



MARKET DISCIPLINE

2024



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Introductory note

The document "**Market Discipline 2024**" 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 provided for 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, Regulation (EU) 2021/637 of 15 March 2021 and Regulation (EU) 2022/631 of 13 April 2022 of the European Parliament and of the Council and version 3.5 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 2024 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 compliant with the requirements contained in Regulation (EU) 575/2013 (Part VIII).

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

- Certifies that all procedures considered necessary were undertaken and that, to the best of its knowledge, all disclosed information is factual and reliable;
- Ensures the quality of all disclosed information, including data originating from entities within the economic group to which Caixa Geral de Depósitos, S.A., belongs;
- Commits to the timely disclosure of any significant amendments arising from subsequent activities relevant to the scope of this document;
- 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 is available on our website, at <https://www.cgd.pt/>, with particular emphasis on the informative content of the "Investor Relations" tab.

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



(Administrador Executivo)



(Administrador Executivo)

CAIXA GERAL DE DEPÓSITOS, S.A.

29 May 2025

2. Risk management objectives and policies

2.1 Governance model

The officer with ultimate responsibility for CGD's risk management function is the "Chief Risk Officer" or "CRO", who is a member of the executive committee. 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 responsible for providing information to and clarifying issues with the management and supervisory bodies on the risks incurred, CGD's and the global risk profile, both at the level of the CGD Group and at the level of each Entity, and the degree of compliance with the established risk tolerance levels.

The risk management function in CGD Group is based on a governance model that aims to comply with best practice on this matter, as set out in the "Guidelines on Internal Governance under Directive no.2013/36/EU (EBA/GL/2021/05) and to ensure the soundness and effectiveness of the system for the identification, measurement, monitoring, reporting and control of several risks incurred by the Group.

Risk management is carried out in a centralized manner and supported by a dedicated structure - the Risk Management Division (DGR) -, which covers the assessment and control of financial and non-financial risks incurred by the CGD Group, enshrining the principle of segregation of duties between the commercial and support areas and the risk management area (first and second lines of defense, respectively).

The DGR is a first-level division at CGD, with control functions and whose purpose is to protect the CGD Group's capital, namely through the assessment and management of capital and solvency, credit, market, liquidity, interest rate risks in the banking book, operational and non-financial risks incurred by the Group and of the existing interrelationships between them, 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 within the Group.

The Head of Risk is directly responsible for the risk management function (Director of DGR), who is also responsible, without prejudice to the other duties established in CGD's internal standards, for developing and leading a benchmark Division taking into account the dispositions of the General Regime of Credit Institutions and Financial Companies RGICSF, other applicable legal texts and best practices and international standards **to ensure the effectiveness and efficiency of the risk management system and contributing to the promotion and continuous improvement of a risk culture** within 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, monitoring, oversight, prevention and risk control processes**, risk oversight and, and coordinating the **development of policies and procedures** upon which these processes are based;
- **Identifying the risks inherent to the activities carried out**, on a separate and aggregate basis, both current and prospective, and assess and measure exposure to those risks using appropriate methodologies;

- Permanently monitor **risk-generating activities** and the associated exposure, assessing them in the context of the approved **risk appetite** and defined risk limits and ensuring the **planning of the corresponding capital and liquidity requirements, both under normal and adverse circumstances**;
- **Developing, implementing and monitoring** of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and the CGD 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 outsourcing activities**, based on an assessment of the associated risks and analysing CGD's capacity to manage those risks;
- **Ensuring that transactions with related parties are reviewed** and that actual or potential **risks** they may pose to the institution **are identified and adequately assessed**;
- **Supporting** the Risks Commission by means of specific analysis in advising the Board of Directors on measures that are expected to have an impact on CGD's strategy and risk profile;
- **Advising** administration and inspection bodies prior to decisions involving the **assumption of material risks**, namely when involving acquisitions, disposals, mergers or the launch of new activities or products, with the aim of ensuring a timely and appropriate assessment of the impact of such risk-taking on CGD's and Group's global risk exposure;
- Overseeing market evolution, legal and regulatory amendments related to the **Risk Management function**, strategic planning process and CGD and the Group's respective decisions, in order to ensure the continuous updating of the function's activities.;
- Developing and implementing **early warning** mechanisms for breaches of the institution's risk appetite or established risk limits.;
- Develop and maintain an up-to-date **Risk Management Plan** to ensure that all **material risks** of the institution and the CGD Group are properly identified, assessed, monitored, and reported and, if required, subject to corrective actions;
- **Providing relevant information, analyses and pertinent, independent expert assessments 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 presenting, with an adequate frequency, reports to the management and supervisory bodies, on risk management**, including an assessment of CGD's and the Group's global risk profile and material risks, a summary of the main deficiencies identified in control actions - including those that may be immaterial in isolation but which could indicate a deteriorating trend in the internal control system - and the identification of recommendations that have (or have not) been implemented;
- **Ensure the implementation of the CGD's Business Continuity strategy** through the global coordination and planning of the respective activities, and ensure the oversee this area across CGD Group Entities;
- **Informing the management and supervisory bodies of any breach or violation** (including their causes and a legal and economic analysis of the actual cost of eliminating, reducing or offsetting the risk position in light of the possible cost of maintaining it), while 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 the Group's risk management system;

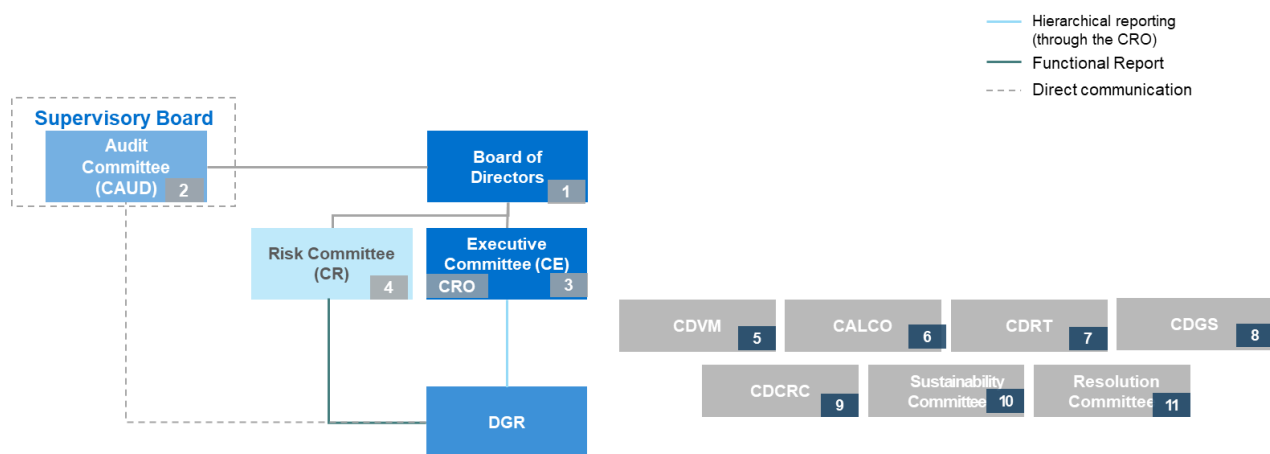
- Issuing an opinion on the appointment and assessment of the Chief Risk Officer of CGD's subsidiaries and the Local Responsible for the Risk Management Function.

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

The **Risk Committee** monitors the management policy of all risks related to the activity of the CGD Group, namely solvency, liquidity and funding risks, interest rate of the banking book, credit, market, pension fund, operational and non-financial risks. The CR monitors in particular the risk measurement and capital calculation models adopted internally, as well as the EU Directives and guidelines of the Bank of Portugal and the European Central Bank, on financial risks, namely on credit risks. Within the scope of its functions and competences, it analyses, among others, the reports presented by the DGR on risk, assesses financing and refinancing proposals presented by the respective structural bodies and issues opinions on some necessary appointments of those responsible for the Risk Management Function¹.

The **Audit Committee** is responsible for evaluating whether the Risk Management Function carries out its responsibilities effectively, independently and efficiently. It is responsible for monitoring, evaluating and promoting the effectiveness and efficiency of the internal audit function, as well as other control functions, and for carrying out a critical assessment of the CGD Group's Internal Control System.

Figure 1 | Governance Model²



The Risk Management Division, as illustrated in the figure, **is present in the following forums:**

At meetings of the **Board of Directors** upon specific request, and monthly at 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.

¹ In compliance with Article 435(2)(d), it is noted that the Risk Committee held 24 meetings in 2024.

² In compliance with Article 435(2)(e), the flow of risk information to the management body is described.

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 at 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 of any of the parties and quarterly in proper agenda items 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.

It also has a presence in the following Delegated Councils and Committees:

In **Model Validation Delegated Board (CDVM)**, which also includes the Data division, reporting and risk models division (DDM), internal audit division (DAI) and models validation office (GVM) are also parties to the model's validation delegated board (CDVM). CDVM is the executive committee's decision-making body responsible for the assessment, oversight and approval of CGD group's risk models in addition to ensuring the adequacy, regulatory compliance and good operation of the models used by CGD group;

In **CALCO (Specialised Capital Management, Assets and Liabilities Management Executive Board)**, in coordination with business generating areas, support areas and members of the Executive Committee. CALCO is the executive Board's decision-making body responsible for assessing and monitoring the integrated capital, asset and liability management process (ALM – Asset and Liability Management) and aims to achieve proactive balance sheet management and CGD Group profitability. This board has, among others, the following responsibilities:

- Promotion of Capital, Assets and Liabilities Management process and actions and procedures necessary for its implementation, including the definition of an oversight and systematic reporting system covering financial risks, liquidity position, capital position and regulatory ratios both on a consolidated and individual basis for diverse CGD group entities;
- Consideration and decisions on proposals for strategic guidelines on CGD group's funding 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) related to 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 assigning or revising internal rating for counterparties with exposure equal to or greater than €50 million within the CGD Group, and approving internal rating derogations for counterparties whose exposure is equal to or greater than €10 million, in both cases measured at the level of the economic group to which they belong. The CDRT is also responsible for monitoring and controlling the evolution of all assigned ratings, as well as for accompanying revisions to the rating assignment methodologies;

In the **data governance and information executive board (CDGS)**, which is the decision-making body of the executive committee that supervises the activities carried out within the scope of Governance and Data Quality and assesses and coordinates Information Security initiatives at CGD and across the CGD Group;

The **business continuity, operational risk and internal control executive board (CRCDC)**, as the body responsible for coordinating, considering and discussing issues related to the group-wide management of operational risk and internal control deficiencies, in addition to matters relating to the monitoring and management of data protection and monitoring of reputational risk. It is

responsible for: (i) monitoring the overall level of operational risk assumed by CGD group, verifying its conformity with established strategy and policies in addition to deciding on the action plans which have been submitted; (ii) promoting the effectiveness of the internal control system, by overseeing deficiencies and their action plans, streamlining management decisions to improve the efficiency of their implementation; (iii) ensuring structural decision-making to enable data protection management, senior management's enforcement and empowerment of the data protection officer and data protection office in terms of day-to-day management; and (iv) monitoring the overall level of reputational risk and raising the awareness of senior management on the respective issues;

The **Sustainability Committee (CSU)**, an advisory body to the executive committee which supervises the management of and issues guidelines on decisions regarding the implementation of the sustainability strategy, incorporating sustainable development, responsible banking and sustainable finance principles regarding CGD's current operations, in alignment with its strategic plan and its stakeholders' expectations. The CSU operates from a corporate perspective, covering the Branches and Subsidiaries of the CGD Group;

The **Resolution Committee (CRes)**, an 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 the Members of the Management and Supervisory Bodies and the Holders of Essential Functions**, available on CGD's institutional website³, CNAR is responsible for: (i) providing support and advice to the Board of Directors regarding the preparation and review of the remuneration policy for CGD Group Employees; (ii) to provide support to the Board of Directors to ensure the overall coherence of the Group's remuneration policies, including the processes for identifying the Relevant Function Holders and their correct implementation on a consolidated, sub-consolidated and individual basis, in the supervision of remuneration processes, policies and practices and in the monitoring of compliance with CGD's and CGD's remuneration policies; (iii) prepare, in conjunction with the Remuneration Committee of the General Meeting (CRAG), the annual statement on the Remuneration Policy of the Members of the Board of Directors, to be submitted to the General Meeting for approval.

This policy defines that the assessment carried out on the suitability of the management and supervisory bodies for the functions entrusted to them must take into account the individual characteristics of the members of the governing bodies, as well as the safeguarding of the conditions underlying the functioning of these bodies as collegiate entities, namely the diversity of qualifications and competences, the availability of all members of the management and supervisory bodies and the promotion of increased representation of the underrepresented gender within these bodies.

Finally, with regard to the requirement to disclose information regarding the positions held by the members of the management body, inside and outside the Group, and other relevant activities carried out by the members of the management bodies during 2024, reference is made to the Annual Report, section "Accumulations of Functions of the members of the Board of Directors" and "Annex III – *Curriculum Vitae* of the Members of the Board of Directors".

2.2 Key developments in 2024

The year 2024 was marked by a gradual reduction in global inflation, accompanied by improvements in production chains and international trade. Despite these positive developments, overall economic

³ In compliance with Article 435(2)(b), the recruitment policy of the members of the management body and their knowledge, skills and effective technical skills may be consulted, <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf>

growth remained subdued, reflecting the ongoing effects of tight monetary policies and structural challenges affecting both advanced and emerging economies.

Given this scenario and with regard to the CGD Group, in 2024 the payment to the State of a total of 1,079 million euros stands out, including dividends of 825 million euros, with the remaining amount related to the payment of CIT and regulatory costs. The payment of dividends in 2024 made it possible to conclude the full repayment of the amount of the capital increase carried out in 2017. In this scenario, CGD has equally successfully completed its second Strategic Plan since the recapitalization, reinforcing its mission to support companies and families.

The capital ratios are above 20%, after deducting the distribution of dividends for the 2024 financial year in the amount of 850 million euros, which will be proposed for approval by the General Meeting in May 2025.

The amount of own funds and eligible liabilities held by CGD under the *Minimum Requirement for Own Funds and Eligible Liabilities* (MREL) represented 26.82% of total risk-weighted assets (RWA) and 10.23% of total leverage ratio exposure (LRE), exceeding the target level determined by the Resolution Authority for mandatory compliance with the minimum prudential requirements applicable in 2024 (26.33% RWA and 6.31% LRE).

During 2024, CGD updated its *Non-Performing Loan* (NPL) reduction strategy, with the main objective of maintaining a consolidated NPL ratio below 2%. This ambition was informed by the average NPL ratio published in the statistical annex to the EBA *Dashboard*. At the end of December, the NPL ratio was 1.48%, down from 1.65% in the same period last year, and lower than the European average of 1.9%.

CGD's performance was recognized by the *rating* agencies, with the *rating* reaching category "A" in 3 agencies and remaining in a "positive" outlook in one. DBRS Morningstar raised the *rating* to A (*low*) for the first time, which is higher than the initial BBB rating in which it had been since 2011, with a "positive" outlook. Moody's raised the intrinsic rating to "a3", returning to category A for the first time since 2009, this being the same level as Portugal and the highest in national banking. In March 2025, S&P assigned an A rating, with a "*stable*" outlook.

CGD was ranked in the top 10% of banks in the ESG *Risk Rating (Low Risk)*. In addition, CGD participated in CDP's *Climate Change Questionnaire*, achieving a B rating.

In 2024, CGD participated in the European *Cross-Cutting Stress Test (Fit-for-55 climate risk scenario)*, which aimed to assess the resilience of the financial sector and its ability to support the transition to a low-carbon economy in adverse conditions. This exercise is an integral part of the European Commission's new Sustainable Finance Strategy, reflecting the growing importance of climate risk for society, regulators and governments. Overall, Caixa Geral de Depósitos compared positively with the sample of participating banks.

In June 2024, the European Commission published Regulation (EU) 2024/1623, amending Regulation (EU) No 575/2013, and will enter into force from January 2025, as regards capital requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the total exposure pool floor. In this sense, CGD during 2024 was committed to preparing for the changes made to the *Capital Requirements Directive* (CRD IV) and *Capital Requirements Regulation* (CRR3).

During the years 2023 and 2024, the EBA carried out the pilot exercise "Pillar 3 Data Hub" (P3DH) in which CGD participated together with 12 other of the largest European banks. The purpose of this exercise was to comply with Articles 434 and 434 of the Capital Requirements Regulation (CRR3), which mandates the EBA to publish on its *website* all supervisory disclosures relating to the institutions it covers, in order to ensure the existence of a single electronic access point for consultation.

Throughout the year, the Risk Management Division continued the implementation of the last cycle of the Strategic Plan of the Risk Management function for the 2022-2024 triennium, integrated in the CGD Group's Strategic Plan, in order to position CGD as a reference in the national banking system.

The information disclosed in this chapter is also complemented by that contained in the Corporate Report (chapter "3.6.2. Internal Control and Risk Management" of the Annual Report).

2.3 Main risks to which the bank is exposed

This Chapter aims to comply with the obligations to disclose information under Article 435(1)(a) to (e) 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, credit, market, liquidity and funding, pension fund, operational and non-financial risks.

Credit Risk

Credit risk is associated with the losses and degree of uncertainty over a customer's/counterparty's capacity to meet its obligations. Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

For the management and control of credit risk, there are internal regulations and models that, using ratings/scorings, the risk exposure value, the early warnings system, 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 credit risk assessment, in addition to the support of internal rating models (which incorporate both financial information and qualitative elements), is subject to individual analysis by a team of analysts who prepare analysis reports of credit risk, 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)), models), by a set of internal regulations that establish objective criteria to be observed when granting of credit, as well as by a delegation of powers according to the credit ratings assigned to customers/operations.

To ensure the disaggregation of functions between credit origination and credit decision-making, CGD has implemented a **centralized credit decision model**, thus 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 the 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 increased credit risk, including automatic markings of credit Restructured due to Financial Difficulties or default/Non-performing exposures. Reports are prepared that highlight the behavior and perceived quality of the

credit portfolio, particularly in terms of i) new production, ii) restructuring due to the customer financial difficulties, iii) *non-performing exposures*, iv) default, and v) concentration. These reports are submitted to the management bodies and shared with the first line of the Institution.

For measuring expected credit losses, the CGD Group has developed credit impairment models, adjusted to the reality of each Entity in the Group, in compliance with the IFRS 9 standard. The criteria and methodologies inherent to the calculation of credit impairment are approved by the Executive Committee and their implementation is subject to periodic control and audit processes, both by the internal bodies responsible for validation and auditing (Model Validation Office and Internal Audit Division), and by the external auditors of each CGD Group Entity. For the Group Entities with the most 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 which, in addition to being subject to analysis by CGD's management bodies, is also sent to the Bank of Portugal. The DGR, on a monthly basis, submits to the appreciation of the management bodies:

- a) The evolution of provisions and credit impairment, including the evolution of the quality of the credit portfolio through its classification in 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.

In the context of credit risk, sensitivity analyses are also carried out, considering the definition of adverse macroeconomic scenarios that may occur over a time horizon of up to three years, with the aim of finding vulnerabilities in the credit portfolio. The vulnerabilities identified, and depending on their materiality, are addressed through the definition of action plans to mitigate possible credit losses, if the scenarios occur.

Market Risk

Market Risk entails into potentially negative impacts on the Institution's income or capital, deriving from unfavourable price movements of portfolio assets. It includes the impact of adverse changes in foreign exchange rates in the balance sheet's foreign exchange position. It arises, therefore, from 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.

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

The management of market risk and foreign exchange position risk in the balance sheet is further supported by a formal authorisations structure – market or foreign exchange risk guidelines – requiring the approval of the capital, assets and liabilities executive board (CALCO). The guidelines formalise, inter alia, business, risk management and control strategies, authorised instruments, metrics and their market risk limits, constituting such business units' discretionary boundary on hedging or mitigating market risk.

The establishment of **limits on market concentration and liquidity indicators, market risk and loss level** act as a guarantee that the levels of risk taken fall within the Group's risk appetite framework. The limits are subject to control and monitoring and reporting on a daily or intra-day basis, with reporting to the management bodies (CRO and CFO (*Chief Financial Officer*)) and to the business units. The **rules of action in case of breach of limits**, which aim to ensure speed in the definition of the action plan and in the resolution of the breach 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 trading book is used to calculate own funds requirements for market risk. It comprises all securities and derivatives held-for-trading or to hedge held-for-trading positions, as part of CGD group's trading book strategy and in compliance with the trading book's internal definition. It specifically includes market-making positions, short positions in securities, rotating short positions in stock market derivatives, arbitrage positions or when the intention involves short-term resale and intentional or correlation trading portfolios or resulting from the services provided to customers. Any hedge of listed items or dynamic hedges on items that, on their own, would only qualify for the banking book are an integral part of the trading book.

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

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

To assess the quality of the VaR model used, 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.

The 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 the group's own funds. Stress tests are based on risk factors that, as a whole, represent situations that could originate extraordinary losses on portfolios subject to market risk. These factors specifically include events with a low possibility of occurrence associated with the principal types of risk, including various market and foreign exchange risk components.

Market risk in the CGD group is identified based on a robust, continuously reliable, centralised and integrated structure which aims to ensure timely and complete knowledge of the products traded, allowing the identification, measurement, control and reporting of market risk. The registration of transactions in the front office system, which is the basis for identifying the object of the risk, is

regulated by specific internal regulations which ensure that the information transmission process is complied with and that it is conveyed to the market risk system reliably to evaluate the respective metrics. Regarding foreign exchange rate risk, identification is also ensured on the basis of the rigorous, standardised and timely transmission of information on the foreign exchange rate position of CGD and any CGD group entity.

Pension Fund Risk

The Group maintained until December 31, 2022 a defined benefit pension plan for former and active employees of Caixa Geral de Depósitos S.A., under certain conditions of coverage. 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 a portfolio of assets with a strategy approved by the member's Board of Directors, under the management of an independent management entity. Regular contributions from the member and participants to the fund were also stipulated.

The council of ministers approved the extinguishing of CGD employees' pension fund on 2 February 2023 and the transfer of the liabilities and corresponding amount thereof, with reference to 31 December 2022, to Caixa Geral de Aposentações (CGA).

This operation limits CGD's risk regarding the former pension fund to the amount determined at the end of the first five years period, based on the compensation mechanism for any differences between the actual growth rates of wages and pensions and those considered as assumptions in the actuarial study upon which the transfer was based, up to a maximum amount of €320 million.

Interest Rate Risk of the Banking Book

Interest **rate risk** is the risk incurred by a financial institution whenever, in the course of its activity, it contracts operations with financial flows sensitive to interest rate variations. In other words, it is the risk that there will be an interest rate variation associated, in particular, with the mismatch of the periods for resetting rates between assets and liabilities held, reducing their profitability or increasing their financial cost.

The particular dichotomy, in the case of assets and liabilities held by credit institutions, between short, medium and long term fixed and variable-rate portfolios, may also lead to interest rate risk as regards the risk of mismatches between re-fixing periods, basis risk and yield curve risk, for which matters involving the assessment of interest rate risk in the banking 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 size of exposure to this risk results in the monthly production of reports to support the control of compliance with existing *guidelines*, subject to the monthly assessment of CALCO (and the Executive Committee in the context of the Integrated Risk Report).

Liquidity Risks

Liquidity risk refers to the risk of negative impacts on results or capital arising from insufficient liquidity to face adverse events of idiosyncratic or systemic origin. In this context, liquidity refers to an institution's ability 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 secure liquidity profile, which ensures adequate capacity to face with situations of liquidity *stress*;
- b) Maintenance of stable funding sources and an adequate liquidity buffer, by adopting a proactive, market-oriented approach enabling CGD's balance sheet structure to adapt to existing conditions;
- c) Control of the risk exposure of the Group's international entities, and maintenance of their independence both in terms of fundraising and 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 size of exposure to these risks results in the monthly production of reports to support the control of compliance with existing *guidelines*, subject to the monthly assessment of CALCO (and the Executive Committee in the context of the Integrated Risk Report).

Non-Financial Risks

As formalized in the CGD Group's risk taxonomy, nonfinancial risks include five key risks subcategories, each supported by specialised frameworks: Operational, Reputational, Strategy and Business, Climate and Environmental (C&A) and Cyber and Information Technologies (IT).

The main objective of these *frameworks* is to monitor in an integrated manner the adequacy and effectiveness of the processes, policies and procedures of the different components of non-financial risks and to ensure, autonomously and independently, their effectiveness, keeping losses caused by non-financial risks within the tolerance levels defined by CGD's Board of Directors. The non-financial risk management model also aims to mitigate other relevant negative impacts, 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 inoperability of infrastructures.

The management of operational risk at CGD Group adopts a methodology supported by an end-to-end approach, implemented at CGD and at its branches and subsidiaries and which is supported by a set of guidelines, principles and regulations recognized as good practices at national and international level.

This methodology includes the **definition, monitoring and reporting of tolerance limits and risk appetite for the** entire Group. It also covers the identification of operational risk events, the analysis of new products and services, the monitoring of activities carried out under a subcontracting regime, 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 aimed at mitigating exposure to operational risk, namely through the implementation of adequate control procedures and risk mitigants. It also includes the identification of internal control deficiencies and assessment of the quality and completeness of the proposal for action plans to address the respective recommendations, as well as in the process of validating the implementation of recommendations for operational risk mitigation.

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

It includes model risk that corresponds to the potential loss that an institution may incur, as a result of decisions that may be taken primarily on the basis of the results of internal models, due to errors in the development, application or use of those models.

II. Reputational Risk

Reputational risk is the risk of negative impacts on profit or loss or capital resulting from an adverse perception of the financial institution's image by customers, counterparties, shareholders, investors, regulators or public opinion in general, owing to the actions of the institution itself or those of its employees (banking activity and global, bancassurance, asset management and confidential data protection risk).

This risk is part of CGD group's risk framework and accordingly includes risk appetite, decision-making processes and the bank's strategy.

The methodology creates internal procedures for situations that may represent reputational risk, which may be identified by any CGD division. As regards counterparties, there are also situations that trigger a prior reputational risk analysis, in the case of situations involving non-compliance with environmental legislation or other applicable legal and regulatory provisions or controversies related to the principles of a 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 inappropriate strategic decisions, failure to meet business objectives, poor implementation of decisions or inability to respond to changes in the banking environment or ecosystem.

IV. Cyber and Information Technology (IT) Risk

Cyber and Information Technology risk corresponds to the risk of negative impacts on results or capital, resulting from inadequate 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, while DSI assumes the first line for this risk.

This risk is monitored on a monthly and quarterly basis with metrics defined and presented in the IT risk dashboard, which covers all the subcategories defined in the risk taxonomy, in order to provide a view of the evolution of risks and any situations of increased risk that should be taken care of.

In terms of Business Continuity, CGD has implemented a Business Continuity Management System (BCMS) that includes policies, assignment of responsibilities, processes and procedures with the aim of identifying disruptive events that may compromise the continuity of its activity, analysing its impact, promoting its organisational resilience and providing CGD with the ability to prevent or, if it is not possible, respond effectively to these events.

In this way, CGD guarantees the following objectives:

- Safeguarding human life and the well-being of the people present in CGD's 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 BCMS is certified in the international reference standard, ISO 22301:2019 – *Business Continuity Management System* (BCMS), and is audited annually by the Internal Audit Division and a specialized external audit entity, *the British Standards Institution* (BSI), to ensure that the necessary requirements for its certification are implemented.

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

As for the Business Continuity Policy, it is communicated to all CGD employees and the general public, through the *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 may compromise their continuity through the unavailability of the resources that support them and assess their level of exposure to risk;
- Implement mechanisms for the prevention, response and recovery of incidents arising from these events - define and implement a Business Continuity strategy that allows eliminating or reducing the probability of incidents occurring or, if this is not possible, recovering critical business processes within the defined times, ensuring the continuity of its products and services at minimum acceptable levels, if these events come to fruition;
- Continuously monitor and improve CGD's ability to ensure Business Continuity - through exercises, testing and review of plans, analysis of performance indicators and periodic audits. Continuous improvement should 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.

V. Climate and Environmental Risk (C&A)

Climate and environmental (C&A) risk corresponds to the risk of negative impacts on results or capital from climate change and environmental degradation that affect systems (natural and human) and regions. These C&A phenomena are also considered sources of structural changes that affect economic activity.

The management model of this risk is led by the guidelines and objectives present in the CGD Group's appetite and integrates, in an adjusted manner to the climate and environmental objectives of each geography in which the CGD Group is present, with the following key pillars in the identification, monitoring and management of climate risk:

- **Business Environmental Scanning (BES):** aimed at identifying the main climate risk factors that impact the bank in the short, medium and long term.

- **Materiality assessment:** aimed at identifying concentrations and vulnerabilities, seeking to identify the impact of risk drivers considered material on BES, in the short, medium and long term, and on traditional risks.
- **Stress Test:** intended to assess potential impacts, based on the results of the Materiality Assessment, in the short, medium and long term, both in terms of transition risks and in terms of physical risks.
- **Limits and Monitoring of climate and environmental risk:** intended to monitor climate and environmental risk.

The methodology implemented is based on the Corporate Policy for Climate Risk Management.

VI. Data Risk

Data Risk corresponds to the risk of negative impacts on results or capital resulting from incorrect or incomplete collection, quality and aggregation of data, which affect its quality, as well as its reporting.

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

The Chief Data Officer (CDO) of the CGD Group is responsible for the Data Office Area, who is responsible for ensuring and coordinating the data strategy, the operational model of governance and data quality, its formalization in regulations, cooperation and interaction with other CGD Structures and Group Entities, and for promoting the creation of data authority sources. In the exercise of his duties, the Chief Data Officer (CDO) has direct functional report to the Chief Risk Officer (CRO) and to the Head of the Risk Management Function of the CGD Group.

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 fiscal risk, regulatory capital and internal capital.

As part of the monitoring of solvency risk, regular **monitoring of the adequacy of own funds and the risk profile is highlighted**.

From a regulatory viewpoint, this oversight comprises the regular measurement of regulatory capital requirements for Basel Pillar I risks: credit, market and operational risk. CGD group has adopted the standard method for the calculation of its own funds requirements for credit risk, as defined in chapter 2, heading II, part III of Regulation (EU) 575/2013 and, under Regulation (EU) No. 876/2019, applies since June 2021 the new method for calculating the value at risk of positions on derivatives, the so-called Standard Approach for Counterparty Credit Risk (SA-CCR). Capital requirements for the trading book are determined by applying the Standardised Approach to debt, equity and foreign exchange instruments and, finally, capital requirements for operational risk are calculated by the three-year average of the relevant risk-weighted indicator calculated each year for each of the business segments, as defined in the same Regulation under the Standardised Method.

In June 2024, the European Commission published Regulation (EU) 2024/1623 amending Regulation (EU) No. 575/2013, which entered into force in January 2025. This regulation introduces changes in the calculation of capital requirements for credit risk, credit valuation adjustment (CVA), operational risk and market risk, the latter with effect from January 2026.

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

In conformity with the approved risk framework and appetite statement, internal and regulatory, capital adequacy is calculated on the plan upon which group strategy is implemented. Capital and short- and medium-term requirements plans are produced in the context of a base scenario but also consider the macroeconomic framework and adverse idiosyncratic events to enable an assessment of the sufficiency of the group's capital in adverse circumstances.

In the context of solvency risk, **compliance with the regulatory limit of exposure to a client or group of connected clients** through control or economic dependence relationships is also assessed. In addition, 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 by defining the maximum level of risk that the Bank is willing to assume for each risk category considered material. The 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.

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

- **Ensuring solvency and liquidity levels** - The CGD Group shall 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 funding capacity and ensure adequate levels of liquidity *buffers* through a market-oriented approach that allows the balance sheet structure to be adapted to the existing circumstances;
 - Control the risk exposure of international entities, while maintaining their independence in terms of funding 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, improved operational efficiency, and management of the risks that may jeopardise the execution of the Institution's strategy, in particular those linked to credit risk;
 - Maintenance of its identity as a commercial Bank and leading position in the Portuguese market, both in deposits and lending to the economy and households, focusing on retail customers and enterprises;
 - Adoption of a simple and transparent Group structure, based on a modern infrastructure to ensure adequate customer satisfaction levels and minimise operational risk.
 - Promoting financing for a carbon-neutral economy by supporting companies' resilience and adaptation to climate and environmental risks.
- **Adopting risk management practices of excellence** - should ensure the adoption of best risk management practice, observing the following:
- Establish a government and Risk Management and Control functions, ensuring that they are on a level of best market practice and therefore helping to merit greater stakeholder trust;
 - Operate in accordance with solid risk management principles, with an effective governance model and policies that ensure compliance with laws and regulations, ensuring full alignment with the guidelines of the *Supervisory Review and Evaluation Process* (SREP) of the European Central Bank;
 - Develop a strong risk management culture focused on safeguarding the Bank's solvency and funding 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 the Risk Appetite, both at the level of the Governance Model and the Declaration. 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, monthly or more frequently, if necessary;
- Discussion of exceeded tolerance limits or levels and, where appropriate, review and approval of the proposed remediation plan.

The Risk Appetite Statement (RAS) is complemented by its dissemination by the CGD Group's 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, with a summary of the Bank's position in all risk categories, including the respective expected trend as well as indicators of the macroeconomic situation and, when necessary, alarming appropriate to specific contexts. This document is presented monthly to the Board of Directors, the Risk Committee, the Executive Committee and the Audit Committee.

Each Risk Appetite metric has a target, a tolerance level, a limit, and a Recovery Plan trigger. These borders increase visibility on risk appetite and provide an **effective defence against an excessive level of risk**. Breaking the level of tolerance, limit or *trigger* of the Recovery Plan requires the activation of specific measures by the respective risk manager.

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

As specified in internal regulations, the 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 Group are presented below. The information disclosed in this chapter is also complemented by that contained in the 2024 Annual Report (3.8. Transactions with related parties and others).

Table 1 | EU KM1 Key Indicators

		a	c	e
		31-12-2024	30-06-2024	31-12-2023
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	9.655.487	9.213.107	8.914.780
2	Tier 1 capital	9.661.310	9.218.506	8.919.514
3	Total capital	9.770.103	9.329.814	9.032.071
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	47.660.840	45.248.422	43.814.387
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	20,3%	20,4%	20,3%
6	Tier 1 ratio (%)	20,3%	20,4%	20,4%
7	Total capital ratio (%)	20,5%	20,6%	20,6%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,9%	1,9%	1,9%
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	1,4
EU 7d	Total SREP own funds requirements (%)	9,9%	9,9%	9,9%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2,5%	2,5%	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0%	0,0%	0,0%
9	Institution specific countercyclical capital buffer (%)	0,1%	0,1%	0,0%
EU 9a	Systemic risk buffer (%)	0,0%	0,0%	0,0%
10	Global Systemically Important Institution buffer (%)	0,0%	0,0%	0,0%
EU 10a	Other Systemically Important Institution buffer	0,75%	0,75%	1,0%
11	Combined buffer requirement (%)	3,3%	3,6%	3,5%
EU 11a	Overall capital requirements (%)	13,2%	13,5%	13,4%
12	CET1 available after meeting the total SREP own funds requirements (%)	10,6%	10,7%	10,7%

		a	c	e
		31-12-2024	30-06-2024	31-12-2023
Leverage ratio				
13	Total exposure measure	109.829.369	107.612.770	102.830.988
14	Leverage ratio (%)	8,8%	8,6%	8,7%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
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%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14e	Leverage ratio buffer requirement (%)	0,0%	0,0%	0,0%
EU 14f	Overall leverage ratio requirements (%)	3,0%	3,0%	3,0%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	37.633.923	34.593.570	32.441.844
EU 16a	Cash outflows - Total weighted value	14.279.499	13.754.250	14.067.867
EU 16b	Cash inflows - Total weighted value	3.045.915	3.041.740	3.323.263
16	Total net cash outflows (adjusted value)	11.233.584	10.712.510	10.744.604
17	Liquidity coverage ratio (%)	335,2%	323,2%	302,6%
Net Stable Funding Ratio				
18	Total available stable funding	89.938.914	87.416.084	84.070.887
19	Total required stable funding	47.613.956	46.525.765	45.246.090
20	NSFR ratio (%)	188,9%	187,9%	185,8%

Values in thousands of euros

Table 2 | Other Relevant Indicators

		a	b
		2024	2023
1	Credit Quality and Coverage		
2	NPL Ratio ⁽¹⁾	1.5%	1.7%
3	NPE ratio ⁽²⁾	1.3%	1.5%
4	NPL coverage for Impairments	168.7%	172.2%
5	NPE Coverage for Impairments	146.1%	149.2%
6	Cost of Credit Risk	-0.50%	0.29%
7	Profitability and Efficiency Ratios		
8	Yield Liquidity Equity - ROE ⁽³⁾	17.5%	14.0%
9	Yield Liquidity of Assets - ROA ⁽³⁾	1.8%	1.4%
10	cost-to-income	29.9%	28.1%
11	Ratings (Long/Short Term)		
12	DBRS	A (Low) / Positive	BBB (High) / Positive
13	Moody's	Baa1 / Stable	Baa1 / Stable
14	S&P Global Ratings ⁽⁴⁾	A- / Positive	

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

⁽²⁾ Non-performing exposures (NPE) - EBA Definition

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

⁽⁴⁾ Rating assigned as of January 2025

3. Scope of the regulatory framework

Caixa Geral de Depósitos, S.A. is an exclusively public limited liability company whose shares may only belong to the state. It had a share capital of €4,525,714,495 on the 31st of December 2024 in the form of 905,142,899 shares with a nominal value of €5.00 each.

3.1 Methods of consolidating CGD Group entities

Caixa Geral de Depósitos, S.A. is the "parent company" of the CGD Group. The Group is composed of a wide range of units that develop their activity predominantly in the banking and financial services sector.

The CGD Group uses two consolidation methods:

- **Integral consolidation method**

This method consists of aggregating all the elements of the balance sheet and profit and loss statement of the "parent company" and its **subsidiaries**, excluding the balances resulting from the transactions carried out between them and the "parent company". In short, it is a line-by-line consolidation;

- **Equity method**

This method consists of the accounting relief of an investment in a subsidiary by updating the acquisition cost by changing its net worth. The acquisition cost is updated by means of a single accounting entry (one line consolidation).

The typology of the entities and consolidation methods applied are as follows:

- **Branches:** these are establishments without their own legal personality and whose purpose is to directly carry out the banking and financial services provided by the "parent company". **These entities are consolidated by the integral method.**
- **Subsidiaries:** are the entities over which the Group exercises effective control at the level of its management in order to obtain a set of economic benefits arising from the activity carried out by the Group. The exercise of effective control is usually evidenced by the holding of more than 50% of the share capital or voting rights.

In situations where the Group holds 50% or less of the capital or voting rights, it is necessary to analyse the effective degree of influence of CGD in accordance with the provisions of IFRS 10. Thus, it is necessary to verify the degree of management control of the subsidiary, the income and charges arising from the management control and the way in which the benefits arising from the company's activity are influenced. Where the influence on all three strands is significant and determinant, the entities shall be considered as subsidiaries of the group. **These entities are consolidated using the full consolidation method.**

- **Associated:** these are entities in which the Group has a significant influence, but which does not take the form of control. An entity is considered to have a significant influence on the day-to-day management of another when it holds, directly or indirectly, shareholding or voting rights equal to or greater than 20% and less than 50%. **This set of entities is consolidated by the equity method.**
- **Special Purpose Entities (SPEs):** within the framework of IAS/IFRS, special purpose entities are securitization vehicles and funds, venture capital funds and other entities that were created to serve a very specific purpose and when it is carried out are subject to extinction. **Entities with these characteristics are consolidated using the full consolidation method when the**

Group exercises effective control over its business in accordance with IFRS 10 or holds the majority of the 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 of 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, the entities are framed in two perimeters: prudential and/or accounting (or publication).

The prudential consolidation perimeter differs from the accounting perimeter of the CGD Group in the treatment given to entities whose economic activity is different from that which characterizes credit institutions and financial companies, in accordance with the provisions of the "General Framework of Credit Institutions and Financial Companies", namely:

- (i) subsidiaries that carry out an activity in economic sectors not subject to prudential supervision (e.g. trade, industry, agriculture and insurance) are registered in the perimeter of prudential consolidation using the equity method;
- (ii) collective investment undertakings, as well as special purpose vehicles, which were not included in the scope of banking supervision, as they do not fit the definition of a financial company, as determined in the "General Framework of Credit Institutions and Financial Companies" are not part of the scope of consolidation, remaining recorded at their acquisition cost or at their fair value, according to the asset class in which they fall (subsidiaries and unconsolidated subsidiaries or financial assets at fair value for profit or loss or other comprehensive income).

As of December 31, 2024, the CGD Group's accounting consolidation perimeter, as well as prudential, is composed of the following entities:

Table 3 | EU LI3 Consolidation Perimeter

		a	b	c	d
	Entity	Headquarters	Economic Activity	Consolidation Method ⁽³⁾	% Effective participation
1	Subsidiaries				
2	Caixa - Participações, SGPS, S.A.	Lisbon	Management of Social Holdings	Full	100.00%
3	Banco Caixa Geral - Brasil, S.A. ⁽⁴⁾	São Paulo	Financial Institutions	Full	100.00%
4	Banco Nacional Ultramarino, S.A. (Macau)	Macau	Financial Institutions	Full	100.00%
5	CGD Investimentos CVC, S.A. ⁽⁴⁾	São Paulo	Brokerage and Foreign Exchange	Full	100.00%
6	Caixa - Banco de Investimento, S.A. ⁽²⁾	Lisbon	Financial Institutions	Full	100.00%
7	Banco Interatlântico, S.A.R.L.	Praia	Financial Institutions	Full	81.69%
8	Banco Comercial e de Investimentos, S.A.	Maputo	Financial Institutions	Full	63.27%
9	Banco Comercial do Atlântico, S.A. ⁽⁴⁾	Praia	Financial Institutions	Full	58.82%
10	Banco Caixa Geral Angola, S.A.	Luanda	Financial Institutions	Full	51.00%

		a	b	c	d
	Entity	Headquarters	Economic Activity	Consolidation Method ⁽³⁾	% Effective participation
	Subsidiaries				
11	Caixa Gestão de Ativos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Lisbon	Asset Management	Full	100.00%
12	CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	Asset Management	Full	100.00%
13	Flitptrel IV, S.A. ⁽⁴⁾	Lisbon	Real Estate Management	Full	100.00%
14	Flitptrel Porto Santo, S.A. ⁽⁴⁾	Lisbon	Real Estate Management	Full	100.00%
15	Imobci, Lda. ⁽⁵⁾	Maputo	Real Estate Management	Full	46.33%
16	Caixa - Serviços Partilhados, A.C.E.	Lisbon	Complementary Companies Group	Full	100.00%
17	SCI du 8 Rue du Helder	Paris	Real Estate Management	Full	100.00%
18	Inmobiliaria Caixa Geral, S.L.	Madrid	Real Estate Management	Full	100.00%
19	Caixa Imobiliário, S.A.	Lisbon	Real Estate Management	Full	100.00%
20	Special purpose entities				
21	Fundo de Capital de Risco Fechado Empreender Mais	Lisbon	Venture Capital	Full	100.00%
22	Fundo de Capital de Risco Fechado Caixa Fundos	Lisbon	Venture Capital	Full	100.00%
23	Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	Venture Capital	Full	100.00%
24	Fundo de Investimento Imobiliário Fechado Fundolis	Lisbon	Real Estate Investment	Full	100.00%
25	Caixa Private Equity - Fundo de Investimento Alternativo Aberto em Valores Mobiliários	Lisbon	Real Estate Investment	Full	87.62%
26	Fundo de Investimento Alternativo Aberto em Valores Mobiliários Caixa Infraestruturas	Lisbon	Real Estate Investment	Full	85.29%
27	Caixagest Imobiliário Internacional	Lisbon	Real Estate Investment	Full	64.58%
28	Associates and joint ventures				
29	GCI - Sociedade Gestora de Fundos, S.A.R.L.	Maputo	Venture Capital	Equiv. Patrimonial	35.69%
30	Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	Lisbon	Operational Vehicle Rental	Equiv. Patrimonial	50.00%
31	SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	Banking	Equiv. Patrimonial	22.97%
32	Fidelidade - Companhia de Seguros S.A.	Lisbon	Insurance	Equiv. Patrimonial	15.00%
33	Fomento - Fundos de Investimento Imobiliário, SGOIC, S.A.	Lisbon	Asset Management	Equiv. Patrimonial	33.47%
34	Bem Comum - Sociedade de Capital de Risco, S.A.	Lisbon	Venture Capital Management	Equiv. Patrimonial	32.00%
35	Banco Internacional de São Tomé e Príncipe, S.A.R.L.	São Tomé	Financial Institutions	Equiv. Patrimonial	27.00%

⁽¹⁾ Net assets include net income for the period.

⁽²⁾ Data taken from the consolidated financial statements. The individual data for Caixa - Banco de Investimento, S.A. includes data for the Spain Branch of Caixa B

⁽³⁾ All entities consolidate by the same method in the publication and prudential perimeters, except for "Special Purpose Entities" which are not considered in the prudential perimeter, with the exception of 'Caixa Capital - Sociedade de Capital de Risco, S.A.' which is considered in both perimeters.

⁽⁴⁾ With the application of IFRS 5 - "Non-current assets held for sale and discontinued operating units"

⁽⁵⁾ With the application of IFRS 10 - "Principle of the Control Exercise"

Pursuant to Article 36(1)(i) of Regulation (EU) 575/2013 of the European Parliament and of the Council, dated 26 June, holdings in entities in the financial sector in which the Group holds a significant investment (equity interest of more than 10%) and which have been registered in the perimeter of prudential consolidation using the equity method are subject to deduction from Common Equity Tier 1 Own Funds. The amount to be deducted corresponds to the portion that exceeds 10% of the institution's Common Equity Tier 1 Own Funds, defined in accordance with Article 48 of the aforementioned Regulation. The entities of the prudential perimeter that are in this situation are: Banco Internacional de S. Tomé e Príncipe and SIBS – Sociedade Interbancária de Serviços, S.A.

There are no subsidiaries not included in the perimeter of consolidation for prudential purposes and that are subject to the clearance of Own Funds and, to the best of the knowledge of Caixa Geral de

Depósitos, S.A., there are no significant impediments to a rapid transfer of Own Funds or to the prompt repayment of liabilities between the "parent company" and its subsidiaries.

In the 2024 financial year, there were no significant changes at the level of the Group's entities.

3.3 Reconciliation between the elements of accounting and regulatory consolidation

In compliance with the requirements included in Part VIII, Article 436 CRR, the following tables are presented with the differences in the consolidation basis for accounting and prudential purposes.

Table 4 | EU LI1 Differences between the fields of accounting and regulatory consolidation

		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	g
1	Assets							
2	Cash and cash equivalents at central banks	20,250,510	20,380,356	20,380,356	0	0	0	0
3	Availability at other credit institutions	345,427	349,145	349,145	0	0	0	0
4	Applications in credit institutions	2,391,852	2,547,839	2,472,891	74,948	0	0	0
5	Financial assets at fair value through profit or loss	1,356,253	1,133,681	657,985	145,477	0	330,219	0
6	Financial assets available for sale	6,569,400	6,632,648	6,632,425	0	223	0	0
7	Financial assets with repurchase agreement	0	7,388	7,388	0	0	0	0
8	hedging derivatives	176,422	176,422	0	176,422	0	0	0
9	Investments held until maturity	15,736,459	15,736,459	15,736,459	0	0	0	0
10	credit to customers	53,522,491	54,185,824	54,068,855	0	0	0	116,969
11	Non-current assets held for sale	1,253,354	82,170	82,170	0	0	0	0
12	Investment properties	10,553	26,318	26,318	0	0	0	0
13	Other tangible assets	690,372	707,393	618,545	0	0	0	88,849
14	intangible assets	185,037	186,748	86,439	0	0	0	100,309
15	Investments in associates and joint ventures	501,233	695,842	695,842	0	0	0	0
16	Current tax assets	431,582	434,229	434,229	0	0	0	0
17	Deferred tax assets	754,208	770,871	770,871	0	0	0	0
18	Other assets	2,109,060	2,141,447	1,751,691	234,887	0	0	154,869
19	Total assets	106,284,212	106,194,782	104,771,610	631,734	223	330,219	460,996
20	Liabilities							
21	Resources from credit institutions and central banks	412,791	422,742	0	0	0	0	422,742
22	Customer funds and other loans	86,764,653	87,812,429	0	0	0	0	87,812,429
23	Responsibilities represented by titles	1,390,013	1,390,013	0	0	0	0	1,390,013
24	Financial liabilities at fair value through profit or loss	118,974	126,822	0	126,822	0	0	0
25	Hedging derivatives	40,960	40,960	0	40,960	0	0	0
26	Non-current liabilities held for sale	1,064,519	0	0	0	0	0	0
27	Provisions for employee benefits	724,136	726,367	0	0	0	0	726,367
28	Provisions for guarantees and other commitments assumed	289,506	289,883	289,883	0	0	0	0
29	Provisions for other risks	493,038	541,192	0	0	0	0	541,192
30	Current tax liabilities	750,215	754,126	0	0	0	0	754,126
31	Deferred tax liabilities	69,296	51,505	0	0	0	0	51,505
32	Other subordinated liabilities	104,945	104,945	0	0	0	0	104,945
33	Other liabilities	3,172,429	3,096,179	0	0	0	0	3,096,179
34	Total Liabilities	95,395,476	95,357,163	289,883	167,782	0	0	94,899,499

Values in thousand of Euros

In the reconciliation between the balances of the prudential balance sheet and the regulatory exposures, it is worth highlighting the exposure to off-balance sheet commitments, duly adjusted by the respective credit conversion factors, defined in article 111 and Annex I of the CRR. Risk mitigation techniques, including financial collateral, and *netting* arrangements for transactions subject to the CCR framework, also justify the differences between the accounting balances of the prudential perimeter and the weighted positions.

In the reconciliation between the value of book balances and the value of exposures for prudential purposes, it should also be noted that, under Article 306 CRR, the value of assets pledged by CGD to central counterparties (CCPs) in the context of the provision of clearing services between a client and the CCP may, provided that they are protected against the remote bankruptcy of the CCP, be considered null (or zero).

Table 5 | EU LI2 Differences between regulatory exposure amounts and the book values of the financial statements

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	105,733,786	104,771,610	631,734	223	330,219
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	457,664	289,883	167,782	0	0
3	Total net amount under the scope of prudential consolidation	105,276,122	104,481,727	463,953	223	330,219
4	Off-balance-sheet amounts	18,151,250	18,151,250	0	0	
5	Differences in valuations ⁽¹⁾	79,532	0	79,532	0	
6	Differences due to different netting rules, other than those already included in row ⁽²⁾	51,274	0	51,274	0	
7	Differences due to consideration of provisions	0	0	0	0	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(202,820)	(158,883)	(43,938)	0	
9	Differences due to credit conversion factors	(15,321,150)	(15,321,150)	0	0	
10	Differences due to Securitisation with risk transfer	0	0	0	0	
11	Other differences ⁽³⁾	130,224	130,224	0	0	
12	Exposure amounts considered for regulatory purposes	108,164,430	107,283,168	550,820	223	330,219

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 capital management at Caixa Geral de Depósitos are guided by the following general principles:

- Comply with the **regulatory requirements** established by the **Supervisory Authorities**, namely the European Central Bank, the Bank of Portugal, the National Council of Financial Supervisors and the Single Resolution Board, regarding **MREL** ((Minimum Requirement for own funds and Eligible Liabilities);
- Generate adequate **profitability** for the company, **creating value for shareholders** and providing a return on invested capital;
- Sustain the development of operations that Caixa is legally authorized to carry out, maintaining a **solid capital structure** capable of responding to the activity growth and suitable for the institution's **risk profile**;
- Ensure the **institution and the Group's reputation** by preserving the integrity of operations conducted during its activities.

To achieve the above-described objectives, Caixa plans its capital needs and MREL eligible liabilities in the short and medium term, with a view to financing its activity and ensuring its ability to absorb losses and recapitalize in adverse scenarios.

This planning is based on internal estimates of growth of balance sheet operations and financing through third-party resources, primarily by issuing subordinated debt under certain conditions, but also through senior debt issuances, preferred and non-preferred, for MREL purposes.

4.2 SREP and Capital Buffers

Regulatory framework

The General Scheme of Credit Institutions and Financial Companies (RGICSF), approved by Decree-Law 298/92, regulates the activity of credit institutions in Portugal, reflecting the Directives transposed into national law and Community Regulations applicable to the financial system.

With the entry into force of the Basel III regulatory framework in January 2014, Regulation (EU) 575/2013, also known as the Capital Requirements Regulation (CRR) was published, defining the Capital Requirements and prudential standards for credit institutions and investment firms, aiming to strengthen financial stability and transparency in the banking sector.

Since its publication, Regulation (EU) 575/2013 has been amended to maintain the effectiveness of prudential rules, including the *Fundamental Review of the Trading Book for Market Risk (FRTB)*, the *Net Stable Funding Ratio (NSFR)* for liquidity risk, as well as changes to counterparty credit risk, the treatment of central counterparties, the MDA (*Maximum Distributable Amount*), the leverage ratio, the disclosure of information to the market (Pillar 3) and the implementation of the TLAC (*Total Loss Absorbing Capacity*) *Term Sheet*, established internationally by the *Financial Stability Board (FSB)* in the capital structure, which has meant that systemically important banks have to comply with MREL/TLAC requirements under Pillar 1, while banks that are not systemically important only comply with MREL under as decided by resolution authority on a case-by-case basis.

Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD)

On 17 April 2019, the European Parliament and the European Council published Regulation (EU) 2019/630, which amended Regulation (EU) 575/2013 regarding the minimum coverage of losses for non-performing exposures (NPE) 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 NPE are not sufficiently covered by provisions or other adjustments.

This Regulation has determined that institutions must deduct the amount of unhedged non-performing exposures from Common Equity Tier 1 items, if the exposure originated after 26 April 2019.

In May 2019, Regulation 2019/876 (introducing the second revision of the Capital Regulation, also known as CRR II) was published, amending Regulation 575/2013 and Directive 2019/878.

The changes imposed focused on the leverage ratio, the Net Stable Funding Ratio (NSFR), Own Funds and Eligible Liabilities requirements, counterparty credit risk, market risk, CCP exposures, collective investment undertaking risks, large exposures, and information and disclosure requirements.

CRR II was applied in two phases: the main changes in capital, deductions from own funds and calculation of Credit Risk under the standardized and IRB approaches entry into force on 27 June 2019 and the full application from 28 June 2021.

Directive (EU) 2019/878, known as CRD V, entered into force on 10 December 2022 in Portugal.

CRR III was implemented by Regulation (EU) 2024/1623 and entered into force on 9 July 2024. This Regulation amends Regulation (EU) 575/2013 by addressing requirements for (i) credit risk with the inclusion of new methodologies for assessment and mitigation, (ii) credit assessment adjustment risk considering new rules to ensure that credit assessments are more accurate and better reflect real risks, (iii) operational risk, (iv) market risk and (v) the total exposure amount floor to ensure that institutions maintain adequate levels of capital.

CRD VI entered into force on the same date as CRR III and its application in Portugal will take place after transposition into national legislation. This Directive introduces a review of supervisory powers (it grants greater supervisory powers to competent authorities, including the ability to impose stricter sanctions), stricter requirements for third-country subsidiaries and the incorporation of ESG risks into banks' governance structures.

Requirement for the establishment of a Capital Conservation Buffer

In September 2015, Banco de Portugal, through Notice 1/2015, imposed on credit institutions headquartered in Portugal the early adoption of the application of the capital conservation buffer of 2.5%, pursuant to article 138-D of the General Scheme of Credit Institutions and Financial Companies.

Considering the context of the Single Supervisory Mechanism (SSM) in which Capital decisions on credit institutions are determined and adopted for the entire Euro Area and, on the other hand, capital transactions arising from such decisions must be carried out primarily in the market, there was a need to ensure that national credit institutions operated under the same conditions as the majority of institutions in the same area.

In this context, Banco de Portugal issued Notice 6/2016 of 31 May, which revoked Notice 1/2015, as it understood that the anticipation of the application of the capital conservation buffer, under the terms set out in Notice 1/2015, could jeopardize the verification of those conditions, implying the subjection of entities to the transitional regime established in paragraphs 1 to 4 of article 23 of Decree-Law 157/2014. of 24 October.

Other Systemically Important Institutions' Buffer Requirements

Banco de Portugal, pursuant to Article 138-Q of the General Scheme of Credit Institutions and Financial Companies, and in accordance with the European Banking Authority's (EBA) Guidelines for the identification of "Other Systemically Important Institutions" (O-SII), identified CGD as an O-SII, and informed the European Banking Authority and the European Central Bank of this identification.

The practical consequence of that decision for CGD was the obligation to set up, on a consolidated basis, an O-SII buffer fully covered by CET1.

The value of this Capital buffer was set by Bank de 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 on 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.

The requirement became 1% in 2022 and remained in 2023.

In September 2023, Banco de Portugal notified CGD of the revision of the O-SII buffer by -25 b.p., i.e., the total requirement to be in force from 1 January 2024 was set at 0.75%.

In September 2024, Banco de Portugal notified CGD on the decision to maintain the same requirement (0.75%) in 2025.

In December 2024 the European Central Bank (ECB) released a new methodology for assessing the capital buffers of Other Systemically Important Institutions. This methodology aims to ensure a more consistent and uniform approach across the banking union, considering the systemic importance of O-SIIs both at national level and for the entire banking union.

This new methodology will not change the capital requirement in 2025 and 2026. After this period, the minimum level will be increased in two phases until full implementation from 1 January 2028.

Countercyclical Buffer Requirement

According to the Basel Committee, the main objective of the countercyclical buffer is to ensure that banks have a sufficiently large capital buffer to allow them to absorb unexpected losses when faced with a negative systemic shock, thus not jeopardising the granting of credit to the real economy.

Banco de Portugal, in the exercise of its powers as national macroprudential authority, may require credit institutions to set up an additional capital buffer with a view to protect the banking sector in periods when cyclical systemic risk increases, due to excessive credit growth.

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

The buffer percentage for each institution, i.e. the "institution-specific countercyclical buffer percentage", is a weighted average of the countercyclical buffer percentages applicable in the countries where that institution's credit exposures are located.

On 30 September 2024, Banco de Portugal issued a Press Release informing that the countercyclical capital buffer for the fourth quarter of 2024 would be maintained at 0%.

On 27 December 2024, Banco de Portugal published Notice 7/2024 in which advocates the revision of the level of application of the countercyclical capital buffer in Portugal, establishing a percentage of 0.75%, to be applied as of 1 January 2026, considering the current economic context, macroeconomic scenario and the solvency levels of credit institutions.

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

	Country Relevant	a	c	e	f	g			h	i	j	k	l	m
		General credit exposures	Relevant credit exposures – Market risk	Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			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 (%)
Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA													
10	Portugal	42,571,707	6	223	42,571,936	2,034,831	0	102	2,034,933	25,436,669	77%	0.00%		
20	Mozambique	1,295,736	0	0	1,295,736	90,387	0	0	90,387	1,129,832	3%	0.00%		
30	Macao	3,360,201	0	0	3,360,201	133,384	0	0	133,384	1,667,306	5%	0.00%		
40	France	2,926,491	8,340	0	2,934,831	135,289	198	0	135,487	1,693,590	5%	1.00%		
50	Other Countries	5,025,972	65,942	0	5,091,914	260,149	489	0	260,638	3,257,977	10%	0.00%		
60	Total	55,180,108	74,288	223	55,254,619	2,654,041	687	102	2,654,830	33,185,374	100%			

Values in thousand of Euros

For the year 2024, Banco de Portugal maintained the countercyclical buffer applicable in Portugal at 0%. The buffer percentage applicable to France, a relevant geography in the context of the CGD Group, is 1%, justifying a countercyclical capital buffer specific to CGD of 0.05%.

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

	a
	Amount
1 Total risk exposure amount	47,660,840
2 Institution specific countercyclical capital buffer rate	0.05%
3 Institution specific countercyclical capital buffer requirement	24,323

Values in thousand of Euros

It should be noted that the potential breach of some of the previously identified buffers (O-SII, Countercyclical buffer and Specific buffer) would not jeopardize the continuity of the institutions' activity.

However, it would 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 aim of fully complying with the combined capital requirement. Banco de Portugal is responsible for defining the time horizon for the implementation of this plan.

Treatment of deferred tax assets

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

Capital Requirements applicable to the Consolidated perimeter in 2024

Based on the results obtained under the Supervisory Review and Evaluation Process (SREP), as well as the communication from Banco de Portugal regarding the additional Capital buffer required for "Other Systemically Important Institution", CGD was notified by the European Central Bank of the minimum Capital requirements applicable in 2024, detailed below.

In the letter issued by the ECB on 30 November 2023, it was defined the obligation to comply with a minimum total ratio (TSCR) of 9.90% (of which 8.00% of Pillar 1 and 1.90% of Pillar 2 – P2R), with CGD being required to have a CET1 ratio on a consolidated basis of 8.87%, 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) buffer for "Other Systemically Important Institutions" of 0.75% and,
- v) countercyclical capital buffer of 0.05% of the total exposure amount.

CGD was also subject to comply with a minimum Tier 1 requirement of 10.73% and Total Capital of 13.20% in 2024.

Table 8 | Minimum Capital Ratios 2024

		a	b	c	d	e	f
		2024					
	Ratio	Minimum	Composition of the minimum ratio				
			Pillar 1	Pillar 2	Buffers		
					Conservation	O-SII	Countercyclical
10	CET 1	8.87%	4.50%	1.07%	2.50%	0.75%	0.05%
20	Tier 1	10.73%	6.00%	1.43%	2.50%	0.75%	0.05%
30	Total	13.20%	8.00%	1.90%	2.50%	0.75%	0.05%

Capital requirements to be applied in 2025

On 10 December 2024 the European Central Bank (ECB) notified CGD of the minimum prudential requirements to be in force in 2025.

These requirements have not changed compared to the decision communicated for the year of 2024, however the final ratio will change depending on the value that will be calculated for the requirement of countercyclical buffer.

4.3 Regulatory Capital

Own Funds and Capital Ratios

CGD presents in 2024 Own Funds levels comfortably above the minimum solvency requirements, as a result of a high Capital quality:

Table 9 | Own funds and capital ratios

Solvency Indicators			Own Funds and RWA	Capital Ratios	Minimum Ratios (SREP)	Excess Own Funds
31-12-2024	10	CET 1	9,655,487	20.3%	8.87%	5,428,074
	20	Tier 1	9,661,310	20.3%	10.73%	4,549,192
	30	Total	9,770,103	20.5%	13.20%	3,478,379
	40	Total RWA	47,660,840			
31-12-2023	50	CET 1	8,914,780	20.3%	9.13%	4,916,717
	60	Tier 1	8,919,514	20.4%	11.00%	4,099,932
	70	Total	9,032,071	20.6%	13.50%	3,117,129
	80	Total RWA	43,814,387			

Values in thousand of Euros

The table below shows the comparison between the Own Funds and Capital ratios in 2024 and 2023:

Table 10 | Eligible Own Funds

		a	b
		31-12-2024	31-12-2023
10	Share Capital	4,525,714	4,525,714
20	Retained earnings	4,154,755	3,568,727
30	Net income	876,091	746,087
40	Revaluation reserves	110,799	127,502
50	Total minority interest given recognition in CET 1 capital	120,926	89,916
60	Total CET 1 capital prior to regulatory adjustments	9,788,286	9,057,947
70	Intangibles other than Goodwil, net of deferred tax liability	(100,309)	(116,804)
80	Total CET 1 capital after the regulatory adjustments above	9,687,977	8,941,143
90	National filters and deductions that affect CET1, of which:	(32,489)	(26,364)
100	Irrevocable Commitments - Resolution Fund	(22,779)	(21,644)
110	AVA - Additional Valuation Adjustment	(8,546)	(3,555)
120	Insufficient coverage for non-performing exposures	(1,164)	(1,164)
130	Common Equity Tier 1 (CET 1)	9,655,487	8,914,780
140	AT 1 - Subsidiaries (IM)	5,822	4,734
150	Tier 1 Own Funds	9,661,310	8,919,514
160	Tier 2 Instruments	68,363	83,461
170	Tier 2 Instruments - Subsidiaries (IM)	40,431	29,096
180	Total Own Funds	9,770,103	9,032,071
190	RWA Total	47,660,840	43,814,387
200	Credit	40,425,698	37,795,158
210	Market	2,002,116	1,750,525
220	Operational	5,233,026	4,268,704
230	CET1 Ratio	20.3%	20.3%
240	T1 Ratio	20.3%	20.4%
250	Total ratio	20.5%	20.6%
260	Accounting net income (per memo)	1,726,091	1,285,806

Values in thousand of Euros

When calculating the Own funds and consolidated prudential ratios reported to the supervisor as of 31 December 2024, it was considered a net income of EUR 876,091 thousand, as authorized by the ECB, in accordance with Article 26(2) 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 year-end profits in Common Equity Tier 1 Own Funds, and this amount was calculated from the accounting net income of 1,726,091 thousand Euros, less 850,000 thousand Euros related to the proposed dividend amount.

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

The variation in the CET 1 ratio between December 2023 and December 2024 is explained by the improvement in the Own Funds levels and the impact of the increase in Risk-Weighted Assets (RWA - Risk Weighted Assets):

- 1) The improvement in Common Equity Tier 1 (CET 1) capital of €740.7 million represents a positive impact on the CET 1 ratio of 155 basis points (b.p.) mainly driven by the following components:
 - Net income in the amount authorized by the ECB and computed in Own Funds (€876.1 million) was the main component with a positive contribution, with a weight of +184 b.p. in the variation of the CET 1 ratio;
 - Increase in the CET 1 eligible amount of Non-controlling Interests by around €31.0 million, with an impact of +7 b.p. on the CET 1 ratio;
 - Reduction of the Intangible Assets deduction of 16.5 million euros, equivalent to the contribution of +3 b.p. in the variation of the CET 1 ratio, as a result of 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) 241/2014;
 - The variation in Other reserves and retained earnings of -160.1 million euros (represents -34 b.p. in the change in the CET 1 ratio) essentially explained by the impact of -300 million euros related to the payment of the additional dividend, the impacts associated with employee benefits of around -6.0 million euros, the effect of the exchange rate variation of around 63.3 million euros, contributions from consolidated entities using the equity method (Fidelidade and Sibs) of around €48.2 million and realized gains from Capital Instruments of around €20.8 million;
 - The variation in revaluation reserves of -16.7 million euros, which represents an impact of -4 b.p. on the CET 1 ratio.
- 2) In 2024, the value of risk-weighted assets (RWA) increased by around €3,846 million (9%), with an impact of -164 bps on the CET1 ratio. This increase in RWA reflects the expansion of the CGD Group's business, in particular with regard to the increase in credit to customers with an impact on credit RWAs in the following segments:
 - Increased exposure in the corporate segment with an overall contribution of €1,636 million in RWA (-70 bps in the CET1 ratio). This increase was particularly significant in terms of the activity of CGD-Headquarters, but also in BNU. In this entity, the increase in RWA is due to both the growth of the portfolio and the exchange rate appreciation of the pataca (MOP) by 7%;
 - Increase in the credit portfolio secured by real estate, with an impact of €504 million (-22 bps on the CET1 ratio) on RWA. The growth of housing credit was boosted by the macroeconomic environment of lower interest rates;

- Increase of 342 million euros (-15 bps in the CET1 ratio) of RWA allocated to the retail class. At CGD-Headquarters the increase in RWA related to the retail portfolio corresponded to around 230 million euros and at BCI - Mozambique to around 103 million euros;
- It is also worth mentioning the increase, by €497 million (-21 bps in the CET1 ratio), of the RWA allocated to the central government and central bank exposure class. This increase is largely explained by the increase of BCI Mozambique's liquidity investments in local public debt and the effect of the exchange rate appreciation, by 7%, of the local currency (MZN);
- On the other hand, there was a contraction in exposure to banks, with an impact on the reduction of -€242 million (+3 bps in the CET1 ratio) in the RWAs of this segment.

The growth in the Group's activity was reflected in the positive evolution of net interest income and, consequently, of the banking product, justifying the increase, by 964 million euros of RWA for operational risk (-41 bps in the CET1 ratio).

Finally, RWA for market risk increased by €252 million (-11 bps in the CET1 ratio). This increase focused particularly on the exchange rate risk component and reflects the expansion of the activity of entities abroad as well as the appreciation of the metical and the pataca.

Characteristics of the Tier 2 instrument issued

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

Table 11 | EU CCA Main features of Own Funds Instruments

		a
1	Issuer	CGD Lisboa
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	PTCGHFOM0006
2a	Public or private placement	Private
3	Legislation(s) applicable to the instrument	Bank of Portugal Notice 12/92
3a	Contractual recognition of the powers of resolution authorities in terms of reducing book value and conversion	No
Regulatory treatment		
4	Transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Not eligible
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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	68.4
9	Nominal amount of instrument (amount in euros)	100,000,000
EU-9a	Issue price	100%
EU-9b	Redemption price	100%

		a
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	2008-03-03
12	Perpetual or dated	Fixed Term
13	Original maturity date	2028-03-03
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
	Coupons / dividends	
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	non 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)	Estatutária
EU-34b	Hierarchical position of the instrument in a normal insolvency process	Rank 3 - Tier 2 instruments
35	Position in the subordination hierarchy in the event of liquidation (specify the instrument type immediately above in the priority hierarchy)	Lower Tier 2
36	Non-conforming transition object characteristics	Yes
37	If yes, specify non-conforming characteristics	Grandfathered instruments issued prior to 27 June 2019 (Art. 494 -B of Regulation EU 575 /2013)
37a	Link to full instrument terms and conditions (flag)	https://www.bourse.lu/security/PTCGHF/OM0006/135956

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

The amount of the Tier 2 Instrument considered in the Own Funds differs from that considered MREL eligible items, as per the EBA report on the monitoring of additional instruments of Tier 1 (AT1), Tier 2 and MREL/TLAC eligible liabilities of European Union institutions.

In this document, the EBA clarified that accrued interest and deferred charges of the Instruments issued should be considered in the calculation of Own Funds, since the inclusion of this component in the prudential assessment of capital instruments is necessary to reflect the amount available to cover losses.

In the items eligible for MREL (Resolution perimeter), the accrued interest and deferred charges component is not being considered, as the topic is still under discussion by the EBA.

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

Information on the nature and amounts of the prudential filters, applied deductions and non-deducted items, as well as a description of the restrictions applied to the own funds calculation, as specified in points (d) and (e) of Article 437(1) of Regulation (EU) 575/2013 can be found in the following table:

Table 12 EU CC1 Composition of own funds

		a	b	c	d
	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	4,277,047	26 (1) (c)	3; Adjustments	(b)
3	Accumulated other comprehensive income (and other reserves)	(11,493)	26 (1)	2; Adjustments	(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)	120,926	84, 479, 480	5	(d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	876,091	26 (2)	4	(e)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	9,788,286			
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(8,546)	34, 105		(f)
8	Intangible assets (net of related tax liability) (negative amount)	(100,309)	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)		

		a	b	c	d
	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
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)		
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>)	(23,943)			(h)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(132,798)			

		a	b	c	d
	Common Equity Tier 1 (CET1) capital: instruments and reserves	31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
29	Common Equity Tier 1 (CET1) capital	9,655,487			
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	0	51, 52		
31	of which: classified as equity under applicable accounting standards	0			
32	of which: classified as liabilities under applicable accounting standards	0			
33	Amount of qualifying items referred to in Article 484 (4) 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	5,822	85, 86, 480	5	(i)
35	of which: instruments issued by subsidiaries subject to phase out	0	486 (3)		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	5,822			
Additional Tier 1 (AT1) capital: regulatory adjustments					
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	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0			
44	Additional Tier 1 (AT1) capital	5,822			
45	Tier 1 capital (T1 = CET1 + AT1)	9,661,310			
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	0	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	68,363			
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	40,431	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	Tier 2 (T2) capital before regulatory adjustments	108,794			

		a	b	c	d
Common Equity Tier 1 (CET1) capital: instruments and reserves		31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
Tier 2 (T2) capital: regulatory adjustments					
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			
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	Total regulatory adjustments to Tier 2 (T2) capital	0			
58	Tier 2 (T2) capital	108,794			
59	Total capital (TC = T1 + T2)	9,770,103			
60	Total risk exposure amount	47,660,840			
Capital ratios and buffers		0			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	0	92 (2) (a), 465		
62	Tier 1 (as a percentage of total risk exposure amount)	0	92 (2) (b), 465		
63	Total capital (as a percentage of total risk exposure amount)	0	92 (2) (c)		
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	0	CRD 128, 129, 140		
65	of which: capital conservation buffer requirement	0			
66	of which: countercyclical buffer requirement	0			
67	of which: systemic risk buffer requirement	0			
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0	CRD 131		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0			
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	0	CRD 128		
69	Not applicable				
70	Not applicable				
71	Not applicable				

Common Equity Tier 1 (CET1) capital: instruments and reserves		a	b	c	d
		31-12-2023	Reference to Article of Regulation (EU) No. 575/2013	Balance Key	Notes
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,716	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)	464,623	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)		
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	6,315	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			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	0	484 (3), 486 (2) e (5)		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) e (5)		
82	Current cap on AT1 instruments subject to phase out arrangements	0	484 (4), 486 (3) e (5)		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) e (5)		
84	Current cap on T2 instruments subject to phase out arrangements	0	484 (5), 486 (4) e (5)		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) e (5)		

Values in thousand of euros

Description of the restrictions, supervisory filters and deductions to which those restrictions apply

- Amount of share capital in the Prudential Balance Sheet (item with key 1 in the Prudential Balance Sheet) that meets all the conditions of Article 28 to be classified 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 approximately 122,292 thousand Euros.
- Amount of the "Revaluation Reserves" (item with key 2 of the Prudential Balance Sheet) deduced from the adjustment related to contributions made in the paragraph above.
- Amount of minority interests is included in the Prudential Balance Sheet in the aggregate "non-controlling interests" and identified with key 5. The portion of minority interests on the balance sheet that, due to Regulatory restrictions, is not considered in Common Equity Tier 1 Capital becomes, subject to the conditions laid down in Regulation (EU) 575/2013, eligible for additional Tier 1 and/or Tier 2 Capital

- e) Portion of the positive consolidated net income attributable to the shareholder (item identified with key 4 of the Prudential Balance Sheet) included in the calculations of Own Funds, with the regulatory conditions for this purpose being met (the Inclusion of the positive net income in the Prudential Own Funds as defined in paragraph 2 of article 26 of Regulation (EU) 575/2013, namely, being certified and having the authorized of the competent authority).
- f) Deduction from Common Equity Tier 1 Capital of the "Additional Value Adjustment" resulting from the prudent valuation of the trading portfolio, as provided for in Articles 34 and 105 of Regulation 575/2013. That adjustment has no accounting impact. With reference to December 2024, the prudent valuation adjustment was established 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 Common Equity Tier 1 capital 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*, pursuant to paragraphs 2, 3 and 4 of Article 13 of Commission Delegated Regulation (EU) 241/2014.
- h) Includes the deduction of the irrevocable commitments to the Resolution Fund as a result of the imposition communicated under the *SREP Decision* by the Supervisor and the amount related to the insufficient coverage for non-performing exposures (NPEs or *prudential backstop*) as defined in Article 36(1)(m) and Article 47c 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 Common Equity Tier 1 and which Regulation 575/2013 allows to qualify for Additional Tier 1 Capital.
- j) This is the subordinated bond (ISIN PTCGHFOM0006) issued by Caixa Geral de Depósitos, S.A. and which meets all the conditions to qualify for Tier 2 Capital Instruments. The characteristics of this issuance can be found in Table 12 | Main features of Own 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 Common Equity Tier 1 and Additional Tier 1 Capital and which Regulation 575/2013 allows to qualify for Tier 2 Capital.
- l) The amount of the institution's direct and indirect holdings of CET 1 instruments of 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. and
- m) The amount of the institution's direct and indirect holdings of CET 1 instruments of financial and insurance entities in which the institution has a significant investment. The application of the deduction mechanism did not entail any deduction in Common Equity Tier 1 capital. The portion not deducted is risk weighted at 250%.

Reconciliation between the Balance Sheet, Prudential Balance Sheet and Own Funds

As mentioned above, the consolidation perimeters for accounting purposes and for regulatory purposes are different, resulting 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 Own Funds items. In order to identify the origin of the differences between the data used in the calculation of own funds and the data used in the financial statements of institutions, Regulation (EU) 1423/2013 lays down the need to disclose how 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 to the audited financial statements, as described in point (a) of Article 437(1) of Regulation (EU) 575/2013, institutions should apply the methodology referred to in Annex I to Regulation (EU) 1423/2013 and publish the balance sheet reconciliation information, as shown in the following tables:

Table 13 | EU CC2 Reconciliation between the 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 (*)
10	Assets						
20	Cash and cash equivalents at central banks	20,250,510	129,846	0	0	20,380,356	0
30	Cash balances at other credit institutions	345,427	(3,465)	0	7,184	349,145	0
40	Loans and advances to credit institutions	2,391,852	149,386	0	6,602	2,547,839	0
50	Financial assets at fair value through profit or loss	1,356,253	(306,528)	83,956	0	1,133,681	0
60	Financial assets at fair value through other comprehensive income	6,569,400	63,248	0	0	6,632,648	0
70	Assets with repurchase agreement	-	7,388	0	0	7,388	0
80	Hedging derivatives with positive revaluation	176,422	0	0	0	176,422	0
90	Other Investments at amortized cost	15,736,459	0	0	0	15,736,459	0
100	Loans and advances to customers	53,522,491	659,892	3,441	-	54,185,824	0
110	Non-current assets held-for-sale	1,253,354	(1,250,750)	79,566	0	82,170	0
120	Investment properties	10,553	35,873	(20,107)	0	26,318	0
130	Other tangible assets	690,372	17,021	0	0	707,393	0
140	Intangible assets	185,037	1,711	0	0	186,748	6
150	Investments in associates and subsidiaries excluded from consolidation, of which:	501,233	5,567	189,043	0	695,842	0
160	Insurance companies	381,155	0	0	0	381,155	0
170	Significant investments in financial entities	83,468	0	0	0	83,468	0
180	Other Investments	36,610	5,567	189,043	0	231,219	0
190	Current tax assets	431,582	2,648	0	0	434,229	0
200	Deferred tax assets, of which:	754,208	16,094	569	0	770,871	0
210	Deferred tax assets arising from temporary differences	754,208	16,094	569	0	770,871	0
210	Deferred tax assets arising from tax losses	0	0	0	0	0	0
220	Other assets	2,109,060	19,958	0	12,428	2,141,447	0
230	Total Assets	106,284,212	(452,111)	336,467	26,213	106,194,782	0

	a	b	c	d	e	f	
	Financial Perimeter	Consolidation of other entities	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)	
240 Liability							
250	Resources of central banks and other credit institutions	412,791	87,769	0	(77,818)	422,742	0
260	Customer resources and other loans	86,764,653	945,393	0	102,383	87,812,429	0
270	Debt securities	1,390,013	0	0	0	1,390,013	0
280	Financial liabilities at fair value through profit or loss	118,974	7,848	0	0	126,822	0
290	Hedging derivatives with negative revaluation	40,960	0	0	0	40,960	0
300	Non-current liabilities held-for-sale	1,064,519	(1,064,519)	0	0	0	0
310	Provisions for employee benefits	724,136	2,231	0	0	726,367	0
320	Provisions for guarantees and other assumed commitments	289,506	377	0	0	289,883	0
330	Provisions for other risks	493,038	(17)	48,171	0	541,192	0
340	Current tax liabilities	750,215	3,911	0	0	754,126	0
350	Deferred tax liabilities	69,296	1,461	(19,252)	0	51,505	0
360	Deferred tax liabilities arising from temporary differences	69,296	1,461	(19,252)	0	51,505	0
365	Deferred tax liabilities arising from tax losses	0	0	0	0	0	0
370	Other subordinated liabilities	104,945	0	0	0	104,945	0
380	Eligible as Tier 2 Capital	100,000	0	0	0	100,000	7
390	Other liabilities	3,172,429	(57,194)	(20,705)	1,648	3,096,179	0
400	Total Liabilities	95,395,476	(72,741)	8,215	26,213	95,357,163	
410 Equity							
420	Share capital	4,525,714	(309,469)	309,469	0	4,525,714	1
430	Other equity instruments	0	0	0	0	0	0
430	Revaluation reserves	110,799	0	0	0	110,799	2
440	Other reserves and retained earnings	4,197,447	(59,974)	17,282	0	4,154,755	3
450	Net income	1,734,516	(9,927)	1,502	0	1,726,091	4
460	Non-controlling interests	320,259	0	(0)	0	320,259	5
470	Total Equity	10,888,736	(379,369)	328,253	-	10,837,619	
480	Total liabilities and equity	106,284,212	(452,111)	336,467	26,213	106,194,782	

Values in thousands of Euros

(*) correspondence between items of the Prudential Balance Sheet and regulatory own funds

Table 14 | 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	4,154,755	4,154,755
30	Net income (included in Own Funds)	4	1,726,091	876,091
40	Revaluation reserves	2	110,799	110,799
50	Total minority interest given recognition in CET 1 capital	5	320,259	120,926
60	Total CET 1 capital prior to regulatory adjustments			9,788,286
70	Intangibles , net of related DTLs	6	186,748	(100,309)
80	Total CET 1 capital after the regulatory adjustments above			9,687,977
90	National filters and deductions that affect CET, of which:			(32,489)
100	Irrevocable payment commitments arising from Resolution Fund Scheme			(22,779)
110	AVA (Additional Valuation Adjustment)			(8,546)
120	Backstop related to the NPE (Non Performant Exposures)			(1,164)
130	CET 1 capital			9,655,487
140	Additional Tier 1 (AT 1), of which:			5,822
150	Total minority interest given recognition in AT1 capital			5,822
160	Fundos Próprios de nível 1 (Tier 1)			9,661,310
170	Tier 2 Capital, of which:			108,794
180	Issued Tier 2 Instruments (eligible amount)	7	100,000	68,363
190	Total minority interest given recognition in Tier 2 capital			40,431
200	Total Capital		-	9,770,103
210	RWA totals, of which:		-	47,660,840
220	Credit		-	40,425,698
230	Market		-	2,002,116
240	Operational		-	5,233,026
250	Ratios		-	-
260	CET 1		-	20.3%
270	Tier 1		-	20.3%
280	Total		-	20.5%

Values in thousands of Euros

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

Note: Own Funds including the net income authorized by the Supervisory authority (according to paragraph 2 of Article 26 of Regulation (EU) n° 575/2013). The ratios not considering the net income are: CET 1= 18,4% | Tier 1= 18,4% | Total=18,7%.

4.4 Capital requirements

Regulatory Capital Requirements

Pursuant Article 438 CRR, the following table shows the risk-weighted exposure amount as of 31 December 2024 and 2023 by risk type.

Table 15 | EU OV1 Summary of total risk exposure amounts

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		31-12-2024	31-12-2023	31-12-2024
1	Credit risk (excluding CCR)	40,274,191	37,285,356	3,221,935
2	Of which the standardised approach	40,274,191	37,285,356	3,221,935
3	Of which the Foundation IRB (F-IRB) approach	0	0	0
4	Of which slotting approach	0	0	0
EU 4a	Of which equities under the simple riskweighted approach	0	0	0
5	Of which the Advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk - CCR	150,237	508,472	12,019
7	Of which the standardised approach	108,406	140,907	8,672
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	12,920	7,003	1,034
EU 8b	Of which credit valuation adjustment - CVA	4,489	19,514	359
9	Of which other CCR	24,423	341,049	1,954
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	1,269	1,330	102
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	1,269	1,330	102
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
		31-12-2024	31-12-2023	31-12-2024
20	Position, foreign exchange and commodities risks (Market risk)	2,002,116	1,750,525	160,169
21	Of which the standardised approach	2,002,116	1,750,525	160,169
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	5,233,026	4,268,704	418,642
EU 23a	Of which basic indicator approach	0	0	0
EU 23b	Of which standardised approach	5,233,026	4,268,704	418,642
EU 23c	Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,161,558	1,093,895	92,925
29	Total	47,660,840	43,814,387	3,812,867

Values in thousand of Euros

In December 2024, the total value of risk exposure amounts (RWA) amounted to €47,661 million, of which around 85% referred to credit risk (including counterparty credit risk and securitisations).

Compared to the previous period, there was an increase in RWA of around 8.78% (€3,846 million), explained by the increase in RWA for: i) credit risk (excluding counterparty credit risk and securitisations) by around €2,675 million, ii) operational risk by around €964 million and iii) market risks by around €252 million. The value of RWA for credit adjustments (CVA) decreased by €15 million, compared to 2023's figures.

The growth in the Group's activity was reflected in the positive evolution of the net interest margin and, consequently, of the banking product, justifying the increase of 964 million euros in the RWA for operational risk.

This growth also focused on the exchange rate risk component and reflects the expansion of the activity of entities abroad as well as the appreciation of the metical and the pataca.

At the risk class level, there was an increase in exposure in the corporate segment, with an overall contribution of 1,636 million euros in RWA (-70 bps in the CET1 ratio). This increase was particularly significant in terms of the activity of CGD-Headquarters, but also in BNU. In this entity, the increase in RWA is due to both the growth of the portfolio and the exchange rate appreciation of the pataca (MOP) by 7%.

There was an increase in the credit portfolio guaranteed by real estate, with an impact of 504 million euros on RWA. The growth of housing credit was boosted by the macroeconomic environment of lower interest rates.

The RWA allocated to the retail risk class increased by 342 million euros, of which around 230 million euros in CGD-Headquarters and 103 million euros in BCI.

It is also worth mentioning the increase, by 497 million euros of the RWA allocated to the central governments and central banks' exposure class. This increase is largely explained by the increase

in BCI Mozambique's liquidity investments in local public debt and the effect of the exchange rate appreciation, by 7%, of the local currency (MZN).

On the other hand, there was a contraction in exposure to banks, with an impact on the reduction of 242 million euros in RWA.

Table 16 | EU INS1 Holdings in insurance companies

		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	381,155	952,889

Values in thousands of Euros

Internal capital requirements

In the context of Basel Pillar 2, the CGD Group conducts an annual internal capital adequacy assessment, control systems and risk profile assessment exercise (ICAAP). The ICAAP is prepared in the context of and in accordance with the framework and the **Risk Appetite Statement** (RAF and RAS). The quantification of the adequacy of internal capital focuses on the planning that supports the implementation of the Group's strategy and is a two-way process as the results obtained inform the strategy and contribute to the calibration of the planning. This self-assessment is also an integral part of the risk management framework.

Given the structural nature of the process and the recognized internal and external importance for the implementation of sustainable business strategies, supported by adequate controls, ICAAP is supported by a robust governance model, with unequivocal attribution of roles and responsibilities. In this context, the internal capital adequacy self-assessment process respects a **governance model** defined in internal regulations, which ensures 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 that is likely to be exposed, and is supported by 5 steps that require the involvement of both the Group Entities (branches and subsidiaries of the prudential perimeter) and various management of the bank:

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

- **Definition of macroeconomic scenarios:** CGD presents a critical view of the evolution of domestic 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 implemented as part of the budgetary planning. In turn, the adverse scenario, which includes both a systemic perspective and events of an idiosyncratic nature, is based on a narrative oriented to CGD's concerns, discussed in the context of the annual review of the Recovery Plan and updated, where justified, within the scope of the ICAAP.
- **Financial statement and capital projections:** based on the macroeconomic scenarios, CGD projects internal capital and capital requirements under normal and adverse conditions over three years. The financial projections of the baseline 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 Risk Management, Financial Markets, Planning and Accounting Divisions.
- **Assessment of capital adequacy and integration into CGD:** CGD assesses the Group's solvency situation according to the different scenarios. The findings of this analysis are imminently quantitative and may trigger action by the Board of Directors or the Executive Board to strengthen the bank's capital position or adjust the Group's risk profile if the capital adequacy is deemed insufficient. Other qualitative conclusions may result in organizational changes, adoption of new methodologies, optimization of processes and information systems, among others.

The results of the ICAAP process are reported annually to the supervisor, however, the quantification of internal capital needs is reviewed quarterly for the most relevant risks, thus ensuring regular monitoring by the management of internal capital needs.

It is also important to note that the ICAAP is audited, at least annually, by the Internal Audit Division, whose work covers all aspects of ICAAP, with three main areas of focus: audit of the processes of (i) assessment of the (qualitative) risk profile, (ii) preparation and selection of scenarios, and (iii) capital requirements quantification.

Additionally, within the scope of its internal control functions, the *Compliance* Division monitors and analyses the ICAAP process to assess compliance with legal and regulatory requirements and internal policies.

As of 31 December 2024, internal capital needs have been measured for the following risk categories:

- Credit Risk (including the subcategories of default risk, sovereign, real estate and credit concentration);
- Market Risk, including balance sheet exchange risk;
- Reputational Risk;
- Business and Strategy Risk;
- Interest Rate Risk of the banking book;
- Credit *Spread* Risk of the Banking Book;
- Operational Risk;
- Pension Fund Risk;
- Compliance Risk and Internal Governance Risk;
- Cyber and Information Technology Risk;

- Climate and Environmental Risk.

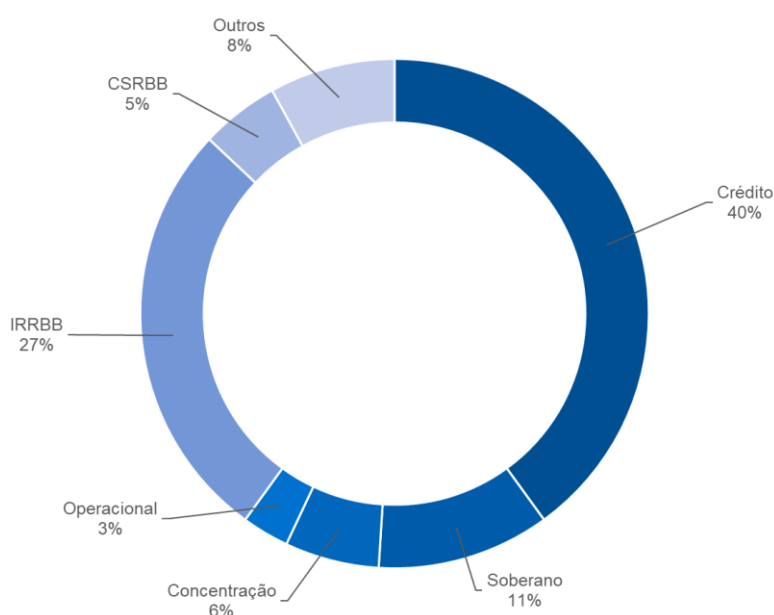
Capital adequacy is assessed by comparing internal capital with internal capital needs determined in accordance with internally defined quantification methodologies.

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 during its activity, within the limits of its risk appetite.

In order to ensure alignment between the definition of internal capital and the concept of capital adequacy from an economic perspective, as set out in the ECB's ICAAP guidelines, CGD uses regulatory capital as a starting point for its definition of internal capital, and the necessary adjustments are applied, including at the level of balance sheet items that cannot be considered available to cover losses (including Tier 2 capital and deferred tax assets), to raise capital in accordance with the concept of "economic value".

At the end of 2024, internal capital needs corresponded to around **64.3% of available internal capital**, showing the bank's solid position, with the following distribution by type of risk:

Figure 2 | Internal Capital Requirements (Dez24)



Credit risk, in the subcategory of default risk, is the most relevant, with the respective capital requirements corresponding to around 40% of the Group's total internal capital needs. The capital requirements for the interest rate risk of the banking book represent around 27% of internal capital needs, while sovereign risk (including exposure to Central Banks and public sector entities equivalent to central government) represents 11% of total internal capital requirements.

4.5 Leverage Ratio

The leverage ratio contributes to preserving financial stability by acting as a backstop to risk-based capital requirements and limiting the build-up of excessive leverage in times of economic recovery.

As defined in Article 4(94) of Regulation (EU) 575/2013, leverage is the relative level of assets, off-balance sheet obligations and contingent obligations to pay, deliver or provide guarantees, including obligations arising from funds received, commitments made, derivatives or repurchase agreement sales, but excluding obligations that can only be executed during the winding-up process of an

institution, compared to that institution's own funds. The leverage ratio is a regulatory and supervisory tool whose clearance rules are set out in Part VII CRR and Delegated Regulation (EU) 62/2015 and is calculated by dividing a measure of own funds (Tier 1 capital) by a measure of total exposure.

The European Supervisory Authority (EBA) 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 bank would have a credible hedging function. A 3% leverage ratio requirement has also been agreed internationally by the BCBS (Basel Committee on Banking Supervision). Thus, under point 46 of Regulation (EU) 876/2019 amending Regulation (EU) 575/2013 as regards, inter alia, the leverage ratio, a mandatory minimum leverage ratio requirement of 3% entered into force in June 2021.

As of December 31, 2024, CGD's leverage ratio was 8.8%, indicating that CGD is not at risk of excessive leverage.

Table 17 | Leverage ratio

		a	b
		31-12-2024	31-12-2023
10	Total SFT Exposure	80,369	295,660
20	Total derivatives exposures	535,006	400,838
30	Total off-balance exposure	3,824,237	3,645,039
40	Other assets	105,522,555	98,632,618
50	(-) Asset amount deducted - Tier 1	(132,798)	(143,168)
60	(-) Deducted asset value - Tier 1 - transition definition	(132,798)	(143,168)
70	Total exposure Leverage Ratio by fully phased setting	109,829,369	102,830,988
80	Capital Tier 1 - fully phased definition	9,661,310	8,919,514
90	Leverage Ratio (phasing-in)	8.8%	8.7%
100	Total Leverage ratio exposure	109,829,369	102,830,988
110	Tier 1 Capital	9,661,310	8,919,514
120	Leverage Ratio fully (loaded)	8.8%	8.7%

Values in thousand of Euros

In 2024, the CGD Group's leverage ratio increased by 10 bps (from 8.7% in 2023 to 8.8% in 2024). This variation is due to the increase in *Tier 1* capital (€742 million), partially offset by the increase of

around €6,998 million in the exposure measure, mainly explained by the increase in sovereign exposure (€3,723 million).

It should be noted that the leverage ratio is monitored monthly within the scope of the Group's Risk Appetite Framework (RAS), thus enabling regular monitoring by the management bodies and the taking of corrective measures deemed necessary.

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

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

		a
		Applicable amount
		31-12-2024
1	Total assets as per published financial statements	106,284,212
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(89,430)
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	213,107
9	Adjustment for securities financing transactions (SFTs)	5,421
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,824,237
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	(408,178)
13	Total exposure measure	109,829,369

Values in thousand of Euros

Table 19 | EU LR2 Common disclosure of the leverage ratio

		a	b
		CRR leverage ratio exposures	
		31-12-2024	31-12-2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	105,712,522	98,652,361
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)	(189,968)	(19,743)
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)	(132,798)	(143,168)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	105,389,756	98,489,450
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	283,824	230,436
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	251,182	170,402
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	Total derivatives exposures	535,006	400,838

		a	b
		CRR leverage ratio exposures	
		31-12-2024	31-12-2023
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	74,948	291,359
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	5,421	4,301
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	Total securities financing transaction exposures	80,369	295,660
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	74,948,404	16,339,494
20	(Adjustments for conversion to credit equivalent amounts)	(71,124,167)	(12,694,455)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	Off-balance sheet exposures	3,824,237	3,645,039
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	
		31-12-2024	31-12-2023
Capital and total exposure measure			
23	Tier 1 capital	9,661,310	8,919,514
24	Total exposure measure	109,829,369	102,830,988
Leverage ratio			
25	Leverage ratio	8.8%	8.7%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.8%	8.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.8%	8.7%
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%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	169,532	151,241
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	74,948	291,359
30	Total measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	109,923,953	102,690,870
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	109,923,953	102,690,870
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)	8.8%	8.7%
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 adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.8%	8.7%

Value in thousand of Euros

Table 20 | EU LR3 Leverage - Breakdown of on-balance sheet exposures

		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	105,522,555
EU-2	Trading book exposures	330,219
EU-3	Banking book exposures, of which:	105,192,336
EU-4	Covered bonds	255,990
EU-5	Exposures treated as sovereigns	45,984,216
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	2,747,402
EU-7	Institutions	1,243,182
EU-8	Secured by mortgages of immovable properties	29,415,896
EU-9	Retail exposures	6,370,403
EU-10	Corporates	13,948,793
EU-11	Exposures in default	279,769
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,946,684

Values in thousand of euros

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

Regulatory framework

The **Single Resolution Mechanism (SRM)** – Pillar 2 of the Banking Union – sets the framework for bank resolution in all participating Member States. The aim of the SRM is to ensure the orderly resolution of failing banking institutions with minimal costs to taxpayers and the real economy. To this end, Regulation (EU) 806/2014 – Single Resolution Mechanism (SRMR) Regulation and Directive 2014/59/EU – 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 loss-absorbing and recapitalization capacity, in order to facilitate the implementation of the bail-in or other resolution tool and to ensure the continuity of its critical functions, without representing an additional burden on taxpayers.

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

MREL decision

In January 2024, CGD was notified of the binding MREL Decision determined by the SRB, which establishes compliance with the following MREL requirements, on a permanent basis:

- 23.08% of total risk-weighted assets, plus a combined capital buffer requirement of 3.25%, corresponding to a total requirement of 26.33%;
- 6.31% of the total leverage ratio exposure.

The requirements apply on a consolidated basis, at the resolution group level determined by the SRB (entities in the prudential perimeter scope in the Banking Union, including overseas branches - without legal personality). According to the decision in force at the time, CGD is not subject to compliance with any minimum subordination requirement.

Table 21 | EU KM2 Main Indicators - MREL

		a
	Own funds and eligible liabilities, ratios and components	Minimum requirement for own funds and eligible liabilities (MREL)
1	Own funds and eligible liabilities	9,839,198
EU-1a	Of which own funds and subordinated liabilities	8,498,534
2	Total risk exposure amount of the resolution group (TREA)	36,686,460
3	Own funds and eligible liabilities as a percentage of the TREA	26.82%
EU-3a	Of which own funds and subordinated liabilities	23.17%
4	Total exposure measure (TEM) of the resolution group	96,133,704
5	Own funds and eligible liabilities as percentage of the TEM	10.23%
EU-5a	Of which own funds or subordinated liabilities	8.84%
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 pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu 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	26.33%
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	6.31%
EU-10	Of which to be met with own funds or subordinated liabilities	n/a

Values in thousands of Euros

The table below presents the details of the MREL eligible items:

Table 22 | EU TLAC1 Composition - MREL

		a
Own funds and eligible liabilities and adjustments		Minimum requirement for own funds and eligible liabilities (MREL)
1	Common Equity Tier 1 capital (CET1)	8,398,534
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)	63,417
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	8,461,952
Own funds and eligible liabilities: Non-regulatory capital elements		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	36,583
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)	1,330,664
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	1,340,664
15	Empty set in the EU	
16	Empty set in the EU	
17	Eligible liabilities items before adjustments	1,377,246
EU-17a	Of which subordinated liabilities items	36,583
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements		Minimum requirement for own funds and eligible liabilities (MREL)
18	Own funds and eligible liabilities items before adjustments	9,839,198
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	9,839,198
EU-22a	Of which: own funds and subordinated liabilities	8,498,534

		a
Own funds and eligible liabilities and adjustments		Minimum requirement for own funds and eligible liabilities (MREL)
Risk-weighted exposure amount and leverage exposure measure of the resolution group		
23	Total risk exposure amount (TREA)	36,686,460
24	Total exposure measure (TEM)	96,133,704
Ratio of own funds and eligible liabilities		
25	Own funds and eligible liabilities as a percentage of TREA	26.82%
EU-25a	Of which own funds and subordinated liabilities	23.17%
26	Own funds and eligible liabilities as a percentage of TEM	10.23%
EU-26a	Of which own funds and subordinated liabilities	8.84%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	3.74%
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	
Memorandum items		
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 the provisions of Article 45i(3)(b) of Directive 2014/59/EU, the table below shows the breakdown of the MREL eligible instruments by insolvency ranking and residual maturity:

Table 23 | EU TLAC3b creditor ranking – resolution entity

1	Description of Insolvency Rank	Insolvency ranking					Total
		1	3	7	8	9	
		CET1 Instruments	Tier 2 Instruments	Credits of people with a special relationship with the debtor	Non-preferred senior debt	Common credits	
5	Own funds and liabilities potentially eligible for meeting MREL	8,334,592	100,000	0	0	1,340,664	9,775,255
6	of which residual maturity \geq 1 year < 2 years	0	0	0	0	330,664	330,664
7	of which residual maturity \geq 2 year < 5 years	0	100,000	0	0	1,000,000	1,100,000
8	of which residual maturity \geq 5 years < 10 years	0	0	0	0	0	0
9	of which residual maturity \geq 10 years, but excluding perpetual securities	0	0	0	0	10,000	10,000
10	of which perpetual securities	8,334,592	0	0	0	0	8,334,592

Values in thousand of Euros

6. Credit Risk

This chapter aims to comply with the obligations to disclose information under Article 442 CRR. The credit risk information included in the following paragraphs of this chapter refers only to the instruments covered by Chapter 2 of Title II of Part Three, namely credit risk under the Standardised Approach. Exposures subject to counterparty credit risk and securitisation transactions will be addressed in separate chapters.

6.1 Qualitative information

Credit risk is associated with losses and the degree of uncertainty regarding the ability of a client/counterparty to meet its contractual obligations.

Given the nature of the banking activity, credit risk is of particular importance in view of its materiality, despite its interconnection with other risks.

The CGD Group has implemented a system for identifying, assessing and controlling the risk of its credit portfolio, which covers all customer segments and focuses both on the granting of credit and on the monitoring of risk throughout the life of operations.

CGD's organisational model establishes the independence of functions between the commercial areas (risk takers), the monitoring areas (credit recovery), the operations decision-making areas and the Risk areas, responsible for controlling risks, identifying, monitoring and measuring them. The structural units that contribute to the management of the credit risk of the CGD Group, as well as their respective responsibilities in this area, are generally the following:

- **CGD's Executive Committee**

Based on the proposals submitted, the Executive Committee is responsible for approving the *guidelines*, models and processes inherent to credit risk management. It is also responsible for monitoring the evolution of CGD's overall credit portfolio, receiving *outputs* from CGD's credit portfolio monitoring process.

- **CGD's Credit Council and Executive Committee for Credit Risks**

CGD's Credit Council (CC) and the Executive Committee for Credit Risks (CERC) are responsible for exercising the powers delegated to them in matters of credit, namely in terms of authorisation of credit operations (risk and/or *pricing*).

CERC is also responsible, among other functions, for discussing the specific situation of sectors of the economy and defining the credit strategy and policies and respective risk, as well as for assessing, debating and deciding on the attribution of credit impairment levels to CGD Group customers (CGD and other companies of the Group) and ensuring the correct articulation of responsibility in the treatment of customers at risk between CGD's commercial structures and the areas specialized for credit monitoring and recovery.

- **Heads of Branches and Boards of Directors of Subsidiaries**

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

- **Division of Credit Risks (DRC)**

The Credit Risk Division (DRC) is a first-level body of CGD's organic structure, with a corporate scope, with risk analysis, issuing opinions and decision-making functions on credit operations, in accordance with the credit regulations and delegation of powers in force, and is also responsible for assigning and validating credit exposure limits. the monitoring of defined credit alerts and the approval of the constitution/amendment of the Economic Groups in accordance with the regulations in force.

- **Division of Risk Management (DGR)**

The DGR intervenes, within the scope of the credit risk management process, in the credit granting and subsequent monitoring phases, both from the client/operation perspective and from the perspective of the credit portfolio, through: *i)* the definition of internal risk assessment models for loans to individuals (*scoring*) and participation in the elaboration of credit granting policies and rules; *ii)* the global monitoring and control of the CGD Group's credit risk by 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)* the determination of impairment for all segments of the credit portfolio; *vi)* the assessment of compliance with the limits defined for Large Risks; *vii)* assessment of compliance with the criteria for identifying customers in financial difficulties and the classification of credit as restructured due to financial difficulties; *viii)* evaluation of the rules for activating the *default* and NPE classifications.

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

- **Rating and Internal Control Division (DRT)**

The DRT is a first-level body of CGD's organic structure, with a corporate function, independent of the lines and business areas, with responsibility for assigning credit ratings to all segments that have a relationship with the CGD Group, ensuring that all exposures are noted and permanently updated, adequately reflecting the credit risk of customers.

Within the scope of its responsibilities, it is also responsible for ensuring the adequacy of the rating models (quantitative and qualitative), through the analysis of rating derogations and risk level migrations, as well as all the IT platforms that support the *rating process*.

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

In order to integrate, objectively and consistently, the impact of ESG criteria (i.e., non-financial risks) in investment and financing decisions, DRT is responsible for assigning 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 Finance Strategies, aiming to support the transition to a more sustainable economy.

- **Business Units:**

The business units intervene in the process of managing credit risk (to individuals and companies) in terms of granting credit and monitoring and recovery of the credit portfolio.

In relation to the granting of credit, these units participate in all phases of the risk management process. In this context, they are responsible, in particular, for collecting the information necessary for the evaluation of 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 the necessary approvals for credit operations, taking into account the regulations in force.

- **Recovery Units:**

The recovery areas are independent structures dedicated to the recovery of credit for customers with financial difficulties and focus on the management of ongoing operations and litigation processes, being responsible, in particular, for preventing the occurrence of losses in credit operations for which warning signs have been detected or which have already defaulted and monitoring the evolution of CGD's credit portfolio, and the respective business unit, in terms of credit granted and actual and potential default.

- **Units responsible for information systems:**

They are responsible for ensuring the development and maintenance of support systems for the identification, assessment and control of credit risk.

- **Internal Audit Division and Model Validation Office:**

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

Across the various structural units – namely, Heads of Branches and Boards of Directors of Subsidiaries, DGR, Business Units, Units responsible for information systems – there is the responsibility to define adequate internal controls over the tasks performed within the scope of credit risk management processes and collaboration in the maintenance of the Credit Risk Manual.

Credit Risk Policies

CGD's credit risk management is regulated by internal policies and regulations, at corporate level, which define the rules and procedures to be observed in the credit life cycle:

- i) In the credit decision;
- ii) In credit recovery;
- iii) In the control and monitoring of credit risk;
- iv) In the measurement of credit risk.

The processes for approving the granting of credit and credit restructuring are subject to a delegation of powers, differentiated by defined decision levels, and with the intervention of the Credit Risk Division in the decision-making process of credit operations and issuance of risk opinions.

Concepts and Definitions

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

Credit risk: corresponds to the probability of negative impacts on results or capital, resulting from the full and/or punctual non-compliance with the obligations contracted by customers, counterparties or third parties to the institution, under the terms of the respective contract.

Credit operation: any act or contract, whatever its legal structure, through which CGD or any other company in the Group, places or undertakes to make repayable funds available to others or guarantees to third parties the fulfilment of pecuniary obligations or the proper execution of contracts. Credit operations are also financial leasing and factoring in which the Group assumes a creditor position vis-à-vis the lessee, the client or the adherent, as applicable.

Financial transaction: any transaction carried out by CGD or any other entity of the Group, on its own account or on behalf of clients, on money or foreign exchange market instruments, spot and forward financial instruments, options and transactions on foreign exchange, interest rates, commodities or securities, which may result in a creditor position for the Group vis-à-vis the counterparty or third party.

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

Expected credit losses within 12 months: for financial instruments that have not experienced a significant increase in credit risk compared to origination, provisions are measured at an amount equivalent to the expected credit loss within 12 months.

Expected credit losses over the life of the instrument: These are the expected credit losses resulting from all possible defaults over the expected life of the financial instrument, provided that the financial instrument has experienced a significant increase in credit risk since origination.

Concentration risk: corresponds to the probability of negative impacts on profit or loss of income or capital arising from the concentration of exposures on individual clients, economic groups, aggregates of clients operating in the same economic sector or geographic region or arising from the concentration on the same activity or commodity, or on the guarantees accepted by the institution.

Default Credit: The definition implemented is contained in the "*Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013*" issued by the EBA (European Supervisory Authority) on 28/09/2016 (EBA/GL/2016/07).

Non-performing exposures: The definition implemented is set out in paragraph 47a of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013.

Within the scope of the credit granting process, the Credit Risk Division (DRC), with corporate functions and depending directly on the Executive Committee, has decision-making and credit analysis powers for Companies, Financial, Institutional and Private Institutions, segregating functions with the commercial area, which is responsible for presenting the proposal with the conditions of the operations.

In the **corporate/group and institutional** segment, as well as **Financial Institutions**, the assessment of credit risk, in addition to the support of *internal rating* models (which incorporate both financial information and qualitative elements), is subject to **individual analysis** by a team of analysts (according to criteria defined in regulations), who prepare credit risk analysis reports and issue an independent opinion on the inherent credit risk. This analysis is carried out on a periodic

basis and whenever there are changes in the relationship with the client or endogenous or exogenous factors are identified that recommend a reassessment of risk.

The **process of preparing and deciding on credit proposals** to companies is supported by an application platform (*workflow* of credit proposals), which contributes to ensuring the integrated and uniform application of rules and procedures.

In addition, to streamline and support the process of granting short-term credit to companies and standardize the risk analysis of these operations, the CGD Group has developed and implemented a model for defining **short-term exposure limits for companies**, which provides guidance on the level of short-term exposure recommended 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 case-by-case analysis for effective attribution of limits to the client.

In the case of the **individuals** segment, the assessment of credit risk is supported by the use of statistical risk assessment tools (*scoring* models), by a set of internal regulations that establish objective criteria to be observed in the granting of credit, as well as by a delegation of powers in accordance with, among other criteria, the credit scorings assigned.

Regarding the **financial institutions segment**, internal limits are approved for each institution. The definition of the limits takes into account the entity's framework in the financial sector and in relation to its peers, the *rating*, the *VaR* (*value at risk*), as well as other relevant elements. Compliance with limits, credit exposures as well as the risk profile of counterparties and groups are regularly monitored by specialized analysts.

To strengthen the credit risk framework for financial institutions in the CGD Group, during 2022 standards for the Credit Risk of Financial Institutions and Groups were approved, which establish the regime applicable to the risk-taking of financial institutions, in which the CGD Group appears as a counterparty, assuming credit risk, with a view to identifying, assessment, control and prevention of the credit risk it may incur.

As part of the **monitoring and control** of the credit portfolio and in accordance with the IFRS 9 standard, the CGD Group has developed a **credit impairment model**⁴ that allows the measurement of impairment losses according to the credit quality of borrowers and taking into account the level of existing collateral, encompassing credit granted to companies and individuals, including Bank Guarantees Provided, Revocable and Irrevocable Commitments and Revocable and Irrevocable Credit Lines, and which is based on the following macro risk segmentation for the purposes of determining collective impairment:

- Credit to large companies;
- Credit to medium and small companies;
- Credit to small businesses;
- Mortgage;
- Consumer Credit;
- Credit Cards;
- Overdrafts and Limits of Negotiated Overdrafts.

⁴ Information supplemented 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 hypotheses used in the determination of the Impairment" and following.

In the impairment model, the exposures are further disaggregated according to the following criteria⁵:

- Credits in Compliance (stage 1): There is no evidence of loss at the time of analysis;
- Performing Loans (stage 2): Significant increase in credit risk, including loans restructured due to customer financial difficulties;
- Defaulted Claims (stage 3).

The risk factors used in the credit impairment model (default probabilities and loss *given defaults*) are updated annually, and are backtested and *adjusted at the point of*

Through the credit impairment model, the credit portfolio is analysed and treated, which is subdivided according to the following approaches:

- **Collective Impairment Analysis** – for exposures considered individually non-significant, impairment provisions are determined by risk sub-segments, which include assets with similar risk characteristics (credit segment, type of collateral, history of payment behavior, among others);
- **Individual Impairment Analysis** – in clients with exposures considered individually significant, an individual assessment is carried out involving CGD's commercial areas, the monitoring and credit recovery areas, the DGR and the DRC.

The individual evaluation of clients with large exposure focuses essentially on the following points:

- Compliance with the contractual conditions agreed with the CGD Group;
- Existence of restructuring due to financial difficulties;
- Existence of litigation or insolvency proceedings;
- Assessment of the economic and financial situation;
- Perspectives on the evolution of the client's activity or the economic group in which it operates;
- Verification of the existence of operations with credit and overdue interest, in the CGD Group and/or in the financial system;
- Adequacy of guarantees and collateral to mitigate the risk of credit granted;
- Analysis of historical information on the good payment behavior of customers.

For exposures that are individually significant or that are subject to special monitoring by the recovery areas, an individual impairment assessment is carried out on a regular basis, based on the *going concern* and *gone concern* methodologies, in line with the criteria for estimating individual impairments, published by the ECB, in the document "Guidance to banks on non-performing loans", in March 2017, also taking into account the recommendations of Banco de Portugal informed in Circular Letter CC/2018/00000062.

Also, within the scope of monitoring and control of the credit portfolio, the customer monitoring workflow process was consolidated, supported by the credit recovery monitoring policy, embodied in the definition of rules for classifying customers according to credit quality criteria, the allocation of customers to the monitoring areas, and the standardization of recovery measures. To control the

⁵ Information supplemented by that contained in the annex to the consolidated financial statements of the report and accounts, point "7. Description of the methodologies for calculating impairment, including how portfolios are segmented, to reflect the different characteristics of the loans".

monitoring *workflow*, metrics and indicators were defined and closely monitored by the monitoring reports produced monthly by the DGR.

CGD has developed internal *Rating Models* that cover the main portfolios of loans to companies. They include a set of quantitative variables, qualitative variables and behavioral variables, considered discriminant and with predictive capacity, present in the statistical algorithms constructed and/or in *the expert judgment* questionnaires. Weights and weights are applied to these variables, which result in a final score, which corresponds to a *Rating*.

The methodology is therefore generally based on the combination of two analysis modules, one quantitative and the other qualitative (*expert judgment*), the application of rating *blockers* and/or *financial caps* and the consideration of the potential negative influence of an economic group through an adjustment per group *cap*, which constitutes the maximum *rating* limit for the investee companies. In situations of potential positive influence, an adjustment will be applied through a certain classification of the company, for cases in which 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 a differentiated treatment of customers/operations based on their risk profile. Specifically, CGD incorporates information related to the risk of customers/operations in some key processes:

- Credit approval with delegation of powers indexed to the level of risk of the customer/operation, ensuring that operations with higher risk are approved by a higher level of responsibility;
- Provision of information from the rating systems to the commercial and *marketing areas* to support the prioritization and differentiation of commercial action according to the level of risk of customers;
- Determination of internal capital to be allocated to client exposures;
- Definition of the PARE, in the Internal Pricing Model for Credit Adjusted to the Risk of Companies based on parameters of the internal models (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 the quality of credit risk in relation to the PD implicit in the granting of credit, transferring the financial instruments to *Stage 2*.

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

CGD uses internal models to estimate **probabilities of default** (PDs) in credit portfolios to individuals (housing and other purposes) and corporates and has metrics to measure estimates of **losses in default** (LGDs) in the mortgage credit portfolio. These models are used in the internal allocation of capital and in the determination of a risk-adjusted price reference.

Within the scope of the **CGD Group's coverage and risk reduction policies**, it is defined, in internal regulations relating to corporate credit risk, that any credit operation implies, as a rule, the constitution of guarantees.

In relation to Financial Institutions, the exposure may also take into account risk mitigating elements that, by hedging the operation, contribute to the reduction of exposure to credit risk. To this end, CGD has established contracts with other Financial Institutions, the ISDA, where clauses are provided for the *netting* of positions between counterparties. These contracts may also provide for *Credit Support Annex* (CSA) agreements that may also influence the consumption of limits.

Capital requirements for credit risk

With regard to the calculation of **capital requirements for credit risk**, the CGD Group has adopted the **standardised approach** as defined in Chapter 2, Title II, Part III of Regulation (EU) 575/2013.

This methodology consists of segmenting the original exposures by the exposure classes defined in Article 112 of that Regulation. Exposures are subject to impairment value corrections to obtain net exposures.

Taking into account the **guarantees and collaterals** associated with the exposures, the same Regulation provides for the application of risk mitigation techniques for reclassification (unfunded credit protection) and/or reduction (funded credit protection) of exposures. Exposures shall be weighted according to their final exposure class (after possible reclassification) as defined in Chapter 4, Title II, Part III of that Regulation.

For exposures to Sovereigns, Public Sector Entities, Corporates and Institutions, the supervisor allows the risk weight to be determined based on credit quality assessments provided by the external rating agencies (ECAIs), considered eligible as per Regulation (EC) 1060/2009.

In 2024, CGD Group maintained the use of public credit quality assessments, assigned by ECAIs, Fitch and Moody's.

The application of external credit quality assessments shall be governed by the provisions of Subsection 3, Section 2, Chapter 2, Title II, Part III of Regulation (EU) 575/2013. In summary, when available, specific exposure/issuance classifications are used, and in other situations and if the degree of subordination allows, generic assessments of the borrower are used.

In situations where there is more than one specific assessment, the valid ratings are ordered from the best to the worst credit quality grade and the second best is used. The exact same criterion applies when valid ratings are generic.

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

6.2 Quantitative information

As part of the **calculation of capital requirements for credit risk***, the exposure includes both on-balance exposures, accounted in the consolidated balance sheet of the group, as well as off-balance sheet items.

These positions are associated with:

- **On the Asset side:**

Loans on customers, debt securities, shares and equity participations in investment portfolio funds, investments and cash equivalents in credit institutions, cash deposits at Central Banks, other debtors, assets for income taxes, among other items, of lesser relevance on the Group's balance sheet;

- **On the side of off-balance sheet items:**

Revocable and irrevocable commitments assumed, note issuance facilities, commitments and guarantees provided, *forward deposits*, among others.

As at 31 December 2024, the exposure value, net of credit adjustments and provisions, not considering risk mitigation techniques and considering the off-balance sheet exposure before the

application of the credit conversion factors (CCF), was EUR 122,741 million and was distributed among the exposure classes defined in article 112 of Regulation (EU) 575/2013, as set out in the table below.

Table 24 | Total and average exposure amount

		a	b
		Net exposure	Net exposure (period average)
10	Exposure classes:		
20	Central governments or central banks	43,738,209	43,186,048
30	Regional government or local authorities	2,269,158	2,230,505
40	Public sector entities	3,005,263	2,634,036
50	Multilateral development banks	0	0
60	International organisations	1,117,743	1,035,765
70	Institutions	1,664,847	2,057,488
80	Corporates	23,911,296	22,927,196
90	Retail	11,371,318	10,948,401
100	Exposures secured by mortgages on immovable property	29,761,623	28,963,437
110	Exposures in default	426,817	483,621
120	Exposures associated with particularly high risk	1,816,447	1,687,176
130	Exposures in form of covered bonds	255,990	201,211
140	Institutions and corporates with a short-term credit assessment	0	0
150	Exposures in form of units or share in collective investment undertakings	778,633	849,104
160	Equity	738,524	741,655
170	Other items	1,884,955	1,958,540
180	Total exposure value	122,740,823	119,904,182

Values in thousand of euros

Compared to 31 December 2023, the value of the net impairment exposure increased by around €8,760 million (7.7%), of which €2,655 million referred to corporate exposures. Of note is the growth in exposure observed in the following exposure classes: Central Governments or Central Banks

(2,103 million euros), public sector entities (1,657 million euros), positions secured by real estate (1,464 million euros) and international organizations (620 million euros).

Structurally, there is a concentration of positions in the exposure classes of Central Governments or Central Banks, Positions Secured by Real Estate, Corporates, and Retail, which together represent around 88.6% of the CGD Group's net exposure.

The amount of net position associated with the on-balance is mainly concentrated in the exposure classes Central Governments or Central Banks (35.6%), Positions Secured by Real Estate (24.2%), Corporates (19.5%) and Retail Portfolio (9.3%), which globally represent around 88.6% of the active exposure.

In compliance with the requirements of Article 442(a) CRR, CGD applies the same definition of "default" used for internal credit risk management purposes, 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 what is specified in Articles 127 and 178 of Regulation (EU) 575/2013, which determines that there is a situation of default, with regard to a given debtor, when at least one of the following situations is observed:

- i) the obligor is materially **behind in arrears of more than 90 consecutive days** in respect of a **significant credit obligation** to the institution, its parent undertaking or any of its subsidiaries;
- ii) The institution assigns the credit obligation the status of non-performing **loans**;
- iii) The institution recognises **individual impairment** resulting from the perception of a significant **deterioration in the creditworthiness of** the obligor;
- iv) There is a **sale or restructuring** of a credit obligation where the institution occurs at a **significant economic loss**;
- v) **Declared insolvency** Request for insolvency (includes PER's) by the debtor or by CGD;
- vi) Indicators of **ongoing legal proceedings**.

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

It should be noted that, according to the hierarchy defined in the allocation of positions to exposure classes, the assignment to the exposures associated with particularly high risks prevails over the Default exposure class. For this reason, there is a set of non-performing exposures that, falling within the definition of speculative financing of real estate, are not allocated to the default exposure class.

The table below shows the changes in non-performing loans and advances as set out in point (f) of Article 442 CRR.

Table 25 | EU CR2 Changes in the volume of non-performing loans and advances

		a
		Gross carrying amount
10	Initial stock of non-performing loans and advances	1,233,026
20	Inflows to non-performing portfolios	447,854
30	Outflows from non-performing portfolios	(595,870)
40	Outflows due to write-offs	(81,642)
50	Outflow due to other situations	(514,227)
60	Final stock of non-performing loans and advances	1,085,010

The table below details the performing and non-performing exposures, credit risk adjustments and financial and collateral received by type of exposure in accordance with points (c) and (e) of Article 442 CRR. As of 31 December 2024, 15% of off-balance sheet exposures and 85% of on-balance sheet exposures contribute to the composition of the CGD Group's portfolio, of which 45% relates to loans and advances.

Table 26 | EU CR1 Productive and non-performing exposures and their 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	Cash balances at central banks and other demand deposits	20,021,740	20,021,740	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Loans and advances	52,227,755	47,303,693	4,924,062	1,085,010	0	1,085,010	1,050,046	374,891	675,155	780,071	0	780,071	58,443	37,604,243	256,736
20	Central banks	1,072,160	1,072,160	0	0	0	0	0	0	0	0	0	0	0	0	0
30	General governments	2,688,613	2,610,259	78,354	1,214	0	1,214	28,347	28,141	206	7	0	7	0	1,993,838	425
40	Credit institutions	1,697,323	1,697,318	5	0	0	0	606	606	0	0	0	0	0	109	0
50	Other financial corporations	443,677	435,892	7,785	6,564	0	6,564	2,400	1,903	498	6,422	0	6,422	0	131,084	26
60	Non-financial corporations	14,856,947	12,790,835	2,066,113	689,429	0	689,429	470,466	167,500	302,966	507,207	0	507,207	58,425	7,448,610	150,287
70	Of which SMEs	9,374,557	7,692,302	1,682,255	538,632	0	538,632	320,729	109,698	211,031	413,319	0	413,319	41,299	5,739,802	100,726
80	Households	31,469,034	28,697,229	2,771,805	387,803	0	387,803	548,227	176,741	371,486	266,436	0	266,436	19	28,030,602	105,999
90	Debt securities	28,080,268	27,928,102	152,166	23,591	0	23,591	55,718	50,897	4,822	13,473	0	13,473	0	0	0
100	Central banks	30,689	30,689	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	20,598,558	20,598,558	0	0	0	0	9,622	9,622	0	0	0	0	0	0	0
120	Credit institutions	2,470,118	2,470,118	0	0	0	0	118	118	0	0	0	0	0	0	0
130	Other financial corporations	203,058	202,957	100	0	0	0	1,149	1,149	0	0	0	0	0	0	0
140	Non-financial corporations	4,777,845	4,625,779	152,066	23,591	0	23,591	44,829	40,007	4,822	13,473	0	13,473	0	0	0
150	Off-balance-sheet exposures	17,685,348	17,019,517	665,831	389,519	0	389,519	57,443	39,214	18,229	232,440	0	232,440	0	195,591	321
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	1,336,699	1,332,778	3,921	408	0	408	16	4	13	0	0	0		0	0
180	Credit institutions	25,010	25,010	0	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	571,183	568,826	2,357	4	0	4	3,092	3,015	77	2	0	2		0	0
200	Non-financial corporations	12,692,960	12,082,227	610,733	381,366	0	381,366	52,225	34,873	17,353	229,872	0	229,872		11,741	275
210	Households	3,059,496	3,010,676	48,820	7,741	0	7,741	2,110	1,323	787	2,566	0	2,566		183,850	45
220	Total	118,015,111	112,273,052	5,742,059	1,498,120	0	1,498,120	1,163,208	465,002	698,206	1,025,984	0	1,025,984		37,799,834	257,057

Values in thousand of Euros

Around 35% of non-performing exposures are represented by non-performing exposures or exposures that are less than 90 days old, of which 96% relate to Loans and advances. Regarding the days of non-compliance with productive exposures, only 0.2% refer to exposures overdue for more than 30 days and less than 90 days. The ratio of the gross value of loans and advances in NPLs (column (d) row (010)) divided by the total gross amount of loans and advances (sum of column (d) row (010) plus column (a) row (010)) in the previous table is 2.04%. This ratio compares favourably with the same ratio as at 31 December 2023 of 2.39%, owing to a significant reduction in NPLs during 2024. Both ratios are below the 5% threshold as defined in Article 8(3) of Regulation (EU) 2021/637.

The table below details the productive and non-performing exposures by days of default in accordance with point (d) of Article 442 CRR.

Table 27 | EU CQ3 Creditworthiness of performing and non-performing exposures, by days of default

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
005 Cash balances at central banks and other demand deposits	20,021,740	20,021,740	0	0	0	0	0	0	0	0	0	0
010 Loans and advances	52,227,755	52,002,702	225,053	1,085,010	504,036	118,408	120,123	149,954	104,645	24,344	63,501	1,052,179
020 Central banks	1,072,160	1,072,160	0	0	0	0	0	0	0	0	0	0
030 General governments	2,688,613	2,618,557	70,057	1,214	425	9	59	0	0	0	721	1,214
040 Credit institutions	1,697,323	1,697,323	0	0	0	0	0	0	0	0	0	0
050 Other financial corporations	443,677	443,653	24	6,564	33	64	3	3,790	2,674	0	0	6,564
060 Non-financial corporations	14,856,947	14,802,222	54,725	689,429	331,654	80,532	75,941	91,111	66,502	19,360	24,330	660,203
070 Of which SMEs	9,374,557	9,323,709	50,848	538,632	238,731	54,424	73,651	77,491	61,796	14,099	18,441	523,224
080 Households	31,469,034	31,368,787	100,247	387,803	171,924	37,803	44,120	55,053	35,469	4,984	38,449	384,198
090 Debt securities	28,080,268	28,080,268	0	23,591	22,608	0	0	0	983	0	0	23,591
100 Central banks	30,689	30,689	0	0	0	0	0	0	0	0	0	0
110 General governments	20,598,558	20,598,558	0	0	0	0	0	0	0	0	0	0
120 Credit institutions	2,470,118	2,470,118	0	0	0	0	0	0	0	0	0	0
130 Other financial corporations	203,058	203,058	0	0	0	0	0	0	0	0	0	0
140 Non-financial corporations	4,777,845	4,777,845	0	23,591	22,608	0	0	0	983	0	0	23,591
150 Off-balance-sheet exposures	17,685,348			389,519								389,391
160 Central banks	0			0								0
170 General governments	1,336,699			408								408
180 Credit institutions	25,010			0								0
190 Other financial corporations	571,183			4								4
200 Non-financial corporations	12,692,960			381,366								381,254
210 Households	3,059,496			7,741								7,725
220 Total	118,015,111	100,104,710	225,053	1,498,120	526,644	118,408	120,123	149,954	105,627	24,344	63,501	1,465,161

Values in thousand of Euros

In accordance with point (g) of Article 442, the following table provides the balance sheet value of exposures net of impairments for residual maturities.

Table 28 | EU CR1 – A 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	296,862	4,899,775	8,375,349	36,860,646	1,050,015	51,482,647
20	Debt securities	64,014	3,995,639	814,530	73,394	12,943	4,960,520
30	Total	360,877	8,895,413	9,189,880	36,934,040	1,062,958	56,443,167

Values in thousand of Euros

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

Table 29 | EU CQ1 Credit quality of restructured 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	Collateral received and financial guarantees received on forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures					
Of which defaulted	Of which impaired										
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	651,862	481,797	481,797	481,797	136,757	368,115	642,690	106,747		
020	Central banks	0	0	0	0	0	0	0	0	0	0
030	General governments	33,300	174	174	174	34	0	27,189	0	0	0
040	Credit institutions	4	0	0	0	0	0	3	0	0	0
050	Other financial corporations	399	0	0	0	6	0	0	0	0	0
060	Non-financial corporations	270,971	334,021	334,021	334,021	84,205	262,886	265,776	66,928		
070	Households	347,188	147,602	147,602	147,602	52,512	105,229	349,721	39,818		
080	Debt Securities	0	0	0	0	0	0	0	0	0	0
090	Loan commitments given	1,982	608	608	608	45	45	0	0	0	0
100	Total	653,844	482,405	482,405	482,405	136,801	368,160	642,690	106,747		

Values in thousand of Euros

In accordance with Article 442(c), the following table provides an overview of the security obtained by acquisition of possession and enforcement proceedings.

Table 30 | EU CQ7 Security obtained by acquisition of possession and enforcement proceedings

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property plant and equipment (PP&E)	0	0
020	Other than PP&E	223,029	(166,812)
030	Residential immovable property	54,017	(33,422)
040	Commercial Immovable property	168,448	(133,179)
050	Movable property (auto, shipping, etc.)	565	(210)
060	Equity and debt instruments	0	0
070	Other collateral	0	0
080	Total	223,029	(166,812)

Values in thousand of Euros

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

With regard to Europe, the positions with counterparties based in Portugal, France and Spain stand out, which together represent around 73% of the CGD Group's exposures. The geographies outside Europe with the greatest weight are Macau representing 5% and PALOPs representing 6%, with Mozambique having the greatest weight, with 3%.

The table below shows the geographical breakdown as referred to in points (c) and (e) of Article 442 CRR.

Table 31 | EU CQ4 Credit quality of productive and non-performing exposures by geographic location

		a	c	e	f	g
		Gross carrying/Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: defaulted			
010	On balance sheet exposures	81,416,623	1,075,770	1,898,675		634
020	Portugal	48,607,279	791,132	1,519,562		595
030	France	4,951,911	95,720	73,507		10
040	Spain	4,056,209	8,706	18,199		3
050	Other countries European Union	11,528,097	4,466	18,456		9
060	Macao	3,708,766	48,143	39,766		0
070	Timor	56,794	1	1,165		0
080	Mozambique	2,408,656	72,656	120,205		0
090	Angola	1,304,593	13,748	24,414		0
100	Cape Green	1,242,744	29,027	22,189		0
110	Brazil	448,016	117	13,511		0
120	Other countries	3,103,559	12,053	47,702		17
130	Off balance sheet exposures	18,074,867	389,391		289,883	
140	Portugal	14,965,974	381,234		281,121	
150	France	229,154	6,583		3,324	
160	Spain	125,552	2		298	
170	Other countries European Union	153,342	8		428	
180	Macao	1,555,723	109		3,207	
190	Timor	6,894	0		8	
200	Mozambique	285,989	824		831	
210	Angola	589,507	124		156	
220	Cape Green	64,867	422		107	
230	Brazil	27,055	8		336	
240	Other countries	70,809	79		68	
250	Total	99,491,490	1,465,161	1,898,675	289,883	634

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(c) and (e) of the CRR, showing its diversification, with emphasis on the sectors with the greatest weight, such as the manufacturing sector, which represents 16%, construction and real estate activities, which represent, respectively, 9% and 16% and retail trade represents 15%.

Table 32 | EU CQ5 Credit quality of loans and advances to non-financial undertakings

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing
			of which: non-performing		
010	Agriculture, forestry and fishing	354,155	25,532	29,537	0
020	Mining and quarrying	194,873	10,404	11,921	0
030	Manufacturing	2,444,632	139,307	165,750	0
040	Electricity, gas, steam and air conditioning supply	1,137,017	386	20,939	0
050	Water supply	219,236	826	14,250	0
060	Construction	1,384,867	79,013	94,462	0
070	Wholesale and retail trade	2,292,259	97,668	122,657	0
080	Transport and storage	1,197,270	45,637	119,455	0
090	Accommodation and food service activities	903,059	37,509	50,834	0
100	Information and communication	222,829	9,099	10,830	0
110	Real estate activities	502,618	8,718	14,215	0
120	Financial and insurance activities	2,535,753	68,809	124,746	0
130	Professional, scientific and technical activities	729,975	86,075	92,544	0
140	Administrative and support service activities	463,621	7,156	47,018	0
150	Public administration and defense, compulsory social security	33,182	17	1,658	0
160	Education	97,416	8,203	9,147	0
170	Human health services and social work activities	265,623	5,894	8,135	0
180	Arts, entertainment and recreation	64,382	2,197	3,575	0
190	Other services	503,609	27,752	36,001	0
200	Total	15,546,376	660,203	977,673	-

Values in thousand of Euros

7. Credit risk mitigation

This chapter aims to comply with the obligations to disclose information under Article 453 CRR.

7.1 Qualitative information

As part of a sound and prudent management of credit risks, CGD uses various **risk mitigation techniques**, in order to safeguard itself against possible breaches of the established contracts. In line with the eligibility requirements laid down in Regulation (EU) 575/2013 (Chapter 4, Title II, Part III), the following collateral and guarantees are considered eligible:

- **Endorsements and guarantees received from Sovereigns and Institutions** (including Mutual Guarantee Societies), as well as from 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 shares, debt securities or units in Investment Funds, if listed on a recognised stock exchange and with a level of protection, shown in the *haircut* applied to the value of the security or participation unit, determined according to its characteristics⁶;
- **Deposits** made with CGD or other CGD Group Institutions, which include financial guarantees arising from contracts with *Credit Support Annexes* (CSA);
- **Real Collateral** represented by Real Estate Mortgages intended for the Borrower's Housing or for multipurpose purposes intended for Commerce and/or Offices.

With regard to **personal guarantees** and **credit derivatives**, the reduction of credit risk is embodied in the transfer of the risk associated with the client's exposure to the protection provider, when the latter is subject to a more favorable risk weight. Personal guarantees are relevant mainly in positions on Central Government and Central Banks (Sovereigns) and Corporates, with the main protection providers being the Sovereigns and multilateral development banks and, in Portugal, the Mutual Counter-Guarantee Fund (assigned to the public sector entities exposure class), respectively.

In the case of **collateral** (financial collateral and deposits), the risk reduction is calculated according to the methodology, taking place: (i) reduction of the exposure by using the Comprehensive Approach on Financial Collateral or (ii) transfer of risk if the Simple Approach on Financial Collateral is used.

In the application of the Integral Method, the approach adopted by CGD, in addition to the *haircuts* to the value of the securities (explained above), exchange *rate haircuts* and *haircuts* for any maturity mismatches between the contract and the respective guarantee (*maturity mismatch*) are also considered, in line with the Regulation.

It should be noted that **positions covered by Mortgages of Real Estate** (Residential or Commercial), which do not fall into the Default or Elements associated with particularly high risks exposure classes, are classified in a differentiated risk class and are presented, for prudential purposes, in the class 'Positions secured by Real Estate'. These guarantees are the most representative of the Group, which is explained by the weight of the Housing Loans in the total credit granted by CGD.

⁶ The haircuts to be applied to the value of the security, which reduces its ability to reduce risk, is determined by the Supervisor in Regulation (EU) 575/2013, taking into account its type, credit assessment, counterparty, maturity, among other factors.

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

- **Verification of real estate:** the verification of real estate is carried out for the purpose of contracting new real estate credit operations, with the aim of determining the presumed transaction value in the free market.

The verification of the value of the immovable property is documented and includes, among others, copies of the plans, the land registry and the description of the land registry office, where available. In addition, individual evaluations are carried out (by direct observation on site);

- **Update of the valuation of the value of the property by an appraisal expert:** real estate credit operations that are subject to contractual changes are, as a rule, subject to a new evaluation, carried out in the same way as new operations.

In the case of non-performing loans, the value of the collateral is subject to value verifications and/or value updates, complying with the frequency defined in internal regulation;

- **Indexed valuation review:** Review of real estate values whenever there is sufficient data to allow measurement by this method, carried out by an internal real estate appraiser, registered with the Portuguese Securities Market Commission (CMVM). This methodology is used for residential properties or commercial properties, in non-performing loans with a debit balance of less than 300,000 euros and in regular credit, with a debit balance of less than 500,000 euros.

Procedures inherent to the valuation of real estate:

- CGD's valuation area includes engineers and architects with significant experience in the area of valuations, with those responsible for technical visas having complementary training in real estate valuation courses, being registered and certified with the CMVM as real estate appraisers;
- External service providers for CGD's valuation area are a network of real estate appraisal experts, both companies and individuals registered with the CMVM, who are distributed throughout the country, depending on the area where they carry out their professional activity, with several for each municipality, in order to ensure adequate diversification and rotation;
- The appraisal requests arrive at CGD's appraisal area digitized, containing the essential documentation for the appreciation of the property. There is an internal technician responsible for the technical visa, by type of evaluation and municipality where the property is located; and
- The appraisal experts are included in a list, in which the priority municipalities for action are defined, taking into account criteria of travel efficiency and in-depth knowledge of the local market. Appraisal requests are addressed to appraisers through a CGD real estate management portal. The appraiser registers the date of the visit on the portal, as well as the appraisal report, whose content is standardised, including documents relevant to the appraisal and photographs of the property.

The **remaining collateral** is monitored by the Commercial Divisions and the DGR according to their materiality. Its valuation is at market prices, where available. In other situations, when relevant, third-party valuations and/or internal models developed for this purpose are used.

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

As mentioned in the chapter on Credit Risk, any credit operation requires, as a rule, the provision of guarantees. Given that real estate credit is the Group's main *portfolio*, it can be seen that almost all of the collateral recognized for prudential purposes corresponds to **residential real estate**. The

remaining real collateral are of marginal expressiveness for the purpose. Personal **guarantees**, although existing for most transactions, do not meet the eligibility criteria in most situations because they are provided by individuals or companies that are not rated by a recognised ECAI.

7.2 Quantitative information

The following table shows the breakdown of the book value of exposures (net of impairment) according to the type of risk mitigation technique, **regardless of whether this technique is recognised as eligible** in Chapter IV of Title II of Part Three CRR. For this purpose, the following risk mitigation techniques were considered: **collateral** (financial collateral such as deposits, debt securities and equity securities - shares and units, collateral immovable property, guarantees) and **financial guarantees** received from mutual guarantee societies.

As of 31 December 2024, CGD had no hedged positions in credit derivatives.

Table 33 | EU CR3 Overview of CRM techniques Disclosure of the use of credit risk reduction 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	36,190,104	37,860,979	37,144,401	716,578	0
2	Debt securities	28,103,859	0	0	0	
3	Total	64,293,962	37,860,979	37,144,401	716,578	0
4	Of which non-performing exposures	852,048	256,736	224,917	31,820	0
EU-5	Of which defaulted	852,048	256,736			

Values in thousand of euros

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

The table shows the impact of eligible mitigation techniques under Chapter 4 of Title II of Part Three CRR on exposures that are risk-weighted according to the standardised approach.

Table 34 | EU CR4 Standardised Approach – Credit Exposures 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	43,228,647	509,561	43,836,694	756	5,941,816	13.6%
2	Regional government or local authorities	1,836,313	432,845	1,325,613	7,217	298,223	22.4%
3	Public sector entities	2,548,914	456,349	2,853,733	233,450	394,026	12.8%
4	Multilateral development banks	0	0	893,760	41	0	0.0%
5	International organisations	1,117,743	0	1,117,743	0	0	0.0%
6	Institutions	1,607,992	56,855	1,934,764	10,155	607,877	31.3%
7	Corporates	13,949,744	9,961,552	13,411,748	1,887,095	14,290,038	93.4%
8	Retail	6,370,403	5,000,915	5,264,732	271,768	3,629,751	65.6%
9	Secured by mortgages on immovable property	29,415,896	345,726	29,371,101	66,357	10,345,434	35.1%
10	Exposures in default	278,818	147,999	260,454	36,232	315,621	106.4%
11	Exposures associated with particularly high risk	866,883	949,564	825,692	15,960	1,262,478	150.0%
12	Covered bonds	255,990	0	255,990	0	26,598	10.4%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.0%
14	Collective investment undertakings	778,633	0	778,633	0	730,184	93.8%
15	Equity	738,524	0	738,524	0	1,435,458	194.4%
16	Other items	1,884,955	0	1,884,955	0	1,140,035	60.5%
17	TOTAL	104,879,456	17,861,367	104,754,136	2,529,032	40,417,539	37.7%

Values in thousand of Euros

Personal guarantees, with substitution effect, amount to 4,367 million euros and are particularly relevant in positions on Central Governments (Sovereigns), Corporates and Retail, with the main protection providers being Central Governments (Sovereigns), the Mutual Counter-Guarantee Fund and the European Investment Fund (EIF), assigned to the Public Sector Entities and Multilateral Development Banks exposure classes, respectively.

With regard to **financial collateral**, around 58% of the credit risk mitigation effect is allocated to the Corporate and Retail risk classes.

As mentioned above, **positions secured by Real Estate Mortgages** (residential or for commercial purposes) are typically classified in a differentiated risk class and are therefore presented in the table above in the line of the class of Positions secured by Real Estate. These guarantees are the most representative of the Group, which is explained by the great weight that housing loans has in the total credit granted by CGD.

The following table details, in accordance with point (e) of Article 444 CRR, by exposure class and risk weight, the exposure value, net of impairment, and after application of credit risk mitigation techniques and credit conversion factors (CCFs) of off-balance sheet items. It should be noted that the exposure classes Central Governments or Central Banks and Equity include items not deducted from own funds, namely deferred tax assets and investments in financial sector entities, respectively, that were risk weighted at 250%.

Table 35 | EU CR5 Standardised Approach – Exposure breakdown

	Exposure classes	Risk weight										Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
		a	d	e	f	g	i	j	k	l	o		
1	Central governments or central banks	39,906,349	0	3,956	0	0	0	1,272,909	1,993,827	660,409	0	43,837,450	38,641
2	Regional government or local authorities	0	0	1,299,766	0	0	0	22,654	10,410	0	0	1,332,830	807,317
3	Public sector entities	2,462,621	0	6	0	541,350	0	2,919	80,287	0	0	3,087,183	2,570,539
4	Multilateral development banks	893,801	0	0	0	0	0	0	0	0	0	893,801	893,801
5	International organisations	1,117,743	0	0	0	0	0	0	0	0	0	1,117,743	19,225
6	Institutions	0	0	1,291,203	0	638,752	0	14,747	218	0	0	1,944,919	600,642
7	Corporates	0	0	102,378	0	485,989	0	14,366,514	343,962	0	0	15,298,843	13,531,739
8	Retail exposures	0	0	0	0	0	5,536,500	0	0	0	0	5,536,500	5,536,500
9	Exposures secured by mortgages on immovable property	0	0	0	27,867,739	1,569,719	0	0	0	0	0	29,437,457	29,437,457
10	Exposures in default	0	0	0	0	0	0	261,554	35,133	0	0	296,686	296,686
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	841,652	0	0	841,652	841,652
12	Covered bonds	0	246,000	9,990	0	0	0	0	0	0	0	255,990	(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
14	Units or shares in collective investment undertakings	86,277	0	24,305	0	16,635	0	478,752	79,475	0	93,188	778,633	682,606
15	Equity exposures	0	0	0	0	0	0	273,901	0	464,623	0	738,524	738,524
16	Other items	711,255	0	42,528	0	0	0	1,130,459	713	0	0	1,884,955	1,884,955
17	TOTAL	45,178,047	246,000	2,774,132	27,867,739	3,252,445	5,536,500	17,824,408	3,385,677	1,125,032	93,188	107,283,168	57,880,284

Values in thousands of Euros

Given the weight of the, direct and indirect, exposure to central and and equivalent entities (public sector entities which, under Article 116 (4) CRR, benefit from the risk weight applicable to their central government), and the materiality of deposits with the European Central Bank and the guarantees provided by the Counter-Guarantee Fund and the EIF, around 42.1% of CGD Group's exposures are subject to a 0% risk weight.

Mortgage loans, which increased by around €1,466 million in 2024, are typically risk weighted at 35% (risk weight applicable to positions secured by residential property) and represent around a quarter (26.0%) of the total risk positions.

Positions risk weighted at 100%, around 16.6%, mostly refer to exposures to corporates, central governments or central banks whose credit quality rating is 4 or 5, deferred tax assets, default positions with impairment coverage of more than 20%, equity holdings and tangible fixed assets.

Finally, across most exposure classes, exposures that are not subject to an external credit rating represent the vast majority, if not all, of the risk weighted exposure. The exception lies on exposures to central governments or central banks and institutions, where most positions are subject to an external credit rating.

8. Counterparty Credit Risk

8.1 Qualitative information

Counterparty credit risk arises from the risk of default by a counterparty before the final settlement of its financial flows. Instruments subject to counterparty credit risk include derivatives, repo transactions, borrowing or lending of securities or commodities, long settlement transactions and margin lending transactions.

Regulation (EU) 642/2012 of the European Parliament and of the Council of 4 July 2012, known as "**EMIR**" (*European Market Infrastructure Regulation*), established rules aimed at **limiting the risks associated with OTC derivatives** and **greater transparency** of the unregulated market for these financial instruments, namely through the central clearing of some transactions, the application of rules of risk mitigation of non-centrally cleared transactions and the obligation to report the trades carried out, also regulating the activity of Central Counterparties (CCPs) and Trade Repositories.

With regard to OTC Derivatives transactions, which represent the vast majority of CGD's positions, EMIR provides for a **centrally clearing obligation** (with a CCP) for certain OTC derivatives, as well as the **implementation of risk mitigation measures** for non-centrally cleared derivatives.

OTC derivative transactions require the prior conclusion of a contract for OTC Derivatives financial instruments, which establishes the essential conditions of the relationship between CGD and each of its Counterparties. The contracts normally used by CGD to establish the rules of the relationship with **Financial Counterparties** in OTC Derivatives transactions are the **ISDA Master Agreement** and the *Credit Support Annex (CSA)*, for cases where the exchange of collateral is agreed. These contracts may, on an exceptional basis, 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 Contract for OTC Derivatives (CQIFD) and its annexes are signed.

Collateral exchange agreements in derivative transactions are the result of bilateral trading between counterparties and typically take the form of deposits with daily settlement, based on the exposure from the previous business day.

CGD's credit risk management, including counterparty credit risk, is regulated by internal policies and regulations, namely the internal norm (OS) on Credit Risk – Corporate and Institutional that considers OTC Derivatives transactions as financial operations, 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 internal delegation of approval powers.

CGD periodically calculates **credit assessment adjustments** (CVA) for the derivatives portfolio, as defined in the Policy for the Valuation of Own Positions in Securities and Derivatives Recognized at Fair Value, which is embodied in an adjustment to fair value, consequently creating a *buffer* of credit reserves. For the calculation of the adjustment, several aspects are taken into account, including: i) verification of the existence of periodic clearing agreements or collateralization mechanisms, ii) segmentation by *rating*/credit quality assessment and iii) *benchmarking* to the curve representing the credit risk of the portfolio's counterparty.

Capital Requirements

Derivatives, repurchases, borrowing or lending of securities or commodities, long-settlement transactions and margin lending transactions are subject to **prudential capital requirements** for counterparty credit risk.

Under Regulation (EU) 876/2019, in June 2021, CGD adopted the standardised approach for calculating the risk value of derivative exposures, the so-called **Standardised Approach for Counterparty Credit Risk (SA-CCR)**.

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

$$\text{Exposure value} = \alpha \cdot (\text{RC} + \text{PFE})$$

Where:

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, where applicable, the collateral or the terms of the margin arrangements.

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

The multiplier allows you to recognise excess collateral and reflect it in the value of the PFE. 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 is calculated at the level of operations and subsequently aggregated at the level of the netting set, allowing the compensation between long and short positions, belonging to the same risk category.

For the purpose of calculating the **internal capital needs** for counterparty credit exposures, derivatives and repo transactions (SFTs), the exposure calculated using the standardised approach (SA-CCR) was considered and the methodology defined for the quantification of capital needs for the remaining credit exposures was used. supported, whenever possible, on risk factors - PD and LGD - internal and in line with the IRB method provided for in the CRR.

Wrong way risk

Wrong way risk is the risk that a given exposure is adversely correlated with the credit quality of its counterparty, in particular because the collateral received for risk mitigation is related to that same counterparty.

As regards derivative transactions, this is a **low material risk** from the Bank's point of view. Regulation (EU) 648/2012 of the European Parliament and of the Council (known as EMIR) introduced clearing duties for simple derivatives with qualified central counterparties, which currently represents a significant component of this type of transactions at the Bank. Non-centrally cleared derivatives are largely allocated to collateral arrangements, almost exclusively reflected in the constitution of deposits with daily clearance, based on the exposure of the previous business day. The risk not hedged by collateral exchanges comes mainly from derivatives associated with *Project Finance* operations that are not correlated with either the underlying or any hedging operation.

Regarding the **credit risk of third-party counterparties due to exposure to CGD**, namely with regard to the amount of guarantees that the Institution would have to provide in the face of a

downgrade of its own credit quality, no sources of additional impact were identified in the face of an event of this nature in view of the existing contractual conditions.

8.2 Quantitative information

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

Table 36 | EU CCR1 Analysis of CRC exposure by method

		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)	46,432	56,808		1.4	144,537	144,537	144,537	108,406
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)					31,011	31,011	31,011	27,437
5	VaR for SFTs					0	0	0	0
6	Total					175,548	175,548	175,548	135,843

Values in thousand of Euros

As mentioned above, CGD determines the value of the exposure according to the **standard method** (SA-CCR), which consists of multiplying by 1,4 (α) the result of the sum of the replacement cost with the potential future value of the compensation set. The exposure value incorporates the effect of netting agreements and the collateral associated with the transactions.

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

The following table shows the exposure amount, cleared and the risk-weighted exposure amount of operations subject to "Credit Assessment Adjustment" or "CVA". According to article 381 of the CRR, the CVA corresponds to an adjustment to the *mid-market* valuation of the portfolio of operations carried out with a counterparty, and this adjustment reflects the current market value of the counterparty's credit risk for the institution.

CGD calculates the capital requirements **for CVA risk** of its portfolio, for each counterparty, using the **Standardised Approach**, in accordance with Article 384 of the CRR, and has calculated the following positions:

Table 37 | EU CCR2 Transactions subject to capital requirements for CVA risk

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	25,775	4,489
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	Total transactions subject to own funds requirements for CVA risk	25,775	4,489

Values in thousand of Euros

The following table shows, within the CRR exposures, the exposure value, broken down by class and risk weight (assigned according to the standardised approach).

Table 38 | EU CCR3 Standardised approach – CCR exposures by risk weights and regulatory exposure classes

	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	24,063	1,527	0	25,590
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	8,167	0	0	0	0	0	0	0	0	0	0	8,167
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	375,273	0	0	27,331	2,753	0	0	839	0	0	406,196
7	Corporates	0	0	0	0	16	9	0	0	109,931	0	0	109,956
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	912	0	912
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
17	Total exposure value	8,167	375,273	0	0	27,347	2,761	0	0	134,833	2,439	0	550,820

Values in thousand of Euros

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

Table 39 | 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	139,518	24,910	21,827	342,982	0	49,151	0	0
2	Cash – other currencies	0	0	0	0	0	0	0	0
3	Domestic sovereign debt	0	0	0	0	0	0	0	0
4	Other sovereign debt	0	0	0	0	0	0	0	0
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	0
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	0
9	Total	139,518	24,910	21,827	342,982	0	49,151	0	0

Values in thousands of Euros

In application of Article 439 CRR, the following table shows exposures to central counterparty derivatives (CCPs) and the respective associated exposure amounts.

Table 40 | EU CCR8 Exhibitions on CCP

		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		12,920
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	375,273	7,505
3	(i) OTC derivatives	375,273	7,505
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	58,558	
8	Non-segregated initial margin	150,734	3,015
9	Prefunded default fund contributions	44,235	2,400
10	Unfunded default fund contributions	0	0
11	Exposures to non-QCCPs (total)		0
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

With reference to 31 December 2024, CGD had no positions in credit derivatives and therefore does not present Model EU CCR6 – Exposures on credit derivatives.

9. Securitization Operations

9.1 Qualitative information

Positions in which the CGD Group is a cedant

CGD, as originator 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 a more adequate risk management.

As of 31 December 2024, CGD did not have any securitisation position in which it acted as originator.

Positions in which the CGD Group is an investor

For transactions in which CGD acts as an investor, never with the intention of actively trading them, the risk-weighted amount of securitisation positions is calculated using the **External Ratings Approach for Securitisation** (SEC-ERBA) as defined in Article 263 of Regulation (EU) 2401/2017. According to this approach, the capital requirements allocated to securitisation *tranches* are determined according to the risk classification assigned by the eligible external rating agencies (ECAIs) and the maturity of the tranches.

It should be noted that, in recent years, the Bank has sold a significant percentage of its positions, maintaining only a residual position in securitizations of energy tariff deficits, and no asymmetries have been diagnosed in its balance sheet as a result of the sales that have taken place.

With regard to the risk of these positions, the main focus is on legal changes that may compromise the cascade of payments of these assets, a risk that is instilled in valuations through the inclusion of the Portuguese sovereign risk effect.

For the calculation of capital requirements, in order to determine the Credit Quality Step required for the application of the ERBA Approach, CGD uses the ratings assigned to the securitisations by either of the two eligible ECAIs: *Fitch* and *Moody's* are used, respecting the standard mapping between credit ratings and credit quality steps established by the EBA.

It should be noted that CGD does not hold positions in securitisations in its trading book, nor exposures in re-securitisations in the trading or investment books.

9.2 Quantitative information

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

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

Table 41 | EU SEC1 Securitisation Exposures Outside 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	Sub-total	STS		Non-STS	STS			Non-STS	STS		
of which SRT	of which SRT	of which SRT	of which SRT	of which SRT	of which SRT			of which SRT	of which SRT	of which SRT	of which SRT	of which SRT	of which SRT				
1	Total exposures	0	0	0	0	0	0	0	0	223	0	223	0	0	0	0	
2	Retail (total)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3	residential mortgage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4	credit card	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5	other retail exposures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7	Wholesale (total)	0	0	0	0	0	0	0	0	223	0	223	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	223	0	223	0	0	0	0	
12	re-securitisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Values in thousand of Euros

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

As of December 31, 2024, CGD held only one residual position in securitization positions, EUR 223 thousand.

Table 42 | EU SEC4 Securitisation exposures outside the trading book – the institution acts as an investor

		a	b	c	d	e	g	i	k	m	o	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)		RWEA (by regulatory approach)		Capital charge after cap	
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-ERBA (including IAA)	1250% RW/ deductions	SEC-ERBA (including IAA)	1250% RW/ deductions	SEC-ERBA (including IAA)	1250% RW/ deductions
1	Total exposures	123	0	0	0	100	0	123	0	100	18	0
2	Traditional securitisation	123	0	0	0	100	0	123	0	100	18	0
3	Securitisation	123	0	0	0	100	0	123	0	100	18	0
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	123	0	0	0	100	0	123	0	100	18	0
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 CGD does not hold securitised assets in which it acts as originator and considering the low materiality of the securitisation position in which CGD acts as an investor, CGD does not disclose, in compliance with Article 432 CRR on material information, all the disclosure requirements on securitisation positions set out in Article 449 CRR.

The information disclosed in this chapter is also complemented by the 2024 Annual Report (Notes 13, 21 and 23 of the Annex to the Consolidated Financial Statements (Securitisation operations and structured products)).

10. Liquidity Risks

10.1 Qualitative information

Liquidity Risk refers to the risk of negative impacts on profit or capital resulting from insufficient liquidity to address 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 secure liquidity profile, which ensures adequate capacity to cope with situations of increased liquidity stress;
- Maintaining stable funding sources and an adequate liquidity buffer by adopting a proactive, market-oriented approach that allows the adaptation of the Institution's balance sheet structure to existing conditions;
- Controlling the risk exposure of the Group's international entities, and maintenance of their independence both in terms of raising funds and in terms of capital adequacy.

For the purposes of implementing the provisions of the CGD Group's risk appetite statement, each entity, under the coordination of the local head of the Risk Management Function (FGR), defines and formalizes a specific liquidity risk appetite framework, incorporating, where applicable, the metrics, limits and cross-cutting 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.

Regarding the governance model in liquidity risk management:

The Delegated Council for Capital, Assets and Liabilities Management (CALCO), as the deliberative body of CGD's Executive Committee, is responsible for assessing and monitoring the process of integrated capital, assets and liabilities (ALM - *Capital, Asset-Liability Management*), aiming at the proactive management of the CGD Group's balance sheet and profitability, is responsible for the provisions of the following paragraphs regarding liquidity risk management:

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

The DGR, in coordination with CGD's *Chief Risk Officer*, is responsible for ensuring the existence of an adequate and effective liquidity risk management at the CGD Group level and is 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 its appropriate documentation.

The Financial Markets Division (DMF) is responsible for monitoring liquidity risk, within the scope of the ALM activity, from the individual perspective of CGD and in the consolidated perspective of the CGD Group, namely by monitoring risk appetite indicators and other regulatory ratios, as well as establishing corporate policies, within the scope of the specific functions of the Division, supporting the Group's entities in their transposition.

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

From an operational point of view, liquidity risk management is supported by the measurement and monitoring of a set of key performance *indicators* – (KPIs) and by a system of limits and early *warning indicators*. In addition to the analysis and monitoring of the contractual liquidity profile (based on the contractual determinations of the products sold, specifically regarding their maturities), the structural liquidity profile is also monitored, incorporating the behavioral expectations of customers regarding the maturity of deposits and mortgages.

Regarding currency analysis and hedging, no need for reporting in other currencies has been identified as the aggregate amount of foreign currency-denominated exposures subject to liquidity risk is below the threshold of 5% of the Group's total liabilities during the year 2024 in accordance with Article 415. point (a) of Regulation (EU) No 575/213. In addition to the aforementioned assessment, and notwithstanding the materiality of each currency, i) the existence of potentially significant currencies, ii) mismatches of potentially significant currencies and iii) mismatches between the buffer and net liquidity outflows, in particular currencies that cannot be immediately convertible into another currency in international markets, are also monitored.

10.2 Quantitative information

The tables below relate to encumbered and unencumbered assets, including the reporting models referred to in Article 443 CRR.

The table below follows the EU AE1 template for the encumbered and unencumbered assets of the CGD Group.

Table 43 | 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	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	2,579,786	1,749,826			101,351,638	15,714,792	-	
030 Equity instruments	0	0	0	0	789,727	0	789,727	0
040 Debt securities	1,688,841	1,679,595	1,688,841	1,679,595	22,780,225	15,688,069	22,780,225	15,688,069
050 of which: covered bonds	0	0	0	0	207,144	201,673	207,144	201,673
060 of which: securitisations	0	0	0	0	20,406	0	20,406	0
070 of which: issued by general governments	1,681,722	1,679,595	1,681,722	1,679,595	15,936,612	14,043,506	15,936,612	14,043,506
080 of which: issued by financial corporations	0	0	0	0	2,317,954	1,304,815	2,317,954	1,304,815
090 of which: issued by non-financial corporations	6,950	0	6,950	0	4,495,781	339,748	4,495,781	339,748
120 Other assets	865,881	68,757			77,321,049	16,529		

Values in thousand of Euros

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

Table 44 | EU AE2 Collateral Received

		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
130	Collateral received by the reporting institution	0	0	53,407	0
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	0	0
170	of which: covered bonds	0	0	0	0
180	of which: securitisations	0	0	0	0
190	of which: issued by general governments	0	0	0	0
200	of which: issued by financial corporations	0	0	0	0
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	12,395	0
230	Other collateral received	0	0	41,165	0
240	Own debt securities issued other than own covered bonds or securitisations	0	0	0	0
241	Own covered bonds and asset-backed securities issued and not yet pledged			0	0
250	Total assets, collateral received and own debt securities issued	2,579,786	1,749,826		

Values in thousand of Euros

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

Table 45 | 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
010	Carrying amount of selected financial liabilities	709,609	1,206,528

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 the close monitoring of the risk of asset encumbrance, and is assessed not only from the perspective of realised values, but also in terms of the estimates underlying the Group's Funding and Capital Plan.

Thus, the table below presents the value of the asset encumbrance ratio for the reference date of 31 December 2024, as well as the respective estimates for the 2025-2027 time horizon.

Table 46 | Asset encumbrance ratio

		Time horizon			
		2024	2025	2026	2027
010	Asset encumbrance ratio	2%	2%	2%	2%

The encumbrance ratio averages 2% over the projection horizon, maintaining particularly low levels that show (i) an adequate reliance on secured funding and a significant ability to manage adverse situations in wholesale funding markets by virtue of the ability to make use of secured funding, and (ii) that they should not induce 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 funding and the large and stable base of customer deposits.

As regards 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), Derivative Operations, and commitments to the Deposit Guarantee Fund, Single Resolution Fund and Investor Compensation Scheme.

In 2024, CGD maintained the set of mechanisms and metrics for measuring and monitoring liquidity risk that aim to ensure the soundness of the Group's framework in risk assessment, in particular:

- **Liquidity Coverage Ratio (LCR)** – prudential ratio, within the framework of Regulation (EU) 2015/61, which aims to ensure that banks have an adequate stock of unencumbered high-quality liquid assets (referred to as "HQLA") that can be easily converted to cover their liquidity needs in a 30-calendar day liquidity stress scenario;

- **Additional Liquidity Monitoring Metrics (ALMM)** means a set of additional liquidity monitoring measures in accordance with Article 415(3)(b) of Regulation (EU) 575/2013, which includes quantitative data on (i) disaggregation of assets, liabilities and liquid assets (counterbalancing capacity) by residual maturities of principal and interest, (ii) concentration of funding by counterparty and product type, (iii) funding cost, (iv) funding renewal, and (v) concentration of counterbalancing capacity (liquid assets) by issuer/counterparty;
- **Net Stable Funding Ratio (NSFR)** - a prudential ratio that allows assessing the Institution's dependence on stable funding and is calculated by the ratio between the amount of stable funding available and the amount of stable funding needed. According to Article 428 of Regulation (EU) 2019/876, the ratio should be greater than or equal to 100 % to ensure that the available funding meets the necessary funding, within a one-year time horizon;
- **Encumbrance ratio** - calculated by the ratio of the value of encumbered assets and the fair value of guarantees received and reused over the total assets and total guarantees received available for encumbrance;
- **Internal Liquidity Adequacy Assessment Process (ILAAP)** - an annual liquidity adequacy self-assessment exercise of credit institutions that, in compliance with Article 86 of Directive 2013/36/EU, shall have robust strategies, policies, processes and information systems in place (i) for the identification, measurement, management and monitoring of liquidity risk over appropriate time horizons; and (ii) for the management and monitoring of funding positions to ensure adequate levels of liquidity buffers and an appropriate funding structure.

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

Table 47 | EU LIQ1 Liquidity coverage ratio levels and components

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYYY)		31-mar-24	30-jun-24	30-set-24	31-dez-24	31-mar-24	30-jun-24	30-set-24	31-dez-24
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					32,922,760	34,593,570	36,215,713	37,633,923
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	67,202,256	67,583,285	68,250,232	69,237,155	4,320,473	4,341,866	4,426,933	4,541,972
3	Stable deposits	50,654,605	51,147,073	51,983,051	53,083,039	2,532,730	2,557,354	2,599,153	2,654,152
4	Less stable deposits	13,902,364	13,797,759	14,124,828	14,602,227	1,778,505	1,775,246	1,818,806	1,878,758
5	Unsecured wholesale funding	13,093,614	13,437,844	13,942,798	14,592,618	6,131,529	6,158,672	6,250,518	6,410,134
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	13,048,074	13,435,911	13,940,857	14,548,499	6,085,990	6,156,740	6,248,578	6,366,016
8	Unsecured debt	45,539	1,932	1,941	44,119	45,539	1,932	1,941	44,119
9	Secured wholesale funding					126	126	126	242
10	Additional requirements	16,572,874	17,142,021	17,504,777	17,923,495	2,178,324	2,260,746	2,310,351	2,342,889
11	Outflows related to derivative exposures and other collateral requirements	234,647	228,327	213,882	185,731	234,647	228,327	213,882	185,731
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	16,338,227	16,913,695	17,290,896	17,737,764	1,943,677	2,032,419	2,096,469	2,157,158
14	Other contractual funding obligations	1,411,674	1,249,528	1,232,714	1,276,531	1,161,462	992,839	960,818	984,262
15	Other contingent funding obligations	-	-	-	0	0	0	0	0
16	TOTAL CASH OUTFLOWS					13,791,914	13,754,249	13,948,746	14,279,499
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	195,856	168,338	127,600	95,458	0	0	0	4,472
18	Inflows from fully performing exposures	3,129,718	2,924,202	2,903,789	2,864,530	2,324,500	2,129,254	2,134,426	2,098,282
19	Other cash inflows	971,858	973,627	1,021,896	1,001,232	971,858	973,627	1,021,896	1,001,232
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)					83,126	61,141	60,537	55,452
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	4,297,432	4,066,167	4,053,285	3,961,219	3,213,232	3,041,740	3,095,785	3,048,533
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	4,297,432.0	4,066,167.0	4,053,285.0	3,961,219.0	3,213,232.0	3,041,740.0	3,095,785.0	3,048,533.0
21	LIQUIDITY BUFFER					32,922,760	34,593,570	36,215,713	37,633,923
22	TOTAL NET CASH OUTFLOWS					10,578,682	10,712,510	10,852,960	11,230,966
23	LIQUIDITY COVERAGE RATIO					312.0%	323.2%	334.0%	335.3%

Values in thousands of Euros

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

Thus, for the level of risk appetite established for LCR, the minimum *buffer* of liquid assets of the CGD Group amounted on average to €11 billion during the year 2024, well below its observed value, given the solid and stable retail deposit base and reduced reliance on wholesale funding and reflecting the Group's comfortable liquidity position.

Regarding the composition of the *stock* of liquid assets, it has historically been composed essentially of deposits and reserves in central banks (more than the minimum reserve requirements), securities issued by sovereigns, evidencing the quality of the Group's liquid asset buffer also in relation to the assets that constitute it.

In addition, in compliance with the European Banking Authority's Guidelines on the disclosure of the NSFR as a complement to the liquidity risk management disclosure pursuant to Article 451a (3) of Regulation (EU) 575/2013, the quarter-end figures are shown in the table below. In December 2024, the net stable funding ratio recorded was 189%.

Table 48 | 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	
	Available stable funding (ASF) Items					
1	Capital items and instruments	9,765,506	0	0	703,017	10,468,524
2	Own funds	9,765,506	0	0	114,616	9,880,122
3	Other capital instruments		0	0	588,401	588,401
4	Retail deposits		69,423,981	2,119,639	459,979	67,619,968
5	Stable deposits		54,058,565	1,356,061	320,828	52,964,722
6	Less stable deposits		15,365,416	763,578	139,151	14,655,246
7	Wholesale funding:		15,435,423	682,220	255,704	7,710,746
8	Operational deposits		0	0	0	0
9	Other wholesale funding		15,435,423	682,220	255,704	7,710,746
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	3,025,721	32,269	4,123,542	4,139,676
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		3,025,721	32,269	4,123,542	4,139,676
14	Total available stable funding (ASF)					89,938,914

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					862,900
EU-15	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:		6,940,027	1,100,851	48,691,692	41,289,444
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		49,336	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1,485,026	166,795	202,503	434,403
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>		3,557,512	626,104	15,739,795	16,742,420
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		186,124	159,085	4,130,721	21,270,462
22	Performing residential mortgages, of which:		13,339	18,307	28,234,325	18,996,847
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		8,182	14,384	25,090,758	16,320,276
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		1,834,813	289,644	4,515,070	5,115,773
25	Interdependent assets		0	0	0	0
26	Other assets:					4,092,626
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				152,558	129,675
29	NSFR derivative assets				203,880	203,880
30	NSFR derivative liabilities before deduction of variation margin posted				43,167	2,158
31	All other assets not included in the above categories		4,034,171	3,310	2,722,700	3,756,913
32	Off-balance sheet items		7,994,356	1,805,511	9,013,287	1,368,987
33	Total RSF					47,613,956
34	Net Stable Funding Ratio (%)					189%

Values in thousand of Euros

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

Throughout 2024, CGD pursued, as usual, a **fundraising** policy that sought to ensure a sustainable financing structure for its activity, based on the liquidity and residual maturity characteristics of its assets and off-balance sheet exposures. In addition, the maintenance of diversified funding sources and low levels of concentration have also been key elements in the management of CGD's liquidity risk.

11. Interest Rate Risks of the Banking Book

11.1 Qualitative information

The Asset-Liability Management (ALM) process has as its main objective to contribute to the balance of the Group's consolidated balance sheet and to the achievement of positive financial results, in a sustained manner, maintaining a prudent management of the control of interest rate risk.

CGD's **Executive Committee (EC)** is the highest authority responsible for the overall management of the ALM process. CGD's EC delegates competences in this area to the Delegated Council for the Management of Capital, Assets and Liabilities (CALCO), establishing the respective guidance framework and defining its scope of action, competences 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 the regulatory determinations issued by the supervisory entities.

The centralised management of **the balance sheet's interest rate risk** uses an Asset and Liability Management computer tool, which assesses the size of the exposure to these risks of the set of entities that make up the CGD Group's banking prudential perimeter.

In summary, the process of measuring the interest rate risk on the balance sheet encompasses two distinct stages: identification and collection of the exposures of the different units of the Group, and determination of the set of relevant indicators in the assessment of this risk.

Interest rate risk is the risk incurred by a financial institution whenever, in the course of its activity, it contracts operations with financial flows sensitive to interest rate variations, consisting of the possibility of losses both in net interest margin and 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, with a view to isolating, more precisely, the origin of the risk in the balance sheet structure of institutions. The types/sources of interest rate risk most commonly analysed are those identified below:

- **Rate/yield curve repricing risk:** is the risk resulting from the time lag of maturities/*repricing* of assets, liabilities and off-balance sheet positions, including parallel and non-parallel changes in the time structure of the yield curve. Maturity transformation underpins traditional banking: raising funds for typically short maturities and granting loans for typically longer maturities. Assuming as a typical situation a positive slope of the yield curve, 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 readjustment period mismatches are very pronounced, they expose banks' income and economic value to adverse movements as a result of interest rate changes and may jeopardise institutions' profitability and stability;
- **Basis risk:** is the risk arising from the impact of relative changes 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 interest rate reset period, movements in interest rates lead to unanticipated changes 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 from optional (behavioural) elements implicit in the asset, liability or off-balance sheet positions in which the institution or its clients may change the level or timing of their 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, which has an impact on the amount at risk of interest rate to which a bank is exposed.

To measure this type of risk, the methodology adopted at CGD covers the accounting (or short-term) and economic (or long-term) perspectives, and uses **both simplified models of interest rate gaps** (aggregation in residual interest rate review intervals of all assets and liabilities sensitive to its variation, thus obtaining the corresponding *mismatches*) and **effective duration gaps** (estimation of the percentage change in the price of financial instruments for a variation in interest rates of 100bps), or robust **models** of simulation techniques where the metrics of *Earnings at Risk* (impact on the interest margin of adverse variations in interest rates) and *Economic Value of Equity at Risk* (impact on the economic value of capital from adverse changes in interest rates).

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

- Impact on earnings over the next 12 months (short-term perspective), measured as a percentage of CGD Group's Tier 1 capital, considering instantaneous parallel displacement of the yield curve of magnitude of +/- 200 basis points;
- Impact on the economic value of capital, measured as a percentage of CGD Group's Tier 1 capital, considering displacements of the yield curves provided for in Article 1 of the European Banking Authority Guidelines EBA/RTS/2022/10 ("EBA outlier test");
- Duration Gap.

On a quarterly basis, the following metrics are calculated:

- 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 in interest rates (dynamic balance sheet clearance);

The *Earnings at Risk* and *Economic Value of Equity at Risk* metrics are part of the CGD Group's stress testing program within the scope of interest rate risk in the banking book, which includes a variety of idiosyncratic and market adverse scenarios (individually and in combination), with the aim of identifying sources of potential aggravated exposure to interest rate risk, and ensure that the current exposure remains in line with the Institution's risk tolerance.

In the context of Article 448(1)(e)(iii) of Regulation (EU) 575/2013 and paragraph 2 of that Article, it should be noted that the set of interest rate scenarios takes into account the nature, scale and complexity of the exposure to interest rate risk arising from the Group's activity, as well as their risk profile, and includes the following dimensions:

- instantaneous parallel displacements of yield curves of different magnitudes, namely ± 200 ;
- Slopes and changes in the shape of the yield curve (e.g., short-term interest rates that increase/decrease/remains unchanged, while medium- and long-term rates change at a different pace or even in the opposite direction. In addition, even within each of the short, medium and long term categories of rates, shocks that diverge at different points in the yield curve should be considered);

- Index risk (including that arising from changes in the relationship between the main market rates);
- Potential changes in the behaviour 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 fall in rates between the last quarter of 2008 and the first quarter of 2009.

The analysis of the sensitivity of net interest income to interest rate variations shows particular exposure to downward interest rate shocks, revealing the Group's exposure profile to falling interest rates.

In the context of Article 448(1)(d) of Regulation (EU) 575/2013, the Group is essentially positively sensitive to the rise in interest rates in the rate revision ranges up to 18 months, with a positive cumulative 12-month gap 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 interest rate rises, due to the migration of sight deposits and savings deposits (without defined maturity) to term deposits during 2024, resulting in a less sensitive deposit portfolio. Shortening the duration of deposits induces losses in the economic value of capital when interest rates rise and induces gains when interest rates fall. Other factors contributing to long-term exposure to rising interest rates are the increasing marketing of mixed-rate loans (fixed rate during the first years) and the increase in interest rate risk hedges through the contracting of derivative instruments.

The results of the interest rate risk monitoring metrics are "sensitive" to the behavioural assumptions used in the measurement of the CGD Group's interest rate risk, which are subject to a backtesting *framework* that informs any revisions of the balance sheet and off-balance sheet risk quantification models with built-in behavioural optionality with the potential to affect the interest rates charged or the date of setting of behavioural interest rates (as opposed to the date of fixing the contractual interest rate) of balances of significant size.

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

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

The average *repricing* period for deposits is 2.9 years and the longest term is 12 years (Article 448(1)(g) of Regulation (EU) 575/2013). In addition, the average repricing of core volumes is 3.6 years and that of non-core volumes is 0.01 years.

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

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

- a) Impact on results over the next 12 months, measured as a percentage of basic capital (*Tier 1*), considering for this purpose the 2 regulatory shocks foreseen in Article 1 of the European Banking Authority Guidelines EBA/RTS/2022/10;

- b) Impact on the economic value of capital considering the yield curve shifts provided for in Article 1 of the European Banking Authority Guidelines 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;
- d) Impact on fair value exposures of a +/- 200 bps shock to interest rate curves.

The management strategy and tolerance to interest rate risk 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 meet expected losses;
- b) Reduction of the volatility of the bank's results and capital through (i) minimization of exposure to interest rate variations, (ii) close monitoring of exposure to sovereign debt, considering the Group's risk management objectives and adequate geographic diversification, and (iii) contractual implementation of the zero *floor* in the market reference rates for corporate credit;
- c) Hedging interest rate risk and closely monitoring unhedged risk;
- d) Remuneration appropriate to the risks assumed.

The fulfilment of the interest rate risk appetite of the CGD Group's banking book is part of its interest rate risk management strategy, as reviewed and approved in 2024. In the context of the banking book, the following risk factors and respective mitigation strategies (when applicable) are highlighted:

1) In terms of commercial activity:

Credit granted to customers represents the largest component of the assets sensitive to interest rate variations. The predominance of variable rate operations, or with short maturities, implies that the proportion of credit included in the *12-month accumulated repricing gap* is extremely significant.

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

The combination of the characteristics described in terms of credit and deposits is reflected in a positive 12-month cumulative repricing gap. However, taking into account the significant volume of immature deposits, namely demand deposits and savings, with interest rates very close to the legal floor of 0%, a decrease in interest rates constitutes an unfavourable scenario for the evolution of net interest income.

On the other hand, medium and long-term fixed-rate loans, over 12 months, have a lower expression on the Group's balance sheet, with an impact on the economic value of capital as a function of its duration.

However, it is possible to decide to contract specific hedges for the interest rate risk of a credit (micro-hedge) or set of credits (macro-hedging) either at the time of contracting or at a later time, using derivative instruments. The decision is supported by a case-by-case analysis for this purpose.

As of 2023, the scope of hedge accounting has been extended. However, there are still some economic hedging that is not recognised in hedge accounting; in these situations, the credits are recorded on CGD's balance sheet at amortised cost, while hedges made with derivative instruments are subject to fair value appreciation, so fluctuations in market interest rates have an impact on the results of financial operations at the level of hedges, but do not have any impact on the value of the hedged assets.

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

2) In terms of proprietary activity:

Debt securities held on balance sheets constitute the second largest component of sensitive assets. The securities falling within the perimeter of the banking book are mostly medium-term and, essentially, fixed rate.

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

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

Debt securities in the banking book may be classified at amortised 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 additionally regulated by *guidelines* that establish, among other rules, limits on the interest rate risk that the Institution may incur measured in terms of *the Value at Risk (VaR)* and *Basis Point Value (bpv)* metrics). In these cases, the management of interest rate risk is the subject of a specific active strategy, with hedging operations being carried out to ensure compliance with the limits established in the *guidelines*, without prejudice to the inherent risk being considered for the total balance sheet exposure and, therefore, for the levels of the interest rate risk exposure metrics of the banking book, and their appetite for risk.

Hedging the interest rate risk of securities *portfolios* at fair value through reserves allows for the capital impact of asset value depreciation in a scenario of rising market interest rates, as well as on the economic value of capital. This hedging is exclusively intended to manage interest rate risk, so it does not mitigate the issuer's credit risk. Adverse fluctuations in the *spread* (risk premium) between the asset's rate of return and the base interest rate associated with the hedging instrument translate into a deterioration in the market value of the asset and/or the value of its hedge.

Debt securities classified at medium-long term amortised cost and fixed interest rate type contribute to exposure to interest rate risk depending on their duration. The risk incurred is controlled by the duration limits set for *sovereign debt* portfolios.

It is possible to decide to contract specific hedges for the interest rate risk of a security(s) or *portfolio(s)* either at the time of its acquisition or at a later time. The decision is supported by a case-by-case analysis for this purpose, which will take into account *i)* the overall management of the interest rate risk inherent to the Institution's balance sheet, and *ii)* the current interest rate environment and the expectations for its evolution. In the case of securities recorded on CGD's balance sheet at amortised cost, with hedges made through derivative instruments are subject to appreciation at fair value, fluctuations in market interest rates have an impact on the results of financial operations at the level of hedges, but do not have any impact on the value of the hedged assets.

The market risk resulting from the contracting of derivative instruments to hedge assets at amortised cost is monitored by CGD's Risk Management Division as part of the monitoring of market risk incurred by the CGD Group,

In order to ensure the continuation of the interest rate risk management strategy, and the mitigation of interest rate risk through hedging, the level of interest rate risk exposure on the balance sheet may be adjusted by making general use of the range of interest rate risk management tools available, including interest rate swaps, crosscurrency interest rate swaps, interest rate futures, interest rate

forwards, *caps*, *floors* or *swaptions*, to the extent necessary to manage the interest rate risk arising from the Institution's commercial and proprietary activity.

The change in the constitution 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 the contracting of wholesale liabilities.

The set of information to support 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 European Banking Authority's guidelines on the management of interest rate risk arising from activities not included in the trading book (EBA/GL/2022/14), in particular paragraph 67, the systematic reporting of interest rate risk in the banking book to CALCO includes the following contents:

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

- a. Evolution of the CGD Group's exposure profile to the risk of repricing *risk*, highlighting the contribution of each entity of the Group, as well as the main currencies to which the Group is exposed;
- b. Evolution of the impact on the Group's net interest income of its exposure profile to interest rate resetting risk;
- c. Projection of the Group's net interest income for the next 12 months in a base scenario of business evolution and interest rates, supported by the Financing and Capital Plans of the Group's entities and the forward rates implicit in the spot interest rate curve, showing the contribution of each entity of the Group;
- d. Backtesting of the Group's net interest income projections for the next 12 months (extended until the end of the "management" year, if there is no coincidence), comparing the values projected in different simulation exercises, with the realized values;
- e. Evolution of net interest income sensitivity for the next 12 months based on 17 interest rate scenarios (stress tests), with the aim of identifying sources of potential aggravated exposure to interest rate risk, and ensuring that the current exposure remains in line with the Group's risk tolerance. Assessment of the scenarios that give rise to the three worst impacts on net interest income in view of the Group's risk exposure profile;

The interest rate scenarios take into account the nature, scale and complexity of the exposure to interest rate risk arising from the Group's activity, as well as its risk profile, and include (i) parallel yield curve shifts of +200 bps, (ii) basis risk, including that arising from changes in the relationship between key market rates; (iii) specific interest rate scenarios for exposures in different currencies and (iv) interest rate scenarios supported by the statistical analysis of their historical behaviour.

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

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

- a. Assessment of the effective duration gap, highlighting 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 aim of identifying sources of potential aggravated exposure to interest rate risk, and ensuring that the current exposure remains in line 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 the prepayment of variable-rate mortgages).

Monitoring the Group's compliance with the policies and limits set for interest rate risk in the banking book.

11.2 Quantitative information

In application of Article 1 of Regulation 631/2022 (EU), the following table provides qualitative and quantitative information on the interest rate risks of activities not included in the trading book.

Table 49 | EU IRRBB1 Quantitative information on 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	
		31-12-2024	31-12-2023	31-12-2024	31-12-2023
1	Parallel up	(896,807)	(293,198)	91,858	292,823
2	Parallel down	446,595	79,762	(182,927)	(585,802)
3	Steeper	142,844	14,082		
4	Flattener	(436,766)	(66,110)		
5	Short rates up	(667,997)	(134,165)		
6	Short rates down	349,990	55,995		

Values in thousands of euros

The sensitivity of net interest income to a decrease in interest rates (*Parallel down*) reduced significantly from 2023 to 2024, as a result of business developments in terms of the migration of deposits without defined maturity to term deposits, the growing exposure to mixed rate loans and the contracting of 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, by the increase in the duration of assets due to the increasing exposure to mixed rate loans and due to the increasing adoption of interest risk hedges, with CGD being more exposed to interest rate hikes.

12. Credit Spread Risk of the Banking Book

12.1 Qualitative information

Credit spread risk in the banking book (CSRBB) is the risk resulting from changes in the market price in credit risk, liquidity and, possibly, other characteristics of credit-risky instruments, and which is not captured by another existing prudential framework, such as interest rate risk in the banking book or expected default/sudden default risk. Credit spread risk captures the risk of variation in an instrument's spread, assuming the same level of credit quality, i.e. the way the credit spread moves within a given rating/PD range.

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

- a) Prospect of net interest income plus changes in market value, or short-term;
- b) Perspective of economic value, or long-term.

13. Market Risk

This chapter aims to comply with the obligations to disclose information under Article 445 CRR.

13.1 Qualitative information

On 31 December 2024, the CGD Group applied only the **Standardised Approach** to all sub-portfolios considered in the trading book, when determining the Capital requirements for hedging the general risk and the specific risk of debt and equity instruments, as well as for trading financial derivatives.

For **debt instruments**, the capital requirements for **general market risk**, which measures the risk of loss caused by unfavourable interest rate fluctuations, have been calculated in accordance with the maturity-based approach as defined in Chapter 2, Chapter 2, Title IV, Part III of Regulation (EU) No 575/2013. With regard to the **specific risk** – which measures the risk of loss of value as a result of factors associated with its issuer (e.g. solvency, loss of profitability, etc.), the Capital requirements were computed by applying the method described in Chapter 2, Chapter 2, Title IV Subsection 1 of the same Regulation.

For **capital instruments**, the calculation of capital requirements for **general risk** – which measures unfavourable stock market movements – is based on the methodology described in Section 3, Chapter 2, Title IV, Part III of Regulation (EU) 575/2013. For these instruments, the **specific risk** is determined in accordance with Article 343 of the same Regulation.

As regards the Capital requirements relating to **foreign exchange risk**, the CGD Group has applied the **Standardised Approach** set out in Chapter 3, Title IV, Part III of Regulation (EU) 575/2013. This method consists of applying a weight of 8% (or 4% in the case of closely correlated currencies⁷) - to the sum of the overall net position in foreign exchange and the overall net position in gold, if this sum exceeds 2% of Total Own Funds.

At the end of 2024, the CGD Group had no positions in its portfolio subject to Capital requirements related to **commodity risk**.

Although CGD applies the **standard approach** in the determination of capital requirements for market risks, capital requirements are also calculated according to the new quantification methodologies (**FRTBs**). Currently, this quantification is informative, and it is estimated that only in 2027 will be considered in the determination of the regulatory capital ratios.

13.2 Quantitative information

In quantitative terms, the amount of Capital requirements calculated for market risk, through the application of the **Standardised Approach** to debt, equity and foreign exchange instruments, totalled EUR 160 million on 31 December 2024, an increase of EUR 20 million, compared to December 2023, explained by the increase in capital requirements for foreign exchange risk.

Also regarding exchange rate risk, the CGD Group calculates Capital requirements since the overall net position (EUR 1,775 million) is above the threshold of 2% of the Group's total Own Funds (around EUR 195 million).

⁷ Closely correlated currencies include, among others, the Hong Kong dollar, the Macau pataca and the US dollar, according to the list published on *EBA Website*:
<https://www.eba.europa.eu/documents/10180/529426/ITS+Annex+1+updated.pdf>

Table 50 | EU MR1 Market risk according to the standard method

		a	b
		RWEAs	Own funds requirements
	Outright products		
1	Interest rate risk (general and specific)	193,652	15,492
2	Equity risk (general and specific)	8,560	685
3	Foreign exchange risk	1,776,049	142,084
4	Commodity risk	0	0
	Options		
5	Simplified approach	0	0
6	Delta-plus approach	23,856	1,908
7	Scenario approach	0	0
8	Securitisation (specific risk)	0	0
9	Total	2,002,116	160,169

Values in thousand of Euros

14. Operational Risk

14.1 Qualitative information

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 inoperability of infrastructures.

This is a risk that cuts across the various processes developed and 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 an *end-to-end* view and is supported by a set of guidelines, principles and regulations recognized as good practices at national and international level.

The **methodology** adopted by the Group for operational risk management 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, the analysis of new products and services and the monitoring of activities carried out under a subcontracting regime;
- 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 the 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 other components of the methodology. With regard to operational risk mitigation, each entity of the CGD Group must ensure the development and implementation of mitigation plans appropriate to the significance of the operational risks identified;
- Identification of internal control deficiencies and validation of the implementation of recommendations for mitigating operational risk of internal control deficiencies.

This methodology 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 Boards/Committees and the dissemination of reports to various structures of the Group.

At the organisational 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 scope in terms of risk management);
- **Risk Committee**, which is responsible for monitoring compliance with corporate policies for the management of non-financial risks and risk appetite limits;
- **Delegated Council for Business Continuity, Operational Risk and Internal Control (CDCRC)**, the body responsible for coordinating, assessing and debating matters related to the management of operational risk and internal control deficiencies at the Group level, as

well as matters relating to the monitoring and management of Data Protection and the monitoring of reputational risk;

- **Area dedicated exclusively to the management of non-financial risks**, integrated in the DGR, responsible for developing and implementing the strategy and policies, ensuring that non-financial risks are being properly managed, articulating with the other Departments, Branches and Subsidiaries in order to ensure the harmonisation of practices at the level of the Group's entities. As a 2nd Line 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;
- **Process Owners** who have the role of facilitator and facilitator in the process of managing non-financial risks in their respective areas of intervention;
- The following structures are also involved:
 - Operations Center (process management and documentation, catalog/map of the Group's processes);
 - *Compliance Division* (compliance risk management);
 - Accounting, Consolidation and Financial Information Division (reporting of capital requirements);
 - Information Systems Division (risk management of information systems and evaluation of the internal control of information systems supported by the *Cobit methodology*);
 - Internal Audit Division (evaluation of internal control procedures and review of the measurement system and management process).

With regard to capital requirements for operational risk, regulatory provisions, namely Regulation (EU) 575/2013 of the European Parliament and of the Council, define that Credit Institutions have to determine capital requirements for **operational risk**, according to one of three different approaches: **Basic Indicator Approach**, **Standard Approach** or **Advanced Measurement Approach**.

On 31 December 2024, the CGD Group calculated the capital requirements for operational risk in accordance with the **Standardised Approach**, which, as defined in the aforementioned Regulation, result from the three-year average of the relevant risk-weighted indicator calculated each year for each of the following business segments:

Table 51 | Weighting applied by activity 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 calculation of the relevant indicator is carried out as follows:

- (+) Interest income
- (-) Interest charges and similar costs
- (+) Income from equities and other variable/fixed income securities
- (+) Commissions received
- (-) Commissions paid
- (+/-) Income from financial operations
- (+) Other Operating Income

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

Table 52 | Accounting items of the relevant indicator

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

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

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

- All activities are broken down into the previously identified activity segments, so that each activity corresponds to a single segment and none is excluded;
- Any activity which cannot be directly covered by the defined activity segments, but which represents an ancillary function of an activity included in one of those segments, shall fall within the defined activity segment;
- If an activity cannot be classified in a specific activity segment, it is classified in the activity segment to which the highest percentage corresponds;

- The breakdown of activities by segments for the purpose of determining capital requirements for operational risk coverage is consistent with the categories used for credit and market risks;
- The division of activities between the "Commercial Banking" segment and the "Retail Banking" segment is based on the criterion of the commercial network that manages customers (the "Retail Banking" segment falls within the scope of the activity of Private and Business Banking; the "Commercial Banking" segment falls within the scope of the activity of Corporate Banking, Large Companies and Institutional Banking);
- Clients managed by Individual 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 for calculating the cost of *funding*, reflecting the costs and opportunity income generated by its operations in the segments that generate financial margin.
- The "Payment and Settlement" activity segment contains the results associated with "*wholesale counterparties*" (Other Credit Institutions and Payment Entities). The remaining commission received/paid, directly charged by CGD to its Customers or derived from its own pricing, are allocated to the "Commercial Banking" or "Retail Banking" segment, depending on the type of Customer involved in the operation. The legal basis for this consideration is Article 317 of Regulation (EU) 575/2013, together with Basel III, OPE 25: "Calculation of RWA for Operational Risk - *Standard Approach*";
- The results related to hedging operations of the retail or commercial Banking Book, carried out by the Treasury, are taken from the "Trading and Sales" activity segment and entered in the corresponding activity segment ("Commercial Banking" or "Retail Banking"). The legal basis for this consideration is Articles 316 and 317 of Regulation (EU) 575/2013, together with Basel III, OPE 25: "Calculation of RWA for Operational Risk - *Standard Approach*".

14.2 Quantitative information

In compliance with the provisions of Article 446 CRR, the following table shows the value of the capital requirements to be allocated to operational risk, on a consolidated basis, according to the **Standardised Approach**:

Table 53 | EU OR1 Capital requirements for Operational Risk and risk-weighted exposure amounts

Banking activities	a	b	c	d	e
	Relevant indicator			Own funds	Total operational risk weighted exposure amount
	2022-12-31	2023-12-31	2024-12-31		
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	2,197,323	3,570,019	3,458,126	418,642	5,233,026
3 Subject to TSA:	2,197,323	3,570,019	3,458,126		
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 in the Banking Book

15.1 Qualitative information

Equity exposures in the Banking Portfolio are segmented according to three macro objectives, namely: divestment or recovery positions; strategic investments; other financial participations. These are essentially positions in variable yield securities or investment funds, without access to any trading platform, characterized by reduced or non-existent market liquidity. CGD's Investment Portfolio does not allow investments in shares or financial assets whose valuation depends on the price of a share, as defined in the internal guidelines.

The Group's Banking Portfolio includes the shares classified in accounting terms as **'Financial assets designated at fair value in return for profit or loss (Fair Value Option)'**, **'Financial assets at fair value in return for profit or loss'** and **'Financial assets at fair value in return for other comprehensive income'**. In view of the illiquidity of the securities, the application of fair value to positions in shares in the banking book includes case-by-case criteria for the acceptance of valuations, which includes a critical intervention on the valuations obtained using the model and on the NAV disclosed by the management companies and the explicit superior approval of the valuation of positions with materiality.

Shares classified as 'Financial assets, namely/mandatorily at fair value in return for profit' are recorded at fair value, and the gains and losses generated by the subsequent appreciation are reflected in the results of the year, under the heading 'Income from financial operations'.

Shares classified as 'Financial assets at fair value against other comprehensive income' are measured at fair value, but the gains or losses resulting from the revaluation are recorded directly in equity, in the 'Fair Value Reserve'.

At the time of sale, or if impairment is determined, the accumulated variations in fair value are transferred to income or costs for the year and are recorded under the items 'Income from Financial Operations' or 'Impairment of other assets net of reversals and recoveries', respectively.

Dividends are recorded as income under the heading 'Income from capital instruments' when the group's right to receive them is established.

The determination of the fair value of the shares is set out in internal regulations and is determined by a CGD structure independent of the position management function based on:

- Closing price on the balance sheet date for shares traded in active markets;
- Prices charged in material transactions carried out by independent entities in the last six months;
- Multiples of comparable companies in terms of sector of activity, size and profitability;
- Equity value;
- Case-by-case analysis.

15.2 Quantitative information

In compliance with the provisions of article 447 of the CRR, the table below presents the types, nature and amounts of exposures in shares not included in the trading book at the end of 2024 and 2023.

Table 54 | Exposures to shares not included in the trading book

		a	b	c	d	e	f
		Quoted shares		Unquoted shares Private Equity		TOTAL	
		31-12-2024	31-12-2023	31-12-2024	31-12-2023	31-12-2024	31-12-2023
10	Acquisition Cost / Notional Value	567	429	187,963	190,946	188,529	191,375
20	Fair value	13,670	10,436	216,417	231,696	230,088	242,132
30	Market value	13,670	10,436	0	0	13,670	10,436
40	Income from sales and settlements	20,798	21,511	(46)	91	20,752	21,602
50	Total unrealized gains or losses	13,104	10,007	28,455	40,751	41,559	50,757

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

Values in thousand of Euros

16. Environmental, Social and Governance (ESG) Risks

In June 2021, with the revision of the *Capital Regulation Requirements* (called CRRII), the requirements for the disclosure of environmental, social and governance risks (ESG risks) are introduced through its Article 449a. This article obliges large institutions, which have issued securities admitted to trading on a regulated market of any member state, to disclose, as of June 2022, information on ESG risks, including physical and transition risks.

In January 2022, the EBA published the recommendations and requirements on ESG risk prudential disclosures (EBA/ITS/2022/01) in accordance with Article 449a of the CRRII.

These requirements have been developed in alignment with other initiatives taking place at European Union and international level, including 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 with regard to EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and disclosures related to Sustainability Benchmarks.

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

CGD's Strategic Plan 2021-2024 (PE21-24), under the guidance of the Board of Directors (BoD), materializes the institution's ambition to serve the financial needs of Portuguese families and companies, being present in their day-to-day lives and supporting their medium-long term projects, investing in excellence and simplicity of customer service, innovative solutions and a complete value proposition.

The definition of the "Sustainability and Social Impact" vector as one of the six vectors of action of the PE21-24 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, composed of five strategic axes that are boosted through a progressive and dynamic action plan that has the participation of several internal structures:

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

Figure 3 | Sustainability Strategy 21-24



The initiatives developed under the Sustainability Strategy 21-24, as a *workstream* of the SP21-24, are subject to a monthly status report to the Executive Committee (EC), regularly to the Board of Directors and to a quarterly report to the Governance Committee and the Sustainability Committee – an advisory body to the Executive Committee, chaired by the *Chief Executive Officer* and composed of the administrator with the ESG portfolio, the *Chief Risk Officer*, an administrator responsible for the commercial area and top managers from different corporate areas.

CGD has a set of internal policies and regulations⁸ that guide its performance in incorporating risks and opportunities inherent to sustainability in risk management and strategic planning processes, namely:

- **Sustainability Policy:** defines the governance model, guiding principles and specific activities, as well as the main stakeholders and respective 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 financing at 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 to the *Principles for Responsible Banking and the Net Zero Banking Alliance*.
- **C&A Risk Management Policy:** defines the guiding principles, the internal organization, namely the responsibilities of the three lines of defense, the procedures for assessing C&A risks, the integration of its factors into business processes, which are intrinsically related to

⁸ Para mais informação sobre as Políticas em vigor, consultar o site institucional da Caixa, disponível em: <https://www.cgd.pt/Sustentabilidade/Visao/Pages/Politic.aspx>

business strategies and risk appetite and, finally, the monitoring and reporting procedures. In addition, it establishes the principles of replicability and auditability and, globally, describes the processes associated with the management of C&A risks, allowing CGD to maintain these risks at levels compatible with its risk appetite.

- **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.
- **Risk Appetite Governance Model:** Regularly monitors risk indicators and their tolerance limits. Information on Climate and Environmental (C&A) risks is presented quarterly on the CGD Group's RAS Dashboard, which is submitted monthly for consideration by the Risk Committee, the Executive Committee and the Board of Directors.
- **Guidelines for "healthy" origination and aligned with Risk Appetite:** Establishes guidelines for analysis and decision-making in credit operations, highlighting the importance of a careful analysis of the financial situation of customers, especially in crisis contexts. In addition, it incorporates considerations on climate and environmental risks, aligning with CGD's Sustainable Finance Policy.
- In the credit analysis and decision-making process, CGD favours solutions that support adjusted transition plans for carbon neutrality, especially in critical sectors. In this context, obtaining sustainability reports from clients is essential to assess environmental impact and climate, physical and/or transition risks.

The *guidelines* explicitly state that all credit operations must comply with CGD's risk appetite.

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

In 2024, the Bank implemented a set of *core* initiatives with the aim of strengthening its performance in ESG risk management, namely:

- Adaptation of the reporting requirements in alignment with the *Corporate Sustainability Reporting Directive* identifying the priority topics for the bank through a double materiality analysis (impact perspective and financial perspective);
- Corporatization of the ESG practice through an ESG Expansion Plan to the entire CGD Group, in order to transpose and promote alignment in all geographies where the Group operates;
- Implementation of the expectations of the ECB Guide to Climate and Environmental Risk Management, both at CGD and in the main entities of the Group. These measures included a detailed study of the macroeconomic context and framework (*Business Environment Scan*);
- Carrying out a set of volunteer initiatives in different areas of activity and locations, with the participation of around 827 volunteer employees who contributed to support more than 47 social institutions with more than 2,254 hours.

16.1 Environmental Risk

16.1.1 Business Strategy and Processes

Strategic approach

In 2024, CGD conducted its double materiality process based on a structured approach, aligned with the requirements of the ESRS 2 standard of the CSRD (*Corporate Sustainability Reporting Directive*), with the aim of identifying the most relevant impacts, risks and opportunities (IRO) for the organization, considering both impact materiality and financial materiality. Based on this process, 10 material topics were identified:

- Climate Change;
- Community Support;
- Human Resources Management;
- Customer relationship;
- Digital transformation and innovation;
- Corporate Governance;
- Ethics, Conduct and Compliance;
- Sustainable Financing and Investment;
- Risk Management;
- Privacy and information protection.

At the climate and environmental level, the following topics stand out:

1. Climate change whose subtopics to be addressed are "Adaptation to climate change in own operations", "Climate Change Mitigation" and "Decarbonization of the portfolio";
2. Risk management, whose subtopic to be addressed is related to "ESG risk management and other systemic risks".

Legislation around ESG risks has been the subject of 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 channelling resources towards sustainable investments.

In November 2020, the European Central Bank (ECB) published the final version of the "*Guide on climate-related and environmental risks*", which addresses the 13 expectations regarding how banks should transparently manage and disclose climate-related and environmental risks, based on prudential rules.

In this context, CGD implemented an action plan of expectations and was accompanied by a supervisory team from the Bank of Portugal and the European Central Bank (JST) that supervised or monitored the implementation of the plan at the corporate level. The measures implemented included the study of the macroeconomic context and framework (*Business Environment Scan*), which ensures an analysis of the external context that influences how Climate and Environmental (C&E) factors can impact on the CGD Group's business model. The conclusions of this study allowed a prioritized classification of the most relevant C&E topics to be monitored by CGD and the consequent reinforcement of the aspects addressed in the *Materiality Assessment exercise*.

In line with these initiatives, in January 2025, the EBA issued the final version of the "*Guidelines on the management of ESG risks*" that will enter into force from January 2026, with the aim of improving

the identification, measurement, management and monitoring of ESG risks to ensure the resilience of the business model.

In order to address climate and environmental risks, CGD has implemented a Corporate Policy for the management of climate and environmental risks, which establishes the 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. Among others, the policy defines the scope of application, the principles for C&A risk management, the governance model, including the responsibilities of the three lines, the procedures for identifying and assessing these risks, the integration of C&A factors into business processes and risk appetite. In addition, the policy establishes monitoring and reporting procedures to ensure transparency and effectiveness in the management of C&A risks. This policy addresses the applicable prudential regulations and the expectations of supervisors and regulators, considering C&A's internationally recognized practices in terms of climate risk management. 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).

In a context of rapid climate change and increased scrutiny of business practices, CGD recognizes that it is essential to have a proactive strategic approach, which includes monitoring as a core activity. The ability to assess progress, adjust initiatives, and make decisions based on concrete data is essential to ensure the achievement of the established goals and mitigate potential risks that could compromise the success of the defined strategy. Continuous monitoring allows CGD to reinforce its commitment to sustainability, as well as to strengthen its competitive position in the banking sector.

Climate targets 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 adherence 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.

Based on the commitments made, the bank voluntarily defined financed emission reduction targets for the sectors identified as more carbon-intensive. In July 2023, reduction targets were set for own activities and for the cement, electricity production and *commercial real estate* sectors for the activity in Portugal.

Figure 4 | Carbon emission 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)	8 410 ton CO ₂ eq	Absolute	SBTi - Absolute Contraction Approach	-42%	4 878 ton CO ₂ eq

Figure 5 | Carbon emission reduction trajectory for financing activities (perimeter CGD, S.A., Portugal)⁹

Activity sector	Emission Scope	Starting Point 2022	Metric	Status 2024		Target for 2030
Electricity Generation Corporate	Scope 1 and 2	0.149 ton CO ₂ eq/MWh	Relative intensity	0.085 (-43%) ton CO ₂ eq/MWh	-71%	0.043 ton CO ₂ eq/MWh
Electricity Generation Project Finance	Scope 1	0.305 ton CO ₂ eq/MWh	Relative intensity	0.147 (-52%) ton CO ₂ eq/MWh	-71%	0.088 ton CO ₂ eq/MWh
Cement Manufacturing	Scope 1 and 2	0.637 ton CO ₂ eq/ ton cement	Relative intensity	0.662 (+4%) ton CO ₂ eq/ ton cement	-21%	0.505 ton CO ₂ eq/ ton cement
Commercial Real Estate Residential segment	Scope 1 and 2	0.011 ton CO ₂ eq/m ²	Relative intensity	0.005 (-54%) ton CO ₂ eq/m ²	-53%	0.005 ton CO ₂ eq/m ²
Commercial Real Estate Services segment	Scope 1 and 2	0.059 ton CO ₂ eq/m ²	Relative intensity	0.036 (-39%) ton CO ₂ eq/m ²	-64%	0.021 ton CO ₂ eq/m ²

In accordance with the guidelines of the Market Discipline (Pillar III), CGD has defined intermediate carbon reduction targets (to be achieved in 2026) and disclosed the distance to 2030 by the *International Energy Agency Net Zero Emissions 2050* (IEA NZE 2050) scenario for the prudential perimeter. These targets focus on the most representative sectors of the portfolio eligible for reporting: electricity generation, fossil fuels, air transport and cement.

Figure 6 | Carbon emission reduction trajectory for financing activities (Prudential perimeter)¹⁰

Sector of activity	Scope Emissions	Starting Point 2023	Metrics	Benchmark Climate	Distance to IEA NZE 2050
Electricity Generation Corporate	Scope 1 and 2	155,03 g CO ₂ eq/kWh	Relative intensity	IEA NZE 2030	-30% 222,7 g CO ₂ eq/kWh
Fossil fuels	Scope 1, 2 and 3 (Cat11)	71,62 kg CO ₂ eq/GJ	Relative intensity	IEA NZE 2030	33% 53,69 kg CO ₂ eq/GJ
Air transport	Scope 1 and 2	111,1 g CO ₂ eq/kWh	Relative intensity	IEA NZE 2030	31% 84,86 g CO ₂ eq/kWh
Cement Manufacturing	Scope 1 and 2	663,3 kg CO ₂ eq/ton cimento	Relative intensity	IEA NZE 2030	47% 450,7 kg CO ₂ eq/ton cimento

Monitoring of goals

In 2024, CGD defined a climate strategy monitoring manual that allows for continuous and effective monitoring of the implementation of CGD's strategic plan with regard to environmental and climate challenges and ambitions. This manual describes the *framework*, processes and governance that ensure that strategic execution is monitored in a rigorous and transparent manner. Additionally, it establishes a set of performance indicators (KPI's) and risk indicators (KRI's) that allow monitoring the established goals and assessing the need to implement mitigation measures in case of material deviations.

⁹ Scope: Loan items (perimeter CGD, S.A., Portugal)

¹⁰ Scope: All items in the banking book covering (a) loans and advances; b) debt securities; c) equity instruments (prudential perimeter)

Thus, within the scope of the Sustainability Report¹¹, CGD disclosed the monitoring of the targets as of December 2024, which is summarized below:

Figure 7 | Monitoring of transition objectives (own activities)

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

Emission Scope	Starting Point 2021	Metric	Status 2024	Target for 2030
Scope 1 and 2 (location-based)	8 410 tons CO ₂ eq	Absolute	7 059 (-16%) tons CO ₂ eq	-42% 4 878 tons CO ₂ eq

Own activities (scope 1 and 2) - Portugal

In 2024, scope 1 and scope 2 emissions reached 7,059 tCO₂ eq, which represents a reduction of 16% compared to the starting point. This reduction is mainly due to the reduction in fuel consumption in the company's own fleet as well as the reduction in electricity consumption.

Figure 8 | Monitoring of transition objectives (funding activities)

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

Activity sector	Emission Scope	Starting Point 2022	Metric	Status 2024	Target for 2030
Electricity Generation Corporate	Scope 1 and 2	0.149 ton CO ₂ eq/MWh	Relative intensity	0.085 (-43%) ton CO ₂ eq/MWh	-71% 0.043 ton CO ₂ eq/MWh
Electricity Generation Project Finance	Scope 1	0.305 ton CO ₂ eq/MWh	Relative intensity	0.147 (-52%) ton CO ₂ eq/MWh	-71% 0.088 ton CO ₂ eq/MWh
Cement Manufacturing	Scope 1 and 2	0.637 ton CO ₂ eq/ ton cement	Relative intensity	0.662 (+4%) ton CO ₂ eq/ ton cement	-21% 0.505 ton CO ₂ eq/ ton cement
Commercial Real Estate Residential segment	Scope 1 and 2	0.011 ton CO ₂ eq/m ²	Relative intensity	0.005 (-54%) ton CO ₂ eq/m ²	-53% 0.005 ton CO ₂ eq/m ²
Commercial Real Estate Services segment	Scope 1 and 2	0.059 ton CO ₂ eq/m ²	Relative intensity	0.036 (-39%) ton CO ₂ eq/m ²	-64% 0.021 ton CO ₂ eq/m ²

Electricity Production (*Project Finance*) - Portugal

In 2024, the physical intensity of the portfolio associated with this segment was estimated at 0.147 tCO₂/MWh, which means a reduction of 52% compared to the starting point and 40% compared to the expected curve for 2024. The reduction was based on a decrease in exposure to fossil electrical production.

Commercial real estate (Residential segment) - Portugal

The physical intensity of the portfolio associated with this segment was estimated at 0.005 tCO₂/m², which means a reduction of 54% compared to the starting point and 47% compared to the trajectory for 2024.

¹¹ For more information, see chapter "4.4.2.1. Climate Change (ESRS E1 Standard – Climate Change) of the Management and Accounts Report.

Commercial real estate (Services segment) - Portugal

The physical intensity of the portfolio associated with this segment was estimated at 0.036 tCO₂/m², which means a reduction of 39% compared to the starting point and 26% compared to the trajectory for 2024.

Electricity Production (Corporate Segment) – Portugal

The physical intensity of the portfolio associated with this segment was estimated at 0.085 tCO₂/MWh, which means a reduction of 43% compared to the starting point and 29% compared to the 2024 target. The estimate was based on carbon intensity information provided by some of the portfolio companies, data from the IEA (International Energy Agency) and the reduction in the Portuguese electricity sector by the end of 2024.

Cement manufacturing - Portugal

In 2024, *engagement* was carried out with customers in the portfolio to collect their real data. Taking into account the actual information shared, the simulation was adjusted, and the carbon intensity of the starting point was significantly reduced (0.637 tCO₂/ton cement). The physical intensity of the portfolio associated with this sector was 0.662 tCO₂/ton cement, which means an increase of 4% compared to the starting point and 9% compared to the expected value for 2024.

Regarding the prudential objectives, disclosed with reference to 31.12.2024 and starting from the reference date of 31.12.2023, the monitoring of them is systematized below:

Electricity production sector – CGD Group

In the electricity production sector, CGD increased its intensity from 155 gCO₂/kWh, on 31.12.2023, to 221.5 gCO₂/kWh, on 31.12.2024. This increase is justified by CGD's financing to companies located in geographies whose energy matrix is still highly dependent on non-renewable energy sources. Nevertheless, CGD has been growing its financing for companies and projects related to the production of energy from renewable sources. Despite the increase in carbon intensity, the curve is below the IEA value for 2030 (222.73 gCO₂/kWh).

Fossil fuel sector – CGD Group

In the fossil fuel sector, there is also a reduction in the carbon intensity of financing and investments (from 71.6 kgCO₂/GJ on 31.12.2023 to 70.0 kgCO₂/GJ). This reduction results from a more favourable estimate of carbon emissions compared to those observed last year with customers and relevant counterparties.

Cement production sector – CGD Group

In the cement production sector, the carbon intensity recorded increases in 2024 due to the increase in exposure to companies with reported climate information (from 663.3 kgCO₂/t to 701.8 kgCO₂/t). This real climate information contrasts with the estimated average carbon intensity, averages that are automatically imputed to companies without available climate information. In this case, the verification of the current performance of the companies resulted in a greater intensity compared to the estimates available in the market.

Air transport sector – CGD Group

In the air transport sector, there is an increase in carbon intensity, from 111.1 gCO₂/km on 31.12.2023, to 122.5 gCO₂/km. This increase results from the amortization, and consequent outflow from the portfolio, of relevant exposure to companies with the best environmental performance in the sector.

European Taxonomy

As part of the disclosures to be made under the European Taxonomy Regulation (EU Regulation 2020/852), CGD reported¹² its degree of eligibility and alignment in accordance with the guidelines established by the European Commission.

From the analysis of the results obtained for December 2024, it is possible to see that approximately 59.1% of the Group's assets are covered by the GAR, of which 50.8% are eligible assets. 4.0% of the assets covered are aligned, with household financing being the segment that contributes most to the indicator.

Comparing the alignment with the taxonomy with the reference to 2023, where the GAR was 2.3%, the increase of 1.7 percentage points was due to:

- Increased information coverage for the alignment of corporate counterparties (i and ii), which allowed a percentage of alignment of exposures with representation in the portfolio.

It should be noted that, for these corporate counterparties (i and ii), it is expected that there will be an increase in the alignment of their economic activities with the technical criteria of the Taxonomy over time, either due to improvements in data quality that allow a better assessment of alignment, or in the alignment of companies' strategic objectives with the EU's sustainability objectives.

In addition, with regard to mortgage credit, the review of the data processing allowed to refine the analysis and increase alignment in this segment of the portfolio.

Sustainable finance

Following the Double Materiality analysis carried out in accordance with the requirements of the CSRD, the following opportunity impacts were identified, namely:

- Positive impact: i) Creation of positive environmental and social impact on society through the channeling of capital to companies and projects that promote environmental stewardship, social equity and responsible governance practices.
- Opportunity: i) To strengthen differentiation in the market through the development of sustainable products; (ii) strengthen the integration of sustainability principles in the selection of investment funds and (iii) seize the business opportunities associated with the transition to a carbon-neutral economy.

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 strengthening mitigation and adaptation to climate change:

- The **Exclusion and Sectoral Limitation Principles**¹³ set out the principles underlying activities and projects that are excluded, or restricted under certain conditions, from CGD's credit policy;
- The **Sustainable Finance Framework**¹⁴ (aligned with the *Green Bond Principles* and *Sustainability Bond Guidelines*) provides investors with detailed information on CGD's

¹² For more information on the exercise of the Taxonomy, please refer to chapter "4.4.2.2. European Taxonomy" of the 2024 Sustainability Report, integrated in CGD's 2024 Management and Accounts Report.

¹³ For more information, see the Principles of Exclusion and Sectoral Limitation, available at: https://www.cgd.pt/Sustentabilidade/Visao/Documents/CGD-Lista-Exclusao_CE_PT_Dsc.pdf

¹⁴ For more information, see Caixa's Sustainable Financing Framework, available at: <https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/CGD-SustainableFinanceFramework.pdf>

sustainable finance strategy and sustainability commitment. The document also includes technical criteria in accordance with the European Union Taxonomy Regulation;

- **CGD's Sustainable Finance and Energy Transition Policy**¹⁵ defines a set of principles that guide the development of the commercial approach at the tactical level, capable of mobilizing 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 its potential detriment, as well as minimizing potential conflicts of interest.
- **Caixa Gestão de Ativos' Engagement Policy** presents the general principles present in the Engagement Policy, which aim to stipulate Caixa Gestão de Ativos' performance with the companies in which it invests, representing the funds it manages and its discretionary management clients in ESG matters. It is the objective of Caixa Gestão de Ativos to establish an action with these companies, encouraging the adoption of the best environmental, social and corporate governance practices, which allows them to ensure sustainable development in the long term in financial and non-financial terms.
- **CGD Pensions' Socially Responsible Investment Policy** aims to ensure compliance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. It frames the nature of the various products managed by CGD Pensions, which promote, among other environmental or social characteristics and which, under the regulation, may correspond to the terms of articles 6 and 8 of the aforementioned regulation, as explained in the pre-contractual information of each product.
- The **Statement on the Due Diligence Policies of Caixa Gestão de Ativos** has as its object the due diligence policies that are implemented at Caixa Gestão de Ativos, namely the Socially Responsible Investment Policy, the Engagement Policy and the Voting Rights Exercise Policy that frame the strategy to be adopted in the integration of risks in terms of Socially Responsible Investment in the decision-making process of investment by Caixa Gestão de Ativos.

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

In 2024, CGD strengthened its ESG commercial offer, namely through the Caixa ESG credit line, aimed at all types of companies, that aims to support investments that contributed to a transition to a more efficient business model and the improvement of their ESG performance, through medium/long-term financing (MLP) and Financial Leasing. The Caixa ESG line also includes an underline intended solely for companies in the real estate sector, for the development of projects and construction of sustainable properties. This line has concrete benefits for customers through a lower interest rate, longer terms and amounts and discounts on the main commissions.

During 2024, CGD published the 2nd Allocation and Impact Report associated with the Issuance of Sustainable Debt carried out by CGD, which allowed to demonstrate to stakeholders in a transparent

¹⁵ For more information, see the Sustainable Finance and Energy Transition Policy, available at: <https://www.cgd.pt/Sustentabilidade/Visao/Documents/PoliticaFinanciamentoSustentavel.pdf>

and objective way the allocation of eligible funds and the respective quantification of their environmental and social impact.

Also noteworthy is the evolution, **from article 8 to article 9, in accordance with the Sustainable Finance Disclosure Regulation (SFDR)**, of the Caixa Ações Europa Socially Responsible Fund and the Caixa Investimento Socially Responsible Fund. In 2024, 93.1% of Securities Investment Funds were classified as Article 8 or Article 9 according to the SFDR Regulation, totaling an overall value of more than €6.3 billion.

Counterparty engagement and evaluation

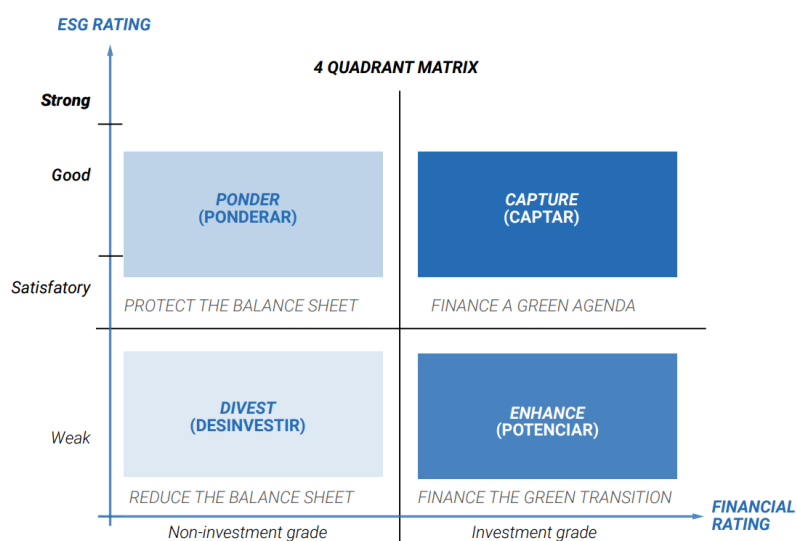
To assess the engagement approach with its clients according to their maturity and ambition in climate risk management, in 2021 CGD defined and implemented a risk assessment methodology, called *ESG Rating*, which evaluates ESG criteria of counterparties and allows their integration into decision-making processes.

The ESG rating model aims to complement the financial rating information, considering non-financial aspects, although equally important in terms of risk impact and feasibility, contributing to a forward-looking 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 balance sheet and in the companies' income statement.

The ESG rating aims to contribute with input to regulatory obligations, but also, and with equal importance, the integration of these criteria in decision-making processes and granting credit to companies, contributing not only to better risk management, but also to the enhancement of profitability that is more resilient to ESG risks in the long term.

The ESG rating developed by CGD evaluates and weights several counterparty-specific environmental factors. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making.

Figure 9 | Rating ESG



In order to ensure the maximization of value for the various *stakeholders*, it should also be highlighted, as an objective of the *ESG rating*, to reinforce the customer-centric vision, creating

opportunities for dialogue and awareness, between commercial areas and companies and promoting advice and anticipation of needs, in order to better support companies in the transition process to a greener economy, more inclusive and more responsible.

CGD's ESG Rating covers approximately 400 thousand companies and around 23,000 million euros of bank loans and is composed of 3 dimensions, including the environmental dimension, which integrates the following components:

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

	Components
Physical Risk	Regional Risk – Assesses Climate Physical Risks at the parish level for 11 types of risk (fluvial flooding, coastal flooding, landslides, tsunamis, extreme heat, urban fires, rural fires, earthquakes, water scarcity, strong winds, and snowfalls) in mainland Portugal, and at the municipal level for the islands.
	Activity Risk – Evaluates the impacts of climate change and events on various sectors of activity, in terms of productivity, supply chain, dependence on natural resources, energy dependence, and demand impact.
	Country Risk – Assesses each country's exposure and vulnerability to the risk of extreme natural disaster events and the negative impacts of climate change.
	Company Risk – Evaluates the company's greater or lesser flexibility in dealing with physical risks inherent to the location of its assets or the sector in which it operates.
Transition Risk	GHG by Sector – Greenhouse gas emissions in Portugal and by sector of activity.
	Carbon Intensity – Variation in Carbon Intensity (Scope 1, Scope 2, and Scope 3).
	Energy Expenses – Expenses on electricity and fuels.
	R&D Investment – Expenses incurred in research & development.
	CO2VAB Impact – Impact of the increase in CO2 price on gross value added.
Other Environmental Risks	Waste Treatment – Assesses the quantity and method of waste treatment.
	Water Expenses – Expenses incurred with water during the course of activity.

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

The contribution of the information collected and worked on in the *ESG Rating* can help assess the company's current position with regard to the environmental dimension and provide *inputs* on what can be improved in order to increase its performance and, consequently, access more advantageous conditions in the subscription of CGD's financial products dedicated to the transition to a greener economy. circular and inclusive.

16.1.2 Governance

Relevant bodies

The Risk Management Function at the CGD Group is supported by a governance model that aims to respect the 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 of identification, measurement, monitoring, reporting and control of the various risks incurred by the Group.

To ensure the involvement and discussion of the C&A risk management model at CGD in an effective manner, 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 competences, for the application 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 (CR) and the Audit Committee (CAUD), establishes the risk appetite, which is implemented by the Executive Committee (EC) with the support of the Risk Management Division (DGR) 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.

The day-to-day management of CGD is delegated by the Board of Directors to the EC. The EC is responsible for the CGD Group's overall risk management, including the management and execution of risk appetite, the monitoring of risk metrics and ensuring consistency between risk appetite and the corporate strategy for sustainable finance and climate action.

The Governance Commission (GC) ensures compliance with the principles of internal governance and the assessment of sustainability strategies and policies, proposing to the Board of Directors the guidelines on sustainability, social and environmental responsibility. Their skills include, among others:

- To propose to the Board of Directors guidelines on social responsibility, sustainability and environmental protection;
- Monitor the definition of the Corporate Sustainability Strategy and its implementation, the elaboration of global policies and trends - existing and emerging - and the best practices internal and external to the CGD Group, with relevance to sustainability matters associated with governance, *compliance*, people development culture and its incorporation into the business units;
- Monitor the initiatives in the field of Sustainable *Finance* and propose subsequent guidelines for analysis by the Board of Directors, considering the valuation of ESG criteria, in order to increase awareness and transparency about the government that can impact the stability of CGD, investments and financial services provided.

The CR monitors the management policy of all risks of the CGD Group's activity, namely climate and environmental risk, namely the risk measurement and capital calculation models adopted internally, as well as the Community Directives and guidelines of the Bank of Portugal and the European Central Bank, in this matter. Within the scope of its functions and competences, it analyses, among others, the reports presented by the DGR on climate and environmental risk. CR is also responsible for monitoring the management policies of all financial and non-financial risks inherent to CGD's activity, namely with regard to climate and environmental risk.

The Sustainability Committee (CSU) is the EC's advisory body that oversees the management and guides the decision regarding the implementation of the Sustainability Strategy, incorporating the principles of sustainable development, responsible banking and sustainable finance into CGD's day-

to-day activities, in alignment with the Institution's Strategic Plan and the expectations of stakeholders. CSU operates from a corporate perspective, covering the Branches and Subsidiaries of the CGD Group. Within the scope of its competences regarding climate and environmental risk management (CR&A), the following stand out:

- Monitor the development and implementation of the CGD Group's strategic orientation for climate action;
- Review *the CGD Group's climate position statements and carbon neutrality commitments, including climate commitments in sectors that emit more carbon*;
- Monitor and streamline the implementation of the business strategy and the main policies regarding climate change and RC&A risks;
- Promote corporate alignment of sustainable financing, as a function of RC&A;
- Monitor and streamline the implementation of measures for mitigation and adaptation to RC&A;
- Monitor and streamline the measurement of the carbon footprint, *pricing* mechanisms and transition plans;
- Monitor and streamline the measurement, management and reduction of financed emissions;
- Monitor and streamline actions for the good performance of RC&A targets and KPIs;
- Discuss and propose strategies for integrating the results of climate stress test exercises and scenario analyses into the CGD Group's business strategy;
- Monitor and streamline the development of action plans in response to the requirements of the regulator and supervisor;
- Discuss and promote the integration of climate and ESG aspects in the main business lines, internal processes and regulations of the CGD Group;
- Monitor documents and reports on CGD's positioning and performance with regard to RC&A.

Lines of defense

The C&A risk management model at CGD is supported by a coordinated intervention framework between the three lines of defense.

Responsibility for the first line of defense is transversal to the entire organisation and encompasses 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, evaluate, control and mitigate risks, by monitoring the development and implementation of internal policies and procedures, in order to ensure that the objectives proposed for the activities developed are achieved. In this context, the Corporate Support Division (DSC) plays a key role in the execution of the supervision of the Board of Directors.

Risk management, as the second line of defense, is carried out centrally and supported by a dedicated structure, the Risk Management Division (DGR), under the responsibility of the *Chief Risk Officer*, who performs functions in the area of management and control of the Group's financial and non-financial risks, with stability objectives. solvency and financial soundness, ensuring the functions of identifying, assessing, measuring, monitoring, controlling and reporting 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.

In addition, the Compliance Division (DC), as the second line of defense, is responsible for ensuring that *compliance* risks arising from climate and environmental risks are properly considered and effectively integrated into all relevant processes. DC focuses on advising the management body on climate and environmental issues arising from legislation and regulation.

The key pillars in monitoring compliance with climate and environmental risks are as follows:

- **Establishment of Internal Continuous Monitoring Procedures:** CGD Group has implemented a structured process to monitor compliance with relevant C&E risk regulations and supervisory expectations on an ongoing basis. This framework is designed to be responsive to evolving regulatory requirements, incorporating preventive, detective, and corrective controls that facilitate a proactive approach to climate-related compliance challenges.
- **Maintaining a Centralized Repository of C&E Risk Regulations:** To strengthen regulatory oversight, the CGD Group requires the collection and maintenance of all relevant C&E regulations in a centralized, easily accessible local repository. This repository serves as a single source of truth for regulatory guidance, enabling informed decision-making, efficient compliance audits, and rapid adaptation to regulatory changes.
- **Updating of Relevant C&E Regulations and Integration into Internal Processes:** The CGD Group is committed to ensuring that all applicable regulations under current C&E risk legislation are consistently updated. This initiative supports the alignment of internal policies with evolving regulatory standards, enabling the Group to respond effectively to new legal requirements and changes in supervisory expectations. These updates are essential to meet immediate compliance needs while supporting long-term strategic objectives, including reducing exposure to environmental risk and facilitating a sustainable transition.
- **Facilitation of Effective Oversight and Reporting Mechanisms:** The Local Compliance Division reports regularly to the governing bodies of the CGD Group Entity, providing critical information on adherence to C&E regulations and identifying emerging risks that may affect the organization's environmental and climate commitments. This oversight mechanism ensures that governing bodies remain informed about compliance levels, allowing them to adjust risk tolerance as needed and strengthen the organization's resilience to evolving C&E risk landscapes.

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

The third line has carried out a set of its own initiatives in order to respond to the integration of climate and environmental risk in the CGD Group. It is important to highlight the introduction of the sustainability component in the mission of Internal Audit, the development of training programs and certification programs for Internal Audit teams and the introduction of several works in this matter in the audit plan.

Environmental criteria in variable remuneration

In accordance with CGD's Remuneration Policy for the Members of the Management and Supervisory Bodies, the remuneration of the executive members of the Board of Directors is composed of a fixed component to which is added a non-guaranteed variable remuneration.

This Remuneration Policy takes into account, among other principles, consistency with the management of sustainability risks, through the incorporation of metrics related to environmental, social and governance risks in the process of assigning variable remuneration, taking into account the responsibilities and functions assigned.

The variable remuneration of the members of the management bodies is directly related to the performance of strategic objectives, with sustainability being one of these objectives. The ESG KPI

present in the *Corporate Balance Score Card* (BSC) has a weight of 12.5% in the total evaluation, and is composed of three indicators: *Sustainalytics*, CDP and MSCI ESG Rating, with a weight of 33.3% each.

In addition, a Corporate Remuneration Policy for CGD Group Employees is also established, and it is up to the CGD Group Entities to adopt the aforementioned Service Order, transposing it into the respective internal regulations with the necessary adaptations to their circumstances, both in terms of legislation and applicable local regulations, with prior confirmation by CGD.

The Employee Remuneration Policy contains several provisions on matters related to Sustainability, such as:

- Comply with the limits established in the Risk Appetite Statement (RAS) defined for CGD and CGD Entities, taking into account all risks, namely reputational risks and risks resulting from *the mis-selling* of products and including environmental, social and governance risk factors;
- Ensure non-discrimination, being gender-neutral, covering all employees and promoting the principle of equal pay in terms of gender, including the conditions for awarding and paying fixed and variable remuneration;
- The attribution of variable remuneration considers, among other dimensions, regulatory performance and Sustainability, and is ensured that it is not exclusively associated with a quantitative target for the marketing or supply of banking products and services, and does not promote the marketing or supply of a particular product, or category of products, that are more profitable for CGD. or to its Employees, without prejudice to the legitimate interests of the Customers.

16.1.3 Risk Management

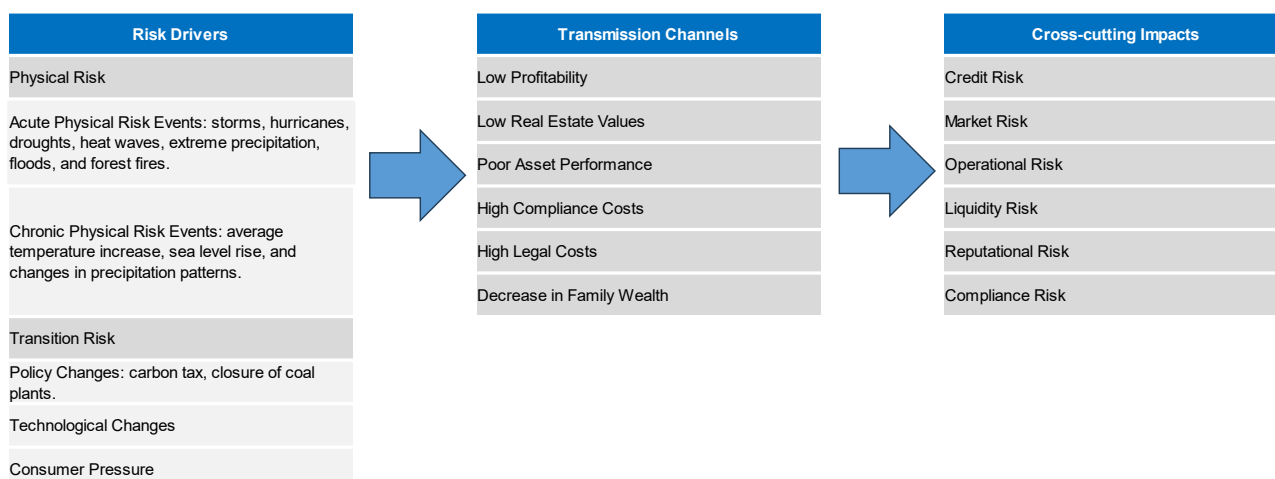
According to CGD's Risk Taxonomy, non-financial risks include five key risks, namely: Strategy and Business, Operational, Cyber and Information Technology, Reputational, and Climate and Environmental (C&A).

According to the review carried out in 2024, the CGD Group taxonomy classifies C&A risk as a level 1 risk category, with 3 specific risk subcategories called climate risk from transition events, climate risk from physical events, biodiversity and other environmental risks.

- **Climate Risk of Transition Events:** it is the risk of impacts of *drivers* associated with the effort to transition to a low-carbon economy, which materialize, for example, in legislative and policy changes, behavioral changes of consumers, suppliers and investors, technological changes and pressure from the various *stakeholders* for climate action;
- **Climate Risk of Physical Events:** is the risk of impacts resulting from climate change. Physical risk is "acute" when it arises from the impact of *drivers* associated with extreme events, such as droughts, heat waves, floods, and storms; and "chronic" when it results from the impact of *drivers* associated with progressive changes, such as average temperature rise, sea level rise, and changes in precipitation patterns;
- **Biodiversity and other environmental risks:** it is the risk of *drivers* associated with the reduction or restriction of natural capital, both physical (namely air, water and soil pollution, pressure on water resources, loss of biodiversity and deforestation), and transition (the costs/effort that the preservation of natural capital may imply, for example, through legislative changes or adaptation of production models).

Through this taxonomy, CGD recognizes the growing importance of these risks, maintaining the view that they have a transversal impact on the Group's risk profile, covering other existing risk categories (commonly referred to as transversal risks).

Figure 11 | Drivers, transmission channels and cross-cutting impacts of climate-related and environmental risks



The specific management model for these risks was implemented at CGD, based on a set of pillars that allow the identification, assessment, monitoring, mitigation and reporting of C&A risks.

Consequently, a short, medium and long-term approach was developed, due to the uncertainty regarding the time horizon for the manifestation of these risks. Although these risks are expected to manifest themselves in the long term, they are dependent on short-term actions for climate change adaptation and mitigation.

The C&A risk management model is led by the guidelines and objectives present in the CGD Group's C&A risk appetite and integrates, in an adjusted manner, to the C&A objectives of each geography in which the CGD Group is present, with the following key pillars in the identification, monitoring and management of C&A risk:

- **Business Environmental Scanning (BES):** Aimed at identifying the main climate risk factors. This study assesses the political, economic, social, technological, legal and environmental dimensions. Based on a PESTEL approach, this study allows CGD to identify the main risk factors that impact the bank in the short, medium and long term.
- **Materiality assessment:** Aimed at identifying concentrations and vulnerabilities, this assessment seeks to identify the impact of risk drivers considered material on BES, in the short, medium and long term, and on traditional risks. Through a thorough assessment of the transmission channels from climate risk to traditional risks, the most material portfolios are identified based on scenarios. This analysis is carried out for the various portfolios, sectors and geographic areas where CGD operates, both for climate risk and for other environmental risks. CGD carries out, at least annually, the process of assessing the materiality of C&A risks in June (with data from December of the previous year) and, if necessary, a reassessment in December (with data from June of the same year), with the aim of assessing and inventorying the risks of concern to the Bank.
- **Stress Test:** Intended to assess potential impacts, based on the results of the *Materiality Assessment*. This tool aims to assess C&A risks and their respective impacts in the short, medium and long term, both in terms of transition risks, referring to the institution's financial losses resulting directly or indirectly from the adjustment process to a low-carbon economy, and in terms of 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. This tool is also used in budgeting and capital adequacy exercises.

- **C&A Risk Limits and Monitoring:** Intended to monitor C&A risk. Taking advantage of the scenarios used in the *stress test* and the concentrations identified in the risk assessment, risk exposure is assessed against the limits established by the bank in its risk appetite. The *climate risk dashboard* integrates short, medium and long-term scenarios, monitoring:
 - **KRI forward-looking related to CGD's business strategy:** It is intended to monitor, on a quarterly basis, the most relevant exposures that contribute to or condition CGD's progress in meeting the long-term objectives and business strategy for C&A risks, namely more granular information on exposure variations in the cement production segments, credit collateralized by residential real estate and electricity production (corporate and project financing).
 - **Transition Plan:** In July 2023, CGD established and published decarbonization targets for 2030, for its own activities and for financed activities. In this analysis, CGD monitors the progress of exposure, but only including the CAE sectors that are part of the transition plan.
 - **KRI related to long-term scenarios:** By monitoring KRI related to CGD's long-term scenarios linked to different transition paths, CGD aims to have a complete picture of risk exposures under different scenarios and time horizons. A sectoral transition risk matrix has been developed based on a specific transition risk scoring methodology. This transition risk score is supported by a sectoral approach, which considers the expected impact of carbon pricing, fluctuations in energy prices, and the necessary technological investment on the profit margins of companies in each sector – the climate shock. The climate shock and its components are then calculated for three different NGFS climate scenarios (Net Zero 2050, Delayed Transition and Current Policies) in 2030, 2040 and 2050. These scenarios are based on different ambitions and political reactions, as well as technological changes. The transition risk score covers a total of 79 sectors, including agriculture, extractive and manufacturing industries, and services. A level of transition risk was assigned to the 79 sectors of activity in the 3 NGFS scenarios and time horizons. With this methodology, CGD estimated risk exposure in different scenarios and time horizons, which, combined with exposure to counterparties with a sensitive ESG profile from a *bottom-up* perspective, will provide more meaningful information to analyze the resilience of CGD's portfolio to C&A risks in the medium and long term, and to define mitigation measures.
 - **Stress Test Inputs:** The purpose of this section is to monitor and analyse based on the results of the *Climate Stress Test 2023*, specifically on: (i) Transition Risk: Analysis of the top 5 NFCs, in terms of exposure, in the most vulnerable sectors, and identification of their respective transition plans or sustainable initiatives. In addition, an analysis of energy certificates less than or equal to E, as the impacts on LGD become more significant as EPCs deteriorate; (ii) Physical Risk: Analysis of exposure to NFS in sector E that are susceptible to heat waves and droughts. In addition, an analysis of exposure to collateral located in districts with a higher risk of flooding is carried out.

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

- Risk identification and assessment exercise, including scenonation components;
- Integration into the business strategy;
- Risk assessment and quantification;

- Periodic monitoring and reporting.

This process is detailed in the C&A Corporate Risk Management Policy, approved by the Board of Directors, and was transposed by the CGD Group entities in 2023. The Policy defines the principles and governance model for the management of C&A risks, namely the responsibilities of the three lines of defence, the procedures for the identification and assessment of C&A 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.

Materiality assessment

The risk profile identification process is framed by a governance model that ensures the involvement of the Board of Directors, the Audit Committee, the Executive Committee and the Risk Committee.

The materiality assessment of climate, environmental, social and reputational risks was carried out during the second half of 2024 involving several internal teams (Risk, Rating, Credit, Marketing and Sustainability). The assessment was carried out by Group entity, by portfolio and by traditional risk category, integrating data from CGD's Group entities. This exercise has been revised to fully comply with the supervisory expectations applicable in this regard. It is a quantitative assessment and refers to data from June 2024, based on the quantification of sensitive exposure to C&A risk factors.

The assessed scope was 92% of the Group's assets and 97% of the assets in the national perimeter. A specific methodology has been developed to identify and assess other environmental risks, such as biodiversity risks, including through the use of the methodology that measures vulnerability using the ENCORE (*Exploring Natural Capital Opportunities, Risks, and Exposure*) classification. It defines four variables of dependence and pressure: (i) Habitat stability – degree of disturbance of ecosystems; (ii) Water security – reflecting the dependence and risks of water availability; (iii) Provision of food and other goods – assessment of dependence on ecosystem products; (iv) Air quality and local climate regulation – assessment of sensitivity to atmospheric conditions. Different climate scenarios were also considered to assess transition and physical risks, and the central Net-Zero 2050 scenario was adopted, with projections for the year 2030.

The consolidated results show that transition risks are material for CGD's business due to the high financial costs associated with the adjustment process necessary for the transition to a low-carbon economy, in line with the goals of the Paris Agreement. The main impacts occur in credit exposures to companies and real estate assets, without considering any mitigation measures, which will have to be identified later.

Regarding physical risks, they present costs associated with the physical impacts of the effects of climate change on infrastructure and real estate assets, as a result of the increasing frequency and severity, in the short-medium term, of acute (material risk) and chronic (low material risk) weather events.

With regard to biodiversity and other social risks, the consolidated results show that they are a "non-material" risk and are associated with dependence on natural resources and natural capital services, as well as the existence of impacts on nature as a result of the activity of companies in specific and carbon-intensive sectors. The concentration of exposures sensitive to C&A factors was considered material as it exceeds the limits established in the risk appetite exercise.

As future actions, it will be necessary to integrate the results into the different analyses and internal reflections, define appropriate mitigation measures, implement control procedures in order to prevent or mitigate the risk exposures projected for 2030.

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

Figure 12 | Materiality of transition risk and physical risk

Risk categories	Transition			Physical acute			Physical chronic			Nature impact			Nature dependency			Social			Sovereign			ESG-reputation		
	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35	'27	'30	'35
Business																								
Solvability																								
CSRBB																								
Credit																								
Country																								
Default																								
Corporate																								
Retail																								
Financials																								
Concentration																								
Recovered assets																								
Market																								
Liquidity																								
Funding																								
Liquidity buffer																								
Operational																								
Buildings																								
Workforce																								
Reputational																								

■ Nonmaterial
■ Somewhat material
■ Very material
■ Critical
■ At least 1 company flagged in the portfolio

The assessment is based on the identification of exposures that, based on the relevant climate narrative and projected 2030 dynamics, may be affected by C&A dynamics.

The reported results should guide business and risk management approaches to address key concentrations of risk. In practice, CGD will implement the controls and conditions that will prevent or mitigate the projected risk exposures for 2030.

Main conclusions obtained and discussions held:

- Relevant risk concentrations were observed in the physical risks (acute component) and in the transition components. These concentrations are especially relevant to the credit risk category. In fact, it is assumed that this is a very conservative assessment, since the physical risk classification is based on a high-risk scenario and values the simultaneous occurrence of any physical risk event.
- In practice, this means that if CGD's counterparties fail to transition their business models and if climate policies (and political feasibility) move forward to implement the planned reforms, a relevant number of counterparties could face increased operational and investment costs in the medium term. Thus, CGD's approach should be based on understanding (and promoting) the transition efforts of these counterparties.
- For physical risk, the impacts may come from the effects on corporate activity or real estate assets, resulting from acute events. Thus, the approach should be more focused on identifying, evaluating (and ensuring) the relevant mitigators (such as insurance policies or similar plans).
- In addition, for the operational risk category, significant risk views may be outlined for CGD's properties, especially those located outside Portugal. This may advise further confirmation of the insurance/protection schemes in place, as well as proper business continuity planning to address these events.

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

additional data are needed on carbon pricing, energy prices, carbon intensity, energy intensity, distance to targets and, additionally, energy certificates (EPCs).

The physical risk impact assessment considers the identification and location of the areas affected by the materialization of physical risk events¹⁶ and the distribution of assets located in these areas, namely the location of companies and their assets and the location of properties that guarantee credit operations. For this analysis, different drivers are also considered, namely acute risks, which refer to the impacts of the occurrence of extreme weather events such as fires, floods or storms, and chronic risks, associated with gradual climate transformations, such as changes in temperature, precipitation, periods of drought and rising sea levels. The effects of physical climate risks may be transmitted to CGD directly through its activity or indirectly, among others, through an increase in credit risk, operational risk and reputational risk, with possible distributional effects due to the interlinkages between economic agents.

Portugal is more prone to risks associated with wildfires and river flooding and has a tendency towards more intense extreme weather events, such as heatwaves and droughts. The increased severity of droughts, floods and forest fires is already having an impact on the population, as well as on agriculture and the economy. The increase in wildfires is caused by heat waves, including reduced precipitation and drought. In addition, the lack of rain and high temperatures decrease soil moisture, causing a greater risk of fire. As temperatures and drought cases continue to rise, wildfires will become even more frequent in Portugal. Similarly, increased droughts are becoming increasingly common.

The Caixa Group's exposure to physical risk is more relevant for acute risks than for chronic risks. Particularly, at Group level, around 20% of the corporate credit portfolio has underlying companies located in areas sensitive to chronic risks and around 55% has underlying 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. This process may reduce economic activity in some sectors, such as those linked to the production or use of fossil fuels, or more energy-intensive, where the increase in carbon or energy costs should directly affect their production costs and constitute a source of risk for CGD through the financing of these sectors. The climate transition process is transmitted directly to the economy through channels related to fiscal and regulatory changes, technological advances necessary for climate adaptation, changes in consumer preferences, and reputational pressure. These factors can translate into economic impacts, such as the obsolescence of productive assets and their conversion costs to less polluting technologies, and significant variations in energy prices. The effects of the transition process are transmitted to CGD directly through its activity or indirectly, through, among others, an increase in credit risk, operational risk, *compliance risk* and reputational risk, with possible distributional effects due to the interconnections between economic agents

The CGD Group's exposure to transition risk is relevant with respect to sectors that contribute most to climate change. Particularly, in domestic activity, about 77%.

The assessment of the impact of biodiversity risk and other environmental risks was considered in the CGD Group's risk profile assessment process. In this subcategory, transition risks are related to the shift to a more sustainable and low-carbon economy. These include risks associated with changes in environmental policy, such as environmental taxation and the elimination of environmentally harmful subsidies, as well as changes in market patterns and consumer preferences. Technological developments that promote energy efficiency and emission reductions are also part

¹⁶ For the methodologies for identifying and evaluating 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.

of the transition risks, as is the need to adapt business practices to avoid environmentally harmful materials and comply with stricter regulations, including those related to animal testing.

In June 2021, the TNFD (*Task Force on Nature-related Financial Disclosures*) was launched in response to the growing recognition of the environmental crisis and the need to align economic activities with planetary boundaries. Its recommendations are structured and aligned with the Kunming-Montreal Agreement on Biodiversity, which aims to protect and restore degraded ecosystems, both on land and at sea.

In 2024, the sectors identified with high dependence and impacts on biodiversity, water and forests were: agriculture, animal production, hunting, forestry and fisheries (NACE code A) and non-food product manufacturing (NACE code C12-C33).

As a public bank and one of the main players in the Portuguese financial system, CGD is directly and indirectly exposed to environmental risk. CGD's approach to climate and environmental change includes a "double materiality" perspective, taking into account both the climate impact on CGD's activities and CGD's impact on the environment. As a financial entity, CGD is co-responsible for the environmental impacts of highly polluting industries or sectors.

Thus, the classification of these risks was based on sectoral vulnerability, ecosystem dependence and geographical exposure, covering biodiversity, agroforestry, water resources and air quality. These variables were determined by the average of the sectoral impact, dependency and geographical exposure classifications. The exposure component was assessed using Geographic Information Systems (GIS), which leveraged national data to align asset locations with exposure to environmental factors. Sectoral vulnerability was assessed using the ENCORE (*Exploring Natural Capital Opportunities, Risks, and Exposure*) classification framework. The CGD Group does not have significant exposures with dependence or relevant impact on biodiversity and the typology and size of the client companies do not have a relevant impact in terms of environmental degradation, namely air, water and soil pollution, pressure on water resources, loss of biodiversity and deforestation.

Thus, it is considered that biodiversity risk and other environmental risks are not material in any time horizon.

Future action plans and ESG risk management objectives

CGD's C&A risk materiality assessment identified the main risks to the Group, namely physical risks in the corporate business segments and transition risks in those same segments. Several actions have been discussed and some are already in progress to address these risk factors. In addition, other risk factors, such as environmental factors, although not material, are also subject to the definition of follow-up actions.

With regard to governance and risk structure, initiatives were promoted, including improvements in data, however as action plans several actions will be triggered, including:

- The risk policies will be updated to establish regular procedures to identify and assess the materiality of C&A factors.
- Credit policies will be reviewed to integrate the results of C&A considerations into credit decisions and risk monitoring routines.
- Methodological procedures will be formalized and periodic routines for updating and review will be promoted.
- Knowledge sharing will be encouraged, presenting and syndicating C&A risk methodologies and their results among the Group's entities.

- Due to the relevance of physical climate risks, especially in corporate business segments, the reinforcement of internal data will be promoted, involving companies to obtain the precise location of their main assets and business activities.
- Improvements to the data structure have been identified to reduce the need for adjustments during the process, and these improvements should now be prioritized.
- Existing risk appetite indicators for environmental risks will be reviewed to ensure consistency between risk appetite metrics and the methodological views adopted in the C&A risk materiality assessment.
- In terms of business integration, a strategy will be designed to integrate environmental risks (especially biodiversity factors) into CGD's commercial strategy and risk framework. The project for this purpose has already started in 2024.
- After the GHG reduction targets are defined for the sectors most relevant to climate policy, trade guidelines will be defined to support the engagement and commercialization strategy, driving the achievement of these targets.
- Based on the results of the C&A risk materiality assessment, a further review of the Group's transition planning will be prepared, covering additional sectors and activities to manage all relevant exposures to transition risks.
- Existing capacity building and training programmes will be strengthened, with a focus on frontline responsibilities, to improve knowledge and capacity for effective C&A risk management.

The existence of mitigating factors for C&A risk in the bank's traditional risks allows to reduce or circumscribe the potential impact of changes and reforms related to this risk on CGD's business model and balance sheet.

In order to manage the process of identifying C&A risk mitigants, CGD has instituted an annual inventory process. This process is carried out through questionnaires distributed to the first and second lines.

The first lines, typically composed of managers and employees directly involved in daily operations, are responsible for identifying and reporting the risk mitigators currently in place. They provide detailed information on the measures being taken to mitigate these risks in their respective areas.

The second lines, which include control functions such as risk management, review and validate the information provided by the first lines. These ensure that the identified mitigators are effective and comply with both internal policies and external regulations.

This annual inventory process allows CGD to keep an up-to-date record of risk mitigators, identify gaps and areas for improvement, and ensure that mitigation strategies are aligned with the bank's sustainability and risk management objectives. In addition, it facilitates communication and coordination between different Divisions, promoting an integrated and proactive approach to managing C&A risks.

Regarding risk mitigation:

- An insurance risk analysis will be conducted for the remaining corporate exposures, including CGD's assets associated with corporate leasing products.
- If necessary, credit/risk policies will establish additional requirements to be observed in business decisions.
- The availability of data for existing insurance policies will be improved, including in terms of protected events and assets and reconstruction values.

- A process will be structured to interact with collateral assessors to confirm/review the actual presence of conditions that expose collateral to physical risk events.
- Additional controls/restrictions will be set at the credit decision level to allow for further reductions in risk exposure
- Confirmation of consistency between business continuity plans/strategies and physical risk assessment will be promoted.

Within the scope 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 procedures.

In addition, CGD has committed to the Net Zero Banking Alliance (NZBA) and has defined a Transition Plan towards Carbon Neutrality. Therefore, financial support for projects in the most carbon-intensive sectors must take into account the decarbonization targets and intermediate objectives established in the aforementioned Transition Plan towards Carbon Neutrality.

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, i.e., considered illegal under regulations or international conventions and agreements;
- Companies and activities engaged in unlicensed trade in wildlife or endangered species;
- Companies or projects that use scarce natural resources, whose exploitation or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area; and
- Companies producing or processing hazardous materials or substances restricted by national legislation, among others related to environmental, social and reputational risks.

Within the scope of the operational risk framework, CGD has implemented a methodology aimed at collecting and validating operational risk events and their losses (direct and indirect), recoveries and non-financial impacts, where, among others, strategy and business risk is considered, which includes C&A.

CGD also considers C&A risk in the analysis and assessment of the occurrence of physical risk events, as well as in the consideration of physical risk and transition risk scenarios in the ICAAP, such as:

- Partial destruction of buildings of CGD Group Entities (due to flooding);
- Partial destruction of buildings of CGD Group Entities (due to urban fires);
- Fines and litigation related to climate issues;
- Partial destruction of buildings of CGD Group Entities (due to hurricanes).

Within the scope of the Business Continuity Management System, a risk assessment is carried out annually, which analyzes 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, 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 carried out at the level of the environmental events group, namely floods.

For other environmental risks, the Natural Capital Finance Alliance (NCFA) ENCORE sector classification tool is used.

Within the scope of the reputational risk framework, internal procedures are also provided for situations that may represent reputational risk, which can be identified by any CGD structural body.

With regard to counterparties, there are situations that trigger a prior analysis of reputational risk, namely when situations are identified related to non-compliance with environmental legislation or other applicable legal and regulatory provisions or controversies with 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 accompanying the proposals in the decision forums.

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

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

CGD's approach to climate change contemplates a "double materiality" perspective, taking into account not only the impact of climate change on CGD's activity, detailed above, but also CGD's impact on the environment. CGD recognises that a relevant component of commercial business and investment initiatives stems from opportunities linked to the climate and energy transition of the economy. At the same time, this business perspective supports C&A risk management, in the sense that it promotes a reduction in transition risk on the CGD Group's balance sheet.

To this end, CGD uses strategies related to the alignment of the portfolio with the objectives of reducing the carbon emissions financed.

According to the EBA Report on the management and supervision of ESG risks for credit institutions and investment firms, one of the main challenges that financial institutions face in integrating ESG risks is the lack and robustness of data. In this sense, CGD is working to increase the granularity and quality of ESG data required for management, including, among others:

- i. Strengthening of the ESG information contained in CGD's internal database, namely in terms of the quality of data on energy certificates for residential and commercial properties.
- ii. The collection and availability of financed emissions from customers, information that will be facilitated in Europe with the recent entry into force of the CSRD regulation.
- iii. Improved granularity and accuracy of information required to assess physical risks.

To achieve these objectives, the following lines of work are being developed:

- i. Improve the internal ESG information available.
- ii. Strengthen the customer registration and risk admission process.
- iii. Supplement the information available through external providers.

Climate Stress Test

CGD has sought to develop capabilities in identifying, assessing, monitoring and managing C&A risks, which will improve the resilience of the business model to the possible impact and magnitude of these risks. A forward-looking and long-term approach is especially important given the uncertainty about the time horizon for the manifestation of these risks, which appears to be longer-term but dependent on action in the short term.

CGD, as the largest Portuguese banking institution, and aware of the growing importance of C&A risks for society, supervisors and governments, seeks to incorporate best practices in the assessment, management and mitigation of this type of risk, having developed a climate *Stress Test* tool .

This tool aims to assess C&A risks and their short, medium and long-term impacts, both in terms of transition risks, referring to the institution's financial losses that result 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 *stress test* framework uses the results of materiality assessments of climate and other environmental risks as a basis to identify the main impacts due to climate transition risks, physical risks and other environmental risk factors in traditional risk categories. These *drivers* are then evaluated through the *frameworks* of each type of risk.

The relationship between environmental risks and the Bank's balance sheet, including through credit, liquidity, market and operational risks, is disclosed through a risk matrix and short-, medium- and long-term scenarios, as well as through the impacts of transition and physical risks.

The analysis of the various time horizons is carried out based on the different scenarios encompassed by the tool, allowing the prospective assessment of existing vulnerabilities and anticipating the taking of mitigating measures that prevent the materialization of negative impacts. The time horizons considered in the analysis of climate scenarios carried out comprise both the short term (1 to 3 years), the medium term (3 to 5 years) and the long term (more than 5 years).

Figure 13 | Materiality of physical risks and transition in climate scenarios

Potencial impacts - risk assessment of three transition scenarios per risk area over short, medium and long term
Neste mapa são reportadas os potenciais impactos em P&L para cada risco e portfolio para cada cenário
Scope: Group level

Risco / Área de Negócio	Cenário "Orderly Transition"			Cenário "Disorderly Transition"			Cenário "Hot house"		
	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo
Risco de Crédito									
Corporate	1	1	2	1	2	2	1	1	1
Mortgages	1	1	1	1	1	2	1	1	1
Risco de Mercado	1	1	1	1	1	1	1	1	1
Risco Operacional									
Risco de Liquidez	1	1	1	1	1	1	1	1	1
Outros riscos									
Reputacional									
Compliance									
Outros									
Total									

Risco / Área de Negócio	Risco de Transição			Risco Físico		
	Curto Prazo	Médio Prazo	Longo Prazo	Curto Prazo	Médio Prazo	Longo Prazo
Risco de Crédito						
Corporate	1	2	2	1	1	1
Mortgages	1	1	2	1	1	1
Risco de Mercado	1	1	1	1	1	1
Risco Operacional						
Risco de Liquidez	1	1	1	1	1	1
Outros riscos						
Reputacional						
Compliance						
Outros						
Total						

1	Não material
2	Algo material
3	Muito materia
4	Crítico

The climate scenarios are based on information provided by the *Network for Greening the Financial System* (NGFS) and consider different 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 an orderly transition, the 'Net Zero 2050' scenario was selected, which is based on the EU's targets of achieving zero emissions by 2050, associated with a temperature increase of +1.5°C;
- In order to analyze a late climate transition ('Disorderly Transition'), the 'Disorderly' scenario (<+2.0°C);
- An additional scenario was also included that considers that current climate policies are maintained, corresponding to the 'Hot House World' (>+3°C) and having a strong component of associated physical risk.

According to the Group's risk taxonomy, C&A risks are a risk category and also an additional risk factor for the other supervisory risk categories. In this way, the climate *Stress Test* methodologies have as their main focus the risk categories in which the climate impact most materializes in CGD, such as credit risk, market risk and operational risk.

Specifically in terms of transition risk, the impact of climate risk on the projection of credit risk was assessed through the incorporation of climate drivers in the models, namely customers' carbon emissions, the ESG rating and the real estate energy certificate (EPC). Consequently, these drivers generate economic, financial and macroeconomic impacts incorporated through credit factors, such as the *Probability of Default* (PD) for companies and the *Loss Given Default* (LGD) for real estate, i.e. the probability of default and the expected loss in that case, respectively. In order to estimate the impairment impacts for climatic factors affecting only the DP, it is followed as a conservative assumption to use the observed coverage rate of *stage 3* exposures at the NACE level. Emphasizing that the scenario analysis carried out is aligned with the NGFS scenarios.

In line with the impact of transition risk, physical risk is incorporated through drivers such as asset location (depending on the site's susceptibility to weather events) and the impact of a drought/heatwave event on companies, differentiated at industry level (NACE).

Regarding the impact of physical climate risk on the credit risk projection, a single climate event scenario is considered to assess the impacts of acute physical events. In this scenario, which ensures a more negative outlook than the other two scenarios due to slow technological change and political reaction, sectors D - Electricity, gas, steam and air conditioning and H - Transport and storage are the most significantly impacted.

Liquidity and Market risks were considered as Non-material in all time horizons, taking into account CGD's idiosyncrasies.

Operational risk can be impacted by transition risk, changes in consumer perceptions on climate issues, increasing reputational risk and bank liability due to episodes caused by the financing of environmentally controversial activities (*greenwashing*), also impacting Compliance Risk. CGD has developed a scenario related to fines and climate-related litigation events, to estimate losses in the short to medium term, considering potential remediation costs, legal costs, regulatory sanctions, compensation to customers and asset devaluation, justifying non-materiality in the short and medium term.

Operational risk analysis takes advantage of a critical dimension, given the nature of operations. To assess operational risk, two scenarios were designed to capture operational risk events related to climate risk, considering a maximum impact of 5 million, justifying the short and medium-term assessment as non-material.

Additionally, in terms of business continuity, a risk analysis of the unavailability of CGD's facilities was carried out, in terms of risk exposure matrices, depending on the probability and impact of each group of risk events. For the buildings analyzed, the average exposure to risk was flooding with low impact.

In the longer term, a tougher stance is expected from regulators and, given the complex and interconnected nature of CGD's operations, Operational and Compliance risks have been assessed as somewhat material. To this end, the assessment of the impact on Other risks, namely Reputational risk in the short, medium and long term was considered to be material.

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 assist in strategic decision-making. In particular, C&A risk is already part of the stress testing framework whose results influence and are an integral part of several planning exercises, such as the Budget, the ICAAP, the Recovery Plan and the CGD Transition Plan, which, in turn, impact the bank's results and are taken into account for strategic Management actions.

Additionally, within the framework of *the stress test framework*, the budget process is evaluated against adverse C&A scenarios, ensuring compliance with tolerance limits after considering the impacts of environmental risks on the bank's solvency and liquidity profile.

The impact assessment uses a combination of the results of the *stress test*, other scenario and sensitivity analyses, and an *expert judgment*. The risk drivers covered in the materiality assessment are used to integrate climate risk considerations into the risk identification process, which serves as the basis for the group's risk inventory and, consequently, the ICAAP and ILAAP exercises.

The ICAAP and ILAAP exercises leverage the budgeting process to ensure a comprehensive view of capital (both regulatory and domestic) and liquidity, fully assessing them against the impacts of climate and other environmental risks.

In this way, CGD's approach to C&A 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.

Climate and Environmental Risk Limits and Monitoring

C&A's risk management strategy was established based on the *Risk Appetite Statement (RAS)* which formally defines the CGD Group's risk appetite, detailing the maximum level of risk that the bank is willing to assume for each risk category considered material.

This information on climate and environmental risks is presented quarterly on the CGD Group's RAS Dashboard, which is submitted 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, namely:

Figure 14 | Risk Indicators

RAS Indicators 2024
Revenue generated from interest, fees, and commissions from companies in GHG-intensive sectors
Financed GHG emissions
Loans secured by real estate with low energy performance (\leq EPC E)
Loans secured by real estate located in regions sensitive to the impact of acute physical phenomena resulting from climate change
NFC portfolio sensitive to the impact of acute physical phenomena resulting from climate change
NFCs with a "Weak" ESG Rating
NFCs with a "Weak" E Rating
Exposure to companies with significant dependence on or impact on biodiversity

CGD integrates the short, medium and long-term effects of environmental risk drivers into its risk tolerance framework in several aspects.

In this sense, the limits established for the RAS indicators are reviewed periodically, or whenever necessary, in order to ensure timely warning of negative developments in them, as well as to safeguard a level of tolerance that allows the development of a recovery plan to reverse any negative trend that may threaten the sustainability of CGD's business model.

In the short-term analyses, the limits were calibrated considering the current business model, the need to review portfolios and the dependence on the most vulnerable sectors, which are those that are more intensive in greenhouse gases (GHG) or that contribute significantly to climate change.

In the medium and long-term analyses, the Risk Appetite Statement includes forward-looking metrics aligned with the strategic planning horizon, namely CGD's decarbonisation plan, ensuring that sustainability objectives are achieved in a manner consistent with the institution's strategic objectives.

The Risk Management Function regularly supervises and monitors C&A risk indicators and their respective tolerance limits within the Risk Appetite Statement.

In order to consider the materially relevant risks in the risk appetite with key risk indicators, appropriate and appropriate limits were defined in order to effectively manage climate and environmental risks, and they were approved by the Board of Directors. In line with the CGD Group's ambition, the Board of Directors also approved the inclusion of limits and tolerance intervals for C&A metrics in the RAS of the Group's entities, for the purpose of improving the monitoring of these risks.

The calibration of these risk appetite limits is essential to ensure that CGD is prepared to face different scenarios over time.

It is also monitored, and submitted quarterly C&A risk information in the Integrated Risk Report (RIR). This report is addressed to the Executive Committee, the Risk Committee and the Board of Directors, and is submitted quarterly. The main objective is to inform CGD's statutory bodies about the most relevant facts that occurred in the Group during the quarter in question, namely with regard to C&A risks.

The RIR minimum content includes metrics that integrate risk appetite, as well as other C&A metrics related to physical and transition risk drivers, considered relevant for the timely detection of the level of risk exposure, namely:

- ESG rating of the 5 counterparties with the highest exposure to CGD;
- Interest income, fees and commissions from GHG-intensive industries (RAS metric);
- Evolution of financed GHG emissions (RAS metric);
- Exposures to sectors that contribute heavily to climate change (as per the sectors identified in the Climate Benchmark Standards Supplementing Regulation);
- Exposure to NFC of sectors relevant to climate policy (CPRS) by type of impact;
- Level of coverage of energy certificates (real and proxy) in the residential real estate portfolio;
- Loans secured by immovable property with low energy performance (RAS metric);
- Sensitive exposure to the impact of physical events resulting from climate change (RAS metric);
- Exposure to companies with a dependence or relevant impact on biodiversity (RAS metric).

The C&A Risk dashboard integrates short, medium and long-term scenarios, monitoring:

- **KRI forward-looking related to CGD's business strategy:** It is intended to monitor, on a quarterly basis, the most relevant exposures that contribute to or condition CGD's progress in meeting the long-term objectives and business strategy for C&A risks, namely more granular information on exposure variations in the cement production segments, credit collateralized by residential real estate and electricity production (corporate and project financing).
- **Transition Plan:** In July 2023, CGD established and published decarbonization targets for 2030, for its own activities and for financed activities. In this analysis, CGD monitors the progress of exposure and emissions, but only including the CAE sectors that are part of the transition plan.
- **KRI related to long-term scenarios:** By monitoring KRI related to CGD's long-term scenarios linked to different transition paths, CGD aims to have a complete picture of risk exposures under different scenarios and time horizons. A sectoral transition risk matrix has been developed based on a specific transition risk scoring methodology. This transition risk score is supported by a sectoral approach, which considers the expected impact of carbon pricing, fluctuations in energy prices, and the necessary technological investment on the profit margins of companies in each sector – the climate shock. The climate shock and its components are then calculated for three different NGFS climate scenarios (Net Zero 2050, Delayed Transition and Current Policies) in 2030, 2040 and 2050. These scenarios are based on different ambitions and political reactions, as well as technological changes. The transition risk score covers a total of 79 sectors, including agriculture, extractive and manufacturing industries, and services. A level of transition risk was assigned to the 79 sectors of activity in the 3 NGFS scenarios and time horizons. With this methodology, CGD estimated risk exposure in different scenarios and time horizons, which, combined with exposure to

counterparties with a sensitive ESG profile from a *bottom-up perspective*, will provide more meaningful information to analyze the resilience of CGD's portfolio to C&A risks in the medium and long term, and to define mitigation measures.

- **Stress Test Inputs:** The purpose of this section is to monitor and analyse based on the results of the *Climate Stress Test 2023*, specifically on: (i) Transition Risk: Analysis of the top 5 NFCs, in terms of exposure, in the most vulnerable sectors, and identification of their respective transition plans or sustainable initiatives. In addition, an analysis of energy certificates less than or equal to E, as the impacts on LGD become more significant as EPCs deteriorate; (ii) Physical Risk: Analysis of exposure to NFS in sector E that are susceptible to heat waves and droughts. In addition, an analysis of exposure to collateral located in districts with a higher risk of flooding is carried out.

The availability and quality of ESG data, 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 linked to the business and others with responsibility for risk analysis and management. CGD's goal is for there to be 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 maintaining transparency regarding the limitations of data that support 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*.

16.2 Social Risk

16.2.1 Business Strategy and Processes

Strategic approach

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

As a result of the double materiality analysis, three topics related to the social theme were identified:

1. Human Resources Management whose subtopics to be addressed are "Talent Attraction and Retention", "Intensification of the talent shortage", "Training and Development" and "Occupational Health and Safety";
2. Community Support whose subtopics to be addressed are "Social value and community development";
3. Customer relationship whose subtopic to be addressed is related to "Responsible marketing and marketing".

This analysis is in line with that presented in the final report of the European Commission's Sustainable Finance Platform on Social Taxonomy, which 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).

CGD has several communication mechanisms 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 Caixa Social Program,

whose objective is to promote best practices in responding to the challenges of Portuguese society through initiatives in the field of literacy and financial inclusion, social and digital, job creation, education, volunteering and cultural support.

Intending to ensure that its activity is guided by the best practices in social matters, CGD has implemented a set of internal policies and regulations 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 the main challenges of society, namely:

- 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 **Training and Talent Development Policy** is a critical success factor, whose objective is to have qualified employees, with the updating of knowledge and skills adjusted to the development of CGD's activity, which allow their professional progression.
- The **Code of Conduct**¹⁷ establishes the values, principles of action and standards of professional conduct that are fundamental for the ethical positioning of the institution and its employees, also defining the way in which CGD relates to the various stakeholders.
- The **Equality Plan 2025**¹⁸ 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 organizational culture.
- The **Declaration of Commitment on Human Rights** reinforces CGD's commitment to respect human rights in the development of its relationships with stakeholders and communities in which it operates, seeking to avoid or mitigate the adverse impacts, direct or indirect, of its activity.
- The **Corporate Volunteering Policy** establishes that CGD must encourage the active participation of its employees in the implementation of the policy and in the practice of corporate volunteering with the vulnerable Community. The Volunteer Program represents CGD's set of initiatives towards the Community, namely through the provision of knowledge related to the business area and the skills of employees, along with the availability to follow other challenges and areas of intervention that are equally important for the sustainable development - social, economic and environmental - of the country.
- The **internal Rule for Customer Complaints and Suggestions** establishes how Customers may complain about any situation, within the scope of the services provided by CGD, that has not met their expectations, as well as the responsibilities of the various areas of the Bank in dealing with these complaints and the levels of service associated with the Customer response process. This document reflects how CGD is committed to enhancing the treatment of customer complaints and suggestions as a means of improving the quality of the service provided.

At the end of 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.

¹⁷ For more information, see the Code of Conduct, available at: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduca-CGD.pdf>

¹⁸ For more information, see 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

At the same time, the Bank subscribes to the 10 principles of the United Nations Global Compact and reports annually through *Communication on Progress* on 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 goals

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 focused 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 employees¹⁹. To this end, and within the scope of the "Transparent Governance Models" pillar of the 21-24 Sustainability Strategy, CGD has set the goal of reaching 38% of women in management positions by 2024. In 2024, the ratio was reached 35.5%.

In terms of community support, a goal was set for community support for the 2021-2024 strategic period in Portugal: "Invest 40 million euros in the community (2021-2024 period)". The methodology used to define the target was supported by the indicator Development and impact of investments in infrastructures and services offered. In 2024, 18.9 million euros were invested, and in the period from 2021 to 2024 a total of 59.9 million euros were invested.

Engagement in the assessment and limitation of social risks

CGD recognizes the existence of sectors of activity or projects that can 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 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 regulations or international conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises 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 evaluates and weighs several social factors specific to the counterparty. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, 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, training and safety conditions.

¹⁹ For more information, see the subchapter "4.10.1 – Equity, development and well-being of employees" of the 2024 Sustainability Report, integrated in CGD's 2024 Management and Accounts Report, available at: <https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/2024/Documents/Relatorio-Contas-CGD-2024.pdf>

Additionally, in the context of reputational risk management, the analysis of transactions with clients is highlighted whenever controversies related to the principles of social responsibility, compliance with labour legislation or conduct practices that are not consistent with the ethical principles and good business practices observed by CGD are at stake.

16.2.2 Governance

Regarding the governance of the management and supervision of strategic measures and initiatives in the field of social responsibility, the Sustainability Committee stands out, an advisory body to the Executive Committee that guides the decision on the implementation of CGD's social responsibility strategy and is responsible, among others, for monitoring compliance with good business practices and principles of conduct, in legal and *compliance terms*.

The Governance Committee has powers delegated by the Board of Directors, namely in the areas of Sustainability and Social Responsibility. As an advisory body to the Board of Directors composed of Non-Executive Directors, it has the function, among others, of monitoring issues related to corporate *governance*, organizational culture, social responsibility, environmental protection and sustainable financing. In particular, this Committee monitors and advises the Board of Directors on the guidelines for social responsibility, sustainability and environmental protection, as well as the definition of the Corporate Sustainability Strategy and its implementation.

The Risk Committee is responsible for monitoring the management policies of all financial and non-financial risks inherent to CGD's activity, thus having an integrated view of risks at the level of the supervisory function, including the monitoring of the risk strategy and risk appetite in the short, medium and long term. The Risk Committee evaluates and promotes the effectiveness of the processes and procedures implemented to monitor the financial and non-financial risks of the Risk Management and Compliance Functions through internal reporting, in particular, the Risk Appetite Statement.

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

With regard to 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 regulator's new requirements, within the scope of banking conduct supervision, CGD specifies the types of clients for which a financial instrument is suitable, taking into account their needs, characteristics and objectives, including the consideration of any sustainability-related objectives²⁰.

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

Social criteria in variable remuneration

As reported in chapter 16.1 Environmental Risk, in 2023 the Remuneration Policy of CGD Group Employees and the Remuneration Policy of Members of CGD's Management and Supervisory Bodies were revised with the objective of incorporating ESG criteria and, in this way, promoting alignment with the bank's strategy.

²⁰ Products covered by articles 309-I to 309-N of the Securities Code (as amended by Decree-Law no. 109-H/2021, of 10 December).

16.2.3 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 addressed in the chapter "Business Strategy and Processes", and which constitute the *framework* for social risk management, highlighting:

- Corporate Sustainability Policy;
- Corporate Policy for Sustainable Financing and Energy Transition;
- Corporate Reputational Risk Policy;
- CGD Group's Subcontracting Policy;
- CGD's Code of Conduct;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Policy for the Prevention of Money Laundering and Terrorist Financing;
- Personal data protection policy;
- Principles of exclusion and sectoral limitation of CGD;
- Socially responsible investment policy;
- Quality policy²¹;
- Declaration of commitment to human rights;
- Code of good conduct for preventing and combating harassment at work;
- Diversity policy for CGD group employees and members of CGD's management and supervisory bodies;
- Plan for equality;
- Remuneration policy for CGD Group employees;
- *Sustainable financing* framework;
- Ethical principles and good business practices for suppliers
- CEO's Guide on Human Rights.
- C&A Risk Management Policy.

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

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

The social component plays a crucial role in assessing the sustainability and ethical behaviour of companies and investments, covering several dimensions:

- Human Capital Management: fair labor practices, diversity, well-being and talent development;

²¹ It defines CGD's commitments and principles with regard to Quality Management and expresses the organization's commitment to customer satisfaction and the improvement of its products/services and processes.

- Stakeholder Engagement: effective relationships with employees, customers, suppliers and the community;
- Community Impact: corporate philanthropy and community development;
- Ethical Practices: Transparency and fairness in business operations;
- Reputation and Brand Value: Positive influence on brand reputation and value.

In the methodology for assessing social risk materiality, a holistic approach is adopted at the country level, complemented by a sectoral view, considering social risk in value chains. In this sense, the social categories evaluated in the methodology are shown in the graph below:

Figure 15 | Categories of indicators of the social risk model

Social Risk Model	
Risk Indicator Categories	No. of Metrics
Freedom of Association	5
Forced Labor	3
Discrimination	4
Child Labor	3 + 1*
Health and Safety at Work	6 + 2*
Armed Conflicts	6

Final Risk Level	The final classification of the country in terms of risk is calculated based on the classifications of all indicators. The final score is then categorized into one of four risk levels: Non-material, Some material, Very material, or Critical.
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*For these categories, there are sector-specific aggravating factors (NACE level 1, e.g. A, B, C).

The social risk score represents a country-sector score, calculated by combining (i) a country-based score and (ii) sector-specific aggravating factors for relevant risk categories. Subsequently, the social risk score is applied to CGD's clients based on the country of incorporation and its activity, as identified by the relevant NACE code.

In the materiality assessment exercise carried out in December 2024, social risks were considered to have non-material impacts in the short, medium and long term across CGD's various traditional risk categories.

The CGD Group has instituted a process for identifying the Group's risk profile, which is developed in annual cycles and is based on the CGD Group's risk taxonomy, in order to assess and inventory the risks of concern. The process is structured in two phases, the first phase being self-assessment

of risk by CGD and the Group's entities, and the second phase the determination of the CGD Group's risk profile based on the result of the self-assessment of all entities participating in the process.

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

With regard to the social risk assessment process, CGD annually defines a set of measures and targets to be achieved, which aim to respond to the areas of improvement identified in the revision of the Equality Plan. This Plan is based on CGD's strategy, mission and values, as well as its positioning in terms of social responsibility and sustainable growth with employees, family members, customers, suppliers, partners and the community.

In the pillar of Equity, digital and financial inclusion, CGD is aware that inequality of opportunities is still a global challenge and directly impacts some of the main problems of today's society. In this sense, CGD has been taking 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 for an effective response to the main challenges of society.

Through its Diversity, Equity and Inclusion Policy, it annually ensures initiatives that enhance the enrichment of professional, social and economic conditions, improving efficiency, competitiveness and decision-making, based on the understanding that Diversity, Equity and Inclusion (DEI) is a driver of innovation, attraction, retention, incentive and promotion of talent and diverse skills. This policy is based on the Plan for Equality, whose strengths are based on the commitment of top management, the appreciation and interest in the topic at CGD and the existence of global programs and initiatives already underway.

In this context, the Equality Plan is reported annually to the market, where the DEI measures, in force and planned, are identified, representing a significant evolution for the Bank's activity and an important contribution to the fulfilment of commitments made, namely respect for Human Rights and the pursuit of the Sustainable Development Goals. In terms of the governance model, the Sustainability Committee stands out, which supervises the management and guides the decision regarding the implementation of the Sustainability Strategy

In addition to the Equality Plan with regard to Social Risk matters, monthly reports are made by the Directorate of Management and Development of Personnel (DPE) to CGD's Structural Bodies, informing the composition of each of its teams, as well as monthly reports within the scope of budgetary control of parity metrics. Additionally, on a quarterly basis, these indicators are extended and included in the Human Resources Outlook Report presented to the CEO.

The identification of the risk profile is crucial as it allows conclusions to be drawn about the risks to which CGD is exposed, thus allowing more informed decision-making of the Risk Management Table, namely in essential pillars such as the ICAAP, the Risk Appetite Table, internal stress testing exercises and the definition of the 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 linked to the business and others with responsibility for risk analysis and 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. In this context, CGD is carrying out a detailed analysis of the "*Report on Data Availability and Feasibility of a Common Methodology for ESG Disclosures*", published by the EBA in March 2025, in order to improve the process of collecting and reporting ESG data, ensuring its high quality, consistency and comparability.

CGD has several mechanisms for identifying, assessing and mitigating 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 Principles of Exclusion and Sectoral Limitation.

Reputational Risk Management Framework

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

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

- The Reputational Index that reflects CGD's global activity and its performance towards *stakeholders*, namely the perception of CGD's attitude towards the duty of confidentiality, ethical principles and social responsibility and towards emerging issues such as sustainable and inclusive financing.
- Customer complaints and satisfaction;
- Breach of banking secrecy or personal data protection.

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

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

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into 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 originate action plans to mitigate risk.

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

Regarding suppliers that enter into a contract with CGD, it is mandatory 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 *Rating*. It should be noted that 354 CGD suppliers have environmental or social clauses in the contracts signed with CGD.

In CGD's Sustainability area, the circuit and procedures related to environmental criteria for services considered environmentally critical, to be integrated into CGD regulations and to be implemented in the procurement process, in accordance with the general principles applicable to ecological matters in the Resolution of the Council of Ministers no. 132/2023 of 25 October 2023, are also under analysis.

Additionally, within the scope of the qualification of CGD's suppliers, characteristics such as the existence of a code of conduct and possible fines or proceedings related to labour legislation are assessed.

Credit Risk Management Framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the fundamental values that guide CGD's activity and conduct, namely those 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 origination and decision 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 regulations or international conventions and agreements;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial, or gender terms;
- Military activities, manufacture or supply of related material, limited by national legislation and international conventions.

The *ESG Rating* developed by CGD evaluates and weights several social factors specific to counterparties. This assessment supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making.

Within the scope of the social dimension, the *ESG Rating* considers several indicators, including those related to the principles of exclusion and sectoral limitation provided for in CGD's credit policies, and others related to the working conditions of the companies' employees, including gender equality, salary conditions, training and safety conditions.

Compliance Risk Management Framework

Within the scope of compliance risk management, CGD has implemented permanent measures aimed at ensuring the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, including the Code of Conduct, the Policy for the Prevention of Corruption and Related Infractions, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Communication System for Irregular Practices.

We also highlight the fact that CGD has organisational and administrative mechanisms appropriate to 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 aimed at preventing that, when a situation of conflict of interest is identified, the interests of its customers are harmed.

16.3 Governance Risk

16.3.1 Governance/ Risk Management

The Risk Management Function at 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.

The head of the CGD Group's FGR is the CRO, a member of CGD's Executive Committee and globally responsible for monitoring the Group's Risk Management Table and, in particular, for ensuring the proper and effective functioning of the FGR, being responsible for informing and clarifying the members of the management and supervisory bodies about the risks incurred, the overall risk profile of CGD and the Group and the degree of compliance with the defined risk tolerance levels.

Risk management is carried out centrally and supported by a dedicated structure, the Risk Management Department (DGR), which carries out functions in the area of management and control of the Group's financial and non-financial risks, with objectives of stability, solvency and financial soundness, ensuring the functions of identification, evaluation, measurement, monitoring, control and reporting of the risks to which the CGD Group is exposed and the interrelationships between them, in order to ensure the 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 rules and legal and regulatory requirements in this area.

The Board of Directors defines, supervises and is responsible, within the scope of its 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 Department and the control and business areas. The Board of Directors is also responsible for aligning risk appetite with the bank's strategic priorities for sustainable finance and climate action.

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

The Risk Committee monitors the management policy of all risks in the CGD Group's activity, namely non-financial risks. The Risk Committee monitors the risk measurement and capital calculation models adopted internally, as well as the Community Directives and guidelines of the Bank of Portugal and the European Central Bank on this matter. Within the scope of its functions and competences, it analyses, among others, the reports submitted by the Risk Management Directorate on financial and non-financial risks.

The management of governance-related risks is carried out from a corporate perspective and also from a risk management perspective of CGD's counterparties.

CGD's mission is to create value for Portuguese society, providing quality banking services to individuals and companies, thus contributing to the improvement of the well-being of Portuguese families and to the development of the business sector, generating adequate profitability for the

shareholder. CGD guarantees customers' access to a diversified set of quality financial products and services, with a particular focus on attracting savings and granting medium and long-term financing, based on an efficient corporate governance model and respect for the highest ethical standards.

Issues related to sustainability and ESG risks have an increasingly strong reputational weight, inherent to the high scrutiny by not only customers, but all *stakeholders*, emphasized by the fact that it is a publicly owned 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 alignment of its business with the challenges and opportunities of ESG issues.

CGD has published its Mission Charter²² where it 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, highlighting trust, profitability, transparency, integrity, professionalism, proximity, responsibility, the culture of risk and rigor and innovation.

CGD's Reputational Index is made up of indicators considered fundamental to the sustainability of a bank (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 2024, maintaining the value of previous quarters. The credibility of the image of the Chairman of CGD 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 above 70 points.

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

- CGD's Code of Conduct;
- Corporate Reputational Risk Policy;
- Regulation of the Compliance Function;
- Policy for the Prevention of Money Laundering and Terrorist Financing;
- Global Policy for the Prevention and Management of Conflicts of Interest;
- Suitability Assessment Policy for the Selection of Members of the Management and Supervisory Bodies and Holders of Key Functions (Suitability Policy);
- Policy for the Prevention of Corruption and Related Infractions;
- Prevention of Market Abuse;
- Policy on Transactions with Related Parties;
- Subcontracting Policy;
- Socially responsible investment policy;
- Declaration of commitment to human rights;
- Ethical principles and good business practices for suppliers.

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

The CGD Group has instituted a process for identifying the Group's risk profile, which is developed in annual cycles and is based on the CGD Group's risk taxonomy, in order to assess and inventory

²² For more information, see: <https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Pages/Missao-Estrategia.aspx>.

the risks of concern. The process is structured in two phases, the first phase being self-assessment of risk by CGD and the Group's entities, and the second phase the determination of the CGD Group's risk profile based on the result of the self-assessment of all entities participating in the process.

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

The identification of the risk profile is crucial as it allows conclusions to be drawn about the risks to which CGD is exposed, thus allowing more informed decision-making of the Risk Management Table, namely in essential pillars such as the ICAAP, the Risk Appetite Table, internal stress testing exercises and the definition of the corporate strategy.

From a perspective of risk management of CGD's counterparties, there are several mechanisms for identifying, assessing and mitigating governance risk, highlighting the reputational risk management framework, the compliance risk management framework and the credit risk management framework, namely the *ESG Rating* and the Principles of Exclusion and Sectoral Limitation.

Credit Risk Management Framework

CGD recognizes the existence of sectors of activity or projects that are not aligned with the fundamental values that guide CGD's activity and conduct. The Credit Risk Policy contains specific rules that ensure that this risk is properly identified and mitigated, namely through the Sectoral Exclusion and Limitation Principles and the consideration of the *ESG Rating* in credit origination and decision 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, that is, considered illegal under the terms of regulations or international conventions and agreements, including those to which CGD subscribes or is a member;
- Companies or projects that use child labor, or labor considered forced;
- Enterprises and activities related to prostitution;
- Companies and projects that disseminate discriminatory information or that practice discriminatory acts in religious, political, racial, or gender terms;
- Companies and activities engaged in unlicensed trade in wildlife or endangered species;
- Companies and projects that use scarce natural resources, whose exploitation or extraction may cause a negative environmental impact and that do not comply with conditions defined in national or international regulations in this area;
- undertakings producing or processing 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 weights factors of the governance dimension related to the quality and suitability of shareholders and the management team. This assessment is based on qualitative assessments carried out by the commercial areas within the scope of their relationship with the counterparty, and the respective varies between A (the best level) and D (the

worst level). In addition, it also includes an additional indicator regarding the reliability of the financial statements and the respective reserves and emphases identified by the independent auditor.

In accordance with the best Corporate *Governance practices*, this assessment is related to the criteria of financial commitment of shareholders to the company, governance model, succession and internal control, which tends to be supported by appropriate and effective instruments in these areas²³, specifically:

- Principles of the Governance Model and the Internal Control System;
- Policy for the Evaluation of the Selection of Governing Bodies and Management Teams;
- Succession Plan and Sustainability Plan;
- Code of Conduct and Policy for the Prevention and Management of Conflicts of Interest;
- Risk Management and Control Policy, Remuneration Policy and Dividend Policy.

This assessment carried out through the ESG Rating supports the prioritization and differentiation of commercial action according to the level of risk of customers, contributing to a holistic and integrated view of risk in decision-making.

For listed companies, CGD collects information on the following indicators:

- Does the company have a Corporate and Social Responsibility Committee or team to make decisions about the Corporate and Social Responsibility strategy?
- Does the company have a compensation policy that includes the remuneration of the Board of Directors and other management bodies based on ESG or sustainability factors?
- Does the company have a *Chief Diversity Officer* who is a member of the Executive Committee?

Compliance Risk Management Framework

Within the scope of compliance risk management , CGD has implemented permanent measures aimed at ensuring the prevention and repression of the crime of corruption and related infractions, which are reflected in various internal procedures and standards, including the Code of Conduct, the Policy for the Prevention of Corruption and Related Infractions, the Global Policy for the Prevention and Management of Conflicts of Interest or the Internal Communication System for Irregular Practices.

We also highlight the fact that CGD has organizational and administrative mechanisms appropriate to 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 its occurrence and aimed at preventing that, when a situation of conflict of interest is identified, the interests of its customers are harmed.

With regard to financial crime risks, these are managed by the Prevention of Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance function through the maintenance and development of a specific program with regard to money laundering and terrorist financing risks, sanctions and embargoes, corruption and bribery and market abuse.

In order to comply with legal and regulatory standards and recommendations issued by relevant international entities in terms of AML/CFT, CGD has implemented an advanced and effective system for the prevention of money laundering and terrorist financing that allows it to identify, assess and

²³ For more information, see: <https://www.cgd.pt/Empresas/SolucoesESG/Pages/Rating-ESG.aspx#governance>

mitigate the potential risks associated with its clients and the business relationships established with them.

To this end, CGD, through its financial anti-crime area, is equipped with IT tools suitable for AML/CFT, with emphasis on applications dedicated to monitoring accounts and customers, classifying the risk profile of customers and filtering sanctioned customers and politically exposed persons.

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

Reputational Risk Management Framework

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

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

The conclusions of the analysis within the scope of reputational risk are incorporated into a risk opinion that is integrated into 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 give rise to action plans to mitigate risk.

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

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

16.4 Transition Risk: Exposure, Creditworthiness, Issuances and Residual Maturity by Sector

The Table below reports, with a reference date of 31 December 2024, the breakdown of gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations by sectors that contribute significantly to climate change, including, inter alia, information on the creditworthiness of the exposures and emissions financed.

As of 31 December 2024, around 77% 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 the Table below*. CGD identified the exposure according to eligible sectors in light of the *Climate Benchmark Standards Regulation (EU) 2020/1818*²⁴, applying the *thresholds* defined in the regulation and based on public information from counterparties, and in cases where it is not available, the counterparty was considered as excluded from *the benchmarks* aligned with the Paris Agreement.

Greenhouse gas (GHG) emissions can be distinguished into three categories: Scope 1, 2, and 3²⁵.

- Scope 1 - direct GHG emissions from sources that belong to or are controlled by the company;
- Scope 2 - indirect GHG emissions from the acquisition of electricity by the company;
- Scope 3 – other indirect GHG emissions that result from activities that are not owned or controlled by the company; it can be subdivided into *upstream* emissions, i.e., life cycle of materials, products, or services to the point of sale, and *downstream* emissions, i.e., distribution, storage, use, and end-of-life treatment of products and services.

In the Table below, the issuances financed by CGD, calculated according to the following methodologies, are reported in columns "I" and "J";

- For counterparties disclosing scope 1, 2 and 3 GHG emissions, the information was collected directly from the companies' integrated or sustainability reports or from other public sources.
- For counterparties that are part of an Economic Group, whose *holding company* discloses information on actual 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 no actual data are available, emissions have been estimated on the basis of sector-specific average emission factors according to the following methodology:
 - For the purpose of estimating scope 1 emissions, the GHG emission intensities per sector were used and then a sector-specific average emission factor of the counterparty was applied as a proxy.
 - The estimation of scope 2 values considered as a proxy for the application of the sector-specific average emission factor, the average electricity consumption per sector after its conversion into emissions.
 - For scope 3 emissions, the values are estimated based on the average distribution of emissions by scope, according to observed data from comparable counterparties.

²⁴ In accordance with Article 12.1(d) to (g).

²⁵ Also called scope 1, 2 and 3.

The observation was made based on the maximum number of *counterparty peers* disclosing scope 1, 2 and 3 issuances.

Table 55 | ESG 1: Banking book- Climate Change transition risk: 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	
1 Exposures towards sectors that highly contribute to climate change*	15,317.22	283.39	83.63	1,899.71	562.12	-676.30	-186.66	-346.27	9,076,854.03	6,468,892.72	12.67%	10,959.61	2,394.84	1,836.91	125.87	4.80
2 A - Agriculture, forestry and fishing	365.88	0	0	41.02	42.72	-30.18	-3.01	-24.22	769,802.46	571,723.54	0.07%	277.94	46.41	40.12	1.40	4.21
3 B - Mining and quarrying	294.42	0	0	101.16	10.42	-11.71	-0.69	-8.76	802,309.02	782,609.09	0.65%	230.79	63.04	0.48	0.10	2.54
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	0	0	0	0	0	0	0	0.02	0.02	0.00%	0	0	0	0	0.47
6 B.07 - Mining of metal ores	141.21	0	0	0.01	0	-1.10	0	0	410,135.85	406,830.84	0.65%	121.58	19.63	0	0	1.03
7 B.08 - Other mining and quarrying	36.95	0	0	4.99	10.42	-9.31	-0.34	-8.76	169,565.82	162,471.35	0.00%	33.05	3.31	0.48	0.10	3.40
8 B.09 - Mining support service activities	116.26	0	0	96.16	0	-1.30	-0.25	0	222,607.32	213,306.88	0.00%	76.16	40.10	0	0	4.68
9 C - Manufacturing	3,884.56	11.25	41.22	271.94	154.96	-160.96	-20.11	-103.90	5,746,378.08	4,282,285.15	5.03%	3,238.30	541.25	58.21	46.81	3.71
10 C.10 - Manufacture of food products	462.79	0	0	40.81	16.50	-20.15	-2.39	-12.96	250,108.69	191,611.70	0.14%	414.11	33.82	5.87	8.99	3.37
11 C.11 - Manufacture of beverages	330.68	0	0	17.75	4.72	-6.82	-1.44	-1.86	39,366.65	29,717.46	0.00%	185.14	127.80	2.70	15.04	6.81
12 C.12 - Manufacture of tobacco products	10.00	0	0	0	0.06	-0.14	0	-0.05	498.94	377.92	0.00%	10.00	0	0	0	0.31
13 C.13 - Manufacture of textiles	146.90	0	0	25.16	25.65	-22.29	-2.40	-18.23	84,654.67	64,122.02	0.00%	128.99	16.22	1.27	0.41	2.77
14 C.14 - Manufacture of wearing apparel	89.33	0	0	15.64	15.45	-12.28	-0.90	-10.37	17,393.34	13,174.65	0.00%	83.37	4.24	0.74	0.98	3.06
15 C.15 - Manufacture of leather and related products	55.29	0	0	10.29	9.15	-7.49	-0.45	-6.00	6,192.69	4,690.68	0.00%	46.72	5.86	2.51	0.20	2.98
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	186.45	0	2.30	12.71	5.11	-5.42	-0.60	-3.12	50,603.35	39,561.98	0.39%	173.32	9.02	1.19	2.93	2.78
17 C.17 - Manufacture of pulp, paper and paperboard	543.07	0	38.92	4.01	0.48	-5.05	-0.17	-0.41	313,802.48	210,875.44	2.87%	426.30	116.77	0	0.01	3.99
18 C.18 - Printing and service activities related to printing	39.46	0	0	7.83	2.91	-2.96	-0.50	-2.18	9,320.28	7,059.68	0.00%	29.68	7.78	1.87	0.13	4.16
19 C.19 - Manufacture of coke oven products	104.40	11.25	0	1.49	0	-1.32	-0.48	0	2,632,969.42	2,439,586.45	0.00%	99.41	0	0	4.99	4.03
20 C.20 - Production of chemicals	206.55	0	0	2.38	2.94	-3.41	-0.08	-1.41	227,970.08	173,601.48	0.03%	198.59	4.09	1.87	2.00	2.56
21 C.21 - Manufacture of pharmaceutical preparations	139.51	0	0	1.95	0.89	-2.09	-0.14	-0.76	10,456.75	7,920.51	0.00%	83.95	55.43	0.13	0	3.17
22 C.22 - Manufacture of rubber products	123.56	0	0	13.98	8.51	-9.07	-0.93	-6.61	25,172.02	19,066.65	0.00%	108.70	13.41	0.31	1.15	3.43
23 C.23 - Manufacture of other non-metallic mineral products	549.46	0	0	17.76	5.02	-10.89	-2.40	-3.82	1,913,718.51	956,385.70	1.59%	518.33	20.99	10.00	0.14	2.73
24 C.24 - Manufacture of basic metals	55.55	0	0	3.12	6.35	-6.16	-0.06	-5.66	27,455.96	20,796.63	0.00%	42.65	2.02	2.67	8.21	13.34

Values in million 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 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 (OCM)	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	381.63	0	0	39.50	16.07	-17.49	-2.79	-10.75	61,876.90	47,369.11	0.00%	328.25	47.93	4.44	1.01	2.96
26 C.26 - Manufacture of computer, electronic and optical products	23.32	0	0	1.12	3.47	-2.61	-0.05	-2.32	1,879.06	1,423.30	0.00%	19.20	4.03	0.09	0.00	3.06
27 C.27 - Manufacture of electrical equipment	57.76	0	0	3.33	1.53	-1.35	-0.12	-0.89	6,982.28	5,288.76	0.00%	54.29	1.68	1.78	0.01	1.92
28 C.28 - Manufacture of machinery and equipment n.e.c.	109.56	0	0	17.13	2.65	-2.92	-1.02	-1.14	32,945.34	24,954.58	0.00%	78.05	23.13	8.33	0.04	3.97
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	69.28	0	0	6.31	8.08	-5.28	-0.26	-4.42	5,577.37	4,224.60	0.00%	56.34	9.38	3.50	0.06	3.15
30 C.30 - Manufacture of other transport equipment	24.25	0	0	1.67	9.93	-6.40	-0.12	-5.95	1,520.45	880.90	0.00%	17.84	5.32	0.99	0.09	5.19
31 C.31 - Manufacture of furniture	73.90	0	0	7.51	4.98	-5.05	-0.60	-3.61	14,246.50	10,791.07	0.00%	60.76	11.04	1.89	0.21	3.44
32 C.32 - Other manufacturing	57.94	0	0	11.85	3.08	-3.28	-1.89	-0.93	2,821.06	2,136.83	0.00%	37.88	14.21	5.72	0.13	6.35
33 C.33 - Repair and installation of machinery and equipment	43.91	0	0	8.64	1.42	-1.03	-0.29	-0.45	8,845.30	6,667.05	0.00%	36.43	7.09	0.33	0.06	2.94
34 D - Electricity, gas, steam and air conditioning supply	1,462.05	270.14	42.29	20.95	0.40	-13.68	-1.80	-0.37	102,615.35	51,928.49	1.44%	1,261.22	58.06	142.77	0.00	4.21
35 D35.1 - Electric power generation, transmission and distribution	483.15	269.90	42.29	19.44	0.39	-6.84	-1.64	-0.36	101,603.06	51,407.18	1.44%	282.47	58.06	142.61	0.00	4.97
36 D35.11 - Production of electricity	445.60	269.90	42.29	19.10	0.00	-6.15	-1.60	-0.00	96,131.48	48,431.91	1.40%	244.93	58.06	142.61	0.00	5.25
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	977.42	0.24	0	0.03	0.01	-6.68	-0.00	-0.01	170.95	86.84	0.00%	977.42	0	0	0	3.84
38 D35.3 - Steam and air conditioning supply	1.48	0	0	1.48	0.00	-0.16	-0.16	-0.00	841.35	434.48	0.00%	1.33	0	0.15	0	2.40
39 E - Water supply; sewerage, waste management and remediation activities	298.24	0	0	44.82	0.82	-13.02	-10.10	-0.73	509,960.64	175,631.61	0.79%	204.96	60.02	33.24	0.01	4.42
40 F - Construction	1,560.31	0	0.08	226.88	101.70	-94.65	-13.94	-63.01	245,084.40	127,568.26	1.77%	1,258.61	115.98	172.20	13.52	3.96
41 F.41 - Construction of buildings	629.41	0	0	123.22	34.42	-40.35	-8.94	-26.07	44,075.22	26,828.78	0.04%	500.46	69.51	55.72	3.72	3.98
42 F.42 - Civil engineering	652.91	0	0.08	64.57	54.57	-41.68	-2.68	-29.60	116,561.44	51,120.51	1.72%	521.00	24.86	101.49	5.56	4.00
43 F.43 - Specialised construction activities	277.99	0	0	39.09	12.71	-12.62	-2.32	-7.34	84,447.74	49,618.98	0.02%	237.15	21.62	14.99	4.23	3.76
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,477.15	1.99	0	340.55	103.20	-117.21	-24.81	-61.96	389,557.35	326,904.75	0.80%	2,146.77	236.64	74.14	19.60	3.27
45 H - Transportation and storage	1,397.93	0	0.04	308.08	47.09	-122.41	-79.95	-26.38	479,299.64	143,711.80	1.70%	892.73	416.91	84.77	3.52	4.72
46 H.49 - Land transport and transport via pipelines	579.05	0	0	134.98	18.27	-27.13	-7.26	-12.31	388,911.82	99,340.07	0.02%	508.93	62.14	5.54	2.43	3.29
47 H.50 - Water transport	89.26	0	0	29.32	0.04	-8.64	-5.24	-0.04	46,067.60	12,416.40	0.01%	15.04	73.48	0.75	0.00	6.61
48 H.51 - Air transport	70.96	0	0	70.35	0.38	-47.28	-47.09	-0.18	10,295.07	2,643.35	0.00%	0.67	70.29	0	0	7.88
49 H.52 - Warehousing and support activities for transportation	655.62	0	0	72.10	27.46	-38.41	-20.19	-13.05	33,845.81	29,265.84	1.67%	365.41	210.92	78.28	1.01	5.40
50 H.53 - Postal and courier activities	3.03	0	0.04	1.33	0.93	-0.97	-0.16	-0.80	179.35	46.14	0.00%	2.68	0.08	0.20	0.08	4.41
51 I - Accommodation and food service activities	951.10	0	0	186.80	32.26	-40.91	-13.48	-17.57	21,635.59	67.70	0.00%	410.88	310.80	221.45	7.97	7.26
52 L - Real estate activities	2,625.59	0	0	357.50	68.54	-71.56	-18.76	-39.38	10,211.49	6,462.34	0.42%	1,037.41	545.71	1,009.53	32.94	8.44
53 Exposures towards sectors other than those that highly contribute to climate change*	4,676.47	0	189.17	353.16	150.78	-369.16	-132.59	-173.55	1,574,734.04	1,376,428.43	0.56%	3,270.03	1,122.27	199.27	84.90	4.87
54 K - Financial and insurance activities	764.39	0	0	28.78	7.78	-14.87	-1.44	-7.43	0	0	0.00%	606.66	89.77	47.48	20.49	3.55
55 Exposures to other sectors (NACE codes J, M - U)	3,912.08	0	189.17	324.38	143.00	-354.30	-131.16	-166.11	1,574,734.04	1,376,428.43	0.56%	2,663.37	1,032.51	151.79	64.41	5.13
56 TOTAL	19,993.69	283.39	272.80	2,252.87	712.90	-1,045.46	-319.15	-519.82	10,651,588.07	7,845,321.16	13.23%	14,229.63	3,517.11	2,036.18	210.77	4.84

Values in million Euros

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

The Table below reports, with a reference date of December 31, 2024, the gross amounts of the CGD Group's loans, collateralized with commercial or residential real estate, as well as the level of energy efficiency expressed in kWh/m² and the energy performance according to the property's energy 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 rent. The EC must be submitted at the time of conclusion of a contract of sale, leasing or leasing. Buildings that are subject to interventions greater than 25% of the total value of the building are also required to request the issuance of the CE.

The EC provides information on the energy performance of a property, rating the property on a scale from A+ (very efficient) to F (not very efficient), issued in Portugal by qualified experts recognized by the Energy Agency (ADENE).

It is important to take into account the following in the analysis of the Table below:

- Transactions (sales/rentals) prior to the date of entry into force of the Directive were not subject to an obligation to make the EC available.
- 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 on ESG risks, the application of the directive is not *standard*.

CGD developed a project during 2022 to collect energy certificates from properties given as collateral for operations in Portugal. CGD already collects mandatory information on the EC of properties given as collateral for new operations.

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

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

The level of energy efficiency (expressed in kWh/m²) was determined based on the energy rating of the property, according to the total average values of that energy class, determined by the *PCAF* "European building emission factor database"²⁶ for residential and commercial properties and according to the country of location of the property.

²⁶ <https://building-db.carbonaccountingfinancials.com/>

Table 56 | 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 (in MEUR)														
	Level of energy efficiency (EP score in kWh/m ² 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	30,957.53	24,634.84	2,180.52	258.61	36.25	15.97	14.83	1,851.21	2,289.52	3,822.83	3,497.51	1,944.35	869.49	32.22	16,650.41
2 Of which Loans collateralised by commercial immovable property	4,220.20	986.77	923.53	237.03	24.95	9.74	12.13	79.13	425.89	294.65	211.35	70.76	53.85	21.39	3,063.18
3 Of which Loans collateralised by residential immovable property	26,580.51	23,648.07	1,256.99	21.58	11.30	6.22	2.70	1,772.08	1,863.63	3,528.18	3,286.16	1,873.60	815.63	10.83	13,430.41
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	156.83	0	0	0	0	0	0	0	0	0	0	0	0	0	156.83
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	12,837.91	11,843.14	873.69	121.08	0	0	0								12,837.91
6 Total non-EU area	2,347.44	0	0	0	0	0	0	0	0	0	0	0	0	0	2,347.44
7 Of which Loans collateralised by commercial immovable property	277.59	0	0	0	0	0	0	0	0	0	0	0	0	0	277.59
8 Of which Loans collateralised by residential immovable property	2,036.83	0	0	0	0	0	0	0	0	0	0	0	0	0	2,036.83
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	33.03	0	0	0	0	0	0	0	0	0	0	0	0	0	33.03
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0	0	0	0	0	0	0								0

Values in million of euros

Table 57 | ESG 2b: Banking book – Indicators of potential transition risk associated with climate change: Loans secured by real estate – Energy efficiency of real estate pledged

Counterparty sector		P
		Without EPC label of collateral
		Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated
1	Total EU area	77%
2	Of which Loans collateralised by commercial immovable property	34%
3	Of which Loans collateralised by residential immovable property	88%
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 ² of collateral) estimated	100%
6	Total non-EU area	0%
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 ² of collateral) estimated	0%

16.6 Alignment Metrics

Regulation (EU) 2022/2453 provides that financial institutions are to disclose information on their efforts to align with the objectives of the Paris Agreement for a number of sectors. This information should take into account the extent to which financial flows are consistent with a pathway towards low-greenhouse gas emission and climate-resilient development, as referred to in the Paris Agreement. The economic scenario describing the decarbonisation trajectory is the International Energy Agency's (IEA) net-zero emissions scenario by 2050 (NZE2050).

In this sense, in the following table, CGD discloses its financed scope 3 emissions in specific sectors based on an alignment metric defined by the International Energy Agency (IEA).

Table 58 | ESG 3: Banking book – Indicators of potential transition risk associated with climate change: Alignment metrics

A		B	C	D	E	F	G
Setor		NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1	Power	35.11	670.40	221,48 gCO2/kWh	2024	-1%	155,03 gCO2/kWh
2	Fossil fuel combustion	06.10; 06.20; 08.92; 09.10; 19.20	610.40	69,96 kgCO2/GJ	2024	30%	65,85 kgCO2/GJ
3	Automotive	29.1	2.30				
4	Aviation	51.1	171.50	122,54 gCO2/km	2024	44%	105,10 gCO2/km
5	Maritime transport	50.2	10.80				
6	Cement, clinker and lime production	23.51	215.80	659,02 kgCO2/t	2024	46%	629,5 kgCO2/t
7	Iron and steel, coke, and metal ore production	24.1; 24.42	32.20				
8	Chemicals	20.1	46.10				

*** PiT distance to 2030 NZE2050 scenario in % (for each metric)

Four of the eight sectors listed in the guidance in Table 4 of Regulation (EU) 2022/2453 have been considered for the definition of interim targets (illustrated in column [g]), the remaining sectors continue to have immaterial exposure and low relevance in the Group's business strategy (as presented in Table above). Should any of them reach significance (in terms of exposure or business strategy), CGD will establish alignment metrics accordingly.

The exposure disclosed in column [c], for all sectors as at 31 December 2024, as specified in column [e], is the gross balance sheet values for the NACE sectors covered by the alignment metrics (as per EBA question ID: 2024_6974).

The alignment metrics reported in column [d] are those that simultaneously a) ensure full consistency with the paths published by the IEA (in line with EBA question ID 2024_6974); and b) better describe the Bank's financing activity (i.e., the metric also employed by the relevant counterparties), as assessed by CGD. Going forward, CGD will continue to evaluate the disclosures made by counterparties and the types of assets financed in order to confirm or adjust the selected metrics.

To calculate the distances published in this model, CGD used data from state-owned companies, where available, as well as obtained climate data directly from its customers. In the other cases, it

applied sectoral averages provided by the IEA. The distances shown in columns [f] and [g] are based on the IEA scenario NZE2050.

When determining the target referred to in column [g] (i.e. reference year + 3 years), CGD assessed (a) its current exposures and their respective maturities; b) effective ability to engage with clients and counterparties; c) existence or absence of net zero commitments from customers; and d) national decarbonization plans and their performance to date. Thus, the target of column [g] reflects CGD's best perspective for the transition of the sector and group of companies in question, considering the available climate and economic scenarios, without compromising the ambition of alignment with the IEA's NZE2050 scenario by 2030.

16.7 Transition Risk: Exposures to the 20 Most Carbon-Intensive Companies

The Table below reports, with a reference date of 31 December 2024, 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. CGD Group has no exposure to the 20 most carbon-intensive companies in the world, nor to their subsidiaries.

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

The Climate Accountability Institute report contains data for 2018, which is the most recent of the sources analyzed by CGD. Data on cumulative emissions are available for periods of up to 50 years, which aim 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, according to the most recent data, have the worst performance in terms of GHG emissions.

Table 59 | ESG 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

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

(*) *For counterparties among the top 20 carbon emitting companies in the world

Values in million Euros

16.8 Physical Risk: Exposures subject to physical risk

The Table below reports, with a reference date of 31 December 2024, gross amounts in loans and advances, debt securities and equity instruments in non-financial corporations, with a breakdown by sectors of economic activity (NACE classification) 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!)* has a mapping of physical risks (coastal flooding, water scarcity, heat waves, river flooding, floods, volcanic eruption, hurricanes, forest fire) applying a risk level (not applicable, low, medium and high) by country, district and municipality.

The National Platform for Disaster Risk Reduction of the National Emergency and Civil Protection Authority (PNRRC), has a mapping of physical risks (river floods, coastal flooding, extreme heat, urban fires, rural fires, water scarcity, strong winds and snowfall), applying a risk level (not available, weak, medium and high) for Portugal where it provides granularity at the parish level.

To identify CGD's exposures sensitive to the impact of physical risk phenomena, locations with at least one climatic phenomenon characterized as high or high were considered, according to information from the "PNRRC" Platform for exposures in Portugal and "ThinkHazard" for the other geographies, and considering the location of the counterparty.

The methodology used by CGD defines extreme weather events such as river floods, floods, tsunamis, hurricanes and forest fires as severe phenomena and chronic phenomena as those that are triggered by long-term climate change, such as sea level rise, water scarcity and global warming.

Table 60 | ESG 5: Carteira bancária – Indicadores de potencial risco físico associado às alterações climáticas: Exposições sujeitas a risco físico

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount (Mn EUR)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures		
1 A - Agriculture, forestry and fishing	365.88	181.42	37.29	33.89	0.91	4.56	118.28	91.47	43.77	27.92	37.99	-25.26	-1.87	-21.30
2 B - Mining and quarrying	294.42	218.88	61.44	0.39	0.10	2.42	150.62	109.01	21.18	98.64	9.16	-10.50	-0.33	-7.91
3 C - Manufacturing	3,884.56	1,834.60	262.87	29.30	26.53	3.65	502.77	1,392.98	257.55	151.71	91.69	-92.17	-11.26	-60.95
4 D - Electricity, gas, steam and air conditioning supply	1,462.05	1,240.94	58.02	142.77	0.00	4.23	86.38	1,352.92	2.43	20.66	0.40	-13.55	-1.76	-0.37
5 E - Water supply; sewerage, waste management and remediation activities	298.24	175.12	37.78	0.39	0.00	2.61	27.63	157.12	28.55	4.55	0.02	-1.95	-0.09	-0.02
6 F - Construction	1,560.31	883.88	56.54	154.44	7.59	3.91	332.91	719.07	50.46	157.84	33.30	-45.58	-8.44	-23.92
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,477.15	1,152.10	142.93	49.96	9.40	3.14	339.81	836.01	178.58	208.99	61.43	-71.02	-16.35	-36.67
8 H - Transportation and storage	1,397.93	629.89	223.65	19.49	3.01	3.92	157.93	512.67	205.44	237.05	43.47	-101.48	-71.37	-22.63
9 L - Real estate activities	2,625.59	781.42	450.92	897.59	32.76	8.21	167.43	1,860.09	135.16	318.24	55.36	-52.65	-14.67	-28.48
10 Loans collateralised by residential immovable property	28,617.34	461.12	1,213.12	4,075.84	12,970.15	25.67	4,378.24	11,994.88	2,347.11	1,573.45	184.61	-240.46	-96.73	-106.01
11 Loans collateralised by commercial immovable property	4,494.15	1,218.69	1,136.39	1,325.59	36.47	7.98	417.79	2,950.02	349.33	568.39	153.71	-241.01	-61.00	-143.43
12 Repossessed colaterals	189.85	0.00	0.00	0.00	7.53	0.00	0.00	7.53	0.00	0.00	0.00	-6.08	0.00	0.00
13 Other relevant sectors (breakdown below where relevant)														

Values in million Euros

16.9 Green Asset Ratio (GAR)

In 2020, the European Parliament and the 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 established in the Taxonomy of the European Union.

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 EU's Taxonomy.

In this sense, in this report, CGD discloses, with a reference date of December 31, 2024, the templates related to the GAR, namely the summary of the key performance indicators related to the 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 aforementioned templates.

Summary of key performance indicators for Taxonomy-aligned exposures

The Tables below provide, with a reference date of 31 December 2024, an overview of key performance indicators (KPIs) on CGD Group's Taxonomy-aligned exposures.

This table represents the ratio of green assets in two ways:

- in terms of *stock*, based on the total gross amount of loans and advances as at 31 December 2024;
- in terms of *flow*, based on the gross amount of new loans and advances during the last year.

As of December 31, 2024, CGD presents a total stock GAR of 4.01% and a total flow GAR of 0.08%. It should be noted that both ratios result from the sum of the KPIs ratios related to climate change mitigation and adaptation.

For KPIs related to climate change adaptation, the ratio in terms of *flow* is zero.

Table 61 | ESG 6a: Summary of key performance indicators (KPIs) for Taxonomy-aligned exposures

		a	b	c
		KPI		
		Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)
1	RAE stock	3.94%	0.07%	4.01%
2	RAE flow	4.08%	0.00%	4.08%

Table 62 | ESG 6b: Summary of key performance indicators (KPIs) for Taxonomy-aligned exposures

		d
		% coverage (over total assets)*
1	RAE stock	66.63%
2	RAE flow	0.00%

Mitigation actions: assets for the calculation of the GAR

The Tables below report, with a reference date of 31 December 2024, the assets that constitute the numerator and denominator of the green asset 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. Noting that assets that are not taken into account in the calculation of the GAR, in particular exposures to sovereigns, central banks and the trading book, are also reported in this Table. In addition, the eligibility and alignment, according to the Taxonomy, of the assets included in the numerator of the GAR are also assessed in this Table.

As of 31 December 2024, around 69% of the assets covered in both the numerator and denominator of the GAR relate to loans secured by residential immovable property. Of which, approximately 5% are considered sustainable from an environmental point of view.

With regard to the "Climate Change Mitigation" and "Climate Change Adaptation" criteria, about 76% of the assets covered in the numerator and denominator of the ratio are classified in the "Climate Change Mitigation" category.

Table 63 | ESG 7a: Mitigation actions: assets for the calculation of the GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					
			Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling				
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	41,816	31,664	2,470	0	25	0	220	45	0	0	0	31,884	2,515	0	25	0
2	Financial corporations	5,252	2,030	4	0	0	0	0	0	0	0	0	2,030	4	0	0	0
3	Credit institutions	4,167	1,166	4	0	0	0	0	0	0	0	0	1,166	4	0	0	0
4	Loans and advances	1,697	185	4	0	0	0	0	0	0	0	0	185	4	0	0	0
5	Debt securities, including UoP	2,470	981	0	0	0	0	0	0	0	0	0	981	0	0	0	0
6	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
7	Other financial corporations	1,085	864	0	0	0	0	0	0	0	0	0	864	0	0	0	0
8	of which investment firms	977	756	0	0	0	0	0	0	0	0	0	756	0	0	0	0
9	Loans and advances	441	353	0	0	0	0	0	0	0	0	0	353	0	0	0	0
10	Debt securities, including UoP	105	49	0	0	0	0	0	0	0	0	0	49	0	0	0	0
11	Equity instruments	432	355	0		0	0	0	0		0	0	355	0		0	0
12	of which management companies	90	90	0	0	0	0	0	0	0	0	0	90	0	0	0	0
13	Loans and advances	9	9	0	0	0	0	0	0	0	0	0	9	0	0	0	0
14	Debt securities, including UoP	81	81	0	0	0	0	0	0	0	0	0	81	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
16	of which insurance undertakings	18	18	0	0	0	0	0	0	0	0	0	18	0	0	0	0
17	Loans and advances	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	17	17	0	0	0	0	0	0	0	0	0	17	0	0	0	0
19	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0
20	Non-financial corporations (subject to NFRD disclosure obligations)	4,707	351	281	0	0	0	220	45	0	0	0	571	326	0	0	0
21	Loans and advances	1,791	73	30	0	0	0	59	0	0	0	0	132	30	0	0	0
22	Debt securities, including UoP	2,916	278	251	0	0	0	161	45	0	0	0	439	296	0	0	0
23	Equity instruments	0	0	0		0	0	0	0		0	0	0	0		0	0

Million EUR		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
		Disclosure reference date T																
		Total gross carrying amount	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)						
	Of which specialised lending	Of which transitional	Of which enabling	Of which specialised lending	Of which adaptation	Of which enabling	Of which specialised lending	Of which adaptation	Of which enabling	Of which specialised lending	Of which transitional/adaptation	Of which enabling						
24	Households	31,857	29,283	2,185	0	25	0							29,283	2,185	0	25	0
25	of which loans collateralised by residential immovable property	28,778	28,778	2,160	0	0	0	0	0	0	0	0	0	28,778	2,160	0	0	0
26	of which building renovation loans	496	496	21	0	21	0	0	0	0	0	0	0	496	21	0	21	0
27	of which motor vehicle loans	9	9	3	0	3	0	0	0	0	0	0	0	9	3	0	3	0
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local governments financing	0	0	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	TOTAL GAR ASSETS	41,816	31,664	2,470	0	25	0	220	45	0	0	0	0	31,884	2,515	0	25	0
Assets excluded from the numerator for GAR calculation (covered in the denominator)																		
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	12,828																
34	Loans and advances	10,888																
35	Debt securities	1,746																
36	Equity instruments	195																
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	3,136																
38	Loans and advances	2,867																
39	Debt securities	203																
40	Equity instruments	66																
41	Derivatives	176																
42	On demand interbank loans	349																
43	Cash and cash-related assets	708																
44	Other assets (e.g. Goodwill, commodities etc.)	3,744																
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	62,758																
Other assets excluded from both the numerator and denominator for GAR calculation																		
46	Sovereigns	23,288																
47	Central banks exposure	19,673																
48	Trading book	476																
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	43,437																
50	TOTAL ASSETS	106,195																

Values in million Euros

Table 64 | ESG 7b: Mitigation actions: assets for the calculation of the GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					
			Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling				
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	41,816	31,664	2,470	0	25	0	220	45	0	0	0	31,884	2,515	0	25	0
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Green Asset Ratio

The following Tables disclose, with a reference date of December 31, 2024, the value of the GAR.

The reported ratio makes it possible to determine the extent to which the activities of the institutions qualify as environmentally sustainable, that is, they are aligned according to the Taxonomy of the European Union.

These Tables include the GAR for *stock* KPIs based on the data disclosed in the ESG7 Tables, reflecting the share of Taxonomy-aligned and eligible activity-related exposures in total covered assets. In addition, the Tables include the GAR for flow KPI 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 equity instruments. It should be noted that the data taken into account in the *flow* is determined on the basis of the gross amount of exposure incurred over the last year.

As of December 31, 2024, CGD presents a GAR for stock KPIs of 50.80%, of which 4.01% belongs to sectors relevant to the Taxonomy. It should be noted that the proportion of total assets covered corresponds to 66.63%.

Regarding the GAR related to *the flow* KPIs, CGD presents as of December 31, 2024 a ratio of 29.29%. The proportion of the total new assets covered corresponds to 0.00%.

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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Disclosure reference date T: KPIs on stock															
Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
1 GAR	50.45%	3.94%	0.00%	0.04%	0.00%	0.35%	0.07%	0.00%	0.00%	0.00%	50.80%	4.01%	0.00%	0.04%	0.00%
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	75.72%	5.91%	0.00%	0.06%	0.00%	0.53%	0.11%	0.00%	0.00%	0.00%	76.25%	6.02%	0.00%	0.06%	0.00%
16 Other local governments financing	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	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 (%) (KPI de Flows)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Dezembro 2024: ICD dos flows														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/a daptation	Of which enabling
1	GAR	28.44%	4.08%	0.00%	0.21%	0.00%	0.85%	0.00%	0.00%	0.00%	0.00%	29.29%	4.08%	0.00%	0.21%	0.00%
2	Loans and advances, debt securities and equity instruments not HIT eligible for GAR calculation	63.30%	9.08%	0.00%	0.46%	0.00%	1.90%	0.00%	0.00%	0.00%	0.00%	65.20%	9.08%	0.00%	0.46%	0.00%
3	Financial corporations	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
4	Credit institutions	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
5	Other financial corporations	94.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	94.53%	0.00%	0.00%	0.00%	0.00%
6	of which investment firms	90.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	90.18%	0.00%	0.00%	0.00%	0.00%
7	of which management companies	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
8	of which insurance undertakings	98.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	98.71%	0.00%	0.00%	0.00%	0.00%
9	Non-financial corporations subject to NFRD disclosure obligations	7.65%	6.11%	0.00%	0.00%	0.00%	4.79%	0.00%	0.00%	0.00%	0.00%	12.45%	6.11%	0.00%	0.00%	0.00%
10	Households	100.00%	12.08%	0.00%	0.84%	0.00%						100.00%	12.08%	0.00%	0.84%	0.00%
11	of which loans collateralised by residential immovable property	100.00%	2.40%	0.00%	0.00%	0.00%						100.00%	2.40%	0.00%	0.00%	0.00%
12	of which building renovation loans	100.00%	0.84%	0.00%	0.84%	0.00%						100.00%	0.84%	0.00%	0.84%	0.00%
13	of which motor vehicle loans	100.00%	38.00%	0.00%	0.00%	0.00%						100.00%	0.00%	0.00%	0.00%	0.00%
14	Local government financing	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%
16	Other local governments financing	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	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 (%) (KPI de Flows)

		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable			
			Of which specialised lending	Of which transitional	Of which enabling	Of which specialised lending		Of which adaptation	Of which enabling	Of which specialised lending	Of which transitional/a daptation		Of which enabling			
1	GAR	28.44%	4.08%	0.00%	0.21%	0.00%	0.85%	0.00%	0.00%	0.00%	0.00%	29.29%	4.08%	0.00%	0.21%	0.00%
2	Loans and advances, debt securities and equity instruments not HTI eligible for GAR calculation	63.30%	9.08%	0.00%	0.46%	0.00%	1.90%	0.00%	0.00%	0.00%	0.00%	65.20%	9.08%	0.00%	0.46%	0.00%
16	Other local governments financing	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 (%)

		p	p
		ICD of stocks	ICD of flows
		Proportion of total new assets covered	Proportion of total new assets covered
1	GAR	66.63%	0.00%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	66.63%	152.22%
3	Financial corporations	8.37%	58.93%
4	Credit institutions	6.64%	57.28%
5	Other financial corporations	1.73%	1.65%
6	of which investment firms	1.56%	1.24%
7	of which management companies	0.14%	0.46%
8	of which insurance undertakings	0.03%	-0.05%
9	Non-financial corporations subject to NFRD disclosure obligations	7.50%	64.54%
10	Households	50.76%	28.76%
11	of which loans collateralised by residential immovable property	45.86%	24.56%
12	of which building renovation loans	0.79%	0.07%
13	of which motor vehicle loans	0.01%	0.07%
14	Local government financing	0.00%	0.00%
15	Housing financing	0.00%	0.00%
16	Other local governments financing	0.00%	0.00%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%

16.10 Banking Book Taxonomy Alignment Ratio (BTAR)

As of December 2024, it became mandatory to disclose the tables with assets for the calculation of the *Banking Book Taxonomy Alignment Ratio* (BTAR).

To calculate the BTAR, CGD used the following approach for the calculation of the eligibility and alignment ratios of non-NFRD companies:

1. If the counterparty is not a member of the EU, the counterparty's activities are assumed to be ineligible/aligned;
2. If the counterparty is non-NFRD and EU-owned, *proxies* are used for the calculation of alignment/eligibility through NACE eligibility and average alignment.

The BTAR only varies from the GAR by considering the alignment of exposures to counterparties that are not subject to the reporting obligation under the NFRD, with the aim of, together with the qualitative disclosures on ESG risks, obtaining greater depth on the Institution's mitigation actions.

In this sense, in this report, CGD discloses, with a reference date of December 31, 2024, the templates related to the BTAR.

Summary of key performance indicators for Taxonomy-aligned exposures

The Tables below provide, with a reference date of 31 December 2024, an overview of key performance indicators (KPIs).

This Table represents the Taxonomy-aligned credit portfolio ratio in two ways:

- in terms of *stock*, based on the total gross amount of loans and advances as at 31 December 2024;
- in terms of *flow*, based on the gross amount of new loans and advances during the last year.

As of December 31, 2024, CGD has a total stock BTAR of 5.78% and a total flow BTAR of 4.08%. It should be noted that both ratios result from the sum of the KPI ratios related to climate change mitigation and adaptation.

For the KPIs on climate change adaptation, the ratio in terms of *flow* is zero.

Table 70 | ESG 9.3: Summary of Key Performance Indicators (KPI) for the Banking Book Taxonomy Alignment Ratio (BTAR)

	KPI			% coverage (over total assets)
	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Total (CCM + CCA)	
BTAR <i>stock</i>	5.71%	0.07%	5.78%	92.07%
BTAR <i>flow</i>	4.08%	0.00%	4.08%	10.47%

As of December 31, 2024, CGD presents a BTAR related to *stock* KPIs of 57.77%, of which 5.78% belong to sectors relevant to the Taxonomy. It should be noted that the proportion of total assets covered corresponds to 92%.

With regard to the BTAR related to flow ICD, CGD presents as of December 31, 2024 a ratio of 32.09%. The proportion of the total new assets covered corresponds to 10.47%.

Table 71 | ESG 9.1: Mitigation actions: assets for the BTAR calculation

Million EUR		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
		December 2024																
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)						
Of which specialised	Of which transitional			Of which enabling	Of which specialised	Of which adaptation		Of which enabling	Of which specialised	Of which transitional/		Of which enabling						
1	Total GAR Assets	41,816	31,664	2,470	0	25	0	220	45	0	0	0	31,884	2,515	0	25	0	
Assets excluded from the numerator for GAR calculation (covered in the denominator) but included in the numerator																		
2	EU Non-financial corporations (not subject to NFRD disclosure obligations)	12,828	4,369	1,113	0	0	0	0	0	0	0	0	4,369	1,113	0	0	0	
3	Loans and advances	10,888	4,068	970	0	0	0	0	0	0	0	0	4,068	970	0	0	0	
4	of which loans collateralised by commercial immovable property	2,484	2,484	306	0	0	0						2,484	306	0	0	0	
5	of which building renovation loans	5	5	0	0	0	0						5	0	0	0	0	
6	Debt securities	1,746	300	143	0	0	0	0	0	0	0	0	300	143	0	0	0	
7	Equity instruments	195	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	3,136	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
9	Loans and advances	2,867	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10	Debt securities	203	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11	Equity instruments	66	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
12	TOTAL BTAR ASSETS	57,780	36,033	3,583	0	25	0	220	45	0	0	0	36,253	3,628	0	25	0	
Assets excluded from the numerator of BTAR (covered in the denominator)																		
13	Derivatives	176																
14	On demand interbank loans	349																
15	Cash and cash-related assets	708																
16	Other assets (e.g. Goodwill, commodities etc.)	3,744																
17	TOTAL ASSETS IN THE DENOMINATOR	62,758																
Other assets excluded from both the numerator and denominator for BTAR calculation																		
18	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	43,437																
19	TOTAL ASSETS	106,195																

Values in million Euros

Table 72 | ESG 9.2: Summary of key performance indicators (stock KPI and flows) related to the Banking Book Taxonomy Alignment Ratio (BTAR)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		December 2024: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	BTAR	57.42%	5.71%	0.00%	0.04%	0.00%	0.35%	0.07%	0.00%	0.00%	0.00%	57.77%	5.78%	0.00%	0.04%	0.00%	92.07%
2	GAR	50.45%	3.94%	0.00%	0.04%	0.00%	0.35%	0.07%	0.00%	0.00%	0.00%	50.80%	4.01%	0.00%	0.04%	0.00%	66.63%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	6.96%	1.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.96%	1.77%	0.00%	0.00%	0.00%	20.44%
4	of which loans collateralised by commercial immovable property	3.96%	0.49%	0.00%	0.00%	0.00%						3.96%	0.49%	0.00%	0.00%	0.00%	3.96%
5	of which building renovation loans	0.01%	0.00%	0.00%	0.00%	0.00%						0.01%	0.00%	0.00%	0.00%	0.00%	0.01%
6	Non-EU country counterparties not subject to NFRD disclosure obligations	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%	5.00%

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	BTAR	31.23%	4.08%	0.00%	0.21%	0.00%	0.85%	0.00%	0.00%	0.00%	0.00%	32.09%	4.08%	0.00%	0.21%	0.00%	10.47%
2	GAR	28.44%	4.08%	0.00%	0.21%	0.00%	0.85%	0.00%	0.00%	0.00%	0.00%	29.29%	4.08%	0.00%	0.21%	0.00%	0.00%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	2.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.80%	0.00%	0.00%	0.00%	0.00%	10.47%
4	of which loans collateralised by commercial immovable property	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	of which building renovation loans	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6	Non-EU country counterparties not subject to NFRD disclosure obligations	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%

16.11 Other climate change mitigation measures

The objective of the Table below is to disclose other climate change mitigation measures and actions that support counterparties in their transition and adaptation process to climate change, but that do not meet the criteria set out in the Taxonomy Regulation and, consequently, are not included in the GAR Tables (ESG 7 and ESG 8).

This Table includes two types of financial instruments, bonds and loans, which support financial and non-financial firms, households and other counterparties in the process of mitigating the transition and physical risk associated with climate change.

As of December 31, 2024, about 77% of the gross carrying amount reported in column c) of the Table below is related to loans. Of which, approximately 35% refers to loans to families secured by residential properties.

The approach developed by CGD, in order to comply with regulatory requirements, was based on the following assumptions:

- With regard to the bond segment, the green and sustainable debt issues issued by the Bank were considered in accordance with its *Sustainable Finance Framework*, which is in line with the *Green Bond Principles*, *Social Bond Principles* and *Sustainability Bond Guidelines* released by the *International Capital Market Association* (ICMA).
- With regard to the corporate loans segment, only loans from sustainable financing lines made available to customers in the areas of activity identified in the Bank's Sustainable Finance and Energy Transition Policy are considered, such as energy and transport.
- Regarding loans secured by commercial real estate, properties with energy certification equal to or greater than B were considered, in accordance with the Sustainable Finance and Energy Transition Policy and the criteria established in the Taxonomy Regulation.
- In the segment of loans to households, loans secured by residential real estate with an energy certificate of A or A- were considered, in accordance with the sustainable financing and energy transition policy and whose year of construction is greater than 2020.

Table 73 ESG 10: Other climate change mitigation measures not covered by Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations		Policy and Legal ris	Non mitigated	
2		Non-financial corporations	1,335.18	Policy and Legal ris	Non mitigated	In this template, the green and sustainable debt issuances issued by the bank were considered in accordance with its Sustainable Finance Framework, which is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association (ICMA). Sustainable debt issuances from customers that are part of Caixa's balance sheet are also considered.
3		Of which Loans collateralised by commercial immovable property		Policy and Legal ris	Non mitigated	
4		Households		Policy and Legal ris	Non mitigated	
5		Of which Loans collateralised by residential immovable property		Policy and Legal ris	Non mitigated	
6		Of which building renovation loans		Policy and Legal ris	Non mitigated	
7		Other counterparties		Policy and Legal ris	Non mitigated	
8		Financial corporations			Policy and Legal ris	Non mitigated
9	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	197.20	Policy and Legal ris	Non mitigated	This segment considers only loans of sustainable financing lines made available to customers in the areas of activity identified in the Bank's Sustainable Financing and Energy Transition Policy, such as energy and transportation. Additionally, properties with more detailed information in the line below are considered
10		Of which Loans collateralised by commercial immovable property	42.21	Policy and Legal ris	Non mitigated	This segment considers properties belonging to companies with energy certification equal to or greater than B that are not considered aligned with the European Taxonomy, in accordance with the Bank's sustainable financing and energy transition policy, which defines as green properties belonging to the top 15% of the national market in terms of energy efficiency.
11		Households	392.89	Policy and Legal ris	Non mitigated	Residential properties with energy certification A are considered, in accordance with the Bank's sustainable financing and energy transition policy, which classifies as green only the properties with the best energy performance (top 15%). In this segment, only properties with construction after 2020 are considered, given that properties with construction prior to 2020 with energy certification (A or A-) are considered in map 7 for the calculation of the GAR.
12		Of which Loans collateralised by residential immovable property	390.69	Policy and Legal ris	Non mitigated	Residential properties with energy certification are considered A, in accordance with the Bank's sustainable financing and energy transition policy, which classifies as green only the properties with the best energy performance (top 15%). In this segment, only a percentage of the portfolio of properties built after 2020 with the energy certificate ("A") is considered, the rest of the portfolio of properties with the energy certificate of "A" or "A+" are considered in map 7 for the calculation of the GAR.
13		Of which building renovation loans	2.20	Policy and Legal ris	Non mitigated	Residential properties with energy certification are considered A, in accordance with the Bank's sustainable financing and energy transition policy, which classifies as green only the properties with the best energy performance (top 15%). In this segment, only a percentage of the portfolio of properties built after 2020 with the energy certificate ("A") is considered, the rest of the portfolio of properties with the energy certificate of "A" or "A+" are considered in map 7 for the calculation of the GAR.
14		Other counterparties			Policy and Legal ris	Non mitigated

17. Remuneration

In terms of remuneration, the Remuneration Committee of the General Meeting (CRAG) is responsible for setting the remuneration of the members of the company's management and supervisory bodies, in its fixed and variable components, in compliance with the Remuneration Policy for Members of the Management and Supervisory Bodies (Remuneration Policy).²⁷

It is also the responsibility of this committee²⁸ to ensure compliance with legal and regulatory requirements, namely regarding 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 the appointment and setting of the remuneration of the management and supervisory bodies of the other Entities that are part of the CGD Group and of CGD employees with management status who report directly to the Board of Directors or to any of its committees (including the Executive Committee).

Following this and during 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 2024 Annual Report (chapter 3.7. Remuneration), information regarding the respective remuneration policies and practices applicable to the categories of employees whose professional activities have or may have a significant impact on CGD's risk profile.

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

The Process for the identification of **Relevant Function Holders** complies with the rules laid down in the new Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, published in the Official Journal of the European Union, L 203, of 9 June 2021 repealing Delegated Regulation (EU) 604/2014, which remained in force until 26 June 2021, and the Personnel Management and Development Department is responsible for carrying out an annual process of identification of CGD's Relevant Function Holders.

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

²⁷ 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>

²⁸ For further information on the competences of this Commission, refer to chapter 3.5. Governing Bodies and Committees, item "Remuneration Committee of the General Assembly Assembly" of the Report and Accounts.

Table 74 | EU REM1 Remuneration 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	229	99
	2. Total fixed remuneration	0020	1.131	2.748	28.381	5.456
	3. Of which: cash-based	0030	1.131	2.705	28.140	5.369
	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	0	43	240	87
Variable remuneration	9. Number of identified staff	0080	0	8	159	44
	10. Total variable remuneration	0090	0	2.657	4.319	604
	11. Of which: cash-based	0100	0	1.329	3.478	604
	12. Of which: deferred	0110	0	664	201	0
	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	1.329	841	0
	EU-14y. Of which: deferred	0170	0	664	201	0
	15. Of which: other forms	0180	0	0	0	0
16. Of which: deferred	0190	0	0	0	0	
17. Total remuneration	0200	1.131	5.405	32.700	6.060	

Values in thousand of Euros

The Table below refers to special payments to staff whose professional activity has a significant impact on the risk profile of the CGD Group reported in accordance with the provisions of Article 450(1)(h)(v), (vi) and (vii) Special payments to staff whose professional activity has a significant impact on the risk profile of the institutions (identified staff).

Table 75 | EU REM2 Special payments to staff whose professional activity has a significant impact on the risk profile of the CGD Group (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 the deferred remuneration in the CGD Group reported in accordance with the provisions of article 450, paragraph 1, paragraph h), subparagraphs iii) and iv) Deferred remuneration.

Table 76 | 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 of 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
2. Cash-based	0020	0	0	0	0	0	0	0	0
3. 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
5. Other instruments	0050	0	0	0	0	0	0	0	0
6. Other forms	0060	0	0	0	0	0	0	0	0
7. MB Management function	0070	4.424	815	3.609	0	0	0	815	408
8. Cash-based	0080	2.212	408	1.805	0	0	0	408	0
9. 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
11. Other instruments	0110	2.212	408	1.805	0	0	0	408	408
12. Other forms	0120	0	0	0	0	0	0	0	0
13. Other senior management	0130	2.785	587	2.199	0	0	0	587	137
14. Cash-based	0140	1.827	450	1.377	0	0	0	450	0
15. 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
17. Other instruments	0170	959	137	822	0	0	0	137	137
18. Other forms	0180	0	0	0	0	0	0	0	0
19. Other identified staff	0190	105	7	98	0	0	0	7	4
20. Cash-based	0200	53	4	49	0	0	0	4	0
21. 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
23. Other instruments	0230	52	4	49	0	0	0	4	4
24. Other forms	0240	0	0	0	0	0	0	0	0
25. Total amount	0250	7.315	1.409	5.905	0	0	0	1.409	548

Values in thousand of Euros

The Table below refers to remuneration equal to or greater than EUR 1 million per year in the CGD Group reported in accordance with the provisions of article 450, paragraph 1, point i) of the CRR – Remuneration equal to or greater than EUR 1 million per year.

Table 77 | EU REM4 Remuneration equal to or greater than EUR 1 million per year

	Remuneration: Payment band	a	
		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

Values in thousands of euros

The Table below respects the remuneration of staff whose professional activity has a significant impact on the risk profile of the CGD Group reported in accordance with the provisions of article 450, paragraph 1, paragraph g) of the CRR.

Table 78 | EU REM5 Information on the remuneration of staff whose professional activity has a significant impact on the risk profile of the CGD Group (identified staff)

		a	b	c	d	e	f	g	h	i	j	
		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	Total	
1. Total number of identified staff	0010										345	
2. Of which: members of the MB	0020	9	8	17								
3. Of which: other members of senior management	0020				23	35	7	126	30	8		
4. Of which: other identified personnel	0020				12	22	4	23	32	6		
5. Total remuneration of identified staff	0050	1.131	5.405	6.537	3.577	10.482	1.035	15.774	5.997	1.894		
6. Of which: variable remuneration	0060	0	2.657	2.657	486	520	159	2.591	904	263		
7. Of which: fixed remuneration	0070	1.131	2.748	3.880	3.091	9.963	876	13.183	5.093	1.632		

Values in thousand of Euros

Anexos

Annex I – CRR Tables Mapping

Template	Ref EBA	Name	Chapter	CRR Article
Regulation (EU) 637/2021				
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		Eligible own funds and capital ratios	4.3 Regulatory Capital	
10		Eligible own funds	4.3 Regulatory Capital	
11	EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	4.3 Regulatory Capital	artigo 437 (b) e (c)
12	EU CC1	Composition of regulatory own funds	4.3 Regulatory Capital	artigo 437 (a), (d), (e) e (f)
13	EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	4.3 Regulatory Capital	artigo 437 (a)
14		Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds	4.3 Regulatory Capital	
15	EU OV1	Overview of total risk exposure amounts	4.4 Capital requirements	artigo 438 (d)
16	EU INS1	Insurance participations	4.4 Capital requirements	artigo 438 (f)
17		Leverage ratio	4.5 Leverage Ratio	
18	EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	4.5 Leverage Ratio	artigo 451 1 (b)
19	EU LR2	Leverage ratio common disclosure	4.5 Leverage Ratio	artigo 451 1 (a) e (b), e do artigo 451 3
20	EU LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	4.5 Leverage Ratio	artigo 451 1 (b)
21	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)
22	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)
23	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)
24		Total amount and average exposure amount	6. Credit Risk	
25	EU CR2	Changes in the stock of non-performing loans and advances	6. Credit Risk	artigo 442 (f)
26	EU CR1	Performing and non-performing exposures and related provisions	6. Credit Risk	artigo 442 (c) e f)
27	EU CQ3	Credit quality of performing and non-performing exposures by past due days	6. Credit Risk	artigo 442 (d)
28	EU CR1-A	Maturity of exposures	6. Credit Risk	artigo 442 (g),
29	EU CQ1	Credit quality of forborne exposures	6. Credit Risk	artigo 442 (c)

Template	Ref EBA	Name	Chapter	CRR Article
30	EU CQ7	Collateral obtained by taking possession and execution processes	6. Credit Risk	artigo 442 (c)
31	EU CQ4	Quality of non-performing exposures by geography	6. Credit Risk	artigo 442 (c) e (e)
32	EU CQ5	Credit quality of loans and advances by industry	6. Credit Risk	artigo 442 (c) e (e)
33	EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	7. Credit risk reduction	artigo 453 (f)
34	EU CR4	standardised approach – Credit risk exposure and CRM effects	7. Credit risk reduction	artigo 453 (g), (h) e (l), e no artigo 444 (e)
35	EU CR5	standardised approach	7. Credit risk reduction	artigo 444 (e)
36	EU CCR1	Analysis of CCR exposure by approach	8. Counterparty Credit Risk	artigo 439 (f), (g) e (k)
37	EU CCR2	Transactions subject to own funds requirements for CVA risk	8. Counterparty Credit Risk	artigo 439 (h)
38	EU CCR8	Exposures to CCPs	8. Counterparty Credit Risk	artigo 439 (i)
39	EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	8. Counterparty Credit Risk	artigo 444 (e)
40	EU CCR5	Composition of collateral for CCR exposures	8. Counterparty Credit Risk	artigo 439 (e)
41	EU SEC1	Securitisation exposures in the non-trading book	9. Securitization Operations	artigo 449 (j)
42	EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	9. Securitization Operations	artigo 449 (k), subalinea ii)
43	EU AE1	Encumbered and unencumbered assets	10. Liquidity Risks	artigo 443
44	EU AE2	Collateral received and own debt securities issued	10. Liquidity Risks	artigo 443
45	EU AE3	Sources of encumbrance	10. Liquidity Risks	artigo 443
46		Asset encumbrance ratio	10. Liquidity Risks	
47	EU LIQ1	Quantitative information of LCR	10. Liquidity Risks	artigo 451-A 2
48	EU LIQ2	Net Stable Funding Ratio	10. Liquidity Risks	artigo 451-A 3
50	EU MR1	Market risk under the standardised approach	12. Market Risk	artigo 445
51		Weighting applied by business segment	14. Non-Financial Risk	
52		Accounting Items Relevant Indicator	14. Non-Financial Risk	
53	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	
74	EU REM1	Remuneration awarded for the financial year	17. Remuneration	artigo 450 1 (h), subalíneas i) e ii)
75	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)
76	EU REM3	Deferred remuneration	17. Remuneration	artigo 450 1 (h), subalíneas iii) e iv)
77	EU REM4	Remuneration of 1 million EUR or more per year	17. Remuneration	artigo 450 alinea (l)
78	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)

Template	Ref EBA	Name	Chapter	CRR Article
Regulation (EU) 631/2022				
49	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
Regulation (EU) 2453/2022				
55	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)
56	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)
57	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)
58	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)
59	ESG 5	Banking book - Climate change physical risk: Exposures subject to physical risk	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
60	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)
61	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)
70	ESG9.1	Mitigation actions: Assets for the BTAR calculation	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
71	ESG9.2	BTAR (%)	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
72	ESG9.3	Summary of key performance indicators (KPIs) for BTAR	16. Environmental, Social and Governance Risks (ESG)	Artigo 449 (a)
73	ESG10	Other climate change mitigation measures not covered by Regulation (EU) 2020/852	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)(l)
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-SIs	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 II – Mapping CRR articles

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 435° Disclosure of risk management objectives and policies			
1. Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. Those disclosures shall include:			
(a) the strategies and processes to manage those categories of risks;	2.1 Governance Model Chapters 6 to 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		https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Documents/Selecao-e-Avaliacao-Orgaos-Sociais-CGD.pdf
(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	2.1 Governance Model		
(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	2.1 Governance Model		1.3.2 Governance Model
(e) the description of the information flow on risk to the management body.	2.1 Governance Model		1.3.2 Governance Model
Article 436 Disclosure of the scope of application			
Institutions shall disclose the following information regarding the scope of application of this Regulation as follows:			
(a) the name of the institution to which this Regulation applies;	Introductory note		
(b) a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds;	3. Scope of application of the regulatory framework	EU 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
Article 437 Disclosure of own funds			
Institutions shall disclose the following information regarding their own funds:			
(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	4.3 Regulatory Capital	EU CC1 EU CC2	
(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	4.3 Regulatory Capital	EU CCA	
(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	4.3 Regulatory Capital	EU CCA	
(d) a separate disclosure of the nature and amounts of the following:			
(i) each prudential filter applied pursuant to Articles 32 to 35;	4.3 Regulatory Capital	EU CC1	
(ii) items deducted pursuant to Articles 36, 56 and 66;	4.3 Regulatory Capital	EU CC1	
(iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	4.3 Regulatory Capital	EU CC1	
(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	4.3 Regulatory Capital	EU CC1	
(f) a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation	4.3 Regulatory Capital	EU CC1	
Article 437a Disclosure of own funds and eligible liabilities			
Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities:			
(a) the composition of their own funds and eligible liabilities, their maturity and their main features;	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		
Article 438 Disclosure of own funds requirements and risk-weighted exposure amounts			
Institutions shall disclose the following information regarding their compliance with Article 92 of this Regulation and with the requirements laid down in Article 73 and in point (a) of Article 104(1) of Directive 2013/36/EU:			
(a) a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	4.4 Capital requirements		
(b) the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	4.4 Capital requirements	EU KM1	
(c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	4.4 Capital requirements		
(d) the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	4.4 Capital requirements	EU OV1	
(e) the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	NA		
(f) the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	NA		
(g) the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	NA		
(h) the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	NA		

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

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 442 Disclosure of exposures to credit risk and dilution risk			
Institutions shall disclose the following information regarding their exposures to credit risk and dilution risk:			
(a) the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	6. Credit Risk		
(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	6. Credit Risk		
(c) information on the amount and quality of performing, non-performing and 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 offbalance-sheet exposures;	6. Credit Risk	EU CQ5 EU CR1	
(f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	6. Credit Risk	EU CR2	
(g) the breakdown of loans and debt securities by residual maturity.	6. Credit Risk	EU CR1-A	
Article 443 Disclosure of encumbered and unencumbered assets			
Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks	10. Liquidity Risk		
Article 444 Disclosure of the use of the Standardised Approach			
Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:			
(a) the names of the nominated ECALs and ECAs and the reasons for any changes in those nominations over the disclosure period;	6. Credit Risk 6.1 Qualitative information		
(b) the exposure classes for which each ECAI or ECA is used;	6. Credit Risk 6.1 Qualitative information		
(c) a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	6. Credit Risk 6.1 Qualitative information		
(d) the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by EBA;	6. Credit Risk 6.1 Qualitative information		
(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds.	7. Credit risk reduction	EU CR3 EU CR5 EU CCR3	
Article 445 Disclosure of exposure to market risk			
Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	13. Market Risk	EU MFR1	
Article 446 Disclosure of operational risk management			
Institutions shall disclose the following information about their operational risk management:			
(a) the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	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
Article 447 Disclosure of key metrics			
Institutions shall disclose the following key metrics in a tabular format:			
(a) the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	2. Risk management objectives and policies	EU KM1	
(b) the total risk exposure amount as calculated in accordance with Article 92(3);	2. Risk management objectives and policies	EU KM1	
(c) where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU;	2. Risk management objectives and policies	EU KM1	
(d) their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	2. Risk management objectives and policies	EU KM1	
(e) their leverage ratio and the total exposure measure as calculated in accordance with Article 429;	2. Risk management objectives and policies	EU KM1	
(f) the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	2. Risk management objectives and policies	EU KM1	
(i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	2. Risk management objectives and policies	EU KM1	
(ii) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-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)		
Article 448 Disclosure of exposures to interest rate risk on positions not held in the trading book 1.			
As from 28 June 2021, institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU:			
(a) the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	2.3 Main risks to which the bank is exposed 4.4 Capital requirements 11. Interest Rate Risk		
(b) the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	11. Interest Rate Risk		
(c) a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	11. Interest Rate Risk		
(d) an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	11. Interest Rate Risk		
(e) the description of how institutions define, measure, mitigate and control the interest rate risk of their nontrading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	11. Interest Rate Risk		
(i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;	11. Interest Rate Risk		
(ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;	11. Interest Rate Risk		
(iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;	11. Interest Rate Risk		
(iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3);	11. Interest Rate Risk		
(v) an outline of how often the evaluation of the interest rate risk occurs;	11. Interest Rate Risk		
(f) the description of the overall risk management and mitigation strategies for those risks;	11. Interest Rate Risk		
(g) average and longest repricing maturity assigned to non-maturity deposits.	11. Interest Rate Risk		
2. By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.	11. Interest Rate Risk		

Article/Description	Reference in the Market Discipline Report	Template	Reference in the Report and Consolidated Accounts
Article 449 Disclosure of exposures to securitisation positions			
Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading book and non-trading book activities:			
(a) a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	9. Securitization Operations		21. Financial Liabilities Associated with Transferred Assets See point I.1 above. Notes 13, 21 and 23 of the Annex to the Consolidated Financial Statements (Securitization Transactions and Structured Products)
(b) the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and:			
(i) the risk retained in own-originated transactions;	9. Securitization Operations		
(ii) the risk incurred in relation to transactions originated by third parties;	9. Securitization Operations		
(c) their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	9. Securitization Operations		
(d) a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts:			
(i) SSPEs which acquire exposures originated by the institutions;	N/A		
(ii) SSPEs sponsored by the institutions;	N/A		
(iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services;	N/A		
(iv) SSPEs included in the institutions' regulatory scope of consolidation;	N/A		
(e) a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;			
(f) a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	N/A		
(g) a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	9. Securitization Operations		
(h) the names of the ECAs used for securitisations and the types of exposure for which each agency is used;	9. Securitization Operations		
(i) where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	N/A		
(j) separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	9. Securitization Operations		
(k) for the non-trading book activities, the following information:			
(i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	9. Securitization Operations		
(ii) the aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	9. Securitization Operations	EU SEC4	
(l) for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	9. Securitization Operations		
Article 449a Disclosure of environmental, social and governance risks (ESG risks)			
From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU.	16. Environmental, Social and Governance Risks (ESG)	ESG 1 ESG 2 ESG 3 ESG 4 ESG 5 ESG 6 ESG 7 ESG 8 ESG 9 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
Article 450 Disclosure of remuneration policy			
1. Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the institutions:			
(a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	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			
Article 451 Disclosure of the leverage ratio			
1. Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage:			
(a) the leverage ratio and how the institutions apply Article 499(2);	4.5 Leverage Ratio	EU LR2	
(b) a breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	4.5 Leverage Ratio	EU LR1 EU LR2 EU LR3	
(c) where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	N/A		
(d) a description of the processes used to manage the risk of excessive leverage;	4.5 Leverage Ratio		
(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	4.5 Leverage Ratio		
2. Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).			
3. In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).			
	4.5 Leverage Ratio	EU LR2	

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