2020 FIRST HALF REPORT

TABLE OF CONTENTS

This document is an English translation of the original Portuguese language document "Relatório de Gestão e Contas - 1º semestre de 2020". The Portuguese original prevails in the event of any inconsistency.

1.

BOARD OF DIRECTORS´ REPORT

1.1. Highlights

CGD group's activity in first half 2020 was marked by the impact of and its response to the Covid-19 pandemic, comprising a significant increase in its support to households and companies and the preventative recognition of impairment

- The first months of 2020 were marked by the Covid-19 pandemic whose worldwide spread required drastic containment measures, including restrictions on people's movements, border closures and constraints on a wide range of economic activities, all of which resulted in a sharp deceleration of economic activity, both in Portugal and worldwide.

  Despite this environment, consolidated net income for first half 2020 was down 41% over the same period 2019 to €249 million. This amount includes extraordinary income of €51 million (after tax) on actuarial gains made on post-employment benefits (pension fund and medical plan). Current net income of €198 million was, accordingly, down 30% over its first half 2019 level with a ROE of 5%.

  Current net income was negatively impacted by the recognition of €156 million in impairment and provisions in anticipation of the effects of the Covid-19 pandemic. Owing to economic constraints, although total operating income was down by a year-on-year 10.2%, the 12.9% reduction of structural costs cushioned the fall in operating income to no more than 7.3%, for an amount of €399.1 million (down €31.5 million over first half 2019);

- During this period and in spite of social constraints, CGD remained fully operational in its permanent concern to safeguard the interests of its employees and customers. Its commercial dynamic was significant in reversing the negative impacts of the economic environment as exemplified by the evolution of new mortgage lending operations that, albeit with a year-on-year negative variation of only 2%, succeeded in recovering its market share in new operations to 20% against no more than 15% in the same period two years before. The corporate credit stock was also up 3.2%.

  Various measures were implemented to enable households and companies to mitigate the challenges posed by the pandemic. Special reference should be made to the credit and leasing moratoriums, promotion of treasury support lines, exemptions from fees on certain operations to encourage the use of electronic payment media and fully digital solutions.

  In a context geared to reducing the use of cash transactions CGD strengthened its leading position in terms of payment media and continues to be the Portuguese bank issuing the largest number of cards, having further increased its market share in June 2020. CGD has issued 500,000 new cards over the last eighteen months alone. Digital solutions in the form of Caixadirecta and the Caixadirecta and Dabox apps also achieved significant increases in use, with records having been broken in terms of number of operations and users and, in terms of its corporate offer, reference should be made to the first fully digital trade finance operations.

  Deposits were up by an expressive €4.9 billion in the half year, essentially owing to resource-taking by CGD Portugal, fuelled by higher household savings rates, showing customers' confidence in Caixa.

  As a corollary to its proactive approach to particularly adverse circumstances, CGD succeeded in improving its reputational and confidence indices (Brand Score 2Q2020), recording its highest level since 2012 and achieving a global assessment of "Highly positive".

- In spite of the difficult environment, CGD continued to ensure its global fulfilment of the objectives drawn up in its strategic plan 2017-2020 in which several indicators have already achieved higher levels than not only in the Portuguese but also European market. Reference should be made to:

  – CGD's efficiency level with a cost-to-income ratio of 44% in terms of its recurring domestic activity;

  – ROE (return on equity) of 6.2%;

  – The quality of CGD's assets with a CGD group NPL ratio of 4.4% and impairment and collateral coverage of 85.4% and 27.9% respectively (comprising a total coverage ratio of 113.3%);

  – Solvency with a CET 1 ratio of 16.8%, a tier 1 ratio of 17.9% and a total capital ratio of 19.3%. A contributory factor was the general meeting's approval of a board of directors' proposal to not pay dividends and acceptance of the European Central Bank's recommendation of 27 March on dividend distributions (recommendation ECB/2020/19), as a consequence of the exceptional situation deriving from the Covid-19 pandemic and uncertainty over its impacts on the evolution of the eurozone economy.

CGD IN FIGURES

Strategic Plan

Profibility	Efficiency	Asset Quality	Resilience
ROE 5.0%	Cost-to Income 44%	NPL Ratio 4.4%	CET1* 16.8%
Domestic activity - recurrent	Recurrent		Fully Implemented
01H19: 7.4%	01H19: 48%	01H19: 7.3%	01H19: 15.1%

*Including net profit for the period

Customer Service (in Portugal)

Customers	Digital Customers	Remote banking	Face-to-face service
3.7 million	1.76 million	502 thousand customers	551 locations
36% of the population	46% of CGD customers	+65% vs 1H2019	branches, local extensions and corporate offices

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

(EUR million)

			Change 2020-06 vs 2019-06	
RESULTS	**2019-06**	**2020-06**	**Total**	**(%)**
Net interest income	564.6	519.9	-44.7	-7.9%
Results from services and commissions	241.2	243.6	2.4	1.0%
Non-interest income	323.1	286.0	-37.1	-11.5%
Total operating Income	903.1	810.8	-92.2	-10.2%
Operating costs	472.4	411.7	-60.7	-12.9%
Net operating Income before Impairments	430.7	399.1	-31.5	-7.3%
Net core operating Income before impairments (1)	368.9	356.8	-12.1	-3.3%
Net operating income	577.8	366.1	-211.8	-36.6%
Net income	417.5	248.6	-168.9	-40.5%
BALANCE SHEET				
Net assets	91,334	90,405	-929	-1.0%
Cash and loans and advances to credit instit.	9,233	11,421	2,188	23.7%
Securities investments (2)	19,386	24,060	4,673	24.1%
Loans and advances to customers (net) (3)	49,449	48,315	-1,134	-2.3%
Loans and advances to customers (gross) (3)	52,379	50,540	-1,840	-3.5%
Central banks' and credit institutions' resources	1,678	2,063	385	23.0%
Customer resources	65,786	70,728	4,943	7.5%
Debt securities	2,468	1,419	-1,048	-42.5%
Shareholders' equity	8,359	8,533	174	2.1%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (2) (3)	14.8%	9.1%	-	-
Net return on equity - ROE (3)	10.7%	6.2%	-	-
Gross return on assets - ROA (2) (3)	1.4%	0.9%	-	-
Net return on assets - ROA (3)	1.0%	0.6%	-	-
Cost-to-income BdP (2)	51.9%	49.8%	-	-
Cost-to-income (2) (4)	48.0%	49.2%	-	-
Cost-to-core income (1) (2)	54.2%	53.3%	-	-
Employee costs / Total operating income	32.6%	30.6%	-	-
Employee costs recurrents / Total core operating income (1) (4)	32.4%	32.5%	-	-
Total operating income / Average net assets (3)	2.0%	1.9%	-	-
CREDIT QUALITY AND COVER LEVELS (5)				
Forborne ratio for loans and advances - EBA (6)	4.4%	4.6%	-	-
Coverage ratio on forborne loans and advances - EBA (6)	96.8%	90.9%	-	-
NPL ratio - EBA	7.3%	4.4%	-	-
NPE ratio - EBA	5.7%	3.4%	-	-
NPL coverage - EBA	64.7%	85.4%	-	-
NPE coverage - EBA	64.5%	80.1%	-	-
Crd. imp. (P&L) / Loans & adv. custom. (aver.) (*)	0.01%	0.31%	-	-
STRUCTURE RATIOS				
Loans & adv. customers (net) / Net assets	54.1%	53.4%	-	-
Loans & adv. custom. (net) / Custom. dep.	75.3%	68.4%	-	-
SOLVENCY RATIOS (CRD IV/CRR)				
CET 1 (fully implemented)	15.1%	16.8%	-	-
Tier 1 (fully implemented)	16.1%	17.9%	-	-
Total (fully implemented)	17.4%	19.3%	-	-
Leverage ratio (fully implemented)	7.9%	8.3%	-	-
LIQUIDITY RATIOS				
Liquidity coverage ratio	323.6%	402.3%	-	-
Net stable funding ratio	157.8%	165.5%	-	-
OTHER INDICATORS				
Number of branches - CGD Group	1,068	946	-122	-11.4%
Number of branches - CGD Portugal	575	570	-5	-0.9%
Number of employees - CGD Group	12,792	12,150	-642	-5.0%
Number of employees - CGD Portugal	7,083	6,548	-535	-7.6%

Note: Calculation of indicators as in the glossary: https://w w w .cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_10MAI2018.pdf. Solvency ratios including net income for the periode (prudencial perimeter).

(1) Net core operating Income before impairments = Total operating income of core activity - Operating Costs; Total operating income of core activity = Net interest income + net fees and commissions; (2) Ratios defined by the Bank of Portugal (instruction 6/2018); (3) Considering average shareholders' equity and net asset values (13 observations); (4) Excluding non-recurring costs; (5) Prudencial perimeter, except w hen marked w ith (*); (6) CGD Portugal Ratios.

1.2. CGD Group

Shareholder structure

CGD is an exclusively state-owned public liability limited company and, under Decree-Law nº 287/93 of August, 20 the shares representing their share capital, including those that may be issued in future capital increases, may only be owned by the Portuguese state.

Its share capital of €3,844,143,735 comprises 768,828,747 shares with a nominal value of €5 each, at 30 June 2020.

Shareholders	Share Capital at 30/06/2020	% Equity Stake at 30/06/2020
Portuguese State	€ 3,844,143,735	100%

There are no shareholders' agreements involving the share capital of CGD, held, by legal determination by a single shareholder

Branch office network

CGD Group's branch office network, at the end of June 2020, comprised 946 banking presences, 3 fewer than in the same period last year, already excluding the 122 branches belonging to BCG Spain and Mercantile, entities sold in the 4th quarter of 2019.

At the domestic level, CGD had 519 active branches and CGD Stores, 19 self-service branches, 25 “corporate offices” and an additional 4 office extensions, 3 mobile units and one Caixa BI branch, coming to a total of 571 locations in Portugal. CGD provides 3,635 self-service equipment, including 1,787 items of equipment on its own network (In-house cash machines and bank passbook printers) plus 1,848 Multibanco network ATMs.

CGD group’s foreign banking presence comprised a total number of 375 branches at the end of June 2020. Reference should be made to the closure of its Spain and Luxembourg branches in first half 2020 in conformity with its strategic plan.

NUMBER OF GROUP BANK BRANCHES	2019-06	2019-12	2020-06
CGD (Portugal)	578	570	570
Physical branches and CGD Stores	520	519	519
Mobile branches	3	3	3
Self-service branches	26	19	19
Corporate offices and local extensions	29	29	29
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2	2
France Branch	48	48	48
Banco Nacional Ultramarino (Macau)	21	21	21
B. Comercial e de Investimentos (Mozambique)	202	209	209
Banco Interatlântico (Cape Verde) [1]	9	9	9
Banco Comercial Atlântico (Cape Verde)	34	34	34
Banco Caixa Geral Brasil (Brazil) [1]	1	1	1
Banco Caixa Geral Angola	38	38	38
Other CGD Branches	16	16	14
Total	**949**	**948**	**946**
Representative offices	**12**	**9**	**9**

(1) Sale in progress

Human resources

CGD Group had 12,150 employees at 30 Junho 2020, down 642 and 222 employees over June and December 2019, respectively, excluding employees related to BCG sales in Spain and Mercantile in South Africa.

The reduction over June 2019, was originated both from CGD Portugal (down 535) and other activities (down 107), according to CGD’s strategic plan negotiated with DG Comp.

NUMBER OF CGD GROUP EMPLOYEES	2019-06 (1)	2019-12 (1)	2020-06
CGD Portugal (2)	7,083	6,706	6,548
Other (3)	5,709	5,666	5,602
Total	**12,792**	**12,372**	**12,150**

(1) Excluding employees related to BCG sales in Spain and Mercantile in South Africa.

(2) Effective staff, includes employees from other Group companies.

(3) Doesn't include Caixa Geral de Aposentações' employees and employees in other situations such as secondments or extended absences.

Caixa brand, prizes and awards

A particularly salient feature of first half 2020 was the highly positive appraisal of Caixa's brand reputation (Brand Score survey).

Caixa came in 1st place, in Portugal, in the Top 1000 World Banks (Tier 1) ranking published by the highly respected British magazine The Banker. Reference should also be made to its 179th position in the world ranking.

According to Brand Score, Caixa improved its position across all brand indicators in 2nd quarter 2020, in terms of the assessment of its customers. This particularly includes governance as the indicator with the highest increase in 2020 and which diminishes the probability of losing customers while improving Caixa's appeal to non-customers.

Traditionally Caixa has been the brand with the highest recognition factor in Portuguese banking. First half 2020 confirmed this top-of-mind indicator of 25% and spontaneous recall indicator of 63%.

CGD's communication plan was adjusted with the objective of improving communication with its personal and corporate customers and employees, in an endeavour to maintain proximity and focus on solutions to provide for the impact of the pandemic. This strategy allowed Caixa to further improve its relationship with customers, achieve positive, relevant communication and occupy the leading position in terms of top-of-mind awareness in the banking sector (Brand Score).

Globally, the following prizes and distinctions were awarded to CGD group's retail and digital banking and fund management activities in first half 2020:

CGD – 1st placed Portuguese bank in the worldwide ranking for the 3rd consecutive year in the Top 1000 World Banks 2020 ranking − The Banker Magazine

CGD - "Best Bank" in Portugal 2019 for the 6th consecutive year, *EMEA Finance* magazine, in the sphere of its annual *Europe Banking Awards 2019*

CGD – Awarded a distinction for "Active Ageing and Preparation for Retirement" for the 2nd consecutive year from Human Resources magazine which recognises the best companies for Personnel Management in Portugal

CGD – Most Reputable Brand 2020 Banking − Marktest Reputation Index (MRI)

CGD – Brand distinguished with the "On Strategy" award − *Brands Reputation Portugal 2020 Awards"* attributed by the *Reputation Knowledge Centre*

CGD – The most attractive company to work for | Financial sector, from Randstad Employer Brand Research 2020

CGD DABOX app – Best Communication Campaign in the Banking and Financial Services category − SAPO Prizes 2020

Caixa Gestão de Ativos − Best National Global Bond Manager − Morningstar Awards *2020* received for the 4th year and encompassing its global funds offer

Caixa Gestão de Ativos − Best National Bond Manager − Morningstar Awards 2020, awarded for the 6th consecutive year

Caixa Gestão de Ativos **–** Sustainable Finance Prize 2020 from Euronext Lisbon Awards 2020, which recognises the best positive impact on environmental or corporate governance issues.

Social responsibility and sustainability

CGD's activity is geared to creating sustainable value for its stakeholders. This entails management based on principles of economic, social and environmental responsibility.

CGD's sustainability strategy for the three year period 2018/2020 represents its commitment to sustainable development and embodies a concrete approach to the expectations of its stakeholders.

First half 2020 was severely impacted by the Covid-19 pandemic, which had expressive repercussions on CGD's business and consequently, its short term sustainability strategy guidelines, in requiring an immediate, effective and adequate response to the imminence of the challenges facing Portuguese society.

CGD donated more than 1,500 items of equipment in the first half year through its donation programme, encouraging the re-use of diverse items of discontinued equipment and materials in its gifts to institutions, entities and communities.

Owing to the suspension of classroom lessons due to Covid-19 and with the aim of mitigating inequalities in access to education, CGD donated 120 items of computer equipment to several educational institutions, to assist students who, not having a computer at home, were forced to cope with the demands of distance learning.

Additional funding of more than €1 million was supplied for social projects in which reference should be made to the financial support for Portugal's contribution to the international fund to fight the pandemic and contributing to the donation of 100 ventilators to Portugal's National Health Service through APB (Association of Portuguese Banks).

The financial sector, as one of the key drivers of economic development, plays a structuring role in leveraging a low carbon economy and access to products helping to respond to the challenges facing society and several CGD continued to participate in various multisectoral taskforces during the course of 2020 with the mission of creating mechanisms and tools to respond to sustainable financing-related business challenges. Reference should be made to the high level think tank for sustainable finance, coordinated by the Ministry of the Environment and Energy Transition in partnership with the Ministries of the Economy and Finance.

CGD and BPI each contributed €100,000 in response to the appeal launched by Camões – Instituto da Cooperação e da Língua, IP, on the acquisition and installation of neonatal equipment for Beira's central hospital in Mozambique, which was affected by the destruction caused by cyclone Idai, in 2019.

Partnership with Delta Cafés under the headline: Caixa and Delta working together for restaurants' tomorrows, with the objective of providing assistance to the restaurants sector in a context of a resumption of economic activity.

CGD has opened its Caixa Garden to the public as part of its European Green Capital 2020 commitments. This partnership with the Municipality of Lisbon comes under the aegis of CGD's social responsibility policy and provides people with yet another green leisure space in the city.

CGD subscribed to the manifesto: Exploiting the crisis to launch a new sustainable development paradigm mentored by BCSD (Business Council for Sustainable Development) Portugal , with a view to the creation, by Portugal, of a development model based on five fundamental ideas: sustainable and inclusive development, promotion of growth, quest for efficiency, natural and financial resources management and greater resilience, through the integration of public and private policies in collaborative projects and reinforcing corporate citizenship by strengthening social responsibility.

CGD published its diversity policy for CGD group employees and members of management and supervisory boards. This was aimed at defining the objectives to be achieved on diversity matters, considering that diversity is a driver of innovation, attraction, retention, talent promotion and diverse skills, and represents added value, owing to improved social and economic conditions.

Having concluded its Caixa Social 2020 prizes in the first quarter of the year, CGD brought its Caixa Social 2021 prizes forward to the second quarter, providing one million euros to assist responses to the Covid-19 pandemic. Caixa Social 2020 prizes have the objective of promoting non-profit initiatives, whose activity is allowed to combat, control, prevent and respond to the health, social and economic effects of the COVID-19 pandemic. A total number of more than 400 applications were received. 34 projects which should have an impact on around 125 thousand beneficiaries were distinguished.

CGD also participated in the United Nations Global Compact's Uniting Business to Respond to Covid-19 initiative, based on a video, featuring its CEO, on the bank's role in combating the impacts of the pandemic in terms of support for households, companies and the community.

As the main challenges and priorities for second half 2020, reference should be made to the revision of the strategic sustainability plan that will take into consideration the financial sector's role in the transition to a low carbon economy and development of measures designed to mitigate the impact of the Covid-19 pandemic.

1.3. Economic and Financial Framework

The world economy, in 2019, posted its lowest rate of growth since the financial crisis of 2008 owing to a slowdown of global trade and a series of geopolitical uncertainties together with the natural maturation of the economic cycle. At the start of 2020 and notwithstanding the fact that economic projections were pointing towards a continuation of this trend to moderation, financial markets remained highly optimistic, with narrowing credit spreads, lower yields on sovereign bonds and the successive all-time highs of several equity indices.

The outbreak of the epidemiological crisis in first quarter 2020 justifies the adoption of restrictive measures on mobility on a worldwide level, which brought business activity to a standstill over several months. The interruption occurred at the end of January in China and its neighbouring Asian economies, spread to Europe and the US in March and to the emerging economies in the second quarter. Planet-wide lockdown resulted in the largest fall of global economic activity since the Great Depression of the 1930s.

Several economic indicators either sank to all-time lows or to less than the values recorded in the financial crisis of 2008. In several sectors, the paralysation was in excess of 90% and economies were limited to the essential sectors of foodstuffs, health and safety over a period of several weeks.

According to the IMF, the world economy contracted by 4.9% in first half 2020, with estimated accumulated economic losses of $12.5 trillion up to 2021. In 2020, the recession is likely to be synchronised across both the developed (-8.0%) and emerging countries (-3.0%), with contraction in 95% of countries.

Massive monetary stimuli were immediately introduced in response to the economic crisis, with more accommodative conditions from different central banks, based on asset purchase programmes and cuts in interest rates to all-time lows.

The ECB embarked upon an asset purchase programme with the aim of mitigating the effects of Covid-1 in the form its PEPP – Pandemic Emergency Purchase Programme for a total amount of €1,350 billion, up until at least the end of June 2021, together with its already existing asset purchase programme (APP), such as TLTRTOs (“targeted longer-term refinancing operations”).

The US Fed, in addition to cutting its fed funds rate to between 0.00% and 0.25%, their lowest level since the financial crisis of 2008, embarked upon an unlimited asset purchase programme for as long as it takes to end the current health crisis. Other central banks such as the Bank of England, Bank of Canada and Bank of Norway cut their base rates to reduce the downwards trend on economic risk.

Diverse financial support programmes were implemented in fiscal terms, both for households and corporates, in an attempt to limit the most negative short term effects. These mechanisms were designed to support a synchronised, robust recovery and have proved to be effective in preventing corporate bankruptcies and job losses.

The principal measure introduced was the recovery fund for the amount of €750 billion as part of the EU’s multiannual financial framework 2021-2027 for the amount of €1,850 billion. The plan will comprise a mix of grants and direct transfers: €500 billion in subsidies and €250 billion in repayable loans, subject to the condition that governments must submit recovery plans to show how the funds will be invested in line with the European Commission’s economic recommendations.

Also witnessed was a recovery of investor confidence with the major appreciation of several asset categories, particularly the equity markets, narrowing spreads and reductions of funding costs.

The reopening of economies enabled a gradual return to private consumption starting end May in many countries. The level of uncertainty has always been very high owing to the absence of a vaccine or cure. Owing to restrictive measures, those economies more reliant on tourism, the hospitality industry or travel were the most affected and, in accordance with diverse projections, the length of time required to enable activity to recover to its pre-pandemic levels is likely to be longer.

The main risks are fundamentally distorted downwards owing to the strong possibility of new outbreaks of the epidemic and a worsening of recession, with a reversal of consumption and mobility as well as the resurgence of geopolitical and commercial tensions which could worsen the relationship between countries and in which international trade this year is expected to be down by around 12%. A more optimistic note is the possibility of the development of medical solutions as early as 2020, in terms of treatment and a vaccine.

Projections on the evolution of the Portuguese economy for 2020 and following years, as in other euro area countries, have been substantially downgraded. The most recent projections of the Bank of Portugal and the European Commission point to annual contraction of GDP of 9.5% and 9.8%, respectively. Portuguese GDP contracted 14.1% in the second quarter, in real, consecutive and non-annualised terms following the preceding quarter’s 3.8%. GDP was therefore down by an accumulated 17.4% in first half 2020. This result is better than the euro area which contracted 15.3% across the same period in which reference should be made to the GDP decrease of 22.7% in Spain.

The pandemic affecting Portugal which led to the need to implement a lockdown over the whole of the territory, as with most of Europe, had an unprecedentedly severe economic impact.

The nature of the shock in question created several distortions in terms of the labour market, with an unemployment rate of 5.6% in the second quarter of the year, down 1 pp over the preceding quarter, not reflecting the negative effects of the outbreak. Instead of a higher rate of unemployment, there was a significant increase in the inactivity rate (up 2.9 pp to 43.7%) and an expressive fall of 26.1% in the number of hours worked in comparison to the preceding year. However, even with the implementation of the special support programme for workers the Bank of Portugal has estimated an increase in the annual unemployment rate to 10.1% in 2020.

The Portuguese government responded with a series of measures designed to boost the economy and jobs, including more than €600 million per month for temporary lay-offs, followed by additional support of more than €700 million after the resumption of corporate activities, around €13 billion in state-backed lines of credit for SMEs and €7.9 billion in deferred tax payments. A moratorium on payments of bank loans for households and corporates affected by the coronavirus was also approved, to remain in force up to the end of March 2021.

As regards the evolution of financial markets, the optimism in force at the start of the year was followed by highly expressive falls in March. Volatility, however, was sharply down, following the adoption of economic support measures, a gradual resumption of activity and expectations of the discovery of a vaccine, leading to a recovery of former losses and pushing several equity indices to new all-time highs in the third quarter.

The main share indices in the developed bloc at the end of June, with the exception of NASDAQ (up 12.1%), posted losses across the year. The MSCI World index was down 6.2% in the first half year and, in Europe, the Eurostoxx600 was down 13.3% and, in the US, S&P500 was down 4%. These variations, however, stand in contrast to the falls of more than 20% at the end of March, translating improvements in investor sentiment in this higher risk asset category, notwithstanding negative expectations over net income in 2020.

Yields on sovereign bonds remained at very low levels, in line with extremely expansionary monetary policies. There were across-the-board falls in the case of European issuers, particularly Germany in which 10 year sovereign bonds were down 26.9 bps, down 0.45% at the end of June. In the case of Portugal, in spite of the 3.4 bps increase to 0.48%, they kept pace with the yield in Spain (0.47%), comprising a risk premium of 93 bps in comparison to Germany. Falls were sharper in the US with a 126.1 bps decrease in yield from 1.916% to 0.656%.

Safe assets such as precious metals or the US dollar have risen sharply since the outbreak of the pandemic. However, whereas the dollar ended the first half with gains of 1.0%, following appreciation of more than 3% at the start of April as a reflection of the introduction of fiscal and monetary measures in the US, metals such as gold continued to benefit from the demand for defensive assets allied to the referred to reversal of the dollar as well as slightly increased expectations for inflation. The price of gold was up 17.4% in the first half.

In the case of commodities reference should also be made to the huge fall of oil prices which started the year in a downwards trend owing to falling world demand, but which dropped abruptly when lockdown measures paralysed economic activity, with Brent crude down 38.4% in the half year.

1.4. Risks and Uncertainties

The Covid-19 pandemic triggered a sudden, highly expressive and historically unprecedented contraction of economic activity in first half 2020, both in the developed and emerging blocs. Its adverse effects have been felt in terms of foreign trade, industrial activity and services, particularly tourism with an across-the-board contraction in various regions owing to the implementation of containment measures designed to mitigate the effects of the outbreak, which included lockdown measures and border closures. After hitting bottom in April, various economic indicators confirmed a recovery beginning third quarter, albeit insufficient to return to pre-pandemic levels. GDP, up to 2022, is expected to be lower than at the end of 2019.

Uncertainty over the pandemic's evolution is a constraining factor on economic outlook and renders the characterisation of the balance of risks a difficult task. Deceleration may not be as serious as forecast if the economy normalises at a faster pace than currently expected in certain regions in which restrictions have already been eased. Progress in medicine and changes in social conduct may enable health systems to improve their handling of the resurgence of the pandemic without requiring additional lockdowns.

Vaccine testing is also progressing at a fast rate. The development of a safe, effective vaccine would be a confidence booster and a core element in terms of improved expectations of growth in 2021, even if production does not have the capacity to ensure the immunity of whole of the population over the short term.

Central banks and governments alike are expected to maintain monetary and fiscal stimuli as an essential pillar for the rapid recovery of the economy, boosting investor and consumer confidence and financial market stability.

Changes in production, distribution and payment systems during the pandemic may boost productivity gains – ranging from new techniques in medicine to a higher rate of digitalisation or the transition from fossil fuels to renewable energies.

Notwithstanding an apparent return to business-as-usual, the characterisation of risks continues to be distorted downwards and with significant impacts. There may be fresh, successive outbreaks in regions which appear to have already passed the peak of the infection, requiring the need to reimpose at least several containment measures. A more prolonged decline of economic activity could lead to deeper structural impacts, including a larger number of corporate bankruptcies, greater reluctance to hire workers looking for a job after long periods of unemployment and unemployed workers exiting the job market.

This could prove to be a context in which financial conditions could, once again be more restrictive, as was the case between January and March, laying bare the vulnerabilities of borrowers with higher levels of debt. This could trigger debt servicing crises in certain economies and put a brake on the recovery of economic activity. The repercussions of weaker external demand and less expansionary financial conditions will tend to amplify the impact of specific shocks in each country or region.

The massive scale of the stimuli following the break in activity may also be prematurely withdrawn or poorly invested owing to the challenges of its design and implementation, leading to a poor level of allocation of resources and dissolution of relevant economic relationships.

In spite of the fact that the Covid-19 pandemic has become the major risk factor challenging global economic growth, other risks are also present. Higher levels of protectionism continue to represent a considerable degree of uncertainty regarding the outlook for world trade and consequent economic expansion not only on account of escalating trade tensions between the US and China, but also owing to their expansion to other regions such as the euro area, particularly in the case of the automobile sector and components; in addition to a reversal of several current agreements. These uncertainties could become much worse if they spill over into matters related to technology transfers and intellectual property.

Following its exit from the European Union at the end of January, the United Kingdom moved into a transitional period up until the end of 2020. One of the risks associated with Brexit accordingly consists of the growing possibility that the transition period may come to an end without any agreement on the future trading relationship, whereas an extension thereto could add to the uncertainties of investors. Considering the conclusion of a trade agreement between the EU and the United Kingdom, this new relationship could prove to be less beneficial than the maintenance of the currently existing trade relationship.

In addition to trade tensions there continue to be risks deriving from geopolitical uncertainties as between the Organisation of Petroleum Exporting countries (OPEC) and other oil producers such as Russia, which could have an impact of the supply of oil and, consequently on the price of this commodity, affecting expectations and the evolution of inflation and negatively influencing the external trade balances of importing countries. If, on the one hand, there are supply-side risks, there is also the continuing possibility of a slowdown in worldwide demand which could keep the price low.

In addition to the risks associated with oil, a deeper recession and slower recovery would have a negative impact on expectations over inflation and would limit the pressures on prices. In a low inflation scenario, high levels of debt and weak aggregate demand over an extended period could lead to further deflation and debt servicing difficulties that, in turn, would also have a greater impact on activity, particularly in the developed economies. On a more optimistic note a faster than expected recovery of the world economy could trigger higher commodity prices.

Up until the end of 2020, the US elections will certainly be a source of some instability owing to the greater difficulty in approving the measures needed for the economy and the uncertainty regarding post election fiscal and commercial policy.

Social tensions across several areas of the world represent additional challenges to the global economy. Higher levels of civil unrest are starting to appear as a risk factor, with a substantial increase in protests, general strikes and anti-government demonstrations across the last decade.

The risks in Portugal are similar to those to be found in the rest of the European Union. However the structure of the Portuguese economy which is highly reliant upon revenues from tourism, entails additional risk to economic growth, both on account of the possibility of new restrictions preventing the sector's normalisation and the uncertainty of consumers which triggers a retraction of private consumption. Portugal is also one of those European countries in which the risks associated with increased debt are greater.

There was a recovery of the prices of risk assets in financial markets in spite of the sharp falls in March. Base interest rates were down, leading to an across-the-board flexibility in financial conditions. The expeditious, energetic performance of the central banks in dealing with the major level of instability fuelled market sentiment, including the emerging markets. If, on the one hand this was a positive factor for financial markets, over reliance on this level of stimuli to support historically sharp appreciations could trigger significant losses with the eventual normalisation of financial conditions.

The deterioration of the economic and financial situations of companies and individuals could lead to a significantly increased risk of credit losses for banks. This would mean higher NPL and impairment levels in the future. Customers' credit ratings are expected to be affected together with a loss of value of asset-backed guarantees. Higher joblessness and the possibility of lower income levels may be worsened by high levels of debt.

Considering the pre-Covid-19 situation in which expectations of the profitability of euro area banks were already under pressure, the present crisis has reduced customers' capacity to pay higher charges and commissions. The adoption of any legislative measures designed to limit bank charges and commissions will also undoubtedly put an additional strain on bank profitability.

Funding costs for the most vulnerable sovereigns are also in danger of increasing and could pose a risk to the sustainability of sovereign debt. If the banks have a high level of exposure to sovereign bonds, higher yields entail adverse effects on their balance sheets and profit and loss statements, particularly mark-to-market impacts, future losses on sales of public debt or higher financing costs, which would limit the banks' capacity to achieve their MREL (minimum requirement for own funds and eligible liabilities) targets set by the SRB (single resolution board). Following higher levels of volatility, the banks' RWAs (risk weighted assets) may be affected by increases in weightings. The banks must therefore have a precise understanding of the way in which price movements and higher levels of market volatility will affect their RWAs.

Owing to the high level of interconnectedness with banks, the vulnerabilities and situations of instability in the non-banking financial sector (insurance companies, pension and investment funds), may seriously prejudice financial strength, e.g. distress sales of assets and reduction of short term finance as in the first quarter of this year.

Other additional sources of risks and vulnerabilities for the banking sector are: (i) computer crime as a source of operational risk; (ii) competition of FinTech and BigTech on an uneven playing field; (iii) the transition risks to a low carbon economy; and (iv) the persistent operational burden associated with data communication and compliance with regulatory and supervisory requirements.

1.5. Activity and Financial Information

1.5.1. Consolidated Activity

Results

CGD made a consolidated profit of €248.6 million in the first six months of 2020, (down 40.5% first six months of 2019), translating into a return on equity (ROE) of 6.2%.

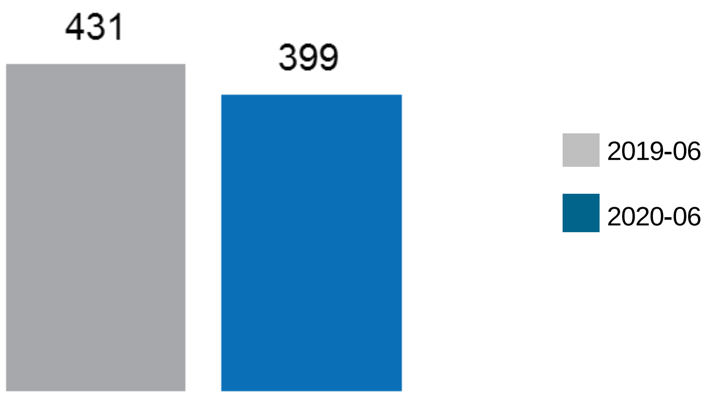
Net income includes an extraordinary gain of €51 million (after tax) arising from actuarial gains in liabilities with post-employment benefits (pension fund and medical plan). In turn, in June 2019, the results were impacted by the non-recurring gain on the sale of Banco Caixa Geral (Spain) in the referred to year as the impact on the valuation of this subsidiary, with reference to 30 June 2019, was a positive €135 million, given the adjustment of the impairment recognised in CGD's accounts at the end of 2017 to the sales price.

Accordingly, current net income in the first half of this year was €198.1 million in comparison to €282.5 million in the first six months of 2019, comprising a year-on-year reduction of 30%. ROE on current activity was therefore 5.0%, down 2.4 pp over first half 2019.

In the first half 2020, notwithstanding a continuation of the downwards trajectory of operating costs, the unfavourable evolution of total operating income conditioned net operating income before impairment which was down 7.3% by € 31.5 million over first half 2019.

NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)



(EUR million)

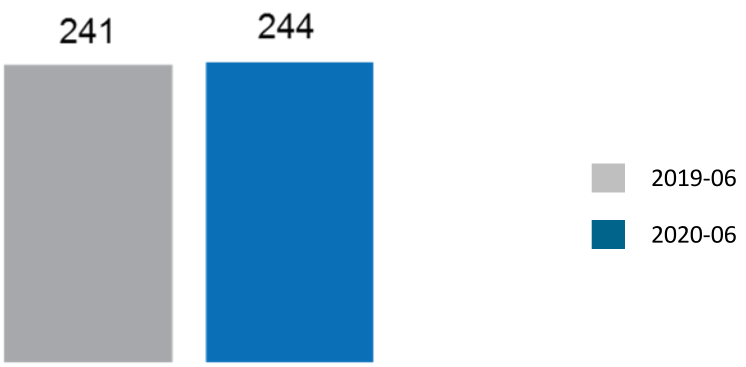
NET OPERATING INCOME BEFORE IMPAIRMENTS CONTRIBUTION (CONSOLIDATED)			Change	
	2019-06	2020-06	Total	(%)
Domestic commercial banking	259.7	261.6	1.9	0.7%
International activity	124.4	112.6	-11.8	-9.5%
Investment banking	9.2	-4.5	-13.6	-
Other	37.4	29.4	-8.0	-21.3%
Net Operating Income before Impairments	**430.7**	**399.1**	**-31.5**	**-7.3%**

Net interest income in the first six months of 2020 was impacted by the evolution of the credit stock and the level of interest rates. In fact, in this period, net interest income was down 7.9% by €44.7 million over the same period of the preceding year, owing to the current interest rate environment and particularly the high level of early loan repayments by public entities in 2019 (that were on balance sheet in the first half of that year), given the State's low borrowing costs.

There was a slightly positive evolution in commissions compared to the same period in 2019, with an increase in commissions on funds and insurance (+ 19.1%) to offset the drop in banking commissions (-1.4%).

COMMISSIONS

(EUR million)



Income from financial operations registered a positive value of 39.4 million euros, a favorable evolution of 16.9 million euros compared to the value of 22.5 million euros in the first half of 2019.

Other operating income this half year evolved unfavourably in comparison to first half 2019 and was down 94.9% by €56.4 million. The variation essentially derives from the positive impact of the capital gains made on the sale of the Rua do Ouro building in the accounts for first half 2019.

Operating costs of €411.7 million in the first six months of 2020, were down 12.9% over first half 2019. This positive evolution was across-the-board to all components of operating costs and was especially significant in the 14.7% decrease of €43.5 million in employee costs.

(EUR million)

OPERATING COSTS (CONSOLIDATED)			Change	
	2019-06	2020-06	Total	(%)
Employee costs	296.7	253.2	-43.5	-14.7%
Administrative expenses	129.1	112.4	-16.7	-13.0%
Depreciation and amortisation	46.6	46.1	-0.5	-1.0%
Total	**472.4**	**411.7**	**-60.7**	**-12.9%**

In first half 2020, these costs included non-recurring costs of €75.7 million for early retirement and voluntary redundancy programmes and a positive impact of €70.7 million mentioned above, in respect of the actuarial on liabilities for post employment benefits. Thus, in net terms, non-recurring costs included in employee costs amounted to 5 million euros in the first half of 2020, an amount that compares with 35 million euros in the first half of 2019. The exclusion of these non-recurring results would have resulted in a 4.9% reduction of employee costs. General administrative costs, in turn, were down 13% by €16.7 million. Excluding the above referred to non-recurring items the year-on-year reduction of operating costs as a whole was 6.9%.

Profitability, in first half 2020, was also affected by higher levels of provisions and impairment. Operating income, (down 36.6%), was negatively impacted by increased provisions for guarantees and other liabilities, which were up €70.6 million over first half 2019. The €75.2 million increase of credit impairment, net of recoveries, is not unconnected to the impact of the Covid-19 pandemic and is indicative of a cautious approach to an eventual deterioration of the credit portfolio, with new credit impairment of €146.7 million.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)			Change	
	2019-06	2020-06	Total	(%)
Provisions (net)	-71.9	-29.9	42.0	-
Credit impairment	2.8	78.0	75.2	-
Impairments of other financial assets	47.7	9.8	-37.9	-79.5%
Impairments of other assets	-125.8	-24.8	101.0	-
Provisions and impairments for period	**-147.2**	**33.1**	**180.2**	-

The credit impairment aggregate for the period in question reflects a cost of credit risk of 31 bps, against 1 bp in first half 2019.

As in the same half of the preceding year, the accounts for first half 2020 included all regulatory costs for the year, namely, those related to contributions to supervisory and resolution entities, including the deposit guarantee fund, as well as the new additional tax on the banking sector.

Income from held-for-sale subsidiaries, down 73.4% to €6.7 million over first half 2019, reflected the exits of Mercantile Holdings and Banco Caixa Geral (Spain) from CGD group's consolidation perimeter owing to the sale of these two entities pursuant to the implementation of the bank's strategic plan and balance sheet optimisation process. Together, the two subsidiaries contributed €13.8 million to this account in June 2019.

In turn the results of companies, as measured by the equity accounting method, impacted by the increase of the insurance area's contribution, were up by 102.7% over first half 2019, to €15.8 million.

As a result of the above, CGD recorded a consolidated profit of 248.6 million euros in the first half of 2020, which compares with a net result of 417.5 million euros in the same period last year, marking a reduction of 40,5%.

(EUR thousand)

CONSOLIDATED INCOME STATEMENT	*Restated*		Change	
	2019-06	2020-06	Total	(%)
Interest and similar income	937,802	781,950	-155,852	-16.6%
Interest and similar costs	373,246	262,047	-111,199	-29.8%
Net interest income	564,556	519,903	-44,653	-7.9%
Income from equity instruments	15,368	4,922	-10,447	-68.0%
Net interest inc. incl. inc. from eq. investm.	**579,925**	**524,825**	**-55,100**	**-9.5%**
Income from services and commissions	306,992	297,738	-9,254	-3.0%
Costs of services and commissions	65,770	54,138	-11,632	-17.7%
Results from services and commissions	241,222	243,600	2,378	1.0%
Income from financial operations	22,522	39,393	16,871	74.9%
Other operating income	59,403	3,012	-56,391	-94.9%
Non-interest income	**323,146**	**286,005**	**-37,142**	**-11.5%**
Total operating income	**903,071**	**810,830**	**-92,241**	**-10.2%**
Employee costs	296,704	253,205	-43,499	-14.7%
Administrative expenses	129,114	112,371	-16,743	-13.0%
Depreciation and amortisation	46,585	46,108	-477	-1.0%
Operating costs	472,403	411,685	-60,718	-12.9%
Net operating income before impairments	**430,668**	**399,145**	**-31,523**	**-7.3%**
Credit impairment (net)	2,816	78,000	75,184	-
Provisions and impairments of other assets (net)	-149,998	-44,950	105,049	-
Provisions and impairments	**-147,182**	**33,050**	**180,232**	**-**
Net operating income	**577,850**	**366,095**	**-211,755**	**-36.6%**
Income Tax	**171,511**	**123,709**	**-47,803**	**-27.9%**
Current	73,601	9,654	-63,947	-86.9%
Deferred	70,881	86,079	15,198	21.4%
Contribution on the banking sector	27,030	27,976	946	3.5%
Net op. inc. after tax and before non-controlling interests	**406,338**	**242,386**	**-163,953**	**-40.3%**
Non-controlling interests	21,849	16,265	-5,584	-25.6%
Results of associated companies	7,779	15,770	7,990	102.7%
Results of subsidiaries held for sale	25,226	6,703	-18,523	-73.4%
Net income	**417,495**	**248,594**	**-168,901**	**-40.5%**

Balance sheet

CGD group's consolidated net assets were up 5.4% by €4,629 million over December 2019 to €90,405 million at the end of first half 2020. CGD accounts for 81% of this consolidated net assets.

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2019-06 Restated		2019-12 Restated		2020-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	67,632	74.0%	68,551	79.9%	73,387	81.2%
Banco Nacional Ultramarino, SA (Macau)	5,230	5.7%	5,516	6.4%	5,748	6.4%
Caixa Banco de Investimento	681	0.7%	579	0.7%	562	0.6%
Caixa Leasing e Factoring	2,264	2.5%	2,374	2.8%	2,368	2.6%
Banco Comercial Investimento (Mozambique)	2,358	2.6%	2,375	2.8%	2,207	2.4%
Banco Comercial do Atlântico (Cape Verde)	841	0.9%	787	0.9%	788	0.9%
BCG Angola	829	0.9%	854	1.0%	770	0.9%
Other companies (2)	11,498	12.6%	4,740	5.5%	4,576	5.1%
Consolidated net assets	**91,334**	**100.0%**	**85,776**	**100.0%**	**90,405**	**100.0%**

(1) Separate activity.
(2) Includes units consolidated by the equity accounting method.

(EUR million)

CONSOLIDATED BALANCE SHEET	Restated	Restated		Change 2020-06 vs 2019-06		Change 2020-06 vs 2019-12	
ASSETS	2019-06	2019-12	2020-06	Total	(%)	Total	(%)
Cash and equiv. with central banks	5,851	7,304	7,971	2,120	36.2%	667	9.1%
Loans and advances to credit instit.	3,382	3,218	3,450	68	2.0%	232	7.2%
Loans and advances to customers	49,449	47,974	48,315	-1,134	-2.3%	341	0.7%
Securities investments	19,386	20,452	24,060	4,673	24.1%	3,607	17.6%
Assets with repurchase agreement	31	11	17	-15	-46.4%	6	56.7%
Non-current assets held for sale	7,010	1,333	1,198	-5,812	-82.9%	-135	-10.1%
Inv. in subsid. and assoc. companies	416	462	454	38	9.2%	-7	-1.6%
Intangible and tangible assets	698	659	648	-50	-7.2%	-11	-1.7%
Current tax assets	35	464	452	417	1207.3%	-12	-2.6%
Deferred tax assets	1,980	1,406	1,359	-621	-31.4%	-48	-3.4%
Other assets	3,096	2,493	2,483	-613	-19.8%	-10	-0.4%
Total assets	**91,334**	**85,776**	**90,405**	**-929**	**-1.0%**	**4,629**	**5.4%**
LIABILITIES							
Central banks' and cred. inst. resources	1,678	1,078	2,063	385	23.0%	985	91.4%
Customer resources	65,786	65,792	70,728	4,943	7.5%	4,937	7.5%
Debt securities	2,468	2,463	1,419	-1,048	-42.5%	-1,044	-42.4%
Financial liabilities	987	909	1,000	12	1.2%	91	10.0%
Non-current liabilities held for sale	6,050	981	872	-5,178	-85.6%	-109	-11.1%
Provisions	988	1,044	1,045	56	5.7%	0	0.0%
Subordinated liabilities	601	1,116	1,103	502	83.6%	-14	-1.2%
Other liabilities	4,417	3,827	3,642	-775	-17.5%	-185	-4.8%
Sub-total	**82,975**	**77,210**	**81,872**	**-1,103**	**-1.3%**	**4,662**	**6.0%**
Shareholders' equity	**8,359**	**8,566**	**8,533**	**174**	**2.1%**	**-33**	**-0.4%**
Total	**91,334**	**85,776**	**90,405**	**-929**	**-1.0%**	**4,629**	**5.4%**

Securities investments were up 24.1% by €4,673 million over June 2019 and up 17.6% by €3,607 over December to €24,060 million at 30 June 2020.

(EUR million)

SECURITIES INVESTMENTS (CONSOLIDATED)	*Restated* 2019-06	*Restated* 2019-12	2020-06
Fin. assets at fair value through profit or loss	9,004	7,835	7,984
Financial assets at fair value through other comprehensive income	4,296	3,599	6,001
Other investments at amortized cost	6,087	9,019	10,074
Total	**19,386**	**20,452**	**24,060**

Loans and advances to customers (gross) were slightly up by 0.8% over December of the preceding year to €50,540 million at the end of June 2020. Loans and advances to corporates were up 3.8% by €707 million.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED)[1]				Change 2020-06 vs 2019-06		Change 2020-06 vs 2019-12	
	2019-06	2019-12	2020-06	Total	(%)	Total	(%)
Companies	19,470	18,692	19,399	-71	-0.4%	707	3.8%
General government	4,145	3,176	3,074	-1,071	-25.8%	-102	-3.2%
Individual customers	28,765	28,255	28,067	-698	-2.4%	-188	-0.7%
Mortgage loans	26,526	26,067	25,875	-651	-2.5%	-192	-0.7%
Other	2,238	2,188	2,192	-47	-2.1%	4	0.2%
Total	**52,379**	**50,122**	**50,540**	**-1,840**	**-3.5%**	**417**	**0.8%**

(1) Before impairment

The sectors with the largest contribution to this variation were the electricity, gas and water sectors with a positive variation of 14.3% and wholesale and retail trade with growth of 10.1%.

(EUR million)

LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED)[1]				Change 2020-06 vs 2019-06		Change 2020-06 vs 2019-12	
	2019-06	2019-12	2020-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	375	345	336	-40	-10.5%	-9	-2.6%
Mining and manufacturing	2,921	2,679	2,689	-232	-7.9%	10	0.4%
Construction and real estate activities	4,969	4,678	4,441	-529	-10.6%	-237	-5.1%
Electricity, gas and water	703	799	913	210	29.9%	114	14.3%
Wholesale and retail trade	2,303	2,089	2,299	-4	-0.2%	210	10.1%
Transports and warehousing	1,165	1,025	976	-189	-16.2%	-50	-4.9%
Accommodation and food service activities	993	690	749	-244	-24.6%	58	8.5%
Professional, scientific and technical activities	3,534	3,701	3,554	20	0.6%	-147	-4.0%
Financial activities and other	2,486	2,686	3,443	956	38.5%	757	28.2%
Total	**19,449**	**18,692**	**19,399**	**-50**	**-0.3%**	**707**	**3.8%**

(1) Before impairment

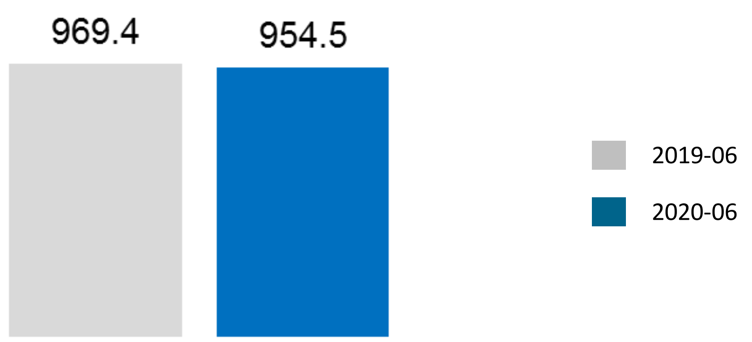
The loans and advances to personal customers balance was down 2.4% by €698 million over June 2019 to €28,067 million at the end of first half 2020. This particularly derived from the 2.5% reduction of €651 million in mortgage loans on account of the fact that the volume of repayments and settlements was higher than that of new operations.

There was a decrease of 7.2% in the number of CGD Portugal's new mortgage lending operations to 8,622 operations in first half 2020. In terms of amount they remained practically stable (down 1.5%) in comparison to first half 2019, at €954.5 million.

MORTGAGE CREDIT - BRANCH OFFICE NETWORK (PORTUGAL)

NEW OPERATIONS

(EUR million)



CGD's asset quality continued to evolve favourably, with NPLs (non performing loans according to the EBA definition) down €8.0 billion since the start of 2017 – as the date of the implementation of the Strategic Plan.

The NPL ratio at the end of first half 2020 stood at 4.4%, with impairment and collateral coverage of 85.4% and 27.9% respectively, at the same date (total coverage of 113.3%).

CREDIT QUALITY (CONSOLIDATED)	2019-06	2019-12	2020-06
NPE ratio (1)	5.7%	3.8%	3.4%
NPL ratio (2)	7.3%	4.7%	4.4%
Forborne ratio for loans and advances (3)	4.4%	3.5%	4.6%
NPE coverage by impairment	64.5%	73.5%	80.1%
NPL coverage by impairment	64.7%	79.3%	85.4%
Coverage ratio on forborne loans and advances	96.8%	94.8%	90.9%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.01%	-0.09%	0.31%

(1) NPE - Non performing exposure - EBA; (2) NPL - Non performing loans - EBA; (3) EBA definition

Total liabilities in first half 2020 were up 6.0% by €4,662 million. Special reference should be made to the positive evolution of €4,937 billion in customer resources. This evolution was fuelled by customer deposits that, even in the current context of low interest rates, is indicative of the confidence and loyalty of CGD's customer base.

The 7.5% increase of €4,914 million in customer deposits to €70,624 million at the end of June 2020 derived from the 8.7% increase of €4,875 million in domestic activity.

Total resources taken were up 4.7% by €4,293 million over December 2019 to €95,608 million.

(EUR Million)

RESOURCES TAKEN	Restated 2019-06	Restated 2019-12	2020-06	Change 2020-06 vs. 2019-06 (%)	Change 2020-06 vs. 2019-12 (%)
Balance sheet	**70,532**	**70,449**	**75,314**	**6.8%**	**6.9%**
Central banks' & cred instit. resources	1,678	1,078	2,063	23.0%	91.4%
Customer deposits (Consolidated)	65,644	65,710	70,624	7.6%	7.5%
Domestic activity	56,364	55,877	60,752	7.8%	8.7%
International activity	9,280	9,832	9,872	6.4%	0.4%
Covered bonds	2,262	2,290	1,252	-44.7%	-45.3%
EMTN and other securities	806	1,290	1,270	57.6%	-1.5%
Other	142	82	105	-26.4%	27.6%
Off-balance sheet	**20,499**	**20,866**	**20,294**	**-1.0%**	**-2.7%**
Investment funds	3,992	4,386	4,162	4.3%	-5.1%
Real estate investment funds	808	796	758	-6.2%	-4.8%
Pension funds	3,988	4,100	4,289	7.6%	4.6%
Financial insurance	8,603	8,528	8,108	-5.8%	-4.9%
OTRV Portuguese Governm. Bonds	3,109	3,056	2,977	-4.3%	-2.6%
Total	**91,032**	**91,315**	**95,608**	**5.0%**	**4.7%**
Total resources (domestic activity) (1)	**73,165**	**72,949**	**77,026**	**5.3%**	**5.6%**

(1) Includes customer deposits, investment funds, financial insurance, OTRV and other bonds, owned by customers.

Total resources taken from domestic activity were up 5.3% over the same period last year and 5.6% over December 2019 to €77,026 million at the end of June 2020. This increase was significantly influenced by the 8.7% increase of €4,875 million in customer deposits in terms of domestic activity. The year-on-year growth of these deposits was 7.8% and amounted to €4,388 million.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED)	Restated 2019-06	Restated 2019-12	2020-06	Change 2020-06 vs 2019-06 Total	(%)	Change 2020-06 vs 2019-12 Total	(%)
Customers deposits	**65,644**	**65,710**	**70,624**	**4,980**	**7.6%**	**4,914**	**7.5%**
Sight deposits	31,484	31,884	36,110	4,627	14.7%	4,227	13.3%
Term and savings deposits	33,891	33,543	34,226	335	1.0%	683	2.0%
Mandatory deposits	270	283	288	18	6.8%	5	1.8%
Other resources	**142**	**82**	**105**	**-37**	**-26.4%**	**23**	**27.6%**
Total	**65,786**	**65,792**	**70,728**	**4,943**	**7.5%**	**4,937**	**7.5%**

By type, term deposits and savings accounts of €34,226 million at the end of June, accounted for around 48.5% of total customer deposits.

(EUR million)

DEBT SECURITIES (CONSOLIDATED)	Restated 2019-06	Restated 2019-12	2020-06	Change 2020-06 vs 2019-06 Total	(%)	Change 2020-06 vs 2019-12 Total	(%)
EMTN programme issues (1)	202	170	167	-35	-17.3%	-2	-1.4%
Covered bonds	2,261	2,289	1,251	-1,010	-44.7%	-1,038	-45.4%
Other	4	5	1	-3	-67.7%	-3	-71.8%
Total	**2,468**	**2,463**	**1,419**	**-1,048**	**-42.5%**	**-1,044**	**-42.4%**

(1) Does not include issuances classified as subordinated liabilities.

Debt securities have trended downwards over the last few years owing to the fact that several issuances reached their maturity without the need to refinance them in the capital market, owing to the group's comfortable liquidity situation.

June 2020 witnessed a 42.5% reduction of €1,048 million over the same period 2019, influenced by the January 2020 maturity of a €1 billion covered bonds issuance.

(EUR million)

SUBORDINATED LIABILITIES (CONSOLIDATED)	Restated 2019-06	Restated 2019-12	2020-06	Change 2020-06 vs 2019-06 Total	(%)	Change 2020-06 vs 2019-12 Total	(%)
EMTN programme issues (1)	601	1,116	1,103	502	83.6%	-14	-1.2%
Other	0	0	0	0	-	0	-
Total	**601**	**1,116**	**1,103**	**502**	**83.6%**	**-14**	**-1.2%**

(1) Does not include issuances classified as debt securities.

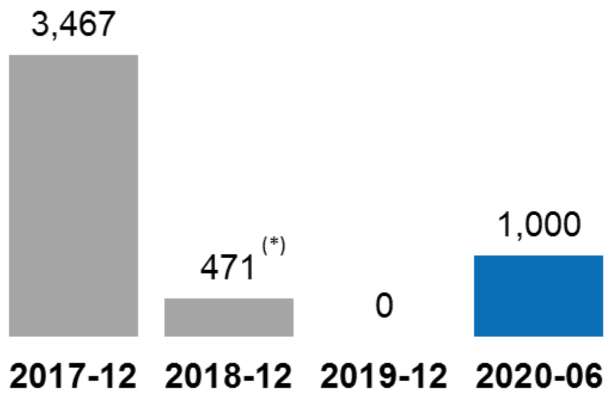
Subordinated liabilities were up 83.6% by €502 million over first half 2019, to €1,103 million at the end of first half 2020. The significant increase derives from a €500 million issuance of non-preferred senior debt with a maturity of 5 years, in November 2019. The issuance is part of the funding plan defined to comply with MREL requirements as set by the Bank of Portugal, in conformity with a resolution of the single resolution board. This is the first issuance of this type made by a Portuguese bank, following the approval of its legal framework.

Liquidity

CGD continues to enjoy ample liquidity, allowing it to redeem a covered bond for the amount of €1 billion in first quarter 2020 without recourse to market refinance.

ECB FUNDING

(EUR million)



(*) Total value for BCG Spain, sold in October 2019

In the sphere of Eurosystem monetary policy measures and in consideration of the alterations made by the European Central Bank in the context of the Covid-19 pandemic, CGD obtained €1 billion in finance from the European Central Bank in the form of a TLTRO-III (Targeted Longer-Term Refinancing Operation) in June.

Together with such finance, CGD increased the value of its assets on the Eurosystem collateral pool to around €14.1 billion. This was an increase of €3.3 billion over the end of 2019.

The liquidity coverage ratio (LCR) of 402.3%, at the end of June 2020, was much higher than the current liquidity regulatory requirement (100%).

The NSRF (net stable funding ratio) of 165.5% at the end of June in comparison to 157.8% at the end of 2019 also confirms CGD Group's comfortable liquidity situation.

Capital management

Consolidated shareholders' equity was up €174 million over the same period 2019 to €8,533 million at 30 June 2020. Reference should be made to the 16.1% positive evolution of €485 million in other reserves and retained earnings and the €120 million decrease in revaluation reserves.

Other reserves aldo reflected the change of actuarial assumptions on pension funds – reduction of the discount rate to 1.30% (against 1.40% in December 2019), which was partly offset by actuarial gains in responsibilities with post employment.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	Restated 2019-06	Restated 2019-12	2020-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Fair value reserves	356	281	237
Other reserves and retained earnings	3,005	2,929	3,489
Non-controlling interests	236	236	214
Net income	417	776	249
Total	**8,359**	**8,566**	**8,533**

"Other equity instruments" of €500 million refer to the market issue of additional tier 1 funds securities at the end of March 2017.

The CET 1, tier 1 and total ratios of 16.8%, 17.9% and 19.3%, respectively (including net income from the prudential perimeter for the period), fulfilled the capital requirements currently in force for CGD. These ratios, which were higher than the Portuguese and European averages, are indicative of CGD's robustness and adequate capitalisation. Not including net income for the period, the common equity tier 1 (CET 1) and total phasing-in ratios, calculated under CRD IV/CRR rules, totalled 16.1% and 18.7%, respectively in June 2019.

Information on the amounts of own funds and equity ratios at June 2019, December 2019 and June 2020 (including the calculation of net profit for the year) is set out below.

(EUR million)

SOLVENCY RATIOS (CONSOLIDATED) (1) (Including net income)	2019-06 (2)	2019-12 (3)	2020-06 (4)
Own funds			
Common equity tier 1 (CET 1)	7,305	7,493	7,425
Tier 1	7,808	8,002	7,929
Tier 2	624	637	625
Total	**8,432**	**8,639**	**8,554**
Weighted assets	**48,390**	**44,325**	**44,295**
Solvency ratios			
CET 1	15.1%	16.9%	16.8%
Tier 1	16.1%	18.1%	17.9%
Total	**17.4%**	**19.5%**	**19.3%**

(1) Phasing-in and Full Implementation values

(2) Including net income (circa €418 million)

(3) In December 2019, the Corep value (Corep-report) includes the positive net income, with prior approval by the Supervisor and pursuant to Article 26 (no. 2) of Regulation (EU) No. 575/2013

(4) Version considering the positive net income for the period (circa €253 million), made available for comparison with the figures for December 2019

The above referred to variation in the CET 1 ratio between December 2019 and the pro forma estimate for June 2020 (down by around 14 bps) derives from a combination of impacts on own funds (down 15 bps) and RWAs (up 1 bp), essentially explained by the following elements:

- income of around €253 million from the prudential perimeter for the half year (with a positive impact of 57 bps on the CET 1 ratio), enabled a large part of the negative effects of the period to be absorbed;
- reduction of around €215 million in other reserves and retained earnings (with a negative impact of 49 bps on the CET 1 ratio) sharply impacted by the actuarial deviations related to post-employment benefits (a negative €118 million);
- reduction of around €44 million in revaluation reserves (with a negative impact of 10 bps on the CET 1 ratio);
- combination between the application of prudential filters (thresholds of 10%) and variation of balance sheet components resulting in a negative effect of €35 million in own funds (8 bps reduction of the CET 1 ratio);
- increase of around €23 million in tangible assets, which generated a deduction of the same magnitude in own funds (contributing to a 5 bps reduction of the CET 1 ratio);
- reduction of RWA by around 30 million euros.

SREP capital requirements on consolidated activity for 2020

As a result of the impacts of the crisis deriving from the coronavirus pandemic, the European Central Bank (ECB) announced a series of measures to ensure that banks would be able to continue to operate, evidencing special interest in their role of financing the economy.

One of the implications of these measures was a revision of the minimum ratios to be complied with by CGD starting January 2020 (in conformity with an ECB resolution communicated on 4 December 2019).

The ECB permitted an “easing” of Pillar 2 Guidance (P2G) capital requirements, capital conservation buffer (CCB) and liquidity coverage ratio (LCR). It also allowed the banks to make part use of the equity instruments not qualifying as common equity tier 1 (CET 1), such as additional tier 1 or tier 2 instruments to provide for Pillar 2 (P2R) requirements.

On 8 April 2020, the ECB accordingly decided to maintain the requirement for a total ratio (TSCR) of 10.25% (a Pillar 1 requirement of 8% and a Pillar 2 – P2R requirement of 2.25%). This new decision enabled the P2R of 2.25% set for CGD, that initially should have been exclusively made up of CET 1 instruments, to be 56.25% covered by CET 1 instruments, 18.75% by AT 1 instruments and 25% by tier 2 instruments.

For each quarter of 2020, the Bank of Portugal has maintained the counter-cyclical own funds reserves percentage at 0% of the total amount of positions at risk (the last communication for 3rd quarter 2020, was dated 3 July 2020).

The application of the SREP amendment resulted in a revision of the minimum ratios to be complied with by CGD group starting March 2020, namely:

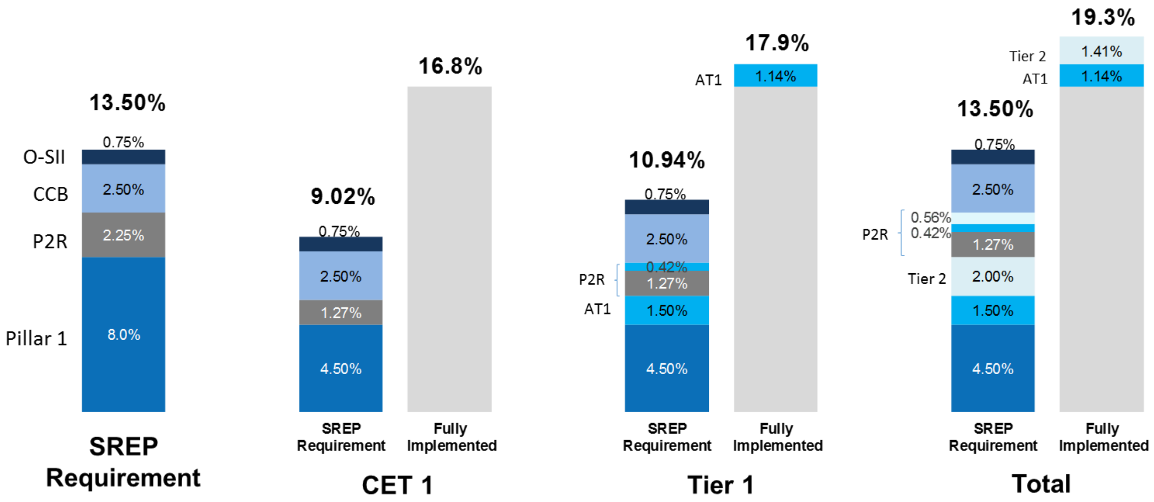
(%)

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2020
Common Equity Tier 1 (CET1)	**9.02%**
Pillar 1	4.50%
Pillar 2 Requirement	1.27%
Capital Conservation Buffer (CCB)	2.50%
O-SII Buffer (other systemic important institution)	0.75%
Tier 1	**10.94%**
Total	**13.50%**

CGD's consolidated ratio levels in the first half year were higher than minimum SREP capital requirements in 2020:

CAPITAL RATIOS CGD 30 JUNE 2020 AND 2020 SREP REQUIREMENTS

(INCLUDING NET INCOME)



MREL

CGD was informed by the single resolution board of its Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements during the course of first half 2020. CGD must have €10,508 million in own funds and eligible liabilities from 1 January 2023. This is equivalent to 12.78% of the total liabilities and shareholders' equity of its resolution perimeter at 31 December 2018.

To fulfil its MREL requirements CGD estimates that it will need to issue approximately €2 billion in eligible liabilities in preferred and non-preferred senior debt by the end of 2022. This funding plan was put in place in November 2019 with CGD's first €500 million issuance of non-preferred senior debt.

The MREL requirement resolution is based on current legislation and is subject to a review by the supervisor over the course of time. The new European directive on banking resolution (BRRD2) is expected to be transposed into national legislation by the end of 2020. CGD's MREL requirements are consequently expected to be reviewed once again under BRRD2, in first half 2021.

Rating

In first half 2020, the expected deterioration of economic conditions in Portugal deriving from the Covid-19 pandemic and its expectable consequences on CGD's profitability and balance sheet, led the rating agencies to take the following actions.

In April 2010 Fitch Ratings left its IDR (Issuer Default Rating) on CGD's long term senior debt unchanged at BB+, with a change of outlook from stable to negative.

For the first time, Fitch also announced a BBB- rating on CGD's deposits. This was one notch higher than the rating on senior debt and only one notch lower than the rating on Portuguese public debt. This rating reflects greater protection for deposits in the event of resolution. The rating agency lowered its rating on CGD's tier 2 subordinated debt on the same date owing to alterations to its analysis methodology starting February 2020.

In turn, in May 2019, DBRS Morningstar confirmed its long term issuer rating of BBB, its short term issuer rating of R-2 (high) and its long and short term deposit rating of BBB (high) and R-1 (low), respectively. The trend on these ratings was revised from "stable" to "negative".

Information on CGD's ratings in June 2020, is summarised in the following table:

RATING	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB+	2020-04
Moody's	N/P	Ba1	2020-06
DBRS	R-2 (high)	BBB	2020-05

1.5.1.1. Domestic activity

Domestic activity's contribution to CGD group's net profit in June 2020 was down 37.3% to €207.8 million against €331.5 million for the same period of the preceding year.

This decrease in net profit particularly derives from the reduction of other operating income in comparison to the preceding year as the capital gain of €36.6 million made on the sale of the Rua do Ouro building was accounted for in first quarter 2019 and, in second quarter 2019, owing to the reversal of impairment on the equity investment, registered in 2017, of €135 million in BCG (Spain).

(EUR million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2019-06	2020-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	387.6	337.0	-13.1%
Results from services and commissions	199.1	206.5	3.7%
Income from financial operations	-3.2	20.3	-
Other operating income	77.1	16.3	-78.9%
Total operating income	**660.5**	**580.0**	**-12.2%**
Employee costs	225.3	179.7	-20.3%
Administrative expenses	96.2	80.9	-15.9%
Depreciation and amortisation	32.7	32.9	0.5%
Operating costs	**354.3**	**293.5**	**-17.2%**
Net operating income before impairments	**306.3**	**286.6**	**-6.4%**
Credit impairment (net)	-9.3	28.9	-
Provisions and impairments of other assets (net)	-155.8	-48.1	-
Net operating income	**471.3**	**305.8**	**-35.1%**
Income Tax	146.0	112.2	-23.2%
Net operating income after tax and before non-controlling interests	**325.3**	**193.6**	**-40.5%**
Non-controlling interests	1.5	1.5	-0.3%
Results of associated companies	7.6	15.6	104.5%
Net income	**331.5**	**207.8**	**-37.3%**

(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

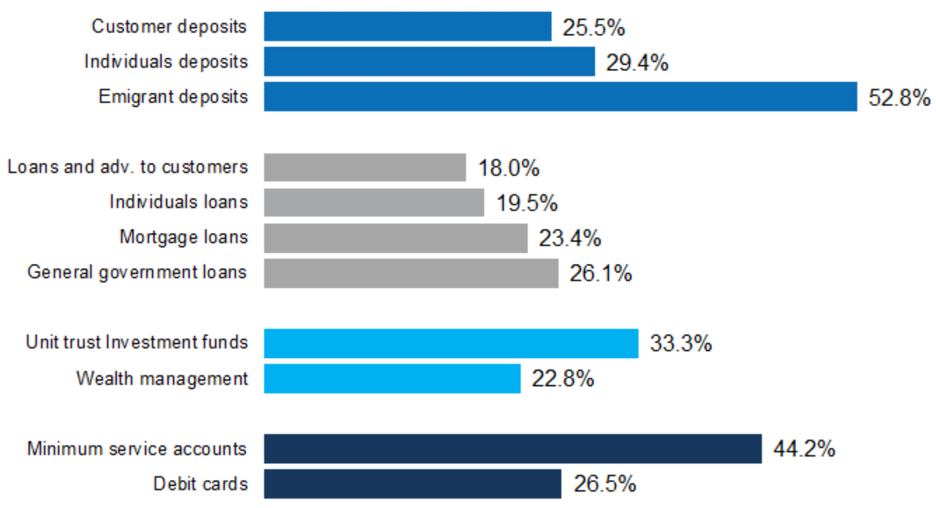
CGD Portugal

The end of first quarter 2020 witnessed a national emergency scenario in the context of the Covid-19 pandemic which required a prompt response with a view to providing assistance to companies and households to enable them to surpass the major liquidity constraints deriving from a reduction of activity, pursuant which CGD developed a series of measures to minimise its impact on customers.

Despite the current situation, Caixa continues to lead the main customer and product segments, particularly unit trust funds, deposits, credit to households, payments and bank cards and digital business.

MARKET SHARES - JUNE 2020

(%)



Source: CGD and Bank of Portugal

Companies

CGD's assistance to the Portuguese business community comprises the continuity of its support measures for Portuguese companies, strengthening the use of mutual or EIF guarantees (for customers not eligible for a mutual guarantee). Significant legislative changes were made to the incentives package during the course of the second quarter, both as regards moratoriums as in the case of lines of credit in which CGD promptly adjusted its offer.

With the aim of assisting companies and small businesses to surpass the major liquidity constraints caused by a reduction of the level of activity CGD launched a comprehensive set of treasury support measures to enable its customers to continue their economic activity. Such measures included:

- The possibility of moratoriums on live operations;
- The possibility of rescheduling operations and increasing plafonds: possibility of extending short term loans for an additional 90 days; an increase of up to 30% in the available plafond for companies adhering to factoring solutions, an increase of up to 20% of the available confirming platform and the possibility of extending payment orders in force (for up to 90 days);
- *Capitalizar 2018 – Covid-19* [capitalisation] line of credit. This is a €200 million government line of credit which was latterly increased by an additional €200 million to permit a comprehensive sectoral response (fully used up);
- *Covid-19* – line of credit for lending to the economy. This government line of credit (initially for €3 billion and currently €6.2 billion) is split up into 4 specific sub-lines: Covid-19 − Support for Restaurants and the like, Covid-19 − Support for Tourism companies, Covid-19 − Support for Travel Agencies, Tourism Animation, Event Organisers and the like and Covid-19 − Support for Economic Activity. CGD's market share of 14.5% was in line with its market share of corporate loans;
- *RAM Covid-19* investment line of credit and *Specific Covid-19* line of credit – Azores. These lines with a mutual guarantee of €100 million and €150 million, provide assistance to companies in Madeira and the Azores affected by Covid-19, with market shares of 13.1% and 18.8%, respectively. These amounts are higher than the credit market shares in both regions;
- Line of credit in support of the fisheries sector 2020. This is a subsidised €20 million IFAP line for the acquisition of production factors and working capital and treasury funds for the payment of wages, tax and debts;
- Flexible solutions under the *Linha Caixa Invest Inovação* [investment-innovation] in partnership with the EIF: *Caixa Invest Inovação Covid* and *Caixa Invest Covid Negócios*, whose plafonds were increased by €55 million and €33 million, respectively;
- *Linha Caixa Invest Cultura Criativa* [investment in culture, creativity] for economic actors who employ creativity to develop their activity in the cultural, artistic or industrial area, with a guarantee of around 70%;

- Special pricing terms with exemptions from and reductions to fees and monthly charges with the aim of increasing transaction levels, e.g. no monthly charges on POS equipment for small traders (with billing of €<7,500).

This was complemented by the encouragement given to the use of digital solutions, *Flexcash* service (electronic billing platform), adherence to new platforms for the digital processing of foreign trade documents and secure distance payment solutions. There was a particularly significant increase in factoring and confirming and foreign trade solutions with 82% and 71% of operations being performed on this digital channel, in addition to the proportion of contactless operations and their respective amounts (with an increase in the limit of the amount of payment to €50) together with MB Way and use of POS payments based on scanning QR codes.

Reference should be made to an additional 15,000 *Caixa Business* accounts, as a multiproduct solution encompassing several products via *Caixadirecta Empresas* which allows customers to access their accounts and perform the most frequent banking operations, in a user-friendly, autonomous manner without the need for a physical presence at a branch office.

In terms of activity up to June and in comparison to the same period 2019, there was a decrease in total transactions and global business volume in terms of face-to-face payments, although this was offset by the huge growth of 87% in the number of online operations and 121% in transaction volumes whose relative proportion increased threefold over the amount of global transactions.

Reference should be made to the €235 million increase of lending and the 3,140 increase in the number of new customers benefiting from investment or treasury support, reflecting Caixa's support for micro and small enterprises in this adverse context.

The maintenance of medium and long term finance and increased number of customers choosing CGD to assist them with their investments or treasury needs have helped CGD to strengthen its position as a bank for corporate customers.

The economic effects of Covid-19 and its associated restrictive measures were contributory factors to a sharp fall of average daily amounts charged to cards, which, in June, returned to the average amounts of the beginning of the year. This was offset by new credit subscriptions with a year-on-year growth of 98% in the first six months of 2020. The penetration rate was also up 72.4% for debit and 17.5% for credit cards.

Individuals

Caixa provided a series of measures in the first half year to minimise the financial impact of Covid-19 on households and the risk of contagion:

- Protection for mortgage and training loans: a legal moratorium with a grace period on principal or principal and interest and an extension of the maturity for the same period, for personal customers eligible under decree law 10-J/2020;

- Protection for non-mortgage loans: *APB* (Association of Portuguese Banks) – CGD moratorium with a grace period on principal or principal and interest and an extension of maturity for eligible customers;

- Specialised credit: Moratorium *ASFAC* (Association of Specialised Credit Institutions) – CLF moratorium, a grace period on principal or principal and interest and an extension of the maturity for vehicle finance customers with a retention of title on behalf of CLF, commercialised by CGD;

- Motor and real estate vehicle leasing: ALF (Leasing and Factoring Association) – CLF moratorium, a grace period on principal or principal and interest and an extension of the maturity for vehicle finance (Caixaleasing Auto) and real estate (Leasing Imobiliário) customers as a secondary residence and for non-residential buildings not covered by the legal moratorium;

- Free, unlimited SEPA and MB Way transfers on digital channels for Caixa's "S" and "M" accountholders (multiproduct solution);

- Exemption from fees for the first year or during the crisis period: (i) on the issuance of a debit card for customers without this means of payment; (ii) on account maintenance charges for all customers with a pension of up to 1.5 times the national minimum wage and young people up to the age of 26;

- Increased flexibility in the case of cancellations of policies for non-payment, in anticipation of and further improving the ASF regulation and the acceptance of life insurance associated with mortgage lending, in a period of greater restrictions on access to medical examinations.

- Ease of access to Caixa: 100% digital access to Caixadirecta via the Caixadirecta app, with the possibility of immediate applications for debit cards;

- Information/recommendations on products and services to simplify day-to-day management and protect customers. These include debit cards, contactless options with a daily limit of €150, payments by QR code on the Caixadirecta or Caixa Easy apps, digital mobile key registration and the possibility of making transfers between accounts via the DABOX app, CGD's open banking solution, the Caixadirecta app's digital assistant and health insurance.

The domestic branch office network at the end of 2020, had 519 branches with face-to-face services and 19 self-service branches. CGD provides 3,635 items of self-service equipment that include 1,787 private in-house machines (1,079 in-house cash machines and 708 bank passbook printers) plus 1,848 Multibanco network ATMs. Seventy eight million operations for an amount of €7 billion were performed across the first half.

The collection of measures put in place under Caixa's contingency plan across the period allowed 99% of branches to remain operational, ensuring the provision of essential banking and face-to-face services for personal and corporate customers across the whole of mainland Portugal and its autonomous regions.

Based on the success of such actions and for as long as necessary owing to the pandemic, Caixa will maintain:

- The operational model of its branches with conditioned access and closed-door reception services designed in such a way as to ensure the adequate prioritisation of customers with the number of customers on the bank's premises being commensurate with the size of each branch in order to permit the recommended social distancing measures

- Reinforcement of safety and health considerations, maintenance of equipment for the individual protection of employees and customers, more in-depth cleaning and disinfection of reception and self-service areas;

- Communication of the contingency measures adopted and the new rules governing priorities on various branch office media. This includes encouragement for the use of digital channels; a physical presence at branch offices only in exceptional situations of absolute necessity; adoption of new social distancing habits in the use of self-service and queuing areas.

CGD also expanded its new branch office model to a further 13 branches (8 in northern Portugal and 5 in the Lisbon metropolitan area), furthering its objective of providing customers with a new, personal experience based on a "disruptive" relational and transactional concept, with refurbished, modern, sophisticated spaces accompanied by the provision of information using digital media – digital screens to consult the digital price list, together with simulators and a Wi-Fi network. The evaluation of this new model has been extremely positive in the opinion of our customers who have visited these branches with special reference being made to their global branch office experience, our employee's friendly approach, new image and comfort and speed of personal service.

One in ten CGD customers already uses its distance management service whose users enjoy the services of a dedicated account manager on any of the remote services available. The relevance of this service was particularly enhanced owing to the Covid-19 pandemic, having recorded a huge increase of contacts in comparison to 2nd half 2019 as shown by the 42% increase in the average number of calls and 69% increase in the average volume of written messages.

45% of CGD's customer portfolio either contacted or were contacted by the team of dedicated account managers in the first six months of 2020 alone. At the same time, ten thousand applications for credit moratoriums were granted without the need for a physical presence on the branch office network.

During the lockdown period, distance management went even further in guaranteeing the continuity of customer service and oversight with 100% of commercial teams working remotely.

The response to the pandemic and our customers' needs entailed endeavours to digitalise processes and the bank's offer, with the aim of providing the best customer service. One of the results of this investment is the increase in the number of users of Caixa's digital channels, which, in 2020, was higher than the banking average.

The Covid-19 pandemic enabled CGD to consolidate its leading position as the digital bank of Portuguese citizens, in its almost immediate provision of distance solutions designed to facilitate access to the bank and maintain customer proximity: online application forms for moratoria requests; immediate, fully digital app-based subscriptions to Caixadirecta and unlocking contracts and registering grace requests via the Digital Assistant of the Caixadirecta App were several innovations. CGD was also the first bank in Portugal to operate a 100% home-based contact centre, compared to 2019, there was a 61% growth in contacts received, maintaining a satisfaction level of 9.5 out of 10.

CGD continues to commit to innovative solutions to improve its customers' experience and satisfaction, enhancing its online functions with the possibility of blocking cards and certifying the device used to ensure greater security.

Some innovations in the App Caixadirecta also stand out, such as:

- Purchase of travel insurance;
- Contracting of *Caixa accounts*;
- Opening of Financial Asset Accounts;
- Waiver of the Matrix card for certified devices;
- Card security management.

The DABOX open banking solution powered by Caixa, differs from that of its competitors in adding market value, with its April launch of transfers between accounts from any bank. Users are now able to aggregate their current accounts in the main banks operating in Portugal, make transfers and achieve an integrated overview of their financial funds.

In the last semester, Dabox app active customers surpassed 62 thousand, 33% of which are customers of other banks consolidating its leadership in open banking with its personal finance management tool.

CGD has evidenced its capacity to adapt to the market, in reacting quickly to the pandemic and achieving higher growth rates in terms of satisfaction with digital channels (BrandScore survey for second quarter 2020).

CGD increased its number of digital customers in the domestic market to 1.76 million with active Caixadirecta agreements, comprising 48% of CGD customers.

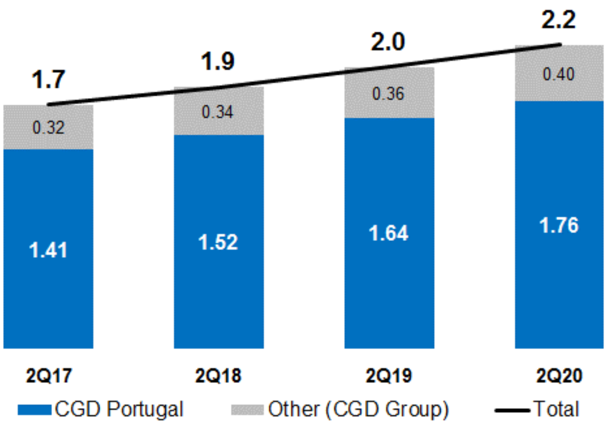
In the first half of the year, there was a noticeable growth in business via digital channels, in particular: in the contracting of Personal Credit via Digital Channels (increase of 80%); in the contracting of cards (increase of 60%) and in the subscription of Investment Funds (increase of 110%), when compared with the same period of 2019.

CGD's apps (Dabox, App Caixadirecta, App Caixa Easy and App Caixa Caderneta) are now available in yet another store, integrating Huawey's AppGallery.

It should be noted that, in the 1st half of 2020, an average of 58% of operations carried out by CGD customers were carried out through digital channels, representing, in May alone, more than 24 million accesses to Caixadirecta, 70% of which through app.

ACTIVE DIGITAL CUSTOMERS

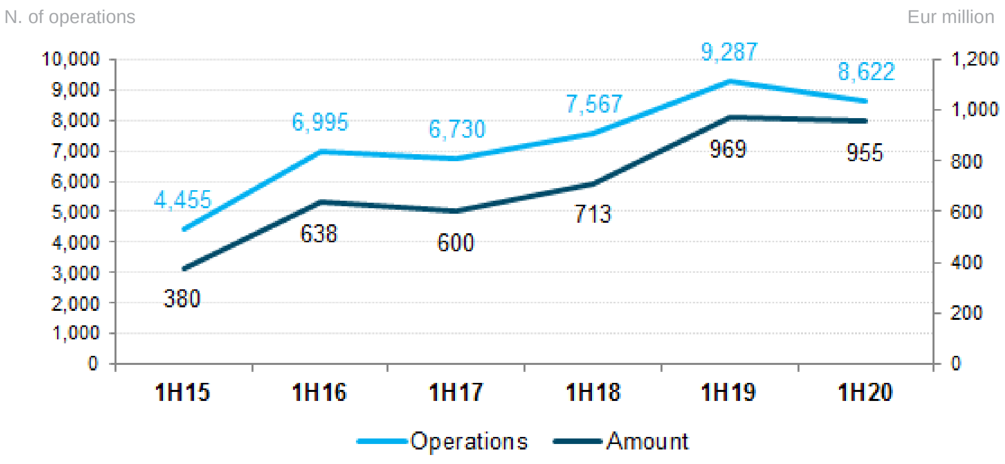
Millions of customers



These indicators show that CGD customers are becoming more “digital”, as evidenced by the sustained growth in the use of distance channels.

In terms of the payments system CGD is the largest issuer of bank cards in Portugal, having increased its market share of credit cards to 26.5% in June 2020. This evolution was based on permanent innovation in terms of customer service in fully digital card applications via Caixadirecta; the launch of the Caixa Maiores Acompanhados (accompanied adults) debit card to provide for the needs of companions with the authority to use the card of an accompanied adult; support for social causes – revenue from card use permits donations to the Portuguese Anti-Cancer League; the “Discover your own country with Caixa cards” campaign gives discounts at hotels as one of the economic sectors most affected by the pandemic.

EVOLUTION OF MORTGAGE CREDIT - NEW OPERATIONS



CGD consolidated its leading strategy in terms of new mortgage loans, achieving a 20% market share in Portugal, notwithstanding the signs of a slowdown owing to the pandemic. These were up 7.2% in number of operations and down 1.5% by amount over the same period last year.

At the end of June 2020, total subscriptions for Contas Caixa ("Caixa accounts") were up 10% over June 2019 to more than 1.8 million accounts, showing the market's preference for this multiproduct solution.

CGD continued to focus on its relationship with the university market, based on negotiations and renewals of agreements with higher educational institutions; awarding more than 60 grants as prizes for academic performance, merit prizes for schools, support for entrepreneurship or research; campaigns and commercial actions involving product presentations and explaining the advantages of these offers to the academic community as well as its use as an ID card.

CGD continued to strengthen its levels of proximity and relationships with its external network partners in 2020 with the aim of increasing the volume of mortgage loans via this channel. The one hundred and ten new contracts with credit brokers entered into across the first half year made it possible to reach the end of this period with a 52% share of the mortgage lending brokerage sales channel.

A series of initiatives and protection solutions in partnership with Fidelidade was launched in the first half, namely, the re-launch of its Plano Proteção Vida [life protection plan], family protection and savings incentives, life insurance associated with mortgage loans with more competitive terms and more comprehensive protection, Liber 3G motor vehicle insurance [seguro automóvel Liber 3G] and the launch of the structured deposit in USD "USD5 Ações Março 2022" and, in the second quarter of the year, Multicare 60+ insurance with 4 options based on a customer's profile, PPR Evoluir [retirement savings plans] life insurance that enables a retirement nest egg to be built up. Measures to mitigate the impact of Covid-19 were also implemented. They included Multicare's online access to health-related symptoms; increased flexibility in terms of the cancellation of policies and acceptance of life insurance associated with mortgage loans.

Investment banking

Caixa-Banco de Investimento, S.A. (CaixaBI) is Caixa Geral de Depósitos group's investment banking platform. It embraces such different operating areas as the debt and equities capital market, corporate finance, project and structured finance advisory services, financial brokerage operations, equity research, market-making, risk advisory and management for corporates and venture capital.

CaixaBI's total operating income in first half 2020 was €12.2 million. Positive contributions were made by net interest income of €2.3 million, commissions from services and financial brokerage operations of €9.9 million and other operating income of €0.3 million. Net income for the half year was €3.8 million.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS [1]			Change	
	2019-06	2020-06	Total	(%)
Net interest income	3.9	2.3	-1.6	-41.9%
Commissions (net)	9.1	9.9	0.8	8.4%
Income from financial operations	2.8	-0.3	-3.1	-
Total operating income	16.1	12.2	-3.9	-24.2%
Operating costs	8.7	8.0	-0.7	-7.7%
Net op. income before impairments	7.5	4.2	-3.2	-43.3%
Provisions and impairments	-0.3	-0.9	-0.6	-
Net income	5.4	3.8	-1.6	-29.3%
Net assets	688	581	-107	-15.5%
Securities investments	558	490	-68	-12.2%
Loans and adv. to customers (net)	6	6	0	8.0%
Customer deposits	51	47	-4	-7.3%

(1) Statutory consolidated accounts

CaixaBI retained its position as the benchmark institution in the bond sector of Portugal's debt capital market, in which it comes second in Bloomberg's ranking for bonds issued by domestic entities.

In the Portuguese public debt segment, CaixaBI was the joint lead manager and bookrunner for the €5 billion syndicated new 7 year T-bond 0.7% benchmark due 2027, the T-bond issuance 0.90% due 2035 (on 1 July) as well as the co-lead manager for the T-bond 0.475% issuance due 2030, which was also a new 10 year benchmark.

In the private debt segment, reference should be made to CaixaBI's role as joint lead manager and bookrunner for Galp Energia's €500 million bond issuance and as co-lead manager for Credit Agricole's €2 billion covered bonds issuance and EDP's issuance for €750 million. During this period, the bank was responsible for the organisation and lead of diverse bond loans for corporate customers of which special reference should be made to Visabeira group (€13.7 million), Sonae (€160 million), Sonae MC (€95 million), Secil (€50 million) and Amorim Holding (€150 million). The bank also advised the Autonomous Regions of Madeira and the Azores on their bond issuances of €299 million and €200 million, respectively. Reference should also be made to CaixaBI's organisation and lead of thirty commercial paper programmes for its corporate customers.

According to information supplied by Bloomberg, global M&A activity was sharply down and Europe was down by a year-on-year 13.4%. Of the 20 biggest transactions occurring in Europe across the first half year reference should be made to the acquisition of a €3 billion controlling equity stake in Brisa (pending regulatory approvals), in Portugal's infrastructures-motorways sector by Swiss Life, National Pension Service and APG, in an operation advised by CaixaBI.

The CaixaBI team specialising in advisory services for restructuring operations continued to oversee a portfolio of CGD customers, with the aim of bringing a series of national and international restructuring operations to a successful conclusion. Reference should be made to the completion of the sale of Bernardino Gomes group in the first half.

CaixaBI continued to operate as a liquidity provider on a collection of securities listed on Euronext Lisbon, which merited a high rating from Euronext. CaixaBI also continued its market-making activity on a Fundiestamo real estate fund.

The venture capital activity performed by Caixa Capital in first half 2020, as a fully owned CaixaBI subsidiary concentrated on the analysis of investment opportunities and management of the subsidiaries of the venture capital fund under its management.

CaixaBI's contribution to CGD Group's consolidated net income in first half 2020 amounted to €1.2 million.

Specialised credit

Commercial activity

Covid-19[1] is having a negative impact on society with unprecedented falls in the most diverse areas. The effect of the pandemic has led to a sharp reduction of commercial activity, mainly in the motor vehicle sector which accounts for a large proportion of CLF's leasing business. According to provisional information for first half 2020 disclosed by ALF (Portuguese Leasing, Factoring and Renting Association), all business sectors have trended

[1] New SARS-CoV-2 coronavirus (World Health Organisation)

downwards − real estate leasing operations by 12.1%, equipment leasing by 31%, factoring by 14.1% and confirming by 0.3%, respectively.

(EUR million)

SECTOR PRODUCTION [1]			Change	
Product	2019-06	2020-06	Total	(%)
Property leasing	430	378	-52	-12.1%
Equipment leasing	1,096	756	-340	-31.0%
Domestic and International Factoring	10,490	9,016	-1,474	-14.1%
Consumer credit	6,147	6,130	-17	-0.3%

(1) Estimated data - Associação Portuguesa de Leasing, Factoring e Renting (ALF)

Caixa Leasing e Factoring, Sociedade Financeira de Crédito, S.A. (CLF) represents CGD group in the principal specialised credit areas and experienced a less negative commercial performance than that of the sector as a whole in first half 2020. Reference should be made to the good performance of confirming operations in the current context, in recording growth of 24.5% in June 2020.

(EUR million)

CGD GROUP SALES – SPECIALISED CREDIT			Change		Market Share
Product	2019-06	2020-06	Total	(%)	(%)
Total leasing	**212**	**178**	**-34**	**-16.0%**	**15.7%**
Property leasing	53	52	-1	-2.4%	13.7%
Equipment leasing	159	126	-33	-20.5%	16.7%
Factoring	**1,837**	**2,018**	**181**	**9.8%**	**13.3%**
Domestic and International Factoring	1,091	1,088	-3	-0.2%	12.1%
Confirming	746	930	183	24.5%	15.2%
Consumer credit	**9**	**5**	**-5**	**-51.9%**	
of which:					
Vehicle finance [1]	**73**	**55**	**-18**	**-24.7%**	
Equipment leasing	64	51	-13	-20.8%	
Consumer credit	9	4	-5	-51.9%	

(1) Light vehicles.

Real estate leasing agreements of €51.9 million were down 2.4%, over June 2019. CLF's market share of 13.7% in June 2020, was up 1.5 pp over December 2019.

Equipment leasing agreements, in June 2020, were down 20.5% over the same period of the preceding year to €126.4 million. Light vehicle finance operations which represent around 40.2% of the business's global sales were down 26.2%. CLF's 16.7% market share of the equipment segment at the end of second half 2020 was up 1.9 pp over December 2019.

Confirming sales were up by a year-on-year 24.5% and account for 46.1% of total factoring sales.

Total factoring was up 9.8% over June 2020, to €2,017.9 million. The 13.3% market share of these products in June 2020, was up 1.3 pp over December 2019.

Traditional credit of €4.5 million was down 51.9% year-on-year, keeping pace with the sharp 48.2% drop in sales in the motor vehicle sector according to June data published by ACAP (Motor vehicle trade association). Automobiles continue to be the most representative type of asset (99.2%), with around 60.7% comprising new vehicles.

Operating activity

The highly uncertain context with very low visibility regarding the pandemic's future scale and depth are reflected in CLF's first half results:

(EUR million)

CAIXA LEASING E FACTORING - INDICATORS [1]			Change	
	2019-06	2020-06	Total	(%)
Net interest income	19.7	17.9	-1.7	-8.7%
Total operating income	24.1	22.5	-1.5	-6.3%
Operating costs	4.3	4.4	0.1	1.6%
Net op. income before impairments	19.7	18.1	-1.6	-8.1%
Provisions and impairments	-7.4	2.4	9.7	-
Net income	20.0	11.3	-8.7	-43.4%
Net assets	2,269	2,391	122	5.4%
Loans and adv. to customers (net)	2,148	2,269	121	5.6%

Net assets, in June 2020, were up 5.4% over the same period of the preceding year to €2,390.6 million owing to the support being provided to the economy in the form of moratoriums granted to customers.

Total operating income, influenced by the reduction of around 8.7% in net interest income in first half 2020 was €22.5 million. The reduction essentially derived from the 7.7% reduction of interest and similar income which was, in part, offset by the reduction of interest and costs and commissions received associated with amortised cost.

Structural costs were slightly up by 1.6%, notwithstanding the 5.3% reduction of employee costs.

Caixa Leasing e Factoring achieved net income of €11.3 million in June 2020, although this was down 43.4% over the same period of the preceding year owing to a variation in impairment and provisions accounts.

In a context of uncertainty, CLF will strengthen its characteristic conservative and prudential management, while maintaining its flexibility to exploit eventual opportunities.

CLF's contribution to CGD group's consolidated net income for 1st half 2020 amounted to €11.5 million.

Asset management

Caixa Gestão de Ativos Sociedade Gestora de Fundos de Investimento, S.A, has been operating in the national investment fund market since 1990, initially as Caixagest – Técnicas de Gestão de Fundos, S.A., with a name change in April 2020, to Caixa Gestão de Ativos, SGOIC, S.A. (Caixa Gestão de Ativos). Specialising in unit trust and real estate management funds, portfolio advisory and management operations, the company retains its lead of the unit trust segment among national financial brokers, according to the Portuguese Association of Investment, Pensions and Wealth Funds as of 30 June 2020.

In 2019, Caixa Gestão de Ativos and CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A. (CGD Pensões), both of which as CGD group fund managers, became official signatories to the United Nations – Supported Principles for Responsible Investment. In adhering to these principles, the companies aim to incorporate environmental, social and governance factors in its investment decisions.

Their recent adherence to the United Nations – Supported Principles for Responsible Investment represents a natural step in the sustainability strategy of Caixa Gestão de Ativos and CGD Pensões, strengthening the importance of incorporating ESG ("environmental, social and governance") factors in the investment process of various funds under management. Worldwide recognition of the growing importance of the integration of these criteria is demonstrated by the participation of more than 2,000 entities in this initiative, with assets under management of more than €80 billion.

This philosophy comprises one of the pillars of the activity of Caixa Gestão de Ativos and CGD Pensões and is an integral part of CGD group's broader strategy, aimed at furthering a more sustainable future. The principles for responsible investment operate in defence of the long term interests of its signatories, financial markets, economies in which they operate and, in the last analysis, the interest of society and the environment as a whole.

Market shares of unit trust investment funds[1]

In June 2020, the national unit trust investment funds market was down 3.8% over the end of 2019 to €12.5 billion. Caixa Gestão de Ativos maintained its market lead in first half 2020, with a market share of 33.3% at the end of June, down 0.44 pp over the end of 2019.

This reduction of market share fundamentally derived from the short term funds segment under Caixa Gestão de Ativos management, with a reduction of €150.6 million. Caixa Gestão de Ativos recorded growth of €55 million in funds under management, in the first half year, In the highest added value fund segments, namely the new PPR/OICVM fund family launched at the end of 2019.

Operating activity

Commissions earnings on asset management in first half 2020 were up 6.6% over the same period 2019. This increase was reflected in the 5.2% increase of total operating income that, in conjunction with a 2.5% decrease of structural costs led to a 12.3% increase of net income for the period.

(EUR million)

ASSET MANAGEMENT - INDICATORS			Change	
	2019-06	2020-06	Total	(%)
Commissions (net)	10.9	11.6	0.7	6.6%
Total operating income	11.9	12.5	0.6	5.2%
Operating costs	6.0	5.9	-0.1	-2.5%
Net op. income before impairments	5.9	6.6	0.8	13.0%
Provisions and impairments	0.0	0.0	0.0	-
Net income	4.5	5.0	0.6	12.3%

Prizes and distinctions received in 2020

In 2020, Morningstar awarded Caixa Gestão de Ativos its prizes as the Best Bond Manager for the 6th consecutive year and the Best Global Management Company for the 4th time (3rd consecutive year). Morningstar 2020 prizes aim to recognise the management companies, fund groupings and national market funds providing investors with the highest returns in the context of their respective peer groups across the preceding year.

In 2020, the *Fundo Caixa Ações Europa Socialmente Responsável* was also the winner of the Euronext (Euronext Lisbon Awards 2020) Sustainable Finance prize. This annual event aims to distinguish entities, persons and initiatives with the most active contribution to the development of the capital market in Portugal over the past year. The *Sustainable Finance* prize particularly distinguishes the initiative, project or event with the highest positive impact in environmental, social or corporate governance terms.

[1] Source: Portuguese Association of Investment, Pensions and Wealth Funds at 30/06/2020 (provisional amounts)

1.5.1.2. International activity

CGD group continued to restructure its international presence across first half 2020 based on criteria of economic and strategic rationality and rigorous control of its associated risks, focusing on countries defined as being strategic to the group's activity.

Reference should be made to the group's aim of strengthening its activity as a multi-service banking platform (receipts, credit triangulation, etc.) through the development of its offer to group customers operating in more than one geography covered by its network, in the form of group-wide customer integration to leverage this relationship and exploit its commercial flows.

Similarly, improved governance is a critical performance aspect to which CGD group is committed in terms of its international operations, encompassing the strengthening of CGD's representation and its consistent oversight of such units' statutory bodies, effective corporate performance of its control functions, harmonisation of rules and practice (including the sharing of good practice across the group as a whole) and growing articulation between CGD's various functional structures and those of its international units, helping to reinforce their contribution to group strategy and its consolidated results.

Reference should also be made to CGD's support to its international group member entities as regards their management of the impacts of the Covid-19 pandemic, in its oversight and support for the implementation of adequate measures in each geography, in addition to ensuring best practice among all entities.

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (1)	2019-06	2020-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	192.2	188.5	-1.9%
Results from services and commissions	42.9	37.1	-13.5%
Income from financial operations	25.7	19.0	-26.1%
Other operating income	-4.0	-0.3	-
Total operating income	**256.7**	**244.2**	**-4.9%**
Employee costs	71.4	73.6	3.1%
Administrative expenses	47.1	44.9	-4.8%
Depreciation and amortisation	13.8	13.2	-4.6%
Operating costs	**132.4**	**131.6**	**-0.5%**
Net operating income before impairments	**124.4**	**112.6**	**-9.5%**
Credit impairment (net)	12.1	49.1	306.3%
Provisions and impairments of other assets (net)	5.8	3.2	-45.0%
Net operating income	**106.5**	**60.3**	**-43.4%**
Income Tax	25.5	11.5	-54.8%
Net operating income after tax and before non-controlling interests	**81.0**	**48.8**	**-39.8%**
Non-controlling interests	20.4	14.8	-27.4%
Results from subsidiaries held for sale	25.2	6.7	-73.4%
Results of associated companies	0.1	0.1	2.1%
Net income	**86.0**	**40.8**	**-52.5%**

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

International business's contribution of €40.8 million to consolidated net income in first half 2020 was down 52.5% over the same period 2019. The main contributions to income from international activity in the first six months of the year came from BNU Macau (€29.8 million), Banco Caixa Geral Angola (€8.8 million) and BCI Moçambique (€5.7 million)

Total operating income from international activity was down 4.9% over the same period of the preceding year. The total operating income components contributing to this evolution were net interest income which was down1.9%, commissions which were down 13.5% and income from financial operations which was also down 26.1%.

Structural costs were slightly down by 0.5% over June 2019, notwithstanding the slight increase of 3.1% in the employee costs component, the 4.8% decrease of administrative costs and 4.6% decrease of amortisation and depreciation were sufficient to balance this account.

The international area's contribution to consolidated net assets was down 31.2% over the same period 2019. This was only to be expected taking into account the sale of BCG Spain and Mercantile Bank in second half 2019. Loans and advances to customers remained stable with a negative variation of -4.5% over June 2019 to €6,923 million.

As regards customer deposits, the international area's contribution in first half 2020 was slightly up by 6.4% over the same period 2019 to €9,872 million.

Main Entities

BNU Macau

Banco Nacional Ultramarino, S.A. ("BNU Macau") was created in 1902. It operates a network of twenty branches in the Special Administrative Region of Macau ("RAEM" or "Macau"). It also has a branch in Hengqin, an island adjacent to Macau in the People's Republic of China (PRC).

BNU has a twofold role as, in addition to its status as a commercial bank, it is also responsible for the issue of legal tender, a role it has performed on its own for many years and which since 1995, it has shared with the Bank of China.

There was a contraction of 48.7% in real terms, in Macau's GDP in a context of worldwide recession in first quarter 2020. The pandemic had a significant effect on economic activity, owing to the substantially lower level of exports of services which were down 60%.

Revenues from the tourism and gambling sectors, as the main drivers of Macau's economic activity have decreased radically since the beginning of 2020. Macau's borders have been practically closed since February and the number of visitors to Macau was down 83.9 % in the first half, in comparison to first half 2019. Gambling revenues in first half 2020 were down 77.4% over the same period 2019.

The twelve month inflation rate for the period June 2019 – June 2020 stood at 2.39% and unemployment, although remaining low has been increasing and, at the end of June was estimated to be in the region of 2.5% (1.7% in June 2019).

Owing to the opportune, effective measures taken by the government, Macau has, to-date, been largely spared from the effects of the virus in terms of the health of its population with a total number of only 46 cases and no deaths up to the end of July.

The large financial reserve of the government of Macau, (USD 72.3 billion at the end of 2019), has made it possible to operate on a counter-cyclical basis. The government has implemented a series of measures to minimise effects on companies and residents. They include, *inter alia*, various fiscal exemptions, long term loans at zero interest rates or subsidised interest rates on bank loans to SMEs in addition to generous subsidies to all residents.

BNU was not immune from the already referred to impacts of Covid-19 and its net interest income, commissions and revenue have been affected in first half 2020.

The bank, however, has continued along its path of increasing digitalisation centred on payments using mobile devices and improvements in its online services such as:

- the launch of Huawei Pay for UnionPay credit and debit cards;
- the broadening of Apple Pay to Mastercard debit and credit cards;
- the provision of Alipay payments by crediting the app to make direct purchases on Taobao, one of Asia's' largest online trading companies;
- inclusion of a swift service on the BNU app and online banking to facilitate customers' donations; and
- providing SMEs with the possibility of applying for online loans, as part of the anti-pandemic support measures.

As part of its support measures for companies affected by the impacts of Covid-19, BNU also set up line of credit for SMEs with additional grace periods and preferred interest rates.

Reference should also be made to the fact that BNU, with the institutional support of Portugal's Consulate General in Macau and Hong Kong, local branch of AICEP and the *Instituto Português do Oriente* in Macau, mentored the collection of funds in the form of a donations account, opened with the bank, for the acquisition of surgical masks and other medical equipment for healthcare professionals in Portugal's National Health Service (SNS) as part of the fight against the Covid-19 pandemic. BNU was also a contributor, with total funds collected for the purpose amounting to 4.8 million patacas (around €555,000). The equipment acquired and sent to Portugal was invaluable in the fight against the pandemic in Portugal.

As part of its commitment to the communities served by it, BNU also donated a total of 400,000 patacas to four charities in Macau.

The credit portfolio was up 6.0% over the end of June 2019 to 25,661 million patacas. This evolution essentially derived from the use of its lines of credit by major companies, with the aim of increasing liquidity and the growth of mortgage lending furthered by promotional campaigns on loans for the acquisition of property, not only in Macau, but also in Portugal and in China, namely in Hengqin. The dip in consumer credit levels was indicative of a more cautious approach to debt by households.

Customer deposits also performed favourably with an increase of 6.3% over the 34,767 million patacas recorded at 30 June 2019, to 36,957 million patacas at the end of June 2020, bearing witness to customers' confidence in BNU as a retail bank operating on behalf of households and companies.

Net interest income of 423 million patacas was down 1.7% over the 431 million patacas posted at the end of

June 2019 as a consequence of the across-the-board fall of interest rates notwithstanding credit growth;

Commissions earnings were down 17.4% to 56 million patacas, in comparison to the 67 million patacas recorded in the same period of the preceding year. This essentially derived from the reduction of net commissions on cards owing to border closures and the absence of tourists. Reference should, however, be made to the good performance of commissions charged on customers' transactions in third party unit trust funds and securities trading.

The 3.9% increase of structural costs over the same period of the preceding year is explained by new employee hirings in second half 2019, to strengthen commercial and internal control areas, which had an effect of the growth of employee costs. The depreciation component for the year was also slightly up, particularly owing to investments in software and IT equipment, as other administrative costs moved in the opposite direction, notwithstanding higher levels of expenditure on hygiene, disinfectants and sterilisation products and other materials necessary to combat the pandemic.

Impairment for the period was up 9.9 million patacas. This was not only on account of higher levels of collective impairment resulting from increased lending but also the adoption of a significantly more conservative impairment calculation model.

BNU's income before tax of 263 million patacas at 30 June 2020 was down 12.6% over the 301 million patacas for the same period 2019.

BNU - MACAU			(EUR Million) Change			(MOP Million) Change
MAIN INDICATORS	2019-06	2020-06	(%)	2019-06	2020-06	(%)
Net interest income	47.2	48.0	1.8%	431	423	-1.7%
Total operating income	58.7	58.3	-0.6%	535	513	-4.1%
Operating costs	20.1	21.6	7.7%	183	191	3.9%
Net op. income before impairments	38.5	36.6	-5.0%	352	323	-8.3%
Provisions and impairments	1.1	2.5	134.6%	10	22	126.4%
Net income	33.0	29.8	-9.5%	301	263	-12.6%
Net assets	5,808.2	6,151.5	5.9%	53,014	54,197	2.2%
Loans and adv. to customers (net)	2,652.0	2,912.5	9.8%	24,206	25,661	6.0%
Customer deposits	3,809.1	4,194.7	10.1%	34,767	36,957	6.3%

EUR/MOP exchange rate: Balance sheet: 9.1532 in June 2019 and 8.93916 in June 2020; P&L: 9.12738 in June 2019 and 8.81035 in June 2020.

BNU Macau's contribution to CGD Group's consolidated net income in first half 2020 amounted to €29.8 million.

France Branch

Geared to its natural market of the Portuguese community in France, the branch also services other communities (particularly Portuguese-speaking) and assists Portuguese companies operating in France, both in the sphere of bilateral trade between the two countries as in the sphere of the freedom to provide services.

First half 2020 was marked by the Sars-CoV 2 (Covid-19) pandemic which led to the use of lockdowns as a means of containing the spread of the virus and which translated into a paralysation of production. The lockdown measures implemented in France on 17 March, remained in force up until 11 May as the date for the progressive, staged lifting of the lockdown.

It is estimated that France's economy fell 17% in the second quarter, following a fall of 5.3% in first quarter 2020.

The branch's domestic operations were performed in a macroeconomic context and a banking market in the full swing of technological and regulatory revolution, characterised by cutthroat competition and an environment of historically low interest rates. Of particular relevance was the 8.7% increase in lending over the preceding year, 9.6% increase in resource-taking in the form of customer deposits.

France branch's performance was responsible for a 4.4% increase in operating income over the first half of the preceding year to €16.5 million. Contributory factors to such a favourable evolution were essentially the 2.7% decrease in structural costs as total operating income was slightly down by 0.3%. Net income for the first half year, affected by the significant €15.4 million increase of impairment and provisions was a negative €1.7 million.

customer base and its development of digital banking with the objective of improving the level of penetration of the young Portuguese and Luso-descendants market, strengthening transparency and a risk policy based on best market practice.

(EUR Million)

FRANCE BRANCH			Change	
MAIN INDICATORS	2019-06	2020-06	Total	(%)
Net interest income	34.2	36.4	2.2	6.4%
Total operating income	46.9	46.8	-0.1	-0.3%
Operating costs	31.1	30.3	-0.8	-2.7%
Net op. income before impairments	15.8	16.5	0.7	4.4%
Provisions and impairments	-0.5	14.9	15.4	-
Net income	11.5	-1.7	-13.2	-
Net assets	2,974.5	3,184.3	209.8	7.1%
Loans and adv. to customers (net)	2,340.3	2,544.4	204.1	8.7%
Customer deposits	2,468.4	2,705.1	236.7	9.6%

France branch contributed €0.8 million to CGD's consolidated net income in first half 2020.

BCG Angola

The year 2020 was marked by the negative impact of the Covid-19 pandemic, with its unfavourable impact on economic growth, for which this will be a highly challenging year.

Presidential legislative decree 98/20 of 9 April with: "Immediate measures to alleviate the economic and financial effects of the Covid-19 pandemic" was published in response to the effects of Covid-19 and lower oil prices in the international marketplace.

BCGA is engaged on a special oversight action on its credit portfolio with the objective of anticipating any increase in risk levels. It has already evolved from stage 1 (Angola sovereign risk) to stage 2 (currency risk). There is consequently some uncertainty over the potential impact that all of these alterations could have on the bank's financial statements for 2020. However, BCGA identifies the existence of challenges to Angola's economy which will be all the more severe the longer the time taken to combat Covid-19.

BCG Angola's net assets were up 51.4% over June 2019 to 574,132 million kwanzas. A contributory factor was the 63.4% growth of customer deposits to 481,453 million kwanzas, partly on account of currency effects. This growth permitted the evolution of the credit portfolio which was up 67.3% to 124,755 million kwanzas.

Total operating income was up 42.1% to 20,112 million kwanzas, with a positive input from the 31.6% increase of net interest income with increases in interest on credit and interest on the securities portfolio as contributory factors. Income from financial operations was down by a year-on-year 38% owing to the negative impact of foreign currency revaluations.

Structural costs were up by a year-on-year 24.5% largely owing to the implementation of VAT in last quarter 2019 and the foreign currency depreciation and inflation registered across the period.

BCG Angola's net income was up 220.8% over the same period 2019 to 9,557 million kwanzas in first half 2020.

	(EUR Million)			(AOA Million)		
BCG - ANGOLA			Change			Change
MAIN INDICATORS	2019-06	2020-06	(%)	2019-06	2020-06	(%)
Net interest income	29.9	24.3	-18.7%	10,773	14,175	31.6%
Total operating income	39.3	34.5	-12.2%	14,151	20,112	42.1%
Operating costs	18.1	14.0	-23.1%	6,534	8,137	24.5%
Net op. income before impairments	21.2	20.5	-2.9%	7,617	11,975	57.2%
Provisions and impairments	7.4	2.2	-70.3%	2,650	1,276	-51.9%
Net income	8.3	16.4	98.2%	2,979	9,557	220.8%
Net assets	984.9	888.8	-9.8%	379,186	574,132	51.4%
Loans and adv. to customers (gross)	193.7	193.1	-0.3%	74,558	124,755	67.3%
Customer deposits	765.3	745.3	-2.6%	294,652	481,453	63.4%

Exchange rate EUR/AOA: Balance sheet 385.00 in June 2019 and 645.980 in June 2020; P&L: 360.086 in June 2019 and 582.799 in June 2020.

BCG Angola's contribution to CGD Group consolidated net income in first half 2020 totalled €8.8 million.

Banco Comercial e de Investimentos

There was a significant contraction of 3.25% in Mozambique's economy in first half 2020, in comparison to the same period of the preceding year following a positive performance of 1.68% in the first quarter. This reduction of GDP reflects the nefarious effects of the new coronavirus pandemic, that, in the case of Mozambique, triggered various measures to contain its spread, particularly the declaration of a state of emergency in force since 01 April 2020.

Notwithstanding the above referred to scenario, BCI recorded an expansion of its activity, in first half 2020. This translated into balance sheet growth allowing the bank to retain its leading position in the domestic banking system in the three main areas of credit, deposits and assets with market shares of 28.3%, 26.7% and 24.8% at the end of June respectively.

As a result of major investment in digital banking BCI has the largest nationwide network of branches and electronic channels, which, in 2020, totalled 209 branches, 586 ATMs and 15,827 items of POS equipment.

Net assets were stable at 176,184 million meticais against 166,734 million meticais in June 2019 (up 5.7%). This increase was largely due to the 6.9% increase of loans and advances to credit institutions and 24.9% increase of debt securities.

The loans and advances to customers portfolio was slightly down by 0.6% over the same period last year to 67,898 million meticais.

Customer deposits were up 10.8% by 13,057 million meticais to 133,663 million meticais in June 2020 in comparison to 120,606 million meticais in the same period of the preceding year. This essentially reflected the evolution of domestic and foreign currency resources.

The loans-to-deposits ratio in June 2020 therefore stood at 50.8%, down 5.8 pp in comparison to the ratio of 56.6% for the same period 2019.

Shareholders' equity was up 1,102 million meticais over June 2019 to 18,415 million meticais, owing to the incorporation of 75% of profit for 2019 (15% to legal and 60% to free reserves). This evolution increased the strength of the solvency ratio to 24.4% in June 2020 (18.7% in June 2019). The ratio was much higher than the 12% lawfully established minimum defined by the Bank of Mozambique.

Total operating income rose to 7,214 million meticais against 7,046 million meticais for the same period 2019. This growth was largely fuelled by the good performance of net interest income that was up 6.9% by 345 million meticais to 5,360 million meticais in June 2020.

Net interest income was driven by the 571 million meticais reduction of interest on deposits deriving from the interest rate pricing effect on domestic currency deposits (an average weighted rate of 4.62% in June 2020 against 5.93% in June 2019), as a result of the implementation of policies to reduce funding costs to mitigate the effect of the reductions of benchmark interest rates. Interest on credit was also reduced, focusing on interest on consigned resources credit, explained by the combined effect of the part redemption of the "300 million EUR line of credit" and foreign currency effect.

Structural costs were up 11.5% by 414 million meticais, fuelled by higher employee costs (up 151 million meticais) general administrative costs (up 290 million meticais) and reduction of depreciation (down 26.5 million meticais).

The cost-to-income ratio was up 4.5 pp to 55.9% in comparison to 51.3% for the same period last year, reflecting a larger increase in costs (11.5%) in comparison to revenue (2.4%) in first half 2020.

BCI's net income of 662 million meticais in June 2020 was down 68.0% over June 2019 owing to the need for higher levels of impairment in May and June 2020, to mitigate the potential impacts of the Covid-19 pandemic on asset quality.

BCI - MOZAMBIQUE			(EUR Million) Change			(MZN Million) Change
MAIN INDICATORS	2019-06	2020-06	(%)	2019-06	2020-06	(%)
Net interest income	71.3	73.5	3.1%	5,015	5,360	6.9%
Total operating income	100.1	98.9	-1.2%	7,046	7,214	2.4%
Operating costs	51.4	55.3	7.5%	3,616	4,030	11.5%
Net op. income before impairments	48.7	43.7	-10.4%	3,430	3,184	-7.2%
Provisions and impairments	8.2	27.8	237.5%	579	2,025	249.8%
Net income	29.4	9.1	-69.1%	2,067	662	-68.0%
Net assets	2,384.6	2,249.2	-5.7%	166,734	176,184	5.7%
Loans and adv. to customers (net)	976.7	866.8	-11.3%	68,294	67,898	-0.6%
Customer deposits	1,724.9	1,706.4	-1.1%	120,606	133,663	10.8%

Exchange rate EUR/MZN: Balance sheet: 69.920 in June 2019 and 78.330 in June 2020; P&L: 70.367 in June 2019 and 72.939 in June 2020.

BCI Moçambique's contribution to CGD Group's consolidated income in first half 2020 amounted to €5,7 million.

1.5.2. Separate Activity

Results

Caixa Geral de Depósitos earned net income of €238 million from its separate activity in the first six months of 2020. This amount was down 46.1% by €203.7 million over the same half of the preceding year in which a profit of €441.7 million was made.

Special reference should be made to two factors whose positive impact on the financial statements for first half 2019 were largely responsible for such an unfavourable evolution. These were the positive contribution of the capital gains made on the sale of the Rua do Ouro building on the accounts for the first quarter of the said year and the reversal of impairment set up in 2017 on BCG Spain with an impact of €157.9 million on net income in the separate accounts in second quarter 2019.

(EUR thousand)

SEPARATE INCOME STATEMENT [(1)]			Change	
	2019-06	2020-06	Value	(%)
Interest and similar income	691,069	554,041	-137,029	-19.8%
Interest and similar costs	307,753	205,363	-102,390	-33.3%
Net interest income	383,317	348,678	-34,639	-9.0%
Income from equity instruments	74,086	85,315	11,229	15.2%
Net interest income incl. income from eq. investm.	**457,403**	**433,993**	**-23,410**	**-5.1%**
Income from services and commissions	253,673	246,814	-6,859	-2.7%
Costs of services and commissions	46,363	42,210	-4,153	-9.0%
Results from services and commissions	207,310	204,604	-2,705	-1.3%
Income from financial operations	23,992	31,770	7,777	32.4%
Other Operating Income	32,830	-6,220	-39,050	-
Non-interest income	**264,132**	**230,154**	**-33,978**	**-12.9%**
Total operating income	**721,535**	**664,147**	**-57,388**	**-8.0%**
Employee costs	227,343	183,592	-43,751	-19.2%
Administrative expenses	98,308	84,995	-13,313	-13.5%
Depreciation and amortisation	32,933	35,125	2,192	6.7%
Operating costs	358,584	303,713	-54,872	-15.3%
Net operating income before impairments	**362,950**	**360,434**	**-2,516**	**-0.7%**
Credit impairment (net)	657	48,479	47,822	7,281.9%
Provisions and impairments of other assets (net)	-215,593	-30,951	184,642	-
Provisions and impairments	**-214,936**	**17,528**	**232,464**	**-**
Net operating income	**577,887**	**342,907**	**-234,980**	**-40.7%**
Tax	**136,162**	**104,904**	**-31,258**	**-23.0%**
Current	52,471	-6,053	-58,523	-
Deferred	57,211	83,280	26,069	45.6%
Banking sector contribution	26,480	27,677	1,197	**4.5%**
Net income	**441,724**	**238,003**	**-203,722**	**-46.1%**

(1) Includes CGD Portugal and CGD's Branches abroad.

Net interest income, including income from equity instruments was down 5.1% over first half 2019 to €434 million, notwithstanding the 15.2% increase in income from equity investments. This reduction of net interest income derived from major early repayments of credit operations by public entities and the evolution of market interest rates which fell to all-time-lows in the period.

In turn, except for income from financial operations which was up 32.4% by €7.8 million over the same half last year, the performance of all of the other components of non-interest income was unfavourable. This was particularly the case of other operating income most of whose €39.1 million reduction is explained by the positive impact of the capital gains made on the sale of the Rua do Ouro building on the accounts for first quarter 2019.

Reference should be made to the 15.3% reduction of €54.9 million in structural costs. In terms of components reference should be made to the 13.5% reduction of €13.3 million in general administrative costs and the 19.2% reduction of €43.8 million in employee costs. In June 2020, this latter account included a non-recurring cost of €75.7 million for early retirement and voluntary redundancy programmes, as a charge to the provision set up in 2017.

Taking into account the already referred to impact of €157.9 million, deriving from the adjustment of impairment recognised in CGD's accounts at the end of 2017, on the disposal of Banco Caixa Geral, S.A. to the sales price, provisions and impairment for the half year 2019 was €-214.9 million, in comparison to €17.5 million in June 2020. The evolution of impaired credit that, in comparison to first half 2019 was up €47.8 million was affected by CGD's preventative measure to provide for the pandemic's expectable impact.

As a result of such evolution, operating income for the half year was down 40.7% over June 2019 to €342.9 million. Net income from CGD's separate activity totalled €238 million in the first half (down €203.7 million over the first six months of 2019).

Balance sheet

Net assets in Caixa Geral de Depósitos's separate balance sheet were up 5.5% over the end of the preceding year to €83,806 million at the end of June 2020. Reference should be made to the 16.3% increase of €3,538 million in securities investments and reversal of the trend towards a decrease in the loans and advances to customers portfolio, which was up 0.5% by €223 million.

Total liabilities were up 6.1% by €4,349 million across the half year to €76,128 million. This variation is explained by the 8.6% increase of €5,053 million in the customer resources account and, inversely, by the 42.4% reduction of debt securities.

Debt securities were down €1,044 million across the half year. €1 billion of this amount comprised the full repayment of a bond loan in January 2020.

(EUR million)

SEPARATE BALANCE SHEET (1)				Change 2020-06 vs 2019-06		Change 2020-06 vs 2019-12	
ASSETS	2019-06	2019-12	2020-06	Value	(%)	Value	(%)
Cash and equival. with central banks	4,977	6,384	7,092	2,115	42.5%	707	11.1%
Loans and advances to cred. inst.	4,165	4,176	4,271	107	2.6%	95	2.3%
Securities investments	20,899	21,666	25,204	4,305	20.6%	3,538	16.3%
Loans and advances to customers	43,428	41,781	42,004	-1,424	-3.3%	223	0.5%
Assets with repurchase agreement	21	0	0	-21	-100.0%	0	-
Non-current assets held for sale	806	234	208	-598	-74.2%	-26	-11.0%
Intangible and tangible assets	486	469	478	-8	-1.7%	9	2.0%
Inv. in subsid. and assoc. companies	1,621	1,538	1,536	-85	-5.2%	-2	-0.2%
Current and deferred tax assets	1,929	1,786	1,734	-195	-10.1%	-52	-2.9%
Other assets	1,460	1,369	1,279	-181	-12.4%	-90	-6.5%
Total assets	**79,792**	**79,403**	**83,806**	**4,015**	**5.0%**	**4,403**	**5.5%**
LIABILITIES							
Central banks' and cred. inst. resources	2,182	1,908	2,601	419	19.2%	693	36.3%
Customer resources	59,475	59,006	64,059	4,584	7.7%	5,053	8.6%
Debt securities	2,468	2,464	1,420	-1,048	-42.5%	-1,044	-42.4%
Financial liabilities	986	907	998	12	1.2%	91	10.0%
Provisions	990	1,054	1,057	67	6.8%	3	0.3%
Subordinated liabilities	600	1,116	1,103	502	83.7%	-14	-1.2%
Other liabilities	5,583	5,325	4,891	-692	-12.4%	-433	-8.1%
Sub-total	**72,286**	**71,779**	**76,128**	**3,843**	**5.3%**	**4,349**	**6.1%**
Shareholders' equity	**7,506**	**7,624**	**7,678**	**172**	**2.3%**	**54**	**0.7%**
Total	**79,792**	**79,403**	**83,806**	**4,015**	**5.0%**	**4,403**	**5.5%**

(1) Includes CGD Portugal and CGD's Branches abroad.

There was a €172 million increase in shareholders' equity in respect of CGD's separate activity over the same period of the preceding year to €7,678 million at the end of June 2020.

Securities representing the market issuance of €500 million in additional tier 1 own funds at the end of March 2017 are recognised in other equity instruments.

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2019-06	2019-12	2020-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Revaluation reserves	309	269	230
Other reserves and retained earnings	2,411	2,248	2,866
Net income	442	762	238
Total	**7,506**	**7,624**	**7,678**

Information on the amounts of own funds and capital ratios between June 2019 and June 2020 (including net income for the period) is set out below.

In June 2020, the common equity tier 1 (CET 1), tier 1 and total ratios stood at 19.9%, 21.3% and 23.1%, respectively (including net income of around €238 million for the period). Not including such net income, the CET 1 and total ratios, calculated under CRD IV /CRR rules were 19.1% and 22.4%, respectively, at the said date.

(EUR million)

SOLVENCY RATIOS (SEPARATE) (Including net income)			
Phased-in (CRD IV / CRR)	2019-06	2019-12	2020-06
Own funds			
Common equity tier 1 (CET 1)	6,707	6,818	6,809
Tier 1	7,207	7,318	7,309
Tier 2	600	600	600
Total	**7,807**	**7,918**	**7,909**
Weighted assets	**36,358**	**34,616**	**34,274**
Solvency ratios			
CET 1	18.4%	19.7%	19.9%
Tier 1	19.8%	21.1%	21.3%
Total	**21.5%**	**22.9%**	**23.1%**

(1) *Phasing-in* and *Full Implementation values*

(2) Considering net income for the period €442 million

(3) December 2019 Corep value (Corep-report) includes positive net income, w ith previous aprouval of the Supervisor and under the terms of nº 2 artc 26º EU Regulation (EU) nº 575/2013.

(4) Considering positive net income of €238 millions. To be possible the compare w ith December 2019 values

The above referred to variation of around 17 bps in the CET 1 ratio between December 2019 and the *pro forma* accounts in June 2020 derives from the combination between impacts on own funds (down 3 bps) and RWAs (up 20 bps), essentially on account of the following elements:

- Income of around €238 million from the prudential perimeter for the half year (with a positive impact of 69 bps on the CET 1 ratio), enabled the negative effects for the period to be absorbed;
- The reduction of around €144 million in other reserves and retained earnings (with a negative impact of 42 bps on the CET 1 ratio), essentially owing to the negative actuarial deviations of €118 million related to post employment benefits;
- A reduction of around €40 million in revaluation reserves (with a negative impact of 12 bps on the CET 1 ratio);
- The combination between the application of prudential filters (thresholds of 10%) and variation of balance sheet components resulting in a negative effect of €33 million on own funds (a reduction of 10 bps to the CET 1 ratio);
- An increase of around €24 million in intangible assets, responsible for a deduction of the same order to own funds (contributing a 7 bps reduction to the CET 1 ratio);
- A reduction of around €342 million in RWAs.

SREP capital requirements on CGD's separate activity in 2020

The ECB, as authorised by regulation (EU) no. 1024/2013 of 15 October, carries out reviews and evaluations on institutions, including stress tests, and, based on this SREP (supervisory review and evaluation process) may require credit institutions to comply with specific additional own funds requirements as well as to make specific information disclosure requirements.

To 2020, the requirements of the review process are maintained of the 2017 SREP process, requiring Caixa Geral de Depósitos, S.A. as the parent company to maintain a level of permanent own funds and liquidity on the basis of Regulation (EU) no. 575/2013, the national legislation transposing Directive 2013/36/EU and any national liquidity requirements applicable in the sense of article 412, no. 5 of Regulation (EU) no. 575/2013, remains in force in 2019.

1.6. Subsequent Events

In the form of a unanimous corporate resolution of August 5, 2020, set out in writing by CGD's sole shareholder and considering the non-opposition of the European Central Bank on the appraisal of the suitability of board members, Professor Arlindo Manuel Limede de Oliveira was elected as a non-executive member of the board of directors of Caixa Geral de Depósitos, S.A. to complete the term of office 2017-2020, effective from August 4, 2020.

A general meeting of shareholders of Companhia de Seguros Fidelidade was held on September 25 last for the approval of a capital increase in which Caixa Geral de Depósitos subscribed for 2,470,644 Fidelidade shares, for the amount of €37,826 thousand, based on the delivery of 300,000 Fidelidade Assistência shares and 1,080,000 Multicare shares comprising 20% of the share capital of each of the companies. This operation enabled Caixa Geral de Depósitos group to maintain an equity stake of 15% in Companhia de Seguros Fidelidade.

At the start of September 2020, two internationally recognised external rating agencies downgraded their ratings on the Republic of Angola to a very high risk level. This was followed by readjustments to the probabilities of default used to measure expected losses on Angola’s sovereign debt in line with the internal impairment policy in force and also considering the methodology recommended by the National Bank of Angola in directive 13/DSB/DRO/2019 with an impact of losses of around AOA 12,485 million having been estimated (at the exchange rate in force at June 30, 2020). The estimated impact on the consolidated accounts is around €19,300 thousand.

1.7. Statement of Conformity of the Financial Information

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, each of the undersigned, as indicated, declares that the separate and consolidated condensed financial statements for 1st half 2020, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the respective financial statements and contains a description of the main risks and uncertainties for the next six months.

Lisbon, 29 September 2020

Chairman of the Board of Directors

Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman of the Board of Directors

Paulo José de Ribeiro Moita de Macedo

Members of the Board of Directors

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

Nuno Filipe Abrantes Leal da Cunha Rodrigues

Arlindo Manuel Limede de Oliveira

1.8. Bonds held by Members of the Board of Directors and Supervisory Board

(Article 447 of the Commercial Companies Code)

The members of the Board of Directors, Supervisory Board and related entities do not hold any bonds issued by CGD or other CGD Group companies, as well as in companies in which CGD has a direct or indirect majority shareholding.

In the first half of 2020, on three separate occasions, Fidelidade - Companhia de Seguros, S.A. informed CGD that it had acquired debt securities issued by it. Considering that CGD holds a minority shareholding in the company and that two directors exercise functions in both entities, the duty to disclose this fact was fulfilled through the Securities Market Commission Information Disclosure System.

1.9. Individual and Condensed Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

SEPARATE BALANCE SHEET

(EUR)

ASSETS	30-06-2020			31-12-2019	LIABILITIES AND EQUITY	30-06-2020	31-12-2019
	Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net assets	Net assets			
Cash and cash equivalents at central banks	7.091.777.946	-	7.091.777.946	6.384.455.290	Resources of central banks and other credit institutions	2.600.618.384	1.907.508.487
Cash balances at other credit institutions	254.257.830	-	254.257.830	225.318.760	Customer resources and other loans	64.058.857.165	59.005.772.632
Loans and advances to credit institutions	4.018.547.068	(1.501.193)	4.017.045.875	3.950.535.536	Debt securities	1.419.899.887	2.463.824.168
Financial assets at fair value through profit or loss	9.178.011.259	-	9.178.011.259	9.056.544.571	Financial liabilities at fair value through profit or loss	998.185.168	907.469.954
Financial assets at fair value through other comprehensive income	5.173.791.454	(340.579)	5.173.450.875	2.675.140.402	Financial liabilities associated with transferred assets	2.981.913.022	3.128.177.089
Hedging derivatives	7.435.009	-	7.435.009	7.185.721	Hedging derivatives	59.936.054	3.169.207
Investments at amortized cost	10.852.757.110	(16.992)	10.852.740.118	9.934.560.943	Provisions	1.057.117.085	1.053.700.669
Loans and advances to customers	43.915.157.016	(1.911.384.030)	42.003.772.986	41.781.237.289	Current tax liabilities	7.658.537	322.864
Non-current assets held-for-sale	421.888.654	(213.864.278)	208.024.376	233.704.937	Deferred tax liabilities	111.323.979	112.358.531
Investment properties	6.365.344	-	6.365.344	5.075.344	Other subordinated liabilities	1.102.630.154	1.116.457.571
Other tangible assets	1.346.930.584	(950.577.574)	396.353.010	411.437.059	Other liabilities	1.730.336.399	2.080.578.893
Intangible assets	117.944.922	(36.099.460)	81.845.462	57.544.056	Total Liabilities	76.128.475.834	71.779.340.065
Investments in subsidiaries, associates and joint ventures	1.941.069.813	(405.151.049)	1.535.918.764	1.538.276.435	Share capital	3.844.143.735	3.844.143.735
Current tax assets	438.642.935	-	438.642.935	448.609.525	Other equity instruments	500.000.000	500.000.000
Deferred tax assets	1.295.215.048	-	1.295.215.048	1.336.964.668	Revaluation reserves	229.508.637	269.224.180
Other assets	1.460.660.899	(195.231.484)	1.265.429.415	1.356.579.086	Other reserves and retained earnings	2.866.155.521	2.248.448.516
					Net income for the period	238.002.525	762.013.126
					Total Equity	7.677.810.418	7.623.829.557
Total Assets	87.520.452.891	(3.714.166.639)	83.806.286.252	79.403.169.622	**Total Liabilities and Equity**	83.806.286.252	79.403.169.622

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

Members

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

Nuno Filipe Abrantes Leal da Cunha Rodrigues

Arlindo Manuel Limede de Oliveira

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL INCOME STATEMENT

(EUR)

	30-06-2020	*restatement* 30-06-2019
Interest and similar income	554.040.956	691.069.489
Interest and similar expenses	(205.362.952)	(307.752.869)
Income from equity instruments	85.314.724	74.085.960
NET INTEREST INCOME	433.992.728	457.402.580
Income from services and commissions	246.813.920	253.672.595
Costs of services and commissions	(42.209.789)	(46.363.078)
Results from financial operations	31.769.639	23.992.386
Other operating income	(6.219.568)	32.830.117
TOTAL OPERATING INCOME	664.146.930	721.534.600
Employee costs	(183.592.448)	(227.343.471)
Other administrative costs	(84.995.324)	(98.308.168)
Depreciation and amortisation	(35.124.820)	(32.932.545)
Provisions net of reversals	31.506.151	69.625.287
Loan impairment, net of reversals and recoveries	(48.479.017)	(656.731)
Other assets impairment, net of reversals and recoveries	(554.792)	145.967.765
INCOME BEFORE TAX	342.906.680	577.886.737
Income tax	(104.904.155)	(136.162.379)
NET INCOME FOR THE PERIOD	238.002.525	441.724.358
Average number of ordinary shares outstanding	768.828.747	768.828.747
Earnings per share (in Euros)	0,31	0,57

Certified Public Accountant
Andreia Júlia Meneses Alves

Chairman
Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman
Paulo José Ribeiro Moita de Macedo

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Arlindo Manuel Limede de Oliveira

<u>*CAIXA GERAL DE DEPÓSITOS, S.A.*</u>

INDIVIDUAL STATEMENT OF COMPREHENSIVE

(EUR thousand)

	30-06-2020	30-06-2019
Balances subject to reclassification to profit or loss		
Gains / (losses) arising during the period	(8.162)	225.720
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	186	67
Disposal of available-for-sale financial assets	(46.692)	(114.100)
Tax effect	14.951	(30.558)
Foreign exchange differences in branches		
Gains / (losses) arising during the period	38	80
Subtotal	(39.678)	81.209
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the period	(145.979)	(190.005)
Tax effect	28.361	25.852
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	-	(50)
Subtotal	(117.618)	(164.203)
Total comprehensive net income for the period recognised in reserves	(157.296)	(82.993)
Net income for the period	238.003	441.724
Total comprehensive net income for the period	80.707	358.731

INDIVIDUAL CASH FLOW STATEMENTS

(EUR thousand)

OPERATING ACTIVITIES	30-06-2020	30-06-2019
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	795.109	917.640
Interest, commissions and similar costs paid	(219.422)	(304.491)
Recovery of principal and interest	67.208	36.896
Payments to employees and suppliers	(258.899)	(330.887)
Payments and contributions to pensions funds and other benefits	(68.151)	(58.486)
Other results	(26.346)	30.019
	289.498	290.690
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(386.883)	909.010
Assets held-for-trading and other assets at fair value through profit or loss	20.029	(1.117.908)
Other assets	(761.402)	(1.915.789)
	(1.128.255)	(2.124.687)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	694.388	6.212
Customer resources	5.056.711	3.272.901
Other liabilities	(580.668)	(179.686)
	5.170.430	3.099.427
Net cash from operating activities before taxation	4.331.674	1.265.430
Income tax	(3.574)	(22.994)
Net cash from operating activities	4.328.100	1.242.436
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	85.223	73.999
Dividends received from available-for-sale financial assets	92	87
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net of disposals	3.669	77.479
Acquisition of available-for-sale financial assets, net of disposals	(2.506.332)	506.619
Acquisition of tangible and intangible assets, net of disposals	(43.615)	(18.436)
Net cash from investing activities	(2.460.963)	639.748
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(35.018)	(44.980)
Interest on debt securities	(57.081)	(76.985)
Interest in other equity instruments	(26.875)	(26.875)
Interest on lease agreements	(2.403)	(2.601)
Issue of subordinated liabilities, net of repayments	-	(647.558)
Issue of debt securities, net of repayments	(996.514)	(748.284)
Repayments of financing operations through lease agreements	(13.081)	(13.908)
Dividends paid	-	(200.000)
Net cash from financing activities	(1.130.972)	(1.761.191)
Increase (decrease) in cash and cash equivalents	736.165	120.993
Cash and cash equivalents at the beginning of the period	6.609.774	5.313.355
Foreign exchange differences in cash and cash equivalents	97	134
Net change of cash and cash equivalents	736.165	120.993
Cash and cash equivalents at end of the period	**7.346.036**	**5.434.481**

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves				Other reserves and retained earnings			Net income for the period	Total
			Revaluation reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves and retained earnings	Total		
Balances at December 31, 2018	3.844.144	500.000	161.127	(44.057)	110.425	227.495	4.928	2.452.141	2.457.069	337.798	7.366.506
Appropriation of net income for 2018:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	67.560	70.238	137.798	(137.798)	-
Other entries directly recorded in equity:	-	-	-	-	-		-	-		(200.000)	(200.000)
Measurement gain / (losses) on available-for-sale financial assets											
Measurement gain / (losses) on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(50)	(50)	-	(50)
Measurement gain / (losses) on other financial assets	-	-	111.687	(30.558)	-	81.129	-	-	-	-	81.129
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(164.153)	(164.153)		(164.153)
Foreign exchange differences in branches	-	-	-	-	-	-	-	80	80		80
Net income for the period	-	-	-	-	-	-	-	-	-	441.724	441.724
Total gains and losses for the period recognised in equity	-	-	111.687	(30.558)	-	81.129	-	(164.122)	(164.122)	441.724	358.731
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(19.308)	(19.308)	-	(19.308)
Balances at June 30, 2019	3.844.144	500.000	272.814	(74.615)	110.425	308.625	72.488	2.338.949	2.411.437	441.724	7.505.929
Balances at December 31, 2019	3.844.144	500.000	218.581	(59.782)	110.425	269.224	72.488	2.175.962	2.248.449	762.013	7.623.830
Appropriation of net income for 2018:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	152.403	609.611	762.013	(762.013)	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets											
Measurement gain / (losses) on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Measurement gain / (losses) on other financial assets	-	-	(54.667)	14.951	-	(39.716)	-	-	-	-	(39.716)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(117.618)	(117.618)	-	(117.618)
Foreign exchange differences in branches	-	-	-	-	-	-	-	38	38	-	38
Net income for the period	-	-	-	-	-	-	-	-	-	238.003	238.003
Total gains and losses for the period recognised in equity	-	-	(54.667)	14.951	-	(39.716)	-	(117.580)	(117.580)	238.003	80.707
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(26.726)	(26.726)	-	(26.726)
Balances at June 30, 2020	3.844.144	500.000	163.914	(44.830)	110.425	229.509	224.891	2.641.266	2.866.156	238.003	7.677.810

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	30-06-2020 Amounts before impairment, amortisation and depreciation	30-06-2020 Impairment, amortisation and depreciation	30-06-2020 Net assets	31-12-2019 Net assets
Cash and cash equivalents at central banks	4	7.970.655.046	-	7.970.655.046	7.303.806.717
Cash balances at other credit institutions	5	505.623.986	-	505.623.986	513.480.240
Loans and advances to credit institutions	6	2.946.174.533	(1.861.089)	2.944.313.444	2.704.800.320
Financial assets at fair value through profit or loss	7	7.984.138.519	-	7.984.138.519	7.834.657.902
Financial assets at fair value through other comprehensive income	8	6.002.084.476	(1.113.538)	6.000.970.938	3.598.514.583
Financial assets with repurchase agreement	9	16.819.427	-	16.819.427	10.736.629
Hedging derivatives	10	7.435.009	-	7.435.009	7.185.721
Investments at amortized cost	12	10.082.899.006	(8.462.662)	10.074.436.344	9.019.236.964
Loans and advances to customers	13	50.539.540.597	(2.225.019.511)	48.314.521.086	47.973.544.053
Non-current assets held-for-sale	14	1.506.381.217	(308.155.283)	1.198.225.934	1.333.470.951
Investment properties	15	188.038.962	-	188.038.962	185.665.799
Other tangible assets		1.628.551.639	(1.078.441.198)	550.110.441	584.618.522
Intangible assets		188.126.020	(90.362.819)	97.763.201	74.595.618
Investments in associates and jointly controlled entities	16	454.726.833	(438.860)	454.287.973	461.719.222
Current tax assets	17	451.695.400	-	451.695.400	463.528.227
Deferred tax assets	17	1.358.547.276	-	1.358.547.276	1.406.225.270
Other assets	18	2.429.808.073	(142.442.830)	2.287.365.243	2.300.273.719
Total assets		94.261.246.019	(3.856.297.790)	90.404.948.229	85.776.060.457

LIABILITIES AND EQUITY	Notes	30-06-2020	31-12-2019
Resources of central banks and other credit institutions	19	2.063.127.379	1.077.668.006
Customer resources and other loans	20	70.728.398.275	65.791.555.225
Debt securities	21	1.419.499.012	2.463.421.923
Financial liabilities at fair value through profit or loss		999.529.448	908.650.568
Hedging derivatives	10	59.936.054	3.169.207
Non-current liabilities held-for-sale	14	872.079.204	980.711.170
Provisions for employee benefits	22	724.113.342	753.307.052
Provisions for guarantees and other commitments	22	235.743.024	201.893.421
Provisions for other risks	22	84.875.206	89.239.738
Current tax liabilities	17	35.211.817	33.001.249
Deferred tax liabilities	17	123.407.538	127.414.003
Other subordinated liabilities	23	1.102.630.154	1.116.457.571
Other liabilities	24	3.423.445.321	3.663.564.124
Total liabilities		81.871.995.774	77.210.053.257
Share capital	25	3.844.143.735	3.844.143.735
Other equity instruments	25	500.000.000	500.000.000
Revaluation reserves	26	236.935.971	281.259.132
Other reserves and retained earnings	26	3.489.339.558	2.928.766.732
Net income attributable to the shareholder of CGD	26	248.593.700	775.928.450
Shareholders' equity attributable to CGD		8.319.012.963	8.330.098.049
Non-controlling interests	27	213.939.492	235.909.151
Total equity		8.532.952.455	8.566.007.200
Total liabilities and equity		90.404.948.229	85.776.060.457

Certified Public Accountant
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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED INCOME

(EUR)

	Notes	30-06-2020	*restatement* 30-06-2019
Interest and similar income	28	781.949.816	937.802.014
Interest and similar expenses	28	(262.046.826)	(373.245.887)
Income from equity instruments	29	4.921.865	15.368.453
NET INTEREST INCOME		524.824.855	579.924.580
Income from services rendered and commissions	30	297.737.898	306.991.932
Cost of services and commissions	30	(54.137.972)	(65.770.165)
Results from financial operations	31	39.393.027	22.522.121
Other operating income	32	3.011.877	59.402.542
TOTAL OPERATING INCOME		810.829.685	903.071.010
Employee costs	33	(253.205.192)	(296.703.888)
Other administrative costs	34	(112.371.019)	(129.113.831)
Depreciation and amortisation		(46.108.343)	(46.585.151)
Provisions net of reversals	22	29.933.432	71.928.941
Loan impairment, net of reversals and recoveries	35	(78.000.015)	(2.816.423)
Other assets impairment, net of reversals and recoveries	35	15.016.103	78.069.205
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		366.094.651	577.849.863
Income tax	17	(123.708.705)	(171.511.417)
Results of associates and jointly controlled entities	16	15.769.672	7.779.354
RESULTS OF CONTINUING ACTIVITIES		258.155.618	414.117.800
Results of subsidiaries held-for-sale	14	6.702.839	25.225.964
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		264.858.457	439.343.764
Non-controlling interests	27	(16.264.757)	(21.848.710)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		248.593.700	417.495.054
Average number of ordinary shares outstanding	25	768.828.747	768.828.747
Earnings per share (in Euros)		0,32	0,54

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2020			30-06-2019 (restatement)		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Amounts that may be reclassified to net income						
Adjustments to the fair value of financial assets						
Gains / (losses) arising during the period	(18.596)	(356)	(18.952)	236.991	14.089	251.080
Reclassification adjustments in revaluation reserves						
Financial assets impairment recognized in the period	5.054	509	5.564	11.019	342	11.361
Disposal of financial assets in the period	(48.442)	618	(47.823)	(120.069)	(5.904)	(125.974)
Tax effect	17.006	(367)	16.639	(33.471)	(2.744)	(36.214)
Adjustments in associated companies assets	(20.439)	-	(20.439)	28.068	-	28.068
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the period	(57.133)	(19.127)	(76.260)	(12.459)	4.995	(7.463)
	(122.549)	(18.722)	(141.272)	110.080	10.779	120.858
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	(145.979)	(1.088)	(147.067)	(190.005)	-	(190.005)
Tax effect	28.361	16	28.377	25.852	-	25.852
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	148	-	148	2.905	-	2.905
Other	773	24	797	(3.349)	-	(3.349)
	(116.696)	(1.049)	(117.745)	(164.597)	-	(164.597)
Total comprehensive net income for the period recognised in reserves	(239.246)	(19.771)	(259.017)	(54.518)	10.779	(43.739)
Net income for the period	258.156	6.703	264.858	414.118	25.226	439.344
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD of which:	18.910	(13.068)	5.842	359.600	36.005	395.605
Non-controlling interests	12.836	(3.050)	9.787	(10.271)	(3.911)	(14.183)
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	31.746	(16.118)	15.628	349.329	32.094	381.422

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(EUR thousand)

OPERATING ACTIVITIES	30-06-2020	30-06-2019
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1.083.597	1.213.934
Interest, commissions and similar expenses paid	(297.937)	(391.687)
Recovery of principal and interest	68.679	39.853
Payments to employees and suppliers	(358.308)	(432.374)
Payments and contributions to pension funds and other benefits	(68.428)	(59.444)
Other results	(7.705)	56.089
	419.898	426.370
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	(706.641)	980.392
Assets held-for-trading and other assets at fair value through profit or loss	(24.412)	(1.103.770)
Other assets	(971.883)	(2.103.630)
	(1.702.935)	(2.227.007)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	986.423	(79.564)
Customer resources	4.950.921	3.088.538
Other liabilities	(311.092)	(76.587)
	5.626.251	2.932.387
Net cash from operating activities before taxation	4.343.214	1.131.750
Income tax	(21.101)	(50.575)
Net cash from operating activities	4.322.113	1.081.174
INVESTING ACTIVITIES		
Dividends received from equity instruments	4.922	15.368
Acquisition of investments in subsidiaries and associated companies, net of disposals	1.886	-
Acquisition of available-for-sale financial assets, net of disposals	(2.420.257)	772.522
Acquisition of tangible and intangible assets and investment property, net of disposals	(32.945)	(23.427)
Net cash from investing activities	(2.446.395)	764.464
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(35.018)	(44.539)
Interest on debt securities	(57.079)	(76.983)
Interest on other equity instruments	(26.875)	(26.875)
Interest on lease agreements	(3.087)	(3.320)
Dividends on issued preference shares	-	(401)
Repayment preference shares	-	(95.759)
Issue of subordinated liabilities, net of repayments	-	(536.729)
Issue of debt securities, net of repayments	(996.514)	(748.284)
Repayments of financing operations through lease agreements	(17.280)	(10.862)
Dividends paid	-	(200.000)
Net cash from financing activities	(1.135.852)	(1.743.752)
Increase (decrease) in cash and cash equivalents	739.866	101.886
Cash and cash equivalents at the beginning of the period	7.817.287	6.620.833
Transfer of cash balances to non-current assets held-for-sale	-	(106.246)
Foreign exchange differences in cash and cash equivalents	(80.874)	(10.733)
Net change of cash and cash equivalents	739.866	101.886
Cash and cash equivalents at the end of the period	8.476.279	6.605.740

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the period	Subtotal	Non-controlling interests	Total
Balances at December 31, 2018	3.844.144	500.000	257.492	2.854.992	495.776	7.952.403	333.042	8.285.445
Other entries directly recorded in equity:						-		
Gain/(losses) on financial assets	-	-	98.953	-	-	98.953	1.300	100.253
Appropriation of full income from associates and joint ventures	-	-	-	28.068	-	28.068	-	28.068
Employee benefits - actuarial gains and losses	-	-	-	(164.153)	-	(164.153)	-	(164.153)
Foreign currency differences in subsidiaries and branches	-	-	-	527	-	527	(7.990)	(7.463)
Changes in the fair value of equity instruments	-	-	-	2.898	-	2.898	7	2.905
Net income for the period	-	-	-	-	417.495	417.495	21.849	439.344
Other	-	-	-	(2.367)	-	(2.367)	(983)	(3.349)
Total gains and losses for the period recognised in equity	-	-	98.953	(135.026)	417.495	381.422	14.183	395.605
Appropriation of net income for 2018:								
Transfer to reserves and retained earnings	-	-	-	295.776	(295.776)	-	-	-
Distribution of dividends	-	-	-	-	(200.000)	(200.000)	-	
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(19.308)	-	(19.308)	-	(19.308)
Equity transactions with non-controlling interests	-	-	-	3.448	-	3.448	(96.612)	(93.164)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(18.940)	(18.940)
Classification of Angola as an hyperinflationary economy	-	-	-	4.887	-	4.887	4.695	9.582
Balances at June 30, 2018	3.844.144	500.000	356.445	3.004.769	417.495	8.122.852	236.368	8.559.220
Balances at December 31, 2019	3.844.144	500.000	281.259	2.928.767	775.928	8.330.098	235.909	8.566.007
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	(44.323)	-	-	(44.323)	(249)	(44.572)
Appropriation of full income from associates and joint ventures	-	-	-	(20.439)	-	(20.439)		(20.439)
Employee benefits - actuarial gains and losses	-	-	-	(118.242)	-	(118.242)	(448)	(118.690)
Foreign currency differences in subsidiaries and branches	-	-	-	(50.894)	-	(50.894)	(25.366)	(76.260)
Changes in the fair value of equity instruments	-	-	-	148	-	148	-	148
Net income for the period	-	-	-	-	248.594	248.594	16.265	264.858
Other	-	-	-	785	-	785	12	797
Total gains and losses for the period recognised in equity	-	-	(44.323)	(188.642)	248.594	15.628	(9.787)	5.842
Appropriation of net income for 2019:								
Transfer to reserves and retained earnings	-	-	-	775.928	(775.928)	-	-	-
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(26.726)	-	(26.726)	-	(26.726)
Equity transactions with non-controlling interests	-	-	-	12	-	12	-	12
Dividends paid to non-controlling interests	-	-	-	-	-	-	(12.183)	(12.183)
Balances at June 30, 2020	3.844.144	500.000	236.936	3.489.340	248.594	8.319.013	213.939	8.532.952

2.

NOTES AND REPORTS

2.1. Notes to the Condensed Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. Introductory note

Caixa Geral de Depósitos, S.A. (Caixa or CGD), founded in 1876, is a wholly state-owned public limited liability company. Caixa became a public limited liability company on September 1, 1993 under decree law no. 287/93 of August 20, which also approved its respective articles of association. Banco Nacional Ultramarino, S.A. (BNU) was merged with Caixa on July 23, 2001.

CGD's operations at June 30, 2020, CGD comprised a nationwide network of 533 branch offices (489 of which with face-to-face services, 19 self-service branches and 25 “corporate” offices), a branch in France with 48 offices and a branch in Timor with 14 offices. The Luxembourg and Spain branches had been liquidated at that date.

All amounts have been rounded up to the nearest thousand euros.

Caixa also has direct and indirect equity stakes in a significant number of national and foreign companies, in Spain, Cape Verde, Angola, Mozambique, Brazil and Macau in which it has controlling interests. These companies comprise the Caixa Geral de Depósitos Group and operate in diverse sectors such as banking, investment banking, brokerage, venture capital, the property area, asset management, specialised credit and cultural activities. Caixa also has non-controlling equity stakes in companies operating in non-financial sectors of the Portuguese economy.

The consolidated financial statements at June 30, 2020, were approved by the board of directors on September 29, 2020.

Strategic plan

Following the economic-financial crisis and its serious repercussions on the national financial system and in the context of its response to the capital requirements defined by EBA recommendation REC/2011/1, the Portuguese state, in its capacity as the sole shareholder, recapitalised CGD, in June 2012, in the form of a €750,000 thousand increase in share capital and issuance of €900,000 thousands in CoCo bonds. The recapitalisation, under European regulations, was considered to be state aid and is the reason for the Portuguese state's agreement with DG Comp, as the European entity responsible for competition, to a restructuring plan to be implemented by CGD over the period 2013-2017.

The agreed plan included commitments to deleverage the balance sheet to ensure compliance with capital targets, improve operational efficiency, strengthen risk procedures and optimise the operation in Spain, in order to ensure its respective sustainability, funding autonomy and make a positive contribution to the group's profit.

In spite of having fulfilled almost all of its undertakings, CGD continued to make losses across the period 2013 to 2015. This was partly owing to the effects of ECB monetary policy which caused a sharp fall in market interest rates and much lower than expected economic growth. The losses in these years resulted from the deterioration in quality of CGD's assets which resulted in the recognition of high annual levels of impairment. This was accompanied more demanding regulatory requirements to strengthen capital ratios across the period.

Efficiency levels were, consequently, lower than initially agreed and CGD found itself unable to meet its CoCo commitments.

To ensure the adequacy of CGD's recapitalisation *vis-à-vis* its required solvency levels, the Portuguese state and DG Comp approved a recapitalisation plan in the first quarter of 2017, to include a strategic 4 year plan (2017-2020) that, based on a prudent macroeconomic scenario demonstrating the capacity to generate a similar level of return on equity to that expected by a private investor, was not considered state aid.

CGD's new recapitalisation plan was implemented at different times.

The first phase, in which the following alterations were made, was completed on January 4, 2017:

- Use of free reserves and legal reserve of €1,412,460 thousand to cover negative retained earnings for past years;

- An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 shares through the payment in kind of 490,000,000 Parcaixa, SGPS, S.A. equity shares of €498,996 thousand and transfer of €900,000 thousand in CoCo bonds plus €45,148 thousand in respective accrued interest; and

- A €6,000,000 thousand reduction in share capital based on the extinguishing of 1,200,000,000 shares to cover €1,404,506 thousand in negative retained earnings and to create free reserves of €4,595,494 thousand.

The second phase, completed on March 30, 2017, involved a share capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the Portuguese state as the sole shareholder and the issuance of €500,000 thousand in additional tier 1 own funds, fully subscribed for by professional institutional investors (note 25).

The last phase of the recapitalisation plan was completed on June 21, 2018, in the form of a tier 2 issuance of €500,000 thousand, exclusively for institutional investors (note 23).

Caixa's completion of its recapitalisation plan and consequent strengthening of its solvency enabled it to concentrate on implementing its strategic plan 2017-2020. The plan is based on five pillars:

Pillar 1

Upgrading and reorganisation of the domestic branch office network to ensure its sustainability. The initially defined initiatives are listed below:

a) A review of segments and upgraded commercial offer;

b) A review of bancassurance and asset management models on which retail value proposals and penetration of off-balance sheet products are based;

c) Definition of a plan to boost support for households, level of service and corporate oversight, particularly SMEs (small and medium-sized enterprises); and

d) Optimisation of credit processes and pricing models.

Pillar 2

To achieve efficiency improvements through the harmonisation of CGD's operational infrastructure. The key initiatives to be implemented to align the operational infrastructure focus on the following:

a) Adjustments to the branch office network and central support areas;

b) Organisational restructuring operations;

c) Better human resources management, including training;

d) Better levels of service and customer care based on the digitalisation of processes.

Pillar 3

Restructuring of international operations, based on a complementary approach to domestic operations. CGD's international presence, at the end of 2016, mainly comprised nine subsidiaries and nine branches. Pursuant to the comprehensive principle of reducing international risk and focusing on core geographies i.e. markets having a greater synergy with Portugal, the international portfolio was restructured as follows:

a) Adoption of a focused approach to maintain a position only in specific, pre-determined geographies, ensuring a review of their business models and strengthening the governance model, ensuring a material contribution to the group's profitability; and

b) Sale or rationalisation of operations in other geographies, providing national customers with a support structure.

Pillar 4

Restructuring of the risk management and governance model by reducing balance sheet risk, implementing new credit management policies and new specialised recovery platforms. The following measures were identified to achieve this aim:

a) Implementation of new scoring models for small and medium-sized enterprises, mortgage and personal loans;

b) Implementation of a corporate risk appetite and management model;

c) Adjustment of risk management models to the highest sector standards (SREP − supervisory review and evaluation process);

d) Implementation of a deleveraging plan on NPLs (non-performing loans);

e) Better credit monitoring and recovery operations by strengthening the specialised oversight units.

Pillar 5

Business transformation in a digital context includes the following initiatives:

a) Definition of the digital strategy, based on the acceleration, coaching and governance of digital sphere initiatives, in addition to the implementation of priority initiatives resulting from strategic considerations;

b) Increase in the number of Caixa's "digital" customers;

c) Reformulation of an end-to-end experience in meeting the financial needs of personal and corporate customers in order to promote the adoption, preference for and increase of business with Caixa;

d) Preparation of technical support infrastructure for information and customers, providing basic points of interaction and preparation for the development of a seamless experience across all media and channels.

One of the conditions attached to CGD's recapitalisation process in order for it not to be qualified as state aid, as defined in the framework agreement between the Portuguese state and the European Commission, was the requirement for independent valuation of its asset portfolio.

The former executive committee, accordingly, decided to review CGD's assets, with reference to June 30, 2016, based on the criteria and assumptions that a private investor would apply on making a major investment in CGD. The newly appointed executive committee , as of December 31, 2016, also decided to undertake a new, exhaustive review of the criteria and methodologies used in the measurement exercise on these assets, with a revaluation of the principal customers subject to an individual impairment analysis, on the basis of proposals submitted by the commercial and recovery divisions, reviewed by the risk management division, in addition to a re-analysis of impairment of property by the real estate business division. The results, considering the occurrence of events between the date of the completion of the former review and date upon which the accounts for 2016 were filed, were provided to CGD's executive committee and although resulting in the recognition of impairment and provisions of more than €3 billion were, nevertheless, around €200 million less than the initial estimate. As a consequence, the capital increase was also reduced by €200 million in comparison to the initial projection, therefore reducing the state's funding of CGD's recapitalisation as its sole shareholder.

A specific external audit was also carried out on this exhaustive asset measurement review based on a resolution of the executive committee, with the aim of carrying out a global review for the period and ensuring the adequacy of the measurement processes and methodologies used.

Although 2020 was the last year of the implementation of the strategic plan 2017-2020, it nevertheless continues to be part of a longer term process for the bank's recapitalisation and structural transformation, initiated in 2012, with the aim of repositioning itself in terms of risk, efficiency, profitability and financial strength.

Covid-19 pandemic

The year 2020 was marked by the Covid-19 pandemic, as an acute respiratory illness triggered by the SARS-CoV-2 virus. This illness was first identified in December 2019 in Wuhan, a city in the People's Republic of China. It is characterised by a high level of contagiousness and is more lethal than other viruses of the same group (e.g. SARS). This led the World Health Organisation to declare a pandemic on March 11, 2020.

Drastic containment measures were implemented in the first instance, owing to the spread of this illness, with confirmed cases in more than 200 countries and territories. Consequences included restrictions on people's movements, border closures and constraints on a wide range of economic activities. Portugal declared a state of emergency on March 18 (extending over a period of 45 days). This was the first such declaration in the framework of its current Constitution.

Following signs of a certain control over the spread of the pandemic in May, restrictions started to be gradually lifted with the objective of permitting a resumption of economic activity. However, an acceleration of daily cases of contagion over the last few weeks indicates that we are facing a second wave of the illness. As such, bearing in mind that second quarter 2020 was marked by an unparalleled fall of GDP in most countries, a scenario of global recession is currently a certainty and the only remaining doubts concern its depth and duration.

The worldwide response of governments and central banks to this unprecedented situation has included fiscal and monetary policy measures highly focused on the need to stabilise financing conditions for diverse economic actors, preservation of the business framework and minimisation of the effects of the loss of household income.

Owing to its presence in various countries, Caixa Geral de Depósitos group's activity has naturally been affected by this pandemic and its respective containment measures. CGD has, accordingly defined a prevention-based strategy to protect its employees and consequently mitigate operational risk for the business affairs of its companies, as set out in a specific contingency plan.

The operational focus has been to preserve the bank's critical functions, i.e. the capacity to meet its customers' needs, whether through its geographical branch office network, subject to the introduction of protective measures, or its remote channels. In the case of critical functions, the separation of teams and working from home activities were implemented from the very start of the crisis. Special attention has also been paid to CGD group's principal suppliers of goods and services to ensure that there would be no disruptions.

CGD has taken proactive measures to minimise credit risk in line with those adopted by the government. Reference should be made to the approval of extensions to credit agreements, introduction of moratoria on most credit products by the state and the Association of Portuguese Banks and specific lines of credit backed by mutual guarantee companies with the objective of mitigating occasional, temporary, corporate and personal treasury needs deriving from the reduction of economic activity in the current environment. Risk indicators monitoring mechanisms were also strengthened, particularly in those business areas affected by the crisis and the effects of the containment measures adopted. With the end of the lockdown period, a return to the workplace has been progressively applied, in an endeavour to ensure an appropriate response to customers' needs and strict maintenance of safety recommendations.

Overall, CGD group's management approach has been characterised by its anticipation of scenarios, analysis of impacts and preparation of operational and monitoring measures on key indicators, on diverse levels and structures of its governance model, to permit management across its business areas, including international operations.

Our world currently finds itself in the midst of an unprecedented crisis in which the number of infections and victims continue to increase, with no concrete prospects of the end of the pandemic, notwithstanding encouraging news on the development of a vaccine in the short term.

Caixa Geral de Depósitos group has shown its capacity to respond to this crisis scenario, whether in terms of protecting people, employees and customers or in the continuity of its operations and business areas.

Impacts, while uncertain, are naturally expected to impact the group's activity and capacity to achieve its economic-financial goals, the level of which is contingent upon a multiplicity of factors such as the depth of the economic crisis, its length, the economic sectors most affected, nature and impact of monetary and fiscal policy measures that diverse governments and economic blocs have already adopted and may adopt in the future, particularly the European Union. The easing of the lockdown measures adopted by various countries after the first half year, permitted the resumption of a certain level of economic activity, albeit subject to severe limitations. Current projections point to a gradual recovery of worldwide economic activity by end 2020 and across 2021, albeit at lower rates than prior to the pandemic and highly reliant on the scientific progress achieved in terms of medical solutions to control the pandemic.

In such a context and based on currently available information, CGD’s financial statements for the half year ended June 30, 2020, provide its best estimate of the pandemic’s financial effects. This includes the valuation of its assets and measurement of expected credit portfolio losses which will be monitored and continuously reviewed throughout the period. Greater detail on the principal impacts of this situation on the credit risk measurement component is presented in note 35.

Notwithstanding these limitations, the board of directors wishes to reaffirm its conviction that Caixa Geral de Depósitos is currently adequately prepared, both in terms of capital, asset values and liquidity, to ensure the continuity of its operations, providing the necessary support to its customers and the national economy.

2. Accounting policies

2.1. Presentation bases

The consolidated financial statements at June 30, 2020, were prepared on the basis of the international financial reporting standards (IFRS) as adopted in the European Union, in accordance with regulation (EC) 1606/2002 of July 19 of the European Parliament and of the Council and the dispositions of decree law 35/2005 of February 17.

These condensed financial statements comply with the requirements of IAS 34 – “Interim financial reporting”. They do not include all of the information required for the preparation of the annual financial statements.

The accounting policies described in this note have been consistently applied across all of the periods set out in the financial statements, with any exceptions having been identified.

2.2. Changes in accounting policies

2.2.1 Voluntary changes to accounting policies

Except for the change referred to in note 2.3, there were no other voluntary modifications of accounting policies in first half 2020 in comparison to those considered in the preparation of the financial information for the preceding year, set out for comparison purposes, neither were there any changes in judgments or estimates for past years, nor corrections of material errors.

2.2.2 New standards and interpretations for the period

Effective January 1, 2020 CGD group adopted the following standards, interpretations, amendments or changes of significance to its activity, as issued by the IASB and endorsed by the European Union:

- IAS 1 – “Presentation of financial statements” and IAS 8 – “Accounting policies, changes in accounting estimates and errors (amendments). The objective of this amendment was to achieve a consistent definition of materiality across all standards in force and to clarify several aspects related to its definition. According to the new definition, “information is material if it is reasonable to expect that any omission, error or occultation thereof could influence the decisions of primary users on the basis of such financial statements, which supply financial information on a specific entity on which it reports”. The amendments to these standards must be applied retrospectively.

- Conceptual structure – “Alterations to references to other IFRS”. As a result of the publication of the new conceptual structure, the IASB has altered the wording of several standards and interpretations, as in: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, to clarify the definition of an asset and a liability and has issued new measurement, derecognition, presentation and disclosure guidelines. The alterations must be implemented retrospectively, unless this is not practical.

- Reform of benchmark interest rates – alterations to IAS 39, IFRS 7 and IFRS 9. In September 2019 the IASB made alterations to IFRS 9, IAS 39 and IFRS 7 – “Financial instruments: disclosures”. They include the first stage of the work performed in response to the effects of the IBOR (interbank offered rates) reform in terms of financial reporting.

These alterations provide temporary expediencies to enable the maintenance of hedge accounting operations during the period of uncertainty preceding the substitution of the currently existing interest rate benchmark by an alternative benchmark.

<u>Alterations to IFRS 9</u>

The alterations include practical expedients for all hedge relationships directly affected by the reform of the benchmark interest rate (RFR). A hedge relationship is affected if the reform in progress triggers uncertainties over the periodicity and/or reference amount of the cash flows generated by the hedged or hedging instrument.

Expedients must be applied. The first three expedients provide for:

- An assessment of whether a future transaction is highly probable;

- An assessment of when to reclassify the amount of the cash flow recognised in reserves to profit and loss;

- An assessment of the economic relationship between the hedged item and the hedging instrument.

It is assumed, for each of these expedients, that the benchmark used to calculate the cash flow hedges (whether or not contractually specified) and/or, for the third expediency, the benchmark used to calculate the cash flows of the hedged instrument, will not be modified as a result of the IBOR reform.

A fourth expedient requires the separate identification of the risk component of the benchmark interest rate affected by IBOR, when a hedge relationship is entered into.

When the hedging strategy involves continuous inclusions and exclusions of hedged and hedging instruments in the portfolio, this requirement only needs to be met at the time of initial recognition of the items covered by the hedge relationship.

When a hedging instrument is altered in such a way as for its cash flows to be based on an RFR but the hedged item is still based on IBOR (or vice-versa), there is no relief for assessing the measurement and recognition of the potential ineffectiveness resulting from alterations to the items' fair value.

The practical expedients continue to be applied indefinitely in the absence of any of the events described in the alterations. When an entity designates a collection of items as being hedged, the requirements on when the expedients end are separately applied to each item individually.

The alterations also introduce specific disclosure requirements for the hedge relationships to which these expedients apply.

- Definition of a business activity - alterations to IFRS 3. This alteration clarifies the minimum requirements for consideration as a business activity, eliminates the assessment of whether market actors have the capacity to substitute the missing elements, adds a guideline to enable an assessment of whether an acquired process is substantive, restricts the definitions of a business activity and output and introduces an optional fair value test on business activity.

<u>Minimum requirements for consideration as a business activity</u>

The alteration clarifies that to be considered as a business activity, an integrated set of activities must, at minimum, include an input and a substantive process that, jointly, make a significant contribution to the creation of an output. They also clarify that a business activity may exist without the inclusion of all input and all of the processes needed to create output, i.e. input and the processes applied thereto "must have the capacity to contribute to the creation of output" instead of "must have the capacity to create output".

<u>Capacity of market actors to substitute missing elements</u>

Prior to the alteration, IFRS 3 provided for a situation in which a business activity did not have to include all of the input or processes used by the vendor to operationalise the business activity, "if the market actors are able to acquire the business activity and continue to operate the productive process e.g. integrating the business activity with its own input and processes". The reference to such integration was eliminated from the standard and the assessment is based on what was acquired in its current state and conditions.

<u>Assessing whether an acquired process is substantive</u>

The alterations clarify that an acquired process is considered substantive if a set of activities and assets does not have output on the date of acquisition:

(a) If critical to the capacity to develop and convert acquired input into output; and

(b) If the acquired input includes either an organised workforce with the necessary skills, knowledge, or experience in operating this process, or other input that such an organised workforce may develop or convert into output.

In contrast, if a set of activities and acquired assets include output on the date of acquisition, an acquired process must be considered substantive:

(a) If critical to the capacity to continue to produce output and the acquired input includes an organised workforce with the necessary skills, knowledge, or experience in operating this process; or

(b) If it makes a significant contribution to the capacity to continue to produce output and/or considered unique or scarce or cannot be substituted without significant costs, without a significant effort or without significant delays in the capacity to continue to produce output.

Narrowing the definition of output

The alterations narrow the definition of output, focusing on the supply of goods or services to customers, return on investment (such as dividends or interest) or other income obtained from ordinary activities. The definition of a business activity in appendix A of IFRS 3 was accordingly altered.

Optional test to concentration

The alterations introduce an optional test on the fair value of the concentration to permit a simplified appraisal of whether or not a specific set of acquired activities is a business activity. Entities may opt to apply this test on a transaction by transaction basis. The test is passed if, substantially, all of the fair values of the gross assets acquired have been concentrated into a single identifiable asset or a similar group of identifiable assets. If the test is not passed or if an entity opts not to apply the test on a specific transaction, a detailed appraisal must be realised by applying normal IFRS 3 requirements.

This alteration is effective for transactions considered to be business combinations or purchases of assets whose date of acquisition occurred on or after the beginning of the first period starting on or after January 1, 2020.

As these alterations are applied prospectively, entities do not have to assess acquisitions prior to this date. Early adoption is permitted but must be disclosed.

This alteration will also have an impact on other standards, such as when a parent company loses control over a subsidiary and has applied the alteration to IFRS 10 and IAS 28 on the sale or delivery of assets by an investor to its associate or jointly owned enterprise, in advance.

2.2.3 New standards and interpretations already issued but still not mandatory

The following standards, interpretations, amendments and revisions, which must be applied in this or future financial years, were not, up to the date of the approval of these financial statements endorsed by the European Union:

- IFRS 16 (alterations) – Lease agreements – contractual alterations associated with the Covid-19 pandemic. In response to the economic impacts of the new coronavirus (Covid-19) pandemic, the renegotiation of the contractual terms of lease agreements, with the objective of adjusting their initially agreed maturities and conditions to lessees' financial capacity for effective compliance purposes, based on the new market conditions affecting the performance of their activity and outlook for short term economic growth has been a systematic feature of most geographies using the international financial reporting standards. This movement, albeit mainly reliant on agreement between lessors and lessees, has been incentivised and even conditioned by sovereign state intervention.

With the objective of minimising the potential accounting impacts that such contractual renegotiations could represent under IFRS 16 requirements, namely cases in which they may be classified as a modification, the IASB decided to make changes to the standard's wording with the objective of introducing an exception to the need for lessees to assess whether the alterations made under the terms of the agreement in the sphere of Covid-19, comprising an interruption of deferral of the date of payment of the instalments, may be considered a modification of the lease agreement. The application of this expediency, if used, must be disclosed and applied retrospectively even if the comparative amounts presented do not need to be restated.

These alterations must be applied in the financial years starting on or after January 1, 2020 and may be applied in advance, including cases in which the financial statements have still not been approved for issue at May 28, 2020.

IFRS 3 (alterations) – "Business combinations". The alterations to the wording of this standard include:

(i) Correction of the reference to the applicable conceptual structure, which still referred to the version released in 1989, as opposed to the most recent version (2018);

(ii) Introduction of a clarification on the treatment of liabilities acquired as the result of a business combination which should be processed under IAS 37 and IFRIC 21, when eligible under its sphere of application;

(iii) Explanation of the wording of the standard that an acquirer should not recognise contingent assets acquired as the result of a business combination.

These alterations must be applied in the financial years starting on or after January 1, 2022.

- IAS 16 (alterations) – "Tangible fixed assets". The alterations to the wording of this standard clarifies that any income obtained from the use of an asset prior to its definitive installation on the location on which it is to be operated in accordance with the conditions defined by the management for its intended use may not be deducted from the acquisition cost .

These alterations must be implemented in the financial years starting on or after January 1, 2022. Retrospective implementation is only mandatory in the case of eligible assets which have been installed on their intended location after the date of the presentation of the first comparative period.

- IAS 37 (alterations) – "Provisions, contingent liabilities and contingent assets". The alterations to the wording of this standard specify the accounting definition of eligible costs for the classification of a sales contract. All costs which may be directly allocated to compliance with contractual obligations, which may be incremental in nature (such as goods, equipment or fees) or on the basis of other types of allocation, provided that they are clearly identifiable (such as depreciation costs of the equipment used to comply with the referred to obligations) should be considered for this purpose.

These alterations must be implemented in the financial years starting on or after January 1, 2022. In the year of the first application of this alteration, they include all agreements whose obligations have not been fully met upon the date of the start of the presentation of the first comparative period.

- *Annual Improvements to IFRS Standards 2018-2020.* The planned introduction of annual improvements considered non-urgent but necessary by the IASB for the period 2018-2020, published on May 14, 2020, alters the wording of the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. Reference should be made to the following items of potential relevance to Caixa's activity:

(i) IFRS 9. The alteration clarifies the eligibility conditions of the commissions to be considered by an entity in the sphere of the liabilities derecognition test in conformity with paragraph B3.3.6 of the standard (10% test). Only commissions paid or received between an institution (issuer of a financial liability) and an investor (or investors), including commissions paid or received in the name or on behalf of another party should be recognised.

(ii) IFRS 16. This alteration eliminates the example of reimbursements of charges paid by the lessor on improvements to the leased asset from the wording of illustrative example no. 13 (which accompanies IFRS 16), given the understanding that its wording did not provide a correct and clear interpretation of the treatment of lease agreement incentives.

These alterations must be implemented in the financial years starting on or after January 1, 2022.

The board of directors does not consider that the adoption of the above referred to standards and interpretations will have significant equity impacts on the preparation of the group's financial statements.

2.3. Changes of accounting policies

2.3.1 Changes to the accounting for services related to the banking activity

Taking into account the nature and classification of the diverse services related to banking activity and with the objective of providing an appropriate presentation of its financial statements, CGD group's board of directors considered the need to alter their presentation. It was concluded that the presentation of these services would be more appropriately incorporated in the commissions' component given that they remunerate services related to banking activity.

The impacts of this alteration on the group's consolidated financial statements, with reference to June 30, 2019, amounted to an increment of the "Income from services and commissions" account as a charge with an equivalent reduction in "Other operating income" of €2,842 thousand and an increase of costs in the "Costs of services and commissions" account as a charge with an equivalent reduction in "General administrative costs" of €5,094 thousand.

The profit and loss statement for the year ended June 30, 2019, was re-expressed as a result of the alteration to the policy referred to in the preceding number. The effect of this modification is shown in the following table:

		Restatement	
	30-06-2019 (Published)	30-06-2019	Impacts
Interest and similar income	937,802	937,802	-
Interest and similar expenses	(373,246)	(373,246)	-
Income from equity instruments	15,368	15,368	-
NET INTEREST INCOME	579,925	579,925	-
Income from services and commissions	304,150	306,992	2,842
Costs of services and commissions	(60,676)	(65,770)	(5,094)
Results from financial operations	22,522	22,522	-
Other operating income	62,244	59,403	(2,842)
TOTAL OPERATING INCOME	908,165	903,071	(5,094)
Employee costs	(296,704)	(296,704)	-
Other administrative costs	(134,208)	(129,114)	5,094
Depreciation and amortisation	(46,585)	(46,585)	-
Provisions net of reversals	71,929	71,929	-
Loan impairment, net of reversals and recoveries	(2,816)	(2,816)	-
Other assets impairment, net of reversals and recoveries	78,069	78,069	-
INCOME BEFORE TAX	577,850	577,850	-
Income tax	(171,511)	(171,511)	-
Results in associated companies and joint ventures	7,779	7,779	-
CONTINUING ACTIVITIES RESULTS	414,118	414,118	-
Results on subsidiaries held for sale	25,226	25,226	-
CONSOLIDATED INCOME FOR THE YEAR, OF WHICH:	439,344	439,344	-
Non-controlling Interests	(21,849)	(21,849)	-
CONSOLIDATED INCOME ATTRIBUTABLE TO CGD SHAREHOLDER	417,495	417,495	-

2.4. Consolidation principles

The consolidated financial statements include the accounts of CGD and entities directly and indirectly controlled by the group (note 3), including special purpose entities

Under IFRS 10 – "Consolidated financial statements", the group considers that it exercises control when it is exposed or has rights to the variable returns generated by a specific entity (referred to as a "subsidiary") and when it may, based on the application of the power retained by it and its capacity to manage these activities and take control of them (*de facto* power).

CGD group subsidiaries' accounts were consolidated by the global integration method in which significant transactions and balances between the consolidated companies were eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the application of the group's accounting principles.

The amount of third party investment in subsidiaries is recognised in "Non-controlling interests" in equity. In the specific case of the inclusion of investment funds in the consolidation perimeter, any redemption options on an investment at its equity value of holders of non-controlling interests are recognised in "Other liabilities" (note 24), Their corresponding variations are recognised in the respective profit and loss account.

Consolidated profit comprises the aggregating of CGD's and its subsidiary entities' net profit, in proportion to their effective holding, after consolidation adjustments have been made, i.e. the elimination of dividends received and capital gains and losses made on transactions between companies included in the consolidation perimeter.

2.5. Business combinations and goodwill

Acquisitions of subsidiaries are recognised by the purchase method. The acquisition cost comprises the aggregate fair value of assets delivered, equity instruments issued and liabilities incurred or assumed in exchange for achieving control over the acquired entity. The costs incurred on the acquisition, when directly attributable to the operation, are recognised as costs for the period on the purchase date. Upon the acquisition date, which is the date upon which the group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities meeting the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

Goodwill is the positive difference between the cost of a subsidiary's acquisition and the fair value attributable to the acquisition of its respective assets, liabilities and contingent liabilities on the purchase date. Goodwill is recognised as an asset and is not depreciated.

If the fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction exceeds their acquisition cost, the excess is recognised as income in profit and loss for the period.

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as a transaction with shareholders, upon which no additional goodwill is recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. Similarly, the impacts of disposals of non-controlling interests when not entailing a loss of control over a subsidiary are also recognised in reserves. Profit or loss on disposals of non-controlling interests, when entailing alterations in control over the subsidiary, are recognised by the group in profit and loss on the transaction date.

The group performs impairment tests on balance sheet goodwill, at least once a year, in accordance with the requirements of IAS 36 – "Assets impairment". For this purpose, goodwill is allocated to cash flow generating units whose respective recoverable value is based on future cash flow estimates at discount rates the group considers appropriate. Impairment losses on goodwill are recognised in profit and loss for the period and cannot be reversed.

Up to January 1, 2004, as permitted by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from shareholders' equity in the year of the acquisition of the subsidiaries. As permitted by IFRS 1 − "First-time adoption of international financial reporting standards", and as the group did not make any changes to this recognition procedure, goodwill on operations, up to January 1, 2004, continued to be deducted from reserves.

Accounting of written put options on non-controlling interests

The group initially recognises liabilities resulting from written put options on non-controlling interests as a charge to "Other reserves". Subsequent variations of the fair value of the put option measured on the basis of the agreed terms, are also recognised as a charge to "Other reserves", except for the financing costs on registering the liability, which are recognised in "Interest and similar costs" in profit and loss.

2.6. Investments in associates and jointly controlled enterprises

Associates are entities over which the group exercises significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, significant influence is not considered to exist whenever the investment is less than 20%, unless the opposite, in this case, can also be clearly shown.

According to the requirements of IAS 28 − "Investments in associates and joint ventures", a significant influence by the group usually takes one of the following forms:

- A seat on the board of directors or equivalent management body;
- Participation in the process for defining policies, including resolutions on dividends or other appropriations;
- Occurrence of material transactions between the associate and the group;
- Existence of interchange between members of management; and
- The supply of essential technical information.

There are also situations in which the group, in conjunction with other entities, exercises control over the activity of a company in which the equity stake is held (jointly controlled enterprises). This is usually structured on a basis of shared voting and similar decision-making rights.

Investments in associates and jointly controlled enterprises are recognised by the equity accounting method, under which equity stakes are initially measured at their respective acquisition cost and subsequently adjusted on the basis of the group's effective percentage of variations in its associates' shareholders' equity (including their results). The equity accounting method is applied up to the time when the accumulated losses incurred by the associate or jointly controlled enterprise, when recognised by the group, exceed the investment's respective balance sheet value from which time it is discontinued, unless any legal or constructive obligation requires the creation of a specific provision to recognise such losses.

In the event of differences with a material impact, the equity of the companies used for the application of the equity accounting method is adjusted to reflect the application of the group's accounting principles.

Unrealised profit or loss on transactions with associates and jointly controlled enterprises are eliminated in line with the group's effective stake in the said entities.

2.7. Translation of balances and transactions in foreign currency

The individual accounts of each group entity included in the consolidation are prepared in accordance with the currency used in the economic environment in which they operate (functional currency). In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD group's functional currency.

Foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates when Caixa's and its subsidiaries' separate financial statements are prepared. Monetary assets and liabilities denominated in a foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets at fair value are translated at the exchange rate in force on the last valuation date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange rate profit/loss on translation is recognised in profit and loss for the period, except when deriving from non-monetary financial instruments recognised at fair value, such as equity instruments upon which an option to classify them at fair value through other comprehensive income has been exercised and which are recognised directly in "Other reserves".

The assets and liabilities of entities in the consolidated accounts with a functional currency other than the euro are translated at the closing exchange rate, as opposed to income and costs which are translated at the average rate for the period. Under this method, exchange rate profit/loss is recognised in equity in “Other reserves” and the respective balance transferred to profit and loss at the time of the disposal of the respective subsidiaries.

As permitted by IFRS 1 − "First-time adoption of international financial reporting standards", the group opted not to recalculate and therefore did not recognise the impact of the translation of the financial statements of its subsidiaries expressed in foreign currency up to December 31, 2003, in “Other reserves”. Accordingly, in the case of the disposal or closure of subsidiaries after the said date, only exchange rate profit/loss originating after January 1, 2004, will be reclassified to profit and loss for the period.

2.8. Financial instruments

a) Financial assets

The classification of financial assets depends upon the group’s business model and the characteristics of the financial instrument’s contractual cash flows, unless an option to measure the financial instrument at its fair value through profit or loss has been exercised.

The group classifies and measures a financial asset at amortised cost when it is part of a portfolio managed on the basis of a business model whose objective is achieved through the receipt of all contractual cash flows and when such cash flows may be considered payments of principal and interest on the outstanding principal. The group also classifies and measures a financial asset at fair value through other comprehensive income (FVTOCI) when it is part of a portfolio managed on the basis of a business model whose objective is achieved either through the receipt of contractual cash flows comprising payments of principal and interest on outstanding principal or by sale. A financial asset is classified and measured at fair value through profit or loss (FVTPL) when it is neither classified nor measured at amortised cost or by FVTOCI. At the time of initial recognition, however, the group may irrevocably opt to classify and measure an investment in an equity instrument through FVTOCI (when not held-for-trading nor comprising the recognition of a contingent payment by the acquirer in a business combination subject to IFRS 3 – “Business combinations” which otherwise would have been classified and measured at FVTPL

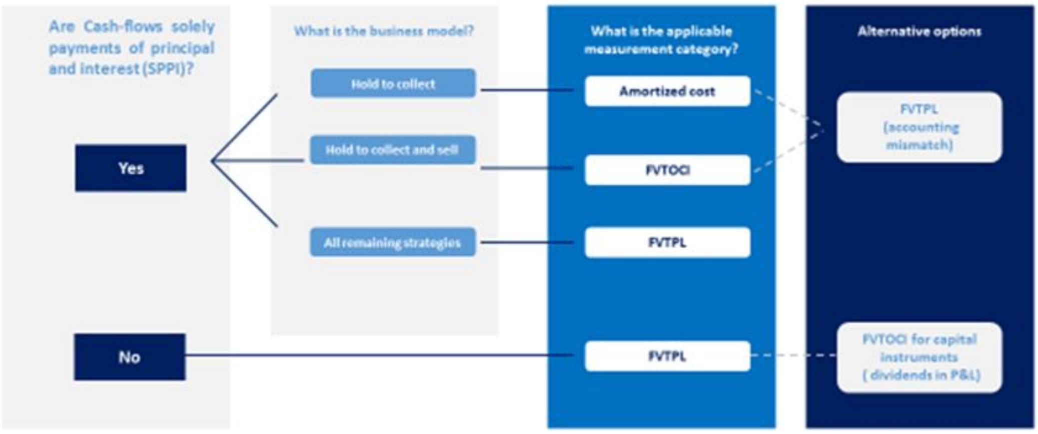
To assess the business model used for the management of a financial asset, the group defines how it expects to obtain cash flows from the referred to financial asset. The business model is assessed at a level that reflects how a group of financial assets is managed as a whole, in order to achieve the business model’s specific objective and is not reliant upon the group’s plans for any specific financial asset. As the allocation to a business model is a fact and not an assertion, the group considers all of the relevant information to enable a conclusion to be reached on which business model should be considered for the management of its financial assets, pursuant to which it assesses:

- the way in which the performance of the business model and the financial assets held thereunder are measured and communicated to management;
- the risks affecting the performance of the business model (and financial assets held thereunder) and, particularly, how such risks are managed; and
- the way in which a company’s managers are compensated (e.g. if based on the fair value of the assets managed or receipt of contractual cash flows).

As referred to above, two criteria should be considered for the classification and measurement of financial assets under IFRS 9 – “Financial instruments”:

- The entity’s business model for managing the financial asset; and
- The characteristics of the financial asset’s contractual cash flows: SPPI (solely payments of principal and interest).

Information on the classification process applied by the group is set out in the following chart:



Derecognition

The group derecognises a financial asset when, and only when, the contractual right to receive cash flows expires or the financial asset is transferred and the transfer is suitable for derecognition. The group is considered to transfer a financial asset if, and only if, the contractual rights to receive the cash flows from the said financial asset are transferred or if the contractual rights to receive the cash flows are retained but the group accepts a contractual commitment to deliver such cash flows to one or more beneficiaries. When the contractual rights to receive the cash flows are retained, the group only treats the operation as a transfer if all of the following conditions have been met: (i) when the group is not forced to pay amounts to the beneficiary other than the amounts received from the original asset; (ii) when the group is prevented from selling the original asset under the terms of the transfer agreement; and (iii) when the group must pay the cash flows received, without any material delays and the cash flows cannot be reinvested up until such payment has been made.

When a financial asset's contractual cash flows are renegotiated or in any other way modified and such a renegotiation or modification does not result in its derecognition, the group recalculates the financial asset's gross balance sheet amount and recognises profit or loss on the difference between the previous gross balance sheet amount. The asset's new gross balance sheet amount is assessed as the present value of renegotiated or modified cash flows, discounted at the asset's original effective rate (or adjusted interest rate in the case of loans purchased or originated credit impaired) or, when applicable, the revised effective interest rate. Any costs or commissions incurred are included in the new gross balance sheet amount and amortised over the asset's remaining life.

A scenario in which the modification of the contractual cash flows results in the financial asset's derecognition implies the following:

a. The need to analyse the characteristics of the new instrument's cash flows for the purpose of ascertaining if the contractual conditions meet SPPI criteria;

b. Initial recognition of the new financial asset at its fair value, with the recognition of any difference between the former asset's net book value in profit and loss;

c. If the contractual modifications derive from the restructuring of an asset owing to a debtor's financial difficulties, the new asset is defined as being POCI (purchased or originated credit impaired) with impairment losses always being recognised on the basis of a lifetime PD, i.e. the new asset can never be classified in stage 1;

d. The new asset's amortised cost will be measured on the basis of expected cash flows;

e. The new financial asset recognised as the result of a contractual modification of a financial asset previously marked for forbearance (in accordance with Commission implementing regulation (EU) no. 2015/227 of January 9, 2015 and in conformity with the internal policy defined by the group), will continue to be marked as such, with the cure period being reinitiated from the date of the last restructuring operation; and

f. For a financial asset originally classified in stage 3 for impairment model purposes and whose contractual modification leads to its respective derecognition, the new financial asset to be recognised will continue to be classified in stage 3 and may, based on the default definition triggers defined by the group, be latterly transferred to stage 2.

<u>Reclassification of financial assets</u>

Whenever the group alters its financial assets management business model, which is only expected to occur relatively infrequently and on an exceptional basis, it reclassifies all of the affected financial assets, in conformity with the requirements of IFRS 9 – "Financial instruments". The reclassification is applied prospectively from the date upon which it becomes effective. Under IFRS 9 – "Financial instruments", reclassifications of equity instruments on whose fair value assessment through other comprehensive income or other financial assets and liabilities at fair value in the sphere of the fair value option has been exercised, are not permitted.

<u>Fair value</u>

As stated, "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" are measured at their fair value.

The fair value of a financial instrument is the amount at which an asset or financial liability can be sold or liquidated between independent, informed parties, interested in realising the transaction under normal market conditions.

The fair value of financial assets is measured by a Caixa body which is independent from the trading function, based on the following criteria:

- Closing price at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity levels) which include:
    - (i) Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
    - (ii) Bid prices received from financial institutions operating as market-makers; and
    - (iii) Internal measurement models, based on market data which would be used to define a financial instrument's price, reflecting market interest rates and volatility, in addition to the instrument's associated liquidity and credit risk.
- Investment funds not traded in active markets are measured on the basis of the last available NAV (net asset value). Whenever considered appropriate, NAV may be adjusted on the basis of Caixa's critical appraisal of the application of the measurement criteria on the assets under the referred to investment funds management.

<u>Amortised cost</u>

Financial instruments at amortised cost are initially recognised at fair value, net of the income or costs directly attributable to the transaction. Interest is recognised in accordance with the effective interest rate method.

Interest on impaired financial assets (stage 3) is recognised on the basis of the rate used to discount the future cash flows inherent to the measurement of the impairment loss.

b) Financial liabilities

Financial liabilities are registered on their agreement date, at their respective fair value, net of the costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

(i) Financial liabilities held-for-trading

Financial liabilities held-for-trading include derivatives with a negative revaluation value, in addition to the short selling of fixed and variable-income securities in active markets.

These liabilities are registered at their respective fair value. Profit or loss on their subsequent valuation is recognised in “Income from financial operations”, and

(ii) Other financial liabilities

This category includes the resources of credit institutions and customers, bond issuances, subordinated liabilities and liabilities incurred on payments for the provision of services or purchase of assets, recognised in “Other liabilities”.

These financial liabilities are measured at amortised cost, any interest thereon is recognised by the effective interest rate method.

c) Derivatives and hedge accounting

Caixa’s activity includes derivative operations to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

Derivatives are registered at their fair value at the agreement date. They are also recognised in off-balance sheet accounts at their respective notional value.

The fair value of derivatives not traded in organised markets is calculated by using models incorporating measurement techniques based on discounted cash flows which also reflect the effect of counterparties’ credit and own credit risk − CVA/DVA (credit value adjustments/debt value adjustments).

Embedded derivatives

Derivatives embedded in other financial instruments recognised in liabilities are separated out from the host contract and processed separately, whenever:

- The embedded derivative’s economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- The total combined financial instrument is not recognised at fair value, with any variations being recognised in profit and loss.

The main impact of this procedure on the group’s activity consists of the need to separate out and measure the value of the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns do not comprise interest (such as returns indexed to share prices or indices, exchange or other rates). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host contract comprising the difference between the total value of the combined contract and the derivatives’ initial revaluation. No profit is therefore recognised on the operation’s initial recognition.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships, namely:

- Derivatives for hedging the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;

- Risk hedging derivatives which do not meet the conditions required for the use of hedge accounting under IFRS 9 − "Financial instruments", owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or when the hedge relationship is not effective; and

- Derivatives contracted for trading purposes.

Trading derivatives are registered at fair value. Daily revaluation changes are recognised in income and costs for the period in "Income from financial operations", except for the part relating to accrued and liquidated interest, which is recognised in "Interest and similar income" and "Interest and similar costs". Positive and negative revaluations are recognised in "Financial assets held-for-trading" and "Financial liabilities held-for-trading" balance sheet accounts, respectively.

<u>Hedge derivatives</u>

These derivatives are contracted for to hedge the group's exposure to the risks inherent to its activity.

At June 30, 2020 and December 31, 2019, Caixa only hedged its exposure to variations in the fair value of financial instruments in its balance sheet and referred to as "Fair value hedges".

The group prepares formal documentation when a hedge relationship is entered into, to include the following minimum aspects:

- Risk management objectives and strategy associated with the hedge operation, according to defined risk hedging policies;

- Description of the hedged risk(s);

- Identification and description of hedged and hedging financial instruments; and

- Hedge effectiveness and periodicity assessment method.

Hedge derivatives are registered at fair value and their results recognised daily in income and costs for the period. If the hedge proves to be effective, the group will also recognise the variation in fair value of the hedged element, attributable to the hedged risk, in "Income from financial operations" in profit and loss for the period. In the case of instruments which include an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in "Interest and similar income" and "Interest and similar costs" in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined in the standard. In such situations adjustments to hedged elements up to the date upon which hedge accounting ceases to be applied are recognised in profit and loss up to the maturity of the corresponding financial assets or liabilities, based on the effective interest rate method.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities accounts, respectively.

Measurements of hedged elements are classified in the balance sheet accounts in which the instruments are registered.

d) Impairment of financial assets

The impairment model of IFRS 9 – "Financial instruments" applies to the following financial assets:

- All financial assets measured at amortised cost (including lease agreements − IAS 16 – "Leases");

- Debt instruments measured at fair value through other comprehensive income (FVTOCI);

- The rights and obligations referred to in IFRS 15 − "Revenue from contracts with customers", when this standard refers to IFRS 9 −"Financial instruments";

- Assets which translate the right to the reimbursement of payments made by the entity when liquidating the liabilities recognised under IAS 37 – "Provisions, contingent liabilities and contingent assets"; and

- Loan liabilities (unless measured at fair value through profit or loss).

These financial assets are divided up into 3 risk groups:

- *Stage 1.* These are assets without a significant deterioration in credit risk since the time of their initial recognition;

- *Stage 2.* Assets with a significant deterioration in credit risk since the time of their initial recognition; and

- *Stage 3.* Impaired assets (assets in default).

Depending upon the classification of the operation's stage, credit losses are estimated on the basis of the following criteria:

- 12 month expected losses. These are the expected losses deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations; and

- Lifetime expected losses. These are the expected losses based on the difference between the contractual cash flows and the cash flows the entity expects to receive up to the contract's maturity. This is the expected loss resulting from all potential loss events up to maturity and is applied in stage 2 and 3 operations.

Although IFRS 9 - "Financial instruments" does not define a concept of default, CGD group applies the same definition of default as used for management purposes, on an internal credit risk level, which incorporates the EBA's recommendations in its "Final Report on Guidelines on Default Definition (EBA-GL-2016-07)" published on September 28, 2016.

Stage 2 classification is based on the observation of an SICR (significant increase in credit risk) since the time of initial recognition.

The quantitative metrics used to decide when an asset is transferred to stage 2 are based on a comparison of the deterioration of the forward-looking probability of lifetime default between the date of initial recognition and the reporting date.

Qualitative criteria for the transfer of a financial asset to stage 2, i.e. credit in arrears for more than 30 days (backstop), restructured credit owing to financial difficulties and objective credit risk criteria noted when monitoring customers were also considered.

Although based on historical and current information, measurements of expected losses should also incorporate reliable, reasonable, justifiable and forward-looking projections, which are available at no cost or without unduly excessive endeavours.

The amount of the expected credit loss to be recognised therefore considers a forward-looking component based on the weighting of 3 different macroeconomic loss estimation scenarios (central, pessimistic and optimistic). The scenarios to be considered are defined on the basis of a methodological approach comprising the projection of macroeconomic variables in which the probabilities of the occurrence of each of the scenarios are defined internally.

Evidence of impairment is measured on significant individual exposures or collectively for exposures which are not individually significant. If considered that there is no objective evidence of impairment for a certain exposure, whether or not significant, it is measured collectively.

2.9. Non-current assets held-for-sale and assets and liabilities disposal groups

IFRS 5 – "Non-current assets held-for-sale and discontinued operations" applies to individual as well as groups of assets for disposal, either by sale or another aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "assets and liabilities disposal groups").

Non-current assets or groups of assets and liabilities for disposal are classified as held-for-sale whenever their book value is expected to be recovered on sale and not continued use. The following requirements must be met for an asset (or group of assets and liabilities) to be classified in this account:

- There must be a strong probability of sale;
- The asset must be available for immediate sale in its present state; and
- The sale is expected to take place within a year from the asset's classification in this account.

Assets recognised in this account are not depreciated and their value is measured at their acquisition cost or fair value, whichever the lesser amount, net of the costs incurred on the sale. The assets' fair value is measured by appraisers.

Impairment losses are recognised in "Impairment of other assets, net of reversals and recoveries", if the assets' book value exceeds their fair value, net of sales costs.

Property and other assets which have been auctioned for overdue credit recovery purposes are also recognised in this account either (i) at their bid price (ii) at their balance sheet carrying amount, net of impairment on the recovered loans which are directly associated to them, whichever the lesser amount.

The group periodically analyses the recoverable value of repossessed property on overdue credit or other property reclassified as non-current assets held-for-sale based on a specially developed impairment model.

Impairment model

The impairment model on non-current property held-for-sale is split up between individually and collectively analysed properties.

Impairment is measured separately for all property with a gross book value (before impairment) of €3 million or more and properties with a gross book value of less than €3 million, when justified by their specific characteristics.

Individual impairment is measured on the basis of an individual analysis of each property in accordance with the commercial disinvestment strategy for the property and includes all information available on demand, supply and other specific risks such as licences, investment needs, occupancy status and rental or other agreements which could affect the property's value.

Impairment on other property is measured on the basis of a collective model, namely:

- The collective model for calculating impairment on property assets is based on an assessment of the recoverable value of each property and comprises the acquisition cost upon which an adjustment factor is applied and discounted over an average estimated length of time for the sale, with both parameters being measured on the basis of the type of property and the length of time it has been registered in the portfolio. Impairment is calculated on the difference between the acquisition cost and the recoverable amount
- This collective impairment model applies to all property not included in an individual analysis, except for properties with promissory contracts or when an immediate sale process is in progress, in which the recoverable amount is the amount negotiated for its sale. Promissory sale contracts and properties with an immediate sale process in progress, not in excess of 30 days, are considered valid for this purpose. If this period is exceeded, impairment is calculated on the basis of the collective parameters model.

A reversal of impairment losses in past periods is always recognised when the property is sold or when there is evidence to the effect that the previously recognised impairment losses no longer exist or have decreased. An impairment loss on an asset which has been recognised in past periods should be reversed in the event of an alteration to the estimates used to measure the asset's recoverable amount since the time of recognition of the last impairment loss.

Auctioned assets are written-off. The amount of the respective proceeds is measured by the difference, on the said date, between the realisation price and its respective book value, adjusted for impairment.

2.10. Investment properties

Investment properties are properties held by the group with the objective of receiving income from rentals and/or appreciation.

Investment properties are not depreciated and are recognised at fair value, measured on the basis of appraisers' valuations.

Investment properties acquired on loan recovery operations are also included in the analysis of the individual and collective impairment measurement model applied to property classified as non-current assets held-for-sale (note 2.9), whose fair balance sheet carrying amount is defined by reference to an assessment of its respective recoverable value.

Fair value variations are recognised in "Other operating income" in profit and loss.

2.11. Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued under applicable legal dispositions and net of their accumulated depreciation and impairment losses. The costs of repairs, maintenance and other costs associated with their use, not incorporated in the asset, are recognised as a cost for the period in "Other administrative costs".

Up to January 1, 2004, Caixa and several of its subsidiaries had revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1 − "First-time adoption of international financial reporting standards", their book value, in the transition to IFRS, including the effect of the referred to revaluations, was deemed to be a cost, as the proceeds therefrom, at the time of the revaluation, generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect alterations to price indices. In the case of entities headquartered in Portugal, 40% of the increase in depreciation on these revaluations is not tax deductible and the corresponding deferred tax liabilities have been recognised.

Depreciation is recognised on a straight line basis across the assets' estimated useful lives, comprising the periods in which they are expected to be available for use, as follows:

	Useful life (years)
Property for own use	50 - 100
Equipment:	
Furniture and material	8
Machines and tools	5 - 8
Computer equipment	3 - 8
Interior fittings	3 - 10
Transport material	4 - 6
Security equipment	4 - 10

Land is not depreciated.

The cost of development and improvements to group property under operating leases is capitalised in this account and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests to identify signs of impairment on other tangible assets are periodically performed. An impairment loss is recognised in “Impairment of other assets net of reversals and recoveries” in profit and loss whenever the net book value of tangible assets is higher than their recoverable value (value-in-use or fair value whichever the higher). Impairment losses may be reversed and also have an impact on profit and loss in the event of a subsequent increase in an asset’s recoverable value.

The group assesses the adequacy of the estimated useful lives of tangible assets on an annual basis

2.12. Leases

IFRS 16 – “Leases”. This standard defines the principles governing the recognition, measurement, presentation and disclosure of lease agreements, with the objective of ensuring pertinent information and providing an accurate description of such transactions.

IFRS 16 made significant alterations to the form of the accounting of lease agreements from the viewpoint of the lessee whose balance sheet should recognise an asset based on right-of-use and a liability for the liabilities inherent to the referred to agreements, unless this involves a period of less than twelve months or when the underlying asset has a residual value.

Lessee

The standard defines a unique accounting procedure for lease agreements, arising from the recognition of a right-to-use asset and a lease liability for all lease agreements other than agreements with a maturity of less than 12 months or leases on low value assets in which the lessee may opt for exemption from the recognition provided for in IFRS 16, in which case it should recognise the lease payments for these agreements as costs.

Lessor

Leases continue to be classified as financial or operating leases with no significant alterations *vis-à-vis* the previous dispositions. Assets under financial leases are recognised in the balance sheet as “Loans and advances to customers” and reimbursed by the repayment of principal set out in the agreements’ financial schedules. Interest included in the instalments is recognised as “Interest and similar income”.

2.13. Intangible assets

This account essentially comprises the costs of acquiring, developing or preparing software for use on the group’s activities. When the requirements of IAS 38 – “Intangible assets” are met, the direct internal costs incurred on software development are capitalised as intangible assets. These costs essentially comprise employee costs.

Intangible assets are recognised at their acquisition cost, net of accumulated depreciation and impairment losses.

Depreciation is recognised on a straight line basis across the assets’ estimated useful lives, which is normally between 3 and 6 years.

Software maintenance costs are recognised as a cost for the period in which they are incurred.

2.14. Income taxes

Current tax

CGD pays tax under the fiscal regime set out in the IRC (corporate income tax) code and, since 2012, has been taxed under the special tax regime for corporate groups of articles 69 *et seq.* of the code. The group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, comprises all companies with headquarters and effective management in Portugal, whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has either a direct or indirect stake of at least 75%, for a period of more than a year and when the equity stake entitles it to more than 50% of the voting rights. The group's taxable profit is calculated on the algebraic sum of the separate taxable profit and losses made by each of the companies in the perimeter.

Branch accounts are included in the respective headquarters' accounts under the principle of the taxation of global profit of article 4 of the IRC code. In addition to being subject to IRC, in Portugal, the profit made by branches may also be subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the group's IRC tax bill as a tax credit under double taxation agreements under article 91 of the respective code.

Current tax is calculated on taxable profit for the period which differs from accounting income owing to costs or income adjustments which are not relevant for fiscal purposes or only considered in other accounting periods.

Adjustments to accounting income

- *Income earned by non-resident subsidiaries with a more favourable tax regime*

  Under article 66 of the IRC code, profit made by non-resident companies with a clearly more favourable tax regime is included in Caixa's accounts, in proportion to its equity stake and independently of its appropriation, provided that Caixa has a direct or indirect equity stake of at least 25% or at least 10% if more than 50% of the non-resident company is either directly or indirectly owned by resident shareholders.

  An entity is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in ministerial order 150/2004 of February 13, or (ii) when it is not subject to income taxes which are identical or similar to IRC, or (iii) when the applicable rate of income tax payable on its activity is equal to or less than 60% of the IRC rate payable if the company were resident in Portugal.

  In these cases, the profit is included in Caixa's taxable income for the period in which the end of the non-resident company's tax period is included as a proportion of its net profit to Caixa's capital holding. The amount of the profit included is deductible from the taxable profit for the period in which the referred to profits are distributed to Caixa, Caixa does not recognise any deferred taxes in respect of this situation.

- *Impaired credit*

  Law 98/2019 was published on September 4, 2019. It alters the IRC code on impairment in credit institutions and other financial institutions and creates rules applicable to impairment losses still not accepted as a tax cost, recognised in taxation periods starting January 1, 2019. Under this new regime, impairment losses on credit risk on individually analysed exposures or analysed on a collective basis and in taxation periods starting on or after January 1, 2019, recognised under the terms of applicable accounting and regulatory standards (with the exceptions provided for in no. 7 of article 28-C of the IRC code) are now fully deductible. The rules in force for impairment losses and other value adjustments for specific credit risk, accounted for in past tax periods up to December 31, 2018 continue to apply, i.e. limiting tax deduction to the amounts calculated under the dispositions of Bank of Portugal *notice* 3/95 (subsequently revoked) provided that the credits were not covered by real rights over immovable assets.

  According to the dispositions of article 4 of the new law, Caixa and the other significant entities included in the national fiscal perimeter formalised their intention to subscribe for the new regime for the tax periods starting January 1, 2019 based on a communication sent to the director general of the tax and customs authority on October 31, 2019.

  Credit write-offs

  At June 30, 2020 and December 31, 2019, Caixa continued to recognise deferred tax assets for non-tax deductible impairment already recorded for credit operations, based on the expectation of their becoming taxable in the taxation periods in which the conditions required for their deduction have been met, both in terms of timing (within 24 months) and compliance with the limits set out in the legislation in force at the above dates or in the event of the occurrence of any of the conditions of article 41 of the corporate tax code (bad debts).

- *Impaired financial investments*

  Under the dispositions of no. 2 of article 28-A of the corporate tax code, impairment losses on securities and other investments recognised in accordance with the accounting standards applicable to entities supervised by the Bank of Portugal are considered to be tax deductible.

  Alterations were made to no. 6 of article 51-C of the corporate tax code with the publication of law 42/2016, based on an addendum ruling that, for 2017 and following periods, impairment losses and other value adjustments on equity investments or other own equity instruments, included in taxable income, are considered to be positive components of taxable profit for the taxation period in which the respective sale has taken place. As a result, Caixa began to recognise deferred tax liabilities on impaired financial investments as a deductible tax cost at the time of the constitution thereof when there was an intention of sale or liquidation (or when in progress). These liabilities amounted to €40,146 thousand and €39,659 thousand, at June 30, 2020 and December 31, 2019, respectively.

  The amount of unrecognised deferred tax liabilities on impaired, tax deductible financial investments, based on the unlikely change in the board of directors' strategy on the holding of these investments, i.e. no prospects of sale or liquidation in the foreseeable future, amounted to €68,890 thousand and €68,586 thousand at June 30, 2020 and December 31, 2019, respectively.

Employee costs

  CGD has considered its payment of employee costs which have been processed and recognised in the accounts, including, costs associated with pensions and other post-employment benefits, to be tax deductible, up to the limit of the contributions effectively paid into the pension fund. This procedure is in line with the position of the secretary of state for fiscal affairs of January 19, 2006, according to which, the amounts recognised in costs under the terms of the applicable accounting regulations, limited by the amount of the contribution effectively paid into the pension fund in the same or past periods, under article 43 of the IRC code, are tax deductible.

  Also, as a result of the alteration to the accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits, as of December 31, 2011, the full amount of the deferred net liabilities balance recognised in Caixa's balance sheet at that date was recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities met the requirements of article 183 of law 64-B/2011 of December 30, the negative equity variations that originated in 2011, which were not considered for tax purposes in the period, will be recognised as a deduction from taxable profit, in equal parts, in the ten years starting on or after January 1, 2012.

  Caixa did not recognise deferred tax on actuarial or financial profit and loss on its pension plan for its active employees at June 30, 2020 and December 31, 2019.

- *Settlement result*

  Under article 92 of the IRC code, taxable income, net of deductions for international double taxation and fiscal benefits, may not be less than 90% of the amount that would have been assessed if the taxpayer (i) did not enjoy fiscal benefits and (ii) did not make supplementary contributions to pension funds and the like to cover retirement pension liabilities as a result of the implementation of the international accounting standards.

  This limitation does not apply to the fiscal benefits listed in no. 2 of the same article.

  CGD did not make any adjustments to the assessment of its taxable income for first half 2020 or 2019 as a result of the application of this article.

Deferred tax

Total income tax recognised in profit and loss includes current and deferred tax.

Deferred tax comprises the impact on tax recoverable/payable in future periods of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit.

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent of the probability of the existence of sufficient future taxable profit to enable the corresponding deductible tax differences or carry-back of tax losses to be used. Neither are deferred tax assets recognised in cases in which their recoverability is questionable on account of other situations, including different interpretations of current tax legislation.

Nor is deferred tax on temporary differences originating on the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit recognised.

The principal situations that result in temporary differences on a group level are provisions, impairment and employee benefits which are temporarily non-tax deductible.

Deferred taxes are calculated on the basis of the tax rates expected to be in force when the temporary differences reverse, applying approved or substantially approved rates, at the balance sheet date.

Income tax (current or deferred) is recognised in profit and loss for the period, unless the originating transactions have been recognised in other equity accounts. The corresponding tax, is also recognised as a charge to equity.

2.15. Provisions and contingent liabilities

A provision is created whenever a current (legal or constructive) obligation resulting from past events involves the probable future expenditure of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be paid to liquidate the liability at the date of the balance sheet.

When not probable, the future expenditure of resources is considered a contingent liability. Contingent liabilities are only required to be disclosed, unless the probability of their occurrence is remote.

Provisions for other risks are for:

- Liabilities for guarantees provided and other off-balance sheet liabilities, based on a risk analysis of operations and respective customers; and
- Legal, fiscal and other contingencies resulting from the group's activity.

2.16. Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – "Employee benefits". Caixa's principal benefits include retirement and survivors' pensions, healthcare costs and other long term benefits.

<u>Pension and healthcare liabilities</u>

CGD group has several pension plans, including defined benefit and several defined contribution plans. Caixa is therefore liable for the payment of its employees' retirement, disability and survivors' pensions. Other group companies, including Banco Comercial do Atlântico and Banco Nacional Ultramarino (Macau) also have liabilities for defined benefit plans.

Healthcare for CGD headquarters' working and retired employees is also provided by Caixa Geral de Depósitos's social services which are funded by contributions from CGD headquarters and employees. Caixa also has liabilities for contributions to SAMS (healthcare services) for former BNU employees retiring prior to the July 23, 2001, merger between BNU and CGD.

The liability for defined benefit plans recognised in the balance sheet comprises the difference between the present value of liabilities and fair value of pension fund assets. Total liabilities are calculated by specialised actuaries, using the projected unit credit method and appropriate actuarial assumptions. The rate used for discounting of liabilities is based on the market yields of investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

Profit and loss on differences between the actuarial and financial premises used and the effective amounts regarding the evolution of liabilities and expected pension fund yield, as well as alterations to actuarial assumptions are recognised as a charge to “Other reserves”.

As the group does not usually assume any liability for defined contribution plans, other than its annual contributions, no additional costs are recognised.

Retirement pensions and healthcare costs for the period, including current servicing requirements and net interest costs, are aggregated and recognised in the appropriate “Employee costs” account.

The impact of employees’ early retirements, as defined in the actuarial study, is directly recognised in “Employee costs”. Caixa also recognises a specific liability for the impact of the change to inactive status of those employees with whom it has entered into redundancy agreements. This provision is recognised as a charge to “Employee costs” in profit and loss.

Liabilities for healthcare costs are recognised in "Provisions for the costs of employee benefits" (note 22).

Other long term benefits

The group also has other liabilities for long term benefits to its workers, including liabilities for early retirements, career bonuses (seniority bonus up to 2019) and grants for deaths occurring prior to standard retirement age. Death grants after the standard retirement age are the responsibility of the pension fund.

Liabilities for such benefits are also measured by actuarial assessments. All actuarial gain and loss is recognised as a charge to profit and loss for the period under IAS 19 – “Employee benefits” for the type of benefits identified.

Liabilities for the costs of career bonuses (seniority bonus up to 2019) and death grants are recognised in "Other liabilities" (note 24) and "Provisions for the costs of employee benefits" (note 22), respectively.

Short term benefits

Short term benefits, including employees’ productivity bonuses, are recognised on an accrual basis in “Employee costs” for the respective period.

Redundancy benefits

Redundancy benefits include the costs of redundancy agreements between Caixa and its employees. These costs are recognised in “Employee costs” in profit and loss.

2.17. Commissions

As referred to in note 2.8, commissions on credit operations and other financial instruments, i.e. commissions charged or paid on originating operations, are included in amortised cost and recognised over the course of the operation, in “Interest and similar income”.

Commissions for services provided are usually recognised as income across the period of the provision of the service or as a lump sum if resulting from single acts.

2.18. Issuance of equity instruments

The issuance of equity instruments is recognised at the fair value of the compensation received, net of the issuance’s direct costs.

Preference shares issued by the group are classified on the basis of the criteria defined in IAS 32 – “Financial instruments: disclosure and presentation”. Accordingly, in situations in which payments of dividends and/or redemptions are exclusively at the group’s discretion, the securities issued are considered to be equity instruments. Preference shares issued by subsidiaries fulfilling these requirements are recognised in “Non-controlling interests” in the consolidated balance sheet.

2.19. Securities and other items held under custody

Securities and other items held under custody, i.e. customers' securities, are recognised in off-balance sheet accounts, preferably at their fair or nominal value.

2.20. Cash and cash equivalents

For the preparation of its cash flow statements, the group considers “Cash and cash equivalents” to be the “Cash and cash equivalents at central banks” and “Cash balances at other credit institutions” total.

2.21. Hyperinflationary economies

During the course of 2017, resulting from an analysis of the evolution of the principal financial and behavioural indices of the economy of Angola, the group concluded that the conditions of IAS 29 – “Financial reporting in hyperinflationary economies” had been met in order to change the form of presentation of the financial statements of companies operating in this geography as provided for in the standard, namely its equity stake in Banco Caixa Geral – Angola, S.A. (Caixa Angola).

One of the most significant, albeit non-exclusive, factors in this determination, was the progression noted in the consumer price index between 2015 and first half 2019, as published by Angola’s national statistics institute and set out in the following table:

	30-06-2019	2018	2017	2016	2015
Consumer Price Index at year end	247.50	232.02	195.63	158.19	112.09
Change	6.67%	18.60%	23.67%	41.13%	12.09%

Although the standard does not define an absolute rate based upon which an economy is presumed to be hyperinflationary, the fact that the accumulated value across the last three years is close to or in excess of 100% is considered as possible evidence of this situation. The following indicators are also considered to be potential signs of a hyperinflationary economy:

(i) Reinvestment of the local currency in non-monetary assets or a relatively stable foreign currency;

(ii) When purchases and sales made on credit include compensation for the loss of purchasing power, even over relatively short periods;

(iii) When the evolution of interest rates, wages and prices is pegged to a price index; and

(iv) When goods and services are priced in a stable foreign currency.

As a result of this situation, the financial statements of Caixa Angola, included in Caixa group’s consolidated accounts, were prepared in accordance with the following specifications:

- Non-monetary assets and liabilities measured at historical cost, net of accumulated amortisation or impairment, when applicable, were re-expressed on the basis of the evolution of the general price index applied from the respective date of acquisition or origination, provided that this does not exceed their recoverable amount;

- Monetary assets and liabilities measured at current prices on the date upon which the financial statements were filed were not re-stated;

- Profit or loss on the net monetary position for the period deriving from the variation in purchasing power occurring between the start and the end of the reporting period was recognised in the “Income from financial operations” aggregate (note 31) in profit and loss;

- The different income or cost components of Caixa Angola’s profit and loss statement were re-expressed on the basis of the application of a general price index from the start of the month in which they were recognised, except for impairment costs on financial assets and the depreciation and amortisation of tangible and intangible assets; and

- On January 1, 2017, the date upon which this standard came into use, the diverse equity components of Caixa Angola, other than retained earnings from previous periods, were re-stated on the basis of the application of a general price index from their date of constitution or origination. All of the equity components were subsequently re-expressed on the basis of the application of a general price index from the start of the reference period of the financial statements or their date of constitution if later.

The same measurement criteria as for the above referred to non-monetary assets were applied to the goodwill in the group's consolidated financial statements and recognised on the date of the acquisition of control over this subsidiary.

The principal effects of the adoption of IAS 29 – "Financial reporting in hyperinflationary economies" on Caixa group's consolidated financial statements for first half 2019 are set out below:

	30-06-2019		
	Attributable to the shareholder of CGD	Non-controlling interests	Total
Consolidated net income for the period, of which:			
Restatement of Caixa Angola's net income	4,660	4,477	9,137
Net monetary loss (Note 30)	(4,884)	(4,692)	(9,576)
	(224)	(215)	(439)
Impact on equity	3,999	3,843	7,842
Total	3,776	3,628	7,403

The translation of Caixa Angola's re-stated financial statements for first half 2019 into the group's functional currency complied with the criteria of note 2.7.

IAS 29 was implemented up to first half 2019, as the date upon which its effects were crystallised. This alteration to the classification attributed to Angola's economy results from an inflation rate that was lower than 100%, for 3 consecutive years.

2.22. Critical accounting estimates and most significant judgments for the application of accounting policies

The application of the above accounting policies requires Caixa's executive committee and group companies to make estimates. The following estimates have the greatest impact on the group's consolidated financial statements, as set out below.

a) *Measurement of impairment losses on loans and advances to customers*

Impairment losses on loans measured at amortised cost are based on the methodology defined in note 2.8. d). This measurement includes the weighting of a series of factors reflecting knowledge of a customer's situation, treatment of historical data and the amount of guarantees associated with these operations and is highly subjective.

The group considers that the impairment measured by this methodology enables the risks on its credit portfolio to be appropriately recognised, in line with the rules defined in IFRS 9 – "Financial instruments".

b) *Measurement of impairment losses on debt instruments at fair value through other comprehensive income*

According to the measurement requirements on such assets, fair value variations are recognised as a charge to other comprehensive income. Whenever the results of the analysis (note 2.8. d)), show the existence of impairment, the amount of the estimated loss is re-classified from other comprehensive income to costs for the period.

This measurement is based on available market information and includes modelling assumptions and judgements, alterations to which could produce different results. The group, however, considers that impairment measured by the use of this methodology appropriately reflects the risk associated with such assets, taking into account the rules defined in IFRS 9 – Financial instruments"

c) *Measurement of financial instruments not traded in active markets*

Under IFRS 9 – "Financial Instruments", the group measures all financial instruments at fair value, except for those recognised at amortised cost. The measurement models and techniques described in note 2.9. are used to measure the value of financial instruments not traded on liquid markets. The measurements obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet. To ensure adequate separation between functions, the value of such financial instruments is measured by a body that is independent from the trading function.

d) *Measurement of non-current assets held-for-sale – investments in subsidiaries*

The measurement of investments in subsidiaries recognised in "Non-current assets held-for-sale" accounts is based on measurement methodologies mainly supported by external valuations, using different fair value measurement techniques, considering the board of directors' estimates for each entity, the market conditions in which they operate and certain assumptions or judgments. Alternative methodologies and the use of different assumptions and estimates may result in a different valuation level for these investments.

e) *Employee benefits*

As referred to in note 2.16, above, the group's liabilities for its employees' post-employment and other long term benefits are measured on an actuarial basis. The actuarial calculations include financial and actuarial assumptions on mortality, disability, wages and pension growth, returns on assets used to hedge these liabilities and discount rates. The assumptions reflect the group's and its actuaries' best estimates of the future performance of the respective variables.

f) *Income tax assessment*

Income tax (current and deferred) is assessed by group companies on the basis of the rules defined in the current tax legislation of the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recognised, in such cases, represent the best understanding of Caixa's and its group companies' responsible bodies, as to the correct classification of their operations, their interpretation may be questioned by the tax authorities.

The group's recognition of deferred tax assets, including the carry-back of tax losses, is based on the expectation of future taxable profit enabling them to be realised, assessed on the basis of more up-to-date projections of accounting income and considering the objective for the reduction of non-performing assets. The recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of the strategy by Caixa's board of directors, namely the capacity to generate the estimated taxable income and interpretation of fiscal legislation in force in the future (note 17).

g) *Property valuations*

Property valuations recognised in "Non-current assets held-for-sale" and "Investment properties" accounts consider a set of judgmental assumptions which are contingent upon each asset's specific characteristics and the group's commercialisation strategy. The assumptions concern future events that may not occur or, even if they occur, their actual results could be different. By way of example, there may be alterations on a level of property market expectations, significant macroeconomic variables or on a level of the intrinsic characteristics of the actual property and its physical surroundings.

h) Provisions and contingent liabilities

As referred to in note 2.16. above, provisions are recognised whenever a present (legal or constructive) obligation requires a probable future payment and when this may be reliably assessed.

Contingent liabilities are not recognised in the financial statements. Information thereon is disclosed if the possibility of payments being made is not classified as being remote.

The decision regarding the recognition of provisions and their respective measurement takes into account the board of directors' assessment of the risks and uncertainties associated with the processes in progress and expected confirmation of future cash flows, based on the best information available on the date upon which the financial statements are filed.

i) *Covid-19 pandemic*

As referred to in the introductory note, the year 2020 was marked by the devastating impacts of the Covid-19 pandemic on the world economy, as a severe respiratory illness caused by the acute respiratory syndrome coronavirus known as SARS-CoV-2.

In spite of the level of uncertainty over the extent and depth of this crisis, indicators for second quarter 2020 show an unparalleled fall of GDP in most countries and the scenario of a global recession is currently a certainty.

The worldwide response to this unprecedented situation from governments and central banks includes fiscal and monetary policy measures which are highly focused on stabilising the financial conditions of diverse economic actors to protect the business environment and minimise the risk of loss of household income.

In this context, the group's financial statements for the period ended June 30, 2020 reflect the board of directors' best evaluation of the pandemic's financial effects, including asset values and measurements of expected losses on the credit portfolio, which will be monitored and continuously reviewed across the period. The principal impacts of this situation on the credit risk measurement component are set out in greater detail in note 39 − "Covid-19 impacts and mitigation measures".

3. Group companies and transactions in period

The group's structure on a level of its principal subsidiaries, by sector of activity and individual financial data taken from their separate, statutory financial accounts, unless otherwise expressly indicated, is summarised below:

Activity / Entity	Location	30-06-2020			31-12-2019	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	121,195	8,162	136,662	30,051
Parbanca, SGPS, S.A.	Madeira	100.00%	103,883	8,729	112,353	30,054
Partang, SGPS, S.A.	Lisbon	100.00%	104,887	6,341	112,364	17,784
Banking						
Banco Comercial do Atlântico, S.A.	Praia	58.19%	63,076	6,428	55,903	8,839
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	256,338	16,675	283,474	57,804
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	52,784	(549)	72,547	1,669
Banco Interatlântico, S.A.R.L.	Praia	70.00%	23,794	1,932	21,845	4,329
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	805,950	28,819	838,205	70,222
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.77%	373,538	3,849	373,717	17,354
CGD Investimentos CVC, S.A.	São Paulo	100.00%	3,721	8	5,027	674
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	117,090	16,682	143,250	53,369
Specialised Credit						
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	Lisbon	100.00%	156,490	11,318	145,172	24,807
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	32,909	3,674	39,999	7,319
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	11,121	1,331	12,661	2,871
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	4,005	(69)	4,081	103
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.77%	14,421	856	16,849	3,648
Real Estate						
Imobci, Lda.	Maputo	46.31%	162	36	173	(227)
Caixa Imobiliário, S.A.	Lisbon	100.00%	22,522	(769)	23,291	9,499
Caixa Imobiliário, S.A.	Lisbon	100.00%	(75,226)	(287)	(78,340)	(1,760)

(a) Equity includes net income for the period.
(b) Data taken from consolidated financial statements.

Activity / Entity	Head office	30-06-2020			31-12-2019	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	90.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	62,465	5	24,646	2,026
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	110,593	(5,137)	115,730	6,514
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	82,283	(200)	82,483	(2,530)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	31.58%	61,481	(3,258)	65,957	862
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	36.93%	129,697	724	146,538	6,173
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	16.41%	72,090	(3,973)	80,665	8,684
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	50,104	(522)	50,627	(1,065)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	167,656	6,613	161,043	12,920

(a) Equity includes net income for the year.

Information on the principal changes in ownership of group subsidiaries for the period ended June 30, 2020 and in 2019 is given below:

<u>Banco Caixa Geral Brasil and CGD Investimentos, C.V.C., S.A.</u>

Under the current disposal process, it was decided to reduce the capital of BCG Brazil and CGD Investimentos to €71,689 thousand and €2,732 thousand, respectively (at the December 2019 exchange).

FCR Grupo CGD (CGD Group venture capital fund)

The fund's capital was reduced to €169,970 thousand in 2019 based on the extinguishing of 6,798 investment units. It now has a subscribed capital of €47,289 thousand made up of 907 fully subscribed for investment units. The fund was incorporated into FCR Empreender Mais – Caixa Capital on May 28, 2020.

Imocaixa

Imocaixa was merged with Caixa Imobiliário in December 2019 and all of its activity incorporated by it.

Fundger and Caixa Gestão de Ativos

Fundger-Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. was incorporated into Caixa Gestão de Ativos (formerly Caixagest), in December 2019 to which the full amount of its contribution was transferred.

BeiraFundo and Ibéria

The sale of the Ibéria and Beirafundo funds was completed in October 2019.

Caixa Fundos venture capital fund

The fund's capital was reduced to €84,357 thousand in September 2019 and now comprises 156,370 fully subscribed for investment units.

Cidades de Portugal – Fundo de Investimento Fechado de Arrendamento (closed rental fund)

The fund was liquidated on May 25, 2020.

Luxembourg branch

The Luxembourg branch was liquidated on April 30, 2020.

Spain branch

The Spain branch was liquidated on March 31, 2020.

4. Cash and cash equivalents at central banks

This account comprises the following:

	30-06-2020	31-12-2019
Cash	544,764	702,191
Demand deposits in central banks	7,426,670	6,601,976
	7,971,433	7,304,167
Interest on demand deposits in central banks	(778)	(361)
	7,970,655	7,303,807

The objective of Caixa's sight deposits with the Bank of Portugal is to comply with the minimum cash reserves requirements of the ECBS (European Central Banks System). Interest is paid on these deposits which comprise 1% of deposits and debt securities with maturities of up to two years, except for the deposits and debt securities of institutions subject to the ECBS's minimum cash reserve requirements.

The funds deposited at central banks by Caixa and group banks at June 30, 2020 and December 31, 2019, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. Cash balances at other credit institutions

This account comprises the following:

	30-06-2020	31-12-2019
Cheques for collection		
- Portugal	33,161	43,021
- Abroad	13,826	9,433
	46,987	52,454
Demand deposits		
- Portugal	141,240	158,261
- Abroad	316,660	300,911
	457,901	459,172
Accrued interest	736	1,854
	505,624	513,480

Cheques pending collection are cheques drawn by customers of other banks and sent for clearing. These amounts are collected in the first few days of the following period.

6. Loans and advances to credit institutions

This account comprises the following:

	30-06-2020	31-12-2019
Interbank money market	39,961	40,000
Term deposits		
- Portugal	128,232	180,247
- Abroad	1,335,209	1,191,081
Loans		
- Portugal	(9)	2,340
- Abroad	421,594	351,408
Other applications		
- Abroad	821,958	716,725
Purchase operations with resale agreement	200,404	225,783
Overdue loans and interest	26	27
	2,947,374	2,707,610
Accrued interest	1,233	1,393
Deferred income	(2,433)	(2,821)
	2,946,175	2,706,182
Impairment (Note 35)	(1,861)	(1,382)
	2,944,313	2,704,800

The "Purchase operations with resale agreements" account at June 30, 2020 and December 31, 2019, refers to contracts for the acquisition of financial instruments with resale agreements at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as loans to credit institutions, measured at their respective amortised cost. These operations were contracted for under GMRAs (global master repurchase agreements), whose mechanisms strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties, usually in the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, for the periods ended June 30, 2020 and December 31, 2019, is set out in note 35.

7. Financial assets at fair value through profit or loss

This account comprises the following:

	30-06-2020			31-12-2019		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
- Public issuers:						
. Public debt securities	30,014	-	30,014	13,249	-	13,249
. Treasury bills	2,876,994	-	2,876,994	2,037,187	-	2,037,187
. Bonds of other public issuers						
Foreign	2,613,931	-	2,613,931	3,489,630	-	3,489,630
- Other issuers:						
. Bonds and other securities:						
Residents	1,920	95	2,016	1,142	96	1,238
Non-residents	30,301	-	30,301	22,327	-	22,327
	5,553,161	95	5,553,256	5,563,536	96	5,563,632
Equity instruments						
Residents	1,411	212,858	214,269	5,606	211,571	217,176
Non-residents	890	117,980	118,870	8,305	121,441	129,745
	2,301	330,838	333,139	13,910	333,011	346,922
Other financial instruments						
Residents	-	506,939	506,939	-	470,657	470,657
Non-residents	-	438,804	438,804	-	462,632	462,632
	-	945,742	945,742	-	933,289	933,289
Loans and receivables						
Loans and advances to customers	-	105,841	105,841	-	110,718	110,718
Other loans and receivables	-	24,435	24,435	-	24,038	24,038
	-	130,276	130,276	-	134,756	134,756
Derivatives with positive fair value (Note 10)						
- Swaps	638,599	-	638,599	530,280	-	530,280
- Futures and other forward operations	7,658	-	7,658	7,661	-	7,661
- Options - shares, currency and commodit	19,479	-	19,479	24,181	-	24,181
- Caps and floors	355,990	-	355,990	293,937	-	293,937
	1,021,725	-	1,021,725	856,059	-	856,059
	6,577,187	1,406,951	7,984,139	6,433,506	1,401,152	7,834,658

The "Other financial instruments" account, at June 30, 2020 and December 31, 2019, includes €443,768 thousand and €469,805 thousand, respectively, in subscriptions for investments in vehicles created under financial assets lending operations (loans and advances to customers).

Following the transfer (to the company itself or companies held by the corporate vehicle in which CGD has a stake), these assets were derecognised from the balance sheet, as the respective IFRS 9 − “Financial instruments” requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control were considered to have been met.

The corporate vehicles in which CGD has a non-controlling interest continue to enjoy management autonomy. To ensure the neutrality of operations, at the time of their realisation, impairment on the estimated losses on the transferred assets was set against the equity investment in the respective associated corporate vehicles. Following their initial recognition, these positions reflect the revaluation of such companies' equity.

Information on CGD's exposure in such assets at June 30, 2020 and December 31, 2019, is as follows:

	30-06-2020	31-12-2019
Fundo Imobiliário Aquarius	91,021	103,400
Fundo Recuperação, FCR	59,999	70,161
Flit-Ptrel SICAV	205,941	205,398
OXI Capital, SCR	28,100	28,100
Predicapital FEIIF	11,555	11,555
Fundo Recuperação Turismo, FCR	26,652	30,692
Fundo Imobiliário Vega	16,169	16,169
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	4,330	4,330
	443,768	469,805

As the value of the asset transfer funds, at June 30, 2020 and December 31, 2019, considers Caixa's analysis of the recoverable value of each fund's equity, the amount recognised may be less than the respective NAV (net asset value) as calculated and disclosed by the management companies.

The balance sheet carrying amount of the property investment funds managed by group entities, and recognised in the financial assets at fair value through profit or loss portfolio at June 30, 2020 and December 31, 2019, was as follows:

	30-06-2020		31-12-2019	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	-	128,978	-	63,561

8. Financial assets at fair value through other comprehensive income

This account comprises the following:

	30-06-2020	31-12-2019
Debt instruments		
- Public debt	2,227,146	1,816,670
- Other public issuers	2,546,043	606,744
- Other issuers	1,070,614	1,021,664
	5,843,803	3,445,078
Equity instruments		
- Measured at fair value	78,530	75,686
	78,530	75,686
Other instruments	79,752	79,560
	6,002,084	3,600,323
Impairment (Note 35)		
- Debt instruments	(1,114)	(1,809)
	(1,114)	(1,809)
	6,000,971	3,598,515

Details on the group's exposure in the "Other instruments" account at June 30, 2020 and December 31, 2019, are as follows:

	30-06-2020		31-12-2019	
	Book value	Fair value reserve	Book value	Fair value reserve
Discovery Portugal Real Estate Fund	79,747	(4,369)	79,274	(4,079)

CGD opted to classify and measure the above referred to equity instrument at fair value through other comprehensive income in conformity with the option provided by IFRS 9 – "Financial instruments" (note 2.8).

The fair value reserves, net of deferred taxes associated with assets measured at fair value through other comprehensive income, amounted to €114,665 thousand and €169,042 thousand at June 30, 2020 and December 31, 2019, respectively (note 26).

9. Financial assets with repurchase agreements

Information on financial assets with repurchase agreements at June 30, 2020 and December 31, 2019, is set out below:

	30-06-2020	31-12-2019
At fair value through fair value reserves		
Debt instruments		
- From public issuers:		
. Foreign debt securities	16,819	10,737
	16,819	10,737

The group entered into financial assets sales operations with a purchase agreement at a future date and predefined price with financial institutions and customers across the six months ended June 30, 2020 and in 2019.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised from the balance sheet and their value continues to be measured in accordance with the accounting policies applicable to the underlying assets. The difference between their sales and repurchase prices is recognised as interest income and deferred over the period of the agreement.

Liabilities on the repurchase agreements are recognised as a liability in “Resources of other credit institutions – sales operations with repurchase agreements” (note 19) and “Customer resources and other loans – other resources – operations with repurchase agreements” (note 20).

10. Derivatives

The group's activity includes operations on derivatives to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

The group controls the risk of its derivatives activities on the basis of operations approval procedures, definition of exposure limits per product and customer and daily oversight of the respective results.

The value of these operations, at June 30, 2020 and December 31, 2019, was measured in conformity with the criteria described in note 2.8.c). Information on the operations' notional and book values at these dates:

	30-06-2020							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives: Assets	Hedging derivatives: Liabilities	Total
Forward foreign exchange transactions								
Fowards				940	(825)	-	-	115
Purchase	157,184	-	157,184					
Sale	157,075	-	157,075					
Swaps								
Currency swaps				4,842	(3,288)	-	-	1,554
Purchase	1,055,808	-	1,055,808					
Sale	1,053,190	-	1,053,190					
Equity swaps				458	-	-	-	458
Purchase	1,681	-	1,681					
Sale	1,681	-	1,681					
Interest rate swaps and cross currency interest rate swaps				633,300	(619,931)	7,435	(59,936)	(39,132)
Purchase	22,874,197	629,478	23,503,675					
Sale	22,820,441	633,017	23,453,457					
Futures								
Currency				-	-	-	-	-
Long positions	54,120	-	54,120					
Interest rate				-	-	-	-	-
Long positions	882	-	882					
Short positions	30,749	-	30,749					
Equity				6,717	-	-	-	6,717
Long positions	14,195	1,452,498	1,466,693					
Other				-	-	-	-	-
Long positions	215,095	-	215,095					
Short positions	298,550	-	298,550					
Options								
Currency				195	(171)	-	-	23
Purchase	23,401	-	23,401					
Sale	23,226	-	23,226					
Equity				19,284	(19,308)	-	-	(24)
Purchase	5,981	-	5,981					
Sale	6,058	-	6,058					
Interest rate (Caps & Floors)				355,990	(356,006)	-	-	(16)
Purchase	678,780	-	678,780					
Sale	620,569	-	620,569					
	50,092,864	2,714,993	52,807,857	1,021,725	(999,529)	7,435	(59,936)	(30,305)

	31-12-2019							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Fowards				1,004	(727)	-	-	277
Purchase	131,317	-	131,317					
Sale	131,019	-	131,019					
Swaps								
Currency swaps				2,269	(17,001)	-	-	(14,732)
Purchase	1,186,580	-	1,186,580					
Sale	1,198,754	-	1,198,754					
Equity swaps				140	(75)	-	-	65
Purchase	2,641	-	2,641					
Sale	2,641	-	2,641					
Interest rate swaps and cross currency interest rate swaps				527,822	(569,638)	7,186	(3,169)	(37,800)
Purchase	26,411,158	56,066	26,467,225					
Sale	26,356,671	61,633	26,418,304					
Futures								
Currency				-	-	-	-	-
Long positions	73,657	-	73,657					
Interest rate				-	-	-	-	-
Long positions	5,215	-	5,215					
Short positions	698,270	-	698,270					
Equity				6,656	-	-	-	6,656
Long positions	11,907	-	11,907					
Short positions	4,043	-	4,043					
Other				-	-	-	-	-
Long positions	201,444	-	201,444					
Short positions	361,158	-	361,158					
Options								
Currency				120	(71)	-	-	49
Purchase	4,200	-	4,200					
Sale	4,200	-	4,200					
Equity				24,110	(27,210)	-	-	(3,099)
Purchase	14,603	-	14,603					
Sale	11,609	-	11,609					
Interest rate (Caps & Floors)				293,937	(293,929)	-	-	8
Purchase	910,759	-	910,759					
Sale	844,142	-	844,142					
	58,565,989	117,699	58,683,689	856,059	(908,651)	7,186	(3,169)	(48,575)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2020 and December 31, 2019, include operations collateralised by surety accounts to hedge the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with other financial institutions at these dates are recognised in "Other liabilities - resources - surety account" (note 24) and "Other assets - debtors and other assets - other debtors" accounts (note 18), respectively.

Details on CVAs (credit value adjustments) and DVAs (debt value adjustments) are given in note 39.

11. Hedge accounting

Information on the breakdown of hedged and respective hedging elements at June 30, 2020, is given below:

	Hedging Instrument (Derivative)					
	30-06-2020		31-12-2019		30-06-2020	30-06-2019
	Book value (Note 10)	Notional value	Book value (Note 10)	Notional value	Results for the period (Note 31)	
Interest rate swaps	(52,501)	1,262,495	4,017	117,700	(12,556)	2,667
Interest rate	-	1,452,497	-	-	(34,141)	-
	(52,501)	**2,714,992**	**4,017**	**117,700**	**(46,697)**	**2,667**

	Covered element			
	Book value		Adjustment in the hedge accounting period (Note 31)	
	30-06-2020	31-12-2019	30-06-2020	30-06-2019
Financial assets at fair value through other comprehensive income	2,448,349	-	36,840	-
Bonds issued under the EMTN programme	54,228	57,964	(516)	(2,667)
	2,502,577	**57,964**	**36,324**	**(2,667)**

12. Investments at amortised cost

The following is a breakdown of investment balances at amortised cost at June 30, 2020 and December 31, 2019:

	30-06-2020	31-12-2019
Debt instruments		
Public debt	3,575,311	2,979,928
Other public issuers		
Other non-residents	6,147,666	5,731,434
	9,722,977	8,711,362
Other issuers		
Other non-residents	359,922	314,560
	359,922	314,560
	10,082,899	9,025,921
Impairment (Note 35)	(8,463)	(6,684)
	10,074,436	9,019,237

Investments at amortised cost, at June 30, 2020 and December 31, 2019, included Angola sovereign debt instruments of €226,919 thousand and €322,007 thousand, respectively.

The "Debt instruments – issued by national entities − public debt securities" account at June 30, 2020 and December 31, 2019, includes securities allocated to the issuance of covered bonds with a balance sheet carrying amount of €127,627 thousand and €126,410 thousand, respectively.

13. Loans and advances to customers

This account comprises the following:

	30-06-2020	31-12-2019
Domestic and foreign loans		
Loans	37,413,856	37,146,256
Current account loans	1,249,110	1,295,507
Other loans	2,771,954	2,782,807
Other loans and amounts receivable - securitised		
. Commercial Paper	1,749,449	1,848,736
. Other	3,162,497	2,716,192
Property leasing operations	771,963	783,333
Discounts and other loans secured by bills	172,102	228,758
Equipment leasing operations	726,078	720,945
Factoring	1,086,636	1,097,353
Overdrafts	215,619	214,642
	49,319,264	48,834,529
Accrued interest	121,174	112,251
Deferred income, commissions and other cost and income associated with amortised cost	(29,536)	(41,514)
	49,410,902	48,905,267
Overdue loans and interest	1,128,638	1,217,093
	50,539,541	50,122,360
Impairment (Note 35)	(2,225,020)	(2,148,816)
	48,314,521	47,973,544

"Domestic and foreign credit – other loans", at June 30, 2020 and December 31, 2019, include €38,187 thousand and €41,882 thousand, relating to CGD's mortgage and personal loans to its employees, respectively.

Other credit disposal operations

Caixa disposed of a series of mortgage and non-mortgage loans (mainly non-performing), for a balance sheet carrying amount before impairment on the transaction date of approximately €9,996 thousand and €623,265 thousand, during the course of first half 2020 and in 2019 respectively. The losses made on these loans were recognised in "Impaired credit net of reversals and recoveries" in profit and loss.

Other loans to customers in the "corporates" portfolio (excluding transfers of assets lending operations to funds), with a balance sheet carrying amount, on the transactions' reference date, before impairment of approximately €263,928 thousand were disposed of in the year ended 2019. There were no disposals in first half 2020.

The “Loans” account, at June 30, 2020 and December 31, 2019, includes mortgage loans issued by Caixa as part of securitisation operations. Loan movements in first half 2020 and in 2019 were as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2018	3,368,894
Sale of new loans	-
Repayments	(281,709)
Repurchase	(2,844)
Other	(9,215)
Balances at 31-12-2019	3,075,126
Sale of new loans	
Repayments	(116,251)
Repurchase	(1,752)
Other	(975)
Balances at 30-06-2020	2,956,147

The group is fully responsible for the liabilities associated with this operation which are therefore eliminated in its preparation of the consolidated financial statements.

The “Loans” account, at June 30, 2020 and December 31, 2019, includes mortgage loans with a book value of €6,730,955 thousand and €7,123,691 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising these issuances, at June 30, 2020 and December 31, 2019, also included debt securities with a book value of €127,627 thousand and €126,410 thousand, respectively (note 12) at the said dates.

Information on impairment movements in first half 2020 and in 2019, is given in note 35.

14. Non-current assets and liabilities held-for-sale

Information on non-current assets and liabilities held-for-sale balances at June 30, 2020 and December 31, 2019, is set out below:

ASSETS	30-06-2020	31-12-2019
Property and equipment	518,908	562,572
Subsidiaries		
Banco Caixa Geral Brasil, S.A.	191,165	312,367
Banco Comercial do Atlântico, S.A.	788,035	787,110
CGD Investimentos CVC, S.A.	4,871	6,768
Other non-current assets held for sale	3,402	-
	1,506,381	1,668,817
Impairment (Note 35)		
Property and equipment	(255,095)	(263,795)
Subsidiaries	(52,983)	(71,475)
Subsidiaries	(77)	(77)
	(308,155)	(335,346)
	1,198,226	1,333,471
LIABILITIES		
Subsidiaries		
Banco Comercial Atlântico	728,826	734,123
Banco Caixa Geral Brasil, S.A.	142,103	244,847
CGD Investimentos CVC, S.A.	1,150	1,741
	872,079	980,711

Income from held-for-sale business units, in first half 2020 and 2019, is itemised as "Income from subsidiaries held-for-sale" in the consolidated profit and loss statement, as set out below:

	30-06-2020	30-06-2019
Results of subsidiaries held-for-sale		
Banco Caixa Geral, S.A. (Espanha)	-	5,949
Mercantile Bank Holdings, Ltd.	-	7,847
Banco Comercial do Atlântico, S.A.	7,253	10,832
Banco Caixa Geral Brasil, S.A.	(558)	31
CGD Investimentos CVC, S.A.	8	567
	6,703	25,226

These entities are classified in the “Other” line of the business segment (note 36).

Subsidiaries

In the framework of CGD's recapitalisation commitments, between the Portuguese state, as the sole shareholder of Caixa Geral de Depósitos and the competent European authorities (see introductory note), Caixa initiated a series of actions in 2016 and 2017, leading to the disposal of the group's equity stake in Mercantile Bank Holdings, Ltd., Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral − Brasil, S.A. and CGD Investimentos CVC, S.A., namely as regards aspects leading to the identification of and contact with potential investors, assessment of the relevant legal aspects pertaining to the operation and the communication of its intentions for the relevant supervisors.

The disposal of these companies is significant to Caixa's objectives in implementing its strategic plan. The rationalisation of the group's international structure will enable it to focus on intervention in the national marketplace, making an active contribution to its development while continuing to provide services to its customers and Portuguese communities in the said geographies.

Decree law 153/2017 of December 22 was published for the purpose of ensuring the adaptation of domestic legislation to the particularities of the disposal process on these equity stakes. This decree law regulated the terms and modalities governing these transactions as well as the instruments to be used for their implementation.

Accordingly and in conformity with the dispositions of IFRS 5 – "Non-current assets held-for-sale and discontinued operations", the assets and liabilities of these business units' at December 31, 2017 were aggregated and recognised in "Non-current assets and liabilities held-for-sale – subsidiaries" accounts. Information on the income from these equity stakes is also set out in a single line of the profit and loss statement, whose comparative periods were re-expressed for comparability. The group does not eliminate the balances with the other companies in the consolidation perimeter in the consolidation process of the entities classified under this standard.

The equity stakes in BCG Spain and Mercantile were disposed of at the end of 2019.

As regards the disposal process on BCG Brazil, the period of political instability affecting the country in 2018 was responsible for various delays to the completion of several initiatives which had initially been scheduled and which could only be developed during the course of 2019.

A council of ministers' communication of August 1, 2019, approved the tender documents for the direct sale of the equity shares of Banco Caixa Geral – Brasil, S.A., directly and indirectly owned by Caixa Geral de Depósitos.

On September 4, the Portuguese government selected three investors for Stage II, which was initiated on September 25 (following the publication of the ministerial order announcing the periods for Stage II) on September 24 and in which the bidders were able to undertake a comprehensive due diligence exercise on BCG Brazil and interact with CGD on strategic matters, in addition to key aspects underpinning the transaction documents.

Although binding offers were received on December 16, 2019, none of the bids received was considered acceptable by CGD and the process was brought to an unsuccessful conclusion. In spite of the current difficulties, as CGD's board of directors remains committed to the disposal of the equity stake in BCG Brazil by end 2020 a new sales process will, in due course, be launched.

In January 2019, Caixa Geral de Depósitos, S.A. undertook to dispose of its equity stake in Banco Comercial do Atlântico in the Republic of Cape Verde, having embarked upon the development process for the respective legal processes and procedures.

Pursuant to the disposal process in progress, a decision was made to reduce the capital of BCG Brazil and CGD Investimentos, to €71,689 thousand and €2,732 thousand, respectively (at the exchange rate in force in December 2019).

The equity investments in BCG Spain and Mercantile were sold at the end of 2019.

Impairment on the subsidiaries BCG Brazil and BCA, recognised as being held-for-sale amounted to €71,475 thousand at December 31, 2019.

Impairment on BCA and BCG Brazil amounted to €52,983 thousand at June 30, 2020 and December 31, 2018, with the objective of adjusting the equity value of these units' assets and liabilities to their respective estimated fair value, net of disposal costs (note 35) at that date.

Banco Caixa Geral – Brasil, S.A.

Information on the key financial data of Banco Caixa Geral – Brasil, at June 30, 2020 and December 31, 2019, is set out below:

ASSETS	30-06-2020	31-12-2019
Cash balances and loans and receivables at other credit in	3,413	150,282
Financial assets at fair value through profit or loss	54,231	60,703
Financial assets at fair value through other comprehensive	65,333	1,913
Financial assets with repurchase agreement	2,156	10,856
Non-current assets held-for-sale	8,754	11,848
Other tangible assets	286	444
Intangible assets	5	14
Investments in associates and subsidiaries excluded from	8,914	12,065
Current tax assets	340	346
Deferred tax assets	13,440	15,677
Loans and advances to customers	39,473	58,389
Other assets	3,734	1,894
TOTAL ASSETS	200,079	324,431
LIABILITIES AND EQUITY		
Resources of other credit institutions	30,515	73,992
Customer resources	87,421	148,770
Financial liabilities at fair value through profit or loss	17,298	11,724
Provisions for guarantees and other commitements	354	466
Provisions for other risks	1,345	1,603
Current tax liabilities	1,462	2,920
Deferred tax liabilities	2,474	3,423
Other liabilities	1,234	1,949
TOTAL LIABILITIES	142,103	244,847
TOTAL EQUITY, of which:	57,976	79,584
Revaluation reserves	(648)	(1,069)
	200,079	324,431

Note: On June 30, 2020 and December 31, 2019, the individual balance sheet of Banco Caixa Geral Brasil, incorporates the interest it holds in CGD Investimentos, CVC,
in the amount of 8,914 tEuros and 12,065 tEuros.

	30-06-2020	30-06-2019
Other income and expenses		
Interest and similar income	6,141	11,321
Interest and similar expenses	(2,770)	(7,336)
Income from services rendered and commissions	349	540
Cost of services and commissions	(23)	(52)
Income from equity instruments (*)	-	384
Results from financial operations	4,174	725
Employee costs	(2,294)	(2,837)
Other administrative costs	(1,605)	(2,104)
Depreciation and amortisation	(60)	(78)
Provisions and impairments, net of reversals and recoveries	(4,698)	97
Other	(413)	(200)
	(1,198)	458
Income tax	640	(43)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	(558)	415
Non-controlling interests	-	-
NET INCOME	(558)	415

(*) - On June 30, 2019, the caption “Income from equity instruments” incorporates the amount of 384 tEuros of dividends distributed bv CGD Investimentos. CVC. 50% held bv Banco Caixa Brasil.

The balances set out in the preceding tables include operations with other group entities which were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2020	31-12-2019
Assets	437	223
Liabilities	3,885	76,533

	30-06-2020	30-06-2019
Other income	77	92
Other expenses	146	1,700

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at June 30, 2020 and December 31, 2019, is set out below:

ASSETS	30-06-2020	31-12-2019
Cash balances and loans and receivables at other credit institutions	4,551	6,253
Current tax assets	156	280
Other assets	165	234
TOTAL ASSETS	4,871	6,768
LIABILITIES AND EQUITY		
Provisions for other risks	87	116
Current tax liabilities	4	190
Deferred tax liabilities	735	995
Other liabilities	324	439
TOTAL LIABILITIES	1,150	1,741
TOTAL EQUITY, of which:	3,721	5,027
	4,871	6,768

	30-06-2020	30-06-2019
Other income and expenses		
Interest and similar income	88	844
Results from financial operations	-	(2)
Employee costs	-	(29)
Other administrative costs	(59)	(120)
Provisions and impairments, net of reversals and recoveries	(5)	(12)
Other	(12)	(75)
	12	606
Income tax	(4)	(39)
NET INCOME	8	567

The balances set out in the preceding tables include operations with other group entities which were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2020	31-12-2019
Assets	2,601	3,642
Liabilities	-	-

	30-06-2020	30-06-2019
Other income	51	518
Other expenses	-	-

Banco Comercial Atlântico, S.A. (Cape Verde)

Information on the key financial data of Banco Comercial do Atlântico, S.A. at June 30, 2020 and December 31, 2019, is set out below.

ASSETS	30-06-2020	31-12-2019
Cash balances and loans and receivables at other credit institutions	281,533	271,413
Financial assets at fair value through other comprehensive income	515	510
Non-current assets held-for-sale	13,534	13,432
Investment property	13	13
Other tangible assets	16,421	16,479
Intangible assets	469	557
Investments in associates and subsidiaries excluded from consolidation	5,606	5,465
Current tax assets	363	363
Deferred tax assets	2,469	1,637
Loans and advances to customers	448,779	458,044
Other assets	18,690	19,552
TOTAL ASSETS	788,390	787,465
LIABILITIES AND EQUITY		
Resources of other credit institutions	759	621
Customer resources	710,965	718,789
Provisions for employee benefits	2,338	2,381
Provisions for guarantees and other commitements	177	243
Provisions for other risks	623	117
Current tax liabilities	6,634	5,503
Deferred tax liabilities	1,715	1,735
Other liabilities	5,615	4,734
TOTAL LIABILITIES	728,826	734,123
TOTAL EQUITY, of which:	59,564	53,342
Revaluation reserves	259	274
	788,390	787,465

Note: The individual balance sheet of Banco Comercial Atlântico, S.A., incorporates the interest it holds over A Promotora, Sociedade de Venture Capital, S.A.R.L., in the amount of 355 tEuros (net impairment).

	30-06-2020	30-06-2019
Other income and expenses		
Interest and similar income	15,624	15,900
Interest and similar expenses	(2,963)	(3,874)
Income from services rendered and commissions	1,827	2,171
Cost of services and commissions	(276)	(310)
Income from equity instruments	232	213
Results from financial operations	601	987
Employee costs	(4,475)	(4,788)
Other administrative costs	(2,550)	(2,597)
Depreciation and amortisation	(939)	(797)
Provisions and impairments, net of reversals and recoveries	312	6,773
Other	48	196
	7,441	13,873
Income tax	(329)	(3,036)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	7,112	10,838
Non-controlling interests	141	(6)
NET INCOME	7,253	10,832

The balances set out in the preceding tables include operations with other group entities which were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2020	31-12-2019
Assets	7,852	19,787
Liabilities	342	311

	30-06-2020	30-06-2019
Other income	40	189
Other expenses	20	21

Foreign currency reserves

As referred to in note 2.7., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss on the exchange rates previously recognised in "Other reserves" will be transferred to profit and loss for the period as they constitute an integral part of the profit or loss made on the transaction. For this purpose and the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates”, operations classified as a reimbursement of the amount invested with reductions to share capital also considered to be reductions of an interest in subsidiaries. In such cases the amount of foreign currency reserves to be reclassified to profit and loss is measured by the proportion of the amount of the reimbursement to the total amount of the investment made.

Accumulated profit and loss on foreign exchange operations, at June 30, 2020, recognised as a charge to "Other reserves" in respect of the consolidation of units classified as non-current assets and liabilities held-for-sale, comprises losses of approximately €77,142 thousand (€58,014 thousand at December 31, 2019).

15. Investment properties

Investment properties owned by the group, at June 30, 2020 and December 31, 2019, are recognised at fair value. Profit and loss on the revaluation of these properties is recognised as a charge to “Other operating income” (note 2.11) in profit and loss.

The "Investment properties" account at June 30, 2020 and December 31, 2019, included €155,031 thousand and €152,839 thousand in property owned by the Fundiestamo fund. Revaluations of the properties included in this fund in first half 2020 amounted to a negative €2,190 thousand.

The other properties recognised in this account essentially derive from overdue credit recoveries.

Measurement methodologies and fair value assessment

The measurement of the fair value of investment properties, in addition to other relevant factors, takes into consideration the nature, characteristics and location of the properties, with the objective of assessing the best price to be achieved on their disposal under normal market conditions. Fair value is assessed by appraisers who should employ at least two of the following methods:

- Market comparison method. The market comparison method estimates the transaction price of a specific asset based on prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally employs statistical methods after the various items of market data obtained have been harmonised. This is the principal method used whenever there is a significant number of known transactions.

- Income method. The income method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income from the activity being performed in the building. When, over time, alterations to income are likely to be more significant than generally expected in the market, DCF (discounted cash flows) techniques are used. The income method is applied in the case of the effective rental of a property, when the property is for rent, when the rental market for the type of property being valued is active or when the property is to be exploited economically.

- Cost method. The cost method estimates the value of property on the basis of the current amount needed to obtain alternative property, as a replica of the original or with an equivalent use, adjusted for obsolescence. It is calculated on the basis of the sum of the acquisition cost of the land and construction and other costs, depreciation based on a property’s present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This is the principal method used when no market information is available on transactions of similar property and no potential income associated with it is identifiable.

- Residual worth method. The residual worth method estimates the residual worth of the land, constructions to be rehabilitated or unfinished properties, following the deduction of all costs and margins associated with the unfinished construction from the presumed sales price of the finished property, obtained by the use of the market method.

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in each case, should particularly be based on those which maximise the use of relevant observable variables.

The most significant variables considered for each of the above referred to valuation methods are as follows:

(i) Market comparison method.

  - This is the presumed sales price per sqm or presumed sales price per unit (when what is significant is not the area but rather the use given to the property e.g. car parks). In liquid markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method.

– *Capitalisation technique*

- This is the amount of the monthly rent per sqm or monthly rent per unit (when what is relevant is not the area but rather the use given to the property, e.g. car parks). In active rental markets, these variables are provided by directly or indirectly observable market data, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

- Variables contributing towards the assessment of operating income from the property. These variables may differ in line with the type of property and are generally assessed on the basis of the property's potential income generating capacity, taking into account the information available on the assumptions of market actors. The data supplied by the entity operating the property may be used in the absence of any reasonably available information indicating that market actors would not employ different assumptions.

- Capitalisation rate. This is associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate and expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market for a certain location and a specific property product segment, with an identical risk and identical evolution of rents.

– *Discounted cash flow technique*

- Diverse variables may contribute to the cash flow projection based on the type of property. This technique is reliant on current expectations of variations in the amounts and timing of future cash flows. The inclusion of a risk adjustment factor based on the uncertainty of this type of measurement is usually required.

- Discount rate. This is considered to be the value of money over time, associated with a risk-free interest rate and the price to be paid on the uncertainty involved in cash flows (risk premium).

(iii) Cost method.

- Construction cost per sqm. This variable is essentially reliant upon a property's construction characteristics although the place of construction is also a contributory factor. It is based on directly or indirectly observable construction market data.

Investment properties acquired on credit recovery operations are also included in the analysis of the individual and collective impairment valuation model on property recognised as non-current assets held-for-sale, whose principal characteristics are described in note 2.11. The respective fair value, in these cases, is measured by reference to the assessment of the respective recoverable amount.

To meet the requirements of IFRS 13 − "Fair value measurement", the following table provides information on the investment properties in the group's portfolio, at June 30, 2020 and December 31, 2019, by type, development status in terms of preparation for use and current occupancy, considering the methodologies employed to measure fair value:

Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
			30-06-2020			
Offices	Concluded	Rented	149,079	Market comparable method / Income capitalisation method	Discount rate	[6,25%-8,75%]
			149,079			
Housing	Concluded	Rented	328	Cost method	Estimated rental value per m2	2
		Capitalisation / sale	1,235	Income capitalisation method	Estimated rental value per m2	[20000 - 2500]
			1,563			
Stores	Concluded	Rented	50	Income capitalisation method / Market comparable method	Estimated sale value per m2	7,4 / 1440
			8,281	Income capitalisation method / Market comparable method	Estimated sale value per m2	[7,50%-8,00%]
			8,331			
Parking	Concluded	Rented	5,144	Market comparable method / Income capitalisation method	Discount rate	[6,00%-7,50%]
			5,144			
Land	n.a.	Capitalisation / sale	14,663	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			685	Replacement cost method / Market comparable method	Estimated sale value per m2	1.300-1.500 / 750-1.100
			18	Income capitalisation method / Market comparable method	Estimated sale value per m2	175-200
			15,367			
			179,483			
Other			8,556			
			188,039			

Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
			31-12-2019			
Offices	Concluded	Rented	146,811	Market comparable method / Income capitalisation method	Discount rate	[6,25%-8,75%]
			146,811			
Housing	Concluded	Rented	592	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	1,6-1,7 / 550-550
		Capitalisation / sale	1,235	Income capitalisation method	Estimated rental value per m2	[20000 - 2500]
			2,221			
Stores	Concluded	Rented	16	Income capitalisation method / Market comparable method	Estimated sale value per m2	7,4 / 1440
			16			
Parking	Concluded	Rented	5,130	Market comparable method / Income capitalisation method	Discount rate	6,00% - 7,50%
			5,130			
Land	n.a.	Capitalisation / sale	14,663	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			685	Replacement cost method / Market comparable method	Estimated sale value per m2	1.300-1.500 / 750-1.100
			18	Income capitalisation method / Market comparable method	Estimated sale value per m2	175-200
			15,367			
			169,544			
Other			16,122			
			185,666			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuations also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13 – "Fair value measurement".

16. Investments in associates and jointly controlled enterprises

This account comprised the following at June 30, 2020 and December 31, 2019;

	30-06-2020			31-12-2019	
	Effective participating interest (%)	Book Value	Contribution to the results of the group	Effective participating interest (%)	Book Value
Jointly controlled entities					
Locarent, S.A.	50.00	20,594	417	50.00	19,439
Esegur, S.A.	50.00	8,809	63	50.00	8,699
		29,403	480		28,138
Associated companies					
Fidelidade – Companhia de Seguros, S.A	15.00	350,410	11,265	15.00	359,456
Fidelidade Assistence Consolidated (a)	20.00	9,329	1,109	20.00	8,254
Multicare - Seguros de Saúde, S.A.	20.00	20,345	1,292	20.00	19,147
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	37,212	1,287	22.97	38,340
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	4,640	136	27.00	4,505
Other	-	3,386	201	-	4,319
		425,323	15,290		434,020
Impairment (Note 35)		(439)	-		(439)
		454,288	15,770		461,719

(a) Ex-Cares - Companhia de Seguros, S.A.

Information on the statutory financial data (unaudited financial statements) of the principal associates and jointly controlled enterprises, at June 30, 2020 and December 31, 2019 is set out below:

Business sector / Entity	Registered office	30-06-2020				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	19,712,452	16,537,903	3,174,549	51,077	1,884,094
Fidelidade Assistence Consolidated	Lisbon	64,074	19,490	44,584	5,543	28,970
Multicare - Seguros de Saúde, S.A.	Lisbon	228,766	129,869	98,897	6,460	199,724
Other						
Esegur, S.A.	Lisbon	34,453	16,846	17,607	114	20,283
Locarent, S.A.	Lisbon	277,067	235,766	41,301	834	17,756
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	284,174	122,144	162,030	9,404	102,344

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

Business sector / Entity	Registered office	31-12-2019				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	18,402,544	15,250,135	3,152,409	188,598	3,555,556
Fidelidade Assistence Consolidated	Lisbon	58,628	19,418	39,210	3,338	53,748
Multicare - Seguros de Saúde, S.A.	Lisbon	190,995	98,088	92,907	10,017	324,648
Other						
Esegur, S.A.	Lisbon	40,943	23,546	17,398	1,150	42,678
Locarent, S.A.	Lisbon	284,105	245,228	38,878	2,923	76,012
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	284,879	123,561	161,317	31,082	226,952

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

The group received dividends of €2,921 thousand and €4,683 thousand from these entities in first half 2020 and in 2019, respectively.

17. Income tax

Tax assets and liabilities balances on income, at June 30, 2020 and December 31, 2019, were as follows:

	30-06-2020	31-12-2019
Current tax assets		
Income tax recoverable	29,535	40,937
Tax credits	420,575	420,575
Other	1,586	2,016
	451,695	463,528
Current tax liabilities		
Income tax payable	28,232	31,951
Other	6,980	1,050
	35,212	33,001
	416,484	430,527
Deferred tax assets		
Temporary differences	1,348,024	1,393,877
Reported tax losses	10,523	12,348
	1,358,547	1,406,225
Deferred tax liabilities	123,408	127,414
	1,235,140	1,278,811

The "Current tax assets – tax credit" account at June 30, 2020 and December 31, 2019, refers to the conversion of deferred taxes into tax credit under the special regime approved by law 61/2014.

Deferred tax movements, for the half year ended June 30, 2020 and 2019, were as follows:

	Balance at 31-12-2019	Change in		Transfers	Other	Balance at 30-06-2020
		Equity	Profit or loss			
Impairment losses on credit	988,799	-	(61,685)	-	-	927,114
Employee benefits	258,597	27,529	(19,511)	-	-	266,615
Impairment and adjustments to property and tangible and intangible assets	29,559	179	128	-	-	29,866
Measurement of available-for-sale financial assets	(69,304)	16,827	-	-	1,505	(50,972)
Impairment and other value changes in equity investments and other securitie	27,107	-	1,185	-	(3,293)	24,999
Other provisions and impairment not tax deductible	18,947	-	(3,149)	-	-	15,798
Tax loss carry forward	12,348	-	(1,825)	-	-	10,523
Other	12,758	-	(1,222)	-	(340)	11,196
	1,278,811	44,536	(86,079)	-	(2,128)	1,235,140

	Balance at 31-12-2018	Change in		Transfers	Other	Balance at 30-06-2019
		Equity	Profit or loss			
Impairment losses on credit	1,643,052	-	(82,031)	8,683	189	1,569,892
Employee benefits	265,250	(7,150)	(11,184)	-	1,020	247,936
Impairment and adjustments to property and tangible and intangible assets	32,520	142	1,396	-	23	34,081
Measurement of available-for-sale financial assets	(52,463)	(33,613)	-	-	(1,484)	(87,559)
Impairment and other value changes in equity investments and other securitie	(42,582)	-	49,551	(15,421)	1,818	(6,633)
Other provisions and impairment not tax deductible	23,770	-	(4,423)	-	-	19,347
Tax loss carry forward	30,663	-	(23,028)	-	-	7,635
Other	17,518	-	(1,162)	-	(3,003)	13,354
	1,917,730	(40,621)	(70,881)	(6,738)	(1,437)	1,798,053

The “Other” column in the table of deferred tax movements for the half year ended June 30, 2020 includes €964 thousand on the transfer of BCA’s assets and liabilities to non-current assets and liabilities held-for-sale categories (note 14) under IFRS 5 – “Non-current assets held-for-sale and discontinued operations” to this business unit.

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied for the special deferred tax assets regime, in 2014, following the resolutions of their respective general meetings of shareholders.

This regime (and latter alterations), approved by law 61/2014 of August 26, includes deferred tax assets on the non-deduction of costs and negative equity changes with impairment losses on loans (as provided for in nos. 1 and 2 of article 28-A of the IRC code and respective exclusions) and with the post-employment or long term benefits of employees.

The alterations to the timeframe of the regime of law 23/2016 of August 19, excluded the costs and negative equity variations accounted for in the taxation periods starting on or after January 1, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of costs and negative equity changes calculated up to December 31, 2015.

Deferred tax assets on the non-deduction of costs and negative equity variations with impairment losses on loans and the post-employment or long term benefits of employees are converted into tax credit when the taxpayer’s net income in the respective tax period is negative or, in the event of a voluntary liquidation or court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit to be attributed will be the result of the proportion of such negative net income for the period to the taxpayer’s total equity (assessed prior to the deduction of the result) plus the value of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer’s equity is negative, the full amount of the deferred tax assets is converted into tax credit.

In the conversion into tax credit (other than in cases of liquidation or insolvency), a special reserve, plus 10%, is created for the amount of the respective credit and when shareholders’ equity is less than share capital should be adjusted by the quotient between the former and latter which is deducted from the amount of the increased tax credit, together with the issuance of securities in the form of conversion rights to be attributed to the state that, in the case of Caixa, is its sole shareholder. The consequence of exercising conversion rights is to increase the taxpayer’s share capital through the incorporation of the special reserve and issuance of new ordinary shares for free delivery to the state. This special reserve cannot be appropriated. On the date of the issuance of the conversion rights, shareholders enjoy the potestative right to their acquisition in proportion to their respective investment.

Information on the type of deferred tax assets recognised by the group and considered eligible under this regime, at June 30, 2020 and December 31, 2019, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	30-06-2020	31-12-2019
Impairment losses on credit	269,507	334,498
Employee benefits	142,882	159,545
	412,389	494,043

As a consequence of Caixa Geral de Depósitos’s assessment of negative net income on its separate activity in 2016, eligible deferred tax assets at the close of the referred to period were converted into tax credit, based on the proportion of net income to shareholders’ equity, amounting to €420,575 thousand.

Under the terms of the applicable legislation, the conversion of deferred tax assets was preceded by the creation of a special reserve of €681,571 thousand, for the amount of the tax credit calculated under the conversion, plus 10% and adjusted in line with the requirements of no. 3 of article 11 of law 61/2014 (note 25). The creation of the special reserve was accompanied by the issuance and simultaneous attribution of conversion rights for an equivalent amount to the state. As specified in article 12 of the appendix to law 61/2014 (of which it is an integral part), the above corporate activities, as well as the amount of the tax credit conversion were certified by a statutory auditor.

Owing to its status as Caixa's sole shareholder, the issuance and attribution of conversion rights to the state did not entail any dilution of its equity status.

Income tax as a charge to shareholders' equity

The group altered its accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits in 2011, pursuant to which actuarial gain and loss on revaluations of pensions and healthcare liabilities and pension fund yield projections were fully recognised as a charge to a shareholders' equity account. Up to 2010 gains and losses had been accounted for by the corridor method.

The amount of tax on the contribution of the actuarial deviations component from the date of the accounting policy's alteration, considered deductible under the terms of the limits of numbers 2 and 3 of article 43 of the IRC code, or under number 8 of the referred to article is recognised in an equity account, in conformity with the recognition basis of its originating liabilities.

Income tax as a charge to profit and loss

Information on income tax expense recognised in profit and loss, in addition to the fiscal burden measured by the ratio of the tax charge compared to net profit before tax, is set out below.

	30-06-2020	30-06-2019
Current tax		
For the year	15,161	69,177
Extraordinary contribution of the banking sector	27,976	27,030
Prior year adjustments (net)	(5,508)	4,424
	37,630	100,631
Deferred tax	86,079	70,881
Total income tax	123,709	171,512
Consolidated income before tax and non-controlling interests	366,095	577,850
Tax charge	33.79%	29.68%

Information on the "Adjustments for past years" account for the half years ended June 30, 2020 and 2019, comprised the following:

	30-06-2020	30-06-2019
Insufficiency / (excess) of estimated tax for 2019 and 2018	507	4,261
Adjustments to previous years taxable income	(6,015)	163
	(5,508)	4,424

The reconciliation between the amount of tax calculated on the basis of the nominal rate and the costs/ (income) on tax on profit for the half years ended June 30, 2020 and 2019 was:

	30-06-2020		30-06-2019	
	Rate	Tax	Rate	Tax
Income before tax		366,095		577,850
Tax at the nominal rate	27.35%	100,127	27.35%	158,042
Impact of companies with tax rates different from the nominal rate in Portugal	(0.69%)	(2,540)	0.28%	1,619
Permanent difference to be added:				
Non deductable provisions and impaiment	0.00%	-	0.45%	2,574
Other	(0.11%)	(416)	0.29%	1,676
Other permanent differences to be deducted				
Non deductable provisions and impaiment	0.77%	2,819	(0.33%)	(1,919)
Other	0.07%	241	(0.08%)	(448)
Impairment on available-for-sale financial assets, net of write-offs	0.00%	-	(8.80%)	(50,866)
Annulment of tax losses considered non recoverable	0.02%	78	0.20%	1,177
Autonomous taxation	0.03%	113	0.02%	135
Contribution of the banking sector	7.64%	27,976	4.68%	27,030
Dividend charges on other equity instruments	(2.00%)	(7,309)	0.00%	-
Change in the net monetary position of Caixa Angola under IAS 29	0.00%	-	0.51%	2,937
Other	2.35%	8,590	0.68%	3,916
	35.43%	129,679	25.24%	145,874
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	(1.63%)	(5,971)	4.44%	25,638
	(1.63%)	(5,971)	4.44%	25,638
	33.80%	123,709	29.68%	171,511

CGD's nominal tax rate, for the half years ended June 30, 2020 and 2019, considering the surcharge rates applicable to its operations was 27.35%.

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit.

Article 51-C of the IRC code was also altered by the publication of law 42/2016, on the basis of an addendum to no. 6, which ruled, for 2017 and following years, that impairment losses and other value adjustments to equity investments or other own equity instruments included in taxable profit under no. 2 of article 28-A, are considered to be positive components of taxable profit for the taxation period in which the respective sale takes place.

As a result of this situation, the group recognised deferred tax liabilities for impaired financial investments, deductible as a tax expense at the time of their constitution when the intention involves a sale or liquidation (or when in progress) of €40,146 thousand and €39,659 thousand, at June 30, 2020 and December 31, 2019, respectively.

Tax deductions for impairment losses on loans and other value adjustments (note 2.14)

Law 98/2019, making alterations to the IRC code on impairment issues in credit institutions and other financial institutions and creating rules on the recognition of impairment losses still not accepted for tax purposes in tax periods prior to January 1, 2019, was published on September 4, 2019. According to this new regime, impairment losses on credit risk either individually or collectively assessed, recognised in tax periods starting on or after January 1, 2019, under applicable accounting and regulatory standards (with the exceptions provided for in no. 7 of article 28-C of the IRC code) are now fully tax deductible.

The deduction rules in force up to December 31, 2018, continue to apply to impairment losses and other value adjustments for specific credit risk accounted for in prior tax periods, i.e. limiting tax deductions to the amounts assessed under the dispositions of Bank of Portugal *notice* 3/95 (subsequently revoked) provided that such loans were not collateralised by real rights over immovable assets.

According to the dispositions of article 4 of the new law, Caixa and other significant entities included in the national fiscal perimeter formalised their intention to subscribe for the new regime for the tax periods starting January 1, 2019, based on a communication sent to the director general of the tax and customs authority on October 31, 2019.

Based on developments, Caixa incorporated the applicable deduction rules under this law in an analysis of the recoverability of its deferred tax assets recognised in its balance sheet.

Analysis of recoverability of deferred tax assets (note 2.23)

Based on the requirements of IAS 12 − "Income taxes", deferred tax assets are recognised on the basis of the group's expectations of their future recoverability which is fundamentally based on, (i) an assessment of its capacity to generate sufficient taxable profit, and (ii) its interpretation of the legal framework in force in the relevant analysis period.

This assessment was made on the basis of the implementation of the strategic plan, developed under the agreement entered into between the Portuguese state and the European authorities for the period 2017-2020, allowing the group to achieve adequate profitability and capital levels over this timeframe as well as its objectives of reducing non-performing assets as communicated to the supervisors.

The impacts, albeit uncertain, of the Covid-19 pandemic on the evolution of the group's activity and capacity to achieve its economic-financial goals must also be evaluated. Their level will be contingent upon a multiplicity of factors such as the depth of the economic crisis, its length, the economic sectors most affected, nature and impact of the monetary and fiscal policy measures to be adopted by diverse governments and economic blocs and particularly the European Union.

In spite of the impossibility of providing a reliable estimate of the extent of the pandemic's financial effects, currently available economic indicators, in conjunction with the capacity shown by the group to rapidly adapt its operating and risk-related processes to respond to new challenges and considering the effects of fiscal-type measures already implemented by the Portuguese government (of which reference should be made to the approval in the state's supplementary budget for 2020 of the alteration of the period for the deduction of fiscal losses for the taxation periods between 2020 and 2021 from 5 to 12 years, as well as an increase in the current maximum deduction from 70% to 80% of taxable income for these periods and the suspension of the counting of the period applicable to the fiscal losses existing on the first day of the taxation period for 2020), are considered sufficient to counter shortfalls which may occur in meeting the requirements of the strategic plan.

Any alterations to the assumptions employed or significant variables in assessing taxable income projections may lead to substantially different results and conclusions.

Banking sector and additional solidarity contributions

The dispositions of article 141 of the state budget law for 2011 (law 55-A/2010 of December 31), introduced a new contribution regime for the banking sector. This contribution, regulated under the terms of ministerial order 121/2011 of March 30, is levied on an institution's liabilities, net of own and complementary funds, in addition to the deposits covered by the deposit guarantee fund and the notional amount of derivatives other than hedge derivatives. It is also levied on the subsidiaries of credit institutions headquartered outside Portuguese territory and the branches in Portugal of credit institutions headquartered outside the European Union.

This regime was expanded in 2020 to include a "solidarity" component levied on the banking sector as a fiscal policy instrument in response to the Covid-19 pandemic crisis. The base upon which the contribution is levied is regulated by ministerial order 191/2020 of August 10, the requirements are the same as those applicable to the assessment of the previously described banking sector contribution.

The group recognised costs of €27,976 thousand and €27,030 thousand, in the half years ended June 30, 2020 and 2019 respectively, regarding the total amount paid in the respective taxation periods (of which €23,676 thousand for the banking sector contribution and €4,300 thousand for the additional “solidarity” component in first half 2020).

The tax authorities are normally entitled to perform tax reviews for a number of prior periods, which, in Portugal, is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the year open for review). Different interpretations of the legislation may result in adjustments to taxable profit for prior years (2017 to 2019 in the case of most entities headquartered in Portugal). Any possible adjustments, given their nature, cannot be quantified at present. Caixa’s board of directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on its consolidated financial statements.

18. Other assets

This account comprises the following:

	30-06-2020	31-12-2019
Other assets		
Debt certificates of the Territory of Macau	1,133,458	1,040,769
Gold, precious metals, numismatics and medals	3,450	3,433
Other receivables	13	15
Other	5,620	5,633
Debtors and other investments		
Central and local government	6,212	39,705
Shareholders' loans	7,171	7,169
Debtors - futures contracts	38,037	15,333
Grants receivable from		
The State	22,130	18,832
Other entities	15,578	16,354
Amount receivable from the sale of assets recovered as settlement of defaulting loans	6,006	2,405
Other past due debtors	23,582	17,132
Other debtors	887,623	1,024,635
Commitments with pension and other employee benefits		
Excess responsabilities coverage		
Other	-	2
Income receivable	39,515	54,469
Deferred costs		
Rent	420	257
Other	19,605	15,256
Operations pending settlement	186,832	160,379
Stock exchange operations	34,557	17,229
	2,429,808	2,439,006
Impairment (Note 35)	(142,443)	(138,732)
	2,287,365	2,300,274

Information on impairment movements on debtors and other assets for the periods ended June 30, 2020 and December 31, 2019, is set out in note 35.

The “Debtors and other assets – other debtors” account at June 30, 2020 and December 31, 2019, includes €664,083 thousand and €538,865 thousand, respectively, for surety accounts in several financial institutions. These sureties derive from the liquidity injection operations collateralised by financial assets and IRS (interest rate swap) agreements with such entities (note 10).

The “Debtors and other assets – other debtors” account, at June 30, 2020 and December 31, 2019, includes €19,419 thousand and €16,320 thousand, respectively, for sureties in the form of an irrevocable commitment to make contributions to the European single resolution fund (note 32).

Under the contract to issue notes between Banco Nacional Ultramarino, S.A. (Macau) and the Administrative Region of Macau, the bank provides the administrative region with convertible currency corresponding to the countervalue of notes in circulation, receiving, in turn, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (note 24). The amounts to be provided to the territory by the bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month’s average daily balances. The debt certificates of the government of Macau, at June 30, 2020 and December 31, 2019, totalled €1,133,458 thousand and €1,040,769 thousand, respectively.

The "Debtors and other assets - other overdue debtors" account at June 30, 2020 and December 31, 2019, includes outstanding balances for the execution of guarantees to customers and other expenses directly associated with such operations of €20,022 thousand and €13,476 thousand, respectively. Accumulated impairment associated with these operations on these dates amounted to €15,886 thousand and €8,987 thousand, respectively.

The amounts of “Other lending operations pending settlement” at June 30, 2020 and December 31, 2019, essentially refer to stock market derivatives operations, means of payment and bank transfers whose financial settlement had still not occurred.

19. Resources of credit institutions' and central banks

This account comprises the following:

	30-06-2020	31-12-2019
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	1,000,000	-
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	1,198	427
Of foreign credit institutions	31,768	29,074
Other resources	522	644
Interest payable	(77)	-
	1,033,411	30,145
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	125,881	188,642
Of foreign credit institutions	764,856	779,255
Interbank money market resources	13,400	12,600
Immediate short term resources		
Of domestic credit institutions	106,385	46,586
Of foreign credit institutions	-	430
Loans		
Of domestic credit institutions	210	210
Of foreign credit institutions	5,034	2,485
Resources of international financial entities	7,509	9,986
Interest payable	6,440	7,327
	1,029,716	1,047,523
	2,063,127	1,077,668

The "Sales operations with repurchase agreements" account, at June 30, 2020 and December 31, 2019, refers to contracts for loan operations on financial assets with an agreement to purchase at a future date at a predefined price, between the group and various financial institutions.

The assignment of financial instruments in sales operations with repurchase agreements is not derecognised from the balance sheet and their value continues to be measured in accordance with the accounting policies applicable to the underlying assets (note 9). The difference between sales and repurchase prices is recognised as an interest expense and deferred over the contract's lifetime.

These operations were contracted under global master repurchase agreements (GMRAs) or bilateral liquidity injection agreements whose mechanisms strengthen the collateral associated with these transactions based on the evolution of respective market value, assessed in accordance with the specifications agreed between the counterparties and usually comprising surety deposits.

20. Customer resources and other loans

This account comprises the following:

	30-06-2020	31-12-2019
Savings deposits	2,482,497	2,433,998
Other debts		
Repayable on demand	36,104,412	31,877,980
Term		
Deposits	29,835,164	29,455,483
Mandatory deposits	278,923	273,960
Other resources:		
Cheques and orders payable	91,051	74,526
Operations with repurchase agreement	17,027	11,004
Other	1,874,153	1,605,354
	32,096,318	31,420,329
	68,200,730	63,298,309
Interest payable	49,745	64,078
Deferred costs net of deferred income	(1,364)	(1,437)
Commissions associated with amortised cost (deferred)	(3,218)	(3,400)
Adjustments to liabilities under hedging operations	8	8
	45,171	59,248
	70,728,398	65,791,555

21. Debt securities

This account comprises the following:

	30-06-2020	31-12-2019
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	40,000	40,000
- Fixed interest rate	94,089	93,301
- Remuneration indexed to exchange rates	30,139	32,991
	164,228	166,292
Covered bonds	1,249,600	2,244,050
	1,413,828	2,410,342
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
- Commercial Paper	594	594
	594	594
Adjustments to liabilities under hedging operations	4,268	3,752
Deferred costs net of income	(2,302)	688
Interest payable	3,111	48,046
	1,419,499	2,463,422

The breakdown of the debt securities account, at June 30, 2020 and December 31, 2019, is net of the accumulated debt balances repurchased in the meantime, as follows:

	30-06-2020	31-12-2019
Bonds issued under the EMTN programme	55,000	55,000
Covered bonds	3,000,000	3,005,550
	3,055,000	3,060,550

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro commercial paper and certificates of deposit (ECP and CCP)

Under the “€10 billion euro commercial paper and certificates of deposit” programme, CGD (either directly or through its France branch) is entitled to issue certificates of deposit (CDs) and notes with a maximum maturity of 5 years and 1 year, respectively, denominated in euros, US dollars, sterling, Japanese yen or another currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

(ii) Euro medium term notes (EMTN)

CGD group, through CGD (either directly or through its France branch) is entitled to issue a maximum amount of €15,000,000 thousand in debt securities under this programme.

Bonds with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively, may be issued in any currency. There are no maximum maturities on these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

(iii) Covered bonds

CGD created a covered bonds programme, for direct issuance, up to a current maximum amount of €15 billion, in November 2006. The bonds to be issued are backed by a mortgage loan portfolio which must, at all times, comply with the minimum conditions required by the regulation applicable to issuances of such instruments, i.e. decree law 59/2006 and Bank of Portugal *notices* 5, 6, 7 and 8 and *instruction* 13.

The bonds may be issued in any currency with a minimum maturity of 2 and maximum maturity of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to the performance of indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise residential mortgage or commercial loans in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the value of the mortgaged assets given as collateral for residential property (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with across the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;

- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;

- The total amount of interest payable by the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of the mortgage loans allocated to the referred to bonds; and

- The present value of the covered bonds may not exceed the present value of the assets allocated to them, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

A maximum of 20% of the asset pool may also include autonomous assets, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of covered bonds issued by Caixa at June 30, 2020 and December 31, 2019, totalled €4,250,000 thousand and €5,250,000 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal amount		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2020	Interest rate at 31-12-2019
	30-06-2020	31-12-2019						
Hipotecárias Série 4 2007/2022	250,000	250,000	2007-06-28	2022-06-28	Trimestralmente nos dias 28 de março, junho, setembro e dezembro	Taxa Euribor 3meses + 0,05%	0.000%	0.000%
Hipotecárias Série 10 2010/2020 (b)	-	1,000,000	2010-01-27	2020-01-27	Anualmente no dia 27 de janeiro	Taxa Fixa	4.250%	4.250%
Hipotecárias Série 14 2012/2022 (a)	1,500,000	1,500,000	2012-07-31	2022-07-31	Trimestralmente nos dias 31 de janeiro, abril, julho e outubro	Taxa Euribor 3meses + 0,75%	0.192%	0.337%
Hipotecárias Série 17 2015/2022	1,000,000	1,000,000	2015-01-27	2022-01-27	Anualmente no dia 27 de janeiro	Taxa Fixa	1.000%	1.000%
Hipotecárias Série 18 2018/2028 (a)	1,500,000	1,500,000	2018-12-19	2028-12-19	Trimestralmente nos dias 19 de março, junho, setembro e dezembro	Taxa Euribor 3meses + 0,6%	0.351%	0.200%
	4,250,000	5,250,000						

(a) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank
(b) Issue partially repurchased by CGD.

The assets pool used to collateralise the issuances included mortgage loans originating in Portugal with a book value of €6,730,955 thousand and €7,123,691 thousand respectively (note 13), at June 30, 2020 and December 31, 2019.

The assets pool used to collateralise the issuances also included debt securities, with a book value of €127,627 thousand and €126,410 thousand (note 12) at June 30, 2020 and December 31, 2019, respectively.

The Moody's and DBRS ratings on these covered bond issuances, at June 30, 2020 were Aa3 and AA Low, respectively.

Details on bond issuances, by type of interest and periods to maturity at June 30, 2020 and December 31, 2019, are given below:

	30-06-2020					
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Other bonds	Total
	Exchange rate	Interest rate	Sub total			
Up to one year	1,657	54,089	55,746	-	594	56,340
One to five years	6,000	70,000	76,000	1,249,600	-	1,325,600
Five to ten years	12,432	-	12,432	-	-	12,432
Over ten years	10,050	10,000	20,050	-	-	20,050
	30,139	134,089	164,228	1,249,600	594	1,414,422

	31-12-2019					
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Other bonds	Total
	Exchange rate	Interest rate	Sub total			
Up to one year	4,640	39,359	44,000	994,050	594	1,038,644
One to five years	6,000	83,941	89,941	1,250,000	-	1,339,941
Five to ten years	12,301	-	12,301	-	-	12,301
Over ten years	10,050	10,000	20,050	-	-	20,050
	32,991	133,301	166,292	2,244,050	594	2,410,936

Derivatives were contracted for to convert the amounts of most EMTN programme issuances into euros and their respective interest into 3 or 6 month Euribor rates, net of a spread.

The following debt securities were either issued or redeemed in the half years ended June 30, 2020 and 2019:

	Balance at 31-12-2019	Payments	Exchange differences	Other	Balance at 30-06-2020
Bonds issued under the EMTN programme	166,292	(5,498)	296	3,138	164,228
Covered bonds	2,244,050	(1,000,000)	-	5,550	1,249,600
Commercial paper issued under ECP and CCP programme	594	-	-	-	594
	2,410,342	(1,005,498)	296	8,688	1,413,828

	Balance at 31-12-2018	Payments	Exchange differences	Other	Balance at 30-06-2019
Bonds issued under the EMTN programme	197,425	-	717	-	198,142
Covered bonds	2,993,450	(750,000)	-	600	2,244,050
	3,190,875	(750,000)	717	600	2,442,192

22. Provisions and contingent liabilities

Provisions

Movements in provisions for employee benefits and for other risks, for the half years ended June 30, 2020 and June 30, 2019, were as follows:

	Balance at 31-12-2019	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2020
Provision for employee benefits (Note 35)	753,307	(66,693)	(33,911)	(324)	71,735	724,113
Provision for litigation	19,980	525	-	-	(810)	19,694
Provision for guarantees and other commitments	201,893	35,104	-	(130)	(1,125)	235,743
Provision for other risks and charges	69,260	1,131	(5,336)	(658)	784	65,181
	291,133	36,760	(5,336)	(788)	(1,151)	320,618
	1,044,440	(29,933)	(39,247)	(1,112)	70,583	1,044,732

	Balance at 31-12-2018	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2019
Provision for employee benefits (Note 35)	758,492	(36,339)	(31,902)	4	21,371	711,627
Provision for litigation	16,697	1,873	(26)	-	(34)	18,509
Provision for guarantees and other commitments	211,769	(35,505)	-	117	330	176,712
Provision for other risks and charges	128,941	(1,958)	(4,161)	(99)	(41,265)	81,458
	357,408	(35,590)	(4,187)	18	(40,969)	276,679
	1,115,900	(71,929)	(36,089)	23	(19,599)	988,306

The use of the provision for liabilities for employee benefits, for the half years ended June 30, 2020 and 2019, totalling €33,911 thousand and €31,902 thousand, respectively, included:

- €14,048 thousand for the healthcare plan and €15,747 thousand for the *Horizonte* plan and other redundancy agreements for first half 2020 and €3,839 thousand for voluntary redundancies, in first half 2020. An additional amount of €276 thousand for pension and early retirement plans was also used by several group companies.

- €11,796 thousand for the healthcare plan and €15,169 thousand for the *Horizonte* plan and other redundancy agreements for first half 2019 and €3,918 thousand for voluntary redundancies, in first half 2019.

Provisions for other risks and liabilities are for contingencies arising from the group's activity.

Provisions for legal contingencies comprise the group's best estimate of amounts to be spent on their resolution, based on estimates for outstanding disputes made by the legal department and its external legal advisors.

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet accounts, as follows:

	30-06-2020	31-12-2019
Contingent liabilities		
Assets given as collateral	15,680,943	12,816,078
Guarantees and sureties	2,612,311	2,714,130
Open documentary credits	221,707	351,774
Stand by letters of credit	52,798	83,628
Other contingent liabilities	9,548	9,548
	18,577,307	15,975,158
Commitments		
Revocable commitments	8,699,297	8,045,427
Securities subscription	1,180,162	868,827
Irrevocable lines of credit	1,099,677	1,096,019
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	46,115	46,260
Other irrevocable commitments	64,419	61,320
Forward deposit agreements		
Receivable	47,675	16,455
To be created	61,760	255
Other	200,404	225,783
	11,555,062	10,515,900
Deposit and custody of securities	46,007,071	49,196,474

The composition of asset-backed guarantees is as follows:

	30-06-2020	31-12-2019
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,188,600	1,130,000
Council of Europe Development Bank	13,400	15,000
Bank of Portugal (*)	14,295,078	11,487,215
Deposit Guarantee Fund	157,740	157,740
Investor Compensation System (futures)	20,500	20,500
Euronext	5,000	5,000
Other Assets		
Other	625	623
	15,680,943	12,816,078

(*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million and other interbank money market transactions.

Asset-backed guarantees at June 30, 2020 and December 31, 2019, refer to debt instruments recognised in assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans and advances to customers and debt securities accounts (note 21).

Asset-backed guarantees are not available for Caixa's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

The market value of debt instruments given as collateral, at June 30, 2020 and December 31, 2019, was €12,043,847 thousand and €16,482,967 thousand, respectively.

The market value of securities collateralising the group's term liabilities for its annual contributions to the deposit guarantee fund and the investors' indemnity system was €208,753 thousand and €194,231 thousand, at June 30, 2020 and December 31, 2019, respectively.

The object of the deposit guarantee fund is to guarantee customers' deposits in conformity with the limits defined by the general credit institutions regime. This takes the form of regular annual contributions. In past years a part of the liabilities took the form of an irrevocable commitment to make contributions when requested by the fund, with the amount not being recognised as a cost. Commitments assumed since 1996 total €155,553 thousand. At June 30, 2020 and December 31, 2019, the group recognised liabilities of €1,026 thousand and €1,617 thousand, respectively for its annual contribution to the deposit guarantee fund.

Caixa Brasil, SGPS, S.A.

In 2009, CGD was notified by the Portuguese tax authorities of their inspection report for 2005 in respect of an adjustment of €155,602 thousand in taxable income for the year. This amount included an adjustment of €135,592 thousand owing to the fact that Caixa had benefited from the elimination of double taxation on its share of the profit made by Caixa Brasil SGPS, S.A. in that period. Caixa contested these adjustments, considering that the procedure adopted was in compliance with the fiscal legislation in force. The Lisbon tax court also issued a ruling, in 2014, annulling the adjustments made by the tax and customs authority during that year on the profit made on liquidation of Caixa Brasil.

The contents of the ruling of the southern central administrative court in the second instance, to revoke the decision of the first instance by the Lisbon tax court were announced in April 2015. In response to this ruling, Caixa decided to appeal and request a review in first half 2015. The appeal was accepted on the basis of the evidence submitted and the legal framework pertaining to the allegations submitted.

In December 2016, Caixa decided to apply for the exceptional fiscal debt and social security contributions settlement regime (PERES – special programme for the reduction of debt to the state), approved by decree law 67/2016 of November 3. An amount of approximately €34,071 thousand in tax associated with the current process was settled in full on that date.

Caixa was notified of the decision on its review appeal by the supreme administrative court, on May 31, 2017. The decision accepted the arguments put forward and consequently ruled that the procedural documents should be returned to the southern administrative central court which, in July 2018, in following up these recommendations, rejected the appeals filed by the tax authorities and upheld the ruling in the first instance of the Lisbon tax court in favour of Caixa's claims.

In light of its respective evolution and the fact that the decision was not contested, impairment on the risk of the non-recovery of the tax balance paid to the state under the PERES application and recognised in "Other assets", as declared in 2016, was fully reversed in 2018.

Caixa was fully reimbursed for this amount in January 2020.

Competition authority

On June 3, 2015, in addition to fourteen other credit institutions, CGD was charged by the competition authority, with exchanging information with several credit institutions, which, in the eyes of this authority, represented collusion with the aim of significantly distorting market competition.

Based on the requests submitted by several of these credit institutions, the initial period was extended on more than one occasion and has still not expired. CGD has, nevertheless, prepared its defence to comply with the initial period which expired on November 17, 2015.

On March 14, 2017, CGD was formally notified by the competition authority of its board of directors' resolution to lift the suspension regarding the current offence, although the suspension regarding the period for the decision on the charge remained. A new resolution passed by the competition authority's board of directors terminated the suspension of the indictment period which ended on September 27, 2017. CGD submitted its defence on September 26, 2017, having, requested complementary evidentiary hearings which took place on December 5 and 6, 2017. CGD replied to the competition authority's requests for additional information in June, July and October 2018. In March 2019, CGD was notified of the resolution of the competition authority which extended the investigation period up to December 31, 2019.

CGD was notified of the unprecedented final decision of the competition authority on September 10, 2019, in which a fine of €82,000 thousand was levied (calculated, by law, on the basis of its business revenue in the credit segments in question). The other institutions involved in this process were also notified of similar decisions.

As opposed to the statements made in its decision, the competition authority does not allege the existence of price fixing, market-sharing or other types of collusion characterising what is commonly referred to as a mortgage lending cartel.

As stated by the competition authority the issue at stake is an alleged "concerted practice involving an exchange of sensitive commercial information" that, according to the competition authority, provided companies with information on the market strategies of their competitors or enabled them to anticipate their conduct. This would facilitate the alignment of their respective market operations and prevent consumers from benefiting from the level playing field that would exist in the absence of such an interchange."

As stated by Caixa in its announcement of September 10, 2019, mortgage lending has always been the banking business area with the largest number of competitors in Portugal, with the periodic *entrée* of new actors and aggressive commercial proposals, both in terms of communication as in price, having always compared most competitively with most European markets.

The alleged violation translates what is referred to in competition law as "restriction of competition by object", i.e. the unlawfulness of the conduct, depends upon its potential to produce anti-competitive effects and is not directly dependent on the outcome.

The competition authority's decision cannot therefore be interpreted as conclusive as regards the existence of negative effects for consumers, which conclusion is neither affirmed nor much less proved.

There is nothing unlawful about the benchmarking exercises which effectively took place and which are recommended by good practice. Such exercises are fundamental for the improvement of the services provided and from which, in the last instance consumers, benefit.

On October 21, 2019, Caixa filed a legal appeal against the competition authority's decision, under the terms and for the purposes of article 84 of the RJC (competition law), considering that the competition authority's decision contains various errors and omissions, both in continuing to charge Caixa with the infractions described in the decision and the specific application of the fine, upon which the contestation is based, in the precise terms announced in the allegations set out in the procedural document submitted to the competition, regulation and supervision court.

Resolution fund

The resolution fund was created by decree law 31-A/2012 of February 10. It is funded by resources from the payment of contributions by the institutions participating in the fund and the banking sector contribution. Other means of funding may also be used whenever such resources are shown to be insufficient to meet liabilities, namely: (i) special contributions from credit institutions; and (ii) amounts deriving from loans.

Application of resolution measure to Banco Espírito Santo, S.A.

On August 3, 2014, the board of trustees of the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. (BES), pursuant to which most of BES's activity and assets were transferred to Novo Banco S.A., a new transitional banking institution created for the purpose and fully owned by the resolution fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund did not have sufficient own resources for the operation at that date, the capital was subscribed by way of two loans:

€3,900,000 thousand from the Portuguese state; and

€700,000 thousand from eight fund member institutions (of which €174,000 thousand from CGD).

In September 2015, the Bank of Portugal suspended the sales process on the resolution fund's investment in Novo Banco, initiated in 2014 and completed the process in progress without accepting any of the three binding proposals received, considering that the terms and conditions thereof were not satisfactory. In its announcement of December 21, 2015, the Bank of Portugal disclosed information on the agreement reached with the European Commission, providing for, *inter alia*, an extension to the period for the full disposal of the resolution fund's equity stake in Novo Banco.

On December 29, 2015, the Bank of Portugal announced the approval of a series of decisions to complete the resolution measure applied to BES, having decided to reassign the liability for the non-subordinated bonds issued by it for institutional investors to BES. The nominal amount of the bonds reassigned to BES was €1,941 million, comprising a balance sheet carrying amount of €1,985,000 thousand. The Bank of Portugal also clarified that the resolution fund is responsible for neutralising any negative effects of future decisions resulting in liabilities or contingencies deriving from the resolution process, by compensating Novo Banco.

The disposal process on the resolution fund's equity stake in Novo Banco was re-launched in January 2016.

In July 2016, on completion of the independent assessment process on the recovery of loans in each category of BES creditors, in a hypothetical liquidation scenario in August 2014, as an alternative to the application of the resolution measure, the Bank of Portugal clarified, in the event of the closure or liquidation of BES, that its creditors whose loans had not been transferred to Novo Banco, S.A., would incur a greater loss than would otherwise have been the case and should be compensated for the difference by the resolution fund.

On August 4, 2016, the resolution fund stated that it had altered the conditions of the loans obtained to fund the application of the resolution measure (both with a maximum maturity of August 4, 2016) which would now mature on December 31, 2017, without prejudice to early redemption or agreement to other alterations.

On September 28, 2016, the resolution fund announced that it had reached an agreement with the ministry of finance on a review of the conditions attached to the loans obtained to fund the BES resolution measure. According to the resolution fund's announcement, the agreement "would permit an extension of the maturity to guarantee the resolution fund's capacity to fully comply with its obligations based on its regular revenue, notwithstanding any positive or negative contingencies to which the resolution fund was exposed." On the same date, the office of the ministry of finance also announced that: "in the sphere of the agreement with the resolution fund and bases already established, any increases or reductions of liabilities deriving from any future contingencies, shall entail an adjustment to the maturity of the state's and banks' loans to the resolution fund, with the contributions required from the banking sector remaining at their current levels."

On March 21, 2017, the resolution fund announced the formalisation of the above contractual alterations, including an extension of the maturity period to December 31, 2046. The objective behind the review of the loan conditions was to ensure the resolution fund's sustainability and financial balance, based on stable, foreseeable, manageable costs for the banking sector.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. This agreement entailed two capital increases, the first for €750,000 thousand in October of that year and the second for €250,000 thousand in December 2017.

The sale was preceded by a liability management exercise (LME) on 36 bond series with a book value of €3,000,000 thousand. The success of this operation translated into the purchase and redemption of bonds representing 73% of book value, with immediate proceeds of €209,700 thousand.

The sales process was followed by the creation of a contingent capital mechanism enabling Novo Banco to receive compensation of up to €3,890,000 thousand on the recognition of any losses on its assets under resolution fund management.

On October 18, 2017, the resolution fund complied with the operation’s final formalities in implementing the resolutions of the national resolution authority, with the Bank of Portugal, retaining a 25% equity stake in Novo Banco and Lone Star taking 75%. This operation increased Novo Banco’s share capital from €4,900,000 thousand to €5,900,000 thousand.

Following the completion of this operation, the transitional institutions regime ceased to be applied to Novo Banco, which now operates normally, albeit subject to several measures limiting its activity as imposed by the European competition authority

On March 28, 2018, following the announcement of the bank’s results for 2017, the contingent capitalisation mechanism, provided for in the agreements entered into at the time of sale was activated, requiring the resolution fund to pay €792,000 thousand to Novo Banco.

This payment was made on May 24, 2018, following the issue of Novo Banco’s statutory audit certificate and completion of the necessary certification procedures, resulting in confirmation of the existence of the conditions requiring the payment to be made, under the agreement, in addition to the exact amount to be paid by the resolution fund.

The resolution fund, for this purpose, used its own available financial resources from the contributions paid by the banking sector, complemented by a €430,000 thousand loan from the Portuguese state.

On July 6, 2018, the resolution fund, at the general meeting of Oitante, held on July 3, approved the submission of a proposal to the Bank of Portugal regarding the appointment of members of the company’s board of directors for the term of office 2018-2020, given the term of the preceding mandate. A proposal to reappoint the members of the supervisory board of Oitante and the company’s statutory auditor in addition to the members of the board of the general meeting was also submitted to the Bank of Portugal. Oitante’s accounts for 2017, showing a profit of €30,100 thousand for 2017, were also approved at the same general meeting

Novo Banco announced its results for 2018, on March 1, 2019. This resulted in the activation of the contingent capitalisation mechanism provided for in the agreements concluded in 2017, regarding the sale of this institution. According to the results announced by Novo Banco, an amount of €1,149,000 thousand was paid by the resolution fund in 2019.

The amount payable by the resolution fund in 2019 was realised on May 6, 2019. The resolution fund, as in 2018, used its available financial resources from the contributions paid by the banking sector, complemented by a loan of €850,000 thousand from the Portuguese state.

In the communication on its results for 2019, Novo Banco requested compensation of €1,037,000 thousand under the contingent capital mechanism, as stipulated in the sales contract. The amount of €1,035,000 thousand was paid in May 2020.

The resolution fund also provided the budget and finance committee with a full details of its documented decision to deduct the variable amount attributed to members of Novo Banco's executive board from the amount calculated under the terms of the contingent capital mechanism.

The amount of compensation paid in 2018 (€792,000 thousand in respect of 2017), 2019 (€1,149,000 thousand in respect of 2018) and 2020 (€1,035,000 thousand in respect of 2019) amounted to €2,976,000 thousand. The maximum amount of the payments to be made by the resolution fund as agreed in the contingent capitalisation agreement was €3,890,000 thousand.

Regarding the information disclosed on June 4, 2020, following the public finance council's publication of the "Economic and Fiscal Outlook 2020-2022", the resolution fund clarified that, in conjunction with Novo Banco, it entered into an arbitration procedure for the purpose of clarifying the appropriate treatment resulting from the effects of Novo Banco's intention to dispense with the need for the transitional regime currently applied which is designed to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds, under the contingent capitalisation agreement entered into between the two parties.

This arbitration process does not jeopardise the €3,890,000 thousand limit.

In its announcement of June 16, 2020, the resolution fund provided the budget and finance committee with the contractual documents. They include the "Contract for the purchase and sale of Novo Banco. S.A.'s shares" entered into between the resolution fund and Nani Holdings SGPS, S.A. at March 31, 2017, in addition to the "contingent capitalisation agreement", entered into between the resolution fund and Novo Banco on October 18, 2017.

Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.

According to the Bank of Portugal's announcement of December 20, 2015, a decision was made to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150,000 thousand. According to this announcement, the impositions of European institutions and the impossibility of a voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) an asset management vehicle which was specifically created for the purpose, with the resolution fund as its sole shareholder. Oitante issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee having been issued by the resolution fund and counter guaranteed by the Portuguese state.

The operation involved a state loan of around €2,255,000 thousand to cover future contingencies of which €489,000 thousand from the resolution fund and €1,766,000 thousand directly from the Portuguese state, as a result of the determination of the extent of assets and liabilities to be disposed of agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €136,120 thousand to the state in part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the debt to be reduced from €489,000 thousand to €353,000 thousand.

The amount not transferred to the single resolution fund will be paid by the institutions covered by the unique mechanism of resolution (UMR) regulation to the same single resolution fund across a period of eight years (ending 2024), as provided for in the Council's implementing resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced an alteration to the conditions of the loans obtained to fund the Banif resolution measure, similar to the funding of the BES resolution measure.

In light of the above developments: (i) as the resolution fund is unlikely to propose the creation of a special contribution to finance the above referred to resolution measures, the probability of any special contribution being charged is therefore remote, and (ii) any resolution fund deficits are expected to be financed by periodic contributions under article 9 of decree law 24/2013 of February 19, which stipulates that the periodic contributions to the resolution fund should be paid by the institutions participating therein that are active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised in costs for the period in accordance with IFRIC 21 – "Levies".

Any alterations to the application of the resolution fund's financing mechanisms may have a significant impact on CGD's future financial statements.

23. Other subordinated liabilities

This account comprises the following:

	30-06-2020	31-12-2019
Bonds	1,100,000	1,100,000
Interest payable	5,925	20,041
Deferred income net of charges	(3,295)	(3,583)
	1,102,630	1,116,458

On June 29, 2012, CGD issued €900,000 thousand in hybrid financial instruments eligible as core tier 1 own funds, fully subscribed for by the Portuguese state (as defined in ministerial ruling 8840-C/2012 of June 28, 2012). These bonds were convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially significant violation of the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the term of the investment period of five years;
- Exercising of the conversion right specified by the state in the issuance conditions; and
- If the hybrid financial instruments cease to be eligible as core tier 1 own funds.

Following authorisation from the European Central Bank and the Bank of Portugal on December 6, 2016, in the sphere of the new recapitalisation process negotiated with the European authorities, Caixa Geral de Depósitos, S.A., received the hybrid financial instruments eligible as core tier 1 own funds (CoCo bonds), in the form of a capital increase in kind plus their corresponding accrued and unpaid interest up to January 4, 2017, as the date upon which the capital increase was realised.

Following this process, the European Commission also lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. Caixa resumed payment of the respective coupons in first quarter 2017.

Caixa completed the last stage of the recapitalisation procedure agreed with European institutions in 2018, through its issuance of €500,000 thousand in tier 2 subordinated debt (introductory note).

The following is a summary of the principal issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2020	Book value at 31-12-2019	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed Rate Reset Callable Subordinated Notes	EUR	500,000	500,000	500,000	28-06-2018	28-06-2028	5.75%. Annual interest payment on 28 June.	In the payment date of the coupons as from 28 June, 2023.
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100,000	100,000	100,000	03-03-2008	03-03-2028	5.980%. Annual interest payment on 3 March.	N/A.
Caixa Geral de Depósitos	Senior Non-Preferred Fixed Rate Notes due 2024	EUR	500,000	500,000	500,000	25-11-2019	25-11-2024	1.25%. Annual interest payment on 25 November.	N/A.

24. Other liabilities

This account comprises the following:

	30-06-2020	31-12-2019
Creditors		
Consigned resources	765,041	724,918
Resources - collateral account	77,540	65,636
Resources - subscription account	13,200	13,919
Suppliers of finance leasing assets	190,355	208,257
Creditors for factoring ceded	84,581	90,811
Caixa Geral de Aposentações	6,865	7,137
CGD's Pension Fund	87,678	222,165
Creditors for transactions in securities	70	70
Creditors for sale of assets recovered as settlement of defaulting loans	10,503	11,270
Other suppliers	16,914	52,698
Other creditors	135,089	136,556
Other liabilities		
Notes in circulation - Macau (Note 17)	1,138,084	1,089,154
Withholding taxes	23,526	24,708
Social Security contributions	3,859	3,822
Other taxes payable	6,212	5,875
Collections on behalf of third parties	1,110	385
Other	8,248	9,362
Accrued costs	161,576	189,420
Deferred income	40,281	45,832
Liabilities pending settlement	589,531	753,496
Stock exchange operations	63,185	8,071
	3,423,445	3,663,564

The “Resources – surety account” account at June 30, 2020 and December 31, 2019, included €32,162 thousand and €33,202 thousand respectively, relating to interest rates swap (IRS) contracts deposits made in CGD by several financial institutions.

The "Lending operations pending settlement” account at June 30, 2020 and December 31, 2019, included financial liabilities of €184,123 thousand and €196,632 thousand, respectively, to non-controlling interest investors in the unit trust investment funds in CGD group’s consolidation perimeter.

The "Costs payable" account at June 30, 2020 and December 31, 2019, included €11,612 thousand and €35,041 thousand for CGD employees’ seniority bonuses, respectively.

The amount of €221,472 thousand owed to CGD’s pension fund at December 31, 2019, was settled in February 2020.

25. Capital and other instruments

CGD's share capital, at June 30, 2020 and December 31, 2019, was wholly owned by the Portuguese State, as follows:

	30-06-2020	31-12-2019
Number of shares	768,828,747	768,828,747
Unit price (Euros)	5	5
Share capital	3,844,143,735	3,844,143,735

As described to in greater detail in the introductory note, the Portuguese state, under the March 2017 agreement with the European authorities as part of CGD's recapitalisation process, on January 4, 2017, decided to perform the following operations:

a) An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 ordinary shares with a nominal value of €5 each through the transfer in kind of 490,000,000 Parcaixa, SGPS, S.A. equity shares for €498,996 thousand and transfer in kind of €900,000 thousand in CoCo bonds (note 21), plus €45,148 thousand in respective accrued interest; and

b) A €6,000,000 thousand reduction in CGD's share capital through the extinguishing of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to create free reserves for the amount of €4,595,494 thousand.

Latterly, on March 30, 2017, the state issued a resolution undertaking a new capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, fully subscribed by the sole shareholder.

Caixa issued €500,000 thousand in additional tier 1 shares, fully subscribed for by private professional investors on the same date. Interest of 10.75% is paid on this issuance.

26. Reserves, retained earnings and profit attributable to CGD's shareholder

Reserves and retained earnings, at June 30, 2020 and December 31, 2019, were as follows:

	30-06-2020	31-12-2019
Revaluation reserves		
Legal revaluation reserve of fixed assets	110,425	110,425
Fair value reserve, net of deferred tax		
Financial assets at fair value trough other comprehensive income (Note 8)	114,665	169,042
Assets with repurchase agreement	10,003	(148)
Other revaluation reserves	1,842	1,939
	236,936	281,259
Other reserves and retained earnings		
- Legal reserve - CGD	224,891	72,488
- Special reserve associated with the special regime applicable to deferred tax assets (Note 17)	681,571	681,571
- Other reserves	3,475,587	3,639,164
- Retained earnings	(892,709)	(1,464,456)
	3,489,340	2,928,767
Net income attributable to the shareholder of CGD	248,594	775,928
	3,974,869	3,985,954

As referred to in greater detail in note 17, as a consequence of the negative net income from Caixa's separate activity in 2016 and as defined by law 61/2014, the procedures for the conversion of deferred tax assets into tax credit, for a final amount of €420,575 thousand were completed in 2019. Under the applicable legislation, the conversion of deferred tax assets was preceded by the creation of a special reserve of €681,571 thousand, for the amount of the tax credit calculated in the conversion process plus 10% and adjusted to the requirements of no. 3 of article 11 of law 61/2014. The creation of the special reserve was accompanied by the issuance and simultaneous attribution of an equivalent amount of conversion rights to the state.

The special reserve is recognised in "Other reserves".

The "Fair value reserve" recognises unrealised capital gains and losses on debt instruments measured at fair value through other comprehensive income.

The currency translation reserve, which recognises the translation of subsidiaries' financial statements in foreign currency, is included in "Other reserves".

The legal revaluation reserves on fixed assets may only be used to cover accumulated losses or increase capital. CGD’s non-distributable reserves of €110,425 thousand were, accordingly, created in compliance with the following legislation:

Tangible fixed assets	
Decree-Law nº 219/82, of June 2	1,752
Decree-Law nº 399 - G/84, of December 28	1,219
Decree-Law nº 118 - B/86, of May 27	2,304
Decree-Law nº 111/88, of April 2	8,974
Decree-Law nº 49/91, of January 25	22,880
Decree-Law nº 264/92, of November 24	24,228
Decree-Law nº 31/98, of February 11	48,345
Financial fixed assets	723
	110,425

The net contribution of branches and subsidiaries to CGD's consolidated profit and loss, at June 30, 2020 and December 31, 2019, was as follows:

	30-06-2020	30-06-2019
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	175,190	286,438
France Branch	828	10,223
East Timor Branch	1,697	1,739
Luxembourg Branch	(381)	(1,419)
Spain Branch	(6,784)	888
	170,549	297,870

	30-06-2020	30-06-2019
Contribution to net income from		
subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	29.848	32.968
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	11.498	20.030
Banco Comercial e de Investimentos, S.A.R.L.	5.723	18.520
Mercantile Bank Holdings, Ltd.	-	7.847
Fundimo - Fundo de Investimento Imobiliário Aberto	-	6.710
Banco Comercial do Atlântico, S.A.R.L.	4.221	6.304
Banco Caixa Geral, S.A.	-	5.933
Fundiestamo - Fundo de Investimento Imobiliário Fechado	5.163	5.167
Caixa Imobiliário, S.A.	(769)	(5.163)
Banco Caixa Geral Angola, S.A.	8.814	4.183
Caixa Banco de Investimento, S.A. (a)	1.188	4.011
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	-	3.614
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	-	(3.346)
Partang, SGPS	(1.567)	(2.858)
Caixagest - Técnicas de Gestão de Fundos, S.A.	3.674	2.834
Fundo de Capital de Risco Caixa Crescimento	(146)	(1.882)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	267	1.734
Banco Interatlântico, S.A.R.L.	1.002	1.497
Inmobiliaria Caixa Geral, S.A.U.	(287)	(1.446)
CGD Pensões, S.A.	1.363	1.229
Caixagest Infra-Estruturas - Fundo Especial de Investimento	(631)	793
Fundo de Capital de Risco Caixa Fundos	(3.732)	698
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	-	621
CGD Investimentos CVC, S.A.	8	567
Parbanca, SGPS	(2.032)	448
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	-	422
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	(35)	315
Caixa - Participações, SGPS, S.A.	(111)	(253)
Imocaixa - Gestão Imobiliária, S.A.	-	203
Caixagest Private Equity - Fundo Especial de Investimento	(1.029)	(190)
Beirafundo - Fundo de Investimento Imobiliário Fechado	-	(163)
Fundo de Capital de Risco Empreender Mais	(72)	(135)
Fundolis - Fundo de Investimento Imobiliário Fechado	(379)	88
Banco Caixa Geral Brasil, S.A.	(558)	31
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	-	(14)
Other	850	528
	62.275	111.846
Associates and jointly controlled entities:	15.770	7.779
Consolidated net income attributable to the shareholder of CGD	248.594	417.495

(a) Data taken from the consolidated financial statements.

These amounts were assessed prior to the elimination of the intragroup operations performed in the consolidation process.

Several initiatives were defined to rationalise the group's presence in the international market under CGD's recapitalisation commitments agreed between the Portuguese state and the competent European authorities. Caixa sold Banco Caixa Geral, S.A. and Mercantile Bank Holdings, S.A. in 2019, for the purpose of complying with these objectives. Caixa continued the process, in 2020, with the closure of the financial activities of its Spain and Luxembourg branches.

Appropriation of profit for period

2019

A resolution was passed at the general meeting of shareholders held in May 29, 2020, to appropriate 20% of separate net profit of €152,403 thousand to the legal reserve and incorporate €609,611 thousand in "Other reserves and retained earnings".

2018

A resolution was passed at the general meeting of shareholders of May 31, 2019, to appropriate 20% of separate net profit of €67,560 thousand to the legal reserve, incorporate €70,238 thousand in the "Other reserves and retained earnings" account and make a dividend payment of €200,000 thousand, after obtaining the respective approval of the competent supervisory entities, under European and national legislation in force.

27. Non-controlling interests

Third party investments in subsidiaries are distributed among the following entities:

	30-06-2020	31-12-2019
Banco Comercial e de Investimentos, S.A.	86,856	100,423
Banco Caixa Geral Angola, S.A.	56,196	69,037
Fundiestamo - Fundo de Investimento Imobiliário Fechado	36,752	35,302
Banco Comercial do Atlântico, S.A.	24,294	21,692
Banco Interatlântico, S.A.R.L.	6,959	6,525
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,929	1,971
Caixa – Banco de Investimento, S.A.	869	869
Other	85	90
	213,939	235,909

Information on the amount of consolidated profit attributable to non-controlling interests for the periods ended June 30, 2020 and December 31, 2019, is set out below:

	30-06-2020	30-06-2020
Banco Comercial e de Investimentos, S.A.R.L.	3,354	10,852
Banco Comercial do Atlântico, S.A.R.L.	3,032	4,529
Banco Caixa Geral Angola, S.A.	8,013	4,019
Fundiestamo - Fundo de Investimento Imobiliário Fechado	1,450	1,451
Banco Interatlântico, S.A.R.L.	430	641
Other	(13)	357
	16,265	21,849

28. Interest and similar income and interest and similar costs

These accounts comprise the following:

	30-06-2020	30-06-2019
Interest and similar income		
Interest on loans and advances to domestic credit institutions	89	1,473
Interest on loans and advances to foreign credit institutions	25,997	31,090
Interest on domestic credit	253,461	282,242
Interest on foreign credit	196,887	209,375
Interest on overdue credit	9,469	16,787
Interest on financial assets held-for-trade		
- Derivatives	128,004	175,775
- Securities	4,829	3,606
Interest on financial assets at fair value through profit or loss	1,707	2,081
Interest on financial assets at fair value through other comprehensive income	52,216	73,593
Interest on hedging derivatives	667	716
Interest on assets with repurchase agreement	682	-
Interest on debtors and other investments	230	1,105
Interest on cash equivalents	1,749	1,610
Interest on other loans and other amounts receivable	30,786	57,059
Other interest and similar income	(10)	42
Commissions received relating to amortised cost	47,365	57,101
Other	27,821	24,147
	781,950	937,802
Interest and similar costs		
Interest on deposits of		
- Central and local government	6	7
- Other residents	9,066	22,452
- Emigrants	2,392	3,753
- Other non-residents	61,214	77,551
Interest on resources of foreign credit institutions	9,486	14,831
Interest on resources of domestic credit institutions	3,949	8,542
Interest on swaps	123,509	175,953
Interest on other trading liabilities	3,395	4,410
Interest on unsubordinated debt securities	8,340	28,840
Interest on hedging derivatives	3,177	5
Interest on subordinated liabilities	20,903	20,185
Other interest and similar costs	8,462	9,420
Commissions paid relating to amortised cost	8,148	7,297
	262,047	373,246

29. Income from equity instruments

This account comprises the following:

	30-06-2020	30-06-2019
Income received from investment funds	4,824	15,016
Other	98	352
	4,922	15,368

30. Income and costs of services and commissions

These accounts comprise the following:

	30-06-2020	Restatement 30-06-2019
Income from services rendered and commissions:		
On guarantees provided	19,269	21,652
On commitments to third parties	4,140	4,730
On operations on financial instruments	465	377
On services provided		
Deposit and safekeeping of valuables	10,670	12,183
Collection of valuables	3,278	3,365
Management of securities	7,147	7,305
Collective investment in transferable securities	26,839	20,866
Transfer of valuables	8,561	8,483
Cards management	6,974	8,167
Annuities	18,458	19,721
Structured Operations	93	180
Credit operations	14,186	17,002
Other services rendered	112,793	113,512
On operations carried out on behalf of third parties	3,125	2,749
Other commissions received	61,739	66,701
	297,738	306,992
Cost of services and commissions:		
On guarantees received	284	104
On operations on financial instruments	133	78
On banking servicers rendered by third parties	48,154	57,904
On operations carried out by third parties	1,237	2,752
Other commissiond paid	4,330	4,932
	54,138	65,770

31. Results from financial operations

These accounts comprise the following:

	30-06-2020	30-06-2019
Result from foreign exchange operations:		
Revaluation of foreign exchange position	11,679	50,220
Results from currency derivatives	17,101	(6,241)
	28,780	43,979
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	(2,245)	4,616
Equity instruments	(1,894)	1,990
	(4,140)	6,607
Derivatives:		
Interest rate	(8,687)	(143,198)
Equity	6,646	(1,250)
Other	16,789	9,609
	14,748	(134,839)
	10,608	(128,233)
Result from other financial assets at fair value through profit or loss:		
Debt instruments	(1)	10
Equity instruments	8,792	18,959
Other securities	(14,712)	(4,153)
Loans and other amounts receivable	4,512	(439)
	(1,408)	14,378
Result from financial assets at fair value through other comprehensive income :		
Debt instruments	11,602	120,069
	11,602	120,069
Result of hedging operations:		
Hedging derivatives (Note 11)	(48,086)	1,679
Value adjustments of hedged assets and liabilities (Note 11)	36,324	(2,667)
	(11,763)	(988)
Other		
Net monetary loss (IAS 29)	-	(10,737)
Other	1,574	(15,946)
	1,574	(26,684)
	39,393	22,522

The "Other" account, at June 30, 2020 and June 30, 2019, includes losses of €4,985 thousand and €15,508 thousand respectively, on income with minority investors in the investment funds in CGD group’s consolidation perimeter.

32. Other operating income

These accounts comprise the following:

	30-06-2020	Restatement 30-06-2019
Other operating income:		
Rendering of services	11,482	11,160
Expense reimbursement	3,579	3,767
Gains on subsidiaries and jointly controlled entities	-	1,055
Lease income under operating lease agreements	7,535	29,420
Gains on non-financial assets:		
- Non-current assets held-for-sale	18,174	70,686
- Other tangible assets	328	66
- Investment property	5,640	16,339
- Other	286	311
Secondment of employees to Caixa Geral de Aposentações	497	538
Sale of cheques	27	7
Other	16,277	14,679
	63,823	148,028
Other operating costs:		
Donations and subscriptions	4,001	3,966
Losses on non-financial assets:	85	-
Losses on non-financial assets:		
- Non-current assets held-for-sale	2,600	4,688
- Other tangible assets	58	477
- Investment property	1,102	13,431
- Other	-	1
Other taxes	10,266	13,149
Contribution to the Deposit Guarantee Fund	1,026	1,709
Contribution to the Resolution Fund	28,092	31,285
Administrative expenditure under the Single Resolution Board	374	515
Fines and penalties	208	917
Other	12,999	18,487
	60,812	88,626
	3,012	59,403

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime under the general credit institutions and financial corporation regime, approved by decree law 298/92 of December 31.

The measures provided for in the new regime have been designed, as appropriate, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress. They comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The resolution fund's principal mission, herein, is to provide financial support to the application of the resolution mechanisms adopted by the Bank of Portugal.

The transposition of the bank recovery and resolution directive (directive 2014/59/EU) into domestic legislation introduced a common European Union resolution regime providing losses on the bankruptcy processes of banking institutions to be borne by their shareholders and creditors. It will be financed by mandatory contributions to the single resolution fund.

The group contributed €20,905 thousand and €22,629 thousand to the single European resolution fund in first half 2020 and 2019, respectively, of which €17,561 thousand and €18,831 thousand in cash and €3,099 thousand and €3,323 thousand, respectively, in the form of an irrevocable commitment comprising a surety for the said purpose (note 18).

The group’s periodic contribution to the national resolution fund at June 30, 2020 and 2019, totalled €10,286 thousand and €11,980 thousand, respectively.

33. Employee costs and average number of employees

This account comprises the following:

	30-06-2020	30-06-2019
Remuneration of management and supervisory bodies	5,607	6,164
Remuneration of employees	173,214	188,386
Provision for suspension of labour agreements (Note 20)	-	147
Pre-retirement program	63,815	22,947
Mutually agreed terminations (Note 20)	3,485	3,728
	246,120	221,373
Other charges relating to remunerations	15,501	15,703
Healthcare - CGD		
- Normal cost (Note 22)	6,900	7,649
- Gains associated with changing the Plan	(20,706)	-
- Contributions relating to current employees	7,104	7,212
Pension Liabilities - CGD		
- Normal cost	(16,838)	30,998
	(49,984)	-
- Retirements before the normal retirement age	7,858	8,829
- Gains associated with termination by mutual agreement	(3,779)	(6,781)
Other pension costs	50,182	275
Other mandatory social charges	5,278	4,719
	1,516	68,603
Other employee costs	5,569	6,728
	253,205	296,704

A staff adjustment programme, providing for a substantial reduction of operating costs based on an adjustment to CGD's structure and resources to the current and future size of its business, was created following the approval of CGD's restructuring plan. The programme is based on retirements, early retirements and voluntary redundancies in the group's domestic perimeter across the period 2018-2020.

CGD recognised global employee costs of €71,673 thousand, for the half year ended June 30, of which €63,815 thousand for the early retirement and voluntary redundancy provision (around €64,048 thousand resulting from a reclassification of the costs associated with the PPR2020 early retirement programme for early retirements in 2019) and the remainder comprising an increase of €7,858 thousand recognised in the "Early retirements component" of the "Pension liabilities" aggregate. Additional income of €294 thousand was also recognised in employee costs as a result of a net combination of costs of around €3,485 thousand incurred on voluntary redundancies and around €3,779 thousand in income associated with this agreement.

The process for a review of the company agreement was completed in first half 2020. The review resulted in alterations to the regime for the attribution of continuity payments and annuities and led to a reduction of around €44,666 thousand in pension liabilities and the regime governing the exemption from fixed working hours which led to a reduction of around €5,318 thousand in pension liabilities. The global amount of €49,948 thousand was recognised as a charge to a reduction of employee costs. This review was also responsible for a reduction of around €20,706 thousand in medical plan liabilities, recognised as a charge to a reduction of employee costs.

An "end of career" bonus agreement *in lieu* of the seniority bonus was also created under the company review. This alteration had a positive effect of around €5,631 thousand on employee costs, resulting from the reversal of the future costs of €16,843 thousand on the seniority bonus and the establishing of the new career bonus (€11,212 thousand).

The average number of employees in Caixa and its subsidiaries, for the periods ended June 30, 2020 and 2019 by type of function, was as follows:

	30-06-2020	30-06-2019
Senior management	454	495
Management	2,310	2,673
Technical staff	4,593	5,082
Administrative staff	4,722	5,455
Auxiliary	158	227
	12,237	13,932
Number of employees at the end of the period	12,127	13,828

These numbers, at June 30, 2020 and 2019, do not include employees of the Caixa Geral de Aposentações support department (228 and 221 respectively), employees assigned to CGD's social services (23 and 28, respectively) and employees in other situations i.e. secondments or extended absences (144 and 125 respectively).

34. Other administrative costs

This account comprises the following:

	30-06-2020	*Restatement* 30-06-2019
Specialised services		
- IT services	27,286	26,707
- Safety and security	2,832	3,246
- Information services	2,631	2,594
- Cleaning	2,569	2,485
- Contracts and service fees	2,538	2,199
- Studies and consultancy	1,055	495
- Other	19,064	29,013
Operating leases	3,416	4,429
Communications and postage	11,335	12,681
Maintenance and repairs	13,777	15,569
Advertising and publications	5,147	7,131
Water, energy and fuel	7,051	7,270
Transport of cash and other values	3,528	4,175
Travel, lodging and representation expenses	1,744	2,584
Standard forms and office supplies	1,900	2,554
Other	6,499	5,981
	112,371	129,114

35. Asset impairment

Information on impairment movements for the periods June 30, 2020 and 2019 is set out below:

	Balances at 31-12-2019	Reinforcements: New production	Reinforcements: Other	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2020	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 13)	2,148,816	29,045	1,289,769	(1,172,135)	(71,908)	(14,713)	16,145	2,225,020	(68,679)
Impairment of loans and advances to credit institutions (Note 6)	1,382	-	1,547	(946)	-	(103)	(18)	1,861	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	1,809	-	5,054	(5,749)	-	(1)	-	1,114	
Impairment of financial assets with repurchase agreement (Note 9)	-	-	-	-	-	-	-	-	
Impairment of financial assets at amortised cost (Note 12)	6,684	219	2,829	-	-	(1,269)	-	8,463	
Impairment of other tangible assets	23,843	-	-	-	-	(230)	-	23,613	
Impairment of intangible assets	15,779	-	-	-	-	-	(2,646)	13,132	
Impairment of non-current assets held-for-sale (Note 14)									
Properties	261,701	208	20,267	(25,090)	(7,504)	1,766	(124)	251,223	
Equipment	1,051	-	582	(51)	(200)	-	(338)	1,043	
Other tangible assets	1,043	-	-	(1)	-	(270)	2,058	2,829	
Subsidiaries	71,475	-	-	(18,492)	-	-	-	52,983	
Other assets	77	-	-	-	-	-	-	77	
Impairment of investments in associates and jointly controlled entities (Note 16)	439	-	-	-	(5,352)	-	5,352	439	
Impairment of other assets (Note 18)	138,732	-	11,315	(6,708)	(727)	(321)	153	142,443	
	524,013	427	41,594	(57,037)	(13,784)	(429)	4,436	499,220	-
	2,672,829	29,472	1,331,364	(1,229,172)	(85,692)	(15,142)	20,580	2,724,239	(68,679)

	Balances at 31-12-2018	Changes in the consolidation perimeter	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2019	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 13)	3,336,927	-	42,669	(454,278)	(2,169)	7,625	2,930,774	(39,853)
Impairment of loans and advances to credit institutions (Note 6)	9,009	-	539	-	(83)	(14)	9,451	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	4,758	-	(1,552)	-	(1)	(1,054)	2,151	
Impairment of financial assets with repurchase agreement (Note 9)	-	-	-	-	-	-	-	
Impairment of financial assets at amortised cost (Note 12)	4,245	-	2,750	-	(396)	(22)	6,577	
Impairment of other tangible assets	20,066	-	(109)	-	(143)	(844)	18,970	
Impairment of intangible assets	23,971	-	-	-	-	(2,100)	21,871	
Impairment of non-current assets held-for-sale (Note 14)		-						
Properties	333,008	-	7,748	(9,146)	-	(2,041)	329,568	
Equipment	2,269	-	597	(340)	-	-	2,526	
Other tangible assets	713	-	(29)	-	3	127	814	
Subsidiaries	413,263	-	(134,955)	-	-	-	278,308	
Impairment of investments in associates and jointly controlled entities (Note 16)	469	-	-	(19)	-	-	449	
Impairment of other assets (Note 18)	203,289	-	46,942	(49,592)	2	(2,579)	198,062	
	1,015,059	-	(78,069)	(59,097)	(618)	(8,528)	868,747	-
	4,351,986	-	(35,400)	(513,375)	(2,787)	(902)	3,799,521	(39,853)

The “Transfers and other” column in the table of impairment movements for the half year ended June 30, 2019 includes €33,322 thousand, on the recognition of accumulated impairment on financial and non-financial assets related to the activity of BCA, which, on June 30, was recognised in the non-current assets held for sale category (note 14).

The recoveries and cancellations of impairment for subsidiaries classified as non-current assets held-for-sale in 2019, include €135,463 thousand and €21,593 thousand, respectively, for the adjustment of the amount of the equity stake in BCG Spain and Mercantile on their disposal (note 14).

Impairment on subsidiaries classified as being held-for-sale at December 31, 2019 – BCG Brazil and BCA – amounted to €71,475 thousand.

Impairment of €52,983 thousand on BCA and BCG Brazil had also been declared at June 30, 2020 for the purpose of adjusting the equity value of these units’ assets and liabilities to their estimated respective fair value, net of disposal costs (note 14) at that date.

Credit disposals for the half years ended June 30, 2020 and December 31, 2019 originated the use of €4,119 thousand and €334,879 thousand in impairment, respectively.

Higher levels of impairment on loans and advances to customers in first half 2020 exceeded recoveries and cancellations. In conjunction with other less expressive movements, this resulted in an increase from €2,148,816 thousand in impairment at December 31, 2019 to €2,225,020 thousand at June 30, 2020. This level of impairment largely reflects the anticipation of the expected effects of the economic crisis based on the most recent macroeconomic scenarios.

The evolution of total impairment was in line with impairment on loans and advances to customers with an increase of the total impairment balance from €2,672,829 thousand at the end of 2019 to €2,724,239 thousand in June 2020.

More detailed information on impairment on credit movements for first half 2020 are given in the chapter "Disclosures − financial instruments" (note 39).

36. Segment reporting

The group adopted the following business segments to comply with IFRS 8 – “Operating segments” and measurement of own funds requirements to cover operational risk, using the standard method under the terms of regulation (EU) 575/2013 of June 26, 2013 of the European Parliament and of the Council:

- *Trading and sales*. Trading and sales include banking activity related to the management of the treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Loans and advances to and cash balances at other credit institutions and derivatives are included in this segment;

- *Retail banking*. Retail banking comprises banking activities for personal customers, self-employed and micro enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposit-taking from personal customers;

- *Commercial banking*. Commercial banking includes lending activities and resource-taking from major enterprises and SMEs. The segment includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and lending to the public sector;

- *Asset management*. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trust and property fund management and discretionary wealth management funds;

- *Corporate finance.* Corporate finance includes activities related to acquisitions, mergers, restructuring operations, privatisations, subscriptions for and sales of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan sales), investment management, market and corporate financial analyses and advisory services; and

- *Other*: This includes all activity segments not described in the above business areas.

Information on the appropriation of results and principal balance sheet aggregates, by business areas and geographies, at June 30, 2020 and December 31, 2019, is given below:

Business areas

	30-06-2020						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	239,858	142,714	80,348	(1)	55,563	1,421	519,903
Income from equity instruments	1	-	92	4,824	5	-	4,922
Income from services rendered and commissions	6,825	97,795	26,609	13,283	6,533	146,692	297,738
Cost of services and commissions	(18,140)	(4,864)	(86)	(1,359)	(1)	(29,688)	(54,138)
Results from financial operations	51,842	64	128	(10,067)	2,128	(4,701)	39,393
Other net operating income	(820,392)	4,592	1,375	7,792	816,360	(6,716)	3,012
Net operating income from banking	(540,005)	240,300	108,466	14,473	880,588	107,008	810,830
Other income and expenses							(562,236)
Net income attributable to the shareholder of CGD							248,594
Cash balances and loans and advances to credit institutions (net)	10,935,366	484,586	266	123	1	251	11,420,592
Investments in securities and derivatives (net)	26,738,294	(3,065,722)	43	224,347	-	170,019	24,066,981
Loans and advances to customers (net)	-	31,290,437	12,238,076	2	4,769,879	16,126	48,314,521
Non-current assets held for sale	-	-	-	-	-	1,198,226	1,198,226
Investments in associates by the equity method	-	-	-	-	-	454,288	454,288
Total net assets	41,060,940	30,186,065	12,905,864	893,874	5,112,863	245,343	90,404,948
Resources of central banks and credit institutions	2,057,040	4,260	1,821	6	-	-	2,063,127
Customer resources	-	61,039,398	9,688,996	-	-	5	70,728,398
Debt securities	1,360,988	58,511	-	-	-	-	1,419,499

	31-12-2019						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	511,547	332,576	177,200	(9)	107,240	3,503	1,132,058
Income from equity instruments	47	-	614	30,812	23	-	31,496
Income from services rendered and commissions	12,134	207,001	54,627	53,474	17,426	285,690	630,352
Cost of services and commissions	(30,566)	(1,847)	(2,182)	(7,529)	(19)	(86,308)	(128,450)
Results from financial operations	61,493	202	794	(7,091)	14,265	12,866	82,529
Other net operating income	(6,547)	42,139	5,594	45,700	(89,552)	138,726	136,060
Net operating income from banking	548,108	580,072	236,647	115,358	49,383	354,477	1,884,045
Other income and expenses							-
Net income attributable to the shareholder of CGD							775,928
Cash balances and loans and advances to credit institutions (net)	10,063,193	458,434	3	132	63	261	10,522,087
Investments in securities and derivatives (net)	23,257,036	(3,253,077)	21,358	251,419	-	182,859	20,459,595
Loans and advances to customers (net)	-	31,546,645	11,990,488	-	4,436,412	-	47,973,544
Non-current assets held for sale	-	-	-	-	-	1,333,471	1,333,471
Investments in associates by the equity method	-	-	-	-	-	461,719	461,719
Total net assets	36,633,281	30,398,770	12,745,310	932,529	4,776,509	289,662	85,776,060
Resources of central banks and credit institutions	1,067,903	2,256	7,509	-	-	-	1,077,668
Customer resources	-	56,555,076	9,236,474	-	-	5	65,791,555
Debt securities	2,401,875	61,547	-	-	-	-	2,463,422

The financial information provided for each segment was prepared on the basis of the same assumptions as used for the preparation of the information analysed by the executive committee, in conformity with the accounting policies in force (note 2).

Operations between group entities are performed at market prices. Investments in associates and jointly controlled enterprises using the equity accounting method are included in the “Other” segment.

Non-current assets and liabilities held-for-sale have been allocated to the “Other” segment.

Geographies

	30-06-2020						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Other	Total
Net interest income	331,236	36,014	-	51,113	101,720	(180)	519,903
Income from equity instruments	90,246	-	-	5	15,094	(100,423)	4,922
Income from services rendered and commissions	254,097	15,628	-	12,316	23,654	(7,958)	297,738
Cost of services and commissions	44,633	4,595	-	4,853	5,414	(113,634)	(54,138)
Results from financial operations	16,406	25	-	3,502	15,440	4,019	39,393
Other net operating income	(801,802)	(796)	-	833	(379)	805,157	3,012
Net operating income from banking	(65,183)	55,466	-	72,623	160,943	586,981	810,830
Other income and expenses							(562,236)
Net income attributable to the shareholder of CGD							248,594
Cash balances and loans and advances to credit institutions (net)	11,223,739	672,188	-	1,774,283	1,293,148	(3,542,766)	11,420,592
Investments in securities and derivatives (net)	26,076,333	16,729	-	628,462	697,839	(3,335,563)	24,083,800
Loans and advances to customers (net)	41,710,522	5,487,942	-	2,936,530	1,227,672	(3,048,146)	48,314,521
Total net assets	84,661,248	6,281,102	204,950	6,534,892	4,354,752	(11,631,996)	90,404,948
Resources of central banks and credit institutions	5,048,258	34,716	-	140,762	19,885	(3,180,493)	2,063,127
Customer resources	61,070,383	2,785,998	-	4,526,379	2,717,082	(371,444)	70,728,398
Debt securities	1,361,389	3,121,702	-	-	-	(3,063,592)	1,419,499

	31-12-2019						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Other	Total
Net interest income	726,818	74,816	-	104,747	219,055	6,622	1,132,058
Income from equity instruments	107,516	-	-	23	21,733	(97,776)	31,496
Income from services rendered and commissions	557,373	37,399	-	37,048	53,163	(54,632)	630,352
Cost of services and commissions	139,306	9,583	-	18,574	12,110	(308,022)	(128,449)
Results from financial operations	73,054	464	-	8,953	44,598	(44,541)	82,529
Other net operating income	222,928	(1,376)	-	1,100	790	(87,382)	136,060
Net operating income from banking	1,826,996	120,886	-	170,445	351,449	(585,731)	1,884,045
Other income and expenses							(1,108,116)
Net income attributable to the shareholder of CGD							775,928
Cash balances and loans and advances to credit institutions (net)	11,348,603	652,505	-	2,175,295	1,392,320	(5,046,636)	10,522,087
Investments in securities and derivatives (net)	22,618,319	15,511	-	618,291	741,756	(3,523,545)	20,470,332
Loans and advances to customers (net)	41,468,251	5,649,573	-	2,702,397	1,333,794	(3,180,472)	47,973,544
Total net assets	81,250,805	6,421,387	331,199	6,600,154	4,635,577	(13,463,062)	85,776,060
Resources of central banks and credit institutions	4,397,938	990,252	-	321,089	24,142	(4,655,754)	1,077,668
Customer resources	56,159,125	2,627,088	-	4,431,677	2,927,258	(353,593)	65,791,555
Debt securities	2,402,277	3,270,715	-	-	-	(3,209,571)	2,463,422

The "Other" column includes balances between group companies eliminated in the consolidation process, in addition to other consolidation adjustments.

The following is a breakdown of the contribution to the group's income by business area, based on internal management criteria, for the half years ended June 30, 2020 and December 31, 2019:

	30-06-2020					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	559,598	259,123	6,029	-	(42,801)	781,950
Interest and similar costs	(248,782)	(70,664)	(2,950)	-	60,349	(262,047)
Income from equity instruments	92	6	-	-	4,824	4,922
Net interest income	310,908	188,466	3,079	-	22,372	524,825
Income from services rendered and commissions	229,895	51,598	7,713	-	8,532	297,738
Cost of services and commissions	(38,549)	(14,475)	(1,948)	-	835	(54,138)
Results from financial operations	30,718	18,968	(5,415)	-	(4,879)	39,393
Other net operating income	(4,215)	(343)	137	-	7,432	3,012
Net operating income	217,849	55,748	488	-	11,920	286,005
NET OPERATING INCOME FROM BANKING	528,757	244,214	3,566	-	34,293	810,830
Other income and expenses	(353,567)	(203,391)	(6,331)	13,666	(12,613)	(562,236)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	175,190	40,823	(2,765)	13,666	21,680	248,594

	31-12-2019					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,312,426	586,288	26,537	-	(97,160)	1,828,091
Interest and similar costs	(627,265)	(188,526)	(17,414)	-	137,173	(696,033)
Income from equity instruments	286	313	328	-	30,569	31,496
Net interest income	685,447	398,075	9,451	-	70,581	1,163,553
Income from services rendered and commissions	473,807	127,610	23,291	-	5,643	630,352
Cost of services and commissions	(86,629)	(39,411)	(6,780)	-	4,370	(128,449)
Results from financial operations	45,818	54,015	16,709	-	(34,013)	82,529
Other net operating income	53,272	514	1,098	-	81,177	136,060
Net operating income	486,268	142,729	34,318	-	57,177	720,491
NET OPERATING INCOME FROM BANKING	1,171,715	540,803	43,769	-	127,758	1,884,045
Other income and expenses	(729,689)	(357,338)	(17,612)	33,179	(36,656)	(1,108,116)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	442,025	183,466	26,156	33,179	91,102	775,928

The "Other" column includes balances between group companies eliminated in the consolidation process. As regards business segments, reference should also be made to the effects of group activity in the property sector.

37. Related entities

Associates, jointly controlled enterprises, the group's management boards and other entities controlled by the Portuguese state are considered to be related entities.

The group's financial statements, at June 30, 2020 and December 31, 2019, included the following balances and transactions with related entities, excluding management boards:

	30-06-2020			31-12-2019		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Securities and derivatives held-for-trading	8,948,585	404,493	2,721	7,039,621	268,655	3,649
Loans and advances to customers	60,929	395,251	104,643	-	390,790	67,377
Impairment for loans and advances to customers	-	31	124	-	-	-
Other assets	-	3,350	349,845	11,505	82,996	315,567
Liabilities:						
Customer resources	61,792	360,550	554,597	17,156	433,278	171,644
Financial liabilities held-for-trading	1,444	17,199	81	1,444	16,216	80
Other liabilities	1,842	117,730	1,411	58,620	122,110	886
Guarantees given	3,810	246,618	44,097	3,810	179,433	46,338
Net income:						
Interest and similar income	25,272	6,278	1,939	52,267	51,506	4,306
Interest and similar costs	-	4,854	224	-	7,444	2,284
Income from services rendered and commissions	27	32,725	3,286	219	63,667	5,396
Cost of services and commissions	6	441	252	28	926	431
Results from financial operations	69,230	33,674	(928)	234,855	81,922	(1,370)
Other operating income	(1)	(81)	148	(4)	1,058	266
General administrative costs	-	(5)	879	-	59	1,894

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at June 30, 2020 and December 31, 2019, does not include balances with regional or local government.

38. Lease agreements

Lease agreements at June 30, 2020 and December 31, 2019, were accounted for as follows:

30-06-2020			
Leases	Property	Vehicles	Other
Amortization costs of right-of-use assets in the period	16,245	1,236	-
Interest costs of lease liabilities in the period	3,062	23	2
Costs related to low-value leases	308	-	544
Carrying amount of right-of-use assets at the end of the period	180,416	3,807	-
Carrying amount of lease liabilities at the end of the period	(180,995)	(3,846)	(9,739)
Maturity of lease liabilities			
Up to one year	4,445	1,913	-
One to five years	202,060	2,279	-
Over five years	5,426	-	-

31-12-2019			
Leases	Property	Vehicles	Other
Amortization costs of right-of-use assets in the period	31,233	2,514	-
Interest costs of lease liabilities in the period	6,839	55	-
Costs related to low-value leases	696	-	994
Carrying amount of right-of-use assets at the end of the period	195,812	4,812	-
Carrying amount of lease liabilities at the end of the period	(199,019)	(4,823)	-
Maturity of lease liabilities			
Up to one year	33,272	2,399	-
One to five years	92,818	2,495	-
Over five years	106,089	-	-

39. Disclosures relating to financial instruments

Management policies for the financial risks inherent to the group's activity

CGD adopted a centralised risk management model, in 2001, encompassing the assessment and control of all of the group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

Credit risk -

The credit risk attached to CGD's customer portfolio is overseen and controlled by the monitoring of indicators which are split up by type of product, customer segment, maturities, types of guarantee, level of exposure to the financial system, sector of activity and geography. The amount of large exposures with regard to the maximum limits defined by supervisors is also analysed. CGD has implemented a system for the identification, assessment and control of its credit portfolio risk, from the time the loan is made and which is monitored over the lifetime of the operations.

In the sphere of the implementation of the International Accounting Standards, CGD assesses the amount of impairment on each credit sub-portfolio on a monthly basis, by splitting it into like-for like risk segments and use of PD (probability of default) and migration to default and recoveries after default (LGD - loss given default) annually updated on the basis of historical information.

The credit portfolio was monitored by the risk management division (DGR), which reviewed the credit oversight and recovery policy and the incorporation of default and non-performing exposure concepts, in alignment with the definitions published by the European Banking Authority (EBA), as part of the operational system used for the daily monitoring of the credit portfolio. This system incorporates a series of rules and functionalities designed to promptly recognise risk events enabling a series of corrective actions designed to regularise and recover credit to be initiated:

1. All customers have an associated risk level which is updated on a daily basis;

2. Retail customers in respect of which more serious risk levels are identified are automatically allocated to specialised recovery areas; and

3. The measures taken to regularise the loan are identified for the purpose of assessing their effectiveness.

The process is monitored in a monthly report produced by DGR.

As part of the lending process, the credit risks division (DRC) which has corporate functions and reports directly to the executive committee, is responsible for decision-making and/or credit analysis functions for corporates, financial institutions, institutionals and personal customers.

The analysis of lending to corporates, in addition to natural portfolio oversight, is geared to customer credit risk, respective economic group and operations set out in the proposal. Its functions are separate from those of the commercial area which is responsible for submitting the proposals with the conditions attached to the operations.

The analysis is based on the ratings issued by rating agencies and internal measurement models as well as quantitative and qualitative weighting factors on the customer/economic group and operation in question. The market and the economy in which the entities operate and any aspects/conditions which could mitigate credit risk are also taken into account.

Market risk -

Market risk management rules, with a minimum period of one year, have been defined for each portfolio or business unit to ensure that the risk levels incurred on CGD group's credit portfolios are commensurate with its risk appetite. They encompass the significant types of market risk, including concentration of exposure (by name, sector, rating and country), asset market liquidity indicators, composition of authorised assets and instruments and also define maximum acceptable loss levels.

Portfolio alterations are subject to an exhaustive daily examination for the purpose of identifying alterations of profile or any segments meriting special attention. The use of the defined limits is overseen by the risk management function on a daily basis and communicated to the management boards and officers responsible for each portfolio.

Market risk hedging operations are decided by portfolio or business unit managers, based on the necessary compliance with market risk management rules in the form of authorised instruments and defined limits.

The most common market risk monitoring metric used for all types of market risk (interest rates (and spreads), shares, exchange rates and volatility) is value at risk (VaR) based on the historical simulation method, whose confidence levels used in the simulation are contingent upon portfolio retention objectives. Additional metrics are also monitored on certain portfolios and include *expected shortfall* and *third worst*. Other market risk measurements, such as sensitivity to the price changes of underlying assets (basis point value – bpv, on interest rates) and other sensitivity indicators commonly used for options portfolios are also applied (usually referred to as “Greeks”).

The reliability of the VaR model is monitored daily on the basis of a comparative analysis between value at risk and theoretical and real back testing results. The number of exceptions obtained enable the method’s accuracy to be assessed and any necessary adjustments or calibrations made. Back testing operations also include hypotheses, excess and normality tests.

CGD group also performs regular stress tests on its market and foreign exchange risk at least once a month. Stress tests aim to measure the impact of adverse risk exposure events, based on their impact on the fair value of investments and quantitative and qualitative suitability of CGD group’s own funds. Stress tests are based on risk factor scenarios that, as a whole, represent situations that could originate extraordinary losses on portfolios subject to market risk. These factors specifically include events with a low possibility of occurrence associated with the principal types of risk, including various market and foreign exchange risk components. The scenarios used aim to identify the potential risk of extreme market conditions and the probabilities of occurrence not covered by VaR. Several of the scenarios therefore aim to replicate the behaviour of financial variables to past events (i.e. crises) whereas others correspond to sensitivity analyses to one or more risk factors.

Executory functions on market operations and their associated risk control are completely separate.

Foreign exchange risk –

Foreign exchange risk is controlled and assessed daily on a separate basis for domestic activity and for each of the branch offices and subsidiaries and monthly, on a consolidated level, for the group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Liquidity and balance sheet interest risk –

Liquidity and balance sheet interest risk management policies are defined by the ALCO (asset-liability) committee. The risk management division’s liquidity risk and balance sheet interest rate area measures, monitors and reports on the two types of risk.

The specialised capital, assets and liabilities management board is the executive committee’s decision-making arm responsible for the integrated assets and liabilities management process (ALM asset-liability management), designed to achieve proactive balance sheet management and promote CGD group’s profitability. In the risk management domain, the ALM process normally concentrates on liquidity and balance sheet interest rate risk, as a space for the rapid dissemination of group-wide management information.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity risk management also includes stress tests based on internally developed methodologies articulated with the existing liquidity contingency plan, designed to assess the funding situation at any point of time, strengthening CGD’s resistance to adverse shocks and examining funding alternatives.

CGD group has endeavoured to guarantee a sustainable resource-taking structure for its activity, across the year as a whole, based on the liquidity and period to maturity of its assets and off-balance-sheet exposures.

The measurement methodology used for interest rate risk management includes a short term or accounting perspective and a long term or economic perspective.

The short term or accounting perspective for interest rate risk measurement purposes aims to estimate the effect of adverse variations in interest rates on interest margin. The methodology used for this purpose aggregates all assets and liabilities sensitive to interest rate changes into time bands, in accordance: (i) with their periods to maturity for fixed-rate financial instruments, and; (ii) periods between the repricing of interest rates for variable-rate financial instruments. The respective interest rate gaps for these time bands are then calculated to enable the effects of interest rate variations to be matched to net interest income.

Net interest income simulations are also used to improve the reliability of the estimations obtained from interest rate gaps on the sensitivity of interest margin. They include projections on the evolution of the group's balance sheet, integrating behaviours and trends relevant to banking activity in addition to scenarios on the evolution of different market rates and expectations reflected in the yield curves.

The long term or economic perspective on the assessment of interest rate risk aims to estimate the effect of adverse variations of interest rates on the economic value of capital. The methodology used for the purpose involves the calculation of the effective duration of assets and liabilities sensitive to variations of interest rates, in addition to the respective duration gap, enabling the effect of variations of interest rates to be matched to the economic value of capital.

Simulation techniques are also used to improve the reliability of the estimations obtained from the duration gap of the sensitivity of the economic value of capital They include the assessment and respective estimation of all of the future cash flows from assets and liabilities sensitive to interest rate variations (i.e. full valuation).

The management of liquidity and balance sheet interest rate risks is based on a set of guidelines approved by the ALCO committee, which includes limits on several significant exposure variables to such types of risk. The guidelines aim to ensure that CGD group is able to manage the return-risk trade-off for balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its assumption of risk policies and positions.

Maximum exposure to credit risk

The following is a breakdown of the group's maximum exposure to credit risk at June 30, 2020 and December 31, 2019:

	30-06-2020	31-12-2019
Trading securities		
Public debt	5,520,939	5,540,067
Private debt	32,221	23,469
	5,553,161	5,563,536
Financial assets at fair value through profit or loss		
Private debt	95	96
Credit and securities	130,276	134,756
	130,371	134,852
Financial assets at fair value through other comprehensive income *		
Public debt	4,773,189	2,423,414
Private debt	1,069,500	1,019,855
	5,842,689	3,443,269
Financial assets at amortised cost *		
Public debt a)	9,722,977	8,711,362
Private debt	351,459	307,875
	10,074,436	9,019,237
Financial assets with repurchase agreement		
Public debt	16,819	10,737
	16,819	10,737
	21,617,477	18,171,631
Derivatives	1,029,160	863,245
Cash balances at other credit institutions	505,624	513,480
Loans and advances to credit institutions*	2,946,747	2,707,621
Loans and advances to customers*	48,344,057	48,015,058
Other debtors*	2,036,869	2,098,073
Other operations pending settlement	221,389	177,608
	55,083,846	54,375,085
Other commitments		
Personal/ Institutional guarantees given:**		
Guarantees and sureties**	2,376,568	2,512,237
Stand-by letters of credit	52,798	83,628
Open documentary credits	221,707	351,774
Other personal guarantees given and other contingent liabilities	9,548	9,548
Forward deposit agreements	61,760	255
Irrevocable lines of credit	1,099,677	1,096,019
Securities subscription	1,180,162	868,827
Other irrevocable commitments	64,419	61,320
	5,066,639	4,983,608
Maximum exposure to credit risk	81,767,962	77,530,325

[*] Balances net of impairment
[**] Balances net of provisions
[a)]Includes debt acquired from the European Union's Financial Stabilization Mechanism, in the amount of 101,366 mEuros.

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (note 22) and netting agreements.

<u>Exposure to the sovereign debt of peripheral eurozone countries</u>

Information on the principal characteristics of these issuances within Caixa group, at June 30, 2020 and December 31, 2019, is set out below:

	Book value net of impairment at 30-06-2020				Fair value	Fair value reserve	Rating
	Residual maturities						
	2020	after 2020	no maturity	Total			
Financial assets at fair value trough profit or loss							
Portugal	1,296,945	1,610,063	-	2,907,008	2,907,008		
Spain	300,639	601,668	-	902,307	902,307		
Italy	1,090,883	620,741	-	1,711,624	1,711,624		
	2,688,467	2,832,472	-	5,520,939	5,520,939	-	
Financial assets at fair value through revaluation reserves							
Portugal	-	2,229,658	-	2,229,658	2,229,658	137,328	
Ireland	-	141,896	-	141,896	141,896	8,530	
Spain	130,199	970,951	-	1,101,150	1,101,150	10,464	
Italy	570,374	565,921	-	1,136,295	1,136,295	2,694	
	700,573	3,908,426	-	4,608,998	4,608,998	159,016	
Held-to-maturity investments							
Portugal	-	3,531,852	12,660	3,544,512	3,562,651		
Ireland	-	666,397	-	666,397	667,956		
Spain	-	2,420,089	-	2,420,089	2,438,869		
Italy	900,072	630,948	-	1,531,020	1,531,187		
	900,072	7,249,286	12,660	8,162,018	8,200,663	-	
Total							
Portugal	1,296,945	7,371,573	12,660	8,681,178	8,699,317	137,328	BBB
Ireland	-	808,293	-	808,293	809,852	8,530	A+
Spain	430,838	3,992,708	-	4,423,546	4,442,326	10,464	A-
Italy	2,561,329	1,817,610	-	4,378,939	4,379,106	2,694	BBB-
	4,289,112	13,990,184	12,660	18,291,956	18,330,601	159,016	

	Book value net of impairment at 31-12-2019			Fair value	Fair value reserve	Rating
	Residual maturities					
	2020	after 2020	Total			
Financial assets at fair value trough profit or loss						
Portugal	2,037,187	13,249	2,050,437	2,050,437	-	
Greece	-	-	-	-	-	
Ireland	-	-	-	-	-	
Spain	986,987	-	986,987	986,987	-	
Italy	2,502,643	-	2,502,643	2,502,643	-	
	5,526,817	13,249	5,540,067	5,540,067	-	
Financial assets at fair value through revaluation reserves						
Portugal	-	1,819,716	1,819,716	1,819,716	165,030	
Greece	-	-	-	-	-	
Ireland	-	141,515	141,515	141,515	6,591	
Spain	-	260,663	260,663	260,663	7,172	
Italy	20,033	-	20,033	20,033	35	
	20,033	2,221,894	2,241,927	2,241,927	178,828	
Held-to-maturity investments						
Portugal	-	2,938,157	2,951,211	2,966,873	-	
Greece	-	-	-	-	-	
Ireland	-	436,325	436,325	440,034	-	
Spain	-	2,359,165	2,359,165	2,382,249	-	
Italy	950,602	591,476	1,542,078	1,543,983	-	
	950,602	6,325,123	7,288,779	7,333,139	-	
Total						
Portugal	2,037,187	4,771,122	6,821,364	6,837,026	165,030	BBB
Greece	-	-	-	-	-	
Ireland	-	577,840	577,840	581,549	6,591	A+
Spain	986,987	2,619,827	3,606,815	3,629,899	7,172	A-
Italy	3,473,278	591,476	4,064,754	4,066,659	35	BBB
	6,497,453	8,560,266	15,070,772	15,115,132	178,828	

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. These portfolios were segmented into levels 1 and 2 of the fair value ranking at June 30, 2020 and December 31, 2019. Greater detail on the distinguishing elements of these categories together with their principal assumptions are provided in the “Fair value” column.

Quality of loans and advances to customers

Disclosures on asset quality and credit risk management are set out below and are essentially based on CGD headquarters practice.

Qualitative

1. Credit risk management policy

1.1 Credit risk management

In its response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos has implemented a credit risk management process based on an organisational structure guaranteeing that the commercial (risk undertaking), recovery, decision-making and risk areas are independent from each other.

1.1.1 Issue of loans

Lending activity is aligned with the credit risk management strategy and policy defined by CGD’s competent bodies.

CGD has defined a new centralised decision-making model on credit in which the credit risks division (DRC) is responsible for making decisions on loans to corporates, financial institutions and institutionals as well as to personal customers. The governance model for decisions to issue loans, including the limits on the delegating of authority are defined in internal regulations. DRC’s principal functions also include: (i) the prior, mandatory issuance of a risk opinion on the attribution of internal limits or consideration of operations not covered by the said limits for customers whose exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justifies (in accordance with internal regulations); (ii) to submit the redefinition of credit limits to a more senior level whenever warranted by the circumstances; and (iii) to approve the constitution/alteration of economic groups.

Credit decisions on the most relevant exposures are the responsibility of the board of directors or the credit risks executive committee or the credit board, depending upon the amounts of the exposure in question. Other operations are the responsibility of credit risk committees on a DRC level.

The submission of operations/limits for a decision of the board of directors requires the advance favourable opinion of the financial risks committee.

The risk management division (DGR) is involved in the credit risk control and monitoring process, both at their lending stages and latter oversight, It adopts both a customer/operation and credit portfolio approach based on: i) the definition, development and maintenance of internal rating and scoring models; ii) the monitoring and global control of CGD group’s credit risk by credit portfolios, products and business units; iii) the identification of customers at greater risk of default based on the detection of early warning signs; iv) the assessment and validation of individual impairment; v) assessment of impairment on all credit portfolio segments; vi) assessment of compliance with the limits defined for major risks and vii) the attribution of ratings, based on a qualitative assessment of companies, through the issue of an opinion.

DGR may also submit the approval and revision of policies and guidelines in the sphere of the group’s credit risk management to a more senior level.

1.1.2 Credit portfolio oversight

Credit portfolio oversight permits the advance identification of early warning signs on potential default situations, enabling decisions for optimising debt recovery to be made. The oversight process is regulated by internal credit oversight and recovery policy regulations.

CGD has implemented a workflow process across commercial, recovery and credit risk areas. The workflow classifies a customer's creditworthiness daily on the basis of pre-defined events and by level of severity regarding the probability of default situations, automatically identifying customers in financial distress and in default. All portfolio customers are segmented into one of the following categories:

1. Performing customers without any additional risk events having been identified;
2. Performing customers but in which early warning signs may indicate a greater probability of customer default;
3. Customers registering serious events and a high probability of default who are classified as being in financial distress;
4. Customers in a 24 months' probation period following the occurrence of a restructuring operation on the customer owing to financial difficulties;
5. Customers classified as being in default; and
6. Customers classified as being in quarantine following a default situation.

The workflow process incorporates operational measures which vary in line with the severity of the event and provides the first line of defence based on mechanisms designed to actively prevent potential future defaults. An automatic process immediately transfers customers from commercial to recovery areas in situations in which more serious events have been identified, to ensure that potentially more problematic cases are handled by specialised credit recovery managers. When such more serious events involve corporate customers with relevant exposures, the decision to maintain customer management in commercial structures or to transfer them to specialised recovery areas is the responsibility of the credit risks executive committee and credit board, depending on the level of the customers' liabilities in the analysis, based on a specific report to be prepared by the risk management division.

In the credit portfolio oversight process, the credit risk management division diagnoses the process as a whole and makes any necessary alterations, in line with its analysis of metrics and indicators, based on monthly monitoring reports on credit portfolio quality for the executive committee.

Credit recovery

As soon as any arrears of payment have been noted, adequate steps are taken to recover the overdue credit to enable a settlement of the situation, in due compliance with the dispositions of decree law 227/2012 (PARI and PERSI) as regards loans and advances to personal customers.

Credit recovery consists of a series of CGD group actions on arrears of payment on one or more instalments of a credit operation. It is a fundamental function of CGD group's credit management and is implemented at the time of the first overdue payment of an instalment and across the whole of the rest of the loan's lifetime until settlement. Negotiated credit recoveries comprise three types of action by order of priority in terms of their application:

- Collection of payments in arrears;
- Restructuring solutions; and
- Terminal solutions not involving legal proceedings.

Contacts with customers with a view to the settlement of overdue amounts at the initial credit collection stage are made by the call centre and commercial area. If the initial contacts are not successful and the customer is in arrears for more than 30 days, the case is re-allocated to a recovery area with the objective of finding the most appropriate credit recovery solution.

In cases in which the negotiating process with a customer is not producing the desired effect for CGD group and its customers, credit recovery moves on to legal/litigation proceedings. This solution consists of executing assets or rights either mortgaged or pledged as loan collateral for the purpose of their judicial sale.

As an alternative credit recovery measure, CGD group also considers the disposal of credit portfolios or individual loans whenever this is considered to be the most efficient solution, following a due cost/benefit appraisal.

1.2 <u>Concentration risk management</u>

Credit concentration risk management within CGD group is the responsibility of the risk management division (DGR) which identifies, measures and controls significant exposures.

To monitor concentration risk, the risk appetite statement defines metrics permitting the evolution of portfolio segments considered more critical in terms of credit risk to be controlled on a monthly basis.

Decisions to enter into agreements on operations entailing materially relevant exposures (as defined in internal regulations) require the opinion of DGR. The limit naturally includes the amount of CGD group's total exposure to a relevant customer and/or group of customers.

2. <u>Loan write-off policy</u>

The decision to write-off a loan, based on the formulation of the write-off policy in internal regulations, is taken at a senior level when expectations of credit recovery are nil or highly residual and when all of the negotiating and, when applicable, legal proceedings have been taken with all of the parties involved in a loan agreement. Loans eligible for write-offs, when entailing the recognition of 100% provisions and impairment, also include: i) loans in arrears for more than 24 months; ii) loans without a real guarantee.

3. <u>Impairment reversal policy</u>

The quantification of impairment losses is conditioned by the identification of events indicating a deterioration of the counterparty's creditworthiness when having an impact on the loan's future cash flows.

In situations involving the occurrence of significant improvements in a debtor's creditworthiness and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss with a direct reversal of impairment.

Impairment is also reversed when loans are sold for a higher amount than their net impairment exposure.

4. <u>Description of the restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms</u>

A credit restructuring operation is understood to be any alteration to the conditions in force on operations involving loans and advances to customers in financial distress when resulting in any modification to the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD group and its customers' interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

Recovery solutions always bear in mind a customer's individual circumstances and CGD's best interests, in line with three basic principles.

- <u>Impact on capital and cash flows</u>. The first aspect to be considered should be the referred to process's impact on CGD group's invested capital and the cash flows produced by the operation in the future. This impact should be measured by calculating the incremental NPV on processing the operation as opposed to a legally imposed solution (considered a last recourse in terms of credit recovery);

- Impact on customer. Secondly, the impact of the processing solution on the customer should be considered, based on two fundamental criteria:

  - *Payment capacity*. The customer must to be able to meet its financial commitments in the new scenario, based on its expected income; and

  - *Sustainability of treatment*. The process must be sustainable over time, i.e. the customer, with a high level of probability, must be able to make all necessary payments and should not relapse into a default situation.

- Impact of complexity. The processing strategy should, lastly, consider several factors which may add to the complexity of default situations, with a different treatment from the one proposed, solely taking the former two principles into account. Even if the financial impact of the solution may not be optimal, other parameters such as a customer's specific characteristics, the impact of such treatment on CGD group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit which is restructured owing to a customer's financial difficulties is subject to a specific impairment calculation process, across the whole of the minimum surveillance period of 24 months as defined in Commission implementing regulation (EU) 2017/1443 of June 29, 2017.

5. Description of collateral valuation and management process

Property

The following types of property are considered for valuation purposes:

- Constructions:
  - Finished constructions; and
  - Unfinished constructions.
- Land
  - Land with construction potential (as its prime and best use taking its construction potential into account); and
  - Land without construction potential as its prime and best use.

The principal components of the valuation methodology on property within CGD group are:

i. Inspection of property. Property is inspected when all new mortgage lending operations are entered into, with the objective of assessing its presumable transaction price in a free market.

   Certification of the value of an item of property is documented and comprises, *inter alia,* copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by individual, direct *in situ* observations.

ii. *Revision of the valuation of the property's worth by an expert appraiser*. Mortgage lending operations whose contractual terms have been altered usually require a new valuation as if they were new operations.

   In the case of non-productive credit, the amounts of real guarantees are examined and/or revised in line with the frequency defined in internal regulations; and

iii. *Review of indexed amount*. This is a review of property prices by an internal CMVM-registered property appraiser, who uses the information contained in the preceding valuation report and which does not involve a personal visit to the property. This methodology is exclusively used for residential properties, non-productive credit with a debtor balance of less than €300 thousand and, in the case of performing credit, a debtor balance of more than €500 thousand.

Property valuation procedures:

- CGD's property valuation area has engineers and architects with significant experience in the valuations area. Those with technical approval functions have complementary training in the form of property valuation courses and are registered with and certified by the CMVM as property appraisers.

- CGD's network of external service providers in its property valuation area comprises external corporate and individual appraisers, registered with the CMVM and spread out over the whole of the country based on the area in which they perform their professional activity. There are several appraisers for each municipal district to ensure adequate diversification and rotation.

- Valuation requests are received by CGD in digital format together with the essential documentation for property valuation purposes. An internal technical operative is responsible for the approval process by type of valuation and the municipal district in which the property is located, and

- The appraisers are set out on a list defining the priority municipal districts for operational purposes, based on criteria of efficiency in terms of travel and in-depth knowledge of the local market. Valuation requests are delivered to appraisers via a CGD property portal. The appraiser records the date of the visit and appraisal report in the portal in a standardised format which includes the relevant documents for the valuation and photographs of the property.

Other collateral

In addition to the property, the following collateral is eligible for mitigating the calculation of credit impairment:

- Pledges over term deposits – assessed on the amount of the pledge;

- Pledges over bonds issued by CGD – assessed on the nominal value of the bonds; and

- Pledges over listed shares – assessed at market value at the calculation's reference date.

6. <u>Type of principal judgments, estimates and hypotheses used to measure impairment</u>

CGD's credit impairment model uses appropriate, well established methodologies to ensure that the impairment calculation is in conformity with IFRS 9 − "Financial instruments".

There are several modelling approaches CGD considers to be more appropriate for assessing impairment but which involve judgments in defining the processes, namely:

i. Historical information considered for modelling purposes (PDs, LGDs, collateral haircuts);

ii. Workout period for the calculation of LGDs and multiple default assessment methodologies;

iii. Portfolio segmentation criteria:

    a) *Loans to personal customers:* type of product (e.g. housing), purpose of loan, type of collateral, present and past performance of the operation, length of current performance; and

    b) *Loans to corporates* – type of corporate entity, amount of exposure, sector of economic activity, quality and amount of collateral, present and past performance of the operation, length of current performance.

iv. Loan conversion factors applied to off-balance sheet exposures;

v. Defined exposure level for individual impairment assessments;

vi. Criteria used to measure significant risk increases, from the time of the financial instrument's initial recognition, incorporating prospective information; and

vii. The credit loss is measured on the basis of three probable macroeconomic scenarios (optimistic, pessimistic and basic) which are reviewed every six months and whose respective risk factors are adjusted to each scenario upon which the expected losses are calculated.

7. <u>Description of impairment calculation methodologies, including the way in which portfolios are segmented to reflect different loan characteristics</u>

The credit impairment model used in CGD includes loans to corporates and personal customers, including the provision of bank guarantees and irrevocable and revocable lines of credit and assesses each operation's risk profile which it classifies in credit portfolio sub-segments defined on the basis of the operation's current and past performance.

The following concepts are used to calculate credit impairment:

i) *Individual impairment* based on an assessment of customers with individually significant exposures by filling in an impairment form and the estimated discounted future cash flows schedule at the agreement's original interest rate; and

ii) *Collective or parametric impairment* which is automatically assessed by the credit impairment model. The parametric calculation is performed by dividing the portfolio up into risk sub-segments to include assets with similar risk

IFRS 9 − "Financial instruments" defines principles for the classification of operations and assets in the bank's portfolio, in accordance with their associated credit risk.

The following three risk stages, depending upon the deterioration of credit quality since the time of initial recognition, are considered:

a) *Stage 3*: exposures for which there is objective evidence of credit impairment, for operations in default;

b) *Stage 2*: exposures with an SICR (significant increase in credit risk) since initial recognition or with objective criteria of signs of impairment; and

c) *Stage 1*: exposures which cannot be classified in stages 2 or 3;

Stage 3 classification

- For securities and investment portfolios in other credit institutions, the definition of stage 3 is in alignment with the ratings issued by external rating agencies and considers all exposures with a D rating.
- The definition of stage 3 for the credit portfolio is in alignment with CGD's definition of default. The following events are considered:

    1. Contractual defaults to CGD group, particularly credit materially overdue for more than 90 consecutive days;
    2. Existence of a material impairment provision resulting from an individual analysis on customers with individually significant exposures;
    3. Declaration of insolvency;
    4. An insolvency application (including PERs[3]) submitted by the debtor or CGD;
    5. Operations at a pre-litigation/litigation stage in CGD;
    6. Contamination of loans based on the identification of loss events on other operations involving the same customer. In the case of loans and advances to personal customers, if the amount in default

[3] PERs – Special revitalisation programmes

represents more than 20% of a customer's total exposure, the other operations are also classified as being in default;

7. Restructured operations owing to a customer's financial difficulties, in a probation period, with new restructuring operations during the surveillance period of 2 years, when classified as a non-performing exposure prior to the start of the probation period;

8. Restructured operations owing to a customer's financial difficulties, in a probation period, with arrears of more than 30 days, when classified as a non-performing exposure prior to the start of the probation period;

9. Restructuring operations owing to a customer's financial difficulties in the event of loss events (in accordance with the defined materiality); and

10. Existence of amounts written-off from assets or cancelled interest.

11. Contamination of the economic group if stage 3 corporates represent 70% or more of the economic group's business revenue.

Although IFRS 9 does not define the concept of default, CGD applies the same definition as used for management purposes, on an internal credit risk level, incorporating the EBA's recommendations in its "Final Report on Guidelines on Default Definition (EBA-GL-2016-07)" published on September 28, 2016. Past events for modelling purposes reflect the definition of default up to the present time.

Stage 2 classification

Stage 2 classification is based on the observation of a significant increase of credit risk (SICR) since the time of initial recognition. The significant increase is generally measured on the variation of the probability of default associated with the rating between the date of initial recognition and the reporting date. More specifically, a significant increase in credit risk is considered to exist in comparison to the initial recognition when one of the following criteria is noted:

a) An absolute variation of the forward-looking lifetime PD since origination, weighted by a residual maturity in excess of a certain threshold; and

b) A relative variation of the forward-looking lifetime PD since origination in excess of a certain threshold.

Stage 2 classification also considers objective criteria of signs of default, classifying an exposure at this stage, whatever the deterioration in credit risk, as follows:

- Credit overdue in CGD for more than 30 days but not classified as being in default;
- Operations restructured owing to financial difficulties which do not meet stage 3 classification criteria;
- POCI (purchased or originated credit-impaired) operations which do not meet stage 3 classification criteria;
- Attribution of individual impairment of up to 20%;
- Bank of Portugal indicators (amounts overdue to other credit institutions for more than 90 days and when customers are barred from using cheques);
- Cheques returned to CGD;
- Collectability of less than 90%, assessed in the quarterly survey sent to commercial areas. This process is for corporates with an exposure of more than €250 thousand not included in the individual analysis;
- Identification of debts to the tax authorities and social security services;
- A 20% decline in the value of real guarantees when resulting in an LTV of more than 80% (applicable to property projects);

- Interim grace periods;
- Insolvency processes other than a declaration of insolvency and PER processes;
- A rating corresponding to the lowest rating level (excluding default); and
- Three months' quarantine in stage 2.

Stage 1 classification

Stage 1 includes all credit not meeting stages 2 and 3 classification criteria.

Securities portfolio exposures that, in accordance with the defined estimated credit losses approach are not subject to impairment calculations are also classified in stage 1.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

1. *Probability of default within 12 months (PD12m).* This is the probability of a performing loan registering a default event over the next 12 months. The impairment model incorporates PDs on a portfolio scoring and rating basis and PDs by sub segment (purpose of loans and advances to personal customers and CAE (classification of economic activity) segment for loans to corporates and type of card for credit cards) applicable to unrated portfolios;

2. *Lifetime default probability (PDLT)*. This is the probability of a loan defaulting prior to the maturity of an agreement. Lifetime PDs are different for rated and unrated portfolios. In the case of rated portfolios, lifetime PDs are distinguished by a customer's or operation's ratings. Lifetime PDs on unrated portfolios are different for customers or operations with (i) external signs and accompanied by arrears of less than 30 days (ii) arrears of between 30 and 90 days and (iii) restructuring operations owing to financial difficulties with arrears of up to 30 days.

3. *Loss given default (LGD).* A loss when an operation or customer defaults. LGD assessments involve observations of recoveries of operations or customers who default within the defined historical period, assessed in accordance with the length of default on each operation and each month of the historical period. The fact that LGDs are differentiated in line with the length of time the loan has been in default enables impairment losses to be differentiated by length of default. Some LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed, and

4. *Exposure at default (EAD)*. EAD is the amount of each operation's exposure upon the date of default. It comprises the sum of the equity and off-balance sheet exposures following the CCF. The CCF is a credit conversion factor which measures the proportion of the off-balance sheet exposure which is converted into an equity exposure up to the date of default.

Estimations of risk factors, namely probabilities of default, include a forward-looking component.

8. <u>Indication of thresholds defined for individual analyses</u>

The limits on individual impairment assessments, defined in an internal CGD group standard, take the specific characteristics of each group unit's diverse credit portfolios into account, with the objective of assessing all exposures considered to be individually significant in each unit and the group. In the case of CGD and with reference to December 31, 2018, an individual analysis is performed on customers with an overall exposure of €3,000 thousand or more.

9. <u>Policy relating to internal risk levels, specifying the treatment of a borrower classified as being in default</u>

Under internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the credit board or credit risks executive committee.

Owing to the innovation introduced by the customer oversight workflow process (item 1.1.2. above) as most defaulting customers had previously been allocated to recovery area managers, there were no breaks in the negotiating process at the time of the transfer of customers from commercial to recovery areas.

The recovery solution considered most appropriate to a customer's and CGD's interests is applied, on the basis of the analysis, with legal action for credit recovery purposes as a last resort.

10. General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments

Individual assessment

The assessment of estimations of future cash flows on loans considers the extent to which a customer will generate free cash flows for debt payment purposes. A loan's recoverable amount is the sum of expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), discounted at the agreement's original effective interest rate in accordance with the underlying expectations of its collectability.

An assessment is made as to whether the estimations of the future cash flows of customers with signs of loss are less than the contractual cash flows. The amount of the impairment, in such cases, is consequently adjusted.

One of the following approaches is used to measure a company's future cash flows:

1. A going concern approach which considers the continuation of a company's activity based on operating cash flow projections to assess whether they are sufficient to ensure the payment of the debt to all creditors. The sale or execution of collateral for debt settlement purposes may also be considered provided that this does not have any influence and impact on a company's estimations of its future cash flows (i.e. provided that they are non-operating assets). This going concern approach is used if:

   a) The company's future operational cash flows are material and can be adequately estimated; and

   b) The repayment of the debt does not involve the execution of collateral which is decisive for the company's normal operation.

   An independent valuation of the asset portfolio showed a deterioration of the former scenarios of analyses on going concern customers on which the sensitivity analysis of several business plans was based, including, by way of example, estimations of cash flows from emerging markets. In the case of several customers, impairment was also measured on the basis of indicative market bids in a credit disposal scenario.

2. A gone concern approach associated with a scenario of the termination of the activity of a company whose collateral is executed and when the company's operating cash flows therefore cease to exist. The application of this approach is considered when at least one of the following situations occurs:

   a) When the customer's exposure has been overdue for a considerable length of time with the presumption that the gone concern approach should be applied when the loan has been overdue for more than 18 months;

   b) When estimations of future operating cash flows are residual or negative or less than the estimated amount of the collateral and clearly insufficient to enable the customer to service its debt;

   c) When the exposure is highly collateralised and the collateral is essential for producing cash flow;

   d) When the application of a going concern approach would have a material, negative impact on the recoverable amount as opposed to a gone concern approach;

e) When there is a high level of uncertainty over estimations of future cash flows, namely when EBITDA over the last few years has been negative; and

f) When the available information on a going concern analysis is insufficient.

A mixed approach can be adopted in several situations in consideration of the cash flows produced by a company's activity, which may be complemented by cash flows originating from disposals of the company's assets, assuming that the company will continue to operate as a going concern. If the disposal of the assets has an impact on the company's future operating cash flows the respective adjustment will be made to assess the recoverable amounts.

Collective impairment

For stage 1 operations, the expected credit loss − ECL, considers a 12 months loss and is calculated by the following formula.

$$ECL_{\text{Stage 1}} = EAD \ x \ PD_{\text{12months}} \ x \ LGD$$

For stage 2 operations lifetime credit losses are calculated by the following formula:

$$ECL_{Stage\ 2} = \sum_{k=t}^{\text{Maturity}} \frac{EAD_k \times LGD_k \times SR_{k-1} \times PD_k}{(1+r)^k} \quad (1)$$

In which *r* represents the original interest rate and *SR* represents the default’s survival probability.

As the concept of *stage* 3 is aligned with the internal default concept, the lifetime PD is considered to be 100%. Expected losses on stage 3 operations are therefore given by the following formula:

$$ECL_{\text{Stage 3}} = EAD \ x \ LGD_{\text{Time from default entry}}$$

Credit losses should also derive from the losses calculated on the basis of three possible macroeconomic scenarios (central, pessimistic and optimistic), weighted by the probabilities of each scenario's occurrence.

Quantitative

The following tables provide information on the loans and advances to customers portfolio and property received in kind or repossessed, based on the contents applicable to the group’s activity:

Information on exposures and impairment, by segment, at June 30, 2020 and December 31, 2019, is set out below:

	Exposure in 30-06-2020				Impairment in 30-06-2020			
	Assets without a significant increase in credit risk (Stage 1)	Assets with a significant increase in credit risk but not impairment (Stage 2)	Assets with impairment (Stage 3)	Total	Assets without a significant increase in credit risk (Stage 1)	Assets with a significant increase in credit risk but not impairment (Stage 2)	Assets with impairment (Stage 3)	Total
Segment								
Government	3,036,429	28,509	8,594	3,073,532	2,903	1,627	2,079	6,608
Other financial institutions	143,661	48,229	1,906	193,796	1,350	4,928	1,340	7,619
Non-financial institutions	15,607,396	1,883,602	1,714,166	19,205,164	165,136	244,038	1,112,339	1,521,512
Small and medium institutions	7,401,193	1,320,497	1,299,575	10,021,265	93,708	154,421	810,837	1,058,966
Commercial real estate	2,182,284	423,506	515,669	3,121,458	20,381	65,112	312,849	398,342
Others	5,218,910	896,991	783,906	6,899,807	73,327	89,309	497,988	660,624
Other institutions	8,206,203	563,105	414,591	9,183,898	71,427	89,617	301,502	462,547
Commercial real estate	1,172,126	156,455	40,349	1,368,930	13,138	15,750	39,014	67,901
Others	7,034,076	406,650	374,242	7,814,968	58,289	73,867	262,488	394,645
Households	25,528,382	1,735,897	802,770	**28,067,048**	50,273	176,237	462,770	**689,280**
Mortgage loans with property mortgage	23,879,774	1,531,094	464,304	25,875,172	41,034	158,483	204,581	404,098
Consumption and other purposes	1,023,545	91,491	53,683	1,168,719	6,384	8,064	30,579	45,026
Others	625,063	113,312	284,782	1,023,157	2,856	9,690	227,610	240,156
	44,315,868	**3,696,237**	**2,527,436**	**50,539,541**	**219,661**	**426,830**	**1,578,529**	**2,225,020**

Information on exposures and impairment on performing and non-performing operations, at June 30, 2020 and December 31, 2019 is set out below:

	Exposure in 30-06-2020										Impairment in 30-06-2020							
	Performing			Non-Performing							At Performing Expositions	At Non-Performing Expositions						
	Not expired or expired <= 30 days	Expired > 30 days <= 90 days "		Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "				Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "		
Segment																		
Government	**3,053,489**	**11,449**	**3,064,938**	**4,237**	**1,196**	**0**	**2,570**	**591**	**8,594**	**3,073,532**	**4,529**	**23**	**297**	**0**	**1,720**	**39**	**2,079**	**6,608**
Other financial institutions	**190,842**	**1,048**	**191,890**	**83**	**43**	**768**	**335**	**677**	**1,906**	**193,796**	**6,278**	**31**	**7**	**463**	**239**	**601**	**1,340**	**7,619**
Non-financial institutions	**17,114,147**	**372,407**	**17,486,554**	**803,970**	**123,228**	**90,769**	**526,117**	**174,526**	**1,718,610**	**19,205,164**	**408,292**	**509,700**	**75,202**	**59,682**	**342,754**	**125,883**	**1,113,221**	**1,521,512**
Small and medium institutions	8,543,685	173,569	8,717,254	544,500	104,247	63,718	438,837	152,709	1,304,011	10,021,265	247,255	351,380	59,191	35,326	256,014	109,799	811,711	1,058,966
Commercial real estate	2,557,538	47,385	2,604,922	105,360	37,021	12,801	254,453	106,901	516,536	3,121,458	85,379	69,805	21,043	7,348	141,482	73,286	312,963	398,342
Others	5,986,148	126,184	6,112,332	439,140	67,226	50,917	184,383	45,808	787,475	6,899,807	161,876	281,576	38,149	27,979	114,532	36,513	498,748	660,624
Other institutions	8,570,462	198,838	8,769,300	259,470	18,980	27,051	87,280	21,817	414,599	9,183,898	161,037	158,319	16,011	24,356	86,740	16,084	301,510	462,547
Commercial real estate	1,299,712	28,869	1,328,581	18,020	2,967	1	3,123	16,237	40,349	1,368,930	28,888	12,871	2,967	1	10,808	12,366	39,014	67,901
Others	7,270,750	169,969	7,440,719	241,450	16,013	27,049	84,157	5,580	374,250	7,814,968	132,149	145,448	13,044	24,354	75,932	3,718	262,496	394,645
Households	**27,101,083**	**144,160**	**27,245,244**	**260,757**	**50,778**	**48,685**	**356,423**	**105,162**	**821,805**	**28,067,048**	**225,303**	**130,562**	**22,935**	**23,914**	**228,692**	**57,875**	**463,977**	**689,280**
Mortgage loans with property mortgage	25,279,696	125,716	25,405,412	180,221	40,699	28,722	140,562	79,556	469,760	25,875,172	198,533	83,916	18,674	12,538	48,258	42,180	205,565	404,098
Consumption and other purposes	1,105,065	9,352	1,114,418	8,975	4,856	12,318	27,262	890	54,302	1,168,719	14,409	6,365	2,443	8,115	13,224	471	30,618	45,026
Others	716,322	9,092	725,414	71,561	5,222	7,646	188,599	24,715	297,743	1,023,157	12,362	40,281	1,818	3,261	167,210	15,224	227,794	240,156
	47,459,562	**529,064**	**47,988,626**	**1,069,047**	**175,244**	**140,222**	**885,445**	**280,955**	**2,550,914**	**50,539,541**	**644,402**	**640,315**	**98,441**	**84,060**	**573,404**	**184,398**	**1,580,617**	**2,225,020**

	Exposure in 31-12-2019										Impairment in 31-12-2019							
	Performing			Non-Performing							At Performing Expositions	At Non-Performing Expositions						
	Not expired or expired <= 30 days	Expired > 30 days <= 90 days "		Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "				Not expired or expired <= 90 days	Expired > 90 days <= 180 days "	Expired > 180 days <= 1 year	Expired > 1 year <= 5 years "	Expired > 5 years "		
Segment																		
Government	**3,153,651**	**435**	**3,154,087**	**7,184**	**0**	**0**	**3,604**	**11,026**	**21,815**	**3,175,902**	**7,641**	**16**	**-**	**-**	**2,448**	**10,490**	**12,954**	**20,595**
Other financial institutions	**275,865**	**270**	**276,136**	**285**	**47**	**261**	**842**	**677**	**2,112**	**278,248**	**18,580**	**32**	**13**	**132**	**554**	**601**	**1,332**	**19,912**
Non-financial institutions	**16,451,914**	**157,670**	**16,609,584**	**926,282**	**98,312**	**81,554**	**499,031**	**198,683**	**1,803,862**	**18,413,446**	**433,855**	**621,763**	**51,223**	**37,728**	**309,152**	**130,652**	**1,150,518**	**1,584,373**
Small and medium institutions	8,257,125	112,908	8,370,033	625,296	76,437	70,452	406,333	164,495	1,343,013	9,713,046	268,968	420,119	34,910	30,070	229,599	107,801	822,499	1,091,467
Commercial real estate	2,858,243	13,348	2,871,591	119,684	33,294	16,674	246,659	114,773	531,084	3,402,675	99,105	96,084	18,583	6,756	140,016	72,277	333,717	432,822
Others	5,398,882	99,560	5,498,442	505,612	43,143	53,778	159,674	49,722	811,929	6,310,371	169,863	324,035	16,327	23,314	89,583	35,523	488,782	658,645
Other institutions	8,194,789	44,761	8,239,551	300,985	21,875	11,103	92,698	34,188	460,849	8,700,400	164,887	201,644	16,313	7,659	79,553	22,851	328,019	492,907
Commercial real estate	1,129,720	2,068	1,131,787	16,193	0	3,109	22,472	23,087	64,861	1,196,648	19,324	8,168	0	1,128	16,963	14,981	41,239	60,563
Others	7,065,070	42,694	7,107,763	284,793	21,875	7,993	70,226	11,102	395,988	7,503,752	145,563	193,476	16,313	6,531	62,590	7,870	286,780	432,344
Households	**27,225,648**	**153,483**	**27,379,130**	**286,300**	**47,027**	**44,625**	**363,453**	**134,229**	**875,634**	**28,254,764**	**112,095**	**131,377**	**7,192**	**10,775**	**203,366**	**59,130**	**411,840**	**523,936**
Mortgage loans with property mortgage	25,400,284	135,123	25,535,408	209,442	33,399	26,225	155,311	106,962	531,339	26,066,747	82,705	76,293	2,697	2,019	27,480	42,223	150,713	233,418
Consumption and other purposes	1,184,638	11,045	1,195,683	10,379	6,208	12,906	23,014	3,286	55,793	1,251,476	17,501	7,933	2,967	6,832	9,916	2,722	30,370	47,871
Others	640,725	7,314	648,040	66,479	7,419	5,494	185,129	23,981	288,502	936,541	11,889	47,151	1,528	1,924	165,970	14,185	230,758	242,646
	47,107,079	**311,858**	**47,418,937**	**1,220,050**	**145,386**	**126,441**	**866,931**	**344,615**	**2,703,423**	**50,122,360**	**572,171**	**753,188**	**58,428**	**48,636**	**515,520**	**200,872**	**1,576,645**	**2,148,816**

Information on the credit portfolio, by segment and year of production at June 30, 2020, is given below:

	Government			Other financial institutions			Non-financial institutions			Non-financial institutions - Commercial real estate			Households - Loans with mortgage Property			Households - Consumption and other purposes			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Year of production																					
2004 and before	982	358,859	30	6	41	27	1,832	683,534	123,857	420	218,365	35,471	217,314	5,139,685	114,884	15,394	144,006	26,214	235,528	6,326,125	265,013
2005	172	38,309	13	5	4	0	127	130,055	47,952	72	42,475	21,828	35,799	1,767,550	32,112	23,127	68,376	16,127	59,230	2,004,293	96,204
2006	135	55,468	4,383	6	69	0	894	374,707	98,837	272	88,951	39,508	32,980	1,810,824	34,750	84,261	113,311	4,199	118,276	2,354,378	142,168
2007	107	423,235	9	30	2,243	599	1,313	682,668	325,795	398	418,363	143,942	38,962	2,032,546	48,945	20,122	267,954	168,401	60,534	3,408,647	543,749
2008	80	693,269	81	25	45,723	5,110	989	981,234	151,993	338	407,565	62,284	33,348	1,812,357	39,377	20,010	65,374	4,108	54,452	3,597,957	200,669
2009	59	84,054	44	16	374	75	888	665,812	58,104	287	449,554	31,194	29,575	1,874,159	33,094	22,959	60,056	4,590	53,497	2,684,455	95,906
2010	42	39,082	88	14	271	0	1,027	336,030	26,890	307	229,172	10,210	22,043	1,566,280	26,098	25,936	72,539	3,939	49,062	2,014,202	57,015
2011	13	54,392	0	10	352	74	952	342,782	40,022	239	68,776	18,190	9,849	665,516	9,132	19,062	56,389	3,087	29,886	1,119,430	52,315
2012	7	6,081	2	13	5,181	288	1,077	232,067	25,102	241	34,544	10,471	4,309	286,083	4,452	16,035	52,044	9,262	21,441	581,456	39,106
2013	15	53,204	21	11	6,006	242	1,832	352,300	54,365	369	43,200	4,190	4,466	324,629	4,547	59,587	69,474	3,604	65,911	805,613	62,779
2014	15	219,477	160	13	320	0	3,053	1,067,055	151,060	647	84,272	13,779	5,687	484,252	5,462	22,812	68,491	4,158	31,580	1,839,595	160,840
2015	41	191,835	690	38	760	9	4,887	1,862,192	134,071	1,053	171,344	13,063	10,413	878,792	8,107	28,231	108,875	9,327	43,610	3,042,454	152,202
2016	78	331,017	111	53	33,861	470	5,391	1,419,911	60,180	1,459	212,861	10,800	11,593	1,034,830	9,016	36,045	122,157	6,662	53,160	2,941,776	76,439
2017	67	115,883	428	36	16,864	142	7,417	1,163,585	62,523	1,792	211,509	9,636	12,748	1,206,307	9,215	41,603	169,988	5,733	61,871	2,672,627	78,041
2018	64	47,615	0	55	16,289	52	6,223	1,852,466	41,057	1,682	347,125	10,689	16,330	1,772,389	10,178	44,331	206,901	3,625	67,003	3,895,660	54,912
2019	90	156,720	34	91	50,753	283	8,104	3,060,263	72,407	2,389	928,602	25,878	20,111	2,180,989	11,081	53,821	299,131	6,474	82,217	5,747,856	90,279
2020	66	205,033	515	32	14,686	247	15,116	3,998,502	47,300	2,249	533,711	5,109	8,877	1,037,984	3,649	100,669	246,811	5,673	124,760	5,503,017	57,383
	2,033	**3,073,532**	**6,608**	**454**	**193,796**	**7,619**	**61,122**	**19,205,164**	**1,521,512**	**14,214**	**4,490,388**	**466,243**	**514,404**	**25,875,172**	**404,098**	**634,005**	**2,191,876**	**285,182**	**1,212,018**	**50,539,541**	**2,225,019**

Information on the amount of gross credit exposure and impairment by segment at June 30, 2020 and December 31, 2019, is as follows:

	30-06-2020													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions - Commercial real estate		Households - Loans with mortgage Property		Households - Consumption and other purposes		Total	
	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment
Avaliation														
Individual	77,242	2,927	2,363	54	1,519,549	748,095	505,011	234,591	27,482	1,814	444,988	191,018	2,071,624	943,908
Collective	2,996,290	3,681	191,434	7,565	17,685,615	773,417	3,985,377	231,652	25,847,690	402,284	1,746,888	94,164	48,467,917	1,281,112
	3,073,532	**6,608**	**193,796**	**7,619**	**19,205,164**	**1,521,512**	**4,490,388**	**466,243**	**25,875,172**	**404,098**	**2,191,876**	**285,182**	**50,539,541**	**2,225,020**

	31-12-2019													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions - Commercial real estate		Households - Loans with mortgage Property		Households - Consumption and other purposes		Total	
	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment	Amount	Impairment
Avaliation														
Individual	13,723	12,879	0	0	1,092,158	802,243	361,993	240,528	12,606	3,617	211,248	185,260	1,329,736	1,003,998
Collective	3,162,179	7,716	278,248	19,912	17,321,288	782,130	4,237,330	252,856	26,054,141	229,801	1,976,769	105,258	48,792,624	1,144,818
	3,175,902	**20,595**	**278,248**	**19,912**	**18,413,446**	**1,584,373**	**4,599,323**	**493,385**	**26,066,747**	**233,418**	**2,188,017**	**290,517**	**50,122,360**	**2,148,816**

Information on the amount of gross credit exposure and impairment by sector of activity at June 30, 2020 and December 31, 2019, is as follows:

	30-06-2020			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	335,878	35,162	55,749	31,746
Extraction industries	135,403	10,420	3,679	4,736
Manufacturing	2,553,621	128,810	208,821	176,401
Production and distribution of electricity, gas, steam and air conditioning	624,284	12,548	671	6,890
Water supply	288,878	65,589	16,563	29,917
Construction	2,292,064	391,568	295,401	258,400
Wholesale and retail trade	2,298,967	164,524	180,643	155,288
Transport and storage	975,593	263,908	77,553	125,083
Accommodation and food service activities	748,606	111,499	43,642	40,276
Information and communication	256,801	8,914	7,595	10,724
Real estate activities	2,148,546	367,117	307,748	234,737
Consulting, scientific, technical and similar activities	3,554,299	288,116	274,202	301,258
Administrative and support services activities	394,823	13,399	11,650	15,239
Public administration and defense, compulsory social security	1,894	67	55	28
Education	108,068	30,505	29,393	12,146
Human health services and social action activities	211,936	17,255	8,908	10,074
Arts, entertainment and recreation	200,100	9,660	111,396	47,610
Other services	2,075,404	52,161	84,942	60,960
Public administrations	3,073,532	371,449	8,594	6,608
Other financial activities	193,796	7,463	1,906	7,619
Households - housing with mortgage of the property	25,875,172	1,391,004	469,760	404,098
Households - housing	1,168,719	39,396	54,302	45,026
Households - others	1,023,157	302,726	297,743	240,156
	50,539,541	**4,083,261**	**2,550,914**	**2,225,020**

	31-12-2019			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	344,901	26,232	52,255	24,688
Extraction industries	89,933	8,365	4,206	3,832
Manufacturing	2,589,236	124,801	224,879	164,433
Production and distribution of electricity, gas, steam and air conditioning	512,705	13,562	111	3,310
Water supply	286,024	65,784	16,836	29,174
Construction	2,233,925	350,107	315,209	399,917
Wholesale and retail trade	2,088,744	114,606	172,323	127,892
Transport and storage	1,025,438	283,549	75,867	118,807
Accommodation and food service activities	690,223	110,087	82,971	48,913
Information and communication	150,932	7,249	7,737	8,807
Real estate activities	2,443,628	333,199	316,191	219,126
Consulting, scientific, technical and similar activities	3,701,166	265,982	305,304	314,296
Administrative and support services activities	403,150	9,321	13,549	17,123
Public administration and defense, compulsory social security	2,271	63	64	45
Education	116,568	30,702	31,246	10,882
Human health services and social action activities	216,384	15,986	16,911	10,899
Arts, entertainment and recreation	161,074	8,952	110,859	46,691
Other services	1,357,145	78,600	57,345	35,587
Public administrations	3,175,902	352,481	21,815	20,595
Other financial activities	278,248	70,960	2,112	19,912
Households - housing with mortgage of the property	26,066,747	1,166,972	531,339	233,421
Households - housing	1,251,476	37,664	55,793	47,868
Households - others	936,541	283,872	288,502	242,598
	50,122,360	**3,759,095**	**2,703,423**	**2,148,816**

Information on the fair value of collateral underlying the non-financial corporations and households credit portfolio: of which mortgage loans with a pledge on the property at June 30, 2020 and December 31, 2019, is as follows:

	30-06-2020													
	<0.5 M€		≥ 0.5 M€ e < 1 M€		≥ 1 M€ e < 5 M€		≥ 5 M€ e < 10 M€		≥ 10 M€ e < 20 M€		≥ 20 M€ e < 50 M€		>= 50 M€	
	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals
Fair value														
Non-financial institutions	775,272	905,890	559,866	531,490	2,071,050	1,357,738	1,634,382	524,723	778,422	462,420	1,331,991	749,963	1,075,798	17,118,942
Non-financial institutions - Commercial real estate	211,418	266,693	166,586	185,390	716,728	546,700	347,167	223,147	453,895	247,099	744,439	480,162	954,794	376,044
Households - Loans with mortgage Property	53,383,377	37,503,239	2,118,207	882,158	613,863	251,948	198,171	6,140	206,157	1,691	180,952	731	78,339	44
	54,370,066	**38,675,823**	**2,844,659**	**1,599,038**	**3,401,641**	**2,156,386**	**2,179,720**	**754,011**	**1,438,473**	**711,211**	**2,257,382**	**1,230,856**	**2,108,932**	**17,495,030**

	31-12-2019													
	<0.5 M€		≥ 0.5 M€ e < 1 M€		≥ 1 M€ e < 5 M€		≥ 5 M€ e < 10 M€		≥ 10 M€ e < 20 M€		≥ 20 M€ e < 50 M€		>= 50 M€	
	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals	Properties	Other real collaterals
Fair value														
Non-financial institutions	7,048,925	429,865	809,050	288,946	3,037,903	949,088	1,128,274	416,090	978,011	396,843	1,284,243	690,690	1,272,454	370,071
Non-financial institutions - Commercial real estate	368,868	131,276	229,843	91,456	817,313	331,257	344,220	138,786	523,388	229,829	700,540	386,403	909,287	316,544
Households - Loans with mortgage Property	53,452,543	37,743,219	2,006,486	849,432	563,866	222,853	203,671	8,898	217,257	1,802	180,952	731	78,339	44
	60,870,336	**38,304,360**	**3,045,379**	**1,229,835**	**4,419,082**	**1,503,197**	**1,676,165**	**563,774**	**1,718,655**	**628,474**	**2,165,735**	**1,077,824**	**2,260,080**	**686,659**

Details on the restructured loan portfolio by the application of the deferral method (Forborne) at June 30, 2020 and December 31, 2019, were as follows:

	30-06-2020									
	Performing loans			Non-performing loans				Total		
	Number of operations	Exposure	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective
Measure											
Credit term extension	6,390	763,949	57,279	2,434	342,548	106,375	84,157	8,825	1,106,497	106,375	141,436
Grace period	1,276	221,473	14,485	481	92,014	861	22,761	1,757	313,487	861	37,245
Interest rate changes	323	614,673	81,389	375	328,903	244,517	19,769	698	943,576	244,517	101,157
Other	3,592	1,017,447	75,162	4,849	702,255	304,731	191,614	8,442	1,719,701	304,749	266,777
	11,582	**2,617,541**	**228,314**	**8,140**	**1,465,720**	**656,485**	**318,301**	**19,722**	**4,083,261**	**656,503**	**546,615**

	31-12-2019									
	Performing loans			Non-performing loans				Total		
	Number of operations	Exposure	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective	Number of operations	Exposure	Impairment individual	Impairment colective
Measure											
Credit term extension	1,476	420,380	10,482	1,997	343,463	87,925	55,954	3,473	763,842	87,925	66,436
Grace period	192	160,127	2,498	386	50,620	2,009	14,036	578	210,748	2,009	16,534
Interest rate changes	168	624,854	82,236	353	347,415	245,190	16,316	521	972,269	245,190	98,552
Other	3,973	1,061,637	49,265	7,819	750,600	301,733	162,508	11,792	1,812,237	301,733	211,773
	5,809	**2,266,998**	**144,480**	**10,555**	**1,492,098**	**636,857**	**248,814**	**16,364**	**3,759,095**	**636,857**	**393,294**

Information on additions to and exits from the deferred credit portfolio (Forborne) for the half year ended June 30, 2020 and in 2019, is given below:

Balance of restructured loans at 31-12-2018	**4,696,381**
New restructured loans	429,822
Accrued interest of the restructured loans	6,086
Restructured loans liquidation (partial or total)	(1,179,375)
Reclassifyed loans from "restructured" to "normal"	(69,358)
Other	(124,461)
Balance of restructured loans at 31-12-2019	**3,759,095**
New restructured loans	613,608
Accrued interest of the restructured loans	8,337
Restructured loans liquidation (partial or total)	(254,006)
Reclassifyed loans from "restructured" to "normal"	(15,374)
Other	(28,400)
Balance of restructured loans at 30-06-2020	4,083,261

Details on the credit portfolio by LTV ratio at June 30, 2020 and December 31, 2019, are set out below:

Segment / Ratio	30-06-2020					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**17,486,554**	**1,718,610**	**19,205,164**	**408,292**	**1,113,221**	**1,521,512**
With no associated collateral	12,676,286	910,251	13,586,537	271,849	618,803	890,653
< 60%	3,610,008	572,144	4,182,152	90,637	356,360	446,997
>= 60% and < 80%	420,461	64,201	484,661	28,210	38,196	66,406
>= 80% and < 100%	499,255	92,271	591,525	14,124	67,730	81,855
>= 100%	280,545	79,744	360,289	3,471	32,132	35,602
Commercial real estate	**3,933,503**	**556,885**	**4,490,388**	**114,266**	**351,977**	**466,243**
With no associated collateral	610,784	37,508	648,293	8,148	12,956	21,104
< 60%	2,640,216	409,898	3,050,115	73,186	264,596	337,782
>= 60% e < 80%	167,151	49,047	216,199	22,949	35,242	58,192
>= 80% e < 100%	358,736	37,236	395,972	8,598	23,634	32,231
>= 100%	156,616	23,195	179,811	1,385	15,549	16,934
Households - Loans with property mortgage	**25,405,412**	**469,760**	**25,875,172**	**198,533**	**205,565**	**404,098**
< 60%	16,049,913	239,510	16,289,422	112,876	98,584	211,460
>= 60% and < 80%	7,037,507	99,145	7,136,652	52,377	39,263	91,640
>= 80% and < 100%	2,098,065	77,079	2,175,144	26,196	36,583	62,778
>= 100%	219,927	54,026	273,953	7,083	31,136	38,219
Households - Consumption and other purposes	**1,839,831**	**352,045**	**2,191,876**	**26,770**	**258,412**	**285,182**
With no associated collateral	1,490,854	149,373	1,640,227	21,835	104,367	126,202
< 60%	209,567	153,228	362,795	3,452	129,489	132,942
>= 60% and < 80%	73,738	25,120	98,858	676	14,475	15,151
>= 80% and < 100%	37,535	14,577	52,112	494	4,262	4,756
>= 100%	28,138	9,747	37,884	313	5,819	6,132
Other financial institutions	**191,890**	**1,906**	**193,796**	**6,278**	**1,340**	**7,619**
With no associated collateral	83,461	1,293	84,754	2,939	868	3,807
< 60%	81,181	588	81,770	461	471	931
>= 60% and < 80%	6,266	25	6,291	33	1	35
>= 80% and < 100%	708	-	708	0	-	0
>= 100%	20,274	-	20,274	2,845	-	2,845
Government	**3,064,938**	**8,594**	**3,073,532**	**4,529**	**2,079**	**6,608**
With no associated collateral	2,346,465	1,468	2,347,934	2,201	52	2,253
< 60%	438,358	6,554	444,912	78	1,730	1,808
>= 60% and < 80%	127,351	-	127,351	126	-	126
>= 80% and < 100%	129,679	571	130,250	1,400	297	1,697
>= 100%	23,085	-	23,085	725	-	725
	47,988,626	2,550,914	50,539,541	644,402	1,580,617	2,225,020

Segment / Ratio	31-12-2019					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**16,609,584**	**1,803,862**	**18,413,446**	**433,855**	**1,150,518**	**1,584,373**
With no associated collateral	8,042,217	454,001	8,496,218	249,374	377,231	626,605
< 60%	6,369,276	1,050,734	7,420,010	159,060	615,301	774,362
>= 60% and < 80%	717,033	70,783	787,816	8,462	35,959	44,420
>= 80% and < 100%	532,687	97,432	630,119	8,590	67,044	75,635
>= 100%	948,371	130,912	1,079,282	8,368	54,983	63,351
Commercial real estate	**4,003,378**	**595,945**	**4,599,323**	**118,429**	**374,956**	**493,385**
With no associated collateral	1,040,834	39,184	1,080,018	35,000	62,577	97,577
< 60%	2,166,282	445,184	2,611,467	74,307	245,740	320,047
>= 60% e < 80%	203,923	41,615	245,538	3,618	27,751	31,368
>= 80% e < 100%	205,663	23,857	229,520	2,600	11,062	13,662
>= 100%	386,676	46,104	432,781	2,904	27,825	30,730
Households - Loans with property mortgage	**25,535,408**	**531,339**	**26,066,747**	**82,705**	**150,713**	**233,418**
With no associated collateral	138,747	10,188	148,935	59,763	33,396	93,160
< 60%	12,416,341	217,862	12,634,202	11,846	45,027	56,873
>= 60% and < 80%	5,404,667	75,388	5,480,055	3,917	11,357	15,274
>= 80% and < 100%	7,175,747	139,894	7,315,641	4,742	28,749	33,492
>= 100%	399,906	88,007	487,914	2,437	32,183	34,620
Households - Consumption and other purposes	**1,843,723**	**344,295**	**2,188,017**	**29,390**	**261,128**	**290,517**
With no associated collateral	892,857	48,876	941,733	17,857	44,046	61,903
< 60%	423,722	210,221	633,943	4,734	178,755	183,489
>= 60% and < 80%	143,589	36,846	180,435	946	20,127	21,073
>= 80% and < 100%	127,876	28,192	156,068	813	8,818	9,631
>= 100%	255,679	20,160	275,839	5,039	9,383	14,422
Other financial institutions	**276,136**	**2,112**	**278,248**	**18,580**	**1,332**	**19,912**
With no associated collateral	87,477	505	87,982	6,721	353	7,073
< 60%	134,913	1,581	136,495	5,711	979	6,690
>= 60% and < 80%	8,086	26	8,112	24	0	24
>= 80% and < 100%	4,046	144	4,190	113	-	113
>= 100%	41,613	(144)	41,469	6,012	-	6,012
Government	**3,154,087**	**21,815**	**3,175,902**	**7,641**	**12,954**	**20,595**
With no associated collateral	817,551	4,983	822,534	2,409	4,061	6,471
< 60%	616,242	9,957	626,199	46	8,878	8,924
>= 60% and < 80%	163,539	6,875	170,414	3,674	15	3,689
>= 80% and < 100%	701,488	-	701,488	52	-	52
>= 100%	855,267	-	855,267	1,460	-	1,460
	47,418,937	2,703,423	50,122,360	572,171	1,576,645	2,148,816

Details on the fair value and net accounting value of property received in kind or repossessed by type of assets and seniority at June 30, 2020 and December 31, 2019 are set out below:

Asset	30-06-2020 Number of real estate	Fair value of assets	Book value
Land			
Urban	242	89,027	43,159
Rural	37	7,755	5,152
Under construction buildings			
Commercial	1	3,646	1,859
Housing	221	17,803	9,630
Other	50	12,864	7,410
Concluded buildings			
Commercial	147	51,334	29,406
Housing	2,023	195,563	118,059
Other	1,100	154,562	71,426
	3,821	532,555	286,101

Time elapsed since the initial recognition / repossesssion	30-06-2020 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	9,293	6,584	13,386	13,896	43,159
Rural	72	4,296	772	12	5,152
Under construction buildings					
Commercial	-	1,859	-	-	1,859
Housing	889	2,211	2,318	4,212	9,630
Other	182	1,955	5,096	177	7,410
Concluded buildings					
Commercial	9,539	3,887	3,775	12,205	29,406
Housing	27,391	39,091	26,797	24,780	118,059
Other	1,072	29,149	24,725	16,480	71,426
	48,439	89,031	76,868	71,763	286,101

Asset	31-12-2019 Number of real estate	Fair value of assets	Book value
Land			
Urban	291	132,819	40,417
Rural	39	7,835	7,146
Under construction buildings			
Housing	247	18,647	13,776
Other	61	17,240	9,619
Concluded buildings			
Housing	2,323	179,660	135,169
Other	1,321	192,041	116,185
	4,282	548,243	322,311

Time elapsed since the initial recognition / repossesssion	31-12-2019 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	1,871	19,578	9,356	9,612	40,417
Rural	5,736	111	1,287	12	7,146
Under construction buildings					
Housing	2,220	4,253	3,272	4,031	13,776
Other	518	3,637	5,156	309	9,619
Concluded buildings					
Housing	42,644	44,369	28,657	19,500	135,169
Other	36,367	34,425	18,101	27,291	116,185
	89,356	106,372	65,828	60,755	322,311

Explanatory notes on filling in the quantitative disclosures:

Common definitions

Segmentation. The segments used are based on the definitions provided in the Bank of Portugal's monetary and financial statistics publication:

1. "Government" – local and central government sector which includes institutional units whose principal activity consists of the production of non-mercantile goods and services for individual or collective consumption and/or the redistribution of income and national wealth;

2. "Corporate" – non-financial corporations sector, comprising institutional units having their own legal personality whose principal activity consists of producing non-financial goods and services; and

3. "CRE construction" – non-financial corporations (corporates) whose economic activity is related to the "construction" or "real estate activities" sectors, according to the respective *CAE* (classification of economic activities) release 3.

4. Households sector – includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies.

   Also included are the self-employed who are members of individual companies and companies of persons not having a legal personality which are mercantile producers.

5. "Personal − housing" – household sector comprising mortgage loans;

6. "Personal − consumption and other purposes" – household sector not comprising mortgage loans (usually consumer credit); and

7. “Other – other financial corporations” − financial institutions sector which includes institutional units having their own legal personality which are mercantile producers and whose principal activity consists of producing financial services, excluding financial brokerage and other institutions or individuals.

“Performing/non-performing loans” − follow the default criteria defined in item 8 of the qualitative information.

“Restructured credit” − follows the criteria defined in item 4 of the qualitative information.

“Individual and collective analysis” – difference between credit with individual and collective impairment in accordance with the impairment model.

Covid-19 impacts and mitigation measures

The Covid-19 pandemic has impacted business activity for several months and necessitated the adoption of exceptional measures by governments and the supervisory and regulatory entities of various geographies in which CGD operates.

Such measures have been designed to assist corporates and individuals. They can be exemplified by the introduction of moratoria and new state-backed lending to the economy, through mutual guarantee companies and aim to enable a more effective response to the economic effects of the Covid-19 pandemic, by easing corporate and individual treasury problems.

In Portugal, the Portuguese state, through decree law 10-J/2020 of March 26, which aims to protect the loans of households, corporates, private “social solidarity institutions” (i.e. charities) and other private “social economy” institutions, created a series of exceptional measures to ensure the economic sustainability of the economy and income of citizens and corporate entities.

This decree law approved a moratorium, up to September 30, 2020 (subsequently extended to March 31, 2021), prohibiting revocations of lines of credit, extending or suspending loans up to the end of the period to ensure the continuity of funding for households and corporate entities and provide for any defaults resulting from the reduction of economic activity.

Entities benefiting from this decree law benefit from the following support measures for their credit exposures to institutions:

a) Prohibition on revoking, either in full or in part, lines of credit contracted for and loans made, for the amounts contracted for at the date upon which the decree law comes into force during the period of this measure;

b) The extending, for a period equal to the period of application of the measure, of all loans involving the payment of principal up to the end of a contract, in force upon the date upon which this decree law comes into effect, together with, under the same terms, all associated elements, including interest, guarantees provided in the form of insurance or credit securities;

c) For loans with a part repayment of principal or part maturity of other pecuniary payments, for the period in which this decree law is in effect, suspension of the payment of principal, instalments and interest due up to the end of this period, with the contractual schedule of the part payment of principal, instalments, interest, commissions and other costs/charges being automatically extended for an identical period to the suspension, in order to guarantee that there are no costs/charges other than those that may derive from the variability of the contractual interest rate, with all of the elements associated with the contract covered by this measure, including guarantees, also being extended.

For any entities not included in this statute (individuals), a general moratoria, in the form of an interbank agreement mentored by the Association of Portuguese Banks were also provided by credit institutions and diverse sectoral associations.

Beneficiaries of these general moratoria are entitled to adopt one of the following measures up to September 30, 2020:

- Suspension of loans with a part payment of principal or a part payment of other pecuniary instalments, payment of principal falling due up to the above date; or

- Suspension of loans with a part payment of principal or a part payment of other pecuniary instalments – excluding any commissions and insurance premiums or other costs/charges included in the amount of the monthly payment – payment of principal and interest falling due during the period of the moratorium, in which case the interest deriving from the period of the moratorium will be capitalised with the amount of the loan payable at the time, at the interest rate in force in the contract.

The contractual schedule for the payment of parts of principal, instalments, interest, commissions and other costs/charges will be automatically extended for an identical period to the suspension, with all elements associated with the contracts covered by this measure, including guarantees, also being extended.

The moratoria, granted at June 30, 2020, were distributed between performing and non-performing loans as follows:

	Exposure in 30-06-2020							Impairment in 30-06-2020							Inflows to Non-Performing
		Performing			Non-Performing				Performing			Non-Performing			
			Of which with forebearance measures	Of which with significant increase in credit risk since initial recognition (Stage 2)		Of which with forebearance measures	Unlikely to pay that are not past-due or past-due <= 90 days			Of which with forebearance measures	Of which with significant increase in credit risk since initial recognition (Stage 2)		Of which with forebearance measures	Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium (granted)	**6,652,772**	**6,366,711**	**13,583**	**1,065,644**	**286,061**	**13,590**	**232,185**	**226,018**	**115,595**	**427**	**85,607**	**110,423**	**849**	**88,281**	**58,574**
Households	**2,861,714**	**2,764,321**	**1,135**	**426,712**	**97,392**	**29**	**79,392**	**82,406**	**41,529**	**23**	**33,806**	**40,876**	**10**	**34,531**	**24,236**
Mortgage loans with property mortgage	2,643,935	2,577,973	855	371,852	65,962	0	50,243	61,549	37,266	16	30,129	24,283	0	18,898	20,204
Non-financial institutions	**3,760,500**	**3,572,428**	**12,448**	**637,928**	**188,072**	**13,561**	**152,794**	**144,795**	**75,547**	**401**	**51,727**	**69,248**	**840**	**53,750**	**33,767**
Small and medium institutions	3,168,120	3,041,034	12,237	563,555	127,085	13,561	98,591	107,885	57,689	401	42,178	50,196	840	41,143	31,579
Commercial real estate	1,441,836	1,346,452	4,624	180,205	95,385	13,361	82,204	32,002	15,032	287	12,386	16,969	687	14,581	13,577

Unit: Thousands

The existence of operations with general moratoria, classified as non-performing is justified by the conditions defined in article 2 of decree law 10-J/2020, sub-paragraphs c) and d) (similar to the interbank agreement), as follows:

c) (When) pecuniary payments to institutions on March 18, 2020, are not in arrears or in default for more than 90 days or, this being the case, do not comply with the materiality criterion of Bank of Portugal *notice* 2/2029 and regulation (EU) 2018/1845 of the European Central Bank of November 21, 2018 and are not in a situation of insolvency or suspension or cessation of payments or are being executed by any of the said institutions on the said date.

d) (When) their status, *vis-à-vis,* the tax and customs authority and social security services, as defined in the tax procedure and process code and the contributory regimes code of the social security welfare system has been "regularised" up to April 30, 2020, not including debts incurred in March 2020.

The conditions of sub-paragraph a) do not include all of the criteria for the definition of non-performing exposures, namely as regards the criterion on the existence of a low probability of a debtor paying off all of its liabilities in full without guarantees being executed. Decree law-10-J/2020 is also explicit regarding the date on which the exclusion conditions should be observed and which is different from the moratorium's access period which was extended up to September 30, 2020.

The moratoria granted, at June 30, 2020, were distributed as follows in terms of their residual maturity:

	Number of obligors	Exposure in 30-06-2020						
			Of which with legislative moratoria	Of which expired	Residual maturity of moratoria			
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
Loans and advances for which moratorium was offered	**73,152**	**6,704,042**						
Loans and advances subject to moratorium (granted)		**6,652,772**	**5,268,296**	**-**	**4,857,420**	**1,771,632**	**9,287**	**14,433**
Households		**2,861,714**	**1,477,331**	**-**	**2,711,163**	**127,988**	**9,266**	**13,298**
Mortgage loans with property mortgage		2,643,935	1,357,060	-	2,544,767	98,637	363	168
Non-financial institutions		**3,760,500**	**3,760,407**	**-**	**2,128,212**	**1,631,132**	**21**	**1,135**
Small and medium institutions		3,168,120	3,168,027	-	1,714,021	1,452,942	21	1,135
Commercial real estate		1,441,836	1,441,836	-	429,059	1,012,387	1	390

Unit: Thousands

The lines contracted for in the sphere of public guarantees at June 30, 2020, were distributed as follows by segment and level of collateralisation:

	Exposure in 30-06-2020		Maximum amount of the guarantee that can be considered	*Inflows* to Non-Performing
		Of which with forebearance measures	Public guarantees received	
Newly originated loans and advances subject to public guarantee schemes	**555,835**	**-**	**448,772**	**278**
Households	**9,368**			**2**
Mortgage loans with property mortgage	-			-
Non-financial institutions	**546,239**	**-**	**441,095**	**276**
Small and medium institutions	519,689			276
Commercial real estate	46,152			20

Unit: thousands

<u>Governance</u>

Specific committees were created to address the oversight of CGD's activity in the following areas, to prepare CGD's efficient response to the impacts of the Covid-19 pandemic:

a) Operational component, including the implementation of the recommendations of the World Health Organisation and Portugal's Directorate General for Health;

b) Adaptation of the business model placing emphasis on the evolution of internal processes both in terms of a massive response to requests for moratoria and for new lines of credit for corporate support and oversight.

c) A strengthening of the level of interaction with CGD entities abroad, with specific oversight of the evolution of each entity, owing to the existence of idiosyncrasies;

d) The realisation of specific, prospective analyses on the potential impacts of the Covid-19 pandemic on CGD's activity, with the objective of identifying the diverse risks to which CGD group is exposed, allowing it to take effective prevention and mitigation measures over the short and medium term.

<u>Adjustments and alterations to impairment model</u>

Pursuant to the guidelines of regulators and supervisors[4], the following adjustments were made to the impairment model, to complement the revision of macroeconomic scenarios.

a) In the assessment of the significant increase of credit risk it was considered that stage 2 impairment was not activated by the operations covered by a legal moratorium (decree law 10-J/2020) or general moratoria formalised by the interbank agreement mentored by the Portuguese Association of Banks. In these situations, and if no additional risk events are registered, the operations remained in stage 1 and impairment is measured on the basis of 12 month expected losses

[4] The adjustments made in the process for measuring expected losses derive from the guidelines issued by the regulatory and supervisory bodies as exemplified by the following publications:

- European Banking Authority (EBA) – Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis, published on April 2, 2020.
- European Central Bank (ECB) - IFRS 9 in the context of the coronavius (Covid-19) pandemic, April 1, 2020
- IFRS Foundation – IFRS and Covid-19, published on March 27, 2020
- European Banking Authority (EBA) – Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of Covid-19 measures, published on March 25, 2020.
- European Securities and Markets Authority (ESMA) – Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9, published on March 25, 2020.

b) In the forward-looking projection of probabilities of default and loss given default, the convergence period was reduced to its historical average trend with the objective of mitigating the pro-cyclical effect resulting from a significant deterioration of macroeconomic projections, thus accommodating the recommendations of regulators and supervisors.

Macroeconomic scenarios used in the impairment model

Expected credit risk losses recognised in first half 2020 reflect a revision of the most recent macroeconomic scenarios that incorporate the expected effects of the Covid-19 pandemic, in forward looking terms of the impairment model. Notwithstanding the uncertainty associated with macroeconomic projections, the methodology in force used to estimate the expected losses was retained. This methodology recommends the use of three macroeconomic scenarios (central, severe and a more favourable scenario).

Owing to the multiplicity of different macroeconomic scenarios published during the second quarter 2020 (e.g. IMF, European Commission, OECD, World Bank, Bank of Portugal, etc.), the definition of macroeconomic scenarios and respective probabilities of occurrence, to be used in the impairment model, was articulated with CGD’s economic research office (GET).

The use of a central scenario and a severe scenario were defined, based on the scenarios published by the Bank of Portugal in its June 2020 economic bulletin and scenarios for the Portuguese economy published by the European Central Bank at the beginning of June.

The macroeconomic projections upon which the impairment model’s forward looking information is based are revised every six months with the definition of three scenarios with a different probability of occurrence. With reference to June 30, 2020, the macroeconomic indicators reflected in the credit impairment model for Portugal, for each of the scenarios considered are set out in the following table:

Portugal - Macroeconomic projections (in percentage) used in the ECL on 30 June 2020

	Favourable scenario			Central scenario			Adverse scenario		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
GDP (1)	2.2	-6.9	4.3	2.2	-9.5	5.2	2.2	-13.1	1.7
Harmonized consumer price index (1)	0.3	-0.2	0.4	0.3	0.1	0.8	0.3	0.0	0.7
Unemployment rate (2)	7	9.6	9	6.5	10.1	8.9	6.5	11.4	11.4
Bank of Portugal projections									
Euribor 3M	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Yield 10 years - Portugal	0.8	1.0	1.3	0.8	1.0	1.3	0.8	1.5	1,9
Occurrence probability	25			50			25		

(1) Annual percentage rate of change

(2) Percentage of the active population

The severe scenario used by the Bank of Portugal, considering the hypotheses underpinning the projections, assumes that there will be a second wave of Covid-19 infections across second half 2020, triggering the adoption of more restrictive public health measures entailing a fresh disruption of economic activity, having impacts on production processes, investment decisions and consumption patterns. This scenario suggests a gradual economic recovery with a projected unemployment rate of 11.4% in 2020 against 6.5% in 2019.

The central scenario, with the greatest probability of occurrence in the impairment model indicates a sharp downwards adjustment of GDP growth in first half 2020. In spite of the Bank of Portugal’s, estimation of a GDP reduction of 9.5%, in 2020, the gradual resumption of economic activity starting in the third quarter suggests a more significant level of growth in 2021 in comparison to the severe scenario.

The more favourable scenario envisages a significant adjustment to economic activity with a reduction of GDP to 6.9% in 2020. Contributory factors to this adjustment are the expected fall of exports with a greater impact in the tourism sector which is more vulnerable to the effects of the pandemic, in addition to a reduction of private consumption. In terms of the labour market, an increase in the unemployment rate to 9.6% in 2020 is projected in comparison to 6.5% in 2019.

The macroeconomic scenarios at December 31, 2019, as set out in the following table, show a significant deterioration of macroeconomic indicators in comparison to the projections for June 30, 2020.

Considering the high level of uncertainty of the scenarios used in the forward looking component, the probabilities of occurrence were revised by CGD's economic research office which increased the weighting attributed to the favourable scenario and the severe scenario at June 30, 2020 in comparison to the impairment calculated at the end of 2019.

Portugal - Macroeconomic projections (in percentage) used in the ECL on 31 December 2019

	Favourable scenario			Central scenario			Adverse scenario		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
GDP (1)	2.3	1.9	1.7	1.9	1.6	1.5	1.5	0.7	1.1
Harmonized consumer price index (1)	0.8	2.5	1.6	0.5	1.2	1.3	0.4	0.4	1.2
Unemployment rate (2)	6	5.5	5	6.1	5.6	5.4	7.4	7.2	6.3
Bank of Portugal projections									
Euribor 3M	-0.4	-0.4	-0.3	-0.4	-0.5	-0.5	0.8	0.2	0.4
Yield 10 years - Portugal	0.1	0.1	0.1	0.8	0.4	0.6	0.8	0.2	0.4
Occurrence probability	20			60			20		

(1) Annual percentage rate of change
(2) Percentage of the active population

The amount of impairment and provisions recognised in the profit and loss statement incorporate reversals of impairment deriving from normal portfolio evolution in addition to events related to recovery processes such as disposals of non-performing loans and recoveries of amounts of write-offs.

Impacts of alterations to scenarios and other adjustments

The revision of macroeconomic scenarios in the impairment model, *per se*, triggered an increase of €264,100 thousand in impairment on credit and provisions in domestic activity (CGD and Caixa Leasing and Factoring). Reference should also be made to the significant impact of €9,900 thousand from CGD's France branch.

To complement the revision of the macroeconomic scenarios, CGD carried out various sensitivity tests to identify any deterioration of its credit portfolio over the short and medium term deriving from the Covid-19 pandemic, which could trigger a deterioration of the stage. Upon completing the analyses, CGD allocated an amount of €107,500 thousand to provide for expected unrealised losses not identified by the current impairment model. BCI Moçambique and CLF also declared additional impairment of €3,800 thousand and €17,700 thousand, respectively to provide for expected losses.

The amounts of impairment and provisions in the profit and loss statement incorporate reversals deriving not only from normal portfolio evolution but also the disposal of non-performing loans in first half 2020 and extraordinary recoveries which had been written-off from assets.

Owing to the high level of uncertainty of the macroeconomic projections and considering that deviations from the scenarios presented may have an impact on loss estimations, sensitivity tests on the distribution of the portfolio in stages and respective impact on impairment were carried out.

The following analyses were performed for this purpose:

1) Consideration of a probability of occurrence of 100% for the favourable scenario;

2.a) Consideration of a probability of occurrence of 100% for the base scenario, assuming that the property market remains stable (i.e. no fall of property prices);

2.b) Consideration of a probability of occurrence of 100% for the base scenario, assuming slightly lower prices (5% reduction in property prices);

3.a) Consideration of a probability of occurrence of 100% for the severe scenario assuming that the property market remains stable (i.e. no fall in property prices);

3.b) Consideration of a probability of occurrence of 100% for the severe scenario, assuming slightly lower prices (5% reduction in property prices);

3.c) Consideration of a probability of occurrence of 100% for the severe scenario, assuming slightly lower prices (10% reduction in property prices);

The sensitivity analyses calculate the impacts of the expected loss (ECL) and evolution of stage 1 (S1) and stage 2 (S2) resulting from the application of the different macroeconomic scenarios, in conjunction with different depreciation factors of loan collateral on property.

The impacts are measured against the **calculation of impairment for June 2020**, for CGD Portugal's credit portfolio whose expected losses are estimated on the basis of the three macroeconomic scenarios: central (50%), favourable and adverse (25% each).

The following tables provide information on the total impacts of the sensitivity analyses on credit impairment and provisions for off-balance sheet exposures (e.g. bank guarantees provided and unused lines of credit), in addition to migrations of exposure between S1 and S2 deriving from the identification of a significant increase in credit risk in comparison to the time of the origination of operations, owing to an alteration of the lifetime default probability curves estimated for each scenario:

Impacts as a percentage of the results of the sensitivity analyses in comparison to impairment calculated at June 30, 2020:

	Favourable scenario	Central scenario		Adverse scenario		
Probability of occurrence of scenario	100%	100%		100%		
Sensitivity scenario	1)	2.a)	2.b)	3.a)	3.b)	3.c)
Depreciation of collateral on property loans	0%	0%	5%	0%	5%	10%
Exposure						
Stage1	0.3%	0.2%	0.2%	-1.0%	-1.0%	-1.0%
Corporates	0.5%	0.2%	0.2%	-0.9%	-0.9%	-0.9%
Personal	0.1%	0.1%	0.1%	-1.1%	-1.1%	-1.1%
Stage 2	-3.2%	-1.9%	-1.9%	12.2%	12.2%	12.2%
Corporates	-4.9%	-2.3%	-2.3%	8.5%	8.5%	8.5%
Personal	-1.1%	-1.4%	-1.4%	16.9%	16.9%	16.9%
Stage 3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment and provisions	**-3.2%**	**-0.9%**	**0.1%**	**5.9%**	**7.1%**	**8.3%**
Stage1	-13.9%	-3.1%	-2.0%	15.5%	16.7%	17.9%
Corporates	-10.2%	-2.0%	-1.6%	14.0%	14.4%	14.7%
Personal	-24.4%	-6.3%	-3.2%	19.9%	23.3%	26.8%
Stage 2	-9.9%	-3.8%	-1.8%	25.4%	27.9%	30.6%
Corporates	-4.5%	-2.3%	-1.6%	10.7%	11.5%	12.3%
Personal	-18.5%	-6.2%	-2.1%	49.1%	54.5%	60.2%
Stage 3	-0.7%	-0.1%	0.8%	0.9%	1.7%	2.6%
Corporates	0.0%	0.0%	0.3%	0.0%	0.3%	0.6%
Personal	-5.2%	-0.7%	3.9%	6.5%	11.2%	15.9%

A materialisation of the severe scenario leads to the transfer of 1% of exposure from S1 to S2, entailing a 12% increase of exposure in S2. The impact on impairment may vary between 6% and 8.3%, depending on the level of the fall of property market prices.

A slight reduction of impairment of 3.2% would occur in the favourable scenario assuming that property prices remain stable. There would also be a reduction of 3.2% of exposure in S2, owing to migration to S1

Distribution of credit portfolio stocks (assets and off-balance sheet) and respective impairments and provisions, according to the sensitivity scenario considered:						
	Favourable scenario	**Central scenario**		**Adverse scenario**		
Probability of occurrence of scenario	100%	100%		100%		
Sensitivity scenario	1)	2.a)	2.b)	3.a)	3.b)	3.c)
Depreciation of collateral on property loans	0%	0%	5%	0%	5%	10%
Exposure	**50,755,701**	**50,755,701**	**50,755,701**	**50,755,701**	**50,755,701**	**50,755,701**
Stage1	44,724,066	44,677,425	44,677,425	44,160,253	44,160,253	44,160,253
Corporates	20,018,351	19,967,355	19,967,355	19,748,971	19,748,971	19,748,971
Personal	24,705,715	24,710,070	24,710,070	24,411,282	24,411,282	24,411,282
Stage 2	3,537,987	3,584,628	3,584,628	4,101,800	4,101,800	4,101,800
Corporates	1,921,955	1,972,951	1,972,951	2,191,335	2,191,335	2,191,335
Personal	1,616,032	1,611,678	1,611,678	1,910,465	1,910,465	1,910,465
Stage 3	2,493,648	2,493,648	2,493,648	2,493,648	2,493,648	2,493,648
Corporates	1,965,189	1,965,189	1,965,189	1,965,189	1,965,189	1,965,189
Personal	528,459	528,459	528,459	528,459	528,459	528,459
Expected Credit Losses (ECL)	**1,827,395**	**1,870,727**	**1,890,396**	**1,999,926**	**2,021,610**	**2,044,138**
Stage1	133,745	150,548	152,180	179,494	181,263	183,090
Corporates	103,159	112,609	112,981	130,935	131,345	131,768
Personal	30,587	37,938	39,199	48,559	49,917	51,322
Stage 2	267,876	285,933	291,812	372,628	380,250	388,165
Corporates	175,346	179,443	180,674	203,397	204,801	206,294
Personal	92,530	106,490	111,137	169,231	175,450	181,871
Stage 3	1,425,773	1,434,246	1,446,404	1,447,804	1,460,097	1,472,883
Corporates	1,250,178	1,250,272	1,253,967	1,250,469	1,254,162	1,258,201
Personal	175,595	183,974	192,437	197,335	205,935	214,682

Unit: thousands Eur

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but which may also imply a restriction on asset growth, and (ii) in the prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution's financial assets and liabilities. Liquidity risk may be exemplified by the impossibility of achieving a quick sale of a financial asset at close to its fair value.

According to the requirements of IFRS 7 - "Financial instruments: disclosures", the contractual periods to maturity of financial instruments, at June 30, 2020 and December 31, 2019 are set out below:

	30-06-2020									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	7,971,433	-	-	-	-	-	-	-	-	7,971,433
Cash balances at other credit institutions	504,888	-	-	-	-	-	-	-	-	504,888
Loans and advances to credit institutions	1,552,457	765,133	439,695	138,492	4,417	2,472	6,174	49,971	20,767	2,979,577
Securities										
Trading	365,825	932,024	1,391,953	2,800,446	6,547	17,337	20,580	10,204	1,040,560	6,585,477
Other (net of impairment)	577,886	756,998	710,731	2,486,159	1,883,043	1,575,709	8,079,097	851,771	2,193,626	19,115,021
Loans and advances to customers (gross)	2,185,843	1,859,827	2,746,455	3,709,980	8,775,316	7,220,784	11,056,496	21,792,280	125,209	59,472,190
Assets with repurchase agreement	6,051	5,148	4,329	2,149	-	-	-	-	-	17,676
Hedging derivatives	-	-	-	-	-	-	-	-	7,435	7,435
	13,164,383	4,319,130	5,293,164	9,137,226	10,669,323	8,816,302	19,162,346	22,704,227	3,387,597	96,653,698
Liabilities										
Resources of central banks and credit institutions	(441,363)	(91,617)	(1,790)	(39,603)	(1,517,919)	(1,689)	(863)	(214)	(21,394)	(2,116,453)
Customer resources and other loans	(44,007,885)	(9,541,008)	(14,707,045)	(2,028,552)	(602,540)	(24,701)	(11,140)	(4,558)	(80,029)	(71,007,459)
Debt securities	(43,531)	(2,898)	-	(15,954)	(1,341,251)	(6,194)	(12,432)	(20,050)	(594)	(1,442,905)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(999,529)	(999,529)
Hedging derivatives	-	-	-	-	-	-	-	-	(59,936)	(59,936)
Subordinated liabilities	-	-	(6,250)	(5,980)	(24,460)	(1,168,212)	(117,954)	-	-	(1,322,855)
Consigned resources	(44,465)	(48)	(925)	(218)	(342,519)	(13,365)	(358,778)	(47,007)	(36)	(807,362)
	(44,537,245)	(9,635,573)	(14,716,010)	(2,090,307)	(3,828,690)	(1,214,160)	(501,166)	(71,830)	(1,161,518)	(77,756,499)
Derivatives	(707)	11,446	(1,585)	3,576	32,669	19,351	(16,088)	3,721	-	52,382
Difference	(31,373,569)	(5,304,997)	(9,424,432)	7,050,495	6,873,302	7,621,493	18,645,093	22,636,118	2,226,079	18,949,581

	31-12-2019									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	7,304,167	-	-	-	-	-	-	-	-	7,304,167
Cash balances at other credit institutions	511,626	-	-	-	-	-	-	-	-	511,626
Loans and advances to credit institutions	1,925,647	392,197	137,820	126,811	4,582	35	97	38,836	85,959	2,711,985
Securities										
Trading	752,093	1,704,087	794,338	2,281,560	14,287	8,174	10,763	3,180	868,708	6,437,189
Other (net of impairment)	227,874	98,184	289,399	1,347,197	2,482,687	1,720,073	6,892,852	381,447	2,122,475	15,562,187
Loans and advances to customers (gross)	2,493,101	2,352,011	3,396,582	3,114,990	9,641,393	7,318,958	11,008,913	19,290,130	130,847	58,746,925
Assets with repurchase agreement	-	-	-	-	-	-	-	-	10,737	10,737
Hedging derivatives	-	-	-	-	-	-	-	-	7,186	7,186
	13,214,508	4,546,478	4,618,139	6,870,558	12,142,950	9,047,239	17,912,624	19,713,594	3,225,912	91,292,002
Liabilities										
Resources of central banks and credit institutions	(415,574)	(89,669)	(6,528)	(54,575)	(475,771)	(28)	(20)	(210)	(72,227)	(1,114,602)
Customer resources and other loans	(38,458,875)	(9,964,746)	(13,692,911)	(2,502,172)	(960,013)	(72,405)	(188,191)	(6,052)	(92,124)	(65,937,490)
Debt securities	(1,046,710)	(3,897)	(2,916)	(43,096)	(1,356,520)	(6,000)	(12,301)	(20,050)	2,544	(2,488,946)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(908,651)	(908,651)
Hedging derivatives	-	-	-	-	-	-	-	-	(3,169)	(3,169)
Subordinated liabilities	-	(5,980)	-	(6,250)	(24,460)	(1,124,811)	(123,934)	-	-	(1,285,435)
Consigned resources	(7,410)	(194)	(1,258)	(21,943)	(48,018)	(326,819)	(343,283)	(14,751)	(41)	(763,717)
	(39,928,568)	(10,064,488)	(13,703,612)	(2,628,036)	(2,864,781)	(1,530,063)	(667,730)	(41,064)	(1,073,668)	(72,502,010)
Derivatives	2,486	2,300	(2,124)	9,607	49,791	53,687	23,780	(15,594)	-	123,931
Difference	(26,711,574)	(5,515,710)	(9,087,598)	4,252,128	9,327,959	7,570,863	17,268,674	19,656,936	2,152,244	18,913,924

The above tables include cash flow projections on principal and interest and are not therefore directly comparable to the accounting balances at June 30, 2020 and December 31, 2019. Interest projections on variable-rate operations incorporate the forward rates implicit in the yield curve in force on the respective reference dates.

In the special case of mortgage loans, the distribution of capital flows and interest took into consideration expectations of early repayment rates assessed on an analysis of the past performance of operations and present macroeconomic context.

The following tables, which provide information on the “structural” (as opposed to contractual) periods to maturity of CGD group’s balance sheet, at June 30, 2020 and December 31, 2019, differ from the former tables in their use of the following assumptions:

a) Debt and equity securities: reallocation of amounts with adequate liquidity to the “up to 1 month” bucket, except for collateralised debt securities which are allocated to buckets corresponding to the maturity of operations they are collateralising;

b) Customers’ sight deposits and savings accounts without a defined maturity (CGD headquarters): distribution of balance by period-to-maturity buckets in accordance with internally developed studies and models;

c) Customers’ sight deposits (CGD group entities): distribution of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the “up to 1 month” bucket to the “up to 6 years buckets” based on a uniform distribution of balances. This approach endeavours to meet the recommendations of the Basel Committee on Banking Supervision (BCBS) on the average and maximum maturity of core deposits;

The amounts presented also correspond to outstanding capital balances and do not include interest projections or accrued interest.

	30-06-2020									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	7,971,433									7,971,433
Cash balances at other credit institutions	504,888	-	-	-	-	-	-	-	-	504,888
Loans and advances to credit institutions	1,263,524	768,392	444,876	149,467	59,887	57,943	144,859	37,633	20,767	2,947,348
Securities										
Trading	3,892,663	149,690	223,555	449,594	265,679	2,562	3,003	842,342	748,099	6,577,187
Other (net of impairment)	10,797,287	107,114	103,554	340,284	949,269	180,556	1,119,294	2,454,067	1,382,409	17,433,834
Loans and advances to customers (gross)	2,021,984	1,771,774	2,794,651	3,340,093	7,639,186	6,299,554	9,491,078	15,849,227	111,716	49,319,264
Assets with repurchase agreement	-	-	-	-	-	-	-	-	16,819	16,819
	26,451,779	2,796,970	3,566,636	4,279,438	8,914,021	6,540,615	10,758,234	19,183,269	2,279,810	84,770,774
Liabilities										
Resources of central banks and credit institutions	(397,215)	(92,639)	(3,645)	(33,698)	(1,492,032)	(16,812)	(8,460)	(210)	(12,052)	(2,056,764)
Customer resources and other loans	(4,120,486)	(3,289,447)	(2,445,089)	(3,335,171)	(5,420,944)	(3,837,059)	(5,172,833)	(43,204,024)	141,825	(70,683,227)
Debt securities	(40,000)	(1,658)	-	(5,801)	(1,327,888)	(6,000)	(12,432)	(20,050)	(594)	(1,414,423)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(999,529)	(999,529)
Subordinated liabilities	-	-	-	-	-	(1,000,000)	(100,000)	-	-	(1,100,000)
Consigned resources	(44,465)	-	-	-	(329,268)	(12,602)	(332,813)	(45,857)	(36)	(765,041)
	(4,602,166)	(3,383,744)	(2,448,734)	(3,374,671)	(8,570,132)	(4,872,473)	(5,626,537)	(43,270,141)	(870,386)	(77,018,984)
Difference	21,849,614	(586,773)	1,117,903	904,768	343,889	1,668,142	5,131,697	(24,086,872)	1,409,424	7,751,790

	31-12-2019									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	7,304,167									7,304,167
Cash balances at other credit institutions	511,626	-	-	-	-	-	-	-	-	511,626
Loans and advances to credit institutions	1,852,398	463,811	137,357	113,660	15,555	4	13	38,827	85,959	2,707,584
Securities										
Trading	3,408,685	295,528	137,708	395,665	2,197	1,355	1,769	1,994,756	195,844	6,433,506
Other (net of impairment)	2,139,564	53,825	211,898	1,168,945	1,339,347	978,292	5,088,773	1,265,661	1,713,426	13,959,730
Loans and advances to customers (gross)	1,892,415	2,496,558	3,277,039	2,558,727	8,001,790	6,107,115	8,797,964	15,508,091	194,830	48,834,529
Assets with repurchase agreement	-	-	-	-	-	-	-	-	10,737	10,737
	17,108,855	3,309,721	3,764,002	4,236,997	9,358,888	7,086,765	13,888,518	18,807,335	2,200,797	79,761,879
Liabilities										
Resources of central banks and credit institutions	(388,309)	(88,766)	(3,066)	(46,163)	(466,739)	(9,239)	(4,620)	(210)	(63,228)	(1,070,341)
Customer resources and other loans	(18,765,496)	(5,335,228)	(3,451,267)	(15,012,439)	(11,876,298)	(2,688,905)	(3,451,068)	(5,255,096)	103,491	(65,732,307)
Debt securities	(994,450)	(3,000)	(2,498)	(41,640)	(1,333,541)	(6,000)	(12,301)	(20,050)	2,544	(2,410,936)
Financial liabilities at fair value through profit or loss	(2)	-	-	-	-	-	-	-	(908,648)	(908,651)
Subordinated liabilities	-	-	-	-	-	(1,000,000)	(100,000)	-	-	(1,100,000)
Consigned resources	(7,337)	-	-	(19,402)	(39,262)	(319,393)	(325,198)	(14,286)	(41)	(724,918)
	(20,155,595)	(5,426,994)	(3,456,830)	(15,119,644)	(13,715,840)	(4,023,537)	(3,893,188)	(5,289,642)	(865,882)	(71,947,152)
Difference	(3,046,740)	(2,117,273)	307,172	(10,882,647)	(4,356,952)	3,063,228	9,995,331	13,517,693	1,334,915	7,814,727

Interest rate risk

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may be altered as the result of a change in market interest rates.

Long term or economic perspective – fair value

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at June 30, 2020 and December 31, 2019.

	30-06-2020					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	7,970,654	-	7,970,655	1	-	7,970,655
Cash balances at other credit institutions	505,624	-	505,624	-	-	505,624
Loans and advances to credit institutions	2,928,672	-	2,959,717	31,045	15,642	2,975,359
Financial assets with repurchase agreement	-	-	17,185	17,185	16,819	34,005
Held-to-maturity investments	10,041,777	9,436,854	861,466	256,543	32,660	894,126
Loans and advances to customers	49,355,430	-	50,825,196	1,469,766	(1,040,909)	49,784,287
	70,802,157	9,436,854	63,139,843	1,774,540	(975,788)	62,164,055
Liabilities						
Resources of central banks and other credit institutions	(2,043,214)	-	(2,048,698)	(5,483)	(19,913)	(2,063,127)
Customer resources and other loans	(70,632,475)	-	(70,702,156)	(69,680)	(95,923)	(70,728,398)
Debt securities	(1,414,622)	(1,021,300)	(410,402)	(17,081)	(4,877)	(1,419,499)
Subordinated liabilities	(1,102,630)	(1,018,598)	(104,434)	(20,402)	-	(1,102,630)
Consigned resources	(765,005)	-	(765,389)	(384)	(36)	(765,041)
	(75,957,947)	(2,039,899)	(74,031,079)	(113,031)	(120,748)	(76,078,695)

	31-12-2019					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	7,303,807	-	7,303,806	-	-	7,303,807
Cash balances at other credit institutions	513,480	-	513,480	-	-	513,480
Loans and advances to credit institutions	2,620,399	-	2,625,083	4,684	84,401	2,704,800
Assets with repurchase agreement	-	-	-	-	10,737	10,737
Held-to-maturity investments	8,993,694	7,813,654	838,731	(341,308)	25,543	9,019,237
Loans and advances to customers	48,816,666	-	49,953,285	1,136,619	(843,122)	47,973,544
	68,248,046	7,813,654	61,234,386	799,994	(722,441)	67,525,605
Liabilities						
Resources of central banks and other credit institutions	(1,006,295)	-	(1,002,187)	4,108	(71,373)	(1,077,668)
Customer resources and other loans	(65,745,484)	-	(65,749,939)	(4,455)	(46,071)	(65,791,555)
Debt securities	(2,458,213)	(2,068,817)	(420,574)	(31,178)	(5,209)	(2,463,422)
Subordinated liabilities	(1,116,458)	(1,089,411)	(103,059)	(76,012)	-	(1,116,458)
Consigned resources	(724,882)	-	(723,480)	1,402	(36)	(724,918)
	(71,051,331)	(3,158,228)	(67,999,238)	(106,135)	(122,689)	(71,174,020)

Fair value was assessed on the following assumptions:

- The book value of balances payable on demand corresponds to their fair value;
- The net fair value of Caixa's listed debt issuances corresponds to their respective market price;
- The fair value of the remaining financial instruments is measured on the basis of discounted cash flow models up to the maturity of the operations for both fixed and variable interest rate instruments. The operations' contractual terms and, for variable-rate instruments, an estimate of future cash flows, incorporating the forward rates implicit in the yield curve in force on the respective reference dates were considered for the purpose in question together with the use of discount curves appropriate to the type of instrument, including:
  - → Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources; and
  - → Market interest rates incorporating average spreads on new lending operations and customer deposits on like-for-like loans and deposits;
- The "Balances not analysed" column essentially includes:

→ Overdue credit, net of impairment; and

→ The balances of several branches not included in Caixa's centralised calculation.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at June 30, 2020 and December 31, 2019 may be summarised as follows:

	30-06-2020			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	5,555,462	-	-	5,555,462
Securities at fair value through profit or loss	248,545	-	1,158,406	1,406,951
Available-for-sale financial assets	5,604,339	158,004	238,628	6,000,971
Assets with repurchase agreement	-	-	16,819	16,819
Trading derivatives	-	35,406	(13,211)	22,196
Hedging derivatives	-	(52,501)	-	(52,501)
	11,408,346	140,910	1,400,643	12,949,898

	31-12-2019			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	5,576,435	1,012	-	5,577,447
Securities at fair value through profit or loss	191,728	-	1,209,425	1,401,152
Available-for-sale financial assets	3,169,944	171,483	257,088	3,598,515
Assets with repurchase agreement	-	-	10,737	10,737
Trading derivatives	-	(31,948)	(12,783)	(44,731)
Hedging derivatives	-	4,017	-	4,017
	8,938,106	144,564	1,464,466	10,547,136

The preparation of the above table was based on the following criteria:

- Level 1 – Market prices – this column includes financial instruments measured on the basis of prices in active markets;
- Level 2 – Measurement techniques – observable market input – this column includes financial instruments whose value is measured on the basis of internal models using observable market input (interest rates, exchange rates, ratings attributed by external entities, other). It also includes financial instruments measured on the basis of the bid prices supplied by external counterparties; and
- Level 3 – Other measurement techniques – this column includes financial instruments whose value is measured on the basis of internal models, prices supplied by external entities including non-observable market parameters or NAV (net asset value) as supplied by restructuring or closed-end fund management companies.

Movements in financial instruments, classified in the "Other measurement techniques" column, in first half 2020, were as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2019	1,209,329	96	1,209,425	96,949	3,851	167,025	267,825	(12,783)	1,464,466
Transition to IFRS9			-				-		-
Changes in consolidation perimeter			-				-		-
Acquisitions	233,343	-	233,343	6,190	-	74,744	80,933		314,276
Sales	(253,481)	-	(253,481)	-	-	4,068	4,068		(249,413)
Amortisations	(4,005)	-	(4,005)	(2,904)	(337)	(37,485)	(40,726)		(44,731)
Gains / (losses) recognised as a charge to net income - alienated instruments	(38)	-	(38)	51	-	596	647		609
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	(20,097)	(1)	(20,098)	13	-	(44,493)	(44,480)	(427)	(65,005)
Impairment for the year			-	-	(1)	-	(1)		(1)
Gains / (losses) recognised as a charge to fair value reserves			-	(1,013)	(59)	(974)	(2,047)		(2,047)
Transfers from / (to) other levels (Levels 1 and 2)	(356)		(356)				-		(356)
Transfers from / (to) other accounting captions	-		-	(635)	-	(9)	(644)		(644)
Exchange differences	(6,384)		(6,384)	(240)	-	(10,168)	(10,408)		(16,791)
Other			-	-	-	280	280		280
Book value (net) at 30-06-2020	1,158,311	95	1,158,406	98,411	3,454	153,583	255,448	(13,211)	1,400,643

[*] Includes values of equity unit redemption portfolios

A positive shift of 100 bps on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, at June 30, 2020 and December 31, 2019, would result in decreases of around €0.8 thousand and €2 thousand in balance sheet fair value, revaluation reserves and profit and loss, respectively.

At December 31, 2019, equity instruments measured by other measurement techniques (Level 3) essentially include investment structures measured on the basis of data on the net asset value of the underlying assets supplied by the management bodies or other information services providers.

Transfers between levels 1 and 2 of the fair value ranking, in first half 2020, were as follows:

	30-06-2020	
	Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	37,956	89,305
Equity investments	-	-
	37,956	89,305

Derivatives

Derivatives are traded in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured using commonly accepted theoretical, reasonably complex models, depending on the characteristics of the product in question:

- Discounted future cash flows based on an appropriate yield curve; and
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

The type of input necessary for the measurement also depends upon the operations' characteristics, but generally includes yield curves, volatility curves, equity/indices prices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available for future cash flows, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of implicit volatilities in the prices of listed options on the underlying asset. Past volatility is calculated on the basis of the historical price series of its component parts if there are no listed options for an underlying asset.

Prices of shares/indices, exchange rates and dividend yields are provided by Reuters/Bloomberg.

Under IFRS 13 − "Fair value measurement" requirements, Caixa incorporated add-ons to its measurement of these financial instruments to reflect its own credit risk based on a market discount curve considered to reflect the associated risk profile. Based on its current exposure, the group also adopted a similar methodology to reflect counterparty credit risk on derivatives with positive fair value. The fair value thus obtained comprises the risk-free measurement affected by this addition.

CVAs/DVAs are assessed by a methodology implemented on a Caixa Geral de Depósitos group level. This methodology is based on the estimation of exposure at the time of default − EAD − on each operation and the application of risk parameters on the estimated EAD for assessing CGD's (CVA) and the counterparty's (DVA) expected loss. In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the future potential exposure of the operations. For the remaining products, EAD usually corresponds to the instrument's fair value on the reference date.

The risk parameters consist of PDs (probabilities of default) and LGDs (loss given defaults) and are centrally assessed by the group on the basis of the following criteria:

- For counterparties or projects with listed debt or available credit default swap prices, the group infers the prices' underlying risk parameters which it uses in the calculation; and

- The remaining counterparties or projects are classified by credit quality based on a set of quantitative and qualitative criteria, resulting in an internal rating the group matches to a historical PD.

The value of CVAs (credit value adjustments) at June 30, 2020 recognised in the "Financial assets held-for-trading" account and DVAs (debit value adjustments) recognised in the "Financial liabilities held-for-trading" account totalled €14,439 thousand and €2,290 thousand respectively (€10,261 thousand and €1,390 thousand, respectively, at December 31, 2019).

Debt instruments of financial and non-financial entities

Whenever possible, these securities are measured at market prices, based on an internally developed algorithm. This algorithm endeavours to obtain the most appropriate price for each security in accordance with a ranking of contributors defined internally by CGD. Price variations are analysed daily with the aim of ensuring the quality of the prices used.

In general, the input for internal valuations is obtained from Bloomberg and Refinitiv (formerly Thomson Reuters) systems.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. The prices of these securities are measured by the use of internal/external measurement techniques. The measurements are generally based on estimations of future discounted cash flows. They may be forecast by a reasonably complex model ranging from simple discounted cash flows resulting from forward rates obtained from the most appropriate yield curve, which, in turn, is produced on the basis of money market rates and swap prices, whose money market component is adjusted by FRAs (interest rate futures) to a CLO (collateralised loan obligation) cascade payment.

For discount purposes, internal measurements use a listed credit curve complying with the issuance's currency/sector/rating trinomial to consider the risk attached to each. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of input sources for measurement purposes. The measurements provided by structurers, issuing entities or counterparties (external measurements) are generally allocated to level 3. Securitisations with reduced liquidity are also allocated to level 3.

Yield curves are produced using money market rates and swap prices. EUR, GBP and USD yield curves are adjusted by the market price of interest rate futures and/or FRAs (forward rate agreements).

The values of the curves of the currencies with the highest exposure, at June 30, 2020 and December 31, 2019, were as follows:

	30-06-2020			31-12-2019		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.4750	0.2250	0.1450	-0.4700	1.4900	0.7650
1 month	-0.4200	0.3500	0.1800	-0.4700	1.7200	0.7400
2 months	-0.4120	0.3600	0.1900	-0.4491	1.7800	0.8000
3 months	-0.4031	0.3769	0.1935	-0.4274	1.7880	0.8135
6 months	-0.3746	0.3187	0.1654	-0.3647	1.7621	0.7847
9 months	-0.3874	0.3043	0.1553	-0.3565	1.7395	0.7701
1 year	-0.3847	0.2776	0.1389	-0.3394	1.7183	0.7640
2 years	-0.3877	0.2312	0.0998	-0.3021	1.6545	0.7626
3 years	-0.3869	0.2355	0.1882	-0.2360	1.6560	0.8585
5 years	-0.3510	0.3165	0.2397	-0.1104	1.7010	0.9272
7 years	-0.2894	0.4555	0.2927	0.0146	1.7670	0.9862
10 years	-0.1753	0.6240	0.3687	0.2038	1.8630	1.0632
15 years	-0.0023	0.7910	0.4365	0.4638	1.9700	1.1401
20 years	0.0677	0.8710	0.4518	0.5958	2.0250	1.1644
25 years	0.0587	0.8970	0.4470	0.6338	2.0450	1.1636
30 years	0.0247	0.9085	0.4338	0.6298	2.0480	1.1552

Credit curve values are obtained from Bloomberg/Refinitiv (formerly Thomson Reuters) systems and are measured on the prices of a series of securities complying with the currency/sector/rating trinomial.

The values of the credit curve of the Portuguese and German governments, at June 30, 2020 and December 31, 2019, were as follows:

	30-06-2020		31-12-2019	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.4526	-0.5740	-0.5156	-0.7300
6 months	-0.4519	-0.6400	-0.5058	-0.6605
9 months	-0.4384	-0.5830	-0.5330	-0.7160
1 year	-0.4384	-0.5670	-0.5600	-0.6540
2 years	-0.4730	-0.6905	-0.4674	-0.6045
3 years	-0.4013	-0.7162	-0.3089	-0.5726
5 years	-0.1155	-0.6980	0.0102	-0.4765
7 years	0.1578	-0.5975	0.2644	-0.3625
10 years	0.4792	-0.4525	0.5243	-0.1925
15 years	0.8968	-0.2470	0.9006	-0.0435
20 years	1.1778	-0.1821	1.2316	0.1089
25 years	1.3756	-0.0870	1.4553	0.2245
30 years	1.3874	0.0080	1.4733	0.3400

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at June 30, 2020 and December 31, 2019:

	30-06-2020	31-12-2019
EUR/USD	1.1198	1.1234
EUR/GBP	0.9124	0.8508
EUR/CHF	1.0651	1.0854
EUR/AUD	1.6344	1.5995
EUR/JPY	120.6600	121.9400
EUR/BRL	6.1118	4.5157

Market risk

Market risk comprises the risk of a variation of the fair value or the cash flows of financial instruments deriving from alterations to market prices, including foreign exchange, interest rate and price risks.

Market risk is assessed on the basis of the following metrics:

. Value at Risk (VaR) on the following portfolios:

  . Held-for-trading portfolio – perimeter of positions and held-for-trading transactions originating in CGD group;

  . Trading portfolio – includes securities and derivatives traded with the objective of detecting business opportunities over the short term;

  . Own portfolio – securities acquired for investment purposes upon which deleveraging operations are currently being performed;

  . Investment portfolio – with the aim of creating a value and liquidity reserve including the remaining securities in Caixa's own portfolio and associated hedges, except for equity stakes and securitised credit;

  . Treasury management activity – comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk;

  . Branches − France; and

  . Subsidiaries – Caixa Banco de Investimento, BCG Brazil, BCI and BNU.

. Sensitivity analysis on all financial instruments sensitive to interest rate risk, managed by the trading room and recognised in Caixa's and the following group business units' separate financial statements;

  . Caixa - Banco de Investimento;

  . BCI; and

  . BNU.

. Sensitivity analysis on all financial instruments with optionality; and

. Stress tests.

VaR (value-at-risk) analysis – market risk

VaR (value-at risk) is an estimate of the maximum unrealised loss on a specific assets portfolio over a given timeframe, considering a given confidence level based on normal market patterns.

The calculation methodology is based on historical simulation, i.e. future events are totally explained by past events, based on the following premises:

- holding period: 10 days (investment and own portfolios and subsidiaries) and 1 day (trading portfolio and treasury management activity);
- confidence level: 99% (investment and own portfolios, branches and subsidiaries) and 95% (trading portfolio and treasury management activity);
- price sample period: 730 calendar days; and,
- decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of appropriate models and implied volatility. Given the methodology used, correlations are not calculated but empirical. The following is a breakdown of VaR, at June 30, 2020 and December 31, 2019:

Activity of Caixa Geral de Depósitos

Held-for-Trading portfolio (VaR 99%, 10 days)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk	11,588	12,287	10,082	14,822

Held-for-Trading portfolio (VaR 95%, 1 day)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk				
Interest rate	498	1,076	498	842
Foreign exchange rate	94	120	4	66
Price	1	25	-	17
Volatility	2	7	-	6
Diversification effect	(50)	-	-	(83)
	545	1,091	542	847

Treasury management (VaR 95%, 1 day)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk				
Interest rate	808	823	130	138
Foreign exchange rate	1,942	2,869	305	1,597
Diversification effect	(578)	-	-	(92)
	2,172	2,838	341	1,643

Own portfolio (VaR 99%, 10 days)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk				
Interest rate	535	635	516	603
Foreign exchange rate	209	357	2.0	216
Price	2,087	2,314	2,051	2,257
Diversification effect	(618)	-	-	(646)
	2,213	2,527	2,152	2,431

Investment portfolio (VaR 99%, 10 days)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk				
Interest rate	89,384	103,413	33,292	33,326

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2020	Maximum	Minimum	31-12-2019
VaR by type of risk				
Interest rate	9,374	10,382	2,291	2,897
Foreign exchange rate	1,474	1,614	714	942
Price	41	98	3	111
Diversification effect	(2,025)	-	-	(1,191)
	8,863	-	-	2,759

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

40. Subsequent events

Fidelidade

A general meeting of shareholders of Companhia de Seguros Fidelidade was held on September 25 last for the approval of a capital increase in which Caixa Geral de Depósitos subscribed for 2,470,644 Fidelidade shares, for the amount of €37,826 thousand, based on the delivery of 300,000 Fidelidade Assistência shares and 1,080,000 Multicare shares comprising 20% of the share capital of each of the companies. This operation enabled Caixa Geral de Depósitos group to maintain an equity stake of 15% in Companhia de Seguros Fidelidade.

Angola

At the start of September 2020, two internationally recognised external rating agencies downgraded their ratings on the Republic of Angola to a very high risk level. This was followed by readjustments to the probabilities of default used to measure expected losses on Angola's sovereign debt in line with the internal impairment policy in force and also considering the methodology recommended by the National Bank of Angola in directive 13/DSB/DRO/2019 with an impact of losses of around AOA 12,485 million having been estimated (at the exchange rate in force at June 30, 2020). The estimated impact on the consolidated accounts is around €19,300 thousand.

41. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese version language version prevails.

2.2. Information Transparency and Asset Valuation

ADOPTION OF RECOMMENDATIONS RELATED TO INFORMATION TRANSPARENCY AND ASSET VALUATION, ACCORDING TO THE BANK OF PORTUGAL'S CIRCULAR LETTER NO. 97/2008/DSB, OF 3 DECEMBER AND CIRCULAR LETTER NO. 58/2009/DSB OF 5 DECEMBER.

I.	Business Model	
1.	Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	Board of Directors' Report 2019: • Message from the Chairman and CEO of Board of Directors • CGD Today • Activity and financial information Corporate Governance Report 2019.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. Board of Directors' Report 1st half 2020: • Activity and financial information • Notes 13, 21 and 23 of Annex to the Consolidated FS-Financial Statements (Securitisation operations & Structured products).
3	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	Board of Director's Report 2019: • CGD today • Activity and financial information Board of Director's Report – 1st half 2020: • Activity and financial information • Notes 26 and 36 of Annex to the Consolidated FS.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. Board of Directors' Report 2019: • Risk management Board of Director's Report – 1st half 2020: • Note 2 of Annex to the Consolidated FS.
5.	Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed;	See items I.1 to I.3 above.
II.	Risks and Risk Management	
6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	Board of Directors' Report 2019: • Risk management • Note 42 (description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate) of Annex to the Consolidated FS. Board of Director's Report – 1st half 2020: • Note 39 of Annex to the Consolidated FS.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/ weaknesses identified and the corrective measures taken;	See II.6 above.
III.	Impact of period of financial turmoil on results	
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	Board of Director's Report – 1st half 2020: • Activity and financial information • Notes 6, 8, 18 and 35 of Annex to the Consolidated FS.

III.	Impact of period of financial turmoil on results (cont.)	
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	Board of Director's Report – 1st half 2020: • Note 39 (types of products and instruments affected by the period of turmoil) of Annex to the Consolidated FS.
10.	Description of the reasons and factors responsible for the impact;	Board of Director's Report – 1st half 2020: • Economic and Financial Situation • Activity and financial information See items III. 8 and III.9 above.
11.	Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 aboves.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	Board of Director's Report – 1st half 2020: • Note 39 of Annex to the Consolidated FS See items III.8 to III.10 above.
13.	Description of the influence of the financial turmoil on the entity's share prices;	N.A.
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	Board of Director's Report – 1st half 2020: • Risks and uncertainties See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	Board of Director's Report – 1st half 2020: • Activity and financial information Liabilities issued by CGD Group are recognised at amortised cost.
IV.	Levels and types of exposures affected by the period of turmoil	
16.	Nominal (or amortised cost) and fair value of "live" exposures;	Board of Directors' Report 2019: • Risk management Board of Director's Report – 1st half 2020: • Note 2 and Note 39 (comparison between the fair and book value of assets and liabilities recognised at amortised cost) of Annex to the Consolidated FS.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	Board of Director's Report – 1st half 2020: • Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 10 and Note 39 of Annex to the Consolidated FS.
18.	Detailed disclosure of exposures, broken down by: -Level of seniority of exposures/tranches held; -Level of credit quality (e.g. ratings, vintages); -Geographic areas of origin; -Sector of activity; -Origin of exposures (issued, retained or acquired); -Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance; -Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses;	Board of Director's Report – 1st half 2020: • Note 39 of Annex to the Consolidated FS.

IV.	Levels and types of exposures affected by the period of turmoil (cont.)	
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See items III.8 to III.15 above.
20.	Explanations of exposures (including "vehicles" and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: -Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; -Fair value of "live" exposures and respective credit protection; -Value of write-downs and losses, split up between realised and unrealised amounts; -Breakdown of exposures by rating or counterparty;	CGD does not have any exposure to monoline type insurance companies.
V.	Accounting policies and valuation methods	
22.	Classification of transactions and structured products for accounting and respective processing purposes;	Board of Director's Report – 1st half 2020: • Note 2 (description of the financial instruments and how they are processed in the accounts) of Annex to the Consolidated FS.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.A.
24.	Detailed disclosure of the fair value of financial instruments: -Financial instruments at fair value; -Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); -Processing of "day 1 profits" (including quantitative information); -Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	Board of Director's Report – 1st half 2020: • Notes 7, 8 and 39 of Annex to the Consolidated FS. See item IV.16 above.
25.	Description of modelling techniques used to value financial instruments, including information on: -Modelling techniques and instruments on which they are applied; -Valuation processes (particularly including the assumptions and inputs upon which the models are based); -Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; -Sensitivity of fair value (namely changes to assumptions and key inputs); -Stress Scenarios;	Board of Directors' Report 2019: • Note 42 of Annex to the Consolidated FS; Board of Director's Report – 1st half 2020: • Note 2 and 39 of Annex to the Consolidated FS (information and processes applied by CGD in the valuation of financial instruments).
VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	Board of Director's Report – 1st half 2020: • Note 2 of Annex to the Consolidated FS.

2.3. Report on Limited Review of Condensed Consolidated Financial Statements

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This report is a free translation of the Portuguese version
(in case of any doubt or misinterpretation the Portuguese version will prevail)

Report on Limited Review of Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. ("Group" or "CGD") which comprise the condensed consolidated balance sheet as at June 30, 2020 (which shows a total of 90,404,948 thousands euros and total equity of 8,532,952 thousand euros, including a net income attributable to the shareholder of CGD of 248,594 thousand euros), the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and accompanying notes thereto, including a summary of significant accounting policies.

Responsibilities of management

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting purposes (IAS 34), and designing and maintaining an appropriate system of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our limited review in accordance with International Standard on Review Engagement s 2410, " Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical guidelines from Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). These Standards require that our work be conducted for the purpose of expressing a conclusion about whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respect s, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

A limited review of financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained.

A limited review is substantially less in scope than an audit conducted in accordance with International standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2020 have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

Emphasis

In the chapter “Covid -19 impacts and mitigation measures - impacts of alterations to scenarios and other adjustment of Note 39 – Notes to the condensed, consolidated financial statements, are disclosed the estimated impacts on impairment related to credit risk defined by CGD management based on available information, including sensitivity analysis and updated macroeconomic scenarios in the forward looking component of the collective impairment model, which has inherently a significant level of uncertainty as a consequence of the Covid- 19 pandemic (note 2.22 i)). Should actual events differ from these assumptions and judgements it may be necessary to revise assumptions regarding estimated expected losses and consequently the amount of future impairment.

Our opinion has not been modified regarding this situation.

Lisbon 30th September 2020

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230
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20 | FIRST HALF
20 | REPORT

Caixa Geral de Depósitos, S.A.
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Commercial Registry and Tax no. 500 960 046