reserves	artigo 440 (a)
7	EU CCyB2	Amount of institution-specific countercyclical capital buffer	4.2 SREP and capital reserves	artigo 440 (b)
8		Minimum Capital Ratios 2023	4.2 SREP+L42 and capital reserves	
9		Minimum Capital Ratios 2024	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	artigo 437 (b) e (c)
13	EU CC1	Composition of regulatory own funds	4.3 Regulatory Capital	artigo 437 (a), (d), (e) e (f)
14	EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	4.3 Regulatory Capital	artigo 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	artigo 438 (d)
17	EU INS1	Insurance participations	4.4 Capital requirements	article 438 (f)
18		Leverage ratio	4.5 Leverage Ratio	
19	EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	4.5 Leverage Ratio	artigo 451 1 (b)
20	EU LR2	Leverage ratio common disclosure	4.5 Leverage Ratio	artigo 451 1 (a) e (b), e do artigo 451 3
21	EU LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	4.5 Leverage Ratio	artigo 451 1 (b)
22	EU KM2	Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	5. MREL (Minimum Requirement for own funds and Eligible Liabilities) - Minimum Requirement for Own Funds and Eligible Liabilities	artigo 447 (h)
23	EU TLAC1	Composition - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities	5. MREL (Minimum Requirement for own funds and Eligible Liabilities) - Minimum Requirement for Own Funds and Eligible Liabilities	artigo 437 (a)
24	EU TLAC3b	Creditor ranking - resolution entity	5. MREL (Minimum Requirement for own funds and Eligible Liabilities) - Minimum Requirement for Own Funds and Eligible Liabilities	artigo 437 (a)
25		Total amount and average exposure amount	6. Credit Risk	
26	EU CR2	Changes in the stock of non-performing loans and advances	6. Credit Risk	artigo 442 (f)
27	EU CR1	Performing and non-performing exposures and related provisions	6. Credit Risk	artigo 442 (c) e (f)
28	EU CQ3	Credit quality of performing and non-performing exposures by past due days	6. Credit Risk	artigo 442 (d)
29	EU CR1-A	Maturity of exposures	6. Credit Risk	artigo 442 (g),
30	EU CQ1	Credit quality of forborne exposures	6. Credit Risk	artigo 442 (c)

Template	Ref EBA	Name	Chapter	CRR Article
31	EU CQ7	Collateral obtained by taking possession and execution processes	6. Credit Risk	artigo 442 (c)
32	EU CQ4	Quality of non-performing exposures by geography	6. Credit Risk	artigo 442 (c) e (e)
33	EU CQ5	Credit quality of loans and advances by industry	6. Credit Risk	artigo 442 (c) e (e)
34	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	7. Credit risk reduction	artigo 453 (f)
35	EU CR4	standardised approach – Credit risk exposure and CRM effects	7. Credit risk reduction	artigo 453 (g), (h) e (i), e no artigo 444 (e)
36	EU CR5	standardised approach	7. Credit risk reduction	artigo 444 (e)
37	EU CCR1	Analysis of CCR exposure by approach	8. Counterparty Credit Risk	artigo 439 (f), (g) e (k)
38	EU CCR2	Transactions subject to own funds requirements for CVA risk	8. Counterparty Credit Risk	artigo 439 (h)
39	EU CCR8	Exposures to CCPs	8. Counterparty Credit Risk	artigo 439 (i)
40	EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	8. Counterparty Credit Risk	artigo 444 (e)
41	EU CCR5	Composition of collateral for CCR exposures	8. Counterparty Credit Risk	artigo 439 (e)
42	EU SEC1	Securitisation exposures in the non-trading book	9. Securitization Operations	artigo 449 (j)
43	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	9. Securitization Operations	artigo 449 (k), subalínea ii)
44	EU AE1	Encumbered and unencumbered assets	10. Liquidity Risks	artigo 443
45	EU AE2	Collateral received and own debt securities issued	10. Liquidity Risks	artigo 443
46	EU AE3	Sources of encumbrance	10. Liquidity Risks	artigo 443
47		Asset encumbrance ratio	10. Liquidity Risks	
48	EU LIQ1	Quantitative information of LCR	10. Liquidity Risks	artigo 451-A 2
49	EU LIQ2	Net Stable Funding Ratio	10. Liquidity Risks	artigo 451-A 3
51	EU MR1	Market risk under the standardised approach	12. Market Risk	artigo 445
52		Weighting applied by business segment	14. Non-Financial Risk	
53		Accounting Items Relevant Indicator	14. Non-Financial Risk	
54	EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	14. Non-Financial Risk	artigos 446 e 454
55		Exposures in equities not included in the trading book	15. Risk Positions on Banking Portfolio Shares	
70	EU REM1	Remuneration awarded for the financial year	17. Remuneration	artigo 450 1 (h), subalíneas i) e ii)
71	EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	17. Remuneration	artigo 450 1, (h), subalíneas v), vi) e vii)
72	EU REM3	Deferred remuneration	17. Remuneration	artigo 450 1 (h), subalíneas iii) e iv)
73	EU REM4	Remuneration of 1 million EUR or more per year	17. Remuneration	artigo 450 alínea (i)
74	EU REM5a	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	17. Remuneration	artigo 450 (g)
74	EU REM5b	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	17. Remuneration	artigo 450 (g)

Template	Ref EBA	Name	Chapter	CRR Article
<b>Regulation (EU) 631/2022</b>				
62	EU IRRBB1	Quantitative information on the interest rate risks of activities not included in the trading book (amounts in thousands of euros)	11. Interest Rate risk on the Banking Book	article 434a (EU) 2022/631
<b>Regulation (EU) 2453/2022</b>				
56	ESG 1	Banking portfolio – Indicators of potential transition risk associated with climate change: Credit quality of exposures by sector, emissions and residual maturity	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
57	ESG 2a	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
58	ESG 2b	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
59	ESG 4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
60	ESG 5	Banking book - Climate change physical risk: Exposures subject to physical risk	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
61	ESG 6a	Summary of key performance indicators (KPIs) relating to exposures aligned according to the Taxonomy	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
62	ESG 6b	Summary of key performance indicators (KPIs) relating to exposures aligned according to the Taxonomy	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
63	ESG 7a	Mitigation Action Shares: assets for GAR calculation	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
64	ESG 7b	Mitigation Action Shares: assets for GAR calculation	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
65	ESG 8a	GAR (%) (Stock)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
66	ESG 8b	GAR (%) (Stock)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
67	ESG 8c	GAR (%) (ICD de Flows)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
68	ESG 8d	GAR (%) (ICD de Flows)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
69	ESG 8e	GAR (%)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)

Template	Ref EBA	Name	Chapter	CRR Article
Regulation (EU) 637/2021 - Tables not applicable to CGD				
N.A.	EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	It does not apply in the case of CGD	article 438 (g)
N.A.	EU CQ2	Quality of forbearance	It does not apply in the case of CGD	article 442 (c)
N.A.	EU CQ6	Collateral valuation - loans and advances	It does not apply in the case of CGD	article 442 (c)
N.A.	EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	It does not apply in the case of CGD	article 442 (c)
N.A.	EU CRE	Qualitative disclosure requirements related to the IRB method	CGD does not apply the IRB Method	
N.A.	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)
N.A.	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	CGD does not apply the IRB Method	article 452 (g)
N.A.	EU CR6-A	Scope of the use of IRB and SA approaches	CGD does not apply the IRB Method	article 452 (b)
N.A.	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)
N.A.	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)
N.A.	EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	CGD does not apply the IRB Method	article 438 (h)
N.A.	EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	CGD does not apply the IRB Method	article 452 (h)
N.A.	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)
N.A.	EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	It does not apply in the case of CGD	article 438 (e)
N.A.	EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	CGD does not apply the IRB Method	article 452 (g)
N.A.	EU CCR6	Credit derivatives exposures	It does not apply in the case of CGD	article 439 (j)
N.A.	EU CCR7	RWEA flow statements of CCR exposures under the IMM	CGD does not apply the IMM Method	article 438 (h)
N.A.	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),
N.A.	EU MR2-A	Market risk under the internal Model Approach (IMA)	CGD does not apply the IMA Method.	article 455 (e)
N.A.	EU MR2-B	RWA flow statements of market risk exposures under the IMA	CGD does not apply the IMA Method.	article 438 (h)
N.A.	EU MR3	IMA values for trading portfolios	CGD does not apply the IMA Method.	article 455 (d)
N.A.	EU MR4	Comparison of VaR estimates with gains/losses	CGD does not apply the VaR Method	article 455 (g)
N.A.	EU-SEC2	Securitisation exposures in the trading book	It does not apply in the case of CGD	article 449 (j)
N.A.	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)
N.A.	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)
N.A.	EU TLAC3a	Creditor ranking - resolution entity	It does not apply in the case of CGD	Article 437 (a)
N.A.	EU ILAC	Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-Slls	It does not apply in the case of CGD	Article 437 (a)
N.A.	EU TLAC2a	Creditor ranking - Entity that is not a resolution entity	It does not apply in the case of CGD	Article 437 (a)
N.A.	EU TLAC2b	Creditor ranking - Entity that is not a resolution entity	It does not apply in the case of CGD	Article 437 (a)

## Annex III - Mapping CRR articles

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
<b>Article 435° Disclosure of risk management objectives and policies</b>			
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 13, 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 13, 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		<a href="https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Organos-Sociais-CGD.pdf">https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Organos-Sociais-CGD.pdf</a>
(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
<b>Article 436 Disclosure of the scope of application</b>			
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 L3	
(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 L1	
(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 L2	
(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/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
<b>Article 437 Disclosure of own funds</b>			
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	
<b>Article 437a Disclosure of own funds and eligible liabilities</b>			
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;	5.MREL (Minimum Requirement for own funds and Eligible Liabilities)	EU TLAC1 EU TLAC 3b	
(b) the ranking of eligible liabilities in the creditor hierarchy;	NA Article applicable to G-SIs		
(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-SIs		
(d) the total amount of excluded liabilities referred to in Article 72a(2).	NA Article applicable to G-SIs		
<b>Article 438 Disclosure of own funds requirements and risk-weighted exposure amounts</b>			
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
<b>Article 439 Disclosure of exposures to counterparty credit risk</b>			
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		
<b>Article 440 Disclosure of countercyclical capital buffers</b>			
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	
<b>Article 441 Disclosure of indicators of global systemic importance</b>			
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
<b>Article 442 Disclosure of exposures to credit risk and dilution risk</b>			
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 forbore 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 off-balance-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	
<b>Article 443 Disclosure of encumbered and unencumbered assets</b>			
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		
<b>Article 444 Disclosure of the use of the Standardised Approach</b>			
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 ECAs 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	
<b>Article 445 Disclosure of exposure to market risk</b>			
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.	13. Market Risk	EU MR1	
<b>Article 446 Disclosure of operational risk management</b>			
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;	14.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;	14.Non-Financial Risk	EU OR1	
(c) in the case of partial use, the scope and coverage of the different methodologies used.	14.Non-Financial Risk	EU OR1	

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
<b>Article 447 Disclosure of key metrics</b>			
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-the-month 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.	5.MREL (Minimum Requirement for own funds and Eligible Liabilities)		
<b>Article 448 Disclosure of exposures to interest rate risk on positions not held in the trading book 1.</b>			
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
<b>Article 449 Disclosure of exposures to securitisation positions</b>			
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 L.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		
<b>Article 449a Disclosure of environmental, social and governance risks (ESG risks)</b>			
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.	16. 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.	16. Environmental, Social and Governance Risks (ESG)		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
<b>Article 450 Disclosure of remuneration policy</b>			
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;	17. 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;	17. 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;	17. Remuneration		
(d) the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	17. Remuneration		
(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	17. Remuneration		
(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;	17. Remuneration		
(g) aggregate quantitative information on remuneration, broken down by business area;	17. 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;	17. 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;	17. 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;	17. 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;	17. Remuneration	EU REM3	
(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;	17. Remuneration	EU REM2	
(vi) the severance payments awarded in previous periods, that have been paid out during the financial year;	17. 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;	17. 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;	17. 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;	17. 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.	17. 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	17. Remuneration		
<b>Article 451 Disclosure of the leverage ratio</b>			
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
<b>Article 451a Disclosure of liquidity requirements</b>			
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	
<b>Article 453 Disclosure of the use of credit risk mitigation techniques</b>			
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		