2021 FIRST HALF REPORT

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This document is an English translation of the original Portuguese language document "Relatório de Gestão e Contas - 1º semestre de 2021". The Portuguese original prevails in the event of any inconsistency.

1.

BOARD OF DIRECTORS´ REPORT

1.1. Highlights

CGD Group's activity in the first half of 2021 culminated with the return to investment grade rating by Moody’s, after a period of ten years, and was also marked by the surpassing of the €100,000 mark in net assets.

In a half year characterised by some recovery in economic activity, in a still adverse background for banking activity, Caixa Geral de Depósitos Group’s consolidated net profit of €294.2 million was up 18.3% over the same period 2020 and equivalent to a return on equity (ROE) of 7.2%.

This evolution is mainly a result of the good performance of the net trading income, as the level of core income remained with a negative trend, impacted by a €44 million decrease in net interest income, only partially offset by the increase in commissions.

The net income also includes an extraordinary income of €44.3 million (after tax) deriving from a revaluation of liabilities for post-employment benefits and from provisions for the pre-retirement programme. Current net income of €250 million was therefore up 26.2% over current income in first half 2020.

Impaired credit at the end of the half year stood at €90.2 million, as opposed to the €59.7 million recorded in the previous quarter which, net of recoveries, resulted in a cost of credit risk of 19 bps.

Operating costs on a recurring basis were down 1.5% over the same period 2020 to €400 million. This translated into a recurring cost-to-income ratio of 45.3%, as opposed to 49,2% in first half 2020.

Customer deposits were up 6.3% by €4.5 billion in first half 2021. This essentially derived from resources taken by CGD Portugal, fuelled by higher levels of household savings and customers’ trust in and loyalty to Caixa.

Credit to companies in Portugal (excluding the construction and real estate sectors, in which the reduction of NPLs is concentrated) was up 5.4%, reflecting greater support for companies.

The amount of new mortgage loans was up 65% over first half 2020. This resulted in a leading market position with a new sales share of 24.1% up to June 2021. Notwithstanding the fact that the increase was influenced by lower sales in second quarter 2020 due to the beginning of the lockdown, CGD continued to trend to higher than sector growth and strengthened its market share in comparison to 2020.

There was also a continued improvement in asset quality, with the non-performing loans ratio falling to 3.2% which, together with a preventive increase of impairment, made it possible to achieve an NPL ratio net of impairment of 0% (taking all impaired credit into account). This has been the case since the first quarter. Considering only specific impairments, CGD's net ratio already compares favourably with the average for European banks.

Capital ratios were strengthened and reached 18.7% for core capital (CET1) and 21.4% for total capital, even after the payment of the dividend on 2020 profit and comfortably complying with the capital requirements in force for CGD. These capital ratios, higher than the Portuguese and European averages, are indicative of CGD’s robust capitalisation.

Caixa Geral de Depósitos, S.A. (CGD) was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). The test results will assist competent authorities in assessing CGD’s ability to meet applicable prudential requirements under stressed scenarios and will be used as an important source of information for the process of defining the minimum ratios applicable in the future. CGD was the 10th banking group with the lowest transitional CET1 depletion of the 50 banks included in the EU-wide EBA stress test.

The General Meeting was held on May 31, at which the 2020 accounts and the proposed dividend distribution were approved.

In July 2021 and later on in september, Moody’s Investor Service upgraded its rating on CGD’s long term senior debt, one level on each occasion, from Ba1 to Baa2. This upgrade of CGD’s long and short term senior debt marks a return to Moody’s investment grade category rating after a period of ten years and is an important milestone in Caixa evolution and market status. With this change, CGD is now rated at investment grade by two of the main international rating agencies.

Strategic Indicators

Profitability	Efficiency	Asset Quality	Resilience
ROE 6.2%	Cost-to Income 44.3%	NPL Ratio 3.2%	CET1* 18.7%
Recurrent	Recurrent Domestic Atv		Fully Implemented
01H20: 5.0%	01H20: 48.4%	01H20: 4.4%	01H20: 16.8%

*Including net profit for the period

Customer Service (in Portugal)

Customers	Digital Customers	Face-to-face service
3.7 million	1.91 million	543 locations
35% of the population	52% of CGD customers	branches, local extensions and corporate offices

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

(EUR million)

			Change	
RESULTS	2020-06	2021-06	Total	(%)
Net interest income	519.9	476.3	-43.6	-8.4%
Results from services and commissions	243.6	268.3	24.7	10.1%
Non-interest income	286.0	378.4	92.4	32.3%
Total operating Income	810.8	858.8	47.9	5.9%
Operating costs	411.7	304.1	-107.6	-26.1%
Net operating Income before Impairments	399.1	554.7	155.5	39.0%
Net core recurrent operating income before impairments (1) (4)	356.8	344.1	-12.7	-3.6%
Net operating income	366.1	449.2	83.1	22.7%
Net income	248.6	294.2	45.6	18.3%
BALANCE SHEET				
Net assets	90,405	101,000	10,596	11.7%
Cash and loans and advances to credit instit.	11,421	21,697	10,276	90.0%
Securities investments (2)	24,060	23,415	-645	-2.7%
Loans and advances to customers (net) (3)	48,315	49,207	892	1.8%
Loans and advances to customers (gross) (3)	50,540	51,523	984	1.9%
Central banks' and credit institutions' resources	2,063	6,771	4,708	228.2%
Customer resources	70,728	76,579	5,851	8.3%
Debt securities	1,419	1,355	-65	-4.6%
Shareholders' equity	8,533	9,234	701	8.2%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (2) (3)	9.1%	11.2%	-	-
Net return on equity - ROE (3)	6.2%	7.2%	-	-
Gross return on assets - ROA (2) (3)	0.9%	1.0%	-	-
Net return on assets - ROA (3)	0.6%	0.7%	-	-
Cost-to-income BdP (2)	49.8%	34.4%	-	-
Cost-to-income (2) (4)	49.2%	45.3%	-	-
Cost-to-core income (1) (2)	53.3%	53.8%	-	-
Employee costs / Total operating income	30.6%	17.1%	-	-
Employee costs recurrents / Total core operating income (1) (4)	32.5%	33.3%	-	-
Total operating income / Average net assets (3)	1.9%	1.9%	-	-
CREDIT QUALITY AND COVER LEVELS (5)				
Forborne ratio for loans and advances - EBA (6)	4.6%	2.7%	-	-
Coverage ratio on forborne loans and advances - EBA (6)	90.9%	90.6%	-	-
NPL ratio - EBA	4.4%	3.2%	-	-
NPE ratio - EBA	3.4%	2.5%	-	-
NPL coverage - EBA	85.4%	102.4%	-	-
NPE coverage - EBA	80.1%	96.3%	-	-
Crd. imp. (P&L) / Loans & adv. custom. (aver.) (*)	0.31%	0.19%	-	-
STRUCTURE RATIOS				
Loans & adv. customers (net) / Net assets	53.4%	48.7%	-	-
Loans & adv. custom. (net) / Custom. dep.	68.4%	64.4%	-	-
SOLVENCY RATIOS (CRD IV/CRR)				
CET 1 (fully implemented)	16.8%	18.7%	-	-
Tier 1 (fully implemented)	17.9%	19.9%	-	-
Total (fully implemented)	19.3%	21.4%	-	-
Leverage ratio (fully implemented)	8.3%	8.0%	-	-
LIQUIDITY RATIOS				
Liquidity coverage ratio	402.3%	393.0%	-	-
Net stable funding ratio	165.5%	174.3%	-	-
OTHER INDICATORS				
Number of branches - CGD Group	946	931	-15	-1.6%
Number of branches - CGD Portugal	570	556	-14	-2.5%
Number of employees - CGD Group	12,150	11,633	-517	-4.3%
Number of employees - CGD Portugal	6,548	6,241	-307	-4.7%

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 2021.

Shareholders	Share Capital at 30/06/2021	% Equity Stake at 30/06/2021
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 2021, comprised 931 banking presences, 15 fewer than in the same period last year.

At the domestic level, CGD had 511 active branches and CGD Stores, 13 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 557 locations in Portugal. CGD provides 3,368 self-service equipment, including 913 items of equipment on its own network (In-house cash machines and bank passbook printers) plus 2,455 Multibanco network ATMs.

CGD group's foreign banking presence comprised a total number of 374 branches at the end of June 2021, highlighting the opening of the representative office in South Africa, thus continuing an important 24-year presence in this country. The office will ensure the connection between the thousands of CGD customers residing in South Africa and CGD in Portugal.

NUMBER OF GROUP BANK BRANCHES	2020-06	2020-12	2021-06
CGD (Portugal)	570	556	556
Physical branches and CGD Stores	519	511	511
Mobile branches	3	3	3
Self-service branches	19	13	13
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)	209	211	211
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	35	35
Other CGD Branches	14	14	14
Total	**946**	**931**	**931**
Representative offices	**9**	**9**	**10**

(1) Sale in progress

Human resources

CGD Group had 11,633 employees at 30 Junho 2021, down 517 and 165 employees over June and December 2020, respectively.

The reduction was originated essentially from CGD Portugal (down 307) and the almost entirety in 2020, according to CGD's strategic plan negotiated with DG Comp.

NUMBER OF CGD GROUP EMPLOYEES	2020-06	2020-12	2021-06
CGD Portugal (1)	6,548	6,244	6,241
Other (2)	5,602	5,554	5,392
Total	**12,150**	**11,798**	**11,633**

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

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

Caixa brand, prizes and distinctions

1st half 2021 was marked by a "Very Positive" assessment of Caixa brand's reputation (customer evaluation), as regards those attributes considered essential to the bank's sustainability (trust, financial strength, governance, ethics and transparency) – Brandscore.

According to the Brandscore study, Caixa strengthened its nomination as the "Best Bank for Personal Customers" and "Best Bank for Young People" (spontaneous nomination) in the opinion of the customers of each bank in 1st half 2021.

The end of the 1st half year, in the context of Portuguese banking, was marked by Caixa brand's leading position as the brand with the greatest appeal to new customers, with a continuing low probability of customer churn, coming in 2nd position in this indicator's ranking (Brandscore study).

In the "Top 1000 World Banks" ranking published by the prestigious English magazine "The Banker" and based on the value of tier 1 equity, Caixa retained its leading position in Portugal, having improved 5 positions in worldwide terms in a single year and currently coming 174th.

Globally, the following prizes and distinctions were awarded to CGD group's retail and digital banking and fund management activities in first half 2021:

CGD – CEO Paulo Macedo elected "Personality of 2021 – Human Resources".

CGD - "Best Bank" in Portugal 2020 for the 7th consecutive year, EMEA Finance magazine, in the sphere of its annual Europe Banking Awards 2020.

CGD – Bank Nº1 in Portugal (rose 14 positions compared to 2019) in the Top 500 Banking Brands 2020 ranking - The Banker Magazine

CGD - Most valuable Portuguese bank brand | Top 500 Banking Brands 2021 - The Banker Magazine

CGD - "Best Bank" - Digital Banking Services Portugal 2021 | Global Banking and Finance Awards

CGD App DABOX – Most Innovative Mobile Savings App Portugal 2021 | Global Banking and Finance Awards

CGD Digital Assistant of Caixadirecta app – Most Innovative Retail Banking App Portugal 2021 | Global Banking and Finance Awards

CGD Digital Assistant of Caixadirecta app - Best Mobile Payments Initiative – (Highly Commended) Awards dos PayTechaAwards

CGD Saldo Positivo – Best CSR Initiative Portugal 2021 in Corporate Social Responsibility (CSR) category | Global Banking and Finance Awards

Caixa Gestão de Ativos − Best National Global Bond Manager − Morningstar Awards 2021 received for the 4th year and encompassing its global funds offer.

Caixa Gestão de Ativos − Best National Bond Manager − Morningstar Awards 2021, awarded for the 7th consecutive year.

Social responsibility and sustainability

Committed to its decisive role in terms of the sustainable, inclusive development of Portuguese society, Caixa has been developing projects and initiatives to mitigate the environmental impact of its activity and further align its practices with national and international climate objectives.

Five operating areas of Caixa's Sustainability Strategy 2021-2024 were defined in line with the development of its new strategic plan. They comprise Caixa's vision of becoming the leader in sustainable financing in Portugal, namely:

1) Sustainable, inclusive funding. To back the transition to a low-carbon economy and finance projects with a social impact on people's lives;

2) Climate risk management. To help build a prosperous, resilient economy, identifying, assessing and managing climate-related risks;

3) Financial and digital inclusion. To be an inclusive organisation in prioritising the well- being of its employees and society;

4) Transparent governance models. To be an organisation with an efficient governance model, driving responsible, diversified, inclusive performance;

5) Corporate sustainability reporting. To ensure the existence of transparent reporting practices, aligned with best practices and stakeholders' expectations.

Caixa was distinguished as one of the leading companies in the fight against climate change in Europe, in 2021, according to the "Europe's Climate Leaders 2021" ranking published by the Financial Times. Caixa was also the national financial institution in this ranking with the largest reduction in emissions in comparison to the growth of its revenues and the largest reduction in greenhouse gas emissions between 2014 and 2019.

With the aim of reinforcing its climate ambition, Caixa became a member of the Net Zero Banking Alliance (NZBA), as part of an action mentored by the United Nations Environment Programme Finance Initiative (UNEP FI) with the aim of mobilising the financial sector in the construction of a carbon neutral economy, to achieve a progressive reduction of emissions by 2050, in line with the objectives of the Paris Accord.

The improved performance of the environmental management system, which monitors and oversees performance in terms of the reduction of Co2 emissions from banking activity at its headquarters building, was recognised in the compliance audits and legal requirements.

CGD's environmental performance has evidenced a decreasing trend in the consumption of resources. There was a decrease of 6% in electricity consumption (not including the Autonomous Region of Madeira for June 2021, representing around 3% of CGD's total electricity consumption), 22% of CGD's headquarters building's water consumption and around 20% of its paper consumption over first half 2020 .These results derive from the implementation of various energy efficiency measures in CGD's buildings, such as the upgrading of air conditioning fans and installation of variable speed water flow regulators, digitalisation and dematerialisation of paper initiatives in addition to the significant reduction of the number of users with a physical presence in CGD's central services.

In a period marked by the impacts of the pandemic and in which social inequalities tend to worsen, Caixa, together with 9 banks and more than 30 companies operating in Portugal, mentored a solidarity initiative focusing on food support for the most vulnerable families during the current crisis. The *#TodosJuntos* ("All Together") solidarity campaign raised more than €2.5 million for the purchase of staple foods and urgent medicines.

Caixa was also involved in the "Feed this Idea" campaign developed by the Food Bank to respond to the growing number of requests for support from people and families in need, due to the social and economic impacts of the pandemic, with donations from dozens of employees.

1.3. Economic and financial framework

Global activity continued to recover across first half 2021, albeit conditioned by the emergence of new SARS-Cov-2 virus variants and fears over the resurgence of inflationary pressures, both on account of hikes in energy prices and multiple production constraints which triggered upward revisions of inflation rate projections for 2021 and 2022.

Following a more anaemic first quarter, economies showed strong recovery in second quarter 2021, as a result of the easing of restrictions permitted by an acceleration of the pace of vaccination campaigns in the developed blocs, in which the European Union and United States recorded vaccination rates of more than 50% for vaccines with at least one dose. However, in most developed and emerging economies, activity remained at a lower level than at the end of 2019. Notwithstanding this recovery, the performance of the services sector continued to be relatively weak in comparison to the same period 2019. This was particularly the case of tourism as a highly important sector in countries such as France, Spain and Portugal. Industry continues to spear worldwide recovery as consumption continues to accelerate, in spite of constraints in production chains which have affected key areas such as the automotive sector.

Portugal faced the 3rd wave and worst moment of the pandemic in early 2021, when the country was forced into another general lockdown between mid-January and late March. Consequent closures, particularly in the business and services sectors, were reflected in first quarter GDP contraction, driven by a new drop in private consumption. A subsequent reduction of the number of infections allowed activity to resume in the second quarter, when the highest quarterly GDP variation in comparison to its major European peers was achieved. This period witnessed a much higher level of domestic demand, as opposed to net external demand which remained in the doldrums. The labour market remained stable, with an unemployment rate close to that of 2019, with a recovery of jobs and number of hours worked, coinciding with economic normalisation and a mitigation of the distortions caused by the pandemic. In June, the European Commission approved the Recovery and Resilience Plan submitted by the Portuguese government whose respective disbursements are expected to be more expressive from August.

Existing monetary *stimuli* have been retained owing to the fact that the main central banks' assessments of price evolution continue to suggest that higher inflation will be temporary. Both the US Federal Reserve and the ECB have continued to focus on an expansionary monetary policy in avoiding the premature withdrawal of *stimuli*. In contrast, several central banks in smaller countries have begun to anticipate the start of a new cycle of monetary policy restrictions. In the emerging bloc, not only has work started on mitigating *stimuli*, but in several cases, direct key interest rate hikes have been declared, with the objective, in several cases, such as Brazil and Russia, of controlling a sharp hike of inflation.

First half 2021 in financial markets was marked by a fresh appreciation of higher risk asset classes associated with the global economic cycle's recovery phase. There was a marked improvement in sentiment in the US, sustained by new fiscal stimulus programmes. This was also visible in all developed countries with more advanced vaccination programmes.

Alterations of Euribor rates in the money markets across all maturities in the first six months of 2021 were very slight. Financing and liquidity conditions in the region, supported by the ECB's accommodative policy, remained practically unchanged and highly favourable.

A context of economic recovery and higher inflation witnessed expectations of higher sovereign bond yields. Notwithstanding corrections from May onwards, 10 year yields recorded an average positive variation of 35 bps across the first half year.

In credit markets, widening spread movements accompanying the hike in yields at the beginning of the year were followed by a phase of narrowing spreads in the second quarter. Corporate bonds have benefited from recovery in many sectors, hikes in energy prices and, in the case of financial institutions, the ECB's higher level of corporate debt purchases.

Stock markets have witnessed a continuation of the more optimistic climate in force since second quarter 2020 and have continuously trended to appreciation and successive historical highs, both in the US as in Europe. Uncertainty levels are substantially down, with share volatility indices having receded to pre-crisis levels and not even rising inflation has dampened positive investor sentiment towards this class.

In foreign exchange markets, the dollar and sterling recorded their highest level of appreciation in first half 2021, driven by the yield spread against the euro and the yen. The dollar was up 3% against the euro, on the back of the stronger pace of the current economic cycle and higher volumes of fiscal support and sterling was up 4.3% against the euro. In emerging countries, reference should be made to the Brazilian *real's* 4.5% appreciation against the dollar supported by the Central Bank of Brazil's key interest rate hike.

In the case of commodities, oil prices rose by almost 50% in first half 2021, to their highest level since 2018 at $75.1 and $73.5 per barrel for Brent and crude respectively at the end of June 2021. This performance is explained by increasing global demand, supply constraints in oil countries and low US inventory levels.

1.4. Main risks and uncertainties for the second half 2021

The global economy, whose recovery was founded on the effectiveness of vaccination campaigns, particularly in developed countries, recorded strong growth in first half 2021. The measures imposed in the second lockdown occurring in many countries at the beginning of the year were less unfavourable and pointed to households´ and companies´ greater capacity to adapt. A higher level of business confidence, both in industry and services, has led to a recovery of private consumption and consumer confidence. The recovery of those sectors most affected by the Covid-19 pandemic, such as accommodation, travel and tourism, is likely to continue across the 3rd quarter, although it is expected to be at a lower than pre-crisis level at the end of the year, as opposed to most other sectors.

Uncertainty over the pandemic's evolution and emergence of new variants will continue to condition the economic outlook and increase the difficulty of characterising the balance of risk. The economy is expected to continue to pick up in the third quarter with a normalisation of activity, full lifting of restrictions and higher levels of immunisation in European countries and other developed regions, although last quarter 2021 is expected to witness a slowdown. According to the IMF, there will be no guarantee of economic stability in any region for long as significant swathes of the world's population remain susceptible to the virus and its mutations.

The recovery of world trade to pre-crisis levels, together with the effectiveness of political support measures, have given a strong boost to the adaptation of various economic actors in addition to financial market stability. Although central banks and governments are expected to maintain monetary and fiscal *stimuli,* the recent reversal of expansionary policy by several of the central banks in emerging countries may be followed by developed countries, given concerns over inflationary pressures and an overheating labour market.

Expectations of higher levels of inflation up to the end of the year derived from transitory factors, such as the upside risk, particularly in the case of energy costs and commodity prices, which could turn out to be more severe and persistent if passed on to consumers. Production constraints may also be a relevant factor owing to their potential to prolong the current period of higher inflation which has been felt in many emerging countries with a certain level of intensity.

Whereas the European Central Bank (ECB) remains reticent over any decrease of the current quantitative easing plan in the US, several Federal Reserve officials have expressed their support for a reduction in *stimuli* up to the end of the year if the US economy continues to develop favourably.

The effects of the lower-than-expected fiscal boost in the US could be less favourable to economic growth and have negative repercussions on trading partners. Any more premature restrictive financial conditions could trigger an undesirable level of financial stress which could increase asset price volatility in financial markets.

Although the risks underlying growth projections are still high, they are broadly balanced, both from an epidemiological as from an economic viewpoint.

There may be a worsening of the pandemic's trajectory in the event of the occurrence of new, more lethal or transmissible virus variants and/or if vaccines prove to be less efficient, as is the case with the current Delta variant. The growing number of cases in several European and emerging countries could not only put growth prospects at risk but also spread rapidly if infection hotspots are not promptly controlled or if booster shots are needed.

Financial conditions, albeit safeguarded by the rapid intervention of worldwide monetary authorities, may once again, become more restrictive and give rise to debt servicing crises in certain economies, leading to a more marked level of economic slowdown. High corporate debt levels and potential financial imbalance and insolvencies lead to the possibility of social and labour market repercussions. The premature withdrawal of aid could also put economic recovery at risk.

On a positive note, the current projections of the main international institutions may have underestimated households' propensity to consume, owing to the accumulation of savings across the crisis period. On the other hand, remaining restrictions on the normal functioning of several activities in certain countries may have a less negative effect on consumption and productivity patterns, given the greater capacity of companies and households to adapt.

Greater worldwide cooperation over vaccines could also help reduce lethality and achieve better control over new waves of the virus, in addition to reducing the possible emergence of other variants and allow an early resumption of activity.

The existence of social tensions in several locations worldwide poses additional challenges to the global economy. The recent escalation of geopolitical instability in Afghanistan is the most obvious case of risk, owing to its proximity to Europe and as a location associated with the development of military activities that could jeopardise normalisation and economic recovery. Protests, general strikes and demonstrations against several European governments may also prove to be a factor of uncertainty.

The risks in Portugal are similar to those to be found in the rest of Europe. The Portuguese economy is expected to keep pace with the main European countries from second quarter 2021, in line with the gradual lifting of restrictions and accelerate in the third quarter, benefiting from foreign tourism and the vaccination campaign, notwithstanding the increase in the cases associated with the new Delta variant, albeit trending to negative.

The prices of risk assets in financial markets have recovered substantially to record historical, annual maximums in most classes, driven by the rapid action of central banks in increasing the flexibility of monetary support and cutting their key interest rates, both in the developed and emerging blocs. There is a very high risk of sudden prices corrections owing to this over-reliance on *stimuli*, at a time when restrictions on financial conditions are already starting to be imposed with a reversal of the cycle.

Notwithstanding the high levels of variability of measures and support packages among different member states, the Portuguese Recovery and Resilience Plan has already been approved at European Union (EU) level. During its period of application (2021-2026) the plan is expected to mitigate the eventual persistence of the consequences of the health crisis.

The penalising effect of the eventual termination of the statutory moratorium and measures designed to extend contractual loan obligations in the case of households and companies, probably most affected by the pandemic, will have consequences for the economy as a whole and naturally, for the national banking sector, particularly as regards the quality of bank assets. The increased likelihood of insolvencies, particularly in the case of non-financial corporations and households exposed to those sectors of economic activity more sensitive to the impacts of Covid-19, could represent a higher risk in terms of provisions and a deterioration of banking solvency.

Expectations of attractive rates of return on capital remain low in a structural context of low banking sector profitability as a result of the persistence of very low interest rates over a very long period, high operating costs and restrictions on higher commission charges by banks. However and insofar as the performance of the European banking system has been positive, particularly in view of the initially anticipated scenarios, the ECB will no longer restrict dividend payments in fourth quarter 2021.

In parallel with demanding regulatory requirements and high costs, the need to mitigate a number of operational risks – compliance, money laundering, financing of terrorism and cyber security – will continue to bring pressure to bear on the profitability of the Portuguese banking system. This, in turn, leads to the need to transform the business model, which process was initiated several years ago with the emergence of new players in the banking sector. The pandemic has added to the urgency of adjusting the structure and adapting processes to equip banks with the efficient respective tools. This not only implies greater use of digitalisation but also simpler and more flexible customer relations, while not relegating the safety and soundness of operations to a second tier consideration.

Increased digitalisation, while increasing banking efficiency, imposes additional costs, which will, at least over the short term, penalise expectations of profitability.

Another possible effect amplified by the pandemic is the link between sovereign and banking considerations, as the support measures designed to limit the impact of the pandemic crisis have led to an increase in budget deficits and public debt. A possible increase in banking sector exposure to public debt may lead to adverse feedback effects in the event of concerns over the sustainability of public debt.

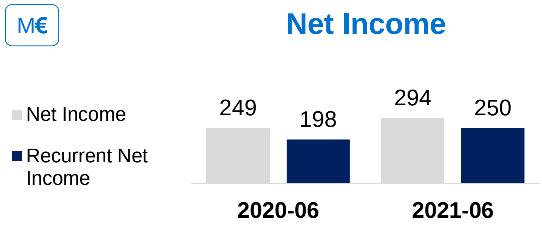
Lastly, compliance with the EU's environmental objectives, in addition to incentives for sustainable investment, remains at the top of the regulatory agenda and poses an additional challenge for the national banking sector over the short term.

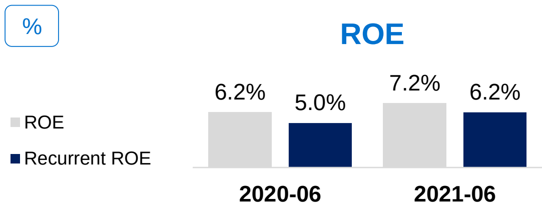
1.5. Activity and financial information

1.5.1. Consolidated activity

Results

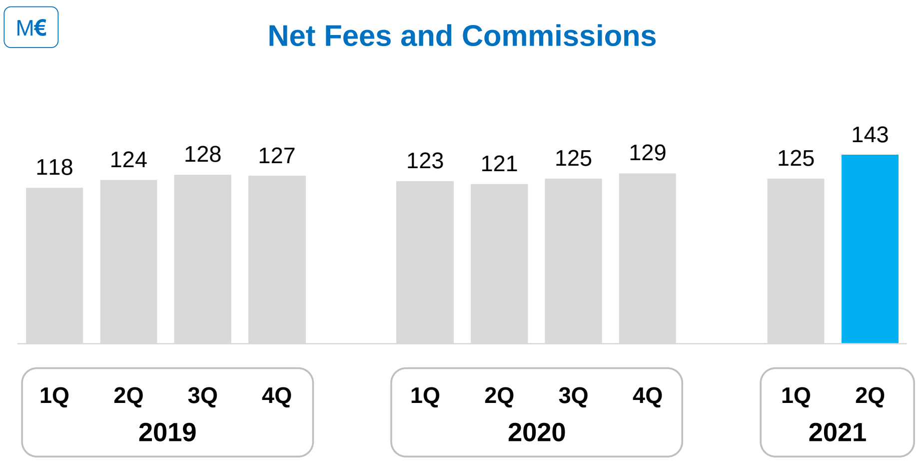
CGD Group's activity in the first six months of 2021 naturally continued to be affected by the epidemiological situation and containment measures taken by the competent authorities. CGD posted a consolidated profit of €294.2 million in first half 2021, against a net profit of €248.6 million for the same period of the preceding year. This 18.3% increase was equivalent to a return on equity (ROE) of 7.2 %.





Net interest income in the first half of 2021 was down 8.4% by €43.6 million over the same period of the preceding year, having been particularly affected by lower market interest rates, which were directly reflected in portfolio indexers, in addition to across-the-board decreases of spreads on new operations owing to a competitive market.

Net commissions were up €24.7 million over the same period of the preceding year. This increase is mainly supported by commissions associated with the placement of investment funds and financial insurance, with an expressive growth of €16 million (up 29%) and, to a lesser extent, by the dynamism in the new loans.



Net trading income also increased more sharply, having reached €122 million, thus recording a positive variation of €82.8 million compared to 2020.

This was offset by the €15.2 million decrease of other operating income over the same period 2020, essentially on account of the fact that no significant gains were made from real estate assets.

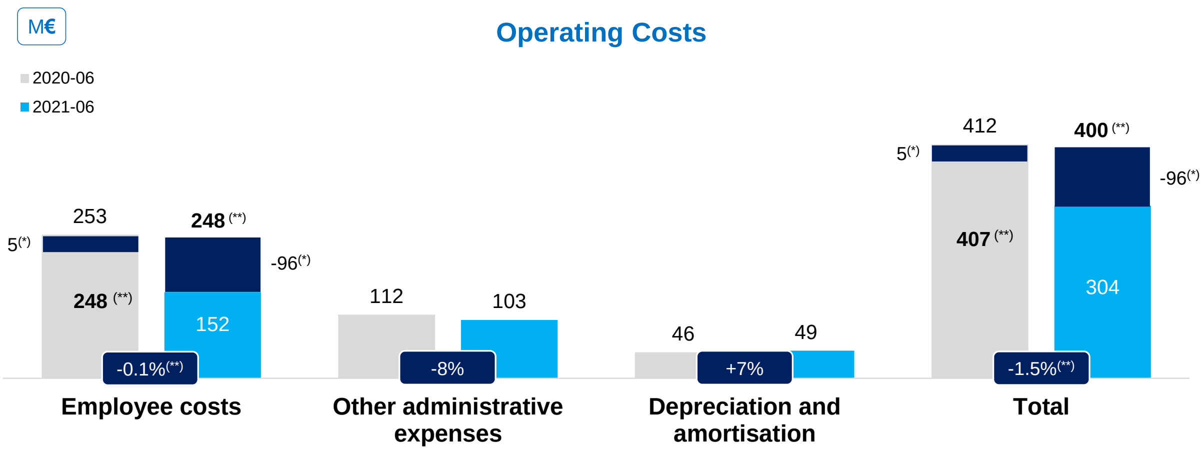
Given the evolution of the different aggregates, CGD Group's total operating income in first half 2021 was up 5.9% by €47.9 million over the same period 2020.

Operating costs also had a very positive evolution, totalling 304.1 million euros in the first half of 2021. This positive evolution essentially derived from the sharp decrease of employee costs. This amount includes a non-recurring impact of €96.4 million, essentially owing to the provisions adjustments associated with post-employment benefits and adjustment of the costs foreseen with the pre-retirement programme. This impact is partially offset at the level of net income under provisions.

(EUR million)

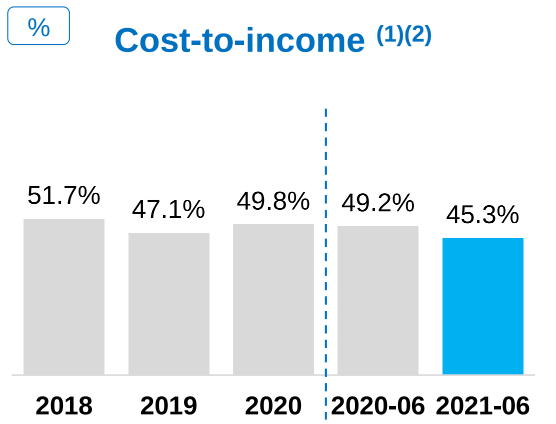
OPERATING COSTS (CONSOLIDATED)			Change	
	2020-06	2021-06	Total	(%)
Employee costs	253.2	151.6	-101.6	-40.1%
Administrative expenses	112.4	103.3	-9.1	-8.1%
Depreciation and amortisation	46.1	49.2	3.1	6.8%
Total	**411.7**	**304.1**	**-107.6**	**-26.1%**

The exclusion of such non-recurring factors would result in a 0.1% decrease of employee costs. General administrative costs, on the other hand, were down 8.1% by €9.1 million owing to continued improvements in the Group's operational efficiency.

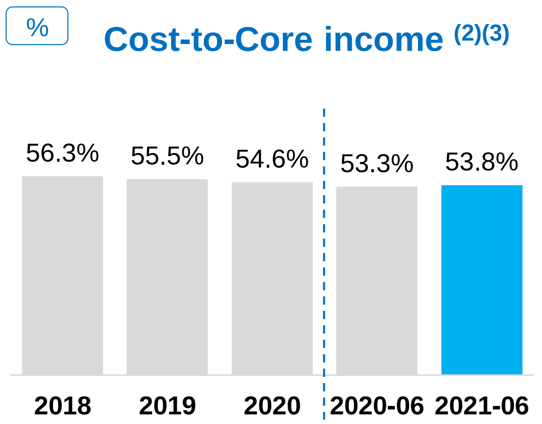


(*) Non recurrent effects;
(**) Excluding non recurrent effects.

In terms of efficiency, the cost-to-income and cost-to-core income ratios showed a downward trajectory, reflecting the improvement in CGD Group's operational efficiency, with decreases of 4.5 pp and 0.8 pp respectively, compared to December 2020.



(1) Ratio defined by the Bank of Portugal Instruction 6/2018 [Operating Costs / (Total Operating Income + Income From Associated Companies)];
(2) Excluding non recurrent effects.



(2) Excluding non recurrent effects;
(3) Operating Costs / (Net Interest Income + Net Fees and Commissions).

Operating income, up 22.7% by €83.1 million over first half last year, was also positively impacted by the evolution of impaired credit, net of recoveries which was down €30 million over the first six months of 2020. Even so, the aggregate of provisions and impairments increased by 72.4 million euros compared to the same period of the previous year, reflecting a prudent attitude towards the current macroeconomic context.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)			Change	
	2020-06	2021-06	Total	(%)
Provisions (net)	-29.9	36.6	66.5	-
Credit impairment	78.0	48.0	-30.0	-38.5%
Impairments of other financial assets	9.8	4.6	-5.2	-53.1%
Impairments of other assets	-24.8	16.3	41.1	-
Provisions and impairments for period	**33.1**	**105.5**	**72.4**	219.1%

The impaired credit aggregate in the period under review reflects a cost of credit risk cost of 19 bps, against 31 bps for the first half of 2020.

Income from subsidiaries held-for-sale was up €1.7 million over the same period last year to €8.4 million.

In turn, results from associated companies were up 66.3% by €10.5 million over the same period of the preceding year to €26.2 million. This evolution largely derived from the contribution of €19 million in income from Fidelidade Companhia de Seguros SA, up €7.8 million over June 2020, affected by first quarter 2020 losses resulting from the impact of Covid-19.

As a result of the above, CGD recorded a consolidated result was up 18.3%, to 294.2 million euros, in the first half of 2021, which compares with a net result of 248.6 million euros in the same period last year.

(EUR thousand)

CONSOLIDATED INCOME STATEMENT			Change	
	2020-06	2021-06	Total	(%)
Interest and similar income	781,950	689,554	-92,396	-11.8%
Interest and similar costs	262,047	213,268	-48,778	-18.6%
Net interest income	519,903	476,285	-43,618	-8.4%
Income from equity instruments	4,922	4,097	-825	-16.8%
Net interest inc. incl. inc. from eq. investm.	**524,825**	**480,382**	**-44,443**	**-8.5%**
Income from services and commissions	297,738	324,905	27,167	9.1%
Costs of services and commissions	54,138	56,590	2,452	4.5%
Results from services and commissions	243,600	268,314	24,715	10.1%
Income from financial operations	39,393	122,242	82,849	210.3%
Other operating income	3,012	-12,174	-15,186	-
Non-interest income	**286,005**	**378,383**	**92,378**	**32.3%**
Total operating income	**810,830**	**858,765**	**47,935**	**5.9%**
Employee costs	253,205	151,558	-101,647	-40.1%
Administrative expenses	112,371	103,302	-9,069	-8.1%
Depreciation and amortisation	46,108	49,248	3,140	6.8%
Operating costs	411,685	304,108	-107,576	-26.1%
Net operating income before impairments	**399,145**	**554,657**	**155,512**	**39.0%**
Credit impairment (net)	78,000	47,978	-30,022	-38.5%
Provisions and impairments of other assets (net)	-44,950	57,483	102,433	-
Provisions and impairments	**33,050**	**105,461**	**72,410**	**219.1%**
Net operating income	**366,095**	**449,196**	**83,101**	**22.7%**
Income Tax	**123,709**	**169,617**	**45,909**	**37.1%**
Current	9,654	37,944	28,290	293.1%
Deferred	86,079	102,941	16,862	19.6%
Contribution on the banking sector	27,976	28,733	756	2.7%
Net op. inc. after tax and before non-controlling interests	**242,386**	**279,578**	**37,193**	**15.3%**
Non-controlling interests	16,265	19,980	3,716	22.8%
Results of associated companies	15,770	26,230	10,461	66.3%
Results of subsidiaries held for sale	6,703	8,378	1,675	25.0%
Net income	**248,594**	**294,206**	**45,613**	**18.3%**

Balance sheet

CGD's consolidated net assets were up 10.5% by €9,625 million over December 2020 to €101 billion at the end of first half 2021. This evolution particularly derives from the 81.7% increase of €8,397 million in loans and advances to central banks, over December 2020 from resources deriving from the TLTRO programme and evolution of the commercial gap arising from the strong increase in customer deposits and despite the significant increase in the loan portfolio.

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2020-06		2020-12		2021-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	73,387	81.2%	77,551	84.9%	86,265	85.4%
Banco Nacional Ultramarino, SA (Macau)	5,748	6.4%	5,204	5.7%	5,447	5.4%
Caixa Banco de Investimento	562	0.6%	463	0.5%	547	0.5%
Caixa Leasing e Factoring	2,368	2.6%	0	0.0%	0	0.0%
Banco Comercial Investimento (Mozambique)	2,207	2.4%	2,066	2.3%	2,478	2.5%
Banco Comercial do Atlântico (Cape Verde)	788	0.9%	793	0.9%	810	0.8%
BCG Angola	770	0.9%	654	0.7%	758	0.8%
Other companies (2)	4,576	5.1%	4,645	5.1%	4,695	4.6%
Consolidated net assets	**90,405**	**100.0%**	**91,375**	**100.0%**	**101,000**	**100.0%**

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

CGD accounts for 85% of total consolidated net assets.

(EUR million)

CONSOLIDATED BALANCE SHEET				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
ASSETS	2020-06	2020-12	2021-06	Total	(%)	Total	(%)
Cash and equiv. with central banks	7,971	10,278	18,675	10,704	134.3%	8,397	81.7%
Loans and advances to credit instit.	3,450	3,312	3,022	-428	-12.4%	-290	-8.8%
Loans and advances to customers	48,315	47,903	49,207	892	1.8%	1,304	2.7%
Securities investments	24,060	23,445	23,415	-645	-2.7%	-30	-0.1%
Assets with repurchase agreement	17	14	122	106	628.1%	109	782.5%
Non-current assets held for sale	1,198	1,159	1,144	-55	-4.6%	-15	-1.3%
Inv. in subsid. and assoc. companies	454	505	509	54	12.0%	3	0.7%
Intangible and tangible assets	648	681	677	29	4.4%	-4	-0.6%
Current tax assets	452	436	438	-13	-2.9%	2	0.5%
Deferred tax assets	1,359	1,314	1,204	-154	-11.4%	-110	-8.4%
Other assets	2,483	2,328	2,588	105	4.2%	259	11.1%
Total assets	**90,405**	**91,375**	**101,000**	**10,596**	**11.7%**	**9,625**	**10.5%**
LIABILITIES							
Central banks' and cred. inst. resources	2,063	2,040	6,771	4,708	228.2%	4,730	231.8%
Customer resources	70,728	72,033	76,579	5,851	8.3%	4,546	6.3%
Debt securities	1,419	1,371	1,355	-65	-4.6%	-16	-1.2%
Financial liabilities	1,000	921	644	-355	-35.5%	-277	-30.1%
Non-current liabilities held for sale	872	864	848	-24	-2.7%	-16	-1.8%
Provisions	1,045	1,037	927	-117	-11.2%	-110	-10.6%
Subordinated liabilities	1,103	1,117	1,103	1	0.1%	-14	-1.3%
Other liabilities	3,642	3,290	3,538	-104	-2.8%	249	7.6%
Sub-total	**81,872**	**82,675**	**91,766**	**9,894**	**12.1%**	**9,092**	**11.0%**
Shareholders' equity	**8,533**	**8,701**	**9,234**	**701**	**8.2%**	**533**	**6.1%**
Total	**90,405**	**91,375**	**101,000**	**10,596**	**11.7%**	**9,625**	**10.5%**

Securities investments were down 2.7% by €645 million over June 2020 and down 0.1% by €30 over December 2020, to €23,415 million at 30 June 2021.

(EUR million)

SECURITIES INVESTMENTS (CONSOLIDATED)	2020-06	2020-12	2021-06
Fin. assets at fair value through profit or loss	7,984	5,333	3,239
Financial assets at fair value through other comprehensive income	6,001	6,856	7,059
Other investments at amortized cost	10,074	11,257	13,117
Total	**24,060**	**23,445**	**23,415**

Gross loans and advances to customers of €51,523 million were up 2.7% across the half year.

CGD achieved an 18.2% share of the domestic credit market in June 2021, with 15.1% for corporate loans and 23.8% for mortgage loans to individual customers.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED)[1]				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
	2020-06	2020-12	2021-06	Total	(%)	Total	(%)
Companies	19,399	18,723	19,394	-5	0.0%	671	3.6%
General government	3,074	3,170	3,245	171	5.6%	74	2.3%
Individual customers	28,067	28,255	28,884	817	2.9%	629	2.2%
Mortgage loans	25,875	25,948	26,506	631	2.4%	558	2.2%
Other	2,192	2,307	2,378	186	8.5%	71	3.1%
Total	**50,540**	**50,149**	**51,523**	**984**	**1.9%**	**1,374**	**2.7%**

(1) Before impairment

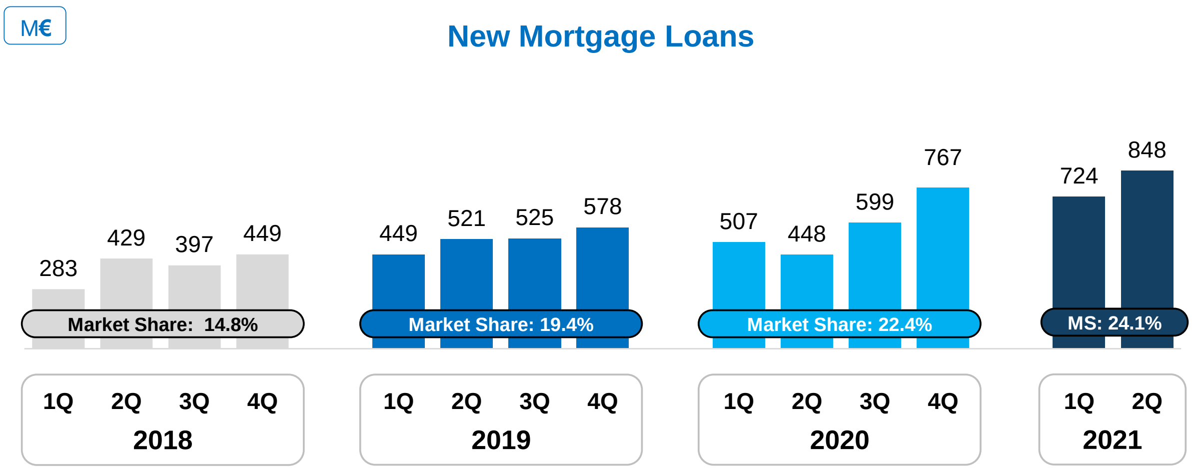
Special reference should be made this half year to the 5.4% growth of corporate loans in Portugal (excluding the construction and real estate sectors) which reflects CGD's commitment to back the most dynamic sectors of the national economy. The sectors with the largest contribution to this variation were the transports and warehousing sectors, up 23.8% and wholesale and retail trade, up 7.4%.

(EUR million)

LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED)[1]				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
	2020-06	2020-12	2021-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	336	312	349	13	3.8%	37	11.7%
Mining and manufacturing	2,689	2,768	2,889	200	7.5%	122	4.4%
Construction and real estate activities	4,441	4,939	4,738	298	6.7%	-201	-4.1%
Electricity, gas and water	913	1,037	1,064	151	16.5%	27	2.6%
Wholesale and retail trade	2,299	2,272	2,440	141	6.2%	168	7.4%
Transports and warehousing	976	903	1,118	142	14.6%	215	23.8%
Accommodation and food service activities	749	868	932	183	24.5%	64	7.4%
Professional, scientific and technical activities	3,554	3,050	2,877	-677	-19.1%	-173	-5.7%
Financial activities and other	3,443	2,575	2,987	-456	-13.2%	412	16.0%
Total	**19,399**	**18,723**	**19,394**	**-5**	**0.0%**	**671**	**3.6%**

(1) Before impairment

The loans and advances to individual customers balance was up 2.9% by €817 million over June 2020 to €28,884 million at the end of first half 2021. This particularly derived from the 2.4% growth of €631 million in mortgage loans on account of the positive evolution in new operations.



CGD Portugal entered into 13,093 mortgage loan agreements for €1,572 million in first half 2021. This was up 52% by 4,471 operations and up 65% by €617 million over the same period of 2020.

Asset quality continued to trend to improvement with NPLs (non-performing loans as defined by the EBA) down 11.1% by €281 million over June 2020 owing to the positive evolution of cured credit and recovery components. The NPL ratio stood at 3.2% against 4.4% in June 2020. The overall volume of impaired credit resulted in a coverage ratio of 102.4% (total coverage of 129.4% including the allocation of collateral), resulting in an NPL ratio net of impairment of 0%. This evolution also reflects higher levels of impaired credit in 2020 and first half 2021.

CREDIT QUALITY (CONSOLIDATED)	2020-06	2020-12	2021-06
NPE ratio (1)	3.4%	2.9%	2.5%
NPL ratio (2)	4.4%	3.9%	3.2%
Forborne ratio for loans and advances (3)	4.6%	3.4%	2.7%
NPE coverage by impairment	80.1%	91.3%	96.3%
NPL coverage by impairment	85.4%	97.0%	102.4%
Coverage ratio on forborne loans and advances	90.9%	89.2%	90.6%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.31%	0.33%	0.19%

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

As support to companies in the sectors most affected by the Covid-19 pandemic and to individuals, the moratoriums in force have been the object of rigorous monitoring in order to minimize situations of possible non-performance. Thus, all customers who have signed up to credit moratoriums are monitored and contacted, to make it possible to identify signs of deterioration in the customers' financial capacity and assess the application of any additional measures.

It should also be noted that both the number of operations and the amount associated with credit operations with moratorium in CGD Portugal have gradually decreased over time. Thus, there was a decrease of 9,807 operations amounting €519 million, compared to the 67,070 operations existing on 31 January 2021 that corresponded to €5,992 million.

In the first half of 2021, total liabilities were up 11.0% to €9,092 million. Special reference should be made to customer resources, which had a growth of €4,546 million euros (determined by the evolution of customer deposits), and resources from central banks and credit institutions, which were up €4,730 million (justified by the funding obtained from the European Central Bank during the semester).

Customer deposits were up 6.3% by €4,508 million over the end of 2020, essentially on account of higher levels of household savings, deriving from restrictions on consumption, as a consequence of the pandemic and respective lockdowns.

The loans-to-deposits ratio, as a reflection of the sharp increase in deposits, totalled 64% in June 2021, in comparison to 68% in June 2020.

CGD retained its leading position in the national market, both in terms of total customer deposits with a June 2021 market share of 25.9% and individual customers' deposits with a market share of 29.8%.

Total resources taken were up 10.2% by €9,918 million over December 2020 to €107,220 million.

(EUR Million)

RESOURCES TAKEN	2020-06	2020-12	2021-06	Change 2021-06 vs. 2020-06 (%)	Change 2021-06 vs. 2020-12 (%)
Balance sheet	**75,314**	**76,562**	**85,808**	**13.9%**	**12.1%**
Central banks' & cred instit. resources	2,063	2,040	6,771	228.2%	231.8%
Customer deposits (Consolidated)	70,624	71,918	76,426	8.2%	6.3%
Domestic activity	60,752	62,668	66,505	9.5%	6.1%
International activity	9,872	9,250	9,921	0.5%	7.3%
Covered bonds	1,252	1,258	1,254	0.1%	-0.3%
EMTN and other securities	1,270	1,230	1,204	-5.2%	-2.1%
Other	105	115	153	46.2%	32.9%
Off-balance sheet	**20,294**	**20,741**	**21,412**	**5.5%**	**3.2%**
Investment funds	4,162	4,798	5,739	37.9%	19.6%
Real estate investment funds	758	931	930	22.6%	-0.2%
Pension funds	4,289	4,435	4,508	5.1%	1.6%
Financial insurance	8,108	7,634	7,645	-5.7%	0.1%
OTRV Portuguese Governm. Bonds	2,977	2,942	2,591	-13.0%	-11.9%
Total	**95,608**	**97,302**	**107,220**	**12.1%**	**10.2%**
Total resources (domestic activity) (1)	**77,023**	**79,120**	**83,556**	**8.5%**	**5.6%**

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

Total resources taken from domestic activity at the end of June 2021 were up 5.6% over December last year to €83,556 million. The increase in off-balance sheet products in the same period essentially derived from the unit trust investment funds component which was up 19.6% by €941 million. The other variable-income treasury bonds component was down 11.9% by €351 million, as a result of the maturity of some bonds.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED)				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
	2020-06	2020-12	2021-06	Total	(%)	Total	(%)
Customers deposits	**70,624**	**71,918**	**76,426**	**5,802**	**8.2%**	**4,508**	**6.3%**
Sight deposits	36,110	37,084	40,782	4,671	12.9%	3,698	10.0%
Term and savings deposits	34,226	34,535	35,335	1,110	3.2%	800	2.3%
Mandatory deposits	288	299	309	22	7.5%	11	3.6%
Other resources	**105**	**115**	**153**	**48**	**46.2%**	**38**	**32.9%**
Total	**70,728**	**72,033**	**76,579**	**5,851**	**8.3%**	**4,546**	**6.3%**

By type, term deposits and savings accounts of €35,335 million at the end of June, accounted for around 46.2% of total customer deposits.

(EUR million)

SECURITIES (CONSOLIDATED)				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
	2020-06	2020-12	2021-06	Total	(%)	Total	(%)
Senior Debt	167	114	101	-66	-39.5%	-12	-10.8%
Covered bonds	1,251	1,257	1,253	2	0.2%	-4	-0.3%
Subordinated debt	1,103	1,117	1,103	1	0.1%	-14	-1.3%
Other	1	0	0	-1	-77.9%	0	84.6%
Total	**2,522**	**2,488**	**2,458**	**-64**	**-2.6%**	**-31**	**-1.2%**

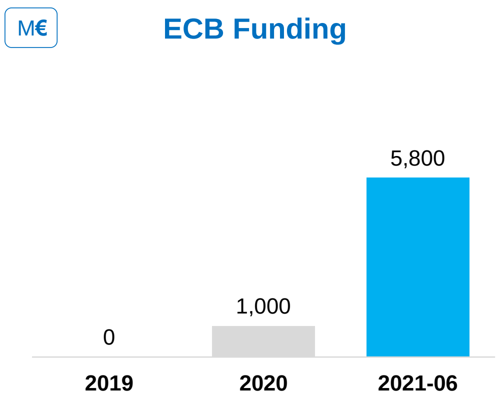
Compared to June 2020, there is stability in the balance sheet regarding debt securities and subordinated liabilities, justified by the absence capital market funding, given the comfortable liquidity situation of the Group.

Liquidity

CGD secured additional funding of €2.3 billion from the European Central Bank, in June 2021 under Eurosystem monetary policy measures, increasing its overall funding raised through the third series of longer-term refinancing operations (TLTRO-III) to €5.8 billion.

ECB FUNDING

(EUR million)



In parallel, CGD group increased the value of its assets with the Eurosystem collateral pool to approximately €18.9 billion. This increase of €4.8 billion over the end of 2020 enabled the bank to maintain a high level of collateral available (€13.1 billion).

The liquidity coverage ratio (LCR) of 393% at the end of June 2021 was well above the current liquidity coverage regulatory requirement of 100%.

The NSFR (net stable funding ratio) of 174.3% at the end of June in comparison to 173.0% at the end of 2020 also confirms CGD Group's comfortable liquidity situation.

Capital management

Consolidated shareholders' equity at 30 June 2021 was up €701 million over the same period 2020 to €9,234 million. Other reserves and retained earnings were up 17.4% by €607 million, largely on account of the incorporation of positive results, net of dividend payments.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	2020-06	2020-12	2021-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Fair value reserves	237	267	269
Other reserves and retained earnings	3,489	3,394	4,096
Non-controlling interests	214	204	231
Net income	249	492	294
Total	**8,533**	**8,701**	**9,234**

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

The fully loaded CET 1, tier 1 and total ratios of 18.7%, 19.9% and 21.4%, 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 ratios, calculated under CRD IV/CRR rules, totalled 18.1% and 20.7%, respectively in June 2021.

Information on the amount of own funds and capital ratios for June 2020, December 2020 and June 2021 is set out below (with the inclusion of net income for the period of €253 million, €489 million and €286 million respectively), calculated on a consolidated basis under CRD IV /CRR phasing-in and full implementation rules.

(EUR million)

SOLVENCY RATIOS			
(Including net income)	2020-06	2020-12 (1)	2021-06 (2)
Own funds			
Common equity tier 1 (CET 1)	7,425	7,620	8,043
Tier 1	7,929	8,124	8,548
Tier 2	625	624	634
Total	**8,554**	**8,748**	**9,182**
Weighted assets	**44,280**	**41,819**	**42,959**
Solvency ratios			
CET 1	16.8%	18.2%	18.7%
Tier 1	17.9%	19.4%	19.9%
Total	**19.3%**	**20.9%**	**21.4%**

(1) December 2020 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; (2) Includes EBA backstop impact related to NPE coverage.

The variation of around 50 bps in the CET1 ratio between December 2020 and June 2021 is a result of the 98 bps improvement of own funds, partially absorbed by a negative impact of 48 bps due to the increase in RWAs, which is essentially explained by the following components:

- Other reserves and retained earnings were up by around €295 million (with a positive impact of 69 bps on the CET1 ratio), whose magnitude is essentially the result of positive actuarial deviations of around €276 million for post-employment benefits;
- The positive result from the prudential perimeter for the half year totalled around €286 million (with a positive impact of 67 bps on the CET1 ratio);
- There was a €10 million improvement of prudential minority interests (with an impact of 2 bps on the CET1 ratio);
- The component responsible for the most negative contribution to own funds is related to the regulatory deduction of the net assets of around €149 million of the defined benefit pension fund (as defined by

article 41 of EU Regulation no 575/2013), reducing the CET1 ratio by 35 bps, which amount exceeds total liabilities;

- An increase of around €14 million in intangible assets resulting in a deduction of the same order of magnitude from own funds (contributing to a 3 bps reduction of the CET1 ratio).

RWAs were up by around €1,139 million in the first half year, explained essentially by the following factors:

a) Appreciation of around 18% of the metical (MZN), with an impact of €590 million on BCI Mozambique's RWAs;

b) Increase of the corporate loan portfolio, with particular emphasis on CGD Portugal, BNU Macao and BCG Angola, which contributed €264 million to the increase in RWAs. The growth of the mortgage loan portfolio, with greater relevance at CGD Portugal, justified an increase in RWA of €161 million.

SREP capital requirements on consolidated activity for 2021

The ECB, as authorised by Regulation (EU) no. 1024/2013 of 15 October, carries out reviews and evaluations on institutions. These include stress tests and, based on this SREP, may require credit institutions to comply with specific additional own funds requirements in addition to specific information disclosure requirements.

In its last SREP decision, the supervisor left the minimum requirements applicable to CGD Group unchanged and according to the Bank of Portugal's announcement of May 2020, it was decided to postpone the period of gradual implementation of the capital buffer for "Other Systemically Important Institutions" (O-SII) as defined in 2017 and revised in 2019, by 1 year.

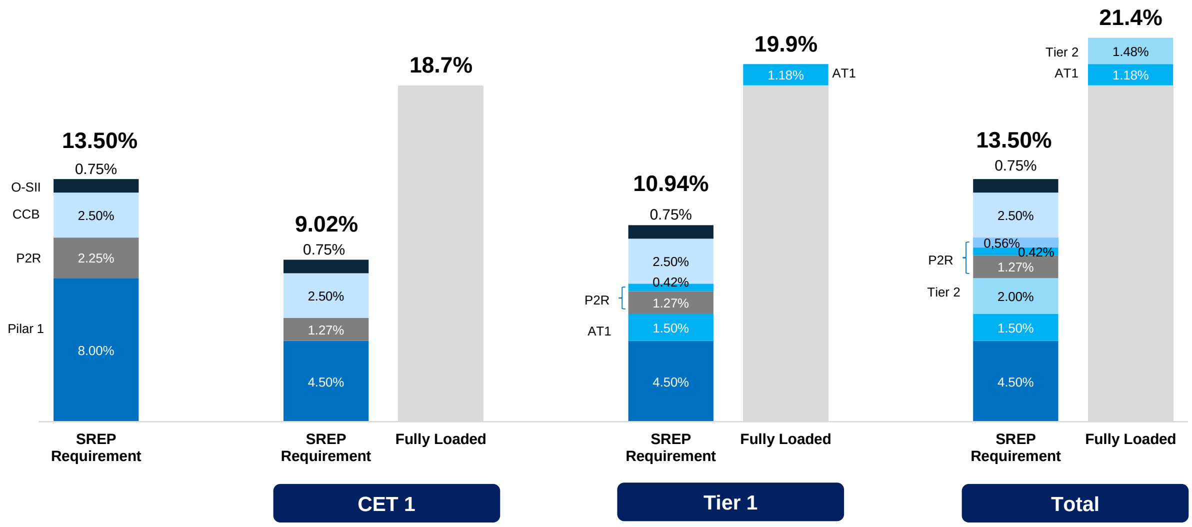
For each quarter of 2021, the Bank of Portugal has maintained the counter-cyclical own funds reserve percentage at 0% of the total amount of positions at risk (the last communication for 3rd quarter 2021, was dated 30 June 2021).

Over the first half 2021, CGD was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).The application of the adverse scenario resulted in a transitional CET1 capital ratio of 15.34% by year-end 2023, a 288 bps depletion compared with the starting point of 18.22% at the end of 2020, comparing favourably to the 497 bps from the 2018 exercise. CGD was the 10th banking group with the lowest transitional CET1 depletion of the 50 banks included in the EU-wide EBA stress test. Despite the severity of the adverse scenario, impacted by the economic ramifications of the COVID-19 pandemic, CGD's results reflect the consistent improvement of the financial and prudential position of CGD in the recent years and demonstrate the Group's robustness.

Therefore, the minimum ratio requirements in 2021 remain at the same levels as in 2020:

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2021
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%**

CAPITAL RATIOS CGD 30 JUNE 2021 AND 2021 SREP REQUIREMENTS
(INCLUDING NET INCOME)



MREL

CGD was informed of the Single Resolution Board's decision to revise its MREL (minimum requirement for own funds and eligible liabilities) requirements under the European Banking Resolution Directive (BRRD2), in first half 2021. Starting 1 January 2024, CGD's own funds and eligible liabilities must be equivalent to 25.58% of total risk-weighted assets (including a combined buffer requirement of 3.5%) and a total leverage exposure of 6%.

Pursuant to the interim requirement, from 1 January 2022, the amount of own funds and eligible liabilities to be held is equivalent to: 23.13% of total risk-weighted assets (including a combined buffer requirement of 3.5%) and a total leverage exposure of 6%.

To fulfil its MREL requirements CGD estimates a need to issue approximately €2 billion in eligible liabilities in the form of preferred and non-preferred senior debt by the end of 2023, together with the non-preferred senior debt issuance of €500 million which took place in 2019.

The MREL requirement resolution is based on current legislation and is subject to a review by the supervisor in due course.

Rating

During the month of July 2021, a Moody's Investor Service upgraded the rating of senior long-term debt of CGD one notch, from Ba1 to Baa3, and short-term senior debt, including commercial paper, from Not Prime to P-3. The outlook remained Stable. At the same time, the long term senior non preferred debt rating was also upgraded one notch, from Ba2 to Ba1.

On September 21, 2021, Moody's Investors Service upgraded the rating of senior long-term debt of CGD one notch, from Baa3 to Baa2, and short-term senior debt, including commercial paper, from P-3 to P-2. The outlook remained Stable. At the same time, the long term senior non preferred debt rating was also upgraded one notch, from Ba1 to Baa3, raising it to investment grade.

These upgrades are a consequence of the upgrade of the Baseline Credit Assessment rating from ba1 to baa3 placing the "intrinsic" rating at an investment grade level. With this upgrade, CGD has now been raised two notches by Moody's in 2021.

This upgrade in long and short term senior debt, marks CGD's return to investment grade status by Moody's after a period of ten years, representing an important milestone in Caixa evolution and market position and follows three upgrades during the implementation of the 2017-2020 Strategic Plan, as a result of improved capital, profitability and asset quality. With this upgrade, CGD achieved an investment grade level by two of the main international agencies.

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

RATING			
	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB+	2020-10
Moody's	Prime-2	Baa2	2021-09
DBRS	R-2 (high)	BBB	2021-05

1.5.1.1. Domestic activity

Domestic activity's contribution to CGD Group's net income in first half 2021 was up 12% to €232.7 million against €207.8 million for the same half of the preceding year.

Three positive factors made a decisive contribution to this growth in net income: the increase in income from services and commissions, associated with the placement of investment funds, financial insurance and new loans granting (up €20.7 million); the €84.2 million increase in net trading income; and the 33.2% reduction of operating costs.

(EUR million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2020-06	2021-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	337.0	303.4	-10.0%
Results from services and commissions	206.5	227.2	10.0%
Income from financial operations	20.3	104.5	416.0%
Other operating income	16.3	-1.4	-
Total operating income	**580.0**	**633.7**	**9.3%**
Employee costs	179.7	82.5	-54.1%
Administrative expenses	80.9	76.6	-5.3%
Depreciation and amortisation	32.9	37.0	12.5%
Operating costs	**293.5**	**196.1**	**-33.2%**
Net operating income before impairments	**286.6**	**437.5**	**52.7%**
Credit impairment (net)	28.9	37.3	28.9%
Provisions and impairments of other assets (net)	-48.1	45.5	-
Net operating income	**305.8**	**354.8**	**16.0%**
Income Tax	112.2	146.9	30.9%
Net operating income after tax and before non-controlling interests	**193.6**	**207.9**	**7.4%**
Non-controlling interests	1.5	1.1	-21.3%
Results of associated companies	15.6	26.0	66.1%
Net income	**207.8**	**232.7**	**12.0%**

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

Net interest income and income from equity instruments were down €32.6 million and €1.1 million, respectively. However, the evolution of net trading income was highly favourable with an increase of €84.2 million.

Core operating income was up by a year-on-year €84.4 million from €250 million to €334.4 million (33.8%). This increase is due to the exceptionally favourable evolution of operating costs (down €97.3 million) and, to a lesser extent, the €20.7 million increase in commissions earnings which offset the €33.6 million reduction in net interest income, including income from equity instruments.

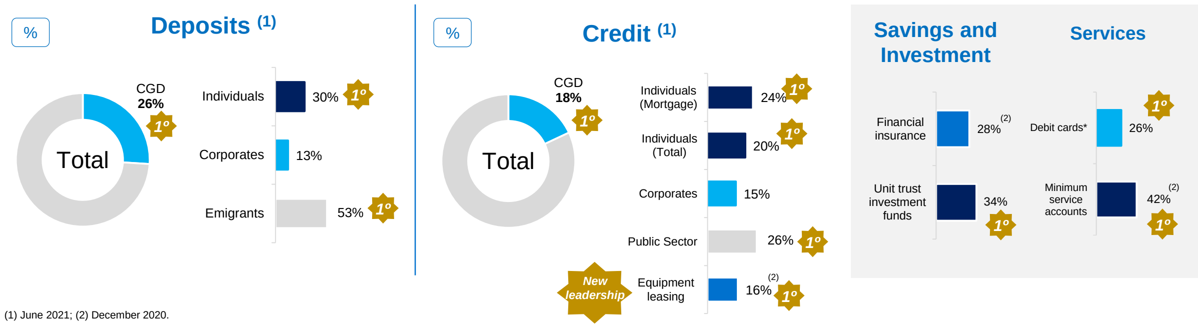
In first half 2021, impaired credit net of reversals was up €8.3 million over the same half year 2020 in order to address the possibility of a deteriorating credit portfolio arising from the current context.

CGD Portugal

The 1st quarter of 2021 witnessed the extension of the national emergency scenario in the context of the Covid-19 pandemic, which required a rapid and continuous response by CGD in order to support companies and families to overcome the major liquidity constraints deriving from a reduction of activity. In this regard, CGD continued to develop measures and solutions to minimize the impact of the pandemic on its customers.

Despite the current adverse scenario, CGD maintains its leadership in the main customer and product segments, particularly unit trust funds, deposits, credit to households, digital business and a new leadership in equipment leasing.

MARKET SHARES



Source: CGD and Bank of Portugal

Companies

First half 2021 continued to be marked by uncertainty over the evolution of the pandemic, notwithstanding the start of the plan for lifting lockdown restrictions. Caixa remained committed to backing Portuguese business, strengthening its support measures for companies, increasing loans with mutual or EIF guarantees (for customers not covered by a mutual guarantee) standing side-by-side with customers preparing for the post-moratoria period, promoting subscriptions, anticipating solutions and providing personalised responses.

Between the outbreak of the pandemic in 2020 and end of first half 2021, CGD issued approximately €16.8 billion in loans to companies and small businesses, of which an amount of €2.1 billion out of a total number of around 15,000 operations was for Covid credit.

CREDIT LINES COMPANIES AND BUSINESS	31-01-2021		30-06-2021	
	# Loans	Amount	# Loans	Amount
COVID Credit lines				
Public guarantee	4,927	957	7,859	1,258
EIF guarantee	3,878	309	7,111	840
Total	**8,805**	**1,266**	**14,970**	**2,098**
Other credit lines				
Credit granted (YtD)		3,990		7,290
Pre-approved credit		3,039		4,251
Current accounts available		5,171		5,257
Total		**12,200**		**16,799**

In continuing its backing to enable companies to resume their activity, CGD launched a comprehensive set of solutions to improve the treasury function, continuity of its customers' economic activity and investment finance (based on medium and long term credit, equipment and real estate leasing). Such solutions included:

- Flexible Caixa Invest Transforma and Caixa Invest Fundo de Maneio [working capital] lines of credit solutions in partnership with the EIF, to help maintain and/or grow business, collateralised by current accounts;
- New state moratoria applications ;
- New Covid-19 lines of credit with a mutual guarantee: Industrial and Tourism Export Companies - €1,050 million; Medium and Large Tourism Companies - €300 million; Travel Agencies and Tour Operators - €100 million; Events Organisers - €50 million; Mass Cultural Events - €30 million; Sports Federations - €30 million;
- Caixa EIB 2021 medium and long term loans for the investment needs of mid caps, large corporates and public sector entities;
- Equipment and real estate leasing, in which as part of its sustainability policy, Caixa provides major support for investment in hybrid and electric vehicles, financing companies with environmental concerns;

- New EIF-backed medium/long term lines of credit with an overall plafond of €1,050 million: Caixa Invest Fundo Maneio [Working Capital] Caixa Invest Transforma, Caixa Invest Green Land, Caixa Invest Social Projeto II and Caixa Invest Start II. Special reference should be made to the Caixa Invest Tesouraria [Treasury Investment] solution that, as a current account also benefits from a 70% EIF guarantee.

Caixa also continues to incentivise the use of its digital solutions to facilitate the day-to-day business of companies. Such solutions include its *Flexcash* electronic billing platform, which, in June 2021, had more than 1,300 (national and international) companies active on the platform and which has already contributed an overall amount of more than €1.1 billion; subscriptions for new platforms for the digital processing of foreign trade documents and subscriptions to secure, remote payment solutions and new forms of sales in which purchasers are physically present such as contactless cards, MB Way, Apple Pay, Google Pay and remote services such as Caixa Pay, MB Way and its Digital Payments Gateway.

In terms of activity up to June 2021, reference should be made to Caixa's lead of the equipment leasing sector with year-on-year growth of 19% in July 2021 and increase in medium and long term credit to micro and small enterprises, demonstrating its support for such companies' productive investment.

For the same period and in year-on-year terms, reference should be made to a significant growth of solutions to back SMEs in which the total stock of SME credit was up 14%; a 26% growth of non-financial insurance sales (gross premiums); CGD's foreign trade finance which grew by more than 60%, especially in the case of documentary credit which demonstrates Caixa's strong support for the resumption of Portuguese exports, which were sharply down last year as a consequence of various economic effects and border closures in 2020.

Reference should also be made to the opening of more than 11 thousand *Contas Caixa Business* [Caixa Business Accounts] as a multi-product solution that includes a current account, *Caixadirecta Empresas* [companies] service, online SEPA transfers, debit and credit cards, cheques and more advantageous prices on the fixed monthly fee for Caixa's POS terminals. This solution also allows customers to access their accounts via *Caixadirecta Empresas* and carry out the most frequent banking operations, in an autonomous, user-friendly manner without the need to visit a branch office.

The PME Líder 2020 [Leading SMEs] programme was closed down during this period, having distinguished 9,955 companies, 2,592 of which through Caixa (up 43% over the 2019 programme). This status was awarded to 2,019 companies on the personal and corporate customers' network and expanded by a significant 52% in comparison to the previous programme. Caixa joined forces with COTEC in the half year for the award of the *Innovator Statute,* which promotes and recognises Portuguese companies' innovation and technological cooperation.

Caixa's POS services continued to grow and enhance the competitiveness of its offer, strengthening its position in the payments and corporate segment, in line with Caixa's strategy. This policy resulted in a net growth in the number of terminals under management and a share of more than 14.8%. In parallel, Caixa has decided to help companies and businesses overcome the severe constraints deriving from the pandemic and exceptional times in which we live, by providing contactless means of payment. They particularly include its treasury support operations based on *ad hoc* exemptions from monthly POS fees for certain companies in the restaurants fields and a 6 months' reduction of monthly POS fees for customers whose economic activity is more adversely affected by the pandemic.

At the end of the half year, Caixa as a Portuguese state-owned bank and benchmark institution, played a proactive market role in its sales of European Funds through the *Caixa PRR*[1]*/Portugal* 2030 offer providing benefits and a new area on the CGD.pt website for European Funds, *PRR Open Notices*, Caixa Offer and consultancy partners for companies, in which Caixa stood side-by-side with customers at all stages of the life cycle of corporate candidatures and projects.

In short, an increase of total credit to SMEs, an increase in the number of customers choosing Caixa to finance their investments or their treasury requirements, Caixa's lead in terms of *PME Excelência* [Excellence SMES] and the highest growth in terms of *PME Líder* [Leading SMEs] helped to strengthen Caixa's position as the bank of choice for Portuguese companies.

[1] PRR − Portuguese abbreviation for "Recovery and Resilience Plan".

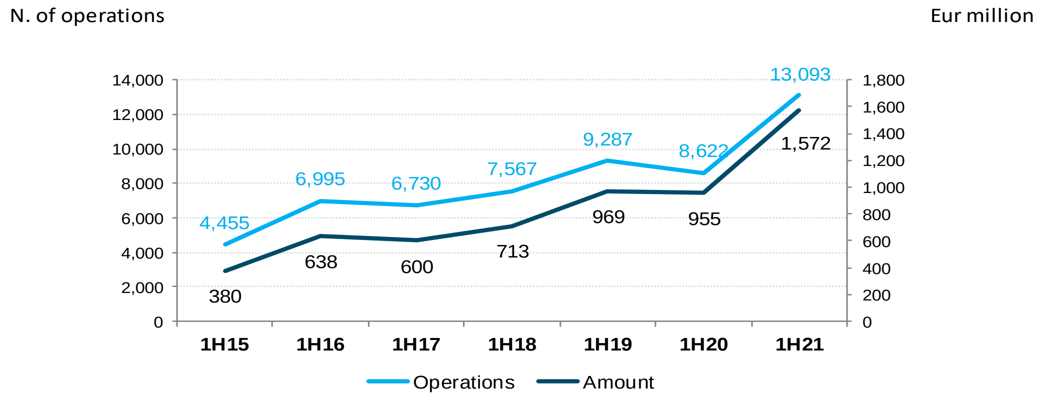
Individuals

CGD's commercial activity continued to focus on the following business fronts in first half 2021:

Mortgage Loans

Housing (real estate and real estate leasing finance), with growth in the number of contracts and continuous improvement of quality of service and customer satisfaction.

EVOLUTION OF MORTGAGE CREDIT - NEW OPERATIONS



Caixa's first half objective was to continue to strengthen the level of service and relationships with its external network partners, with the aim of increasing its volume of mortgage lending sourced through the real estate brokerage channel. One hundred and seventy six new agency agreements with credit brokers were entered into across the half year. The strategy and management model of this partners' network enabled Caixa to achieve a share of around 55% of the mortgage lending brokerage channel at the end of this period.

Day-to-day financial management, comprising:

- *Contas Caixa*. This integrated solution comprises a package of products and services, generating commissions earnings and improving customer loyalty;
- Caixadirecta. The Caixadirecta site, app and telephone service has 2.2 million customers (1.2 million regular users);
- Exemption from fees for the first year or during the crisis period: (i) issuance of a debit card for customers without this means of payment on any account; (ii) 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;
- Ease of access to Caixa comprising 100% digital access to Caixadirecta via the Caixadirecta app, with the possibility of immediate applications for debit cards;
- User-friendly, innovative payment solutions in the form of Apple Pay, SwatchPay, Caixadirecta app and contactless cards, as proximity payment functionalities to provide for customers' needs and facilitate their day-to-day business.

Investment products

Responding to increased demand and market needs, in the form of:

- The launch of the *Investimento Portugal 2021* and *Investimento Portugal maio 2021* products, unit-linked personal life insurance providing customers with potentially higher returns while, at the same time, backing the Portuguese business sector and economy;

- A new PPR[1] 52+ plan, comprising personal life insurance in the shape of an autonomous fund linked to the PPR 52+ asset index;

- An extension of the limit for *PPR Evoluir* subscriptions up to the age of 70, up to 30 June. This solution comprises 2 investment options: Protection (with guaranteed capital and income) and Dynamic (without guaranteed capital and income);

- The Implementation of another brokerage-related service with the provision of a corporate events facility via the Caixadirecta service;

- Internal transfers and redemptions of Caixa's PPR/UCITS funds via Caixadirecta online, providing customers with a user-friendly, safe, total funds management facility;

- The relaunch of *Plano Proteção Vida* [Life Protection Plan] which combines a capitalisation (savings) component, with guaranteed capital and income on maturity and a risk component (providence) in the same contract.

<u>Insurance</u>

- An upgrade of *Activecare Geral* card policies to Multicare 1, to improve the level of health protection and adjust customers' coverage levels;

- The simplification of Multicare Health Insurance applications for newborns;

- An enhancement of Multicare's value proposal by upgrading Preventive Medicine coverage for Multicare 1, Multicare 2, Multicare 3, 60+ Multicare 1 and 60+ Multicare 2 products;

- A more comprehensive and flexible Life Protection Plan;

- An upgrade to travel insurance to cover situations arising from epidemics and pandemics for Personal Accidents insurance of the Snow and Portugal plans and for Foreign Tour or VIP plans, or Fidelidade GO Travel Insurance's GO1 and GO2 plans.

Investment and pension funds, in first half 2021 additionally benefited from: 1) Three retirement savings plans open-ended investment funds, financial instruments with varying levels of risk/potential returns, for investors interested in a long term savings approach, or as additional retirement income, enabling them to achieve various fiscal benefits; 2) Open-ended securities investment funds - financial Instruments to enable wealth diversification in line with desired risk profiles, investment maturities and liquidity needs and, 3) Three open pension funds – financial instruments, permitting the creation of pension plans based on asset portfolios, with the potential to increase returns and take advantage of several fiscal benefits.

These products can be subscribed for, transferred or redeemed via the Caixadirecta online app with the aim of enhancing the level of service provided to customers in the commercialisation of retirement savings plans' open-ended investment funds.

Caixa has, therefore, continued to focus on customer experience and customer loyalty by customising its offer, levels of service and commercial systems to a prolonged pandemic context.

Measures to protect customers have also been strengthened on account of the continued pandemic scenario:

- A new application period for the statutory moratorium between 1 January and 31 March 2021, also available via a new Caixadirecta functionality;

- Extension of the statutory moratorium up to September 2021 for already existing moratoria;

- Oversight of customers approaching the end of a moratorium, providing information and evaluating the application of any additional measures, in cases which a customer's situation with regard to the original application remains unchanged;

- Extension of the possibility of redeeming PPRs free of charge or fiscal penalty, up to 30 September 2021;

[1] PPR – retirement savings plan

- Communication of the added value of Multicare Health Insurance, via telephone and video consultations, in a wide network of Vitality programme providers and possibility of contributions towards treatment for Covid-19;

- Possibility of using Caixadirecta to subscribe for investment products without the need to visit a branch office, with greater convenience and safety.

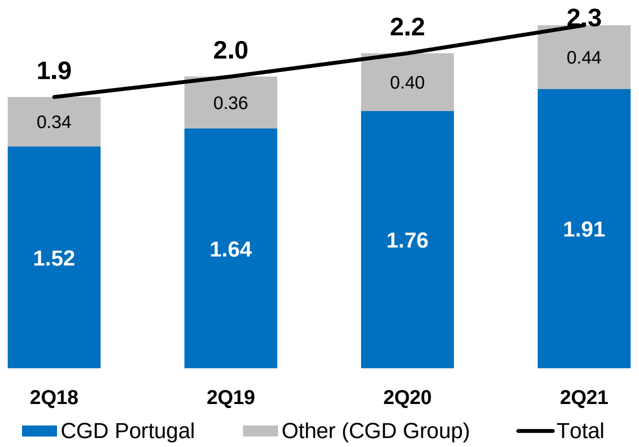
Caixa has also continued to enhance the customer experience, particularly:

- By adjusting the level of service provided to channel usage profiles, with more than 515 thousand clients benefiting from remote relational management;

- By compiling the opinions of more than 1.8 million active customers for the purpose of customising commercial communications to their preferences, thus complying with the Data Protection Regulation, implemented in May 2018.

ACTIVE DIGITAL CUSTOMERS

Millions of customers



These indicators show the increased level of digitalisation of CGD's customers based on their sustained growth of use of remote channels.

As part of its contingency plan, Caixa retained the measures designed to strengthen the protection and security of customers and branch office employees across the period, first implemented in 2020. Reference should be made to restricted access and a "closed door" service; enhanced safety and hygiene in customer spaces and self-service areas; information on the contingency measures adopted and new rules regarding priority of service on various branch office media; adoption of new social distancing habits for the use of self-service areas and queues; daily update of information on branch closures on the cgd.pt site.

In addition to the current plan and following the worsening of the pandemic at the beginning of the year, Caixa has implemented new support measures for its branch office network to improve its level of customer service and continues to provide the population with essential banking services, particularly by:

- Rescheduling opening times and the use of prior booking mechanisms – temporary, standardised changes to branch office opening times;

- Its launch of a new telephone call service for the customers of temporarily closed branches – Creation of an additional *Caixadirecta Telefone* option with a new team of commercial assistants specifically trained to provide telephone support and service.

In parallel and furthering the objective of providing a new customer experience in personal settings, Caixa has continued to expand its new branch office model, which, at the end of the 1st half had 24 branches (13 in the north and 11 in the metropolitan area of Lisbon and the south).

Caixa kept its branches open in first half 2021, with only a few *ad hoc*, temporary closures, to provide essential banking and face-to-face services to its personal and corporate customers across the whole of mainland Portugal and the islands of Madeira and the Azores.

Investment banking

Caixa-Banco de Investimento, S.A. (CaixaBI) is Caixa Geral de Depósitos group's investment banking platform. Its operating areas include 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 2021 was €13 million. Positive contributions were made by net interest income of €1.4 million, commissions from advisory and financial brokerage services of €9.6 million and other operating income of €1.1 million. Net income for the half year totalled €5.2 million.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS [1]			Change	
	2020-06	2021-06	Total	(%)
Net interest income	2.3	1.4	-0.9	-38.1%
Commissions (net)	9.9	9.6	-0.3	-2.7%
Income from financial operations	2.8	-0.3	-3.1	-
Total operating income	12.2	13.0	0.7	6.0%
Operating costs	8.0	7.1	-0.9	-10.8%
Net op. income before impairments	4.2	5.8	1.6	37.7%
Provisions and impairments	-0.9	-1.7	-0.8	-
Net income	3.8	5.2	1.3	34.8%
Net assets	581	551	-30	-5.2%
Securities investments	558	490	-68	-12.2%
Loans and adv. to customers (net)	6	2	-5	-72.9%
Customer deposits	47	33	-14	-30.5%

(1) Statutory consolidated accounts

CaixaBI retained its position as the benchmark institution in Portugal's debt capital market's bond sectors. Coming third in Bloomberg's ranking on bonds issued by domestic entities, having provided advisory services for an overall amount of €810 million in issuances.

In the Portuguese public debt segment, CaixaBI was joint lead manager and bookrunner for the syndicated €4 billion, 0.3% treasury bonds issuance maturing in 2031 and co-lead manager for the €3 billion 1.00% treasury bonds issuance maturing in 2052.

In the private debt segment, reference should be made to CaixaBI's role as lead manager and bookrunner for the REN Green Bonds inaugural issuance (€300 million) and as joint-lead manager for Fidelidade's inaugural tier 2 issuance (€500 million). Reference should also be made to its role as joint global coordinator of the SIC bond issuance (€30 million) comprising a public subscription offer and a public exchange offer. In this period, the bank was also responsible for the organisation and lead of the bond loans of Luz Saúde (€15 million) and Altri | Celbi (€70 million) and participated as co-lead manager in the UBS, Intesa | San Paolo and BCPE issuances. It was also responsible for the placement of the public subscription offer on the bonds of Futebol Clube do Porto - Futebol, SAD. A further reference should be made to CaixaBI's organisation and lead of twenty nine new commercial paper programmes for corporate customers.

In the case of equity market operations, CaixaBI successfully completed the financial brokerage operations on Sodim's takeover bid for Semapa (€93 million), the Mota Engil capital increase in the form of a public offer (€104 million) and the capital increase of Sonae Indústria, also through a public offer (€55 million). Reference should be made, in the case of M&A operations, to the conclusion of advisory services to Caixa Económica Montepio Geral, for its disposal of 10.31% of Monteiro Aranha, in Brazil.

CaixaBI's advisory services in the financial structuring and organisational areas successfully completed the structuring and organisation of a syndicated financing operation for José de Mello group holding companies (€265 million). It was also involved in Mota Engil, SGPS, S.A.'s capital increase and Mota Gestão e Participações, SGPS, S.A.'s inherent disposal of an equity stake in this company, namely in the repayment of bank debt and respective release of guarantees. In parallel, a number of business opportunities in the energy sector, real estate and corporate acquisitions continued to be analysed.

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.

Caixa Capital's venture capital activity in the first half year, as a fully owned CaixaBI subsidiary, concentrated on the analysis of investment opportunities and management of the subsidiaries of the venture capital funds under its management.

Specialised credit

According to data published by the Portuguese Leasing, Factoring and Renting Association (ALF) for 2021, the business sectors witnessed upward and downward trajectories, at the same time. The pandemic has been distorting several forecasts and the sector has been hard hit. Pursuant to the above, real estate leasing is down 4.6%, as opposed to equipment leasing, factoring and confirming operations which were up 12%, 3% and 5.8% respectively, over 2020, albeit (except for confirming operations) sharply down over 2019.

SECTOR PRODUTION (1)	2019-06	2020-06	2021-06	Change 19-21 (%)	Change 20-21 (%)
Property leasing	430	378	360	-12.1%	-4.6%
Equipment leasing	1,096	756	850	-31.0%	12.0%
Domestic and International Factoring	10,490	9,016	9,285	-11.5%	3.0%
Consumer credit	6,147	6,130	6,489	5.6%	5.8%

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

CGD achieved a favourable level of performance in terms of its commercial activity in first half 2021, notwithstanding the inevitable negative impacts of the Covid-19 pandemic. This was particularly the case of real estate and equipment leasing, confirming and consumer credit areas.

(EUR million)

CAIXA LEASING E FACTORING - PRODUÇÃO				Change 19-21	Change 20-21	Market Share 2019	Market Share 2020	Market Share 2021
Product	2019-06	2020-06	2021-06	(%)	(%)	(%)	(%)	(%)
Total leasing	**212.3**	**178.3**	**210.6**	**-0.8%**	**18.1%**	**14.0%**	**15.7%**	**17.4%**
Property leasing	53.2	51.9	56.9	7.0%	9.6%	12.4%	13.7%	15.8%
Equipment leasing	159.1	126.4	153.7	-3.4%	21.6%	14.5%	16.7%	18.1%
Factoring	**1,837.3**	**2,017.9**	**2,159.5**	**17.5%**	**7.0%**	**11.0%**	**13.3%**	**13.7%**
Domestic and International Factoring	1,090.9	1,088.3	1,032.4	-5.4%	-5.1%	10.4%	12.1%	11.1%
Confirming	746.4	929.5	1,127.1	51.0%	21.3%	12.1%	15.2%	17.4%
Consumer credit	**9.4**	**4.5**	**5.4**	**-42.3%**	**20.0%**			
of which:								
Vehicle finance (1)	**73.4**	**55.2**	**65.2**	**-11.1%**	**18.0%**			
Equipment leasing	64.1	50.8	59.8	-6.7%	17.8%			
Consumer credit	9.3	4.5	5.4	-41.9%	20.0%			

(1) Light vehicles (thousands €) .

The value of real estate leasing agreements in first half 2021 stood at €56.9 million, up 9.6% over the same period 2020 and even above those of the pre-pandemic period (up 7% over the same period 2019). CGD's 15.8% market share of this segment, in June 2021, was up 1.7 pp over the same period 2020 having consolidated the market share achieved in the first half year in comparison to the same period 2019.

Equipment leasing agreements were up 21.6% in June 2021 in comparison to the same period of the preceding year, to €153.7 million, very similar to the same period 2019. Loans for the purchase of light vehicles were up 17.8% in first half 2021 to around 38.9% of overall revenue in this business area. CGD's market share of new operations showed an increase for the second consecutive year, rising to 18.1% at the end of first half 2021.

Confirming agreements accounted for 52.2% of total factoring sales and were up 51% over the pre-pandemic period, i.e. the same period 2019. CGD achieved an increase of 21.3% in comparison to first half 2020. The 17.4% market share of this product was up 5.2 pp, over first half 2019 and 2.2 pp over the same period 2020.

Total factoring sales were up 17.5% over June 2019 and 7% over June 2020. The market share of this product improved by 1 pp and 26 pp over first half 2020 and 2019 respectively, to 13.7% in June 2021.

Traditional credit for light and heavy vehicles, while up by a year-on-year 20% to €5.4 million at the end of first half 2021, was insufficient to compensate for the reduction in first half 2020. The most representative credit category (99.7%) continues to be cars of which around 46% comprising new vehicles.

Asset management

According to data published by the Portuguese Association of Investment, Pension and Wealth Funds (APFIPP) in June 2021, the national market for investment funds was up 17.3% over the start of the year to €17.2 billion. Caixa Gestão de Ativos continued to be the market leader in 2021, with a market share of 33.3% at the end of June (up 0.63 percentage points over the start of the year).

Reference should made to volume growth of €940.9 million achieved by Caixa Gestão de Activos in the first 6 months of the year, on the back of higher value added fund segments such as shares and multi-asset funds, with total growth of €1,044.7 million, across the period.

After achieving the leading position in the multi-asset funds segment in July 2020, Caixa Gestão de Activos strengthened its market share to 39.4% at the end of first half 2021, a gap of 9.6 pp in comparison to the second player.

Significant contributions to such growth were made by the *Caixa Seleção Global* [global selection] family and in particular, the *"Caixa Seleção Global Moderado"* [moderate investment approach] fund with a growth of €259.5 million, as the second largest fund in the national market with €1,141.3 million under management.

Caixa's "PPR/UCITS Defensive", "PPR/UCITS Moderate" and "PPR/UCITS Aggressive" family of *Plano Poupança Reforma* (retirement savings plans) / Undertakings for the Collective Investment in Transferable Securities (PPR/UCITS) funds launched at the end of 2019 had €393.9 million under management in June 2021, equivalent to a 10.8% market share of this segment.

Special reference should be made to the *Caixa Ações Líderes Globais* [leading global equities] fund which invests in the worldwide listed equities of companies with strong brands, owing to several factors:

a. The fund has recorded growth of €466.2 million in amounts under management since the start of the year;

b. It is the largest investment fund in the domestic market with €1,595.8 million under management at the end of June 2021;

c. It is the national fund with the highest annual returns over the last 3 years (16.2%), at the end of the first half of this year, according to APFIPP.

The fund continued to merit Morningstar's highest 5 stars rating.

Reinforcement of the incorporation of ESG principles in the management process of Caixa Gestão de Ativos

Caixa Gestão de Ativos' investment strategy activity has been guided by its acceleration of the incorporation of ESG (Environment, Social and Governance) issues since 2018.

After subscribing to the United Nations Principles for Responsible Investment (PRI) in 2019, Caixa Gestão de Ativos has endeavoured to gradually achieve compliance with ESG (Environmental, Social and Governance) factors. Caixa Gestão de Ativos considers that the adoption of a socially responsible investment model improves the understanding of the risks and opportunities existing in investment portfolios, while also helping to strengthen environmental and social profiles and best corporate governance practice. The implementation of these guidelines is relevant both to investment selection and oversight.

Caixa Gestão de Ativos endeavours to be a role model in terms of socially responsible investments, in focusing its work on three areas:

1) Integration of ESG factors as part of investment processes, in parallel with the use of traditional financial analysis factors;

2) Involvement with companies by exercising voting rights associated with assets under management; and

3) Involvement with target investment companies, fostering engagement on matters of socially responsible investment.

The management body has approved and adopted a socially responsible investment policy, involvement policy, exercising of voting rights policy and a statement on due diligence policies, which can be found on its website.

Caixa Gestão de Ativos now has a wide range of investment funds whose management integrates environmental and social factors.

(EUR million)

ASSET MANAGEMENT - INDICATORS			Change	
	2020-06	2021-06	Total	(%)
Commissions (net)	11.6	14.6	3.0	25.6%
Total operating income	12.5	15.6	3.1	24.9%
Operating costs	5.9	6.5	0.7	11.4%
Net op. income before impairments	6.6	9.1	2.4	36.9%
Provisions and impairments	0.0	-0.2	-0.2	-
Net income	5.0	7.0	1.9	38.4%

Prizes and distinctions received in 2021

In 2021, Morningstar awarded Caixa Gestão de Ativos its prizes as the “Best Bond Manager” for the 7th consecutive year and the Best National Global Management Company for the 5th time (4th consecutive year).

Morningstar Awards aim to select funds and national market management bodies that have provided investors with the highest returns, not only during the preceding year, but also over the last 5 years.

Morningstar awards to Caixa Gestão de Ativos over several consecutive years demonstrate the consistency of the results achieved over the last few years.

1.5.1.2. International activity

Once the objective of the 2017-2020 Strategic Plan of simplifying and rationalizing CGD Group's international structure was achieved, CGD's international dimension directed towards business was ensured, with countries and territories with strong cultural and commercial ties with Portugal defined as strategic.

CGD Group is present in countries and international markets with high potential, in some cases with not negligible levels of risk, making the value of the “CGD” brand and the image of trust associated with it a unique asset that provide unique access to these local markets.

In this context, CGD Group, in the first half of 2021, developed the following main guidelines for its international activity:

- Standardization of activities in a coordinated and networked operation, through closer articulation between CGD and each of these operations, e.g. in terms of governance and corporatization of functions,
- Increase in the component of income and results generated not dependent on the balance sheet, e.g. based on the enormous capacity to function as a "servicer" of banks and international companies absent from these geographies,
- Boosting the service activity to attract quality credit and additional business,
- Standardization of the offer and the commercial approach, without prejudice to local specificities,
- Simplification and reinforcement of structural efficiency, e.g. by exploiting synergies with CGD,
- Strengthening levels of corporatization of control and other functions.

Reference should be made to the Group's ambition to strengthen its activity as a multi-service banking platform (receipts, credit triangulation, among others) for multinational clients operating in the geographies covered by CGD Group, through the development of solutions for the Group's customers present in more than one geography - an integrated view of the customer at Group level - to enhance this relationship and exploring its commercial flows.

Equally, the strengthening of governance in 2021 continues to be a critical aspect of the performance in which CGD Group is committed in its international operations, encompassing the representation in the governing bodies of these units and consistent monitoring by CGD, the effective corporate exercise of control functions, the harmonization of rules and practices (including the sharing of best practices across the Group), and the growing articulation between the various CGD domestic and international units, in order to strengthen their contribution for the Group's strategy and for the consolidated results.

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L [1]	2020-06	2021-06	Change (%)
Net interest inc. incl. inc. from eq. investm.	188.5	177.0	-6.1%
Results from services and commissions	37.1	41.4	11.6%
Income from financial operations	19.0	17.8	-6.3%
Other operating income	-0.3	-0.2	-
Total operating income	**244.2**	**236.1**	**-3.3%**
Employee costs	73.6	69.0	-6.1%
Administrative expenses	44.9	37.4	-16.7%
Depreciation and amortisation	13.2	12.5	-5.0%
Operating costs	**131.6**	**119.0**	**-9.6%**
Net operating income before impairments	**112.6**	**117.1**	**4.0%**
Credit impairment (net)	49.1	10.7	-78.2%
Provisions and impairments of other assets (net)	3.2	12.0	278.1%
Net operating income	**60.3**	**94.4**	**56.5%**
Income Tax	11.5	22.7	97.1%
Net operating income after tax and before non-controlling interests	**48.8**	**71.7**	**46.9%**
Non-controlling interests	14.8	18.8	27.2%
Results from subsidiaries held for sale	6.7	8.4	25.0%
Results of associated companies	0.1	0.3	-
Net income	**40.8**	**61.5**	**50.6%**

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

The international business area's contribution to consolidated net income in June 2021 was up 50.6% over first half 2020 to €61.5 million. The main contributions to income from international activity in first half 2021 were from BNU Macau (€24.7 million), BCI Moçambique (€13.9 million) and CGD's France branch (€9.1 million).

In first half 2021, total operating income from international activity was down 3.3% over the same half of the preceding year. In turn, the performance of operating costs was favourable, with a 9.6% reduction of €12.7 million. The €29.5 million decrease of net provisions and impairment made a positive contribution to the increase in international activity's contribution to CGD group.

The contribution of the international area to CGD Group's consolidated balance sheet was stable when compared to June 2020.

The net assets of the international activity registered a small decrease of 1.2%, amounting to 14.1 billion euros. Loans to customers also maintained the same level compared to June 2020, up 0.8% to a total of €6,982 million. With regard to customer deposits, there was a slight increase (0.5%) to a total of €9,927 million.

BNU Macau

Banco Nacional Ultramarino, S.A. ("BNU") is a wholly owned CGD subsidiary. Founded in 1902, it mainly operates in the Macao Special Administrative Region where it has a network of twenty branch offices. It also has a branch office in Hengqin, an island adjacent to Macao, founded to take advantage of the development of the Guangdong-Hong Kong-Macao Greater Bay, and a representative office in Shanghai.

Macao's gross domestic product in first quarter 2021 (according to the latest available data from the Directorate of Statistics and Census Service - DSEC – of Macao) was down, in real terms, by 0.9%, mainly owing to the decrease in revenues from gambling.

Special reference should be made, in this first quarter, to the year-on-year increase in private consumption expenditure and higher levels of investment, particularly in the public sector.

Monthly revenues from gambling, which had been gradually increasing since September 2020, albeit remaining significantly below pre-pandemic levels, were down, once again, in June owing to further outbreaks of Covid-19 in several regions of China and consequent decrease in the number of visitors.

Covid-19's impact on the population continued to be minimised owing to effective government action to combat the pandemic, as well as the measures taken to boost the economy.

The large financial reserves of the government of Macao, totalling 616.12 billion patacas (around €62.7 billion) at the end of 2020 effectively allowed it to pursue this counter-cycle action, not only by increasing public investment, but also through various types of financial support, including the promotion of local consumption, subsidies for education and various tax reductions and exemptions.

BNU's consolidated activity (together with its Hengqin branch) resulted in a net profit of 237.8 million patacas (€24.7 million) in 1st half 2021.

Return on equity (ROE) was 8.1%. The default ratio remained low at 1.2%. Efficiency ratios also remained low. This compared very favourably with the industry average, cost-to-income of 41.8% and cost-to-core income of 38%.

The solvency ratio, calculated according to the requirements of the local regulator (Monetary Authority of Macao), stood at 20.8% at the end of June and far in excess of regulatory requirements. The bank also continued to enjoy high levels of liquidity.

Total loans and advances to customers (gross) of 26,788 million patacas at the end of June were slightly up over the end of June 2020.

Reference should be made to the growth of credit to households and personal customers, driven by mortgage lending, notwithstanding the considerable shortage of supply of new properties in the market.

Corporate lending was down, not only owing to the lower borrowing requirements of large corporates with growing revenue streams across the half year owing to the gradual recovery of the economy, but also, in several cases, the use of bond issuances as opposed to bank loans. Reference should be made, herein, to the fact that BNU, in the first half year was the joint bookrunner for three bond issuances, two of which related to issuances of SJM group companies and another relating to an MGM group issuance, for a total amount of slightly less than USD 2 billion.

Total customer resources were down over the same date of the preceding year essentially on account of the lower level of deposits of public sector entities which are more volatile and price-sensitive.

Net interest income was 347.6 million patacas. The decrease of 17.9% over the end of June of the preceding year reflects the inevitable impact of progressively lower interest rates.

This was offset by the other core operating income components which were up by an overall 12.2%. Reference should be made to the good performance of net commissions, particularly card fees, commissions related to financial markets (commissions on stock exchange operations and distribution of investment funds) and underwriting fees associated with the referred to bond issuances.

Structural costs, albeit remaining stable, were slightly down.

In a context of strict cost control, BNU continued to commit to growing digitalisation and technological innovation. Special reference should be made in the 1st half of this year to:

- The launch of a facility for opening investment and securities trading accounts, either online or via the BNU app.
- The possibility of subscribing for additional bancassurance products either online or via the BNU app.
- The provision of a new digital means of payment solution – UePay – allows our customers to link their accounts to this type of payment.
- BNU cancelled 11 million patacas in provisions and impairment in the first 6 months of the year.

			(EUR Million)			(MOP Million)
BNU - MACAU			Change			Change
MAIN INDICATORS	2020-06	2021-06	(%)	2020-06	2021-06	(%)
Net interest income	48.0	36.1	-24.9%	423	348	-17.9%
Total operating income	58.3	46.4	-20.4%	513	447	-13.0%
Operating costs	21.6	19.6	-9.3%	191	189	-0.8%
Net op. income before impairments	36.6	26.8	-27.0%	323	258	-20.1%
Provisions and impairments	2.5	-1.2	-	22	-11	-
Net income	29.8	24.7	-17.3%	263	238	-9.6%
Net assets	6,151.5	5,758.6	-6.4%	54,197	55,491	2.4%
Loans and adv. to customers (net)	2,912.5	2,779.9	-4.6%	25,661	26,788	4.4%
Customer deposits	4,194.7	3,772.1	-10.1%	36,957	36,348	-1.6%

EUR/MOP exchange rate: Balance sheet: 8.93916 in June 2020 and 9.50620 in June 2021; P&L: 8.81035 in June 2020 and 9.63616in June 2021.

BNU Macau's contribution to CGD Group's consolidated net income in first half 2021 amounted to €24.7 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 2021 in France, continued to be marked by the pandemic, as economic activity was greatly affected by health restrictions (curfews, closure of certain activities), having remained virtually stable in comparison to the preceding quarter (down 0.1%). Activity in the second quarter of this year was in markedly greater contrast to the lockdown in April and gradual reopening in May and June. The French economy grew by an overall 0.7% in the second quarter. Household consumption (up 1.3%), boosted by the progressive lifting of restrictions, was the main driver behind this increase.

The branch's domestic activity in first half 2021 was exercised in this atypical macroeconomic context, marked by political-administrative restrictions on activities and limitations on the movement of persons.

Particularly significant was the 6% increase in lending over the last year, 4% increase in resource-taking in the form of customer deposits and a 15.4% increase in transfers to Portugal.

The branch's performance in the French market translated into a €10.9 million increase in its operating income over the first half of the preceding year to €12.5 million. The €12.3 million decrease of impairment and provisions made an essential contribution to this favourable development as total operating income was down 2.2% by €1 million and structural costs slightly up by 1.1% by €0.3 million. Net profit of €8.9 million for the first half year was in contrast to the preceding year's losses of €1.7 million.

Notwithstanding such an uncertain context, the branch continued to endeavour to overcome its main challenges: expansion of its corporate customer database, development of digital banking with the objective of achieving greater penetration in the young Portuguese and Luso-descendants market, greater transparency and a risk policy based on best market practice. This was made possible by the branch's rapid capability to adapt to teleworking.

(EUR Million)

FRANCE BRANCH			Change	
MAIN INDICATORS	2020-06	2021-06	Total	(%)
Net interest income	36.4	36.2	-0.2	-0.5%
Total operating income	46.8	45.8	-1.0	-2.1%
Operating costs	30.3	30.6	0.3	1.1%
Net op. income before impairments	16.5	15.2	-1.3	-8.1%
Provisions and impairments	14.9	2.7	-12.2	-82.0%
Net income	-1.7	8.9	10.7	-
Net assets	3,184.3	3,284.7	100.4	3.2%
Loans and adv. to customers (net)	2,544.4	2,690.8	146.5	5.8%
Customer deposits	2,705.1	2,826.0	120.9	4.5%

France branch contributed €9.1 million to CGD's consolidated net income in first half 2021.

BCG Angola

Angola's economy has been heavily impacted by the fall in oil prices and the Covid-19 pandemic since early 2020, leading to a negative 5.4% growth rate in 2020. The recovery of oil prices has been a favourable factor in GDP growth, although according to the June report of the Economist Intelligence Unit, it is expected to fall again by 1.5% in 2021, with growth prospects of no more than 2.5% starting 2022.

The year 2020 ended with an inflation rate of 25.1%, as forecast in the state budget. Notwithstanding restrictive monetary conditions, the exchange rate adjustment period continues to exert pressure on price growth owing to a high level of reliance on imported goods. According to the monetary policy committee, inflationary pressures persist and are higher than expected. Year-on-year inflation stood at 25.32% in June with a year end target of 19.5%.

Notwithstanding decelerating economic growth caused by the Covid-19 pandemic in 2020, the pace of economic recovery in 2021 has remained heterogeneous across several of the more developed economies. This recovery largely derives from the implementation of stimulus package by the respective governments as a result of the significant fiscal leeway they enjoy. Growth forecasts for 2021 are also fundamentally based on higher consumption and investment levels.

BCG Angola's net assets of 757,191 million kwanzas were up by a year-on-year 32%, driven by the sharp growth of loans and advances to other credit institutions (54.7%), in addition to the 49.4% increase of the securities portfolio, resulting from the difference between the new acquisitions of treasury bonds and bills of around 137.6 billion kwanzas, in addition to maturities of around 71.9 billion kwanzas, in comparison to the same period. The kwanza's depreciation against the dollar also implied a positive variation of around 4.3 billion in indexed securities and treasury bonds in foreign currency.

Total operating income of 22,444 million kwanzas was up by a year-on-year 11.6%. This variation was essentially impacted by other operating income deriving from the 36.4% increase in commissions over the same period of the preceding year. Total operating income also benefited from net interest income which accounted for 70%, having benefited from the increase of interest on credit and the securities portfolio. Income from financial operations remained unchanged over the same period, owing to a significant increase in income of 3.883 million kwanzas from foreign exchange purchases and sales as well as the effect of the domestic currency's exchange rate appreciation.

Structural costs of 9.2 billion kwanzas were up by a year-on-year 13.1% largely owing to the implementation of the exchange rate impact on the remuneration of statutory bodies and inflation of 25.32% in the period.

BCG Angola's net income was up 9.2% over the same period 2020 to 10,437 million kwanzas in first half 2021.

BCG - ANGOLA	(EUR Million)		Change	(AOA Million)		Change
MAIN INDICATORS	2020-06	2021-06	(%)	2020-06	2021-06	(%)
Net interest income	24.3	20.3	-16.5%	14,175	15,701	10.8%
Total operating income	34.5	29.0	-15.9%	20,112	22,444	11.6%
Operating costs	14.0	11.9	-14.8%	8,137	9,201	13.1%
Net op. income before impairments	20.5	17.1	-16.7%	11,975	13,243	10.6%
Provisions and impairments	2.2	3.5	57.7%	1,276	2,670	109.3%
Net income	16.4	13.5	-17.7%	9,557	10,437	9.2%
Net assets	888.8	980.9	10.4%	574,132	757,191	31.9%
Loans and adv. to customers (gross)	193.1	190.0	-1.6%	124,755	146,625	17.5%
Customer deposits	745.3	855.0	14.7%	481,453	659,946	37.1%

Exchange rate EUR/AOA: Balance sheet 645.980 in June 2020 and 771.909 in June 2021; P&L: 582.799 in June 2020 and 773.381 in June 2021.

BCG Angola's contribution to CGD Group consolidated net income in first half 2021 totalled €7.1 million.

Banco Comercial e de Investimentos

Mozambique's economy grew by a year-on-year 0.12% in first quarter 2021, following the preceding quarter's negative 2.77%. This performance reflects the milder impact of the Covid-19 pandemic as a result of a reduction of the number of daily infections and consequent gradual resumption of the functioning of the national economy, following the progressive easing of restrictions which had a positive effect on the performance of the primary sector, particularly agriculture which expanded 4.84%, making the largest contribution to GDP, at 23.52%.

Second half 2021 is likely to witness a continuation of the national economy's trend to recovery, based on the forecast of improved external demand, in addition to a relaxation of the restrictive measures imposed by Mozambique's government, notwithstanding the unrest in the northern part of the country.

BCI's expansion of its activity in first half 2021 resulted in balance sheet growth that allowed the bank to maintain its leading position in the national banking system in the three main market share areas of credit, deposits and assets, to 27.43%, 26.18% and 23.93%, respectively, at the end of June 2021.

BCI currently has the largest nationwide network of branch offices and electronic channels. totalling 211 branches, 568 ATMs and 15,196 POS terminals in June 2021.

Its loans and advances to customers portfolio (net) was down 1.6% by MT 1,087.7 million year-on-year to MT 66,810.8 million in comparison to MT 67,898.2 million in June 2020, influenced by the lower volume of disbursements, as a consequence of the current adverse economic situation impacted by Covid-19.

Total customer deposits amounted to MT 148,540.2 million in June 2021, against MT 135,207.6 million in the same period of the preceding year. This 9.9% increase of MT 13,333 million reflected the evolution of domestic (up 15.8% by MT 15,693 million) and foreign currency resources (down 6.5% by MT 2,360 million), the latter having been significantly affected by exchange rates.

The loans-to-deposits ratio, in June 2021, as measured by the net credit to total deposits ratio of 44.98% was down 5.24 pp over the same period 2020 (50.22%).

Shareholders' equity was up MT 1,897 million 2020 over the MT 18,414.5 million recorded at the end of June 2020 to MT 20,311 million. This development was indicative of the bank's continued financial strength as shown by its solvency ratio of 22.6% in June 2021 (against 24.4% in June 2020), a level well above the 15% minimum legally established by the Bank of Mozambique.

The bank's results indicate a positive performance of its total operating income (up 18.2%) to MT 8,552.6 million, in comparison to MT 7,238.4 million in June 2020. This growth was largely driven by the good performance of net interest income which was up 17.65% by MT 946 million to MT 6,306.4 million in June 2021.

The cost-to-Income ratio of 47.52% shows an improvement of 8.16 pp in against the 55.68% recorded in the same period of the preceding year as a reflection of the 18.2% increase of total operating income, as opposed to the 0.8% increase of structural costs.

As such, BCI's profit of MT 1,767.2 million in June 2021 was up 166.9% over June 2020 (MT 1,105.17 million). This increase is mainly the result of the good performance of total operating income (up MT 1,314.2) million and the MT 583.4 million reduction of impairment and provisions.

			(EUR Million)			(MZN Million)
BCI - MOZAMBIQUE			Change			Change
MAIN INDICATORS	2020-06	2021-06	(%)	2020-06	2021-06	(%)
Net interest income	73.5	78.7	7.1%	5,360	6,306	17.6%
Total operating income	98.9	106.2	7.4%	7,214	8,514	18.0%
Operating costs	55.3	50.7	-8.2%	4,030	4,064	0.8%
Net op. income before impairments	43.7	55.5	27.2%	3,184	4,450	39.8%
Provisions and impairments	27.8	17.8	-35.9%	2,025	1,427	-29.5%
Net income	9.1	22.0	142.9%	662	1,767	166.9%
Net assets	2,249.2	2,529.6	12.5%	176,184	188,355	6.9%
Loans and adv. to customers (net)	866.8	897.3	3.5%	67,898	66,811	-1.6%
Customer deposits	1,706.4	1,978.7	16.0%	133,663	147,333	10.2%

Exchange rate EUR/MZN: Balance sheet: 78.330 in June 2020 and 74.460 in June 2021; P&L: 72.939 in June 2020 and 80.152 in June 2021.

BCI Moçambique's contribution to CGD Group's consolidated income in first half 2021 amounted to €13.9 million.

1.5.2. Separate Activity

Results

Caixa Geral de Depósitos earned net income of €278.1 million from its separate activity in the first six months of 2021. This amount was up 16.8% by €40.1 million over the same half of the preceding year in which a profit of €238.0 million was made.

(EUR thousand)

SEPARATE INCOME STATEMENT [(1)]			Change	
	2020-06	2021-06	Value	(%)
Interest and similar income	554,041	499,532	-54,509	-9.8%
Interest and similar costs	205,363	166,653	-38,709	-18.8%
Net interest income	348,678	332,879	-15,799	-4.5%
Income from equity instruments	85,315	68,527	-16,788	-19.7%
Net interest income incl. income from eq. investm.	**433,993**	**401,406**	**-32,587**	**-7.5%**
Income from services and commissions	246,814	266,036	19,223	7.8%
Costs of services and commissions	42,210	44,384	2,175	5.2%
Results from services and commissions	204,604	221,652	17,048	8.3%
Income from financial operations	31,770	98,723	66,953	210.7%
Other Operating Income	-6,220	-18,072	-11,852	-
Non-interest income	**230,154**	**302,303**	**72,149**	**31.3%**
Total operating income	**664,147**	**703,709**	**39,562**	**6.0%**
Employee costs	183,592	89,447	-94,145	-51.3%
Administrative expenses	84,995	79,513	-5,483	-6.5%
Depreciation and amortisation	35,125	39,359	4,235	12.1%
Operating costs	303,713	208,319	-95,393	-31.4%
Net operating income before impairments	**360,434**	**495,389**	**134,955**	**37.4%**
Credit impairment (net)	48,479	27,440	-21,039	-43.4%
Provisions and impairments of other assets (net)	-30,951	43,747	74,698	-
Provisions and impairments	**17,528**	**71,188**	**53,660**	**306.1%**
Net operating income	**342,907**	**424,202**	**81,295**	**23.7%**
Tax	**104,904**	**146,149**	**41,245**	**39.3%**
Current	-6,053	21,307	27,359	-
Deferred	83,280	96,287	13,007	15.6%
Banking sector contribution	27,677	28,555	879	**3.2%**
Net income	**238,003**	**278,053**	**40,050**	**16.8%**

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

Net interest income, including income from equity instruments was down 7.5% over first half 2020 to €401.4 million. The reduction of net interest income derived from the evolution of market interest rates which fell to all-time-lows in the period.

In turn, with the exception of other operating income, which decreased by €11.9 million due to the inexistence of capital gains obtained from the sale of properties in the first half of 2021 (unlike the same period of 2020), all other components of non-interest income showed a positive evolution. Emphasis on the growth recorded in results from services and commissions (up 8.3%) and in income from financial operations (up €67 million).

With regard to operating costs, reference should be made to the reduction of €95.4 million (down 31.4%). By components, there was a 6.5% reduction in administrative expenses (down €5.5 million) and employee costs were down 51.3% (€94.1 million). This last item includes a non-recurring impact of €96.4 million, mainly due to the adjustment of provisions associated with post-employment benefits and adjustment of the costs foreseen with the pre-retirement programme. This impact on the net income is partially offset by provisions.

Net income before impairments thus grew by €135 million (up 37.4%), influenced by total operating income (up €39.6 million) and, mainly, by the aforementioned decrease in operating costs (down €95.4 million).

Provisions and impairments, compared to the same period of 2020, were up €53.7 million, affected by CGD's preventive measures to deal with the expected impact of the pandemic.

As a result of these changes, net operating income for the first half amounted to €424.2 million, up 23.7% compared to June 2020. The net income of CGD's separate activity was €278.1 million in the first half of 2021 (up €40.1 million compared to the first six months of 2020).

Balance sheet

Caixa Geral de Depósitos' separate activity net assets reached €94,145 million at the end of June 2021, up 10.2% compared to the end of 2020. Reference should be made to loans and advances to customers, with an increase of €1,055 million (up 2.4%) and to cash and equivalents with central banks, which were up €8,198 million since the beginning of the year.

(EUR million)

SEPARATE BALANCE SHEET (1)				Change 2021-06 vs 2020-06		Change 2021-06 vs 2020-12	
ASSETS	2020-06	2020-12	2021-06	Value	(%)	Value	(%)
Cash and equival. with central banks	7,092	9,513	17,711	10,619	149.7%	8,198	86.2%
Loans and advances to cred. inst.	4,271	2,129	1,996	-2,275	-53.3%	-133	-6.3%
Securities investments	25,204	24,866	24,339	-865	-3.4%	-528	-2.1%
Loans and advances to customers	42,004	44,174	45,229	3,225	7.7%	1,055	2.4%
Assets with repurchase agreement	0	0	109	109	-	109	-
Non-current assets held for sale	208	208	192	-16	-7.7%	-16	-7.8%
Intangible and tangible assets	478	517	499	21	4.4%	-18	-3.4%
Inv. in subsid. and assoc. companies	1,536	1,301	1,301	-235	-15.3%	-1	0.0%
Current and deferred tax assets	1,734	1,699	1,593	-141	-8.1%	-107	-6.3%
Other assets	1,279	1,043	1,176	-103	-8.0%	133	12.8%
Total assets	**83,806**	**85,452**	**94,145**	**10,338**	**12.3%**	**8,693**	**10.2%**
LIABILITIES							
Central banks' and cred. inst. resources	2,601	2,532	7,290	4,690	180.3%	4,759	188.0%
Customer resources	64,059	65,978	69,931	5,872	9.2%	3,953	6.0%
Debt securities	1,420	1,371	1,355	-65	-4.6%	-16	-1.2%
Financial liabilities	998	921	636	-362	-36.3%	-284	-30.9%
Provisions	1,057	996	887	-170	-16.1%	-109	-11.0%
Subordinated liabilities	1,103	1,117	1,103	1	0.1%	-14	-1.3%
Other liabilities	4,891	4,730	4,684	-207	-4.2%	-45	-1.0%
Sub-total	**76,128**	**77,645**	**85,887**	**9,759**	**12.8%**	**8,242**	**10.6%**
Shareholders' equity	**7,678**	**7,807**	**8,257**	**580**	**7.5%**	**451**	**5.8%**
Total	**83,806**	**85,452**	**94,145**	**10,338**	**12.3%**	**8,693**	**10.2%**

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

Total liabilities were up 10.6% to €85,887 million, showing a variation of €8,242 million in the semester, justified by the increase of €3,953 million (up 6.0%) and €4,759 million in customer resources and central banks and credit institutions resources, respectively.

The greater variations in the separate balance sheet are thus essentially justified by the withdrawal of resources from the ECB, within the scope of the TLTRO programme, and by the strong increase in customer deposits.

Shareholders' equity from the bank's separate activity was increased by 7.5% (€579 million) over the same period last year to €8,257 million at the end of June 2021. The "Other reserves and retained earnings" account was mainly responsible for this 17.9% increase of €514 million in shareholders' equity, essentially owing to the incorporation of net profit for 2020 and increase in the discount rate for post-employment benefits.

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2020-06	2020-12	2021-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Revaluation reserves	230	256	255
Other reserves and retained earnings	2,866	2,800	3,380
Net income	238	407	278
Total	**7,678**	**7,807**	**8,257**

In June 2021, the common equity tier 1 (CET 1), tier 1 and total ratios stood at 21.6%, 23.1% and 24.9%, respectively (including net income for the period). Not including such net income, the CET 1 and total ratios, calculated under CRD IV /CRR rules were 20.8% and 24.0%, respectively, at the said date.

Information on the amount of own funds and capital ratios for June 2020, December 2020 and June 2021 is set out below (with the inclusion of net profit for the year of €238 million. €407 million and €278 million respectively), calculated on a consolidated basis under CRD IV /CRR phasing-in and full implementation rules.

(EUR million)

SOLVENCY RATIOS (SEPARATE)			
(Including net income)	2020-06	2020-12 (1)	2021-06 (2)
Own funds			
Common equity tier 1 (CET 1)	6,809	6,916	7,282
Tier 1	7,309	7,416	7,782
Tier 2	600	600	600
Total	**7,909**	**8,016**	**8,382**
Weighted assets	**34,274**	**33,751**	**33,704**
Solvency ratios			
CET 1	19.9%	20.5%	21.6%
Tier 1	21.3%	22.0%	23.1%
Total	**23.1%**	**23.8%**	**24.9%**

(1) December 2020 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; (2) Includes EBA backstop impact related to NPE coverage.

The variation of the CET 1 ratio of about +111 bps between December 2020 and June 2021, both with the inclusion of the positive net income in own funds, results from the improvement seen in own funds (up 109 bps), slightly affected by the decrease in RWA (+3 bps).

The improvement in own funds is essentially on account of the following elements:

- Income of around €278 million from the prudential perimeter for the half year (with a positive impact of 82 bps on the CET 1 ratio);
- The improvment of around €258 million in other reserves and retained earnings (with a positive impact of 77 bps on the CET 1 ratio), essentially owing to the positive actuarial deviations of €276 million related to post employment benefits;
- The element that contributed the most negatively to own funds is related to the regulatory deduction from the net assets of the defined benefit Pension Fund (defined by Article 41 of EU Regulation No. 575/2013), of around €149 million, contributing to a 44 bps reduction in the CET1 ratio, which exceeds total liabilities;
- An increase of around €13 million in intangible assets, responsible for a deduction of the same order to own funds (contributing a 4 bps reduction to the CET 1 ratio);

In the first half, there was a decrease in RWA of around €46 million.

ECB capital requirements on CGD's separate activity

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.

The requirements of the SREP 2017 review process, in which it was defined that Caixa Geral de Depósitos, S.A. as the parent company should maintain a permanent level of 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, remain in force in 2021.

1.6. Subsequent Events

2021 EU-wide stress test results

Caixa Geral de Depósitos, S.A. (CGD) was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). The application of the adverse scenario resulted in a transitional Common Equity Tier 1 capital ratio of 15.34% by year-end 2023, a 288 bps depletion compared with the starting point of 18.22% at the end of 2020, comparing favourably to the 497 bps from the 2018 exercise.

CGD was the 10th banking group with the lowest transitional CET1 depletion of the 50 banks included in the EU-wide EBA stress test to the major groups covering, amongst them, 70% of European Union banking assets. Despite the severity of the adverse scenario, impacted by the economic ramifications of the COVID-19 pandemic, CGD's results reflect the consistent improvement of the financial and prudential position of CGD in the recent years and demonstrate the Group's robustness.

Rating upgrade to investment grade by Moody's

On July 13, 2021, Moody's Investor Service upgraded the rating of senior long-term debt of CGD one notch, from Ba1 to Baa3, and short-term senior debt, including commercial paper, from Not Prime to P-3. The outlook remained Stable. At the same time, the long term senior non preferred debt rating was also upgraded one notch, from Ba2 to Ba1. On September 21, 2021, Moody's Investors Service upgraded the rating of senior long-term debt of CGD one notch, from Baa3 to Baa2, and short-term senior debt, including commercial paper, from P-3 to P-2. The outlook remained Stable. At the same time, the long term senior non preferred debt rating was also upgraded one notch, from Ba1 to Baa3, raising it to investment grade.

These upgrades are a consequence of the upgrade of the Baseline Credit Assessment rating from ba1 to baa3 placing the "intrinsic" rating at an investment grade level. With this upgrade, CGD has now been raised two notches by Moody's in 2021.This upgrade in long and short term senior debt, marks CGD's return to investment grade status by Moody's after a period of ten years, representing an important milestone in Caixa evolution and market position and follows three upgrades during the implementation of the 2017-2020 Strategic Plan, as a result of improved capital, profitability and asset quality. With this change, CGD is now rated at investment grade by two of the main international rating agencies.

Issuance of sustainable senior preferred debt

Caixa Geral de Depósitos, S.A. (CGD) has launched on September 14, 2021, a senior preferred bond in the amount of 500 million euros, with a 6 year maturity with the possibility of early repayment after 5 years, and a coupon of 0.375%. The issue is part of the funding plan designed to meet the MREL (Minimum Requirements for own funds and Eligible Liabilities) requirements established by the Bank of Portugal and determined by the Single Resolution Board (SRB).

Reduction of non-performing assets

Giving continuity to its strategy of reducing non-performing assets in its balance sheet, to enable value to be maximised, CGD continued in 2021 up to the date of issuance of these financial statements, to further a set of actions leading to the disposal or recovery of certain financial and non-financial assets on whose fair value it has recognised impairment losses or negatively adjusted in previous years.

These events were generally considered to be non-adjustable and their completion is subject to constraints, owing to the fact that their respective promissory purchase and sale agreements have not yet been signed, as they require administrative approvals or are contingent upon other analyses or decisions. Considering the level of uncertainty involving the events in question, it is not possible to estimate their overall impacts at this date, in terms of profit or loss and the balance sheet. If, however, all transactions take place, they are expected to generate an aggregate level of profit before tax of up to €90,000 thousand, considering the values at which the assets in question were measured in CGD's financial statements at June 30, 2021.

Caixa Crescimento venture capital fund

The Caixa Crescimento venture capital fund was incorporated into the Empreender Mais - Caixa Capital venture capital fund in August 2021 as part of the ongoing restructuring process, based on the global transfer of its assets, with the aim of simplifying the structure of the venture capital funds managed by Caixa Capital, with an inherent cost reduction and to make readjustments to a fund geared to direct investment through an increase in investment capacity. From an accounting and tax viewpoint, the merger was effective January 1, 2021.

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 interim financial statements for 1st half 2021, 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, 27 September 2021

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

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 2021, on eighteen 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. Condensed Individual and Consolidated Interim Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE INTERIM BALANCE SHEET

(EUR)

ASSETS	30/06/2021			31/12/2020	LIABILITIES AND EQUITY	30/06/2021	31/12/2020
	Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net assets	Net assets			
Cash and cash equivalents at central banks	17,711,052,842	-	17,711,052,842	9,513,442,838	Resources of central banks and other credit institutions	7,290,380,382	2,531,602,960
Cash balances at other credit institutions	179,434,731	-	179,434,731	414,920,456	Customer resources and other loans	69,931,333,331	65,978,124,015
Loans and advances to credit institutions	1,818,291,043	1,767,770	1,816,523,273	1,714,450,382	Debt securities	1,354,954,678	1,371,436,090
Financial assets at fair value through profit or loss	4,483,295,979	-	4,483,295,979	6,579,078,690	Financial liabilities at fair value through profit or loss	636,033,135	920,523,111
Financial assets at fair value through other comprehensive income	6,399,694,599	325,917	6,399,368,682	6,220,895,094	Financial liabilities associated with transferred assets	2,724,709,212	2,852,407,228
Hedging derivatives	6,734,191	-	6,734,191	7,324,653	Hedging derivatives	40,686,698	56,295,441
Investments at amortized cost	13,456,190,212	16,034	13,456,174,178	12,066,408,753	Provisions	886,987,345	996,197,942
Financial assets with repurchase agreement	109,110,292	-	109,110,292	-	Current tax liabilities	7,187,961	2,702,351
Loans and advances to customers	47,341,906,846	2,112,919,250	45,228,987,596	44,173,911,980	Deferred tax liabilities	97,580,503	105,463,339
Non-current assets held-for-sale	431,108,058	239,141,965	191,966,093	208,216,778	Other subordinated liabilities	1,103,182,590	1,117,317,024
Investment properties	8,445,344	-	8,445,344	8,445,344	Other liabilities	1,814,218,819	1,712,847,749
Other tangible assets	1,343,664,470	967,505,312	376,159,158	406,486,728	Total Liabilities	85,887,254,654	77,644,917,250
Intangible assets	189,159,594	66,276,387	122,883,207	110,073,309	Share capital	3,844,143,735	3,844,143,735
Investments in subsidiaries, associates and joint ventures	1,689,231,902	388,630,046	1,300,601,856	1,301,206,160	Other equity instruments	500,000,000	500,000,000
Current tax assets	431,587,404	-	431,587,404	429,722,601	Revaluation reserves	254,891,354	255,883,990
Deferred tax assets	1,161,055,129	-	1,161,055,129	1,269,429,380	Other reserves and retained earnings	3,380,273,735	2,800,129,027
Other assets	1,353,040,740	191,804,717	1,161,236,023	1,027,599,758	Net income for the period	278,052,500	406,538,902
					Total Equity	8,257,361,324	7,806,695,654
Total Assets	98,113,003,376	3,968,387,398	94,144,615,978	85,451,612,904	**Total Liabilities and Equity**	94,144,615,978	85,451,612,904

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

Members

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE INTERIM INCOME STATEMENT

(EUR)

	30/06/2021	30/06/2020
Interest and similar income	499,532,118	554,040,956
Interest and similar expenses	(166,653,460)	(205,362,952)
Income from equity instruments	68,527,057	85,314,724
NET INTEREST INCOME	401,405,715	433,992,728
Income from services and commissions	266,036,455	246,813,920
Costs of services and commissions	(44,384,380)	(42,209,789)
Results from financial operations	98,722,631	31,769,639
Other operating income	(18,071,908)	(6,219,568)
TOTAL OPERATING INCOME	703,708,513	664,146,930
Employee costs	(89,447,088)	(183,592,448)
Other administrative costs	(79,512,725)	(84,995,324)
Depreciation and amortisation	(39,359,496)	(35,124,820)
Provisions net of reversals	(37,375,587)	31,506,151
Loan impairment, net of reversals and recoveries	(27,440,427)	(48,479,017)
Other assets impairment, net of reversals and recoveries	(6,371,547)	(554,792)
INCOME BEFORE TAX	424,201,643	342,906,680
Income tax	(146,149,143)	(104,904,155)
NET INCOME FOR THE PERIOD	278,052,500	238,002,525
Average number of ordinary shares outstanding	768,828,747	768,828,747
Earnings per share (in Euros)	0.36	0.31

Certified Public Accountant
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CONDENSED SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30/06/2021	30/06/2020
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets	-	-
Gains / (losses) arising during the period	135	(45,002)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	97	186
Disposal of available-for-sale financial assets	(1,598)	(9,852)
Tax effect	374	14,951
Foreign exchange differences in branches		
Gains / (losses) arising during the period	801	38
Other	(27)	-
Subtotal	(218)	(39,678)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the period	279,529	(145,979)
Tax effect	3,621	28,361
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	42	-
Subtotal	283,192	(117,618)
Total comprehensive net income for the period recognised in reserves	282,974	(157,296)
Net income for the period	278,053	238,003
Total comprehensive net income for the period	561,026	80,707

CONDENSED SEPARATE INTERIM CASH FLOW STATEMENTS

(EUR thousand)

	30/06/2021	30/06/2020
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	787,560	795,109
Interest, commissions and similar costs paid	(189,325)	(219,422)
Recovery of principal and interest	40,493	67,208
Payments to employees and suppliers	(241,896)	(258,899)
Payments and contributions to pensions funds and other benefits	(56,581)	(68,151)
Other results	(24,065)	(26,346)
	316,187	289,498
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(1,230,963)	(386,883)
Assets held-for-trading and other assets at fair value through profit or loss	1,873,333	20,029
Other assets	(1,293,655)	(761,402)
	(651,286)	(1,128,255)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	4,771,220	694,388
Customer resources	3,954,070	5,056,711
Other liabilities	(21,735)	(580,668)
	8,703,555	5,170,430
Net cash from operating activities before taxation	8,368,456	4,331,674
Income tax	(39,042)	(3,574)
Net cash from operating activities	8,329,414	4,328,100
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	68,439	85,223
Dividends received from available-for-sale financial assets	88	92
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net of dis	30	3,669
Acquisition of available-for-sale financial assets, net of disposals	(225,623)	(2,506,332)
Acquisition of tangible and intangible assets, net of disposals	(20,049)	(43,615)
Net cash from investing activities	(177,115)	(2,460,963)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(35,016)	(35,018)
Interest on debt securities	(11,154)	(57,081)
Interest in other equity instruments	(26,875)	(26,875)
Interest on lease contrats	(2,159)	(2,403)
Issue of debt securities, net of repayments	(13,329)	(996,514)
Reimbursement of financing operations through lease contracts	(18,544)	(13,081)
Dividends paid	(83,639)	-
Net cash from financing activities	(190,715)	(1,130,972)
Increase (decrease) in cash and cash equivalents	7,961,584	736,165
Cash and cash equivalents at the beginning of the period	9,928,363	6,609,774
Foreign exchange differences in cash and cash equivalents	540	97
Net change of cash and cash equivalents	7,961,584	736,165
Cash and cash equivalents at end of the period	**17,890,488**	**7,346,036**

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE INTERIM 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 January 1, 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 2019:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	152,403	609,611	762,013	(762,013)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on financial assets at fair value through other comprehensive income	-	-	(18,362)	5,022	-	(13,340)	-	-	-	-	(13,340)
Measurement gain / (losses) on other financial assets	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(110,692)	(110,692)	-	(110,692)
Foreign exchange differences in branches	-	-	-	-	-	-	-	(2,205)	(2,205)	-	(2,205)
Net income for the year	-	-	-	-	-	-	-	-	-	406,539	406,539
Total gains and losses for the year recognised in equity	-	-	(18,362)	5,022	-	(13,340)	-	(112,900)	(112,900)	406,539	280,299
Merger Reserves							-	(43,679)			
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(53,753)	(53,753)	-	(53,753)
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
Balances at December 31, 2020	3,844,144	500,000	200,219	(54,760)	110,425	255,884	224,891	2,575,240	2,800,129	406,539	7,806,696
Appropriation of net income for 2020:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	81,308	241,592	322,900	(322,900)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(83,639)	(83,639)
Other entries directly recorded in equity:											
Measurement gain / (losses) on financial assets at fair value through other comprehensive income	-	-	(1,366)	374	-	(993)	-	-	-	-	(993)
Measurement gain / (losses) on other financial assets	-	-	-	-	-	-	-	42	42		42
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	283,150	283,150		283,150
Foreign exchange differences in branches	-	-	-	-	-	-	-	801	801		801
Other									(27)		(27)
Net income for the year	-	-	-	-	-	-	-	-	-	278,053	278,053
Total gains and losses for the period recognised in equity	-	-	(1,366)	374	-	(993)	-	283,993	283,966	278,053	561,026
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(26,722)	(26,722)	-	(26,722)
Balances at June 30, 2021	3,844,144	500,000	198,852	(54,386)	110,425	254,891	306,198	3,074,103	3,380,273	278,053	8,257,361

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(EUR)

ASSETS	Notes	30-06-2021 Amounts before impairment, amortisation and depreciation	30-06-2021 Impairment, amortisation and depreciation	30-06-2021 Net assets	31-12-2020 Net assets	LIABILITIES AND EQUITY	Notes	30-06-2021	31-12-2020
Cash and cash equivalents at central banks	4	18,675,097,539	-	18,675,097,539	10,277,778,344	Resources of central banks and other credit institutions	19	6,770,883,901	2,040,418,237
Cash balances at other credit institutions	5	491,676,237	-	491,676,237	694,498,087	Customer resources and other loans	20	76,579,131,864	72,032,958,253
Loans and advances to credit institutions	6	2,532,159,862	1,896,407	2,530,263,455	2,617,318,743	Debt securities	21	1,354,553,281	1,371,032,936
Financial assets at fair value through profit or loss	7	3,239,448,773	-	3,239,448,773	5,332,566,637	Financial liabilities at fair value through profit or loss		644,315,127	921,391,323
Financial assets at fair value through other comprehensive income	8	7,059,378,621	590,882	7,058,787,739	6,855,915,822	Hedging derivatives	10	40,686,698	56,295,441
Financial assets with repurchase agreement	9	122,466,318	-	122,466,318	13,877,117	Non-current liabilities held-for-sale	14	848,343,372	864,287,037
Hedging derivatives	10	6,734,191	-	6,734,191	7,324,653	Provisions for employee benefits	22	599,978,408	725,478,365
Investments at amortized cost	12	13,142,178,865	25,438,713	13,116,740,152	11,256,822,059	Provisions for guarantees and other commitments	22	236,329,366	235,272,591
Loans and advances to customers	13	51,523,279,953	2,316,479,739	49,206,800,214	47,902,965,934	Provisions for other risks	22	91,164,462	76,563,776
Non-current assets held-for-sale	14	1,442,329,113	298,757,913	1,143,571,200	1,158,949,142	Current tax liabilities	17	27,612,730	16,350,393
Investment properties	15	192,436,750	-	192,436,750	188,848,989	Deferred tax liabilities	17	117,450,183	122,898,529
Other tangible assets		1,649,344,644	1,113,450,517	535,894,127	554,396,176	Other subordinated liabilities	23	1,103,182,590	1,117,317,024
Intangible assets		257,094,044	116,372,865	140,721,179	126,294,358	Other liabilities	24	3,352,720,528	3,094,352,584
Investments in associates and jointly controlled entities	16	509,084,963	438,858	508,646,105	505,157,598	Total liabilities		91,766,352,510	82,674,616,489
Current tax assets	17	438,393,756	-	438,393,756	436,136,667	Share capital	25	3,844,143,735	3,844,143,735
Deferred tax assets	17	1,204,172,671	-	1,204,172,671	1,314,395,925	Other equity instruments	25	500,000,000	500,000,000
Other assets	18	2,534,168,364	145,565,308	2,388,603,056	2,132,199,927	Revaluation reserves	26	269,186,115	267,265,724
						Other reserves and retained earnings	26	4,095,843,145	3,393,752,883
						Net income attributable to the shareholder of CGD	26	294,206,379	491,591,683
						Shareholders' equity attributable to CGD		9,003,379,374	8,496,754,025
						Non-controlling interests	27	230,721,578	204,075,664
						Total equity		9,234,100,952	8,700,829,689
Total assets		105,019,444,664	4,018,991,202	101,000,453,462	91,375,446,178	**Total liabilities and equity**		101,000,453,462	91,375,446,178

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.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(EUR)

	Notes	30-06-2021	30-06-2020
Interest and similar income	28	689,553,659	781,949,816
Interest and similar expenses	28	(213,268,405)	(262,046,826)
Income from equity instruments	29	4,097,037	4,921,865
NET INTEREST INCOME		480,382,291	524,824,855
Income from services rendered and commissions	30	324,904,653	297,737,898
Cost of services and commissions	30	(56,590,214)	(54,137,972)
Results from financial operations	31	122,242,485	39,393,027
Other operating income	32	(12,174,099)	3,011,877
TOTAL OPERATING INCOME		858,765,116	810,829,685
Employee costs	33	(151,557,999)	(253,205,192)
Other administrative costs	34	(103,302,183)	(112,371,019)
Depreciation and amortisation		(49,248,148)	(46,108,343)
Provisions net of reversals	22	(36,608,192)	29,933,432
Loan impairment, net of reversals and recoveries	35	(47,977,831)	(78,000,015)
Other assets impairment, net of reversals and recoveries	35	(20,874,930)	15,016,103
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		449,195,833	366,094,651
Income tax	17	(169,617,351)	(123,708,705)
Results of associates and jointly controlled entities	16	26,230,317	15,769,672
RESULTS OF CONTINUING ACTIVITIES		305,808,799	258,155,618
Results of subsidiaries held-for-sale	14	8,378,070	6,702,839
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		314,186,869	264,858,457
Non-controlling interests	27	(19,980,490)	(16,264,757)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		294,206,379	248,593,700
Average number of ordinary shares outstanding	25	768,828,747	768,828,747
Earnings per share (in Euros)		0.38	0.32

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2021			30-06-2020		
	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	2,262	(1,027)	1,235	(54,817)	(356)	(55,173)
Reclassification adjustments in revaluation reserves						
Financial assets impairment recognized in the period	1,892	103	1,995	5,054	509	5,564
Disposal of financial assets in the period	(3,628)	798	(2,829)	(12,221)	618	(11,602)
Tax effect	636	684	1,321	17,006	(367)	16,639
Adjustments in associated companies assets	(19,781)	-	(19,781)	(20,439)	-	(20,439)
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the period	72,347	3,894	76,241	(57,133)	(19,127)	(76,260)
Other	574	-	574	-	-	-
	54,302	4,453	58,754	(122,549)	(18,722)	(141,272)
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	279,482	-	279,482	(145,979)	(1,088)	(147,067)
Tax effect	4,473	-	4,473	28,361	16	28,377
Changes in the fair value of equity instruments (option of valuation of equity instruments at fair value through other comprehensive income)	42	-	42	148	-	148
Other				773	24	797
	283,997	-	283,997	(116,696)	(1,049)	(117,745)
Total comprehensive net income for the period recognised in reserves	338,299	4,453	342,751	(239,246)	(19,771)	(259,017)
Net income for the period	305,809	8,378	314,187	258,156	6,703	264,858
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD of which:	644,107	12,831	656,938	18,910	(13,068)	5,842
Non-controlling interests	(43,841)	3,775	(40,066)	12,836	(3,050)	9,787
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	600,266	16,606	616,872	31,746	(16,118)	15,628

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

(EUR thousand)

	30/06/2021	30/06/2020
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,023,440	1,083,597
Interest, commissions and similar expenses paid	(237,087)	(297,937)
Recovery of principal and interest	42,190	68,679
Payments to employees and suppliers	(349,214)	(358,308)
Payments and contributions to pension funds and other benefits	(29,230)	(68,428)
Other results	(10,918)	(7,705)
	439,181	419,898
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	(1,304,514)	(706,641)
Assets held-for-trading and other assets at fair value through profit or loss	1,987,783	(24,412)
Other assets	(1,790,517)	(971,883)
	(1,107,248)	(1,702,935)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	4,742,895	986,423
Customer resources	4,543,974	4,950,921
Other liabilities	95,102	(311,092)
	9,381,970	5,626,251
Net cash from operating activities before taxation	8,713,903	4,343,214
Income tax	(51,066)	(21,101)
Net cash from operating activities	8,662,837	4,322,113
INVESTING ACTIVITIES		
Dividends received from equity instruments	4,097	4,922
Acquisition of investments in subsidiaries and associated companies, net of disposals	1,715	1,886
Acquisition of available-for-sale financial assets, net of disposals	(355,109)	(2,420,257)
Acquisition of tangible and intangible assets and investment property, net of disposals	(46,240)	(32,945)
Net cash from investing activities	(395,536)	(2,446,395)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(35,016)	(35,018)
Interest on debt securities	(11,151)	(57,079)
Interest on other equity instruments	(26,875)	(26,875)
Interest on lease contrats	(2,618)	(3,087)
Issue of debt securities, net of repayments	(13,329)	(996,514)
Reimbursement of financing operations through lease contracts	(21,640)	(17,280)
Dividends paid	(83,639)	-
Net cash from financing activities	(194,268)	(1,135,852)
Increase (decrease) in cash and cash equivalents	8,073,033	739,866
Cash and cash equivalents at the beginning of the period	10,972,276	7,817,287
Foreign exchange differences in cash and cash equivalents	121,465	(80,874)
Net change of cash and cash equivalents	8,073,033	739,866
Cash and cash equivalents at the end of the period	19,166,774	8,476,279

CONDENSED CONSOLIDATED INTERIM 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, 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	-	-	(13,993)	-	-	(13,993)	(241)	(14,235)
Appropriation of comprehensive income in subsidiaries and branches	-	-	-	(2,094)	-	(2,094)	-	(2,094)
Employee benefits - actuarial gains and losses	-	-	-	(111,708)	-	(111,708)	(448)	(112,156)
Foreign currency differences in subsidiaries and branches	-	-	-	(143,354)	-	(143,354)	(50,226)	(193,580)
Changes in the fair value of equity instruments	-	-	-	146	-	146	-	146
Net income for the period	-	-	-	-	294,206	294,206	19,980	314,187
Other	-	-	-	(205)	-	(205)	(748)	(953)
Total gains and losses for the period recognised in equity	-	-	(13,993)	(257,215)	294,206	22,998	(31,683)	(8,685)
Appropriation of net income for 2017:								
Transfer to reserves and retained earnings	-	-	-	574,359	(574,359)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(53,753)	-	(53,753)	-	(53,753)
Equity transactions with non-controlling interests	-	-	-	26	-	26	(97,775)	(97,749)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(11,678)	(11,678)
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
Balances at December 31, 2020	3,844,144	500,000	267,266	3,393,753	491,592	8,496,754	204,076	8,700,830
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	1,920	-	-	1,920	(200)	1,721
Appropriation of comprehensive income from subsidiaries and branches	-	-	-	(19,781)	-	(19,781)	-	(19,781)
Employee benefits - actuarial gains and losses	-	-	-	283,619	-	283,619	337	283,955
Foreign currency differences in subsidiaries and branches	-	-	-	56,449	-	56,449	19,792	76,241
Changes in the fair value of equity instruments	-	-	-	42	-	42	-	42
Net income for the period	-	-	-	-	294,206	294,206	19,980	314,187
Other	-	-	-	417	-	417	157	574
Total gains and losses for the year recognised in equity	-	-	1,920	320,745	294,206	616,872	40,066	656,938
Appropriation of net income for 2018:								
Transfer to reserves and retained earnings	-	-	-	407,953	(407,953)	-	-	-
Dividends paid	-	-	-	-	(83,639)	(83,639)	-	(83,639)
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(26,722)	-	(26,722)	-	(26,722)
Equity transactions with non-controlling interests	-	-	-	115	-	115	-	115
Dividends paid to non-controlling interests	-	-	-	-	-	-	(13,421)	(13,421)
Balances at June 30, 2021	3,844,144	500,000	269,186	4,095,843	294,206	9,003,379	230,722	9,234,101

2.

NOTES AND REPORTS

2.1. Notes to the Condensed Consolidated Interim Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. Introductory note

Caixa Geral de Depósitos, S.A. (CGD), founded in 1876, is an exclusively state-owned public limited liability company. It 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 incorporated into CGD on July 23, 2001.

CGD's operations at June 30, 2021 comprised a nationwide network of 518 branch offices (480 of which with face-to-face services, 13 self-service branches and 25 "corporate" offices), a branch in France with 48 offices and a branch in Timor with 14 offices.

All amounts have been rounded up to the nearest thousand.

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

The condensed, consolidated financial statements, at June 30, 2021 were approved by the board of directors on September 27, 2021.

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 recapitalised CGD in June 2012, in its capacity as the sole shareholder. This took the form of a €750,000 thousand increase in share capital and issuance of €900,000 thousand in CoCo bonds. The fact that this recapitalisation was considered to be state aid under European regulations is the reason for the agreement entered into between the Portuguese state and 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 sustainability, translated into funding autonomy and a positive contribution to group profit.

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

As efficiency levels were, consequently, lower than initially agreed, 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 agreed a recapitalisation plan in first quarter 2017, to include a strategic 4 year plan (2017-2020) that, based on a prudent macroeconomic scenario showing the capacity to generate a similar level of return on equity to what would be expected by a private investor, was not considered state aid.

2020 was the last year of the implementation of the strategic plan and was severely impacted by the pandemic triggered by the SARS Cov-2 virus. In spite of such an economic environment, CGD succeeded in fulfilling most of its commitments under the plan in which reference should be made to its capacity to maintain a higher level of return than its European counterparts. Across this transformation period, beginning 2012 with the first restructuring plan, CGD has sought to lay the foundations to enable it to address future challenges and risks on the basis of a functional, operational, structurally sound and adapted governance structure.

On April 20, 2021, DG Comp informed that it was terminating its monitoring actions on the 2017-2020 strategic plan. This enabled the objectives set out in the agreement between the European Commission and the Portuguese state to be successfully concluded, in particular, the private investor test, which is essential to the classification of the recapitalisation measures as being free of state aid and as a determining factor for the sustainable future of Caixa Geral de Depósitos, enabling it to strengthen its mission to support business and households.

Covid-19 pandemic

2020 and first half 2021 were marked by the Covid-19 pandemic which is an acute respiratory illness triggered by the SARS-CoV-2 virus. It was first identified in December 2019 in Wuhan, a city in the People's Republic of China and is characterised by being highly contagious and 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 cases having been confirmed in more than 200 countries and territories. Reference should be made to restrictions on people's movements, border closures and constraints on a wide range of economic activities. These restrictions, albeit interspersed with periods of fewer limitations on normal market operations, have been maintained as a counterpoint to the delicate balance required by the need to preserve adequate levels of public health indices.

As a result of this situation the International Monetary Fund (IMF) published its estimates of global GDP evolution for 2020, making reference to the sharp, across-the-board falls in both the developed and emerging blocs. In line with the evolution of other euro area countries, the Portuguese economy also experienced sharp contraction owing to the impact of this crisis.

The worldwide response to this unprecedented situation from governments and central banks has included fiscal and monetary policy measures which are highly focused on stabilising the financial conditions of diverse economic actors, protecting business and minimising the risk of 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 in the form of its capacity to meet its customers' needs, whether through its geographical branch office network which has been constrained by the protective measures put in place or on its remote channels. In the case of critical functions, teams have been separated and the focus has been on teleworking activities from the very start of the crisis. Special attention has also been paid to Caixa group's principal suppliers of goods and services to ensure that there are no disruptions.

CGD has taken proactive measures to minimise impacts on 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 Portuguese Banking Association and specific lines of credit backed by mutual guarantee societies with the objective of mitigating occasional, temporary, corporate and personal treasury constraints deriving from the reduction of economic activity in the current circumstances. Risk indicator monitoring mechanisms were also strengthened, particularly in business areas affected by the crisis and the effects of the containment measures adopted.

In more global terms, the group's management approach on diverse levels and structures of its governance model has been characterised by its anticipation of scenarios, analysis of impacts and preparation of operational and monitoring measures on key indicators, to permit the transversal management of its business areas, including its international presence.

Impacts, albeit uncertain, are naturally expected on the group's activity and capacity to achieve its economic-financial goals. Their extent will be contingent upon a multiplicity of factors such as the depth of the economic crisis, its duration, economic sectors most affected and type and impact of the monetary and fiscal policy measures implemented by diverse governments and economic blocs.

In spite of the positive effects of the programmes mentored by institutional public sectors, particularly in terms of job protection and the temporary stabilisation of household income and business liquidity, 2021 is a year of enormous challenge. Firstly because of the resilience of a number of economic activities which have been particularly affected by lockdown and restrictions on movement, aggravated by high levels of debt that have constrained their ability to respond if the start of the recovery period is slower than initially expected as a result of the difficulties in implementing the vaccination plans currently in progress. The worsening economic recession will have inevitable consequences for the financial sector, in terms of higher credit risk, deteriorating asset quality (particularly non-performing loans - NPL indicators) and greater pressure on profitability.

In such a context and based on currently available information, CGD's financial statements for the period ended June 30, 2021 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 shall be monitored and subsequently subject to continuous review. Greater detail on the principal impacts of this situation on the credit risk measurement component is set out in note 39.

Notwithstanding the above limitations, the board of directors reaffirms its conviction that Caixa Geral de Depósitos is currently adequately prepared, in terms of capital, asset values or liquidity, to ensure the continuity of its operations and provide its customers and the national economy with the necessary support.

2. Accounting policies

2.1 Presentation bases

The condensed, consolidated financial statements at June 30, 2021 have been 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 dispositions of decree law 35/2005 of February 17.

These condensed, consolidated financial statements have been set out in conformity with the requirements of IAS 34 – "Interim financial reporting". Not all of the information required for the preparation of the annual financial statements is included.

The accounting policies described in this note have been implemented on a consistent basis across all of the periods set out in the financial statements. Any exceptions have been identified.

2.2 Amendments to accounting policies

2.2.1 Voluntary amendments to accounting policies

There were no voluntary modifications to accounting policies in first half 2021 in comparison to those considered in the preparation of the financial information for the preceding year, which have been set out for comparison purposes. Neither were there any changes to judgments or estimates for past years, nor corrections of material errors.

2.2.2 New standards and interpretations for the period

Effective January 1, 2021 CGD adopted the following standards, interpretations, amendments or alterations of relevance to its activity, as issued by the IASB and endorsed by the European Union:

− Reform of interest rate reference indices – Phase 2 – Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16. In August 2020, the IASB announced amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, deriving from the second phase of the work performed to respond to the effects of the reform of the interest rate reference indices (IBOR - Interbank Offered Rates) on financial reporting.

The amendments to the standard apply to modifications of financial assets and liabilities and liabilities on lease agreements, hedge accounting requirements and respective disclosures.

As regards modifications of financial assets, financial liabilities and liabilities on lease agreements, an expediency has been introduced to allow all situations directly related to the IBOR reform to be accounted for on the basis of the revision of an operation's effective interest rate, in which the rules currently provided for in the relevant standards are applicable to all of the other amendments.

It is also emphasised that although hedge relationships are not discontinued solely as a result of the reform, the documentation based on the modifications occurring on the hedged items, hedging elements and hedged risks should be revised. The new, modified relationship should fulfil the hedge accounting requirements, including effectiveness.

The disclosures required of the entities affected by the reform, as regards the nature and extent of the risks to which they are exposed and the progress of the transition process to the new reference rates, have also been reinforced and include qualitative information on derivatives and other financial assets and liabilities affected by these amendments, in addition to any adjustments to the risk management strategy of directly associated institutions.

These amendments must be implemented in the financial years beginning on or after January 1, 2021.

The implementation of the above referred to standards, interpretations, amendments and revisions did not have any equity impact on CGD's preparation of its financial statements for first half 2021.

2.2.3 New standards and interpretations to be implemented in future periods

The following standards, interpretations, amendments and revisions, already endorsed by the European Union, must be implemented in future financial years.

− IFRS 3 (amendments) – “Business combinations”. The amendments to the wording of this standard include:

(i) A 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 (issued in 2018);

(ii) The 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 subject to their sphere of application;

(iii) An explanation of the wording of the standard that an acquirer should not recognise contingent assets acquired as the result of business combinations.

These amendments, whose effects shall be prospective, must be implemented in the financial years beginning on or after January 1, 2022.

− IAS 16 (amendments) – “Tangible fixed assets”. The amendments to the wording of this standard clarify that any income earned on 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 management for its intended use may not be deducted from the acquisition cost. An entity recognises the income obtained from the sale of such products and their production costs directly in profit or loss.

These amendments must be implemented in the financial years beginning 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 (amendments) – “Provisions, contingent liabilities and contingent assets”. The amendments to the wording of this standard specify the accounting definition of eligible costs for classification as a sales contract. All costs which may be directly allocated to the fulfilment of 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 the depreciation costs of the equipment used to fulfil the referred to obligations) should be considered for this purpose.

These amendments must be implemented in the financial years beginning on or after January 1, 2022 and their effects shall be prospective. In the year of the first application of the amendment, all contracts whose obligations have not been fully met by the date of the presentation of the beginning of the first comparative period are included, without the need to re-express the comparison.

− Annual Improvements to IFRS standards 2018-2020. The planned introduction of annual improvements for the period 2018-2020 considered non-urgent but necessary by the IASB, published on May 14, 2020, alters the wording of standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. Reference should be made to the following points which are potentially relevant to CGD’s activity.

(i) IFRS 9. The amendment 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. The amendment 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 (text accompanying IFRS 16) given that its wording was not considered to provide a correct and clear interpretation of the treatment of lease agreement incentives.

The amendments must be implemented in the financial years beginning on or after January 1, 2022.

2.2.4 New standards and interpretations already issued but still not mandatory

The following standards, interpretations, amendments and revisions, which must be implemented in future financial years, had not, up to the date of the approval of these financial statements, been adopted in the European Union:

− IAS 1 (amendments) and IFRS practice statement 2. The amendments to the wording of the standard and practice statement aim to clarify the requirements to be considered in the assessment of the disclosure of accounting policies, replacing the expression "significant accounting policies" by "material accounting policies".

This was accompanied by the introduction of illustrative examples to demonstrate the application of the concept of materiality.

The amendments must be implemented in the financial years beginning on or after January 1, 2023 and should be implemented prospectively.

− IAS 8 (amendments). The amendments to the wording of the standard differentiate between the presentation and disclosure of the different types of modifications to the financial statements and clarifies the treatment of accounting estimates, and in particular:

- Measurement in a concept of uncertainty;
- The difference between modifications of accounting estimates and corrections of errors;
- Accounting for the effects of modified accounting estimates.

The amendments must be implemented in the financial years beginning on or after January 1, 2023 and apply to alterations of estimates or accounting policies occurring after the said date.

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

2.3 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 their relative activities, take control of them (*de facto* power).

CGD group subsidiaries have been consolidated by the global integration method in which significant transactions and balances between the consolidated companies have been 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 respective effective equity stake, 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.

2.4 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 when 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 acquisition cost of a subsidiary 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, 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 of control over a 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 provided for 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

Liabilities resulting from written put options on non-controlling interests are initially recognised by the group 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 financing costs on registering the liability, which are recognised in “Interest and similar costs” in profit and loss.

2.5 Investments in associates and joint ventures.

Associates are entities over which the group wields 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 referred to equity stake 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 management members; and
- Supply of essential technical information.

There are also situations in which the group, in conjunction with other entities, controls the activity of a company in which the equity stake is held (joint ventures), usually structured on a basis of shared voting and similar decision-making rights.

Investments in associates and joint ventures 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 joint venture, 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 materially relevant 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 joint ventures are eliminated to the extent of the group's effective stake in the said entities.

2.6 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). Each entity's income and financial position are expressed in the group's operating currency i.e. the euro, in the consolidated accounts.

In the preparation of its consolidated financial statements, foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates. Monetary assets and liabilities denominated in a foreign currency are translated into each entity's functional currency at the exchange rate in force at each balance sheet date. 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 directly recognised in "Other reserves".

In the consolidated accounts the assets and liabilities of entities 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 "Other reserves" in equity 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.

2.7 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.

CGD 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 listed in 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 by 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 financial asset. The business model is determined at a level that reflects how a group of financial assets is managed as a whole, in order to achieve this business model's specific objective and is not reliant upon the 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 enabling a conclusion to be reached on which business model should be considered for the management of its financial assets. The group therefore evaluates:

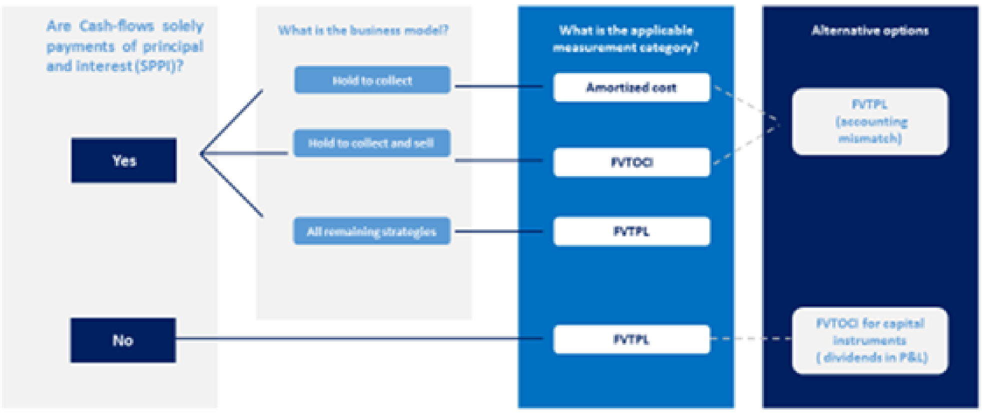
- The way in which the performance of the business model and the related financial assets are measured and communicated to management;

- The risks affecting the performance of the business model (and respective financial assets) 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 are considered to determine the classification and measurement of financial assets under IFRS 9 – "Financial instruments":

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

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



<u>Derecognition</u>

A financial asset is derecognised when, and only when, the contractual right to receive cash flows expires or the financial asset is transferred and the transfer qualifies for derecognition. A financial asset is considered to have been transferred if, and only if, the contractual rights to receive the cash flows from the said financial asset have been transferred or if the contractual rights to receive the cash flows have been retained but the group has accepted a contractual liability to deliver such cash flows to one or more beneficiaries. When the contractual rights to receive the cash flows have been retained, the group only treats the operation as a transfer if all of the following conditions have been fulfilled: (i) when the group has no obligation 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 have been 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 *vis-à-vis* the previous gross balance sheet amount. The asset's new gross balance sheet amount is measured 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 any difference from the former asset's net book value being recognised 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) and impairment losses are always 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 a result of the 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 restarting 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 triggers defined by CGD for default definition purposes, be latterly transferred to stage 2.

Reclassification of financial assets

If the group makes changes to its financial assets management business model (which is only expected to occur relatively infrequently and on an exceptional basis) all of the financial assets affected are reclassified in conformity with the requirements of IFRS 9 – "Financial instruments". The reclassification shall be applied prospectively from the date on 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 have been exercised, are not permitted.

Fair value

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 comprises 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 CGD 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) and include:
    i) Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
    ii) Bid prices obtained from financial institutions operating as market-makers; and
    iii) Internal measurement models, based on market data which would be used to define the price of a financial instrument, 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 their last available NAV (net asset value). Whenever considered adequate, NAV may be adjusted on the basis of the group's critical appraisal of the measurement criteria applied to the assets under the management of the referred to investment funds.

Amortised cost

Financial instruments at amortised cost are initially recognised at fair value, net of the profit or loss 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 the 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 recognised at their respective fair value. Profit and loss on their subsequent valuation is recognised in "Income from financial operations".

ii. Other financial liabilities

This category includes credit institutions' and customers' resources, 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

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.

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 which incorporate measurement techniques based on discounted cash flows which also reflect counterparties' credit and own credit risk (credit value adjustments and debt value adjustments − CVA/DVA).

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 to hedge 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 fulfil 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 tests are shown not to be effective; and
- Derivatives contracted for trading purposes.

Trading derivatives are registered at fair value. Their results are revalued on a daily basis and 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.

Hedge derivatives

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

At June 30 2021 and December 31, 2020 the group only hedged its exposure to changes in the fair value of financial instruments recognised 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 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 is shown to be effective, the group also recognises the change 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 such as interest rate swaps, which include an interest component, 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 recognised.

d) Impaired financial assets

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

- All financial assets at amortised cost (including lease agreements − IAS 16 – “Leases”);
- Debt instruments 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 an 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 - 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. This is the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations; and
- Lifetime expected losses. This is the expected loss based on the difference between the contractual cash flows and the cash flows an entity expects to receive up to the contract's maturity. The expected loss is therefore the result of all potential loss events up to maturity and is applied for 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, incorporating the EBA's recommendations as defined 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 a significant increase in credit risk (SICR) since the time of initial recognition.

The quantitative metric used to determine when an asset is transferred to stage 2 is 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 were also considered: credit in arrears for more than 30 days (backstop), credit which has been restructured owing to financial difficulties and objective credit risk criteria noted in the customer monitoring process.

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

The amount of the expected credit loss to be recognised accordingly considers a forward-looking component based on the weighting of 3 different macroeconomic scenarios (central, pessimistic and optimistic). The scenarios to be considered are defined by 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 individually significant exposures and individually 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.

2.8 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 assets and groups of assets for disposal, either by sale or another aggregate means, in a single transaction and 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 being held-for-sale whenever their book value is expected to be recovered on sale and not their continued use. The following requirements must be fulfilled 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 with which they are directly associated, 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 for non-current property held-for-sale is split up between individually and collectively analysed property.

Impairment is measured separately for all property with a gross book value (before impairment) of €3,000 thousand or more and properties with a lower gross book value, but whose specific characteristics justify an individual analysis

Individual impairment is measured on the basis of an individual analysis of each property's worth in accordance with the commercial disinvestment strategy for the property. It includes all information available on demand, supply and 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 is based on an assessment of the recoverable value of each property and comprises its acquisition price to which an adjustment factor is applied and discounted over an average length of time estimated for the sale. Both parameters are measured on the basis of the type of property and the length of time it has been listed in the portfolio. Impairment is calculated on the difference between the acquisition price and the recoverable amount,

- This collective impairment model applies to all property not included in an individual analysis, except for properties with promissory sales contracts or when an immediate sales process is in progress, in which the recoverable amount is the amount negotiated for its sale. Promissory sales contracts and properties with an immediate sales 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 diminished. An impairment loss on an asset which has been recognised in past periods is reversed in the event of any change 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 its realisation price and respective book value, adjusted for impairment.

2.9 Investment properties

Investment properties are properties held by the group with the objective of receiving income from their rental or appreciation in value.

Investment properties are not depreciated and are recognised at fair value, determined annually on the basis of experts' appraisals. Changes in fair value are recognised in "Other operating income" in profit and loss.

2.10 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, the group had revalued its tangible assets under the terms of the applicable legislation. As permitted by 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 respective proceeds, at the time of the revaluation, generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect changes in price indices. In Portugal, 40% of the increase in depreciation on these revaluations is not tax deductible and the corresponding deferred tax liabilities thereon have been recognised.

Depreciation is recognised on a straight line basis across an asset's estimated useful life, comprising the period in which it is 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 works on 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 tangible assets are performed annually. 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 its tangible assets' estimated useful lives on an annual basis

2.11 Leases

IFRS 16 – "Leases" – defines the principles applicable to the recognition, measurement, presentation and disclosure of lease agreements, with the objective of providing appropriate information that provides a proper representation of such transactions.

IFRS 16 made significant changes 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 an underlying asset's value is residual.

Lessee

The standard defines a unique accounting procedure for lease agreements, based on 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 in comparison to 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 as set out in the agreements' financial schedules. Interest included in the instalments is recognised as "Interest and similar income".

2.12 Intangible assets

This account essentially comprises the costs of acquiring, developing or preparing software for use in the group's activities. When the requirements of IAS 38 – "Intangible assets" have been 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 between 3 and 6 years.

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

2.13 Income taxes

CGD pays tax under the fiscal regime set out in the IRC (corporate income tax) code and is taxed under the special tax regime for corporate groupings of article 69 *et seq*. of the code. The group perimeter applied for this tax regime, in which CGD is the dominant entity, includes all companies with headquarters or 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 holds either a direct or indirect stake of at least 75%, for a period of more than a year and when such an 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 CGD Portugal's 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 required to pay 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 in accordance with double taxation agreements under article 91 of the respective code.

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

- *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 benefiting from a clearly more favourable tax regime is included in CGD's accounts, in proportion to its equity stake and independently of its distribution, provided that CGD has a direct or indirect equity stake of at least 25% of the voting rights or rights to income or a part of such entities' equity.

  An entity is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in a ministerial order approved by the member of government responsible for the finance area or (ii) when the income tax effectively paid is less than 50% of the IRC rate payable under the IRC code.

  The profit, in such cases, is included in the period in which the end of the non-resident company's tax period is included in the form of the proportion of its net profit to CGD's capital holding. The amount of the income included is deductible from the taxable profit for the period in which the profit is distributed to CGD. CGD does not recognise any deferred taxes for this situation.

- *Impaired credit*

  Law 98/2019 was published on September 4, 2019. It changes the IRC code on impairment in credit institutions and other financial institutions and creates rules on non-tax deductible impairment losses not recognised in taxation periods prior to January 1, 2019. Under this new regime, impairment losses on the credit risk of individually analysed exposures or when analysed on a collective basis and in taxation periods beginning on or after January 1, 2019, recognised under the terms of the 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 up to December 31, 2018 continue to apply to impairment losses and other value adjustments for specific credit risk, accounted for in past tax periods, i.e. limiting tax deductions to the amounts calculated under the dispositions of Bank of Portugal *notice* 3/95 (subsequently revoked) provided that the credit was not covered by real rights over immovable assets.

Based on the dispositions of article 4 of the new law, CGD formalised its intention to subscribe for the new regime for the tax periods beginning January 1, 2019 in the form of a communication sent to the director general of the tax and customs authority on October 31, 2019.

- *Credit write-offs*

  At June 30, 2021 and December 31, 2020 the group continued to recognise deferred tax assets on non-tax deductible impairment on credit operations which had already been written off from assets, based on the expectation that they will be included as taxable items in the taxation periods in which the conditions required for their deduction have been met, both in terms of the delay period (24 months) and compliance with the limits set out in the legislation in force on the referred to dates or, additionally, 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.

  Article 51-C of the corporate tax code was amended by the publication of law 42/2016, based on an addendum to no. 6 and 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 of this situation, CGD began to recognise deferred tax liabilities on impaired financial investments as a deductible tax cost at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress). These liabilities amounted to €29,092 thousand and 23,685 thousand at June 30, 2021 and December 31, 2020, respectively.

  The amount of unrecognised deferred tax liabilities on the impairment of tax-deductible financial investments, to the extent of the unlikelihood of any changes to the board of directors' strategy regarding the management of such investments, i.e. no prospects of sale or liquidation in the foreseeable future, amounted to €70,532 thousand and €69,139 thousand at June 30, 2021 and December 31, 2020, respectively.

- *Employee costs*

  CGD has considered its payment of employee costs which have been processed and recognised in the accounts, including, costs associated with pension liabilities 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 respective understanding on this matter 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 to 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 change of accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits, with reference to December 31, 2011, the full amount of the deferred net liabilities balance in CGD's balance sheet at that date was recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities fulfilled the requirements of article 183 of law 64-B/2011 of December 30, the negative equity variations originated in 2011, which were not considered for tax purposes, in the period, are recognised as a deduction from taxable profit, in equal parts, in the ten years beginning on or after January 1, 2012.

  CGD did not recognise deferred tax on actuarial or financial profit and loss on its pension plan for its working employees at June 30, 2021 and December 31, 2020.

- *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 its assessment of taxable income for first half 2021 and 2020 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 of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit on tax recoverable/payable in future periods.

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 the tax legislation in force.

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 originating 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 upon the temporary differences' reversal dates, comprising the 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 their originating transactions have been recognised in other equity accounts. The corresponding tax, in these situations, is also recognised as a charge to equity.

2.14 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 to be a contingent liability. Contingent liabilities require only disclosure, 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.

2.15 Employee benefits

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

Pensions and healthcare liabilities

CGD group has several pension plans, including defined benefit and, in several situations, defined contribution plans. CGD has established a defined benefit pension plan, which aims to ensure the payment of retirement, disability and survivors' pensions to its employees. Other group companies, including Banco Comercial do Atlântico and Banco Nacional Ultramarino (Macau) also have liabilities for defined benefit plans.

Healthcare for CGD Portugal's working and retired employees is also provided by Caixa Geral de Depósitos' social services and funded by contributions from CGD Portugal and its employees.

CGD also has liabilities for contributions to SAMS (healthcare services) for its 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 funds' assets. Total liabilities are calculated by specialised actuaries, using the projected unit credit method and appropriate actuarial assumptions. The rate used for liabilities discounting purposes is based on market interest rates on 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 of liabilities.

Profit and loss on differences between actuarial and financial assumptions and the effective amounts regarding the evolution of liabilities and the pension fund's expected yield, in addition to changes 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 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 also directly recognised in "Employee costs". CGD also recognises a specific liability for the impact of the change to "non-working" 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

CGD 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 the 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 profit 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 the group and its employees. These costs are recognised in "Employee costs" in profit and loss.

2.16 Commissions

As referred to in note 2.7, commissions on credit operations and other financial instruments, i.e. commissions directly charged or paid on originating operations, are recognised over the course of such operations, in "Interest and similar income" and "Interest and similar costs".

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.

2.17 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.

2.18 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.

2.19 Cash and cash equivalents

For the preparation of its cash flow statement, 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.

2.20 Critical accounting estimates and more relevant judgmental aspects for the application of accounting policies

The application of the above referred to accounting policies requires CGD'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 at amortised cost are measured using the methodology defined in note 2.7. d). This measurement is, *inter alia*, based on the weighting of a series of factors reflecting knowledge of a customer's situation, treatment of historical data, value of the guarantees associated with the operations in question and is therefore highly subjective.

The group considers that impairment measured by this methodology enables the risks on its credit portfolio to be adequately 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 changes are recognised as a charge to other comprehensive income. Whenever the results of the analyses (note 2.7. d)), show the existence of impairment, the amount of the estimated loss is reclassified from other comprehensive income to costs for the period.

This measurement is based on available market information and includes modelling assumptions and judgements, changes to which could produce different results. The group, however, considers that impairment measured by the use of this methodology adequately 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 2.7, are used to measure the value of financial instruments not traded in 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 management body's 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 2.15, above, the group's liabilities for its employees' post-employment and other long term benefits are measured on an actuarial basis. The actuarial calculations incorporate, *inter alia*, 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. The amounts recognised in such cases represent CGD group's responsible bodies' best understanding of the correct classification of the operations although this may be challenged by the fiscal 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 CGD's board of directors, namely the capacity to generate the estimated taxable profit 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" consider a set of judgmental assumptions which are contingent upon each asset's specific characteristics and the group's commercialisation strategy. The assumptions regarding future events may not occur or, even if occurring, their real results could be different. By way of example, there may be changes on a level of property market expectations, relevant macroeconomic variables or on a level of the intrinsic characteristics of the actual property and its physical surrounds.

h) Provisions and contingent liabilities

As referred to in note 2.14, above, provisions are always 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 and the information thereon is disclosed if the possibility of the need to make payments is not considered to be remote.

Decisions regarding the recognition of provisions and their respective measurement take 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) Impairment of investments in subsidiaries, associates and joint ventures

The group undertakes an annual year-end evaluation of the recoverable value of its investments in subsidiaries, associates and joint ventures. Recoverable value is measured on the basis of valuation methodologies using discounted cash flow techniques, considering the board of directors' strategy for each entity, market conditions value over time and business risks whose fair value is estimated by specific assumptions or judgements.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of valuation of investments in subsidiaries, associates and joint ventures and, *ipso facto*, its impact on the group's profit and loss.

j) Covid-19 pandemic

As referred to in the introductory note, the year 2021 continues to be marked by the devastating impacts of the Covid-19 pandemic, as a severe respiratory illness caused by the acute respiratory syndrome coronavirus known as SARS-CoV-2, on the world economy.

In spite of the high levels of uncertainty over the extent and depth of this crisis, existing indicators 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 has included fiscal and monetary policy measures which are highly focused on stabilising the financial conditions of diverse economic actors to protect business and minimise the risk of loss of household income.

Owing to this context, the financial statements for the period ended June 30, 2021 reflect the board of directors' best evaluation of the pandemic's potential financial effects, including asset values and measurements of expected credit portfolio losses, which will be monitored and continuously revised 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, sectors of activity and respective financial data taken from its separate, statutory financial accounts, unless otherwise expressly indicated, is summarised below:

Activity / Entity	Location	30-06-2021			31-12-2020	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	146,286	8,918	105,278	11,650
Parbanca, SGPS, S.A.	Madeira	-	-	-	81,368	13,084
Banking						
Banco Comercial do Atlântico, S.A.	Praia	58.19%	78,766	7,706	69,218	12,540
Banco Comercial e de Investimentos, S.A.	Maputo	63.05%	282,602	28,062	230,292	37,158
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	51,693	200	48,310	(2,540)
Banco Interatlântico, S.A.R.L.	Praia	70.00%	26,286	1,339	25,033	2,746
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	763,131	22,769	756,260	46,070
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.77%	385,065	5,266	381,583	9,045
CGD Investimentos CVC, S.A.	São Paulo	100.00%	3,915	44	3,582	23
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	101,897	14,128	101,548	22,431
Asset Management						
Caixa Gestão de Ativos, S.A.	Lisbon	100.00%	31,551	5,637	37,792	8,557
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	8,986	1,335	12,380	2,590
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	4,487	195	4,026	(47)
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.77%	14,431	866	15,217	1,651
Real Estate						
Imobci, Lda.	Maputo	46.31%	604	128	382	312
Caixa Imobiliário, S.A.	Lisbon	100.00%	20,612	796	19,816	(3,475)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(75,531)	(62)	(75,469)	(530)
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%	61,399	(526)	61,926	(534)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	131,099	12,231	118,868	3,138
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	82,276	(414)	82,689	206
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	27.22%	62,308	4,820	63,009	1,075
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	31.26%	99,720	2,028	102,549	1,079
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	46,617	(554)	47,170	(3,457)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	170,674	5,183	165,492	11,587

Information on the principal movements of group subsidiaries for the period ended June 30, 2021 and in 2020 is given below:

Partang

Partang SGPS, S.A., with the consequent global transfer of its assets, was merged with CGD (note 2.3), at December 31, 2020 As a result of this operation, Partang's equity stake in BCG Angola is now owned by CGD.

Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.

As part of CGD's implementation of its strategic plan across the period 2017-2020, a review of the organisational model supporting the specialised credit business was defined as one of the levers of the structural rationalisation and talent management initiative through the integration of group company Caixa Leasing e Factoring (CLF) into CGD's organic structure.

Work carried out in 2020, made it possible, on December 31, 2020, to finalise CLF's incorporation into CGD and fulfil the strategic plan's requirements in terms of simplifying CGD's group structure

GIE - Groupment d'Interet Economique

This economic interest grouping was liquidated at June 30, 2021, as part of the ongoing restructuring process.

4. Cash and cash equivalents at central banks

This account comprises the following:

	30-06-2021	31-12-2020
Cash	538,982	560,392
Demand deposits in central banks	18,139,546	9,718,319
	18,678,529	10,278,712
Interest on demand deposits in central banks	(3,431)	(933)
	18,675,098	10,277,778

The objective of CGD's sight deposits with the Bank of Portugal is to comply with the minimum cash reserves requirements of the European Central Banks System (ECBS).

The funds deposited at central banks by CGD and group banks at June 30, 2021 and December 31, 2020 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:

	30-06-2021	31-12-2020
Cheques for collection		
- Portugal	43,477	37,535
- Abroad	11,567	11,615
	55,044	49,150
Demand deposits		
- Portugal	170,748	155,297
- Abroad	265,159	488,614
	435,906	643,911
Accrued interest	726	1,437
	491,676	694,498

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:

	30-06-2021	31-12-2020
Interbank money market	39,950	40,000
Term deposits		
- Portugal	110,186	110,273
- Abroad	1,245,643	1,166,384
Loans		
- Portugal	(7)	(8)
- Abroad	364,468	379,068
Other applications		
- Portugal	957	-
- Abroad	596,553	636,197
Purchase operations with resale agreement	174,590	288,025
Overdue loans and interest	27	27
	2,532,367	2,619,967
Accrued interest	123	873
Deferred income	(330)	(422)
	2,532,160	2,620,419
Impairment (Note 35)	(1,896)	(3,100)
	2,530,263	2,617,319

The "Purchase operations with resale agreements" account at June 30, 2021 and December 31, 2020 refers to contracts for the acquisition of financial instruments with a resale agreement at a future date for 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 a loan to credit institutions, measured at its respective amortised cost. These operations were contracted for under global master repurchase agreements (GMRAs), 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, at June 30, 2021 and December 31, 2020 is set out in note 35.

7. Financial assets at fair value through profit or loss

This account comprises the following:

	30-06-2021			31-12-2020		
	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	5,337	-	5,337	30,899	-	30,899
. Treasury bills	499,281	-	499,281	1,551,559	-	1,551,559
. Bonds of other public issuers						
Foreign	752,351	-	752,351	1,567,119	-	1,567,119
- Other issuers:						
. Bonds and other securities:						
Residents	1,284	99	1,383	-	98	98
Non-residents	65,044	-	65,044	23,542	-	23,542
	1,323,296	99	1,323,396	3,173,119	98	3,173,217
Equity instruments						
Residents	1,561	230,412	231,973	1,146	225,822	226,968
Non-residents	74	103,291	103,365	459	116,657	117,116
	1,635	333,703	335,338	1,605	342,478	344,084
Other financial instruments						
Residents	-	486,003	486,003	-	480,568	480,568
Non-residents	-	329,630	329,630	-	334,247	334,247
	-	815,633	815,633	-	814,815	814,815
Loans and receivables						
Loans and advances to customers	-	88,185	88,185	-	92,463	92,463
Other loans and receivables	-	20,097	20,097	-	21,552	21,552
	-	108,282	108,282	-	114,015	114,015
Derivatives with positive fair value (Note 10)						
- Swaps	415,817	-	415,817	505,003	-	505,003
- Futures and other forward operations	7,824	-	7,824	9,617	-	9,617
- Options - shares, currency and commoditie	9,019	-	9,019	14,803	-	14,803
- Caps and floors	224,140	-	224,140	357,013	-	357,013
	656,800	-	656,800	886,436	-	886,436
	1,981,731	1,257,717	3,239,449	4,061,160	1,271,407	5,332,567

The "Other financial instruments" account, at June 30, 2021 and December 31, 2020 includes €398,557 thousand and €396,815 thousand, respectively, in subscriptions for investments in vehicles created under financial assets lending operations (loans and advances to customers).

Following their 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 fulfilled. The corporate vehicles in which CGD has a 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 value of the equity investment in the respective corporate vehicles. Following their initial recognition, these positions reflect the revaluation of these companies' equity.

Information on CGD's exposure to these assets at June 30, 2020 and December 31, 2020 is set out below:

	30-06-2021	31-12-2020
Fundo Imobiliário Aquarius	91,021	91,021
Fundo Recuperação, FCR	53,373	53,373
Flit-Ptrel SICAV	185,714	184,961
OXI Capital, SCR	14,082	14,780
Predicapital FEIIF	11,555	11,555
Fundo Recuperação Turismo, FCR	23,324	23,324
Fundo Imobiliário Vega	16,233	14,546
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	3,255	3,255
	398,557	396,815

As the value of the asset transfer funds, at June 30, 2020 and December 31, 2020, considers the group's analysis of the recoverable amount 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 internal valuation criteria for these funds are detailed in note 39 - "Disclosures − financial instruments" in the chapter on "Restructuring funds".

At June 30, 2021 and December 31, 2020, the balance sheet carrying amount of the unit trust and property investment funds managed by group entities and recognised in the financial assets at fair value through profit or loss portfolio, was as follows:

	30-06-2021		31-12-2020	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	24,024	127,220	10,575	127,323

At June 30, 2021 the balance sheet carrying amount of the unit trust investment funds managed by group entities and recognised in the financial assets at fair value through profit or loss portfolio, was as follows:

Securities Investment Funds	Number	Book Value
Caixagest Infraestruturas	973,640	7,305
Caixa Disponível	3,138,650	16,719
	4,112,290	24,024

8. Financial assets at fair value through other comprehensive income

This account comprises the following:

	30-06-2021	31-12-2020
Debt instruments		
- Public debt	2,346,135	2,294,176
- Other public issuers	3,552,373	3,473,940
- Other issuers	1,009,821	953,748
	6,908,329	6,721,864
Equity instruments		
- Measured at fair value	88,904	72,767
	88,904	72,767
Other instruments	62,145	62,148
	7,059,379	6,856,779
Impairment (Note 35)		
- Debt instruments	(591)	(863)
	(591)	(863)
	7,058,788	6,855,916

At June 30, 2021 and 31 December 2020, details on the group's exposure to "Other Instruments" at fair value through other comprehensive income - securities subscribed for in the framework of asset lending operations, was as follows:

	30-06-2021		31-12-2020	
	Book value	Fair value reserve	Book value	Fair value reserve
Discovery Portugal Real Estate Fund	62,143	(22,657)	62,143	(22,657)

CGD opted to classify and measure this equity instrument at fair value through other comprehensive income in conformity with the option provided by IFRS 9 – "Financial instruments" (note 2.7). Details on the internal measurement criteria for these funds are given in note 39 - "Disclosures − financial instruments" in the chapter on "Restructuring funds". The fair value reserves, net of deferred taxes associated with assets measured at fair value through other comprehensive income, amounted to €153,540 thousand and €155,387 thousand at June 30, 2021 and December 31, 2020, respectively (note 26).

9. Financial assets with repurchase agreements

Information on financial assets with repurchase agreements at June 30, 2021 and December 31, 2020, is set out below:

	30-06-2021	31-12-2020
At fair value through fair value reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	109,110	-
. Foreign debt securities	13,356	13,877
	122,466	13,877

The group entered into financial assets sales operations with a purchase agreement at a future date and predefined price with financial institutions and customers during the course of the period ended June 30, 2021 and 2020.

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 agreement are recognised as liabilities under "Customers' resources and other loans - other resources – transactions with repurchase agreements" (note 20).

10. Derivatives

The group's activity includes derivatives operations 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, 2021 and December 31, 2020, was measured in conformity with the criteria described in note 2.7.c). Information on the operations' notional and book values at the said dates is given below:

	30-06-2021							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Fowards				1,178	(1,303)	-	-	(125)
Purchase	182,873	-	182,873					
Sale	182,997	-	182,997					
NDF's (Non Deliverable Forward)				6,647	-	-	-	6,647
Purchase	13,364	-	13,364					
Swaps								
Currency swaps				12,521	(2,003)	-	-	10,518
Purchase	1,406,994	-	1,406,994					
Sale	1,395,697	-	1,395,697					
Equity swaps				316	-	-	-	316
Purchase	883	-	883					
Sale	883	-	883					
Interest rate swaps and cross currency interest rate swaps				402,980	(407,974)	6,734	(40,687)	(38,946)
Purchase	16,968,248	601,300	17,569,548					
Sale	16,932,533	601,300	17,533,833					
Futures								
Currency								-
Long positions	39,687	-	39,687					
Interest rate								-
Short positions	118,740	1,677,501	1,796,241					
Equity								-
Other								-
Long positions	1,390,903	-	1,390,903					-
Short positions	887,490	-	887,490					-
Options								
Currency				34	(24)	-	-	10
Purchase	3,871	-	3,871					
Sale	2,494	-	2,494					
Equity				8,985	(8,833)	-	-	152
Purchase	21,667	-	21,667					
Sale	7,843	-	7,843					
Interest rate (Caps & Floors)				224,140	(224,178)	-	-	(38)
Purchase	390,426	-	390,426					
Sale	369,120	-	369,120					
	40,316,714	2,880,101	43,196,815	656,800	(644,315)	6,734	(40,687)	(21,467)

	31-12-2020							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Fowards				2,876	(2,754)	-	-	122
Purchase	191,347	-	191,347					
Sale	191,236	-	191,236					
Swaps			-					
Currency swaps				1,144	(24,491)	-	-	(23,347)
Purchase	992,527	-	992,527					
Sale	1,015,417	-	1,015,417					
Equity swaps				607	-	-	-	607
Purchase	1,681	-	1,681					
Sale	1,681	-	1,681					
Interest rate swaps and cross currency interest rate swaps				503,252	(521,991)	7,325	(56,295)	(67,710)
Purchase	19,298,741	614,740	19,913,481					
Sale	19,272,315	617,606	19,889,921					
Futures								
Currency								-
Long positions	39,419	-	39,419					
Short positions	-	-	-					
Interest rate				-	-	-	-	-
Long positions	1,066	-	1,066					
Short positions	22,618	1,427,933	1,450,551					
Equity				6,741	-	-	-	6,741
Long positions	13,513	-	13,513					
Short positions	533	-	533					
Other				-	-	-	-	-
Long positions	355,357	-	355,357	.				-
Short positions	463,916	-	463,916					
Options								
Currency				119	(3)	-	-	116
Purchase	2,896	-	2,896					
Sale	3,108	-	3,108					
Equity				14,684	(14,703)	-	-	(19)
Purchase	13,861	-	13,861					
Sale	98	-	98					
Interest rate (Caps & Floors)				357,013	(357,450)	-	-	(437)
Purchase	571,230	-	571,230					
Sale	524,634	-	524,634					
	42,977,192	2,660,278	45,637,471	886,436	(921,391)	7,325	(56,295)	(83,926)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2021 and December 31, 2020, include operations collateralised by surety accounts to hedge the fair value of lending and borrowing exposures between CGD and various financial institutions. The balances deposited by these financial institutions with CGD and by CGD with these financial institutions at the above 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 the value of CVAs (credit value adjustments) and DVAs (debt value adjustments) are given in note 39.

11. Hedge accounting

As referred to in note 2.7. c), the group performs derivative transactions with the objective of hedging its exposure to the risks inherent to its activity. In first half 2021 and in 2020 the hedge accounting option in accordance with the requirements of IFRS 9 applied to the change in the fair value hedge model associated with interest rate risk on the securities portfolio in addition to non-subordinated debt issued under the EMTN programme.

Hedge derivatives are measured at their fair value and their respective variations are recognised as a charge to profit or loss. The fair value of derivatives not traded in organised markets is calculated by internal models that incorporate discounted cash flow valuation techniques and, whenever available, observable market data. According to the fair value ranking criteria set out in note 39, these instruments are classified at level 2.

The following is a breakdown of hedging instruments at June 30, 2021 and December 31, 2020.

	30-06-2021			
	Notional value		Book value	
	> 1 year	Total	> 1 year	Total
Derivatives for hedging the fair value of interest rate changes				
Interest rate swaps and cross currency interest rate swaps				
Purchase	601,300	601,300	(33,953)	(33,953)
Sale	601,300	601,300	-	-
Interest rate futures				
Sale	1,677,501	1,677,501	-	-
	2,880,101	2,880,101	(33,953)	(33,953)

	31-12-2020					
	Notional value			Book value		
	> 3 months <= 6 months	> 1 year	Total	> 3 months <= 6 months	> 1 year	Total
Derivatives for hedging the fair value of interest rate changes						
Interest rate swaps and cross currency interest rate swaps						
Purchase	13,440	601,300	614,740	(2,553)	(46,418)	(48,971)
Sale	16,306	601,300	617,606	-	-	-
Interest rate futures						
Sale	-	1,427,933	1,427,933	-	-	-
	29,746	2,630,533	2,660,278	(2,553)	(46,418)	(48,971)

Hedged items, at June 30, 2021 and December 31, 2020, comprised the following:

	30-06-2021			31-12-2020		
	Hedging element			Hedging element		
	Book value	Accumulated Amounts Corrections (Assets / Liabilities	Adjustment in the hedge accounting period (Note 33)	Book value	Accumulated Amounts Corrections (Assets / Liabilities	Adjustment in the hedge accounting period (Note 33)
Financial assets at fair value through other comprehensive income	2,716,641	(8,484)	(47,416)	2,520,271	(55,571)	55,700
public debt	2,154,246	(5,081)	(37,638)	2,094,248	(42,614)	42,615
foreign public debt	562,395	(3,403)	(9,779)	426,023	(12,957)	13,085
Bonds issued under the EMTN programme	26,050	(6,722)	(2,157)	39,490	(4,565)	(814)
	2,742,691	**(15,206)**	**(49,573)**	**2,559,761**	**(60,137)**	**54,886**

The group recognised losses of €3,865 thousand (note 31) on the ineffectiveness component of its hedge relationships in 2021.

12. Investments at amortised cost

The following is a breakdown of investment balances at amortised cost at June 30, 2021 and December 31, 2020:

	30-06-2021	31-12-2020
Debt instruments		
Public debt	4,403,536	4,059,526
Other public issuers		
Other non-residents	8,373,423	6,916,744
	12,776,958	10,976,270
Other issuers		
Other non-residents	365,221	299,653
	365,221	299,653
	13,142,179	11,275,923
Impairment (Note 35)	(25,439)	(19,101)
	13,116,740	11,256,822

Investments at amortised cost, at June 30, 2021 and December 31, 2020 included Angola sovereign debt instruments of €287,962 thousand and €245,460 thousand respectively.

The “Debt instruments – issued by national entities − public debt securities” account at June 30, 2021 and December 31, 2020, includes securities allocated to the issuance of covered bonds with a balance sheet carrying amount of €127,235 thousand and €126,110 thousand, respectively.

13. Loans and advances to customers

This account comprises the following:

	30-06-2021	31-12-2020
Domestic and foreign loans		
Loans	38,984,525	37,378,918
Current account loans	980,899	977,873
Other loans	2,909,790	2,848,660
Other loans and amounts receivable - securitised		
. Commercial Paper	1,091,360	1,340,763
. Other	3,339,377	3,419,101
Property leasing operations	770,300	762,397
Discounts and other loans secured by bills	135,617	141,857
Equipment leasing operations	815,186	770,969
Factoring	1,235,166	1,250,371
Overdrafts	158,369	159,962
	50,420,590	49,050,872
Accrued interest	117,697	123,440
Deferred income, commissions and other cost and income associated with amortised cost	(16,076)	(23,661)
	50,522,211	49,150,651
Overdue loans and interest	1,001,069	998,173
	51,523,280	50,148,823
Impairment (Note 35)	(2,316,480)	(2,245,857)
	49,206,800	47,902,966

"Domestic and foreign credit – other loans", at June 30, 2021 and December 31, 2020, includes €32,794 thousand and €35,453 thousand, in mortgage and personal loans issued by CGD to its employees, respectively.

Other credit disposal operations

CGD disposed of a series of mainly non-performing mortgage and non-mortgage loans for a balance sheet carrying amount before impairment on the transaction date of approximately €623,265 thousand during the course of 2019. 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 asset lending operations to funds), with a balance sheet carrying amount, on the transactions' reference date, before impairment of approximately €263,928 thousand were also disposed of in 2019. There were no disposals in 2020.

The “Loans” portfolio at June 30, 2021 and December 31, 2020 includes mortgage loans assigned by CGD as part of securitisation operations. Loan movements in first half 2021 and in 2020 were as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2019	3,075,126
Repayments	(231,963)
Repurchase	(13,409)
Other	(2,591)
Balances at 31-12-2020	2,827,163
Repayments	(114,680)
Repurchase	(10,125)
Other	(220)
Balances at 30-06-2021	2,702,137

The liabilities associated with this operation are entirely obligations of Group companies and are therefore eliminated in the preparation of its consolidated financial statements.

The “Loans” account, at June 30, 2021 and December 31, 2020, includes mortgage loans with a book value of €5,934,611 thousand and €6,251,886 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising the referred to issuances, at June 30, 2021 and December 31, 2020 also includes debt securities with a book value of €127,325 thousand and €126,110 thousand, respectively (note 12) at these dates.

Information on impairment movements in first half 2021 and in 2020 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, 2021 and December 31, 2020, is set out below:

ASSETS	30-06-2021	31-12-2020
Property and equipment	460,473	472,883
Subsidiaries		
Banco Caixa Geral Brasil, S.A.	163,283	183,778
Banco Comercial do Atlântico, S.A.	810,224	793,437
CGD Investimentos CVC, S.A.	4,948	4,666
Other non-current assets and liabilities h	3,402	3,402
	1,442,329	1,458,165
Impairment (Note 35)		
Property and equipment	(246,988)	(250,481)
Subsidiaries	(51,693)	(48,659)
Subsidiaries	(77)	(77)
	(298,758)	(299,216)
	1,143,571	1,158,949
LIABILITIES		
Subsidiaries		
Banco Comercial Atlântico	731,912	724,154
Banco Caixa Geral Brasil, S.A.	115,399	139,050
CGD Investimentos CVC, S.A.	1,032	1,083
	848,343	864,287

The income generated by held-for-sale business units, in first half 2021 and in 2020, is itemised in the consolidated profit and loss statement as "Income from subsidiaries held-for-sale", as set out below:

	30-06-2021	30-06-2020
Results of subsidiaries held-for-sale		
Banco Comercial do Atlântico, S.A.	8,084	7,253
Banco Caixa Geral Brasil, S.A.	250	(558)
CGD Investimentos CVC, S.A.	44	8
	8,378	6,703

These entities are classified in the “Other” lines of the business segment (note 36).

Subsidiaries

In the framework of CGD's recapitalisation commitments, agreed between the Portuguese state, as the sole shareholder of Caixa Geral de Depósitos and the competent European authorities (see introductory note), CGD initiated a series of actions in 2016 and 2017, leading to the disposal of the group's equity stakes 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 operations and communication of its intentions to the relevant supervisors.

The disposal of these companies is relevant to CGD's furtherance of its objectives in implementing its strategic plan. The rationalisation of the group's international structure aims to focus on intervention in the national marketplace and make an active contribution to its development while continuing to provide services to its customers and Portuguese communities in these geographies.

Decree law 153/2017 of December 22 was published with the objective of ensuring the adaptation of national legislation to the particularities of the disposal process on these equity stakes. This decree law regulated the terms and modalities governing these transactions in addition to 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", these business units' assets and liabilities 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. The group does not eliminate the balances with the other entities in the consolidation perimeter in the consolidation process of the entities classified under this standard.

The group successfully disposed of 99.79% of the share capital of BCG Spain to Abanca Corporación Bancária, S.A. and 100% of Mercantile's equity shares to Capitec Bank Limited during the course of 2019.

Impairment of €21,593 thousand on the equity stake in Mercantile and €135,463 thousand in the case of BCG Spain was reversed as a result of the sale of these two subsidiaries (note 35).

The completion of these two sale operations achieved one of the main pillars of CGD's strategic plan in achieving a significant increase in its capital levels, particularly owing to its deleveraging operations.

The BCG Brazil disposal process was originally constrained by the period of political instability affecting the country in 2018 which was responsible for various delays to the completion of several initiatives which had initially been scheduled and which could only be further developed across the course of 2019. The government's approval, in August 2019, of the tender documents for the direct sale of BCG Brazil's equity shares held directly by Caixa Geral de Depósitos was particularly relevant.

A capital reduction of €71,689 thousand and €2,732 thousand in BCG Brazil and CGD Investimentos, respectively (at the December 2019 exchange rate) in preparation of the current disposal process was also approved during the course of 2019.

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) pursuant to which bidders were able to prepare a comprehensive due diligence report on BCG Brazil and interact with CGD on strategic matters, in addition to key aspects underpinning the transaction documents.

As none of the binding offers received on December 16, 2019 was considered acceptable by CGD the process was brought to an unsuccessful conclusion.

Initiatives leading to an assessment of the opportunity to initiate new contacts with potential investors were resumed during the course of 2020, notwithstanding the uncertainty deriving from the current pandemic. In spite of the current difficulties, partly associated with the impact of the pandemic, CGD's board of directors still intends to dispose of the equity stake in BCG Brazil and is considering the circumstances and terms under which it may be undertaken in accordance with its shareholder's objectives and best interests.

Owing to an *ad hoc* review of its commitments to DG Comp as part of the recapitalisation process, in January 2019, Caixa Geral de Depósitos, S.A. decided to dispose of its equity investment in Banco Comercial do Atlântico in the Republic of Cape Verde (BCA), initiating the process and development of the respective legal and procedural requirements. Decree-Law no. 146/2019, approving the terms under which the full or part sale of CGD's shares in BCA will take place, was published in September 2019. Since then, a number of initiatives have been implemented to select potential investors as a precondition for the development of the negotiating process.

Impairment of €51,693 thousand and €48,659 thousand was declared on BCA and BCG Brazil respectively, at June 30, 2021 and December 31, 2020 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 each date.

Banco Caixa Geral – Brasil, S.A

Information on the key financial data of Banco Caixa Geral – Brasil, at June 30, 2021 and December 31, 2020, is set out below:

ASSETS	30-06-2021	31-12-2020
Cash balances and loans and receivables at other credit insti	995	28,520
Financial assets at fair value through profit or loss	38,810	26,697
Financial assets at fair value through other comprehensive in	62,510	63,416
Financial assets with repurchase agreement	1,006	1,312
Non-current assets held-for-sale	9,856	9,132
Other tangible assets	264	238
Investments in associates and subsidiaries excluded from co	9,226	8,548
Current tax assets	371	685
Deferred tax assets	13,234	12,401
Loans and advances to customers	35,655	41,495
Other assets	582	(117)
TOTAL ASSETS	172,509	192,325
LIABILITIES AND EQUITY		
Resources of other credit institutions	36,930	39,202
Customer resources	64,004	83,989
Financial liabilities at fair value through profit or loss	11,034	12,095
Provisions for guarantees and other commitements	356	341
Provisions for other risks	722	618
Current tax liabilities	-	520
Deferred tax liabilities	1,198	1,529
Other liabilities	1,156	756
TOTAL LIABILITIES	115,399	139,050
TOTAL EQUITY, of which:	57,110	53,276
Revaluation reserves	(1,100)	(401)
	172,509	192,325

Note: On June 30, 2021 and December, 2020, the individual balance sheet of Banco Caixa Geral Brasil, incorporates the Interest it holds on CGD Investimentos, CVC, in the amount of 9,226 tEuros and 8,548 tEuros.

	30-06-2021	30-06-2020
Other income and expenses		
Interest and similar income	4,186	6,141
Interest and similar expenses	(1,270)	(2,770)
Income from services rendered and commissions	488	349
Cost of services and commissions	(28)	(23)
Results from financial operations	222	4,174
Employee costs	(1,819)	(2,294)
Other administrative costs	(1,405)	(1,605)
Depreciation and amortisation	(31)	(60)
Provisions and impairments, net of reversals and recoveries	309	(4,698)
Other	(187)	(413)
	465	(1,198)
Income tax	(216)	640
NET INCOME	250	(558)

The balances set out in the preceding tables include operations with other group entities and were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2021	31-12-2020
ASSETS	398	496
LIABILITIES	28.292	41.895

	30-06-2021	30-06-2020
Other income	43	77
Other expenses	202	146

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at June 30, 2021 and December 31, 2020, is set out below:

ASSETS	30-06-2021	31-12-2020
Cash balances and loans and receivables at other credit institutions	4,598	4,336
Financial assets at fair value through profit or loss	77	71
Other tangible assets	5	3
Current tax assets	134	150
Other assets	132	105
TOTAL ASSETS	4,947	4,665
LIABILITIES AND EQUITY		
Provisions for other risks	97	126
Current tax liabilities	6	100
Deferred tax liabilities	574	539
Other liabilities	356	319
TOTAL LIABILITIES	1,032	1,083
TOTAL EQUITY, of which:	3,915	3,582
	4,948	4,666

	30-06-2021	30-06-2020
Other income and expenses		
Interest and similar income	53	88
Other administrative costs	(44)	(59)
Provisions and impairments, net of reversals and recoveries	(1)	(5)
Other	34	(12)
	42	12
Income tax	2	(4)
NET INCOME	44	8

The balances set out in the preceding tables include operations with other group entities and were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2021	31-12-2020
ASSETS	3.052	2.921

	30-06-2021	30-06-2020
Other income	17	51

Banco Comercial Atlântico, S.A. (Cape Verde)

Information on the key financial data of Banco Comercial do Atlântico, S.A. at June 30, 2021 and December 31, 2020 is set out below.

ASSETS	30-06-2021	31-12-2020
Cash balances and loans and receivables at other credit institutions	274,864	269,076
Financial assets at fair value through other comprehensive income	568	531
Non-current assets held-for-sale	16,633	14,486
Investment property	13	13
Other tangible assets	16,569	16,555
Intangible assets	396	426
Investments in associates and subsidiaries excluded from consolidation *	4,054	4,011
Current tax assets	271	423
Deferred tax assets	952	1,574
Loans and advances to customers	476,667	465,894
Other assets	19,592	20,803
TOTAL ASSETS	810,579	793,792
LIABILITIES AND EQUITY		
Resources of other credit institutions	636	969
Customer resources	720,115	711,043
Provisions for employee benefits	2,340	2,453
Provisions for guarantees and other commitements	181	171
Provisions for other risks	314	773
Current tax liabilities	1,961	2,361
Deferred tax liabilities	-	1,736
Other liabilities	6,364	4,647
TOTAL LIABILITIES	731,912	724,154
TOTAL EQUITY, of which:	78,667	69,638
Revaluation reserves	430	290
	810,579	793,792

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).

	30-06-2021	30-06-2020
Other income and expenses		
Interest and similar income	15,979	15,624
Interest and similar expenses	(2,205)	(2,963)
Income from services rendered and commissions	1,726	1,827
Cost of services and commissions	(245)	(276)
Income from equity instruments	14	232
Results from financial operations	690	601
Employee costs	(4,748)	(4,475)
Other administrative costs	(2,354)	(2,550)
Depreciation and amortisation	(817)	(939)
Provisions and impairments, net of reversals and recoveries	898	312
Other	78	48
	9,016	7,441
Income tax	(1,220)	(329)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	7,796	7,112
Non-controlling interests	288	141
NET INCOME	8,084	7,253

The balances set out in the preceding tables include operations with other group entities and were not eliminated in the consolidation process, details on which are given in the following table:

	30-06-2021	31-12-2020
ASSETS	8,689	10,084
LIABILITIES	889	680

	30-06-2021	30-06-2020
Other income	3	40
Other expenses	17	20

Foreign currency reserves

As referred to in note 2.6, at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss 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 in light of the requirements of IAS 21 – “The effects of changes in foreign exchange rates”, operations classified as a reimbursement of the amount invested when share capital reductions are also considered to be reductions of an interest in subsidiaries. The amount of foreign currency reserves to be reclassified to profit and loss, in such cases, is measured by the proportion of the amount of the reimbursement to the total amount of the investment.

Accumulated profit and loss on foreign exchange operations, at June 30 2021, 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 €75,854 thousand (€79,503 thousand at December 31, 2020).

15. Investment properties

Investment properties owned by the group, at June 30, 2021 and December 31, 2020, are recognised at fair value. Profit and loss on the revaluation of these properties is recognised as a charge to “Other operating income” (note 2.9) in profit and loss.

The "Investment properties" account at June 30, 2021 and December 31, 2020 included €155,860 thousand and €155,615 thousand, respectively, in property owned by the Fundiestamo fund. Revaluations of the properties included in this fund in first half 2021 amounted to a positive €4,159 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 type, characteristics and geographies of the properties, with the objective of assessing the best price achievable 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 property 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 information on a significant number of 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 performed in the building. When, over time, changes in income are likely to be more significant than generally expected in the market, discounted cash flows (DCF) 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 amount which would currently be 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 costs (including charges), depreciation based on a property’s present physical, functional, environmental and economic conditions plus commercialisation costs and the 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, net of all costs and margins associated with the unfinished construction on 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 this case, should be particularly based on those which maximise the use of relevant observable variables.

The most relevant 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 relevant 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 data in the market, 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 geography 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 estimated cash flow based on the type of property. This technique is reliant on current expectations of changes to the amounts and times 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 2.9. The respective fair value, in these cases, is measured by reference to the assessment of the respective recoverable amount.

To fulfil 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, 2021 and December 31, 2020 by type, development status in terms of their preparation for use and current occupancy, considering the methodologies used to measure fair value:

			30-06-2021			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Offices	Concluded	Rented	149.737	Market comparable method / Income capitalisation method	Discount rate	[6.25%-8.75%]
			149.737			
Housing	Concluded	Rented	67	Income capitalisation method / Market comparable method	Estimated rental value per m2	2
		Capitalisation / sale	3.317	Income capitalisation method	Estimated rental value per m2	[20000 - 2500]
			3.384			
Stores	Concluded	Rented	50	Income capitalisation method / Market comparable method	Estimated sale value per m2	5.0 / 740
			50			
Parking	Concluded	Rented	5.105	Market comparable method / Income capitalisation method	Discount rate	[6.00%-8.00%]
			5.105			
Land	n.a.	Capitalisation / sale	13.349	Replacement cost method / Market comparable method	Completed sale value per m2 housing / commerce	2400-3800
			13.349			
Stores	Concluded	Sale	706	Market comparable method / Income capitalisation method	Estimated sale value per m2	1.1 / 545
			706			
			172.332			
Other			20.105			
			192.437			

			31-12-2020			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Offices	Concluded	Rented	149.497	Market comparable method / Income capitalisation method	Discount rate	[6.25%-8.75%]
			149.497			
			67	Market comparable method / Income capitalisation method	Estimated rental value per m2	2
		Capitalisation / sale	3.020	Income capitalisation method	Estimated rental value per m2	[20000 - 2500]
			3.087			
Stores	Concluded	Rented	50	Income capitalisation method / Market comparable method	Estimated sale value per m2	5.0 / 740
			50			
Parking	Concluded	Rented	5.100	Market comparable method / Income capitalisation method	Discount rate	[6.00%-8.00%]
			5.100			
Land	n.a.	Capitalisation / sale	13.349	Replacement cost method / Market comparable method	Completed sale value per m2 housing / commerce	2.400-3.800
			13.349			
Stores	Concluded	Sale	585	Market comparable method / Income capitalisation method	Estimated sale value per m2	1.1 / 545
			585			
			171.669			
Other			17.180			
			188.849			

As previously 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 joint ventures

This account comprised the following at June 30, 2021 and December 31, 2020:

	30-06-2021			31-12-2020	
	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	21,161	672	50.00	20,413
Esegur, S.A.	50.00	7,856	(279)	50.00	8,758
		29,017	394		29,171
Associated companies					
Fidelidade – Companhia de Seguros, S.A	15.00	430,841	19,044	15.00	427,857
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	40,736	6,198	22.97	40,387
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	4,528	269	27.00	4,495
Other	-	3,963	326	-	3,687
		480,068	25,837		476,426
Impairment (Note 35)		(439)	-		(439)
		508,646	26,230		505,158

Information on the statutory financial data (unaudited financial statements) of the principal associates and joint ventures, at June 30, 2021 and December 31, 2020 is set out below:

		30-06-2021				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	19,989,007	16,440,776	3,548,231	120,125	1,866,059
Other						
Esegur, S.A.	Lisbon	30,646	14,746	15,900	3	19,561
Locarent, S.A.	Lisbon	271,080	228,871	42,210	1,222	17,771
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	373,665	190,544	183,120	8,121	146,362

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

		31-12-2020				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	19,290,643	15,713,577	3,577,066	225,207	3,470,621
Other						
Esegur, S.A.	Lisbon	41,061	23,546	17,515	22	41,290
Locarent, S.A.	Lisbon	274,463	233,637	40,826	2,073	39,587
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	353,811	177,957	175,854	22,808	199,732

(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 €2,751 thousand and €3,879 thousand from these entities in first half 2021 and 2020 respectively.

17. Income tax

Tax assets and liabilities balances on income, at June 30, 2021 and December 31, 2020, were as follows:

	30-06-2021	31-12-2020
Current tax assets		
Income tax recoverable	16,242	13,249
Tax credits	420,575	420,575
Other	1,577	2,312
	438,394	436,137
Current tax liabilities		
Income tax payable	18,185	15,291
Other	9,428	1,059
	27,613	16,350
	410,781	419,786
Deferred tax assets		
Temporary differences	1,189,824	1,305,603
Reported tax losses	14,349	8,793
	1,204,173	1,314,396
Deferred tax liabilities	117,450	122,899
	1,086,722	1,191,497

The “Current tax assets – tax credit” account at June 30, 2021 and December 31, 2020, refers to the conversion of deferred tax assets into tax credit under the special regime approved by law 61/2014.

Deferred tax movements, for the half years ended June 30, 2021 and 2020 were as follows:

	Balance at 31-12-2020	Change in		Transfers	Other	Balance at 30-06-2021
		Equity	Profit or loss			
Impairment losses on credit	915,343	-	(83,664)	-	-	831,679
Employee benefits	228,191	(5,610)	(11,551)	-	-	211,030
Impairment and adjustments to property and tangible and intangible assets	22,648	(21)	2,614	-	-	25,241
Measurement of available-for-sale financial assets	(57,179)	657	-	-	-	(56,523)
Impairment and other value changes in equity investments and other securities	46,877	-	(9,393)	1,032	(8,062)	30,453
Other provisions and impairment not tax deductible	16,462	-	(47)	-	-	16,415
Tax loss carry forward	8,793	-	5,556	-	-	14,349
Other	10,363	-	(6,454)	-	10,170	14,079
	1,191,497	(4,974)	(102,941)	1,032	2,108	1,086,722

	Balance at 31-12-2019	Change in		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

Special deferred tax assets regime

Caixa Geral de Depósitos and Caixa - Banco de Investimento subscribed to the special deferred tax assets regime, in 2014, following the resolutions in favour of their respective general meetings of shareholders.

This regime (and latter amendments), 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 the post-employment or long term benefits of employees.

The changes 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 beginning on or after January 1, 2016, in addition to their associated deferred taxes, from its scope of application. The deferred taxes protected by this regime therefore correspond solely to the assessment of costs and negative equity changes calculated up to December 31, 2015.

Deferred tax assets resulting from 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. In cases in which the conversion results from liquidation or insolvency or the taxpayer has negative equity, the conversion of the deferred tax assets into tax credit shall be for its total value.

In cases of conversions 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 adjusted when equity is less than share capital 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 CGD, is, at the same time, 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 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, 2021 and December 31, 2020, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	30-06-2021	31-12-2020
Impairment losses on credit	387,840	454,181
Employee benefits	84,206	127,246
	472,047	581,427

As a consequence of Caixa Geral de Depósitos’ assessment of negative net income from its separate activity in 2016, the 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 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 28). 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 capital transactions, in addition to the amount of the tax credit conversion were certified by a statutory auditor.

Owing to its status as CGD'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

During the course of 2011, the group changed the accounting policy on its recognition of actuarial profit and loss on pension plans and other post-employment benefits, pursuant to which actuarial profit and loss on revaluations of pensions and healthcare liabilities and expectations of the pension fund's yield were fully recognised as a charge to a shareholders' equity account. Up to 2010 such profit and loss had been accounted for by the corridor method.

The amount of tax on the contribution of the actuarial deviations component after the date of the accounting policy change, 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 this 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 costs recognised in profit and loss, in addition to the fiscal burden measured by the tax appropriation to profit for the period before tax ratio, for the periods ended June 30, 2021 and 2020 is set out below:

	30-06-2021	30-06-2020
Current tax		
For the year	17,561	15,161
Extraordinary contribution of the banking sector	28,733	27,976
Prior year adjustments (net)	20,383	(5,508)
	66,676	37,630
Deferred tax	102,941	86,079
Total income tax	169,617	123,709
Consolidated income before tax and non-controlling interests	449,196	366,095
Tax charge	37.76%	33.79%

Information on the "Adjustments for past years" account for the half years ended June 30, 2021 and 2020, comprised the following:

	30-06-2021	30-06-2020
Insufficiency / (excess) of estimated tax for 2019 and 2018	21,907	507
Adjustments to previous years taxable income	(1,524)	(6,015)
	20,383	(5,508)

At June 30, 2021, the "Insufficiency / (excess) tax estimate" balance, amounting to €21,937 thousand, mainly refers to the calculation of temporary IRC differences for 2020 which have been offset by the creation of deferred taxes and mostly refers to the recognition of temporary differences.

Information on the reconciliation between the amount of tax calculated on the basis of the nominal rate and the costs/(income) of tax on profit for the half years ended June 30, 2021 and 2020 is set out below:

	30-06-2021		30-06-2020	
	Rate	Tax	Rate	Tax
Income before tax		449.196		366.095
Tax at the nominal rate	27,35%	122.855	27,35%	100.127
Impact of companies with tax rates different from the nominal rate in Portugal	0,18%	800	(0,69%)	(2.540)
Other permanent differences to be increased	(0,07%)	(328)	(0,11%)	(416)
Other permanent differences to be deducted				
Non deductable provisions and impairment	0,04%	197	0,77%	2.819
Other	0,10%	448	0,07%	241
Impairment on available-for-sale financial assets, net of write-offs	0,20%	913	-	-
Annulment of tax losses considered non recoverable	-	17	0,02%	78
Autonomous taxation	0,02%	90	0,03%	113
Contribution of the banking sector	6,40%	28.733	7,64%	27.976
Dividend charges on other equity instruments	(1,63%)	(7.309)	(2,00%)	(7.309)
Other	4,20%	18.852	2,35%	8.590
	36,79%	165.268	35,43%	129.679
Tax adjustments relative to prior years				
Insufficiency / (excess) of estimate of taxes related to previous years and other corrections to the taxable base, net of deferred taxes	0,97%	4.349	(1,63%)	(5.971)
	0,97%	4.349	(1,63%)	(5.971)
	37,76%	169.617	33,79%	123.709

CGD's nominal tax rate, for the half years ended June 30, 2021 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 changed by the publication of law 42/2016, on the basis of an addendum to no. 6, which, for 2017 and following years, ruled 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.

The group accordingly recognised deferred tax liabilities on impaired financial investments, deductible as a tax expense at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress), for the amounts of €29,092 thousand and €23,685 thousand, at June 30, 2021 and December 31, 2020 respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments (note 2.13)

Law 98/2019, amending the IRC code on impairment in credit institutions and other financial institutions and establishing rules on impairment losses recognised in tax periods prior to January 1, 2019, not yet accepted as a fiscal cost, was published on September 4, 2019. Under this new regime, impairment losses on credit risk for exposures analysed on an individual or collective basis, recognised in tax periods beginning on or after January 1, 2019 in accordance with the applicable accounting and regulatory standards (with the exceptions provided for in no. 7 of article 28c of the IRC code) are fully deductible.

The 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 repealed) provided that such loans have not been collateralised by real rights over immovable assets.

According to the dispositions of article 4 of the new law, CGD and other relevant entities included in the national fiscal perimeter formalised their intention to subscribe for the new regime for the tax periods beginning January 1, 2019, on the basis of a communication addressed to the director general of the tax and customs authority on October 31, 2019.

The applicable deduction rules under this law were incorporated into the analysis of the recoverability of deferred tax assets recognised in its balance sheet.

Analysis of recoverability of deferred tax assets (note 2.13)

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) an interpretation of the legal framework in force in the relevant analysis period.

This evaluation was made on the basis of the structural conditions provided by the success in achieving the objectives defined in its strategic plan, developed under the agreement entered into between the Portuguese state and the European authorities for the period 2017-2020, allowing CGD 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 considered. This 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 implementation of monetary and fiscal policy measures by diverse governments and economic blocs, notably the European Union.

In spite of the impossibility of achieving a fully reliable estimate of the extent of the pandemic’s financial effects, currently available economic indicators, in conjunction with the capacity evidenced by the group to rapidly adapt its operational 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 of the change of period for the deduction of fiscal losses for the taxation periods between 2020 and 2021 from 5 to 12 years, in the supplementary state budget for 2020, in addition to an increase in the current maximum deduction from 70% to 80% of taxable income within these periods and the suspension of the counting of the period applicable for fiscal losses as those existing on the first day of the taxation period for 2020, are considered sufficient to balance any deviations in meeting its goals.

The expectation of generating future taxable profit is based on projections of returns, prepared on the basis of the evolution of the relevant macroeconomic and financial indicators.

The following assumptions, relevant to the estimations of the recoverability of deferred tax assets, were also considered:

(i) Application of the deduction rules on impairment for credit risk defined by law 98/2019;

(ii) Incorporation of the estimated fiscal profit/loss deriving from the restructuring strategy on international operations and the deleveraging process on non-performing assets agreed with the supervisors; and

(iii) Projected deductibility of the costs of present and future employee benefits based on the tax period in which the respective payments are likely to be made.

This review did not result in an estimation of any losses in comparison to the balance sheet amounts recognised in periods under consideration. Any changes to the assumptions employed or pertinent variables for assessing projections of taxable income may lead to substantially different results and conclusions.

Banking sector and additional solidarity contribution

The terms 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 the 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 a cost of €28,733 thousand and €27,976 thousand, in the periods ended June 30, 2021 and December 31, 2020, respectively, for the total amount payable by it in the respective taxation periods.

The tax authorities are normally entitled to review tax status across a certain period, which, in Portugal, is four years (unless tax losses have been carried back, or there has been any other deduction or tax credit expiring in the same year as this right). Different interpretations of the legislation may result in the possibility of adjustments to taxable profit for past years (2018 to 2020 in the case of most entities headquartered in Portugal). Any potential adjustments, cannot be quantified at present. CGD's board of directors considers, however, that any adjustments for these years are unlikely to have a significant effect on its consolidated financial statements.

18. Other assets

This account comprises the following:

	30-06-2021	31-12-2020
Other assets		
Debt certificates of the Territory of Macau	1,149,994	1,070,469
Gold, precious metals, numismatics and medals	3,398	3,433
Other receivables	13	13
Other	5,764	5,845
Debtors and other investments		
Central and local government	9,520	8,789
Shareholders' loans	7,157	7,166
Debtors - futures contracts	22,702	27,233
Grants receivable from		
The State	19,560	25,145
Other entities	15,231	14,955
Amount receivable from the sale of assets recovered as settlement of defaulting loans	2,345	1,360
Other past due debtors	17,150	17,617
Other debtors	727,337	861,646
Commitments with pension and other employee benefits		
Excess responsabilities coverage		
Caixa Geral de Depósitos	204,961	-
Other	91	-
Income receivable	35,189	50,930
Deferred costs		
Rent	216	333
Other	24,242	17,492
Operations pending settlement	201,593	149,662
Stock exchange operations	87,705	9,953
	2,534,168	2,272,042
Impairment (Note 35)	(145,565)	(139,842)
	2,388,603	2,132,200

Information on impairment movements on debtors and other assets for the periods ended June 30, 2021 and December 31, 2020 is set out in note 35.

The “Debtors and other assets – other debtors” account at June 30, 2021 and December 31, 2020 included €452,471 thousand and €663,589 thousand, respectively, for surety accounts in several financial institutions. These sureties derive from the liquidity injection operations collateralised by financial assets and interest rate swap (IRS) agreements with these entities (note 10).

The “Debtors and other assets – other debtors” account, at June 30, 2021 and December 31, 2020, includes €22,575 thousand and €19,419 thousand, respectively, for sureties as 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 region with convertible currency corresponding to the countervalue of notes in circulation and, in turn, receives a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (note 24). The amounts to be provided by the bank to the territory 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 certificate of the government of Macau, at June 30, 2021 and December 31, 2020 totalled €1,149,994 thousand and €1,070,469 thousand, respectively.

The "Debtors and other assets - other overdue debtors" account at June 30, 2021 and December 31, 2020 includes outstanding balances for executing guarantees provided to customers and other expenses directly associated with such operations for the amounts of €14,792 thousand and €13,651 thousand, respectively. Accumulated impairment on these operations amounted to €9,262 thousand and €9,853 thousand, respectively.

The amounts of “Other lending operations pending settlement” at June 30, 2021 and December 31, 2020, essentially refer to stock market derivative operations, means of payment and bank transfers whose financial settlement had not yet occurred.

Shareholders’ loans, at June 30, 2021 and December 31, 2020, comprised the following:

	30-06-2021	31-12-2020
Other	7,157	7,166
	7,157	7,166

19. Credit institutions' and central banks' resources

This account comprises the following:

	30-06-2021	31-12-2020
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	5,800,000	1,000,000
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	1,960	1,332
Of foreign credit institutions	15,308	96,807
Other resources	3,300	2,995
Interest payable	(13,876)	(2,084)
	5,806,692	1,099,051
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	158,216	162,787
Of foreign credit institutions	601,679	689,773
Interbank money market resources	13,900	13,300
Immediate short term resources		
Of domestic credit institutions	55,797	63,844
Of foreign credit institutions	17,068	-
Loans		
Of foreign credit institutions	2,925	2,839
Resources of international financial entities	4,588	2,839
Sale operations with repurchase agreement	104,671	-
Interest payable	5,344	5,985
Charges with deferred cost	4	-
	964,192	941,368
	6,770,884	2,040,418

The "Central banks' resources − resources − European Central Bank − loans, deposits and other resources – Caixa Geral de Depósitos" account at June 30, 2021 and December 31, 2020 refers to CGD's participation in the 3rd series of the longer term refinancing programme (TLTRO) created by the ECB to support eurozone financial institutions' lending to the economy on favourable terms and as a preferred instrument for the execution of monetary policy.

Several adaptations in terms of participation and interest have been made to the third TLTRO series, announced on March 7, 2019 for a period of three years with quarterly renewals. Access to funding by financial institutions may increase to up to 55% of a specific series of loans (for the 10 total operations envisaged under the programme) with interest being paid on the basis of the average interest rate applicable to the main refinancing operations (MRO). In addition and of relevance to the group, in the case of institutions that maintain an eligible credit level in relation to the reference value in the period between March 1, 2020 and March 31, 2021, the rate charged for refinancing operations between June 24, 2020 and June 23, 2021 shall be the average interest rate on the permanent deposit facility in force over the duration of the operation, minus 50 basis points. The resulting interest rate, shall not, in any case, be higher than minus 100 basis points.

In first half 2021, CGD increased its investment in the third TLTRO series by €4,800,000 thousand.

It has already been possible to confirm that the conditions for the contracts in force at December 31, 2020 have been complied with and interest adjusted in conformity. The general terms of the programme for lines of credit contracted for in 2021 remain unchanged.

20. Customers' resources and other loans

This account comprises the following:

	30-06-2021	31-12-2020
Savings deposits	2,419,116	2,449,457
Other debts		
Repayable on demand	40,776,337	37,079,686
Term		
Deposits	31,056,666	30,352,609
Mandatory deposits	300,490	289,678
Other resources:		
Cheques and orders payable	142,562	104,447
Operations with repurchase agreement	13,472	13,682
Other	1,837,751	1,712,861
	33,350,941	32,473,277
	74,127,278	69,552,963
Interest payable	36,753	34,579
Deferred costs net of deferred income	(736)	(841)
Commissions associated with amortised cost (deferred)	(3,286)	(3,207)
Adjustments to liabilities under hedging operations	7	7
	32,738	30,539
	76,579,132	72,032,958

21. Debt securities

This account comprises the following:

	30-06-2021	31-12-2020
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Fixed interest rate	80.000	93.440
- Remuneration indexed to exchange rates	16.050	16.050
	96.050	109.490
Covered bonds	1.249.600	1.249.600
	1.345.650	1.359.090
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
- Commercial Paper	181	70
	181	70
Adjustments to liabilities under hedging operations	6.722	4.565
Deferred costs net of income	(801)	(1.545)
Interest payable	2.801	8.853
	1.354.553	1.371.033

The breakdown of the debt securities account, at June 30, 2021 and December 31, 2020, is net of the accumulated debt balances repurchased in the meantime, as follows:

	30-06-2021	31-12-2020
Bonds issued under the EMTN programme	55,000	55,000
Covered bonds	3,000,000	3,000,000
	3,055,000	3,055,000

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro commercial paper and certificates of deposit (ECP and CCP)

Under the “€10,000,000,000 euro commercial paper and certificates of deposit” programme, CGD (either directly or through its France branch) may 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) may 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. No maximum maturities have been defined 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 its direct issuance, up to a current maximum amount of €15,000,000 thousand in November 2006. The bonds to be issued are backed by a covered bonds portfolio which must, at all times, fulfil the minimum conditions required by the regulation on 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 creation 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 the express and legally binding guarantee of 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 these bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the mortgage loans allocated to them;
- 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 these 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 assets 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 CGD at June 30, 2021 and December 31, 2020, totalled €4,250,000 thousand, with the following characteristics:

DESIGNATION	Nominal amount		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2021	Interest rate at 31-12-2020
	30-06-2021	31-12-2020						
Hipotecárias Série 4 2007/2022	250,000	250,000	2007-06-28	2022-06-28	Quarterly, on March 28, June, September and December	3 month Euribor rate + 0.05%	0.216%	0.351%
Hipotecárias Série 14 2012/2022 (a)	1,500,000	1,500,000	2012-07-31	2022-07-31	Quarterly, on January 31, April, July and October	3 month Euribor rate + 0.75%	-	-
Hipotecárias Série 17 2015/2022	1,000,000	1,000,000	2015-01-27	2022-01-27	Annually, on January 27	Fixed rate	1.000%	1.000%
Hipotecárias Série 18 2018/2028 (a)	1,500,000	1,500,000	2018-12-19	2028-12-19	Quarterly, on March 19, June, September and December	3 month Euribor rate + 0.6%	0.066%	0.192%
	4,250,000	4,250,000						

(a) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank

The assets pool used to collateralise the issuances included mortgage loans originating in Portugal with a book value of €5,934,611 thousand and €6,251,886 thousand respectively at June 30, 2021 and December 31, 2020 (note 13).

The assets pool used to collateralise the issuance of covered bonds also included debt securities, with a book value of €127,325 thousand and €126,110 thousand at June 30, 2021 and December 31, 2020 respectively (note 12).

The Moody's, Fitch and DBRS ratings on these covered bonds, at June 30, 2021 were Aa3, AA and AAA, respectively.

Details on bond issuances, by type of interest and period to maturity at June 30, 2021 and December 31, 2020 are given below:

	30-06-2021					
	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	-	70,000	70,000	1,249,600	181	1,319,781
One to five years	6,000	-	6,000	-	-	6,000
Over ten years	10,050	10,000	20,050	-	-	20,050
	16,050	80,000	96,050	1,249,600	181	1,345,831

	31-12-2020					
	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	-	83,440	83,440	-	70	83,510
One to five years	6,000	-	6,000	1,249,600	-	1,255,600
Over ten years	10,050	10,000	20,050	-	-	20,050
	16,050	93,440	109,490	1,249,600	70	1,359,160

Derivatives were contracted 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, 2021 and 2020:

	Balance at 31-12-2020	Payments	Balance at 30-06-2021
Bonds issued under the EMTN programme	109.490	(13.440)	96.050
Covered bonds	1.249.600	-	1.249.600
Commercial paper issued under ECP and CCP programme	70	111	181
	1.359.160	(13.440)	1.345.831

	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

22. Provisions and contingent liabilities

Provisions

Movements in provisions for employee benefits and for other risks, for the periods ended June 30, 2021 and 2020 were as follows:

	Balance at 31-12-2020	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2021
Provision for employee benefits (Note 33)	725,478	35,422	(29,230)	661	(132,354)	599,978
Provision for litigation	21,179	(2)	-	-	(227)	20,950
Provision for guarantees and other commitments	235,273	(281)	(19)	241	1,116	236,329
Provision for other risks and charges	55,384	1,469	(3,583)	807	16,136	70,215
	311,836	1,186	(3,601)	1,048	17,025	327,494
	1,037,315	36,608	(32,831)	1,710	(115,329)	927,472

	Saldo em 31-12-2019	Reforços, reposições e anulações	Utilizações	Diferenças de câmbio	Transferências e outros	Saldo em 30-06-2020
Provision for employee benefits (Note 33)	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

The following is a breakdown of the use of the provision for liabilities for employee benefits, for the half years ended June 30, 2021 and 2020 for a total amount of €29,230 thousand and €33,911 thousand, respectively:

- €8,927 thousand for the healthcare plan and €17,347 thousand for the *Horizonte* plan and other redundancy agreements and €2,603 thousand for voluntary redundancies, in first half 2021. An amount of €353 thousand was also used for pension and early retirement plans by several group companies.
- €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 amount of €276 thousand was also used for pension and early retirement plans by several group companies.

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet accounts, as follows:

	30-06-2021	31-12-2020
Contingent liabilities		
Assets given as collateral	20,268,689	15,483,585
Guarantees and sureties	2,675,281	2,627,635
Open documentary credits	463,871	229,087
Stand by letters of credit	8,193	9,404
	23,416,034	18,349,711
Commitments		
Revocable commitments	9,035,318	8,772,509
Securities subscription	1,150,668	1,155,493
Irrevocable lines of credit	1,074,236	1,157,392
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	46,990	47,472
Other irrevocable commitments	165,322	64,419
Forward deposit agreements		
Receivable	11,499	-
To be created	-	20,373
	11,639,586	11,373,211
Deposit and custody of securities	51,758,342	49,691,753

The composition of asset-backed guarantees is as follows:

	30-06-2021	31-12-2020
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,128,651	1,158,600
Council of Europe Development Bank	10,400	12,400
Bank of Portugal (*)	18,945,809	14,128,774
Deposit Guarantee Fund	157,740	157,740
Investor Compensation System (futures)	20,500	20,500
Euronext	5,000	5,000
Other Assets		
Other	589	570
	20,268,689	15,483,585

(*) 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, 2021 and December 31, 2020, 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 CGD's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

The market value of collateralised debt instruments, at June 30, 2021 and December 31, 2020, was €14,967,597 thousand and €16,962,180 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, at June 30, 2021 and December 31, 2020 was €178,381 thousand and €209,691 thousand, 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 comprised an irrevocable commitment to make contributions when requested by the fund, with the amount not having been recognised as a cost. Commitments assumed since 1996 total €155,553 thousand. The group recognised liabilities of €1,009 thousand and €971 thousand at June 30, 2021 and December 31, 2020 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 concerning an adjustment of €155,602 thousand in taxable income for the year. This amount included, *inter alia,* an adjustment of €135,592 thousand because CGD had benefited from the elimination of double taxation on its share of the profit made by Caixa Brasil SGPS, S.A. in that period. CGD contested these adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force. The Lisbon tax court also issued a ruling, in 2014, annulling, *inter alia*, the adjustments made by the tax and customs authority during the said year on the component allocated to the profit made on the liquidation of Caixa Brazil.

The ruling of the southern central administrative court, in which a decision was made, in the second instance, to revoke the ruling decreed in the first instance by the Lisbon tax court, was announced in April 2015. In its response, CGD decided to appeal against the ruling and review in first half 2015. As a result of the allegations submitted, the review appeal was accepted on the basis of the governing legal framework.

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 this application was settled in full at that date.

Caixa was notified of the decision on its review appeal by the supreme administrative court on May 31, 2017. This decision accepted the arguments put forward, consequently ruling that the procedural documents should be returned to the southern administrative central court which, in July 2018, in following up these recommendations, rejected the appeal filed by the tax authorities and upheld the ruling in the first instance of the Lisbon tax court in favour of CGD'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", declared in 2016, was fully reversed in 2018.

Caixa was fully reimbursed in January 2020.

Competition authority

On June 3, 2015, in addition to fourteen other credit institutions, CGD was charged by the competition authority, with certain practices, including exchanging information with several credit institutions, which, in the eyes of the regulator, 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 subsequently terminated the suspension of the indictment period ending on September 27, 2017. CGD submitted its defence on September 26, 2017, during complementary evidentiary hearings which took place on December 5 and 6, 2017.

In June, July and October 2018, CGD responded to requests for additional elements from the competition authority.

In March 2019, CGD was notified of the resolution of the competition authority which extended the process's investigation period up to December 31, 2020.

CGD was notified of the competition authority's unprecedented final decision on September 10, 2019 in which a fine of €82,000 thousand was levied (calculated, by law, on its business revenue in the credit segments in question). The other institutions involved in this process were also notified of similar decisions.

CGD considers that the charges concerning the alleged breaches and in the fine levied on it contain errors and omissions and therefore contested the decision with the competition, regulation and supervision court on October 21, 2019.

Pursuant to the above a bank guarantee of €41,000 thousand was provided on December 21, 2020, that the court considered was necessary in order to suspend the fine. This decision is, however, being challenged by CGD.

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 its 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's own resources for the operation at the said date were insufficient, the capital was subscribed for on the basis 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. The Bank of Portugal 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 €1,941,000 thousand, 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 level of 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 of the 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 announced changes to 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 further changes.

On September 28, 2016, the resolution fund announced that it had reached 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 agreed revision "would permit an extension of the maturity for the purpose of guaranteeing 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 is exposed." On the same date, the office of the ministry of finance also announced that: "under the terms 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 changes, 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. The agreement entailed two capital increases, the first of which for €750,000 thousand in October of the said 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, Novo Banco ceased to be subject to the transitional institutions regime and now operates normally, albeit still subject to several measures limiting its activity, 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. This required the resolution fund to pay €792,000 thousand to Novo Banco.

The above payment was made on May 24, 2018, following the issuance 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.

For this purpose, the resolution fund 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 2018-2020 term of office owing to 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, 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 entered into in 2017, in the sphere of the sale of this institution. In accordance with 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 accordance with its announcement of its results for 2019 Novo Banco requested compensation of €1,037,000 thousand under the contingent capital mechanism, as stipulated in the sales contract. This payment was made in May 2020 for €1,035,000 thousand.

The resolution fund also provided the budget and finance committee with a written account of all clarifications on its decision to deduct the variable remuneration allocated to the 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 for 2017), 2019 (€1,149,000 thousand for 2018) and 2020 (€1,035,000 thousand for 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 announced on June 4, 2020, following the public finance council’s publication of its “Economic and Fiscal Outlook 2020-2022”, the resolution fund clarified that, in conjunction with Novo Banco, it had entered into an arbitration procedure for the purpose of clarifying the treatment merited by the effects of Novo Banco’s intention to dispense with the need for the transitional regime from which it currently benefits and 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 both of them.

This arbitration process does not pose an additional risk to 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 which include the “Contract for the purchase and sale of and subscriptions for Novo Banco. S.A.’s shares” entered into between the resolution fund and Nani Holdings SGPS, S.A. on March 31, 2017, in addition to the “contingent capitalisation agreement”, entered into between the resolution fund and Novo Banco on October 18, 2017.

On August 10, 2020, the resolution fund made an announcement clarifying that the sale of the equity stake held by Novo Banco in GNB - Companhia de Seguros de Vida, S.A. was an imperative dictated pursuant to the Portuguese state’s undertakings to the European Commission. Under the terms of these undertakings, Novo Banco was obliged to sell its equity stake in GNB Vida by December 31, 2019.

The stake was acquired by "APAX Partners" funds whose suitability was assessed by the competent authority. The resolution fund considered that the amount of the sale comprised the best offer received following an open and competitive sales process, reflecting the asset’s market value at the time.

Following its payment to Novo Banco in May 2019 in compliance with the contingent capitalisation agreement, on September 3, 2020, the resolution fund announced that it had received the special audit report commissioned by the government, under law 15/2019 of February 12, which rules that an audit shall be carried out by an independent entity whenever public funds are directly or indirectly made available to a credit institution in this case by Deloitte & Associados, SROC. It also provided for a need identified by the resolution fund in February 2019.

The audit’s results audit show that Novo Banco continues to be severely prejudiced by the vast legacy of non-performing assets, left by Banco Espírito Santo, S.A., with the consequent recognition of impairment and provisions but that it has strengthened its internal procedures. It also confirms the appropriateness of the principles and criteria adopted with regard to the resolution fund’s powers exercised under the contingent capitalisation agreement.

On June 4, 2021, the resolution fund paid Novo Banco €317,013 thousand related to the contingent capitalisation agreement, in respect of its accounts for 2020. This payment was made on the basis of the request for €598,312 thousand submitted by Novo Banco, on April 7, 2021. Once all of the validation procedures had been completed, with reference to December 31, 2020, the condition requiring payment by the resolution fund was confirmed. The amount necessary for Novo Banco to achieve a CET 1 ratio at the contractually stipulated level of 12% is €598,312 thousand. This was confirmed by the Bank of Portugal and the European Central Bank as the lawfully competent authorities for this purpose.

The resolution fund considered that an aggregate adjustment of €169,299 thousand should be made to the amount requested by Novo Banco. This adjustment results from the sum of the amounts for the following situations: a) reduction of the amount of the impact of the loss resulting from the decision to divest Novo Banco’s activity in Spain, with reference to December 31, 2020 (€147,442 thousand) from Novo Banco’s capitalisation; b) The reduction for valuation differences calculated on a collection of assets held by Novo Banco (€18,000 thousand); c) the reduction of the costs of the variable remuneration allocated to members of Novo Banco's executive board in 2020 (€1,860 thousand) and in 2019 (€1,997 thousand). This last item had already justified a reduction in the payment made in 2020 but should continue to be adjusted, based on the operation of the contingent capitalisation mechanism. The resolution fund's calculation of the amount payable to Novo Banco was therefore €429,013 thousand.

Payment by the resolution fund required a budgetary amendment, which was authorised by order of the minister of state and finance.

Of the total amount of €429,013 thousand, authorisation for €112,000 thousand was conditional on the completion of a further investigation, including the need to obtain an external opinion, on Novo Banco's option not to apply the hedge accounting policy to derivatives contracted to hedge interest rate risk from exposure to long term sovereign bonds. An amount of €317,013 thousand was therefore paid to Novo Banco and the necessary steps will be taken to verify the condition governing the transfer of the amount of €112,000 thousand.

The payment to Novo Banco was fully financed by resources from a loan obtained from seven national credit institutions. The loan matures in 2046 at an interest rate corresponding to the Portuguese Republic's financing costs for the period between the date of signing of the contract (May 31, 2021) and December 31, 2026, plus a margin of 15 basis points. The interest rate will be revised at December 31, 2026 and then every five-years, and shall correspond to the Portuguese Republic's five year financing costs plus a margin of 15 basis points.

Even taking into account the amount of €429,013 thousand (or even the amount requested by Novo Banco), the amount calculated for 2020 is less than the amount of the losses of €752,000 thousand recognised in that year on assets covered by the contingent capitalisation mechanism.

As the cumulative value of the losses on these assets (between June 30, 2016 and December 31, 2020) amounts to €4,367,000 thousand and therefore - even if the amount of €429,013 thousand for 2020 is considered - the accumulated amount of payments by the resolution fund will be €3,405,000 thousand, or €962,000 thousand less than the accumulated amount of the losses.

As in previous years, the contingent capitalisation mechanism limits the amount of payments by the resolution fund to the amount necessary for Novo Banco's capital ratios to remain at agreed levels.

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 the referred to announcement, the impositions of European institutions and the unfeasibility of the 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 this purpose, with the resolution fund as its sole shareholder. Oitante, accordingly, 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 options for the delimitation of the disposal perimeter on assets and liabilities as agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €163,120 thousand to the state in part early repayment of the resolution measures on Banif – Banco Internacional do Funchal, S.A. (Banif), reducing the debt 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 regulation (UMR) to the same single resolution fund across a period of eight years (ending 2024), as provided for in Council implementing resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced changes to the conditions of the loans obtained to fund the Banif resolution measure, similar to those described for the funding of the BES resolution measure based on these developments:

(i) As the resolution fund is unlikely to propose the creation of a special contribution to finance these resolution measures, the probability of the need for any special contribution is 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 periodic contributions to the resolution fund should be paid by the participating institutions 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 changes to the application of the resolution fund’s financing mechanisms may have significant impacts on CGD’s future financial statements.

23. Other subordinated liabilities

This account comprises the following:

	30-06-2021	31-12-2020
Bonds	1,100,000	1,100,000
	1,100,000	1,100,000
Interest payable	5,901	20,322
Deferred income net of charges	(2,718)	(3,005)
	1,103,183	1,117,317

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 (conditions 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 relevant 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, pursuant to 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 of the capital increase.

Following this process, the European Commission lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. CGD resumed payment of the respective coupons in first quarter 2017.

CGD 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 31-12-2019	Book value at 31-12-2018	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed Rate Reset Callable Subordinated Notes due May 2019	EUR	500.000	500.000	500.000	2018-06-28	2028-06-28	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	2008-03-03	2028-03-03	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	2019-11-25	2024-11-25	1.25%. Annual interest payment on 25 November.	N/A.

24. Other liabilities

This account comprises the following:

	30-06-2021	31-12-2020
Creditors		
Consigned resources	744,528	714,542
Resources - collateral account	103,737	49,771
Resources - subscription account	33,365	30,091
Suppliers of finance leasing assets	179,797	196,115
Creditors for factoring ceded	-	108,633
Caixa Geral de Aposentações	2,415	2,847
CGD's Pension Fund	-	54,305
Creditors for transactions in securities	72	69
Creditors for sale of assets recovered as settlement of defaulting loans	5,372	5,993
Other suppliers	20,969	47,605
Other creditors	267,985	127,458
Other liabilities		
Notes in circulation - Macau (Note 18)	1,132,131	1,087,794
Withholding taxes	22,516	23,161
Social Security contributions	6,976	5,253
Other taxes payable	3,547	4,954
Collections on behalf of third parties	590	581
Other	10,025	7,646
Accrued costs	160,838	138,618
Deferred income	37,359	38,233
Liabilities pending settlement	534,308	447,010
Stock exchange operations	86,191	3,675
	3,352,721	3,094,353

The “Resources – surety account” at June 30, 2021 and December 31, 2020 included €29,422 thousand and €16,942 thousand respectively relating to balances deposited in CGD by several financial institutions in the sphere of interest rates swap (IRS) agreements.

The "Lending operations pending settlement” account at June 30, 2021 and December 31, 2020 included financial liabilities of €113,895 thousand and €112,907 thousand, respectively, to non-controlling interest investors in the unit trust investment funds included in CGD group’s consolidation perimeter.

The "Costs payable" account at June 30, 2021 and December 31, 2020, included €10,340 thousand and €10,442 thousand for CGD employees’ seniority bonuses, respectively.

25. Capital and other instruments

CGD's share capital, at June 30, 2021 and December 31, 2020, was fully owned by the Portuguese state, as follows:

	30-06-2021	31-12-2020
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 referred to in greater detail in the introductory note, the Portuguese state, under the March 2017 agreement with the European authorities pursuant to 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 the amount of €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 of CGD's share capital through the extinguishing of 1,200,000,000 shares to cover €1,404,506 thousand in negative retained earnings and to set up free reserves of €4,595,494 thousand.

Subsequently, 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 for by the sole shareholder.

CGD 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

The composition of reserves and retained earnings, at June 30, 2021 and December 31, 2020, was as follows:

	30-06-2021	31-12-2020
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)	153,540	155,387
Assets with repurchase agreement	3,872	1
Other revaluation reserves	1,348	1,453
	269,186	267,266
Other reserves and retained earnings		
- Legal reserve - CGD	306,198	224,891
- Special reserve associated with the special regime applicable to deferred tax assets (Note 17)	681,571	681,571
- Other reserves	4,586,160	3,380,000
- Retained earnings	(1,478,086)	(892,709)
	4,095,843	3,393,753
Net income attributable to the shareholder of CGD	294,206	491,592
	4,659,236	4,152,610

As referred to in greater detail in note 17, as a consequence of the negative net income from CGD'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 plus 10%, for the amount of the tax credit calculated in the conversion process, 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 income.

The currency translation reserve, which recognises the translation of subsidiaries' financial statements in foreign currency, is included in "Other reserves".

The statutory revaluation reserves for 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

Branches' and subsidiaries' net contributions to CGD's consolidated income, at June 30, 2021 and in 2020 are as follows:

	30-06-2021	30-06-2020
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	180,765	175,190
France Branch	9,077	828
East Timor Branch	138	1,697
Luxembourg Branch	-	(381)
Spain Branch	-	(6,784)
	189,979	170,549

	30-06-2021	30-06-2020
Contribution to net income from		
subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	24,682	29,848
Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A.	-	11,498
Banco Comercial e de Investimentos, S.A.R.L.	13,902	5,723
Banco Comercial do Atlântico, S.A.R.L.	4,705	4,221
Fundiestamo - Fundo de Investimento Imobiliário Fechado	4,047	5,163
Caixa Imobiliário, S.A.	796	(769)
Banco Caixa Geral Angola, S.A.	7,119	8,814
Caixa Banco de Investimento, S.A. (a)	5,625	1,188
Partang, SGPS	-	(1,567)
Caixagest - Técnicas de Gestão de Fundos, S.A.	5,637	3,674
Fundo de Capital de Risco Caixa Crescimento	(300)	(146)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	634	267
Banco Interatlântico, S.A.R.L.	937	1,002
Inmobiliaria Caixa Geral, S.A.U.	(62)	(287)
CGD Pensões, S.A.	1,337	1,363
Caixagest Infra-Estruturas - Fundo Especial de Investimento	-	(631)
Fundo de Capital de Risco Caixa Fundos	8,886	(3,732)
CGD Investimentos CVC, S.A.	44	8
Parbanca, SGPS	-	(2,032)
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	209	(35)
Caixa - Participações, SGPS, S.A.	(1,183)	(111)
Caixagest Private Equity - Fundo Especial de Investimento	1,312	(1,029)
Fundo de Capital de Risco Empreender Mais	(382)	(72)
Fundolis - Fundo de Investimento Imobiliário Fechado	(402)	(379)
Banco Caixa Geral Brasil, S.A.	250	(558)
Other	206	850
	77,997	62,275
Associates and jointly controlled entities:	26,230	15,770
Consolidated net income attributable to the shareholder of CGD	294,206	248,594

(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. CGD sold Banco Caixa Geral, S.A. and Mercantile Bank Holdings, S.A., in 2019, for the purpose of complying with these objectives. CGD continued the process, in 2020, with the closure of the financial activities of its Spain and Luxembourg branches.

Distribution of profit for period

2020 financial year

A resolution was passed at the general meeting of shareholders held on May 31, 2021, to appropriate 20% of net profit to the legal reserve (€81,308 thousand) and incorporate €241,592 in the "Other reserves and retained earnings" account and the distribution of dividends of €83,639 thousand following the approval of the competent supervisors under the terms of European and national legislation in force.

2019 financial year

A resolution was passed at the general meeting of shareholders of May 29, 2020, to appropriate 20% of net profit to the legal reserve (€152,403 thousand) and incorporate €609,611 thousand in the "Other reserves and retained earnings" account.

27. Non-controlling interests

Third party investments in subsidiaries are distributed among the following entities:

	30-06-2021	31-12-2020
Banco Comercial e de Investimentos, S.A.	100,783	81,049
Banco Caixa Geral Angola, S.A.	49,052	47,837
Fundiestamo - Fundo de Investimento Imobiliário Fechado	37,413	36,277
Banco Comercial do Atlântico, S.A.	32,280	28,505
Banco Interatlântico, S.A.R.L.	7,762	7,348
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	2,222	1,970
Caixa – Banco de Investimento, S.A.	889	887
Other	321	202
	230,722	204,076

Information on the amount of consolidated profit attributable to non-controlling interests for the half years ended June 30, 2021 and December 31, 2020 is set out below:

	30-06-2021	30-06-2020
Banco Comercial e de Investimentos, S.A.R.L.	8,146	3,354
Banco Comercial do Atlântico, S.A.R.L.	3,380	3,032
Banco Caixa Geral Angola, S.A.	6,584	8,013
Fundiestamo - Fundo de Investimento Imobiliário Fechado	1,136	1,450
Banco Interatlântico, S.A.R.L.	402	430
Other	333	(13)
	19,980	16,265

28. Interest and income and interest and similar costs

These accounts comprise the following:

	30-06-2021	30-06-2020
Interest and similar income		
Interest on loans and advances to domestic credit institutions	766	89
Interest on loans and advances to foreign credit institutions	23,839	25,997
Interest on domestic credit	229,696	253,461
Interest on foreign credit	173,609	196,887
Interest on overdue credit	10,659	9,469
Interest on financial assets held-for-trade		
- Derivatives	78,251	128,004
- Securities	(74)	4,829
Interest on financial assets at fair value through profit or loss	1,622	1,707
Interest on financial assets at fair value through other comprehensive income	35,905	52,216
Interest on hedging derivatives	229	667
Interest on assets with repurchase agreement	779	682
Interest on debtors and other investments	782	230
Interest on cash equivalents	1,198	1,749
Interest on other loans and other amounts receivable	28,320	30,786
Other interest and similar income	(224)	(10)
Commissions received relating to amortised cost	58,893	47,365
Other	45,306	27,821
	689,554	781,950
Interest and similar costs		
Interest on deposits of		
- Central and local government	-	6
- Other residents	2,650	9,066
- Emigrants	398	2,392
- Other non-residents	54,891	61,214
Interest on resources of foreign credit institutions	6,671	9,486
Interest on resources of domestic credit institutions	20,899	3,949
Interest on swaps	77,780	123,509
Interest on other trading liabilities	2,513	3,395
Interest on unsubordinated debt securities	5,100	8,340
Interest on hedging derivatives	3,412	3,177
Interest on subordinated liabilities	20,596	20,903
Other interest and similar costs	7,611	8,462
Commissions paid relating to amortised cost	10,749	8,148
	213,268	262,047

29. Income from equity instruments

This account comprises the following:

	30-06-2021	30-06-2020
Income received from investment funds	3,378	4,824
Other	719	98
	4,097	4,922

30. Income and costs of services and commissions

These accounts comprise the following:

	30-06-2021	30-06-2020
Income from services rendered and commissions:		
On guarantees provided	15,054	19,269
On commitments to third parties	4,613	4,140
On operations on financial instruments	573	465
On services provided		
Deposit and safekeeping of valuables	9,967	10,670
Collection of valuables	2,809	3,278
Management of securities	6,811	7,147
Collective investment in transferable securities	36,658	26,839
Transfer of valuables	8,722	8,561
Cards management	8,897	6,974
Annuities	16,124	18,458
Structured Operations	1,308	93
Credit operations	17,625	14,186
Other services rendered	121,323	112,793
On operations carried out on behalf of third parties	5,480	3,125
Other commissions received	68,941	61,739
	324,905	297,738
Cost of services and commissions:		
On guarantees received	67	284
On operations on financial instruments	165	133
On banking servicers rendered by third parties	51,352	48,154
On operations carried out by third parties	869	1,237
Other commissiond paid	4,137	4,330
	56,590	54,138

31. Income from financial operations

These accounts comprise the following:

	30-06-2021	30-06-2020
Result from foreign exchange operations:		
Revaluation of foreign exchange position	(19,913)	11,679
Results from currency derivatives	41,267	17,101
	21,354	28,780
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	(2,707)	(2,245)
Equity instruments	131	(1,894)
	(2,575)	(4,140)
Derivatives:		
Interest rate	15,160	(8,687)
Equity	(555)	6,646
Other	(4,535)	16,789
	10,069	14,748
	7,494	10,608
Result from other financial assets at fair value through profit or loss:		
Debt instruments	47,009	(1)
Equity instruments	19,216	8,792
Other securities	32,792	(14,712)
Loans and other amounts receivable	(477)	4,512
	98,540	(1,408)
Result from financial assets at fair value through other comprehensive income :		
Debt instruments	2,829	11,602
	2,829	11,602
Result of hedging operations:		
Hedging derivatives (Note 11)	45,708	(48,086)
Value adjustments of hedged assets and liabilities (Note 11)	(49,573)	36,324
	(3,865)	(11,763)
Other		
Other	(4,110)	1,574
	(4,110)	1,574
	122,242	39,393

The "Other" account, at June 30, 2021 and December 31, 2020 includes €4,902 thousand and a negative €1,069 thousand respectively, in income with minority investors in the investment funds in CGD group's consolidation perimeter.

32. Other operating income

These accounts comprise the following:

	30-06-2021	30-06-2020
Other operating income:		
Rendering of services	10,609	11,482
Expense reimbursement	3,286	3,579
Lease income under operating lease agreements	7,330	7,535
Gains on non-financial assets:		
- Non-current assets held-for-sale	10,068	18,174
- Other tangible assets	855	328
- Investment property	1,348	5,640
- Other	281	286
Secondment of employees to Caixa Geral de Aposentações	227	497
Sale of cheques	188	27
Other	13,105	16,277
	47,296	63,823
Other operating costs:		
Donations and subscriptions	3,446	4,001
Losses on non-financial assets:	21	85
Losses on non-financial assets:		
- Non-current assets held-for-sale	1,947	2,600
- Other tangible assets	718	58
- Investment property	953	1,102
Other taxes	9,854	10,266
Contribution to the Deposit Guarantee Fund	1,009	1,026
Contribution to the Resolution Fund	28,437	28,092
Administrative expenditure under the Single Resolution Board	330	374
Fines and penalties	239	208
Other	12,517	12,999
	59,470	60,812
	(12,174)	3,012

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime as part of the general credit institutions and financial corporation's 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 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 national legislation introduced a common European Union resolution regime providing for 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 an amount of €21,360 thousand and €20,905 thousand to the single European resolution fund in first half 2021 and 2020, respectively of which €18,178 thousand and €17,561 thousand, respectively, in cash and €3,156 thousand €3,099 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, 2021 and 2020 totalled €10,233 thousand and €10,286 thousand, respectively.

33. Employee costs and average number of employees

This account comprises the following:

	30-06-2021	30-06-2020
Remuneration of management and supervisory bodies	5.810	5.607
Remuneration of employees	171.906	173.214
Provision for suspension of labour agreements (Note 22)	18.826	63.815
Mutually agreed terminations (Note 22)	2.115	3.485
	198.658	246.120
Other charges relating to remunerations	36.191	15.501
Healthcare - CGD		
- Normal cost (Note 22)	4.132	6.900
- Gains associated with changing the Plan	(145.396)	(20.706)
- Contributions relating to current employees	5.879	7.104
Pension Liabilities - CGD		
- Normal cost	33.245	33.146
- Gains associated with changing the Plan	-	(49.984)
- Retirements before the normal retirement age	7.389	7.858
- Gains associated with termination by mutual agreement	(3.462)	(3.779)
Other pension costs	4.212	198
Other mandatory social charges	3.519	5.278
	(54.292)	1.516
Other employee costs	7.192	5.569
	151.558	253.205

At the end of 2020, the human resources adjustment programme, created under CGD's restructuring plan based on retirements, early retirements and voluntary redundancies, applicable to the group's domestic perimeter across the period 2017-2020, was renewed in 2021, with the possibility of an extension to 2022 on the basis of its respective results.

Pursuant to the above, CGD recognised an overall amount of €26,215 thousand, in staff costs for the half year ended June 30, 2021. Of this amount, €18,826 thousand was associated with the provision for early retirements and voluntary redundancies, with the remainder comprising the recognition of an increase of €7,389 thousand in the "Pensions liabilities" aggregate of the "Retirements prior to the standard retirement age" component. Additional income of €1,347 thousand was also recognised in employee costs as a result of a combination between costs of around €2,115 thousand incurred on voluntary redundancies and around €3,462 thousand in income associated with the agreement.

Pursuant to the protocol entered into between CGD and SSCGD in April 2021, income of €145,396 thousand was recognised in employee costs, obtained from the reduction of liabilities for past services resulting from the change in the financing policy net of the costs defined in the transitional regime to mitigate any economic and financial effects of the referred to change (note 22).

The average number of employees in CGD and its subsidiaries, for the periods ended June 30, 2021 and June 30, 2020 by type of function, was as follows:

	30-06-2021	30-06-2020
Senior management	462	454
Management	2,212	2,310
Technical staff	4,537	4,593
Administrative staff	4,334	4,722
Auxiliary	131	158
	11,676	12,237
Number of employees at the end of the period	11,592	12,127

These numbers, at June 30, 2021 and December 31, 2020 do not include employees in the Caixa Geral de Aposentações support department (252 and 228 respectively), employees assigned to CGD's social services (41 and 23, respectively) and employees in other situations i.e. secondments or extended absences (165 and 144 respectively).

34. Other administrative costs

This account comprises the following:

	30-06-2021	30-06-2020
Specialised services		
- IT services	28,243	27,286
- Safety and security	2,609	2,832
- Information services	2,722	2,631
- Cleaning	2,751	2,569
- Contracts and service fees	1,654	2,538
- Studies and consultancy	338	1,055
- Other	18,957	19,064
Operating leases	3,135	3,416
Communications and postage	10,294	11,335
Maintenance and repairs	12,164	13,777
Advertising and publications	4,080	5,147
Water, energy and fuel	6,230	7,051
Transport of cash and other values	2,969	3,528
Travel, lodging and representation expenses	1,345	1,744
Standard forms and office supplies	1,616	1,900
Other	4,194	6,499
	103,302	112,371

35. Impaired assets

Information on impairment movements for the periods ended June 30, 2021 and 2020 is set out below:

	Balances at 31-12-2020	Reinforcements		Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2021	Credit recovery, interest and expenses
		Changes in the consolidation perimeter	Other						
Impairment of loans and advances to customers (Note 13)	2,245,857	38,006	985,908	(933,746)	(31,163)	22,004	(10,387)	2,316,480	(42,190)
Impairment of loans and advances to credit institutions (Note 6)	3,100	-	2,902	(4,152)	(0)	68	(20)	1,896	
Impairment of financial assets at fair value through other comprehensive income (Note 8)	863	-	1,892	(2,019)	(76)	3	(72)	591	
Impairment of financial assets at amortised cost (Nota 12)	19,101	158	5,708	(369)	-	842	0	25,439	
Impairment of other tangible assets	24,992	-	3,374	-	-	797	624	29,787	
Impairment of intangible assets	10,725	-	-	-	-	0	304	11,029	
Impairment of non-current assets held-for-sale (Note 14)									
Properties	243,660	-	39,296	(38,716)	(3,756)	47	2,518	243,049	
Equipment	741	-	274	(111)	(45)	-	(10)	849	
Other tangible assets	6,080	-	-	-	-	1,021	(4,011)	3,090	
Subsidiaries	48,659	-	3,034	-	-	-	-	51,693	
Other assets	77	-	-	-	-	-	-	77	
Impairment of investments in associates and jointly controlled entities (Note 16)	439	-	-	-	-	-	(0)	439	
Impairment of other assets (Note 18)	139,842	-	23,862	(14,258)	(1,864)	822	(2,838)	145,565	
	498,278	158	80,343	(59,625)	(5,742)	3,600	(3,506)	513,504	-
	2,744,135	38,164	1,066,251	(993,372)	(36,905)	25,604	(13,893)	2,829,984	(42,190)

	Balances at 31-12-2019	Reinforcements		Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2020	Credit recovery, interest and expenses
		New production	Other						
Impairment of loans and advances to customers (Note 12)	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 at amortised cost	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 13)									
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 15)	439	-	-	-	(5.352)	-	5.352	439	
Impairment of other assets (Note 17)	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)

Impairment on subsidiaries classified as held-for-sale at December 31, 2020 – BCG Brazil and BCA – amounted to €48,659 thousand.

Impairment of €51,693 thousand on BCG Brazil and BCA had also been recorded at June 30, 2021 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 the said date.

Higher levels of impairment on loans and advances to customers in first half 2021 exceeded recoveries and cancellations. In conjunction with other less significant movements, this resulted in an increase in impairment from €2,245,857 thousand at December 31, 2020 to €2,316,480 thousand at June 30, 2021. This level of impairment largely reflects an 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 €2,744,135 thousand at the end of 2020 to €2,829,984 in June 2021.

Information on impairment movements on loans and advances to customers by stages is given below.

	Impairment of loans and advances to customers			
	Stage 1	Stage 2	Stage 3	Total
Balances at 31-12-2020	274,769	320,907	1,650,181	2,245,857
Movements resulting from changes in the classification by stages	-10,630	7,154	3,477	0
Stage 1 - Inputs/ (outputs)		21,615	591	22,205
Stage 2 - Inputs/ (outputs)	-8,542		2,886	-5,656
Stage 3 - Inputs/ (outputs)	-2,089	-14,461		-16,549
Movements resulting from changes in credit risk	-83,506	52,705	68,488	37,686
Write-offs	-602	-1,663	-28,962	-31,228
Other	4,193	268,287	-208,316	64,164
Balances at 30-06-2021	184,223	647,390	1,484,867	2,316,480

More detailed information on impairment on credit movements for first half 2021 is 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 debt instrument issuances, 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, the 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 resources taken from large and medium sized enterprises. This segment includes loans, current accounts, investment project finance, discounted bills, venture capital activity, factoring, equipment and property leasing and syndicated loans underwriting in addition to 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, namely:

    - Payment and settlement. This includes payment operations and the issuance and management of means of payment;

    - Agency services. These services includes the custodianship and administration of financial instruments on behalf of clients, including custodianship and related services such as treasury/collateral management;

    - Retail portfolio intermediation. This comprises banking activity with personal customers, sole traders and micro-enterprises. Activities involving the receipt and transmission of orders on one or more financial instruments, processing of orders on behalf of customers and sales of financial instruments without underwriting operations, should be included;

    - Activities of non-financial corporations. This comprises the activity carried out by commercial, industrial, technological and other companies.

Information on the distribution of profit and principal balance sheet aggregates, by business areas and geographies, at June 30, 2021 and December 31, 2020 is given below:

Business areas

	30-06-2021						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	219,508	121,372	61,611	1	72,793	1,000	476,285
Income from equity instruments	100	-	367	3,622	7	-	4,097
Income from services rendered and commissions	19,721	91,919	27,892	16,055	12,500	156,817	324,905
Cost of services and commissions	(8,626)	(7,626)	(423)	(1,211)	(295)	(38,410)	(56,590)
Results from financial operations	98,585	2,608	3,981	4,703	(304)	12,670	122,242
Other net operating income	(2,367)	2,648	2,513	6,026	630	(21,624)	(12,174)
Net operating income from banking	326,920	210,921	95,942	29,196	85,332	110,454	858,765
Other income and expenses							564,559
Net income attributable to the shareholder of CGD							294,206
Cash balances and loans and advances to credit institutions (net)	20,291,926	553,788	840,431	10,657	18	217	21,697,037
Investments in securities and derivatives (net)	25,482,348	(2,841,688)	587,447	158,978	-	157,093	23,544,177
Loans and advances to customers (net)	-	32,463,549	16,770,794	1	(27,544)	-	49,206,800
Non-current assets held for sale	-	-	-	-	-	1,143,571	1,143,571
Investments in associates by the equity method	-	-	-	-	-	508,646	508,646
Total net assets	47,473,623	30,461,099	18,562,794	886,409	106,150	3,510,379	101,000,453
Resources of central banks and credit institutions	6,766,085	4,799	-	-	-	-	6,770,884
Customer resources	-	66,062,510	10,516,617	-	-	5	76,579,132
Debt securities	1,354,553	-	-	-	-	-	1,354,553

	31-12-2020						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	400,078	286,896	231,140	1	104,938	2,725	1,025,778
Income from equity instruments	36	-	587	17,899	17	-	18,539
Income from services rendered and commissions	17,040	200,971	49,335	28,627	15,444	299,953	611,370
Cost of services and commissions	(33,488)	(9,248)	(1,801)	(5,459)	(2)	(64,201)	(114,199)
Results from financial operations	51,794	(99)	268	(13,776)	4,658	6,884	49,730
Other net operating income	(3,056)	13,133	7,375	11,544	809,239	(803,096)	35,139
Net operating income from banking	432,405	491,652	286,903	38,836	934,295	(557,734)	1,626,357
Other income and expenses							1,134,766
Net income attributable to the shareholder of CGD							491,592
Cash balances and loans and advances to credit institutions (net)	12,244,756	154,217	1,189,889	475	35	223	13,589,595
Investments in securities and derivatives (net)	25,781,381	(2,986,888)	328,221	162,323	-	167,592	23,452,629
Loans and advances to customers (net)	-	31,752,832	16,177,599	4	(27,469)	-	47,902,966
Non-current assets held for sale	-	-	-	-	-	1,158,949	1,158,949
Investments in associates by the equity method	-	-	-	-	-	505,158	505,158
Total net assets	39,573,873	29,205,620	18,061,644	880,067	105,114	3,549,128	91,375,446
Resources of central banks and credit institutions	2,038,016	-	2,402	-	-	-	2,040,418
Customer resources	-	62,909,751	9,123,202	-	-	5	72,032,958
Debt securities	1,371,033	-	-	-	-	-	1,371,033

The financial information on 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 at market prices. Investments in associates and joint ventures 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

	30-06-2021						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Intragroup	Total
Net interest income	297,560	36,634	-	37,545	102,999	1,547	476,285
Income from equity instruments	80,958	-	-	7	256	(77,124)	4,097
Income from services rendered and commissions	275,538	16,455	-	13,090	26,589	(6,767)	324,905
Cost of services and commissions	(46,515)	(4,532)	-	(4,114)	(6,437)	5,007	(56,590)
Results from financial operations	116,063	14	-	2,784	14,973	(11,591)	122,242
Other net operating income	(1,253)	(2,472)	-	21	2,322	(10,792)	(12,174)
Net operating income from banking	722,351	46,099	-	49,334	(1,253)	(99,720)	858,765
Other income and expenses							(564,559)
Net income attributable to the shareholder of CGD							294,206
Cash balances and loans and advances to credit institutions (net)	19,531,148	662,564	-	1,573,357	1,384,494	(1,454,525)	21,697,037
Investments in securities and derivatives (net)	25,166,842	12,063	-	521,827	872,306	(3,028,861)	23,544,177
Loans and advances to customers (net)	42,523,918	5,378,235	-	2,798,850	1,265,145	(2,759,348)	49,206,800
Total net assets	92,414,712	6,144,264	177,457	6,095,829	4,549,126	(8,380,933)	101,000,453
Resources of central banks and credit institutions	7,692,991	23,169	-	190,375	25,834	(1,161,485)	6,770,884
Customer resources	66,867,445	2,907,156	-	4,081,418	3,042,378	(319,265)	76,579,132
Debt securities	1,322,182	2,854,564	-	-	-	(2,822,193)	1,354,553

	31-12-2020						
	Portugal	Rest of European Union	Latin America	Asia	Africa	Intragroup	Total
Net interest income	670,938	72,099	-	92,815	187,994	1,933	1,025,778
Income from equity instruments	109,634	-	-	17	15,373	(106,485)	18,539
Income from services rendered and commissions	523,178	34,013	-	24,218	45,770	(15,808)	611,370
Cost of services and commissions	96,950	8,282	-	8,124	11,413	(238,969)	(114,199)
Results from financial operations	15,947	739	-	3,478	31,950	(2,384)	49,730
Other net operating income	(753,073)	(497)	-	313	5,389	783,006	35,139
Net operating income from banking	663,574	114,636	-	128,965	297,889	421,294	1,626,357
Other income and expenses							(1,134,766)
Net income attributable to the shareholder of CGD							491,592
Cash balances and loans and advances to credit institutions (net)	11,441,330	636,643	-	1,677,839	1,269,368	(1,435,584)	13,589,595
Investments in securities and derivatives (net)	25,604,517	13,275	-	446,595	576,571	(3,174,452)	23,466,506
Loans and advances to customers (net)	41,489,788	5,483,343	-	2,745,394	1,055,466	(2,871,025)	47,902,966
Total net assets	83,617,338	6,230,103	196,991	5,994,857	3,957,307	(8,621,150)	91,375,446
Resources of central banks and credit institutions	2,970,453	24,545	-	248,151	14,330	(1,217,060)	2,040,418
Customer resources	62,911,934	2,862,391	-	3,973,897	2,565,805	(281,069)	72,032,958
Debt securities	1,327,186	2,994,458	-	-	-	(2,950,611)	1,371,033

The "Intragroup” 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 group profit by business area, based on internal management criteria, for the periods ended June 30, 2021 and December 31, 2020:

	30-06-2021					
	Banking business in Portugal	International business	Investment banking	Insurance	Intragroup	Total
Interest and similar income	484,815	236,905	5,482	-	(37,649)	689,554
Interest and similar costs	(189,695)	(60,122)	(1,059)	-	37,607	(213,268)
Income from equity instruments	88	263	367	-	3,378	4,097
Net interest income	295,208	177,046	4,791	-	3,336	480,382
Income from services rendered and commissions	248,591	56,134	8,646	-	11,535	324,905
Cost of services and commissions	(40,621)	(14,688)	(2,100)	-	819	(56,590)
Results from financial operations	91,833	17,771	13,239	-	(601)	122,242
Other net operating income	(15,196)	(171)	1,032	-	2,162	(12,174)
Net operating income	284,606	59,046	20,816	-	13,915	378,383
NET OPERATING INCOME FROM BANKING	579,815	236,092	25,607	-	17,251	858,765
Other income and expenses	(399,050)	(174,616)	(11,786)	19,044	1,850	(564,559)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	180,765	61,476	13,821	19,044	19,101	294,206

	31-12-2020					
	Banking business in Portugal	International business	Investment banking	Insurance	Intragroup	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

The "Intragroup" column includes balances between group companies eliminated in the consolidation process. As regards business segments, reference should also be made to the effects of the group's activity in the property sector.

37. Related entities

Associates, joint ventures, group companies' management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The group's financial statements, at June 30, 2021 and December 31, 2020 include the following balances and transactions with related entities, excluding management bodies:

	30-06-2021			31-12-2020		
	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	7,403,080	380,593	904	8,180,699	420,971	1,842
Loans and advances to customers	35,395	542,492	145,072	45,030	444,976	128,185
Impairment for loans and advances to customers	-	39,786	415	-	41,981	315
Other assets	108,027	3,524	363,945	(1)	5,719	363,421
Liabilities:						
Customer resources	64,023	454,118	477,400	39,608	456,824	205,167
Financial liabilities held-for-trading	233	17,112	98	1,352	27,995	98
Other liabilities	2,913	195,876	1,507	645	211,569	524
Guarantees given	3,810	432,647	40,131	3,810	364,787	34,673
Net income:						
Interest and similar income	26,339	6,502	2,640	51,275	13,368	4,139
Interest and similar costs	-	4,441	137	-	6,171	383
Income from services rendered and commissions	16	39,828	2,144	58	72,167	5,352
Cost of services and commissions	6	1,001	262	11	1,488	503
Results from financial operations	(81,606)	(16,121)	(933)	87,095	51,097	(1,822)
Other operating income	(3)	107	73	(5)	346	95
General administrative costs	-	(4)	1,294	-	(24)	1,719

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, 2021 and December 31, 2020, does not include balances with regional or local government.

38. Lease agreements

Lease agreements at June 30, 2021 and December 31, 2020 were accounted for as follows:

30-06-2021			
Leases	Property	Vehicles	Other
Amortization costs of right-of-use assets in the period	15,018	1,290	-
Interest costs of lease liabilities in the period	2,589	29	-
Costs related to low-value leases	308	-	544
Carrying amount of right-of-use assets at the end of the period	162,355	3,884	-
Carrying amount of lease liabilities at the end of the period	(168,790)	(3,779)	(10,863)
Maturity of lease liabilities			
Up to one year	18,035	248	-
One to five years	24,857	406	-
Over five years	237	-	-

31-12-2020			
Leases	Property	Vehicles	Other
Amortization costs of right-of-use assets in the period	32,642	2,545	-
Interest costs of lease liabilities in the period	5,937	47	5
Costs related to low-value leases	308	-	544
Carrying amount of right-of-use assets at the end of the period	173,871	4,635	-
Carrying amount of lease liabilities at the end of the period	(179,873)	(4,584)	(16,697)
Maturity of lease liabilities			
Up to one year	10,017	430	-
One to five years	183,452	4,243	-
Over five years	5,733	-	-

39. Disclosures relating to financial instruments

Credit risk

Maximum exposure to credit risk

The following is a breakdown of the group's maximum exposure to credit risk at June 30, 2021 and December 31, 2020:

	30-06-2021	31-12-2020
Trading securities		
Public debt	1,256,969	3,149,577
Private debt	66,327	23,542
	1,323,296	3,173,119
Financial assets at fair value through profit or loss		
Private debt	99	98
Credit and securities	108,282	114,015
	108,382	114,114
Financial assets at fair value through other comprehensive income *		
Public debt	5,898,508	5,768,116
Private debt	1,009,230	952,885
	6,907,738	6,721,001
Financial assets at amortised cost *		
Public debt	12,776,958	10,976,270
Private debt a)	339,782	280,552
	13,116,740	11,256,822
Financial assets with repurchase agreement		
Public debt	122,466	13,877
	122,466	13,877
	21,578,623	21,278,932
Derivatives	663,535	893,760
Cash balances at other credit institutions	491,676	694,498
Loans and advances to credit institutions*	2,530,594	2,617,740
Loans and advances to customers*	49,222,876	47,926,627
Other debtors*	2,065,672	1,945,469
Other operations pending settlement	289,298	159,615
	55,263,651	54,237,710
Other commitments		
Personal/ Institutional guarantees given:**		
Guarantees and sureties**	2,438,951	2,392,362
Stand-by letters of credit	8,193	9,404
Open documentary credits	463,871	229,087
Forward deposit agreements	-	20,373
Irrevocable lines of credit	1,074,236	1,157,392
Securities subscription	1,150,668	1,155,493
Other irrevocable commitments	165,322	64,419
	5,301,242	5,028,530
Maximum exposure to credit risk	82,143,515	80,545,172

[*] Balances net of impairment [**] Balances net of provisions
[a)] As at 30 June 2021 and 31 December 2020, includes debt acquired from the European Union Financial Stabilization Mechanism, in the amount of 100,854 thousand Euros and 101,234 thousand Euros, respectively

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect of surety accounts (note 22) and netting agreements.

Exposure to the sovereign debt of peripheral eurozone countries

Information on the principal characteristics of the sovereign debt issuances of peripheral eurozone countries in Caixa's and its branches' portfolios at June 30, 2021 and December 31, 2020 is set out below:

	Book value net of impairment at 30-06-2021			Fair value	Fair value reserve	Rating
	Residual maturities					
	2022	After 2022	Total			
Financial assets at fair value trough profit or loss						
Portugal	504,544	74	504,619	504,619		
Italy	752,351	-	752,351	752,351		
	1,256,895	74	1,256,969	1,256,969	-	
Financial assets at fair value through revaluation reserves						
Portugal	55,231	2,293,222	2,348,454	2,348,454	158,055	
Ireland	-	139,560	139,560	139,560	7,316	
Spain	300,194	453,345	753,539	753,539	11,135	
Italy	2,507,734	-	2,507,734	2,507,734	1,849	
	2,863,159	2,886,127	5,749,287	5,749,287	178,355	
Held-to-maturity investments						
Portugal	714,052	3,656,782	4,370,834	4,403,536	5,325	
Ireland	-	659,137	659,137	660,696	-	
Spain	660,328	3,045,039	3,705,367	3,724,211	-	
Italy	1,601,851	682,626	2,284,477	2,284,820	-	
	2,976,231	8,043,584	11,019,815	11,073,263	5,325	
Total						
Portugal	1,273,827	5,950,079	7,223,906	7,256,608	163,380	BBB
Ireland	-	798,698	798,698	800,257	7,316	A+
Spain	960,522	3,498,383	4,458,906	4,477,750	11,135	A-
Italy	4,861,935	682,626	5,544,562	5,544,904	1,849	BBB-
	7,096,285	10,929,786	18,026,071	18,079,518	183,680	

	Book value net of impairment at 31-12-2020			Fair value	Fair value reserve	Rating
	Residual maturities					
	2021	After 2021	Total			
Financial assets at fair value trough profit or loss						
Portugal	1,551,559	30,899	1,582,458	1,582,458		
Spain	600,309	-	600,309	600,309		
Italy	966,810	-	966,810	966,810		
	3,118,678	30,899	3,149,577	3,149,577		
Financial assets at fair value through revaluation reserves						
Portugal	37,076	2,259,432	2,296,508	2,296,508	201,429	
Ireland	-	145,029	145,029	145,029	11,224	
Spain	1,152,863	346,393	1,499,255	1,499,255	19,844	
Italy	1,704,571	-	1,704,571	1,704,571	2,488	
	2,894,509	2,750,853	5,645,362	5,645,362	234,985	
Held-to-maturity investments						
Portugal	626,299	3,398,905	4,025,204	4,059,526		
Ireland	-	662,720	662,720	669,325		
Spain	576,421	2,330,407	2,906,828	2,929,963		
Italy	1,801,655	80,064	1,881,719	1,881,890		
	3,004,375	6,472,096	9,476,471	9,540,703		
Total						
Portugal	2,214,934	5,689,236	7,904,170	7,938,491	201,429	BBB
Ireland	-	807,749	807,749	814,354	11,224	A+
Spain	2,329,592	2,676,800	5,006,392	5,029,527	19,844	A-
Italy	4,473,035	80,064	4,553,099	4,553,270	2,488	BBB-
	9,017,562	9,253,848	18,271,410	18,335,642	234,985	

<u>Measurement criteria</u>

The sovereign debt issuances of 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, 2021 and December 31, 2020. Greater detail on the distinguishing elements of these categories along with the principal assumptions upon which they were based are given 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 Portugal's 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 acceptance), 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 policies defined by the competent CGD bodies.

CGD has defined a new centralised decision-making model on credit in which its credit risks division (DRC) is responsible for making decisions on loans to corporates, financial institutions and institutionals in addition to personal customers. The governance model for the decisions to issue loans, including limits on the delegating of authority have been set out in internal regulations. DRC's principal functions also include: (i) the prior, mandatory issuance of a risk opinion on attributing internal limits or consideration of operations not covered by the said limits for customers whose exposure (in terms of economic group), 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 deemed advisable under the circumstances; and, (iii) to approve the creation/alteration of economic groups.

Credit decisions on the most relevant exposures are the responsibility of the board of directors, credit risks executive committee or 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 approval of the financial risks committee.

The risk management division (DGR) intervenes in the credit risk control and monitoring process, lending stages and latter oversight, on both a customer/operation and a 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 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) allocation of ratings, based on an opinion on the qualitative assessment of companies upon which a report is issued.

DGR may also submit the approval and review 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 early identification of signs of potential default, enabling decisions for optimising debt recovery to be made. The oversight process is regulated by an internal credit oversight and recovery policy regulation.

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 level of severity of the probability of a default situation, 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 with early warning signs which 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 owing to its financial difficulties;
5. Customers classified as being in default; and
6. Customers classified as being in quarantine following actions taken to remedy 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 the use of 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 an analysis of the customers' level of liabilities, based on a specific report to be produced 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 changes in line with its analysis of metrics and indicators, based on monthly monitoring reports on credit portfolio quality for the executive committee.

1.1.3 Credit recovery

Whenever any arrears of payment have been noted, adequate steps are taken to recover the overdue credit and settle the situation in due compliance with the dispositions of decree law 227/2012 (PARI − action plan for risk of defaults and PERSI − out-of-court procedures for default settlement purposes) 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 up to 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 litigation.

Contacts with customers with a view to the settlement of overdue amounts at the initial credit collection phase are made by the call centre and the 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 should move on to the litigation stage. This solution consists of the executing of 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 considered to be the most efficient solution, following a due cost/benefit appraisal.

1.2 Concentration risk management

Credit concentration risk management within CGD group is the responsibility of its risk management division (DGR) which identifies, measures and controls significant exposures.

Risk metrics have been developed in the risk appetite statement for the purpose of monitoring concentration risk. They permit 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 for operations entailing materially relevant exposures (as defined in an internal regulation) require the opinion of DGR. The limit naturally considers the total exposure of a relevant customer and/or group of customers to CGD group.

2. Loan write-off policy

The decision to write-off an asset, based on the write-off policy, as formalised in an internal regulation, is made 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 implying the recognition of 100% provisions and impairment, also include: i) loans in arrears for more than 24 months and ii) loans without a real guarantee.

3. Impairment reversal policy

The quantification of impairment losses is conditioned by the identification of events which indicate the deterioration of a 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.

3. Description of restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is understood to be any changes to the conditions in force on credit operations involving loans and advances to customers in financial distress when resulting in any modification of the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD groups and its customers' interests in any specific situation, pursuant to the terms of the delegated decision and limits defined in internal regulations.

Recovery solutions always bear a customer's individual circumstances and CGD's best interests in mind, in line with three basic principles.

- Impact on capital and cash flows. The first aspect to consider is the referred to process's impact on CGD group's invested capital and cash flows generated 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 to be 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 process*. 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 solution's financial impact may not be optimal, other parameters such as a customer's specific characteristics, the impact of its 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 has been 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.

4. Description of collateral valuation and management process

Immovable assets

The following types of immovable assets 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 measurement methodology on immovable assets in 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. *Review of the valuation of a property's worth by an appraiser*. Mortgage lending operations whose contractual terms have been changed usually require a new valuation as if they were new operations.

   In the case of non-performing loans, 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*. The property prices are reviewed by an internal CMVM-registered property appraiser, who uses the information contained in the preceding valuation report and does not make a personal visit to the property. This methodology is exclusively used for residential properties, non-performing loans with a debtor balance of less than €300 thousand and, in the case of performing credit, a debtor balance of more than €500 thousand.

Valuation procedures on immovable assets:

- The staff of 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 both 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 management 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 the purpose of 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.

5. Type of principal judgments, estimates and hypotheses used to measure impairment

CGD's credit impairment model uses appropriate, applicable 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 adequate 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 and advances 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) *Corporate lending:* type of company, amount of exposure, sector of economic activity, quality and amount of collateral, present and past performance of the operation, length of current performance.

iv. Application of loan conversion factors 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.

6. <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 corporate and personal customers. It also includes the provision of bank guarantees and irrevocable and revocable lines of credit and assesses each operation's risk profile which it classifies in the 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 comprising 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, classifying operations as being in default;

b) *Stage 2*: exposures with a significant increase in credit risk (SICR) 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 (special revitalisation programmes) submitted by the debtor or CGD;
5. Operations at a 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 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 the financial difficulties of a customer 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 the financial difficulties of a customer in a probation period, when more than 30 days in arrears and classified as a non-performing exposure prior to the beginning of the probation period;
9. Restructuring operations owing to the financial difficulties of a customer in the event of loss events (in accordance with the defined materiality); and
10. Existence of asset write-offs or cancelled interest.

Although IFRS 9 − "Financial instruments" does not define the concept of default, CGD applies the same definition of default 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 at the time.

Stage 2 classification

Stage 2 credit 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 − special revitalisation 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 loss 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 the level of 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 the exposure of each operation upon the date of default and comprises the sum of the equity and off-balance sheet exposures following the *CCF* (credit conversion factor). The CCF 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 prospective or 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 regulation, 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 June 30, 2021, 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 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 adequate to customers' and CGD's interests is applied, on the basis of an analysis, with legal action for credit recovery purposes as a last resort.

10. <u>General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments</u>

<u>Individual assessment</u>

The assessment of expected 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 underlying expectations of collectability.

An assessment is made as to whether the expected 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 assess 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 estimated future cash flows (i.e. provided that they are non-operating assets). This going concern approach is used if

    a) The company's future operating 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 assets 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, forecasts 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 a 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 estimated 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 estimated 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 a respective adjustment will be made to assess the recoverable amounts.

Collective impairment

For stage 1 operations, the expected credit loss − ECL[3], considers a 12 months loss and is calculated by the following formula.

$$ECL_{Stage\ 1} = EAD \times PD_{12\ months} \times LGD^{1}$$

(3) EAD = exposure at risk, PD = probability of default, LGD = loss given default

For stage 2 operations lifetime credit losses are calculated by the following formula:

$$ECL_{Stage\ 2} = \sum_{k=t}^{term} \frac{EAD_k \times LGD_k \times SR_{k-1} \times PD_k{}^1}{(1+r)^k}$$

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(2) is considered to be 100%. Expected losses on stage 3 operations are therefore given by the following formula:

$$ECL_{Stage\ 3} = EAD \times LGD_{Time\ from\ default\ entry}1$$

Credit losses should also be based on the losses calculated on the basis of three possible macroeconomic scenarios (central, pessimistic and optimistic), weighted by the probabilities of each scenario's occurrence.

<u>Quantitative</u>

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, 2021 and December 31, 2020 is set out below:

	Exposure in 30-06-2021				Impairment in 30-06-2021			
	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	3,215,920	22,035	6,599	3,244,553	3,945	6,316	790	11,051
Other financial institutions	192,607	65,907	2,601	261,116	1,837	12,651	1,857	16,344
Non-financial institutions	15,115,086	2,444,392	1,573,708	19,133,186	156,696	467,222	1,035,128	1,659,046
Small and medium institutions	8,403,392	1,769,423	1,102,526	11,275,341	113,643	314,527	709,764	1,137,934
Commercial real estate	2,715,020	503,873	469,784	3,688,677	23,226	85,131	304,276	412,632
Others	5,688,372	1,265,550	632,742	7,586,664	90,417	229,396	405,488	725,302
Other institutions	6,711,694	674,970	471,181	7,857,845	43,053	152,695	325,364	521,112
Commercial real estate	850,941	86,848	26,639	964,428	10,142	14,543	18,727	43,413
Others	5,860,753	588,121	444,543	6,893,417	32,910	138,151	306,637	477,699
Households	26,918,235	1,287,314	678,875	**28,884,424**	21,745	161,201	447,093	**630,039**
Mortgage loans with property mortgage	25,049,898	1,097,750	358,745	26,506,393	11,411	131,357	191,914	334,681
Consumption and other purposes	1,130,276	87,313	49,981	1,267,569	7,248	12,651	30,452	50,352
Others	738,062	102,251	270,150	1,110,463	3,086	17,193	224,726	245,006
	45,441,848	**3,819,648**	**2,261,783**	**51,523,280**	**184,223**	**647,390**	**1,484,867**	**2,316,480**

	Exposure in 31-12-2020				Impairment in 31-12-2020			
	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	3,145,855	15,556	9,063	3,170,474	4,032	6,193	2,990	13,216
Other financial institutions	164,238	67,692	2,306	234,236	1,986	12,469	1,685	16,140
Non-financial institutions	14,393,739	2,552,984	1,542,386	18,489,110	175,875	432,523	1,004,674	1,613,072
Small and medium institutions	7,787,160	1,753,153	1,089,225	10,629,537	122,367	287,260	677,373	1,087,000
Commercial real estate	2,622,309	502,610	460,262	3,585,181	29,849	84,806	288,769	403,424
Others	5,164,851	1,250,543	628,963	7,044,357	92,518	202,454	388,604	683,576
Other institutions	6,606,579	799,832	453,161	7,859,572	53,508	145,263	327,301	526,072
Commercial real estate	835,059	186,031	39,038	1,060,128	12,747	26,452	27,274	66,472
Others	5,771,520	613,801	414,124	6,799,444	40,761	118,811	300,028	459,600
Households	26,134,059	1,375,818	745,126	**28,255,003**	28,000	151,922	423,508	**603,430**
Mortgage loans with property mortgage	24,337,225	1,192,706	417,985	25,947,916	18,584	127,342	173,497	319,423
Consumption and other purposes	1,099,037	86,751	54,270	1,240,058	6,284	11,421	29,814	47,518
Others	697,797	96,361	272,871	1,067,029	3,132	13,159	220,197	236,488
	43,837,891	**4,012,051**	**2,298,882**	**50,148,823**	**209,893**	**603,107**	**1,432,857**	**2,245,857**

Information on exposures and impairment on performing and non-performing operations, at June 30, 2021 and December 31, 2020 is set out below:

	Exposure in 30-06-2021										Impairment in 30-06-2021							
	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	3,224,585	13,370	3,237,955	5,789	-	-	-	810	6,599	3,244,553	10,261	790	-	-	-	-	790	11,051
Other financial institutions	258,456	59	258,514	25	213	606	1,081	677	2,601	261,116	14,488	5	120	345	786	601	1,857	16,344
Non-financial institutions	17,460,899	98,570	17,559,469	871,387	37,875	32,967	486,784	144,705	1,573,718	19,133,186	623,918	537,132	18,184	18,224	361,836	99,752	1,035,128	1,659,046
Small and medium institutions	10,095,578	77,236	10,172,814	506,052	32,137	25,031	424,360	114,946	1,102,526	11,275,341	428,170	305,654	12,920	11,569	308,291	71,330	709,764	1,137,934
Commercial real estate	3,198,420	20,473	3,218,893	128,599	14,786	5,782	247,341	73,276	469,784	3,688,677	108,356	69,779	3,199	1,421	187,304	42,572	304,276	412,632
Others	6,897,158	56,763	6,953,922	377,453	17,351	19,249	177,018	41,670	632,742	7,586,664	319,814	235,874	9,721	10,148	120,987	28,758	405,488	725,302
Other institutions	7,365,320	21,334	7,386,654	365,334	5,738	7,935	62,424	29,759	471,191	7,857,845	195,747	231,478	5,264	6,656	53,545	28,422	325,364	521,112
Commercial real estate	936,955	825	937,780	18,145	283	-	3,511	4,709	26,648	964,428	24,686	11,694	269	-	2,559	4,206	18,727	43,413
Others	6,428,366	20,509	6,448,874	347,190	5,455	7,935	58,913	25,050	444,543	6,893,417	171,062	219,784	4,995	6,656	50,986	24,216	306,637	477,699
Households	28,136,980	68,532	28,205,512	206,832	21,550	25,358	321,861	103,311	678,913	28,884,424	182,946	114,089	9,121	13,779	244,724	65,380	447,093	630,039
Mortgage loans with property mortgage	26,099,224	48,424	26,147,648	136,237	16,055	12,378	129,878	64,198	358,745	26,506,393	142,767	67,999	6,278	5,526	71,249	40,862	191,914	334,681
Consumption and other purposes	1,204,646	12,941	1,217,587	7,988	3,586	10,032	19,137	9,239	49,982	1,267,569	19,899	5,894	1,850	7,011	12,852	2,846	30,452	50,352
Others	833,110	7,167	840,277	62,607	1,909	2,949	172,846	29,874	270,186	1,110,463	20,279	40,196	993	1,242	160,623	21,672	224,726	245,006
	49,080,919	180,531	49,261,449	1,084,032	59,639	58,931	809,726	249,503	2,261,830	51,523,280	831,612	652,016	27,425	32,348	607,346	165,733	1,484,867	2,316,480

	Exposure in 31-12-2020										Impairment in 31-12-2020							
	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	3,123,078	38,333	3,161,411	4,812	-	-	285	3,965	9,063	3,170,474	10,226	391	0	0	14	2,585	2,990	13,216
Other financial institutions	231,891	39	231,930	669	55	95	782	706	2,306	234,236	14,455	358	31	42	638	615	1,685	16,140
Non-financial institutions	16,659,383	283,511	16,942,894	802,486	31,353	68,583	470,086	173,708	1,546,216	18,489,110	607,353	506,930	20,018	42,598	307,517	128,655	1,005,719	1,613,072
Small and medium institutions	9,415,118	121,509	9,536,627	469,485	29,768	65,656	398,776	129,225	1,092,911	10,629,537	408,608	282,192	18,681	39,870	245,544	92,104	678,391	1,087,000
Commercial real estate	3,109,326	15,586	3,124,912	99,137	17,756	16,848	239,444	87,083	460,269	3,585,181	114,655	65,719	12,119	10,362	141,125	59,444	288,769	403,424
Others	6,305,792	105,923	6,411,715	370,348	12,012	48,808	159,332	42,142	632,642	7,044,357	293,953	216,472	6,562	29,508	104,419	32,661	389,623	683,576
Other institutions	7,244,265	162,002	7,406,267	333,000	1,585	2,927	71,310	44,483	453,305	7,859,572	198,745	224,738	1,337	2,728	61,973	36,551	327,327	526,072
Commercial real estate	1,017,226	3,844	1,021,070	18,873	7	2,615	2,421	15,142	39,058	1,060,128	39,198	11,522	7	2,555	1,790	11,401	27,274	66,472
Others	6,227,039	158,158	6,385,197	314,128	1,578	312	68,888	29,341	414,247	6,799,444	159,547	213,216	1,330	174	60,184	25,150	300,053	459,600
Households	27,424,054	83,192	27,507,247	248,785	22,739	31,184	351,248	93,800	747,756	28,255,003	178,857	123,033	8,446	13,988	228,265	50,841	424,573	603,430
Mortgage loans with property mortgage	25,464,441	63,578	25,528,019	171,813	17,077	16,552	146,266	68,188	419,897	25,947,916	145,016	76,935	5,974	4,923	51,601	34,974	174,407	319,423
Consumption and other purposes	1,171,953	13,731	1,185,684	10,966	3,754	11,996	26,440	1,218	54,373	1,240,058	17,675	6,966	1,810	7,765	12,788	514	29,843	47,518
Others	787,660	5,883	793,543	66,006	1,907	2,636	178,542	24,394	273,486	1,067,029	16,166	39,132	661	1,301	163,876	15,352	220,322	236,488
	47,438,407	405,075	47,843,482	1,056,751	54,147	99,862	822,401	272,180	2,305,341	50,148,823	810,891	630,711	28,495	56,629	536,435	182,697	1,434,967	2,245,857

Information on the credit portfolio, by segment and year of production at June 30, 2021, 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																					
2005 and before	1,188	358,716	6,951	14	57	2	8,232	1,106,128	276,776	1,465	375,444	89,248	261,839	7,803,608	137,923	114,178	293,039	48,021	385,451	9,561,549	469,673
2006	100	419,693	12	27	2,434	562	2,123	660,025	360,541	495	415,370	166,671	36,873	1,867,114	52,302	18,456	258,721	182,392	57,579	3,207,987	595,810
2007	78	660,529	94	27	48,667	5,371	2,021	830,263	143,265	500	364,977	56,698	31,590	1,667,186	38,055	18,390	59,463	3,770	52,106	3,266,108	190,555
2008	59	105,240	6	16	350	88	1,705	414,888	35,486	424	322,995	17,540	27,899	1,719,566	32,143	20,553	56,982	5,994	50,232	2,297,026	73,716
2009	40	35,323	77	15	282	1	1,800	307,095	37,845	427	218,024	9,895	20,554	1,432,718	27,139	22,616	62,832	3,474	45,025	1,838,249	68,537
2010	17	41,483	-	12	297	73	1,376	177,137	26,734	278	68,565	12,073	9,149	601,475	11,129	16,473	45,120	2,710	27,027	865,513	40,645
2011	7	4,251	86	12	201	18	1,338	194,842	32,953	239	34,533	11,764	3,974	250,775	3,628	13,745	46,441	9,378	19,076	496,509	46,064
2012	13	46,524	21	8	5,677	273	1,918	242,120	53,524	291	27,667	5,083	4,122	284,559	4,977	52,975	60,643	3,277	59,036	639,523	62,072
2013	21	221,477	176	9	37,662	1,770	3,243	746,186	191,440	503	123,638	15,518	5,252	413,495	5,409	17,800	55,174	3,750	26,325	1,473,995	202,546
2014	41	180,400	633	26	1,080	136	5,313	1,414,458	168,874	825	176,863	25,170	9,391	769,424	9,734	21,734	88,171	8,858	36,505	2,453,532	188,235
2015	84	312,785	1,927	33	87,337	7,577	7,101	1,280,287	82,959	1,035	201,068	8,336	10,782	927,109	2,289	29,396	93,075	6,000	47,396	2,700,595	100,754
2016	62	100,998	1,000	27	12,263	67	10,592	930,252	55,661	1,502	168,672	6,687	12,022	1,091,630	2,119	35,790	141,341	5,238	58,493	2,276,484	64,086
2017	88	54,955	24	46	11,128	5	11,337	1,696,863	44,889	1,536	256,026	7,716	15,487	1,599,612	2,384	39,028	185,745	1,965	65,986	3,548,303	49,266
2018	87	166,538	17	72	10,800	47	12,825	2,478,208	53,766	2,171	857,174	10,251	19,471	2,070,216	2,684	47,764	265,637	3,826	80,219	4,991,399	60,341
2019	124	391,644	23	54	19,936	144	20,666	3,559,517	62,472	3,198	673,973	9,439	21,219	2,429,781	1,666	63,831	407,812	4,808	105,894	6,808,690	69,113
2020	66	143,997	4	21	22,946	208	12,760	3,094,917	31,859	2,046	368,116	3,956	12,903	1,578,124	1,099	91,150	257,834	1,897	116,900	5,097,818	35,067
	2,075	3,244,553	11,051	419	261,116	16,344	104,350	19,133,186	1,659,046	16,935	4,653,105	456,045	502,527	26,506,393	334,681	623,879	2,378,032	295,358	1,233,250	51,523,280	2,316,480

Information on the amount of gross credit exposure and impairment by segment at June 30, 2021 and December 31, 2020, is as follows:

	30-06-2021													
	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	-	-	1,571	-	876,453	656,625	285,479	225,183	2,524	769	203,614	181,136	1,084,161	838,530
Collective	3,244,553	11,051	259,545	16,344	18,256,734	1,002,421	4,367,626	230,862	26,503,868	333,912	2,174,418	114,221	50,439,118	1,477,950
	3,244,553	**11,051**	**261,116**	**16,344**	**19,133,186**	**1,659,046**	**4,653,105**	**456,045**	**26,506,393**	**334,681**	**2,378,032**	**295,358**	**51,523,280**	**2,316,480**

	31-12-2020													
	Government		Other financial institutions		Non-financial institutions		Non-financial institutions - Commercial real estate		Households - Loans with mortgage Property		Households - Consumption and other purposes		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Avaliation														
Individual	68,126	3,601	1,786	46	1,367,518	676,463	436,622	215,096	24,688	1,992	411,109	188,770	1,873,227	870,872
Collective	3,102,349	9,615	232,450	16,094	17,121,592	936,609	4,208,687	254,800	25,923,228	317,431	1,895,978	95,237	48,275,596	1,374,986
	3,170,474	**13,216**	**234,236**	**16,140**	**18,489,110**	**1,613,072**	**4,645,308**	**469,896**	**25,947,916**	**319,423**	**2,307,087**	**284,007**	**50,148,823**	**2,245,858**

Information on the amount of gross credit exposure and impairment by sector of activity at June 30, 2021 and December 31, 2020 is as follows:

	30-06-2021			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	348,504	38,263	44,310	31,615
Extraction industries	102,962	17,490	7,420	8,447
Manufacturing	2,786,460	124,022	183,952	204,005
Production and distribution of electricity, gas, steam and air conditioning	835,619	10,324	448	4,354
Water supply	228,393	61,176	15,044	29,779
Construction	2,171,897	299,129	265,569	252,619
Wholesale and retail trade	2,440,416	148,265	159,914	159,478
Transport and storage	1,117,632	289,735	112,312	190,713
Accommodation and food service activities	931,826	185,202	43,070	111,276
Information and communication	196,479	9,201	12,047	11,442
Real estate activities	2,566,494	313,950	254,464	218,276
Consulting, scientific, technical and similar activities	2,877,082	184,712	252,096	262,601
Administrative and support services activities	453,759	12,864	32,849	34,713
Public administration and defense, compulsory social security	1,648	166	53	68
Education	109,776	44,519	28,765	22,800
Human health services and social action activities	240,759	18,822	7,162	13,383
Arts, entertainment and recreation	253,359	11,896	107,585	53,466
Other services	1,470,121	99,263	46,660	50,013
Public administrations	3,244,553	323,284	6,599	11,051
Other financial activities	261,116	5,191	2,601	16,344
Households - housing with mortgage of the property	26,506,393	1,336,414	358,745	334,681
Households - housing	1,267,569	36,223	49,982	50,352
Households - others	1,110,463	299,981	270,186	245,006
	51,523,280	**3,870,091**	**2,261,830**	**2,316,480**

	31-12-2020			
	Credit exposure			
	Gross carrying amount	Of which with renegotiation measures	Of which Non performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	311,897	26,918	34,435	32,563
Extraction industries	88,679	14,182	6,278	5,973
Manufacturing	2,678,852	133,963	219,341	231,933
Production and distribution of electricity, gas, steam and air conditioning	811,371	16,307	4,125	7,274
Water supply	225,403	75,589	21,932	38,190
Construction	2,343,757	452,184	262,437	295,346
Wholesale and retail trade	2,272,460	135,267	156,754	180,947
Transport and storage	902,938	210,561	94,001	142,113
Accommodation and food service activities	867,904	137,027	41,596	59,901
Information and communication	208,589	30,695	24,643	17,090
Real estate activities	2,595,140	327,923	266,906	215,849
Consulting, scientific, technical and similar activities	3,049,752	322,066	229,590	249,879
Administrative and support services activities	436,760	12,317	11,270	18,489
Public administration and defense, compulsory social security	15,713	948	60	52
Education	102,256	32,025	22,660	13,436
Human health services and social action activities	251,254	24,522	12,528	15,380
Arts, entertainment and recreation	244,555	16,458	115,684	51,598
Other services	1,081,832	97,517	21,975	37,058
Public administrations	3,170,474	320,104	9,063	13,216
Other financial activities	234,236	4,911	2,306	16,140
Households - housing with mortgage of the property	25,947,916	1,353,168	419,897	319,423
Households - housing	1,240,058	34,913	54,373	47,518
Households - others	1,067,029	299,362	273,486	236,488
	50,148,823	**4,078,931**	**2,305,341**	**2,245,857**

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, 2021 and December 31, 2020 is as follows:

	30-06-2021													
	<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	3,257,813	372,440	816,943	265,490	2,448,805	925,340	1,515,193	416,140	772,851	388,717	1,361,651	730,609	20,123,911	424,625
Non-financial institutions - Commercial real estate	349,732	104,314	245,983	91,688	882,635	374,364	330,281	145,410	470,791	208,963	630,058	382,612	1,107,414	355,978
Households - Loans with mortgage Property	54,140,561	37,765,605	2,278,034	1,012,499	697,415	303,331	204,946	9,140	187,103	1,617	133,102	681	78,339	44
	57,748,105	**38,242,359**	**3,340,960**	**1,369,677**	**4,028,855**	**1,603,035**	**2,050,420**	**570,690**	**1,430,745**	**599,296**	**2,124,812**	**1,113,903**	**21,309,664**	**780,646**

	31-12-2020													
	<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	1,453,812	420,027	855,856	293,848	2,535,329	979,176	1,514,932	425,826	813,645	420,483	1,342,198	728,233	16,113,665	409,944
Non-financial institutions - Commercial real estate	380,362	129,983	255,642	99,152	867,868	381,160	389,875	163,825	489,118	234,579	744,439	420,306	954,794	376,044
Households - Loans with mortgage Property	53,162,035	37,485,712	1,940,889	878,813	582,851	250,898	198,171	6,140	206,157	1,691	180,952	731	78,339	44
	54,996,208	**38,035,721**	**3,052,386**	**1,271,813**	**3,986,048**	**1,611,234**	**2,102,978**	**595,792**	**1,508,920**	**656,753**	**2,267,590**	**1,149,271**	**17,146,798**	**786,032**

Details on the restructured loan portfolio by the application of the deferral method (Forborne) at June 30, 2021 and December 31, 2020, were as follows:

	30-06-2021										
	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	2,481	775,634	70,066	1,616	332,610	181,040	72,738	4,097	1,108,244	181,565	142,804
Grace period	339	220,634	11,905	325	78,089	31,800	19,050	664	298,724	31,800	30,955
Interest rate changes	271	624,886	134,608	312	309,626	218,793	34,072	583	934,512	218,793	168,680
Other	3,324	918,385	87,214	4,003	610,226	214,892	205,161	7,326	1,528,611	214,892	292,375
	6,415	**2,539,540**	**303,793**	**6,256**	**1,330,551**	**646,525**	**331,021**	**12,671**	**3,870,091**	**647,050**	**634,814**

	31-12-2020										
	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	6,391	772,894	56,456	2,429	370,603	155,996	80,162	8,820	1,143,497	155,996	136,618
Grace period	1,279	213,339	9,275	487	77,941	459	18,536	1,766	291,280	459	27,811
Interest rate changes	322	637,270	98,732	377	302,833	225,570	17,888	699	940,103	225,570	116,620
Other	3,562	1,087,487	70,199	4,744	616,564	263,526	176,164	8,305	1,704,051	263,541	246,363
	11,554	**2,710,990**	**234,662**	**8,036**	**1,367,941**	**645,551**	**292,750**	**19,590**	**4,078,931**	**645,566**	**527,412**

Information on additions to and exits from the deferred credit portfolio (Forborne) for the periods ended June 30, 2021 and December 31, 2020 is given below:

Balance of restructured loans at 31-12-2019	**3,759,095**
New restructured loans	766,537
Accrued interest of the restructured loans	10,852
Restructured loans liquidation (partial or total)	(427,783)
Reclassifyed loans from "restructured" to "normal"	(29,576)
Other	(195)
Balance of restructured loans at 31-12-2020	**4,078,931**
New restructured loans	101,244
Accrued interest of the restructured loans	7,258
Restructured loans liquidation (partial or total)	(309,703)
Reclassifyed loans from "restructured" to "normal"	(2,921)
Other	(4,717)
Balance of restructured loans at 30-06-2021	**3,870,091**

Details of the credit portfolio by LTV ratio at June 30, 2021 and December 31, 2020, are set out below:

Segment / Ratio	30-06-2021					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**17,559,469**	**1,573,718**	**19,133,186**	**623,918**	**1,035,128**	**1,659,046**
With no associated collateral	13,249,850	944,154	14,194,004	490,340	675,031	1,165,371
< 60%	3,277,002	491,326	3,768,328	112,645	288,572	401,217
>= 60% and < 80%	246,638	57,926	304,564	4,552	36,365	40,918
>= 80% and < 100%	405,777	24,325	430,102	10,305	9,672	19,976
>= 100%	380,201	55,987	436,188	6,077	25,487	31,564
Commercial real estate	**4,156,672**	**496,433**	**4,653,105**	**133,042**	**323,003**	**456,045**
With no associated collateral	843,387	37,821	881,208	15,922	16,505	32,427
< 60%	2,682,401	386,762	3,069,163	104,533	258,246	362,779
>= 60% e < 80%	100,926	43,679	144,605	2,045	31,836	33,881
>= 80% e < 100%	270,270	12,976	283,245	6,377	8,042	14,419
>= 100%	259,688	15,195	274,884	4,164	8,374	12,539
Households - Loans with property mortgage	**26,147,648**	**358,745**	**26,506,393**	**142,767**	**191,914**	**334,681**
< 60%	16,107,506	192,586	16,300,092	73,236	90,093	163,329
>= 60% and < 80%	7,648,505	76,794	7,725,300	43,531	43,985	87,515
>= 80% and < 100%	2,224,201	54,649	2,278,850	21,340	34,701	56,041
>= 100%	167,436	34,716	202,151	4,660	23,135	27,796
Households - Consumption and other purposes	**2,057,864**	**320,168**	**2,378,032**	**40,179**	**255,179**	**295,358**
With no associated collateral	1,781,913	237,520	2,019,433	32,532	208,393	240,924
< 60%	167,247	37,683	204,931	1,006	22,968	23,975
>= 60% and < 80%	63,146	25,571	88,717	4,551	15,858	20,410
>= 80% and < 100%	24,361	11,306	35,667	1,820	3,268	5,088
>= 100%	21,197	8,087	29,284	269	4,691	4,961
Other financial institutions	**258,514**	**2,601**	**261,116**	**14,488**	**1,857**	**16,344**
With no associated collateral	153,835	1,657	155,492	2,397	1,267	3,664
< 60%	62,681	629	63,310	2,140	283	2,422
>= 60% and < 80%	35,038	315	35,353	9,932	307	10,239
>= 80% and < 100%	6,806	-	6,806	19	-	19
>= 100%	155	-	155	-	-	-
Government	**3,237,955**	**6,599**	**3,244,553**	**10,261**	**790**	**11,051**
With no associated collateral	3,158,455	4,200	3,162,655	10,167	14	10,181
< 60%	45,621	2,399	48,020	13	776	789
>= 60% and < 80%	2,836	-	2,836	14	-	14
>= 80% and < 100%	4,568	-	4,568	-	-	-
>= 100%	26,474	-	26,474	67	-	67
	49,261,449	2,261,830	51,523,280	831,612	1,484,867	2,316,480

Segment / Ratio	31-12-2020					
	Exposure			Impairment		
	Performing	Non-Performing		Performing	Non-Performing	
Non-financial institutions	**16,942,894**	**1,546,216**	**18,489,110**	**607,353**	**1,005,719**	**1,613,072**
With no associated collateral	12,567,883	897,506	13,465,388	455,787	661,822	1,117,608
< 60%	3,400,748	489,810	3,890,558	123,331	270,383	393,714
>= 60% and < 80%	274,958	68,282	343,240	9,149	40,499	49,648
>= 80% and < 100%	392,598	25,736	418,334	12,492	8,344	20,836
>= 100%	306,707	64,882	371,590	6,594	24,671	31,266
Commercial real estate	**4,145,955**	**499,327**	**4,645,282**	**153,853**	**316,043**	**469,896**
With no associated collateral	811,106	30,844	841,950	20,583	17,868	38,451
< 60%	2,709,738	385,960	3,095,698	111,296	244,975	356,271
>= 60% e < 80%	123,164	47,699	170,863	6,159	35,393	41,552
>= 80% e < 100%	277,200	16,327	293,527	10,683	7,139	17,822
>= 100%	224,747	18,497	243,244	5,133	10,668	15,801
Households - Loans with property mortgage	**25,528,019**	**419,897**	**25,947,916**	**145,016**	**174,407**	**319,423**
With no associated collateral	-	-	-	-	-	-
< 60%	15,944,186	215,487	16,159,673	92,802	83,617	176,419
>= 60% and < 80%	7,251,498	89,778	7,341,276	32,992	32,848	65,840
>= 80% and < 100%	2,147,411	71,119	2,218,530	14,758	32,028	46,785
>= 100%	184,924	43,513	228,437	4,465	25,915	30,380
Households - Consumption and other purposes	**1,979,227**	**327,859**	**2,307,087**	**33,841**	**250,165**	**284,006**
With no associated collateral	1,697,576	243,101	1,940,677	30,976	206,068	237,044
< 60%	168,021	40,682	208,703	1,709	21,748	23,457
>= 60% and < 80%	61,764	25,782	87,546	515	14,541	15,056
>= 80% and < 100%	25,566	10,511	36,077	409	3,240	3,649
>= 100%	26,300	7,784	34,083	232	4,568	4,800
Other financial institutions	**231,930**	**2,306**	**234,236**	**14,455**	**1,685**	**16,140**
With no associated collateral	118,874	2,000	120,874	2,206	1,464	3,670
< 60%	75,735	(9)	75,726	5,109	(75)	5,034
>= 60% and < 80%	485	315	800	-	296	296
>= 80% and < 100%	36,676	-	36,676	7,140	-	7,140
>= 100%	160	-	160	-	-	-
Government	**3,161,411**	**9,063**	**3,170,474**	**10,226**	**2,990**	**13,216**
With no associated collateral	3,094,424	5,351	3,099,775	10,192	539	10,732
< 60%	41,434	3,712	45,147	8	2,451	2,459
>= 60% and < 80%	4,289	-	4,289	25	-	25
>= 80% and < 100%	4,723	-	4,723	-	-	-
>= 100%	16,542	-	16,542	-	-	-
	47,843,482	2,305,341	50,148,823	810,891	1,434,967	2,245,857

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, 2021 and December 31, 2020 are set out below:

Asset	30-06-2021		
	Number of real estate	Fair value of assets	Book value
Land			
Urban	159	65,100	28,854
Rural	41	1,316	547
Under construction buildings			
Commercial	1	3,459	1,627
Housing	124	10,971	5,241
Other	29	12,922	6,932
Concluded buildings			
Commercial	86	49,631	34,283
Housing	1,422	133,127	71,085
Other	937	119,526	64,519
Other	47	474	399
	2,846	396,527	213,485

Time elapsed since the initial recognition / repossesssion	30-06-2021				
	< 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	2,905	9,084	6,790	10,074	28,854
Rural	256	78	125	88	547
Under construction buildings					
Commercial	1,627	-	-	-	1,627
Housing	73	894	1,729	2,545	5,241
Other	18	27	5,209	1,678	6,932
Concluded buildings					
Commercial	7,035	476	18,303	8,469	34,283
Housing	8,420	18,895	27,540	16,230	71,085
Other	13,706	11,901	15,677	23,234	64,519
Other	360	28	8	4	399
	34,398	41,382	75,381	62,323	213,485

Asset	31-12-2020 Number of real estate	Fair value of assets	Book value
Land			
Urban	176	132,342	26,749
Rural	39	2,401	492
Under construction buildings			
Housing	163	20,012	7,343
Other	29	20,219	5,908
Concluded buildings			
Housing	1,664	263,549	100,652
Other	952	153,626	60,508
	3,176	652,659	222,402

Time elapsed since the initial recognition / repossesssion	31-12-2020 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	11,891	1,152	6,935	6,771	26,749
Rural	314	102	63	14	492
Under construction buildings					
Housing	1,120	1,431	2,075	2,718	7,343
Other	93	739	5,071	4	5,908
Concluded buildings					
Housing	24,642	30,677	25,145	20,188	100,652
Other	15,607	14,120	19,036	11,745	60,508
	56,629	49,046	69,014	47,713	222,402

Explanatory notes on preparing the quantitative disclosures:

Common definitions

Segmentation. The segments used are based on the definitions provided in the Bank of Portugal's publication on monetary and financial statistics:

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 as 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.

- 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 and balance sheet interest rate risk 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 focuses on liquidity and balance sheet interest rate risk, as a forum 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 time bands (buckets) 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 characteristics and period to maturity of its assets and off-balance-sheet exposures.

The methodology used to measure 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 periods to maturity in the case of fixed-rate financial instruments, and (ii) periods between the repricing of interest rates in the case of variable-rate financial instruments. The respective interest rate gaps for these time bands are then calculated to match the effects of interest rate variations to net interest income.

Net interest income simulation techniques are also used to improve the reliability of the estimates 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 yield curves.

The long term or economic perspective of the assessment of interest rate risk aims to estimate the effect of adverse interest rate variations 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 interest rates variations, 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 estimates obtained from the duration gap of the sensitivity of the economic value of capital. They include the assessment and respective estimation of all future cash flows from assets and liabilities sensitive to interest rate variations (i.e. full valuation).

Liquidity and balance sheet interest rate risks are managed by 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 in a position to manage the return-risk trade-off for its balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its risk policies and positions.

Covid-19 impacts and mitigation measures

The Covid-19 pandemic has had a profound impact on economic activity in Portugal, notwithstanding the government measures put in place to support businesses and individuals, such as the introduction of moratoria and new state-backed lines of credit to the economy through mutual guarantee societies.

However, the private moratoria granted under the interbank protocol mentored by the Portuguese Banking Association for individuals with mortgage loans come to an end in March 2021. The public moratoria established in decree law 10-J/2020, of March 26, will end in September 2021.

CGD has implemented a group-wide operational plan, to mitigate the potential increase of non-performing loans as a result of the end of the moratoria, with the aim of identifying the level of vulnerability of customers applying for the moratorium by preparing a set of different solutions to be proposed to customers according to the level of their financial difficulties. These support solutions for businesses and individuals include, *inter alia*, options such as loan restructuring operations.

The Covid-19 pandemic has impacted business activity over several months, having justified the adoption of exceptional measures by governments and the supervisory and regulatory entities of various geographies in which CGD group operates.

Such measures have been designed to assist corporates and individuals. They can be exemplified by the introduction of moratoria and new state-backed lines of credit to the economy, through mutual guarantee societies 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 sustainability of the economy and income of citizens and corporates.

This decree law approved a moratorium, up to September 30, 2020 (subsequently extended to March 31, 2021), prohibiting cancellations of lines of credit, extending or suspending loans up to the end of this period to ensure the continuity of funding for households and corporates 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 the full or part cancellation of 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) An extension for the period of application of the referred to measure, of all loans involving the payment of principal up to the end of an agreement, in force upon the date upon which this decree law comes into effect, together with, under the same terms, all associated elements, including interest and 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 reference interest rate underlying the contract, with all of the elements associated with the contract covered by this measure, including guarantees, also being extended.

For any entities not covered by this statute (individuals), general moratoria in the form of an interbank protocol mentored by the Portuguese Banking Association were also provided by credit institutions, financial companies and diverse sectoral associations.

Beneficiaries of these general moratoria were entitled to adopt one of the following measures up to September 30, 2020:

- Suspension of the payment of principal falling due up to that date, in the case of loans with a part payment of principal or a part maturity of other pecuniary instalments; or

- Suspension of the payment of principal and interest falling due during the period of the moratoria in which case the interest arising from the period of the moratorium will be capitalised with the amount of the loan with reference to the time it is payable, at the interest rate in force, excluding any commissions and insurance premia or other costs/charges included in the amount of the monthly payment.

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 that of the suspension and all elements associated with the contracts covered by this measure, including guarantees, will also be extended.

The moratoria, granted at June 30 2021, were distributed between performing and non-performing loans as follows:

	Exposure in 30-06-2021							Impairment in 30-06-2021							
		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	Inflows to Non-Performing
Loans and advances subject to moratorium (granted)	**6,088,032**	**5,557,757**	**20,709**	**1,451,411**	**530,275**	**16,156**	**488,601**	**519,453**	**180,287**	**1,653**	**144,917**	**339,165**	**7,387**	**315,405**	**78,381**
Households	**2,551,340**	**2,467,993**	**239**	**284,661**	**83,347**	**29**	**73,162**	**61,803**	**17,516**	**6**	**11,919**	**44,287**	**2**	**40,318**	**14,229**
Mortgage loans with property mortgage	2,327,958	2,296,609	59	232,952	31,349	-	23,018	23,844	11,559	4	6,809	12,286	-	9,007	13,069
Non-financial institutions	**3,500,645**	**3,053,764**	**20,470**	**1,152,227**	**446,881**	**16,127**	**415,415**	**452,629**	**157,754**	**1,647**	**128,246**	**294,875**	**7,386**	**275,086**	**64,152**
Small and medium institutions	2,759,635	2,483,910	19,063	918,895	275,725	10,600	248,926	315,826	125,118	1,463	101,932	190,708	4,097	175,352	55,474
Commercial real estate	960,719	835,758	17,333	250,809	124,961	14,869	117,221	81,195	30,310	1,043	21,806	50,885	6,482	47,249	2,238

The existence of operations with general moratoria, classified as non-performing is justified by the conditions defined in article 2, sub-paragraphs c) and d) of decree law 10-J/2020 (similar to the interbank protocol), 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, if in arrears, do not meet 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 which, on the said date, are being executed by any of the said institutions.*
>
> *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 to the social security welfare system code has been settled, with the non-inclusion of debts incurred in March 2020 up to April 30, 2020.*

The conditions of sub-paragraph a) do not include all of the criteria for the definition of non-performing exposures, specifically as regards the remote probability of a debtor paying off all of its liabilities in full without guarantees being called in. Decree law-10-J/2020 is also explicit as regards the date on which the exclusion conditions should be observed. This 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 30-06-2021						
			Of which legislative moratoria	Residual maturity of moratoria				
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months
Loans and advances for which moratorium was offered	**73,300**	**8,201,858**						
Loans and advances subject to moratorium (granted)	**71,703**	**8,183,298**	**7,601,974**	**5,483,551**	**588,693**	**15,788**	**-**	**-**
Households		**3,445,291**	**2,863,967**	**2,485,955**	**50,972**	**14,413**	**-**	**-**
Mortgage loans with property mortgage		3,140,897	2,614,323	2,295,700	18,046	14,212	-	-
Non-financial institutions		**4,686,944**	**4,686,944**	**2,961,901**	**537,369**	**1,376**	**-**	**-**
Small and medium institutions		3,763,347	3,763,347	2,281,492	478,143	-	-	-
Commercial real estate		1,602,938	1,602,938	923,680	37,039	-	-	-

The lines of credit contracted for on the basis of public guarantees at June 30, 2021 were distributed as follows by segment and level of collateralisation:

	Exposure in 30-06-2021		Maximum amount of the guarantee that can be considered	*Inflows* to Non-Performing
		Of which with forebearance measures	Public guarantees received	
Newly originated loans and advances subject to public guarantee schemes	**1,402,099**	**4,169**	**1,066,386**	**895**
Households	**18,670**			**4**
Mortgage loans with property mortgage	-			-
Non-financial institutions	**1,377,125**	**4,119**	**1,048,817**	**890**
Small and medium institutions	1,255,926			863
Commercial real estate	233,183			32

<u>Governance</u>

Specific committees were set up to address the oversight of CGD's activity in the following areas, with the aim of preparing 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 customers' requests for moratoria and 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, in light of existing idiosyncrasies;

d) 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.

Macroeconomic scenarios used in the impairment model

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 different probabilities of occurrence. The economic indicators for each of the updated scenarios are set out in the following table:

Portugal - Macroeconomic projections (in percentage) used in the ECL updated on May, 2021

	Favourable scenario				Central scenario				Adverse scenario			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Occurrence probability	15				60				25			
GDP (1)	-7,6	5,3	6,7	5,5	-7,6	3,9	4,8	2,4	-7,6	2,7	2,8	1,1
Harmonized consumer price index (1)	-0,1	1,0	1,5	1,6	-0,1	0,9	1,2	1,0	-0,1	-0,2	0,5	0,8
Unemployment rate (2)	6,8	6,5	5,8	6,9	6,8	7,7	7,3	7,3	6,8	10,6	8,0	7,8
Euribor 3M	-0,4	-0,5	-0,4	-0,3	-0,4	-0,5	-0,5	-0,5	-0,4	-0,6	-0,6	-0,5
Yield 10 years - Portugal	0,4	0,5	1,0	1,3	0,4	-	0,1	0,2	0,4	-0,1	-	0,1

(1) Annual percentage rate of change

(2) Percentage of the active population

In comparison to the macroeconomic scenarios at June 30, 2020, as set out in the following table, there has been an across-the-board improvement in the macroeconomic indicators in comparison to the projections for December 31, 2020.

Portugal - Macroeconomic projections (in percentage) used in the ECL on 31 December, 2020 updated on November 2020

	Favourable scenario				Central scenario				Adverse scenario			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Occurrence probability	10				60				30			
GDP (1)	2,2	-6,0	8,2	5,5	2,2	-10,0	6,5	4,8	2,2	-12,0	3,0	1,6
Harmonized consumer price index (1)	0,3	0,3	1,3	2,0	0,3	-	1,1	1,2	0,3	-0,5	-	0,7
Unemployment rate (2)	6,5	6,0	6,2	4,9	6,5	8,1	7,7	6,9	6,5	10,0	10,0	8,5
Euribor 3M	-0,4	-0,4	-0,4	-0,5	-0,4	-0,4	-0,5	-0,6	-0,4	-0,5	-0,6	-0,7
Yield 10 years - Portugal	0,8	0,5	0,5	0,6	0,8	0,5	0,2	0,3	0,8	0,4	-0,1	-

(1) Annual percentage rate of change

(2) Percentage of the active population

Although growth rate projections are highly positive, the recession has been very deep (GDP contraction of 7.6% in 2020) and the recovery across the various sectors of activity will be predictably asymmetric. It is expected to be gradual in the services sector, which continues to suffer from lower levels of activity, as referred to in the Bank of Portugal's financial stability report for June 2021. The same report highlights a number of risks and vulnerabilities in the financial system, particularly including the materialisation of credit risk owing to the withdrawal of support measures and the poor outlook for banking system profitability owing to the constraints of low short term interest rates and an increase of non-performing loans (NPLs).

Special reference should be made to the increase in the number of insolvencies across the first months of the year. Historically, the increase in corporate bankruptcies occurs months after a crisis has peaked. There are fears of a significant increase in the number of insolvencies of companies most affected by the pandemic crisis with the ending of moratoria in September.

The spread of new, more transmissible variants of the coronavirus, such as the delta variant, may depress economic recovery, many companies may not survive further restriction measures if needed to contain a new wave of the pandemic in Portugal.

In view of the uncertainties over the impacts of the end of the moratoria, the risks identified by the Bank of Portugal in its financial stability report for June 2021 and the risks associated with the spread of new Covid-19 variants, CGD decided, exceptionally, not to update the macroeconomic scenarios, with reference to June 2021, pursuant to which a reduction of €69 million of impairment has not been recognised in the financial statements.

CGD also performed various sensitivity tests to identify any deterioration of its short and medium term credit portfolio, including the impacts of the Covid-19 pandemic which could trigger a deterioration of the stage. Upon completing the analyses, CGD allocated an amount of €435,800 thousand to provide for expected unrealised losses not identified by the current impairment model.

Sensitivity analyses

Owing to the high levels of uncertainty over the macroeconomic projections and considering that deviations from the scenarios presented may have an impact on the amount of expected loss estimations, sensitivity tests on the distribution of the portfolio by 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 in 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 a sharper fall (10% reduction in property prices).

The sensitivity analyses measure 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 for collateral on property.

The impacts are measured against the **calculation of impairment for December 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 origination of operations, owing to a change of the lifetime default probability curves estimated for each scenario:

Distribution of credit portfolio stock (assets and off-balance sheet) and respective impairment and provisions, by the considered sensitivity analysis

Distribution of credit portfolio stocks (assets and off-balance sheet) and respective impairments and provisions, according to the sensitivity scenario considered:							
	30-06-2021	Favourable scenario	Central scenario		Adverse scenario		
Probability of occurrence of scenario	3 scenario ponderation	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	**55.247**	**55.247**	**55.247**	**55.247**	**55.247**	**55.247**	**55.247**
Stage1	**48.703**	49.374	48.991	48.991	48.501	48.501	48.501
Corporates	19.508	20.086	19.771	19.771	19.410	19.410	19.410
Personal	26.013	26.061	26.028	26.028	25.957	25.957	25.957
	3.181	3.228	3.193	3.193	3.133	3.133	3.133
Stage 2	**4.184**	3.512	3.895	3.895	4.386	4.386	4.386
Corporates	2.683	2.105	2.420	2.420	2.781	2.781	2.781
Personal	1.184	1.136	1.169	1.169	1.239	1.239	1.239
	317	271	306	306	365	365	365
Stage 3	**2.361**	2.361	2.361	2.361	2.361	2.361	2.361
Corporates	1.774	1.774	1.774	1.774	1.774	1.774	1.774
Personal	396	396	396	396	396	396	396
	192	192	192	192	192	192	192
Expected Credit Losses (ECL)	**1.789**	**1.619**	**1.749**	**1.763**	**1.921**	**1.938**	**1.956**
Stage1	**153**	111	146	147	191	192	193
Corporates	114	88	113	114	135	136	136
Personal	15	3	9	9	30	30	31
	24	20	24	24	26	26	26
Stage 2	**309**	208	281	284	382	387	392
Corporates	275	192	255	256	324	326	328
Personal	19	3	12	13	39	41	45
	16	12	15	15	20	20	20
Stage 3	**1.327**	1.301	1.321	1.332	1.348	1.359	1.370
Corporates	1.123	1.116	1.122	1.126	1.128	1.131	1.135
Personal	131	112	126	132	147	153	160
	72	72	72	74	72	74	75

A severe scenario would lead to the transfer of 0.4% of exposure from S1 to S2, entailing a 4.8% increase of exposure in S2. The impact on impairment may vary between 7.4% and 9.3%, depending on the level of the fall in property market prices.

There would be a slight 9.5% reduction of impairment in the favourable scenario assuming that property prices remain stable. There would also be a reduction of 16.1% of exposure in S2, owing to migration to S1.

Impacts as a percentage of the results of the sensitivity analyses in comparison to impairment calculated at June 30, 2021:						
	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	1.4%	0.6%	0.6%	-0.4%	-0.4%	-0.4%
Corporates	3.0%	1.3%	1.3%	-0.5%	-0.5%	-0.5%
Personal	0.2%	0.1%	0.1%	-0.2%	-0.2%	-0.2%
Specialized credit	1.5%	0.4%	0.4%	-1.5%	-1.5%	-1.5%
Stage 2	-16.1%	-6.9%	-6.9%	4.8%	4.8%	4.8%
Corporates	-21.5%	-9.8%	-9.8%	3.7%	3.7%	3.7%
Personal	-4.0%	-1.2%	-1.2%	4.7%	4.7%	4.7%
Specialized credit	-14.7%	-3.6%	-3.6%	15.2%	15.2%	15.2%
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%
Specialized credit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment and provisions	**-9.5%**	**-2.3%**	**-1.5%**	**7.4%**	**8.3%**	**9.3%**
Stage1	-27.4%	-4.5%	-3.9%	25.1%	25.7%	26.4%
Corporates	-22.3%	-0.3%	0.0%	18.7%	19.1%	19.5%
Personal	-82.5%	-39.8%	-36.8%	104.3%	108.0%	112.4%
Specialized credit	-17.9%	-2.6%	-2.6%	7.4%	7.4%	7.4%
Stage 2	-32.9%	-9.0%	-8.1%	23.5%	25.2%	27.0%
Corporates	-30.1%	-7.4%	-6.7%	17.8%	18.6%	19.3%
Personal	-82.5%	-37.4%	-31.8%	108.0%	124.1%	142.1%
Specialized credit	-22.8%	-3.3%	-3.2%	24.1%	24.2%	24.3%
Stage 3	-2.0%	-0.4%	0.4%	1.6%	2.4%	3.3%
Corporates	-0.6%	-0.1%	0.3%	0.4%	0.7%	1.1%
Personal	-14.6%	-3.7%	0.5%	12.5%	17.0%	21.9%
Specialized credit	-0.2%	0.0%	1.7%	0.1%	1.8%	3.7%

Liquidity risk

Liquidity risk derives from the possibility of difficulties

(i) in obtaining resources to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth; and

(ii) in promptly meeting obligations to third parties caused by significant mismatches between periods to maturity on 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, 2021 and December 31, 2020 are set out below:

	30-06-2021									
	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	18,678,529	-	-	-	-	-	-	-	-	18,678,529
Cash balances at other credit institutions	490,971	-	-	-	-	-	-	-	-	490,971
Loans and advances to credit institutions	1,466,658	433,555	375,133	183,223	8,285	2,471	6,169	48,739	35,428	2,559,662
Securities										
Trading	264,773	43,158	346,523	607,422	7,755	11,155	36,466	5,810	662,524	1,985,585
Other (net of impairment)	1,702,887	1,530,644	871,958	2,583,936	2,894,493	2,679,244	9,025,290	681,684	970,181	22,940,317
Loans and advances to customers (gross)	2,146,355	1,759,128	2,320,703	2,949,103	9,669,239	7,664,054	12,008,983	22,788,528	222,975	61,529,068
Assets with repurchase agreement	-	7,196	917	8,483	2,565	12,619	93,466	-	8,391	133,637
Hedging derivatives	-	-	-	-	-	-	-	-	6,734	6,734
	24,750,173	3,773,681	3,915,234	6,332,167	12,582,338	10,369,542	21,170,374	23,524,762	1,906,233	108,324,504
Liabilities										
Resources of central banks and credit institutions	(450,136)	(70,474)	(54)	(88,459)	(3,911,485)	(2,335,966)	(417)	(218)	(31,489)	(6,888,698)
Customer resources and other loans	(49,113,725)	(9,835,295)	(15,779,396)	(1,746,972)	(250,303)	(17,233)	(4,678)	(5,794)	(393,912)	(77,147,309)
Debt securities	(3,231)	(71,194)	-	(1,010,325)	(250,366)	(6,000)	-	(20,050)	3,050	(1,358,116)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(644,315)	(644,315)
Hedging derivatives	-	-	-	-	-	-	-	-	(40,687)	(40,687)
Subordinated liabilities	-	-	(6,250)	(5,980)	(581,960)	(518,212)	(111,974)	-	-	(1,224,375)
Consigned resources	(46,787)	(17,392)	(3,373)	(150)	(342,247)	(341,989)	(19,453)	(11,620)	(34)	(783,045)
	(49,613,879)	(9,994,356)	(15,789,073)	(2,851,885)	(5,336,361)	(3,219,400)	(136,521)	(37,682)	(1,107,387)	(88,086,545)
Derivatives	(2,581)	12,136	1,734	4,329	22,804	(2,211)	(12,963)	(21,803)	-	1,444
Difference	(24,866,286)	(6,208,540)	(11,872,105)	3,484,611	7,268,780	7,147,931	21,020,889	23,465,276	798,846	20,239,402

	31-12-2020									
	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	10,278,712	-	-	-	-	-	-	-	-	10,278,712
Cash balances at other credit institutions	693,081	-	-	-	-	-	-	-	-	693,081
Loans and advances to credit institutions	1,789,537	566,188	157,735	17,176	10,683	2,470	6,170	49,971	48,947	2,648,876
Securities										
Trading	948,941	737,101	646,521	783,326	23,552	14,517	8,980	6,710	898,067	4,067,716
Other (net of impairment)	527,120	281,017	2,377,019	3,535,453	1,852,602	2,250,140	8,819,660	28,703	1,214,555	20,886,270
Loans and advances to customers (gross)	1,916,931	2,423,716	2,469,753	3,202,753	10,153,418	7,582,011	12,069,086	17,816,788	219,027	57,853,484
Assets with repurchase agreement	-	964	13,123	1,438	-	-	-	-	(427)	15,098
Hedging derivatives	-	-	-	-	-	-	-	-	7,325	7,325
	16,154,322	4,008,986	5,664,152	7,540,146	12,040,255	9,849,138	20,903,896	17,902,171	2,387,494	96,450,561
Liabilities										
Resources of central banks and credit institutions	(467,924)	(34,753)	(4,942)	(38,697)	(1,428,216)	(2,760)	(2,809)	(211)	(102,267)	(2,082,579)
Customer resources and other loans	(45,004,046)	(9,465,266)	(14,938,594)	(2,337,075)	(431,341)	(13,518)	(8,632)	(6,355)	(220,286)	(72,425,114)
Debt securities	(9,996)	-	(13,803)	(71,214)	(1,261,190)	(6,000)	-	(20,050)	(70)	(1,382,322)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(921,391)	(921,391)
Hedging derivatives	-	-	-	-	-	-	-	-	(56,295)	(56,295)
Subordinated liabilities	-	(5,980)	-	(6,250)	(605,715)	(518,212)	(117,954)	-	-	(1,254,111)
Consigned resources	(13,718)	(48)	(925)	(218)	(342,519)	(13,365)	(358,778)	(47,007)	19,716	(756,863)
	(45,495,685)	(9,506,047)	(14,958,265)	(2,453,453)	(4,068,981)	(553,855)	(488,173)	(73,624)	(1,280,594)	(78,878,676)
Derivatives	1,055	7,682	(2,088)	15,075	22,980	8,961	(14,926)	4,283	-	43,021
Difference	(29,340,309)	(5,489,379)	(9,296,201)	5,101,768	7,994,254	9,304,244	20,400,797	17,832,830	1,106,900	17,614,905

As they include cash flow projections on principal and interest the above tables are not directly comparable to the accounting balances at June 30, 2021 and December 31, 2020. 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 principal and interest flows 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 CGD Group's "structural" (as opposed to contractual) periods to maturity, at June 30, 2021 and December 31, 2020, 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 the operations they are collateralising;

b) Customers' sight deposits and savings accounts without a defined maturity (CGD Portugal): distribution of balance by period-to-maturity buckets in accordance with internal studies and models;

c) Customers' sight deposits (CGD group entities): distribution of the balance of core deposits (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.

	30-06-2021									
	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	18,678,529									18,678,529
Cash balances at other credit institutions	490,950	-	-	-	-	-	-	-	-	490,950
Loans and advances to credit institutions	1,464,522	432,851	374,589	181,557	4,210	3	7	37,633	36,969	2,532,341
Securities										
Trading	654,108	8,328	65,003	113,918	212,300	140,536	6,598	177,558	603,381	1,981,731
Other (net of impairment)	10,203,546	240,315	130,843	371,229	3,681,228	2,532,544	1,391,173	2,859,312	(22,052)	21,388,138
Loans and advances to customers (gross)	1,957,397	1,585,956	2,191,007	2,401,895	7,893,464	6,495,192	9,567,339	18,044,393	283,947	50,420,590
Assets with repurchase agreement	119,083	3,763	4,447	-	-	-	-	-	(4,826)	122,466
Hedging derivatives	-	-	-	-	-	-	-	-	6,734	6,734
	33,568,135	2,271,213	2,765,889	3,068,599	11,791,202	9,168,276	10,965,117	21,118,896	904,153	95,621,480
Liabilities										
Resources of central banks and credit institutions	(419,800)	(68,535)	(5,117)	(83,168)	(3,862,279)	(2,311,124)	(5,365)	(210)	(23,812)	(6,779,411)
Customer resources and other loans	(6,158,116)	(2,139,644)	(2,351,512)	(3,053,931)	(5,026,601)	(3,697,394)	(5,416,781)	(48,494,006)	(208,408)	(76,546,394)
Debt securities	(3,231)	(70,000)	-	(999,600)	(250,000)	(6,000)	-	(20,050)	3,050	(1,345,831)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(644,315)	(644,315)
Hedging derivatives	-	-	-	-	-	-	-	-	(40,687)	(40,687)
Subordinated liabilities	-	-	-	-	(500,000)	(500,000)	(100,000)	-	-	(1,100,000)
Consigned resources	(46,787)	(17,299)	(2,766)	-	(330,614)	(316,627)	(18,973)	(11,429)	(34)	(744,528)
	(6,627,934)	(2,295,479)	(2,359,395)	(4,136,699)	(9,969,494)	(6,831,145)	(5,541,119)	(48,525,695)	(914,206)	(87,201,166)
Derivatives	(2,581)	12,136	1,734	4,329	22,804	(2,211)	(12,963)	(21,803)	-	1,444
Difference	26,937,620	(12,130)	408,227	(1,063,771)	1,844,512	2,334,921	5,411,035	(27,428,602)	(10,053)	8,421,758

	31-12-2020									
	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	10,278,712	-	-	-	-	-	-	-	-	10,278,712
Cash balances at other credit institutions	693,081	-	-	-	-	-	-	-	-	693,081
Loans and advances to credit institutions	1,789,537	566,188	157,735	17,176	10,683	2,470	6,170	49,971	48,947	2,648,876
Securities										
Trading	948,941	737,101	646,521	783,326	23,552	14,517	8,980	6,710	898,067	4,067,716
Other (net of impairment)	527,120	281,017	2,377,019	3,535,453	1,852,602	2,250,140	8,819,660	28,703	1,214,555	20,886,270
Loans and advances to customers (gross)	1,916,931	2,423,716	2,469,753	3,202,753	10,153,418	7,582,011	12,069,086	17,816,788	219,027	57,853,484
Assets with repurchase agreement	-	964	13,123	1,438	-	-	-	-	(427)	15,098
Hedging derivatives	-	-	-	-	-	-	-	-	7,325	7,325
	16,154,322	4,008,986	5,664,152	7,540,146	12,040,255	9,849,138	20,903,896	17,902,171	2,387,494	96,450,561
Liabilities										
Resources of central banks and credit institutions	(467,924)	(34,753)	(4,942)	(38,697)	(1,428,216)	(2,760)	(2,809)	(211)	(102,267)	(2,082,579)
Customer resources and other loans	(45,004,046)	(9,465,266)	(14,938,594)	(2,337,075)	(431,341)	(13,518)	(8,632)	(6,355)	(220,286)	(72,425,114)
Debt securities	(9,996)	-	(13,803)	(71,214)	(1,261,190)	(6,000)	-	(20,050)	(70)	(1,382,322)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(921,391)	(921,391)
Hedging derivatives	-	-	-	-	-	-	-	-	(56,295)	(56,295)
Subordinated liabilities	-	(5,980)	-	(6,250)	(605,715)	(518,212)	(117,954)	-	-	(1,254,111)
Consigned resources	(13,718)	(48)	(925)	(218)	(342,519)	(13,365)	(358,778)	(47,007)	19,716	(756,863)
	(45,495,685)	(9,506,047)	(14,958,265)	(2,453,453)	(4,068,981)	(553,855)	(488,173)	(73,624)	(1,280,594)	(78,878,676)
Derivatives	1,055	7,682	(2,088)	15,075	22,980	8,961	(14,926)	4,283	-	43,021
Difference	(29,340,309)	(5,489,379)	(9,296,201)	5,101,768	7,994,254	9,304,244	20,400,797	17,832,830	1,106,900	17,614,905

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 change 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 main financial assets and liabilities, at amortised cost, at June 30, 2021 and December 31, 2020.

	30-06-2021					
	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	18,675,098	-	18,675,098	-	-	18,675,098
Cash balances at other credit institutions	491,676	-	491,676	-	-	491,676
Loans and advances to credit institutions	2,496,350	-	2,513,698	17,348	33,914	2,530,263
Financial assets with repurchase agreement	-	-	-	-	-	-
Held-to-maturity investments	13,046,526	12,463,303	998,637	415,415	70,215	13,116,740
Loans and advances to customers	50,413,830	-	50,975,230	561,400	(1,207,030)	49,206,800
	85,123,480	12,463,303	73,654,338	994,162	(1,102,902)	84,020,578
Liabilities						
Resources of central banks and other credit institutions	(6,709,633)	-	(6,698,740)	10,893	(61,251)	(6,770,884)
Customer resources and other loans	(76,308,354)	-	(76,316,618)	(8,264)	(270,777)	(76,579,132)
Debt securities	(1,350,881)	(1,011,619)	(348,797)	(9,536)	(3,673)	(1,354,553)
Subordinated liabilities	(1,103,183)	(1,067,090)	(70,882)	(34,789)	-	(1,103,183)
Consigned resources	(744,495)	-	(747,181)	(2,686)	(34)	(744,528)
	(86,216,546)	(2,078,709)	(84,182,218)	(44,381)	(335,734)	(86,552,280)

	31-12-2020					
	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	10,277,778	-	10,277,778	-	-	10,277,778
Cash balances at other credit institutions	694,498	-	694,498	-	-	694,498
Loans and advances to credit institutions	2,572,744	-	2,594,700	21,956	44,575	2,617,319
Assets with repurchase agreement	14,304	-	14,233	(71)	(427)	13,877
Held-to-maturity investments	11,176,659	10,995,037	661,048	479,426	80,164	11,256,822
Loans and advances to customers	49,071,502	-	49,724,759	653,256	(1,168,536)	47,902,966
	73,807,485	10,995,037	63,967,015	1,154,567	(1,044,225)	72,763,260
Liabilities						
Resources of central banks and other credit institutions	(1,941,130)	-	(1,940,322)	809	(99,288)	(2,040,418)
Customer resources and other loans	(71,917,859)	-	(71,894,400)	23,460	(115,099)	(72,032,958)
Debt securities	(1,366,203)	(1,022,790)	(363,097)	(19,683)	(4,830)	(1,371,033)
Subordinated liabilities	(1,117,317)	(1,075,337)	(40,072)	1,908	-	(1,117,317)
Consigned resources	(714,426)	-	(716,030)	(1,605)	(116)	(714,542)
	(77,056,936)	(2,098,126)	(74,953,921)	4,889	(219,333)	(77,276,269)

Fair value was assessed on the following assumptions:

- The book value of balances payable on demand corresponds to their fair value;
- The fair value of liquid, 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 contractual conditions of the operations, in addition to, for the estimated variable-rate instruments, future cash flow estimations, 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 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 CGD's centralised calculation.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at June 30, 2021 and December 31, 2020 may be summarised as follows:

	30-06-2021			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	1,323,540	-	1,391	1,324,931
Securities at fair value through profit or loss	184,681	-	1,073,037	1,257,717
Available-for-sale financial assets	6,790,826	51,831	216,130	7,058,788
Assets with repurchase agreement	109,110	-	13,356	122,466
Trading derivatives	-	12,306	179	12,485
Hedging derivatives	-	(33,953)	-	(33,953)
	8,408,157	30,185	1,304,093	9,742,435

	31-12-2020			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	3,174,724	-	-	3,174,724
Securities at fair value through profit or loss	190,816	-	1,080,591	1,271,407
Available-for-sale financial assets	6,602,375	68,942	184,599	6,855,916
Assets with repurchase agreement	-	-	13,877	13,877
Trading derivatives	-	(23,249)	(11,706)	(34,956)
Hedging derivatives	-	(48,971)	-	(48,971)
	9,967,915	(3,278)	1,267,361	11,231,997

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 inputs. This column includes financial instruments whose value is measured by internal models using observable market inputs (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 2021, 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 31-12-2020	1,080,493	98	1,080,591	84,431	3,117	110,928	198,476	(11,706)	1,267,361
Acquisitions	266,732	1,391	268,123	258	-	67,197	67,455		335,578
Sales	(284,396)	-	(284,396)	(545)	(369)	(8)	(922)		(285,318)
Amortisations	(6,046)	-	(6,046)	-	-	(53,992)	(53,992)		(60,038)
Gains / (losses) recognised as a charge to net income - alienated instruments	3,008	-	3,008	3,341	-	945	4,285		7,293
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	12,055	1	12,056	(407)	24	2,490	2,107	(2,551)	11,612
Impairment for the year			-		(1)		(1)		(1)
Gains / (losses) recognised as a charge to fair value reserves			-	666	(16)	(1,254)	(604)		(604)
Gains / (losses) recognised as a charge to hedging account reserves			-				-		-
Transfers from / (to) other levels (Levels 1 and 2)	(412)	-	(412)				-	14,437	14,025
Exchange differences	1,504	-	1,504	1,192	-	11,488	12,681		14,185
Book value (net) at 30-06-2021	1,072,938	1,490	1,074,428	88,937	2,755	137,794	229,486	179	1,304,093

[*] Includes values of equity unit redemption portfolios

At June 30, 2021 and December 31, 2020, a positive shift of 100 bps on the yield curve used to discount estimated future flows on debt instruments measured by internal models, would result in decreases of around €3.61 thousand and €6.94 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

Equity instruments valued by other measurement techniques (Level 3) in first half 2021, essentially include investment structures measured on the basis of data on net asset values provided by management entities or other information service providers.

Transfers between levels 1 and 2 of the fair value ranking, in first half 2021, were as follows:

	30-06-2021	
	Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	21,477	22,900
	21,477	22,900

Restructuring funds

The restructuring funds in which CGD holds positions (notably structures associated with asset lending operations - notes 7 and 8) are measured at their respective fair value by reference to the NAV reported by the fund manager and subject to an internal review by the risk management division on the recoverable value of the assets held by these structures. The analysis may require negative adjustments to the NAV of the restructuring funds and recognition of additional losses to those that would be recognised in the valuation reported by the fund managers.

This analysis derives from the internal policy approved by CGD’s management bodies for the purposes of monitoring the risks inherent to exposures to restructuring funds, in line with the supervisor’s recommendations in its furtherance of internal control and governance activity appropriate to the bank’s profile and organisational structure and aims to carry out analyses allowing the assumptions used by each fund managers to be challenged.

The work is based on the development of alternative analysis methodologies to measure the value of the funds principal assets and accordingly a perception of the deviation potential from the NAV reported by the fund manager.

For analysis purposes, CGD evaluates the information it has available on the assets of each business restructuring fund (representing at least 80% of NAV whenever possible), by verifying historical and projected EBITDA, when provided) and a sensitivity analysis on the fund managers' assumptions in measuring companies' NAVs (namely: discount rates, levels of sales growth, EBITDA margins). It should be noted that as the restructuring fund managers do not supply information on all of the premises and respective rationale underpinning corporate valuations. CGD therefore makes use of the internal information housed in its systems which it seeks to complement with the use of sectoral EBITDA multiples to challenge the NAV, i.e. producing a sensitivity analysis on asset valuations.

In the real estate component, CGD's real estate business division issues an opinion on the valuation of this type of assets, challenging the real estate valuations sent to it, applying depreciation rates according to the type of asset and its location. The real estate business division's opinion is used by the risk management division for comparison purposes with the NAV reported by the fund managers.

In the financial year ended December 2020, DNI, in the rates applied to the valuations of the funds' real estate assets adopted an additional prudential approach, taking the Covid-19 pandemic factor into account and the uncertainty over recovery (in terms of maturities and amounts) having an effect on several variables (discount rates, capitalisation rates, occupancy rates and room revenues and any extensions of assets' sales periods).

In view of the current pandemic situation, CGD has been asking fund managers to provide new asset valuations for the purpose of verifying the accuracy of NAV reporting in light of this new situation in addition to producing revised business plans for its subsidiaries.

As a result of these analyses, gradual adjustments to the NAV of the restructuring funds have been reported.

In the 2021 financial year CGD has initiated procedures for its disinvestment of certain positions held by it in restructuring funds, whose potential effects, which cannot be reliably quantified on this date, were not considered in the valuation of these assets at June 30, 2021.

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 adequate yield curve; and
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

Although the type of inputs necessary for the measurement also depends upon the operations' characteristics, they generally include yield curves, volatility curves, equities/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 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", CGD incorporated add-ons to its measurement of these financial instruments to reflect its own credit risk based on a market discount curve it considers 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 combined with this element.

CVAs/DVAs are assessed by a methodology implemented on a Caixa Geral de Depósitos group level. This methodology is based on an estimation of exposure at the time of default − exposure at default or EAD − on each operation and the application of risk parameters on the estimated EAD for assessing CGD's expected loss (CVA) and that of the counterparty (DVA). In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the operations' future potential exposure. For the remaining products, EAD usually corresponds to the instrument's fair value on the reference date.

The risk parameters consist of probabilities of default (PDs) and loss given defaults (LGDs) 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 their 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 CVA (credit value adjustments) recognised in the "Financial assets held-for-trading" account and DVA (debit value adjustments) recognised in the "Financial liabilities held-for-trading" account at June 30, 2021 totalled €10,748 thousand and €1,134 thousand respectively (€14,233 thousand and €1,480 thousand, respectively, at December 31, 2020).

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 range of contributors defined internally by CGD. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general, the inputs used for internal valuations are obtained from Bloomberg and Refinitiv (ex 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 theoretical internal/external valuations. The measurements are generally based on estimated future discounted cash flows which 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 (forwards rate agreements) 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 issuance. 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. Euro, GBP and USD yield curves are adjusted by the market price of interest rate futures and/or FRAs.

The curve values of the currencies with the highest levels of exposure, at June 30, 2021 and December 31, 2020 were as follows:

	30-06-2021			31-12-2020		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.5550	0.1500	0.1000	-0.5450	0.1750	0.1000
1 month	-0.5450	0.2000	0.1100	-0.5350	0.3100	0.1100
2 months	-0.5350	0.2100	0.1200	-0.5336	0.3000	0.1100
3 months	-0.5250	0.2100	0.1300	-0.5316	0.2831	0.1014
6 months	-0.5050	0.3100	0.1600	-0.5257	0.2213	0.0532
9 months	-0.4850	0.3100	0.2000	-0.5234	0.2030	0.0283
1 year	-0.4750	0.3200	0.2300	-0.5207	0.1978	0.0096
2 years	-0.4580	0.3240	0.3678	-0.5203	0.2030	0.0043
3 years	-0.3980	0.5500	0.5145	-0.5060	0.2395	0.0953
5 years	-0.2550	0.9365	0.7037	-0.4590	0.4320	0.2042
7 years	-0.1060	1.1780	0.8287	-0.3900	0.6580	0.2931
10 years	0.1010	1.4000	0.9616	-0.2610	0.9305	0.4103
15 years	0.3590	1.6000	1.0763	-0.0750	1.1940	0.5363
20 years	0.4740	1.6880	1.1091	0.0050	1.3175	0.5893
25 years	0.4940	1.7190	1.1081	0.0050	1.3750	0.6002
30 years	0.4750	1.7280	1.0916	-0.0230	1.4080	0.5933

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, 2021 and December 31, 2020, were as follows:

	30-06-2021		31-12-2020	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.5861	-0.6640	-0.6504	-0.7975
6 months	-0.6011	-0.6380	-0.6328	-0.7515
9 months	-0.5862	-0.6540	-0.6355	-0.7490
1 year	-0.6084	-0.6450	-0.6665	-0.7330
2 years	-0.6162	-0.6630	-0.7057	-0.7090
3 years	-0.5263	-0.6909	-0.5604	-0.7704
5 years	-0.3176	-0.5895	-0.4068	-0.7410
7 years	-0.0388	-0.3995	-0.2198	-0.6870
10 years	0.3333	-0.2045	0.0483	-0.5775
15 years	0.7672	0.0560	0.4139	-0.3915
20 years	1.0476	0.0351	0.6602	-0.3727
25 years	1.2272	0.1638	0.8498	-0.2701
30 years	1.2375	0.2925	0.8565	-0.1675

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 of the relevant currencies at June 30, 2021 and December 31, 2020:

	30-06-2021	31-12-2020
EUR/USD	1,1884	1,2271
EUR/GBP	0,8581	0,8990
EUR/CHF	1,0980	1,0802
EUR/AUD	1,5853	1,5896
EUR/JPY	131,4300	126,4900
EUR/BRL	5,9050	6,3735

Market risk

Market risk comprises the risk of a change in fair value or cash flows of financial instruments deriving from changes in market prices, including foreign exchange, interest rate and price risk.

Market risk is assessed by 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. It includes the remaining securities in CGD'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 Brasil, BCI and BNU.

. Sensitivity analysis on all financial instruments sensitive to interest rate risk, managed by the trading room and recognised in CGD'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 fully explained by past events, based on the following assumptions:

- holding period: 10 days (investment and own portfolios) and 1 day (trading portfolio and treasury management activity);
- confidence level: 99% (investment and own portfolios) 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, 2021 and December 31, 2020:

Caixa Geral de Depósitos' activity

Held-for-Trading portfolio (VaR 99%, 10 days)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk	13,682	13,716	11,007	11,743

Held-for-Trading portfolio (VaR 95%, 1 day)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk				
Interest rate	187	490	181	193
Foreign exchange rate	7	246	4	275
Price	1	14	0	4
Volatility	14	14	3	3
Diversification effect	(25)			(153)
	183			323

Treasury management (VaR 95%, 1 day)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk				
Interest rate	3,031	3,092	422	612
Foreign exchange rate	2,525	3,395	415	1,830
Diversification effect	(1,927)			(579)
	3,630			3,148

Own portfolio (VaR 99%, 10 days)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk				
Interest rate	624	632	412	439
Foreign exchange rate	246	279	0.9	104
Price	1,246	1,514	1,246	1,499
Diversification effect	(742)			(584)
	1,374			1,459

Investment portfolio (VaR 99%, 10 days)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk				
Interest rate	85.663	88.373	80.008	86.820

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2021	Maximum	Minimum	31-12-2020
VaR by type of risk				
Interest rate	7,826	11,870	7,567	7,911
Foreign exchange rate	1,082	1,180	1,069	1,122
Price	20	127	7	73
Diversification effect	(1,228)			(1,147)
	7,705			7,959

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

Reduction of non-performing assets

Giving continuity to its strategy of reducing non-performing assets in its balance sheet, to enable value to be maximised, CGD continued in 2021 up to the date of issuance of these financial statements, to further a set of actions leading to the disposal or recovery of certain financial and non-financial assets on whose fair value it has recognised impairment losses or negatively adjusted in previous years.

These events were generally considered to be non-adjustable and their completion is subject to constraints, owing to the fact that their respective promissory purchase and sale agreements have not yet been signed, as they require administrative approvals or are contingent upon other analyses or decisions. Considering the level of uncertainty involving the events in question, it is not possible to estimate their overall impacts at this date, in terms of profit or loss and the balance sheet. If, however, all transactions take place, they are expected to generate an aggregate level of profit before tax of up to €90,000 thousand, considering the values at which the assets in question were measured in CGD's financial statements at June 30, 2021.

Caixa Crescimento venture capital fund

The Caixa Crescimento venture capital fund was incorporated into the Empreender Mais - Caixa Capital venture capital fund in August 2021 as part of the ongoing restructuring process, based on the global transfer of its assets, with the aim of simplifying the structure of the venture capital funds managed by Caixa Capital, with an inherent cost reduction and to make readjustments to a fund geared to direct investment through an increase in investment capacity. From an accounting and tax viewpoint, the merger was effective January 1, 2021.

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 2020: • Message from the Chairman and CEO of Board of Directors • Highlights • CGD Today • Activity and financial information Corporate Governance Report 2020.
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 2021: • Activity and financial information • Notes 12, 19 and 22 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 2020: • CGD today • Activity and financial information Board of Director's Report – 1st half 2021: • Activity and financial information • Notes 25 and 34 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 2020: • Risk management Board of Director's Report – 1st half 2021: • 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 2020: • Risk management • Note 43 (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 2021: • Note 37 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 2021: • Activity and financial information • Notes 5, 7, 16 and 33 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 2021: • Note 37 (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 2021: • 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 2021: • 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 2021: • 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 2021: • 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 2020: • Risk management Board of Director's Report – 1st half 2021: • Note 2 and Note 37 (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 2021: • Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 9 and Note 37 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 2021: • Note 37 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 2021: • 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 2021: • Notes 6, 7 and 37 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 2020: • Note 43 of Annex to the Consolidated FS; Board of Director’s Report – 1st half 2021: • Note 2 and 37 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 2021: • Note 2 of Annex to the Consolidated FS.

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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 interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements of Caixa Geral de Depósitos, S.A. (“CGD”) which comprise the condensed consolidated interim balance sheet as at June 30, 2021 (which shows a total of 101,000,453 thousands euros and total equity of 9,234,101 thousand euros, including a net income attributable to the shareholder of CGD of 294,206 thousand euros), the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement 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 interim 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 interim financial statements. We conducted our limited review in accordance with International Standard on Review Engagements 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 respects, 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 interim financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2021 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.

Lisbon 28th September 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC n.º 1230
Registered at CMVM with n.º 20160841

2021 FIRST HALF REPORT

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Head Office: Av. João XXI, 63 – 1000-300 Lisboa
Share Capital: EUR 3.844.143.735
Commercial Registry and Tax no. 500 960 046