MARKET DISCIPLINE

2018

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Introductory note

The document "Market Discipline 2018" aims to supplement the appendix to the annual Financial Statements, providing more detailed information to the market on risk exposure and solvency of the Caixa Geral de Depósitos Group ("CGD" or "CGD Group"), as required in Part VIII of Regulation (EU) no. 575/2013 of the European Parliament and Council and following EBA directives (EBA/2016/11) of August 4th 2017.

Except when explicitly mentioned, the information provided regards to the CGD Group's situation, banking book perimeter, on December 31st 2018 and the monetary values correspond to thousands of euros, having been ascertained through prudential consolidation.

I. Declaration of responsibility

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

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

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

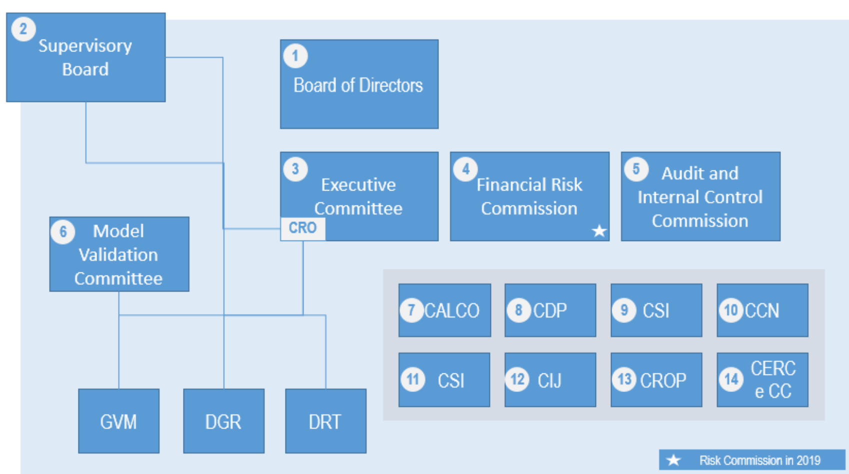
II.1 Governance Model

The leading officer for the CGD Group's risk management is the "*Chief Risk Officer*" ("CRO"), member of the Executive Committee of the CGD's Board of Directors. The CRO of CGD is globally responsible for monitoring the Group's risk management and, in particular, for ensuring adequate functioning and efficiency of risk management, equally aiming to inform, and clarify, members of top management and supervisory bodies concerning incurred risks, CGD and the Group's overall risk profile and the degree of fulfilment of the defined risk tolerance levels.

The role of the CGD Group's risk management is supported by a governance model that is designed to comply with the best practices in this field, as set out in Community Directive 2013/36/EU, and to ensure a sound and efficient system for identifying, measuring, monitoring, reporting and controlling credit, market, liquidity and operational risks incurred by the Group.

Risk management is undertaken centrally and supported by a dedicated structure, the Risk Management Division (DGR), chaired by the CRO. The Risk Management Division undertakes roles in the Group's financial and operating risk management and control, targeted at stability, solvency and financial strength, guaranteeing the identification, evaluation, monitoring, control and reporting of financial and operational risks to which the CGD Group is exposed and the relationships between them, in order to ensure coherent integration of its partial contributions, which are maintained at the level of risk appetite set forth by the Board of Directors and which will not significantly affect the institution's financial situation, continually ensuring the fulfilment and compliance with external norms and legal and regulatory requirements within this scope.

The Board of Directors ❶, supported by the Financial Risk Commission ❹ and the Audit and Internal Control Commission ❺, establishes the Institution's risk appetite, which is implemented by the Executive Committee ❸ with the support of the Risk Management Division and the controlling and business areas.



The Supervisory Board ❷ is the Independent Body responsible for monitoring whether Risk Management is being undertaken effectively, independently and efficiently.

The Financial Risk Commission[1] ❹ monitors the policy for managing all financial risks related to the CGD Group's activity, namely liquidity, interest rate, exchange rate, market and credit risks. The FRC namely monitors risk measurement models and the calculation of internally adopted capital base, as well as Community Directives and BoP and ECB guidelines, concerning financial risks, especially credit risks. As part of its roles and skills, it analyses, among others, reports presented by the RMD concerning Risk, has assessed proposals for financing and refinancing presented by the respective organisational structure bodies and has commented on some necessary appointments for Risk Management Function head positions[2].

The Audit and Internal Control Commission ❺ is responsible for monitoring the process of financial information disclosure and the efficiency of the internal control systems, non-financial risk management and internal audit.

Risk Management is supported by a dedicated corporate structure, the Risk Management Division (RMD), which comprises the assessment and control of credit, market, liquidity and operational risks incurred by the CGD Group, establishing the duty segregation principle between business areas and risk management.

The *Head of Risk* is directly responsible for the Risk Management Function (Central Manager of the RMD), responsible for, without prejudice to the other duties established by CGD's internal regulations, undertaking and leading a benchmark Division taking into account the provisions in the General Scheme for Credit Institutions and Financial Companies (RGICSF), other applicable legal texts and best practices and international standards, in order to guarantee the efficiency and effectiveness of the risk management system and to contribute to promoting and continually improving a risk culture as part of the CGD Group.

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

In fulfilment of its mission, the Risk Management Function is responsible for:

- Ensuring the implementation and monitoring of the risk appetite framework (RAF), as defined in the RAF internal regulation;

[1] At the beginning of the second quarter of 2019 the Financial Risk Committee was renamed the Risk Committee, having revised the scope of its skills and duties.

[2] In compliance with Article 435, No. 2(d) it is noted that the Financial Risk Committee held 20 meetings in 2018.

- Ensuring the development and implementation of a risk management system based on robust identification, evaluation, monitoring and risk control processes, as well as coordinating the development of policies and procedures to support such processes;
- Identifying the risks inherent to undertaken activity, on an individual, aggregated, current and prospective basis, and assessing the risks and measuring exposure to such risks, through appropriate methods;
- Permanently monitoring the risk generating activities and the inherent risk exposures, assessing its compliance with the approved risk appetite and set risk limits, and ensuring the planning of capital and liquidity needs under normal and adverse circumstances;
- Developing, implementing and monitoring *Internal Capital Adequacy Assessment Process (ICAAP)* and the *Internal Liquidity Adequacy Assessment Process (ILAAP)*, as well as coordinating the preparation of respective reports;
- Participating in the process of approving new products and services, by undertaking an assessment of its associated risks and an analysis of the Institution's capacity to manage such risks;
- Ensuring that the related party transactions are revised and that their risks to the institution, real or potential, are identified and adequately assessed;
- Advising top management and supervisory bodies before taking decisions involving material risks, notably when acquisitions, divestitures, mergers or launching new activities or products are involved, in order to ensure a timely and appropriate assessment of their impact to the Institution and the Group's overall risk;
- Monitoring market developments, legal and regulatory amendments relating to the Risk Management Function, strategic planning and the Institution and the CGD Group's respective decisions, in order to permanently keep up to date with the Risk Management Function role;
- Developing and implementing early warning mechanisms for breaches of risk appetite limits;
- Issuing recommendations based on results from completed evaluations and undertaking a continued monitoring of relevant situations, with an appropriate frequency for the risk involved;
- Preparing and updating a Risk Management Plan designed to make sure that all of the Institution's and the CGD Group's material risks are identified, assessed, monitored and reported adequately;
- Providing relevant and independent information, analysis and expert assessments on risk positions, and furthermore issuing opinions on the compatibility of proposals and decisions relating to risks with the Institution risk tolerance/appetite;

- Periodically preparing and submitting reports to top management and supervisory bodies on risk management issues, including an assessment of the Institution's and the CGD Group's overall risk profile and various material risks, a summary of the key deficiencies detected in the control proceedings, including those which are immaterial when considered in isolation, but which may demonstrate trends of deterioration in the internal control system, as well as identifying recommendations that were (or not) undertaken;
- Reporting to the top management and supervisory bodies any infringement or breach (including its causes and a legal and economic analysis of the real cost of eliminating, reducing or offsetting the exposure value in comparison with the potential cost of maintaining it), and, if necessary, the areas concerned and recommending potential solutions;
- Ensuring the preparation and submission of prudential reports related to the Institution and CGD Group's risk management system.

DGR is present:

At Executive Committee ❸ meetings by request, and monthly as its own agenda item, to present the development of key indicators for measuring financial risks and essential concerns in this regard for the subsequent financial periods.

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

At the Executive Board of Capital, Asset and Liability Management (CALCO) ❼, together with the business-generating areas, support areas and members of the Executive Committee. CALCO is the decision-making body of the Executive Committee responsible for assessing and monitoring the integrated *Capital, Asset-Liability Management*(ALM) process which targets proactive balance sheet management and profitability of the CGD Group;

At the Executive Board of Products (CDP) ❽ which is responsible for analysing Caixa's products and services offer, continually ensuring its compliance with regulation as well as internal policy and procedures, in various fields: legal, conduct, compliance, ethics, tax, accounting, management information requirements and regulatory reporting;

At the Executive Board of Rating (CDRT) ❾ which is responsible for assigning or revising internal ratings for counterparties with exposure, measured at the level of the economic group to which it belongs, is greater than or equal to EUR 50 million, and for the approval of exemptions of internal ratings, for counterparties whose exposure, measured at the level of the economic group to which it belongs, is greater than or equal to EUR 10 million. The CDRT is also responsible for monitoring and controlling the development of all assigned ratings, as well as for monitoring revisions to rating assignment methods.

At the Business Continuity Committee (CCN)❿. The CCN is the advisory body of the Executive Committee responsible for coordinating and articulating initiatives and processes related to CGD and the Group's Entities' Business Continuity, ensuring risk control associated with events susceptible to disturbing business by involving physical infrastructure, IT systems or human resource downtime in order to enable the immediate adoption of corrective measures, guaranteeing the alignment of Business Continuity with recommendations from regulatory entities and monitoring the implementation of the CGD Group's Entities' Business Continuity Plans;

At the Information Security Committee (CSI) ⓫ responsible for assessing and coordinating CGD's and the CGD Group's Information Security initiatives;

At the JESSICA Investment Committee (CIJ)⓬, the advisory body of the Executive Committee responsible for the assessment and framework of financing proposals pursuant to the Community Initiative JESSICA, developed by the European Union (EU) and the European Investment Bank (EIB), in collaboration with the Council of Europe Development Bank (CEB);

At the Operating Risk Committee (CROP)⓭ the body responsible for coordinating, assessing and discussing issues related to operating risk management for the CGD Group. It is responsible for monitoring the global operating risk level incurred by the Group, verifying the compliance with established strategy and policies, as well as deciding on presented action plans or submitting these to the decision of the Executive Committee.

At the Executive Committee of Credit Risk (CERC) and the Credit Board (CC)⓮, in specific sessions that aim to guarantee the correct coordination of the responsibility to address at-risk clients between the CGD's Commercial Structures and specialised areas for monitoring and recovering credit.

The CGD further has an Appointments, Assessment and Remunerations Committee ("CNAR"). In terms of the Selection and Evaluation of Board of Directors and Supervisory Board Members and Essential Posts Policy, available at CGD's institutional site[3], the CNAR, in its role to support the filling of vacancies in company bodies and the appointment of Executive Directors, is responsible for evaluating, at least annually, the structure, dimension, composition and undertakings of the Board of Directors and Supervisory Board and, when required, make recommendations to said Boards, as well as evaluating, at least annually, the knowledge, skills, experience and fulfilment of specific

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

duties inherent to roles undertaken by each member of the Board of Directors and the Supervisory Board, in addition to their affiliated bodies, and communicate the respective results to them.

This policy further establishes that the evaluation of adequacy must take into account the individual characteristics of members of bodies which are collective, as well as the safeguard of conditions underlying the functioning of these bodies as collective entities, notably the diversity of qualifications and skills, the availability of the members of the top management and supervisory bodies as a whole and the promotion of the increase in the number of people who are [4] underrepresented in terms of gender in these bodies.

Lastly, concerning the requirement to disclose information related to posts held by members of the management body, within and outside of the Group, and other relevant activities undertaken by members of the management bodies during 2018, reference is made to the Report and Accounts: section "Accumulations of Tasks" and "Appendix V – Curriculum Vitae of the Members of the Corporate Bodies."

II.2 Key developments in 2018

Over 2018, the CGD's achievements in the realm of progress in risk management best practices were significant and comprehensive. The following, in particular, are highlighted:

- Strengthening of the governance of risk management (FGR) framework, following approval, during the second semester of 2017, of a series of corporate standards that constitute practical orientations for the FGR's operations, notably concepts, principles and control and communication procedures of each risk, namely, but not exhaustively, Corporate Policies on Credit, Market, Liquidity, Operating and Model Risk.
- Following the extended application in 2017 of the CGD Group's *Risk Appetite Statement* to entities integrating it, aiming to ensure consistency between the CGD Group's global risk management strategy and locally outlined strategies, as well as the alignment of business objectives facing said strategies, 2018 was particularly marked by the development of additional sensitivity to the respective metrics, in a context of significant transformation to the Group's entities' risk control framework.
- Framed in the management's strategic objectives of boosting domestic business, supported by a risk control infrastructure in line with international best practices, CGD enabled additional focus on implementing internal credit risk assessment models as developed in 2017

[4] Concerning gender equality, for additional information, we refer to the 2018 Report and Accounts, items "Principle of Gender Equality," "Portuguese Letter for Diversity" and "Measures adopted by the company regarding the Principle of Gender Equality, as established in Sec. 1 of the Council of Ministers Resolution No. 19/2012, of February 23rd."

in keeping with the continued strengthening of the optimisation of the relationship between profitability and risk.

- In 2018, CGD continued the preparation activities to address a series of regulatory structure modifications, namely those related to the *Minimum Requirement for Own Funds and Eligible Liabilities* (MREL), the *Fundamental review of the trading book*, *Principles for effective risk data aggregation and risk reporting*, *Interest rate risk in the banking book* (review of the requirements of Pillar II - Evaluation Process by the Supervising Authority, and Pillar III - Market Discipline), among others.
- In this framework, it was important to solidify and develop all risk management infrastructure from the governance model, to the operationalising and dissemination of risk appetite at all levels of the Institution. The strengthening of the corporate role was, as such, a priority.
- The year was also dedicated to the Group's participation in the European Banking Authority (EBA)'s and the European Central Bank (ECB)'s cross-sectional exercise of strength tests, which was underpinned by an infrastructure dedicated to exercises of this nature, whose facets aim to promote the strengthening of balance sheet positions and Institution capital.
- Additionally, the recommendations resulting from various inspections and *theme-based reviews* throughout 2016 and 2017, notably those relating to banking book interest rate risk control and the capital adequacy self-assessment process continued to be cautioned, and progress in the outstanding issues as part of those undertaken the previous year. Globally, the capital and liquidity adequacy self-assessment processes (ICAAP and ILAAP) were improved in line with the previous recommendations from the *Supervisory Review and Evaluation Process* (SREP) and with ICAAP and ILAAP orientations published, at the end of 2018, by the ECB.
- Throughout 2018, risk management continued to be involved in relevant internal information projects as part of adoption/implementation of *Principles for effective Risk Data Aggregation and Reporting*, as recommended by the *Basel Committee on Banking Supervision* (BCBS 239).
- In the sphere of credit risk control, the implementation of the centralised management model in granting credit to companies was concluded, guaranteeing that the Credit Risk Division intervenes in all credit proposals from various commercial areas.
- Furthermore, the centralisation of the decision to grant credit to Private Clients was implemented, ensuring intervention from the Credit Risk Division in analysing the risk of all proposals, whether through prior definition of the parameters for Immediate Decision (standard risk variables), or through case-by-case analysis of each operation that does not comply with all standard criteria.

- In 2018, information requirements for compliance with the IFRS 9 standard were implemented, with the necessary adjustments having been accomplished either through accounting, or in the context of the amendment to practices and new developments on existing processes. New corporate policies were also published, in order to guarantee the alignment with three components of the IFRS 9 standard, concerning several of the CGD Group's entities, yet meeting the specific needs of various geographic locations:
    - Classification and Measuring;
    - Impairment;
    - Hedge Accounting.

  Regarding impairment, the following models were implemented:

    i. Prepayment Model - The method developed for prepayments is based on the respective calculation per residual maturity until the maturity of each operation. Prepayment values associated with an operation at a given moment in its service life represent the probability of the exposure amount associated with the operation being partially or totally amortised before its contractual maturity. As such, two distinct situations are considered through the anticipated percentage of credit amortised: partial prepayment (PPP) and total prepayment (TPP);

    ii. Credit Conversion Factors (CCF) Model - the credit conversion factor (or CCF) associated with an operation at a given moment in its service life represents the percentage of off-balance exposure that can be converted into on-balance exposure until it reaches its default status. As such, the method developed should be applied to credit limits (e.g. revolving credit), such as credit cards, overdrafts and current accounts, having furthermore developed a method to ascertain CCF for off-balance operations (e.g. bank guarantees);

    iii. *Staging* Model - In accordance with IFRS 9, principles for classifying banking book asset operations, in accordance with the associated credit risk, must be established. Depending on the deterioration of credit quality from its initial recognition, three risk stages are considered, namely:

        a. Stage 3: Exposure for which there is objective evidence of credit impairment, aligned with the definition of default in use by the CGD;

        b. Stage 2: Exposure for which a significant increase in the credit risk from its initial recognition can be observed. This significant increase is measured through the variation of default life time probability from the initial recognition date to the report date. However, irrespective of the observation of a significant increase in credit risk from its initial recognition, the credit is classified in Stage 2 if one of the following three conditions is met:

            i. Credit with payment delayed by more than 30 days (*backstop*);

            ii. Credit restructured by financial difficulties;

iii. Credit with objective qualitative triggers of risk.

c. Stage 1: Includes financial instruments that have not had a significant increase in credit risk since initial recognition, i.e., the credit is not encompassed by either Stage 2 or Stage 3.

iv. Probabilities of Default (PD) Model - In accordance with the method developed for calculating estimated credit loss, the probability of default associated with an operation must be estimated following two distinct approaches: estimate of the Lifetime PD considering the operation service life, and the estimate of the PD at 12 months. Both PD estimates represent the probability of the credit operation defaulting, conditioned to the respective duration until its maturing, and to the time period considered for the calculation. However, the Lifetime PD being estimated throughout its maturity is only applicable to operations associated with a determined credit risk level (and considered at Stage 2), while the PD at 12 months should be applied to operations identified as regular credit (and considered at Stage 1);

v. Loss Given Default (LGD) Model - The Loss Given Default represents a loss estimate of a given operation following its default. This parameter is used directly for calculating expected credit losses (ECL) for *Stage* 1, 2 or 3 operations. The LGD incorporates collateral components that estimate the recoveries by means of collateral foreclosure and cash, which the latter estimates recoveries by other means (e.g. payments made by the borrower, restructuring). The method developed by the LGD calculation aims to estimate LGD curves over time since the default;

vi. Forward-Looking adjustment model - In accordance with IFRS 9, the probability of default estimates should include a prospective or forward-looking component. For this purpose, macroeconomic indicators associated with forecast and estimates of future macroeconomic conditions should be considered. The adjustment of PD curves is based on the observed default rates mean adjusted to macroeconomic shocks informed by indicators predicting defaults. At the adjustment's date, the historical data is set for selected variables;

vii. Behaviour Maturity Model - The behaviour maturity aims to identify the time period during which the institution is exposed to credit risk. This parameter is typically calculated for operations in which the operation expiration date is undefined (e.g. revolving credit);

viii. Forward-Looking scenario definition model - In accordance with the IFRS 9 standard, expected credit loss (ECL) corresponds to a series of estimates of financial asset losses during its expected life, weighted by an occurrence probability of said losses. Preparing forward-looking scenarios and updating them predominantly focuses, and whenever feasible, on collecting public and accessible information, disclosed by private entities and national and supranational organisations, relating to perspectives on future developments and relevant variables. Three scenarios were established, one central and two alternative (optimistic and pessimistic), which outline the projections for economic and financial variables supporting forward-looking risk factor adjustments;

ix. Expected Credit Loss Model (ECL) - The expected credit loss (ECL) calculation aims to estimate expected losses taking forward-looking scenarios into account. This calculation must be applied to the entire Banking Book in compliance with internal policies and the most recent IFRS 9 regulation. As such, the distinction between expected losses at 12 months and those throughout the service life of each transaction (lifetime losses) is made. In accordance with IFRS 9, lifetime losses are estimated for impaired transactions or for which a significant decline in credit risk has occurred. In other cases, losses at 12 months are estimated. The ECL calculation additionally considers a forward-looking component incorporated through weighting different macroeconomic scenarios for the loss estimate. The ECL calculation's forward-looking component is incorporated through a PD curve adjustment for each scenario. The ECL calculation through collective impairment analysis is applied to the entire Banking Book and is based on risk parameters such as Credit Conversion Factors (CCF), Probabilities of Default (PD), Loss Given Defaults (LGD), Behavioural Maturity (BM), Partial Prepayments (PPP) and Total Prepayments (TPP).

The models in use were subject to validation by an independent specialist unit (the Model Validation Office).

- In terms of method, the principles of individual impairment analysis were maintained:
    - Going concern approach (active company unlikely to be liquidated) – the borrower will continue to generate operating cash flows that may be used to repay debt to all creditors. Furthermore, collateral may be considered insofar as it doesn't influence operating cash flows. This approach is considered more likely;
    - Gone concern approach (company in liquidation or at risk of liquidation) – collateral is executed and the entity's operating cash flows cease.

In the context of individual impairment evaluation of clients with significant individual exposure, the analysis is centred, essentially, on the following dimensions:

- Fulfilment of contractual conditions agreed with the CGD group;
- Assessment of their economic-financial situation;
- Perspectives on the development of the client's activity;
- Verification of the existence of principal and overdue interest transactions in the CGD Group and/or the financial system;
- Adequacy of guarantees and collateral to mitigate credit granted;
- Analysis of historical information on the payment behaviour of the debtor.

For significant individually evaluated exposure in which objective situations of impairment were not identified, we proceed to investigate collective impairment in compliance with determined risk factors for credit facilities with similar characteristics.

- In the first quarter of 2018, CGD updated the strategic operating plan to reduce classified exposure such as non-performing exposure (NPE), also including real estate owned. The plan's implementation was led by the Executive Committee, with core bank areas that manage, control and monitor NPE having participated.
- In 2018, the Risk Management Division, in conjunction with the bank IT division, proceeded to design and implement a new workflow tool to support the process of assigning internal ratings, thus enabling a significant procedural automation, also improving the respective monitoring alert system.
- In 2018, the Model Validation Office (GVM)'s validation activities focused on IFRS9 issues, support models for decision-making and monitoring credit risk and internal capital adequacy (ICAAP), aligning its activity with the needs of management in terms of new developments and revisions to models in use. For 2019, the planning incorporates a series of corporate initiatives, ensuring the integrated alignment of the CGD Group's risk models.
- The approaches to complex financial instrument assessment were, additionally, strengthened.

II.3 Key risks to which the bank is exposed

The CGD undertakes its activities in the context of universal banking, without overlooking all the specialisations of financial services, such that its clients have an international full service Group at their disposal.

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

Credit risk

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

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

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

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

In the retail banking segment, credit risk assessment is supported by the use of risk assessment statistical tools (Probability of Default - PD - and Loss Given Default - LGD - models), by a series of internal standards establishing objective criteria to be observed when granting credit, as well as by a delegation of skills in accordance with risk notations assigned to clients/transactions.

At the end of 2018, the new centralised company credit decision-making model came into service, ensuring that all credit transactions benefit from intervention from the Credit Risk Division (DRC). The centralisation of decision-making in granting credit to private clients was, furthermore, implemented in June 2018, ensuring intervention from the DRC when analysing the risk of all proposals.

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

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

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

Market Risk

It entails potential negative impacts on results or on Institution capital, arising from unfavourable performance of the price of the portfolio assets.

It arises, as such, from uncertainty as to market prices and rates fluctuation, may them be equity and index prices, or interest or exchange rates, and the behaviour of correlations between them.

For market risk management and control, the set of defined guidelines approved by the Executive Committee must be observed by the Financial Markets Division (DMF), and by CGD Group entities responsible for fair valued portfolio management and/or the management of foreign exchange positions. The focal market risk measure is the Value at Risk (VaR), supplemented by other sensitivity measurements that are more adjusted to the specific type of market risk to be measured, being i) DV01 for interest rate risk, and ii) Greeks for optionality risk.

Liquidity and interest rate risks

The liquidity risk in the banking business may result from i) difficulties in raising funds normally driving up uptake costs, but which may also imply a restriction in asset growth, or ii) difficulties in timely liquidation of third-party obligations, induced by significant gaps between asset and liability residual maturity dates.

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

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

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

Operational risk

The operational risk corresponds to the risk of losses resulting from inadequacies or failures of processes, people and information systems or arising from external events, including legal risks.

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

This methodology includes outlining, monitoring and reporting tolerance limits and risk appetite for the whole Group. It further encompasses identifying operational risk events, self-assessment of risks and controls associated with the processes, managing key risk indicators, analysing new products and services and monitoring of subcontracted activities, as well as fostering action plans which aim to mitigate exposure to operational risk, namely through implementing adequate control and risk mitigation procedures.

II.4 Risk Appetite Statement

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

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

The Bank has established these three general principles:

- Ensuring solvency and liquidity levels - The CGD Group should guarantee adequate solvency and liquidity levels, applying this principle as follows:
  - Maintaining capital strength through regular balance sheet assessment;
  - Maintaining a capital level above regulatory requirements, guaranteeing a buffer in line with market expectations, whether in normal or adverse scenarios;
  - Continuing to ensure a stable, solid and secure liquidity position capable of supporting adverse scenarios;
  - Maintaining stable levels of financing capability and an adequate stock of high-quality net assets through an approach targeting the market, enabling structural adaptations to the balance sheet when needed;
  - Controlling the exposure to risk of international entities, simultaneously maintaining their independence in terms of finance and capital adequacy;
- Ensuring long-term sustainability and maintaining the market leadership position – The CGD Group should ensure their sustainability and leadership position, while observing the following principles:
  - Long-term sustainability through adequate remuneration of balance sheet risks, improvements to operating efficiency, and management of risks which may jeopardise the undertaking of the Bank's strategy, in particular those linked to credit risk;
  - Maintaining an identity as a Commercial Bank and the leadership position in the Portuguese market, whether in deposits or in loans to the economy and families, with a focus on retail clients and small and medium-sized businesses;

  - Searching for a simple and transparent Group structure, rooted in modern infrastructure, to provide high levels of satisfaction to clients and minimise operating risks;

- Adopting excellent practices in risk management – The CGD Group should ensure best practices in risk management are adopted, while observing the following principles:
  - Strengthening Governance and Risk Management and Control, guaranteeing that they observe market best practice, thus contributing to higher stakeholder confidence;
  - Operating in accordance with solid risk management principles, with an effective Governance model and policies that ensure compliance with laws and regulations, and guaranteeing full alignment with the directives of the European Central Bank's Supervisory Review and Evaluation Process (SREP) (cross-sectional method of structured supervision of the i) analysis of the institutions' business models, ii) assessment of internal governance and established controls, iii) evaluation of risks to capital and the adequacy of its levels to mitigate them, and iv) assessment of risks to the institutions' liquidity levels, and the adequacy of liquidity sources to mitigate them);
  - Developing a strong risk management culture focused on protecting the bank's solvency and funding capacity, avoiding risks that may affect stakeholders, particularly depositors, and ensuring a strong reputation and image in the market.

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

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

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

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

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

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

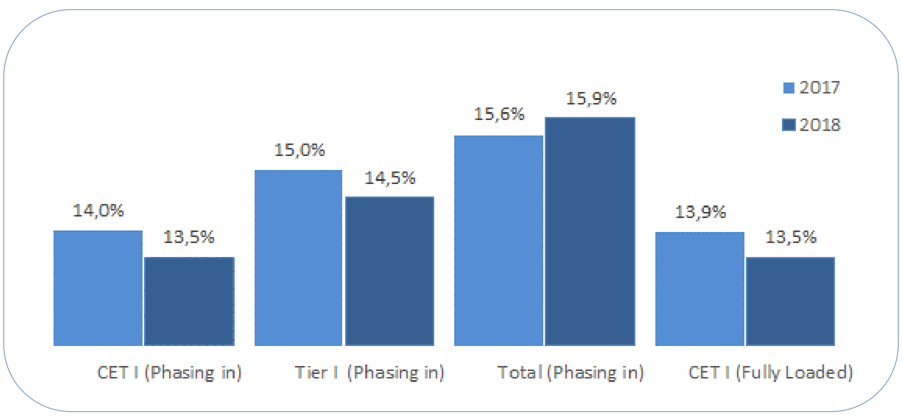
The fall in tolerance level, limit or Recovery Plan trigger requires specific methods to be activated by the respective person in charge of the risk.

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

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

In order to present an extensive overview of the CGD's risk management and in compliance with article 435(f) of the CRR, the CGD Group's main ratios and metrics are outlined below[5].

Figure 1 | Solvency Ratios



[5] Information supplemented by CGD Indicators included in item "1.2 Key Highlights of 2018" of the Report and Accounts.

Table 1| Key indicators

Consolidated Own Funds	2018	2017
Common Equity Tier I *(CETI)*	6.535.521	7.288.678
Tier I	7.038.659	7.830.808
Tier II	661.041	317.648
Total Own Funds	7.699.700	8.148.456
Risk Weighted Assets	**48.417.652**	**52.185.099**
Solvency Ratios		
CET I (*Phasing in*)	13,5%	14,0%
Tier I (*Phasing in*)	14,5%	15,0%
Total *(Phasing in)*	15,9%	15,6%
CET I (*Fully Implemented*)	13,5%	13,9%
Leverage and Liquidity Ratios		
Leverage Ratio (*Phasing -in*)	7,7%	8,2%
Net Stable Funding Ratio	148,9%	139,4%
Liquidity Coverage Ratio	234,6%	208,9%
Credit Quality and Coverage Degree		
NPL Ratio (1)	8,5%	12,0%
NPE ratio(2)	6,7%	9,3%
NPL impairment coverage	62,4%	56,7%
NPE impairment coverage	61,6%	56,4%
Credit risk cost	0,2%	0,1%
Profitability and Efficiency Ratios		
Gross return on own funds - ROE (3)	10,3%	4,1%
Net return on assets - ROE (3)	6,6%	1,1%
Cost-to-income (3)	54,4%	55,5%
Ratings (Long / Short Term)		
Moody's	Ba1/NP	B1/NP
FitchRatings	BB/B	BB-/B
DBRS	BBB (low)/R-2 (mid)	BBB (low)/R-2 (mid)

Values in thousand euros

[1] NPL - Non performing loans - definition EBA.

[2] NPE - Non performing exposures - definition EBA.

[3] Indicator calculated according to Bank of Portugal instructions

III. Scope of the regulatory table's application

Caixa Geral de Depósitos, S.A is a public limited company of exclusively public capital, whose shares can only belong to the Portuguese Republic. On December 31st 2018 its share capital amounted to 3,844,143,735 euros, represented by 768,828,747 shares with a nominal value of 5 euros each.

III.1 The CGD Group's consolidation perimeters

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

The CGD Group uses two consolidation methods:

- ⇨ Full consolidation method

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

- ⇨ Equity method

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

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

- ⇨ Branches: are establishments without their own legal personality, which aim to directly undertake bank service and finance transactions provided by the parent company. These entities are consolidated by the full method.

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

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

⇨ Associates: are entities over which the Group has significant influence but doesn't assume control. An entity is considered to have significant influence in another's current management when it has, directly or indirectly, a level of participation or voting rights between 20% and 50% inclusive. This series of entities is consolidated by the equity method.

⇨ Special purpose entities (EPE)): Within the framework of the IAS/IFRS, these are considered as securitisation vehicles and funds, risk capital funds and other entities that were created to serve a very specific purpose which, when said purpose is accomplished, is the subject of extinction. Entities with such characteristics are consolidated by the full consolidation method when the Group exercises effective control over its activity in accordance with the provisions in the IFRS 10 or holds the majority of its economic benefits and associated risks.

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

On December 31st 2018 the CGD Group's accounting and prudential consolidation perimeter was composed of the following entities:

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

		Consolidation Method				
		Financial Perimeter	Prudential Perimeter	Percentage	Country	Activities
	Branches					
	Sucursal de Luxemburgo	Full	Full	100%	Luxemburgo	Financial institutions
	Sucursal de França	Full	Full	100%	França	Financial institutions
	Sucursal de Timor	Full	Full	100%	Timor	Financial institutions
	Sucursal de Espanha	Full	Full	100%	Espanha	Financial institutions
	Subsidiaries					
(*)	Banco Caixa Geral Brasil, S.A.	Full	Full	100%	Brasil	Financial institutions
(*)	Banco Caixa Geral, S.A.	Full	Full	100%	Espanha	Financial institutions
	Caixa - Banco de Investimento, S.A.	Full	Full	100%	Portugal	Financial institutions
	Banco Comercial e de Investimentos, S.A..	Full	Full	63%	Moçambique	Financial institutions
	Banco Interatlântico, S.A.	Full	Full	70%	Cabo Verde	Financial institutions
	Banco Comercial do Atlântico, S..A.	Full	Full	58%	Cabo Verde	Financial institutions
	Banco Nacional Ultramarino, S.A.	Full	Full	100%	China (Macau)	Financial institutions
	Caixa - Participações, SGPS, S.A.	Full	Full	100%	Portugal	Financial (holding)
	Parbanca, SGPS, S.A.	Full	Full	100%	Portugal	Financial (holding)
	Partang, SGPS, S.A. .	Full	Full	100%	Portugal	Financial (holding)
	Caixa Geral Finance	Full	Full	0,00021%	Ilhas Caimão	Financial institutions
(*)	CGD Investimentos CVC	Full	Full	100%	Brasil	Financial institutions
	A Promotora, S.A.	Full	Full	45%	Cabo Verde	Venture Capital
	Fundger - Soc. Gestora de Fundos de Investimento Imobiliário, S.A.	Full	Full	100%	Portugal	Asset Management
	Caixagest - Técnicas de Gestão de Fundos, S.A.	Full	Full	100%	Portugal	Asset Management
	CGD Pensões - Soc. Gestora de Fundos de Pensões, S..A.	Full	Full	100%	Portugal	Asset Management
	Caixa Leasing e Factoring, IFIC, S.A.	Full	Full	100%	Portugal	Financial institutions
	Imocaixa - Gestão Imobiliária, S.A.	Full	Full	100%	Portugal	Real Estate Management
	Caixanet - Telemática e Comunicações, S.A.	Full	Full	80%	Portugal	Ancillary Services
	Caixatec, Tecnologias de Comunicação, S.A.	Full	Full	100%	Portugal	Ancillary Services
	Sogrupo - Compras e Serviços Partilhados, S.A.	Full	Full	90%	Portugal	Ancillary Services
	Sogrupo - Serviços de Informação, ACE	Full	Full	80%	Portugal	Ancillary Services
	Sogrupo - Gestão de Imóveis, ACE	Full	Full	82%	Portugal	Ancillary Services
	GIE - Groupment d'Interet Economique	Full	Full	100%	France	Ancillary Services
(*)	Mercantile Lisbon Bank Holdings, Ltd.	Full	Full	100%	South Africa	Financial institutions
	Banco Caixa Geral Angola	Full	Full	51%	Angola	Financial institutions
	SCI - Rue du Helder	Full	Full	100%	France	Real Estate Management
	Inmobiliaria Caixa Geral, S.L.	Full	Full	100%	Spain	Real Estate Management
	Caixa - Imobiliário, S.A.	Full	Full	100%	Portugal	Real Estate Management

(continued)

	Consolidation Method				
	Financial Perimeter	Prudential Perimeter	Percentage	Country	Activities
Special Purpose Entities					
Nostrum Mortgages 2	Full	Full	100%	Portugal	Securitisation Fund
FCR - Grupo CGD - Caixa Capital	Full	-	100%	Portugal	Venture Capital Fund
FCR - Empreender+	Full	-	100%	Portugal	Venture Capital Fund
FCR - Caixa Fundos	Full	-	100%	Portugal	Venture Capital Fund
FCR - Caixa Crescimento	Full	-	100%	Portugal	Venture Capital Fund
Caixa Arrendamento - Fundo Fechado (FIIAH)	Full	-	100%	Portugal	Real Estate Investment Fund
Fundo Especial de Investimento Aberto Estratégias Alternativas	Full	-	74%	Portugal	Investment Fund (open-end)
Caixa Imobiliário - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	Full	-	100%	Portugal	Real Estate Investment Fund
Caixagest Private Equity (FEI)	Full	-	33%	Portugal	Investment Fund (open-end)
Caixagest Imobiliário Internacional (FEI)	Full	-	39%	Portugal	Investment Fund (open-end)
Caixagest Infra-Estruturas (FEI)	Full	-	21%	Portugal	Investment Fund (open-end)
Beirafundo - Fundo de Investimento Imobiliário Fechado	Full	-	100%	Portugal	Real Estate Investment Fund
Cidades de Portugal FIIAH	Full	-	100%	Portugal	Real Estate Investment Fund
Fundolis - Fundo de Investimento Imobiliário Fechado	Full	-	100%	Portugal	Real Estate Investment Fund
Fundimo	Full	-	45%	Portugal	Real Estate Investment Fund
Fundiestamo	Full	-	78%	Portugal	Real Estate Investment Fund
Iberia - FEIIF	Full	-	100%	Portugal	Real Estate Investment Fund
Associated					
GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	36%	Mozambique	Venture Capital
Esegur - Empresa de Segurança, S.A.	Equity	Equity	50%	Portugal	Ancillary Services
Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50%	Portugal	Financial institutions
SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	23%	Portugal	Financial institutions
Fidelidade Companhia de Seguros SA	Equity	Equity	15%	Portugal	Insurance company
Fidelidade Assistência Companhia de Seguros SA	Equity	Equity	20%	Portugal	Insurance company
Multicare Seguros de Saúde SA	Equity	Equity	20%	Portugal	Insurance company
(**) Imobci, Lda.	Full	Full	46%	Mozambique	Real Estate Management
Companhia do Papel do Prado, S.A.	Equity	Equity	38%	Portugal	Industry
Yunit Serviços, S.A.	Equity	Equity	33%	Portugal	Telecommunication services
Turismo Fundos, SGFII, S.A.	Equity	Equity	33%	Portugal	Asset management
Bem Comum, Sociedade Capital Risco	Equity	Equity	32%	Portugal	Venture Capital
Banco Internacional de S.Tomé e Príncipe	Equity	Equity	27%	São Tomé	Financial institutions

(*) With IFRS 5 implementation- "Non-current Assets Held for Sale and Discontinued Operations"

(**) With IFRS 10 implementation- "Principle of Control"

During the financial year 2018, taking into account the pursuit of the Strategic Plan, the New York branch was closed and the closure of the Zhuhai branch, which has had no activity since 2017, was concluded.

Equally encompassed in the context of the Strategic Plan, the CGD Group's structural reorganisation began with the merger of six entities in Caixa Geral de Depósitos, shareholder of the total share capital of all incorporated organisations. These were: Caixa Desenvolvimento, Wolfpart, Parcaixa, Cibergradual, Caixa Gestão de Ativos and Caixa Seguros e Saúde.

In 2018 the participation in the entity Vale do Lobo, Resort Turístico de Luxo, S.A was also divested and in the first days of January 2019 the companies Caixanet and CaixaTec were liquidated.

The prudential consolidation perimeter differs from the CGD Group's accounting perimeter in the treatment of entities whose economic activity is different from that which characterises credit institutions and financial companies, in compliance with the provisions in the "General Scheme of Credit Institutions and Financial Companies". Affiliates that undertake activity in economic sectors that are not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recorded in the prudential consolidation perimeter by the equity method.

In the Group there are collective investment organisations, as well as special-purpose vehicles, which weren't included in the banking supervision perimeter, since they aren't encompassed in the definition of a financial company, as determined in the "General Scheme of Credit Institutions and Financial Companies." The Nostrum Mortgage 2 Fund was included in the prudential perimeter by determining the supervision entity.

Pursuant to Article 36(1)(i) of Regulation (EU) No. 575/2013 of the European Parliament and the Council, dated June 26th, participation in financial sector entities in which the group has significant investment (capital shareholdings over 10%) and which was recorded in the prudential consolidation perimeter by the equity method is the subject of deductions in their main level 1 funds. The amount to be decreased corresponds with the portion that exceeds 10% of the institution's main level 1 funds, as outlined under article 48 of the aforementioned Regulation. The prudential perimeter entities in this situation are as follows:

- ⇨ Banco Internacional de S. Tomé e Príncipe;
- ⇨ SIBS – Sociedade Interbancária de Serviços, S.A.

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

III.2 Reconciliation between accounting and regulatory consolidation elements

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

Table 3| Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories (EU LI1)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash equivalents at central banks	5.606.735	5.659.590	5.659.590	0	0	0	0
Cash balances at other credit institutions	1.014.098	1.043.176	1.043.176	0	0	0	0
Loans and advances to credit institutions	2.193.022	2.235.238	1.805.392	217.200	0	212.646	0
Financial assets at fair value through profit or loss	7.696.083	7.675.947	1.545.573	715.098	0	5.415.275	0
Available-for-sale financial assets	4.826.167	5.719.850	5.705.361	0	14.489	0	0
Financial assets with repurchase agreement	55.009	224.212	224.212	0	0	0	0
Hedging derivatives	5.524	5.524	0	5.524	0	0	0
Held-to-maturity investments	3.919.967	3.968.018	3.968.018	0	0	0	0
Loans and advances to customers	51.589.485	55.721.628	55.582.995	0	0	0	138.633
Non-current assets held-for-sale	6.213.217	438.761	438.761	0	0	0	0
Investment properties	809.963	17.710	17.710	0	0	0	0
Other tangible assets	446.134	441.614	441.614	0	0	0	0
Intangible assets	63.310	75.112	0	0	0	0	75.112
Investments in associates and jointly controlled entities, of which:	388.544	857.001	845.901	0	0	0	11.100
Current tax assets	44.620	52.960	52.960	0	0	0	0
Deferred tax assets, of which:	2.107.695	2.186.290	2.186.290	0	0	0	184.043 (*)
Other assets	2.111.845	2.260.046	1.961.346	73.746	0	0	224.954
Total assets	**89.091.418**	**88.582.674**	**81.478.897**	**1.011.568**	**14.489**	**5.627.921**	**633.842**
Liabilities							
Resources of central banks and other credit institutions	1.758.542	2.390.713	0	0	0	0	2.390.713
Customer resources and other loans	63.422.525	67.550.980	0	0	0	0	67.550.980
Debt securities	3.260.321	3.334.838	0	0	0	0	3.334.838
Financial liabilities at fair value through profit or loss	737.818	751.003	0	751.003	0	0	0
Hedging derivatives	3.690	3.690	0	3.690	0	0	0
Non-current liabilities held-for-sale	5.396.454	0	0	0	0	0	0
Provisions for employee benefits	758.492	760.657	0	0	0	0	760.657
Provisions for other risks	357.408	776.806	219.337	0	0	0	557.468
Current tax liabilities	37.830	38.364	0	0	0	0	38.364
Deferred tax liabilities	189.965	219.733	0	0	0	0	219.733
Other subordinated liabilities	1.159.821	1.159.821	0	0	0	0	1.159.821
Other liabilities	3.723.106	3.364.060	0	0	0	0	3.364.060
Total liabilities	**80.805.972**	**80.350.665**	**219.337**	**754.692**	**0**	**0**	**79.376.636**

(*) Of which: € 50.488 million related to tax losses and € 133.555 million to temporary differences.

values in thousand euros

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

(i) subsidiaries that undertake activity in economic sectors that are not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recorded in the prudential consolidation perimeter by the equity method;

(ii) collective investment organisations, as well as special-purpose vehicles, that were not included in the bank supervision perimeter, since they are not encompassed in the definition of a financial company, as determined in the "General Scheme of Credit Institutions and Financial

Companies," are not integrated into the consolidation perimeter, being recorded at its acquisition cost or respective fair value, in accordance with the asset class under which it is encompassed (unconsolidated subsidiaries and affiliates or financial assets at fair value by results or other comprehensive revenue).

Additionally, it should be highlighted that BCG Spain, BCG Brazil, the CGD Investments CVC and Mercantile Bank are recorded in the accounting perimeter in accordance with the IFRS 5 standard (assets of said entities are recorded in a single line item of consolidated assets, “Assets not currently held for sale” while liabilities are in the line item “Liabilities not currently for sale”). In the prudential perimeter, the consolidation of these entities is undertaken line item by accounting line item.

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

	Total	Items subject to: Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	88.132.875	81.478.897	1.011.568	14.489	5.627.921
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	974.029	219.337	754.692	0	0
Total net amount under regulatory scope of consolidation	87.158.846	81.259.560	256.876	14.489	5.627.921
Off-balance sheet amounts	13.447.833	13.360.497	0	0	87.336
Amount relative with Potential Future Exposure of derivatives [1]	143.670	0	143.670	0	0
Differences due to compensation rules [2]	-5.201.562	0	513.695	0	-5.715.257
Differences due to CCF application	-10.678.216	-10.678.216	0	0	0
Differences due to mitigation effect	-558.260	-357.048	-201.212	0	0
Other differences not classified above [3]	0				
Exposure amounts considered for regulatory purposes	**84.299.812**	**83.584.792**	**700.532**	**14.489**	-

Values in thousand euros

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

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

[3] Includes exposure of the positions in risk of which are destinated to a protection fund of a CCP

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

IV.1 Capital management

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

- Complying with the regulatory requirements established by the Supervisory Authorities, namely the European Central Bank, the Bank of Portugal and the National Board of Financial Supervisors;
- Generating an adequate profit for the company, creating value for shareholders, providing them with applicable capital payment;
- Sustaining the development of operations which the CGD are legally authorised to conduct, maintaining a solid capital structure, able to respond to the growth in activity and which is proven to be adequate for the Institution's risk profile;
- Ensuring the Institution and the Group's reputation, through preserving the integrity of operations conducted in the course of its activity.

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

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

Until December 31st 2013, the constituent elements of the CGD Group's capital (base own funds, supplementary own funds and deductions) are those which comply with Notice 6/2010, with the amendments introduced by Notices 7/2011, 2/2012 and 3/2013, all issued by the Bank of Portugal.

IV.2 *SREP* and Capital Buffers

Requirements of combined buffer

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

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

The transitional period ended in early 2019, with an own funds conservation reserve of 2.5% currently being applicable.

“Other Systematically Important Institutions” Buffer Requirements

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

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

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

Countercyclical Buffer Requirements

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

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

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

The Buffer percentage for each institution, or, the “institution-specific Countercyclical Buffer,” is an average of the countercyclical reserve percentages applicable in countries where said institution has credit exposure values.

For 2018, the Bank of Portugal set the Countercyclical Buffer at 0% of the total amount of exposure values.

In compliance with the requirements in article 440(1)(a) of the CRR, to disclose information, the table below presents the geographical distribution of the relevant credit exposure values established in the institution's Countercyclical Buffer. The Countercyclical Buffer rate of relevant geographic locations (those whose exposure value represents more than 2% of the total values considered at risk) is at 0%, such that CGD's reserve rate is 0%.

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

				Own funds requirements					
Relevant countries	Exposure for standardised approach	Sum of long and short positions from trading book	Securitised exposures for standardised approach	*Of which: General credit risk exposures*	*Of which: Exposure in trading book*	*Of which: Securitised exposure*	Total	OFR weight	Own funds countercyclical buffer
Portugal	41.912.151	2.895.666	14.946	2.389.377	771	680	2.390.829	69%	0,00
Spain	3.943.475	1.711.477	0	212.814	18	0	212.832	6%	0,00
Macao	3.270.507	0	0	135.360	0	0	135.360	4%	0,00
France	2.585.297	0	0	156.079	0	0	156.079	5%	0,00
Others	4.668.815	1.015.964	0	550.794	718	0	551.513	16%	
Total	56.380.245	5.623.107	14.946	3.444.425	1.508	680	3.446.612	100%	-

Values in thousand euros

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

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

Harmonising national discretionary criteria – EU Regulation 445/2016

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

The computation of the Deferred Taxes Assets (DTA)

The DTA's computation in the Own funds has been widely scrutinised, both by the European Commission and the European Central Bank. In Portugal, as had happened in Spain and Italy, it was necessary to amend fiscal legislation on deferred taxes (Law No. 23/2016, which amended Law No. 61/2014), limiting the total protected stock existing on December 31st 2015, i.e., deferred taxes from January 1st 2016 ended its special treatment, thus being susceptible to reductions to the *Common Equity Tier 1* or weighted at 250%.

ECB 2018 Capital Requirements and levels for 2019

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

Based on results ascertained as part of the SREP 2017, CGD was notified by the European Central Bank (ECB) to comply, in 2018, with the following requirements:

Table 6 | Minimum Capital Ratios

2018					
Ratios	Total	of which:			
		Pilar 1	Pilar 2	Buffers	
				Conserved	O-SII
CET1	8,875%	4,500%	2,250%	1,875%	0,250%
TIER 1	10,375%	6,000%	2,250%	1,875%	0,250%
Total Capital	12,375%	8,000%	2,250%	1,875%	0,250%

As a result of new requirements determined by the SREP 2018, CGD should guarantee the following minimum ratios in 2019:

2019					
Ratios	Total	of which:			
		Pilar 1	Pilar 2	buffers	
				Conserved	O-SII
CET1	9,750%	4,500%	2,250%	2,500%	0,500%
TIER 1	11,250%	6,000%	2,250%	2,500%	0,500%
Total Capital	13,250%	8,000%	2,250%	2,500%	0,500%

On December 31st 2018, the CET1 ratios and Total (Phasing-in) calculated, on a consolidated basis and under the rules of the CRD IV / CRR, were 13.5% and 15.9%, respectively, both above the minimum requirements for 2018.

IV.3 Regulatory Capital

Own Funds and Capital Ratios

As part of the agreement in principle between the European Commission and the Portuguese Republic, Caixa Geral de Depósitos, S.A. (CGD) has successfully completed, on June 21st 2018, the final stage of the Recapitalisation Plan, initiated in 2017 (previous stages are detailed in the 2017 Market Discipline Report), with the issuance of EUR 500 million of Tier 2 securities entirely placed with institutional investors.

Every step of the plan has now been concluded having resulted in a strengthening of the capital base by a total of EUR 4.944 million.

The table below organises the composition of own funds, transitional funds, referencing the end of 2017 and 2018.

Table 7 | Eligible own funds

Consolidated - Transitional	31-12-2018 (t_0)	31-12-2017 (t_{-1})
Paid in capital	3.844.144	3.844.144
Other reserves and retained earnings - Before applying all regulatory adjustments	2.834.905	3.122.119
Result of the Exercise	0	0
Revaluation Reserves	257.492	323.579
Gains and losses on available for sale assets	*137.307*	*217.585*
Reserves associated with exchange differences	*0*	*3.321*
Other revaluation reserves - Associated with immovable assets	*120.185*	*102.673*
Total minority interests considered in the own funds CET 1	52.127	201.769
State support eligible as CET 1 (Common Equity *Tier* 1)	0	0
Total CET 1 capital prior to regulatory adjustments	**6.988.668**	**7.491.610**
Goodwill, net of deferred tax	0	-11.174
Intangible assets beyond Goodwil, net of deferred tax liabilities	-75.112	-64.445
DTAs (arising from tax losses carry forward), net of related DTLs	-50.488	-36.773
Defined benefit pension fund assets	-803	-11.696
Other deductions affecting CET1 (*)	-182.089	-59.836
Total CET 1 capital after the regulatory adjustments identified above	**6.680.176**	**7.307.687**
DTAs arising from temporary differences (amount above the 10% threshold)	-112.065	-58.383
Total CET 1 capital after the regulatory adjustments identified above	**6.568.111**	**7.249.304**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)	0	0
Total CET 1 capital after the regulatory adjustments identified above	**6.568.111**	**7.249.304**
Amount exceeding the 15% threshold, of which:	-32.590	-8.919
National filters and deductions that affect CET1	0	48.293
Common Equity Tier 1 (CET 1)	**6.535.521**	**7.288.678**
Additional Tier 1	500.000	547.950
AT 1 - subsidiaries (NCI)	3.138	13.465
Regulatory adjustments	0	-19.284
Tier 1 capital	**7.038.659**	**7.830.808**
Tier 2 capital instruments	639.115	309.136
Tier 2 capital instruments - subsidiaries (IM)	21.926	17.726
Regulatory adjustments	0	-9.214
Total capital	**7.699.700**	**8.148.456**

(*) Includes deduction of irrevocable commitments with the Deposit Guarantee Fund and Resolution Fund (in 2018), AVA (Additional Amount Adjustments) and IAS 29 (in 2017).

Values in thousand euros

The capital levels represented in the table below, which were not only the result of the recapitalisation plan, but also of the growth in activity, exceed the SREP minimum capital requirements for 2018, decisively reinforcing CGD's strength.

Table 8 | Capital ratios and own funds

	CRD IV / CRR rules	
	31-12-2018	31-12-2017
	Phased-in	
Capital		
Common equity tier I (CETI)	6.535.521	7.288.678
Tier I	7.038.659	7.830.808
Tier II	661.041	317.648
Total	7.699.700	8.148.456
Risk weigthed assets	48.417.652	52.185.099
Solvency ratios		
CET I	13,5%	14,0%
Tier I	14,5%	15,0%
Total	15,9%	15,6%
	Fully implemented	
Capital		
Common equity tier I (CETI)	6.535.521	7.271.590
Risk weigthed assets	48.417.652	52.162.674
Solvency ratios		
CET I	13,5%	13,9%

Notes:
. In 2017, ratios didn't include the positive net income of about 23 M€ in Own Funds exercise,if considered, the impact would be +5 p.b.
. In 2018, ratios didn't include the positive net income of about 496 M€. In case of considering net income gathered with dividends distribution of 200 M€, the impact on ratios would be + 68 p.b.

It should be noted that CGD did not adhere to the possibility of progressively applying a transitional scheme, as in Regulation (EU) No. 2395/2017 of the European Parliament and the Council, which amended Regulation (EU) No. 575/2013, to minimise the introduction of IFRS9's impact on own funds.

The development of the CET1 ratio from December 2017 to December 2018 is essentially explained by the following impacts:

⇨ Arising from the combined effect of the time progression associated with the passing of one more year of the transitional period, the implementation in 2018 of IFRS 9 and the deduction from own funds of irrevocable commitments associated with the Deposit Guarantee Fund and Resolution (as determined by the Regulator) , impacted CET1 by around EUR -378 million and RWA by around EUR -210 million, causing the CET1 ratio to decrease by -67 base points;

⇨ The change in approach on minority interests to be included in consolidated Own Funds, of entities outside the Euro Zone (BCI, BCA, BI, BCGA) as determined by the Regulator. CGD previously determined the contribution of the minority interests of these entities with an equivalence of local rules for the provisions of Basel III by virtue of the countries where they are located not applying to the aforementioned standard. The new approach began to favour local legislation, in light of which these entities' weighted assets were much less than the respective contribution to the consolidated report, a situation which induced a substantial reduction in these entities' minority interests, reflected by -26 base points in the CET1 ratio.

⇨ The yearly performance, resulting from the decrease of Own Fund levels, however offset by the RWA reduction (whether via optimisation or sales of the credit portfolio), corresponding to an impact of +15 base points in the CET 1 ratio.

The following table contains detailed information on the principal characteristics of the main and additional level 1 Tier 2 instruments, as set forth under article 437(1)(b) of Regulation (EU) No. 575/2013.

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

ISIN	
PTCGDJOM0022	https://www.bourse.lu/security/PTCGDJOM0022/249390
PTCG17OE0003	*Issued 13/05/2019* https://www.cgd.pt/English/Investor-Relations/Debt-Issuances/Prospectus/Documents/Tier-2_Final-Terms.pdf (link unavailable)
PTCGDKOM0037	https://www.bourse.lu/security/PTCGDKOM0037/267807
PTCGHFOM0006	https://www.bourse.lu/security/PTCGHFOM0006/135956

Table 9 | Main own funds characteristics

	Capital instruments' main features template (1)				
1.	Issuer	CGD Lisboa	CGD Lisboa	CGD Lisboa	CGD Lisboa
2.	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	PTCGDJOM0022	PTCGHFOM0006	PTCG17OE0003	PTCGDKOM0037
3.	Governing law(s) of the instrument	CRD IV (Directive 157/2014)	Banco de Portugal Notification 12/92	Banco de Portugal Notification 12/92	CRD IV (Directive 157/2014)
	Regulatory treatment				
4.	Transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Tier 2
5.	Post-transitional CRR rules	Additional Tier 1	Tier 2	Not eligible	Tier 2
6.	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual e (sub)Consolidated	Individual e (sub)Consolidated	Individual e (sub)Consolidated	Individual e (sub)Consolidated
7.	Instrument type (types to be specified by each jurisdiction)	Other capital instruments	Subordinated bonds	Subordinated bonds	Subordinated bonds
8.	**Amount recognised in regulatory capital (currency in million, as of most recent reporting date)**	**500,000000**	**100,000000**	**39,115045**	**500,000000**
9.	**Nominal amount of instrument**	**500.000.000**	**100.000.000**	**536.729.000**	**500.000.000**
9.a).	Issue price	100%	100%	100%	100%
9.b).	Redemption price	100%	100%	100%	100%
10	Accounting classification	Own funds	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	2017-03-30	2008-03-03	2009-05-11	2018-06-28
12	Perpeptual or dated	Perpetual	dated	dated	dated
13	Original maturity date	Perpetual	2028-03-03	2019-05-13	2028-06-28
14	Issuer call subjet to prior supervisory approval	Yes	No	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	2022-03-30	N/A	2014-05-11	2023-06-28
16	Subsequent call dates, if applicable	After first call on each coupon payment date	N/A	After first call on each coupon payment date	After first call on each coupon payment date
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed
18	Coupon rate and any related index	10,75%	0	Euribor 12 months + 165 bps	0
19	Existence of a dividend stopper	N/A	N/A	N/A	N/A
20.a)	Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionay	Mandatory	Mandatory	Mandatory
20.b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionay	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	Step-up	N/A
22	Noncumulative or cumulative	Noncumulative	N/A	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	CET1 Ratio<5,125%	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	CET1 Ratio<5,125%	N/A	N/A	N/A
32	If write-down, full or partial	parcial	N/A	N/A	N/A
33	If write-down, permanent or temporary	temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	total discretion	N/A	N/A	N/A
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Lower Tier 2	Lower Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	Yes	No
37	If yes, specifiy non-compliant features			Early refund clause (article 490 R.EU 575/2013).	

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

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

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

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

Table 10 | Reconciliation of prudential and accounting balance sheet

	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
ASSETS						
Cash and cash equivalents at central banks	5.606.735	52.855	0	0	5.659.590	
Cash balances at other credit institutions	1.014.098	-45.829	0	74.906	1.043.176	
Loans and advances to credit institutions	2.193.022	483.438	0	-441.223	2.235.238	
Financial assets at fair value through profit or loss	7.696.083	-506.706	487.010	-440	7.675.947	
Available-for-sale financial assets	4.826.167	893.683	0	0	5.719.850	
Financial assets with repurchase agreement	55.009	169.203	0	0	224.212	
Hedging derivatives	5.524	0	0	0	5.524	
Held-to-maturity investments	3.919.967	48.051	0	0	3.968.018	
Loans and advances to customers	51.589.485	4.067.980	-18.197	82.359	55.721.628	
Non-current assets held-for-sale	6.213.217	-6.187.719	413.263	0	438.761	
Investment properties	809.963	-886.500	94.247	0	17.710	
Other tangible assets	446.134	-4.520	0	0	441.614	
Intangible assets	63.310	11.802	0	0	75.112	9
Investments in associates and jointly controlled entities, of which:	388.544	-27	468.483	0	857.001	11
Insurance companies	306.921	0	0	0	306.921	
Other financial institutions (Equity stake > 10%)	38.119	0	0	0	38.119	
Current tax assets	44.620	8.340	0	0	52.960	
Deferred tax assets, of which:	2.107.695	84.821	-6.226	0	2.186.290	
Deferred tax assets for temporary differences	2.077.032	0	0	0	2.135.748	10
Deferred tax assets for tax losses carry forward	30.663	0	0	0	50.542	8
Other assets	2.111.845	69.548	0	78.653	2.260.046	
Total assets	**89.091.418**	**-1.741.580**	**1.438.580**	**-205.743**	**88.582.674**	

	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
LIABILITIES AND EQUITY						
Resources of central banks and other credit institutions	1.758.542	1.116.344	0	-484.173	2.390.713	
Customer resources and other loans	63.422.525	3.927.134	0	201.321	67.550.980	
Debt securities	3.260.321	74.517	0	0	3.334.838	
Financial liabilities at fair value through profit or loss	737.818	13.637	0	-453	751.003	
Hedging derivatives	3.690	0	0	0	3.690	
Non-current liabilities held-for-sale	5.396.454	-5.396.454	0	0	0	
Provisions for employee benefits	758.492	2.165	0	0	760.657	
Provisions for other risks	357.408	6.135	413.263	0	776.806	
Current tax liabilities	37.830	534	0	0	38.364	
Deferred tax liabilities, of which:	189.965	36.158	-6.390	0	219.733	
Deferred tax liabilities for temporary differences	189.911	0	0	0	219.679	10
Other deferred tax assets liabilities	54	0	0	0	54	8
Other subordinated liabilities	1.159.821	31.077	0	-31.077	1.159.821	7
Other liabilities	3.723.106	52.030	-519.715	108.638	3.364.060	
Total liabilities	**80.805.972**	**-136.722**	**-112.841**	**-205.743**	**80.350.665**	
Share capital	3.844.144	-1.828.514	1.828.514	0	3.844.144	1
Other equity instruments (Additional Tier 1)	500.000	0	0	0	500.000	6
Revaluation reserves	257.492	0	0	0	257.492	2
Other reserves and retained earnings	2.854.992	267.801	-287.888	0	2.834.905	3
Net income attributable to the shareholder of CGD	495.776	-44.145	44.582	0	496.212	4
Shareholders' equity attributable to CGD	7.952.403	-1.604.858	1.585.207	0	7.932.752	
Non-controlling interests, of which:	333.042	0	-33.786	0	299.257	5
Ordinary shares	237.283	0	0	0	203.498	
Preference shares	95.759	0	0	0	95.759	
Total equity	**8.285.445**	**-1.604.858**	**1.551.421**	**0**	**8.232.009**	
Total liabilities and equity	**89.091.418**	**-1.741.580**	**1.438.580**	**-205.743**	**88.582.674**	

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

Values in thousand euros

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

(i) Subsidiaries that undertake activity in economic sectors that are not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recorded in the prudential consolidation perimeter by the equity method;

(ii) collective investment organisations, as well as special-purpose vehicles, that were not included in the bank supervision perimeter, since they are not encompassed in the definition of a financial company, as determined in the "General Scheme of Credit Institutions and Financial Companies," are not integrated into the consolidation perimeter, being recorded at its acquisition cost or respective fair value, in accordance with the asset class under which it is encompassed (unconsolidated subsidiaries and affiliates or financial assets at fair value by results or other comprehensive revenue).

Additionally, it should be highlighted that BCG Spain, BCG Brazil, the CGD Investments CVC and Mercantile are accounted in the accounting perimeter in accordance with the IFRS 5 standard (assets of said entities are accounted in a single line item of consolidated assets, “Assets not currently held for sale” while liabilities are in the line item “Liabilities not currently for sale”). In the prudential perimeter the consolidation of these entities is undertaken line item by accounting line item.

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

	Key (*)	Prudential Baance	Transitional	Full implementation
Paid in capital	1	3.844.144	3.844.144	3.844.144
Other reserves and retained earnings	3	2.834.905	2.834.905	2.834.905
Net income (included in CET 1 capital)	4	496.212	-	-
Revaluation reserves	2	257.492	257.492	257.492
Non-controlling interests given recognition in CET 1 capital	5	299.257	52.127	52.127
Total CET 1 capital prior to regulatory adjustments			**6.988.668**	**6.988.668**
Intangibles (Includes goodwill), net of related DTLs	9	75.112	(75.112)	(75.112)
DTAs (arising from tax losses carry forward), net of related DTLs	8	50.542	(50.488)	(50.488)
Defined benefit pension fund assets			(803)	(803)
Other deduction affecting CET1 (ie. AVAs - Additional Valuation Adjustment and irrevocable payment commitments arising from Deposit Guarantee Scheme and the Resolution Fund)			(182.089)	(182.089)
Total CET 1 capital after the regulatory adjustments identified above			**6.680.176**	**6.680.176**
DTAs arising from temporary differences (amount above the 10% threshold)	10	2.135.748	(112.065)	(112.065)
Total CET 1 capital after the regulatory adjustments identified above			**6.568.111**	**6.568.111**
Amount exceeding the 15% threshold, of which:			(32.590)	(32.590)
Financial institutions and insurers	*11*	*857.001*	*(11.100)*	*(11.100)*
DTA's (arising from temporary differences)	*10*	*2.135.748*	*(21.490)*	*(21.490)*
National filters and deductions that affect CET1			-	-
Common Equity Tier 1 (CET 1)			6.535.521	6.535.521
Additional Tier 1, of which:			**500.000**	**500.000**
Other equity instruments	*6*	*500.000*	*500.000*	*500.000*
AT 1 - subsidiaries (NCI)			*3.138*	*3.138*
Tier 1 capital			**7.038.659**	**7.038.659**
Tier 2 capital instruments	7	1.159.821	639.115	600.000
Tier 2 capital instruments - subsidiaries (NCI)			21.926	21.926
Total capital			**7.699.700**	**7.660.585**

Values in thousand euros

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

Note: the net profit of ~€M496 was not considered in the ratios . If considered, the impact on ratios would have been an additional 113 bp.

IV.4 Capital Requirements

Regulatory Capital Requirements

Pursuant to Article 438(c) to (f) of the CRR, the following table contains the own fund requirements by risk type on December 31st 2018 (t_0) and 2017 (t_{-1}).

Table 12| Overview of RWA (EU OV1)

	RWA		Minimum capital requirements
	31-12-2018(t_0)	31-12-2017 (t_{-1})	31-12-2018 (t_0)
Credit risk (excluding counterparty credit risk)	**42.677.938**	**44.774.493**	**3.414.235**
Of which: Standardised Approach (SA)	42.677.938	44.774.493	3.414.235
Of which: Foundation Internal Ratings-Based (F-IRB) approach	0	0	0
Of which: Advanced Internal Ratings-Based (A-IRB) approach	0	0	0
Of which: equity IRB under the simple risk-weighted approach or the IMA	0	0	0
Counterparty credit risk (CCR)	**408.587**	**497.221**	**32.687**
Of which: mark to market	365.851	448.773	29.268
Of which: Original exposure	0	0	0
Of which: Internal Model Method (IMM)	0	0	0
Of which: Comprehensive Financial Collateral Method (for FTS)	11.519	1.695	922
Of which: Exposures to contributions to a CCP's hedge fund	383	0	31
Of which: Credit valuation adjustment (CVA)	30.834	46.753	2.467
Liquidity risk	**0**	**0**	**0**
Securitisation exposures in the banking book (after the cap)	**5.281**	**81.742**	**422**
Of which: IRB approach	0	0	0
Of which: IRB supervisory formula approach (SFA)	0	0	0
Of which: internal advanced approach (IAA)	0	0	0
Of which: standardised approach (SA)	5.281	81.742	422
Market risk	**1.465.669**	**2.036.923**	**117.253**
Of which: standardised approach	1.465.669	2.036.923	117.253
Of which: internal model approaches (IMA)	0	0	0
Large Exposures	**0**	**0**	**0**
Operational risk	**3.860.177**	**3.821.485**	**308.814**
Of which: basic indicator approach			0
Of which: standardised approach	3.860.177	3.821.485	308.814
Of which: advanced measurement approach			0
Amounts below the thresholds for deduction (subject to 250% risk weight)*	**0**	**973.233**	**0**
Floor adjustment	**0**	**0**	**0**
Total	**48.417.652**	**52.185.099**	**3.873.412**

**RWA and exposure reallocated to credit risk*

values in thousands of euros

In December 2018 the risk weighted assets (RWA) amounted to EUR 48.418 billion, of which around 89% referred to credit risk (including counterparty credit risk and securitisations). Comparing to the previous year, RWA decreased by 7.2% (EUR 3.767 billion), explained by the RWA reductions in all risk dimensions, except operational risk, which recorded a slight RWA increase (EUR 38.7 million).

In absolute terms, the most significant variation in RWAs was observed in credit risk (EUR 3.219 billion), justified, at most, by the implementation of the strategy for NPL (non-performing loans) reduction which included, namely, structured sales processes and write-offs.

It should be emphasised that CGD deducts from own funds significant investments in insurance companies, reassurance companies or holding management companies in the insurance sector so that they don't contribute to RWAs.

Internal Capital Requirements

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

Meeting the process' structural nature and the recognised internal and external importance for implementing sustainable business strategies, supported by adequate controls, the ICAAP is supported in a robust governance model, with a clear-cut assignment of roles and responsibilities. In this framework, the self-assessment process of internal capital adequacy abides by a governance model outlined by internal norms, guaranteeing the involvement of the Board of Directors, the Executive Committee of the Board of Directors, the Financial Risks Commission and the Audit and Internal Control Commission.

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

- Risk identification process: the CGD carried out a self-assessment questionnaire of the risks in which all banking entities of the prudential perimeter assess the materiality of the risks to which the entity is, or may be, exposed to. This process is widely involved in different areas of the bank (including the Compliance Office risk, the Real Estate Business Division and the Information Systems Division for their respective risks and the Risk Management Division for all other risks), culminating in outlining CGD's risk profile and identifying risks that are the subject of quantification of internal capital needs, within the ICAAP framework.

- Risk quantification methodologies: for each risk category assessed as material, the bank quantifies the capital needs based on internal methodologies which reflect the Bank's perspective and the exposure to each risk. The quantification methodologies are revised and discussed by the Steering Committees and the Financial Risk Commission in order to address the supervisor's recommendations and guidelines, improve the modelling approaches and ensure integration with risk management. Without prejudice to the conclusions resulting from the risk identification stage, the allocation of capital necessarily encompasses, with available methodologies, credit, market, interest rate risk in the banking book, exchange rate, operational (including information systems), strategic, compliance and reputational risks.
- Macroeconomic scenarios definition: CGD presents a critical overview of the expected growth in available internal capital and internal capital requirements under two different scenarios: baseline and adverse. The baseline scenario is revised and applied in the framework of the Financing and Capital Plan (FCP). In turn, the adverse scenario, which includes both a systematic perspective and a set of idiosyncratic events, is based on an internal perspective guided by the CGD's concerns, discussed in the context of the annual revision of the Recovery Plan, updated, where necessary, in the framework of the ICAAP.
- Financial and capital projections: based on macroeconomic scenarios, CGD projects, in three years, its available internal capital (i.e., a balance sheet and statement of results) and the capital requirements under baseline and adverse conditions. The base scenario's financial projections are consistent with those of the Budget and with the FCP, while the projections underlying the adverse scenario are internally prepared based on statistical models whose methodology, assumptions and results are revised and discussed with several areas of the bank, including the risk management, finance market, planning and accounting divisions;
- Capital adequacy assessment and integration within CGD: CGD analyses the Group's solvency situation under different scenarios and both from a normative and economic perspective. The conclusions of this analysis are primarily quantitative and may trigger actions on the part of the Board of Directors or the Executive Committee in order to reinforce the Bank's capital position or adjust the Group's risk profile, in case capital is considered insufficient. Other qualitative conclusions may result in organisational amendments, the adoption of new methods, optimisation of information systems and processes, among others.

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

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

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

In reference to 31Dec2018, internal capital needs were measured for the following risk categories:

- Credit Risk (including credit concentration risk);
- Market Risk (including CVA, foreign-exchange risk and credit spread risk);
- Reputational Risk;
- Strategic Risk;
- Interest rate risk in the banking book;
- Operational Risk;
- Real Estate Risk;
- Sovereign Risk.

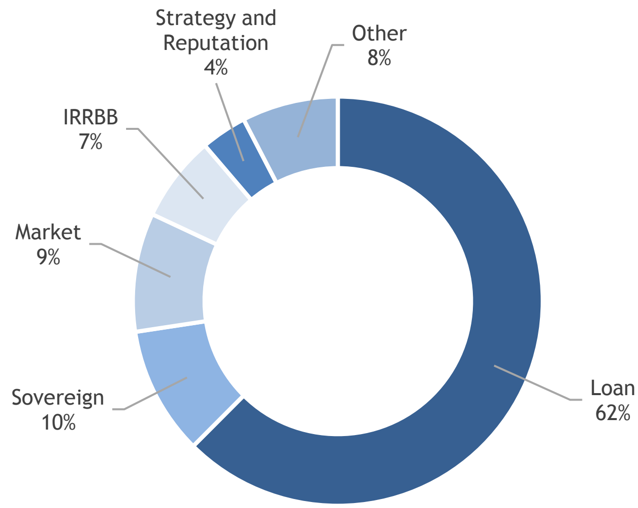
Capital adequacy is evaluated via comparison between internal capital and internal capital needs ascertained in accordance with the internal quantification methodologies.

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

In order to guarantee the alignment between internal capital definition and the concept of capital adequacy from an economic perspective, outlined in the ECB guidelines on the ICAAP process, CGD revised its definition of internal capital. As such, in the ICAAP exercise referring to December 31st 2018, CGD used regulatory own funds as a starting point for the implementation of the internal capital definition, introducing the required adjustments, namely concerning balance sheet items that cannot be deemed available to cover losses, (including Tier 2 capital instruments and deferred tax assets, or DTAs)), to obtain an adequate definition consistent with the concept of "economic value."

At the end of 2018 the internal capital needs corresponded to around 65% of available internal capital, highlighting a position of strength for the Bank, with the following distribution by risk type:

Figure 2 | Internal capital requirements (Dec18)



Credit risk is presented as being the most relevant, as its respective capital requirements (including credit concentration risk) correspond to around 62% of the total internal capital needs. The capital requirements for sovereign risk (including exposure to Central Banks and public-sector entities under the central administration) and market risk (including CVA, exchange rate risk and credit spread risk) represent 10% and 9% of the total requirements, respectively.

IV.5 Leverage ratio

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

Even if a minimum requirement for the leverage ratio hasn't been set forth, international entities, namely the EBA and BCBS, have been aiming for 3% as a reference for the minimum reference ratio. On December 31st 2018, CGD's value for leverage ratio stood at 7.75%, meaning that CGD is not at risk of excessive leverage.

Table 13| Leverage ratio

	31-12-2018	31-12-2017
Total SFT Exposure	240.238	60.536
Total Derivatives Exposure	137.323	218.796
Total Off-Balance Exposure	3.307.686	3.675.068
Other Assets	87.644.326	91.462.250
Total LR Exposure transitional definition	90.876.427	95.133.596
Tier 1 capital - transitional definition	7.038.659	7.787.325
Leverage Ratio - using a transitional definition of Tier 1	7,75%	8,19%

Values in thousand euros

In 2018, the phasing-in leverage ratio showed a decrease of 0.44 percentage points, (from 8.19% in 2017 to 7.75% in 2018), justified by the reduction of around EUR 749 million in Tier 1 Own Funds.

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

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

Table 14| Common rules on disclosure of leverage ratio

	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	87.644.326
2	(Asset amounts deducted in determining Tier 1 capital)	-453.146
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**87.191.180**
	Derivative instruments exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	401.844
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	228.073
UE-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-492.595
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**137.323**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	217.200
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	23.038
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
UE-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**240.238**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	13.360.435
18	(Adjustments for conversion to credit equivalent amounts)	-10.052.750
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**3.307.686**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
UE-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
UE-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposure mesure	
20	**Tier 1 capital**	**7.038.659**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**90.876.427**
	Leverage ratio	
22	**Leverage ratio**	**7,75%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
UE-23	Choice on transitional arrangements for the definition of the capital measure	0
UE-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Values in thousand euros

Table 15| Leverage - Breakdown of on-balance sheet exposures (excluding derivatives, SFT and risk exempt exposures)

		CRR leverage ratio exposure
UE-1	**Total of on-balance sheet exposures (excluding derivatives, SFTs and risk exempt positions), of which:**	**87.151.732**
UE-2	Trading book positions	5.627.921
UE-3	**Banking book exposure, of which:**	**81.523.811**
UE-4	Covered bonds	34.955
UE-5	Exposures treated as sovereign	19.234.527
UE-6	Exposures to regional administrations, multilateral development banks, international organizations and ESP not treated as sovereign	4.309.311
UE-7	Institutions	2.560.130
UE-8	Secured immovable mortgages	28.871.153
UE-9	Retail exposures	6.474.580
UE-10	Corporates	12.169.127
UE-11	Exposures in default	1.967.849
UE-12	Other exposures (eg shares, securitisations and other assets not related with credit obligations)	5.902.179

Values in thousand euros

Table 16| Reconciliation of account assets and leverage ratio exposures

1	Total assets as per published financial statements	89.091.418
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-508.743
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	-583.299
5	Adjustment for securities financing transactions (SFTs)	23.038
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3.307.686
UE-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
UE- 6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-453.673
8	Leverage ratio total exposure measure	**90.876.427**

Values in thousand euros

V. Credit Risk

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

V.1 Qualitative data

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

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

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

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

⇨ Executive Committee of the CGD

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

⇨ The CGD's Credit Council and Executive Committee for Credit Risk

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

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

⇨ Heads of Branches and Subsidiary Boards of Directors

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

⇨ Credit Risk Division (DRC)

As part of credit risk management, the DRC intervenes in phases of granting credit and subsequent monitoring.

Besides its role in decision-making for granting credit to Companies, Statutory and Financial Institutions, the DRC is also tasked with: (i) the prior and mandatory issuing of reports on risk for attributing internal limits or assessing transactions not covered by said limits, for clients whose total exposure (in terms of the Economic Group), whose rating or whose specific operating (or bidding) characteristics justify it (internal norm); (ii) ultimately proposing resetting of credit limits whenever necessary; (iii) analysing and checking individual impairment assessments; (iv) monitoring credit alerts, identifying situations of non-compliance, potential or genuine, and producing action plans to be undertaken; and (v) approving the constitution of/amendments to Economic Groups.

In the framework of the new centralised decision-making model, the DRC is also part of the process of credit decisions for private clients.

⇨ Risk Management Division (DGR)

As part of the credit risk management process, the DGR intervenes in phases of granting credit and subsequent monitoring, both from the perspective of the client/transaction and the credit portfolio, through: *i)* establishing, undertaking and maintaining internal models for risk assessment (rating and scoring); *ii)* globally monitoring and controlling the CGD Group's credit risk through credit portfolios, products and business units; *iii)* identifying clients with a high risk of non-compliance, through detecting early warnings and alert signals; *iv)* evaluating and validating individual impairment; v) determining impairment for all credit portfolio segments; vi) evaluating compliance with the set limits for Large Exposures; and vii) attributing ratings, supported by evaluating the company, by issuing a report.

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

⇨ Business Units:

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

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

⇨ Recovery Units:

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

⇨ Units responsible for information systems:

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

⇨ Organisation and Quality Division (DOQ):

This collaborates in establishing and transposing to the internal standard for support procedures in credit risk management.

⇨ Units responsible for Internal Audit and Validation:

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

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

Credit risk policies

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

i. In decision-making;

ii. In credit recovery;

iii. In credit risk control and monitoring;

iv. In measuring credit risk.

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

Concepts and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The counterparties and groups' fulfilment of these limits, credit exposure and risk profile are regularly monitored by specialised analysts.

As part of credit portfolio follow-up and control and complying with IAS 39, the CGD group developed a credit impairment model[6] enabling the measurement of impairment losses according to the borrowers' credit quality and meeting the level of existing collateral, encompassing granted credit for companies and private clients, including Banking Guarantees Provided, Revocable and Irrevocable Commitments and Revocable and Irrevocable Credit Lines, and which is supported in the following macro risk segmentation for the purpose of determining collective impairment:

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

In the impairment model, additional disaggregation of exposure is undertaken in accordance with the following criteria[7]:

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

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

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

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

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

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

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

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

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

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

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

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

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

Concerning Financial Institutions, the exposure may also take into account elements mitigating risk which, through undertaking operation coverage, contribute to reducing credit risk exposure. With this aim, the CGD has established contracts with other Financial Institutions, the ISDA, where clauses enabling the netting of exposure values between counterparties are prescribed. These contracts may also prescribe Credit Support Annex (CSA) agreements, which can equally influence limit consumption.

Own fund requirements for credit risk

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

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

Considering guarantees and collateral associated with the exposure values, the aforementioned Regulation prescribes the application of risk mitigation techniques to reclassify (unfunded credit protection) and/or reduce (funded credit protection) exposure values. Exposure values are the subject of risk weighting in accordance with its final risk class (after substitution effect), as set forth in Chapter 4, Title II, Part III of the aforementioned Regulation.

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

In 2018, the CGD Group maintained the use of public credit quality evaluations, attributed by the ECAIs: *Fitch Ratings* (Fitch), *Moody's Investors Services* (Moody's), *Standard & Poor's Ratings Services* (S&P).

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

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

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

V.2 Quantitative data

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

These exposure are associated with:

- Concerning Assets:

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

- Concerning off-balance elements:

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

On December 31st 2018, the net exposure amount, net of value adjustments and provisions, not considering risk mitigation techniques and encompassing off-balance exposure, before applying credit conversion factors (CCF) - amounted to EUR 94.62 billion and was distributed by exposure classes set forth under article 112 of Regulation (EU) No. 575/2013 as outlined in the following table.

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

Exposure classes	Net exposure	Net exposure (period average)
Central governments or central banks	19.295.774	21.389.966
Regional government or local authorities	1.403.203	1.451.818
Public sector entities	3.375.155	1.389.363
Multilateral development banks	0	0
International organisations	0	0
Institutions	3.283.248	3.207.768
Corporates	19.108.072	19.839.935
Retail	11.235.216	11.465.356
Exposures secured by mortgages on immovable property	29.057.956	29.098.434
Exposure in default	2.254.189	3.215.600
Exposures associated with particularly high risk	1.855.463	957.768
Exposures in the form of covered bonds	34.955	34.963
Institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings	1.257.732	1.315.954
Equity	635.878	425.064
Other items	1.823.216	1.864.035
Total	94.620.056	95.656.024

Values in thousand euros

Compared to December 31st 2017, the net exposure recorded a decrease of around 4.4%, with particular relevance in the Default (reflecting the implementation of the non-performing loans (NPL) deleverage plan) and Corporate exposure classes.

It should be mentioned that in compliance with the guidelines from the supervisory entities, CGD, in the last quarter of 2018, undertook reallocation of exposure among risk classes, namely:

- Pursuant to circular letter No. 60/2018 from the Bank of Portugal, which aimed to clarify the prudential framework of public sector entities, a transfer from the Central Governments or Central Banks to the Public Sector Entities and Corporate exposure classes was observed. This reallocation, without material impact concerning capital requirements, justifies, to a great extent, the deviation between the net exposure value of December 2018 and the average exposure over the year, observed in the Central Government and Public Sector exposure classes.
- Following EBA's clarification concerning speculative immovable property financing, loans granted for acquisition, remodelling or construction of real estate, or related motives, with the intention of reselling for profit were, pursuant to Article 128 of the CRR, reclassified, from the exposure classes Corporates, Retail and Defaults to the class Exposures associated with particularly high risk.
- Participation in financial sector entities exceeding set regulatory limits were allocated to the Equity risk class. Until the end of 2018, RWAs associated with these exposures were allocated to the category "Values less than deduction threshold (subject to 250% risk weighting)" of Table 12| Overview of RWA (EU OV1).

A concentration of exposure values in the risk classes Exposures secured by mortgage on immovable property, Corporates, Central Governments or Central Banks and Retail, representing around 83.2% of the CGD Group's net exposure, were structurally verified.

The on-balance net exposure amount is mainly concentrated in the secured by mortgage on immovable property exposure class (35.4%), Central Governments or Central Banks (23.6%), Corporates (14.9%) and Retail Portfolio (7.9%) which globally represent around 81.9% of the total on balance exposure.

For off-balance sheet items, the following exposure classes constitute 96.0% of the balance: Corporates (52.8%), Retail (36.2%) and Public Sector Entities (3.1%).

Regarding the geographical distribution of exposure values, no material oscillations in the two-year period under analysis have been observed. The CGD Group's portfolio has continued to be segmented unevenly throughout different regions of the world, representing a large concentration in Europe and in the Portuguese ex-colonies, in Africa and Asia.

Concerning Europe, it is highlighted that the exposure to counterparties based in Portugal, Spain and France which, together, represent around 81.6% of the CGD Group's exposure.

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

Exposure classes	Portugal	Spain	France	Remaining U.E.
Central governments or central banks	10.937.251	1.747.214	958.125	804.127
Regional government or local authorities	1.363.615	6.496	1	0
Public sector entities	3.112.446	19	0	0
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	747.537	285.490	261.919	991.161
Corporates	13.499.470	1.656.649	485.879	519.439
Retail	7.839.894	950.277	1.239.532	66.924
Exposures secured by mortgages on immovable property	23.201.838	1.649.302	655.775	377.729
Exposure in default	1.728.939	162.964	124.881	17.058
Exposures associated with particularly high risk	1.434.333	3	239.348	169.517
Exposures in the form of covered bonds	28.935	0	0	6.019
Institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	1.195.313	0	1.145	7.187
Equity	571.070	509	0	14.122
Other items	1.034.985	57.189	46.900	3.015
Total	66.695.625	6.516.113	4.013.507	2.976.298

Exposure classes	EUA	PALOP	Macao	Others
Central governments or central banks	106.209	2.875.012	1.558.705	309.130
Regional government or local authorities	0	33.091	0	0
Public sector entities	0	262.690	0	0
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	320.560	106.074	196.389	374.117
Corporates	54.545	697.030	1.576.465	618.596
Retail	13.385	500.694	224.672	399.838
Exposures secured by mortgages on immovable property	28.443	303.826	2.247.729	593.313
Exposure in default	1.133	140.676	20.542	57.996
Exposures associated with particularly high risk	40	12.223	0	0
Exposures in the form of covered bonds	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	1.951	0	0	52.137
Equity	34.342	8.248	1.080	6.507
Other items	0	383.890	268.938	28.301
Total	560.608	5.323.453	6.094.519	2.439.934

Values in thousand euros

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

As such, around a third of the Group's exposure value is associated with Private Clients and of these, 97.3% are integrated in the Retail and Secured by mortgage on immovable property portfolios.

The Public Administration, Defence and Social Security sector, reflecting the exposure to risk classes Central Governments and Central Banks prevails as the second most representative of the Group's exposure values. The Services sector is the third most representative, with more emphasis on the exposures classes Corporates, Public Sector and Retail Portfolio, which, together, represent around 79% of the sector exposure amount.

Table 19 | Concentration of exposures by sector or by counterparty type (EU CRB-D)

Exposure classes	Public administration, defense and social	Financial activities	Real estate activities and rentals	Construction	Education & health and social action	Services	Transport, storage and communications
Central governments or central banks	18.274.860	48.746	856	15.974	0	939.955	15.381
Regional government or local authorities	1.399.496	0	0	0	208	3.499	0
Public sector entities	544.022	218.863	20.315	228.318	7.989	2.316.797	38.850
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0
Institutions	0	3.156.665	0	0	0	126.583	0
Corporates	1.699	292.088	798.153	1.998.934	124.934	7.614.839	1.208.193
Retail	5.784	68.969	709.498	644.254	277.902	2.866.378	267.355
Exposures secured by mortgages on immovable property	46.043	42.514	350.171	208.524	245.202	1.773.184	41.828
Exposure in default	22.367	53.952	140.161	375.626	20.918	529.175	98.895
Exposures associated with particularly high risk	0	824.269	589.917	425.598	63	15.124	0
Exposures in the form of covered bonds	0	34.955	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	0	1.132.882	123.126	0	0	1.724	0
Equity	0	423.270	28	0	0	1.729	262
Other items	0	0	0	0	0	0	0
Total	**20.294.270**	**6.297.173**	**2.732.225**	**3.897.227**	**677.217**	**16.188.988**	**1.670.766**
Of which PME:	12.041	377.082	2.164.559	1.965.939	644.376	8.057.328	660.100

Exposure classes	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing industries	Individuals	Electricity, gas and water production and	Other activities	Total
Central governments or central banks	0	0	0	0	0	0	19.295.774
Regional government or local authorities	0	0	0	0	0	0	1.403.203
Public sector entities	0	0	0	0	0	0	3.375.155
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	3.283.248
Corporates	186.192	59.575	4.526.949	70.278	2.226.238	0	19.108.072
Retail	269.329	31.357	1.180.433	4.848.396	65.560	0	11.235.216
Exposures secured by mortgages on immovable property	129.243	8.191	371.769	25.809.396	31.891	0	29.057.956
Exposure in default	33.107	5.871	163.862	780.380	29.875	0	2.254.189
Exposures associated with particularly high risk	0	0	492	0	0	0	1.855.463
Exposures in the form of covered bonds	0	0	0	0	0	0	34.955
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	0	0	0	0	0	0	1.257.732
Equity	0	0	8.463	0	202.126	0	635.878
Other items	0	0	0	0	0	1.823.216	1.823.216
Total	**617.871**	**104.995**	**6.251.967**	**31.508.450**	**2.555.691**	**1.823.216**	**94.620.056**
Dos quais PME:	599.489	69.186	3.280.712	0	615.404	0	18.446.216

Values in thousand euros

In compliance with Article 442(f), the following table presents the on-balance exposure, net of impairment, disaggregated by residual maturity and exposure class. It should be noted that, in global terms, there were no significant changes in the distribution of exposure values by residual maturity buckets, maintaining the prevalence of exposure values with a maturity period over 10 years, with particular emphasis on Secured by mortgage on immovable property.

Concerning risk class Central Governments and Central Banks, the second most significant in terms of exposure, the exposure values are distributed by the residual maturity buckets up to 10 years which, together, represent around 89% of the exposure values.

Table 20 | Maturity of exposures (EU CRB-E)

Exposure classes	On demand	RV <= 1 year	1 year < RV =< 5 years	5 years < RV =< 10 years	RV > 10 years	No stated maturity	Total
Central governments or central banks	4.765.220	3.568.347	3.990.142	4.751.913	1.521.909	636.997	19.234.527
Regional government or local authorities	5.786	115.130	347.140	600.110	277.636	0	1.345.802
Public sector entities	61.732	1.354.835	1.121.007	134.673	291.262	0	2.963.509
Multilateral development banks	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0
Institutions	53.932	1.963.499	834.307	141.399	0	59.588	3.052.725
Corporates	1.855.379	3.006.033	4.098.401	1.809.308	1.395.681	4.324	12.169.127
Retail	1.335.145	648.806	1.761.909	1.009.146	1.717.494	2.081	6.474.580
Exposures secured by mortgages on immovable property	136.850	279.194	1.679.705	2.509.386	24.266.018	0	28.871.153
Exposure in default	145.560	411.795	211.917	288.929	908.943	705	1.967.849
Exposures associated with particularly high risk	27.702	327.344	395.436	96.824	84.226	746.313	1.677.845
Exposures in the form of covered bonds	0	0	20.313	14.642	0	0	34.955
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	0	0	0	0	0	1.227.732	1.227.732
Equity	0	0	0	0	0	635.878	635.878
Other items	723.703	43.756	1.054.003	0	197	1.557	1.823.216
Total	9.111.008	11.718.740	15.514.280	11.356.329	30.463.366	3.315.175	81.478.897

Values in thousand euros

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

i) The obligor is late by more than 90 days in fulfilling a significant credit obligation to the institution, its parent company or any of its subsidiaries;

ii) The institution attributes to the credit obligation the status of non-performing credit;

iii) The institution recognises individual impairment resulting from the perception of an important deterioration in the borrower's credit quality;

iv) Resale of, or restructuring, a credit obligation in which the institution would incur in a significant economic loss is confirmed;

v) Insolvency declared as an Insolvency Application (including Special Revitalisation Processes) by the obligor or CGD;

vi) Indicators of ongoing legal processes.

The legislation adds that, regarding the non-retail sector, the measuring of the default is assessed at a client level, such that the activation of the default in an operation contaminates all of the client's exposure (*cross default*).

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

It should be noted that, in accordance with the hierarchy set forth in allocating exposure values to exposure classes, the elements associated with particularly high risks take precedence over the exposure in default. For this reason, there is a set of default exposure values, whose on-balance and off-balance accounts to EUR 835981 thousands, which, being classified as speculative immovable property financing, are not allocated to the default exposure class.

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

Exposure classes	Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Net values (a + b - c - d)
Central governments or central banks	0	19.303.567	0	7.793		19.295.774
Regional government or local authorities	0	1.403.215	0	12		1.403.203
Public sector entities	0	3.376.416	0	1.261		3.375.155
Multilateral development banks	0	0	0	0		0
International organisations	0	0	0	0		0
Institutions	0	3.286.320	0	3.072		3.283.248
Corporates	0	19.706.274	1.552	596.650		19.108.072
Retail	0	11.356.554	928	120.410		11.235.216
Exposures secured by mortgages on immovable property	0	29.104.044	2.942	43.146		29.057.956
Exposure in default	4.868.633	0	1.316.413	1.298.031	3.333.283	2.254.189
Exposures associated with particularly high risk	835.981	1.494.988	338.836	136.671		1.855.463
Exposures in the form of covered bonds	0	34.987	0	32		34.955
Institutions and corporates with a short-term credit assessment	0	0	0	0		0
Exposures in the form of units or shares in collective investment undertakings	0	1.481.280	0	223.547		1.257.732
Equity	0	635.878	0	0		635.878
Other items	0	2.172.598	0	349.382		1.823.216
	5.704.614	**93.356.119**	**1.660.670**	**2.780.007**	**3.333.283**	**94.620.056**

Values in thousand euros

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

Exposures by economic sector	Defaulted exposures (a)	Of which: overdue	Of which: impaired	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Net values (a + b - c - d)
Public administration, defense and social security	22.756	9.998	21.602	20.275.829	0	4.277	279	20.294.308
Financial activities	388.430	353.423	381.144	6.583.512	148.038	318.185	5.463	6.505.720
Real estate activities and rentals	599.764	525.575	594.726	2.505.929	244.076	129.043	64.659	2.732.574
Construction	1.232.655	1.005.672	1.212.433	3.437.987	444.931	372.679	720.182	3.853.032
Education & health and social action	42.071	34.015	42.038	666.098	10.679	22.257	20.038	675.232
Services	1.632.257	1.214.402	1.612.938	15.896.318	685.659	806.773	1.227.784	16.036.142
Transport, storage and communications	172.867	134.136	161.221	1.606.749	26.135	105.066	31.344	1.648.415
Agriculture, livestock, livestock and fishing	64.090	62.326	63.836	591.801	6.386	32.801	62.535	616.703
Extractive industries	9.838	9.694	9.840	100.651	0	5.369	3.754	105.120
Manufacturing industries	346.415	276.424	334.112	6.175.391	50.653	210.332	709.213	6.260.821
Private	1.130.205	1.089.446	1.128.046	30.785.006	17.848	394.184	485.088	31.503.179
Electricity, gas and water production and distribution	63.267	33.819	63.275	2.558.251	26.266	29.659	2.945	2.565.594
Other activities	0	0	0	2.172.598	0	349.382	0	1.823.216
	5.704.614	**4.748.930**	**5.625.212**	**93.356.119**	**1.660.670**	**2.780.007**	**3.333.283**	**94.620.056**

Values in thousand euros

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

Exposures by geographical	Defaulted exposures (a)	Of which: overdue	Of which: impaired	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Net values (a + b - c - d)
Portugal	4.679.966	4.107.520	4.684.015	65.837.815	1.574.798	2.247.359	3.055.922	66.695.625
Spain	298.562	216.420	288.605	6.393.426	844	175.032	1.269	6.516.113
France	228.754	175.303	227.450	3.896.758	16.663	95.342	1.405	4.013.507
Remaining E.U.	90.952	74.883	82.092	2.961.463	8.466	67.651	270.267	2.976.298
USA	1.431	1.400	1.444	559.830	0	653	49	560.608
PALOP	267.941	157.027	264.821	5.229.306	45.110	128.683	163	5.323.453
Macao	40.507	0	0	6.080.142	14.757	11.374	0	6.094.519
Others	96.502	16.377	76.784	2.397.378	33	53.913	4.207	2.439.934
	5.704.614	**4.748.930**	**5.625.212**	**93.356.119**	**1.660.670**	**2.780.007**	**3.333.283**	**94.620.056**

Values in thousand euros

The following table presents the disaggregation of overdue on-balance positions, regardless of whether they are classified as default. Compared to December 2017, a reduction of around 32.1% in the amount of overdue positions was observed, with a particular emphasis on the positions overdue by over a year, which recorded a decrease of around EUR 1.99 billion. This development is framed in the context of implementing the deleveraging and reduction of NPLs strategy, which was consolidated in the operationalisation of recovery methods by the specialised monitoring units, the corporate monitoring division (DAE) and the retail business monitoring division (DAP) and which includes: i) settlement of arrears by customers and liquidation of their responsibilities, ii) restructuring and/or consolidating debt, iii) structured processes to sell credit portfolios and iv) writing off assets.

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

Term	Loans	Debt Securities	Total exposures
≤ 30 days	632.803	0	632.803
> 30 days ≤ 60 days	313.853	0	313.853
> 60 days ≤ 90 days	159.932	0	159.932
> 90 days ≤ 180 days	231.758	0	231.758
> 180 days ≤ 1 year	326.626	604	327.230
> 1 year	2.756.353	114.085	2.870.438

Values in thousand euros

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

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

	Debt securities	Loans	Off-balance sheet exposures
Gross carrying values of performing and non-performing exposures	15.985.858	61.892.633	13.376.722
Of which performing but past due > 30 days and <= 90 days	18	369.235	0
Of which performing forborne	0	2.084.485	69.733
Of which non-performing:	228.079	5.272.302	577.209
Of which defaulted	227.538	5.014.556	502.919
Of which impaired	228.079	5.175.358	0
Of which forborne	0	2.731.812	16.235
Accumulated impairment and provisions and negative fair value adjustments due to	240.623	3.288.185	219.337
On performing exposures	32.115	382.654	17.027
Of which forborne	0	36.076	0
On non-performing exposures	208.509	2.905.531	202.310
Of which deferred	0	1.468.884	3
Collaterals and financial guarantees received			
On non-performing exposures	0	2.016.978	3.582
Of which forborne exposures	0	2.882.499	0

Values in thousand euros

The loan, securities and off-balance portfolios, accounted by the respective gross value (gross of credit adjustments and application of credit conversion factors), amounts to around EUR 91,255 thousands, of which 6.7% (EUR 6,078 thousands, 8,977 thousands in 2017) is classified as non-performing. These transactions, of which 94.5% are also classified as defaulting, have an impairment coverage of around 55%.

Supplementing the information hitherto disclosed, and considering the significant reduction in non-performing exposure in the last two years, the main flows underpinning this development are presented in the table below:

Table 26 | Development of *Non-Performing Loans* (NPL)

STOCKS AND FLOWS	december 2017	december 2018
NPL volume (gross)	**7.894.621**	**5.272.302**
Of which: more than 90 days past due	5.372.849	3.354.631
Of which: unlikely to be paid	2.521.771	1.917.671
NPL volume (net)	**3.721.282**	**1.984.116**
Of which: more than 90 days past due	2.418.296	1.016.968
Of which: unlikely to be paid	1.302.986	967.148
Total of loans and over-advances (gross)	**65.924.699**	**61.892.633**
NPL ratio	12,0%	8,5%
Ratio of more than 90 days past due	8,1%	5,4%
Ratio of unlikely to be paid	3,8%	3,1%
NPL flows (gross)	**-2.668.364**	**-2.643.977**
Operations associated to NPLs (+/-)	-281.419	-6.743
From performing to non-performing position (+)	762.589	449.763
Of which: from non deferred performing position to NPL	640.679	405.186
Of which: from deferred performing position to NPL	121.910	44.577
From non-performing to performing position (-)	-1.044.007	-456.506
Of which: from NPL to non deferred performing position	-684.933	-324.489
Of which: from NPL to deferred performing position	-359.075	-132.017
Decrease/increase of NPL	-2.386.946	-2.637.234
Fontes das reduções de NPL no balanço (-)	-2.561.794	-2.774.231
Loan repayment, partial or total	-685.033	-525.410
Sale of exposures	-740.553	-1.182.967
Write-offs	-700.976	-567.453
Collateral liquidations/other liquidation or legal procedures	-86.309	-70.081
Foreclosures/debt assets swaps	-128.469	-57.947
Debt to capital conversion	0	0
Significant risk transfer	0	0
Other Situations	-220.454	-370.373
Other NPL increase sources (+)	174.848	136.997

Values in thousand euros

Additionally, the appendix to the consolidated financial statements in the Annual Report, item "41. Disclosures relating to financial instruments," comprises a series of specific qualitative and quantitative disclosures, which cover, among others, the most relevant aspects concerning non-performing positions and positions with forborne measures, namely:

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

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

Table 27 | Changes in the stock of general and specific credit risk adjustments (EU CR2-A)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	3.216.363	1.678.733
Increases due to amounts set aside for estimated loan losses during the period	712.922	1.143.130
Decreases due to amounts reversed for estimated loan losses during the period	-900.732	-718.935
Decreases due to amounts taken against accumulated credit risk adjustments	-894.212	-520.073
Transfers between credit risk adjustments	-269.309	166.220
Impact of exchange rate differences	-1.220	-11.235
Business combinations, including acquisitions and disposals of subsidiaries	0	0
Other adjustments	26.889	13.229
Closing balance	1.890.701	1.751.069
Recoveries on credit risk adjustments recorded directly to the PnL statement	-3.242	-94.673
Specific credit risk adjustments directly recorded to the PnL statement	0	0

Values in thousand euros

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

Table 28 | Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)

	Gross carrying value for defaulted exposures
Opening balance	7.817.470
Loans and debt securities that are defaulted or impaired since the last reporting period	-310.542
Returned to non-defaulted status	-923.169
Amounts written off	-567.453
Other changes *	-784.122
Closing balance *(a)*	5.232.185
Of which exposure classified as an Item associated with particularly high risk ** (b)	830.377
Balance of Due Elements class *(a - b)*	4.401.808

Values in thousand euros

* Includes selling portfolio, granting of funds and new defaults

** In the risk allocation hierarchy of positions, the high risk element class takes precedence over the overdue element

In 2018 the gross book value of the default assets decreased by EUR 2.614 billion. As previously mentioned, this evolution was driven by the implementation of the strategy to reduce Non-Performing Loans which was materialised in several initiatives that include, namely, optimising the recovery process, executing and monitoring of a plan for the disposal of non-performing assets and introducing new processes and tools to measure performance and increase the efficiency of managers in the recovery units.

Moreover, there were written-off exposures whose expected credit recovery was null or considerably residual, having been taken all business proceedings and, when applicable, legal endeavours with all parties involved in the credit contract, in compliance with the Write-offs Policy formalised in internal standards.

VI. Credit risk mitigation

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

VI.1 Qualitative data

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

- Guarantees and Sureties received from Sovereigns and Institutions (including Mutual Guarantee Companies), as well as Corporates, if it is the subject of a credit assessment by an ECAI;
- Credit Derivatives, namely those set forth under Article 204 of Regulation (EU) No. 575/2013;
- Financial collateral, such as assets, debt securities or shareholding units in Investment Funds, if quoted in a recognised fund and with a protection level, highlighted in the *haircut*, applied to the security or shareholding unit value, determined according to its characteristics[8];
- Deposits made with CGD or other Institutions in the CGD Group, in which financial collateral from contracts with *Credit Support Annexes* (CSA) are included;
- Real collateral represented by Real Estate Mortgages designed for the Borrower's Housing or for multipurpose reasons such as Commerce and/or Offices.

With the application of personal guarantees and credit derivatives a transfer of risk associated with the client's exposure to the provider of protection occurs, when the latter is the subject of more favourable risk weighting. Personal guarantees are especially relevant in exposure values for Central Governments and Banks (Sovereigns) and Corporates, with these and Institutions, respectively, being the main providers of protection.

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

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

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

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

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

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

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

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

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

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

Property valuation procedures:

- CGD's evaluation area includes, in its framework, engineers and architects with significant experience in assessment, being responsible for additional technical training in real estate assessment courses, as well as registered and certified at the CMVM as property appraisers;
- CGD has a network of external service providers in its property valuation area, both Corporates and individuals registered at the CMVM, and distributed throughout Portugal, according to the area in which they exercise their professional activity. There are several appraisers for each municipality, in order to ensure adequate diversification and rotation;

- Digital evaluation requests are sent to CGD's property valuation area, containing essential documents for property valuation purposes. There is an internal technician responsible for the approval process, by assessment type and municipality where the property is located; and,
- The appraisers are listed, in which the priority operation municipalities are set forth, meeting efficiency criteria for visits and in-depth knowledge of the local market. The evaluation requests are sent to surveyors via the CGD's real estate management portal. In the portal, the surveyor records the visit date, as well as the assessment report, whose content is standardised, namely including relevant documents for the assessment and photographs of the property.

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

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

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

The table below presents the decomposition of the carrying amount for exposure values (net of impairment), according to the mitigation technique, regardless of its eligibility in Part III, Title II, Chapter IV of the CRR. For this purpose the following risk reduction techniques were considered: Collaterals (financial collateral as deposits, debt securities and equity - shares and shareholding units, real estate collateral) and Guarantees and Sureties received from sovereigns, institutions and Corporates (guarantees provided by individuals and ENIs were not included in this analysis). On 31Dec2018, CGD had no positions covered by credit derivatives.

Table 29 | CRM Techniques - Overview (EU CR3)

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	17.058.793	41.492.146	35.733.115	5.759.031	0
Total debt securities	15.558.130	181.600	0	181.600	0
Total exposures	**32.616.922**	**41.673.745**	**35.733.115**	**5.940.631**	**0**
Of which defaulted	2.254.189	1.849.386	1.703.701	145.685	0

Values in thousand euros

Taking into account materiality of the mortgage loans, the positions secured by real estate mortgages (residential or commercial) represent around 75.3% of the total secured loans.

Secured positions (by collateral or guarantee/surety) represent around 56% of the total loan and debt securities portfolios.

VI.2 Quantitative data

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

Table 30 | Standardised Approach - Credit risk exposure and CRM effects (EU CR4)

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure classes:						
Central governments or central banks	19.234.527	61.247	21.154.930	200.620	5.264.772	24,7%
Regional government or local authorities	1.345.802	57.402	1.377.909	7.656	300.735	21,7%
Public sector entities	2.963.509	411.646	1.473.545	995	323.728	22,0%
Multilateral development banks	0	0	0	0	0	0,0%
International organisations	0	0	0	0	0	0,0%
Institutions	3.052.725	230.523	3.195.972	112.101	957.357	28,9%
Corporates	12.169.127	6.938.945	11.856.136	1.549.685	13.403.916	100,0%
Retail	6.474.580	4.760.635	6.091.927	349.272	4.146.799	64,4%
Exposures secured by mortgages on immovable property	28.871.153	186.803	28.849.308	39.979	10.262.372	35,5%
Exposure in default	1.967.849	286.340	1.908.763	80.207	2.138.016	107,5%
Exposures associated with particularly high risk	1.677.845	177.619	1.658.117	14.920	2.509.556	150,0%
Exposures in the form of covered bonds	34.955	0	34.955	0	6.389	18,3%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,0%
Exposures in the form of units or shares in collective investment	1.227.732	30.000	1.138.702	30.000	1.168.702	100,0%
Equity	635.878	0	635.878	0	1.136.787	178,8%
Other items	1.823.216	0	1.823.216	0	1.058.810	58,1%
Total	81.478.897	13.141.159	81.199.356	2.385.436	42.677.938	

Values in thousand euros

Personal guarantees, where the substitution effect is being applied, are particularly relevant in exposure values on Central Governments and Central Banks (Sovereigns) and Corporates, with the main protection providers being Central Governments and Central Banks (Sovereigns), whose net transaction effect amounts to EUR 2.323 billion (EUR 369 million in 2017). The observed increase is justified by the reclassification, pursuant to the circular letter from the Bank of Portugal, of a set of entities, formerly classified as Central Administration, for the Public Sector Entity. Reclassifying this risk class and applying a risk weighting of 100% led to the recognition of mitigation techniques through substitution that hitherto had not been used.

Concerning financial collateral, around 83% of the credit risk mitigation is affected by the risk classes Corporates and Retail.

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

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

Table 31 | Standardised Approach – RWA breakdown (EU CR5)

Exposure classes	Risk weight										Total
	0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	
Central governments or central banks	17.463.651	0	37.886	0	2.306	0	2.336.093	869.087	646.528	0	21.355.550
Regional government or local authorities	5.303	0	1.349.408	0	0	0	30.854	0	0	0	1.385.565
Public sector entities	1.196.305	0	25	0	19	0	187.146	91.045	0	0	1.474.540
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	2.471.178	0	748.077	0	88.288	530	0	0	3.308.073
Corporates	0	0	0	0	28.754	0	13.027.952	349.115	0	0	13.405.820
Retail	0	0	0	0	0	6.441.199	0	0	0	0	6.441.199
Exposures secured by mortgages on immovable property	0	0	0	26.859.621	2.029.666	0	0	0	0	0	28.889.287
Exposure in default	0	0	0	0	0	0	1.690.876	298.093	0	0	1.988.969
Exposures associated with particularly high risk	0	0	0	0	0	0	0	1.673.037	0	0	1.673.037
Exposures in the form of covered bonds	0	6.019	28.935	0	0	0	0	0	0	0	34.955
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment	0	0	0	0	0	0	1.168.702	0	0	0	1.168.702
Equity	0	0	0	0	0	0	301.938	0	333.939	0	635.878
Other items	712.345	0	65.905	0	0	0	1.043.641	1.325	0	0	1.823.216
Total	19.377.604	6.019	3.953.338	26.859.621	2.808.821	6.441.199	19.875.490	3.282.232	980.467	0	83.584.792

Values in thousand euros

In view of the mortgage loans weight in the CGD's credit portfolio, around a third of the CGD Group's exposure values are the subject of a weighting of 35% (applicable to positions secured by mortgage on residential real estate). The positions weighted at 100%, around 24%, correspond, for the most part, to exposure to corporates, defaults with an impairment coverage over 20%, shareholding units in investment funds and tangible fixed assets. Lastly, it is highlighted that exposure values weighted at 0% represent around 23% of the total portfolio and that they correspond to exposure on central administration or banks and equivalent entities (public sector entities to which, pursuant to Article

116(4) of the CRR, the weight applicable to the respective central administration is applied), as well as Cash and equivalent assets.

In relative terms, it should be highlighted that compared with the same period there was a decrease in the weight of positions weighted at 100% (the classes Corporates and Defaults), in contrast with the increased weight of sovereign and equivalent exposures, subject to a 0% risk weight, and positions classified as speculative immovable property financing, weighted at 150%.

VII.1 Qualitative data

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

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

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

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

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

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

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

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

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

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

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

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

Capital Requirements

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

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

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

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

Wrong way risk

Wrong way risk entails the risk of a determined exposure adversely correlating with the credit quality of the respective counterparty, namely by virtue of the received collateral for mitigating risk relating to said counterparty.

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

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

VII.2 Quantitative data

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

Table 32 | Analysis of counterparty credit risk (CCR) exposure by approach (EU CCR1)

	Notional	Substitution cost/ market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		621.240	143.670			502.039	365.851
Original exposure	0					0	0
Standardised approach		0			0	0	0
Internal Model Method (for derivatives and SFTs)				0	0	0	0
Of which: securities financing operations				*0*	*0*	0	0
Of which: derivatives and long settlement transactions				*0*	*0*	0	0
Of which: from contractual cross-product netting				*0*	*0*	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						23.038	11.519
VaR (value at risk) for SFTs						0	0
Total							377.370

Values in thousand euros

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

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

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

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

Table 33 | Credit valuation adjustment (CVA) capital charge (EU CCR2)

	Exposure value	RWA
Total portfolios subject to the advanced method	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
Total portfolios subject to the standardised method	57.624	32.070
Based on the Initial Exposure method	-	-
Total subject to the CVA capital charge	**57.624**	**32.070**

Values in thousand euros

Compared to December 31st 2017, the RWAs for CVA risk decreased by around 31%, from EUR 46.7 million in 2017 to EUR 32.1 million in 2018. This decrease is justified by the reduced exposure in OTC derivative instruments.

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

Table 34 | Exposures to CCPs (EU CCR8)

	EAD (post-CRM)	RWA
Exposures to QCCPs (total)		3.576
Exposures for trades at QCCPs (excluding initial margin and protection fund contributions), of which:	114.020	2.280
(i) OTC derivatives	50.804	1.016
(ii) Exchange-traded derivatives	63.215	1.264
(iii) Securities financing transactions	0	0
(iv) Netting sets where netting between products has been contractually approved		
Initial margin	45.650	913
Pre-funded default fund contributions	12.497	383
Exposures to non-QCCPs (total)		783
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions), of which:	952	783
(i) OTC derivatives	0	0
(ii) Exchange-traded derivatives	952	783
(iii) Securities financing transactions	0	0
(iv) Netting sets where netting between products has been contractually approved	0	0
Initial margin	3.264	0
Pre-funded default fund contributions	0	0

Values in thousand euros

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

Table 35 | Standardised approach – CCR exposures by regulatory portfolio and risk weights (EU CCR3)

Exposure classes	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Outros		
Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	126.209	0	0	0	0	0	0	0	0	0	0	126.209	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	176.496	0	0	13.863	39.375	0	0	22.222	3.187	0	255.143	0
Corporates	0	23	0	0	0	0	0	0	308.716	0	0	308.740	280.370
Retail	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposure in default	0	0	0	0	0	0	0	0	0	10.441	0	10.441	10.441
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
Total original exposure amounts	126.209	176.519	0	0	13.863	39.375	0	0	330.938	13.628	0	700.532	290.810

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

Table 36 | Impact of netting and collateral held on exposure values (EU CCR5-A)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	938.835	254.291	684.544	7.050	677.494
SFTs	217.200	0	217.200	194.161	23.038
Cross-product netting	-	-	-	-	-
Total	1.156.034	254.291	901.743	201.212	700.532

Values in thousand euros

Table 37 | Composition of collateral for CCR exposures (EU CCR5-B)

	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		
Cash	7.050		453.110	0	0	0
Portuguese sovereign debt	0	0	0	0	0	213.324
Other sovereign debt securities	0	0	0	0	194.161	0
Corporate bonds	0	0	0	0	0	10.887
Other collaterals	0	0	0	0	0	0
Total	7.050	0	453.110	0	194.161	224.212

Values in thousand euros

VIII.1 Qualitative data

Positions where CGD Group is the lender

CGD, as the lender (or originator), maintains the process of asset securitisation for "*Nostrum Mortgages 2010-1*), continuing its main aim of optimising its funding and a more adequate risk management. Assets transferred to the vehicle are composed of mortgage loans and, in accordance with the "Mortgage Sale Agreement" of the transaction "*Nostrum Mortgages 2010-1*", the assignment of credit is valid, complete and effective. Likewise, since 2013 Caixa Geral Bank has maintained the securitisation of mortgage loans (Intermoney BCG), to the amount of 1.3 billion euros with the aim of optimising its liquidity position.

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

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

Table 38 | Securitisation Operations

Traditional securitisation	Nostrum Mortgages 2010-1	Intermoney Banking Cx Geral
Originator	CGD	BCG Spain
Sponsor(s)		
Operation's information:		
Origination date	2010-11-05	2013-11-22
Maturity date	2065-05-20	2061-09-22
Step-up call date	N/A	N/A
Revolving (years)	N/A	N/A
Securitised assets	5.429.950	1.300.000
Value in debt	3.462.506	935.054.010
of which defaulted values	99.876	10.140
Informations about originator		
Existence of "implicit support" situations		
Assigned assets (by institutions)/ Securitised assets (total)	100%	100%
Initial capital gains/ First loss reacquired gains		
Observations		
Initial objective from securitised transaction	- Source *funding* optimization - Source *funding* diversification	- Source *funding* optimization - Source *funding* diversification
Degree of involvement in the securitization process	- Creditor - Credit manager - Domiciliary of fund's DO account - "*Swap back-to-back*" Counterparty	- Creditor - Credit manager - Domiciliary of fund's DO account - "*Swap back-to-back*" Counterparty
Significant risk transfer?	No	No

Values in thousand euros

Concerning accounting, the CGD Group includes the Vehicle (SPV), the Fund and the Company created in the context of the securitisation operations in its Consolidation perimeter and consolidates them using the Integral method, given that it exercises an effective financial and operational control over them and takes on the majority of the risks and benefits associated with their respective activity.

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

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

Positions in which the CGD Group is the investor

For operations in which CGD is the investor, never intending to negotiate them actively, the total risk-weighted exposure amount is calculated using the Standardised Approach, set forth in Chapter 5, Title II, Part III of Regulation (EU) No. 575/2013. In short, it results from applying the relevant risk weight to the exposure value accounted in the Balance Sheet. The risk weight is established according to the risk assessment attributed by an eligible external credit assessment institutions (ECAIs). It should be emphasised that, in the last two years, the Bank has disposed a significant percentage of its positions, maintaining only a residual percentage in securitisations of energy tariff deficits, without identified asymmetries in the balance sheet, as a result of these sales.

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

Regarding the calculation of capital requirements, the Credit Quality Step, required to apply the Standardised Approach, is determined based on issue’s credit risk assessment assigned by any of the three eligible ECAIs used by CGD: *Fitch*, *Moody's* and S&P, respecting the standard mapping between ratings and credit quality steps established by the EBA.

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

VIII.2 Quantitative data

The table below details the calculation, using the Standardised Approach, described above, of the total positions weighted for risk, segregating lender, investor and sponsor positions (parts A, B or C). CGD only calculates capital requirements for securitisation operations in which it acts as an investor.

As mentioned above, CGD only has a residual position, EUR 14,489 thousands, of which only EUR 85 thousands are recorded in columns 4 to 10 in the table below, which emphasises the positions with higher risk: in columns 4 to 6, investments in securitisations with reduced Credit Quality Steps are recorded, while in columns 9 and 10 the totals referring to securitisations not rated by any of the three ECAIs used by CGD. The exposure values recorded in these columns only correspond to 0.6% of the total investment in securitisations, which result in an implicit risk weight for this portfolio of 36.4% (50.6% in 2017).

Table 39 | Securitised operations: Standardised Approach

Traditional securitisations	Original securitised exposure (originator)	Exposure value		Exposure value split by risk weight (2+3) for risk weights higher or equal than 100%							RWA	
			Exposure value deducted from own funds	Notation position				1250%		Position not object of notation		
				100%	225%	350%	650%	Notation position	Position not object of notation		31-12-2018(t_0)	31-12-2017(t_{-1})
	1	2	3	4	5	6	7	8	9	10	11	12
Total exposure (=A+B+C)	14.489	14.489	0	0	0	0	0	0	85	0	5.281	81.742
A. Originator: total exposure	0	0	0	0	0	0	0	0	0	0	0	0
B. Investor: total exposure	14.489	14.489	0	0	0	0	0	0	85	0	5.281	81.742
B.1 - Assets	14.489	14.489	0	0	0	0	0	0	85	0	5.281	81.742
Securitisation	14.489	14.489	0	0	0	0	0	0	85	0	5.281	81.742
Resecuritisation	0	0	0	0	0	0	0	0	0	0	0	0
B.2 - Off-balance sheet items and derivative instruments	0	0	0	0	0	0	0	0	0	0	0	0
Securitisation	0	0	0	0	0	0	0	0	0	0	0	0
Resecuritisation	0	0	0	0	0	0	0	0	0	0	0	0
C - Sponsor: total exposure	0	0	0	0	0	0	0	0	0	0	0	0

Values in thousand euros

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

The information disclosed in this chapter is further supplemented by what is noted in the 2018 Report and Accounts (item 20. Financial Liabilities Associated with Transferred Assets).

IX. Liquidity and Interest Rate Risks

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

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

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

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

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

The centralised management of the liquidity and interest rate risks, Asset-Liability Management, uses a software tool named *AMBIT FOCUS* to measure the Group's exposure to the respective risks (prudential banking perimeter).

In summary, the liquidity and interest rate risks measurement process encompasses two distinct steps: the former involves collecting and evaluating the quality of the information of the Group entities, and the latter the calculation of the set of relevant indicators for the measurement of the two types of risks.

IX.1 Liquidity Risk

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

The liquidity risk in the banking business may arise when the following occur:

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

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

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

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

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

In accordance with the European Banking Authority's (EBA) Guidelines on Internal Governance (GL44), the management body of an institution's parent company is globally responsible for the internal governance of the entire group and for ensuring the existence of a governance framework suited to the organisational structure, scale and complexity of the activities carried out and to the risks associated with the Group's operations and, in particular, with the entities that are a part thereof.

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

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

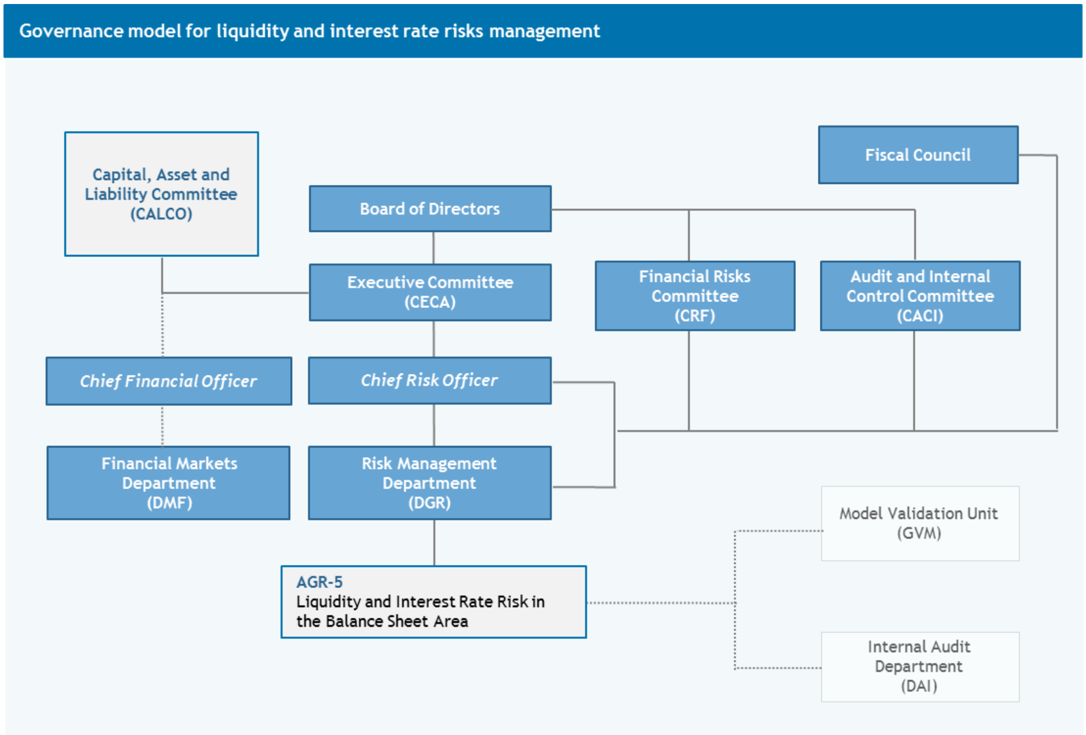
In this connection, 2018 was a year of consolidating local practices with respect to liquidity risk measuring and monitoring, substantiated, *inter alia*, by the process of identifying and resolving gaps against the standards set out in the Liquidity Risk Management Corporate Policy.

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

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

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

Figure 3 | Liquidity and interest rate risks management governance model



The previous figure presents the main bodies accountable for the liquidity and interest rate risks management, whose responsibilities are detailed as follows.

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

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

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

- Managing and executing the Risk Appetite approved for the CGD Group;
- Monitoring the development of risk metrics and the rationale underlying the observed evolution;
- Discussing exceeded limits or tolerance levels and, when applicable, revising and approving the proposed remediation plan;

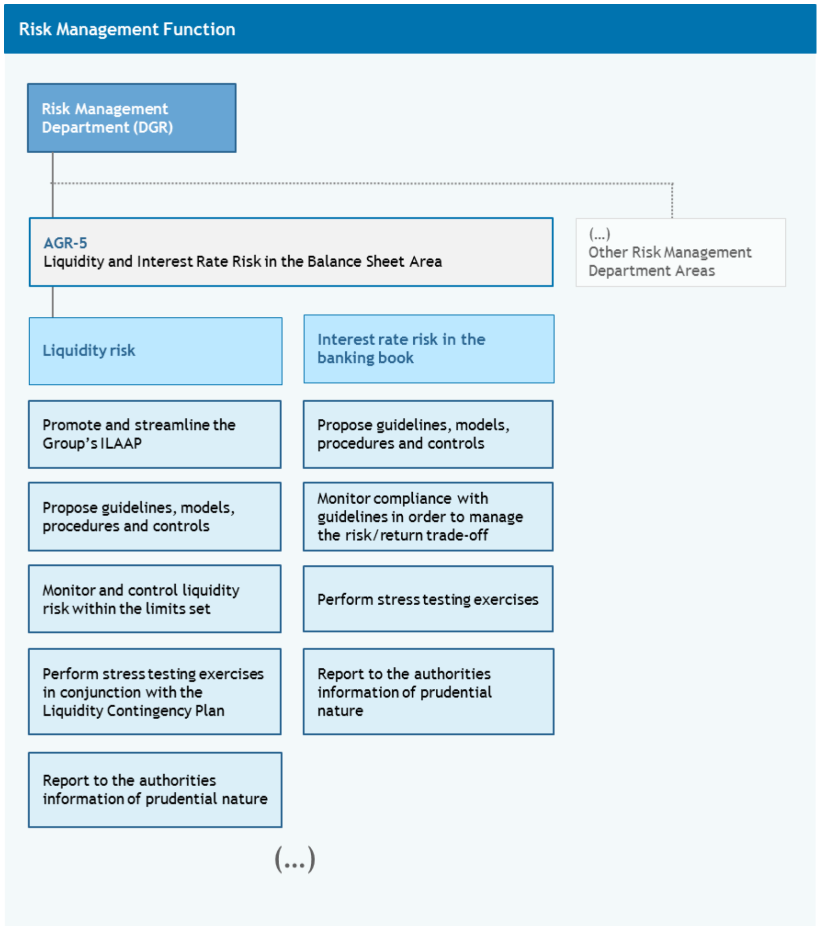
- Guaranteeing coherence between the Risk Appetite and the Group's strategic undertakings, namely the Funding and Capital Plan, the Budget, and the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

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

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

The Liquidity and Interest Rate Risk in the Balance Sheet Area (AGR-5) is responsible for the Group's liquidity and interest rate risks management and control, aiming to ensure a balance sheet structure targeting an adequate risk/return relation. The AGR-5 specific competencies are outlined in the figure below.

Figure 4 | Competencies of the Liquidity and Interest Rate Risk in the Balance Sheet Area



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

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

From an operational point of view, liquidity risk management is supported by measuring and monitoring a set of key performance indicators (KPIs) and by a system of limits and early warnings aiming at *i)* the maintenance of a stable funding structure in view of the liquidity characteristics of the Group's asset and off-balance positions, as well as its residual maturity terms, and *ii)* adequate liquidity levels to respond to adverse scenarios (stress scenarios).

The set of KPIs under scrutiny originates from analysing the residual maturity terms of the Group's assets and liabilities. The cash inflow and cash outflow volumes are allocated to time intervals according to their residual maturity terms and, from then, the respective liquidity gaps are determined (both the period liquidity gaps and the cumulative liquidity gaps).

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

The liquidity gaps are calculated monthly and are subject to two short-term exposure limits set by the ALCO[9], which inform the Bank's Liquidity Contingency Plan.

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

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

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

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

The adoption of a general framework for monitoring the risks associated with asset encumbrance is one of the dimensions of the governance framework for asset encumbrance risk management approved by the ALCO[10] at the end of the first semester of 2015, which aims to comply with the

[9] Renamed to Capital, Asset and Liability Management Committee – CALCO – on 29.12.2017, without change of scope.

[10] Renamed to Capital, Asset and Liability Management Committee – CALCO – on 29.12.2017, without change of scope.

legislative references/recommendations of the European Systemic Risk Board (ESRB/2012/2), of Regulation (EU) No 575/2013 of the European Parliament and of the Council, the EBA guidelines on disclosure of encumbered and unencumbered assets (EBA/GL/2014/3), and the Bank of Portugal Instructions No 28/2014 – Divulgação de Informação sobre ativos onerados e não onerados and No 29/2014 – Gestão do risco de oneração de ativos.

In this context, the CGD publishes in the Annual Report, specifically in part "2. Notes, Reports and Opinions on the Accounts", section "2.2.1. Information on asset encumbrances", the information prescribed in the Bank of Portugal Instruction No 28/2014, reporting templates A – Assets, B – Collateral received and C – Encumbered assets, collateral received and associated liabilities. As regards reporting template D – Information on importance of encumbrance, CGD presents its qualitative assessment in this respect in the following paragraphs.

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

- Increase in the relative importance of secured funding (including from public sector funding sources) as a consequence of investors' risk aversion and of regulatory developments, notably the Basel III framework;
- Tightening supply of quality collateral, at a time when banks need stable funding sources to maintain their lending into the real economy;
- Increasing reliance on, and competition for, customer deposits, risking potential increased volatility;
- Extraordinary measures by central banks that have included longer-term operations and extended lists of collateral.

Secure funding has proved to be a lifeline for banks during periods of stress. While recognising the benefits derived from its use, as it allows for diversification of funding sources and decreases counterparty risk, the associated risks of an excessive encumbrance level should also be taken into account, as listed below:

- Further subordination of other creditors, in particular depositors, with consequences in terms of potential usage of funds from deposit guarantee schemes;
- May negatively affect future access to the unsecured markets and create challenges in pricing risks correctly, with implications for efficient resource allocation;
- Contingent encumbrance tends to be pro-cyclical since it increases in stress periods as a result of automatic increases in collateralisation requirements.

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

- Limit overall bank balance sheet growth and bank lending activity given that the amount of encumberable collateral is finite, as such a shortfall in secured funding acts directly on banks' credit supply and therefore on the real economy/economic growth;
- Lead to a distortion in credit allocation given the greater the likelihood will be that banks will invest in assets for the primary purpose of achieving eligibility for encumbrance on the asset side. Such eligible assets comprise top-rated government bonds and commercial and residential mortgages, as assets such as loans to small and medium-sized enterprises are considered of lower quality and are normally not eligible as collateral;
- Increase pro-cyclicality of credit intermediation since the values of collateral usually tend to increase in economic upturns and decrease in economic downturns, automatically increasing banks' credit supply in good times and decreasing it in bad times. At high levels of encumbrance, the financial system might be riskier because it is more sensitive to pro-cyclical "swings" in the underlying value of assets.

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

As such, the table below presents the value of the asset encumbrance ratio for the reference date 31.12.2018, as well as the respective estimates for the time horizon 2019-2021.

Table 40 | Asset encumbrance ratio

	2018	2019				2020				2021
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Dec
Encumbrance ratio	12%	13%	11%	11%	11%	9%	9%	9%	8%	8%

The encumbrance ratio is, on average, at 9% over the projection time horizon, which represents a reduction of around 3 percentage points compared to December 2018, maintaining particularly low levels showing *i)* an adequate reliance on secured funding and a significant capacity to manage adverse situations in the wholesale funding markets due to the ability to resort to secured funding, and *ii)* little probability to induce an adverse effect on the "market appetite" for the Institution's unsecured debt.

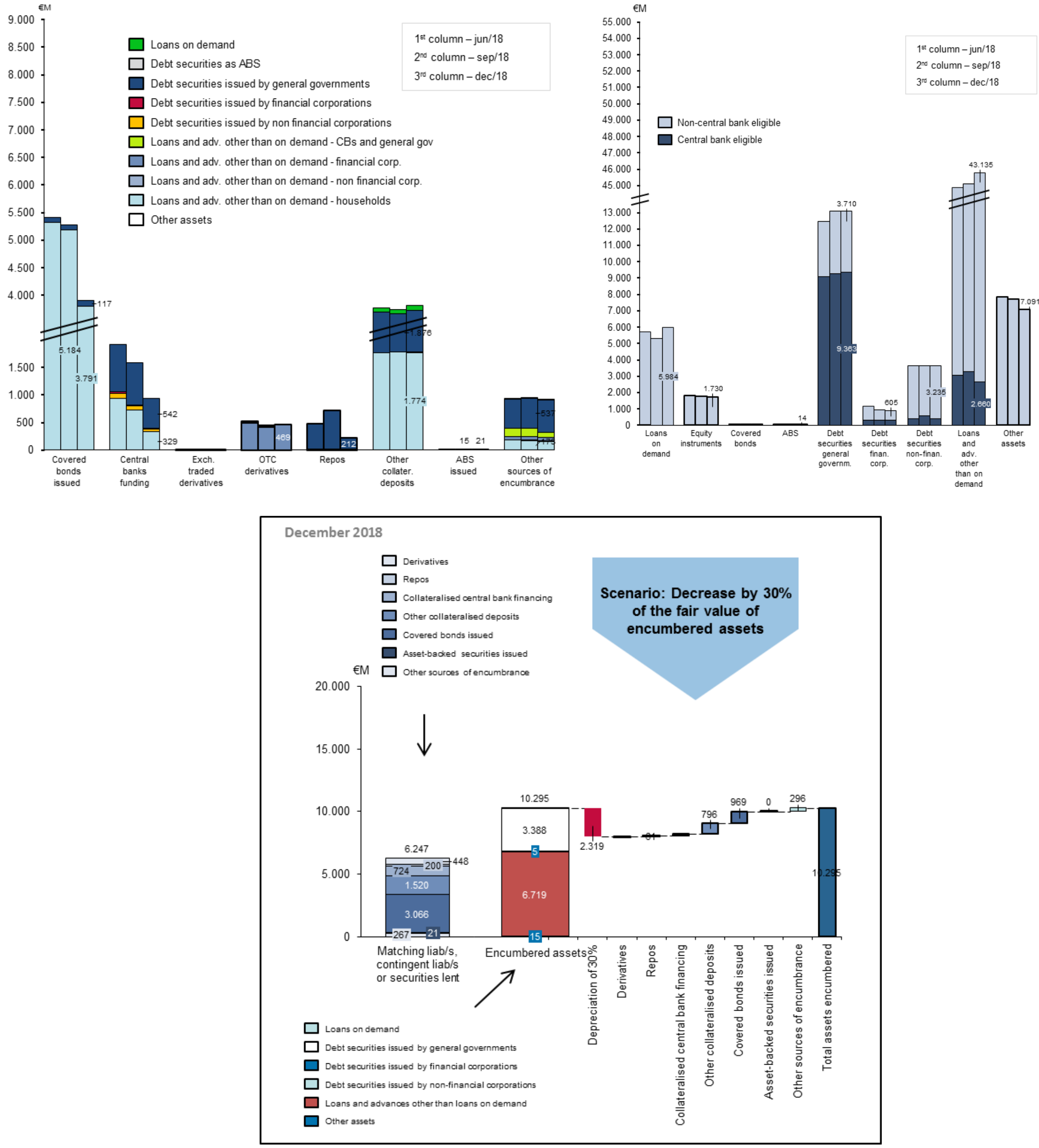
The development of the Group's asset encumbrance ratio is positively impacted, essentially, by the maturity of some issuances of covered bonds throughout the projection time horizon.

In fact, the structural composition of the Group's balance sheet plays a crucial role in the low levels of the asset encumbrance ratio, namely the low reliance on wholesale funding and the broad and stable customer deposit base, the latter representing around 80% of the Group's total liabilities on December 31st 2018.

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

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

Figure 5 | CGD Group's asset encumbrance



From December 2017 onwards, CGD extended the set of liquidity risk measurement and monitoring mechanisms and metrics with the approval by the CALCO of the stress testing framework for the CGD Headquarters' intraday positions and liquidity flows, and from March 2018 the liquidity risk management programme has been further extended with the CALCO's approval of the Group's daily liquidity position measurement and control framework.

In the context of the regulatory liquidity risk reporting commitments, in 2018 the ECB's liquidity "radar" reduced the scrutiny frequency of the CGD Group's liquidity situation due to the Institution's markedly comfortable liquidity and funding position and the respective macroeconomic environment of the Portuguese Republic, as presented below:

- ⇨ *Liquidity Risk Monitoring Tool* (frequency revised from weekly to quarterly) – liquidity risk monitoring methodology developed by the ECB which includes the calculation of *i)* liquidity ratios, *ii)* survival periods, and *iii)* liquidity gaps;
- ⇨ *Additional Liquidity Monitoring Metrics (*monthly frequency*)* – a set of additional liquidity monitoring metrics in accordance with Article 415(3)(b) of Regulation (EU) No 575/2013 which includes quantitative data with respect to *i)* the breakdown of assets, liabilities and counterbalancing capacity by residual maturity terms of principal and interest, *ii)* concentration of funding by counterparty and product type, *iii)* cost of funding, *iv)* roll-over of funding, and *v)* concentration of counterbalancing capacity by issuer;
- ⇨ *Short-Term Exercises* (quarterly frequency) – short-term data collection geared at providing essential information to the ECB's Supervisory Review and Evaluation Process, which with regard to liquidity includes information pertaining to the prudential liquidity ratio Net Stable Funding Ratio (NSFR);
- ⇨ *Downgrade Exercise of the Portuguese Sovereign* (frequency revised from quarterly to yearly) – ECB's monitoring exercise to assess the potential impact of the loss of eligibility of the Portuguese Sovereign debt for Eurosystem funding on the following dimensions: *i)* collateral available for Eurosystem funding, and *ii)* funding outflows, taking also into consideration the contagion effect on other Portuguese related instruments and also a one-notch downgrade by all four rating agencies on CGD's rating and on all instruments issued by any Group entity;
- ⇨ *Internal Liquidity Adequacy Assessment Process* (yearly frequency) – self-assessment exercise of the adequacy of the liquidity levels of credit institutions, that in compliance with Article 86 of Directive 2013/36/EU shall have robust strategies, policies, processes and systems for *i)* the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, and *ii)* the identification, measurement, management and monitoring of funding positions, so as to ensure that institutions maintain adequate levels of liquidity buffers and an adequate funding structure;
- ⇨ *Liquidity Exercise* (yearly frequency) – daily monitoring model (five consecutive days) developed by the ECB for temporary use in real crisis situations, focusing on the most relevant liquidity data in such situations: *(i)* changes in the stock of customer deposits, wholesale funding, Eurosystem funding and liquid assets, *(ii)* breakdown of assets, liabilities and counterbalancing capacity by residual maturity terms of principal and interest, *(iii)* collateral information, namely central bank eligible assets, *(iv)* top ten customer deposits and repurchase agreements counterparties, and *(v)* top ten intragroup funding transactions.

In addition to the Supervisor's close monitoring of the Institution's liquidity situation, the Liquidity Coverage Ratio (LCR) – liquidity standard stemming from the CRR/CRD IV regulatory framework – entered into its third complete year of application with an increase of 40 percentage points vis-à-vis the level set at the time of its introduction on October 1st 2015, meeting a minimum requirement of 100%, with the following transitional provision:

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

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

Table 41 | Liquidity Coverage Ratio level and components

LCR disclosure template, on quantitative information of LCR which complements Article 435(1)(f) of Regulation (EU) No 575/2013.

		Total unweighted value (average)				Total weighted value (average)			
Scope of consolidation (consolidated)									
Currency and units (EUR million)									
Quarter ending on		31 March 018	30 June 018	30 September 018	31 December 018	31 March 018	30 June 018	30 September 018	31 December 018
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)					14.376,30	14.436,67	14.435,98	14.905,65
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	59.087,15	58.880,85	58.645,02	58.274,36	4.380,05	4.359,94	4.335,08	4.278,16
3	*Stable deposits*	30.573,40	30.562,95	30.588,50	31.131,07	1.528,67	1.528,15	1.529,43	1.556,55
4	*Less stable deposits*	28.513,75	28.317,90	28.056,52	27.135,73	2.851,38	2.831,79	2.805,65	2.714,05
5	Unsecured wholesale funding	6.362,66	6.158,00	6.240,28	6.979,73	4.245,91	4.043,04	4.067,95	4.318,54
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0,00	0,00	0,00	192,06	0,00	0,00	0,00	37,30
7	*Non-operational deposits (all counterparties)*	6.255,08	6.050,18	6.134,07	6.667,35	4.138,33	3.935,23	3.961,74	4.160,93
8	*Unsecured debt*	107,58	107,82	106,21	120,31	107,58	107,82	106,21	120,31
9	Secured wholesale funding					23,23	12,13	0,00	1,33
10	Additional requirements	2.745,95	2.633,29	2.443,06	2.387,13	728,62	669,78	598,36	645,78
11	*Outflows related to derivative exposures and other collateral requirements*	678,94	623,35	600,97	689,08	225,82	183,35	160,97	247,39
12	*Outflows related to loss of funding on debt products*	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
13	*Credit and liquidity facilities*	2.067,01	2.009,94	1.842,10	1.698,05	502,80	486,44	437,40	398,39
14	Other contractual funding obligations	1.137,20	1.166,11	1.102,91	1.078,99	1.073,08	1.102,78	1.043,32	1.018,37
15	Other contingent funding obligations	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
16	**TOTAL CASH OUTFLOWS**					10.450,88	10.187,68	10.044,71	10.262,19
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	108,58	119,15	128,85	184,60	108,58	119,15	128,85	184,60
18	Inflows from fully performing exposures	3.310,24	3.207,34	3.129,43	3.170,70	2.469,31	2.393,59	2.309,66	2.302,83
19	Other cash inflows	1.086,58	1.160,37	1.244,74	1.404,97	1.086,58	1.160,37	1.244,74	1.404,97
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0,00	0,00	0,00	0,00
EU-19b	(Excess inflows from a related specialised credit institution)					0,00	0,00	0,00	0,00
20	**TOTAL CASH INFLOWS**	4.505,40	4.486,87	4.503,02	4.760,27	3.664,47	3.673,12	3.683,25	3.892,39
EU-20a	***Fully exempt inflows***	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EU-20b	***Inflows subject to 90% cap***	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EU-20c	***Inflows subject to 75% cap***	4.505,40	4.486,87	4.503,02	4.760,27	3.664,47	3.673,12	3.683,25	3.892,39
						TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE
21	**LIQUIDITY BUFFER**					**14.376,30**	**14.436,67**	**14.435,98**	**14.905,65**
22	**TOTAL NET CASH OUTFLOWS**					**6.786,41**	**6.514,56**	**6.361,46**	**6.369,79**
23	**LIQUIDITY COVERAGE RATIO (%)**					212,72%	223,07%	228,17%	235,42%

The methodology used internally to determine the minimum required level of liquid assets is embedded in the Group's Risk Appetite Statement, namely in the risk appetite limits set for the Liquidity Coverage Ratio.

Thereby, for the established/desired level of risk appetite for the LCR, the CGD Group's minimum liquid assets buffer amounted to 7,4 thousand million euros, on average, in 2018, well below its observed value in spite of the solid and stable retail deposit base and low reliance on wholesale funding, reflecting the Group's comfortable liquidity position.

With respect to the composition of the stock of liquid assets, it has historically included fundamentally cash and cash equivalents, central bank reserves (in excess of minimum reserve requirements), securities issued by sovereigns and securities issued or guaranteed by public sector entities, revealing the quality of the Group's liquid assets buffer also as regards its composition.

Still in the context of liquidity risk regulatory reporting responsibilities, the CGD continued to comply with the provisions set forth in the Bank of Portugal Instruction No 13/2009, which comprises a collection of detailed and permanent information on credit institutions' liquidity levels, including their forecasted treasury flows for the one-year time horizon (repealed in December 2018).

In summary, the measurement, monitoring and control of liquidity risk by the Liquidity and Interest Rate Risk in the Balance Sheet Area is supported on a set of comprehensive metrics and serves various stakeholder objectives and reporting purposes, notably the Board of Directors, the Supervisor, the Risk Appetite (Risk Appetite Statement – RAS) and the Liquidity Contingency Plan. All metrics are presented and discussed with the management bodies prior to their use.

The table below displays the liquidity metrics currently used by CGD, as well as their reporting scope and frequency.

Frequency	Liquidity risk metric	Management	RAS	Supervisory report	Liquidity contingency plan
Daily	Reserve requirement account stock variations (and other intraday monitoring tools)	✓			
	Daily liquidity position	✓			
Monthly	Balance sheet structure by product type	✓			
	Credit to deposits ratio	✓	✓		✓
	Maturity profile of wholesale activity	✓			
	Collateral available for central bank funding	✓	✓		✓
	Contractual liquidity gaps	✓			
	Structural liquidity gaps	✓			✓
	Concentration of funding	✓			✓
	Liquidity coverage ratio (LCR)	✓	✓	✓	✓
	Prospective liquidity coverage ratio	✓			
	Stressed liquidity coverage ratio	✓	✓		
	Concentration and composition of the high quality liquid assets buffer	✓	✓		
	Cost of wholesale funding	✓	✓		✓
	Instruction No 13/2009, Bank of Portugal	✓		✓	
	Additional liquidity monitoring metrics (ALMM)	✓		✓	
Quarterly	Net stable funding ratio (NSFR)	✓	✓	✓	✓
	Asset encumbrance metrics	✓	✓	✓	✓
	Liquidity risk monitoring tool metrics	✓		✓	
	Short term exercise – liquidity metrics	✓		✓	
	Survival period	✓			✓
Semi-annually	Funding and capital plan liquidity metrics	✓		✓	
Anually	Downgrade by rating agencies of PT sovereign instruments metrics	✓		✓	
	Crisis management liquidity exercise metrics	✓		✓	
	Funding and capital plan liquidity metrics– EBA	✓		✓	

Notwithstanding the problems observed in the money and capital markets since 2008, 2018 reinforced the trend towards stabilisation of the confidence levels in the financial system already experienced since 2013, enabling the strengthening of the CGD's funding conditions. In particular, CGD completed the issuance of Tier 2 capital to the amount of 500 million euros placed exclusively with institutional investors, with the market showing a large appetite for the name "Caixa Geral de Depósitos" (confirmed by the purchase orders that significantly exceeded the available offer of 500 million euros). The transaction enabled the conclusion of the final phase of the CGD's Recapitalisation Plan, initiated in 2017, to reach a cumulative capital increase of 4.944 million euros, also providing additional comfort to the Institution in terms of liquidity position.

Additionally, CGD pursued a fund raising policy throughout the year aimed to guarantee a sustainable funding structure for its activity, based on the liquidity and residual maturity term characteristics of its assets and off-balance sheet exposures.

IX.2 Interest Rate Risk

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

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

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

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

Economic Value of Equity at Risk metrics (measurement techniques of the interest rate effects on the profit and loss account and on the economic value of banks, respectively).

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

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

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

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

Figure 6 | Net interest income estimated sensitivity to interest rate changes

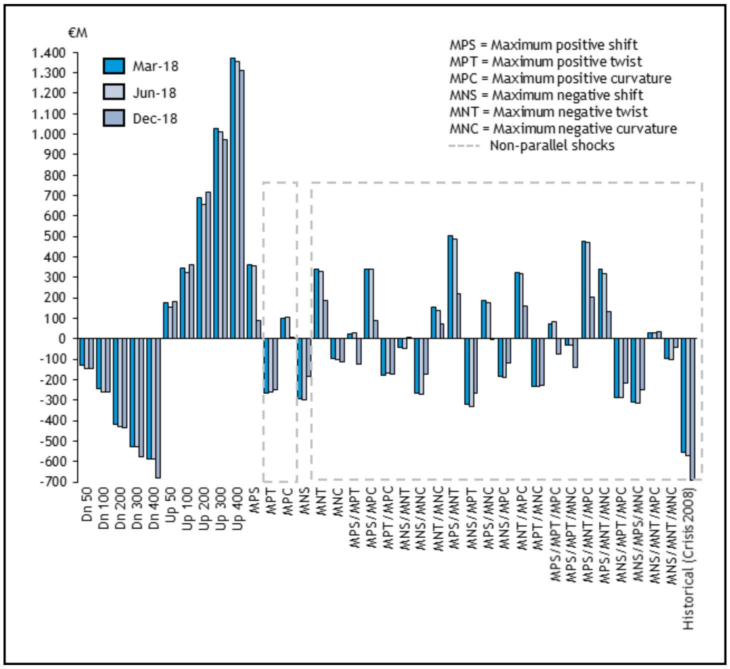
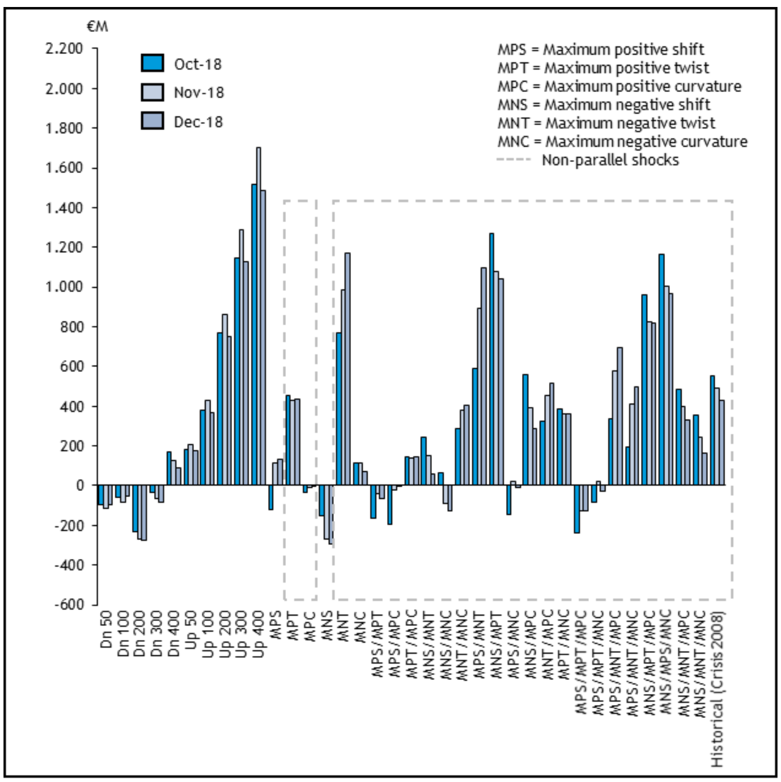
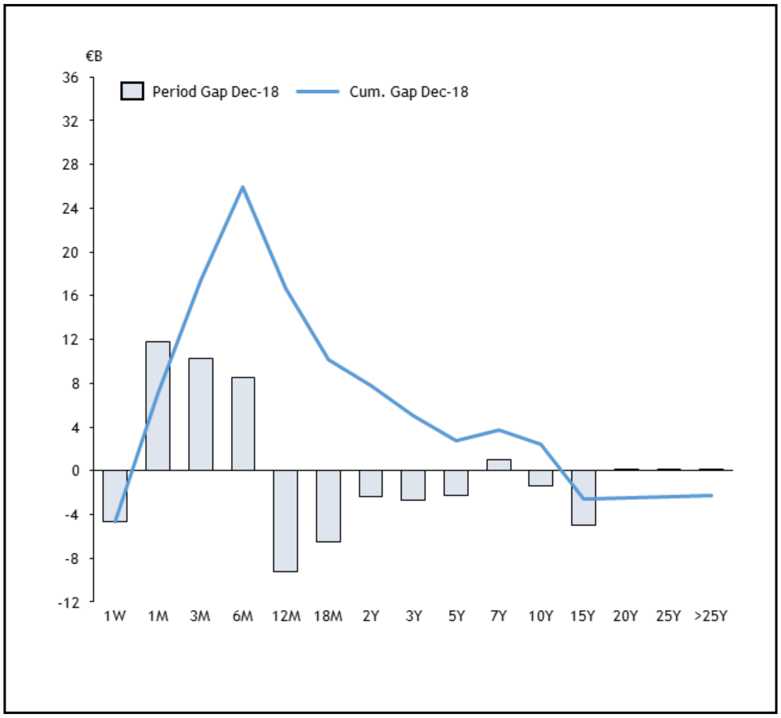


Figure 7 | Economic value of equity estimated sensitivity to interest rate changes



The analysis of the graphs presenting the net interest income and the economic value of equity sensitivities to changes in interest rates particularly highlights the Group's exposure to sudden down parallel shifts in interest rates of a significant dimension – decreases of 200bps and above for net interest income – revealing the Group's exposure profile to falling interest rates as evidenced by its repricing gap.

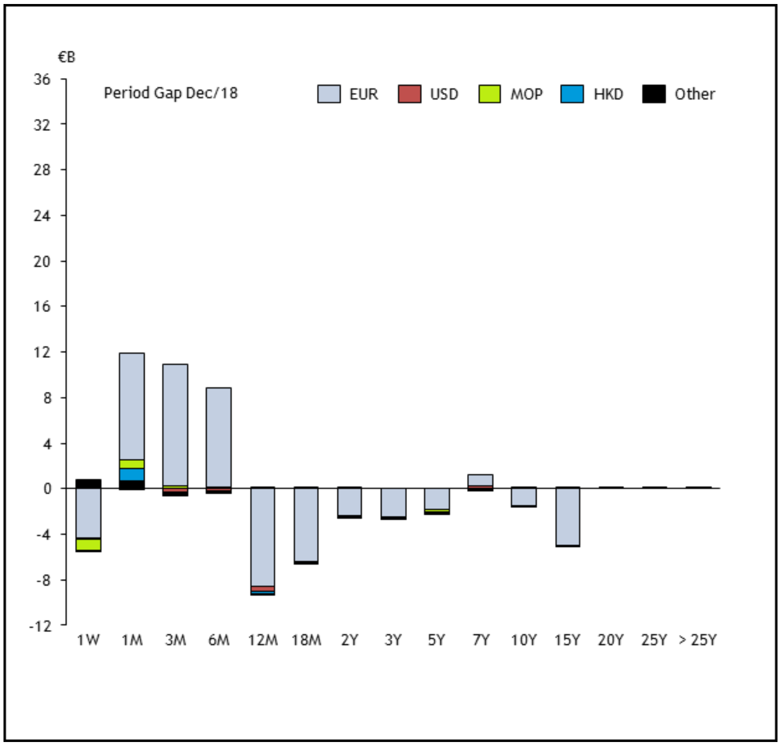
Figure 8 | *Repricing gap* – Direction of the impact of interest rate changes



The Group is essentially positively sensitive to the rise in interest rates up to the time interval of 10 years, recording a positive 12-month cumulative gap in line with the commercial policy of indexing a very significant part of the asset portfolio, namely the credit portfolio, to market rates, namely Euribor rates.

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

Figure 9 | *Repricing gap* – Direction of the impact of interest rate changes by currency



The results presented in Figures 8 and 9 are "sensitive" to the behavioural assumptions used to measure the CGD Group's interest rate risk, which are subject of a back testing framework that informs potential revisions to the models supporting the treatment of on and off-balance sheet items that have embedded options that could affect either the interest rate charged or the behavioural repricing date (as opposed to the contractual interest rate fixing date) of the relevant balances.

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

- Mortgage loans prepayment assumptions driven by their residual maturity;
- Assumptions regarding products without contractually defined repricing dates, highlighting the 52% of retail deposits repricing in the time bands between 12 and 60 months.

The management and control of the interest rate risk in the banking book are supported by a set of guidelines that include the establishment of limits for the variables considered significant to the measurement of the exposure to the risk. The aim of complying with the guidelines is to ensure that the CGD has, at all times, a means of managing the risk/return trade-off regarding balance sheet management and that, simultaneously, is able to secure the level of appropriate exposure and to control the results of the different policies and risk positions taken.

The information suite supporting the measurement and monitoring of the interest rate risk in the banking book is appraised monthly by the Executive Committee and at the CALCO meetings.

In the context of interest rate risk regulatory reporting requirements, the CGD submits to the Bank of Portugal on a six-monthly basis detailed information on its level of exposure to interest rate risk in the banking book, as well as the results of the internal measurement and reporting models, as set forth in the Bank of Portugal Instruction No 19/2005 (repealed in December 2018). In addition, under the Single Supervisory Mechanism (SSM) framework, the European Central Bank conducts quarterly “Short-Term Exercises” encompassing short-term data collection geared at providing essential information to the Supervisory Review and Evaluation Process (SREP). With regard to the interest rate risk in the banking book, the Supervisor's requirements include *i)* the breakdown of assets, liabilities and off-balance sheet positions by residual maturity and/or repricing dates, and *ii)* the net interest income and economic value of equity sensitivity analyses to parallel shocks in interest rates of ± 200bps, as well as non-parallel shocks.

X. Market Risk

X.1 General qualitative data

The Group's trading portfolio is composed of instruments that are managed with the objective of generating short-term capital gains, by means of sales, valuation or hedging, following the Group's trading strategy. This portfolio is actively managed, reassessed every day in regards to its fair value in an independent, precise, clear and rigorous way. The portfolio is further the subject of daily monitoring of its profitability and intradaily controlling and reporting of market risk.

The management strategy and tolerance to market risk are established in compliance with the CGD Group's risk appetite statement, with the aim of keeping the focus of the Group's activity centred on products and services that are in accordance with the strategy of a retail/commercial bank, limiting the complexity of products and positions and ensuring that these are in line with the risk-monitoring capacities in place. The Group's units that manage trading portfolios are subject to specific management guidelines which set forth concentration limits, market liquidity indicators and market risk limits. The guidelines formalise, *inter alia*, the strategies for trading, management and control of risk, authorised instruments, metrics and respective market risk limits, constituting the boundaries for the business units concerning hedging or market risk mitigation. The establishment of these limits acts as a grating to guarantee that the assumed risk levels are encompassed in the framework of the Group's risk appetite. The established limits with the approval of CALCO are the subject of daily or intradaily monitoring and reporting. Furthermore, loss limits are established, as well as expected actions in the event of a breach.

The identification of the CGD Group's market risk is based on a robust, continually reliable, centralised and integrated structure, aiming to ensure the timely and complete knowledge of traded products, enabling the identification, measuring, control and reporting of market risk. The registering of transactions in the front office system is subject to a specific internal standard that ensures that the process of transmitting information is fulfilled and reliably arrives in the market risk system for evaluation of the respective metrics. Market risk is centrally controlled, monitored and reported by the market risk area of the Risk Management Division, which directly reports to the Chief Risk Officer, guaranteeing an independent line of reporting for the trading areas. CGD's Financial Risk Committee is tasked with monitoring CGD's and the Group's entities' market and exchange rate risks.

The Group has an approved Corporate Policy for Market Risk Management (PCGRM), which outlines the responsibilities and establishes the principles applicable to market risk management, on an individual and consolidated basis, as well as all foreign branches and subsidiaries that integrate the prudential supervision perimeter.

On December 31st 2018, the CGD Group applied only the Standardised Approach to all subportfolios considered in the trading book, when determining the own funds requirements for general and specific risk of debt and equity instruments, as well as for trading financial derivatives.

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

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

Regarding Own Funds requirements referring to foreign-exchange risk, the CGD Group applied the Standardised Approach prescribed in Chapter 3, Title IV, Part III of Regulation (EU) No. 575/2013. This method consists of applying a weighting of 8% (or 4% for strictly correlated currencies[11]) to the sum of the overall net foreign-exchange position and the net position in gold, in the case of this sum exceeds 2% of the total Own Funds.

At the end of 2018, the CGD Group's portfolio had no positions subject of Own Funds requirements for commodity risk.

X.2 Quantitative data

In quantitative terms, the amount of Own Funds requirements determined for the trading portfolio, by applying the Standardised Method to debt, equity and foreign-exchange instruments, amounted to EUR 117 million on December 31st 2018. Compared to 2017, there was a decrease in own funds requirements of around 28%, justified by the reduction in capital requirements of debt instruments and the exchange rate position.

With respect to foreign-exchange rate risk, the CGD Group determines own funds requirements, as its global net position (EUR 950 million) is above the 2% threshold of the Group's total Own Funds (around EUR 154 million). In 2018, capital requirements for exchange rate risk recorded a decrease

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

of around 29%, compared to 31.Dec.2017, mostly justified by the reduction in the value of the Angolan Kwanza (AOA) position, arising from the depreciation of this currency compared to EUR.

Table 42 | Market risk under the standardised approach (EU MR1)

	RWA	Capital requirements
Outright products		
Interest rate risk (general and specific)	752.779	60.222
Equity risk (general and specific)	22.497	1.800
Foreign exchange risk	677.579	54.206
Commodity risk	0	0
Options		
Simplified approach	0	0
Delta-plus method	12.814	1.025
Scenario approach	0	0
Securitisation (specific risk)	0	0
Total	**1.465.669**	**117.253**

Values in thousand euros

XI.1 Qualitative data

The operational risk corresponds to the risk of losses resulting from inadequacies or failures of processes, people and information systems or arising from external events, including legal risks.

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

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

In terms of calculating capital requirements for hedging operational risk, the CGD Group adopts the standardised approach on a consolidated basis. On an individual basis, this method is also adopted by Caixa Geral de Depósitos, Caixa Banco de Investimento, Caixa Leasing and Factoring, Banco Caixa Geral (Spain) and Mercantile Bank (South Africa).

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

- Setting and monitoring tolerance limits and risk appetite;
- Identifying operational risks supported in the process mapping, risks and controls, in the analysis of new products and services and the monitoring of subcontracted activities;
- Decentralised collection of operational risk events, losses and recoveries, reinforced and supported by control procedures;
- Self-assessment of potential operational risks and the respective controls;
- Setting and monitoring key risk indicators;
- Streamlining training and information disclosure programmes through an internal reporting system which includes regular completion of Committees and the disclosure of regular reports for the Group's various structures;
- Identifying, setting forth and implementing action plans as a corollary of the remaining components of the methodology.

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

- Executive Committee of the Board of Directors (global coverage of risk management);
- Risk Committee and Auditing and Internal Control Committee, monitoring the fulfilment of the corporate policy for operational risk and risk appetite limits;

- Operational Risk Committee (CROP), body responsible for coordinating, assessing and discussing issues relating to the CGD Group's operational risk management, tasked with, namely, monitoring the global operational risk level assumed by the Group and checking compliance with the established strategy and policies;
- Unit exclusively dedicated to operational risk management, part of the DGR, responsible for developing and implementing the strategy and policies, ensuring that the operational risk is being adequately managed, coordinating with the other Divisions, Branches and Subsidiaries in order to ensure that the Group's entities' practices are harmonised;
- Unit dedicated to business continuity management, part of the DGR, responsible for guaranteeing the implementation of Business Continuity strategy in CGD, through global coordination and planning activities relating to Business Continuity Management and ensuring the supervision of these issues in the Group's Entities;
- Process Owners, who are tasked with facilitating and streamlining the operational risk management process in their respective scopes of intervention;
- The following structures are also involved:
    1. DOQ-Organizational and Quality Division (process management and documentation, cataloguing/mapping the Group's processes);
    2. Compliance Support Office (compliance risk management);
    3. Accounting, Consolidation and Financial Information Division (calculating and reporting capital requirements);
    4. Information Systems Division (information systems risk management and evaluating the internal control of information systems supported by the Cobit method);
    5. Internal Audit Division (evaluating internal control procedures and revising the measuring system and management process).

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

Given the consolidation stage of the Business Continuity Management System (BCMS), CGD has formalised its application process for its certification, with the international standard ISO 22301:2012 Business Continuity Management System.

The British Standards Institution (BSI), a specialised entity on this issue, undertook an external certification audit of the BCMS and recommended its certification, which was granted in January 11th 2019.

With this certification, CGD confirms that the Business Continuity's principles and best practices are ensured and implemented, thus maintaining its resilience and ability to respond to potential threats to its business.

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

Senior management is still involved and monitors this issue with a dedicated structure, the Business Continuity (BC) Committee, currently on a quarterly basis, where issues related to BC Management and BC Strategy to be followed are addressed, resulting in the implementation of BC solutions.

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

On December 31st 2018, the CGD Group calculated its capital requirements for operational risk following the Standardised Approach, which, as set forth in the aforementioned Regulation, is the result of the three-year average of the relevant indicator, weighted by risk, calculated each year relating to one of the following activity segments:

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

The relevant indicator is determined as follows:

(+) Interest and similar income

(-) Interest payments and similar expenses

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

(+) Commission earned

(-) Commission paid

(+/-) Result of financial operations

(+) Other Operating Income

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

Line Item	Nature
66	Interest and similar costs
67	Commissions paid from items carried at amortised cost
68	Other commissions paid
69	Losses on financial transactions
79	Interest and similar income
80	Commissions received from items carried at amortised cost
81	Other commissions received
82	Income from equity instruments
83	Gains on financial transactions
84	Other income and operational revenues

Regarding attribution criteria by segment, it is highlighted that:

- All activities are distributed into previously identified activity segments, so that each activity corresponds to just one segment and that none are excluded;
- Any activity that cannot be directly incorporated in any of the established activity segments, but represents an auxiliary role in an activity included in one of said segments, is incorporated in that segment;
- If an activity cannot be incorporated in a specific activity segment, it is incorporated in the one to which it corresponds the highest percentage;
- The distribution of activities into segments, for the purpose of determining own funds requirements for operational risk hedging, is coherent with the categories used for credit and market risks;
- The distribution of activities between the "Commercial Banking" segment and the "Retail Banking" segment is based on the commercial network criterion that manages clients (the

"Retail Banking" segment is encompassed within the activity of Individuals and Business Banking; the segment "Commercial Banking" is encompassed as part of the activity of Corporate Banking, Large Corporate Banking and Institutional Banking);

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

XI.2 Quantitative data

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

Table 43 | Capital requirements for Operational Risk

Activities	2016	2017	2018	Own funds requirements
Standardised approach				
Corporate financing	159.020	127.641	127.302	308.814
Trading and sales	613.618	1.039.005	618.396	
Retail brokerage	18.611	21.479	24.968	
Commercial banking	179.462	284.233	334.314	
Retail banking	650.914	556.277	595.979	
Payment and settlement	119.806	130.251	168.188	
Agency services	13.392	13.640	17.355	
Asset management	37.160	54.540	52.588	

Values in thousand euros

XII.1 Qualitative data

Equity exposures in the Banking Book are segmented in accordance with three macro-objectives, namely: divestment positions; strategic investments and financial participations. Investments in shares or financial assets whose value depends on the price of an Investment Portfolio share are not authorised, as set forth in the internal guidelines.

The Group's Banking Book includes equity exposures accounted as 'Financial assets designated at fair value through profit or loss (Fair Value Option)', 'Financial assets mandatorily at fair value through profit or loss' and 'Financial assets at fair value through other comprehensive income'.

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

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

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

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

Equities' fair value is determined by a division independent of the management function, based on:

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

XII.2 Quantitative data

In compliance with the provisions in Article 447 of the CRR, the table below presents the types, nature and amounts of equity exposure values not included in the trading book on 31Dec2018.

Table 44 | Exposures from banking book equity

Equity exposure (banking book)	Quoted shares t_0	Quoted shares t_{-1}	Unquoted shares Private Equity t_0	Unquoted shares Private Equity t_{-1}	Unquoted shares Private Equity t_{-2}	Unquoted shares Private Equity t_{-2}	Derivatives / Equity Contracts / Indexes t_0	Derivatives / Equity Contracts / Indexes t_{-1}	Derivatives / Equity Contracts / Indexes t_{-2}	Derivatives / Equity Contracts / Indexes t_{-2}	Other capital t_0	Other capital t_{-1}	TOTAL 31-12-2018 (t_0)	TOTAL 31-12-2017(t_{-1})
Acquisition Cost / Notional Value	7.676	40.791	197.213	251.840	0	0	0	204.890	292.632	0	0	0	204.890	292.632
Fair value	33.216	51.396	211.883	201.010	0	0	0	245.100	252.407	0	0	0	245.100	252.407
Market value	33.216	51.396	0	0	0	0	0	0	0	0	0	0	33.216	51.396
Income from sales and settlements	6.170	0	-30	0	0	0	0	6.141	0	0	0	0	6.141	0
Total unrealized gains or losses	22.016	26.848	14.691	9.457	0	0	0	36.706	36.305	0	0	0	36.706	36.305
Total gains or losses inherent to latent revaluations	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

Values in thousand euros

XIII. Remuneration

Concerning remuneration, the Remunerations Committee of the General Meeting observing the remuneration policy[12] of the members of the Board of Directors (CA) and the Supervisory Board approved by the General Assembly, including the limits set forth therein, is tasked with setting remuneration of members of the company's corporate bodies, in its fixed and variable components, to the extent applicable[13].

As a body tasked with setting payment of the members of the CA and the Supervisory Board, this committee is also in charge of ensuring the fulfilment of the legal and regulatory applicable requirements, namely with regards to the policy for paying members and its implementation.

In turn, the Appointments, Assessment and Payment Committee (CNAR) is tasked with supporting and advising the CA on appointing and setting remuneration for the corporate bodies of the other companies belonging to the CGD Group and its employees with a directive status which report directly to the CA or any of its committees (including the Executive Committee). This special committee is also responsible for producing opinions to be submitted to the General Assembly Remuneration Committee regarding fixing the variable component of payment to members of the Executive Committee[14].

In compliance with the provisions in Article 450 of the CRR, CGD discloses information concerning respective remuneration policies and practices applicable to staff categories whose professional activities have a significant impact on the respective risk profile in item "3.7 PAYMENTS" of the 2018 Report and Accounts, available on the CGD website. Complementing this information, the tables below present quantitative data on the remuneration of senior management and staff members whose shares have a significant impact on the institution's risk profile (Relevant Functions Holders). The process of identifying Relevant Functions Holders concerns the Delegated Regulation (EU) No. 604/2014, with the Human Resources Division being responsible for undertaking the annual process of identifying CGD's Holders of Relevant Functions.

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[12] The Payment Policy is disclosed on the CGD website: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Remuneracoes/Documents/Politica-de-Remuneracoes-Orgaos-Sociais-CGD.pdf

[13] For more information on the competencies of this Committee, please refer to Chapter 3.5. Company Bodies and Committees, item "General Assembly Remuneration Committee" of Reports and Accounts.

[14] For more information on the competencies of this Committee, please refer to Chapter 3.5. Company Bodies and Committees, item "Appointments, Assessment and Remuneration Committee (CNAR)" of the Report and Accounts.

Table 45 | Payment of Identified People

	Non-Executive Directors	Executive Directors	Investment banking	Retail banking	Asset management	Corporate functions	Independent management functions	Other areas	Total identified
N.º of beneficiaries	52	47	20	24	7	14	41	69	274
Fixed remuneration in 2018	1.876	11.615	2.300	4.161	598	1.939	3.804	7.079	33.374
Cash	1.876	11.590	2.259	4.157	591	1.934	3.785	7.050	33.242
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	25	42	4	7	5	20	29	132
Variable remuneration	0	612	98	215	28	146	190	303	1.592
Cash	0	589	89	186	28	136	166	254	1.447
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	24	9	28	0	11	24	49	145
Variable remuneration attributed and deferred in the period (2018)	0	97	12	62	0	44	49	66	330
Cash	0	81	6	43	0	37	32	33	233
Shares or related instruments	0	0	0	0	0	0	0	0	0
Other instruments	0	16	6	19	0	7	16	33	97
Total amount of deferred variable remuneration, unpaid and attributed in periods prior to 2018	0	20	9	22	0	28	30	34	143
Explicit exposure adjustment for performance applied in the year for cumulative payments from prior year	0	0	0	0	0	0	0	0	0
Number of beneficiaries of severance pay due to end of functions	0	0	0	0	0	0	0	0	0
Total amount of severance pay	0	0	0	0	0	0	0	0	0
Maximum amount paid to a single person	0	0	0	0	0	0	0	0	0

Values in thousand euros

Table 46 | Payment greater than or equal to 1 million EUR

Number of people that receive remuneration superior to 1 million	Number of beneficiaries
> 1 million euros ≤ 1,5 million euros	0
> 1,5 million euros ≤ 2 million euros	0
> 2 million euros ≤ 2,5 million euros	0
> 2,5 million euros ≤ 3 million euros	0
> 3 million euros ≤ 3,5 million euros	0

Appendix I - Detail of Capital Base composition

thousands €

	Common Equity Tier 1 capital: instruments and reserves (1)	31.12.2018 (Transitional)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	Fully implemented	Notes
1	Capital instruments and the related share premium accounts	3.844.144	26 (1), 27, 28, 29, EBA list 26 (3)		3.844.144	(a)
	of which: Instrument type 1	0	EBA list 26 (3)		0	
	of which: Instrument type 2	0	EBA list 26 (3)		0	
	of which: Instrument type 3	0	EBA list 26 (3)		0	
2	Retained earnings	3.422.193	26 (1) (c)		3.422.193	(b)
3	Accumulated other comprehensive income (and any other reserves, to Include unrealised gains and losses under the applicable accounting standards)	-329.796	26 (1)	0	-329.796	(c)
3a	Funds for general banking risk	0	26 (1) (f)		0	
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)		0	
	Public sector capital injections grandfathered until 1 january 2018	0	483 (2)		0	
5	Minority interests (amount allowed in consolidated CET1)	52.127	84, 479, 480	0	52.127	(d)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)		0	(e)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6.988.668**		**0**	**6.988.668**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-13.538	34, 105	0	-13.538	(f)
8	Intangible assets (net of related tax liability) (negative amount)	-75.112	36 (1) (b), 37, 472 (4)	0	-75.112	(g)
9	Empty set in the EU	-168.550			-168.550	m)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-50.488	36 (1) (c), 38, 472 (5)	0	-50.488	(h)
11	Fair value reserves related to gains or losses on cash flow hedges	0	33 (a)		0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159, 472 (6)		0	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)		0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	33 (1) (b) (c)		0	
15	Defined-benefit pension fund assets (negative amount)	-803	36 (1) (e), 41, 472 (7)	0	-803	(i)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	36 (1) (f), 42, 472 (8)		0	
17	Holdings of the CET1 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 (negatvie amount)	0	36 (1) (g), 44, 472 (9)		0	
18	Direct, indirect and synthetic holdings 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)		0	
19	Direct, indirect and synthetic holdings 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)		0	

Continued

thousands €

	Common Equity Tier 1 capital: instruments and reserves (1)	31.12.2018 (Transitional)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	Fully implemented	Notes
20	Empty set in the EU	0			0	
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)		0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91		0	
20c	of which: securitisation positions (negative amount)	0	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258		0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)		0	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-112.065	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	-112.065	(j)
22	Amount exceeding the 15% threshold (negative amount)	-32.590	48 (1)	0	-32.590	(k)
23	of which: 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	-11.100	36 (1) (i), 48 (1) (b), 470, 472 (11)		-11.100	(l)
24	Empty set in the EU	0			0	
25	of which: deferred tax assets arising from temporary difference	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)		0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	0	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0			0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0			0	
	Of which: …filter for unrealised loss 1	0			0	
	Of which: …filter for unrealised loss 2	0			0	
	Of which: …filter for unrealised gain 1	0			0	
	Of which: …filter for unrealised gain 2	0			0	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	0	
	Of which:…	0			0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	0	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-453.146**		**0**	**-453.146**	
29	**Common Equity Tier 1 (CET1) capital**	**6.535.521**		**0**	**6.535.521**	
	Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	500.000	51, 52		500.000	
31	of which: classified as equity under applicable accounting standards	500.000			500.000	(n)
32	of which: classified as liabilities under applicable accounting standards	0			0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)		0	
	Public sector capital injections grandfathered until 1 january 2018	0	483 (3)		0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	3.138	85, 86, 480	0	3.138	(o)
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)		0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**503.138**		**0**	**503.138**	
	Additional Tier 1 (AT1) capital: regulatory adjustments					

Continued

thousands €

	Common Equity Tier 1 capital: instruments and reserves (1)	31.12.2018 (Transitional)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	Fully implemented	Notes
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	52 (1) (b), 56 (a), 57, 475 (2)		0	
38	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)		0	
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)		0	
40	Direct, indirect and synthetic holdings of the AT1 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	56 (d), 59, 79, 475 (4)		0	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	0			0	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)		0	
	Of which items to be detailed line by line, e.g. Material Net Interim losses, Intangible, Shortfall of Provision expected losses, etc.	0			0	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		0	
	Of which items to be detailed line by line, e.g. Reciprocal cross holding in Tier 2 Instruments, direct holdings of non significant investment in Capital of other financial sector entities, etc	0			0	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	0	
	Of which: possible filter for unrealised losses	0	467		0	
	Of which: possible filter for unrealised gains	0	468		0	
	Of which:….	0	481		0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)		0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**		**0**	**0**	
44	**Additional Tier 1 (AT1) capital**	**503.138**		**0**	**503.138**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7.038.659**		**0**	**7.038.659**	
	Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	600.000	62, 63		600.000	(p)
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	39.115	486 (4)	-39.115	0	(q)
	Public sector capital injections grandfathered until 1 january 2018	0	483 (4)		0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	21.926	87, 88, 480	0	21.926	(r)
49	of which: instruments issued by subsidiaries subject to phase-out	0	486 (4)		0	
50	Credit risk adjustments	0	62 (c) & (d)		0	
51	**Tier 2 (T2) capital before regulatory adjustment**	**661.041**		**-39.115**	**621.926**	
	Tier 2 (T2) capital: regulatory adjustments					

Continued

thousand €

	Common Equity Tier 1 capital: instruments and reserves (1)	31.12.2018 (Transitional)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	Fully implemented	Notes
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)		0	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)		0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)		0	
54a	Of which new holdings not subject to transitional arrangements	0			0	
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	0			0	
55	Direct, indirect and synthetic holdings 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 amounts)	0	66 (d), 69, 79, 477 (4)		0	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0			0	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)		0	
	Of which items to be detailed line by line, e.g. Material Net Interim losses, Intangible, Shortfall of Provision expected losses, etc.	0			0	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)		0	
	Of which items to be detailed line by line, e.g. reciprocal cross holding in AT1 Instruments, direct holdings of non significant investment in Capital of other financial sector entities, etc	0			0	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	0	
	Of which: possible filter for unrealised losses	0	467		0	
	Of which: possible filter for unrealised gains	0	468		0	
	Of which:….	0	481		0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		**0**	**0**	
58	**Tier 2 (T2) capital**	**661.041**		**-39.115**	**621.926**	
59	**Total capital (TC = T1 + T2)**	**7.699.700**		**-39.115**	**7.660.585**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	48.417.652		0	48.417.652	
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	0	
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	0	0	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	0	
60	**Total risk-weighted assets**	**48.417.652**		**0**	**48.417.652**	

Continued

thousand €

	Common Equity Tier 1 capital: instruments and reserves (1)	31.12.2018 (Transitional)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	Fully implemented	Notes
	Capital ratios and buffers					
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount**	**13,5%**	**92 (2) (a), 465**		**13,5%**	
62	**Tier 1 (as a percentage of total risk exposure amount**	**14,5%**	**92 (2) (b), 465**		**14,5%**	
63	**Total capital (as a percentage of total risk exposure amount**	**15,9%**	**92 (2) (c)**		**15,8%**	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2,125%	CRD 128, 129, 140		4,50%	
65	of which: capital conservation buffer requirement	1,875%			2,50%	
66	of which: countercyclical buffer requirement	0,00%			0,00%	
67	of which: systemic risk buffer requirement	0,00%			1,00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,25%	CRD 131		1,00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	4,62%	CRD 128		3,25%	
69	[non-relevant in EU regulation]	0,00%			0,00%	
70	[non-relevant in EU regulation]	0,00%			0,00%	
71	[non-relevant in EU regulation]	0,00%			0,00%	
	Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital 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	0	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	0	36 (1) (i), 45, 48, 470, 472 (11)	0	0	
74	Empty set in the EU	0		0	0	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	668.018	36 (1) (c), 38, 48, 470, 472 (5)	0	668.018	
	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	0	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	62	0	538.648	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	0	62	0	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	62	0	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) & (5)	0	0	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	0	
82	- Current cap on AT1 instruments subject to phase-out arrangements	0	484 (4), 486 (3) & (5)	0	0	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	0	
84	- Current cap on T2 instruments subject to phase-out arrangements	0	484 (5), 486 (4) & (5)	0	0	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	0	

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

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

b) Amount of "Other Reserves and Retained Earnings" (item identified with Key 3 of the prudential Balance sheet) considering the impact of post-employment benefits contribution and medical plan of around EUR 587 million.

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

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

e) The consolidated net income attributable to the shareholder (item identified with Key 4 of the prudential Balance Sheet) was not included in the own funds calculations because, up to the date of publishing this document, the regulatory conditions for this purpose were not met [*the Inclusion of the positive result in prudential Own Funds should obey what is set forth in Article 26(2) of Regulation No. 575/2013, namely, being certified and having the approval of the relevant authority*].

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

g) The deduction in Common Equity Tier 1 of intangible assets (net corresponding taxes). This deduction benefited from the transitory scheme until 2017, with its impact in 2018 corresponding to 100% of the balance sheet value (item identified with Key 9 of the Prudential Balance Sheet).

h) Deduction in Common Equity Tier 1 of deferred income tax assets resulting from reportable tax loss and net liabilities. This deduction benefited from the transitory scheme until 2017, with its impact in 2018 corresponding to 100% of the balance sheet value (item identified with Key 8 of the Prudential Balance Sheet).

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

j) It concerns the deduction of the amount of deferred tax assets arising from time differences and net deferred tax liabilities which exceed 10% of CET1 prior deductions. The value of Deferred Tax Assets arising from time differences and liabilities are both included in the item identified by Key 10 of the Prudential Balance Sheet. The net amount considered for the purposes of comparison with the limit of

10% (668,017 thousands of euros) amounts to 780,083 thousands of euros. The impact of the component that exceeds the 10% threshold (112,000 thousands of euros) is deducted from Own Funds. The section not deducted from deferred taxes arising from time differences is weighted at 250%,

k) The deferred taxes arising from time differences and net deferred tax liabilities lead to a further deduction. This deduction is calculated based on the comparison with an aggregate resulting from a sum total [sum of deferred taxes arising from time differences, net deferred tax liabilities with the amounts of direct and indirect participation on the part of the institution of CET1 instruments of financial entities in which the institution has significant investment] against 15% of the main own funds before certain deductions. The deducted amount should be excluded from the total amount found in this subparagraph as described in the previous subparagraph.

l) The amount of the institution's direct and indirect participation in CET1 instruments of financial entities in which the institution has a significant investment amounts to around 345,039 thousands of euros (included in the item with Key 11 of the Prudential Balance Sheet). The application of the deduction mechanism outlined in the previous subparagraph entailed a deduction of around 11.100 thousands of euros in Common Equity Tier 1. The non-deducted portion is weighted at 250%.

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

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

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

p) This concerns subordinate debts (*ISIN* PTCGHFOM0006 e PTCGDKOM0037) issued by the Caixa Geral de Depósitos, SA and which meet all conditions for its qualification as Tier 2 Instruments. The characteristics of the issuance can be consulted in **Error! Reference source not found.**. In the Prudential Balance Sheet, included in the item identified with Key 7, are

q) Subordinate debt (ISIN PTCG17OE0003), issued before the implementation of Regulation 575/2013, and which, for the required characteristics for its qualification as Tier 2 Instruments not being presented, are subject to phased prudential derecognition. The characteristics of these issuances can be consulted in **Error! Reference source not found.**. In the Prudential Balance Sheet, included in the item identified with Key 7, are

r) Amount of minority interests included in the Prudential Balance Sheet in the aggregate "Non-controlling Interests" identified with Key "Chave 5", excluding eligible part of Common Equity Tier 1 and Additional Tier 1, and which Regulation 575/2013 enables to elect as Tier 2.

Appendix II – Mapping CRR tables

Table		EBA Reference	Section
EBA GL/2016/11			
Table 3	Differences between the scopes of the accounting and regulatory consolidation and the mapping of financial statement categories with regulatory risk categories	EU LI1	III.2 Reconciliation between accounting and regulatory consolidation elements
Table 1	Main sources of differences between the amounts of regulatory exposure values and the accounting values of financial statements	EU LI2	III.2 Reconciliation between accounting and regulatory consolidation elements
Table 2	Outline of the differences in the scopes of consolidation (entity by entity)	EU LI3	IV.3 Regulatory Capital
Table 12	Overview of RWA	EU OV1	IV.4 Capital Requirements
N/A	Non-deducted participations in insurance companies	EU INS1	IV.4 Capital Requirements
Table 17	Total amount and average amount of net exposure values	EU CRB-B	V.2 Quantitative data
Table 18	Geographical breakdown of exposures	EU CRB-C	V.2 Quantitative data
Table 19	Concentration of exposure values by sector or counterparty type	EU CRB-D	V.2 Quantitative data
Table 20	Maturity of exposures	EU CRB-E	V.2 Quantitative data
Table 21	Credit quality in exposure values by risk class and instrument	EU CRA1-A	V.2 Quantitative data
Table 22	Credit quality in exposure values by sector or counterparty type	EU CR1-B	V.2 Quantitative data
Table 23	Credit quality in exposure values by geography	EU CR1-C	V.2 Quantitative data
Table 24	Ageing of past-due exposures	EU CR1-D	V.2 Quantitative data
Table 25	Non-performing exposures and forborne exposures	EU CR1-E	V.2 Quantitative data
Table 27	Changes in the stock of general and specific credit risk adjustments	EU CR2-A	V.2 Quantitative data
Table 28	Changes in the stock of defaulted and impaired loans and debt securities	EU CR2-B	V.2 Quantitative data
Table 29	CRM Techniques - Overview	EU CR3	VI.2 Quantitative data
Table 30	Standardised Approach – Credit risk exposure and CRM effects	EU CR4	VI.2 Quantitative data
Table 31	Standardised Approach – RWA breakdown	EU CR5	VI.2 Quantitative data
Table 32	Analysis of CCR exposure by approach	EU CCR1	VII.2 Quantitative data
Table 33	Credit valuation adjustment (CVA) capital charge	EU CCR2	VII.2 Quantitative data
Table 34	Exposures to CCPs	EU CCR8	VII.2 Quantitative data
Table 35	Standardised approach – CCR exposures by regulatory portfolio and risk weights	EU CCR3	VII.2 Quantitative data
Table 36	Impact of netting and collateral held on exposure values	EU CCR5-A	VII.2 Quantitative data
Table 37	Composition of collateral for CCR exposures	EU CCR5-B	VII.2 Quantitative data
Table 42	Market risk under the standardised approach	EU MR1	X.2 Quantitative data
Asset Encumbrance			
Table 40	Asset encumbrance ratio		
EBA/GL/2017/01			
Table 41	Liquidity hedging ratio levels and components		
IMPLEMENTING REGULATION (EU) 2016/200 - Disclosing leverage ratio			
Table 14	Leverage ratio		IV.5 Leverage ratio

Table		EBA Reference	Section
Table 15	Leverage - Breakdown of on-balance sheet exposures (excluding derivatives, SFT and risk exempt exposures		IV.5 Leverage ratio
Table 16	Reconciliation of account assets and leverage ratio exposures		IV.5 Leverage ratio
DELEGATE REGULATION (EU) 2015/1555 - Countercyclical reserve			
Table 5	Geographic distribution of credit exposure values relevant for calculating the countercyclical reserve of own funds		IV.2
IMPLEMENTING REGULATION (EU) No. 1423/2013 – Disclosing Own funds			
Error! Reference source not found.	Main characteristics of the own funds instruments		IV.3 Regulatory Capital
Table 10	Reconciliation of accounting and prudential balance sheet		IV.3 Regulatory Capital
Table 11	Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds		IV.3 Regulatory Capital

Appendix III – Mapping CRR articles

Article/Description	Reference to the Market Discipline Report	Reference to Report and Consolidated Accounts
Article 435 - Risk management objectives and policies		
1. Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:		
(a) the strategies and processes to manage those risks; (b) the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements; (c) the scope and nature of risk reporting and measurement systems;	II. Governance model Chapters V to X, dependent on the risk type	
(d) the policies for hedging and mitigating risk, nad the strategies and processes for monitoring the continuing affectiveness of hedges and mitigants;	Chapters V to X, dependent on the risk type	
(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	I. Responsability declaration	
(f) a concise risk statement approved by the management body succintly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk profile of the institution interacts with the risk tolerance set by the management body.	II. RAS	1.2 Main events in 2018
2. Institutions shall disclose the following information, including regular, at least annual updates, regarding governance arrangements:		
(a) the number of directorships held by members of the management body;	II.1 Governance Model	Functions' accumulation Annex V- CV of all members from governing bodies
(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	II.1 Governance Model	
(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;	II.1 Governance Model	-Gender equality principle -Portuguese letter for diversity -Adopted measures of the institution with respect to the gender equality principle, as estipulated in nº1 of Minister Council Resolution nº19/2012, 23 february
(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	II.1 Governance Model	
(e) the description of the information flow on risk to the management body.	II.1 Governance Model	
Article 436 - Scope of application		
Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU:		
(a) the name of the institution to which the requirements of Regulation apply; (b) an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted form own funds; (iv) neither consolidated nor deducted; (c) any current or forseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries; (d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries; (e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.		

Article 437 - Own funds		
1. Institutions shall disclose the following information regarding own funds:		
(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and balance sheet in the audited financial statements of the institution;	IV.3 Regulatory Capital Table 10 | Reconciliation of prudential and accounting balance sheet Table 11 | Reconciliation of the Prudential Balance Sheet and Regulatory Own Funds	
(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instuments issued by the institution;	IV.3 Regulatory Capital Table 9 | Main own funds characteristics	
(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	IV.3 Regulatory Capital	
(d) separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 abd 79;	Appendix I – Detail of Capital Base composition	
(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and instruments, prudential filters and deductions to which those restrictions apply;	Appendix I – Detail of Capital Base composition	
(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	NA	
Article 438 - Capital requirements		
Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation in Article 73 of Directive 2013/36/EU:		
(a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	IV.4 Capital Requirements	
(b) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessement process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	IV.4 Capital Requirements	
(c) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112;	IV.4 Capital Requirements Table 12| Overview of RWA (EU OV1) VI. CRM Table 30 | Standardised Approach – Credit risk exposure and CRM effects (EU CR4)	
(d) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class, this requirement applies to each of the categories of exposures to which the different correlations in Article 154(1) to (4) correspond. For the equity exposure class, this requirement applies to: (i) each of the approaches provided in Article 155; (ii) exchange traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures; (iii) exposures subject to supervisory transition regarding own funds requirements; (iv) exposures subject to grandfathering provisions regarding own funds requirements;	NA(IRB)	
(e) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3); (f) own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	IV.4 Capital Requirements Table 12| Overview of RWA (EU OV1)	
The institutions calculating the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2) shall disclose the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight mentioned in Article 155 (2).	NA(IRB)	

Article 439 - Exposure to counterparty credit risk		
Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:		
(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	VII. CCR	
(b) a discussion of policies for securing collateral and establishing credit reserves;		
(c) a discussion of policies with respect to Wrong-Way risk exposures;		
(d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;		
(e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	VII. Counterparty Credit Risk Table 36 | Impact of netting and collateral held on exposure values (EU CCR5-A) Table 37 | Composition of collateral for CCR exposures (EU CCR5-B)	
(f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	VII. CCR Table 32 |Analysis of counterparty credit risk (CCR) exposure by approach (EU CCR1)	
(g) the notional value of credit derivatives hedges, and the distribution of current credit exposure by types of credit exposure;	NA, without credit derivative operations VI. Credit risk reduction	
(h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;		
(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α.	NA	
Article 440 - Capital Buffers		
1. An institution shall disclose the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:		
(a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	IV.2 SREP and capital reserves Table 5 | Geographical breakdown of credit exposures relevant to the calculation of the own funds countercyclical reserve	
(b) the amount of its institution specific countercyclical capital buffer.	IV.2 SREP and capital reserves	
Article 441 - Indicators of global systemic importance		
1. Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	NA	
Article 442 - Credit risk adjustments		
Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:		
(a) the definitions for accounting purposes of "past due" and "impaired";	V. Credit risk	Notes attached to the consolidated financial statements, paragraph 41. Disclosures about financial
(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;		
(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	V. Credit risk Table 17 | Total amount and average amount of net exposure values (EU CRB-B)	
(d) the geographic distribution of the exposures by industry or counter-party type, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 18 | Geographical breakdown of exposures (EU CRB-C)	
(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	V. Credit risk Table 19 | Concentration of exposures by sector or by counterparty type (EU CRB-D)	
(f) the residual maturity breakdown breakdown of all exposures, broken down by exposure classes, and further detailed if appropriate;	V. Credit risk Table 20 | Maturity of exposures (EU CRB-E)	
(g) by significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) specific and general credit risk adjustments during the reporting period;	V. Credit risk Table 21 | Credit quality of exposures by exposure class and instrument (EU CR1-A)	
(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	V. Credit risk Table 23 | Credit quality of exposures by geography (EU CR1-C)	

(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences , business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances.	V. Credit risk Table 27 | Changes in the stock of general and specific credit risk adjustments (EU CR2-A)	
Specify credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.		
Article 443 - Unencumbered assets		
Overall, the bank shall be compliant with the EBA guidelines (EBA/GL/2014/03 - Disclosure of encumbered and unemcumbered assets - Título II e Anexo)/(Instrução 28/2014).	IX.1 Liquidity risk	2.3.1. Asset burden information
Article 444 - Use of ECAIs		
For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Cahpter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112:		
(a) the names of the nominated ECAIs and ECAs and the reasons for any changes;	V.1 Qualitative information	
(b) the exposure classes for which each ECAI or ECA is used;		
(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;		
(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;		
(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescrebed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	VI.2 Quantitative information Table 31 |Standardised Approach – RWA breakdown (EU CR5)	
Article 445 - Exposure to market risk		
The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	X. Market risk	
Article 446 - Operational risk		
Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	XI. Operacional risk	
Article 447 - Exposures in equities not included in the trading book		
Institutions shall disclose the following information regarding the exposures in equities not included in the trading book:		
(a) the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	XII. Exposures from banking book equity	
(b) the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value;	XII.2 Quantitative information Table 44 | Exposures from banking book equity	
(c) the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures;		
(d) the cumulative realised gains or losses arising from sales and liquidations in the period; and		
(e) the total unrealised gains and losses, the total latent revaluation gains and losses, and any of these amounts included in Common Equity Tier 1 capital.		

Article 448 - Exposure to interest rate risk on positions not included in the trading book		
Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:		
(a) the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk;	II.3 Large exposures IV.4 Own funds requirement IX.2IRRBB	
(b) the variation in earnings, economic value of other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	IX.2 IRRBB	
Article 449 - Exposure to securitisation positions		
Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose the following information, where relevant, separately for their trading and non-trading book:		
(a) a description of the institution's objectives in relation to securitisation activity;	VIII. Securitisation Operations	20. Financial liabilities associated with transferred assets
(b) the nature of other risks including liquidity risk inherent in securitised assets;		
(c) the type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with resecuritisation activity;		
(d) the different roles played by the institution in the securitisation process;		
(e) an indication of the extent of the institution's involvement in each of the roles referred to in point (d);		
(f) a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures including how the behaviour of the underlying assets impacts securitisation exposures and a description of how those processes differ for re-securitisation exposures;		
(g) a description of the institution's policy governing the use of hedging and unfunded protection to mitigate the risks of retained securitisation and re-securitisation exposures, including identification of material hedge counterparties by relevant type of risk exposure;		
(h) the approaches to calculating risk-weighted exposure amounts that the institution follows for its securitisation activities including the types of securitisation exposures to which each approach applies;		
(i) the types of SSPE that the institution, as sponsor, uses to securitise third-party exposures including whether and in what form and to what extent the institution had exposures to those SSPes, separately for on- and off-balance sheet exposures, as well as a list if the entities that the institution manages or advises and that invest in either the securitisation positions that the institution has securitised or in SSPEs that the institution sponsors;	NA	

(j) a summary of the institution's accounting policies for securitisation activities, including: (i) whether the transactions are treated as sales or financings; (ii) the recognition of gains on sales; (iii) the methods, key assumptions, inputs and changes from the previous period for valuing securitisation positions; (iv) the treatment of synthetic securitisations if not covered by other accounting policies; (v) how assets awaiting securitisation are valued and whether they are recorded in the institution's nontrading book or the trading book; (vi) policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets;	VIII. Securitisation Operations	
(k) the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	VIII. Securitisation Operations	
(l) where applicable, a description of the Internal Assessment Approach as set out in Part Three, Title II, Chapter 5, Section 3, including the structure of the internal assessment process and relation between internal assessment and external ratings, the use of internal assessment other than for Internal Assessment Approach capital purposes, 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, by exposure type;	NA (Internal Evaluation Method)	
(m) an explanation of significant changes to any of the quantitative disclosures in points (n) to (q) since the last reporting period;	VIII. Securitisation Operations	
(n) separately for the trading and the non-trading book, the following information broken down by exposure type: (i) the total amount of outstanding exposures securitised by the institution, separately for traditional and synthetic securitisations and securitisations for which the institution acts only as sponsor; (ii) the aggregate amount of on-baance sheet securitisation positions retained or purchased and off-balance sheet securitisation exposures; (iii) the aggregate amont of assets awaiting securitisation; (iv) for securitised facilities subject to the early amortisation treatment, the aggregate drawn exposures attributed to the originator's and investor's interests respectively, the aggregate capital requirements incurred by the institution and undrawn lines; (v) the amount of securitisation positions that are deducted from own funds or risk-weighted at 1250%; (vi) a summary of the securitisation activity of the current period, including the amount of exposures securitised and recognised gain or loss on sale;	(i) NA (ii) VIII. Securitisation Operations Table 39 | Securitised operations: Standardised approach (iii) - (vi) NA	
(o) separately for the trading and the non-trading book, the following information: (i) the aggregate amount of securitisation positions retained or purcahsed and the associated capital requirements, broken down between securitisation and re-securitisation exposures and further broken down into a meaningful number of risk-weight or capital requirement bands, for each capital requirements approach used; (ii) the aggregate amount of re-securitisation exposures retained or purchased broken down according to the exposure before and after hedging/insurance and the exposure to financial guarantors, broken down according to guarantor credit worthiness categories or guarantor name;	(i) VIII.Securitisation Operations Table 39 | Securitised operations: Standardised approach (ii) NA	
(p) for the non-trading book and regarding exposures securitised by the institution, the amount of impaired/past due assets securitised and the losses recognised by the institution during the current period, both broken down by exposure type;	VIII. Securitisation Operations Table 38 | Securitisation Operations	
(q) for the trading book, the total outstanding exposures securitised by the institution and subject to a capital requirement for market risk, broken down into traditional/synthetic and by exposure type;	NA	
(r) where applicable, whether the institution has provided support within the terms of Article 248(1) and impact on own funds.	NA	

Article 450 - Remuneration policy		
1. Institutions shall disclose at least the following information regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile:		
(a)information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body oversseing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	XIII. Remuneration	3.7 Remunerations 3.5 Governing Bodies and Committees: - Remuneration Committee of the General Assembly - Nominating, Evaluation and Remuneration Committee
(b) information on link between pay and performance;		
(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;		
(d) the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;		
(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;		
(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;		
(g) aggregate quantitative information on remuneration, broken down by business area;	XIII. Remuneration Table 45 | Payment of Identified People	
(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; (iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions; (iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; (v) new sign-on and severance payments made druing the financial year, and number of beneficiaries of such payments; (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;		
(i) the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and remunerations of EUR 5 million and above broken down into pay bands of EUR 1 million;	XIII. Remuneration Table 46 | Payment greater than or equal to 1 million EUR	
(j) Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	XIII. Remuneration	3.7 Remunerations
2. For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution.	XIII. Remuneration	
Article 451 - Leverage		
1. Institutions shall disclose the following information regarding their leverage ratio calculated in accordance with Article 429 and their management of the risk of excessive leverage:		
(a) the leverage ratio and how the institution applies Article 499(2) and (3);	IV.5 Leverage ratio	
(b) a breakdown of the total exposure measure as well as a reconcilication of the total exposure measure with the relevant information disclosed in published financial statements;	IV.5 Leverage ratio Table 15| Leverage - Breakdown of on-balance sheet exposures (excluding derivatives, SFT and risk exempt exposures)	
(c) where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);		
(d) a description of the processes used to manage the risk of excessive leverage;	IV.5 Leverage ratio	
(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.		