ANNUAL REPORT 2017

CGD Reports

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1. Board of Directors' Report

1.1. On this Report

This is the third consecutive year in which Caixa Geral de Depósitos (CGD or Caixa) is using an integrated reporting model, through the inclusion of relevant sustainability-related information in its annual report. The aim of this comprehensive approach is to implement best practices and reporting evolution trends, including Directive 2014/95/EU on the non-financial reporting of public interest entities.

Decree-Law no.89/2017 of 28 July 2017, which was published in line with the evolution of reporting trends, requires CGD to accept new obligations on the disclosure of non-financial information and diversity, and is applicable in the years starting on or after 1 January 2017. This Decree-Law transposes Directive 2014/95/EU of the European Parliament and the Council on the obligation to report non-financial information on environmental, social and worker-related issues, equality between men and women, non-discrimination, respect for human rights, the fight against corruption and attempted bribery and the diversity of boards of directors and supervisory bodies, into Portuguese legislation.

CGD has published, since the 2015 annual report, financial and sustainability information in a single report, with a concise presentation of strategy, governance model, performance and outlook, providing an overview of the whole company and its sustainability.

This reports therefore aims to submit information on CGD's performance, as related to issues having a material effect on the Bank's value generating capacity over time, for the consideration of the various stakeholder groups.

The sustainability-related issues were appraised in line with the most recent GRI – Global Reporting Initiative Directives (2016 GRI Standards), including the financial supplement for the "comprehensive" option.

To provide for these Directives and select the issues to be included in this report, CGD has formed its conclusions on the results of a materiality analysis based on the results of an internal and external stakeholders' consultation process and internal classification, which took place in 2015, of the impact of the referred to issues.

The sustainability-related information in this report has been independently certified by an external entity – Ernst & Young Audit & Associados, SROC, SA (EY) – as set out in item 2.4. Non Financial Information Verification Statement. This certification analysed the conformity and reliability of the information supplied in accordance with 2016 GRI Standards Directives and includes a financial supplement to ensure that it provides an appropriate reflection of CGD's circumstances. Although the sustainability-related information particularly refers to CGD's activities in Portugal, information is also provided on the sustainability-related performance of the following CGD Group entities:

- CGD Group companies in Portugal: Caixa - Banco de Investimento, SA; Caixa Gestão de Activos, SGPS; Sogrupo Compras e Serviços Partilhados; ACE and Sogrupo Sistema de Informação, ACE;
- Affiliate banques and International Branches: Banco Interatlântico, SA and Banco Comercial do Atlântico, SA, both from Cape Verde; Banco Caixa Geral Brasil, SA and East Timor branch.

Although the scope of the report is, in the case of CGD, SA, aligned with the results of the materiality analysis, the affiliate banks report several indicators in accordance with their monitoring capacity, as identified in the GRI Content Index, available at:https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

CGD continues to be interested in receiving feedback from its readers to enable it continue to make improvements to its corporate report and can be contacted at the following email address: investor.relations@cgd.pt.

1.2. Message from the Chairman of the Board of Directors and the CEO

The year two thousand seventeen will undoubtedly be remembered as a turning year in CGD's long existence. In the year when CGD celebrated its 141st birthday, an agreement between the European Commission and the Portuguese state, comprising Portugal's largest ever capitalisation of €4.444 billion, was approved.

Of no less importance was the fact that this capitalisation was not considered to be state aid, insofar as it met all of the conditions a private investor would demand in order to make such an investment. The operation gave CGD an important shareholders' equity basis providing it with a solid departure point upon which to build its future, enabling it to start work on the implementation of the Strategic Plan agreed for the years 2017 to 2020.

2017, the first of the four years of the Strategic Plan CGD 2020, was a year in which the will to improve the experience of CGD's customers in their interaction with the bank, the capacity to implement an adequate organisational transformation to achieve such improvements and the pressing challenge of doing so while achieving greater productivity and profitability, were always present in terms of our performance.

The objectives set out for the implementation of the Strategic Plan for 2017 were largely exceeded. CGD returned to profit after six consecutive years of losses, having greatly improved its efficiency ratios and generating a cost of credit risk of only 0.13% while maintaining high capital ratios, with a CET1 ratio of 14.0% and a total ratio of 15.6%.

Albeit only the first of the four years, the results achieved encourage us to redouble our efforts, based on the optimism of having both the know-how and the will to proceed.

In short, a good start, generating the additional confidence of all stakeholders, which does not cause us to lose sight of the road to be travelled but which motivates us to take the informed, considered and energetic approach needed and deserved by both CGD and Portugal.

2018 will continue to be a year of adjustment in Portuguese banking to changes in regulation, technology, capital requirements, customers' needs and profitability considerations.

The greatest challenges facing Caixa include the strengthening of its market share of lending to domestic companies, improving the quality of service provided to Portuguese households and the need to invest in digital platforms and services. We shall also, at the same time, continue to reduce our NPLs (non-performing loans), with the aim of achieving an unequivocally leading position in terms of asset quality.

This will be accompanied by a healthy focus on operational efficiency and profitability, as a factor which will enable us to achieve long term sustainability, based on organic capital creation and returns which exceed the cost of invested capital. Because this is the only way to return to a benchmark status in terms of financial strength and achieve the trust of the national market with added value and a quality service at a fair price for our customers.

We have, at the same time, continued to implement a sustainability strategy, remaining committed to responsible business areas, the community and the environment, in light of the fact that CGD is a subscriber to the 10 Global Compact Principles complying with the Sustainable Development Objectives of the United Nations.

2017 was therefore a decisive year for CGD, as the first of what we expect to be a very demanding cycle. It was also an important year in enabling us to face the next steps in the implementation of the Strategic Plan with the added conviction of having achieved additional trust of customers and markets.

The continuation of the major transformation in progress in Caixa will be contingent upon the individual contribution of its employees. The road ahead is clearly marked out and we rely upon the capacity, skills and commitment of all. We are clearly committed to strengthening CGD’s leadership, which comprises an opportunity for which we are all responsible and which will allow us to effectively serve Portuguese households and the economy.

This way, we shall successfully travel the road that lies ahead in a sustained manner.

Paulo Moita de Macedo	Emilio Rui Vilar
Vice-Chairman of the Board of Directors and CEO	Chairman of the Board of Directors

1.3. CGD Today

1.3.1. MISSION AND VALUES

MISSION

CGD's mission consists of making a decisive contribution to the development of the national economy in a framework of balanced evolution between profitability, growth and financial strength, accompanied by prudent risk management, to enhance the stability of the national financial system.

As a driving force behind the country's economic development, CGD's mission comprises the following:

- A strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly SME, ensuring their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services oriented to export or import substitution;
- Backing the entrepreneurship and recapitalization process of Portuguese companies;
- The provision of solutions to meet the borrowing requirements of Portuguese households at various times in their lifecycles, encouraging savings and national investment.

VALUES

CGD's activity and its employees' conduct are governed by the following fundamental values:

- Rigour, which includes objectivity, professionalism, technical skill and diligence always geared to achieving higher levels of quality and economic, financial, social and environmental efficiency, based on the adoption of best banking and financial practice;
- Transparency of information, namely as regards conditions governing the provision of services and the organisation's performance, operating with truth and clarity;
- Security of investments, with prudent risk management and CGD's stability and strength as a sine qua non;
- Organisational and personal responsibility for own actions, endeavouring to correct eventual negative impacts. This includes socially responsible performance and commitment to sustainable development;
- Integrity, understood to mean scrupulous legal, regulatory and contractual compliance and ethical values and operating principles adopted;
- Respect for interests which have been entrusted, acting with courtesy, discretion and loyalty, in addition to principles of non-discrimination, tolerance and equality of opportunities.

1.3.2. CGD GROUP

SHAREHOLDERS' STRUCTURE

CGD is an exclusively public limited liability company whose shares may only belong to the state. It had a share capital of €3,844,143,735 on the 31st of December 2017 in the form of 768,828,747 shares with a nominal value of €5.00 each.

CGD GROUP STRUCTURE

Caixa Geral de Depósitos Group has direct and indirect equity stakes in a series of domestic and international companies operating in diverse sectors such as commercial banking, investment banking and venture capital, asset management, specialised credit and real estate.

CAIXA GERAL DE DEPÓSITOS GROUP (Percentage of effective participating interest)

	DOMESTIC		INTERNATIONAL	
COMMERCIAL BANKING	Caixa Geral de Depósitos		Banco Caixa Geral (Spain)	99.8%
			Banco Caixa Geral (Brazil)	100.0%
			Banco Nacional Ultramarino (Macao)	100.0%
			B. Comercial do Atlântico (Cape Verde)	58.2%
			B. Interatlântico (Cape Verde)	70.0%
			Mercantile Bank Hold. (South Africa)	100.0%
			Parbanca, SGPS	100.0%
			B. Com. Invest. (Mozambique)	63.1%
			Partang, SGPS	100.0%
			Banco Caixa Geral (Angola)	51.0%
ASSET MANAGEMENT	Caixa Gestão de Activos, SGPS	100.0%		
	CaixaGest	100.0%		
	CGD Pensões	100.0%		
	Fundger	100.0%		
SPECIALISED CREDIT	Caixa Leasing e Factoring IFIC	100.0%		
	Locarent	50.0%		
INVESTMENT BANKING AND VENTURE CAPITAL	Caixa Banco de Investimento	99.8%	A Promotora (Cape Verde)	45.3%
	Caixa Capital	99.8%	CGD Investimentos CVC (Brazil)	99.9%
	Caixa Desenvolvimento, SGPS	99.8%		
AUXILIARY SERVICES	Caixatec- Tecnologias de Informação	100.0%	Inmobiliaria Caixa Geral (Spain)	100.0%
	Caixanet	80.0%	Imobci (Mozambique)	46.3%
	Imocaixa	100.0%		
	Esegur	50.0%		
	Sogrupo Sistemas Informação ACE	80.0%		
	Sogrupo Compras e Serviços Partilhados ACE	90.0%		
	Sogrupo IV Gestão de Imóveis ACE	82.0%		
	Caixa Imobiliário	100.0%		
OTHER PARTICIPATIONS	Parcaixa, SGPS	100.0%	Banco Internacional São Tomé e Príncipe	27.0%
	Caixa Seguros e Saúde, SGPS	100.0%		
	Caixa Participações, SGPS	100.0%		
	Wolfpart, SGPS	100.0%		
	SIBS	23.0%		
	Cibergradual	100.0%		
	Yunit	33.3%		

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of the year, comprised 1,139 banking presences (72 fewer than in the preceding year) of which 650 branches in Portugal.

In terms of its domestic network, in the sphere of Pillar 2 of the Strategic Plan agreed with Directorate General for Competition of the European Commission (DG Comp), CGD adjusted its branch office network across 2017 by closing 67 branches (64 face-to-face service and 3 self-service branches). It now has 587 branches with face-to-face services, 37 self-service branches and 26 corporate offices. Reference should also be made to CGD’s mobile banking branch which travels to regions in which CGD does not have a physical presence, with the objective of providing and maintaining a proximity solution for its customers. In 2018, CGD expanded the service by increasing the number of mobile units.

CGD GROUP BANKING PRESENCES

	2016-12	2017-12
CGD (Portugal)	717	650
Branches with face-to-face service	651	587
Self-service branches	40	37
Corporate offices	26	26
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2
France Branch	48	48
Banco Caixa Geral (Spain)	110	110
Banco Nacional Ultramarino (Macau)	20	20
Banco Comercial e de Investimentos (Mozambique)	193	195
Banco Interatlântico (Cape Verde)	9	9
Banco Comercial Atlântico (Cape Verde)	34	34
Mercantile Bank Holdings (South Africa)	13	13
Banco Caixa Geral Brasil (Brazil)	1	1
Banco Caixa Geral Angola	42	38
Other CGD branch offices	22	19
Total	**1.211**	**1.139**
Representative offices*	**12**	**12**

* Includes CGD London Office.

Internationally, CGD Group redefined its presence in the United Kingdom through the creation of a representative office, having closed its London branch. Macau and Cayman offshore branches, the Zhuhai branch (wind down in conclusion), the representative office in Algeria and 4 BCG Angola branches were also closed. BCI, however, opened 2 new branches in Mozambique.

INTERNATIONAL BRANCH OFFICE NETWORK

Europe			
Spain		**Germany**	
Banco Caixa Geral	110	CGD – Representative Office	1
Caixa Banco de Investimento	1	**United Kingdom**	
CGD – Spain Branch	1	CGD – London Office	1
Inmobiliaria Caixa Geral	1	**Luxemburg**	
France		CGD – Luxembourg Branch	2
CGD – France Branch	48	**Switzerland**	
Belgium		CGD – Representative Office	1
CGD – Representative Office	1	BCG – Representative Office	1
América			
United States		**Venezuela**	
CGD – New York Branch	1	CGD – Representative Office	1
Mexico		BCG – Representative Office	1
BCG – Representative Office	1	**Canada**	
Brazil		CGD – Representative Office	1
Banco Caixa Geral Brasil	1		
CGD Investimentos	1		
Africa			
Cape Verde		**São Tomé e Príncipe**	
Banco Comercial do Atlântico	34	Banco Intern. S. Tomé e Príncipe	12
Banco Interatlântico	9	**Mozambique**	
A Promotora	1	Banco Comercial e de Investimentos	195
Angola		**South Africa**	
Banco Caixa Geral Totta Angola	38	Mercantile Bank	13
Asia			
China – Macau		**India**	
Banco Nacional Ultramarino,SA	20	CGD – Representative Office	2
CGD – Zhuhai Branch	1	**East Timor**	
CGD – Xangai Representative Office	1	CGD – East Timor Branch	14

CGD Group continued to lead the domestic market, with a market share of customer deposits of 26.4% in December 2017 and a market share in the individual customers' segment of 29.9%.

CGD's market share in loans and advances to customers was 20.8% in December 2017, with corporate credit and mortgage market shares of 17.1% and 25.4%, respectively.

CGD Group, through Caixa-Banco de Investimento, S.A. (CaixaBI), participated in the main investment banking operations in the domestic market, in 2017, obtaining the recognition of its customers and partners, consolidating its leading position in the main sector rankings and winning several important international distinctions.

In the asset management area, Caixa Gestão de Activos achieved an appreciable level of commercial performance in practically all of the business segments in which it operates, with market shares of 32.0% and 9.0%, in unit trust investment funds and property funds respectively. Wealth management's market share reached 34.4% and pensions increased to 19.2%.

The Group enjoys a leading position in the international sphere, on account of the major relevance of its presence and the status and recognition of its brand in Portuguese speaking countries, namely Angola, Mozambique, Cape Verde, São Tomé and Principe and Timor.

COMMUNICATION AND CAIXA BRAND

2017 saw change for Caixa Geral de Depósitos, with its recapitalisation and the approval and launch of the strategic plan. This comprised a 365 day transformation period in which Caixa's communication, under the aegis of its strategic plan, oversaw the changes providing for institutional, corporate and commercial activity.

The communication plan was drawn up with the objective of increasing the strength and characteristically Portuguese and proximity approach to its customers, partners and society in general.

Emphasis was placed on initiatives whose characteristics and results made the largest contribution to increasing business in strategic segments with the aim of positioning the brand in the market.

Brand

Historically, the Caixa brand enjoyes the highest recognition factor of Portuguese banks. According to BrandScore, Caixa achieved a 32% "top-of-mind" score and an 18% attractiveness rate for non-customers. Caixa leads the field in both cases. According to Basef, Caixa is also the most solid and most reliable bank and enjoys greater customer loyalty.

Prizes and Distinctions

Reference should be made to the award of the following prizes and distinctions in 2017:

- Best Bank - CGD won the Best Bank prize for the third consecutive year in the sphere of the Europe Banking Awards 2016, from EMEA Finance magazine.
- Best Investment Bank Portugal 2017 - CaixaBI was considered to be the best investment bank in Portugal 2017, by the US Global Finance magazine.
- Best Investment Bank in Portugal 2017 - from Euromoney (Awards for Excellence);
- Data Integrity Compliance – Regional Award 2016 – CGD was distinguished by MasterCard as its acquirer for point-of-sale terminals.
- 1st Green Project Awards Portugal 2016 prize for the "Recycling of Bank Cards" project which won the 9th edition of the Green Project Awards, in the "Efficient Management of Resources" category;
- Caixagest was distinguished by Morningstar, as the Best Domestic Bond Manager and Best Domestic Euro Cash Bonds Fund for the third consecutive year.
- Business Merit Prize in the Financial Services category from CISLA (South African Chamber of Commerce and Industry).
- Most reputable brand in 2017 - CGD was awarded the most reputable brand prize in the banking category in 2017, according to the MRI (Marktest Reputation Index);
- Carbon Disclosure Project - CGD participates voluntarily in the climate change questionnaire mentored by CDP (Carbon Disclosure Project), having been awarded an "A-" classification in 2017. This is considered to be one of the leading positions.

1.4. The Year 2017

1.4.1. ECONOMIC AND FINANCIAL SITUATION

GLOBAL ECONOMIC EVOLUTION

The world economy expanded for an eighth consecutive year in 2017. According to the IMF's (International Monetary Fund's) projections, the world economy grew 3.7% in real terms, its best result in three years, following the preceding year's 3.2%. The acceleration derived from the improvement noted in the developed bloc with an annual rate of expansion of 2.2% against 1.7% in 2016 and the emerging and developing bloc with a 0.3 pp progression in the rate of growth to 4.2%. This was the first acceleration in seven years.

A particularly positive aspect in the developed bloc, was the performance of the European economies – both advanced and emerging – in a year in which the euro area was in evidence with a growth rate of around 2.5%, its highest of the last decade. Notwithstanding the political uncertainty, recovery of the labour market and higher levels of real disposable household income, enabled private consumption to continue to be the main driver behind the expansion which was accompanied by a more dynamic level of gross fixed capital formation and an improvement in foreign trade data.

In contrast with positive signs regarding the activity of the main economic geographies, the start of 2017 was marked by various political factors having potential negative effects on the sentiment of economic agents and investors.

Reference should be made to the publication of the British government's plans regarding the Brexit negotiations which appear to indicate the United Kingdom's intention to prefer the control of immigration as opposed to access to the single European market.

Also in January, during his speech when taking office, the recently elected United States of America (USA) president confirmed the new administration's intention to adopt a more protectionist and interventionist approach to economic activity.

In spite of the fact that such events may contribute considerably to increasing the uncertainty and unpredictability of economic activity and the financial markets, the first few weeks of the year were marked by a continuous improvement in investor sentiment over economic performance. Several factors contributed to this result.

Firstly, the economic environment at the start of 2017 was characterised by signs of expansion, at a higher than expected rate, with most indicators, whether real or, particularly, confidence-related, coming as a positive surprise in comparison to expectations. Diverse institutions, such as the European Commission, revised their growth projections upwards.

Secondly, the positive sentiment was sustained by a period of increasing inflation as a greater counterweight to the fears related with the existence of deflationary pressure on a global scale, across a substantial part of 2016.

Inflationary pressures, remained at historically low levels across 2017, over practically all blocs and were even lower than the target set by most of the central banks of the developed economies. As a result, the monetary authorities continued to adopt a cautious approach without any signs of announcing changes to monetary policy in the following months. The officers in charge of the US Federal Reserve (FED) continued to underline their intention to make fresh, albeit very gradual and prudent increases in reference rates.

Confidence marking the start of 2017 was also based on greater expectations over aggressive US tax cuts, as well as the increase in the prices of several commodities.

Regarding central banks, the ECB (European Central Bank) gave no signs of its intention to make any relevant change across the year, after acknowledging, in March, that there was less risk attached to growth and stating, in April, that the cyclical recovery had gained consistency and, ipso facto, that the risks were more balanced, went on to describe them in June as already being in balance. It also stated that inflation had been affected by transitional effects and therefore abandoned any reference to the possibility that rates could fall even further.

In first half 2017 and as promised, the US FED made two 25 bps increases in its FED Funds rate to between 1.00% and 1.25% at the end of June. It also restated its intention to increase the rate further in 2017 followed by an additional three hikes in 2018. It also announced a plan for the medium term reduction of its balance sheet in June. This will be a gradual process which will allow several portfolio securities to expire on maturity, with no re-investment. This reduction began in October.

Although the Bank of England left its reference interest rate unchanged across first half 2017 the June meeting of its monetary policy committee suggested the possibility of a marginal adjustment in the second half of the year. This took place in November with a 25 bps hike. This was the first increase for around a decade, leading the base rate to 0.50%.

Precisely on account of the favourable indications of the main central banks at a time when inflation was way off target, the start of the second half of 2017 was marked, in terms of investor sentiment, by an increase, albeit temporary, of uncertainty.

Reference should also be made to the disclosure of accelerating economic growth indicators for the second quarter in the main economies, particularly in the euro area, whose rate of economic expansion remained higher than recorded in past years, as well as in Japan which registered its longest uninterrupted expansion cycle since 2005-06. China also had a year-on-year growth of 6.8%, against the government’s objective of 6.5%.

Notwithstanding the improvement of euro area indicators, whether in terms of activity or confidence, following the ECB’s first council of governors’ meeting in the second half, President Draghi pointed out that a high level of political accommodation was still needed and that this was the reason why the responsible officers considered it necessary for the central bank to remain “patient” and “persistent” in terms of monetary stimuli, in order to ensure that the financial conditions remained consistent with an evolution towards a sustained adjustment to the trajectory of inflation.

Up to the end of the year, as expected, the council of governors of the European Central Bank left its reference rates unchanged. Accordingly, the interest rate applicable to the permanent deposit facility (in negative territory since June 2014), the rate on the main refinancing operations and the rate on the standing lending facility remain unchanged at -0.40%, 0% and 0.25%, respectively.

Although the US Federal Reserve left its reference rate unchanged in September – the month in which it confirmed the start of the reduction of its balance sheet – it once again increased in December. The objective of the FED Funds was to end 2017 in a range of between 1.25% and 1.50%.

Reference should be made, regarding the main central banks of the emerging economies, to the occasional interventions of the Bank of China with the aim of achieving a slight increase in money market rates, for loan stabilisation purposes, in addition to its endeavours to stabilise the currency and safeguard capital flows.

The central banks of Angola and Mozambique moved in opposite directions to each other owing to opposing inflation trends, particularly at the end of the year. Whereas the National Bank of Angola announced its only change for 2017, in November, comprising a 200 bps hike that raised the rate to 18.0%, the Central Bank of Mozambique reduced its reference rate on five occasions, totalling 475 bps, to an end of year 20.5%.

In the US and as in 2016, the modest level of first half year economic growth was followed by an improved economic environment in the ensuing quarters, based on the positive performance of private consumption, with growth of 2.7% and a 4% growth in fixed capital formation. This made a significant contribution by fuelling annual GDP growth, by volume, to 2.3%, or 0.8 pp up over 2016. Special reference should also be made to the labour market with an average annual unemployment rate of 4.4% and its lowest since 2009. US inflation was up to 2.1% in 2017 against 1.3% in 2016.

Japan’s economy posted a sixth successive year of expansion in 2017. Following growth of 0.9% in 2016, Japan’s GDP last year grew 1.7%, an acceleration deriving from the contribution of exports (net). Exports of goods and services were up 6.8%, as opposed to the 3.6% expansion of imports of goods and services. In terms of the performance of domestic components, whereas private consumption accelerated from 0.1% to 1.0%, the rate of expansion of gross fixed capital formation was up from 0.6% to 2.9%. On a level of the labour market, the unemployment rate, which closed the year at its lowest rate since 1993, was an average 2.8%, 0.3 pp less than in 2016. Following its value of -0.1%, in 2016, average annual inflation for the consumers was 0.5% in 2017.

China achieved annual growth of 6.8%, in 2017, returning to acceleration following three consecutive years of moderation. In 2016, the economy grew 6.7%, its lowest rate of expansion for 26 years. In the case of China’s economy a negative reference should, however, be made to the fact that S&P downgraded China from AA- to A+. Outlook was also down from stable to negative.

According to the IMF’s to projections, Latin America posted in 2017 a 1.3% rate of expansion in its economic activity following contraction of 0.7% in 2016, owing to higher domestic demand, the lending environment and the positive impact of the recovery of various commodity prices.

Following two consecutive years during which GDP contracted by 3.5%, economic activity in Brazil, returned to expansion, albeit a modest 1.1% in 2017. This particularly derived from the 1% increase in private consumption, following the 4.3% drop in 2016, as opposed to gross fixed capital formation and public expenditure which were down 1.8% and 0.6%, respectively.

GDP growth in Sub-Saharan Africa accelerated in 2017, particularly owing to the positive 0.8% growth in Nigeria (against negative growth of 1.5% in 2016) and marginal expansion in South Africa in which economic activity grew 0.9% in comparison to 0.3% in 2016.

According to the IMF, Angola's economy recovered slightly across 2017, with GDP growth of 1.1%, by volume, in a year of high inflation which coupled with the level of the two previous years led to the classification of Angola as a hyper-inflation economy in accordance with the IAS 29 accounting standard which impacted the revaluation of financial assets held in that country.

According to the IMF, Mozambique’s economy grew in real terms by 3.0% in 2017, as opposed to the 3.8% posted in 2016. Mozambique continued to be forced to contend with an environment marked by high inflation, in 2017, albeit down from 19.2% in 2016 to last year’s 15.3% and the need to continue its fiscal consolidation process. Its nominal deficit (after donations) fell from 7.6% to 5.5% of GDP.

ECONOMIC INDICATORS

	GDP		Inflation		Unemployment	
	2016-12	2017-12	2016-12	2017-12	2016-12	2017-12
European Union	**2.0%**	**2.4%**	**0.3%**	**1.7%**	**8.6%**	**7.6%**
Euro Area	1.8%	2.3%	0.2%	1.5%	10.0%	9.1%
Germany	1.9%	2.5%	0.4%	1.7%	4.2%	3.8%
France	1.1%	2.0%	0.3%	1.2%	10.1%	9.4%
United Kingdom	1.9%	1.8%	0.7%	2.7%	4.8%	4.4%
Spain	3.3%	3.1%	-0.3%	2.0%	19.6%	17.2%
Italy	1.0%	1.5%	-0.1%	1.3%	11.7%	11.3%
USA	**1.5%**	**2.3%**	**1.3%**	**2.1%**	**4.9%**	**4.4%**
Japan	**0.9%**	**1.7%**	**-0.1%**	**0.5%**	**3.1%**	**2.8%**
Russia	**-0.2%**	**1.5%**	**7.1%**	**3.7%**	**5.5%**	**5.2%**
China	**6.7%**	**6.8%**	**2.0%**	**1.6%**	**4.0%**	**3.9%**
India	**7.9%**	**6.4%**	**5.0%**	**3.3%**	**n.a.**	**n.a.**
Brazil	**-3.5%**	**1.1%**	**8.8%**	**3.5%**	**11.3%**	**12.8%**

Sources: National statistic institutions
n.a. – not available

According to preliminary data disclosed by Eurostat, economic activity in the euro area accelerated in 2017. Following growth of 1.8% in 2016, the region posted expansion of 2.3% last year, particularly owing to the larger contribution made by domestic demand. The rate of growth was the highest since 2007 when real GDP growth was 3.1%.

According to the European Commission's estimates for Winter 2018, positive levels of GDP growth were posted across all member states, with values ranging between 7.3% in Ireland and 1.5% in Italy. The performance of the other Southern European economies was equally positive, with reference being made to continued growth of more than 3% in Spain for the third consecutive year and Greece's return to positive growth of 1.6% following two successive years of marginal contraction.

Unemployment in the region was down once again in 2017. The average annual unemployment rate of 9.1%, was down 0.9 percentage points over 2016. The rate was down for the fourth successive year to 8.6% in December, its lowest level since the last month of 2008.

Inflation in the Euro Area as measured by the HICP (Harmonised Index of Consumer Prices) that at the start of the year rose to a year-on-year high of 2.0%, tended to moderation up to the end of 2017. Notwithstanding, the average annual inflation rate of 1.5% in comparison to the year 2016 rate of 0.2%, helped to forestall fears of deflation.

EUROPEAN UNION AND EURO AREA ECONOMIC INDICATORS

	European Union		Euro Area	
	2016	2017	2016	2017
Gross domestic product (GDP) - Change Rate [a]	**2.0%**	**2.4%**	**1.8%**	**2.3%**
Private consumption	2.3%	2.0%	1.9%	1.7%
Public consumption	1.6%	1.1%	1.8%	1.2%
GFCF	3.4%	3.5%	4.5%	3.1%
Domestic demand	2.5%	2.1%	2.4%	2.0%
Exports	3.5%	5.3%	3.4%	5.3%
Imports	4.8%	4.6%	4.8%	4.3%
Inflation rate (HICP) [a]	**0.3%**	**1.7%**	**0.2%**	**1.5%**
Ratios				(%)
Unemployment rate [a]	8.6%	7.6%	10.0%	9.1%
General government deficit (as a % of GDP)	-1.7%	-1.2%	-1.5%	-1.1%

Source: Eurostat
(a) Noted values

CAPITAL MARKETS

Notwithstanding fears of a significant correction in the trend towards an increase in risk-taking appetite, investor optimism continued to be backed by the favourable economic environment and positive quarterly results posted by US and European countries in a context of slightly higher inflation.

Favourable investor sentiment was also driven by the maintenance of very low interest rates owing to the slow elimination of monetary stimuli permitted by the fact that inflation remained lower than the levels considered optimal by the central banks pursuant to which the prospects of the risk of a substantial unexpected increase remained very low.

The optimism of market players also tended to evolve to positive across the year in line with different international bodies' upwards revisions of their forecasts of the 2017 and 2018 growth rates in the main economies.

Optimism over the synchronised character of the recovery in global terms was fuelled by the consolidation of the price recovery of various commodities, based on the strengthening of the rate of activity in the main economic blocs, in a context of greater financial balance, higher inflation and more trade. The more favourable evolution of oil prices derived from the agreements entered into between OPEC and Russia with a view to achieving greater balance between supply and demand.

Market sentiment was penalised by the uncertainty over Brexit, notwithstanding the evolution of negotiations, terrorism (with several attacks all over the world throughout the year) and various flashpoints of political instability, particularly in the case of Catalonia, Italy and Brazil and the uncertainty over US policies. Reference should also be made to the growing tensions between the US and North Korea and the continued existence of other military tensions in the Middle East, between Saudi Arabia and Iran and between Israel and the Palestinian territories, particularly after the US President's recognition of Jerusalem as the capital of Israel and the intention to move the US embassy from Tel Aviv to Jerusalem, and, in Eastern Europe between Russia and Ukraine.

Bond Markets

Yields on sovereign bonds in second half 2017 reversed the downwards trend of the first half year and were up across most maturities and by issuing entities. Portugal was one of the exceptions.

A sharp increase was witnessed in the US over the last four months of 2017, following the downwards trend of the yield on 10 year maturities up to the start of September, when they fell to their lowest point since November 2016. Across the second half, the yield on this maturity, although rising 10.2 bps, was still insufficient to fuel an increase over 2017 as a whole. For the year as a whole, it was down 3.9 bps and closed the year at 2.405%.

The upwards movement, starting at the beginning of September was more marked over the shorter maturities. Special reference should be made to the 2 year maturity, owing to the disclosure of highly favourable economic activity indicators, as well as the hike in the Fed Funds rate that, following the 25 bps June increase, was up by more than 25 bps in December. The objective of these lending operations was to achieve an end of year interest rate of 1.25% to 1.50%. The two year rate rose 50.1 bps in the second half of the year to 1.883%, comprising an increase of 69.5 bps for the year as a whole.

Sovereign yields were more volatile across 2017 in the European economies with better quality credit. First half increases were followed by second half year falls. For the year as a whole, however, the yields on 10 year maturities were up 21.9 bps and 9.9 bps in Germany and France to 0.42% and 0.78% at the end of December.

Identical movements were witnessed in the case of 2 year maturities which were down 5.5 bps and 9.0 bps, in the said countries respectively, in the second half and up by 13.9 bps and 19.0 bps for 2017 as a whole.

In the case of the yields of the Southern European countries, particular reference should be made to Portugal in 2017, whose good economic environment and strong fiscal consolidation resulted in major improvements in its S&P and Fitch ratings.

S&P changed its rating on the Portuguese Republic's long term debt from BB+ to BBB- on 15 September from which time two rating agencies classified Portugal as investment grade (the DBRS rating never fell below this level). The fact that Fitch upgraded its rating on Portugal's long term debt on 15 December by two notches from BB+ to BBB was greeted by a certain surprise and fuelled a sharper decrease in yields, particularly in the case of bonds with short term maturities of two or three years which recorded all-time lows. The yield on three year maturities fell to an absolute negative rate.

Down 73.7 bps across first half 2017, the yield on Portugal's bonds with a 10 year maturity fell 108.4 bps in the second half year, to close the year at 1.943%, benefiting from the already referred to rating improvements. The yield on Portugal's bonds with a maturity of two years was down 14.4 bps in 2017, to a negative 1.03%.

The yield on 10 year Italian bonds was down 14.2 bps in the second half of the year, following the preceding year's increase of 34.3 bps, resulting in an increase of 20.1 bps for the year as a whole. The end of year rate stood at 2.016%.

In Spain the respective yield was up 15.5 bps and 2.8 bps in the first and second quarters (18.3 bps for the year), respectively, to 1.57% at the end of December.

In a year in which both countries were, to a certain extent, constrained by political considerations (with the dissolution of the parliament in Italy and elections in 2018, and, in Spain, with the worsening situation regarding the issue of Catalonian independence which represented an even greater source of uncertainty for economic activity and funding terms), the yields on one year maturities were, nevertheless, down 7.2 bps and 6.9 bps, to a negative 0.254% and positive 0.347%, respectively.

In Portugal, the narrowing of the spread vis-à-vis Germany was also highly significant, down from 355.7 bps and 256.1 bps, at the end of 2016 and 30 June, respectively, to 151.6 bps at the close of the year. On 21 December it fell to its minimum since March 2015 (134.9 bps). The fact that the Portuguese yield on 10 year maturities fell below the Italian yield was also significant. Portugal's debt had not been lower than Italy's since 2010. The spread between Portugal-Italy at the end of the year was a negative 7.3 bps and 86.9 bps at 30 June.

July, after 3 years, with the issuance of €3 billion at a 5 year rate of 4.625%. This rate continued to fall to an end of year close of 3.47%. The yield on 10 year maturities fell 130.9 bps in the second half year, following a negative 168.3 bps in the preceding half year, to an end of year 4.115% (falling to its lowest level of 3.963% since 2006, on 27 November). The risk premium on 10 year maturity Greek as opposed to German debt fell 126.9 bps, in the second half year from 495.7 to 368.8 bps and to a minimum of 365.4 bps since 2010.

The yield on 10 year maturity Japanese bonds remained practically unchanged, in 2017, at 0.2 bps, closing the year at 0.048% and very close to the Bank of Japan's target.

The private debt market in 2017 was, once again, marked by a large number of corporate debt issuances with many contributory factors; such as, like in the preceding year, the continuation of very low interest rates which was a factor in making market funding a highly attractive proposition.

In addition, the improved economic environment suggested by the sentiment indicators in diverse geographies, announcement of corporate profits and the declining political risks, fuelled investors' appetite, particularly at the end of the year.

This market also benefited from the continued intervention of the ECB. In 2017, under the quantitative easing programme for private debt securities the ECB acquired €80.5 billion in corporate bonds (net), to an accumulated respective amount of €131.6 billion. In spite of the fact that no specific amount was allocated to this programme, the ECB has kept the proportion of assets acquired in the sphere thereof stable as regards the total amount of net acquisitions, comprising 10.9%, in 2017.

Following a 5.0 bps decrease in the CDS (credit default swaps) market in 2016, 2017 drop was much sharper, 27.5 bps to 44.8 bps on the last day of December, closing the year at its lowest level since November 2007.

Equity Markets

2017 was a year of appreciation for the main equity indices in spite of the existence of several political uncertainties capable of having a negative effect on investor sentiment. The MSCI Emerging Markets and MSCI Global aggregate indices were up 34.4% and 21.6%, both at an all-time high.

Reference should be made to the positive impact of the disclosure of information on the better than expected economic indicators across practically all of the main regions of the globe and particularly in the US, Europe, and several emerging economies. Growth projections were revised successively upwards, with particular reference to the changes close to the end of the year made by the Federal Reserve, for the US economy and the ECB for the euro area economy.

Throughout 2017, US share indices achieved successive all-time highs. The S&P500 was up 19.4%, the Dow Jones up 25.3% and the Nasdaq up 28.2%. This was the second year of appreciation in the first two cases and the sixth in the third case.

Corporate profits once again came as a positive surprise with rising indices being accompanied by a strong increase in profits and prices remaining relatively high. The S&P500 traded at a earnings multiple of 18 against 15.4 at the start of the year.

Gains in Europe were more moderate with the Eurostoxx600 up by an annual 7.7% (the index traded at an earnings multiple of 14.4 at the end of 2017 against 13.5 at the start of 2017). France's CAC was up 9.3%, Italy's MIB by 13.6%, Spain's IBEX by 7.4% and Portugal's PSI20 by 15.2%. FTSE was up 7.6% in spite of the uncertainties related with the Brexit negotiations. The highlight in Europe, however, goes to Germany's DAX (up 12.5%) which reached an all-time high of around 13,500 points at the start of November.

Portugal's PSI20 was up 15.2% in 2017 and was therefore one of Europe's stellar performers. This result follows losses of 11.9%. In 2017 practically all companies listed on the index made gains, particularly Caixa Económica Montepio Geral (up 137.5%), Mota-Engil (up 127.5%) and on a negative note CTT (down 45.9%).

In sector terms in Europe, the best performers were the more cyclical sectors such as technology (up 21.6%), vehicles (up 15.0%), financial services (up 17.1%) and industry (up 15.5%). The commodities sector benefited from a strong second half year performance, closing the year with gains of 20.7%, as well as energy (oil and gas) that after having appreciated 7.4% in the second half of the year, closed the year with losses of 4.4%.

The 6.6% rise in China's Shanghai index in 2017 was insufficient to offset the drop of 12.3% occurring in 2016. Although this result may appear to be modest in a year in which economic growth came as a positive surprise, reference should, however, be made to the Central Bank of China's elimination of several economic stimuli in order to provide for the negative impacts of financial imbalances, as regards the high levels of lending which have made a major contribution to a large increase in the national debt.

STOCK MARKET INDEXES

	2016		2017	
	Index	Change	Index	Change
Dow Jones (New York)	19,762.6	13.4%	24,719.2	25.1%
Nasdaq (New York)	5,383.1	7.5%	6,903.4	28.2%
FTSE (London)	7,142.8	14.4%	7,687.8	7.6%
NIKKEI (Tokyo)	19,114.4	0.4%	22,764.9	19.1%
CAC (Paris)	4,862.3	4.9%	5,312.6	9.3%
DAX (Frankfurt)	11,481.1	6.9%	12,917.6	12.5%
IBEX (Madrid)	9,352.1	-2.0%	10,043.9	7.4%
PSI-20 (Lisbon)	4,679.2	-11.9%	5,388.3	15.2%

Still in Asia, Japan's Nikkei was up 19.1% in 2017, closing the year at levels close to the all-time high achieved in December 1991. Expressive gains were also made by India's Sensex 30 (up 27.9%), and Hong Kong's Hang Seng (up 36.0%).

FOREIGN EXCHANGE MARKETS

In 2017, foreign exchange evolution was characterised by a certain level of market stabilisation particularly from the second half of the year, with a reduction of several political risks in Europe (elections in France and Germany) and in the US owing to a scenario of greater understanding over the Brexit negotiations. In global terms, particular reference should be made to the depreciation of the US dollar against the other main reference currencies as opposed to the euro.

The euro appreciated against the dollar across the year and gained strength towards the end of the year, in spite of the gradual normalisation process involving reference interest rates in the US. The Euro benefited from the relatively more favourable performance of economic indices in having achieved its first annual appreciation for four years (14.2%), closing 2017 at $1.2005, after having, in August, having peaked at a early maximum of $1.203.

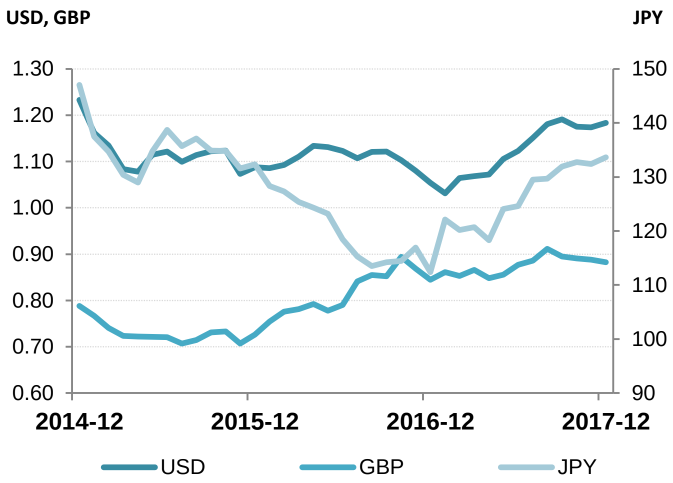
The euro's effective nominal exchange rate was up 5.4% across the year, drawn close, on several occasions, to its all-time high posted in September 2014.

Sterling, that between the start of the year and the end of August depreciated by close to 8% against the euro, recovered in the following months as a consequence of growing expectations, effective in the meantime, of a reference rate interest rate hike by the Bank of England. Notwithstanding, for the year as a whole sterling depreciated 4.1% although it achieved its first annual appreciation of 9.5% against the dollar in four years.

The euro also appreciated in value against the Japanese yen in 2017. Following two consecutive years of a drop in value, the euro appreciated 10% last year. This upwards movement was posted from the beginning of the second quarter. The euro stood at 135.3 yen at the end of the year, its highest level since October 2015.

EURO EXCHANGE RATES

Monthly averages (%)



EURO EXCHANGE RATES

Monthly averages

	USD	GBP	JPY
December 2014	1.233	0.788	147.06
December 2015	1.088	0.726	132.33
December 2016	1.054	0.845	112.40
December 2017	1.184	0.883	133.64

As regards the performance of the currencies of the emerging countries, after witnessing the euro's appreciation of 10.3% against the Brazilian real, the trend towards appreciation remained in second half 2017, albeit at a lower rate of 5.2%, leading to a 16.0% increase in the euro's value in comparison to the Brazilian currency.

South Africa's rand depreciated more than 20% against the euro between mid March and the end of November last year, following which it was only in December that it posted an increase of around 9% following Cyril Ramaphosa's victory at the ANC Congress which was interpreted as being beneficial, to the South African economy. In 2017, the South African rand nevertheless posted a loss of 2.8% against the euro.

Against the Chinese renmimbi and having appreciated by more than 9% by the start of August, the euro evidenced a relative degree of stabilisation up to the end of the year, particularly fuelled by the measures, albeit modest, of the People's Bank of China in tightening monetary policy. The euro appreciated for the second successive year, in 2017, this time by 6.3%, against 3.5% in 2016.

After having depreciated against the euro, by close to 15%, up to the start of September, when it reached an all-time low (to-date) of 119.7 kwanzas to the euro, the Angolan kwanza achieved a certain stability up to the end of the year having closed the year at still above 199 kwanzas to the euro. In comparison to the start of the year the Angolan kwanza depreciated for the third consecutive year this time by 14.2%. It has lost 60% of its value against the euro over the last three years.

The Mozambique metical appreciated against the euro in 2017, at close to 12% by the end of May. Up by an annual 6.3%, the Mozambique metical was up (closing at more than 70 meticais to the euro), for the first time in three years.

PORTUGUESE ECONOMY

OVERVIEW

The Portuguese economy achieved a fourth successive year of expansion in 2017. According to the National Statistics Institute, real GDP growth was more than 1.1. pp up over 2016 to 2.7%. This was the best result since the year 2000 growth of 3.8%.

Domestic demand made a larger contribution to GDP (up 1.2 pp to 2.8 pp), particularly owing to the acceleration of fixed investment which was up from 1.5% in 2016 to 9.0%, as opposed to the marginally negative 0.2 pp contribution made by net external demand. While exports of goods and services accelerated by 3.5 pp to 7.9%, imports were also up by 7.9% in comparison to 4.2% in 2016. Exports once again accounted for a larger proportion of GDP in the last quarter of the year at 47.7%.

Whereas public consumption (the final consumption expenditure of general government) posted a rate of change of 0.1%, down 0.5 pp over 2016, private consumption by volume, was up 2.2% last year in comparison to 2.1% in 2016.

According to the Bank of Portugal, the Portuguese economy retained its external funding capacity in 2017 for the sixth consecutive year. The surplus balance on the current and capital account was marginally down from 1.6% to 1.4% of GDP.

PORTUGUESE ECONOMIC INDICATORS

	2015	2016	2017
Gross domestic product (GDP) - Change Rate	**1.8%**	**1.6%**	**2.7%**
Private consumption	2.3%	2.1%	2.2%
Public consumption	1.3%	0.6%	0.1%
GFCF	5.8%	1.5%	9.0%
Domestic demand [(a)]	2.8%	1.6%	2.8%
Exports	6.1%	4.4%	7.9%
Imports	8.5%	4.2%	7.9%
Inflation rate (HICP)	**0.5%**	**0.6%**	**1.6%**
Ratios			(%)
Unemployment rate	12.4%	11.1%	8.9%
General government deficit (as a % of GDP) [(b)]	-4.4%	-2.0%	-3.0%
Public debt (as a % of GDP)	128.8%	129.9%	125.7%

Source: INE

(a) Contribution to GDP growth (percentage points).

(b) In 2017, excluding the impact of CGD recapitalization, General Government funding needs were 0.92% of GDP.

The Portuguese HICP recorded an average annual rate of inflation of 1.6%, in 2017 in comparison to 0.6% in 2016, essentially deriving from the evolution of energy components which changed from, a negative 1.8% in 2016, to an increase of 3.5% in 2017.

The unemployment rate was down 2.2 pp over 2016 to 8.9% in 2017. The year closed at 8.1%, for the fourth quarter, equivalent to 442 thousand jobless individuals, down 22.3% from the end of 2016, or 121.2 thousand fewer unemployed.

CREDIT AND DEPOSITS

December 2017 witnessed a year-on-year change of 8.2% in the M3 liquidity aggregate, excluding currency in circulation, down 1.4 pp over the end of 2016.

The 1.1% increase in total deposits represented a deceleration in comparison to the preceding year's growth of 3.5%. This translated into a nil change in the deposits of individual customers and emigrants, following a 1.0% increase in 2016 and a 5.99 pp acceleration of the deposits of non-financial corporations to 14.9%.

Total domestic credit was up 1.9% in comparison to 0.6% in 2016. This particularly derived from credit for final consumption and other purposes with an annual rate of expansion of 4.7% as opposed to 3.6% in 2016 in addition to the contraction, of a lesser magnitude, of mortgage loans (down 1.7% against a negative 2.9% in 2016). Loans to general government net of liabilities to central government continued to evidence a sharp rate of expansion of 21.6%, in comparison to 22.8% in 2016. There was a further contraction of credit to non-financial corporations which was down 2.1% in comparison to the preceding year's negative 1.8%.

MONETARY AGGREGATES IN PORTUGAL [(a)]

Rates of change (%)

	2015	2016	2017
M3, excluding currency in circulation	**4.2%**	**9.6%**	**8.2%**
Total deposits	1.3%	3.5%	1.1%
Deposits made by non-financial companies	-0.4%	9.0%	14.9%
Individual customers' and emigrants' deposits	3.8%	1.0%	0.0%
Total domestic credit	**2.1%**	**0.6%**	**1.9%**
Loans and adv. to central and local govern. [(b)]	54.2%	22.8%	21.6%
Loans and adv. to non-financial companies	-1.4%	-1.8%	-2.1%
Mortgage loans	-3.3%	-2.9%	-1.7%
Consumer and other credit	-0.4%	3.6%	4.7%

Source: Bank of Portugal - Statistics Bulletin, February 2017.

(a) Rates of change based on end-of-month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits. Credit aggregates include securitised loans.

(b) Net of liabilities to central government.

INTEREST RATES

In spite of the acceleration of the euro area economy in 2017, inflation remained very low. The ECB went so far as to revise the annual growth in consumer prices down, both for 2017 and 2018, which never reached the objective of 2.0%.

With the aim of continuing to ensure an acceleration of the growth of lending to guarantee the sustained convergence of inflation to the referred to objective of 2.0%, the ECB continued to adopt a highly expansionist approach maintaing its conventional monetary policyand no changes to its reference rates in 2017, particularly on its permanent deposit facility which remained at a negative 0.40%.

INTEREST RATES [(a)]

	2015	2016	2017			
	Dec	Dec	Mar	Jun	Sep	Dec
Fed funds rate	**0.25%-0.50%**	**0.50%-0.75%**	**0.75%-1.00%**	**1.00%-1.25%**	**1.00%-1.25%**	**1.25%-1.50%**
ECB reference rate	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Euribor						
Overnight	-0.127%	-0.329%	-0.355%	-0.350%	-0.349%	-0.346%
1 month	-0.205%	-0.368%	-0.373%	-0.373%	-0.372%	-0.368%
3 months	-0.131%	-0.316%	-0.329%	-0.331%	-0.329%	-0.329%
6 months	-0.040%	-0.221%	-0.241%	-0.271%	-0.273%	-0.271%
12 months	0.060%	-0.082%	-0.109%	-0.156%	-0.172%	-0.186%
New credit operations						
Non-financial companies [(b)]	2.39%	2.23%	2.04%	2.13%	2.22%	1.58%
Individual customers - mortgage loans	2.13%	1.77%	1.70%	1.61%	1.48%	1.52%
Term deposits and savings accounts [(c)]						
Non-financial companies	0.69%	0.40%	0.34%	0.32%	0.32%	0.27%
Individual customers	0.75%	0.40%	0.34%	0.32%	0.30%	0.28%

Source: Bank of Portugal - Statistics Bulletin for February 2018.
(a) Rates relative to last day of month.
(b) Operations involving more than €1 million.
(c) Deposits with an agreed maturity period of up to 2 years.

In October, the ECB also announced a second extension to the quantitative easing programme, at least up to September 2018, with an average rate of monthly asset purchases continuing to stand at €60 billion up to the end of December 2017, but being reduced to €30 billion between January and September 2018.

The ECB also expressed its readiness, across the year, to increase its level of acquisitions either in terms of size or maturity, in the event of less favourable prospects of if the financial conditions ceased to be consistent with an evolution trending to the sustained adjustment of the inflation trajectory.

In 2017, the Council of Governors (CG) left its indications on future monetary policy guidelines unchanged, having successively reiterated that reference rates would remain at their current or lower levels even after the ending of the quantitative easing programme.

In spite of having decided, in October, to reduce the size of its net asset purchases, the CG announced that it will reinvest the amounts repaid under the quantitative easing programme on the purchase of assets “for an extended period after the term of the net assets purchase and, in any case, for as long as necessary”, considering that this factor will contribute towards the existence of “favourable liquidity conditions” and “adequate monetary policy guidelines”.

At the same time, the council of governors reaffirmed that it will continue to inject liquidity into the banks at a fixed interest rate and without any limits on amounts (restricted to the availability of collateral) for its weekly and quarterly loans and that this procedure will remain in force “for as long as necessary and at least up to the end of 2019”.

For the year as a whole, Euribor rates on maturities of 3, 6 and 12 months, fell 1.3 bps, 5.0 bps and 10.4 bps, respectively, with no change to the 1 month maturity.

Interest rate charges on new operations, both deposits and credit, were down again in 2017, in line with the reaction of the market reference rate i.e. Euribor. There was a sharper decrease in the case of lending rates, both in the case of non-financial corporations and the individual customers segment.

1.4.2. HIGHLIGHTS IN 2017

The following were the most relevant events that took place in the CGD Group, in 2017:

- The election of members of the Board of Directors of Caixa Geral de Depósitos, S.A. for the 2017-2020 term of office, based on the unanimous written resolutions (UWR) of 31 January, 17 March, 1 and 2 of August and 19 October 2017.

- In May 2017, Ernst & Young Audit & Associates, SROC, SA (EY), was elected as CGD's External Auditor / Statutory Auditor for the 2017-2020 mandate, pursuant to paragraph 2, d) of article 14 of the articles of association of the company. CGD decided to combine the functions of the External Auditor and Statutory Audit Company in a single entity, in 2017, with the aim of increasing efficiency as the corollary to the close working relationship enjoyed by the respective functions.
- CGD completed phases 1 and 2 of the recapitalisation plan agreed between the Portuguese State and the European Commission (DG Comp) in first quarter 2017, which are detailed in the chapter 1.4.3. Recapitalization Plan, permitting a capital increase of €4.4 billion.
- The conclusion of this Recapitalization Plan and subsequent reinforced solvency allowed Caixa to focus on the execution of its Strategic Plan 2017-2020, based on the following essential pillars: reinforcement of the commercial activity; adjustment of CGD's domestic operational infrastructure; strengthening the international portfolio; strengthening of its risk management model and governance model.
- Pillar 5 designed to respond to the challenges of digitalization and customer service was created within the Strategic Plan. This pillar includes strategic an initiative to implement Caixa's digital transformation strategy and redesigned "Customer Experience and optimize customer service levels.
- In 2017 the Strategic Plan execution enabled the successful achievement of several targets set out for the year in the referred to Plan, namely the financial strength, efficiency and profitability levels, generating a consolidated a net profit of €52 million. The implemented initiatives and results are detailed in the chapter 1.4.4. Strategic Plan.
- Within the scope of Pillar 3 of the Strategic Plan– restructuring of the international portfolio with the objective of focusing on selected geographies – CGD London, Offshore Cayman and Offshore Macao branches wind down were concluded. Formal sale process were launched for the South African, Spain and Brazil subsidiaries.
- As the new Board was elected in 2017 a review of the MAAV (Management Assessment of Assets Value) process was carried out and a second external audit was requested in order to ensure its appropriateness.
- On June 23, 2016, the Council of Ministers officially stated that "the Government, through the Ministry of Finance, has determined that CGD's new management will be responsible for opening an independent audit to management acts of CGD as from 2000 (" AIAG "). By letter of March 13, 2017, addressed to the Chairman of the Board of Directors of CGD, SA, the Assistant Secretary of State for Finance reaffirmed the unconditional interest and commitment to clarify all doubts about the CGD management acts practiced between 2000 and 2015 and confirmed the relevance and timeliness of the decision of the Council of Ministers of June 23, 2016, requesting as a shareholder that CGD's Board of Directors promote the said audit. Accordingly, CGD's current management decided, by deliberation, to consult the market in order to competitively select an international entity of recognized experience, suitability and competence to carry out the AIAG, and EY was selected for this purpose, which will be delivered in the first half of 2018.
- In 2017 the human resources policies of salary revision and merit promotions were resumed, with the consequent unfreezing of careers.
- In December 2017 CGD became the direct and indirect holder of 63.1% of of BCI-Banco Comercial e de Investimentos, S.A., reinforcing its previous 51.0% interest in the share capital of this Mozambican bank. CGD's increased participation in its subsidiary with the acquisition of the position formerly held by Insitec Capital, S.A..

- In June 2017 a new offer of "Contas Caixa" accounts was launched and reached more than 900 thousand accounts in December 2017 and reached one million in January 2018. This new offering of bank accounts typology proved to the client to be simpler and better suited to their needs, giving the bank greater quality in the relationship with the customer and greater linkage.
- During the course of 2017, ten initiatives called "Encontro Fora da Caixa" conferences took place nationwide (Braga, Faro, Leiria, Lisboa (3), Porto, Santarém, Funchal e Viseu) with the purpose of bringing Caixa closer to its clients, reinforcing their relationship and empowering the business. These conferences dealt with topics of interest to the various sectors of economic activity in Portugal, as well as for the buiding of a strategic vision for companies and for the country, impacting 6,500 customers and with more than 200,000 streaming views.

RESULTS [1]

The first year of the implementation of CGD's Strategic Plan 2020 was successfully concluded resulting in an improvement in its levels of efficiency and profitability as evidenced by a positive net income for the first time since 2010.

Special reference should be made to the performance of the following indicators, in 2017:

- The positive 19% increase of €201 million in net interest income to €1,241 million.
- The 3% growth of net commissions over 2016.
- The net trading income increase of €139 million, over the preceding year, to €216 million.
- The significant 38% increase of €541 million in total operating income to €1,965 million, deriving from the evolution of the above components.
- The 7% reduction of €79 million in recurrent operating costs over 2016.
- The low costs of credit risk in 2017, €86 million of impairements (0.13% of the loan stock).

Core operating income[2] in 2017, fuelled by the growth of net interest income and reduction of recurring operating costs was up 87% to €634 million in the period.

Cost-to-income (excluding non-recurring costs) was down to 53% in 2017 as a consequence of the good performance referred to in the recurring operating costs and income components. Cost-to-core income, which also excludes net trading income, was 63%.

Net income for 2017 was €52 million, influenced by a net amount of non recurrent costs of €609 million related to employee reduction programmes, international and domestic operations restructuring and disposals costs as well as the application of IAS 29 to the activity in Angola.

BALANCE SHEET

CGD's consolidated net assets were down 1.2% by €1,163 million over December 2016 to €93,248 million at the end of 2017.

Loans and advances to customers (gross, including loans with repurchase agreements) were down 8.2% over December of the preceding year to €59,811 million at the end of December 2017. Special reference should be made in the case of this reduction to the process for reducing non-productive exposures of €1.4 billion based on credit portfolio disposals and write-offs, and an amortization of credit higher than the new production, following the deleveraging of national economic agents. CGD's share of the credit market in December 2017 stood at 20.8% (17.1% for corporates and 25.4% for individual customers' mortgage loans).

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[1] The December 2016 values have been restated, considering BCG Espanha, BCG Brasil and CGD Investimentos CVC as a non-current asset held for sale. Mercantile Bank Holdings was already reclassified as such since December 2016. The whole analysis in this document was done comparably to the 2016 restated accounts.

[2] Excluding the non-recurring costs of employee reduction programmes and costs related with the restructuring and disposal of national and international assets, as well as the application of IAS 29 to the activity in Angola, as applicable to each Profit and Loss heading, for a total amount net of tax of €609 million in 2017 and €32 million in 2016.

Total resources taken from the domestic activity at the end of 2017 amounted to €68,648 million (up €1,370 million, an increase of 2.0% over December 2016), benefiting from the off-balance sheet resources evolution with the special contribution of OTRV Portuguese Government Bonds operations. CGD retained its leading position in the domestic market with a 26.4% share of total deposits in December 2017. Individual customers' deposits market share accounted for 29.9%.

The loans-to-deposit ratio of 87% in CGD's balance sheet in December 2017 reflected the strong confidence of CGD's customer base, even in an environment of historically low interest rates on deposits.

CGD's asset quality evolved positively in 2017, with NPE[3] and NPL[4] ratios reduced to 9.3% and 12.0% (from 12.1% and 15.8% in December 2016), respectively. The amount of NPL was down €2.7 billion in 2017 (down 25%) with the coverage by impairments reaching 56.7% at the year-end. The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, fell from 10.5% in December 2016 to 8.9% at the end of 2017, with an impairment coverage ratio of 81.3%.

LIQUIDITY

CGD's liquidity position remained highly comfortable with a Liquidity Coverage Ratio (LCR) of 209%. Total financing from the ECB was down €60 million over the preceding year to €3.5 billion at the end of 2017, i.e. around 3.7% of total assets.

As regards the portfolio of eligible assets for the Eurosystem pool, reference should be made to a year-on-year increase of around €1.3 billion to €13.7 billion in December 2017, following a significant increase in available assets.

SOLVENCY

Following the process of recapitalisation of CGD, agreed between the European Commission and the Portuguese State, CGD completed in the first quarter of 2017, phases 1 and 2 as provided for in this agreement, which corresponded to a capital injection of €4,4 billion. Included in this amount is the €500 million Additional Tier 1 (AT1) market issuance, bringing together all the necessary conditions for the €2.5 billion capital increase, in cash, by the State. In the same context, in the beginning of the year, CGD had also received and cancelled the Contingent Convertible Bonds (CoCos) amounting to €900 million, held by the Portuguese State, delivered as payment-in-kind of a capital increase of total amount of €945 million (including accruals).

Also, the shares representing 49% of Parcaixa, SGPS, S.A. capital were delivered as payment-in-kind of a capital increase of €499 million.

The phased-in and fully implemented CET 1 ratios in December were both 14.0%, with phased-in Tier 1 and Total ratios of 15.0% and 15.6%, respectively, complying confortably with the regulatory requirements.

CGD at the time had ADI (Available Distributable Items) of €1.8 billion (around 33 times the annual cost of its current AT1 issuance) with 3.3% in excess of the level of MDA (Maximum Distributable Amount) restrictions considering the current Tier 1 and Tier 2 deficits of 5.2% and considering that such deficits will be cleared by future subordinated debt issuances.

[3] NPE - Non performing exposures (as defined by EBA).

[4] NPL - Non performing loans (as defined by EBA).

CGD INDICATORS

(EUR million)

INCOME STATEMENT	2015	2016	2017
Net interest income	1,114	1,040	1,241
Non-interest income	854	350	677
Total Operating Income	2,042	1,547	1,965
Operating costs	1,392	1,240	1,103
Net Operating Income before Impairments	650	307	861
Income before tax and non-controlling interests	-21	-2,652	184
Net income	-171	-1,860	52
BALANCE SHEET			
Net assets	100,901	93,547	93,248
Securities investments (1)	19,649	15,581	15,804
Loans and advances to customers (gross) (2)	71,376	68,735	59,811
Customer resources	73,426	69,680	63,631
Debt securities	6,700	4,184	4,051
Shareholders' equity	6,184	3,883	8,274
PROFIT AND EFFICIENCY RATIOS			
Gross return on equity - ROE (3)	-0.3%	-46.5%	4.1%
Net return on equity - ROE (3)	-1.3%	-32.0%	1.1%
Gross return on assets - ROA (3)	0.0%	-2.7%	0.3%
Net return on assets - ROA (3)	-0.1%	-1.8%	0.1%
Cost-to-income (3)	66.6%	77.8%	55.5%
Total Operating Income / Average net assets (3)	2.1%	1.6%	2.1%
CREDIT QUALITY AND COVER LEVELS			
Overdue credit / Total credit	7.6%	7.2%	7.6%
Credit more than 90 days overdue / Total credit	7.2%	6.6%	7.0%
Non-performing credit / Total credit (3)	9.3%	8.4%	7.6%
Credit at risk / Total credit (3)	11.5%	10.5%	8.9%
Restructured credit / Total credit (3)	10.0%	9.0%	6.7%
Restr. crd. not incl. in crd. at risk / Total crd. (3)	5.6%	4.2%	3.0%
Credit more than 90 days overdue coverage	102.2%	123.9%	109.3%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)	0.78%	3.42%	0.13%
NPE (4)	-	12.1%	9.3%
NPL (5)	-	15.8%	12.0%
Coverage by impairments NPE (4)	-	52.9%	56.4%
Coverage by impairments NPL (5)	-	52.8%	56.7%

NOTE: Values published in the Annual Report of the respective period, not including any reexpression effects of the the financial statements.

(1) Includes assets with repo agreements not related to loans and advances to customers and trading derivatives.

(2) Includes assets with repo agreements not related to secutity investments.

(3) Ratios defined by the Bank of Portugal.

(4) NPE - Non performing exposures - EBA definition.

(5) NPL - Non performing loans - EBA definition.

STRUCTURE RATIOS	2015	2016	2017
Loans & adv. custom. (net) / Custom. dep. (3)	90.1%	90.6%	87.0%
SOLVENCY RATIOS (CRD IV/CRR) (6)			
Common equity tier 1 - com DTA (phased-in)	10.9%	12.1%	14.0%
Tier 1 - considering DTA (phased-in)	10.9%	13.0%	15.0%
Total - considering DTA *(phased-in)*	12.3%	14.1%	15.6%
Common equity tier 1 - considering DTA (fully implemented)	10.0%	11.8%	13.9%
LEVERAGE AND LIQUIDITY RATIOS (CRD IV/CRR)			
Leverage ratio (fully implemented)	5.7%	3.3%	8.2%
Liquidity coverage ratio	143.1%	175.6%	208.9%
Net stable funding ratio	135.9%	134.1%	139.4%
BRANCH OFFICE NETWORK AND HUMAN RESOURCES			
Banking presences - CGD Group	1,253	1,211	1,139
Number of branches - CGD Portugal	764	717	650
Number of employees - CGD Group (7)	16,058	15,452	14,799
Number of employees - CGD Portugal (7)	8,410	8,113	7,689
RATINGS (LONG/SHORT TERM)			
Moody's	B1/NP	B1/NP	B1/NP
FitchRatings	BB-/B	BB-/B	BB-/B
DBRS	BBB (low) /R-2 (mid)	BBB (low) /R-2 (mid)	BBB (low) /R-2 (mid)

NOTE: Values published in the Annual Report of the respective period.
(3) Ratios defined by the Bank of Portugal.
(6) The 2016 ratios are proforma, including the two phases of the recapitalisation process that occurred in the first quarter of 2017.
(7) Effective staff.

1.4.3. RECAPITALIZATION PLAN

On 4 January 2017, pursuant to the agreement in principle for the recapitalisation of Caixa Geral de Depósitos, S.A., under market conditions, reached between the European Commission and the Portuguese state, the authorisation to perform the recapitalisation operations from the Bank of Portugal and the European Central Bank, the Strategic Plan approved by CGD's sole shareholder and the relevant report produced by the Statutory Auditors on the operations, the following resolution was passed by the Portuguese state as CGD's sole shareholder and the operations subsequently carried-out:

1. The use of the free reserves and legal reserve for an overall amount of € 1,412,460,251 to cover the same amount of retained losses carried forwards from past years.
2. An increase in CGD's share capital from € 5,900,000,000 to € 7,344,143,735, through the issuance of 288,828,747 new ordinary shares with a nominal value of € 5.00 each to be fully subscribed for and paid up by the Portuguese state, as follows:
   i. € 945,148,185 through the transfer of contingent convertible bonds (CoCos) subscribed for by the state, with a nominal value of € 900,000,000 plus accrued, unpaid interest since the last coupon up to 4 January 2017 for the amount of € 45,148,185.
   ii. € 498,995,550, corresponding to the book value of the Portuguese state's equity stake in Parcaixa, SGPS, S.A., through the transfer in kind of 490,000,000 of the said company's equity shares.

3. A reduction of Caixa Geral de Depósitos, S.A.'s share capital for the amount of €6,000,000,000, to €1,344,143,735, through the extinguishing of 1,200,000,000 shares with a nominal value of € 5.00 each, to cover the retained losses of € 1,404,506,311 and to set up a free reserve for the amount of €4,595,493,689.

In addition to the above mentioned operations the recapitalization process also included: (a) a cash increase in share capital for an amount of €2,500,000,000.00 to be subscribed for and paid up by the Portuguese State and (b) the issuance of additional tier 1 capital instruments or other hybrid capital instruments for the amount of, in the first instance, €500,000,000.00, to be subscribed for by private investors, both to take place after the closure of Caixa Geral de Depósitos, S.A.'s accounts at 31 December 2016.

Under the Recapitalization plan agreed upon conditions, Caixa will also issue Additional Tier 1 for the amount of €430,000,000 to be raised within a period of 18 months from the date of the issuance before mentioned.

So, after the closure of the referred to accounts, on 23 March CGD has placed in the market securities representing additional tier 1 own funds for an amount of €500 million amongst more than 160 institutional investors. The cash settlement of the issue took place on 30 March. Also at the same date, Caixa's sole shareholder (the Portuguese State) carried out the planned share capital increase of € 2,500,000,000 in cash, to €3,844,143,735 through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each.

The conclusion of this important phase of the plan, which resulted in a total recapitalization amount of €4,444 million and subsequent solvency reinforcement, allows Caixa to focus now on the execution of its Strategic Plan 2017-2020.

1.4.4. STRATEGIC PLAN

STRATEGIC PLAN 2017 – 2020

CGD's recapitalisation was designed on the basis of a robust Strategic Plan which has defined the Bank's strategy up to 2020 and which evidences the rationality and sustainability of CGD's sole shareholder's investment decision.

The Portuguese state and CGD strongly support the viability of the Strategic Plan, agreed with DG Comp, mainly on account of the following:

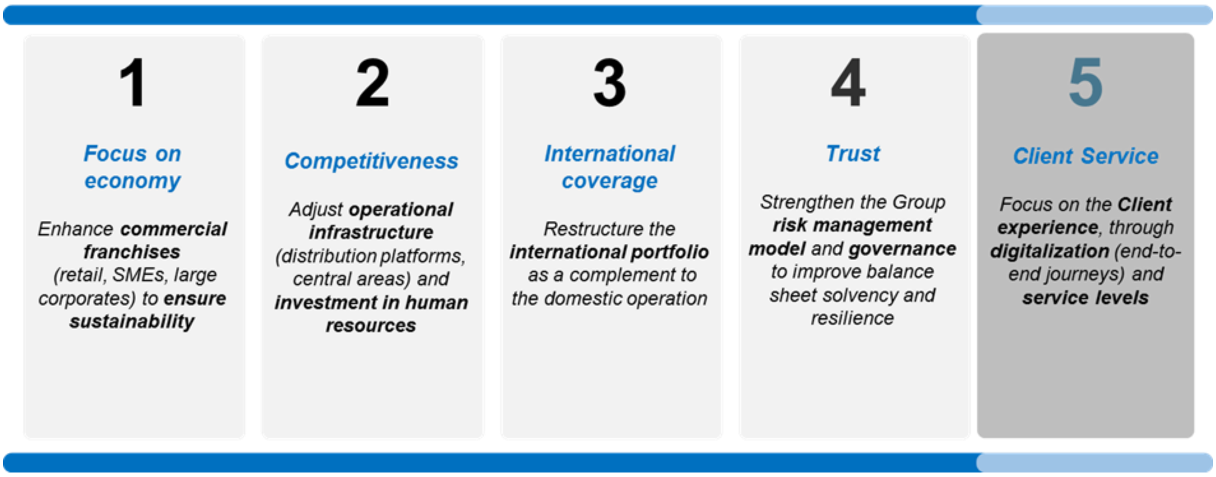
- The plan is based on a prudent macroeconomic scenario, namely with negative interest rates up to the beginning of 2020;
- There is a significant restructuring of the operational platform, corresponding to an area under the control of the management team;
- The restructuring of CGD's international presence, based on criteria of economic and strategic rationality, will simplify and attenuate the risk attached to CGD's subsidiaries' portfolio;
- The plan includes a strengthening of the Group's risk management practice, aiming to align CGD with best market practice;
- Revaluation of the credit and securities portfolios will permit a normalisation of the cost of risk; and
- The company's governance and remuneration conditions have been revised to allow CGD to operate on a par with other competitors in the market.

The Strategic Plan includes (i) the macroeconomic context, (ii) a viable restructuring plan that includes major disposals of non-strategic operations, (iii) a detailed profit and loss analysis accompanied by an overview of CGD's balance sheet with projections of financial statements following the capital increase (iv) an indication of expected returns and (v) the definition of periods for the referred to expected returns.

As the objective of the measures contained in the Strategic Plan is to ensure CGD's long term sustainability and the creation of value for its shareholder, it is, accordingly, based on the following principles:

- To maintain its current leading position in the market without any fundamental change to its current business model as a "universal" (i.e. general) bank;
- To improve the operational efficiency of its domestic operations, combining it with a simplification of the Group's structure and restructuring of its international portfolio;
- To guarantee attractive returns for its investor (> 9%) over a 5 year period;
- To strengthen the Bank's solvency levels in order to meet the requirements defined by supervisors and market expectations (achieving a CET 1 ratio of more than 12.5%);
- To maintain an independent and responsible governance and management model.

CGD'S STRATEGIC PLAN 2020: 5 PILLARS



The Strategic Plan contains 5 essential pillars:

Pillar 1 - Modernising of the commercial franchise of domestic operations to guarantee sustainability.

This pillar's main initiatives include:

- A review of segments and upgraded retail commercial offer;
- A review of bancassurance and asset management models on which retail value proposals and penetration of off-balance sheet products are based;
- Definition of a plan viewing to improve the level of involvement with SME (small and medium sized enterprises), taking in current financing and treasury management fees;
- Optimisation of credit processes.

Such initiatives took the form of short and medium and term initiatives based on the launch of the following strategic initiatives:

#1 Review of commercial offer and service models

- *Conta Caixa* accounts - new commissions pricing plan for individuals more than 25 years old, with a bundle of services, debit and credit cards, online transfers and other facilities, with monthly fee launched on June 1, 2017. Already opened 938,533 accounts at end 2017;
- Deposits interest rate reduction along 2017, in line with the market;
- Revision of service models and assignment of dedicated account managers to additional 34 thousand clients.

#2 Improvement of Individuals commercial performance

- Enhance business dynamism with focus on commercial cycles;
- A review of mortgage lending contracts procedure (improved operational efficiency and levels of customer service);
- A strengthening of time-to-market based on adjustments and simplifications of decision-making levels.

#3 Strengthen of corporate business margins

- Implemented new pricing delegation and minimum technical price model;
- Implemented adjusted decision workflow for pricing differentiation on collateral type;
- Implemented a framework to all-in price calculation and commissions discounts.

#4 Improvement of Small Business and Corporates' commercial performance

- Enhance business dynamism with focus on commercial cycles.

#5 Upgrade of credit processes

- Defined new tighter levels for corporate credit decision;
- Implemented a "Dual Lane" approach with specialized analysts for some specific segments;
- Underwriting process of mortgage credit centralized for all the non standard proposals and non-standard pricing decision;
- Approved and published new guidelines for a healthy origination of credit.

Pillar 2 – An adjustment to CGD's domestic operational infrastructure in order to improve efficiency. The main initiatives to be implemented are:

- An adjustment to the branch office network with a reduction of around 180 branch offices;
- Staffing reductions of around 2,200 employees (in addition to the exit agreements in 2016 under the *Horizonte Plan*'s early retirements programme);
- An improvement of human resources management, including training;
- An improvement of levels of customer care and services based on the digitalisation of processes.

This pillar's strategic initiatives produced the following results in 2017:

#6 Optimization of retail distribution network

- Closure of 64 branches;
- The launch of the Mobile Branch office as a proximity solution.

#7 Optimization of administrative costs

Launched new projects to achieve costs target (higher than Strategic Plan Targets):

- Robotic Process Automation for 10 process. Estimated savings of 35% of operational costs related to those processes;
- Reduction on postal costs communication: new projects implemented generated savings around €2 million in 2017 and €4 million estimated for 2018;
- Important savings with the annual contract renewal for external suppliers – started an online platform for competitive auction;
- IT optimizations generated cost reductions of €4 million in 2017 and €12 million/year run rate;

- Implemented a Branch Paperless project that saves printing and archiving 40 million documents/year.

#8 Rationalization of structure and talent management

- Early Retirement and Mutual Agreement Resignation programmes for 2017 concluded with success;
- Reorganization of a group of internal divisions to adapt the organizational structure to the implementation of the Strategic Plan (Digital business, Corporate and retail marketing).

#9 Information architecture/ Business Intelligence (BI) / Management Information System (MIS)

- Definition of a new Governance Framework and a new Information Architecture is underway;
- New dashboards implemented in the Management Information System (MIS) for commercial areas: risk, benchmark and profitability.

Pillar 3 – Restructuring of the international portfolio with the objective of focusing on selected geographies.

CGD's international portfolio mainly consisted of nine subsidiaries and nine branches. In the sphere of the global principle of reducing international risk and focusing on priority geographies with a business affinity with Portugal, CGD has developed a focused approach in reviewing its business and governance models on assets to be retained and proceeding with the sale of disposable assets in non-priority geographies.

Improved governance model of international units was also defined as a priority.

Disinvestment initiatives in the international units comprised the following:

#14 Divestment of international operations – Sale

- Legislation published, which enables the start of the formal sale of international units;
- Authorization received from the Ministry of Finance for the start of contacts with potential investors (January, 10 2018);
- Formal sale process launched (Mercantile, BCG Spain and BCG Brazil) with formal contacts with potential investors.

#15 Divestment of international operations – Wind Down

- London, Offshore Cayman and Offshore Macao branches wind down concluded;
- Zhuhai branch wind down in conclusion in December 2017;
- Conclusion of France branch's wholesale credit portfolio transfer to CGD headquarters;

#16 Reinforcement of international operations governance model

In the context of International Governance, key priority levers have been identified for implementation.

Pillar 4 – Restructuring of CGD's assets portfolio and strengthening of its risk management model with the objective of improving balance sheet solvency and resilience.

Pillar 4 of the Strategic Plan comprises a set of initiatives designed to ensure that CGD's risk management is in line with the best international and regulatory standards and to guarantee the implementation of an efficient risk business model.

One of the priorities consists of the implementation of the deleveraging plan on NPLs (non-performing loans), in the form of an operational plan in line with the NPL Strategy Report agreed with the ECB.

The materialisation of these initiatives in short and medium term actions has already produced a significant collection of results, namely based on the following strategic initiatives:

#10 Upgrade of risk model

- New scoring models for Small and medium business, Mortgage and Personal loans are in implementation;
- The corporate wide risk management framework has been deployed: roles and responsibilities have been assessed and specified; policies regarding each material risk have been approved, disseminated and locally adopted;
- Local risk appetite have been discussed with the units, provided as strategic guidance, used to challenge the strategic plans, and approved by CGD's Board of Directors. The process is complete with the local Board of Directors's formal approvals and the implementation of the reporting lines;
- The internal project to implement ECB's NPL Guidance consists of 92 micro initiatives of which 82 have already been concluded.

#11 Optimization of recovery (standard)

- New processes and tools to measure performance and increase efficiency for all the recovery managers mostly implemented with new reports and alerts;
- Taskforce to reduce mortgages recovery backlog was finished with 49% of the processes resolved without litigation;
- The consumer credit proposals automation already available for recovery areas;
- Defined a new mortgage credit portfolio for sale in 2018 (Project Pacific along with the Real Estate Owned (REO)).

#12 Optimization of recovery (specialized)

- Execution and monitoring of a plan for individual sales, with completion of several significant operations (sales during 2017 which amounted a gross balance value of €0.8 billion);
- Finished the back office centralization tasks for the corporate recovery in CGD's operations center;
- Selected the new corporate credit portfolio for sale in 2018 (Projects Atlantic and Artic).

#13 Optimization of recovery (Real Estate)

- Launched all the organized sale processes of most complex REOs strategy, with anticipation of all 2018 scheduled processes;
- Approved new measures for reducing properties under pre-regularization and regularization;
- 5 real estate auctions concluded during 2017;
- Launched a REOs portfolio for sale for 2018 (Project Pacific along with the residential NPLs);
- Sold €338 million in REOs during the year of 2017.

#17 Recapitalization

The main actions accomplished during the first quarter were:

- The use of the free reserves and legal reserve for an overall amount of €1,412 million to cover the same amount of retained losses carried forward from past years;
- An increase in CGD's share capital from €5,900 million to €7,344 million through the issuance of 288.8 million new ordinary shares with a nominal value of €5 each fully subscribed and paid up by the Portuguese State, as follows:

    (i) €945 million through the transfer of contingent convertible bonds (CoCos) subscribed for by the state (nominal value of €900 million plus accrued, unpaid interest since the last coupon for the amount of €45 million);

(ii) €499 million, corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A., through the transfer in kind of 490 million of the said company's equity shares.

- A reduction of Caixa Geral de Depósitos, S.A.'s share capital for the amount of €6,000 million through the extinguishing of 1,200 million shares with a nominal value of €5 each, to cover the retained losses of €1,405 million and to set up a free reserve for the amount of €4,595 million;
- Issuance of €500 miillion in AT1s (additional tier 1) at a 10.75% interest rate;
- State cash injection of €2.5 billion in an issuance of 500 million new ordinary shares of CGD with a nominal value of €5 each.

Pillar 5 - Customer service

A new pillar designed to respond to the challenges of digitalisation and customer service was created at the end of 2017. This pillar includes strategic initiative #18 which will implement Caixa's digital transformation strategy and redesigned "Customer Experience". This pillar will also further optimise customer service levels.

The Strategic Plan execution in 2017 enabled the successful achievement of a large number of targets set out for the year in the referred to Plan, among which the following should be highlighted:

	2017	
	Plan	Execution
Retun on Equity (ROE)	< 0%	0.6% (1)
Recurrent Cost-to-Income	< 61%	53% (2)
Cost of Credit Risk	< 0.60%	0.13%
NPL ratio (EBA)	< 12.5%	12.0%
CET 1 (Phased-In)	> 12.0%	14.0%

(1) ROE = Net results / Shareholder Equity (end of period).

(2) Excluding the non-recurring costs of employee redundancy programmes and costs related with the restructuring and disposal of national and international assets, as well as the application of IAS 29 to the activity in Angola, as applicable to each Profit and Loss heading, for a total amount net of tax of €609 million in 2017 and €32 million in 2016.

1.4.5. GOVERNANCE MODEL

CGD's governance model comprised a Board of Directors, Supervisory Board and Statutory Audit Company in order to ensure effective separation between administrative and supervisory functions.

The members of the Board of Directors for the 2017-2020 term of office were elected on the basis of the unanimous written resolutions of 31 January, 17 March, 1 and 2 August and 19 October 2017.

Under article 19 no.2 of the company's articles of association, the Board of Directors shall delegate CGD's day-to-day management to an Executive Committee.

The company shall be inspected by a Supervisory Board and a Statutory Audit Company. CGD decided to combine the functions of the External Auditor and Statutory Audit Company in a single entity, in 2017, with the aim of increasing efficiency as the corollary to the close working relationship enjoyed by the respective functions.

Under the terms of article 25 of CGD's articles of association in its respective regulation, four special advisory and support committees were appointed, CACI (Audit and Internal Control Committee); CRF (Financial Risks Committee); CNAR (Nomination, Assessment and Remuneration Committee) and CG (Governance Committee), which are made up of non-executive members of the Board of Directors, as presented in chapter 3.5.2 Board of Directors, although it can comprise members of the Supervisory Board (Article 25, no.4 of the articles of association) as is the case of CNAR which includes 2 members of the supervisory bodies, in accordance with article n.115 B of the Legal Framework of Credit Institutions and Financial Companies (hereafter referred to under the Portuguese acronym "RGICSF").

1.4.6. MAIN RISKS AND UNCERTAINTIES

The world economy posted a robust level of GDP growth, in 2017. According to the latest projections of the International Monetary Fund, this is likely to have reached 3.7% (last January) and was the best result in around a decade. Last year was surprising on account of the lack of surprise, as shown by the low levels of volatility in the world's main stockmarkets, comprising, in some cases, all-time lows.

The better than expected performance of the world economy at the start of the year resulted both from an attenuation of several political-related factors, particularly in Europe and the continuation of highly accommodative financing terms. This dynamic continued to help boost economic sentiment, having led to an appreciation of risk assets which was noted across practically the whole of last year.

The rate of price growth that, although lower than desired by the main central banks, has tended to normalise over the last few months in the developed countries, has also contributed towards growing optimism. The rapid drop in unemployment also helped to boost sentiment, through the recovery of income levels. The fact that unemployment fell more sharply than the rate of economic growth means that productivity remains low.

In spite of the fact that the prospects for world growth in 2018 across the course of last year have evolved favourably and that the risks associated with the central scenario can be considered more balanced, several risk factors remain and are capable of fuelling tensions with economic agents and investors, providing for both the appearance of increased risk aversion and financial market volatility and periods in which the growth of activity will once again be disappointing, as has been the case on various occasions over the last few years.

Political-related tensions and uncertainty in Europe are one such risk factor. The early general elections, in Italy, at the beginning of March, failed to produce a clear winner and therefore kept the possibility of a new round of elections alive, with a continued risk of populist movements with their antagonism towards the European project whose visibility continues to gain support. In Spain, last December's regional elections in Catalonia gave the parties in favour of regional independence a continued majority in the regional parliament. Voting, in both cases, did not help to clarify the political situation.

Also in the political field, the very slight progress made in terms of Brexit, whose conclusion, it should not be forgotten, is scheduled for early 2019, will allow this issue to continue to have a negative effect on the confidence of both economic agents and financial investments, in 2018.

Added to such risk factors is the possibility of heightening political tensions deriving from the large number of election proceedings, ranging from the US midterm elections to the presidential elections in Ireland as well as Russia. 2018 in Latin America will also be a year of innumerous elections, particularly the presidential elections in Mexico and Brazil.

The outlook continues to suggest this will be a year of geopolitical fragility, with the capacity to shake confidence and global stability, both economic and financial.

Reference should, firstly, be made to the worsening tensions between the US and North Korea in 2017 which continues to be one of this year's main geopolitical risk factors, without, however, any perception as to whether we are really facing a war scenario.

Of no less relevance are the regional rivalries in the Middle East which will continue to contribute to periods of risk aversion, particularly the tension between Saudi Arabia and Iran, together with the conflicts in Syria, Yemen and between Israel and the Palestinian territories.

2018 is also likely to witness several economic-type risks. One of the major risks is the consequence and implications deriving from moderating growth in China as a result of the changes in its economic model.

Following 2017, whose rate of expansion of activity was a surprisingly positive factor, a sharper than expected cooling off period may aggravate the consequences of several economic imbalances identified in certain areas, such as the growing level of indebtedness or sharp growth of house prices in various regions of the country. Furthermore, over the last few years China has contributed to the appearance of periods of deflationary pressure and therefore, a more pronounced slowdown of its economy could fuel fears of a return to a too low price growth in the main economies.

Since the US administration's announcement that it would be levying tariffs on steel and aluminium imports from several countries, formally alleging reasons of national security and the need to reduce the trade gap on goods and, latterly, on imports of various technology goods from China, there has been an increase in fears related with the impact of a trade war between the major economic blocs on global economic growth.

In spite of the exemptions in the meantime announced by the US authorities and a guarantee of the strengthening of bilateral agreements, the possibility of future retaliations and counter retaliations from diverse economies, namely China, which immediately announced higher tariffs on acquisitions of several US agricultural products put fears of a worldwide escalation of trade barriers at the top of the list of the main risks for 2018.

At the start of 2018, in spite of the fact that forecasts point to a stabilization of inflation, the highly positive performance of domestic demand and the labour market may result in a faster reversal of ultra-accommodative monetary policies by the main central banks.

This risk will accentuate the US FED's growing uncertainty associated with the change of the monetary policy cycle. Although the normalisation process is in progress after the Fed began to gradually increase its interest rates in December 2015 and started, in 2017, to reduce the size of its balance sheet, the risk, in this case, is associated with the possibility that the US Monetary Authority may be forced to increase the rate of adjustment.

The risk was particularly heightened by the approval of the ambitious tax reduction plan in 2017 and at the start of 2018 by the US Congress's approval of a substantial increase in the limitations on federal expenditure in 2018 and 2019.

Also related with the management of monetary policy, the Fed's new leadership in the person of one of its former vice-governors – Jerome Powell – may, have to face several periods of tension and uncertainty, particularly at a time when investors are endeavouring to understand whether the new leader of the US central bank intends to change the current process of gradually normalising monetary policy.

In spite of the fact that inflation in Europe remained under 2% in the transition between 2017 and 2018, the heightened trend towards an improvement of the labour market in increasing the conviction of higher wages growth also requires recognition of the growing risk of a faster and larger reduction of monetary stimuli by the ECB (European Central Bank) both through a reduction and possible closure of the quantitative easing programme or by means of a hike in the deposit rate, although this latter possibility is, in concrete terms, considered to be highly improbable as an immediate measure.

The ECB's reduction or effective closure of the quantitative easing programme could lead to higher risk premia.Fewer purchases could also have negative implications on interest payment expenditure, as well as economic dynamics. This will particularly affect private and public consumption, in addition to having a negative effect on the appreciation of risk assets such as equity which, over the last few years, have been an important mainstay in the favourable evolution of the confidence of economic agents.

The actions of other leading central banks on the global economic scene also suggest a reduction of monetary stimuli. In addition to the Bank of England that, last February, warned that growth of more than its potential level will lead to another, earlier than predicted, increase of the reference rate, the Bank of Japan may expand the objective for its intended level of the yield on 10 year sovereign debt, which presently stands at 0%.

Although, in 2017 the risks of protectionism turned out to be less pressing than expected, there are fears of possible protectionist initiatives, either in the form of concrete measures or diplomatic initiatives.

First half 2018 negotiations on the future of NAFTA, may therefore be crucial and represent a barometer of the true risk of the threat of protectionism to global growth. The cancellation of NAFTA, without an alternative agreement, will also have a serious impact on international financial markets and economic growth, particularly in the emerging markets.

The level of risks the emerging economies may also have to face is largely associated with the referred to risk of moderating economic growth in China and the US Federal Reserve's interest rate's normalisation process.

The latter, if more significant than predicted, may trigger sharper adjustments to these economies by fuelling capital flight or fresh falls in the main commodity prices. With lower commodity prices, economic activity will be affected by the need for restrictive measures, both on a fiscal and a monetary level.

More than a decade on from the onset of an international financial crisis, the last few years have witnessed a sharp growth in prices of moveable assets, which, pursuant to a reversal of the economic cycle, could lead to the risk of a correction in Anglo Saxon countries such as Canada and Australia and in countries in northern Europe such as Sweden and Norway. As regards this risk, China, owing to the size of its economy, is a major case in point.

In spite of the benign environment witnessed at the start of 2018, the previously identified risks may, either separately or as a whole, lead to a deterioration of the global financial environment. This risk and its negative potential impact on the value of certain types of assets and, accordingly, level of confidence of economic agents, in leading to an environment of greater risk aversion, will have implications on corporate and sovereign funding costs.

The occurrence of such a negative event may be triggered by a more aggressive increase than already incorporated in reference rates, namely by the US Federal Reserve in response to fiscal policy incentives.

The Portuguese economy accelerated in 2017 in comparison to the preceding year. Real GDP growth was 2.7%, its highest since the year 2000. Higher growth particularly derived from the larger contribution of domestic demand owing to accelerating investment as opposed to a slight growth of private consumption, fuelled by an improved labour market.

The main external risk to economic activity is associated with deceleration in the growth of the principal trading partners which could affect goods exports and the contribution of the tourism sector which has been playing an important role.

One of the major factors in terms of domestic risks is the high level of indebtedness of both the public and private sectors, as a legacy of the crisis. Such a context could witness a deterioration of funding terms in the event of a significant increase of market interest rates.

An improved level of financial stability, in both the public and private sectors, was also witnessed in 2017. Portugal continues to obtain funding from the market and with increasingly more favourable terms, which is synonymous with the recovery of investor confidence. Reference should also be made to the country's improved ratings.

2017 witnessed an improved level of profitability and sector capitalisation in the Portuguese financial system. The continuation of the current interest rate framework could prove to be a limitation to the capacity of continue to show improvements in the level of net interest income. On the other hand and in spite of the progress made, the need to reduce the amount of credit in default continues to be relevant. In both areas, a deteriorating economic environment, either in Portugal, or internationally, may prove to be a potential impediment to the maintenance of a trend towards improvement.

1.5. Activity and Financial Information

1.5.1. CONSOLIDATED ACTIVITY[5]

RESULTS

Net income for 2017 was €51.9 million, influenced by a net amount of non recurrent costs of 609.0 M€ in 2017, related to employee reduction programmes, international and domestic operations restructuring and disposals costs as well as the application of IAS 29 to the activity in Angola. Reference should be made to:

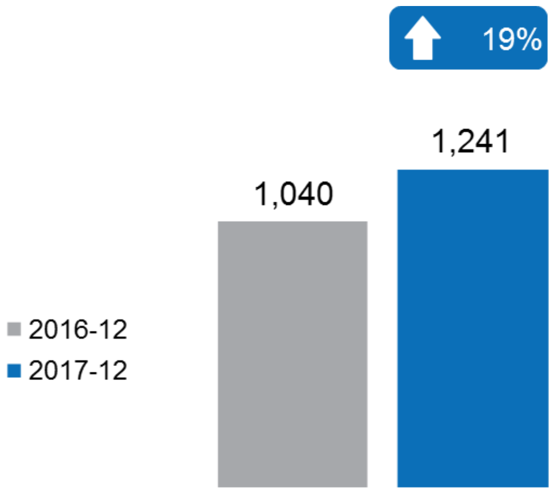
- Non-recurring provisions (net), in 2017, for CGD Portugal's employee reduction programmes between 2018 and 2020 for the amount of €226.9 million before tax (€164.8 million net of tax);
- Non-recurring provisions (net), in 2017, for potential losses on disinvestments in the international area for the amount of €382.3 million before tax;
- Non-recurring employee costs, in 2017, for redundancy programmes for domestic and international operations (including CGD Portugal, CLF and the London, Cayman and Luxembourg branches) for the amount of €45.1 million before tax (€32.8 million net of tax).

It should also be noted that employee costs, in 2017, include the recurring costs of international units (London and Cayman branches and the Macau offshore branch) closed in 2017, and also employee costs related to employees who left CGD under the employee reduction programmes of 2017, for the amount of €23.8 million which are, therefore, no longer part of Caixa's cost perimeter in 2018.

Net interest income was up 19.4% by €201.4 million to €1,241.1 million in 2017. This favourable evolution translated a 22.9% reduction of €327.7 million in funding costs, partly benefiting from the cancellation of CoCo bonds in the sphere of the recapitalisation measures (€84 million), which compensate the 5.1% reduction of €126.2 million in interest received.

NET INTEREST INCOME

(EUR million)



5 The December 2016 values have been restated, considering BCG Espanha, BCG Brasil and CGD Investimentos CVC as a non-current asset held for sale. Mercantile Bank Holdings was already reclassified as such since December 2016. The whole analysis in this document was done comparably to the 2016 restated accounts.

INCOME STATEMENT (CONSOLIDATED)

(EUR thousand)

			Change	
	2016-12	2017-12	Total	(%)
Interest and similar income	2.470.924	2.344.714	-126.210	-5,1%
Interest and similar costs	1.431.312	1.103.655	-327.657	-22,9%
Net interest income	1.039.612	1.241.059	201.447	19,4%
Income from equity instruments	51.373	46.383	-4.990	-9,7%
Net interest inc. incl. inc. from eq. investm.	**1.090.985**	**1.287.442**	**196.457**	**18,0%**
Fees and commissions income	568.228	589.151	20.922	3,7%
Fees and commissions expenses	118.378	124.289	5.911	5,0%
Net fees and commissions	449.850	464.862	15.012	3,3%
Net trading income	76.616	215.779	139.163	181,6%
Other operating income	-194.007	-3.373	190.634	-
Non-interest income	**332.459**	**677.267**	**344.809**	**103,7%**
Total operating income	**1.423.443**	**1.964.709**	**541.266**	**38,0%**
Employee costs	661.377	658.936	-2.441	-0,4%
Administrative expenses	415.867	357.590	-58.277	-14,0%
Depreciation and amortisation	91.722	86.765	-4.957	-5,4%
Operating costs	1.168.967	1.103.291	-65.676	-5,6%
Net operating income before impairments	**254.476**	**861.418**	**606.941**	**238,5%**
Credit impairment (net)	2.382.828	85.909	-2.296.920	-96,4%
Provisions and impairm. of other assets (net)	616.154	591.199	-24.955	-4,1%
Provisions and impairments	**2.998.982**	**677.108**	**-2.321.875**	**-77,4%**
Net operating income	**-2.744.506**	**184.310**	**2.928.816**	**-**
Income Tax	**-836.557**	**215.823**	**1.052.380**	**-**
Current	-286.603	58.652	345.254	-
Deferred	-589.022	120.645	709.667	-
Contribution on the banking sector	39.068	36.526	-2.542	-6,5%
Net op. inc. after tax before non-contr. int.	**-1.907.950**	**-31.513**	**1.876.437**	**-**
Non-controlling interests	34.351	24.829	-9.522	-27,7%
Results of associated companies	47.480	24.688	-22.792	-48,0%
Results of subsidiaries held for sale	35.298	83.601	48.302	136,8%
Net income	**-1.859.523**	**51.946**	**1.911.468**	**-**

Income from equity instruments was down 9.7% over last year to €46.4 million.

INCOME FROM EQUITY INSTRUMENTS

(EUR million)

	2016-12	2017-12
ADP - Águas de Portugal, S.A.	8.9	5.0
Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta, S.A	0.6	1.1
Galp Energia, SGPS, S.A.	2.0	0.5
EDP - Energias de Portugal, S.A.	1.3	-
Income distrib. by unit trust investment funds	33.6	25.5
Other	5.0	14.4
Total	**51.4**	**46.4**

Net fees and commissions for the year was up 3.3% by €15.0 million to €464.9 million over 2016 which marked the start of recovery path in this business area.

Net trading income, at the end of 2017, totalled €215.8 million. This compares favourably with the €76.6 million at the end of the preceding year. The income particularly reflects the positive trajectory of derivatives, following the adequate management of risk hedging instruments and evolution of interest rates.

In spite of a negative €3.4 million, other operating income compared highly favourably with the negative €194.0 million of 2016, the year in which significant unrealised losses were made on investment properties.

Therefore, as a particular reflection of the positive contribution of net interest income and net trading income, total operating income was up 38.0% by €541.3 million over the preceding year to €1,964.7 million in 2017.

Recurring operating costs for the year were down 6.9% by €78.8 million to €1,072.2 million, with €31.1 million of non-recurrent costs recorded, and essentially related to costs with employee reduction programmes in 2017.

OPERATING COSTS

(EUR million)

			Change	
	2016-12	2017-12	Total	(%)
Employee costs	661.4	658.9	-2.4	-0.4%
Administrative expenses	415.9	357.6	-58.3	-14.0%
Depreciation and amortisation	91.7	86.8	-5.0	-5.4%
Total	**1.169.0**	**1.103.3**	**-65.7**	**-5.6%**

The main costs and respective changes in general administrative expenses were as follows:

ADMINISTRATIVE EXPENSES

(EUR million)

			Change	
	2016-12	2017-12	Total	(%)
Total	**415.9**	**357.6**	**-58.3**	**-14.0%**
Of which:				
Water, energy and fuel	20.9	18.8	-2.1	-10.2%
Rents and leases	66.9	46.9	-19.9	-29.8%
Communications	33.4	30.3	-3.2	-9.5%
Advertising and publications	23.4	18.6	-4.8	-20.5%
Maintenance and repair	37.4	35.7	-1.7	-4.5%
IT	64.6	59.5	-5.1	-8.0%
Security and surveillance services	11.1	9.7	-1.4	-12.4%
Transport of cash and other values	11.2	10.4	-0.7	-6.6%

Cost-to-income was down from 79.5% in 2016 to 55.5% in 2017 as a consequence of the positive performance in the recurring operating costs and income components. Cost-to-core income, which excludes net trading income and non-recurring costs, was down from 77.3% to 62.9%.

EFFICIENCY RATIOS

	2016-12	2017-12
Cost-to-income (consolidated operations) (1)	79.5%	55.5%
Cost-to-core income (2) (3)	77.3%	62.9%
Employee Costs / Total Operating Income (1)	45.0%	33.1%
Recurrent Employee Costs / Total Core Oper. Income (2) (4)	43.5%	36.0%
Administrative Expenses / Total Operating Income	29.2%	18.2%
Operating Costs / Average Net Assets	1.2%	1.2%
Total Operating Income / Average Net Assets	1.5%	2.1%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012.
(2) Cost-to-core income ratio = Operating costs /Total operating income of core activity.
(3) Excluding the non-recurring costs of employee reduction programmes and costs related w ith the restructuring and disposal of national and international assets, as w ell as the application of IAS 29 to the activity in Angola, as applicable to each Prof it and Loss heading, f or a total amount net of tax of €609 million in 2017 and €32 million in 2016.
(4) Total operating income of core activity = Net interest income + net fees and commissions.

Net operating income before impairment was up 238.5% by €606.9 million over 2016 to €861.4 million. Core operating income[6] was up 87.4% by €295.5 million over 2016 to €633.7 million in 2017, fuelled by the growth of total operating income and reduction of recurring operating costs.

[6] Core operating income = Total core operating income – operating costs; Total core operating income = Net interest income + net fees and commissions

CONTRIBUTION TO NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)

	2016-12	2017-12	Change	
			Total	(%)
Domestic commercial banking	53.2	393.3	340.2	639.8%
International activity	326.1	254.7	-71.5	-21.9%
Investment banking	25.3	155.1	129.8	512.1%
Other	-150.1	58.3	208.5	-
Net Operating Income before Impairments	**254.5**	**861.4**	**606.9**	**238.5%**

Provisions and impairment for 2017 of €677.1 million particularly refer to provisions and impairment of other assets (net) of €591.2 million, including non-recurring items related with provisions for the employee reduction programmes up to 2020 (€226.9 million) and the restructuring and disposal of international activities (€382.3 million).

Credit impairment (net) amounted to €85.9 million, for 2017, after the strong increase occurring in 2016 following the asset valuation exercise undertaken at the end of the said year.

PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR million)

	2016-12	2017-12	Change	
			Total	(%)
Provisions (net)	227.6	203.4	-24.1	-10.6%
Credit impairment	2,382.8	85.9	-2,296.9	-96.4%
Impairment losses, net of reversals	2,401.8	184.9	-2,216.9	-92.3%
Credit recovery	18.9	99.0	80.0	422.4%
Impairments of other financial assets	198.7	43.8	-154.9	-77.9%
Impairments of other assets	189.9	344.0	154.1	81.2%
Provisions and impairments for period	**2,999.0**	**677.1**	**-2,321.9**	**-77.4%**

The cost of credit risk therefore remained low, with net credit impairment comprising 0.13% of the credit portfolio.

Operating income for the year amounted to €184.3 million, against a negative €2,744.5 million in 2016. Excluding non-recurring costs, recurring operating income in 2017 was €834.5 million.

Tax for the period amounted to €215.8 million, of which €36.5 million referred to the contribuition on the banking sector.

Income from subsidiaries held-for-sale was up 136.8% by €48.3 million to €83.6 million, influenced by the contribution of CGD Investimentos CVC (Brazil) whose results benefited from the impact of the disposal of Rico Corretora.

Despite the above described evolution, net income was positive of €51.9 million in 2017.

BALANCE SHEET

CGD's consolidated net assets were down 1.2% by €1,163 million over December 2016 to €93,248 million at the end of 2017.

CONSOLIDATED BALANCE SHEET

(AT 31 DECEMBER)

(EUR million)

		Restated		Change (Restated)	
Assets	2016-12	2016-12	2017-12	Total	(%)
Cash and cash equivalents with central banks	1.841	1.740	4.621	2.881	165.6%
Loans and advances to credit institutions	3.976	4.176	3.727	-448	-10.7%
Securities investments	15.017	13.889	15.751	1.862	13.4%
Loans and advances to customers	62.867	59.413	55.255	-4.158	-7.0%
Assets with repurchase agreement	800	422	53	-369	-87.5%
Non-current assets held for sale	1.426	7.282	6.757	-526	-7.2%
Investment properties	978	978	898	-80	-8.2%
Intangible and tangible assets	693	682	669	-12	-1.8%
Investm. in subsid. and associated companies	312	312	415	102	32.8%
Current and deferred tax assets	2.588	2.481	2.323	-159	-6.4%
Other assets	3.051	3.035	2.780	-256	-8.4%
Total assets	**93.547**	**94.411**	**93.248**	**-1.163**	**-1.2%**
Liabilities					
Central banks' and credit institutions' resources	5.800	4.492	4.043	-449	-10.0%
Customer resources	69.680	66.692	63.631	-3.061	-4.6%
Debt securities	4.184	4.184	4.051	-132	-3.2%
Financial liabilities	1.695	1.681	1.060	-620	-36.9%
Non-current liabilities held for sale	693	5.972	5.784	-188	-3.2%
Provisions	1.127	1.119	1.288	170	15.2%
Subordinated liabilities	2.424	2.424	1.028	-1.396	-57.6%
Other liabilities	4.061	3.966	4.088	122	3.1%
Sub-total	**89.664**	**90.528**	**84.974**	**-5.555**	**-6.1%**
Shareholders' equity	**3.883**	**3.883**	**8.274**	**4.391**	**113.1%**
Total	**93.547**	**94.411**	**93.248**	**-1.163**	**-1.2%**

Its evolution particularly includes the increase of the cash and cash equivalents at central banks and securities investment accounts which reflect the impact of the occurrence of recapitalisation operations whose financial settlement occurred on 30 March. Loans and advances to customers (net), on the other hand, were down by 7.0% in annual terms, influenced by the NPL reduction policy.

The contribution to consolidated net assets from the various Group entities was as follows:

CGD GROUP'S CONSOLIDATED NET ASSET
(OUTSTANDING BALANCES AT 31 DECEMBER)

Restated (EUR million)

	2016-12		2017-12	
CGD'S GROUP	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	64.730	68,6%	66.108	70,9%
Banco Caixa Geral (Spain)	5.223	5,5%	5.194	5,6%
Banco Nacional Ultramarino, SA (Macau)	6.248	6,6%	5.882	6,3%
Caixa Banco de Investimento	1.298	1,4%	1.333	1,4%
Caixa Leasing e Factoring	2.397	2,5%	2.388	2,6%
Banco Comercial Investimento (Mozambique)	1.816	1,9%	2.142	2,3%
Banco Comercial do Atlântico (Cape Verde)	744	0,8%	757	0,8%
Mercantile Bank Holdings (South Africa)	836	0,9%	896	1,0%
BCG Angola	1.712	1,8%	1.514	1,6%
Other companies (2)	9.406	10,0%	7.033	7,5%
Consolidated net assets	**94.411**	**100,0%**	**93.248**	**100,0%**

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

The securities investments balance, including securities with repurchase agreements and trading derivatives was up 12.3% by €1,727 million over the preceding year to €15,804 million at the end of 2017. This result essentially derives from the investment of a part of the funds generated by CGD's capital increase, consolidating the diversification strategy of the securities portfolio.

SECURITIES INVESTMENTS (CONSOLIDATED) [a]
(OUTSTANDING BALANCES AT 31 DECEMBER)

(EUR million)

			Change	
	2016-12	2017-12	Total	(%)
Fin. assets at fair value through profit or loss	7,068	6,793	-275	-3.9%
Available for sale financial assets	6,576	6,384	-191	-2.9%
Held-to-maturity investments	433	2,627	2,194	506.5%
Total	**14,077**	**15,804**	**1,727**	**12.3%**

(a) After impairment and includes assets with repo agreements and trading derivatives.

Credit

Loans and advances to customers (gross, including loans with repurchase agreements) were down 8.2% over December of the preceding year to €59,811 million at the end of December 2017, with CGD Portugal loans to companies and individual customers down 12.9% and 4.5%, respectively. Special reference should be made to the process for reducing non-productive exposures of €1.434 million based on credit portfolio disposals and write-offs, and an amortization of credit higher than the new production, following the deleveraging of national economic agents.

CGD Portugal's credit book accounted for €48,826 million and the remaining Group units for €10,985 million, representing 82% and 18% of total loans and advances to customers, respectively.

LOANS AND ADVANCES TO CUSTOMERS [(a)]

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	(%)
Companies	26,077	21,778	-4,299	-16.5%
General government	6,828	7,240	411	6.0%
Individual customers	32,283	30,794	-1,489	-4.6%
Mortgage loans	29,755	28,426	-1,329	-4.5%
Other	2,528	2,368	-160	-6.3%
Total	**65,188**	**59,811**	**-5,377**	**-8.2%**

(a) Consolidated activity. Values before impairment and including assets with repo agreements.

In terms of international activity, CGD Group reduced its loans and advances to customers (gross) portfolio by 24.0%, to €8,408 million at the end of 2017. The entities with the most expressive volume increase were Banco Interatlântico (4.7%) and BCA in Cape Verde (2.3%). Conversely, the largest portfolio decreases were in the France and Spain branches with 42.9% and 22.6%, respectively, in comparison to 2016. In France the transfer of international credit operations, not originated locally, to CGD Portugal took place, while in Spain the reduction was primarily due to the sale of defaulting loans (NPL).

The loans and advances to corporate customers registered a decrease of €4,299 million (-16.5%), heavily impacted by the reduction of non-productive exposures through sales and write-offs of the credit portfolio, carried out during the year of 2017, notably by the decreases observed in the construction and real estate activities (-15.6%) and financial and other activities (-18.5%) sectors.

LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS – BY SECTORS OF ACTIVITY [(a)]

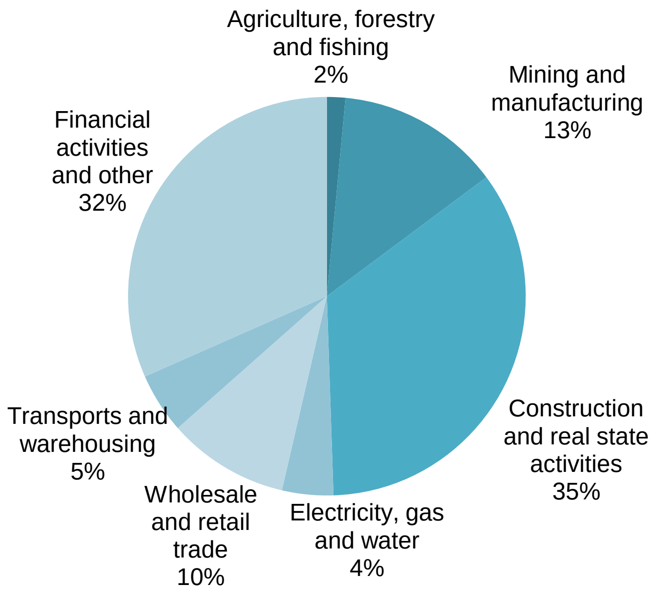
(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	(%)
Agriculture, forestry and fishing	483	327	-156	-32.3%
Mining and manufacturing	3,013	2,900	-113	-3.7%
Construction and real estate activities	8,936	7,546	-1,390	-15.6%
Electricity, gas and water	1,311	908	-403	-30.8%
Wholesale and retail trade	2,234	2,147	-87	-3.9%
Transports and warehousing	1,653	1,068	-585	-35.4%
Financial activities and other	8,447	6,883	-1,564	-18.5%
Total	**26,077**	**21,778**	**-4,299**	**-16.5%**

(a) Consolidated activity. Values before impairment and including assets with repo agreements.

Regarding specifc SME lines of credit, on the PME Líder 2017 line, CGD completed 1,602 operations, achieving a market share of 22.2%. CGD's market share of the PME Excelência 2017 line was 20.9%, with 408 operations carried out.

LOANS AND ADVANCES BY CORPORATE SECTOR – STRUCTURE AS OF DECEMBER 2017

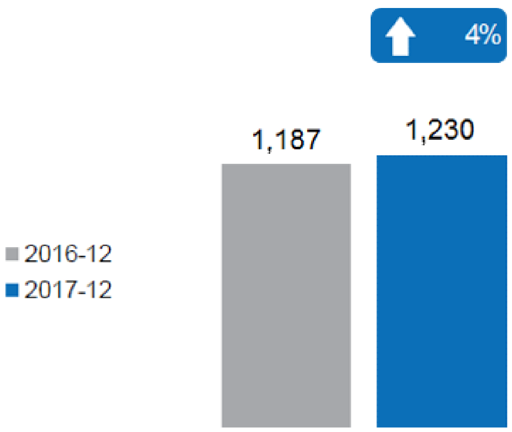


Loans and advances to individual customers decrease of 4.6% by €1,489 million over December 2016, to €30,794 million at the end of 2017, mainly resulted from the reduction of 4.5% of mortgage loans. Despite the increase in new operations, the volume of repayments and settlements of mortgage loans were higher.

CGD Portugal's new mortgage lending operations have been trending to positive. An additional 371 agreements were entered into in 2017, up 3.6% by €43 million over 2016, the amount loaned during the year totaled €1,230 million.

MORTGAGE CREDIT – NEW OPERATIONS (PORTUGAL)

(EUR million)



CGD's credit market shares reached 20.8% in December 2017, 17.1% for corporate credit and 25.4% for mortgage loans.

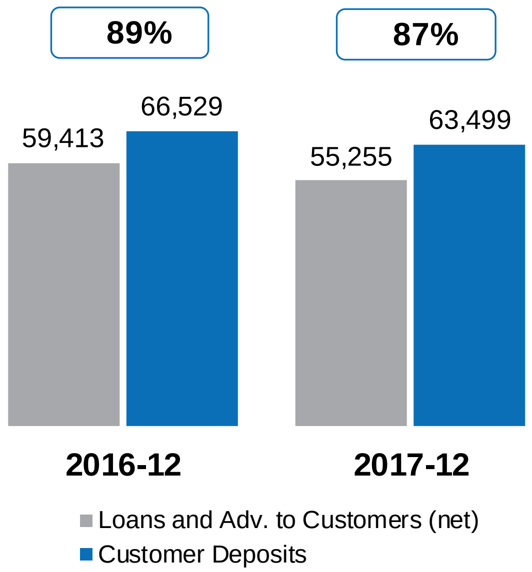
LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

	2016-12	2017-12
Corporate	18.7%	17.1%
Individual customers	23.0%	22.2%
Mortgage loans	26.1%	25.4%
Consumer	5.7%	4.9%
General government	34.4%	30.9%
Total	**21.8%**	**20.8%**

Translating the reduction in the size of its loans and advances to customers portfolio, the loans-to-deposits ratio was 87.0% against the December 2016 ratio of 89.3%.

LOANS-TO-DEPOSITS RATIO

(EUR million)



CGD's asset quality evolved positively in 2017, with total NPE[7] and NPL[8] values down 24% and 25%, respectively, over December 2016. The NPE ratio was, accordingly, reduced to 9.3% and the NPL ratio to 12.0% in December with impairment coverage of 56.4% and 56.7% respectively. The coverage rate in Portugal is 58.9% for NPE and 59.2% for NPL.

The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, was brought down to 8.9% with impairment coverage of 81.6%. Particular reference should be made to the 101.0% coverage ratio for the corporate loans segment and 53.1% for loans and advances to individual customers.

The restructured credit ratio of 6.7%, also calculated in accordance with Bank of Portugal criteria, was an improvement over the December 2016 ratio of 9.0%.

[7] NPE - Non performing exposures (as defined by EBA).

[8] NPL - Non performing loans (as defined by EBA).

ASSET QUALITY (CONSOLIDATED)

(EUR million)

	2016-12	2017-12
Total credit	**64,953**	**59,811**
Loans and adv. to customers (outstanding)	60,149	55,294
Overdue credit and interest	4,803	4,517
Of which: more than 90 days overdue	4,478	4,167
Credit impairment	**5,540**	**4,556**
Credit net of impairment	**59,413**	**55,255**
Ratios		
Cr. overdue for more than 90 days / Total credit (*)	6.9%	7.0%
Non-performing credit ratio (1)	8.4%	7.6%
Non-performing credit net / Total credit net (1)	0.2%	0.3%
Credit at risk ratio (1)	10.5%	8.9%
Credit at risk ratio net / Total credit net (1)	2.4%	1.8%
Restructured credit ratio (2)	9.0%	6.7%
Restructured cred. not incl. in cred. at risk ratio (2)	4.2%	3.0%
NPL ratio - EBA	15.8%	12.0%
NPE ratio - EBA	12.1%	9.3%
NPL coverage - EBA	52.8%	56.7%
NPE coverage - EBA	52.9%	56.4%
Credit at risk coverage	79.0%	81.6%
Credit more than 90 days overdue coverage (*)	123.7%	109.3%
Cost of credit risk (*)	3.40%	0.13%

Prudencial perimeter, except when marked w ith (*);
(1) Ratios defined by the Bank of Portugal (Instruction 23/2012).
(2) Ratios defined by the Bank of Portugal (Instruction 32/2013).

The credit overdue for more than 90 days ratio and its respective impairment cover totalled 7.0% and 109.3%, respectively, in December 2017.

Resources

Total liabilities were down 6.1% by €5,555 million over December 2016. Reference should be made in terms of its evolution to the 4.6% reduction of €3,061 million in customer resources and 57.6% reduction of €1,396 million, in subordinated liabilities.

The fact that customer resources maintained their proportion of 75% of Caixa's total liabilities at the end of 2017 is clearly indicative of the characteristics of a bank geared to the Portuguese retail market, operating for the benefict of households and companies.

Total resources taken from the domestic activity at the end of 2017 amounted to €68,648 million (+2.0% over December 2016), benefiting from the off-balance sheet resources evolution, up €2,419 million (+8.5%), with the special contribution of OTRV Portuguese Government Bonds operations (up €1,473 million). On the other hand, customer deposits were down 1.6%.

The resources-taken balance for the Group, was down 2.7% by €2,878 million over December 2016 to €103,767 million. Contributory factors, in addition to the drop in customer deposits were the conversion of CoCo bonds.

RESOURCES TAKEN BY GROUP – BALANCES

(EUR million)

	2016-12	2017-12	Change Total	Change (%)
Balance sheet	**77,791**	**72,753**	**-5,038**	**-6.5%**
Central banks' & cred institutions' resources	4,492	4,043	-449	-10.0%
Customer deposits (Consolidated)	66,529	63,499	-3,030	-4.6%
Domestic activity	*53,184*	*52,319*	*-865*	*-1.6%*
International activity	*13,345*	*11,180*	*-2,165*	*-16.2%*
Covered bonds	3,854	3,851	-3	-0.1%
Portuguese state - CoCos	900	0	-900	-100.0%
EMTN and other securities	1,854	1,228	-625	-33.7%
Other	163	132	-31	-18.8%
Off-balance sheet	**28,854**	**31,014**	**2,160**	**7.5%**
Unit trust investment funds	3,519	3,928	409	11.6%
Property funds	950	972	22	2.3%
Pension funds	3,440	3,770	330	9.6%
Wealth management	19,530	19,456	-74	-0.4%
OTRV Portuguese Government Bonds	1,415	2,888	1,473	104.1%
Total	**106,646**	**103,767**	**-2,878**	**-2.7%**
Total resources from domestic activity (1)	**67,278**	**68,648**	**1,370**	**2.0%**

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

However, the amount of third party assets under Group management was up 7.5% by €2,160 million over December 2016 to €31,014 million, as a result of the already referred to 104.1% increase in OTRV Government bond operations, 11.6% increase by €409 million in unit trust investment funds and 9.6% increase in pension funds. This latest evolution enabled Caixagest to regain its leading position in unit trust investment funds with a significant market share of 32%.

Customer resources were down 4.6% by €3,061 million over the preceding year to €63,631 million.

CUSTOMER RESOURCES – BALANCES

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	Change 2017-12 vs 2016-12 (%)
Customers deposits	66,529	63,499	-3,030	-4.6%
Sight deposits	24,168	25,953	1,786	7.4%
Term and savings deposits	42,059	37,283	-4,776	-11.4%
Mandatory deposits	302	263	-39	-13.0%
Other resources	163	132	-31	-18.8%
Total	**66,692**	**63,631**	**-3,061**	**-4.6%**

The 4.6% reduction of €3,030 million in customer deposits to €63,499 million at the end of December 2017 essentially derived from international activity (down 16.2% by €2,165 million), reflecting the reduction in customer deposits of Banco Nacional Ultramarino (Macau), in addition to the deposits reduction of the offshore branches which are being closed down.

By category, €37,283 million (58.7% of the customer deposits total) comprised term deposits and savings accounts. Sight deposits were up €1.8 billion over the end of 2016, to €26 billion. Sight deposits in Portugal are not, in general, remunerated in accordance with the respective FIN (Standard Information Sheet).

CGD retained its leading position in the domestic market with a 26.4% share of total deposits in December 2017. Individual customers' deposits market share accounted for 29.9%.

CUSTOMER DEPOSITS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

	2016-12	2017-12
Corporate	12.3%	12.1%
General government	33.3%	32.4%
Individual customers	30.9%	29.9%
Emigrants	*41.5%*	*49.2%*
Total	**27.7%**	**26.4%**

Debt securities were down 3.2% over the end of 2016 to €4,051 million.

DEBT SECURITIES

(EUR million)

			Change 2017-12 vs 2016-12	
	2016-12	2017-12	Total	(%)
EMTN programme issues [(a)]	329	195	-133	-40.6%
Covered bonds	3,854	3,851	-3	-0.1%
Other	1	5	4	665.4%
Total	**4,184**	**4,051**	**-132**	**-3.2%**

(a) Does not include issues classified as subordinated liabilities.

In December 2017, CGD had resources of €1,028 million in the subordinated liabilities sphere. This was down 57.6% over December 2016, largely on account of the conversion in capital of the CoCo bonds subscribed by the Portuguese State in 2012.

SUBORDINATED LIABILITIES

(EUR million)

			Change 2017-12 vs 2016-12	
	2016-12	2017-12	Total	(%)
EMTN programme issues [(a)]	1,014	648	-366	-36.1%
Contingent convertible (Coco) bonds	900	0	-900	-100.0%
Other	510	380	-131	-25.6%
Total	**2,424**	**1,028**	**-1,396**	**-57.6%**

(a) Does not include issues classified as debt securities.

LIQUIDITY

The beginning of 2017 was marked by CGD's recapitalisation process resulting from the plan agreed between the European Commission's DG Comp and the Portuguese state, in which CGD issued €500 million in additional tier I own funds securities at the end of March bought by more than 160 institutional investors.

Demand for the securities was high, with the issuance having been oversubscribed by a factor of 4 and totalling more than €2 billion. The final amount was essentially distributed among investment funds (49%) and hedge funds (41%) with a relevant geographic footprint, particularly including the United Kingdom (59%) and Portugal (14%). The coupon rate of 10.75%, was lower than the originally forecast range of 11% to 11.5%.

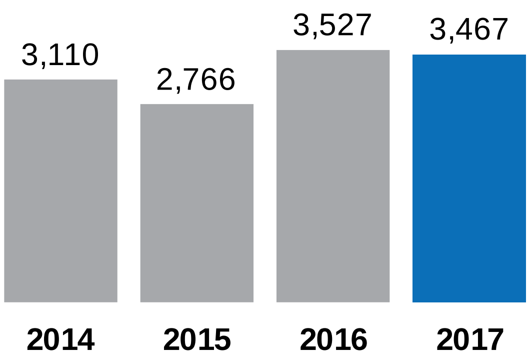
Reference should be made to the positive secondary market evolution of CGD's additional tier 1 issuance whose market price was up by around 15.4% in 2017, over the placement price, having reached a maximum of 119.8% in January 2018. This performance confirms the growing confidence of investors in stabilization and progress of CGD's activity.

CGD Portugal financing from the European Central Bank has remained stable at €2 billion since June 2016. The amount of CGD's eligible assets portfolio for the ECB Collateral pool was up over 2016, from €10.6 billion to €11.9 billion at the end of 2017.

CGD Group's exposure to the ECB was down €60 million, over December last year to €3.5 billion at the end of 2017. The portfolio of eligible assets for the Eurosystem pool had an increase of around €1.3 billion to €13.7 billion in December 2017.

ECB FUNDING

(EUR million)



The outstanding balance on the EMTN programme trended downwards across the year by around €637 million over the end of December 2016. This trend, originated in past years, has been sustained by the fact that several issuances have matured without the need to refinance them on the capital market, given the Group's comfortable liquidity situation.

The Liquidity Coverage Ratio (LCR) was 209% in December 2017 in comparison to 176% at the end of the preceding year. This exceeded regulatory requirements and European Union banks' average of 145% in September 2017. In turn, the Net Stable Funding Ratio (NSFR) reached 139.4% on the same date (134.1% in December 2016).

CAPITAL MANAGEMENT

After issuing Additional Tier 1 market in March 2017, in the amount of 500 million euros, the conditions required for the capital increase by the State were met, which enabled the last phase of CGD's Recapitalisation Plan with the completion of a €2.5 billion cash increase in capital by the State. At the start of the year and in the sphere of a capital increase in kind, CGD had received and cancelled a Portuguese State Coco bond issuance for the amount of €900 million.

On the basis of the approval of the Strategic Plan submitted by CGD, the European Commission also decided to lift the restriction on discretionary interest payments on subordinated debt, pursuant to which CGD resumed coupon payments to investors in March.

The consolidated shareholders' equity totalled €8.274 billion at the end of 2017, which represented an increase of €4.391 billion compared to the end of the previous year, reflecting the two stages already implemented of the Recapitalisation Plan agreed between the Portuguese State and the European Commission (DG Comp).

SHAREHOLDERS' EQUITY (CONSOLIDATED)

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Abs.	Change 2017-12 vs 2016-12 (%)
Share capital	5,900	3,844	-2,056	-34.8%
Other capital instruments	0	500	500	-
Revaluation reserves	87	395	308	352.6%
Other reserves and retained earnings	-1,109	3,098	4,208	-
Non-controlling interests	864	385	-479	-55.5%
Net income	-1,860	52	1,911	-
Total	**3,883**	**8,274**	**4,391**	**113.1%**

The other capital instruments heading, totalling €500 million, refers to securities representing the issuance of Additional Tier 1 own funds, at the end of March.

The evolution of other reserves and retained earnings, which were up €4,208 million in the period, largely derived from the extinguishing of 1,200 million shares, occurred at the first phase of the recapitalisation process, for the coverage of negative retained earnings and the formation of a free positive reserve.

SOLVENCY RATIOS (CONSOLIDATED) (a)

(EUR million)

	CRD IV / CRR Regulation		
	2016-12	2017-01-01 Proforma (a)	2017-12
	Phased-in		
Own funds			
Common equity tier I (CET I)	3,858	6,741	7,289
Tier I	3,859	7,286	7,831
Tier II	579	597	318
Total	4,437	7,883	8,148
Weighted assets	**55,015**	**55,886**	**52,185**
Solvency ratios			
CET I	7.0%	12.1%	14.0%
Tier I	7.0%	13.0%	15.0%
Total	8.1%	14.1%	15.6%
	Fully Implemented		
Own funds			
Common equity tier I (CET I)	3,000	6,587	7,272
Weighted assets	**54,542**	**55,878**	**52,163**
CET I ratio	5.5%	11.8%	13.9%

(a) Proforma including the two stages of the recapitalization process in 1st quarter 2017.

CGD's phased-in and fully implemented CET 1 *(*common equity tier 1*)* ratios on a consolidated basis stood at 14.0% and 13.9%, respectively, at 31 December 2017. The phased in tier 1 and total ratios, in turn, were 15.0% and 15.6%, respectively.

CGD will not be subscribing for possibility of the progressive application of the transitional regime of Regulation (EU) 2017/2395 of the European Parliament and the Council that amends Regulation (EU) 575/2013, to attenuate the impact of the introduction of IFRS 9 on own funds.

The evolution of the CET 1 ratio between December 2016 and 2017 is essentially explained by the following impacts:

- The time progression associated with the passing of another year of the transitional period leading to regulatory reductions of around €358 million to CET 1 of and €62 million in RWAs (risk-weighted assets) translating into a decrease of around 64 basis points in the CET 1 ratio;
- The effect of CGD's recapitalisation, in the sphere of the agreement between the European Commission and the Portuguese state, resulting in a 569 basis points improvement of its CET 1 ratio, in which special reference should be made to the share capital increase of €2.5 billion (equivalent to around 481 basis points on the CET 1 ratio);
- The improvement in own funds resulting from the evolution of activity as well as the optimisation of RWAs, comprising a positive impact of 191 basis points on the CET ratio.

Reference should also be made to the fact that the combined effect on reserves and profit and loss of the application of IAS 29 (financial reporting in hyperinflationary economies), related with Angola, already applied in December 2017, does not have any material impacts on capital ratios.

SREP Consolidated Activity Capital Requirements for 2018

Based on SREP (Supervisory Review and Evaluation Process) results and the Bank of Portugal's communication on additional own funds reserves required pursuant to its O-SII (Other Systemically Important Institutions) status, CGD was notified by the ECB (European Central Bank) on the minimum capital requirements applicable from 1 January 2018.

CGD's minimum phased-in CET 1 capital requirement on a consolidated basis is 8.875%. It includes: i) the minimum CET 1 capital ratio of 4.5% required under Pillar 1 ii) the minimum CET 1 capital ratio of 2.25% required under Pillar 2 (P2R); iii) the CCB (capital conservation buffer) of 1.875%; and iv) the 0.25% reserve for O-SII.

CGD must also achieve a minimum tier 1 requirement of 10.375% and a total capital requirement of 12.375% in 2018.

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)

(%)

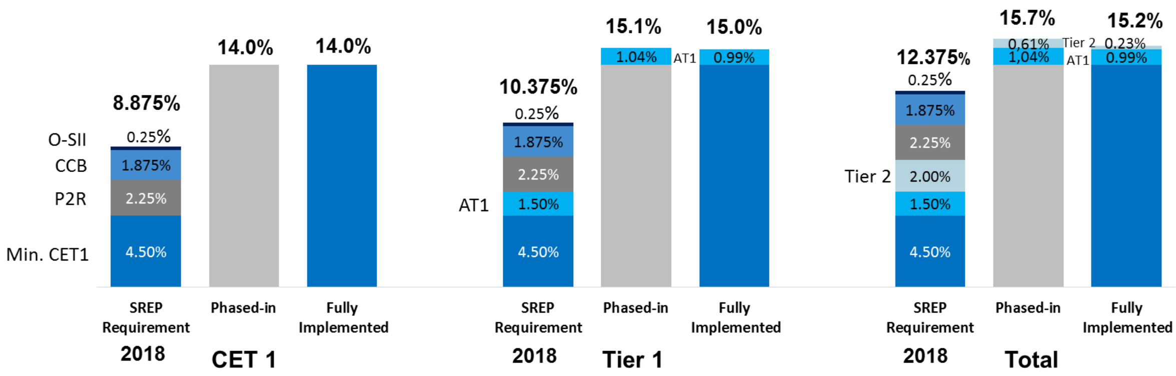
	2017	2018
Common Equity Tier 1 (CET1)	**8.250%**	**8.875%**
Pillar 1	4.50%	4.50%
Pillar 2 Requirement	2.50%	2.25%
Capital Conservation Buffer (CCB)	1.25%	1.875%
Other Systemically Important Institutions (OSII)	-	0.25%
Tier 1	**9.750%**	**10.375%**
Total	**11.750%**	**12.375%**

Starting 2018 CGD must set up a systemic O-SII buffer, to be fully covered by CET 1, in conformity with the Bank of Portugal's resolution of 11 November 2017. CGD's O-SII systemic buffer was set at 0.25% in 2018, 0.50% in 2019, 0.75% in 2020 and 1% in 2021.

The CCB (Capital Conservation Buffer), is expected to increase by 0.625% per annum on a phased basis until it reaches 2.5% in 2019.

The ratio levels achieved by CGD, on a consolidated basis, in December 2017, exceeded minimum SREP capital requirements for 2017 and 2018, making a decisive contribution to its financial strength.

CGD'S PHASED-IN CAPITAL RATIOS AND SREP REQUIREMENTS 2018



The fully implemented leverage ratio stood at 8.2% at the end of December 2017, in comparison to the preceding year's 7.8% (considering the two above referred to phases of the recapitalisation process).

CGD at the time had ADI (Available Distributable Items) of €1.8 billion (around 33 times the annual cost of its current AT1 issuance) with 3.3% in excess of the level of MDA (Maximum Distributable Amount) restrictions considering the current Tier 1 and Tier 2 deficits of 5.2% and considering that such deficits will be cleared by future issuances.

RATING

On 22 March Moody's confirmed with a stable outlook the B1 long-term deposit and senior debt ratings of Caixa Geral de Depósitos, S.A. (CGD), following the announcement the annual results and the targets of its 2017-2020 restructuring plan. The Bank's Baseline Credit Assessment (BCA) and the long-term Counterparty Risk Assessment (CR Assessment) were upgraded to b2 from b3 and to Ba1(cr) from Ba2(cr), respectively.

In turn, on 1 June, DBRS confirmed CGD's Senior Long-Term Debt & Deposit rating of BBB (low) and the Short-Term Debt & Deposit rating of R-2 (middle) with negative trend. This revision translates the increase in CGD Group's capital following the completion of the recapitalisation process at the end of March 2017.

On December 21, 2017, Fitch Ratings revised the outlook on CGD's Long-Term Issuer Default Rating (IDR) to positive from stable and affirmed the IDR at 'BB-'. At the same time Fitch has affirmed the Bank's Viability Rating (VR) at 'bb-'. The positive outlook on CGD's Long-Term IDR reflects the improved operating environment in Portugal, Fitch's expectations that CGD's management team will execute its Strategic Plan, leading to material improvements in profitability in the next 18-24 months, and also CGD's strengthened capitalization and current funding profile.

Credit ratings assigned by rating agencies to CGD at 31 December 2017 are summarized in the following table:

CGD GROUP'S RATING

	Short Term	Long Term	Date (last assessment)
FitchRatings	B	BB-	2017-12
Moody's	N/P	B1	2017-03
DBRS	R-2 (mid)	BBB (low)	2017-06

On February 27, 2018, Moody's Investors Service upgraded CGD's long-term deposit and senior unsecured debt ratings to Ba3 from B1, reflecting the stronger than anticipated 2017 financial results performance and improvements in the Bank's financial fundamentals, thereby making visible progress in its 2017-2020 Strategic Plan. This rating agency has also upgraded CGD's Baseline Credit Assessment (BCA) and Adjusted BCA to b1 from b2.

1.5.1.1. DOMESTIC ACTIVITY

Domestic activity's contribution to CGD Group's current net income, in 2017, was €388.2 million against the preceding year's negative €1,888.4 million.

Reference should be made to the 24.3% increase in net interest income (including income from equity instruments) over the preceding year and €226.3 million in income from financial operations.

Income from fees and commissions was up 7.1% to €374.5 million.

Operating costs were down 8.5% by €77.8 million to €840.8 million in 2017. They include €10.4 million in non-recurring costs (€11.9 million in December 2016). Excluding non-recurring costs, the reduction of employee costs was 7.2% and 8.4% in the case of operating costs.

In the sphere of the implementation of the Strategic Plan 2017-2020, across 2017, the objectives defined for reducing employee numbers and the size of the domestic branch office network were achieved. The number of branch offices was therefore reduced by 64 and the number of employees by 547 in the domestic activity across the same period, in line with the objectives for 2017. Notwithstanding the referred to reductions, CGD succeeded in achieving a customer retention rate of 95%.

CONTRIBUTION TO CONSOLIDATED P&L (*)

DOMESTIC ACTIVITY

(EUR million)

			Change	
			2017-12 vs 2016-12	
	2016-12	2017-12	Total	(%)
Net interest inc. incl. inc. from eq. investm.	658.5	818.7	160.3	24.3%
Net fees and commissions	349.9	374.5	24.7	7.1%
Net trading income	-25.5	226.3	251.8	-
Other operating income	-135.8	28.0	163.8	-
Total operating income	**847.0**	**1,447.6**	**600.6**	**70.9%**
Employee costs	497.4	486.4	-11.1	-2.2%
Administrative expenses	355.4	302.7	-52.7	-14.8%
Depreciation and amortisation	65.8	51.8	-14.0	-21.3%
Operating costs	918.6	840.8	-77.8	-8.5%
Net operating income before impairments	**-71.6**	**606.8**	**678.4**	**-**
Credit impairment (net)	2,148.8	55.3	-2,093.5	-97.4%
Provisions and impairments of other assets (net)	573.6	576.7	3.1	-
Net operating income	**-2,794.0**	**-25.2**	**2,768.8**	**-**
Income Tax	-830.3	171.0	1,001.3	-
Net operating income after tax and before non-controlling interests	**-1,963.7**	**-196.2**	**1,767.5**	**-**
Non-controlling interests	-1.7	3.2	5.0	-
Results of associated companies	46.9	23.6	-23.3	-49.7%
Net income	**-1,915.0**	**-175.9**	**1,739.2**	**-**
Net income from current activity (1)	**-1,888.4**	**388.2**	**2,276.6**	**-**

(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.
(1) Excluding non-recurrent costs.

Provisions and impairment (net) were down 76.8% to €632.0 million, split up between credit impairment of €55.3 million and provisions and impairment for other assets with €576.7 million, the latter being heavily impacted by the amounts of provisions for employee reduction programmes of €226.9 million and disinvestment in international activity (non-recurring cost of €382.3 million). Income tax accounts were in turn €171.0 million.

The domestic business's contribution to consolidated profit and loss was a negative €175.9 million.

CGD PORTUGAL

Caixa's activity, in 2017 was geared to laying the groundwork for its short term support and medium term transformation, based on improvements to the customer experience, commercial dynamics and adequacy of its levels of service.

Based on the 5 strategic guideline pillars of innovation and simplification of offer, strengthening the service model and customer experience, commercial procedures and profitability, optimisation of levels of service and the adequacy of its commercial structure, CGD continued to implement a programme based on value creation for its customers and for Caixa, across 2017.

In spite of the environment in the financial sector over the last few years, direct oversight of the business, in 2017, based on global approach, continued to operate a highly significant structure based on a branch office network comprising 587 branches, including 309 small business managers.

In terms of distance facilities, customers can also rely upon the Caixa contact centre which provides a hotline from 8 am to 10 pm every day of the week (707 24 24 77), in addition to the ever increasing importance of Caixadirecta Empresas, as a digital channel based on the internet or mobile devices (via the Caixadirecta Empresas app), in which the areas responding to the needs of corporate customers are gradually and consistently being strengthened.

Branch office network

CGD continued to implement its distribution network optimisation programme, in 2017, by adjusting its physical domestic retail network presence, which, at the end of the year, comprised 587 universal (i.e. general) branches (64 fewer than at the end of 2016) and 26 Caixa Empresas offices, totalling 613 business units and 37 self-service branches.

Notwithstanding the reduction, Caixa continues to be the only bank with a physical presence in all municipal districts nationwide.

The reduced capillarity of the branch office network was developed in total partnership with customers and the main stakeholders with the aim of continuing to maintain the relationship with them as the Bank's most important asset. An innovative proximity and mobility solution in the form of the mobile banking branch was launched at the same time, the first in Portugal.

Agência Móvel (Mobile Branch)

The "mobile banking branch" solution was designed and implemented in 2017, as part of the branch office restructuring plan with the objective of providing banking services in locations in which they do not exist or, if existing, when they are basic.

Launched on 17 July, this solution is based on a vehicle that can be parked in previously defined locations, allowing CGD to continue to provide a banking service to the local population, providing all possible banking branch services, with the exception of operations involving cash (for security reasons), namely:

- Clarification of doubts and information on products and services;
- Various consultations at a customer's request;
- Issuance of declarations at a customer's request;
- Update of customer's data;
- Caixadirecta applications;
- Recording of complaints;
- Maintenance of data and conditions associated with cards;
- Issue of duplicate current and savings account passbooks;
- Updating passbooks;
- Issuance of PIN codes and debit and credit cards;

- Simulation of credit operations.

The mobile banking branch operates as a regular, albeit non-permanent, proximity service, having, to-date provided weekly or fortnightly services in five of Portugal's municipal districts – Fundão, Penamacor, Covilhã, Sabugal and Trancoso.

The balance of these first five months of activity has been extremely positive, in terms of results for Caixa and its impact on the people involved. It will be expanded, in 2018, to cover other zones of the country with fewer banking services and whose local inhabitants can request more assistance on their banking operations (people with reduced access to the new technologies and/or who have difficulty in travelling to other locations).

Based on its mobile banking branch solution, CGD expects to improve its relationships with people and its customers.

Multibanco and Caixautomática networks

The 4,007 equipment installations at the end of the year registered 245.2 million operations amounting to €17.9 billion. The private in-house Caixautomática (ATS) network has 2,081 items of equipment, 1,284 ATS in-house machines (down 159 over the end of 2016) and 797 bank passbook updaters and was responsible for 119 million operations amounting to around €9.6 billion, up 2.0% by 300 thousand operations and equivalent to a 3.0% reduction of €2.7 million over the same period 2016, respectively.

The Multibanco network, operated by Caixa, with 1,926 ATMs (down 106 over 2016), processed 126.1 million operations for around €8.3 billion. This was down 9.0% by 12 million operations and 3.0% by €0.2 million, over 2016.

Remote banking

Caixa took a first step with its launch of the Caixadirecta telephone hotline, in 1996. Always at the forefront of evolution, Caixa has consistently expanded its alternative bank access channels via internet, mobile, SMS, app and smartwatch, with the objective of facilitating its customers' user-friendly access to the bank.

The Digital and Remote Banking Division, with the objective of developing and implementing the strategy of achieving CGD's digital transformation, was created in October 2017, laying the groundwork to enable Caixa to operate a commercial model and business heavily geared to digital solutions able to provide for the needs of ever more demanding customers who value mobility, speed and simplicity in the provision of financial services.

The initiatives embodying CGD's digital development strategy are based on 3 pillars:

1. Onboarding Digital: This consists of providing customers with greater accessibility to digital solutions to achieve a more user-friendly service, promoting the greater digital financial inclusion of its customer base. More than 25% of customers use these platforms on a regular basis;
2. Redesign of the customer experience: transforming and differentiating the experience of CGD customers to provide a service of excellence, making CGD increasingly relevant and unique in providing for consumers' financial needs and providing an identical experience at all customer contact points.
3. Development of relational intelligence: greater knowledge of consumers and their needs in order to proactively and individually provide the most adequate and useful solutions for each customer, in advance.

Caixadirecta currently has more than 1.3 million individual and corporate customers with active contracts who, in a totally secure environment, perform more than 720 million operations *per annum* 24/7 and 365 days a year. Caixadirecta is the internet banking service with the largest number of nationwide users and accounts for around 50% of the total number of internet banking users in Portugal (Basef – July 2017).

The Caixadirecta Empresas channel further expanded its vast range of functionalities in 2017, particularly:

- Multiple transfers enabling various types of transfer to be included in a single file format (CGD and SEPA transfers), as well as international transfers outside the European space in various currencies and simplifying the management of corporate payments;
- Authentication services with a digital printout on the Caixadirecta Empresas app, guaranteeing simplified, speedy access without the need to enter a company, user and access code;
- Payments of €100 thousand or more to the state;
- Consultations of digital credit card statements.

The web-based Caixadirecta Empresas service continues to evolve favorably with a 2.1% increase in the number of frequently used contracts (3 months) and 4.0% increase in transaction amounts over 2016. Reference should be made, as regards the most recent channel for corporate customers (Caixadirecta Empresas app) to customers' growing appetite for this type of solution which has translated into a 235% growth in the number of users over last year. Caixadirecta Empresas (web and app) is currently used by more than 75% of CGD's corporate customers, in excess of 140 thousand.

Caixadirecta provides its individual customers with access to accounts via web, telephone, mobile, SMS, app and smartwatch. 610 million operations were performed on this service, in 2017, with a 6.1% growth rate of the contracts in use indicator, in comparison to the preceding year. Reference should be made to the increased use of the app, with growth of 35% in the number of users to more than half a million unique customers.

CGD continued to commit to digital channels, in 2017, with diverse optimisations and significant improvements in usability and functionalities, particularly:

- Presentation of Caixadirecta's new image, via web, enabling easier-to-read contents, more information and the use of graphical components to improve the experience of our customers' use.
- Supply of online contracts for the Conta Caixa allowing customers to immediately contract for the most adequate solution for their type of use, totally online.
- Simplification of online cards and savings contracts with the restructuring of the showcase placing greater emphasis on products which can be contracted for on a self-service basis.
- Implementation of improvements to frequent operations management, with a re-routing facility to frequent operations on the transfers and payments screen, permitting greater visibility and interactivity with users.
- Provision of a new direct debit management functionality, with a more user-friendly aggregate consultation of expenses associated with each entity as well as an SMS/email notification/ system to facilitate the oversight of these types of movements.
- New IBAN sharing functionality via email or *SMS*.
- Creation of virtual MBNET cards directly via Caixadirecta *Online* and app.
- *Online* accession to Caixadirecta via www.cgd.pt.
- New mortgage lending simulators on the www.cgd.pt site as a user-friendly means of simulating the cost of a new credit operation.
- Provision of an option to install the "A Nossa Caixa" Caixadirecta app on the Facebook page.

Caixa contact centre's inbound calls activitygenerated 1.4 million telephone contacts, in 2017, (up 9% over the preceding year) relating to informational and transactional helpdesk lines, 60 thousand of which in the case of the Caixadirecta Empresas line.

Outbound activities generated around 900 thousand telephone contacts with 818 thousand calls to 312 thousand customers. 220 thousand emails and 2 million SMS messages were also sent.

Caixa continues to be the leader in terms of digital communication in Portugal. Special reference should be made to the following indicators:

- More than a million unique visitors to the cgd.pt site, with 38% of accesses originating from more than 180 countries;
- The only banking site in the Top 10 PT address and domain page views (source Marktest/Netpanel – Jan/Nov 2017).
- More than 300,000 followers on social networks to which it subscribes (Facebook, Instagram, LinkedIn, Google +) as the bank with the largest number of profiles.

More than 175 thousand customers were overseen by this unit in December 2017, up by a year-on-year 9%.

CGD provides a management and oversight service for customers who prefer the distance banking channel. The approach to distance banking differs in line with a customer-segmentation concept – affluent – mass market, university students and residents abroad – with service models for different value proposals.

The value proposal targeted at such customers is based not only on the convenience of distance management but is also in line with an approach designed to complement both the geographical branch office network in Portugal and CGD Group's foreign units.

The scope of the current multichannel approach provides customers with continuity in their contacts with Caixa, whether through their account manager or commercial assistant or via Caixadirecta, which is available 24 hours a day every day of the year.

Caixa also has a toll-free service for its resident abroad customers who use Caixadirecta's telephone service in countries with an expressive Portuguese presence.

Means and Payment Services

Cards

Caixa retained its domestic market lead of bank cards, in 2017, notwithstanding the continuation of an adverse socioeconomic climate, strengthening the portfolio's management initiatives with the aim of complying with the new regulatory framework accompanied by endeavours to reduce costs.

New Products, Services and Functionalities

- To optimise the security of online payments and achieve better levels of usability on the new electronic commerce services, strong 3D Secure authentication mechanisms have been implemented on MasterCard/Maestro and Visa/Visa Electron network cards;
- MBNET new services were also introduced on Caixa channels, namely in the case of Caixadireta, enabling customers to generate cards and manage their parameters based on a more user-friendly approach;
- Caixa resumed its issuance of contactless technology cards. These cards allow users to make small payments by simply placing their card next to the POS terminal. They provide a speedy, user-friendly system and are therefore more convenient for payments which are usually made in cash;
- The partnerships portal at www.vantagenscaixa.com, LojaVantagens online shop and Facebook profile are used as instruments for knowledge on and improved relationships with customers;

- In addition to special activities (Lisbon Zoo, *NOS* Lusomundo cinemas and Kidzania) reference should be made to the fortnightly leisure-time activities on the *Vantagens Caixa* Facebook profile, with the aim of generating greater brand awareness of Caixa cards and the benefits for cardholders in addition to increasing traffic, shares and the total number of fans;
- A revamped layout of corporate debit cards to standardise the graphical aspects in force in the current portfolio for the corporate segment;
- Caixa plim, as a pioneering service in the national marketplace for mobile banking apps, available from the main playstores (iOS, Android, Windows) continued to grow in terms of the number of registrations to which a contributory factor was prizes for using the service based on tickets for two to football matches at the Benfica, Porto and Sporting stadiums;
- Three new MB WAY functionalities were introduced: cash withdrawals from the MULTIBANCO cash machine network without the need for a bank card based on the generation of a 10 digit code enabling the use of a current account; purchases made using the mobile equipment's NFC technology, requiring no more than a smartphone and confirmation of the operation, with a PIN number. There is no need to key in the code for purchases of less than €20. It is also possible to generate virtual MB NET cards for online purchases;
- Continuity of the incentive to subscribe for the Benfica and Sporting cards, with free tickets on subscription and brand activation at the Luz and Alvalade stadiums, on match days;
- IMI (property tax) payment campaign – promoted via digital channels and statements involving the possibility of paying IMI or other taxes (e.g. IRS), by credit card with a split payment facility;
- An campaign for customers with an inactive credit card (a minimum period of 3 months without use) rewarding customers who use their cards to make payments during the month of the campaign, with a fuel voucher;
- Christmas campaign at the start of December, encouraging the use of credit cards and rewarding customers spending the largest weekly amounts with Júlio Pomar silk-screens and *Vista Alegre by Pomar* items which are exclusive to Caixa;
- Distinguishing of the *Miles & More Gold* card by the ComparaJá.pt online platform for comparisons and credit product analyses, as the “Best Card for Travellers” in the sphere of the 1st edition of the “Best Credit Card” prizes which aim to distinguish the cards with the best market benefits;

Throughout 2017 Caixa maintained the cards portfolio rationalisation strategy, targeting the offer at those with the greatest relevance and growth potential, with special offers, a strong emotional component and market exclusivity, providing simple, profitable and innovative solutions in line with customers' needs and the Bank's strategy.

Acquiring

The acquiring service which continues to be an important instrument in consolidating the commercial relationship with companies, strengthening Caixa's growth strategy in the segment which is particularly important on account of its broad range of face-to-face and distance payments acceptance solutions and the sustainability of the results generated.

The business strategy aims to increase transactionality based on a commercial dynamic geared to finding new companies, strengthening the relationship with and retaining the loyalty of existing customers, with a high quality, customised service. Knowledge of customers' needs, optimising processes and reducing operating costs based on efficiency are the guidelines behind activity.

The major changes taking place in the market for the acceptance of payments require differentiation in terms of value offers, particularly on the basis of their innovation, provision of an effective response to the challenge of a multichannel, omnipresent culture and making the act of payment easy, simple, fast and secure.

2017 saw the development of several duly planned and mutually agreed actions, particularly:

- Campaigns geared to finding new customers, with competitive, simplified value proposals adjusted to companies' invoicing levels: global flat rate packages for small businesses and discounted commissions on other invoicing volumes (reduction of service and monthly charges). Together with price benefits, customers subscribing for this campaign enjoyed free access to a collection of additional services;
- Launch of the new "Digital Payment Gateway" solution, which provides companies with a truly global online shopping offer. This is a web-based and web-responsive solution, meeting the highest PCI-DSS security standards. It permits the acceptance of national and international payments aggregating various means of payment as part of a single interface:
    - MB Way, for user-friendly, fully secure mobile-phone based purchases;
    - Visa and MasterCard, for the universal acceptance of national and foreign debit and credit cards, notwithstanding a customer's origin;
    - Payment of services, based on the generation of an Entity/Reference/Amount field, to provide customers with a user-friendly, secure, practical means of payment via a cash machine or home banking.
- Contactless. Caixa maintained its strategy of installing terminals with this technology, both for its new customers as well as strategic traders with higher traffic levels, with the main objectives of taking in low value transactions and as preparation for the acceptance of mobile payments using NFC technology;
- DCC – Dynamic Currency Conversion. Various actions were taken to promote the DCC functionality on netcaixa terminals, with a significant increase in their use and revenue generation (this functionality allows users of Visa and MasterCard credit and debit cards to opt for payment in the currency of origin);
- Automatic split payments at point of sale. In the case of new subscriptions this involves a payment solution permitting the activation of split payment modalities directly on the POS terminal for purchases made by individual customers using a Caixa credit card at no extra cost to the trader.

Bancassurance

As part of its activity of insurance brokerage solutions offered by Fidelidade – Companhia de Seguros, SA, Caixa developed a broad range of initiatives designed to improve customer loyalty levels and increase this area's contribution to its other operating income, in 2017, particularly:

- A healthcare insurance up-selling campaign for Activcare healthcare card customers with the objective of promoting the replacement of these cards by Multicare healthcare plans, with the offer of the payment of one monthly instalment to customers;
- Multicare healthcare insurance promotion campaigns for individual customers who value the protection of their own and their family's health, comprising three alternative growing protection measures (Multicare 1, Multicare 2 and Multicare 3) as well as cancer insurance (Multicare Vital Protection);
- Launch of Life Protection Plan insurance as a solution combining life risk and capitalisation components in a single policy, complemented by the offer of a diagnosis confirmation service in the event of serious illness (healthcare area);
- Caixa Protection Solutions to promote travel insurance, Vital Protection insurance and Caixa's Life Protection insurance. The former two products are for personal accidents and the latter is a life insurance product;

- Inclusion in the Conta Caixa multiproduct solution of personal accidents insurance associated with Conta Caixa's "M" and "L" credit cards and home insurance exclusively associated with the "L" account;
- Launch of Fidelidade GO travel insurance, for students on Erasmus and other study programmes for up to 12 months abroad, covering personal accidents, civil liability, personal assistance and legal protection insurance;
- Support for the migration of the Multicare insurance portfolio to Multicare's new healthcare offer with the aim of improving the service provided to customers by adjusting their policies, upon their renewal date, based on a level of cover and capital more in line with current market circumstances;
- Improved flexibility of the process for subscribing for Caixa Life Protection, Caixa Woman and Caixa Family Protection insurance, pursuant to which it is now possible to fill in the medical questionnaire online, based on a customer's authorisation and for a policy to be immediately issued in all cases in which the risk analysis permits the automatic acceptance of the insurance.

Companies

Caixa has the mission to support the national economy with, at the same time, a vision of not only being a "big" but also the "major" bank for corporates, with a strong presence in customers' day-to-day lives.

The growing demand for corporate oversight requires the permanent adequacy of solutions enabling prompt replies to meet different needs.

Important bases required to revitalise the competitiveness and effectiveness of CGD's corporate networks, involving the commitment of and collaboration between sales forces, marketing and support functions, were launched in 2017.

This aim saw the formation of DME as a new corporate marketing division with the function of defining the marketing strategy for CGD's corporate segment and products and services to be predominantly commercialised with SME, large enterprises and institutions, as well the cross-border business between CGD Group's international entities in close collaboration with other CGD areas, as well as Group entities.

In 2017, 4 major guidelines were developed:

- Finding new customers (strengthening Caixa's position and increasing its market share);
- Increasing business (business finance operations, based on special lines of credit);
- Sales of core products (strengthening relationships and transactionality);
- Greater proximity and knowledge of customers.

In regards Caixa's provision of services to the corporate segment, in 2017, reference should be made to the following:

- Launch of Caixa Fast as an innovative factoring solution for self-employed businesspeople and micro and small companies;
- Launch of the new "Digital Payment Gateway" solution, which provides companies' online shops with a web-based and web-responsive solution, permitting the acceptance of national and international payments aggregating various means of payment as part of a single interface: MB Way, Visa and MasterCard as well as generating the Entity/Reference/Amount fields;
- *Capitalizar* line of credit to promote corporate growth and competitiveness, in lieu of the *PME Crescimento* 2015 line, as one of the engines to finance the national economy. The commitment to special/governmental lines has strengthened Caixa's position in terms of its funding for companies in which it is the leader of the *Capitalizar* line as the Portuguese bank with the largest performing loans portfolio in the SNGM (National Mutual Guarantee System);

- *Capitalizar Mais* line (e.g. IFD Guaranteed 2016-2020), for small and medium sized enterprises, with a mutual guarantee, entered into between IFD – Instituição Financeira de Desenvolvimento, CGD and mutual guarantee companies, with the objective of strengthening business capability for the development of goods and services;
- Line of Credit in Support of a Qualified Offer for companies in the tourism sector in an agreement entered into with *Turismo de Portugal*, designed to strengthen the offer to companies in one of the sectors making the largest contribution to GDP growth;
- EIB 2017 line of credit, created to back Portuguese SME and midcaps' investment projects, with funding of €150 million;
- *AgroCaixa – Antecipar* short term credit for the advance of incentives and funding for the operating needs of production units in the agricultural, silvicultural and animal husbandry sectors, providing assistance to a fundamental sector of the Portuguese economy with the objective of permitting the creation of import substitution products.
- Various specific lines of credit to assist the victims of the fires in Portugal, with the objective of not only assisting the victims involved but also permitting the reconstruction of the affected zones and laying the groundwork for the maintenance of economic activity:
    - Line of credit to support the "Recovery of Companies, Municipalities and Individual Citizens", in a Caixa-approved offer to assist the affected zones;
    - Line of credit to assist the Treasury function of companies affected by the fires of 15 October 2017, in an agreement with *IAPMEI, PME Investimentos* and SGMs (mutual guarantee companies);
    - A guaranteed line of credit to minimise the effect of the Drought in 2017 – Animal Foodstuffs, in an agreement with IFAP.

Its status as an economic support bank requires Caixa to play a permanent, leading role in promoting special lines of credit with the Portuguese state, as instruments designed to boost activity in different sectors. The referred to use of such lines, in 2017, bears witness to Caixa's commitment in this sphere.

In terms of its offer, Caixa continued to be concerned, in 2017, over its level of service improving, particularly in terms of its lending to the economy and supply of automatic payment terminals.

Economic recovery, part measured by the country's capacity to generate new companies, increases Caixa's responsibility to start-ups. In this segment Caixa provides for the needs of the most ambitious entrepreneurs who are interested in internationalising, with the support of the Caixa Capital team which specialises in venture capital and is well placed to help those start-ups with the greatest potential and technological scope to advertise their existence to the most impactive international accelerators. It also operates at the other end of the spectrum related with micro financing projects designed to provide for the creation of self-employment or micro-businesses with a local impact.

Individual Customers

Individual customer management in 2017 continued to focus on the following segments:

- "Affluent": 246 thousand Caixazul customers were managed by 744 customer account managers at 587 branches;
- "Mass affluent": 1,312 commercial assistants oversaw 654 thousand customers, at 571 branches, with 22 commercial assistants acting in the same capacity for distance services for around 51 thousand customers;
- "Residents abroad": 7 customer account managers managing 2 thousand customers (Caixazul Internacional) and 12 commercial assistants overseeing 24 thousand customers (Caixadirecta Internacional);

- "Universal": Transversal to the branch office network, with an end year total of 587 branches with face-to-face services.

Caixazul customers can count upon the virtual presence of their Caixadirecta account managers through Caixadirecta.Through their online manager, available 24 hours a day, 7 days a week, customers can ask for help, request call-backs and send secure messages to their account manager for performing transactions and scheduling meetings.

Mass affluent customers can also rely upon the presence of their respective commercial assistant or contact centre via the Caixadirecta service. Customers can request the support of their online assistant assistance, request call-backs and send secure messages.

Special actions for specific customer groups

Caixa enhanced its offer to customers, across the year, with diversified financial solutions in line with the needs of each life stage: managing day-to-day affairs, savings, safeguarding the future or realising projects.

Caixa's value proposal and improvements to the experience of its individual customers were also strengthened at the same time:

- The launch of "S", "M" and "L" Conta Caixa, the Caixazul Account and Caixa Platinum multiproduct solutions comprising essential day-to-day management products (current accounts, online transfers, debit and credit cards), services, insurance, discounts on *Continente* cards and other advantages, to satisfy its customers' requirements at a lower cost with the inclusion of more solutions.
- Improvements to the Caixadirecta service, based on the feedback received from customers enabling its functionalities to be adjusted to their effective needs. User-friendly, secure access to most banking services – anywhere – any time.
- Easier and speedier mortgage lending agreements at fixed rates (5, 7, 10 or 15 years), guaranteeing the amount of the loan instalment and enabling household budgets to be managed on the basis of a fixed cost.
- Additional benefits when entering into personal loan agreements, namely the most adequate instalment, a highly competitive fixed interest rate, immediate decision and speedy agreements.
- The Savings and Investment sphere saw the launch of products designed to provide for the financial needs of customers with different profiles. For customers interested in building a retirement nest egg, a new PPR (retirement savings plan) in pension fund format, without a capital guarantee was launched and the Leve PPR- 2nd series revitalised. Both products provide for the possibility of fiscal gains. Term deposits with total liquidity and medium and long term capitalisation insurance with a guarantee of capital and quarterly interest were also launched.

Savings and Investment

With the objective of providing for customers' needs and objectives, Caixa launched/commercialised various savings and investment solutions across 2017, on the various types of products available from its offer, namely:

- Caixa organised a campaign involving five resource-taking initiatives (integrated deposit offer, funds and financial insurance) – saving and investing – in accordance with each product's target market.
- Caixa also launched 3 term deposits with a maturity of 18 months for individual customers (With semi-annual interest and early, full or partial mobilization at any time) and a 2 year deposit for Caixazul service customers.

- In the case of funds a new PPR (retirement savings plan) was set up in pension fund format for individual customers who need to set up a long term nest egg without a capital guarantee. The unit trust investment funds offer was simplified by the occurrence of 4 merger processes based on incorporations permitting the more efficient management of the investment portfolios of the funds in question.
- Two new medium/long term capitalisation insurance packages were commercialised in the financial insurance sphere, with a guarantee of capital and a defined quarterly interest rate together with a boost to the *Leve PPR*- 2nd series retirement plan, for customers interested in setting up a retirement nest egg and obtaining financial benefits;

To expand its offer of financial instruments to customers, Caixa, as part of its brokerage activity, was involved in several initiatives, particularly:

- Variable yield Treasury bond operations - April 2022, August 2022 and December 2022;
- Public bond subscription – Benfica SAD 2017-2020;
- Public bond loan subscription – Porto SAD 2017-2020;
- Public offer for sale on Empresa Geral de Fomento shares, in a workers' rights issue.

Caixa developed processes and systems, in 2017, in order to adapt to the new regulatory requirements in the form of MiFID II (Markets in Financial Instruments Directive) and PRIIPs (Packaged Retail Investment and Insurance-based Products), strengthening the transparency of its information and protection of investors. The aim is to ensure that customers' interests, objectives and characteristics are taken into account, avoiding any potential losses, as well as minimising potential conflicts of interest.

In terms of market relations, improvements were made to comply with the need for greater transparency for the reception and transmission of customers' orders, in order to ensure investors' trust in Caixa as a financial broker.

Mortgage Loans for Individual Customers

Owing to the importance of mortgage lending as a proportion of its total credit portfolio, Caixa developed in 2017 diversified, innovative fixed-rate solutions for customers interested in opting to not being subject to interest rate risk, in its additional contribution as a default prevention measure, in the event of oscillations in the Euribor rate.

Fixed-rate solutions with maturities of 5, 7, 10 and 15 years, without the addition of a spread in the fixed-rate period, were launched and backed by press, radio, digital media and point-of-sales advertising.

Together with such initiatives, Caixa was involved in promotion and commercialisation initiatives involving real estate not used for its main activity and property built with Caixa finance, providing customers with differentiated financing conditions and giving them a better rate over the first few years of the agreement together with longer maturity periods.

Changes were made to the mortgage lending process as part of the commercial transformation policy with the objective of improving the quality of service provided to customers, particularly as regards decision-making and responses to customers. Caixa also simplified its offer to improve operating and commercial efficiency.

Digital channels included the introduction of a new express simulator that, in a user-friendly and immediate manner (filling in of no more than 3 variables) allows customers to calculate their monthly repayment or the amount of the loan, helping to improve the customer experience on such channels.

Real estate agents' channel

Several initiatives designed to strengthen Caixa's relationship with its real estate partners were implemented in 2017 in due consideration of the objectives of mortgage lending to individual customers and consideration of the relevance of real estate agents in feeding through their home loan operations, namely:

- Segmentation and management – a new management and commercial oversight model for real estate channel partners;
- Network reactivations – meetings with masters, brokers and process managers;
- *Via Verde* – attribution of a relationship agency to each partner;
- Activation of partners – combating the inactivity of partners with special agreements but who have not posted any sales;
- More agreements – Together with continuous commercial meetings, several other presentations and training actions were also organised for groups of store managers, process managers and commercial consultants.

With the objective of strengthening proximity and the level of the relationship with professionals and corporate members of brokerage networks in 2017, Caixa was present at national conventions organised by largest real estate agencies operating in the domestic market.

Having entered into 228 new agreements across the year, Caixa currently has a total number of 1,532 active real estate channel partners.

Personal Loans for Consumption

The following commercial promotions, backed by a digital media and point of sales advertising campaign, were launched in second half 2017, with the aim of promoting this business area:

- "Fixed instalment" personal loans: a line of credit with special promotional conditions guaranteeing the exact amount of the repayment across the whole of the loan repayment period;
- "Motor Vehicle Solution". A line of credit to finance vehicle purchases. Customers may choose between leasing or loans with title retention clauses. Extended period at a fixed interest rate.

Caixa maintained its personal loans differentiation policy, based on reductions in spread depending on the reason for taking out the loan (training and health) and customer segment (Caixazul, Caixa Woman and Caixa Activa).

For university customers, Caixa continued to commit to financing higher educational courses (degrees, masters, doctorates and MBAs), based on specific lines with extended maturities for their use and repayments, adapted to the length and specific type of course and with discounted spreads to reward academic merit.

In the case of motor vehicles, Caixa incentivised the purchase of "environmentally friendly" vehicles through reductions of its spreads on vehicle finance.

University Students and Universities

Caixa continues to reinforce its lead of the university market, entering into national partnerships with higher educational institutions. It had 50 cooperative agreements with the main Portuguese universities and polytechnics in 2017.

Over the course of 23 years, more than a million customers, including, students, lecturers and functionaries have been involved in Caixa's university programme.

Caixa has a distance oversight model (Caixadirecta IU) available 24 hours a day, in line with the importance students represent for Caixa and the technological evolution ever present in the segment. CGD has a dedicated team specialising in university customers and also has a physical presence in several university hubs through its university branches that, in addition to having an image and structure targeted at young university students, does not neglect the premium service geared to lecturers and functionaries.

Caixa organises a nationwide “New Academic Year” campaign to welcome new students to higher education, setting up more than 250 helpdesks at colleges which have cooperation agreements with Caixa. This requires the training of around 80 employees to strengthen and back the helpdesk network for more than 40 thousand customers over a period of 2 months.

The approach to the academic population is fully digital. Paperless applications for academic identification cards are submitted on mobile devices to cater for new students, with a digitalised customer “creation”, opening of accounts and activation of services process. Caixa has reduced the use of ink cartridges and paper consumption by more than 2 million sheets, promoting sustainability.The university market benefits from a faster and user-friendly experience more attuned to its expectations.

Caixa provides university students with a package of products and services to facilitate the management of their day-to-day lives, with successful placement levels, above 90% giving them access to such benefits as**:**

- A current account with no maintenance charges;
- A *Caixa IU* debit card with no annuity, identifying a customer as a student in higher education;
- A lifetime savings account in which a customer can save as little as one euro;
- A Caixa ISIC credit card as an international student card, with no annual fee, providing discounts in more than 120 countries;
- The Caixadirecta service allowing customers to access their accounts via the internet or by telephone – any time, any place.

Successive rounds of activation campaigns are organised during the academic period to promote the use of products/services (means of payment, depositing of allowances/wages accounts, savings and internet banking), in addition to updating the information on current and ex-university students.

In addition to the campaigns, the relationship with university customers is strengthened by Caixa’s presence on social networks via the *Caixa IU* page which has more than 45 thousand Facebook followers.

In continuing its oversight of customers in this segment, at the end of the academic period, Caixa proposes a new service model to its customers in line with their needs either as a young professional or young entrepreneur while also proposing new products and services aligned with their new circumstances.

Caixa was present at the most significant events held at schools, in 2017, with the award of prizes of merit, support for research and study grants (around 200); attendance at conferences and national and international innovative projects.

Residents Abroad

Caixa continued to focus on promoting and consolidating its relationships with customers resident abroad through its branch office network in Portugal, by strengthening and increasing the coverage of its distance banking models specialising in customers resident abroad – Caixazul Internacional and Caixadirecta Internacional – and its permanent linkage with Group units in the 20 countries in which it is also present.

There was an increase in the level of investment by foreigners in the real estate market in Portugal, in 2017, with higher total sales in the segment, particularly customers resident in the United Kingdom and Switzerland as the main destinations for Portuguese emigration over the last few years.

Special thematic campaigns enabling CGD to promote the use of products and services were organised at the time of customers' visits to Portugal, namely at holiday periods such as Easter, Summer and Christmas. They particularly concentrated on the Caixa Account, specific means of payment for customers resident abroad, savings and internet banking, in addition to record updating procedures.

The offer for residents abroad is based on a principle of transversality and aims to create mechanisms tying customers to CGD whether in Portugal or in the destination country of choice, providing the following products and services:

- Caixa Account
- *RE* (Residents Abroad) debit card with no fees payable in the country of residence;
- Credit card with an insurance pack allocated to people living outside Portugal;
- Caixadireta service, allowing customers to access their accounts by internet or telephone (toll-free numbers for 14 countries with major levels of Portuguese emigration) – any time, any place;
- Savings and term accounts in euros and foreign currency;

At the end of 2017 the UK Individuals area was redefined and became "Caixa Geral de Depósitos, S.A., London Office". CGD´s representative offices in Germany, Belgium, Canada, United Kingdom, Switzerland and Venezuela remained in constant activity and continue to be important links between Caixa and Portuguese communities in publicising the Caixa brand and improving relationships in both the individual customers and corporate segments.

INVESTMENT BANKING

Caixa-Banco de Investimento, S.A. (CaixaBI) is the investment banking arm of Caixa Geral de Depósitos Group that encompasses different business areas: capital debt market, equity capital market, corporate finance, project finance, structured finance, financial brokerage, corporate advisory and risk management, syndication and sales, venture capital and research.

The fact that CaixaBI's merit has been consecutively recognised and that it is an international prize-winner confirms its excellence and leading position in the domestic marketplace.

CaixaBI continued to post positive results in 2017. CaixaBI´s total operating income of €90.2 million benefited from positive contributions of €17.8 million from net interest income, €27.6 million in commissions from advisory and financial brokerage services and €44.1 million in income from financial operations.

A part of the income from financial operations was offset by a higher level of provisions which totalled €49.2 million penalised by the cancellation of a defaulting hedge operation which was disposed of across the year as well as the setting up of provisions for CGD Group's mutual agreement resignations and early retirement programmes and the write-off of goodwill on the equity investment in CGD Investimentos, CVC which disposed of its equity investment in RICO as the joint venture for the development of an online brokerage business in the Brazilian market.

Net income totalled €33.0 million in 2017, a highly significant rate of growth over 2016. Cost-to-income totalled 24.2%, with ROE of 9.6% and ROA of 2.1%.

CAIXA BANCO DE INVESTIMENTO - INDICATORS*

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	(%)
Net interest income	19.6	17.8	-1.8	-9.3%
Commissions (net)	28.4	27.6	-0.8	-2.8%
Income from financial operations	16.3	44.1	27.8	170.2%
Total operating income	65.1	90.2	25.1	38.5%
Operating costs	23.8	21.8	-2.0	-8.6%
Net op. income before impairments	41.3	68.4	27.1	65.7%
Provisions and impairments	28.5	49.2	20.7	72.9%
Net income	1.4	33.0	31.6	
Net assets	1,495.3	1,642.1	146.8	9.8%
Securities investments	484.0	553.6	69.6	14.4%
Loans and adv. to customers (net)	297.0	240.4	-56.6	-19.1%
Customer deposits	236.2	160.4	-75.7	-32.1%

(*) Statutory consolidated accounts.

CaixaBI´s separate activity contribution to the Group's consolidated net income was €68.3 million.

In 2017 CaixaBI was the prize-winner of the Best Investment Bank in Portugal awards from Euromoney and Global Finance for the 4th consecutive year. Emeafinance also renewed its Best Investment Bank award to CaixaBI, for the sixth consecutive year.

The following are the highlights of its main business areas.

Corporate finance – Advisory

The fact that CaixaBI participated in most of the major M&A operations in Portugal, in 2017, enabled it to retain the lead of the Portuguese ranking of advisory services for M&A operations.

Out of the M&A processes completed in the year, reference should be made to the following operations:

- Mirova: advisory services for the acquisition of 23.8% of the equity of *Concessionária de Estradas Viaexpresso da Madeira*, *S.A.* and 35.3% of the equity of *Vialitoral, Concessões Rodoviárias da Madeira, S.A.;*
- A. Silva & Silva (and other shareholders): advisory services for the 100% equity disposal of *Empark Aparcamientos y Servicios, S.A.;*
- Inter-Risco/Nors: advisory services for the 100% equity disposal of MasterTest, SGPS, S.A.;
- Artlant: advisory services for CGD as part of the disposal process on Artlant assets.

Capital markets – Debt

CaixaBI continued to enjoy benchmark status in the debt capital market in Portugal, in 2017, namely in the bond and commercial paper sectors. In the primary bond market according to the Bloomberg ranking, CaixaBI came 2nd in terms of euro bonds issued by domestic entities in 2017 and is the institution with the largest number of issuances with advisory mandates. Considering solely Portuguese corporate issuances, as CaixaBI's core market, the Bank came 1st according to the same ranking, at the end of 2017.

Portuguese public debt continued to be a priority for CaixaBI given its status as a Specialised Securities Trader. Special reference should be made to the following issuances in 2017:

- Global joint coordinator for the Portuguese Republic's three variable rate Treasury bond issuances for €1 billion maturing in April 2022, €1.2 billion maturing in August 2022 and €1.3 billion maturing in December 2022;
- Co-lead manager of the Portuguese Republic's new 10 year 4.125% benchmark Treasury bond maturing in 2027, in an operation totalling €3 billion;
- Involvement as a specialised securities trader, in Portuguese public debt auctions across the period, debt swaps and promoting and securing bids from investors for the ten Treasury bill placements organised by IGCP.

Regarding issuances made by private entities, CaixaBI's was involved in the following operations:

- Joint bookrunner and joint lead manager for the first and (to-date) only issuance by a Portuguese financial institution in additional tier I capital format by Caixa Geral de Depósitos amounting to €500 million;
- Joint bookrunner and joint lead manager for 3 of the 4 Eurobond issuances of Portuguese corporate entities in 2017: the Brisa issuance of €300 million, maturing in 2027, Galp Energia issuance of €500 million maturing in 2023 and the EDP issuance, also for €500 million, maturing in 2027;
- Leader of the 6 bond issuances for a private institutional placement for a global amount of €392.5 million in the form of the €30 million and €220 million bond issuances of the Autonomous Region of Madeira both of which maturing in 2022, the €70 million Altri/Celbi bond issuance maturing in 2024, the €15 million bond issuance of the Mota Engil Group, maturing in 2023 and the €45 million bond issuance maturing in 2023 and the €12.5 million bond issuance of Mystic Invest, maturing in 2024;
- Joint leader of the Benfica SAD (€60 million) and Porto SAD (€35 million) public bond offerings.

CaixaBI maintained its leading position in the commercial paper segment, in Portugal, having, during the course of 2017, organised and led 19 new commercial paper programmes, for a total amount of more than €700 million. This segment also witnessed 160 issuances, comprising a volume of €6,109 million of which CaixaBI sold €5,300 million via the institutional investors network, up by a year-on-year 38%.

Capital markets – Equity

CaixaBI consolidated its leading position in the capital market in Portugal, in 2017, as the only national financial institution listed in the ECM Portugal League Table and is one of the entities with the largest number of capital market operations across the year, particularly including:

- REN – joint global coordinator and bookrunner for the REN share capital increase of €250 million, in the form of a rights issue to part finance the acquisition of EDP Gás, SGPS, S.A. and its subsidiaries. The operation was completed at the start of October 2017.

The offering was highly successful, with the total amount of the share issuance oversubscribed by 165.6% and with subscription rights comprising around 95.1% of the offering. Supplementary applications for shares distributed on a *pro rata* basis were also around 14.5 times higher than the number of shares available for sale.

- Vista Alegre Atlantis (VAA) – global coordinator for VAA's share capital increase of €51.5 million which includes a shareholders' rights issue. This fully subscribed for capital increase allowed VAA to achieve a considerable increase in its shareholders' equity, helping to strengthen its financial and economic position, with a view to consolidating its leading position in the sector. CaixaBI made an important contribution to the offering's successful conclusion through its coordination, preparation, launch and execution of the operation as a whole.
- Empresa Geral do Fomento (EGF) – financial advisory services for the public offer for sale of up to a maximum of 5% of EGF's share capital, exclusively for its workers. This offer is part of the privatisation process of EGF, which is owned by Águas de Portugal Group.

Project finance

In 2017, CaixaBI was involved in several processes with special references to:

- Energy sector: analysis of opportunities in the renewable energies segment;
- Water sector: analysis of economic-financial rebalancing processes;
- Road concessions: oversight of the renegotiation and restructuring processes of several road concessions (national and international).

Structured finance

CaixaBI was involved in around 15 projects with customers in various sectors of activity in 2017, having successfully completed its advisory services in the sphere of the structuring and organisation of the restructuring process on the financial liabilities of Visabeira Group, for a global amount of approximately €375 million.

CaixaBI managed a portfolio of approximately 120 commercial paper programmes for a nominal maximum amount of around €319 million in the small and medium-sized enterprises segment, in 2017, together with the corresponding agencying activity.

Market-making and Risk Management advisory

CaixaBI continued to operate as a liquidity provider, on a collection of Euronext Lisbon listed shares, with Euronext having awarded its maximum "A" rating on all securities and categories. CaixaBI also continued its market-making operations on a Fundiestamo real estate fund.

In the sphere of its risk management advisory activity, reference should be made to involvement in restructuring processes on structured and project finance operations. In parallel, there continued to be some demand from customers for interest rate hedges in which CaixaBI worked with CGD on the commercialisation of interest rate caps for the corporate segment.

Venture capital

Caixa Capital manages four venture capital funds that encompass the whole corporate life cycle, with the exception of the financial restructuring area in which CGD Group operates via funds under third party management, ensuring a direct and indirect offer comprising a vast range of corporate capitalisation instruments.

Backing for the capitalisation of companies managed by businessmen and qualified management teams and intervention to back entrepreneurship and business innovation were the fundamental areas of Caixa Capital's intervention across 2017.

The indirect operations area (fund of funds) consolidated its level of activity, making a significant contribution to the nationwide growth of the venture capital industry and expansion of Caixa Capital's intervention in other geographies with positive effects for national companies and entrepreneurs.

Caixa Capital continued to promote Portuguese-sourced teams and technologies in its contacts with various investors, working in close cooperation with the leading partnerships network established with various European operators and helping to create new business opportunities for national companies and entrepreneurs.

Reference should, herein, be made to the 3rd edition of the Caixa Empreender award, with the presentation of the most promising start ups from different acceleration programmes in Portugal.

The amount invested by the various funds under management totalled €276 million at the end of 2017. €153 million of the above amount was invested in companies and €123 million in funds and other indirect investment vehicles. Several other commitments to strengthen investment in portfolio companies, which could increase the amount invested by around €40 million, have also been assumed.

150 investment opportunities were analysed in 2017 and 42 investments were given the go-ahead (7 new and 35 additional portfolio capital investments totalling €26 million). There were also 24 disinvestment operations (12 of which full disinvestments) with a realisation price of €32 million.

In addition to the investment and disinvestment operations realised by each of the funds, Caixa Capital continued to oversee its investment portfolio comprising 94 companies at the end of 2017.

SPECIALIZED CREDIT

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S. A. (CLF) represents CGD Group in the specialised credit area. It operates in the financial leasing (property and equipment leasing), factoring (domestic, international and confirming) and consumer credit sectors.

CLF's performance in the factoring/confirming and consumer credit business area evolved favourably in 2017 in contrast to the sharp decline felt in the leasing business.

CAIXA LEASING E FACTORING – NEW PRODUCTION

(EUR million)

Product	2016-12	2017-12	Change	
			Total	(%)
Leasing	**398**	**322**	**-76**	**-19.1%**
Property leasing	102	70	-32	-31.1%
Equipment leasing	296	252	-44	-15.0%
Factoring	**2,838**	**3,239**	**400**	**14.1%**
Domestic and international factoring	1,920	2,135	215	11.2%
Confirming	918	1,104	185	20.2%
Consumer credit	**13**	**19**	**6**	**42.4%**
of which:				
Vehicle finance [a]	**133**	**150**	**17**	**12.8%**
Property leasing	120	131	11	9.5%
Consumer credit	13	19	6	42.8%

(a) Light vehicles

Property leasing new production was down 31.1% to €70 million in 2017, while equipment leasing new production totalled €252 million, down 15.0% over the same period of the preceding year. Finance for light vehicles however, comprising around 52.1% of the equipment leasing business sales, was up 9.5%.

Factoring operations were up by 14.1% over December 2016, to €3.2 billion. Reference should be made to the 20.2% increase in confirming operations.

Traditional credit grew 42.4%, over the same period of the preceding year with vehicle finance accounting for 99.7% of the segment.

Net assets were down by around 0.4%, owing to the 1.7% decrease in the loans and advances to customers portfolio (net). The €46.6 million reduction of overdue credit, accompanied by a €37.4 million decrease in impairment largely derived from write-offs, in 2017.

CLF's total operating income, in December 2017, was up 75% over the same period of the preceding year to €43.3 million. This change derives from the penalising of total operating income by around €18 million, in 2016, owing to the recovery of a commercial building operated by the company. With the elimination of this operation, total operating income for 2016, would have been €43 million, producing an increase of only 1.2% in total operating income in 2017.

Operating costs were up 16.4% over the preceding year, based on a 25.2% increase in employee costs. This increase derived from the early retirement and mutual agreement resignation programmes totalled around €3 million in CLF. Excluding this effect, operating costs were down over the previous year.

CAIXA LEASING E FACTORING - INDICATORS

(EUR million)

			2017-12 vs 2016-12	
	2016-12	2017-12	Total	(%)
Net interest income	43.5	37.6	-5.9	-13.5%
Total operating income	24.8	43.3	18.5	74.6%
Operating costs	13.8	16.1	2.3	16.4%
Net op. income before impairments	11.0	27.3	16.3	147.7%
Provisions and impairments	7.8	4.8	-3.0	-38.2%
Net income	0.1	14.1	14.0	9863.5%
Net assets	2,397.8	2,388.4	-9.3	-0.4%
Loans and adv. to customers (net)	2,225.6	2,223.4	-2.2	-0.1%

CLF's contribution to the Group's consolidated net income amounted to €14.3 million.

ASSET MANAGEMENT

In 2017, Caixa Gestão de Activos continued to work on the expansion of its customer base and number of subscribers for its unit trust investment funds, pensions and retirement savings plans and its consultancy service for investment and wealth management portfolios.

The following operating pillars were strengthened:

1. Consolidation of market lead in the unit trust investment funds and portfolio management market segment;
2. Retail offer simplification strategy in a context of greater visibility and focus on commercial cycles, aligned with CGD's implementation of its customer segmentation over the last quarter of the year;
3. Consolidation and strengthening of presence in CGD's branch office network, based on several training initiatives and promotions developed in cooperation with CGD Marketing;
4. Strengthening of the tradition of innovation, with the launch of the "Socially Responsible Investment Fund".

This strategy is visible in the recognition of CGD Group's investment funds, in its positions in return/risk rankings as well as the awards they have received, particularly from Morningstar and APFIPP.

The amount of assets managed by Caixa Gestão de Activos, at the end of December, was up 2.5% over 2016 to €28,127 million.

GESTÃO DE ATIVOS* - INDICATORS

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	(%)
Net Comissions	19.9	21.4	1.5	7.7%
Total operating income	20.8	22.3	1.5	7.0%
Operating costs	13.5	12.7	-0.8	-6.3%
Net op. income before impairments	7.3	9.6	2.3	31.6%
Net income	5.8	7.2	1.4	24.8%
Assets under management	27,439.9	28,126.8	686.9	2.5%
Caixagest - Unit Trust investment Funds	3,519.3	3,927.7	408.4	11.6%
Fundger - Property Funds	950.3	972.5	22.2	2.3%
CGD Pensões - Pension Funds	3,440.3	3,770.4	330.1	9.6%
Caixagest - Wealth Management	19,530.0	19,456.2	-73.8	-0.4%

(*) Includes Caixa Gestão de Activos, Fundger, Caixagest and CGD Pensões

The consequences of Euribor rates continuing at historically low levels was a dampening of the attractiveness of traditional products in the eyes of savers, from which all asset management segments benefited.

In the case of Caixa Gestão de Activos, special mention should be made, in 2017, to the 11.6% and 9.6% growth, over 2016, in unit trust investment funds and pension funds (including retirement savings plans) respectively.

Gross commissions in 2017 from the asset management business as a whole were up 6,2% over the preceding year to €51.2 million. Reference should be made, regarding these amounts, to the significant growth of around 19% in commissions from unit trust funds.

GROSS COMMISSIONS

(EUR million)

	2016-12	2017-12
Unit trust funds	20.8	24.6
Property funds	10.1	7.8
Pension funds	6.1	6.2
Wealth management	11.6	12.5
Total	**48.5**	**51.2**

This result, deriving from the strategy implemented at the end of 2015, translates the different composition of fund families, in which a larger proportion of funds resulted in a more interesting investment solution for customers. Reference should be made to the growth of multiasset, equity and bond funds. Commissions charged on money market funds were also reduced to the benefit of customers, in line with the low level of short term rates.

With an expressive contribution and in spite of the slight decrease in the amounts under management (resulting from changes in the assets under management of major customers with insurance portfolios), commissions earnings from the consultancy business on investment and portfolio management were up 11% over the preceding year.

Unit trust investment funds – Caixagest

The Portuguese market for unit trust investments funds, in 2017, posted a growth rate of 10.7%, reflecting investors' greater interest in bond and multiasset funds and retirement savings plans.

The funds managed by Caixagest were no exception to this trend and recorded an increase of 11.6%, corresponding to a growth of €409 million. Reference should be made to the Multiasset Funds (+ 27%), Bonds (+ 75%) and Shares (+ 22%). As regards the Protected Capital Funds, the two funds that were still alive were due, and were repaid to customers.

Caixagest retained its leading position with a 32% market share.

FUNDS UNDER MANAGEMENT

(EUR million)

	2016	2017
Treasury funds	1,685	1,683
Bond funds	293	642
Multi-asset funds	485	615
Share funds	453	552
Alternative funds	473	436
Protected capital funds	131	0
Total	**3,519**	**3,928**

Gross commissions from unit trust investment funds were up 18,6% over the preceding year to €24.6 million.

Property funds – Fundger

Fundger is responsible for managing the real estate development funds of 19 closed end funds and the management of the Fundimo fund which is the largest Portuguese open-ended real estate fund, totalling a global net amount €565 million. The total value of the real estate funds managed by Fundger amounted to €972 million, at the end of 2017, up 2.3% over 2016.

PROPERTY FUNDS MANAGEMENT

(EUR million)

	2016	2017
Fundimo open-ended fund	563	565
Closed end funds	388	407
Total	**950**	**972**

Gross commissions from real estate funds in 2017 were down 22.7%, to €7.8 million owing to the impact of the exit of four major closed-end funds in 2016 on revenue for 2017.

Pension funds - CGD Pensões

At the end of 2017, the net asset value of the funds managed by CGD Pensões was up 9.6% over 2016 to €3,770 million.

FUNDS UNDER MANAGEMENT

(EUR million)

	2016	2017
Closed end funds	3,001	3,292
Open-ended funds	440	412
Retirement Savings Plan fund	0	67
Total	**3,440**	**3,770**

The value of the closed-end pension funds managed by CGD Pensões was up 9.7%, and open-ended funds up 8.8%, particularly on account of the second half year launch of the *Caixa Rendimento Mais PPR* pension fund.

Gross commissions from pension funds, in 2017, were up 3.1%, over the preceding year to €6.2 million.

Portfolio management and investment advisory – Caixagest

In 2017, Caixagest continued to successfully promote its portfolio management consultancy service for individual and institutional customers ("wealth management"). This was based on an approach of improving its level of service offer for its present upper affluent customer and with the aim of finding new customers.

As a consequence, the €167 million increase in the amount under management in the individual customers segment almost doubled. The €312 million increase in the institutional customers segment essentially derived from the appreciation of the portfolios under management.

PORTFOLIOS UNDER MANAGEMENT

(EUR million)

	2016	2017
Insurance portfolios	13,023	12,109
Institutional	6,070	6,382
Other	438	965
Total*	**19,530**	**19,456**

* Without pension funds

The global amount of the portfolios managed by Caixagest under its investment advisory and portfolio management businesses fell 0.4% in 2017, owing to the reduction in the size of the insurance portfolios, which account for a significant proportion of the amounts under management.

Income from the portfolio consultancy and management service was up by a year-on-year 10.8% to €12.5 million in 2017.

1.5.1.2. INTERNATIONAL ACTIVITY

Across 2017 and in accordance with Pillar 3 of its Strategic Plan 2017-2020, CGD restructured its international presence with the objective of focusing on priority geographies having a business affinity with Portugal, pursuant to which the London, Cayman and Macau offshore branches were wind down in 2017. The formal process for the sale of Banco Mercantile (South Africa) and BCG Spain was also launched.

In 2017 CGD continued to commit resources to developing cross border business and backing the internationalisation of Portuguese companies, namely in the 7 Portuguese-speaking countries in which CGD Group is present.

One of the focuses of CGD's international business was receivables and core products, promoting cross segment business with other networks and committing to business with the subsidiaries of Portuguese companies in other geographies.

As regards oversight of Caixa's units abroad, special emphasis should be placed on the creation of a specific area governing the relationship with such entities, with the aim of promoting and leveraging Caixa Group's offer, overseeing intra Group business and promoting operations between them. The centralising of contacts in this area made it possible to reduce response times and control information, maximise the relational synergies with the main correspondent banks and encouraging the adoption of standardised practice on a Caixa Group level.

Two facilities for CGD and CGD Group banks were taken out with the EIB (European Investment Bank) last December, to promote and contract for trade and financing facilities and support, namely:

- A €150 million loan to facilitate the funding of the investment projects of Portuguese SME (small and medium-sized companies) with the objective of promoting economic growth and job creation in Portugal. This is the last tranche of a total EIB loan of €300 million made to CGD to provide financing for companies;
- A €30 million line of credit in which CGD provided an additional €30 million to finance projects in categories eligible for investment support and projects related with the energy efficiency, renewable energies and environmental management of individual customers and SME. CGD was the first Portuguese financial institution to take out this facility with the EIB under the *Linha BEI Casa Eficiente* which is a Portuguese government initiative.

In the corporate products and services area reference should be made, in the case of foreign trade, to the launch of quarterly commercial campaigns as part of the new commercial approach model, with the main objective of strengthening Caixa's position and increasing its market share of this sector by promoting core trade finance products, namely documentary credit and documentary remittances, together with an increase in forfaiting operations in euros for export documentary credit. Reference should be made to the following developments:

- Promotion of forfaiting operations on confirmed export documentary credit;
- Revision of the foreign trade price list, making it more simple, clear and competitive for customers;
- Promotion of the product specialists model working directly with branch office networks and customers, aiming to improve efficiency, quality of service, increased trade finance and specialised credit;
- Added backing for corporate internationalisations with the development of specific offers in various geographies, affirming CGD's status as a bank for exporting companies and leveraging the synergies of CGD Group's international platform.

These trade finance development initiatives were accompanied by an analysis and identification of capital reduction opportunities on foreign trade products and international trading enabling the capital consumption associated with this aspect of CGD's activity to be rationalised.

Contributions from the International Area

The international area's contribution to the Group's consolidated net income for 2017 was up 310.4% over the preceding year to €227.8 million. Excluding non-recurring costs in the international perimeter on the restructuring of such units, net income for this year's activity would have been €272.8 million.

These non-recurring costs relate to units closed in 2017 (Branches of London, Cayman and Off-shore Macau), as well as to the impact of applying IAS 29.

Total operating income was down 10.5% by €66.5 million with net interest income (including income from equity instruments) up 7.7% by €33.9 million, operating costs were up 1.6% and provisions and impairment down 83.7%.

Excluding non-recurring costs, the operating costs reduction was 3.3%.

CONTRIBUTION TO CONSOLIDATED NET INCOME (*)

INTERNATIONAL ACTIVITY

(EUR million)

	2016-12	2017-12	Change 2017-12 vs 2016-12 Total	Change 2017-12 vs 2016-12 (%)
Net interest inc. incl. inc. from eq. investm.	441.6	475.5	33.8	7.7%
Net fees and commissions	98.1	91.5	-6.6	-6.8%
Net trading income	92.5	-18.2	-110.8	-
Other operating income	0.2	17.3	17.1	7954.5%
Total operating income	**632.5**	**566.0**	**-66.5**	**-10.5%**
Employee costs	163.9	172.6	8.6	5.3%
Administrative expenses	116.5	103.8	-12.7	-10.9%
Depreciation and amortisation	26.0	35.0	9.1	34.9%
Operating costs	**306.4**	**311.4**	**5.0**	**1.6%**
Net operating income before impairments	**326.1**	**254.7**	**-71.5**	**-21.9%**
Credit impairment (net)	234.1	30.6	-203.4	-86.9%
Provisions and impairments of other assets (net)	42.6	14.5	-28.1	-65.9%
Net operating income	**49.5**	**209.5**	**160.1**	**323.6%**
Income Tax	-6.3	44.8	51.1	-
Net operating income after tax and before non-controlling interests	**55.7**	**164.7**	**109.0**	**195.6%**
Non-controlling interests	36.1	21.6	-14.5	-40.2%
Results from subsidiaries held for sale	35.3	83.6	48.3	136.8%
Results of associated companies	0.6	1.1	0.5	89.4%
Net income	**55.5**	**227.8**	**172.3**	**310.4%**
Net income from current activity (1)	**61.2**	**272.8**	**211.6**	**345.9%**

(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.
(1) Excluding non-recurrent costs.

The result of subsidiaries held for disposal, influenced by the referred to contribution of CGD Investimentos CVC, was up €48.3 million to €83.6 million.

Net income from current international area activity in 2017 was €272.8 million. The main contributors were BNU Macau (€70.0 million), France branch (€49.6 million), CGD Investimentos CVC (€41.2 million) and BCG Spain (€26.3 million).

INTERNATIONAL UNITS

FRANCE BRANCH

France branch (CGD France) focuses on Portuguese-speaking communities. One of its main objectives consists of assisting Portuguese companies operating in France, both in the sphere of bilateral trade between the two countries and the freedom to provide services in Europe.

In 2017 CGD France's activity was performed in a macroeconomic context of a relative upturn in economic activity and a banking market characterised by competition with a plethora of real estate credit renegotiating operations which incremented its business with local clients.

The branch's assets dropped to €2,888 million at the end of 2017. The decrease resulted from the transfer of operations to CGD Portugal and early reimbursement of loans and advances to customers, treasury operations and loans and advances to credit institutions not originated locally, offset by a reduction of liabilities, credit institutions' resources and debt securities issuances.

Loans and advances to customers (net), concentrated in the international portfolio, were down 43.9% over the end of 2016 to €2,112 million due, exclusively, to the reduction of the referred to international portfolio. Loans and advances to customers made by the domestic branch office network, however, were up by a year-on-year 10.1% to €2,090 million. The increase in the corporate segment was 20.5% to €1,190 million.

Customer deposits were up 7.8% over 2016 to €2,310 million, deriving from the 7.8% evolution of the domestic network to €2,258 million.

Net interest income was up 2.6% over last year to €100.4 million and commissions (net), with a 12.4% increase to €29.8 million, made a favourable contribution to results.

Operating costs of €57.8 million were up over last year, owing to the increase in general administrative expenditure, resulting from higher business volume.

CGD France earned net income of €48.8 million in comparison to €74.9 million in 2016, when it benefited from the exceptional capital gains of €45.9 million from Treasury operations. The activity in France contributed to the referred to net result was €25.8 million.

FRANCE BRANCH - INDICATORS

(EUR million)

			Change 2017-12 vs 2016-12	
	2016-12	2017-12	Total	(%)
Net interest income	97.9	100.4	2.5	2.6%
Total operating income	164.4	120.2	-44.2	-26.9%
Operating costs	56.6	57.8	1.1	2.0%
Net op. income before impairments	107.8	62.5	-45.3	-42.0%
Provisions and impairments	13.6	-5.8	-19.4	-
Net income	74.9	48.8	-26.2	-34.9%
Net assets	4,688.6	2,888.1	-1,800.5	-38.4%
Loans and adv. to customers (net)	3,761.8	2,111.7	-1,650.1	-43.9%
Customer deposits	2,142.3	2,310.1	167.8	7.8%

France branch's contribution to CGD's consolidated net income, in 2017, was €49.6 million against €68.6 million in 2016.

BNU MACAU

Banco Nacional Ultramarino (BNU Macau) continues to perform a commercial banking activity while, at the same time, operating as one of the two banks responsible for the issuance of currency in Macau (MOP – Macau Pataca), in a context of a continual increase of currency in circulation.

The Special Administrative Region of Macau has enjoyed a favourable economic climate, although the banking sector revealed to be highly competitive, essentially on account of the presence of the major Chinese banks. There has been a drop in charges and the respective profitability of operations.

BNU's performance as measured by its solvency, liquidity and profitability continues, however, to be good.

BNU Macau's total assets were down 2.8% to MOP 64,685 million at the end of 2017.

In terms of the evolution of its business, special reference should be made to the 9.3% growth of loans and advances to customers (net) with a loans-to-deposits ratio of 59.9% against 50.4% in 2016.

Loans and advances to customers (net) were up 9.3% to MOP 28,391 million at the end of 2017.

The average number of products per active customer increased to 3.58 in 2017, with an increase in customer loyalty in insurance, cards and asset management products.

BNU's net interest income in 2017 was down 1.4%, particularly owing to the effect of the fall in interest rates on the MOP and HKD (Hong Kong dollar) in addition to the increased spread on interest rates between the USD and the HKD, which, in turn, triggered an increase in the costs of currency swaps.

Income from cards, however, was up 15.4%, owing to greater customer loyalty and increased cross-selling of products.

Total operating income was up 6.9% over 2016 to MOP 1,112 million.

Employee costs were down 0.5% over the preceding year, with an increase of around 1% in the number of employees. Administrative costs, by contrast, were up 6.1% owing to major containment in the procurement area, notwithstanding the existence of inflationary pressures in the Territory and the expansion of the branch office network.

Depreciation for the year was up 9.5% over the preceding year owing to the opening of a branch at the end of last year and improvement works on the Bank's properties.

Reference should be made to the decrease of the efficiency ratio to 31.1% in 2017, against 32.6% in 2016.

Impairment and provisions (net) were down 41.5%, over 2016, as a consequence of the decrease in collective impairment.

The solvency ratio was 17.5 % in December 2017 against 15.3% at the end of 2016.

The Bank's net income was therefore up 13.7% over the preceding year to MOP 634.1 million.

BNU MACAU - INDICATORS

			(EUR million)			(MOP million)
	2016-12	2017-12	Change (%)	2016-12	2017-12	Change (%)
Net interest income	85.8	82.5	-3.8%	758.9	748.1	-1.4%
Total operating income	117.6	122.7	4.3%	1,040.4	1,111.7	6.9%
Operating costs	38.4	38.4	0.0%	339.6	347.9	2.5%
Net op. income before impairments	79.2	84.3	6.4%	700.8	763.7	9.0%
Provisions and impairments	7.5	4.3	-42.9%	66.6	38.9	-41.5%
Net income	63.1	70.0	11.0%	557.9	634.1	13.7%
Net assets	7,905.2	6,700.9	-15.2%	66,564.1	64,685.3	-2.8%
Loans and adv. to customers (net)	3,084.5	2,941.1	-4.7%	25,972.9	28,390.9	9.3%
Customer deposits	6,120.0	4,909.4	-19.8%	51,532.1	47,391.3	-8.0%

Exchange rate EUR/MOP - Balance sheet: 8.4203 in Dec/16 and 9.6532 in Dec/17; P&L: 8.8477 in Dec/16 and 9.0631 in Dec/17.

BNU Macau´s contribution to the Group's consolidated net income in 2017 was €70.0 million, up 11.0% over the preceding year's €63.1 million.

EAST TIMOR BRANCH

East Timor continues to enjoy a stable socio-political climate, in spite of the fact that its economy is highly dependent upon the state budget and, consequently, oil revenue.

CGD Group's branch in East Timor operates under the BNU Timor brand which is the oldest bank in the financial system, with a presence since 1912. It operates through 14 nationwide branches in addition to having a total number of 44 ATMs and 96 POS terminals, the most representative nationwide.

BNU Timor has strengthened its position as a pioneering bank in its launch of market products in which special reference should be made to the launch of the first Visa cards in 2017. Visa-BNU cards are currently the only credit cards to have been issued by East Timor's financial system in which another 5 banks operate (two Indonesian, one Australian and two Timorese).

Reference should be made to the state's attribution of an *external investor certificate* to the East Timor Branch, entitling it to fiscal exemption on income and customs duties underpinning the investment project for a period of 5 years.

The branch has been maintaining a rigorous risk control and assessment policy commensurate with the economic reality, contributing towards a drop in loan applications involving significant amounts from companies. The non-existence of records of real estate assets and consequent impossibility of registering real guarantees (mortgages) and the non-existence of certified accounting information, which is still not a mandatory legal requirement are a decisive factors behind the maintenance of this more conservative strategy.

The focus, as regards individual customers, is on customers who enjoy income stability, namely the public sector, pensioners and others who work in companies with a good level of performance.

The constant commitment to strengthening the CGD/BNU Timor brand has been a reference in terms of best international practice, conveying factors of stability rigour and security to the market. This has been a fundamental asset in the branch's maintenance of a significant deposits portfolio.

The performance of the branch's balance sheet, in 2017, was highly satisfactory.

Net assets were down 25.8% by USD 117 million over 2016 to USD 337.7 million at the end of December 2017, essentially on account of the decrease in loans and advances to credit institutions which were down 27.9% by USD 109 million.

Liabilities, influenced by the 79.4% decrease of USD 80 million in credit institutions' resources, were 27.7% down over 2016 to USD 325 million at the end of December.

Loans and advances to customers (net) were down 9.9% to USD 28.8 million against USD 32.0 million in 2016. On the liabilities side, customer deposits trended to negative at USD 301.7 million at the end of December 2017, down 12.4% over 2016.

The loans-to-deposits ratio, partly deriving from the highly conservative lending policy owing to the context in which East Timor operates, stood at 9.5%.

Net interest income was up by a year-on-year 3.4% to USD 8.9 million, and total banking income was up 6.1% over 2016 to USD 12.5 million.

Net of operating costs of USD 6.9 million (up 1%), net operating income before impairment was USD 5.6 million, up by a year-on-year 13.3%.

The provisions and impairment aggregate, owing to the cancellation, posted income of USD 1.6 million. The net income of the East Timor branch in 2017 was up 23.8% over the preceding year to USD 7.1 million.

Cost-to-income was down by a year-on-year 3.46 pp to 54.8%.

According to the latest available figures (September 2017), the East Timor branch achieved market shares of 32% and 37% for credit and customer deposits, respectively.

EAST TIMOR BRANCH - INDICATORS

	(EUR million)			(USD million)		
	2016-12	2017-12	Change (%)	2016-12	2017-12	Change (%)
Net interest income	7.8	7.9	1.3%	8.7	8.9	3.4%
Total operating income	10.6	11.1	4.0%	11.8	12.5	6.1%
Operating costs	6.2	6.1	-1.1%	6.9	6.9	1.0%
Net op. income before impairments	4.4	4.9	11.1%	4.9	5.6	13.3%
Provisions and impairments	-1.3	-1.4	-	-1.5	-1.6	-
Net income	5.2	6.3	21.3%	5.7	7.1	23.8%
Net assets	431.6	281.6	-34.8%	454.9	337.7	-25.8%
Loans and adv. to customers (net)	30.3	24.0	-20.8%	32.0	28.8	-9.9%
Customer deposits	326.9	251.6	-23.0%	344.6	301.7	-12.4%

Exchange rate EUR/USD - Balance sheet: 1.0541 in Dec/16 and 1.1993 in Dec/17; P&L: 1.1066 in Dec/16 and 1.1294 in Dec/17.

East Timor Branch´s contribution to the Group's consolidated net income in 2017 was €4.6 million.

BCI MOZAMBIQUE

In a scenario involving major challenges and uncertainties regarding Mozambique's economy again registered a steep slowdown in 2017 conditioned by the impacts of the crisis on a level of domestic demand owing to lower levels of public investment, reduction of lending, real wages and the confidence of consumers and businesspeople.

In 2017, following a marked level of depreciation in 2016, the metical (MZN) showed signs of stability in comparison to the countries of its main economic partners (dollar, euro and rand).

There continued to be constraints on the implementation of the expansion plan of the branch office network of Banco Comercial e de Investimentos (BCI) across 2017, pursuant to which the Bank, last year, opened only two new branches to a current total of 195 (30.1% of Mozambique's total banking system network).

There was, on the other hand, a 3% increase of 19 units in the total number of ATMs and a 16.8% increase of 1,622 units, in the number of POS terminals to a total number of 661 ATMs and 11,282 POS terminals in December 2017.

As over the last two years, BCI continues to consolidate its leading position in the national banking system in the areas of credit, deposits and assets – with main market shares of 31.8%, 30.2% and 28.0% respectively, in December.

BCI enjoyed a global 8.3% asset growth of MZN 11.9 billion to MZN 155.3 billion, as a reflection of the effects of the increase in its financial assets portfolio and loans and advances to credit institutions which more than made up for the reduction in its portfolio of loans and advances to individual and corporate customers.

Loans and advances to customers (net) were down 13.1% by MZN 11.0 billion over 2016 to MZN 72.9 billion, owing to higher financing costs and a MZN 8.2 billion reduction of demand in the corporate segment.

Customer deposits were up 9.4% by MZN 9.7 billion to MZN 112.7 billion at the end of 2017, fuelled by the 22.2% increase of MZN 15.6 billion in the volume of national currency resources.

The loans-to-deposits ratio was down 16.9 pp over the end of 2016 to 64.4% in December 2017.

As regards results, the Bank posted a positive level of performance in terms of its total operating income (up MZN 1.6 billion over 2016), based on the 32.9% growth of MZN 2.0 billion of its net interest income to MZN 8.2 billion.

Operating costs were up 11.6% by MZN 0.7 billion to MZN 6.8 billion in 2017. A proportion of 52.8% referred to employee costs which were up MZN 0.4 billion over 2016.

General administrative expenditure was up 5.0% in 2017 to MZN 2.5 billion. This is explained by the expansion of the level of activity across the year and the level of inflation recorded.

Impairment and provisions were up by a year-on-year 17.4% to MZN 2.0 billion in 2017, owing to the increased risk of credit operations.

There was a 7.5 pp improvement in the cost-to-income ratio to 55.7%, in comparison to 63.2% in 2016.

ROA (return on assets) posted a year-on-year increase of 0.52 pp to 1.5% in 2017.

BCI'S net income was therefore up MZN 0.96 billion over 2016 to MZN 2.3 billion.

BCI MOZAMBIQUE - INDICATORS

			(EUR million)			(MZN million)
	2016-12	2017-12	Change (%)	2016-12	2017-12	Change (%)
Net interest income	89.4	115.3	28.9%	6,163.5	8,190.5	32.9%
Total operating income	140.0	158.5	13.2%	9,648.5	11,260.4	16.7%
Operating costs	88.5	95.7	8.2%	6,097.4	6,802.3	11.6%
Net op. income before impairments	51.5	62.7	21.7%	3,551.1	4,458.0	25.5%
Provisions and impairments	25.3	28.8	13.9%	1,740.9	2,043.9	17.4%
Net income	19.7	32.7	65.8%	1,358.7	2,322.4	70.9%
Net assets	1,910.8	2,211.5	15.7%	143,463.7	155,333.5	8.3%
Loans and adv. to customers (net)	1,117.0	1,037.6	-7.1%	83,865.5	72,878.9	-13.1%
Customer deposits	1,371.6	1,604.6	17.0%	102,978.0	112,709.0	9.4%

Exchange rate EUR/MZN - Balance sheet: 75.0807 in Dec/16 and 70.2400 in Dec/17; P&L: 68.9085 in Dec/16 and 71.0558 in Dec/17.

BCI Moçambique´s contribution to the 2017 Group’s consolidated net income was €19.8 million.

BCG ANGOLA

The Angolan economy, notwithstanding endeavours to diversify, continues to be highly reliant on oil revenue (which remains low). Together with the restrictions on the supply of foreign exchange, this has had a restrictive effect on the performance of its activity.

Banco Caixa Geral Angola (BCG Angola), which is operating in a highly adverse environment, maintained its commitment to improve the quality of the services it provides to its corporate and affluent individual customers, through the remodelling and modernisation of its branch office network, functionalities of its transactional sites and general website, mobile banking solutions and call centre.

BCG Angola entered into a bancassurance partnership in 2017, committing to the commercialisation of insurance, including insurance associated with credit products, increasing its control over guarantees received as collateral for operations and improving the customer experience in the contracting process.

BCG Angola’s assets of 312.7 billion Angolan kwanza (AOA) at the end of 2017, were down by a year-on-year 0.6%.

Its credit portfolio was down by a year-on-year 9.5% to AOA 86.6 billion with a significant increase in overdue credit. The overdue credit coverage ratio is 47.9% and the default ratio is 16.8%.

In 2017, customer resources accounted for 94% of total liabilities, down 7.5% over 2016, to AOA 226.4 billion. Competition for resources has increased as a reflection of the environment of a reduction of the money supply in circulation.

BCG Angola’s net interest income of AOA 24.6 billion in 2017 was up 19.1% over 2016.

Operating costs were up 21.9% year-on-year 2016, owing to the increase of all of its component parts.

Net income in 2017 was down 76.9% over 2016 to AOA 2.2 billion.

BCG ANGOLA - INDICATORS

	(EUR million)			(AOA million)		
	2016-12	2017-12	Change (%)	2016-12	2017-12	Change (%)
Net interest income	114.4	131.6	15.0%	20,621.9	24,550.9	19.1%
Total operating income	140.3	106.9	-23.8%	25,277.0	19,937.3	-21.1%
Operating costs	56.2	66.2	17.8%	10,123.7	12,342.7	21.9%
Net op. income before impairments	84.1	40.7	-51.6%	15,153.3	7,594.6	-49.9%
Provisions and impairments	23.1	16.5	-28.7%	4,172.0	3,079.2	-26.2%
Net income	51.9	11.6	-77.7%	9,357.9	2,157.1	-76.9%
Net assets	1,809.6	1,575.7	-12.9%	314,601.9	312,692.1	-0.6%
Loans and adv. to customers (net)	550.3	436.2	-20.7%	95,678.6	86,561.6	-9.5%
Customer deposits	1,397.6	1,137.8	-18.6%	242,981.5	225,801.1	-7.1%

Exchange rate EUR/AOA - Balance sheet: 173.8526 in Dec/16 and 198.4500 in Dec/17; P&L: 180.2256 in Dec/16 and 186.5195 in Dec/17.

BCG Angola´s contribution to the 2017 Group's consolidated net income was €5.8 million.

BANCO COMERCIAL DO ATLÂNTICO

In Cape Verde, the activity of Banco Comercial do Atlântico (BCA) was influenced by the economic recovery in 2017 when several new business opportunities were sustained by good market prospects, having an impact on a level of demand for credit and growing competition between banks.

The Bank's net assets were up 5.4% by 4.6 billion Cape Verde escudo (CVE) over December 31st, 2016 to CVE 89.4 billion. This increase derived from loans and advances to credit institutions (particularly in the central bank) which were up 27.9% over 2016.

Credit (gross), deriving from the 1.6% increase in loans and advances to individual customers and investments in securities, namely Cape Verde Treasury bonds and the bonds of public and private companies (up 10.3%) was up 2.3%, over the end of 2016.

Customer resources, as the Bank's main funding source, grew 4.4%. Special reference should be made to the 18.8% growth of sight deposits, in which strategic importance continued to be afforded to retaining the loyalty of existing customers and securing new resources.

Term deposits, including savings accounts, were down 4.4%. Emigrants' deposits were up 4% by CVE 1.4 billion over 2016 to CVE 36.9 billion. This growth reflects the loyalty of diaspora customers to the BCA brand and strengthens the existing level of confidence. Emigrants' deposits accounted for 46.9% of the Bank's total deposits in 2017.

Operating costs, in spite of the containment of expenditure, were up 2.9% by CVE 53.3 million, with employee costs and general administrative expenditure up 3.5% and 3.0% respectively. The increase in employee costs reflected several factors, including a wage increase of 0.5%.

Additional costs of around CVE 20 million were incurred to provide for the development of the Bank's protection areas (Compliance Office, Risk Management Division, and Internal Audit Division).

The increase in operating costs, which was lower than the progression of total operating income, led to an improvement of the cost-to-income indicator from 69.9% in 2016 to 66.3% in 2017.

BCA's net income of CVE 272.0 million, in 2017, was down 4.9%. This result was heavily influenced by the 50.4% increase of CVE 195 million in provisions and impairment, notwithstanding the positive 11.5% evolution of total operating income.

BCA CAPE VERDE - INDICATORS

	(EUR million)			(CVE million)		
	2016-12	2017-12	Change (%)	2016-12	2017-12	Change (%)
Net interest income	16.7	17.8	6.8%	1,838.2	1,963.9	6.8%
Total operating income	22.1	24.7	11.6%	2,440.8	2,722.7	11.5%
Operating costs	16.5	17.0	2.9%	1,818.6	1,871.9	2.9%
Net op. income before impairments	5.6	7.7	36.7%	622.2	850.8	36.7%
Provisions and impairments	3.5	5.3	50.4%	386.3	580.8	50.4%
Net income	2.6	2.5	-4.9%	285.9	272.0	-4.9%
Net assets	769.1	810.8	5.4%	84,806.4	89,406.7	5.4%
Loans and adv. to customers (net)	411.3	418.6	1.8%	45,356.0	46,151.5	1.8%
Customer deposits	660.1	689.1	4.4%	72,787.4	75,987.4	4.4%

Exchange rate EUR/CVE - Balance sheet and P&L: 110.2657 in Dec/16 and 110.2650 in Dec/17.

BCA´s contribution to the Group’s consolidated net income in 2017 was €1.4 million.

BANCO INTERATLÂNTICO

In 2017, Banco Interatlântico (BI) continued to further a strategy of containing the evolution of its non-performing loans and improving its profitability and prudential ratios.

BI’s main prudential ratios reflected the strengthening of the strategic initiatives deriving from the three operating areas: improved profitability; risk mitigation and qualification of its human and technological resources.

Higher levels of impairment, reactivation of the operational risk model, plans for technological upgrades and employee training and requalification actions mirror the dynamics of the transformation and improvement in progress.

BI committed resources to distance banking across 2017, renewing its individual customers and corporate internet banking platform and expanding its remote facilities in line with the appetite in diverse customer segments.

Net assets, at 31 December 2017, were down 8.1% over the preceding year to CVE 25,672 million.

Loans and advances to customers (net) were up 5.0% in 2017. Contributory factors were the 11.0% and 4.4% increases in loans and advances to individual and corporate customers respectively, owing to the Bank’s increased commercial flexibility.

Overdue credit was down 7% with a 55% increase in the recovery of overdue interest over the preceding year, owing to credit recovery operations.

Deposits were down 9.6%, as a result of the continuous review of the Bank’s price list, namely decreases in borrowing rates (with an impact on term deposits), but which, at the same time permitted a 23% year-on-year decrease in financial costs.

The loans-to-deposits ratio was up 12 pp to 84%, as a consequence of the increase in credit and decrease in deposits.

The cost-to-income ratio was down 11 pp owing to the 24.4% growth of total operating income which was essentially influenced by the 38.1% increase of CVE 200 million in net interest income which outperformed the 6.6% increase of CVE 38.9 million in operating costs.

The increase in provisions and impairment which were up a significant 70.3% over 2016 to CVE 266.2 million.

Net income for 2017 amounted to CVE 54.3 million against the preceding year’s CVE 5.6 million, translating BI’s commitment to sustainable profitability levels.

BI CAPE VERDE - INDICATORS

			(EUR million)			(CVE million)
			Change			Change
	2016-12	2017-12	(%)	2016-12	2017-12	(%)
Net interest income	4.8	6.6	38.1%	525.2	725.3	38.1%
Total operating income	6.8	8.5	24.4%	754.0	937.9	24.4%
Operating costs	5.3	5.7	6.6%	588.5	627.4	6.6%
Net op. income before impairments	1.5	2.8	87.6%	165.5	310.5	87.6%
Provisions and impairments	1.4	2.4	70.3%	156.3	266.2	70.3%
Net income	0.1	0.5	877.5%	5.6	54.3	877.5%
Net assets	252.8	232.4	-8.1%	27,877.6	25,627.2	-8.1%
Loans and adv. to customers (net)	151.5	159.1	5.0%	16,702.6	17,544.9	5.0%
Customer deposits	225.8	204.2	-9.6%	24,895.6	22,516.2	-9.6%

Exchange rate EUR/CVE - Balance sheet and P&L: 110.2657 in Dec/16 and 110.2650 in Dec/17.

BI´s contribution to the Group’s consolidated net income in 2017 was €315.000.

1.5.2. SEPARATE ACTIVITY

RESULTS

CGD's separate activity returned to profit in 2017, following the significant losses of 2016 originated by the strengthening of impairment and provisions. Net income for 2017 was a positive €24.6 million.

INCOME STATEMENT (SEPARATE) [(a)]

(EUR thousand)

			Change	
	2016-12	2017-12	Total	(%)
Interest and similar income	1.939.389	1.725.180	-214.209	-11,0%
Interest and similar costs	1.274.441	890.360	-384.082	-30,1%
Net interest income	664.948	834.820	169.872	25,5%
Income from equity instruments	57.540	59.889	2.349	4,1%
Net interest income incl. income from eq. investm.	**722.488**	**894.709**	**172.221**	**23,8%**
Fees and commissions income	435.055	460.424	25.369	5,8%
Fees and commissions expenses	85.573	88.411	2.838	3,3%
Net fees and commissions	349.482	372.013	22.531	6,4%
Net trading income	32.826	218.633	185.807	566,0%
Other operating Income	-19.796	-65.260	-45.464	-
Non-interest income	**362.511**	**525.386**	**162.875**	**44,9%**
Total operating income	**1.084.999**	**1.420.095**	**335.096**	**30,9%**
Employee costs	503.720	492.574	-11.146	-2,2%
Administrative expenses	321.970	279.018	-42.952	-13,3%
Depreciation and amortisation	65.775	53.182	-12.593	-19,1%
Operating costs	891.465	824.774	-66.691	-7,5%
Net operating income before impairments	**193.534**	**595.321**	**401.787**	**207,6%**
Credit impairment (net)	2.216.408	119.092	-2.097.316	-94,6%
Provisions and impairments of other assets (net)	860.873	322.218	-538.656	-62,6%
Provisions and impairments	**3.077.281**	**441.309**	**-2.635.972**	**-85,7%**
Net operating income	**-2.883.747**	**154.012**	**3.037.759**	**-**
Income Tax	**-833.334**	**129.370**	**962.704**	**-**
Current	-327.376	30.406	357.782	-
Deferred	-541.788	65.454	607.242	-
Contribution on the banking sector	35.830	33.509	-2.320	-6,5%
Net income	**-2.050.413**	**24.642**	**2.075.055**	**-**

(a) Including the activity of the France, London, Spain, Luxembourg, New York, Grand Cayman, Timor, Macau and Zhuhai branches.

Net interest income, including income from equity instruments, was up 23.8% over 2016 to €894.7 million, in 2017, particularly owing to the 30.1% reduction of interest and similar costs which permitted a positive 25.5% increase in net interest income.

In addition to the favourable performance of net interest income, including income from equity instruments, the €185.8 million increase in income from financial operations also contributed to a 30.9% increase of €335.1 million in total operating income.

Operating costs – down 7.5% over 2016 – evolved favourably. Reference should be made to the 2.2% reduction of €11.1 million in employee costs. General administrative expenditure and depreciation and amortisation were down 13.3% and 19.1%, in the period, respectively. As a result of the referred to evolution, net operating income before impairment was up 207.6% by €401.8 million over 2016 to €595.3 million in 2017.

Core operating income (the sum of net interest income and commissions, net of operating costs), was up 210.7% by €259 million over the preceding year to €382 million in 2017, benefiting from the positive performance of both net interest income and operating costs.

Impairment and provisions were substantially down to €441.3 million in 2017 of which €119.1 million comprised credit coverage.

BALANCE SHEET

Net assets from Caixa Geral de Depósitos's separate activity were up 0.9% over the preceding year to €82,174 million at the end of 2017. Reference should be made to the evolution of the loans and advances to customers portfolio (down 7.6%), securities investments (up 8.4%) and cash and cash equivalents at central banks.

On the liabilities side reference should be made to the reductions of central banks' and credit institutions' resources (down 18.6%), customer resources (down 3.1%) and subordinated liabilities (down 57.0%) in this last case reflecting the cancelation of CoCo bonds.

BALANCE SHEET (SEPARATE)

(EUR million)

			Change	
ASSETS	2016-12	2017-12	Total	(%)
Cash and cash equivalents with central banks	867	3,750	2,883	332.4%
Loans and advances to credit institutions	4,553	4,211	-342	-7.5%
Securities investments	15,999	17,337	1,338	8.4%
Loans and advances to customers	52,042	48,072	-3,970	-7.6%
Non-current assets held for sale	341	713	372	108.9%
Intangible and tangible assets	397	336	-61	-15.4%
Investm. in subsid. and associated companies	3,664	3,492	-172	-4.7%
Current and deferred tax assets	2,329	2,235	-94	-4.0%
Other assets	2,715	2,027	-266	-11.6%
Total assets	**82,908**	**82,174**	**-734**	**-0.9%**
LIABILITIES				
Central banks' and credit institutions' resources	5,954	4,847	-1,107	-18.6%
Customer resources	58,649	56,838	-1,811	-3.1%
Debt securities	4,217	4,053	-164	-3.9%
Financial liabilities	1,676	1,056	-620	-37.0%
Provisions	1,073	1,247	174	16.2%
Subordinated liabilities	2,622	1,128	-1,494	-57.0%
Other liabilities	6,300	5,833	-467	-7.4%
Sub-total	**80,491**	**75,001**	**-5,490**	**-6.8%**
Shareholders' equity	**2,417**	**7,173**	**4,756**	**196.8%**
Total	**82,908**	**82,174**	**-734**	**-0.9%**

(a) Including the activity of the France, London, Spain, Luxembourg, New York, Grand Cayman, Timor, Macau and Zhuhai branches.

CAPITAL MANAGEMENT

Shareholders' equity, at the end of 2017, totalled €7,173 million. This was much higher than in 2016 and reflected the impact of CGD's recapitalisation plan agreed with DG Comp.

SHAREHOLDERS' EQUITY (SEPARATE)

(EUR million)

	2016-12	2017-12	Change	
			Total	(%)
Capital	5,900	3,844	-2,056	-34.8%
Other capital instruments	0	500	500	-
Revaluation reserves	116	338	222	191.4%
Other reserves and retained earnings	-1,548	2,467	4,015	-
Net income for the year	-2,050	25	2,075	-
Total	**2,417**	**7,173**	**4,756**	**196.8%**

CGD's phased-in and fully implemented CET 1 (common equity tier 1) ratios on a separate basis totalled 15.8% and 15.7%, respectively, at 31 December 2017. In turn, the Tier 1 and phased-in total ratios totalled 17.0% and 17.9%, respectively.

SOLVENCY RATIOS (SEPARATE)

(EUR million)

	CRD IV / CRR Regulation		
	2016-12	2017-01-01 Proforma (a)	2017-12
	Phased-in		
Own funds			
Common equity tier I (CET I)	2,891	6,027	6,407
Tier I	2,891	6,511	6,897
Tier II	665	670	359
Total	3,557	7,182	7,256
Weighted assets	**43,644**	**44,398**	**40,468**
Solvency ratios			
CET I	6.6%	13.6%	15.8%
Tier I	6.6%	14.7%	17.0%
Total	8.1%	16.2%	17.9%
	Fully Implemented		
Own funds			
Common equity tier I (CET I)	2,554	5,903	6,373
Weighted assets	**43,630**	**44,391**	**40,473**
CET I ratio	5.9%	13.3%	15.7%

a) Proforma including the two stages of the recapitalization process in 1st quarter 2017.

CGD decided not to subscribe the possibility of the progressive application of the transitional regime of Regulation (EU) 2017/2395 of the European Parliament and the Council that amends Regulation (EU) 575/2013, to attenuate the impact of the introduction of IFRS 9 on own funds.

The evolution of the CET 1 ratio between the 31st of December 2016 and 2017 is essentially explained by the following impacts:

- The effect of CGD's recapitalisation, in the sphere of the agreement between the European Commission and the Portuguese state, resulting in a 733 basis points improvement of its CET 1 ratio, in which special reference should be made to the share capital increase of €2.5 billion (equivalent to around 601 basis points on the CET 1 ratio);
- The improvement in own funds resulting from the evolution of activity as well as the optimisation of RWAs, comprising an impact of 226 basis points on the CET ratio.
- The time progression, associated with the passing of another year of the transitional period leading to regulatory reductions of around €168 million to CET 1 of and €7 million in RWAs (risk-weighted assets) translating into a decrease of around 38 basis points in the CET 1 ratio.

SREP Separate Activity Capital Requirements for 2018

In terms of separate activity, under the terms of the last SREP (Supervisory Review and Evaluation Process) 2016, the mandatory requirement for a phased-in CET capital requirement of 7.0% was defined in 2017, including: i) a minimum CET 1 capital ratio of 4.5% required under Pillar 1; ii) a minimum CET 1 capital ratio of 1.25% required under Pillar 2 (P2R) and iii) the capital conservation buffer (CCB) of 1.25%.

The requirements for 2018 will be changed on the basis of the passing of a further year of the transitional period applicable to the capital conservation buffer (0.625% per annum until it reaches 2.5% in 2019), as shown in the following table:

SREP - CAPITAL REQUIREMENTS (SEPARATE)

(%)

	2017	2018
Common Equity Tier 1 (CET1)	**7.000%**	**7.625%**
Pillar 1	4.50%	4.50%
Pillar 2 Requirement	1.25%	1.25%
Capital Conservation Buffer (CCB)	1.250%	1.875%
Tier 1	**8.500%**	**9.125%**
Total	**10.500%**	**11.125%**

The ratio levels achieved by CGD, on a separate basis, in December 2017, exceeded minimum SREP capital requirements for 2018, making a decisive contribution to its financial strength.

CGD EMPLOYEES' PENSION FUND AND HEALTHCARE PLAN

CGD's retirement pension liabilities were up by €95.7 million to €2,540.5 million and €2,636.2 million, respectively, at 31 December 2016 and 2017. At the end of 2017 100.6% of the liabilities were covered by the value of the pension fund. The pension fund's effective yield of 5.4% was higher than the forecast return of 2.125%, thus originating yield deviations of €83.4 million. The actuarial deviations associated with pension liabilities at the end of the year stood at around €541.4 million.

CGD did not make any adjustments to the preceding year's actuarial assumptions.

PENSION FUND IN 2017 - FUND'S MOVEMENTS

(EUR million)

Value of Fund at 31.12.2016, incl. extraord. contribution	**2,497.5**
Employees' contributions	21.5
Company contributions	56.1
Pensions paid	-57.5
Net yield of Fund	133.2
Value of Fund at 31.12.2017	**2,650.8**

At 31 December 2017, the value of the Fund, as calculated by the fund manager, totalled €2,650.8 million. This was sufficient to fully cover liabilities for retirees and active workers.

Costs of around €67.9 million were posted to the employee account during 2017. An amount of €71.7 million was for normal costs for the year and around €4.4 million for increased liabilities on early retirements under the Horizonte plan, net of €8.2 million in actuarial gains associated with the mutual agreement resignation programme.

The evolution of actuarial deviations (accumulated) directly recognised in equity which went from a negative €610.8 million at the end of 2016 to a negative €541.4 million, is essentially explained by the negative deviation of €14.1 million associated with liabilities and the positive actuarial deviation of €83.4 million in pension fund yield.

The return of the Pension Fund was 5.4%.

The following table shows that the liabilities associated with CGD employees' post employment medical benefits – medical plan – were fully provisioned, at 31 December 2016 and 2017, at €491.4 million and €464.5 million, respectively. Actuarial deviations associated with healthcare plan liabilities at year end were around €68.8 million.

HEALTHCARE PLAN IN 2017 - EVOLUTION OF PROVISION

(EUR million)

Value of provision at 31.12.2016	**491.4**
Current cost for period	17.8
Contrib. for healthcare serv. (SS and SAMS)	-23.6
Actuarial gains	-21.1
Value of provision at 31.12.2017	**464.5**

The actuarial gains referred to in the table result from the revision of the calculations of liabilities for the medical plan with the exclusion of the benefits associated with cultural, sporting and other social support activities. The accumulated actuarial deviations balance at 31 December 2017 stood at €68.8 million.

Starting 1 January 2018, CGD's contribution rate to the Social Services will be 6.5% (7.2% in 2017). CGD will, however, part subsidise cultural, sporting and other support activities with an annual contribution of €85 for each Social Services partner.

1.6. Risk Management

The person ultimately responsible for CGD Group's risk management function is the chief risk officer ("CRO"), who is a member of CGD's Board of Directors' Executive Committee. CGD's CRO has global responsibility for overseeing the Group's risk management framework and for particularly ensuring the adequate and effective operation of the risk management function, having also the duty to inform and explain to the members of the management and inspection bodies the risks involved, CGD's and CGD Group's global risk profile and the level of compliance with the defined risk tolerance levels.

CGD Group's risk management function is based on a governance model which simultaneously aims to comply with best practice on the matter, as set out in Community Directive 2013/36/EU to guarantee the strength and efficacy of the measurement, monitoring, report and control system on the credit, market, liquidity and operational risks incurred by the Group.

Risk management is centralised and backed by a dedicated structure – Risk Management Division – for which the CRO is responsible. With the aim of incorporating the principle of separation between the functions of owner of the risk models and assessment of their quality, the Models Validation Office (GVM) was set up, at the end of 2016, dedicated to the internal validation of the risk assessment models in CGD Group.

The Risk Management Division operates in the area of the management and control of the Group's financial and operational risks, with the objective of achieving stability, solvency and financial strength, guaranteeing the identification, assessment, oversight, control and reporting functions of the financial and operational risks to which CGD Group is exposed and their existing interrelationships, to ensure the coherent integration of their part contributions, that they remain in line with the risk appetite defined by the Board of Directors and that they will not significantly affect the institution's financial situation, by continually ensuring compliance and conformity with external standards and legal and statutory requirements on such matters.

Chapter 3 – "Corporate Governance Report" of this report seeks to detail the Group's risk governance model as well as its respective risk policy, embodied in the Risk Appetite Statement, providing the market with more detailed information within CGD's risk framework.

Main developments in 2017

During the course of 2017, CGD's progress in respect of the best risk management practice was significant and comprehensive. Particular reference should, inter alia, be made to the following:

- Strengthening of the governance framework of the risk management function (RMF), with the approval of a set of corporate standards as practical guidelines for RMF operations, namely concepts, principles and procedures for the control and communication of each of the risks. The following corporate standards were accordingly approved:
  - Global risk management policy:
  - Credit risk management policy;
  - Operational risk management policy;
  - Interest rate risk management policy;
  - Foreign exchange risk management policy;
  - Market risk management policy;
  - Liquidity risk management policy;
  - Model risk management policy.
- To ensure consistency between CGD Group's global and locally defined risk management strategies, in addition to the alignment of their respective business objectives, the application of CGD Group's risk appetite statement (RAS) was expanded across all Group units. Each CGD Group unit therefore has a defined and approved risk appetite statement which includes the risk indicators and limits deriving from the Group's global strategy.

- As part of its strategic management objectives to revitalise its domestic business, based on a risk control infrastructure in line with best international practice, CGD has also focused on the development of internal credit risk assessment models based on the continued strengthening of the return-risk binomial.
- 2017 was also a year of preparation for a series of regulatory structural changes, namely: IFRS 9 (International Financial Reporting Standard 9), MREL (Minimum Requirement for Own Funds and Eligible Liabilities), Fundamental Review of the Trading Book (revision of the calculation approaches to own funds requirements), Principles for Effective Risk Data Aggregation and Risk Reporting (a set of principles promoting the rigour and transparency of risk information, respective aggregation techniques and analysis reports), Interest Rate Risk in the Banking Book – revision of Pillar II (Assessment Process by the Supervisory Authority) and Pillar III (Market Discipline), requirements inter alia.
- In such a framework, the whole of the risk management infrastructure, ranging from the governance model to the operationalisation and dissemination of information on risk appetite at all CGD levels needed to be strengthened and enhanced. The strengthening of the corporate structure was, accordingly, prioritised.
- The year also required the Group to prepare for the transversal stress test exercises of the European Banking Authority (EBA) in 2018, based on an infrastructure dedicated to this kind of exercise, which will help strengthen CGD's balance sheet and capital positions. Steps were also taken to provide for the recommendations resulting from the occurrence of various inspections and thematic reviews that took place in 2016, namely in respect of management and the banking portfolio's interest rate risk control system and the self-assessment process on internal capital adequacy, making progress on matters still unresolved from the preceding year. Globally, the ICAAP and ILAAP capital adequacy and liquidity processes were improved in line with the latest recommendations of the ECB's SREP (Supervisory Review and Evaluation Process).
- In the sphere of the stress tests and the context of the Supervisory Review and Evaluation Process 2018, the banks encompassed by the Single Supervisory Mechanism also had to undergo a stress tests exercise in 2017, exclusively on interest rate risk in the banking portfolio.
- The risk management function, across 2017, continued to be involved in relevant internal informational projects in the sphere of the adoption/implementation of the "Principles for Effective Risk Data Aggregation and Reporting", as recommended by the Basel Committee on Banking Supervision (BCBS 239).
- CGD produced a new impact study on the adoption of the implementation of IFRS 9, promoted by the EBA. In parallel, the ECB, launched a "thematic review" on this issue with the objective of diagnosing the standard's implementation process and assessing the methodologies being analysed by the banks.
- There were also changes in and developments of CGD's existing processes, for IFRS 9 alignment purposes in its three areas, as identified below:
  - Classification and measurement,
  - Impairment,
  - Hedge accounting.

  The following models were developed for the impairment component:

  i. Prepayments model. The methodology developed for prepayments is based on the respective calculation of the operation's residual time to maturity. The amounts of the prepayments associated with an operation at a certain point of time of its useful life represent the probability of the amount of the credit associated with the operation being partly or fully repaid prior to its respective contractual maturity. Two different situations are therefore considered, based on the percentage of the early repayment of credit: PPPs (partial prepayments) and PPTs (full repayments).

ii. CCF (credit conversion factors) model. The CCF associated with an operation at a certain point of time of its useful life represents the percentage of the off-balance sheet exposure that could be converted into an equity exposure up to the time of effective default. The methodology developed should, accordingly, be applied to operations which involve limits on the use of credit (e.g. revolving credit), such as credit cards, overdrafts and current accounts. A methodology for measuring the CCF for off-balance sheet operations (e.g. bank guarantees) was also developed;

iii. Staging model. According to IFRS 9, principles for the classification of operations and assets in the Bank's portfolio, in accordance with their associated credit risk, should be established. The following three risk stages, dependent upon the deterioration of credit quality since the time of its initial recognition, are considered:

   a) Stage 3: Exposures with objective evidence of impaired credit, aligned with the definition of default in force in CGD;

   b) Stage 2: Exposures with a significant deterioration of the level of credit risk since the time of initial recognition. This significant increase is measured on the basis of the change in the lifetime probability of default between the date of initial recognition and the reporting date. However, notwithstanding the existence of a significant increase in credit risk since the time of initial recognition, the credit is classified in Stage 2 in the event of the occurrence of one of the following three conditions:

      1) Credit in arrears for more than 30 days (backstop);
      2) Credit restructured on account of financial difficulties;
      3) Credit with objective qualitative risk triggers.

   c) Stage 1: Exposures, usually performing, which are not classified in Stage 2 and in Stage 3.

iv. Probability of default model (PD). According to the methodology developed for the calculation of estimated credit loss, the probability of default associated with an operation should be estimated on the basis of two different approaches: its estimated lifetime probability of default, considering the operation's useful life and its estimated 12 months probability of default. Both probability of default estimates represent the probability of a default on the credit operation, conditioned by its respective period to maturity and the period of time considered for the calculation. However the lifetime probability of default estimated during the period of maturity is only applicable to operations associated with a certain level of credit risk (and considered in Stage 2), whereas the 12 months probability of default should be applied to operations identified as performing credit (and considered in Stage 1);

v. Forward-looking adjustment method. According to IFRS 9, probability of default estimates should include a prospective or forward-looking component. Macroeconomic indicators associated with the forecast and an estimate of future macroeconomic conditions should be considered for this purpose. The adjustment of PD curves is based on the average of the observed default rates adjusted for macroeconomic shocks indicated by predictive default indicators. The collection of historical data to be considered for the selected variable is defined on the date upon which the adjustment is made.

vi. LGD (loss given default) model. Loss given default is the estimated loss on a specific operation after default. This parameter is directly used to calculate the ECL (expected credit loss) of Stage 1, 2 or 3 operations. LGD incorporates the collateral components that estimates recoveries based on the execution of collateral operations, and cash, that estimates recoveries by other means (e.g. payments made by the debtor, restructuring operations, credit transfers). The methodology developed for the calculation of LGD aims to estimate LGD curves by time since the default;

vii. Behavioural maturity model. The behavioural maturity model aims to identify the period of time during which an institution is exposed to credit risk. This parameter is usually calculated for operations in which the operation’s maturity date has not been defined (e.g. revolving credit);

viii. Forward-looking model. According to IFRS 9, the ECL (expected credit loss) comprises a set of estimates of losses on a financial asset during its expected lifetime, weighted by the probability of the occurrence of such losses. The production of forward-looking scenarios and their respective revision are primarily and whenever feasible, based on public, accessible information, disclosed by private entities and national and supranational bodies on the prospects of the future evolution of the relevant variables. A central and two alternative scenarios (optimistic and pessimistic) that define the projections for the economic and financial variables on which the forward-looking adjustments of risk factors are based were defined;

ix. ECL (expected credit loss) model. The ECL (expected credit loss) model aims to estimate the expected losses based on forward-looking scenarios. This calculation should be applied to the whole of the Bank’s portfolio, in conformity with its internal policies and the most recent IFRS 9 regulation. A distinction is, accordingly, made between the losses expected over 12 months and the lifetime losses expected on each of the operations. According to IFRS 9, lifetime losses are estimated on impaired operations or operations in which a significant deterioration of their credit risk has been noted. 12 month losses are estimated in other cases. The ECL calculation also considers a forward-looking component incorporated on the basis of the weighting of different macroeconomic scenarios for estimating the loss. The forward-looking component of the ECL calculation is incorporated through an adjustment of the PD curves for each of the scenarios. The ECL calculation based on a collective impairment analysis is applied to the whole of the Bank’s portfolio and is based on risk parameters such as CCF (credit conversion factors), PDs (probabilities of default), LGDs (loss given defaults) BM (behavioural maturities), PPPs (partial prepayments) and PPTs (full repayments).

- CGD produced a strategic and operational plan to reduce its NPEs (non-performing exposures) – including property disinvestment – in first quarter 2017. The plan was implemented under the aegis of the Executive Committee with the participation of the Bank’s core areas which manage, control and monitor the NPEs.
- The IT development processes to allow the incorporation of the definitions of non-performing exposure and default in CGD’s operational systems were also concluded i.e. in the credit verification workflow process, in line with the “Final Report of the European Banking Authority on Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013”, published on 28 September 2016. CGD launched a specific project with the objective of developing and improving internal processes to comply with the Supervisor’s guidelines in due consideration of the guidelines issued by the European Central Bank in the document; “Guidance to banks on non-performing loans”.
- Taking advantage of the restructuring of the risk management and control areas, an area specialising in the allocation and revision of ratings on other than individual customers (internal ratings) was also created in the Risk Management Division.
- A revision of the status of CGD Group’s foreign exchange position was undertaken in the domain of improvements to market risk processes. This involved all Group units in order to certify the individual reported positions.
- The approaches to the assessment of complex financial instruments were also strengthened.

1.6.1. CREDIT RISK

Credit risk is associated with the losses and level of uncertainty over a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

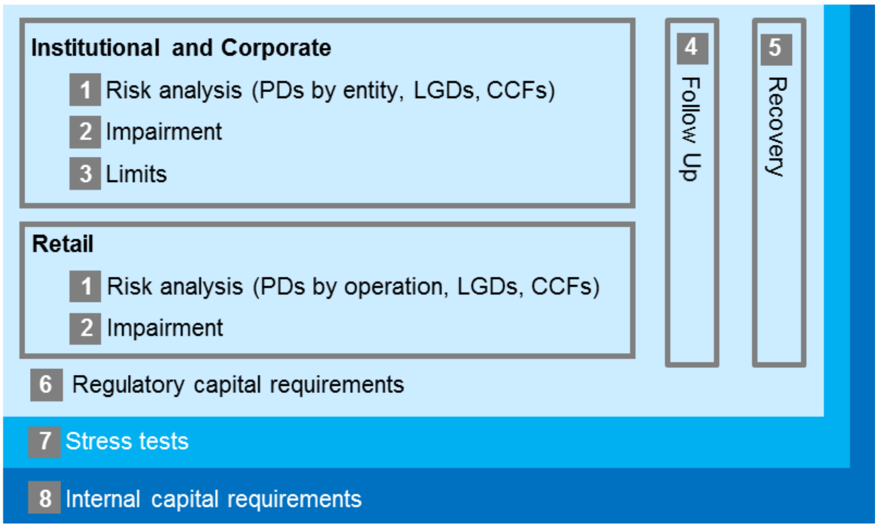
Internal standards govern the management and control of credit risk which, based on ratings, and exposure levels, define the levels of competence necessary for the decision-making process on credit.

The Credit Risks Division (DRC) operates in the analysis, issue of opinions and decisions on credit operations, in accordance with the credit regulations and the delegation of competence currently in force. It is also responsible for the separate evaluation processes on credit impairment and monitoring defined credit alerts. The New Decision-making Model on Lending to Companies came into force at the start of 2017 with a separation between risk and pricing decisions, introduction of new risk decision scales (including DRC' participation in the decision) and the definition of new decision-making responsibilities for each scale.

Several changes were made to DRC's scope of operation regarding the decision-making process on loans to companies and individual customers, across 2017, with the final objective of centralising credit decisions.

Methodology

CREDIT RISK



1 Risk analysis − CGD Group has established a system for the identification, assessment and control of risk on its credit portfolio, encompassing all customer segments and active both at the time when the credit is issued as in the monitoring of risk across the lifetime of the operations.

- Upon origination, all credit operations should be economically viable, be of interest to CGD, in accordance with its credit policy and affect own funds in compliance with the defined solvency ratio, in light of, namely:

  (i) their purpose and specific conditions of the real operations to be financed,

  (ii) the good standing and business, technical and financial capacity of its proponents and their respective representatives,

  (iii) the history of their relationship with CGD Group and financial system in general, as well as the global amount of their liabilities to the referred to Group and the financial system.

- The adequacy of the amount and maturity of each operation should be commensurate with its type and purpose and the material conditions of the real underlying operation.
- The conditions of each credit operation, namely as regards guarantees and interest rates, should be fixed on the basis of the level of credit risk involved and the customer's global relationship with CGD Group, always bearing the institution's credit policy in mind. Real guarantees are normally required for medium/long term operations.
- For companies, municipalities, autonomous regions and financial institutions with a more significant level of exposure, or with other additional risk triggers, the assessment of credit risk, in addition to being based on internal rating models (when applicable and including both financial and qualitative information), is separately analysed by a team of analysts that produces credit risk analysis reports and which issues an independent opinion on the credit risk involved. This separate analysis includes: (i) consideration of diverse, up-to-date information (forthwith including exposure to CGD Group and the rest of the banking system, ratings, information on defaults and banking incidents, fiscal liabilities to the social security services, pledges, judicial actions, etc), (ii) assessment of management capacity, (iii) consideration of the proposal's reasonability, (iv) assessment of the repayment capacity of proponents/projects, promoting the respective adjustment to the repayment profile (when the risk is considered manageable), and (v) consideration of risk mitigating factors (guarantees, covenants, etc). The analysis always takes into account the economic group to which the proponent belongs and the analysis team is specialized.
- The assessment of corporate credit and project finance risk includes environmental and social aspects:
    - The credit risk assessment of project finance includes, in the analysis of each project, a category referring to sustainability and a project's socio-environmental impact, with the aim of analysing the project finance's different intervention domains, based on four essential positioning areas: economic profitability, financial viability, social equity and environmental correctness;
    - The assessment of corporate credit risk is also based on considerations regarding the company's social and economic credibility.

  CGD Group's project finance portfolio is particularly concentrated on projects in the Iberian Peninsula. The safeguarding of a collection of environmental and social obligations is embedded in such countries' legislation and compliance therewith by respective economic agents is mandatory.
- Credit risk assessment in the retail segment is based on the use of statistical risk assessment (PD – probability of default and LGD - loss given default) tools, by a collection of internal regulations which establish objective criteria on lending operations to be complied with and the delegation of competence in accordance with the ratings on customers/operations.

2 The credit impairment model developed by CGD Group under IAS 39, enables impairment losses to be measured, in accordance with borrowers' creditworthiness, taking the existing level of collateral into account, based on the allocation of credit to the following macro segments:

- Performing credit, without signs of impairment;
- Performing credit, with signs of impairment;
- Non-performing credit.

These segments may be further split up depending on whether the credit is classified as being "cured" or restructured owing to a customer's financial difficulties.

The risk factors used in the credit impairment model (probabilities of default and loss given default) are revised annually and back-tested with point-in-time adjustments to ensure that they adequately reflect market conditions.

The credit impairment model is used to assess and process the credit portfolio which is subdivided up in conformity with the following approaches:

- Collective impairment analysis – impairment per risk sub-segment is assessed on exposures which are not considered to be separately significant. They include assets with similar risk characteristics (credit segment, type of collateral, payments history, inter alia);
- Separate impairment analysis – a separate assessment is made for customers with exposures considered to be individually significant. The process involves CGD's commercial, and credit recovery areas with the risk management area being ultimately responsible for the procedure and final assessment as a whole.

In terms of the methodology used to assess separate impairment levels, CGD follows the guidelines based on:

- Going concern approach (an active company whose liquidation is not foreseeable) – the debtor will continue to generate operating cash flow that may be used to repay debt to all creditors. The collateral may also be considered to the extent that it does not influence operating cash flow. This is considered to be the most probable approach;
- Gone concern approach (a company in liquidation or at risk thereof) – the collateral is called in and the entity no longer has any operating cash flow.

In the context of a separate assessment on the impairment of customers with large exposures, the analysis essentially centres on the following dimensions:

- Compliance with the contractual terms agreed with CGD Group;
- Assessment of economic-financial situation;
- Prospects for the evolution of the customer's activity;
- Verification of the existence of operations involving overdue credit and interest, with CGD Group and/or in the financial system;
- Adequacy of guarantees and collateral to offset the amount of the loan;
- Analysis of historic information on the performance and good payment of the customer.

Collective impairment is assessed (IBNR – incurred but not reported), in conformity with the risk factors assessed on credit with similar characteristics for significant exposures on which with no objective signs of impairment have been identified.

3 Limits - To improve the flexibility of the process for short term lending to companies and promote the use of rigorous, uniform risk criteria, by different parties, CGD Group arranges for the allocation of internal credit limits. In parallel and also to improve the flexibility and standardise the risk analysis on these operations, CGD Group has developed and implemented a model for the definition of short term exposure limits for companies, based on economic-financial and sectorial indicators and ratings and which issues guidelines over the recommended level of short term exposure for each customer. The model permits the use of the same collection of clear and objective rules for the calculation of reference levels, which are only indicative. This model is applied to companies in both the SME and large enterprises segments.

Internal limits for the financial institutions segment have also been approved. The definition of such limits takes into consideration an entity's status in the financial sector and in comparison to its peers, rating, VaR and other relevant elements.

Compliance with limits, credit exposures and counterparty and group risk profiles are regularly overseen by credit risk analysts.

4 In the credit control risk sphere the credit portfolio is overseen and analysed in terms of its composition and corresponding quality. A monthly report splitting up the portfolio by product, customer segment, sector of activity, geographical area, loan to value (LTV), debt to income ratio and portfolio rating is produced for the said purpose.

The monitoring of the performance of the internally developed risk rating models is also especially important. This monitoring exercise, based on the processing of the information deriving from the use of the referred to models provides an indication of their continued adequacy. The follow-up procedures are performed by a unit which is independent from the modelling area, enabling autonomous guidelines on any needs for the revision of models and information on their mode of use to be produced.

5 Recovery − CGD also has two specialized follow-up units: the Corporate Business Monitoring Division (DAE - Direção de Acompanhamento de Empresas) and the Retail Business Monitoring Division (DAP - Direção de Acompanhamento de Particulares).

Oversight of individual customers

Background

The Retail Businss Monitoring Division (DAP) was set up in September 2014 to provide for the growing level of non-performing credit and the Supervisor's request to spin off and improve Caixa's default management.

The following steps were taken as part of CGD's implementation of its new credit recovery model:

- The opening of various negotiating areas in the zones with the largest concentration of non-performing credit, in the individual customers and corporate segments (clients with exposures below €1 million);
- The centralising of legal recovery areas, with the concentration process for this activity continuing through 2017.

Organisational structure

DAP comprises 3 individual customers oversight regions (Lisbon and South of the River Tagus, Porto and the North and Central Portugal and the Islands of the Azores and Madeira) and a corporate oversight region.

The structure of each regional division has a decentralised negotiating area and a centralised legal recovery area.

DAP currently has 19 negotiating areas and 3 extensions with 5 legal recovery areas and 4 extensions.

The consolidation of the recovery model, in 2017, was based on the implementation and control of DAP's recovery policies, portfolio segmentation by product type and an ongoing commitment to the qualifying and training of managers.

Operational data

The DAP portfolio, at the end of 2017, comprised around 141,832 customers (56,144 at the negotiations and 85,688 at the legal stages), corresponding to total loans of around €3.9 billion (CGD and CGD Group companies), with the following distribution:

- Legal (€2 billion of which €1.2 billion owed by individual customers and €0.8 billion by corporates);
- Negotiation (€1.9 billion of which €1.4 billion owed by individual customers and €0.5 billion by corporates).

In global terms, impairment on the DAP portfolio, in December 2017, was around €862 million or around 23.6% of customers' total loans to CGD. Around 31% of such impairment was included in the negotiating portfolio and 69% in the legal portfolio.

DAP succeeded in achieving its best ever result since its creation, in 2017. This derived from the Division's learning curve, together with the evolution of the country's macroeconomic scenario, particularly in the case of the real estate market and especially so in the case of certain geographies,

In the sphere of the recovery measures put in place in 2017, regarding the individual customers negotiating area, it was possible to process around 23,687 customers, totalling a business volume of €997 million.

The most common solutions were the settlement of arrears by customers and the liquidation of their liabilities comprising 62.4% of the total number of customers processed. Restructuring and/or debt consolidation operations represented around 13% and the submission of case files to legal recovery operations and write-offs, after all unsuccessful attempts to negotiate, comprises around 21% of the total number of customers processed in 2017.

1,686 corporate customers totalling business volume of €223.9 million were processed in 2017.

The most common solutions were the settlement of liabilities and the full liquidation of the arrears and PER ("Special Revitalisation Programme") restructuring operations which represented around 50% of the debt restructuring operations in 2017. Legal recovery operations represented 47.8% of the total number of companies processed in 2017.

The legal recovery area closed 2017 with a total number of 8,782 case file closures and 1,178 auctioned properties for the amount of €84.48 million.

Work also began on a new process for the disposal of mortgage loan portfolios in 2017. It is currently being implemented and is scheduled for completion in first half 2018.

Outlook

In 2018, with the objective of adjusting its organisational model to the Division's current circumstances and needs, deriving from an organisation which is intended to focus on the customer segment and type of product, work will start on an internal restructuring process based on the reorganisation of the existing Individual and Corporate Customers Debt Recovery Negotiating Regions based on the customer segment to be processed and a higher level of centralisation of the activities performed, with the objective of achieving the best results, a higher level of control and an improved quality of service.

Oversight of corporate customers

Background

DAE – Direção de Acompanhamento de Empresas plays a fundamental role in the oversight of CGD's non-performing exposures and is responsible for monitoring exposures of more than €1 million in the corporate sector.

The negative evolution of the economy over the last few years, allied to regulatory changes in the banking sector, required more vigorous actions in terms of default management.

DAE's mission and scope of operation remained unchanged, in 2017, although it endeavoured to find alternative solutions such as disposals of portfolio credit, with the aim of achieving a faster deleveraging process. Its priority objectives continue to be:

- To oversee and recover loans to corporates and their respective groups, with a CGD involvement of more than €1 million;
- To deleverage in the case of large exposures and in activity sectors considered to be at risk;
- To increase loan collateral levels;
- To promote management solutions with companies, with the objective of making them solvent, avoiding legal proceedings, whenever possible;

- To promote articulation between DAE and other Caixa divisions, incentivising greater procedural flexibility in dealing with case files with the aim of improving consensual solutions for each case;
- To ensure the production, oversight and control of processes necessarily submitted to legal proceedings in order to maximise the amount recovered by CGD.

Organisational structure

DAE's structure comprises three regions, created on the basis of the CAE (classification of economic activity), type of customer debt and its respective status in CGD:

- CRE (Commercial and Real Estate) region: comprising five offices, three in Lisbon and two in Porto;
- Non-CRE region: comprising five offices, three in Lisbon and two in Porto;
- Legal region: comprising two offices, one in Lisbon and one in Porto.

The Division also has:

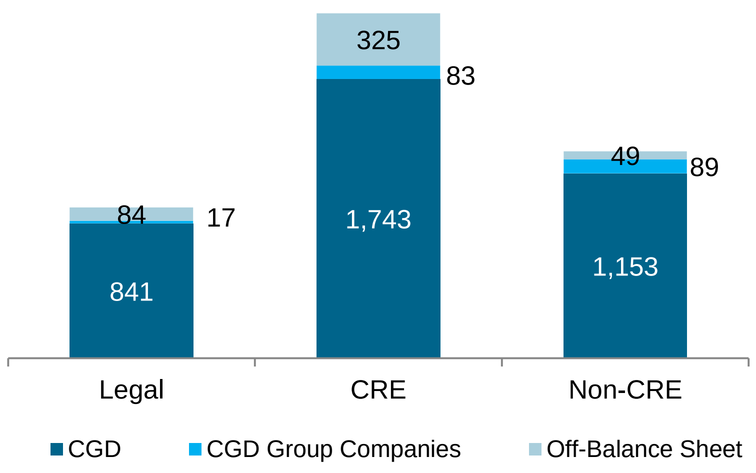
- An administrative support area responsible for the current management of customer portfolios and assistance in formalising the solutions found.
- A technical management support unit, comprising 3 sub-units:
  - Triage, responsible for controlling the reception of processes, auditing the respective documentary support and respective computer records;
  - Planning and control unit which monitors the Division's performance and centralises the issue of management reports for the Division and other related Divisions;
  - Market solutions unit which supports the implementation of new credit recovery solutions in the form of credit portfolio disposals.

Operational data

DAE managed a credit portfolio of around €4.2 billion (€3.3 billion in the negotiating areas and €0.9 million in the legal area), in December 2017, with the following distribution:

CREDIT UNDER DAE MANAGEMENT

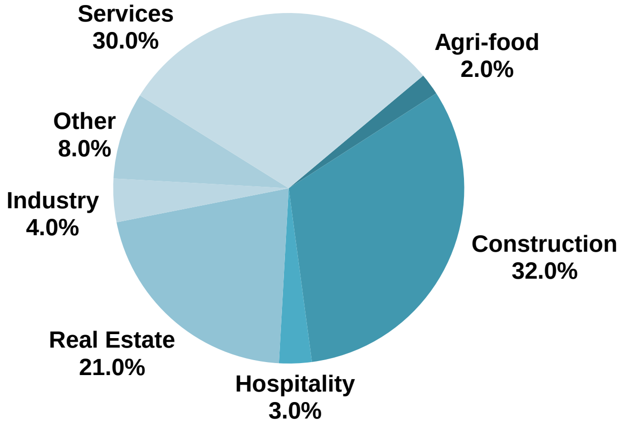
EUR million



These volumes were split up across a total number of 3,444 customers, of which 1,310 with credit. Customers are spread over 848 economic groups (2,195 customers in the negotiating region in 362 groups and 1,249 customers in 486 legal area groups).

Risk diversification by sectors of activity, already noted in past years, continued to trend through 2017. The sectors considered to be at highest risk – construction and real estate – increased their proportion over 2016, however, by around 6 basis points, to around 53% of DAE's portfolio by volume, with a slight decline in the relative proportion of services (from 32% to 30%) and a sharper decline in the case of industry (from 11% to 4%):

ALLOCATION BY SECTORS OF ACTIVITY



Activity in 2017

2017 was characterised by the stabilisation of the governance model defined in the sphere of the transversal restructuring project for the oversight and recovery of credit in CGD and the new initiatives defined for the purpose.

DAE concluded the disposal process on its *Andorra* credit portfolio, in 2017 with an outstanding loan amount of €476 million, representing a deleveraging of €177 million in NPEs in its balance sheet. This was the first disposal of a corporate credit portfolio as part of a programme that integrates CGD's Strategic Plan with the objective of reducing the Bank's NPEs. The *Andorra* portfolio comprised non-performing corporate loans, a part of which was being negotiated and another part in the legal area. It included non-collateralised credit, credit solely covered by personal collateral (sureties/guarantees) and credit with various types of real collateral.

DAE's focus, in 2017, was on the deleveraging of NPEs. Its work, across the year permitted the deleveraging of around €1,479 million of which €584 million in the form of credit disposals – individual sales and the *Andorra* portfolio – €106 million from collateral – payments in kind or forced sales – €312 million in cash recoveries (repayments and settlements) €224 million in the form of cured credit and €253 million in write-offs.

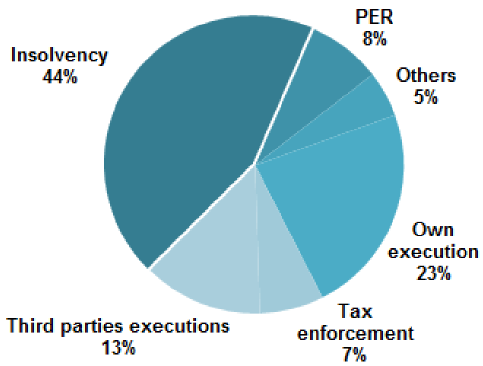
Its operations, up to the end of December 2017, resulted in effective recoveries from the 993 corporate dossiers of 514 groups with the closure of 216 dossiers in the negotiating area.

In December 2017, DAE's legal area oversaw and controlled 1,658 court cases brought against 925 customers, distributed as follows.

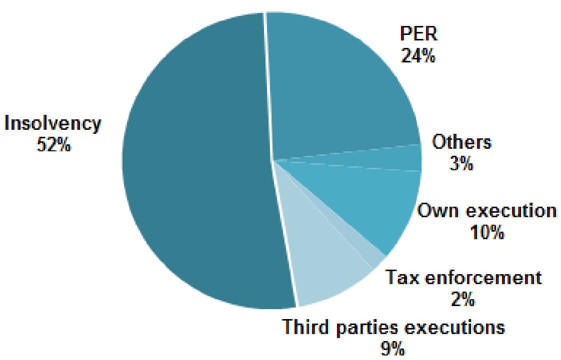
DISTRIBUTION PROCESSES IN COURT

(%)

Number of processes



Amount



As shown above and in addition to the oversight of the legal processes which have been exclusively allocated to it, DAE also provided the negotiating areas with assistance in the relationship with the courts in the sphere of both PER (“Special Revitalisation Programme) and insolvency processes with recoveries.

6 Regulatory capital requirements – for derivatives, repurchase operations, loans contracted for or issued on securities or commodities, long term settlement operations and loan operations with the imposition of a margin, the mark-to-market assessment method is used, as defined in Section 3 of Chapter 6 of European Parliament and Council Regulation (EU) 575/2013 which consists of adding to the operation’s market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract. The standard method described in the EU Regulation is applied to loans and receivables.

The "Market Discipline 2017" document, scheduled for publication in first half 2018 will provide detailed information on regulatory requirements on CGD Group’s capital.

7 Stress tests aim to provide an analytical vision of CGD Group’s position in terms of solvency when subject to extreme scenarios. Involvement in the EBA’s transversal exercise was particularly important in 2017 from a credit risk viewpoint. Stress tests were also performed in the sphere of ICAAP and the recovery plan.

8 Internal capital requirements per operation result from the use of credit risk factors (probabilities of default - PDs, loss given faults – LGDs and conversion factors into credit equivalents - CCFs) estimated internally.

1.6.2. MARKET RISK

Market risk translates into potential negative impacts on profit or loss or an institution’s capital, deriving from unfavourable prices movements of portfolio assets, uncertainty over price fluctuations and market rates such as the prices of shares and indices or interest rate or foreign exchange, or even the price of commodities and on the behaviour of the correlations between them.

Market risk exists on instruments such as shares, funds, bonds, spot and forward foreign currency operations, interest rate derivatives, foreign exchange derivatives, shares/indices/baskets, commodities and credit. Exposure to this type of risk is therefore across-the-board to various categories: price, interest rate, foreign exchange rate, volatility and commodities. The market risk measurement and monitoring perimeter encompasses operations involving equity risk, with management partitions by geographic unit or portfolio.

There is complete separation between functions involving the execution of market operations and respective risk control, with the Risk Management Division being responsible for measuring, monitoring, controlling and analysing daily market risk reporting, as well as verifying compliance with the respective limits. The reliability of prices and rates, as one of the main guarantors of the quality of the measures and metrics obtained, is also ensured on a daily basis. The second main aspect of change, involving the rotation of positions, is also monitored daily, in order to identify any changes of profile or possible operational events.

LIMITS

The practice of defining and monitoring diverse types of limits is extremely important in mitigating market risk. These global limits are submitted to the CALCO committee by the Risk Management Division for discussion and approval. The management rules established for CGD Group, on each portfolio or business unit, include defensive limits on future potential losses in addition to limits for freezing the effective losses. Market risk limits are therefore established in VaR metrics, stress tests and sensitivity indicators as well as limits regarding the type of authorised instruments, exposure or concentration limits, in addition to the definition of stop losses or loss triggers. This practice aims to preventatively classify market risk exposure in the sphere of the risk appetite framework.

Market risk and acceptable loss limits are measured, controlled and reported at least once a day. The operating procedures, when limits are exceeded, are perfectly explicit.

Specific management rules are also applied to Group Units' foreign exchange risk position with the definition of admitted ranges for the net open position, open position by currency and VaR consumption limits.

Methodology

Value at Risk (VaR) is a measure of the loss of potential future value that, in normal market conditions, will be the upper limit assuming a certain level of confidence and a specific investment timespan. The market risk management area has, since 2002, used the VaR measure to monitor the Group's market risk based on this measure and, in several cases, complemented by sensitivity limits to changes in risk factors - basis point value (bpv) and duration for interest rates and other sensitivity indicators usually applied to options portfolios (commonly referred to as Greeks). VaR is assessed on all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels and timespans are contingent upon the reasons for holding the portfolios. No statistical distribution is therefore assumed in this measurement, in which historic returns are considered for each risk factor with the application of a complete revaluation of the portfolio.

Two alternative market risk metrics continued to be applied in 2017: “Expected Shortfall” (ES) that aims to quantify the potential loss of value in adverse market conditions and the “Three Worst (3W)” that aims to quantify potential portfolio loss under extreme conditions.

The market risk metrics are complemented by assessments of the impact of the valuation of assets and derivatives in the event of the occurrence of extreme scenarios involving fluctuations of risk factors (stress tests).

Market risk measures permit homogenous application considering the correlation between the various risk factors based on a complete portfolio reassessment.

Market risk management calculates and monitors such measures on a daily basis, having designed a comprehensive VaR report, sensitivity analysis, profitability indicators, compliance with limits and stress tests structure for all Group entities whose trading and banking portfolios are exposed to market risk and their balance sheets to currency risk.

Foreign exchange risk control and assessment are performed separately on a daily level in the case of domestic activity and for each of the branches and subsidiaries and monthly on a consolidated level for the Group as a whole.

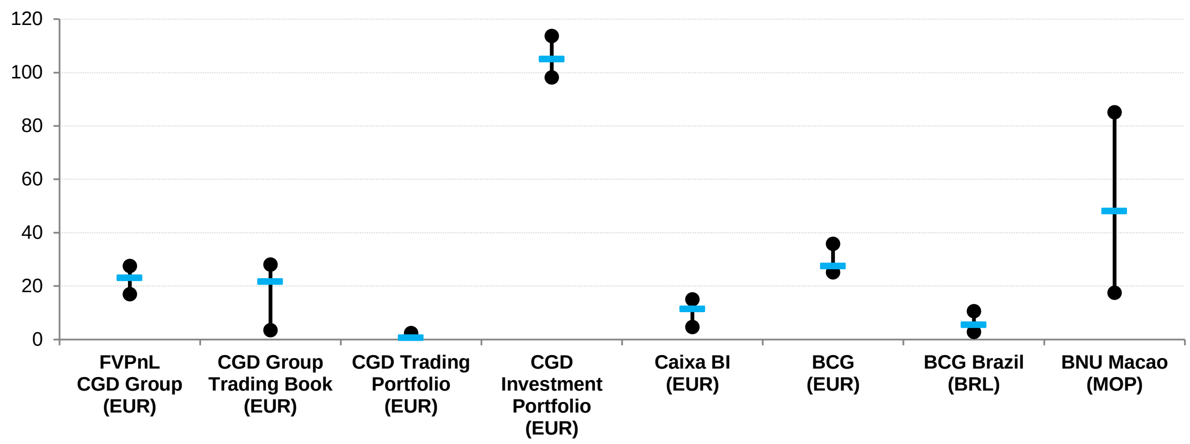
The VaR model is continuously tested, either through its day-to-day use or theoretical daily back-testing exercises, as well as the real monthly assessment of back-testing values on several portfolios.

The number of exceptions obtained, i.e. the number of times theoretical or real losses exceed VaR, in addition to the additional conditional and unconditional coverage tests enable the method's accuracy to be assessed and any necessary adjustments made.

VaR, in 2017, registered the following minimum, medium and maximum values for the most relevant perimeters:

MARKET RISK INDICATORS

(Currency in million)



Market risk on the prudential trading portfolio was significantly down in terms of value at risk, essentially owing to the elimination of cross currency swaps. The market risk on managed portfolios remained in line with the preceding year's risk levels. Market risk on the subsidiaries portfolio, specifically BNU, was down across 2017.

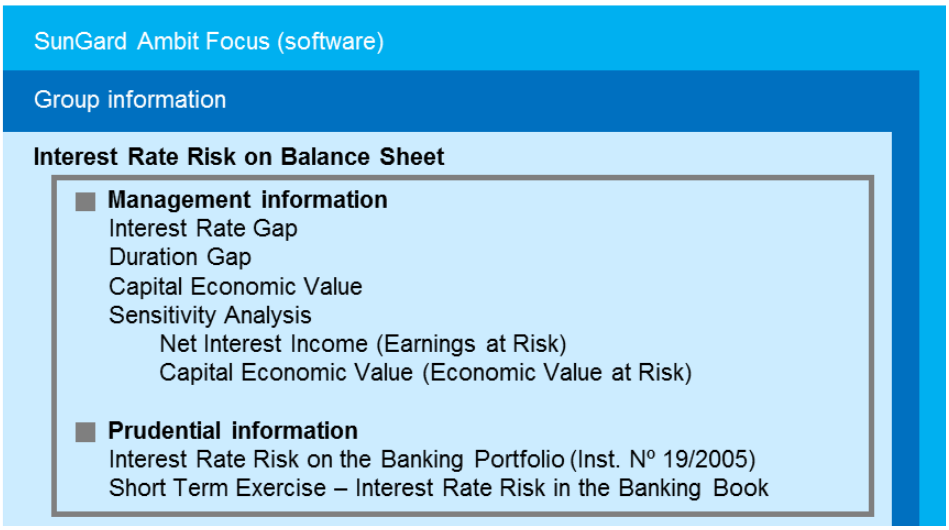
1.6.3. INTEREST RATE RISK

Balance sheet interest rate risk is the risk incurred by a financial institution whenever, during the course of its activity, it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of maturities and revision of interest rates between assets and liabilities held, with a decrease in yield or increase in financial cost.

Methodology

The methodology used by Caixa to measure this type of risk comprises an accounting (or short term) and economic (or long term) perspective and uses both simplified interest rate gaps (aggregating all assets and liabilities sensitive to change, in residual interest rate bands, thus obtaining the corresponding mismatches) and effective duration (estimate of the percentage change in the price of the financial instruments for a change in interest rates of 100 bps) and robust simulation technique models including earnings at risk metrics (impact of adverse interest rate changes on the interest margin) and the economic value of equity at risk (impact of adverse interest rate changes on the economic value of equity).

BALANCE SHEET INTEREST RATE RISK



The management and control of balance sheet interest rate risk and of the banking portfolio are based on a set of guidelines that include the setting of limits for the variables considered significant on a level of exposure to this type of risk. The objective of compliance with these guidelines is to ensure that CGD, at any point of time, has the means of managing the return/risk trade-off in terms of balance sheet management and that it is simultaneously in a position to set the most adequate exposure level and control the results of the different risk policies and positions assumed.

The collection of supporting information for measuring and monitoring balance sheet and banking portfolio interest rate is considered monthly by the Executive Committee and at Capital and Asset-Liability Committee (CALCO) meetings.

Information on CGD Group's balance sheet interest rate repricing gap, at the end of 2017, is set out in the following table.

INTEREST RATE GAP, AT 31 DECEMBER 2017 (*)

(EUR million)

	<= 1W	>1W <=1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y
Total assets	9,925	14,730	19,035	16,502	8,531	2,275	10,052
Total liabilities + capital	15,148	6,202	11,078	13,591	9,496	13,232	11,810
Total interest rate swaps	5,408	-376	662	-698	-2,546	831	-3,573
Gap for period	184	8,153	8,619	2,213	-3,511	-10,127	-5,332
Accumulated gap	184	8,337	16,956	19,169	15,658	5,532	200

(*) Perímeter: Banking prudential (excluding Timor Branch).

The amount of the exposure to interest rate risk, in December 2017, continues to comply globally with the respective risk appetite level established in CGD Group's risk appetite statement, enabling a controlled interest rate risk level aligned with the focus on retail/commercial banking to be achieved. The accumulated 12 months repricing gap metric of €15,658 million shows the interest margin's sensitivity to adverse changes in interest rates in compliance with the Group's risk appetite.

In the context of its regulatory interest rate risk reporting commitments, Caixa sends detailed information on its level of exposure to interest rate risk in its banking portfolio in addition to the results of the internal risk assessment measurement models, as established in Bank of Portugal Instruction 19/2005, every six months to the Bank of Portugal.

The European Central Bank's supervisory model, in the framework of the Single Supervisory Mechanism – SSM also continued to include quarterly "short term exercises" for the collection of data designed to supply complementary information for the Supervisory Review and Evaluation Process. The Supervisor's requirements for banking portfolio interest rate risk include:

i. The classification of assets, liabilities and off-balance sheet items into residual interest rate revision periods;

ii. Sensitivity analyses on interest margins and the economic value of equity to parallel shocks of ±1bp and ±200 bps on interest rates in addition to non-parallel shocks.

1.6.4. LIQUIDITY RISK

Liquidity risk involves the possibility of the occurrence of gaps or mismatches between payments and receipts of monetary flows, creating an incapacity to meet commitments, i.e. in this kind of situation an institution's reserves and cash assets may be insufficient to meet its obligations as and when they occur.

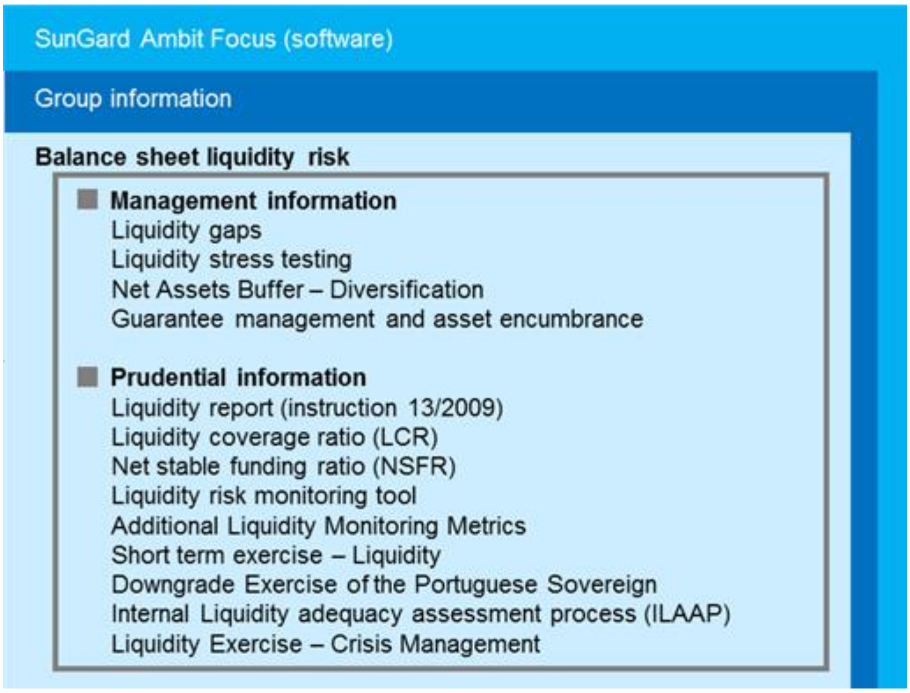
Liquidity risk in terms of the banking business can occur in the event of:

- Difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth;
- Difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

Methodology

The origin of liquidity risk management in CGD lies in an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows are set out in time bands on the basis of their residual period of occurrence with the respective liquidity gaps thereafter being calculated both for the period and accumulated.

BALANCE SHEET LIQUIDITY RISK



The structural liquidity concept is used for the analysis and definition of exposure limits, aiming to incorporate the historic performance of depositors on a level of the management of their current, term and savings accounts, whose balances are distributed among the different time bands considered in accordance with in-house studies and models.

Liquidity gaps are calculated monthly and are subject to compliance with two short term exposure limits defined by the CALCO Committee and are part of CGD's liquidity contingency plan.

CGD Group's structural liquidity gap values, at the end of 2017, were as follows:

LIQUIDITY GAP AT 31 DECEMBER 2017 (*)

(EUR million)

	<= 1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y <=5Y	>5Y <=10Y	>10Y
Total assets	16,973	3,034	4,090	5,220	13,242	8,066	10,903	21,625
Total liabilities + capital	17,140	4,074	4,640	11,548	22,152	13,398	7,463	142
Total swaps	0	-3	-1	-1	7	-9	30	34
Gap for period	-167	-1,043	-551	-6,329	-8,902	-5,341	3,470	21,516
Accumulated gap	-167	-1,210	-1,761	-8,090	-16,992	-22,333	-18,862	2,654

(*) Perímeter: Banking prudential (excluding Timor Branch).

The 1 and 12 months accumulated structural liquidity gaps, in December 2017, €-167 million and €-8,090 million, respectively, translate into liquidity ratios for the respective periods that show CGD's highly comfortable position in terms of liquidity. The referred to ratios also comprise CGD's liquidity contingency plan with a full level of articulation between the liquidity metrics and the internally developed plan to provide for more severe liquidity stress situations.

The management of liquidity risk also incorporates stress tests in articulation with the existing liquidity contingency plan in conformity with the principles and recommendations announced by the BCBS – Basel Committee on Banking Supervision and CEBS – Committee of European Banking Supervisors, currently EBA – European Banking Authority.

The internally developed methodology for assessing CGD's resilience to eventual liquidity difficulties encompasses the measuring and monitoring of the "survival period" (time remaining up until the occurrence of liquidity difficulties if corrective measures have not been implemented), based on three stress scenarios on a level of funding markets. A fourth scenario – baseline scenario – is also considered, on the assumption that CGD will perform its activity according to its budget and consequent funding plan.

The current model also includes a set of minimum values for survival periods to be complied with for the survival periods assessed in respect of the referred to scenarios. Non-compliance with any of the existing limits presupposes the implementation of the contingency measures provided for in CGD's liquidity contingency plan, in accordance with the priority levels therein defined regarding the use of different financing instruments.

CGD left its liquidity measurement and monitoring risk metrics unchanged in 2017 with the aim of guaranteeing the strength of the Group's risk assessment framework.

In terms of regulatory undertakings on risk and liquidity reporting, 2017 continued to be characterised by particularly demanding information requirements. The ECB's liquidity "radar" maintained the different levels of scrutiny and complexity used in 2016, albeit reducing certain aspects of the report's periodicity given the existing framework in the market's liquidity situation:

- Liquidity risk monitoring tool (change of periodicity from weekly to monthly) – liquidity risk monitoring methodology developed by the ECB, which includes the calculation of i) liquidity ratios, ii) survival periods, and iii) liquidity gaps;
- Additional Liquidity Monitoring Metrics (monthly) – a set of additional liquidity monitoring measures in accordance with sub-paragraph b) of number 3 of article 415 of Regulation (EU) 575/2013, that includes quantitative data on i) concentration of funding by counterparty and type of product, ii) funding cost, iii) renewal of funding, and iv) concentration of counterbalancing capacity (net assets) by issuing entity/counterparty;
- Short Term Exercises (quarterly) – for the supply of essential data for ECB's "Supervisory Review and Evaluation Process" that, in terms of liquidity includes information on i) the LCR's prudential liquidity ratios and the NSFR (net stable funding ratio) and ii) the splitting up of assets, liabilities and net assets ("counterbalancing capacity") by periods to maturity of capital and interest;
- Downgrade exercise of the Portuguese sovereign (change of periodicity from quarterly to annual)) – an ECB monitoring exercise on the impacts of the total loss of eligibility of Portuguese public debt instruments in the following areas i) the collateral available for Eurosystem financing, ii) funding outflows in addition to the additional contagion effects on a level of Portuguese-related assets and the rating on Caixa and debt instruments issued by any Caixa Group entity following the respective 1 notch downgrade of its credit standing by the four rating agencies accepted by the ECB;
- Internal liquidity adequacy assessment process (annual) – a self-assessment exercise on the adequacy of credit institutions' liquidity levels that, in compliance with article 86 of Directive 2013/36/EU, should have robust strategies, policies, processes and information systems i) for the identification, measurement, management and monitoring of liquidity risk across appropriate time periods, and ii) for the management and monitoring of financing positions in order to guarantee adequate liquidity buffer levels and an adequate financing structure;
- Liquidity Exercise (annual) – daily monitoring model (five consecutive days) developed by the ECB for temporary use in real crisis situations, centring on the most relevant liquidity data in such situations: (i) changes in customer deposits stock, wholesale financing, financing obtained from the ECB and net assets, (ii) ten main counterparties of customer deposits and repo operations, and (iii) ten main intra Group financing transactions.

Adding to the supervisor's proximity oversight of banks' liquidity situations the LCR (liquidity coverage ratio) – as the minimum liquidity standard included in the CRR/CRD IV regulatory framework – came into force for its second full year in 2017, with the following transitional disposition:

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

CGD Group's LCR ratio of 208.9% at 31 December 2017, was significantly higher than the established minimums, confirming its excellent liquidity position.

The NSFR also confirmed the Group's confortable liquidity position, with a level of 139.4% at 31 December 2017, although the standard aiming to promote the existence of a sustainable maturities structure for assets, liabilities and off-balance sheet items, particularly focusing on preventing the excessive use of short term wholesale funding, is not yet in force on 01 January 2018, with a minimum requirement of 100%.

Also in the context of its regulatory liquidity risk reporting commitments, CGD continued to comply with the conditions set out in Bank of Portugal Instruction 13/2009, which includes a detailed, permanent collection of information on credit institutions' liquidity levels, including their forecast treasury plans over a one year timeframe.

Notwithstanding the problems noted in the money and capital markets since 2008, 2017 saw a growing trend towards stabilising confidence levels in the financial system, already felt in 2013, providing CGD with a more favourable financing environment. CGD launched a market issuance of up to €500 million in additional tier 1 – AT1 market securities for more than 160 institutional investors showing a high level of "appetite" for the "Caixa Geral de Depósitos" name. The transaction enabled the completion of the second stage of CGD's recapitalisation plan for a total amount of €3 billion and added to its comfortable liquidity position.

In 2017, the resource-taking policy, CGD endeavoured to guarantee a sustainable financing structure for its activity, based on the characteristics of the liquidity and period to maturity of its off-balance-sheet assets and exposures.

1.6.5. OPERATIONAL RISK

Operational risk comprises the risk of losses resulting from inadequacies or failures of processes, persons and information systems or deriving from external events, including legal risks.

This risk is transversal to the various processes developed and is minimised through the implementation of adequate control and mitigation procedures.

In terms of the calculation of own funds requirements to cover operational risk, CGD Group, on a consolidated basis, has adopted the standard method, which is also used by Caixa Geral de Depósitos, Caixa Banco de Investimento, Caixa Leasing e Factoring, Banco Caixa Geral (Spain) and Mercantile Bank (South Africa) on a separate basis.

The application of the standard method on a consolidated basis, at 31 December 2017, requires own funds of €305.7 million to cover operational risk.

Methodology

Operational risk management in CGD Group uses an end-to-end methodology, based on a collection of guidelines, principles and regulations recognised as good practice on a national and international level.

This methodology, incorporating a series of components, has been implemented in CGD and its respective branches and subsidiaries:

- The definition and oversight of tolerance and risk appetite limits;
- The decentralised collection of operational risk events, losses and recoveries, strengthened and backed by control procedures;
- Self-assessment of potential operational risks and respective controls;
- Definition and oversight of key risk indicators;
- Disclosure of information using an internal reporting system including regular committee meetings and disclosure of reports for the diverse structural bodies;
- Promotion and oversight of the implementation of action plans as a corollary to the remaining methodological components.

On an organisational level the principal forum for oversight and advisory support to the operational risk management decision-making process is the Operational Risk Committee which is responsible for the coordination, consideration and discussion of issues related with operational risk management across the Group. It is specifically responsible for monitoring the Group's global operational risk management level and verifying conformity with the established strategy and policies. CGD's operational risk management is performed by different structures/functions with specific responsibilities in this process, whose respective coordination is the responsibility of an area exclusively specialising in operational risk management as part of the Risk Management Division.

In addition to the referred to operational risk management methodology, Caixa focused on the consolidation of its SGCN (Business Continuity System) in 2017. The system was implemented in accordance with the international benchmark standard – ISO 22301:2012 Business Continuity Management System. Caixa perfected the monitoring thereof, helping to achieve continuous improvements to business continuity. CGD therefore remains resilient and able to respond to potential threats to its business.

In Group terms, CGD continues to oversee and develop the Bank of Portugal's good practice support/performance projects (circular 75/2010) with CGD entities abroad, having concentrated, this year, on distance support to the respective Entities and respective reporting to the Regulator. Adjustments were also made to the number of entities overseen, deriving from strategic decisions, with the termination of oversight of the London branch and Macau and Cayman Islands offshore branches.

Top management continues to be involved and oversees this area through its dedicated business continuity committee structure, currently on a quarterly basis, dealing with issues relative to business continuity management and strategy, resulting in the implementation of the respective solutions.

2018 Outlook

It is anticipated that, as in the recent past, 2018 will also be a particularly challenging year for risk management areas. Reference should, herein, be made to the following activities identified as the main objectives for 2018:

- The adoption of international Financial Reporting Standard 9 (IFRS 9);
- The EBA/ECB 2018 stress test for 2018;
- The implementation and use of new risk assessment models on individual and corporate customers' default risks (i.e. scoring model*)*;
- The revision of processes and information flows with the aim of multiplying automatic solutions, increasing efficiency and mitigating operational risks;
- Preparation for the coming into force of the "Fundamental Review of the Trading Book";
- To continue to strengthen the Group's risk management culture, promoting personal and digital proximity as well as harmonising practices and concepts.

1.7. Sustainability

1.7.1. SUSTAINABILITY MANAGEMENT

CGD operates as a universal bank, providing all specialised financial services and its customers have at their disposal a full service international Group.

CGD has an integrated presence in almost all banking business areas such as commercial banking, investment banking, brokerage and venture capital, real estate, asset management, specialised credit, among others.

There is a clear concern, in each sector, to assume the leadership capacity to provide services enabling customers' specific needs to be met with the aim of ensuring their loyalty to CGD and promoting the sustained growth of market shares.

Over the course of the years, CGD has been engaged on incorporating various sustainability-related aspects in its management model, based on the application of a set of policies:

- Sustainability Policy. The sustainability policy defines CGD's scope of activity in terms of sustainability through five key areas: responsible banking, promotion of the future, protection of the environment, involvement with stakeholders and human assets management;
- Environmental Policy. The environmental policy reflects the three fundamental environmental commitments of compliance with environmental legislation, the adopting of a proactive attitude and measures to prevent pollution and continuous improvements to environmental performance;
- Involvement with the Community Policy. This policy comprises the commitment that CGD has renewed across the course of its history, in its awareness that the company's sustainable development means contributing towards a better society;
- Product and Service Policy. This policy recognises that the development of balanced, transparent, responsible relationships with customers, in addition to banking activity's contribution to sustainable development, with the aim of promoting a better future, are fundamental pillars of CGD's modus operandi.

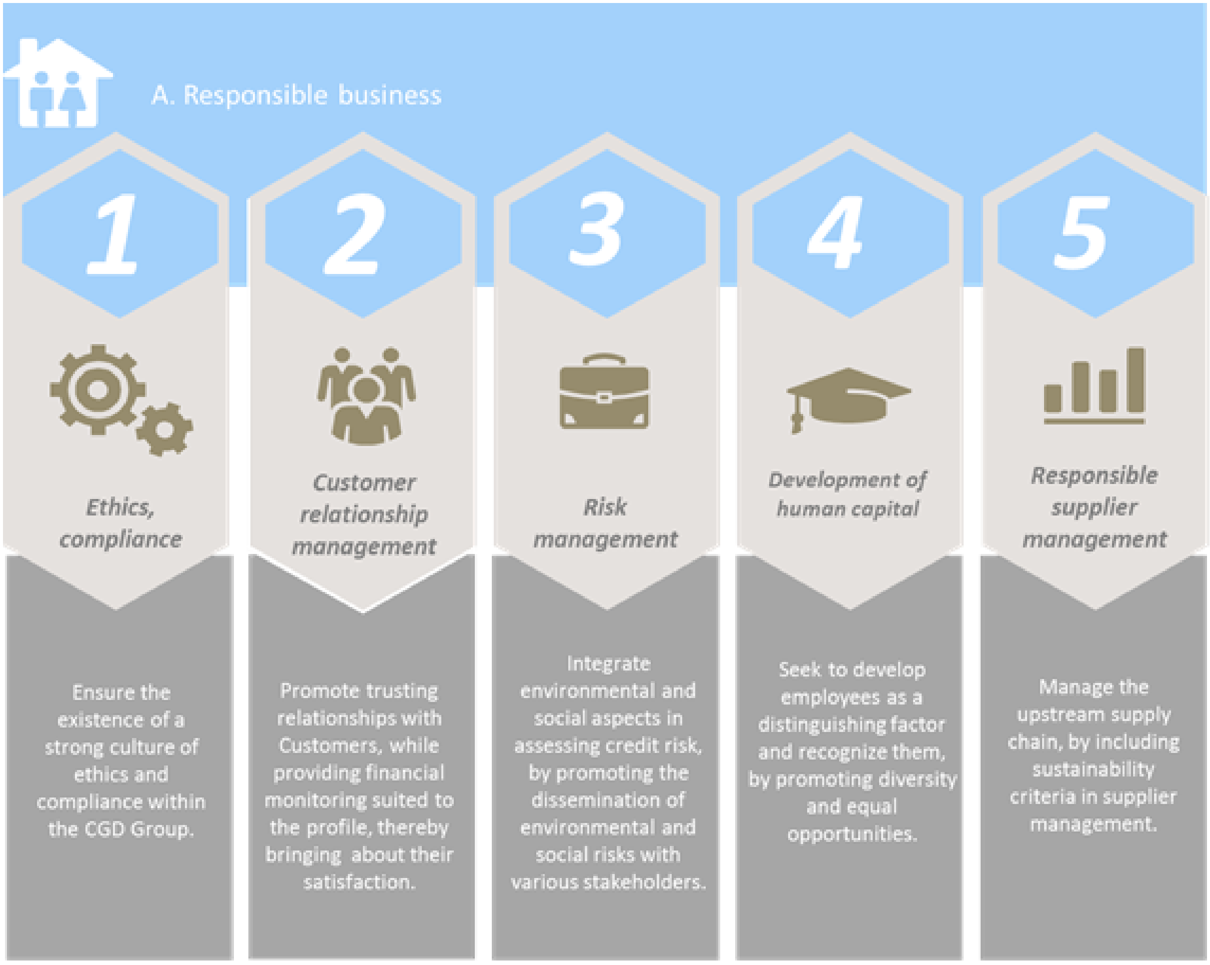
The Governance Committee is responsible for ensuring compliance with the governance principles and policies of CGD and CGD Group, including ethical and deontological principles, standards of conduct and social responsibility and sustainability policies.

The model comprises the following:

- The Sustainability Committee (CSU), formed in 2017. This is an Executive Committee decision-making body responsible for the assessment, discussion and monitoring of the implementation of the sustainability of CGD and CGD Group branches and subsidiaries, including the maintenance of its Environmental Management System. CSU informs the Governance Committee and Executive Committee of the annual planning involved in the corporate sustainability programme;
- Sustainability coordination team, responsible for coordinating and overseeing the programme, promoting taskforce activities, making proposals and reporting on sustainability policies to the Governance Committee and the Board of Directors;
- Ambassadors and Appointees, responsible for analysing and validating the proposals produced by the taskforces;
- Taskforces, comprising members in charge of various structural bodies.

SUSTAINABILITY STRATEGY

In furthering its vision of sustainability and associated policies, in 2017, CGD continued to implement its Sustainability Strategy for the three year period 2015-2017. This strategy is split up into 3 thematic segments comprising 10 activity and 2 transversal areas, whose definition was based on materiality analysis from the results of the consultation of stakeholders. Each activity area comprises a series of initiatives and voluntary objectives that exceed CGD's statutory and compliance obligations.



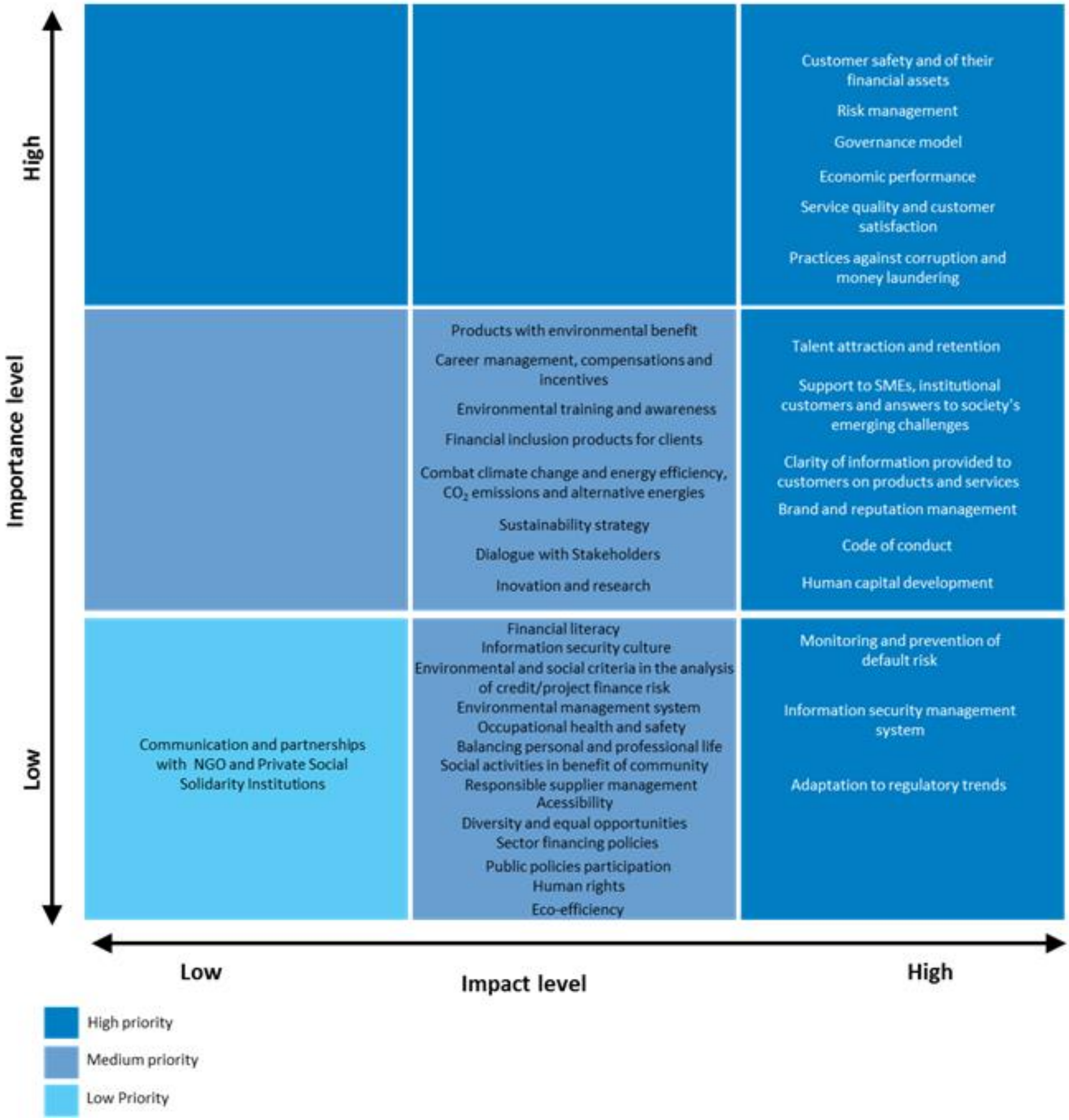
All relevant material issues are included in the Sustainability Strategy 2015-2017. The Economic Performance issue is considered transversal to the various strategic axes.

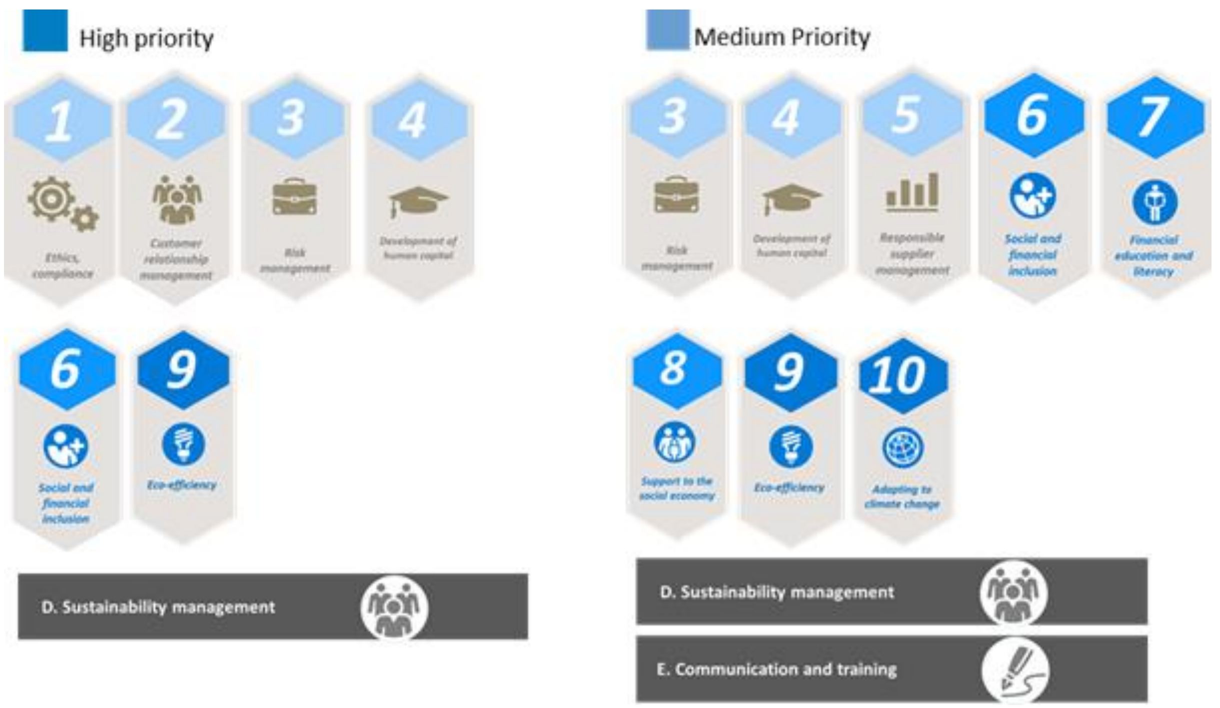
INTERACTION WITH STAKEHOLDERS

DIALOGUE WITH STAKEHOLDERS

The diverse relationship channels with stakeholders were maintained with the aim of ensuring continuous, effective dialogue with the various groups.

MATERIALITY MATRIX





Relevant material issues are reported throughout this document, as well as in the Annual Sustainability Report, available on: www.cgd.pt. Policies associated with sustainability are available for consultation on the CGD website at: https://www.cgd.pt/English/Institutional/Sustainability/Commitments-and-Policies/Pages/Commitments-Policies.aspx

1.7.2. RESPONSIBLE BUSINESS

CGD SUSTAINABLE OFFER

INVESTMENT FUNDS

Fundo Caixagest Investimento Socialmente Responsável

This Unit trust open-ended investment funds was launched in 2017, the first fund in Portugal to promote respect for human rights, social justice and environmental management, comprising a portfolio valued at €68.7 million. This fund's management applies social responsibility filters to the assets in which it invests and therefore provides for the ever growing and conscious concerns comprising the expression of values as well as investments.

At the same time, it was also introduced the Pedrógão reforestation campaign in which a native tree was donated for each €3,000 in subscriptions (campaign valid up to the end of 2017). This campaign associated the commercialisation of the fund with the pressing need to reforest the fire devastated areas of Pedrógão Grande following the nationwide calamity, allowing customers the immediate tangible benefit of helping the community in this pioneering initiative.

Resources taken during this campaign comprised an amount equivalent to the planting of 25,687 trees, with Caixagest making an additional contribution of 4,313 trees to an overall total of 30,000 trees to be planted between October 2018 and February 2019.

This planting activity will also boost the absorption of CO_2 while, at the same time, minimising the environmental impact associated with the management and commercialisation of the Caixagest Investimento Socialmente Responsável fund.

Fundo de Investimento Alternativo Aberto Caixagest Energias Renováveis

This open-ended alternative investment fund, with €9.1 million under management at 2017 end, is targeted at customers who do not have medium term liquidity requirements and are able to tolerate capital losses. They should have adequate knowledge of financial markets and the main risks involved. The fund is geared to financing investment projects helping to increase the generation of renewable and non-pollutant energies, reducing CO2 emissions and consequently improving the quality of the environment.

FINANCING OF THE LOW CARBON ECONOMY

CGD continued to play a role in financing the low carbon economy across the year, helping its customers to reduce their greenhouse gas emissions.

It continued to provide a series of specific financial solutions giving its individual, corporate and institutional customers access to goods and services with greater carbon efficiency.

Caixa continued to commercialise the following solutions for its corporate and institutional customers, in 2017: Caixa Empresas – Energias Renováveis and a line of credit for hybrid and electric vehicles by Caixa Leasing e Factoring, supporting the hybrid and electric vehicles investment in the sphere of Caixa's sustainability policy, financing companies with environmental concerns.

FINANCIAL INCLUSION

Basic Account

Since 31/12/2014, Caixa has been providing a current account, exclusively for individual customers (with statements and passbooks), following the recommendations of the Bank of Portugal's circular letter 24/2014, with the objective of improving transparency and facilitating comparability between the offers of various banks. This account provides customers with several fundamental operating and payment services (a Caixautomática Electron/Maestro debit card with no annual fee, access to the Caixadirecta service, three free in-branch withdrawals per month/account and free domestic transfers between CGD accounts) based on a flat rate.

There were 1,932 basic accounts active at year end.

Minimum Banking Services Accounts

Since 20/03/2000, Caixa has been providing Minimum Banking Services Accounts (MBS), following the three-party agreement entered into between Caixa, the government and the Bank of Portugal pursuant to the dispositions of Decree-Law no.27-C/2000 of March 2000, with the objective of providing its customers with access to the banking system, notwithstanding their financial status.

This service, for individual customers with only one account in the banking system, is free and in addition to the maintenance and management of the current account includes access to the Caixadirecta service, a debit card for making payments and withdrawals on domestic territory, with no annual card fee and free domestic transfers between CGD accounts.

MBS access conditions were, in the meantime, changed on 04.10.2015 by Law 66/2015, which enables a singular person with another or other accounts to enjoy access to the MBS provided that one of the MBS co-accountholders is a singular person over the age of 65 or dependent on third parties (customers with a permanent level of disability of 60% or more, duly certified by a competent body).

Caixa had 5,172 active Minimum Banking Service Accounts at year end.

Solutions that generate savings habits

Caixa continued to incentivise its customers and their families to create savings habits through its design of solutions to facilitate and encourage savings based on responsible, useful, financial management.

The *Savings and Investment Solutions* balance (which permits additional deposits to be made), totalled €16 billion at 31 December 2017.

COMMERCIAL OFFER TO SUPPORT THE REHABILITATION AND REGENERATION OF URBAN CENTRES

Over the last few years, CGD has been reaffirming its commitment to back urban rehabilitation and regeneration as important and decisive areas of activity for the domestic and local economy, making a definitive contribution to permanently improving people’s living conditions and health.

JESSICA Initiative – Urban Development Fund (UDF) JESSICA/CGD

CGD considers urban rehabilitation and regeneration to be synonymous with sustainability, social cohesion, inclusion and economic development, incentivising the rental market and backing job creation. CGD, as the JESSICA/CGD UDF management body, in the sphere of the JESSICA Community initiative, has provided the market with two lines of credit for the medium and long term financing of projects located in the zones of influence of the regional operational programmes in Northern and Central Portugal and the Alentejo: a line of credit to finance projects meeting the eligibility criteria of JESSICA Community funds – geared to public or private bodies and partnerships dominated by them and a complementary line of credit to fund the components of urban rehabilitation and regeneration projects not eligible for the JESSICA initiative, preferably geared to private entities or partnerships dominated by them, without prejudice to complementing the offer of finance available to public bodies or partnerships promoted by them.

The backing of such project is particularly exemplified by:

- Social equipment: requalification of the existing premises of a private social solidarity institution (i.e. charity), in Lousã, with a multiplicity of facilities including a day-care centre (47 users), home care service (55 users), nursery (65 users) and residential structure for senior citizens (74 users). The investment amounted to €0.5 million and the project will create 7 new jobs.
- Tourism facility: requalification of real estate in Porto adapting it to a 4* hotel, with 79 rooms, a restaurant, bar and parking for 68 vehicles. Investment amounts to €8.7 million with funding of €4.5 million. The project will create 18 jobs.

Caixa also has around €16.7 million available to fund urban rehabilitation and regeneration projects aimed at revitalising cities, encouraging city dwellers to take up residence and backing energy efficiency.

BANCO COMERCIAL DO ATLÂNTICO SUSTAINABLE OFFER

BCA’s mission is to provide high quality financial services and products to meet its customers’ needs, using state-of-the-art technology and creating value for its shareholders, employees and Cape Verde society in general. BCA’s performance is based on its commitment to sustainable development-related values.

BCA also supplies a range of products with social benefits, backing economic and household growth, namely:

- Linha de crédito 1 Milhão de Contos: Four subsidised lines of credit for micro, small and medium-sized companies and microcredit associations located on Cape Verde territory. The first three lines of credit comprise a total amount of CVE 1 billion (approximately €11 million) each. The fourth line of credit comprises a total amount of CVE 2 billion (approximately €22 million), coming to a total amount of CVE 5 billion. Disbursements of €13.5 million were made, in 2017, under this fourth line of credit, which is still in force.
- Linha de crédito 1 Milhão de Contos: The NU PINTA NOS TERRA line of credit for rehabilitation works and the painting of the outside of houses. Loans of €272 thousand were made under this line of credit in 2017.
- University credit: loans of €1 million were made under this line of credit by the end of 2017.
- Line of credit with a mutual guarantee for students in higher education. Loans of €186 thousand were made under this line in 2017.

- 350 minimum banking service accounts were opened in 2017, under the free banking services established by the official notice No. 1/2013 of the Bank of Cape Verde.
- BCA Poupança Jovem (young people's savings accounts): an account for young people up to the age of 30 to enable them to accumulate savings. Around €10,4 million in deposits were taken by this product by the end of 2017.
- Emigrants' deposits under the Decree-Law no. 53/95, of 26 September that regulates the emigrant savings system in Cape Verde. A balance of around €335,5 million at the end of 2017.

BANCO INTERATLÂNTICO SUSTAINABLE OFFER

In its awareness of the importance of its role in promoting sustainable development in Cape Verde, Banco Interatlântico provided a series of products with societal benefits, in 2017, namely:

- University Training: with loans of €184 thousand in 2017.
- Line of credit with a mutual guarantee for students in higher education for financing expenses directly related with Cape Verdean students' attendance at vocational higher educational, degrees and masters courses preferably given in Cape Verde, with loans of €157 thousand in 2017.
- 4,202 free banking services accounts were opened (under the Bank of Cape Verde's Official Notice 1/2013).
- BI Conta Poupança Jovem (young people's savings accounts): an account, which allows savings to be accumulated, is for young people up to the age of 30. This product was responsible for deposit-taking of around €1.5 million at the end of 2017.

QUALITY MANAGEMENT

Contextual changes require ever greater endeavours to guarantee customer satisfaction. The diffusion and implementation, herein, of a culture of quality and improvement have been a guideline principle behind CGD's management strategy for its internal processes since 2006.

In this sphere, in 2017, CGD ensured the maintenance of the five processes certified to ISO 9001[9], having inclusively completed the transitional phase to the 2015 version and achieving an extension thereof on an information systems level.

Reference should also be made, in the transition to the new version of the standards in 2017, to the certification of CGD Headquarters' environmental management system to ISO 14001:2015, strengthening CGD's commitment to sustainability-related issues and accordingly help to improve operational efficiency based on the reduction of energy and materials costs, in addition to obtaining additional revenue from waste processing operations.

CGD has also committed to its business continuity system, certified to ISO 22301. Its implementation, at this stage, has been completed and is in alignment with international and Bank of Portugal requirements. This has improved CGD's ability to identify and manage current and future threats to its business, adopt a proactive attitude to minimise the impact of incidents and demonstrate its commitment to providing its customers with a more consistent and reliable service, in all circumstances.

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[9] Financial Markets, Prevention and Safety, Customers' Suggestions and Complaints, Information and Management Systems Infrastructures Services, Execution and Control of Operating Processes and Contact Centre.

The information security system is currently being implemented to ISO 27001, for the purpose of adopting a series of requirements, processes and controls to mitigate and adequately manage information security risk. This is how CGD intends to improve the reliability and safety of information and its systems, in terms of confidentiality, availability and integrity, increasing the trust and satisfaction of customers and partners in general.

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It should also be noted that, in endeavouring to provide for the challenge of achieving the optimisation/efficiency of processes and operational support units, CGD's Organisation and Quality Division has continued to implement its LEAN transformation programme, which it has endeavoured to integrate with other ongoing improvement and organisational re-engineering methodologies.

Caixa continued to centre its endeavours on monitoring the performance and levels of service of its main business processes, across 2017, with the aim of optimising resources and improving performance.

CUSTOMER SATISFACTION - ASSESSMENT OF QUALITY

Caixa's assessment of quality and service and customer satisfaction is one of the strategic pillars for strengthening its value proposals.

Caixa reaffirmed the oversight methodology on its quality of service in 2017, with the aim of improving the customer experience and identifying best practice.

The assessment programme is focused on four aspects:

- Telephone interviews with customers with incomplete surveys - focusing on understanding their needs and expectations in addition to their consideration of the perception of quality of service;
- Assessment of interactions/telephone calls measured by IVR (interactive voice response);
- Mystery visits to the whole of the branch office network, analysing the quality of service provided by employees and any improvement opportunities;
- Oversight of the perception of quality based on the analysis of external indices on quality of service both on a level of individual and corporate customers.

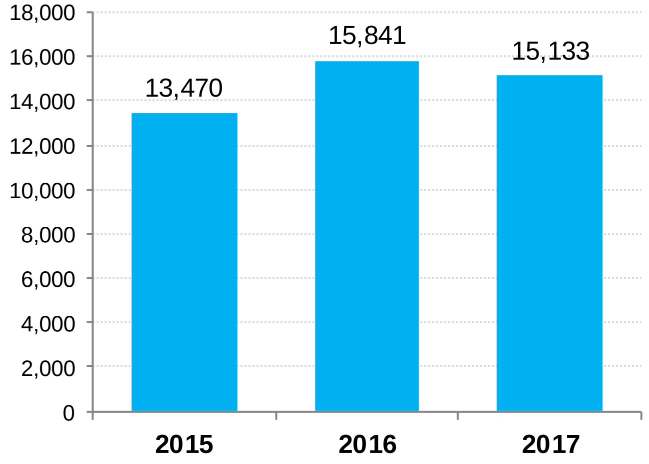
SUGGESTIONS AND COMPLAINTS

CGD has the following objectives in processing suggestions and complaints:

- To ensure consistent, rigorous, prompt replies;
- To preserve Caixa's good standing and professional image;
- To promote ongoing improvements to Caixa's service;
- To provide an efficient response to the requests received.

COMPLAINTS

(in number)



Although the number of complaints received in 2017 was down 4.5% over 2016, the total volume of 15,133 complaints was still higher than in 2015.

Compliance with response periods was down, both in what as regards processes recorded in the complaints book (74% against 82% in 2016), as in other processes (55% against 77% in 2016). This was a result of the significant volume and reduction of the number of account managers.

In 2017, managers presented a higher productivity (+ 5%), 3.4 processes per manager/day against 3.2 processes per manager/day in 2016.

TRANSPARENCY IN CUSTOMER COMMUNICATION

The disclosure of information on financial products and services in the retail sphere by credit institutions and financial corporations is subject to rigorous information and transparency requirements with the aim of allowing bank customers to make an informed, grounded decision on the products or services on offer.

CGD must comply with these duties in its public disclosure of information on its commercialisation of financial products and services, based on the legislation and regulations issued by the supervisors, which obligations have been transposed into CGD's internal standards.

Caixa considers true, transparent, balanced and clear information to be an instrument for creating value, leading to improved customer satisfaction levels, a reduction in the number of complaints and lessening of the associated compliance risk. Quality communication helps to establish a lasting relationship of trust between Caixa and its customers.

With the aim of ensuring compliance with applicable standards, all Caixa or third party advertising of financial products and services commercialised by CGD or by third parties, on national territory and abroad, must be validated by the bodies responsible for the product, by CGD's communication service and its Compliance Office (GFC). GFC also validates the precontractual information on deposits and other resource-taking products.

GFC validated 10 products (regarding pre-contractual information) and analysed 749 advertising actions, as regards their conformity with regulations, legislation and standards and CGD's internal principles, in 2017.

RESPONSIBLE MANAGEMENT OF SUPPLIERS

CGD mainly selects national suppliers. In Portugal, 90.9% of Caixa's suppliers are national suppliers and comprise 96.2% of the respective expenditure. This is also one of the ways in which the Bank contributes to reinvigorating the national economy, while, at the same time, leveraging the creation of indirect employment.

CGD has transparent procedures in place for the acquisition of goods and services, geared to principles of economy and effectiveness. In the sphere of its sustainability strategy and considering that a high proportion of the Bank's environmental and social impacts are evidenced indirectly through the performance of its suppliers, it has been encouraging them to adopt sustainability principles as a means of mitigating environmental and social risks in its supply chain.

CGD complies with the legislation applicable to the state's corporate sector in its relationship with suppliers and consults selected suppliers in accordance with a prior analysis based on market, risk and legal compliance in terms of fiscal requirements and social security criteria. The decision to enter into an agreement is based on a separate technical and financial analysis of the proposals and is latterly regulated in the form of a contract or other legally supporting document.

It is standard practice to enter into agreements with local (i.e. national) suppliers based on normal criteria of economic rationality.

CGD continued to include ethical principles and good business practice in its processes for the selection and contracting of suppliers and its service providers at its HQ building, must also comply with its rules of Good Environmental, Safety and Health. In 2017, CGD had 805 active suppliers, in which 24 new contracts were entered into through the negotiating areas of Sogrupo Compras e Serviços Partilhados, ACE, 68,57% of which containing environmental and social clauses.

Five CGD suppliers were subject to environmental assessments across the year, in the sphere of internal and external audits of the Environmental Management System and in line with CGD's statutorily required conformity. These suppliers were chosen on the basis of their relevance to the activities performed in CGD's headquarters office building.

In 2017 was developed a basis for future electronic auctions of goods and services as well as for automated billing from supliers.

1.7.3. HUMAN CAPITAL

2017 was marked by the start of the application of the Strategic Plan entered into between the Portuguese state and the European Union (DG Comp) for the period 2017/2020, underpinning CGD's capitalisation plan and requiring a large number of strategic human resources projects.

Its main implications are listed below:

- Adjustment to the operational infrastructure (branch office network and commercial areas);
- Adjustment of the employee complement to changes in business and processes ;
- Reduction of employee costs;
- Talent development and skills adjustments.

Adjustments were accordingly made to the branch office network, in 2017, with branch office closures based on the defined sustainability model. Work also began on the restructuring processes of various central departments, pursuant to which the areas of responsibility of control divisions were strengthened in line with growing regulatory requirements and adjustment to support structures based on the optimisation of processes and team rationalisation.

Compliance with the employee adjustment objectives essentially took the form of natural exits based on voluntary and early retirements with the agreement of employees. However, in light of the existing requirements to reduce the current level of employees, these exits were complemented by the launch of a mutual agreement resignation programme based on applications submitted by the respective interested parties.

Pursuant to this process, Caixa arranged for an outplacement programme to assist employees to return to the marketplace, helping them to achieve an eventual career transition, look for a new job or set up their own business.

Reference should be made, in 2017, to the continued investment in training, providing continuity to the leadership training programme for all employees with mid-level managerial functions in order to strengthen their team management and leadership skills in the current transformation process.

Reference should also be made to endeavours to certify the whole of the branch office network for the new Markets in Financial Instruments Directive – MiFID II – that, within a short space of time enabled employees to be trained to provide information in the financial instruments sphere according to CMVM requirements, envolving 4,807 of employees.

CHARACTERIZATION AND EVOLUTION OF EMPLOYEES

CGD's global staff complement of 7,970[10], at the end of 2017, was 6% down over the preceding year.

77% of employees had individual employment contracts, 23% were civil servant contracts and 1% had fixed-term employment contracts, continuing to reflect stability in terms of work on a full time basis.

Reference should also be made to the fact that 99% of CGD, SA's employees work on a full time basis in Portugal.

In its furtherance of an inclusive policy, CGD integrates employees with special needs, without any discrimination, providing them with technical assistance and guaranteeing the accessibility needed for such employees' full integration and development.

In terms of access to employment there is no distinction between men and women whose selection is based solely and exclusively on their résumés and a candidate's profile and skills, irrespective of gender.

The analysis of professional career advancement is based solely on criteria of merit and skills.

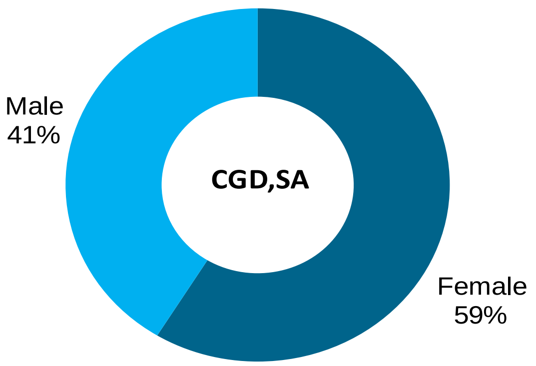
In terms of remuneration, CGD's effective policy is one of equal with no differentiation in terms of gender.

CGD had 153 handicapped employees in 2017, an increase of 12% over the previous year.

DISTRIBUTION BY GENDER AND AGE

(%)

	Male	Female
<= 30	3%	3%
30-50	60%	74%
>= 50	37%	23%



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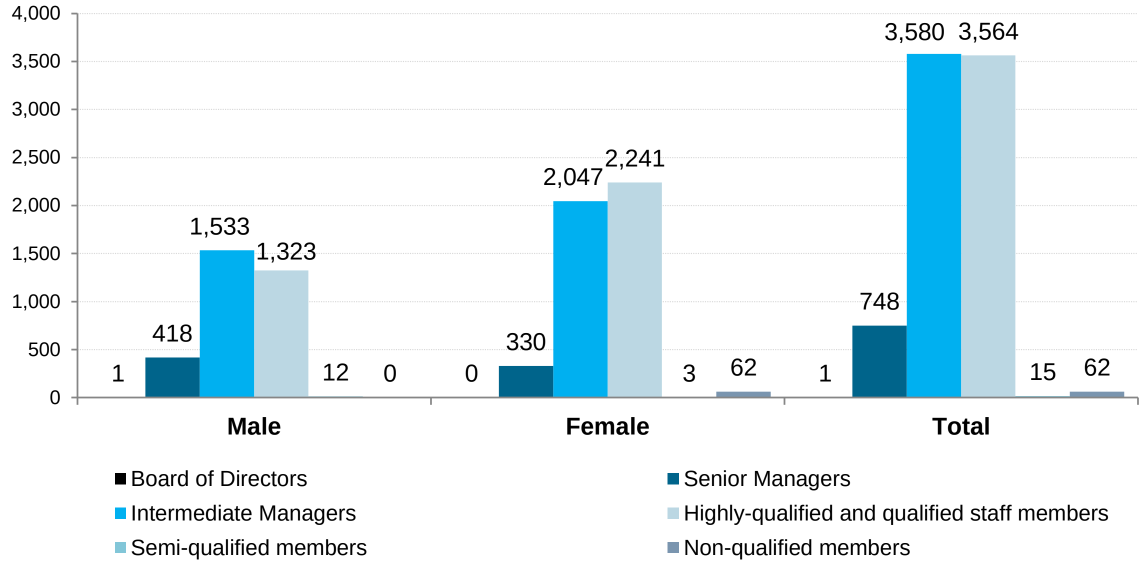
10 Employees linked to CGD, SA

DISTRIBUTION BY ACADEMIC QUALIFICATIONS

	Male	Female	Total
Higher	1,842	3,211	**5,053**
Secondary	1,138	1,186	**2,324**
Less than Secondary	307	286	**593**
Total	**3,287**	**4,683**	**7,970**

DISTRIBUTION BY GENDER AND PROFESSIONAL CATEGORY

(Employees)



CGD Group had 14,799 employees at the end of 2017, down 4.2% over 2016 and including a 5.2% drop in CGD Portugal employees.

CGD GROUP EMPLOYEES

			Change	
	2016-12	2017-12	Total	(%)
Banking operations (CGD Portugal) (1)	8,113	7,689	-424	-5.2%
Other (2)	7,339	7,110	-229	-3.1%
Total	**15,452**	**14,799**	**-653**	**-4.2%**

(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.

PROFESSIONAL DEVELOPMENT

As in past years, the objective of the training plan for 2017 was to develop transversal as well as more specific skills, prioritising areas and skills related with strategic guidelines. The plan was also based on a survey of the needs of each structural body and its respective employees. Reference should, however, be made to the fact that training in the sphere of regulatory guidelines for the sector was preponderant in 2017.

CGD therefore developed ongoing training initiatives in basic skills, strengthened critical business skills as well as behavioural and technical skills in the regulatory and business support sphere.

Reference should be made to training in the following initiatives and programmes:

- 4,807 employees were trained and certified in the new MiFID II (Markets in Financial Instruments Directive). In line with CMVM requirements, the total number of 395,123 training hours guarantees the capacity to provide information in the sphere of financial instruments.
- Particular reference should also be made from a business support outlook to the programmes related with negotiations, oversight of default and products and services, as well as regulatory issues such as the Prevention of Money Laundering and Countering the Financing of Terrorism and the Securities Market Code.
- As regards individual training for specific issues, Caixa enrolled 245 employees for a total number of 3,746 hours of training abroad.

Business support training involved several initiatives:

- Reference should be made to the *Leadership* training programme, starting 2016, for all managers and employees with mid-level managerial functions – Coordination and Line Management. The programme, comprising various training stages, involved 1,452 employees and particularly concentrated on the new Performance Management System.
- Caixa's transformation process requires the capacity to innovate and flexibility in terms of problem solving, focusing on customer service and the leadership of its management teams. Work began on training programmes for managers in leading management schools, the contents of which dealt with issues related with banking sector trends, management of transformation processes and the development of team management skills, providing contact with best practices in the sector.
- Members of the Board of Directors have been involved in induction and training programmes, given by Caixa employees in charge of the areas in question and leading external entities, totalising 236 hours.

As regards environmental procedures, Caixa ensured training and awareness-raising initiatives for its employees. Reference should be made, by way of example, to the external training for SGA (environmental management system) team members and the periodic publication of articles related with good behavioural and environmental practice on the intranet.

Training Indicators

There were 172,718 participations in training actions across 2017, totalising 560,940 training hours, involved 15% classroom training, 83% e-Learning and 2% other training methodologies. The average satisfaction level of trainees was 4.31 in a scale from 1 to 5.

535,981 of the total number of training hours were given to employees with an active work contract with CGD, SA, at 31 December, giving an average of 67.2 hours across 2017 which compares to 21.5 hours in 2016.

A significant part of the classroom training was given by internal trainers. These training sessions were given by 142 internal trainers in 2017.

PERFORMANCE MANAGEMENT SYSTEM

CGD's Performance Management System is used to assess all eligible employees, in terms of their skills and compliance with objectives.

As planned, a new Table of Functions came into force at the end of 2016. The table is organised in "Functional Bands and Families" comprising the basis for a new Performance Management Model which could, therefore, be applied for assessment purposes on performance in 2016, in 1st quarter 2017.

Caixa's "Skills Dictionary" was also updated and progressively used in Human Resources Management (HRM) instruments and policies, across 2017.

Year 2017 performance will be assessed in 1st quarter 2017, by which time the Performance Management Model will have been consolidated and perfectly assimilated by all parties, either in the form of classroom training which was given to all appraisers or on the basis of the plan for the communication and disclosure of explanatory contents for all employees.

Caixa accordingly maintained its policy of rewarding commercial merit for its branch office network, subject to the limitations deriving from the rules defined for the State's Corporate Sector, in the form of commercial incentives and a points scoring system:

- The Incentives System aims to reward outstanding branches and/or managers as measured by their achievement of targets, with the award of prizes indexed to their respective remuneration;
- The points system was eliminated in 2017, with the payment of a single monetary bonus at the end of the year, on the sale of properties from CGD's portfolio and several sales operations recorded between the months of January and February. The decision to eliminate this bonus system is associated with the revision of periodicity and the more comprehensive rules governing the incentives system.

In terms of structuring projects with an impact on human resources policies and instruments reference should be made, in 2017, to the progressive expansion of the Table of Functions to Group Companies in the domestic perimeter, with the aim of being in a position to apply a single HRM model across Caixa Group, either in terms of the Performance Management System or other HRM policy components.

HEALTH AND SAFETY

Occupational health

CGD continued to take various steps in terms of its employees' health and safety, in 2017.

The Medicine in the Workplace team, as a multidisciplinary team of doctors, nurses, psychologists and administrative staff, provides a personal, proximity-based service, characterising situations in great detail, issuing guidelines and, whenever necessary, rehabilitation and professional reintegration. Its initiatives were therefore aimed at:

- Ensuring the existence of working conditions to protect workers' safety and health;
- Performing a careful analysis of environmental and organisational factors and the human and individual characteristics that influence behaviour in the workplace;
- Adapting the workplace to workers, particularly as regards workstation ergonomics, choice of equipment and working methods;
- Accompanying rehabilitation and return to work in the event of work-related illnesses and accidents in the workplace, taking preventative measures;
- Assessing work-related risk (biological, chemical, physical and psychosocial) and putting the respective preventative measures into practice with the aim of eliminating/decreasing damages;
- Informing employees in the health and safety in the workplace domain.

In addition to compliance with its legal obligations and based on a global health perspective CGD's Medicine in the Workplace and operating in close collaboration with the Safety in the Workplace and Social Action areas, includes routine diagnostic examinations and specialised consultations such as nutrition, support for workers who travel on the job and breastfeeding support.

In compliance with legal obligations, there was a total number of 6,468 medical examinations (CGD and CGD Group companies) in 2017, comprising 5,897 periodic examinations, 143 examinations at the initial hiring stage, 53 occasional examinations and 375 interviews.

Although not required by law and in in terms of illness prevention, 37 appointments of support for workers who travel on the job were made.

The psychology area characterizes and oversights problematical situations (although there is no long absenteeism, there are other problems such as presenteeism, interpersonal conflicts, dissatisfaction, lack of motivation with impact on health and employee well-being, affecting performance and productivity), crisis situations (assaults, mourning and other traumatic events) and extended sick leave (lasting more than 60 consecutive days).

In 2017, the psychology area characterized and oversaw:

- All the extended sick leave, totalling 365 interviews;
- All the problematical situations identified, totalling 461 interviews;
- Psychosocial intervention in all crisis situations, totalling 5 interviews;

Safety in the workplace

CGD was involved in diverse Safety in the Workplace area activities, in 2017, lending continuity to the planning model already implemented, in line with best practice and priority was given to premises being remodelled and/or with layout changes having a direct impact on workplaces:

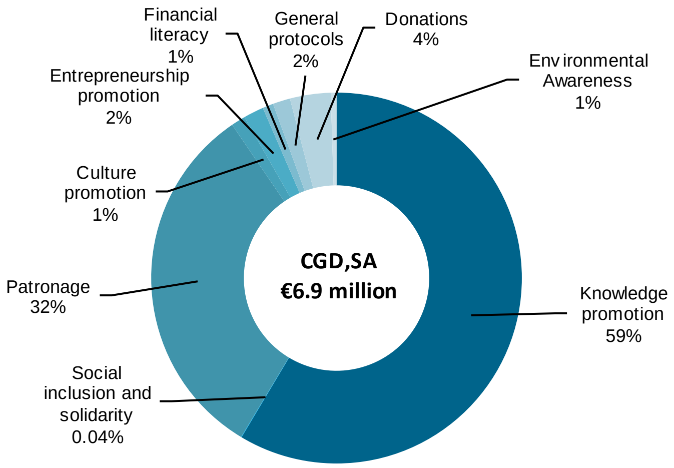
- Health and Safety in the Workplace technical audits. 6 audits were carried out comprising 700 workplaces (workplaces – employees + service providers) including the branch office network, central departments and Group companies;
- Analysis and management of accidents in the workplace. An analysis was carried out on the circumstances involved in accidents in the workplace in 2017 (100 CGD employees and 3 referring to Group companies). Reports containing proposed preventative/corrective measures in applicable cases were produced;
- Analysis and management of incidents – following the communication of around 56 incidents, the circumstances in which they occurred were analysed and actions taken to reduce the impact of the occurrence and prevent future incidents;
- Assessment and ergonomic adjustments to workstations – ergonomic studies were carried out on 49 workstations, involving body posture and/or the disposition of workstations, in addition to the proposal for and implementation of measures designed to eliminate/reduce the source of the risk and interventions designed to improve working conditions;
- Analysis of high risk activities. Around 185 high risk activities were assessed, for which individual protective equipment was defined and accompanied by a proposal for the necessary preventative measures;
- On-the-job training. This involves the design of on-the-job training actions at the time of technical audits and/or whenever justified.

1.7.4. COMMUNITY

CGD monitors investment in the community in order to understand its social impact and improve the efficiency of its support.

Caixa's direct investment in the community across the year, in various operating areas, was around €6.9 million.

DIRECT INVESTMENT IN THE COMMUNITY



COMUNITY SUPORT

CGD was involved in a series of projects aimed at providing for the needs of the community, across the year, thus contributing to an increase in CGD's social impact.

Lisbon Book Fair

CGD was present at the Lisbon Book Fair which was held between 1 and 18 June, in association with the ENTRAJUDA Donations Bank in collecting books to be donated to private social solidarity institutions.

Under the *Dê Nova Vida ao Livro* banner, the objective of this campaign with the contribution of CGD's employees, was to collect all types of books ranging from school textbooks and children's books to general literature. The books (new or used) were donated to social institutions with those in a poor condition being sent on to the *Papel por Alimentos* (Paper for Food) campaign. This initiative provided ENTRAJUDA with a total of 7,134 books, 1,500 of which were handed over on CGD's stand.

Toy collections – Christmas action

Under the banner "Playing is essential", between 11 and 29 December an action involving the collection of new or second hand toys in good condition for children in need up to the age of 10 benefiting from the support of various Private Social Welfare Institutions (IPSS), was organised in partnership with ENTRAJUDA. This initiative which was realised in articulation with 15 CGD branch offices, enabled around 1,750 toys and items of school material to be collected. They were donated to 16 local social solidarity institutions, therefore helping around 2,080 children.

Donations of Material Goods

CGD operates a Material Goods Donations Programme, to regularly provide for requests for donated items, namely furniture and computer equipment, therefore encouraging the re-use of various discontinued items of equipment and materials by communities, institutions and entities, which are able to give them a fresh lease of life and value. This means of re-using materials helps to reduce waste and environmental damage.

CGD donated a total 445 items in 2017, including office furniture and computer equipment to 9 institutions.Reference should be made to the offer of furniture (chairs, desks, shelves, display cabinets, coat racks, safe boxes, waste paper baskets, ladders, etc) to Porto's *IPO – Instituto Português de Oncologia* for the creation of a call centre geared to providing support to patients' families.

Socioeconomic, financial and environmental impact of Caixa's "Unidos por Pedrógão Grande" solidary account (i.e. charitable fundraising)

Portugal was devastated by a series of major fires, in 2017, two of which were particularly considered to be natural catastrophes. The municipal districts mainly affected were Pedrógão Grande, Castanheira de Pera and Figueiró dos Vinhos, Góis, Pampilhosa da Serra, Sertã and Penela. The consequences of the fires were tragic in terms of human lives, affected industries and material damages of €708 million of which only €220 million were covered by insurance. The June and October fires were described as "the most costly natural disaster ever recorded in the local insurance sector" and the most destructive and mortal occurrence ever recorded in this sphere in Portugal.

As a socially responsible bank Caixa reacted immediately to these social and environmental emergencies. It was the first bank to open a solidary account (i.e. charitable fundraising) in the name of "Unidos por Pedrógão Grande" and to provide the means and resources to assist in the cleaning up operations and reconstruction of the areas, means, populations and businesses affected.

The "Unidos por Pedrógão Grande" solidary account, which was opened with an initial donation of €50,000 from CGD, succeeded in raising €2,650,975.60 from more than 36,000 donors.

The full amount was paid into the Calouste Gulbenkian Foundation Fund, with which CGD entered into a protocol of cooperation for the purpose of managing the fund. A report on the respective performance and progress is audited and disclosed each quarter.

Reference should be made to the evaluation of the impact of the "Unidos por Pedrógão Grande" account at 31 December 2017:

Housing

- 54 houses rebuilt (22 in full, 29 in part and 3 outbuildings);

Subsistence activities

- Assistance to 246 farmers;
- Assistance to 300 beekeepers, distribution of 35,000 kg of food and feeding of 3,750 bee colonies;

Local institutions

- Acquisition of indispensable equipment for mobile healthcare units providing assistance to around 3,000 directly affected persons;
- Acquisition of operational transport for the wheelchair-bound;
- Acquisition of an ambulance for the Humanitarian Association of the Voluntary Fire Brigade of Cernache do Bonjardim, serving a population of approximately 5,000;
- Acquisition of an electric wheelchair for the Santa Casa da Misericórdia of Castanheira de Pera.

Development of human potential

- Psychological support for PTSD (post-traumatic stress disorder) in schools, with ongoing clinical oversight for children from school groupings in the municipal districts of Castanheira de Pera, Figueiró dos Vinhos, Góis, Pampilhosa da Serra, Pedrógão Grande and Sertã;
- Eye screening and hearing tests for the 1st, 2nd and 3rd year pre-school primary education pupils of school groupings in these municipal districts. 140 pupils were referred to specialist services in more serious cases in 2017.

FINANCIAL LITERACY

In the education and financial literacy sphere, CGD has been developing and backing initiatives for society as a whole, from its youngest members to corporate organisations, with the aim of incentivising savings, consumption and more responsible investments and driving involvement in programmes with voluntary contributions.

European Money Week

CGD participated, in 2017, in the *European Money Week* initiative organised by the EBF (European Banking Federation). As part of this initiative developed by Portuguese Banking Association (APB) in conjunction with *Junior Achievement*, CGD welcomed five young students in High school.

The students were welcomed personally by CGD's CEO who accompanied them at a welcoming breakfast and a visit to the Bank's headquarters followed by a presentation on CGD's placements programme and its financial literacy programme.

The project's objectives included the need to draw attention to the importance of better and more comprehensive financial education in Portugal and in Europe, raising the community's awareness of the relevance of the adoption of behavioural adjustments in the sphere of their existing and future financial choices.

Financial Education Working Group

CGD is a member of the APB's financial education working group to promote familiarisation with financial literacy concepts and entrepreneurship for young people.

An Innovation Challenge was organised, in 2017, with the objective of promoting entrepreneurship considerations in contacts with around 100 students in secondary education who, as a team, developed innovative proposals in areas such as security, dematerialisation, mobility and customer proximity.

Saldo Positivo

CGD continued to host its *Saldo Positivo* site in 2017 as its financial literacy site for individual and corporate customers that continues to be an important tool in support of the financial inclusion.

CGD accordingly aims to help incentivise the financial education of Portuguese citizens in terms of planning and managing their consumption and financial resources with responsibility and foresight.

Timor branch

The Timor branch is committed to increasing the population's literacy levels, having developed the following initiatives in 2017:

- Distribution of 1,600 children's books entitled *Grão a Grão*;
- Encouraging savings through the distribution of 1,250 piggy banks;
- A gift of USD 20 to the first 300 savings accounts opened at the Oecussi branch in the sphere of the central bank's financial literacy campaign.

Banco Interatlântico

Banco Interatlântico has been encouraging the access of the underprivileged to financial services, in its development of various activities to improve financial literacy, namely:

- The Cape Verde project, comprising the development of training activities for the local community of Praia's Fonton quarter;
- Conference on "Governance Challenges in the Financial Sector and the Governance Framework in Cape Verde" encouraging debate on core governance principles in the Cape Verdean context;

- The National Archives of Cape Verde's exhibition on "Coins and Banknotes: The History and Culture of Cape Verde". This two year exhibition (2017-2018), aims to tell the story of the circulation of notes and coins on the archipelago, from the times of the Portuguese *maritime discoveries* to the present day.

HISTORICAL, CULTURE AND HERITAGE

In furthering its policy of involvement with the community, Caixa continued to invest in promoting culture.

Caixa Geral de Depósitos - Culturgest Foundation

In 2017, the Caixa Geral de Depósitos - Culturgest Foundation sponsored projects for around € 2,200 thousand, having, inter alia, continued to back various projects in diverse areas - music, arts and letters, cinema and documentaries, photography and journalism.

CULTURGEST

	No. shows/ activities	No. sessions
Music	24	36
Theatre	11	46
Dance	9	19
Cinema	-	156
Conferences and readings	12	38
Educational service	563	-
Courses and visits	4	15
Circus	1	2
Exhibitions - Lisbon and Oporto Galleries (1)	13	-
Exhibition - CGD collection itinerancy (2)	2	-

(1) Three exhibitions carry-over from previous year.

(2) One exhibition carry-over from previous year.

Historical Heritage

CGD's Historical Heritage management area helps to safeguard, preserve and disclose information on CGD's heritage, enabling the reconstitution of CGD's culture and its evolution. Its large collection enhances the knowledge of people in general regarding banking activity and its evolution. Its main aims are to ensure the management of CGD's historical heritage, guaranteeing the inventorying and good technical and environmental preservation of CGD's documentary and museological and heritage and collectors' items, in addition to the furtherance of a strategy of disseminating information on the whole of the collection under the responsibility and management and promotion of the Ultramarina, Vieira Machado and Espaço Lusófono (mediatheques) libraries.

In the sphere of the diverse works carried out by the Historical Archive across 2017, reference should be made to the holding of the exhibition to commemorate the 30th anniversary of the laying of the cornerstone of the Bank's headquarters building; the development of a project in partnership with the Portalegre town hall for the erection of an information panel containing historical information on this CGD subsidiary's headquarters and respective works of art and the production of a written article for publication in the institution's bulletin: The European Association for Banking and Financial History Architecture and Finance (EABH).

1.7.5. ENVIRONMENTAL

ENVIRONMENTAL MANAGEMENT

CGD continued to commit to the environment, based on the Directives of its Environmental policy of complying with environmental legislation and other applicable requirements and adopting a proactive attitude towards the prevention of pollution, continuously improving its environmental performance.

CGD achieved the renewal of its certification of its headquarters' SGA (Environmental Management System) for another cycle (2017-2020) and respective transition to the new NP ISO 14001:2015 international benchmark. The SGA's existence helps CGD to achieve its strategic objective of improving the operational efficiency, monitoring the consumptions of various environmental aspects associated with the activities being performed in the headquarters building.

In addition to environmental awareness-raising actions with employees and the community, CGD's operations have translated into a definition of objectives and quantitative goals to reduce its environmental impact, focusing on optimising operational efficiency: energy, emissions of greenhouse gas, waste management, among others.

According with its 2018-2020 sustainability strategic, CGD has started work on a review of its strategy Low Carbon Programme, which involves four axes of action: the quantification and reduction of emissions, low carbon funding and community environmental awareness.

ENVIRONMENTAL PERFORMANCE

Caixa periodically monitors diverse environmental aspects in order to assess the impact of its activity on the environment.

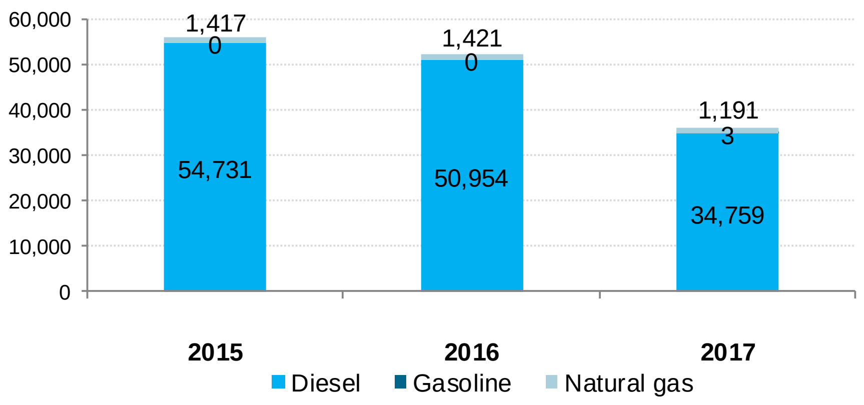
Energy Consumption

Energy consumption of 274,432 GJ in the reporting year was down 13% over 2016. This reduction is due both to the evolution of the CGD activity and to the various measures of energy efficiency that CGD has implemented over the years and which it has continued to implement in 2017, associated with new lighting and more efficient air conditioning equipment.

In the case of on-the-job mobility, CGD made a restructuring of its vehicles fleet in 2017, concerning the evolution of its commercial activity and also a reduction of its environmental impact. CGD continues to encourage its employees to use public transport and distance communication media such as videoconferencing.

DIRECT ENERGY CONSUMPTION

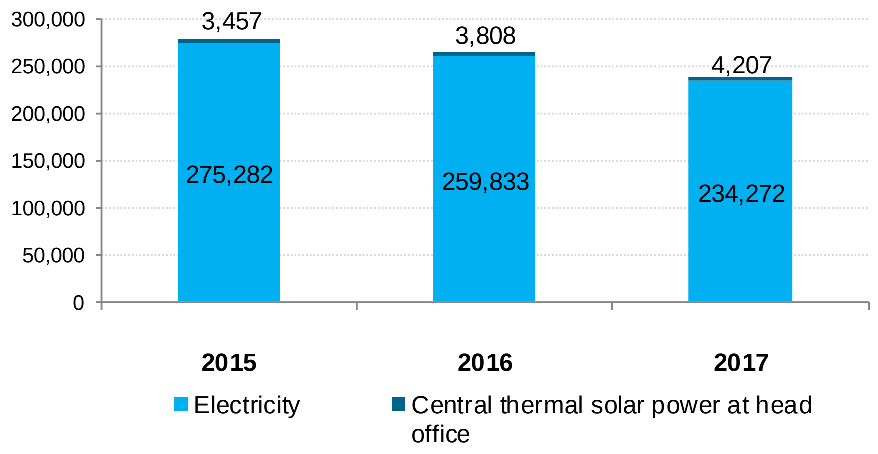
(GJ)



Scope: CGD,SA

INDIRECT ENERGY CONSUMPTION

(GJ)



Scope: CGD,SA

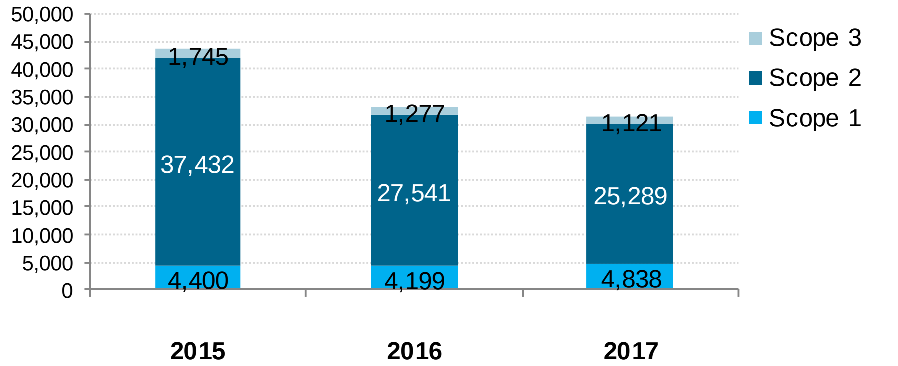
CGD headquarters continued to generate renewable energy from the solar panel installations on its roof and photovoltaic energy on its branch office network, in 2017, thus helping to reduce the national grid's carbon content. Solar power generated by CGD headquarters was up 10% and the photovoltaic energy on branch office network raised 7% over 2016. All of the photovoltaic energy generated on the branch office network is sold to the national grid.

Emissions of greenhouse gas

CGD, in the sphere of its Low Carbon programme, has maintained its commitment to calculate the greenhouse gas emissions associated with its activity in accordance with Greenhouse Gas Protocol (GHG Protocol) guidelines.

EMISSIONS OF GREENHOUSE GAS

(tonnes of CO2e)



Scope: CGD,SA

Caixa's greenhouse gas emissions, in 2017, corresponding to a carbon intensity of 3.94 tCO2e/employee and 0.022 tCO2e/thousand euros of total operating income – totalled 31,248 tonnes of CO2e (tCO2e).

There was an overall reduction of greenhouse gas emissions of around 5% over 2016. This was more expressive in the case of *Scope 3* greenhouse gas emissions (associated on with on-the-job travel and waste management) and in the case of Scope 2 (electricity consumption emissions).

CGD S.A. achieved a 5% reduction in its total greenhouse gas emissions over 2016, with a 15% increase in scope 1, an 8% reduction in scope 2 and a 12% reduction in scope 3 emissions.

A contributory factor to the increase in scope 1 emissions was the substantial increase in the number of items of equipment inventoried in 2017 to a total of 4,250.

Most of the reductions achieved in scope 2 are associated with the energy efficiency measures being implemented by CGD in its buildings, in addition to the restructuring of its branch office network. Scope 3 emissions were affected by the reduction of emissions associated with on-the-job air travel (down 11% over 2016), as a result of the mobility policies adopted.

CGD is a voluntary participant in the climate change questionnaire mentored by the Carbon Disclosure Project (CDP), having achieved an "A-"classification in 2017. This is considered to be a leading position.

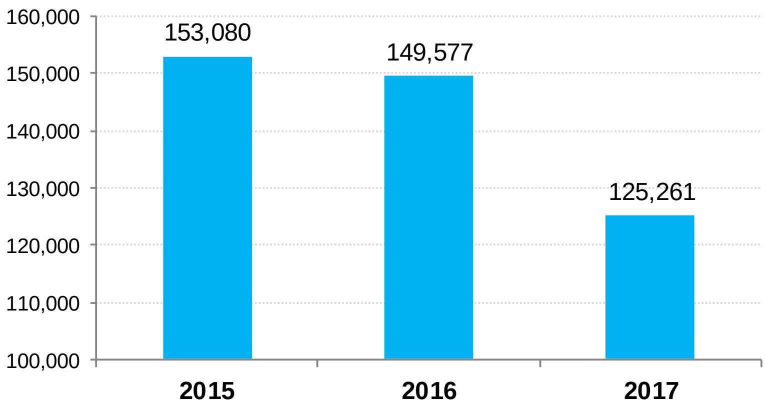
As a signatory to CDP, CGD voluntarily responds to the annual Climate Change questionnaire, disclosing information on its level of emissions, mitigation initiatives and its risk management practice and opportunities deriving from climate change on its business.

Water Consumption

CGD is concerned to encourage the efficient consumption of water resources on its premises having installed diverse water consumption reduction systems in its central buildings over the years as well as the maintenance of the disclosure of good practice associated with water consumption. In 2017 water consumption was down 16% over 2016, in these buildings.

WATER CONSUMPTION

(m^3)



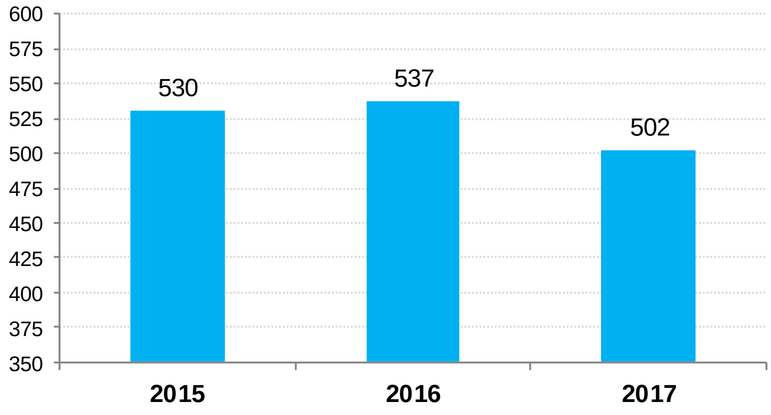
Scope: CGD,SA

Material Consumption

CGD's activity mainly consumes white paper. 502 tonnes of white photocopying paper, 29 tonnes of paper in the form of bank passbooks and 286 tonnes of envelopes were consumed in 2017. To control its consumption of materials, CGD controls the consumption of other materials such as plastic bank cards and cups.

WHITE PHOTOCOPYING PAPER CONSUMPTION

(tonnes)



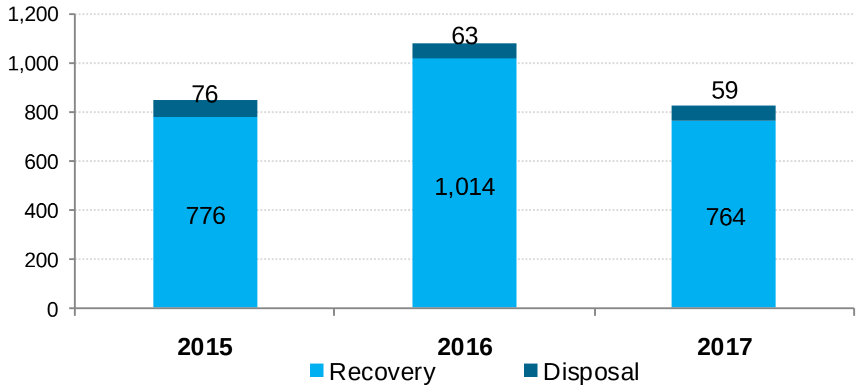
Scope: CGD,SA

Waste Management

CGD's activity produced 823 tonnes of waste in 2017, down 24% over 2016. The main reason for this result was the significant decrease in the amount of waste of paper and paperboard, plastic and packaging and electrical and electronic equipment out of use.

WASTE PRODUCTION BY DESTINATION

(tonnes)



Scope: CGD,SA

ENVIRONMENTAL AWARENESS

CGD has taken several steps to raise the awareness of its customers, suppliers and society of environmental problems such as climate change, the scarcity of resources and conservation of biodiversity.

Internal awareness

Internally, CGD maintained its in-house awareness-raising campaign geared to encouraging the adoption of good environmental practice with the display of posters on several floors of its HQ building; the supply of a dossier on environmental system practices (EMS) to resident suppliers; inclusion of contents on the EMS in the leaflet welcoming new employees which is distributed at the time of the mandatory visiting programme to the building, in addition to keeping its tutorial on the EMS active and making it available to all CGD employees.

Across the year and also in the sphere of the EMS, various items of communication with the aim of encouraging employees to adopt good practice particularly focusing on selective waste separation, were published on the intranet.

Visits to the Solar Array

The use of renewable energies is a fundamental component for minimising reliance on national energy dependence and reduction of carbon emissions.

CGD has a solar power array on the roof of its headquarters building at Av. João XXI, Lisbon, comprising 158 solar panels covering an area of 1,600 sqm permitting the generation of energy for heating and cooling purposes (using an absorption chiller) water for air conditioning systems, sanitary installations and the refectory kitchen.

An enormous amount of interest has been shown in this project by the academic community across the years pursuant to which CGD has organised diverse guided visits to its solar array in order to promote knowledge sharing and good practice.

Recycling of bank cards

CGD maintained its bank card recycling project designed to reduce a part of the environmental impacts deriving from its activity.

Approximately 1.9 tonnes of cards were sent for recycling in 2017 – down 76% over 2016.

This decrease is explained by the smaller number of obsolete cards stored on CGD's premises and by the stabilisation of the replacement process of institutional banking cards by the new Pessoa cards.

This waste reprocessing project enabled the delivery of urban furniture to four "social solidarity" institutions (i.e. charities), showing how it is possible to adopt a proactive attitude to prevent pollution while, at the same time, making a contribution to collective citizenship.

CGD is accordingly promoting the dissemination of good practice in its contacts with the community, demonstrating the benefits of re-using waste in terms of the circular economy.

This innovative bank cards recycling initiative was the winner of the 9th edition of the Green Project Awards in the "Efficient Management of Resources" category, in 2017.

Floresta Caixa

CGD assumes responsibility for the defence and preservation of the natural resources common to all citizens and *Floresta Caixa* is one of the emblematic educational programmes managed by it on behalf of younger people.

Caixa maintained the publication of the children's books on its website, as a means of motivating children to learn more about Portuguese forests and strengthening their links with our country's natural heritage.

Caixa continued to help oversee operations in the areas of the *Tapada Nacional de Mafra* under the aegis of the *Floresta Caixa* programme, contributing to the preservation of forests and promoting biodiversity.

With the objective of clarifying and raising the awareness of the community on the fundamental and structural reasons behind the recurrence of forest fires in Portugal, Caixa and the *Liga para a Proteção da Natureza* (LPN) organised a series of debates on "Forests and Forest Fires – Uncertainties and Truths", attended by 344 participants.

Banco Interatlântico

Banco Interatlântico has evidenced its concerns over environmental management, having implemented various initiatives to reduce its environmental impact, such as:

- LED-based lighting in its new data centres. These lights switch off automatically when people leave the building and help to rationalise electricity consumption;
- Re-use of paper for internal applications;
- Remote Desktop Function on the Bank's computers, allowing remote access to equipment and reducing physical travel requirements;

Banco Caixa Geral – Brasil

Since the end of 2016, BCG Brasil has been operating in a building with LEED Platinum certification, helping to reduce the consumption of natural resources.

BCG Brasil's consumption of 1,117 m3 of rainwater in 2017, was up 58% over 2016.

Electricity consumption of 1,070 GJ was down 2% over 2016.

1.8. Subsequent Events

The Portuguese State, as sole shareholder, has elected Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin as non-executive members of the Board of Directors of CGD S.A., to complete the 2017-2020 current term, considering the non-opposition by the European Central Bank in what regards the suitability assessment of the proposed members by Unanimous Written Resolution of April 4 and 5, 2018, respectively.

On February 27, 2018, Moody's Investors Service has upgraded CGD's long-term deposit and senior unsecured debt ratings to Ba3 from B1, reflecting the stronger than anticipated 2017 financial results performance and improvements in the bank's financial fundamentals, thereby making visible progress in its 2017-2020 restructuring plan. This rating agency has also upgraded CGD's baseline credit assessment (BCA) and adjusted BCA to b1 from b2. The outlook on the long-term deposit and senior debt ratings remains stable.

João José Amaral Tomaz, non-executive member of the Board of Directors of CGD, S.A., elected for the 2017-2020 term, requested the suspension of his mandate for health reasons, pursuant to paragraph 1(a) of Article 400 of the Commercial Companies Code. The suspension of the mandate was granted by the Supervisory Board for a period of 90 days, which may be renewed, starting on February 15, 2018. On April 30, 2018 and pursuant to Article 404 of the Comercial Companies Code, he resigned to his mandate due to health reasons, with effect from June 1st, 2018.

1.9. Proposal for the Appropriation of Net Income

Pursuant to the terms of article 66 no. 5, sub-paragraph f) and article 376 of the Commercial Companies Code and article 33 of Caixa Geral de Depósitos's articles of association, it is proposed that net income for the year relative to the separate accounts of CGD, SA, in the amount of €24,641,806, should be appropriated:

- 20% for the Legal Reserve, €4.928.361;
- €19.713.445 into the "Other Reserves and Retained Earnings" balance sheet account.

Lisbon, 27 April 2018

Board of Directors

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

Alberto Afonso Souto Miranda

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

1.10. Declaration on the Conformity of the Financial Information Presented

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code, we declare that the financial statements for 2017 and other accounting documents 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' report gives an accurate account of its business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon, 27 April 2018

Board of Directors

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

Alberto Afonso Souto Miranda

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

1.11. Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, SA

BALANCE SHEET (SEPARATE)

(EUR)

ASSETS	31-12-2017 Amounts before impairment, amortisation and depreciation	31-12-2017 Impairment, amortisation and depreciation	31-12-2017 Net assets	31-12-2016 Net assets	LIABILITIES AND EQUITY	31-12-2017	31-12-2016
Cash and cash equivalents at central banks	3,750,223,524	-	3,750,223,524	867,353,054	Resources of central banks and other credit institutions	4,847,200,640	5,953,868,657
Cash balances at other credit institutions	402,737,261	-	402,737,261	372,437,105	Customer resources and other loans	56,837,841,565	58,649,320,230
Loans and advances to credit institutions	3,815,761,615	(7,125,000)	3,808,636,615	4,180,772,166	Debt securities	4,052,826,581	4,216,640,865
Financial assets at fair value through profit or loss	6,675,287,320	-	6,675,287,320	6,969,362,361	Financial liabilities at fair value through profit or loss	1,055,530,514	1,675,736,682
Available-for-sale financial assets	9,142,653,751	(592,103,411)	8,550,550,340	9,029,913,409	Financial liabilities associated with transferred assets	3,790,917,908	4,087,764,305
Financial assets with repurchase agreement	-	-	-	421,943,549	Hedging derivatives	5,458,606	2,196,746
Hedging derivatives	7,412,943	-	7,412,943	9,541,270	Provisions	1,247,076,100	1,073,415,829
Held-to-maturity investments	2,111,276,033	-	2,111,276,033	-	Current tax liabilities	617,235	10,693,451
Loans and advances to customers	52,271,266,869	(4,199,076,429)	48,072,190,440	52,042,092,658	Deferred tax liabilities	203,438,648	152,158,782
Non-current assets held for sale	1,376,412,945	(662,959,031)	713,453,914	341,485,590	Other subordinated liabilities	1,127,807,445	2,622,284,634
Investment properties	3,286,623	-	3,286,623	3,336,623	Other liabilities	1,832,661,604	2,047,083,595
Other tangible assets	1,197,958,054	(910,850,462)	287,107,592	318,935,876	Total Liabilities	75,001,376,846	80,491,163,776
Intangible assets	667,013,707	(618,548,639)	48,465,068	77,782,119	Share capital	3,844,143,735	5,900,000,000
Investments in associates, subsidiaries and joint ventures	3,913,431,218	(421,112,588)	3,492,318,630	3,664,332,754	Other equity instruments	500,000,000	-
Current tax assets	20,470,236	-	20,470,236	9,548,262	Revaluation reserves	337,693,358	115,882,937
Deferred tax assets	2,214,634,010	-	2,214,634,010	2,319,512,461	Other reserves and retained earnings	2,466,567,867	(1,548,481,165)
Other assets	2,403,013,077	(386,640,014)	2,016,373,063	2,279,803,271	Net income for the period	24,641,806	(2,050,413,020)
					Total Equity	7,173,046,766	2,416,988,752
Total Assets	89,972,839,186	(7,798,415,574)	82,174,423,612	82,908,152,528	**Total Liabilities and Equity**	82,174,423,612	82,908,152,528

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

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Deputy Chairman

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CAIXA GERAL DE DEPÓSITOS, SA

INCOME STATEMENT (SEPARATE)

(EUR)

	31-12-2017	31-12-2016
Interest and similar income	1,725,179,964	1,939,389,109
Interest and similar expenses	(890,359,519)	(1,274,441,155)
Income from equity instruments	59,888,538	57,539,861
NET INTEREST INCOME	894,708,983	722,487,815
Income from services and commissions	460,424,268	435,054,897
Costs of services and commissions	(88,411,207)	(85,573,242)
Results from financial operations	218,633,157	32,825,662
Other operating income	(65,260,098)	(19,795,989)
TOTAL OPERATING INCOME	1,420,095,103	1,084,999,143
Employee costs	(492,574,147)	(503,720,298)
Other administrative costs	(279,018,019)	(321,970,422)
Depreciation and amortisation	(53,181,710)	(65,774,525)
Provisions net of reversals	(194,270,914)	(300,150,685)
Loan impairment, net of reversals and recoveries	(119,091,759)	(2,216,407,630)
Other assets impairment, net of reversals and recoveries	(127,946,809)	(560,722,788)
INCOME BEFORE TAX	154,011,745	(2,883,747,205)
Income tax	(129,369,939)	833,334,185
NET INCOME FOR THE PERIOD	24,641,806	(2,050,413,020)
Average number of ordinary shares outstanding	654,400,018	1,180,000,000
Earnings per share (in Euros)	0.04	(1.74)

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CAIXA GERAL DE DEPÓSITOS, SA

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR Thousand)

	31-12-2017	31-12-2016
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the year	329,282	(441,617)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the year	17,234	190,202
Disposal of available-for-sale financial assets	(41,388)	(95,464)
Tax effect	(83,318)	94,737
Foreign exchange differences in branches		
Gains / (losses) arising during the year	18,082	(6,822)
Foreign exchange differences in the liquidation of branches		
in currencies other tnah the Euro	(5,232)	-
Other	(52)	(150)
Subtotal	234,609	(259,114)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the year	90,495	(165,854)
Tax effect	(5,638)	37,485
Subtotal	84,858	(128,368)
Total comprehensive net income for the year recognised in reserves	319,466	(387,482)
Net income for the year	24,642	(2,050,413)
Total comprehensive net income for the year recognised in reserves	344,108	(2,437,895)

CAIXA GERAL DE DEPÓSITOS, SA

CASH FLOW STATEMENTS (SEPARATE)

(EUR Thousand)

	31-12-2017	31-12-2016
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2,172,397	2,421,600
Interest, commissions and similar costs paid	(865,929)	(1,148,442)
Recovery of principal and interest	79,838	12,874
Payments to employees and suppliers	(637,126)	(721,070)
Payments and contributions to pensions funds and other benefits	(115,107)	(102,350)
Other results	10,909	19,023
	644,982	481,636
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	4,325,032	2,820,081
Assets held-for-trading and other assets at fair value through profit or loss	(179,261)	(3,955,956)
Other assets	(1,766,172)	(284,216)
	2,379,599	(1,420,090)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(1,104,498)	250,211
Customer resources	(1,763,687)	(3,197,085)
Other liabilities	(98,526)	(185,488)
	(2,966,711)	(3,132,362)
Net cash from operating activities before taxation	57,870	(4,070,817)
Income tax	(84,838)	(49,822)
Net cash from operating activities	(26,968)	(4,120,639)
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	40,140	43,765
Dividends received from available-for-sale financial assets	10,504	13,775
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net of disposals	102,990	(6,344)
Acquisition of available-for-sale financial assets, net of disposals	680,041	5,837,321
Acquisition of tangible and intangible assets, net of disposals	209	(40,435)
Net cash from investing activities	833,883	5,848,081
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(33,413)	(76,308)
Interest on debt securities	(111,180)	(213,288)
Interest in other equity instruments	(40,313)	-
Issue of subordinated liabilities, net of repayments	(545,965)	(21,000)
Issue of debt securities, net of repayments	(156,895)	(2,400,871)
Issue of other equity instruments	496,000	-
Capital increase	2,500,000	-
Net cash from financing activities	2,108,235	(2,711,467)
Increase (decrease) in cash and cash equivalents	2,915,150	(984,025)
Cash and cash equivalents at the beginning of the year	1,239,790	2,223,258
Foreign exchange differences in cash and cash equivalents	(1,979)	557
Net change of cash and cash equivalents	2,915,150	(984,025)
Cash and cash equivalents at end of the year	**4,152,961**	**1,239,790**

CAIXA GERAL DE DEPÓSITOS, SA

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

(EUR Thousand)

	Share capital	Other equity instruments	Revaluation reserves				Other reserves and retained earnings			Net income for the year	Total
			Revaluation reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves and retained earnings	Total		
Balances at December 31, 2015	5,900,000	-	354,576	(96,977)	110,425	368,025	862,906	(2,464,835)	(1,601,929)	188,789	4,854,883
Appropriation of net income for 2015:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	2,442	186,347	188,789	(188,789)	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets	-	-	(346,878)	94,737	-	(252,142)	-	-	-	-	(252,142)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(128,368)	(128,368)	-	(128,368)
Foreign exchange differences in branches	-	-	-	-	-	-	-	(6,822)	(6,822)	-	(6,822)
Net income for the year	-	-	-	-	-	-	-	-	-	(2,050,413)	(2,050,413)
Other	-	-	-	-	-	-	-	(150)	(150)	-	(150)
Total gains and losses for the year recognised in equity	-	-	(346,878)	94,737	-	(252,142)	-	(135,341)	(135,341)	(2,050,413)	(2,437,895)
Balances at December 31, 2016	5,900,000	-	7,698	(2,240)	110,425	115,883	865,348	(2,413,829)	(1,548,481)	(2,050,413)	2,416,989
Appropriation of net income for 2016:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(2,050,413)	(2,050,413)	2,050,413	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets	-	-	305,129	(83,318)	-	221,810	-		-	-	221,810
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	84,858	84,858	-	84,858
Foreign exchange differences in branches	-	-	-	-	-	-	-	12,850	12,850	-	12,850
Net income for the year	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	(52)	(52)	-	(52)
Total gains and losses for the year recognised in equity	-		305,129	(83,318)	-	221,810	-	97,656	97,656	-	319,466
Capital increase	3,944,144	-	-	-	-	-	-	-	-	-	3,944,144
Capital decrease	(6,000,000)	-	-	-	-	-	(865,348)	6,865,348	6,000,000	-	-
Issue of other equity instruments (AT1)	-	500,000	-	-	-	-	-	-	-	-	500,000
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(32,194)	(32,194)	24,642	(7,552)
Balances at December 31, 2017	3,844,144	500,000	312,826	(85,558)	110,425	337,693	-	2,466,568	2,466,568	24,642	7,173,047

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	31-12-2017 Amounts before impairment, amortisation and depreciation	31-12-2017 Impairment, amortisation and depreciation	31-12-2017 Net assets	31-12-2016 Net assets
Cash and cash equivalents at central banks	4	4,620,892,713	-	4,620,892,713	1,840,559,558
Cash balances at other credit institutions	5	698,700,307	-	698,700,307	757,725,926
Loans and advances to credit institutions	6	3,035,818,730	(7,125,000)	3,028,693,730	3,217,796,545
Financial assets at fair value through profit or loss	7	6,792,824,259	-	6,792,824,259	7,153,925,169
Available-for-sale financial assets	8	6,820,947,241	(489,584,224)	6,331,363,017	7,429,511,767
Financial assets with repurchase agreement	9	52,848,642	-	52,848,642	799,731,581
Hedging derivatives	10	7,412,943	-	7,412,943	9,541,270
Held-to-maturity investments	11	2,626,819,147	-	2,626,819,147	433,130,778
Loans and advances to customers	12	59,810,941,861	(4,555,960,859)	55,254,981,002	62,866,825,488
Non-current assets held-for-sale	13	7,628,851,644	(872,343,463)	6,756,508,181	1,426,071,739
Investment properties	14	897,817,848	-	897,817,848	978,263,387
Other tangible assets	15	1,672,672,380	(1,084,060,437)	588,611,943	576,502,820
Intangible assets	16	795,393,577	(714,716,701)	80,676,876	116,178,493
Investments in associates and jointly controlled entities	17	415,185,675	(468,714)	414,716,961	312,337,565
Current tax assets	18	34,883,388	-	34,883,388	41,778,055
Deferred tax assets	18	2,287,808,330	-	2,287,808,330	2,545,785,070
Other assets	19	3,059,997,124	(287,642,515)	2,772,354,609	3,041,647,654
Total assets		101,259,815,809	(8,011,901,913)	93,247,913,896	93,547,312,865

LIABILITIES AND EQUITY	Notes	31-12-2017	31-12-2016
Resources of central banks and other credit institutions	20	4,042,850,063	5,799,711,598
Customer resources and other loans	21	63,630,895,823	69,680,129,918
Debt securities	22	4,051,421,034	4,183,728,713
Financial liabilities at fair value through profit or loss	10	1,060,339,220	1,695,481,388
Hedging derivatives	10	5,458,606	2,196,746
Non-current liabilities held-for-sale	13	5,783,828,926	693,368,617
Provisions for employee benefits	23	814,063,799	613,093,998
Provisions for other risks	23	474,226,942	514,217,921
Current tax liabilities	18	30,518,698	50,784,075
Deferred tax liabilities	18	277,789,563	191,045,337
Other subordinated liabilities	24	1,027,741,379	2,424,133,457
Other liabilities	25	3,774,464,211	3,816,579,962
Total liabilities		84,973,598,264	89,664,471,730
Share capital	26	3,844,143,735	5,900,000,000
Other equity instruments	26	500,000,000	-
Revaluation reserves	27	394,960,625	87,268,261
Other reserves and retained earnings	27	3,098,219,698	(1,109,321,446)
Net income attributable to the shareholder of CGD	27	51,945,741	(1,859,522,727)
Shareholders' equity attributable to CGD		7,889,269,799	3,018,424,088
Non-controlling interests	28	385,045,833	864,417,047
Total equity		8,274,315,632	3,882,841,135
Total liabilities and equity		93,247,913,896	93,547,312,865

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED INCOME STATEMENT

(EUR)

	Notes	31-12-2017	31-12-2016 (restatement)
Interest and similar income	29	2,344,714,106	2,470,923,810
Interest and similar expenses	29	(1,103,654,997)	(1,431,311,969)
Income from equity instruments	30	46,382,532	51,372,755
NET INTEREST INCOME		1,287,441,641	1,090,984,596
Income from services rendered and commissions	31	589,150,804	568,228,490
Cost of services and commissions	31	(124,289,005)	(118,378,321)
Results from financial operations	32	215,778,862	76,615,705
Other operating income	33	(3,373,379)	(194,007,328)
TOTAL OPERATING INCOME		1,964,708,923	1,423,443,142
Employee costs	34	(658,936,291)	(661,377,474)
Other administrative costs	35	(357,590,021)	(415,867,153)
Depreciation and amortisation	15 and 16	(86,765,097)	(91,722,326)
Provisions net of reversals	23	(203,407,078)	(227,551,664)
Loan impairment, net of reversals and recoveries	36	(85,908,500)	(2,382,828,327)
Other assets impairment, net of reversals and recoveries	36	(387,792,010)	(388,602,454)
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		184,309,926	(2,744,506,256)
Income tax	18	(215,822,902)	836,556,751
Results of associates and jointly controlled entities	17	24,687,537	47,479,786
RESULTS OF CONTINUING ACTIVITIES		(6,825,439)	(1,860,469,719)
Results of subsidiaries held-for-sale	13	83,600,539	35,298,296
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		76,775,100	(1,825,171,423)
Non-controlling interests	28	(24,829,359)	(34,351,304)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		51,945,741	(1,859,522,727)
Average number of ordinary shares outstanding	26	654,400,018	1,180,000,000
Earnings per share (in Euros)		0.08	(1.58)

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

	31-12-2017			31-12-2016 (restatement)		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Amounts that may be reclassified to net income						
Adjustments to the fair value of financial assets						
Gains / (losses) arising during the year	384.210	62.599	446.809	(398.486)	(57.102)	(455.588)
Adjustments of fair value reserves reclassified to net income						
Impairment recognized in the year	18.643	-	18.643	146.125	-	146.125
Disposal of financial assets in the year	(36.585)	(7.976)	(44.561)	(91.055)	(2.930)	(93.985)
Tax effect	(97.906)	(14.142)	(112.048)	89.453	13.028	102.481
Adjustments in associated companies	80.691	-	80.691	(12.503)	-	(12.503)
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the year	(84.718)	(25.124)	(109.842)	(32.158)	22.526	(9.632)
Foreign exchange differences in the sale or liquidation of branches and subsidiaries in currencie	(5.264)	-	(5.264)	-	-	-
Other	(1.800)	-	(1.800)	(8.172)	-	(8.172)
	257.271	15.357	272.628	(306.794)	(24.478)	(331.272)
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the year	90.514	-	90.514	(165.854)	-	(165.854)
Tax effect	(5.638)	-	(5.638)	37.485	-	37.485
Other adjustments in revaluation reserves						
Gains / (losses) arising during the year	(1.146)	-	(1.146)	-	-	-
Tax effect	401	-	401	-	-	-
	84.132	-	84.132	(128.368)	-	(128.368)
Total comprehensive net income for the year recognised in reserves	341.403	15.357	356.760	(435.163)	(24.478)	(459.641)
Net income for the year	(6.825)	83.601	76.775	(1.860.470)	35.298	(1.825.171)
TOTAL COMPREHENSIVE NET INCOME FOR THE YEAR of which:	334.577	98.958	433.535	(2.295.632)	10.820	(2.284.812)
Non-controlling interests	(23.304)	(76)	(23.380)	8.525	(24)	8.500
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	311.274	98.881	410.155	(2.287.108)	10.796	(2.276.312)

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED CASH FLOWS STATEMENTS

(EUR Thousand)

	31/12/2017	31/12/2016
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2,868,113	3,240,295
Interest, commissions and similar expenses paid	(1,092,173)	(1,418,609)
Recoveries of principal and interest	98,521	19,211
Payments to employees and suppliers	(873,473)	(1,057,035)
Payments and contributions to pension funds and other benefits	(117,630)	(102,350)
Other results	82,724	72,439
	966,082	753,951
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	4,679,988	2,784,540
Assets held-for-trading and other assets at fair value through profit or loss	(145,336)	(3,874,464)
Other assets	(1,761,976)	(572,792)
	2,772,677	(1,662,716)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(451,080)	355,385
Customer resources	(3,002,963)	(3,258,075)
Other liabilities	(148,607)	88,471
	(3,602,651)	(2,814,219)
Net cash from operating activities before taxation	136,107	(3,722,983)
Income tax	(113,505)	(134,397)
Net cash from operating activities	22,602	(3,857,380)
INVESTING ACTIVITIES		
Dividends received from equity instruments	46,383	52,389
Acquisition of investments in subsidiaries and associated companies, net of disposals	105,547	(277,440)
Acquisition of available-for-sale financial assets, net of disposals	601,014	6,008,917
Acquisition of tangible and intangible assets and investment property, net of disposals	(39,402)	(102,324)
Net cash from investing activities	713,542	5,681,542
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(33,497)	(76,939)
Interest on debt securities	(110,543)	(213,622)
Interest on other equity instruments	(40,313)	-
Issue of subordinated liabilities, net of repayments	(447,086)	(42,168)
Issue of debt securities, net of repayments	(125,695)	(2,406,669)
Issue of other equity instruments	496,000	-
Capital increase	2,500,000	-
Net cash from financing activities	2,238,867	(2,739,398)
Increase (decrease) in cash and cash equivalents	2,975,010	(915,237)
Cash and cash equivalents at the beginning of the year	2,598,285	3,652,808
Transfer of cash balances to non-current assets held-for-sale	(192,058)	(21,272)
Foreign exchange differences in cash and cash equivalents	(61,644)	(118,014)
Net change of cash and cash equivalents	2,975,010	(915,237)
Cash and cash equivalents at the end of the year	5,319,593	2,598,285

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR Thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the year	Subtotal	Non-controlling interests	Total
Balances at December 31, 2015	5,900,000	-	386,797	(818,683)	(171,453)	5,296,661	887,048	6,183,710
Net income for the year	-	-	-	-	(1,859,523)	(1,859,523)	34,351	(1,825,171)
Other entries directly recorded in equity:								
Gain/(losses) on available-for-sale financial assets	-	-	(299,529)	(12,503)	-	(312,032)	(1,437)	(313,469)
Employee benefits - actuarial gains and losses	-	-	-	(128,368)	-	(128,368)	-	(128,368)
Foreign currency differences in subsidiaries and branches	-	-	-	26,073	-	26,073	(35,705)	(9,632)
Other	-	-	-	(2,462)	-	(2,462)	(5,710)	(8,172)
Total gains and losses for the year recognised in equity	-	-	(299,529)	(117,260)	-	(416,789)	(42,852)	(459,641)
Appropriation of net income for 2015:								
Transfer to reserves and retained earnings	-	-	-	(171,453)	171,453	-	-	-
Investments carried out by non-controlling interests	-	-	-	-	-	-	668	668
Equity transactions with non-controlling interests	-	-	-	(1,925)	-	(1,925)	-	(1,925)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(14,799)	(14,799)
Balances at December 31, 2016	5,900,000	-	87,268	(1,109,321)	(1,859,523)	3,018,424	864,417	3,882,841
Net income for the year	-	-	-	-	51,946	51,946	24,829	76,775
Other entries directly recorded in equity:								
Gain/(losses) on available-for-sale financial assets	-	-	298,786	80,691	-	379,477	10,057	389,534
Employee benefits - actuarial gains and losses	-	-	-	84,877	-	84,877	-	84,877
Foreign currency differences in subsidiaries and branches	-	-	-	(101,545)	-	(101,545)	(13,561)	(115,106)
Other	-	-	(745)	(3,855)	-	(4,600)	2,055	(2,545)
Total gains and losses for the year recognised in equity	-	-	298,041	60,168	-	358,209	(1,450)	356,760
Appropriation of net income for 2016:								
Transfer to reserves and retained earnings	-	-	-	(1,859,523)	1,859,523	-	-	-
Capital increase	3,944,144	-	-	-	-	3,944,144	(505,181)	3,438,963
Capital decrease	(6,000,000)	-	-	6,000,000	-	-	-	-
Issue of other equity instruments	-	500,000	-	-	-	500,000	-	500,000
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(31,613)	-	(31,613)	-	(31,613)
Equity transactions with non-controlling interests	-	-	-	5,104	-	5,104	(21,194)	(16,090)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(17,800)	(17,800)
Classifications of Angola as an hyperinflationary economy	-	-	-	43,056	-	43,056	41,425	84,481
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	9,651	(9,651)	-	-	-	-
Balances at December 31, 2017	3,844,144	500,000	394,961	3,098,220	51,946	7,889,270	385,046	8,274,316

2. Notes, Reports and Opinions on the Accounts

2.1. Notes to the Consolidated Financial Statements

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1. INTRODUCTION

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

At December 31, 2017, CGD operated a nationwide network of 650 branch offices, with branches in France (48 offices), Timor (14 offices), Luxembourg (2 offices) and also in Spain, New York and Zhuhai. All of the amounts presented have been rounded up to the nearest thousand.

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

The consolidated financial statements at December 31, 2017, were approved by the board of directors on April 27, 2018.

Following difficulties resulting from the financial crisis in the Portuguese financial sector, the Portuguese state, as CGD’s sole shareholder, agreed to a restructuring plan with European authorities covering the period from 2013 to 2017, complemented by a capital increase which was categorised as state aid. This capital increase of €750,000 thousand new shares and €900,000 thousand Coco bonds took place in June 2012.

The agreed plan included commitments to deleverage the balance sheet to ensure compliance with capital targets, improve operational efficiency, strengthen risk management procedures, restructure the operation in Spain to ensure its sustainability, funding autonomy and an improvement in the Group’s results.

In spite of having fulfilled almost all of its undertakings, CGD continued to make losses during the period 2013 to 2015. This partly resulted from the effects of ECB monetary policy which caused a sharp fall in market interest rates and much lower than expected economic growth. A significant factor the losses reported during these years was the deterioration of the quality of CGD’s assets, which resulted in high impairment charges. This was accompanied by an increase in regulatory requirements in these years, to strengthen capital ratios.

As a consequence, efficiency levels were lower than initially agreed and CGD found itself unable to pay its Coco obligations.

In order to guarantee an appropriate level of capitalisation compliant with required solvency levels, the Portuguese state, as the sole shareholder and the European Commission’s Directorate General for Competition (DG Comp) approved a recapitalisation plan, in March 2017. The plan included a strategic 4 year plan (2017-2020) based on a prudent macroeconomic strategy incorporating the capacity to generate a level of return on equity similar to that required of a private investor, no longer took the form of state aid.

CGD’s new recapitalisation plan comprised two phases, implemented at different times.

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

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

- An increase in CGD's share capital to €7,344,144 thousand, through the issuance of 288,828,747 shares in a transfer of 490,000,000 of Parcaixa, SGPS, S.A. equity shares of €498,996 thousand and the transfer of €900,000 thousand in CoCo bonds (Note 22), together with accrued interest of €45,148 thousand; and
- A €6,000,000 thousand reduction in share capital through the extinguishment of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves of €4,595,494 thousand.

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

As part of its recapitalisation plan, Caixa will also issue subordinated debt instruments of €430,000 thousand within a period of 18 months from the date of this first issuance.

The completion of this important phase of the recapitalisation plan and consequent strengthening of its solvency will enable Caixa to proceed with the implementation of its 2017-2020 strategic plan. This plan, designed to strengthen CGD's own funds adequacy ratios, is based on four pillars:

Pillar 1

Restructuring the risk management and governance model through the reduction of balance sheet risk, implementation of new credit management policies and introduction of new specialised recovery platforms. The following measures will be implemented to achieve this aim:

a) Integration of financial and business priorities with risk management, in a strategy/risk appetite, budgeting and performance management context;
b) Implementation of comprehensive risk management, referred to as the "three lines of defence" model;
c) Improvements to the internal control system;
d) Review of all risk management processes;
e) Adjustment of risk management models to the highest sector standards (SREP);
f) Implementation of a new risk-led credit analysis and decision-making model; and,
g) Better credit monitoring and recovery operations by strengthening the respective specialised oversight units.

Pillar 2

Harmonisation of CGD's operational infrastructure with the aim of improving efficiency. The key initiatives to be implemented to align the operational infrastructure focus on the following:

a) Adjustments to the branch office network and central support areas;
b) Organisational restructuring operations;
c) Improved human resources management, including training; and,
d) Improvements to levels of service and customer care based on the digitalisation of processes.

Pillar 3

Concerns the restructuring of international operations aiming at their complementarity to domestic operations. CGD's international presence, at the end of 2015, basically comprised nine subsidiaries and nine branches. Pursuant to the comprehensive principle of reducing international risk and focusing on core geographies, the international portfolio was restructured as follows:

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

b) Disposal or rationalisation of operations in other geographies, guaranteeing a support structure for domestic customers.

Pillar 4

Focus on upgrading the domestic branch office network to ensure its sustainability. To achieve this objective the approach is to:

a) Review segmentation and upgrade retail offer;

b) Develop digital channels by introducing new online offer processes;

c) Review cross-selling models to support retail service offers, including insurance and asset management;

d) Define a plan to improve the level of service and corporate oversight, particularly for SME, earning commissions from treasury and/or cash management operations;

e) Introduce a risk and capital-adjusted performance management system; and,

f) Optimise credit processes.

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

The executive committee therefore decided to review the asset portfolio, as of June 30, 2016, using the criteria and assumptions that a private investor would use if intending to make a major investment in CGD. The criteria used also reflect the objective of reducing NPL (non-performing loans) levels, involving the need to increase the pace of deleveraging of these assets. This change in perspective led to a change in several impairment measurement criteria used previously.

The following asset categories were revalued:

- Loans and advances to customers
- Balance sheet properties
- Securities portfolio
- Other assets and contingencies

A further exhaustive review of the criteria and methodologies used in the asset valuation exercise was performed for the closing of the accounts at December 31, 2016 at the request of the then newly nominated executive committee. This was accompanied by a revaluation of the main customers subject to separate impairment assessments, backed by proposals issued by the commercial and recovery divisions and reviewed by the Risk Management Division, in addition to a reassessment of impairment on property by the Real Estate Business Division. The results were received by CGD's executive committee, taking into consideration events since the date of completion of the previous review and up to the end of 2016. In consequence, CGD recognized impairments and provisions of more than €3,000,000 thousand, an amount €200,000 thousand less than initially estimated. The capital increase subscribed by the Portuguese state as sole shareholder as agreed in the recapitalisation plan was also reduced in €200,000 thousand.

This exercise was also subject to an external specific audit performed at the request of the executive committee, namely to assure a global assessment of the results and a validation of the processes and methodologies applied.

For the purposes of closing the accounts for 2017, the Group applied consistent measurement criteria and methodologies to its various assets (loans and advances to customers, balance sheet property, securities portfolio and other assets and contingencies) for the year ended December 31, 2016. Their evolution was in line with the projections of the strategic plan, approved in March 2017.

CGD is fully committed to the effective implementation of its strategic plan 2017-2020, to enable the structural transformation of its efficiency and profitability levels.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements, at December 31, 2017, were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, in accordance with Regulation (EC) 1606/2002 of the European Council and of the Parliament of July 19 and Decree-Law no.35/2005 of February 17.

As referred to in Note 13, the Group, during the course of 2017, reclassified the assets and liabilities of Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral – Brasil, S.A, and CGD Corretora, CVC, S.A. to "Non-current assets and liabilities held-for-sale – subsidiaries" accounts under IFRS 5 – "Non-current assets held-for-sale and discontinued operations". The results generated by these equity stakes under this standard are also set out in a single line of the profit and loss statement ("Results from subsidiaries held-for-sale"). Comparative periods have been re-stated accordingly.

The application of the accounting policies described in this note has been consistent across all of the periods set out in the financial statements, except where changes have been identified.

2.2. Changes to accounting policies

2.2.1 Voluntary changes to accounting policies

There were no voluntary changes to accounting policies in 2017 with regard to those used to prepare the comparative financial information for the prior year.

2.2.2 New standards and interpretations for the year

Starting January 1, 2017 the Group adopted the following standards, interpretations, amendments or changes significant to its activity, as issued by the IASB and approved by the European Union:

> IAS 7 – "Statements of cash flows" (amendments). The changes to the wording of this standard in January 2016 incorporate additional disclosure requirements, especially targeted at financing components. The amendments to these standards must be implemented in the economic years starting on or after January 1, 2017.
>
> IAS 12 – "Income taxes" (amendments). The changes to the wording of this standard in January 2016, aim to clarify the circumstances underpinning the recognition of deferred tax assets for unrealised losses on debt instruments. The amendments to these standards must be implemented in the economic years starting on or after January 1, 2017.
>
> "Annual Improvements to IFRS 2014-2016 Cycle". The changes to IFRS 12 − "Disclosure of interests in other entities", clarify the scope of the standard regarding its application to interests qualified as being held-for-sale or being discontinued under IFRS 5 – "Non-current assets held-for-sale and discontinued operations". The proposed changes to IFRS 12 − "Disclosure of interests in other entities" must be implemented in the economic years starting on or after January 1, 2017.

The adoption of these standards did not have any impact on the Group's equity.

2.2.3 New standards and interpretations already issued but still not mandatory

2.2.3.1 The following standards and interpretations, issued by the IASB and approved by the European Union, were available for early adoption at December 31, 2017:

> IFRS 9 – "Financial instruments" (and subsequent amendments). The objective of this standard, which was initially published by the IASB in November 2009 and latterly republished in July 2014, comprises a staged replacement of the current wording of IAS 39 – "Financial instruments: recognition and measurement". Changes have been made to the current criteria for the classification and measurement of financial assets, registration of impairment, application of hedge

accounting (excluding macro hedging) and derecognition of financial instruments. Although this standard must be implemented in the economic years starting on or after January 1, 2018, it may be adopted in advance, with certain limitations. Considering the wide-ranging applicability and significance of this standard to Caixa's activity and the preparation and presentation of its financial statements, information on the main effects and impacts on equity estimated on its adoption are set out in greater detail in Note 2.3. below.

IFRS 15 – "Revenue from contracts with customers" (and latter amendments). This standard, published by the IASB in May 2014, specifies the form and timing of revenue recognition and also provides information on the prescribed disclosure requirements for entities subject to its application. IFRS 15 – "Revenue from contracts with customers" provides for a recognition model based on five principles whose application should be extendible to all contractual relationships with customers. This standard must be implemented in the economic years beginning on or after January 1, 2018.

IFRS 16 – "Leases". This standard, published by the IASB in January 2016, amends and redefines recognition, measurement and presentation principles for lease operations, from the viewpoint of both lessors and lessees. This standard must be implemented in the economic years beginning on or after January 1, 2019

IFRS 10 – "Consolidated financial statements" and IAS 28 – "Investments in associates" (amendments). The objective of the amendments to the wording of these standards is to resolve differences in the processing of sales or allocation of the contribution of assets, which may occur, between an investor and an associate or a jointly controlled entity.

"*Annual Improvements to IFRS 2014-2016 Cycle*". These amendments involve the clarification of certain aspects related with IFRS 1 - "First-time adoption of international financial reporting standards" and eliminate the provision for several previously specified exemptions. The proposed amendments to IFRS 1 must be implemented in the economic years starting on or after January 1, 2018.

2.2.3.2 The following standards and interpretations, not yet endorsed by the European Union, were issued by the IASB at December 31, 2017.

"Annual Improvements to IFRS 2015-2017 Cycle". These amendments involve the clarification of several aspects related with: IAS 23 – "Borrowing costs", clarifying that the measurement of the average weighted interest rate on borrowing should include the costs of the loans obtained to finance qualifying assets; IAS 12 – "Income taxes": stating that the fiscal impact of the distribution of dividends should be recognised on the date on which the payment liability is registered; IFRS 3 - " Business combinations" and IFRS 11 – "Joint arrangements": defining the form of remeasurement of an investor's interests depending whether or not they involve control over a business which is a joint operation. The amendments to these standards must be implemented in the economic years starting on or after January 1, 2019.

IFRIC 22 – "Foreign currency transactions and advance consideration" (interpretation). This interpretation defines the transaction date for the purposes of assessing the foreign exchange rate on revenue recognition. The interpretation must be implemented in the economic years starting on or after January 1, 2018.

IFRIC 23 – "Uncertainty over income tax treatments" (interpretation). This interpretation clarifies the requirements for the application and measurement of IAS 12 – "Income taxes" if there is any uncertainty over the treatments to be given to income taxes. The interpretation must be implemented in the economic years starting on or after January 1, 2019.

IFRS 2 – "Classification and measurement of share based payments" (amendments) – These amendments provided clarifications in three essential areas: terms of acquisition, classification of share based payments with a settlement option at their net amount, to comply with deduction at source obligations and the accounting of a change in the terms and conditions of a share based payment transaction that changes its settlement classification with own equity instruments. The amendments to this standard must be implemented in the economic years starting on or after January 1, 2018.

IAS 40 – "Investment properties" (amendments). These amendments clarify that a change of classification from or to investment property should only be made when there is evidence of a change in the asset's use. The amendments to this standard must be implemented in the economic years starting on or after January 1, 2018.

The board of directors considers that the adoption of the above referred to standards and interpretations, with the exception of those referred to in IFRS 9 – "Financial instruments", will not have significant impacts on the preparation of the presentation of Caixa's financial statements.

2.3. IFRS 9 - Financial instruments

As already stated, the International Accounting Standards Board (IASB) issued IFRS 9 "Financial instruments", on July 24, 2014 to replace IAS 39 "Financial instruments – recognition and measurement", for the economic years starting on or after January 1, 2018.

The standard's requirements should be applied retrospectively, with an adjustment of balance sheet values at January 1, 2018.

IFRS 9 – "Financial instruments" is divided up into three main pillars: classification and measurement, impairment and hedge accounting.

Given the complexity of the implementation of this standard, a taskforce, comprising members of risk, accounting, IT, internal audit, models and business validation areas, in addition to relying upon the collaboration of external consultants, was set up. A steering committee, under the guidance of members of the executive committee responsible for the risk (chief risk officer) and financial (chief financial officer) areas, which meets every month with the objective of overseeing the project's corporate evolution, was set up. The committee is responsible for approving the accounting policies to be adopted as well as the necessary adjustments to the governance model in force. The assistance of external consultants to provide local support for adjustments to the circuits and processes for centrally defined accounting policies, was procured, for Group entities of greater significance to the consolidated financial statements, adapted to meet the necessary specifics of local geographies, when required.

The implementation project was divided into two phases:

. Phase 1 (gap assessment), starting in the last quarter of 2016, with the main objective of identifying the main gaps between IAS 39 – "Financial instruments: recognition and measurement" and IFRS 9 – "Financial instruments" and their implications on a level of processes, data, methodologies, technological solutions and disclosures. This phase included a first quantitative impact study for anticipating the impacts of the adoption of the standard. A detailed implementation timeline was also defined.

. Phase 2 (implementation), starting in the first quarter of 2017, produced the implementation plans drawn up in phase 1, with particular reference to the definition, approval and implementation of new (or amended) accounting policies and governance models. Work also started on the technological transformations required to meet the demands of IFRS 9 – "Financial instruments".

<u>Recognition and measurement</u>

According to IFRS 9 – "Financial instruments" financial assets can be classified in three categories with different measurement criteria (amortised cost, fair value through profit or loss and fair value through other comprehensive income).

The classification of the assets depends upon the characteristics of the contractual cash flows and their associated business model.

The criterion on the characteristics of contractual cash flows comprises an appraisal of whether they reflect the payment of principal and interest (SPPI - Solely Payments of Principal and Interest).

The standard identifies two associated business models of relevance to Caixa's activity:

i. Business models whose objectives are achieved by obtaining contractual cash flows on the asset ("hold-to-collect"); and,

ii. Business models whose objectives are achieved either by obtaining contractual cash flows on the asset or the disposal thereof ("hold-to-collect and sell").

a. Amortised cost: SPPI assets with a "hold-to-collect" business model are recognised in this category
CGD Group will classify all of its assets measured at amortised cost under IAS 39 – "Financial instruments: recognition and measurement", in this category, except for those which do not comply with the SPPI test and which represent no more than 0.09% of the total volume as of December 31, 2017. Several debt instruments, previously referred to as "Available-for-sale financial assets" with a hold-to-collect business model (9.21% of the portfolio's debt securities at December 31, 2017, resulting in an increase in the value of assets at amortised cost (estimated at 0.95%) will also be classified as assets at amortised cost.

In the transition to IFRS 9 – "Financial instruments", adjustments were also made to the book value of the bonds issued by the companies Parvalorem, S.A., Parparticipadas, S.A. and Parups, S.A. (vehicles which were created with the objective of managing portfolios of assets acquired by the Portuguese state as part of the reprivatisation process of the former BPN), which had been reclassified from the available-for-sale financial assets to loans and advances to customers accounts during the course of the last quarter of 2016. This adjustment (restoring of the instrument's original nominal value through the existing fair value reserve at the reclassification date which had still not been amortised) resulted in a 4.50% reduction of its book value.

b. Fair value through other comprehensive income. SPPI assets with a hold-to-collect and sell business model will be recognised in this category
CGD Group will classify 76.73% of its available-for-sale financial assets portfolio with reference to December 31, 2017 in this category. Also classified will be 0.01% of the equity instruments presently designated at fair value through profit or loss, under the option provided for in the standard.

c. Fair value through profit or loss. Assets which do not comply with the SPPI test or which do not have a hold-to-collect or hold-to-collect and sell business model will be recognised in this category. Financial assets that, in accordance with the criteria of IFRS 9 – "Financial instruments", would be classified at amortised cost or fair value through other comprehensive income may be recognised in this category provided it enables an accounting mismatch to be reduced.
The full amount of the assets, which are currently recognised at "Financial assets held-for-trading", will be recognised at fair value through profit or loss. This category will also include several assets which have been measured at amortised cost under IAS 39 – "Financial instruments: recognition and measurement" (0.09%), as already stated, or at fair value through other comprehensive income (10.37%), as they cannot be classified as SPPI.

99.99% of the assets currently designated at fair value through profit or loss ("Fair value Option") in not passing the SPPI test and whose classification at fair value through other comprehensive income option cannot be exercised, as they do not comply with the requirements of IAS 32 – "Financial instruments: disclosure and presentation" for consideration as equity instruments, will also be recognised in this category.

Unlisted equity instruments registered at their acquisition cost, net of accumulated impairment, in "Available-for-sale financial assets", will be remeasured at fair value. The respective impact is estimated to amount to a positive change of approximately 7.45% in comparison to their book value.

It is estimated that the transition adjustments to IFRS 9 – “Financial instruments” regarding classification and measurement, net of tax, will result in a 1.05 % decrease in shareholders’ equity.

There have been no significant changes to IFRS 9 – “Financial instruments” rules on the classification and measurement of financial liabilities in comparison to IAS 39 – “Financial instruments: recognition and measurement”. The fair value changes related to the credit risk on liabilities designated at fair value through profit or loss is now recognised through other comprehensive income. CGD Group did not exercise the fair value option on financial liabilities during the period of application of IAS 39 – “Financial instruments: recognition and measurement” and will not make use of it in the transition to IFRS 9 – “Financial instruments”.

Interest revenue for financial assets carried at amortised cost will be calculated using the effective interest method as required by paragraph 5.4 of IFRS 9.

Internal standards on classification and measurement policies defining thresholds for frequent sales, significant sales, sales close to maturity and sales based on a deterioration of credit risk on assets which may be classified at amortised cost were approved by the executive committee. Thresholds for the assessment of the differences between contractual cash and benchmark cash flows for operations whose time component has been modified, as well as for the *de minimis* (trivial) threshold in the context of the SPPI test were also defined.

Impairment:

IFRS 9 – “Financial instruments” has introduced a new loss model for the reduction of the recoverable value of financial assets in the form of the ECL (“expected credit losses”) model, that replaces the use of the incurred loss model of IAS 39 – “Financial instruments: recognition and measurement” in which it is no longer necessary for the event loss to occur for impairment losses to be recognised.

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

- All financial assets measured at amortised cost (including lease contracts - IAS 17);
- Debt instruments measured at fair value through other comprehensive income (FVTOCI);
- The rights and obligations referred to in IFRS 15 – “Revenue from contracts with customers”, in cases in which this standard refers to IFRS 9 – “Financial instruments”;
- Assets that translate the right to the reimbursement of payments made by the entity on the liquidation of liabilities recognised in the sphere of IAS 37 – “Provisions, contingent liabilities and contingent assets”; and,
- Loan commitments (except when measured at fair value through profit and loss).

These financial assets will be divided up into 3 risk groups, depending upon the significance of the deterioration of the credit risk:

- Stage 1 - Assets without a significant deterioration of credit risk since the time of initial recognition;
- Stage 2 - Assets with a significant deterioration of credit risk since the time of initial recognition; and,
- Stage 3 – Impaired assets (assets in default).

Depending upon the respective stage of the operation, credit losses are estimated in accordance with the following criteria:

- Losses expected over 12 months. The expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations.
- Expected lifetime losses. The expected loss based on the difference between the contractual cash flows and the cash flows expected to be received by the entity up to the contract's maturity. This is the expected loss resulting from all of the potential loss events up to maturity and is applied for stage 2 and 3 operations.

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

The stage 2 classification introduces more significant differences in comparison to IAS 39 – "Financial instruments: recognition and measurement", as it requires this classification to be based on the observation of a significant increase in credit risk (SICR) since the time of initial recognition.

The quantitative metrics used to assess when an asset is transferred to Stage 2 is the result of a comparison between the deterioration of the forward-looking probability of lifetime default and the date of initial recognition and the reporting date.

Qualitative criteria for the transfer of a financial asset to Stage 2 was also considered: credit in arrears for more than 30 days (backstop indicator), restructured credit based on financial difficulties and objective credit risk criteria noted when monitoring customers.

With the objective of standardising the risk factors used to calculate impairment (e.g. PDs, LGDs), CGD has reprocessed its historical information considering the criteria applied to portfolio segmentation in stages pursuant to which the following models were either developed or upgraded:

i. 12 months default probability;

ii. Lifetime default probability;

iii. LGD – loss given default;

iv. Prepayments (full and part);

v. Behavioural maturity for revolving products; and,

vi. Credit conversion factors (CCFs), on off-balance sheet exposures.

These models were internally validated by the Models Validation Office in the case of CGD headquarters.

Assessments of the expected loss should be based on historical and current information but should incorporate forward-looking projections, which are reliable, reasonable, supportable and available, without cost or excessive endeavours.

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

Evidence of impairment is assessed in the case of individually significant exposures, with a derogation of the identification criterion in respect of individually significant assets in IAS 39 "Financial instruments; recognition and measurement" format, and separately or collectively for exposures which are not individually significant. If there is no objective evidence of impairment for a certain exposure, whether or not significant, it is measured collectively.

It is estimated that the transition adjustments to IFRS 9 – "Financial instruments" in the sphere of impairment, net of tax, will reduce shareholders' equity by 0.46 %.

Hedge accounting:

IFRS 9 – “Financial instruments” aims to improve the alignment between hedge accounting requirements and the reality of institutions’ current risk management. Therefore:

- The criteria relating to the classification of a given instrument as a hedge (e.g. accepting non-financial assets provided that they have been measured at fair value through profit or loss) has been changed;
- The criteria relating to the classification of a particular operation as a hedged operation (now including derivatives as part of aggregated structures) has been changed; and
- The criteria for quantifying the hedge’s effectiveness have been changed.

As regards the scope of hedges:

- Acceptance of hedges with derivatives for part of the period of the lifetime of the hedged instrument;
- Acceptance of the possibility of authorising multiple risk hedges by a single hedging instrument;
- Allowing the designation of hedges on the risk components of non-financial assets whenever identifiable and measurable; and,
- Allowing greater flexibility for the designation of hedges on groups of items and net exposures.

IFRS 9 – “Financial instruments” provides for the rebalancing of the ratio between hedged and hedging items across the hedge ratio’s period of application, provided it can be shown that such a change ensures the maintenance of its effectiveness ratio (e.g. early repayments of the hedged item).

The coverage ratio and its respective effectiveness comprises one of the main changes in comparison to the requirements of IAS 39 – “Financial instruments; recognition and measurement”, namely:

- Simplification of demonstrating hedges’ effectiveness;
- Elimination of requirement for measuring retrospective effectiveness;
- Elimination of the range of between 80% and 125% when measuring a hedge’s effectiveness; and
- Prospective tests which should incorporate and promote not only quantitative but also qualitative internal risk management criteria.

New determinant eligibility factors for hedge operations were defined:

- The existence of an economic relationship between the hedged item and its coverage;
- The effects involved in the evolution of the credit risk may not dominate the changes in value resulting from the relationship; and,
- The definition of a coverage ratio between hedged and hedging items, which is equivalent to the one effectively, applied by an institution in its management of economic hedges with the aim of replicating them.

The application of hedge accounting continues to be optional but cannot be discontinued for as long as the requirements for the application thereof remain in force.

The fact that the IASB has not, as yet, completed the development of requirements for macro hedges could prove to be a source of constraint on the part adoption of rules for interconnected realities, it is permissible to maintain the currently existing regime of IAS 39 – “Financial instruments; recognition and measurement” (in full) following the adoption of IFRS 9 – “Financial instruments”, or the adoption of a mix between IAS 39 “Financial instruments; recognition and measurement” and IFRS 9 – “Financial instruments”.

CGD Group will not discontinue nor apply hedge accounting to new hedge relationships in the course of the transition to IFRS 9 – “Financial instruments”.

Effects of the transition to IFRS 9 – “Financial instruments” on equity

It has been estimated that the transition adjustments to IFRS 9 – “Financial instruments”, net of tax, will reduce shareholders’ equity by 1.52%.

The core capital ratio is expected to decrease by 0.20%.

2.4. Consolidation principles

The consolidated financial statements include the accounts of CGD and those of the entities directly and indirectly controlled by the Group (Note 3), including special purpose entities.

Pursuant to IFRS 10 – “Consolidated financial statements” requirements, 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 exercise of its rights and its ability to direct the principal activities, effectively take control (*de facto* control).

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

The amount of third party investment in subsidiaries is recognised in "Non-controlling interests" in equity. In the specific case of investment funds included in the consolidation perimeter, whenever holders of non-controlling interests have redemption options on an investment at its equity value, this is recognised in "Other liabilities" (Note 25), whose corresponding changes are recognised in the appropriate caption of the profit and loss account.

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

2.5. Concentrations of business activities 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 date of purchase. Upon the acquisition date, which is the date upon which the Group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities meeting the recognition requirements of IFRS 3 – “Business combinations” are recognised at their respective fair value.

Goodwill is the positive difference, upon the purchase date, between the cost of a subsidiary’s acquisition and the fair value attributable to the acquisition of the 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, with no additional goodwill being 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. In the same way, the impacts of disposals of non-controlling interests that do not entail a loss of control of a subsidiary are also recognised in reserves. Profit or loss on disposals of non-controlling interests, which result in changes in control over the subsidiary, are recognised by the Group through 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 – "Impairment of Assets". Goodwill is allocated to cash flow generating units whose respective recoverable value is based on cash flow projections at discount rates the Group considers appropriate. Impairment losses on goodwill are recognised in profit and loss for the year and cannot be reversed.

Up to January 1, 2004, as permitted by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from shareholders' equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1 – "First-time Adoption of International Financial Reporting Standards", and as the Group did not make any changes to this recognition procedure, goodwill, generated 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 through "Other reserves". Subsequent changes to the fair value of the put option measured on the basis of the agreed terms, are also recognised as a charge to "Other reserves", except for the financing costs on the recognition of the liability, which are recognised in "Interest and similar costs" in profit and loss.

2.6. Investments in associates and jointly controlled enterprises

Associates are companies over which the Group exercises significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the Group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, no significant influence is considered to exist whenever an investment is less than 20%, unless the contrary can be demonstrated.

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

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

There are also situations in which the Group, together with other entities, exercises joint control over the activity of a company in which the equity stake is held ("jointly controlled enterprises"), usually structured on a basis of the sharing of voting rights and similar decisions.

Investments in associates and jointly controlled enterprises are recognised by the equity accounting method. Under this method, equity investments are initially valued at their acquisition cost which is subsequently adjusted on the basis of the Group's effective percentage of changes in its associates' shareholders' equity (including results). The equity accounting method is applied up to the time when the Group's share of accumulated losses incurred by the associate or jointly controlled enterprise exceed the investment's carrying value from which time it is discontinued, unless any legal or constructive obligation requires a specific provision to be set up to recognise such losses.

In the case of material differences, adjustments are made to the equity of the companies to which the equity accounting method is applied, to comply with the Group's accounting principles.

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

Unrealised profit or loss on transactions with associates and jointly controlled enterprises are eliminated in conformity with the extent of the Group's effective ownership interest.

2.7. Translation of balances and transactions in foreign currency

The separate accounts of each Group entity included in the consolidation are prepared in the currency used in the economic environment in which they operate (referred to as the "functional currency"). In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD Group's functional currency.

Foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates when preparing Caixa's and its subsidiaries' separate financial statements.

Monetary assets and liabilities denominated in foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets measured at fair value are translated on the basis of the exchange rate in force on the last measurement 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, assessed on translation, are recognised in profit and loss for the period, except for differences deriving from non-monetary financial instruments recognised at fair value, such as shares classified as held-for-sale financial assets which are recognised in a specific equity account until disposal.

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 expenses that are translated at the average rate for the period. Under this method, exchange rate profit/loss are recognised in equity in "Other reserves" and their respective balance is 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 or associates after the said date, only exchange rate gains/losses originating after January 1, 2004 will be reclassified to profit and loss for the period.

2.8. Financial instruments

a) Financial assets

Financial assets are recognised at their respective fair value at the agreement date. In the case of financial assets measured at fair value through profit or loss, the costs directly attributable to the transaction are recognised in "Cost of services and commissions". In other cases, such costs are added to an asset's book value. Upon initial recognition, such assets are classified in one of the following IAS 39: "Financial instruments: recognition and measurement" categories.

i) Financial assets at fair value through profit or loss

This category includes:

- Financial assets held-for-trading, essentially comprising securities acquired for the purpose of making a profit on short term fluctuations in market price. This category also includes derivatives except for derivatives complying with hedge accounting requirements; and
- Financial assets irrevocably designated at fair value through profit or loss ("Fair Value Option") upon initial recognition. This designation is restricted to situations in which their adoption results in the production of more relevant financial information, i.e.

. If their application eliminates or significantly reduces an accounting mismatch which would otherwise have occurred as a result of measuring related assets and liabilities or an inconsistency in the recognition of the related profit or loss.

. Groups of financial assets and liabilities, or both, which are managed and whose performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is internally distributed to management bodies.

. Financial instruments containing one or more embedded derivatives unless:

- The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the contract; and
- It is evident, with little or no analysis, that the implicit derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value and profit and loss on their subsequent valuation are recognised in "Results from financial operations" in profit and loss. Interest is recognised in appropriate "Interest and similar income" accounts.

ii) Held-to-maturity investments

Fixed-income securities the Group intends and is able to hold to maturity are recognised in this category.

These financial assets are recognised at amortised cost. In accordance with this method, the financial instruments' carrying amount at each balance sheet date comprises their initial cost, net of repayments of principal and impairment losses and adjusted for amortisation, based on the effective interest rate method on any difference between initial cost and the amount of the repayment.

iii) Loans and receivables

These are financial assets with fixed or determinable payments that are not listed in an active market. This category includes loans and advances to Group customers (including securitised credit), amounts to be received from other credit institutions and for the provision of services or disposals of assets, recognised in "Other assets".

These assets are initially recognised at fair value, net of any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost, net of impairment losses.

iv) Available-for-sale financial assets

This category includes the following financial instruments:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity instruments;
- Bonds and other fixed-income securities; and,
- Investment units in unit trust investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed in an active market whose fair value cannot be reliably measured, which continue to be recognised at cost. Profit or loss on the revaluations are recognised directly in the "Fair value reserve" in shareholders' equity. At the time of sale or if impairment is declared, accumulated fair value changes are transferred to income or costs for the year and recognised in "Results from financial operations" or "Impairment of other assets, net of reversals and recoveries", respectively.

To assess the proceeds on sale, assets sales are measured at their average weighted acquisition cost.

Interest on debt instruments in this category is calculated by the effective interest rate method and recognised in "Interest and similar income" in profit and loss.

Dividends from equity instruments in this category are recognised as income in "Income from equity instruments", when the Group's right to receive them has been established.

Reclassification of financial assets

The entry into force of the amendment to the wording of IAS 39 – "Financial instruments; recognition and measurement" on October 13, 2008 entitled the Group to reclassify several financial assets recognised as "Financial assets held-for-trading" or "Available-for-sale financial assets" to other financial assets categories. Reclassifications to "Financial assets at fair value through profit or loss" categories continued to be prohibited. Under this standard, the reference date for reclassifications made by November 1, 2008 was July 1, 2008. Subsequent reclassifications between different categories of financial instruments must be accounted for prospectively.

Information on reclassifications made under the terms of the referred to amendment is set out in Note 8.

Fair value

As already stated, financial assets recognised in "Fair value through profit or loss" and "Available-for-sale financial assets" categories are measured at 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 assessed by a Caixa body that is independent from the trading function, based on the following criteria:

- The 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) and include:
  - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
  - Bid prices obtained from financial institutions operating as market-makers; and,
  - Internal measurement models based on market data which would be used to define a financial instrument's price, reflecting market interest rates and volatility, in addition to the instrument's associated liquidity and credit risks.
- The value of investment funds not traded in active markets is measured on the basis of the last available NAV (net asset value). Whenever considered appropriate, NAV may be adjusted on the basis of Caixa's critical appraisal of the application of the measurement criteria on the assets under the investment funds' management;
- The value of unlisted equity instruments allocated to venture capital activity is measured on the following bases:
  - Prices of significant transactions made by independent entities over the last six months;
  - Multiples of comparable companies in terms of sector of activity, size and profitability; and,
  - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

  Measurements incorporate discount factors reflecting the securities' lack of liquidity. In the event of a right or contractual obligation to dispose of a specific asset, its valuation will be within a range between the values resulting from the above measurement methods and the present value of the asset's disposal price, adjusted, when applicable, to reflect counterparty credit risk.
- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) continue to be recognised at cost, net of any impairment losses.

Amortised cost

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

Whenever estimated payments or collections associated with financial instruments measured at amortised cost are revised, their book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated at the present value of cash flow projections discounted at the financial instrument's initial effective interest rate. The adjustment of amortised cost is recognised in profit and loss.

b) Financial liabilities

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

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives with a negative revaluation value, in addition to the short selling of fixed and variable-income securities. These liabilities are recognised at fair value. Profit or loss resulting from their subsequent valuation is recognised in "Results from financial operations".

ii) Other financial liabilities

This category includes credit institutions' and customers' resources, bond issuances, subordinated liabilities and liabilities incurred for the payment of the provision of services or purchase of assets, recognised in "Other liabilities".

The value of these financial liabilities is measured at amortised cost with any interest being recognised by the effective interest rate method.

c) Derivatives and hedge accounting

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

Derivatives are recognised 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 on the basis of models that incorporate measurement techniques based on discounted cash flows, which also reflect the effect of counterparties' credit risk and own credit risk (credit value and debt value adjustments – CVA/DVA).

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host contract and processed separately under IAS 39 – "Financial instruments: recognition and measurement", whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; "Financial instruments: recognition and measurement"; and,
- The total amount of the combined financial instrument is not recognised at fair value, with the recognition of the respective changes in profit and loss.

The main impact of this procedure on the Group's activity consists of the need to separate out and value the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns do not comprise interest (e.g. returns indexed to share prices or indices, exchange rates, etc.). 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 initial revaluation of the derivative. Therefore, no profit is recognised on the operation's initial recognition.

Hedge derivatives

These derivatives are contracted to hedge the Group's exposure to the risks attached to its activity. Classification as a hedge derivative and use of hedge accounting rules, as described below, are contingent upon compliance with the requirements of IAS 39 – "Financial instruments: recognition and measurement".

At December 31, 2017 and 2016, the Group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet, referred to as "Fair value hedges".

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

- Risk management objectives and strategy associated with the hedge operation, according to defined risk hedging policies;
- Description of the risk(s) hedged;
- Identification and description of hedged and hedging financial instruments; and,
- Hedge effectiveness and periodicity of assessment method.

To enable the use of hedge accounting under IAS 39 – "Financial instruments: recognition and measurement", the ratio should lie within a range of 80% and 125%.

Hedge derivatives are recognised at fair value, whose results are assessed daily in income and costs for the year. If the hedge is shown to be effective, i.e. an effectiveness ratio of between 80% and 125%, the Group also recognises the change in fair value of the hedged item attributable to the hedged risk in "Results from financial operations" in profit and loss for the period. In the case of instruments with an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in "Interest and similar income" and "Interest and similar costs" in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined in the standard or if Caixa revokes this designation. In such situations the adjustments made to hedged items up to the date upon which hedge accounting ceases to be effective or if the designation is revoked, are recognised in profit and loss up to the financial asset's or liability's maturity, based on the effective interest rate method.

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

Valuations of hedged items are recognised in the balance sheet accounts in which the instruments are recognised.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships in accordance with IAS 39 – "Financial instruments: recognition and measurement", namely:

- Derivatives hedging the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedging derivatives which do not meet IAS 39 − "Financial instruments: recognition and measurement" hedge accounting requirements, owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39 − "Financial instruments: recognition and measurement"; and,
- Derivatives contracted for trading purposes.

Trading derivatives are recognised at fair value, with daily changes being recognised in income and costs for the period in "Results 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 at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", respectively.

d) Impairment of financial assets

Financial assets at amortised cost

The Group periodically analyses impairment on its financial assets recognised at amortised cost, namely: "Loans and advances to credit institutions, "Loans and advances to customers" and receivables, recognised in "Other assets".

Signs of impairment are assessed separately in the case of financial assets with significant exposure amounts and collectively in the case of like-for-like assets, whose debtor balances are not individually significant.

Under IAS 39 − "Financial instruments: recognition and measurement", the following events are considered to be signs of impairment on financial assets at amortised cost:

- Breach of contract, such as overdue payments of interest or principal;
- Incidents of default in the financial system;
- Any existing operations deriving from credit restructuring operations or from credit restructuring negotiations in progress;
- Difficulties in terms of the capacity of partners and management, i.e. when key partners or principal senior staff leave the company and disagreements between partners;
- A debtor's or debt issuing entity's significant financial difficulties;
- Strong probability of a debtor's or debt issuing entity's declaration of bankruptcy;
- A decrease in the debtor's competiveness; and,
- Historical records of collections suggesting that the nominal value will never be recovered in full.

Whenever there are any signs of impairment on separately assessed assets, any impairment loss comprises the difference between the present value of cash flow receivable projections (recoverable value) discounted at the asset's effective original interest rate and book value at the time of the analysis.

Assets that have not been separately analysed are included in a collective impairment analysis, having been classified in like-for-like groups with similar risk characteristics (based on counterparty and credit type) assessed on the basis of the identification of impairment indicators referred to above. . Cash flow is projected on the basis of historical information on defaults and recoveries of assets with similar characteristics.

Separately analysed assets for which no objective signs of impairment have been identified were also included in collective impairment assessments, as described in the preceding paragraph.

Impairment losses, calculated in the collective analysis, include the time effect of the discounting of cash flow receivable projections on each operation at the balance sheet date.

The amount of impairment is recognised in "Impairment of loans, net of reversals and recoveries" and "Impairment of other assets, net of reversals and recoveries", in costs and recognised separately in the balance sheet as a deduction from the amount of the respective assets.

Write-offs/downs of principal and interest

The Group periodically writes off/down its non-recoverable credit from assets by declaring impairment after a specific analysis has been performed by the corporate bodies responsible for the oversight and recovery of loans and the approval of appropriate management bodies. The following are also eligible to be written off from assets by Caixa, implying an impairment level of 100%: i) loans in arrears for more than 24 months: ii) loans without a real guarantee.

Any recoveries of credit written-off/down from assets are recognised in "Impairment of credit, net of reversals and recoveries", in profit and loss.

In accordance with the policies, interest on overdue credit without a real guarantee is written-off within three months from an operation's due date or on its first overdue instalment. Unrecognised interest on these loans is only recognised in the year in which it is collected.

Interest on overdue credit on mortgage-backed loans or loans with other real guarantees are not written-off/down if the accumulated amount of outstanding principal and overdue interest is less than the amount of the collateral.

<u>Available-for-sale financial assets</u>

As referred to in Note 2.8. a), available-for-sale financial assets are recognised at fair value. Changes in fair value are recognised in the "Fair value reserve" in equity.

Whenever there is any objective evidence of impairment, accumulated capital losses recognised in reserves, are transferred to costs for the period in the form of impairment losses and recognised in "Impairment of other assets, net of reversals and recoveries".

In addition to the above signs of impairment of financial assets at amortised cost, IAS 39 – "Financial instruments: recognition and measurement" also provides for the following specific signs of impairment of equity instruments:

- Information on significant changes having an adverse effect on the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered; and,
- A significant or prolonged decline in market value at below cost.

The Group performs an impairment analysis on available-for-sale financial assets at each financial statement date, taking the assets' nature and specific characteristics into consideration.

In addition to the results of the analysis, the following events were considered to be signs of objective evidence of impairment of equity instruments:

- Existence of unrealised capital losses of more than 50% of the respective acquisition cost; and,
- When the fair value of a financial instrument remains below its acquisition cost for a period of more than 24 months.

The existence of unrealised capital losses of more than 30% for a period of more than nine months was also considered to be objective evidence of impairment.

As impairment losses on equity instruments cannot be reversed, any unrealised capital gains arising after the recognition of impairment losses are recognised in the "Fair value reserve". Impairment is always considered to exist if additional capital losses are assessed at a later stage and recognised in profit and loss for the period.

The Group also performs periodic impairment analyses on financial assets recognised at cost, i.e. unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value is the best estimate of future cash flows receivable, discounted at a rate that reflects the risk attached to holding the asset.

The amount of the impairment loss is directly recognised in profit and loss for the period. Impairment losses on such assets cannot be reversed.

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

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

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 from their sale and not their continued use. The following requirements must be met for an asset (or group of assets and liabilities) to be classified in this account:

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

Assets recognised in this account are not depreciated and are measured at the lower of their acquisition cost or fair value, net of the costs incurred on sale. The assets' fair value is calculated 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 that have been auctioned for overdue credit recovery purposes are also recognised in this account at their bid price.

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

Impairment is assessed separately for all property with a gross book value of €5 million or more. Properties with a gross book value of less than €5 million, when justified by their specific characteristics may be included on a one-off basis in this valuation segment. Impairment on other properties is assessed by collective impairment models.

Separate impairment analyses consider a property’s specific characteristics as well as the intended disinvestment strategy and incorporates available information on demand, supply and other specific risks such as licences, investment needs, occupancy status, rental contracts or other agreements that could affect its value.

The collective impairment model is based on an assessment of the recoverable value of each property, being the lower of:

i. The last available valuation; and,

ii. The amount resulting from haircuts on the valuations obtained since the property has been listed in the portfolio.

The haircut differs by property segments with similar depreciation characteristics and the length of time it has been listed in the portfolio. The amounts of the haircuts are defined on the basis of the historic evolution of property valuations, with complementary adjustments being made to ensure that the recoverable value matches the sales history, penalising properties in the portfolios for the longest periods and ensuring alignment with the disinvestment strategy.

Impairment losses are recognised if a property’s recoverable value, net of the estimated sales costs, is less than its book value.

Auctioned property is written-off/down from assets on sale. The profit or loss is recognised in “Other operating costs”.

2.10. Investment properties

Investment properties are properties held by the Group with the objective of obtaining income from rentals and/or their appreciation.

Investment properties are not depreciated and are recognised at fair value, by appraisers.

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

Fair value changes are recognised in “Other operating income” in profit and loss.

2.11. Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued based on the applicable legislation and net of their accumulated depreciation and impairment losses. The costs of repairs, maintenance and other expenses associated with their use are recognised as a cost for the period in “Other administrative costs”.

Up to January 1, 2004, Caixa and several of its subsidiaries had revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1 - "First-time Adoption of International Financial Reporting Standards" in the transition to IFRS (International Financial Reporting Standards), their book value, incorporating the effect of revaluations, was considered to be cost, as the revaluation generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect changes to price indices. In the case of entities headquartered in Portugal, as 40% of the increase in depreciation on these revaluations is not tax deductible, the corresponding deferred tax liabilities was recognised.

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

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

Land is not depreciated.

The cost of works on and improvements to property leased by the Group under operating leases is capitalised in this account and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests to identify signs of impairment on other tangible assets are periodically carried out. An impairment loss is recognised in "Impairment of other assets net of reversals and recoveries" in profit and loss for the period whenever the net book value of tangible assets is higher than their recoverable value (the higher of value in use or fair value). 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.

2.12. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

Assets purchased under finance lease agreements are recognised at their fair value in "Other tangible assets" and in liabilities, in line with the processing of their respective repayments.

Lease instalments are divided up in accordance with the respective financial schedule, whose liabilities are reduced by repayments of principal. Interest payments are recognised in "Interest and similar costs".

<u>As lessor</u>

Leased assets are recognised in the balance sheet as "Loans and advances to customers" whose principal is repaid in accordance with the contract's repayments schedule. Interest included in the instalments is recognised in "Interest and similar income".

2.13. Intangible assets

This account essentially comprises the cost of acquiring, developing or preparing software used for the development of the Group's activities. In cases in which the requirements of IAS 38 – "Intangible assets" are met, the direct internal costs incurred on the development of software 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 over the assets' estimated useful lives, which is normally between 3 and 6 years.

Software maintenance expenses are recognised as a cost for the year in which they are incurred.

2.14. Income taxes

Current tax

CGD is subject to the fiscal regime set out in the IRC (corporate income tax) code and, starting 2012, is taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the code. The Group perimeter covered by the group tax regime, of which CGD is the dominant entity, comprises all companies headquartered and with effective management in Portugal whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has had either a direct or indirect equity stake of at least 75% for a period of more than 1 year and when the equity stake entitles it to more than 50% of the voting rights.

The Group's taxable profit is the sum of the taxable profit and tax losses separately reported by the companies in the perimeter. Branch accounts are also included in CGD headquarters' accounts pursuant to the principle of the taxation of global profit provided for in article 4 of the IRC code. In addition to being subject to IRC, in Portugal, branch profit may also be subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the Group's IRC tax bill, under international double taxation agreements through article 91 of the code.

Current tax is calculated on taxable profit for the period and differs from accounting income owing to adjustments resulting from expenses or income that are not applicable for fiscal purposes or only considered in future accounting periods.

Adjustments to accounting income

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

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

  A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in Ministerial Order 292/2011 of November 8, or (ii) when it is not subject to income taxes identical or similar to IRC, or (iii) when the applicable income tax payable on its activity is equal to or less than 60% of the IRC rate payable if the company were resident in Portugal.

  In these circumstances, Caixa's ownership percentage of foreign profit is included in the group taxable income for the period that the non-resident company's tax period ends. The amount of the profit included is deductible from the taxable profit for the period when the profit is ultimately distributed to Caixa.

- *Credit impairment*

  During 2016, in application of the Bank of Portugal's *Official Notice* 5/2015, Caixa prepared financial statements of its separate activity in accordance with International Financial Reporting Standards whenever adopted by European Union regulations. Consequently from January 1 2016, IAS 39 – "Financial Instruments: recognition and measurement" requirements on credit provisions and other receivables was applied.

  This change in the accounting regulations created the need to define the fiscal framework applicable from January 1, 2016 leading to the publication of Regulatory Decree 5/2016 on November 18, 2016. In general terms this Decree continued to apply in 2016 the same fiscal regime to impairment losses and other value adjustments for specific credit risks that had been in place in 2015. These rules limited tax deductions to the amounts assessed in accordance with the terms of the Bank of Portugal's *Official Notice* 3/95 (which was revoked) provided that such loans were not collateralised by real rights over property.

  This Regulatory Decree also included an option available to the taxpayer for a transitory regime on write-offs or write-downs of impairment losses recognised by the change in accounting standard following application of *Official Notice* 5/2015. Under the transitional regime, a positive difference between the amount of impairment losses on credit assessed with reference to the dispositions of *Official Notice* 3/95 and the impairment resulting from the application of the new accounting standard as of January 1, 2016, is considered as taxable income but only to the extent that it exceeds the carry-forward of unused fiscal losses from taxation periods beginning on or after January 1, 2012.

  Caixa exercised its option to apply this transitional regime to its taxable income for 2016, using the carry-forwards of tax losses of €1,531,349 thousand from the years 2013 and 2014.

  The publication of Regulatory Decree 11/2017, on December 28, 2017 provided for the extension of the rules in force in 2016 for another year and retained the dispositions of *Official Notice* 3/95 for the tax deduction of impairment losses on credit operations.

  At December 31, 2017 and 2016 Caixa had recorded deferred tax assets related to non-tax deductible impairment of assets for credit operations that have already been written-off.. Caixa expects that they will be deductible in the future once conditions required for the deduction have been met, either regarding the delay period of 24 months, or compliance with the limits provided for by current legislation effective at the above dates, or, in the event of the occurrence of any of the conditions provided for in article 41 (bad debts) of the IRC code.

- *Impairment of financial investments*

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

  The publication of Law 42/2016 resulted in an addendum to no. 6 of article 51-C of the corporate tax code. For 2017 and following periods, impairment losses and other value adjustments to equity investments or other own equity instruments, included as part of taxable income, are considered to be positive components of the taxable profit for the period in which they are sold. Consequently, Caixa began to recognise deferred tax liabilities for financial investment impairment, which was considered tax deductible at the time of its recognition, when there is an intention to sell or liquidate the asset or a transaction is in progress. This amounted to €116,169 thousand and €95,906 thousand, at December 31, 2017 and 2016, respectively.

  At December 31, 2017 and 2016 the amount of unrecognised deferred tax liabilities on impairment of tax deductible financial investments where any change to the board of directors' strategy regarding the management of such investments is unlikely and there is no prospect of sale or liquidation in the foreseeable future, amounted to €77,187 thousand and €84,045 thousand respectively.

- *Employee costs*

  CGD considers the payment of employee costs recorded including, costs associated with pensions and other post-employment benefits to be tax deductible, up to the limit of the contributions paid into the pension fund. This procedure is aligned with the view of the Secretary of State for Fiscal Affairs of January 19, 2006, which states that costs under the terms of the applicable accounting standards, up to the amount of the contribution effectively paid into the pension fund in the same or past years, are tax deductible under the rules of article 43 of the IRC code.

  Also following a change in accounting policy as of December 31, 2011 regarding actuarial gains and losses on pension plans and other post-employment benefits the deferred net liabilities recognised in Caixa's balance sheet at that date were fully recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities complied with the requirements of article 183 of Law 64-B/2011 of December 30 which approved the state budget law for 2012, the negative equity changes originating in 2011, which were not deducted in the period for tax purposes are recognised as a tax deduction, in ten equal parts, in years beginning on or after January 1, 2012.

  At December 31, 2017 and 2016 Caixa had not recognised deferred tax on actuarial or financial profit and loss on its pension plan for current employees.

- *Settlement result*

  Under article 92 of the IRC code, as amended by the state budget for 2011, 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 application of the international accounting standards.

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

  CGD did not make any adjustments to the assessment of its taxable income for 2017 and 2016 as a result of the application of this article.

Deferred tax

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

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

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent of the probability of the existence of sufficient future taxable profit allowing the corresponding deductible tax differences or tax losses to be used.

Deferred tax assets are not recognised in cases in which their recoverability may be in doubt, including issues regarding the interpretation of current tax legislation.

Deferred tax is not recognised on temporary differences originating on the initial recognition of assets and liabilities in transactions that do not affect accounting income or taxable profit..

The main situations that give rise to temporary differences at a Group level are provisions and impairment which are temporarily non-tax deductible.

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

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

2.15. Provisions and contingent liabilities

A provision is set up whenever there is a current (legal or constructive) obligation resulting from past events involving 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 no disclosure in the notes to the accounts, unless the probability of their occurrence is remote.

Provisions for other risks are for:

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

2.16. Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – "Employee benefits". The main benefits granted by Caixa 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 several defined contribution plans. Caixa is therefore liable for the payment of the retirement, disability and survivors' pensions of its employees. Other Group companies, including Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau) also have liabilities for defined benefit plans.

Healthcare for CGD headquarters' active and retired employees is also provided by Caixa Geral de Depósitos's Social Services and funded by contributions from CGD headquarters and employees. Caixa also has liabilities for contributions to SAMS (Healthcare Services) for former BNU employees who had retired 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 the fair value of pension funds' assets. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and appropriate actuarial assumptions. The rate used for liabilities discounting procedures 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 on liabilities.

Profit and loss on differences between the actuarial and financial assumptions used and the effective amounts regarding the evolution of liabilities and pension fund yield projections, as well as on amendments to actuarial assumptions are recognised as a charge to "Other reserves".

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

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

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

Liabilities for healthcare costs are recognised in a "Provisions for the costs of employee benefits" account (Note 23).

Other long-term benefits

The Group also has other liabilities for long-term benefits to its workers, including liabilities for early retirements, seniority bonuses and death grants prior to normal retirement age. Death grants after the normal retirement age are the responsibility of the pension fund.

Liabilities for such benefits are also based on 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 seniority bonuses and death grants are recognised in "Other liabilities" (Note 25) and "Provisions for the costs of employee benefits" (Note 23), 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 the redundancy agreements between Caixa and its employees. These costs are also recognised in “Employee costs” in profit and loss.

2.17. Commissions

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

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

2.18. Issuance of equity instruments

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

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

2.19. Securities and other items held under custody

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

2.20. Cash and cash equivalents

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

2.21. Hyperinflationary economies

During the course of 2017, resulting from an analysis of the evolution of the main financial and behavioural indices of Angola's economy, the Group concluded that the conditions of IAS 29 – "Financial Reporting in Hyperinflationary Economies" had been met in order to proceed with the expected amendment to this standard, in the form of the presentation of the financial statements of subsidiaries operating in this geography, namely through its equity stake in Banco Caixa Geral – Angola, S.A. (Caixa Angola).

One of the most relevant, albeit non-exclusive, factors in reaching this conclusion, was the progression noted in the consumer price index across the period 2015 to 2017, as published by Angola's National Statistics Institute and shown in the following table:

	2014	2015	2016	2017
Consumer Price Index at year end	100	112.09	158.19	195.63
Change	-	12.09%	41.13%	23.67%

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

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

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

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

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

As a result of this situation, the financial statements of Caixa Angola included in Caixa Group's consolidated accounts for 2017 were prepared in accordance with the following specifications:

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

The accumulated amount of the impacts of this re-expression in periods prior to January 1, 2017 (date upon which the standard came into effect) was recognised as a charge to "Other reserves";

- **Monetary assets and liabilities measured at current prices on the date of the closure of the financial statements were not re-expressed;**

- **The profit or loss on the net monetary position for the period deriving from the change in purchasing power occurring between the start and the end of the reporting period was recognised in the "Results from financial operations" aggregate (Note 32) in profit and loss;**

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

- **On January 1, 2017, the date upon which this standard came into effect, the various equity components of Caixa Angola, except for retained earnings from previous periods, were re-expressed on the basis of the application of a general price index from their date of constitution or origination. All of the equity components were subsequently re-expressed on the basis of the application of a general price index from the start of the month to which the financial statements refer or their date of constitution if later.**

The same measurement criteria for non-monetary assets, described above, was applied to the goodwill in the Group's consolidated financial statements, recognised at the date of the acquisition of control over this subsidiary (Note 16).

The main effects of the adoption of IAS 29 – "Financial Reporting in Hyperinflationary Economies" on Caixa Group's consolidated financial statements for 2017 set out below:

	Attributable to the shareholder of CGD	Non-controlling interests	Total
Consolidated net income for the period, of which:			
Restatement of Caixa Angola's net income for 2017	(4,107)	(3,946)	(8,053)
Net monetary loss (Nota 32)	(25,825)	(24,812)	(50,637)
	(29,932)	(28,758)	(58,690)
Impact on equity	43,056	41,425	84,481
Total	13,124	12,667	25,791

As provided for in IAS 21 – "The Effects of Changes in Foreign Exchange Rates", considering that Caixa Angola's financial statements for the period ended December 31, 2016 which are included in Caixa's consolidated financial statements, were translated into the Group's functional currency at the exchange rates in force on the said date, they were not re-stated for comparison purposes.

The translation of Caixa Angola's re-stated financial statements for 2017 into the Group's functional currency complied with the criteria of Note 2.5.

2.22. Critical accounting estimates and more significant judgmental areas for the application of accounting policies

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

Assessment of impairment losses on loans and other receivables

The assessment of impairment losses on loans is based on the methodology defined in Note 2.8. d). Impairment on separately analysed assets, is, accordingly, based on a specific assessment made by Caixa, based on its knowledge of a customer's situation and guarantees associated with the operations in question.

Collective impairment is assessed on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that the impairment assessed by this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the requirements of IAS 39 – "Financial Instruments: recognition and measurement"

Assessment of impairment losses on assets measured as a charge to fair value reserves

According to the measurement requirements for such assets, capital losses on the depreciation of the assets' respective market value are recognised as a charge to the "Fair value" reserve. Whenever objective evidence of impairment exists, the accumulated capital losses recognised in the "Fair value" reserve should be transferred to costs for the period.

Assessments of impairment losses on equity instruments may be subjective. The Group assesses whether impairment on such assets exists on the basis of a specific analysis at each balance sheet date, considering the indicators in IAS 39 – "Financial Instruments: recognition and measurement" (Note 2.8. d)). As a general rule, impairment is assessed whenever the amount invested is unlikely to be fully recovered owing to the size of the capital loss.

In the case of debt instruments recognised in this category, capital losses are transferred from the "Fair value reserve" to profit and loss, whenever there are any signs of a possible default on contractual cash flows, i.e. owing to the issuing entity's financial difficulties, defaults on other financial liabilities or a significant rating downgrade.

Measurement of financial instruments not traded in active markets

Under IAS 39 – "Financial Instruments: recognition and measurement", the Group measures all financial instruments at fair value, except for those recognised at amortised cost. The valuation models and techniques described in Note 2.8. are used to measure the value of financial instruments not traded in liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet. To guarantee adequate separation between functions, a body that is independent from the trading function measures such financial instruments.

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 valuation methodologies mainly supported by external valuations, using different fair value measurement techniques, considering the board of directors' estimates for each entity, the market conditions in which they operate and certain assumptions or judgments. Alternative methodologies and the use of different assumptions and estimates may result in a different valuation level for these investments.

Employee benefits

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

Income tax assessment

Income tax (current and deferred) is assessed by Group companies on the basis of the rules defined in the current tax legislation of the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recognised represent the best understanding of Caixa's and CGD Group companies' management bodies when these regulations are applied to its activities, this interpretation may be questioned by the tax authorities.

The Group's recognition of deferred tax assets, including those in respect of the carry-forward 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 accounting income and considering the objective for the reduction of non-performing assets. The fiscal income projections have been prepared on the assumption of the future approval of a preliminary draft of the amendment to article 28-C of the IRC code, which provides for a transitional regime for the deduction of taxed credit impairment existing at December 31, 2017. The recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of Caixa's board of directors' strategy, namely the capacity to generate estimations of taxable income, interpretation of fiscal legislation and the approval of the above referred to legislation (see Note 18).

Property valuations

The valuation of properties recognised in "Non-current assets held-for-sale" and "Investment properties" accounts considers a set of judgmental assumptions that are contingent upon each asset's specific characteristics and the Group's respective business strategy. The assumptions regarding future events may not occur or, even if occurring, their real results could be different as, other anticipated events frequently fail to occur as expected and the change could be significant. By way of example, there could be changes in property market expectations, significant macroeconomic variables or in the underlying characteristics of the actual property and its surrounding physical environment.

Provisions and contingent liabilities

As referred to in Note 2.15., provisions are recognised whenever a present (legal or constructive) obligation involves a probable future payment and when this may be reliably assessed.

Contingent liabilities are not recognised in the financial statements but the issue is disclosed unless possibility of payments being made is considered to be remote.

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

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

The Group's structure and its main subsidiaries, by sector of activity and respective financial data taken from their separate statutory accounts, unless otherwise specified, is summarised below:

Activity / Entity	Location	31-12-2017			31-12-2016	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	21,194	3,490	26,949	9,245
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	79,751	14,583	66,253	(2,574)
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	-	-	315	(48)
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,348,760	34,677	1,248,638	32,492
Parbanca, SGPS, S.A.	Madeira	100.00%	51,828	16,157	35,593	12,222
Parcaixa SGPS, S.A.	Lisbon	100.00%	1,023,697	5,835	1,010,697	(5,419)
Partang, SGPS, S.A.	Lisbon	100.00%	201,439	1,743	175,465	33,541
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(108,625)	9,664	(118,289)	(133,471)
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	536,158	26,377	462,626	25,400
Banco Comercial do Atlântico, S.A.	Praia	58.19%	49,392	2,274	47,869	3,121
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	221,091	34,821	149,639	19,661
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	104,044	22,228	98,060	2,621
Banco Interatlântico, S.A.R.L.	Praia	70.00%	16,406	492	15,871	108
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	718,688	68,002	776,987	63,356
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.75%	371,830	33,011	316,929	1,433
CGD Investimentos CVC, S.A.	São Paulo	99.88%	35,291	41,225	1,049	244
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	157,782	14,150	149,124	10,821
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	267,365	41,534	297,360	72,433
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	121,659	14,124	107,535	141
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	30,328	4,340	28,707	2,207
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	9,525	1,874	7,651	1,448
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	3,445	1,245	3,808	1,608
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	3,153	8	3,145	(47)
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.75%	-	-	27,315	2,462
Real Estate						
Imobci, Lda.	Maputo	46.31%	112	(6)	116	(123)
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(10,953)	855	(11,808)	(18,626)
Caixa Imobiliário, S.A.	Lisbon	100.00%	(50,176)	26,197	(43,077)	(63,215)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(77,735)	(7,997)	(69,738)	(8,214)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(115,761)	(19,001)	(96,760)	(37,326)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,528	(21)	2,549	(20)
Caixa Geral Finance (c)	Cayman	0.00%	111,215	1,650	111,215	(4)

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.
(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 728 non-voting preference shares of EUR 1 000 each (110 728 preference shares in 12/31/2016)

Activity / Entity	Location	2017-12-31 % Effective participating interest	2017-12-31 Equity (a)	2017-12-31 Net income	31-12-2016 Equity (a)	31-12-2016 Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,837	(34)	1,871	37
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,692)	(331)	(1,371)	85
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	90.00%	-	-	-	-
Sogrupo - Sistemas de Informação, ACE	Lisbon	80.00%	-	-	-	-
Sogrupo IV - Gestão de Imóveis, ACE	Lisbon	82.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	100.00%	153,489	2,008	206,482	(25,006)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	22,624	(961)	17,978	(2,820)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	144,356	6,700	202,657	7,006
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	86,868	(4,438)	91,306	(558)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	63,948	1,142	110,805	(3,636)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.32%	10,944	149	12,333	(449)
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	26,244	(144)	38,387	(3,708)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	35.86%	100,416	9,639	116,108	5,236
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	41.48%	185,427	11,080	199,348	(2,184)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	21.45%	106,893	7,838	106,433	12,567
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	417	934	(517)	(712)
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	11,938	60	29,878	175
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	50,710	966	49,744	(7,506)
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	52.20%	565,013	23,405	562,723	404
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	148,292	7,008	145,283	4,026
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	77,004	(5,158)	82,162	(1,276)

(a) Equity includes net income for the year.

The main movements in the Group's subsidiaries, in 2017 and 2016, were as follows:

Banco Comercial e de Investimentos, S.A.

During the course of first half 2015, Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders approved an equity increase of which MZN 3,081,274,880 took the form of an incorporation of reserves and MZN 1,789,709,460 was based on the issuance of 72,752,418 new shares. The Group's investment in this operation was made through Parbanca, SGPS, S.A., which has a 51% equity stake in BCI, based on a subscription for MZN 912,751,820 in new shares at a unit price of MZN 24.60 (including a share issuance premium of MZN 14.60).

The company's acquisition of the shares subscribed for but unpaid by the shareholder Insitec as part of the share capital increase of 2015 was approved by Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders in March 2016. These shares are now part of the company's treasury stock.

During the course of 2017 an agreement was reached between Caixa Geral de Depósitos S.A., Banco BPI, S.A., Banco BPI, S.A., BCI – Banco Comercial de Investimentos, S.A., Parbanca SGPS, S.A. and Insitec SGPS, S.A. for the payment in kind of BCI shares. Insitec Capital surrendered, as payment in kind, 110,171,080 shares in its name, representing 16.18069% of BCI's share capital in payment of the credit operations entered into with CGD and BPI, for the purpose of fully extinguishing its debts. CGD received 71,543,434 BCI shares being 10.51% of the respective share capital in payment of its credit. The Group increased its effective equity stake in this company to 63.05%.

Fundo de Capital de Risco Grupo CGD (FCR Grupo CGD)

During 2017, in conformity with a resolution passed at a general meeting of its sole shareholder, FCR Grupo CGD's capital was reduced by €78,885 thousand, of which €23,884 thousand was for the coverage of negative retained earnings and the remaining €55,001 thousand in cash.

Fundo de Capital de Risco Caixa Fundos

In 2017, in conformity with a resolution passed at a general meeting, Caixa Capital (Fund manager) reduced the subscribed for and unpaid capital of FCR Caixa Fundos by €65,000 thousand (Note 24). This reduction was made as it was considered that the amount of commitments greatly exceeded the possibility of new investments to be made by the Fund.

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento (FIIAH – Caixa Arrendamento)

During 2017, a resolution approving a reduction of 48,238 investment units for €48,000 thousand to the capital of the *Caixa Arrendamento* fund, was passed by a general meeting of investors. The fund's capital continued to be fully owned by CGD.

CGD - North America Finance

In 2017 a resolution was passed by Caixa Geral de Depósitos, S.A. as its sole shareholder, to close down and liquidate CGD - North America Finance, which was totally inactive at that time.

Parcaixa

The Portuguese state, as CGD's sole shareholder, passed a resolution on January 4, transferring to Caixa, in the form of a capital increase, its indirect equity stake in the company Parcaixa, SGPS, S.A., held through Parpública, SGPS, S.A., based on payment in kind of 490,000,000 shares or 49% of the share capital. The value attributed to the equity stake, representing its book value at the date of the transaction, was €498,996 thousand.

This operation was part of the agreement entered into between the Portuguese state and the competent European authorities, with a view to the recapitalisation of CGD (Introductory Note).

This transaction gave Caixa Geral de Depósitos, S.A. full ownership of the share capital of this company and also 100% ownership of Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A., by the Group.

Ibéria - Fundo Especial de Investimento Imobiliário

On January 8, 2016, the investors meeting approved a capital increase of €59,977 thousand in *Fundo Especial de Investimento Imobiliário*, to be paid up in kind. This operation comprised the transfer of a collection of properties owned by Caixa Imobiliário, S.A. to *Ibéria - Fundo Especial de Investimento Imobiliário* to realise the amount of capital subscribed for in this operation.

Fundo de Capital de Risco Caixa Crescimento

Fundo Caixa Crescimento, FCR, formed on June 28, 2013, operates is a venture capital company investing in SME or midcaps headquartered in Portugal which require funding for their investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce structural funding needs for their operating cycle.

An increase in the Fund's capital was approved in first half 2016, by issuance of 30,000 investment units for a nominal amount of €1,000 each, fully paid up by Caixa. This capital increase follows the €30,000 thousand capital increase made in 2015, which was also subscribed for by CGD.

Fundo de Capital de Risco Caixa Tech Transfer Accelerator Ventures

The *Fundo Caixa Tech Transfer Accelerator Ventures* was formed on March 16, 2015, with a start-up capital of €6,000 thousand, comprising 6,000 investment units with a nominal value of €1,000 each, fully subscribed for by *Fundo de Capital de Risco Caixa Fundos.*

The Fund's corporate object is to perform a venture capital activity investing in technology companies with medium to high growth potential, with domestic and international science-technology projects. On June 22, 2017 it was merged with *Fundo de Capital de Risco Empreender +,* to which equity and current income for the period was transferred. With this merger the equity structure of *Fundo de Capital de Risco Empreender* + was wholly owned by Caixa Geral de Depósitos and *Fundo de Capital de Risco Caixa Fundos*, 76.23% (500 investment units) and 26.77% (155,9277 investment units), respectively.

Fundo Especial de Investimento Imobiliário Fechado (FEII – Caixa Reabilita)

Based on a resolution of its sole shareholder, Caixa Geral de Depósitos, Caixa Reabilita which was formed as a corporate vehicle for the Group's equity investment in the JESSICA Community initiative, sold its equity investment in *Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional - Cidades de Portugal* to CGD (*Fundo Cidades de Portugal*), representing 30% of its capital, at the Fund's closing price of November 30, 2016. This operation gave Caixa Geral de Depósitos the direct ownership of the whole of the equity of *Fundo Cidades de Portugal.*

Following the completion of this operation, Caixa Reabilita ceased its operations, with the liquidation proceeds being paid into the disbursement accounts of the JESSICA (*Fundo de Desenvolvimento Urbano FDU*) line of credit.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account comprises the following:

	31-12-2017	31-12-2016
Cash	687,285	710,051
Demand deposits in central banks	3,933,559	1,130,502
	4,620,844	1,840,553
Interest on demand deposits in central banks	49	6
	4,620,893	1,840,560

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

The funds deposited at central banks by Caixa and Group banks at December 31, 2017 and 2016, 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:

	31-12-2017	31-12-2016
Cheques for collection		
- Portugal	76,667	69,112
- Abroad	24,817	37,401
	101,484	106,513
Demand deposits		
- Portugal	193,957	158,935
- Abroad	401,651	491,086
	595,608	650,022
Accrued interest	1,608	1,192
	698,700	757,726

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

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	31-12-2017	31-12-2016
Term deposits		
- Portugal	1,003	31,095
- Abroad	1,035,718	1,286,027
Loans		
- Portugal	-	332
- Abroad	89,289	152,800
Other applications		
- Portugal	32	2,506
- Abroad	1,897,804	1,588,983
Purchase operations with resale agreement	-	157,598
Overdue loans and interest	7,152	7,152
	3,030,998	3,226,492
Accrued interest	7,230	2,215
Deferred income	(2,409)	(3,786)
	3,035,819	3,224,922
Impairment (Note 37)	(7,125)	(7,125)
	3,028,694	3,217,797

At December 31, 2017 and 2016, the accumulated impairment balance on loans and advances to credit institutions included €7,125 thousand on the recognition of exposure to banks headquartered in the Republic of Iceland.

At December 31, 2017 and 2016, the "Purchase operations with resale agreements" account related to contracts for the acquisition of financial instruments with a resale agreement at a future date and 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 amortised cost. These operations were contracted for under GMRAs (Global Master Repurchase Agreements) providing for mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their market value which is assessed on the specifications agreed between the counterparties and usually in the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, in 2017 and 2016, is set out in Note 37.

7. FINANCIAL ASSETS HELD-FOR-TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These accounts comprise the following:

	31-12-2017			31-12-2016		
	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	4,843	-	4,843	2,655	-	2,655
. Treasury bills	2,810,844	-	2,810,844	2,296,420	-	2,296,420
. Bonds of other public issuers						
Foreign	2,331,345	-	2,331,345	2,569,590	-	2,569,590
- Other issuers:						
. Bonds and other securities:						
Residents	541	-	541	587	-	587
Non-residents	10,267	-	10,267	17,747	4,969	22,715
	5,157,840	-	5,157,840	4,886,999	4,969	4,891,968
Equity instruments						
Residents	3,766	49,337	53,103	2,729	57,602	60,332
Non-residents	14,342	128,995	143,337	34,438	107,759	142,198
	18,108	178,332	196,440	37,168	165,361	202,529
Other financial instruments						
- Trust fund units						
Residents	-	55,885	55,885	-	100,343	100,343
Non-residents	-	418,951	418,951	-	449,219	449,219
	-	474,836	474,836	-	549,562	549,562
Derivatives with positive fair value (Note 10)						
- Swaps	774,752	-	774,752	1,203,386	-	1,203,386
- Futures and other forward operations	8,834	-	8,834	21,884	-	21,884
- Options - shares, currency and commodities	34,621	-	34,621	64,269	-	64,269
- Caps and floors	145,502	-	145,502	220,328	-	220,328
- Other	-	-	-	-	-	-
	963,709	-	963,709	1,509,867	-	1,509,867
	6,139,656	653,168	6,792,824	6,434,034	719,892	7,153,925

Financial assets held-for-trading and other financial assets at fair value through profit or loss, at December 31, 2017 and 2016, included investment units in unit trust funds managed by Group entities, for the amounts of €6,906 thousand and €49,269 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	31-12-2017	31-12-2016
Debt instruments		
- Public debt	2,657,910	3,436,812
- Other public issuers	833,133	1,399,105
- Other issuers	1,720,481	1,432,236
	5,211,524	6,268,153
Equity instruments		
- Measured at fair value	251,323	263,557
- Measured at historical cost	174,339	178,335
	425,662	441,891
Other instruments	1,183,761	1,198,344
	6,820,947	7,908,388
Impairment (Note 37)		
- Equity instruments	(111,268)	(126,238)
- Debt instruments	(3,622)	(9,927)
- Other instruments	(374,694)	(342,711)
	(489,584)	(478,876)
	6,331,363	7,429,512

At December 31, 2016 the “Debt instruments – public debt” account included securities allocated to the issuance of covered bonds with a book value of €142,693 thousand (Note 22).

The bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the re-organisation of the liquidity assistance support process for the former BPN (Note 6) are backed by a Portuguese state guarantee. The bonds were reclassified to loans and advances to customers in 2016.

At December 31, 2017, “Other instruments” and “Impairment - other instruments” included €799,692 thousand and €278,308 thousand, respectively (€779,414 thousand and €241,297 thousand respectively at December 31, 2016) in subscriptions for investments in corporate vehicles set up in the sphere of sale of financial assets (loans and advances to customers).

Following the transfer (to the company itself or other companies owned by the corporate vehicle in which CGD has a stake), these assets were derecognised from the balance sheet, as it was considered that the respective IAS 39 – “Financial Instruments: recognition and measurement” requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control, had been met. The corporate vehicles in which CGD has a non-controlling interest continue to be autonomous in terms of management. To ensure the neutrality of operations, when the transaction was performed, estimated impairment of the transferred assets was set against the amount of the equity investment in the respective corporate vehicles.

Following their initial recognition, these positions reflect the revaluation of these companies' equity.

Information on the Group's exposure to such assets, at December 31, 2017 and 2016, is given below:

	31-12-2017			
	Securities acquired on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	163,962	(46,797)	117,165	-
Fundo Recuperação, FCR	149,565	(54,383)	95,182	-
Discovery Portugal Real Estate Fund	111,771	(25,121)	86,650	7,256
Flit-Ptrel SICAV	96,047	(18,665)	77,382	-
OXI Capital, SCR	63,722	(9,822)	53,900	-
Predicapital FEIIF	60,862	(25,716)	35,146	2,340
Fundo Recuperação Turismo, FCR	46,105	(13,597)	32,508	392
Fundo Imobiliário Vega	32,784	(13,663)	19,121	1,268
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,383	(2,053)	4,330	-
Vallis Construction Sector	68,491	(68,491)	-	-
	799,692	(278,308)	521,384	11,256

	31-12-2016			
	Securities acquired on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	163,961	(46,797)	117,164	-
Fundo Recuperação, FCR	161,629	(46,805)	114,824	-
Flit-Ptrel SICAV	110,243	(21,442)	88,801	-
Discovery Portugal Real Estate Fund	110,514	(25,121)	85,393	7,600
OXI Capital, SCR	79,388	(3,329)	76,059	56
Fundo Recuperação Turismo, FCR	46,159	(13,597)	32,562	392
Fundo Imobiliário Vega	32,645	(13,663)	18,983	1,358
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,383	(2,053)	4,330	-
Vallis Construction Sector	68,491	(68,491)	-	-
	779,414	(241,297)	538,116	9,407

At December 31, 2017 and 2016, the measurement of the asset transfer funds is based on an analysis carried out by Caixa of the recoverable value of each fund's equity, for which the amount recognised may be less than the respective NAV (net asset value), disclosed by the management companies. At December 31, 2017 and 2016 additional depreciation provisions were also recognised in "Provisions for other risks and liabilities" of €23,421 thousand and €5,019 thousand, respectively.

To complement the equity stakes in these corporate vehicles, in the case of certain operations Caixa also made shareholders' loans and additional capital payments, recognised in "Other assets", with a balance sheet carrying amount of €43,993 thousand and €51,857 thousand at December 31, 2017 and 2016, respectively, fully provisioned (Note 19).

At December 31, 2017 and 2016, the balance sheet amounts and impairment value of the securities and property funds managed by Group entities and recognised in the available-for-sale financial assets portfolio, were as follows:

	Balances at 31-12-2017		Balances at 31-12-2016	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	100	30,677	10,257	30,450
Impairment	-	(12,047)	-	(12,108)
	100	18,630	10,257	18,342

At December 31, 2017 and 2016, equity instruments included the following investments:

	31-12-2017						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
VISA Inc Classe C (série US92826C3007)	18,506	-	18,506	-	18,506	17,113	
Inapa - Investimentos, Participações e Gestão, S.A.	32,756	-	32,756	(16,378)	16,378	5,956	33.01
Galp Energia, SGPS, S.A.	16,329	-	16,329	-	16,329	3,754	0.13
VISA Inc Classe C (série US92826C7974)	9,982	-	9,982	-	9,982	2,941	
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
Foreign entities' shares	432	-	432	-	432	946	
Other	-	99,140	99,140	(15,659)	83,481	23,071	
	130,883	120,440	251,323	(106,214)	145,109	53,779	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	19.00
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other			17,278	(3,875)	13,403	-	
	157,061	-	174,339	(5,054)	169,285	-	
	287,944	120,440	425,662	(111,268)	314,394	53,779	

	31-12-2016						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
SICAR NovEnergia II	-	68,654	68,654	-	68,654	26,231	11.12
Galp Energia, SGPS, S.A.	15,120	-	15,120	-	15,120	2,544	0.07
VISA Inc Classe C (série US92826C3007)	14,433	-	14,433	-	14,433	12,848	
Inapa - Investimentos, Participações e Gestão, S.A.	26,800	-	26,800	(14,889)	11,911	-	16.84
VISA Inc Classe C (série US92826C7974)	7,520	-	7,520	-	7,520	(492)	
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
Finpro, SGPS, S.A.	-	23,818	23,818	(23,818)	-	-	17.17
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
Foreign entities' shares	1,605	21,415	23,020	(2,375)	20,645	6,396	
Other	-	10,015	10,015	(5,236)	4,779	(812)	
	118,355	145,202	263,557	(120,495)	143,062	46,716	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other			21,274	(4,565)	16,709	-	
	157,061	-	178,335	(5,743)	172,592	-	
	275,416	145,202	441,891	(126,238)	315,653	46,716	

The following criteria were used to prepare the above tables:

- The “Investment banking and venture capital” column includes the securities held by Caixa - Banco de Investimento and the Group’s venture capital activity, including consolidated venture capital funds (Note 3); and,
- Securities held by other entities were included in “Banking activity”.

Information on the amount of impairment on equity instruments recognised by the Group as a charge to profit and loss for 2017 and 2016 is set out in the following table (Note 37):

	31-12-2017	31-12-2016
Inapa - Investimentos, Participações E Gestão, S.A.	1,489	14,889
Other	-	943
	1,489	15,832

Information on the available-for-sale financial assets fair value reserve at December 31, 2017 and 2016 is given below:

	31-12-2017	31-12-2016
Fair value reserve (Note 27)		
(gross amount before non-controlling interests)		
Debt instruments	263,999	(146,242)
Equity instruments	53,779	46,716
Other instruments	49,204	50,714
	366,982	(48,813)
Deferred tax reserve	(98,102)	5,207
	268,880	(43,607)
Balance attributable to non-controlling interests	(5,746)	3,058
	263,134	(40,548)

The principal movements relating to equity instruments recognised as available-for-sale financial assets, in 2017 and 2016, were as follows:

<u>VISA Europe Limited and VISA Incorporated Class C</u>

Following the reorganisation process on its operations undertaken by the Visa network and after obtaining the necessary approvals from the relevant regulatory authorities, Visa Inc's proposal for the acquisition of Visa Europe was successfully completed in June 2016. As a result of this transaction, Caixa recognised capital gains of €36,256 thousand on the transfer of ownership of its investment in Visa Europe which had a nominal value of €10 (Note 32).

The assessment of the profit made on the operation included the valuation of the diverse components incorporated in the procedure agreed for the settlement of the transaction, including (i) a cash payment made on the sale's closure date, (ii) a deferred cash payment to be made on the sale's third anniversary and (iii) the delivery of 9,608 convertible preference shares (Class C).

The preference shares' balance sheet carrying amount, at 31 December 2017 and 2016, totalled €9,982 thousand and €7,520 thousand, respectively.

<u>Reclassification of securities</u>

In 2008 and during the course of first half 2010, in conformity with the changes to Standard IAS 39 – "Financial instruments: recognition and measurement" in October 2008, as described in greater detail in Note 2.8. and owing to the exceptional circumstances noted in the reaction of the financial markets on these dates, Caixa transferred a collection of securities from financial assets held-for-trading to available-for-sale financial assets categories.

Caixa's reclassifications were a consequence of financial market instability and volatility in these periods, especially in 2010. Credit markets, were badly affected by the disturbances in the funding of eurozone countries' sovereign debt. This changed Caixa's outlook on the sale of these assets that were no longer expected to be sold in the short term. The transfer of securities in first half 2010 essentially comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in eurozone public debt markets.

Caixa also reclassified bonds from available-for-sale financial assets to loans and advances to customers, in first half 2010.

The bonds issued by the companies Parvalorem S.A., Parups S.A. and Parparticipadas S.A. were also reclassified from available-for-sale financial assets to loans and advances to customers in the last quarter of 2016. These vehicles were created to manage the asset portfolios acquired by the Portuguese state as part of the reprivatisation operation of the former BPN, whose issuance was collateralised by a state-backed guarantee. The reclassification was decided because of the specific characteristics of the origin of these instruments, not tradable by nature and considering CGD's intention and capacity to hold these securities for the foreseeable future.

Information on the impact of the reclassification of these securities in profit and loss and fair value reserves is set out below:

Securities reclassified in 2008

	31-12-2017	31-12-2016
	Financial assets at fair value through fair value reserves	Financial assets at fair value through fair value reserves
Book value at reclassification date	55,356	57,491
Book value at year end	59,657	60,098
Fair value of securities reclassified	59,657	60,098
Fair value reserve of securities reclassified	3,931	3,252
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	680	(24,244)
Other gains and losses recognised as a charge to net income	584	25,616

Securities reclassified in 2010

	31-12-2017	31-12-2016
	Financial assets at fair value through fair value reserves	Financial assets at fair value through fair value reserves
Book value at reclassification date	-	101
Book value at year end	-	136
Fair value of securities reclassified	-	136
Fair value reserve of securities reclassified	-	(113)
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	113	(18)
Other gains and losses recognised as a charge to net income	(147)	-

Securities reclassified in 2016

	31-12-2017	31-12-2016
	Financial assets at fair value through fair value reserves	Financial assets at fair value through fair value reserves
Book value at reclassification date	2,246,210	2,246,210
Book value at year end	1,500,658	1,797,173
Fair value of securities reclassified	1,500,823	1,810,914
Fair value reserve of securities reclassified to be amortized	66,903	81,656

The above amounts do not include the fiscal effect.

“Profit/(loss) as a charge to the respective profit and loss account include the proceeds from the disposal of securities after the reclassification date and foreign exchange revaluations and excludes the income and costs of interest and commissions.

The amounts of securities, reclassified as financial assets at fair value as a charge to reserves, in 2008, included investment units in funds previously included in the consolidation perimeter. Information on this asset, at December 31, 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
Financial assets at fair value through fair value reserves		
Book value	9,713	11,128
Fair value of securities reclassified	9,713	11,128
Fair value reserve of securities reclassified	3,924	3,948
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(24)	(5,419)
Other gains and losses recognised as a charge to net income	507	7,358

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on the breakdown of financial assets with repurchase agreements, at December 31, 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
At fair value through fair value reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	32,639	354,252
. Foreign debt securities	20,210	4,431
- From other issuers:		
. Bonds and other securities:		
Residents	-	187,114
Non-residents	-	19,793
	52,849	565,590
At amortised cost		
Loans and advances to customers		
Residents	-	234,830
	-	234,830
Impairment (Note 37)	-	(688)
	52,849	799,732

The Group entered into sales operations on financial assets with purchase agreements at a future date and predefined price with financial institutions and customers in 2017 and 2016.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised in the balance sheet and continue 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 contract.

Liabilities on the repurchase agreement are recognised in “Other credit institutions’ resources – sales operations with repurchase agreements” (Note 20) and “Customer resources and other loans – other resources – sales operations with repurchase agreements” (Note 21).

10. DERIVATIVES

The Group's activity includes derivative 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 operation approval procedures, a definition of exposure limits per product and customer and daily oversight of the results.

The value of these operations, at December 31, 2017 and 2016, was measured in conformity with the criteria set out in Note 2.8.c). Information on their notional and balance sheet value, at these dates, is set out below.

	31-12-2017							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Assets	Liabilities	Total
<u>**Forward foreign exchange transactions**</u>								
Forwards				2,337	(3,490)	-	-	(1,153)
Purchase	469,354	-	469,354					
Sale	471,250	-	471,250					
<u>**Swaps**</u>								
Currency swaps				2,525	(1,875)	-	-	650
Purchase	327,432	-	327,432					
Sale	326,706	-	326,706					
Equity swaps				26	(75)	-	-	(49)
Purchase	2,318	-	2,318					
Sale	2,317	-	2,317					
Interest rate swaps and cross currency interest rate swaps				772,201	(861,833)	7,413	(5,459)	(87,678)
Purchase	48,392,171	74,233	48,466,404					
Sale	48,364,010	80,767	48,444,777					
<u>**Futures**</u>								
Currency				-	-	-	-	-
Long positions	105,866	-	105,866					
Short positions	500	-	500					
Interest rate				-	-	-	-	-
Short positions	2,638,726	-	2,638,726					
Equity				6,497	-	-	-	6,497
Long positions	12,293	-	12,293					
Short positions	14,648	-	14,648					
Other				-	-	-	-	-
Long positions	84,723	-	84,723					
Short positions	569,848	-	569,848					
<u>**Options**</u>								
Currency				776	(852)	-	-	(76)
Purchase	80,776	-	80,776					
Sale	82,564	-	82,564					
Equity				33,845	(38,017)	-	-	(4,172)
Purchase	54,920	-	54,920					
Sale	50,951	-	50,951					
Interest rate (Caps & Floors)				145,502	(154,197)	-	-	(8,695)
Purchase	1,953,152	-	1,953,152					
Sale	2,159,837	-	2,159,837					
	106,164,362	155,000	106,319,362	963,709	(1,060,339)	7,413	(5,459)	(94,676)

	31-12-2016							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Forward				1,479	(3,356)	-	-	(1,877)
Purchase	1,147,758	-	1,147,758					
Sale	1,150,080	-	1,150,080					
NDF's (Non Deliverable Forward)				9,048	(1,894)	-	-	7,154
Purchase	107,718	-	107,718					
Sale	96,773	-	96,773					
Swaps								
Currency swaps				22,283	(1,456)	-	-	20,827
Purchase	724,257	-	724,257					
Sale	703,404	-	703,404					
Equity swaps				-	(19)	-	-	(19)
Purchase	2,041	-	2,041					
Sale	2,041	-	2,041					
Interest rate swaps and cross currency interest rate swaps				1,181,103	(1,382,482)	9,541	(2,197)	(194,035)
Purchase	51,921,273	128,628	52,049,901					
Sale	51,818,663	132,293	51,950,956					
Credit default swaps				-	(69)	-	-	(69)
Purchase	75,894	-	75,894					
Sale	47,434	-	47,434					
Futures								
Currency				-	-	-	-	-
Long positions	126,105	-	126,105					
Short positions	99,092	-	99,092					
Interest rate				-	(155)	-	-	(155)
Long positions	150,382	-	150,382					
Short positions	3,720,197	-	3,720,197					
Equity				1,105	(343)	-	-	762
Long positions	7,816	-	7,816					
Short positions	5,420	-	5,420					
Other			-	10,252	-	-	-	10,252
Long positions	366,856	-	366,856					
Short positions	814,139	-	814,139					
Options								
Currency				1,608	(1,774)	-	-	(166)
Purchase	78,936	-	78,936					
Sale	68,221	-	68,221					
Equity				62,661	(68,292)	-	-	(5,631)
Purchase	700,192	-	700,192					
Sale	709,698	-	709,698					
Commodities				1	(1)	-	-	-
Purchase	90,000	-	90,000					
Sale	-	-	-					
Interest rate (Caps & Floors)				220,327	(229,673)	-	-	(9,346)
Purchase	2,268,823	-	2,268,823					
Sale	2,595,807	-	2,595,807					
Other	-	-	-	-	(3,802)	-	-	(3,802)
	119,599,020	260,921	119,859,941	1,509,867	(1,693,316)	9,541	(2,197)	(176,105)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities", at December 31, 2017 and 2016, included operations collateralised by surety accounts designed to ensure coverage of the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the various financial institutions with Caixa and by Caixa to these financial institutions, on these dates, were recognised in the "Other liabilities - resources - surety account" (Note 25) and "Other assets - debtors and other assets - other debtors" accounts (Note 19), respectively.

At December 31, 2017 the balance sheet carrying amount of operations with derivatives having positive and negative fair values, collateralised by surety deposits or securities, totalled €466,652 thousand and €964,977 thousand (€859,236 thousand and €1,577,530 thousand, respectively in December 2016).

Detailed information on CVAs (credit value adjustments) and DVAs (debit value adjustments) is presented in Note 41.

Information on the distribution of the Group's derivatives operations by period to maturity, at December 31, 2017 and 2016, is set out below:

	31-12-2017					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Forwards						
Purchase	98,557	359,990	10,807	-	-	469,354
Sale	97,609	362,810	10,831	-	-	471,250
Swaps						
Currency swaps						
Purchase	306,462	20,343	627	-	-	327,432
Sale	305,279	20,787	640	-	-	326,706
Equity swaps						
Purchase	636	-	-	1,682	-	2,318
Sale	636	-	-	1,681	-	2,317
Interest rate swaps and cross currency interest rate swaps						
Purchase	2,090,861	1,760,469	3,778,034	20,184,410	20,652,630	48,466,404
Sale	2,090,861	1,760,469	3,782,920	20,188,130	20,622,397	48,444,777
Futures						
Currency						
Long positions	105,866	-	-	-	-	105,866
Short positions	500	-	-	-	-	500
Interest rate						
Short positions	1,535,619	1,103,107	-	-	-	2,638,726
Equity						
Long positions	12,293	-	-	-	-	12,293
Short positions	290	-	-	14,358	-	14,648
Other						
Long positions	54,149	23	30,551	-	-	84,723
Short positions	204,665	-	305,712	59,471	-	569,848
Options						
Currency						
Purchase	40	13,681	67,015	40	-	80,776
Sale	36	14,755	67,737	36	-	82,564
Equity						
Purchase	7,273	2,578	30,456	14,613	-	54,920
Sale	6,133	1,685	33,803	9,330	-	50,951
Interest rate (Caps & Floors)						
Purchase	60,000	87,597	91,477	1,651,100	62,978	1,953,152
Sale	60,000	87,597	438,839	1,552,292	21,109	2,159,837
	7,037,765	5,595,891	8,649,449	43,677,143	41,359,114	106,319,362

	31-12-2016					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Forwards						
Purchase	653,585	125,793	368,380	-	-	1,147,758
Sale	654,814	126,067	369,199	-	-	1,150,080
NDF's (Non Deliverable Forward)						
Purchase	30,831	61,635	15,252	-	-	107,718
Sale	28,161	54,109	14,503	-	-	96,773
Swaps						
Currency swaps						
Purchase	589,639	131,671	2,947	-	-	724,257
Sale	569,848	130,786	2,770	-	-	703,404
Equity swaps						
Purchase	752	-	-	1,289	-	2,041
Sale	752	-	-	1,289	-	2,041
Interest rate swaps and cross currency interest rate swaps						
Purchase	1,528,680	1,520,110	4,473,283	21,437,392	23,090,436	52,049,901
Sale	1,526,922	1,519,364	4,479,017	21,420,493	23,005,160	51,950,956
Credit default swaps						
Purchase	47,434	28,460	-	-	-	75,894
Sale	47,434	-	-	-	-	47,434
Futures						
Currency						
Long positions	126,105	-	-	-	-	126,105
Short positions	98,946	146	-	-	-	99,092
Interest rate						
Long positions	-	-	150,382	-	-	150,382
Short positions	1,595,046	1,458,436	402,551	251,682	12,482	3,720,197
Equity						
Long positions	7,816	-	-	-	-	7,816
Short positions	5,420	-	-	-	-	5,420
Other						
Long positions	191,390	-	164,371	-	11,095	366,856
Short positions	203,873	-	321,910	288,356	-	814,139
Options						
Currency						
Purchase	83	4,322	27,805	46,726	-	78,936
Sale	1,881	8,769	18,205	39,366	-	68,221
Equity						
Purchase	70,718	68,912	493,565	59,463	7,534	700,192
Sale	63,132	73,482	501,588	64,877	6,619	709,698
Commodities						
Purchase	50,000	40,000	-	-	-	90,000
Interest rate (Caps & Floors)						
Purchase	78,054	100,000	100,000	1,904,832	85,937	2,268,823
Sale	3,054	100,000	256,400	2,167,331	69,022	2,595,807
	8,174,370	5,552,062	12,162,128	47,683,096	46,288,285	119,859,941

Information on the Group's derivatives operations, by counterparty type, at December 31, 2017 and 2016, is set out below:

	31-12-2017		31-12-2016	
	Notional value	Book value	Notional value	Book value
Forward foreign exchange transactions				
Fowards				
Financial institutions	747,603	(2,799)	2,146,471	(205)
Other	193,001	1,646	151,367	(1,672)
	940,604	(1,153)	2,297,838	(1,877)
NDF's (Non Deliverable Forward)				
Other	-	-	204,491	7,154
	-	-	204,491	7,154
Swaps				
Currency swaps				
Financial institutions	599,425	5	1,380,673	19,078
Other	54,713	645	46,988	1,749
	654,138	650	1,427,661	20,827
Equity swaps				
Financial institutions	-	-	4,082	(19)
Other	4,635	(49)	-	-
	4,635	(49)	4,082	(19)
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	91,226,210	(362,562)	97,110,765	(402,514)
Other	5,684,971	274,884	6,890,092	208,479
	96,911,181	(87,678)	104,000,857	(194,035)
Credit default swaps				
Financial institutions	-	-	123,328	(69)
	-	-	123,328	(69)
Futures				
Currency				
Stock exchange	106,366	-	225,197	-
	106,366	-	225,197	-
Interest rate				
Stock exchange	2,638,726	-	3,870,579	(155)
	2,638,726	-	3,870,579	(155)
Equity				
Stock exchange	12,583	-	13,236	762
Financial institutions	14,358	6,497	-	-
	26,941	6,497	13,236	762
Other				
Stock exchange	654,571	-	1,169,900	-
Financial institutions	-	-	11,095	10,252
	654,571	-	1,180,995	10,252
Options				
Currency				
Financial institutions	146,370	(19)	147,157	1,384
Other	16,970	(57)	-	(1,550)
	163,340	(76)	147,157	(166)
Equity				
Financial institutions	105,871	5,891	1,409,890	8,853
Other	-	(10,063)	-	(14,484)
	105,871	(4,172)	1,409,890	(5,631)
Commodities				
Financial institutions	-	-	90,000	1
Other	-	-	-	(1)
	-	-	90,000	-
Interest rate (Caps & Floors)				
Financial institutions	3,773,097	(105,517)	4,494,739	(161,845)
Other	339,892	96,822	369,891	152,499
	4,112,989	(8,695)	4,864,630	(9,346)
Other				
Financial institutions	-	-	-	(3,802)
	-	-	-	(3,802)
	106,319,362	(94,676)	119,859,941	(176,105)

11. HELD-TO-MATURITY INVESTMENTS

The composition of the held-to-maturity investments balance at December 31, 2017 and 2016, was as follows:

	31-12-2017	31-12-2016
Debt instruments		
- Public debt	508,100	-
- Other public issuers	2,118,719	433,131
	2,626,819	433,131

At December 31, 2017 and 2016, held-to-maturity investments included Angola's sovereign debt instruments of €499,116 thousand and €413,850 thousand.

At December 31, 2017 the "Debt instruments – public debt" account included securities allocated to the issuance of mortgage bonds of €127,015 thousand (Note 22).

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	31-12-2017	31-12-2016
Domestic and foreign loans		
Loans	41,314,025	44,344,939
Current account loans	1,590,368	2,225,127
Other loans	2,529,230	6,091,760
Other loans and amounts receivable - securitised		
. Commercial Paper	2,620,423	2,774,710
. Other	3,884,656	3,978,425
Property leasing operations	940,104	1,042,915
Discounts and other loans secured by bills	335,565	1,037,704
Equipment leasing operations	675,956	708,131
Factoring	1,049,852	924,196
Overdrafts	250,857	322,563
	55,191,037	63,450,470
Accrued interest	164,464	184,266
Deferred income, commissions and other cost and income associated with amortised cost	(61,214)	(83,217)
	55,294,287	63,551,519
Overdue loans and interest	4,516,655	4,948,703
	59,810,942	68,500,222
Impairment (Note 37)	(4,555,961)	(5,633,397)
	55,254,981	62,866,825

The “Domestic and external credit – other loans” account, at December 31, 2017 and 2016, included €56,302 thousand and €61,797 thousand, respectively, relating to mortgage and personal loans issued by CGD to its employees.

The “Other loans and receivables – securitised” account at December 31, 2017 and 2016 included bonds for €1,500,658 thousand and €1,797,173 thousand issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity re-organisation support operations for the former Banco Português de Negócios, S.A. (BPN). These bonds are backed by a Portuguese state guarantee. During the course of the former BNP’s reprivatisation process, the ownership of the corporate vehicles and the debts contracted for by these companies from Caixa, were transferred to the Portuguese state. The state also assumed liabilities for a commercial paper programme of €1,000,000 thousand, subscribed for by Caixa, because of the transfer of the contractual relationship between BPN and Parvalorem. This operation was recognised In “Other loans and receivables – securitised – commercial paper” account.

The amounts owed to CGD by the vehicles are being repaid according to the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and the European Union. As provided for in the repayment plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

During 2016 Caixa disposed of mortgage loans of €82,690 thousand with a book value of €148,060 thousand, before impairment. These operations were fully matured. The losses made on these loans were recognised in “Credit impairment, net of reversals” in profit and loss.

During the course of first half 2017, Caixa transferred loans and economic rights to mortgage and non-mortgage loans (including the risks and benefits attached to such loans) with a book value of €153,600 thousand on the date of the transaction, before impairment. Most of these loans were in default. The losses made on these loans were recognised in "Credit reversals net of impairment” in profit and loss.

Other loans to customers in the “corporate” portfolio (excluding asset lending operations to funds), with a balance sheet carrying amount of approximately €505,274 thousand at the date of the transactions, before impairment, were also disposed of in 2017.

The “Loans” account, at December 31, 2017 and 2016, included mortgage loans transferred by Caixa as part of securitisation operations. Movements in this account, in 2017 and 2016, were as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2015	4,265,537
Sale of new loans	109
Repayments	(231,856)
Repurchase	(10,720)
Other	(27,952)
Balances at 31-12-2016	3,995,118
Sale of new loans	86
Repayments	(267,248)
Repurchase	(8,091)
Other	(41,935)
Balances at 31-12-2017	3,677,930

The liabilities associated with this operation are a wholly Group obligation and are eliminated on the preparation of the consolidated financial statements.

At December 31, 2017 and 2016, the “Loans” account included housing loans with a book value of €8,420,634 thousand and €9,432,153 thousand, respectively, allocated to the issuance of mortgage bonds.

The assets pool collateralising these issuances, at December 31, 2017 and 2016, also included debt securities with a book value of €127,015 thousand and €142,693 thousand, respectively (Notes 8 and 11).

Information on impairment movements, in 2017 and 2016, is set out in Note 37.

Information on the structure of the seniority of “Overdue loans and interest”, at December 31, 2017 and 2016, is set out below.

	31-12-2017	31-12-2016
Up to three months	349,866	402,991
Three to six months	123,685	214,591
Six months to one year	220,189	464,215
One to three years	1,152,429	1,044,416
Over three years	2,670,486	2,822,490
	4,516,655	4,948,703

13. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Information on the composition of non-current assets and liabilities held-for-sale balances, at December 31, 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
ASSETS		
Property and equipment	1,028,690	1,111,959
Subsidiaries		
Banco Caixa Geral, S.A.	5,194,094	-
Mercantile Bank Holdings, Ltd	895,902	836,212
Banco Caixa Geral Brasil, S.A.	458,151	-
CGD Investimentos CVC, S.A.	52,015	-
	7,628,852	1,948,171
Impairment (Note 37)		
Property and equipment	(464,080)	(504,099)
Subsidiaries	(408,263)	(18,000)
	(872,343)	(522,099)
	6,756,508	1,426,072
LIABILITIES		
Subsidiaries		
Banco Caixa Geral, S.A.	4,652,871	-
Mercantile Bank Holdings, Ltd	743,981	693,369
Banco Caixa Geral Brasil, S.A.	373,261	-
CGD Investimentos CVC, S.A.	13,715	-
	5,783,829	693,369

The income generated by held-for-sale business units, in 2017 and 2016, is itemised in "Results from subsidiaries held-for-sale", in the consolidated profit and loss, as set out below:

	31-12-2017	31-12-2016
Results of subsidiaries held-for-sale		
Banco Caixa Geral, S.A. (Espanha)	26,328	25,461
Mercantile Bank Holdings, Ltd.	14,150	10,821
Banco Caixa Geral Brasil, S.A.	1,585	1,362
CGD Investimentos CVC, S.A.	41,225	(2,345)
Interbancos, S.A.R.L.	313	-
	83,601	35,298

Subsidiaries

In the framework of the commitments for the recapitalisation of CGD, entered into between the Portuguese state, as Caixa's sole shareholder and the competent European authorities (see introductory note), Caixa initiated a series of actions leading to the disposal of the Group's equity stake in Mercantile Bank Holdings, Ltd., begun in 2016, and continued in 2017. Work also began, in the same year, on disinvestment activities on the equity investments in Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral – Brasil, S.A. and CGD Investimentos CVC, S.A. (a Brazilian entity 50% owned by Banco Caixa Geral – Brasil, S.A. and 50% by Caixa – Banco de Investimento, S.A.), regarding identification of and contact with potential investors, assessment of the legal aspects of the operation and informing the appropriate regulators of its intentions.

The sale of these companies is significant to the implementation of Caixa's strategic plan. The rationalisation of the Group's international structure will facilitate focus on intervention in the national market, making an active contribution to its development while continuing to provide assistance to its customers and to Portuguese communities in these geographies.

Decree-Law no.153/2017 was published on December 22 for the purpose of ensuring that domestic legislation was adapted to enable disposal of these equity investments. This Decree-Law regulated the terms and modalities of these transactions as well as the instruments to be used for their implementation.

Accordingly and in conformity with the dispositions of IFRS 5 – "Non-current assets held for sale and discontinued operations", the assets and liabilities of these business units' were aggregated and recognised in "Non-current assets and liabilities held-for-sale – subsidiaries" at December 31, 2017. At December 31, 2016 only Mercantile Bank Holdings, Ltd met this accounting standard's classification and measurement criteria. The profit and loss on these equity stakes are also presented as a single line item of the profit and loss statement, with comparative periods having been similarly restated.

Impairment of €408,263 thousand and €18,000 thousand was also reported at December 31, 2017 and 2016, in order to adjust the equity value of these units' assets and liabilities to their respective fair values, net of disposal costs (Note 37).

Mercantile Bank Holding Ltd

Information on the most significant financial data of Mercantile Bank Holdings, Ltd, at December 31, 2017 and 2016, is set out below.

ASSETS	31-12-2017	31-12-2016
Cash balances and loans and receivables at other credit institutions	89,290	84,608
Financial assets at fair value through profit or loss	7,026	2,037
Available-for-sale financial assets	61,542	35,611
Other tangible assets	8,396	9,020
Intangible assets	10,339	12,337
Deferred tax assets	1,019	-
Loans and advances to customers	638,944	599,146
Other assets	79,347	93,453
TOTAL ASSETS	895,902	836,212
LIABILITIES AND EQUITY		
Resources of other credit institutions	49,687	51,434
Customer resources	615,018	573,436
Debt securities	32,237	41,302
Financial liabilities at fair value through profit or loss	8,648	3,025
Provisions for employee benefits	2,454	2,463
Provisions for other risks	-	16
Current tax liabilities	422	460
Deferred tax liabilities	1,801	1,359
Other liabilities	33,713	19,873
TOTAL LIABILITIES	743,981	693,369
TOTAL EQUITY, of which:	151,920	142,843
Revaluation reserves	3,231	4,000
	895,902	836,212

	31-12-2017	31-12-2016
Other income and expenses		
Interest and similar income	75,757	61,672
Interest and similar expenses	(40,381)	(31,558)
Income from services rendered and commissions	29,550	20,590
Cost of services and commissions	(12,717)	(7,314)
Results from financial operations	5,346	4,134
Employee costs	(20,394)	(16,821)
Other administrative costs	(9,044)	(7,812)
Depreciation and amortisation	(4,556)	(3,524)
Provisions and impairments, net of reversals and recoveries	(1,721)	(1,831)
Other	(2,346)	(2,351)
	19,494	15,186
Income tax	(5,344)	(4,311)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	14,150	10,875
Non-controlling interests	-	(54)
NET INCOME	14,150	10,821

Banco Caixa Geral – Brasil, S.A.

Information on the most significant financial data of Banco Caixa Geral – Brasil, S.A. at December 31, 2017, is set out below.

ASSETS	31-12-2017
Cash balances and loans and receivables at other credit institutions	55,786
Financial assets at fair value through profit or loss	131,831
Available-for-sale financial assets	124,121
Financial assets with repurchase agreement	14,421
Non-current assets held-for-sale	5,114
Other tangible assets	662
Intangible assets	58
Current tax assets	352
Deferred tax assets	15,666
Loans and advances to customers	107,865
Other assets	2,275
TOTAL ASSETS	480,760
LIABILITIES AND EQUITY	
Resources of other credit institutions	76,373
Customer resources	228,128
Financial liabilities at fair value through profit or loss	56,974
Provisions for guarantees and other commitements	2,574
Provisions for other risks	942
Deferred tax liabilities	6,106
Other liabilities	2,165
TOTAL LIABILITIES	373,261
TOTAL EQUITY, of which:	107,499
Revaluation reserves	(678)
	480,760

	31-12-2017
Other income and expenses	
Interest and similar income	45,621
Interest and similar expenses	(32,477)
Income from services rendered and commissions	2,693
Cost of services and commissions	(149)
Results from financial operations	5,332
Employee costs	(7,567)
Other administrative costs	(6,356)
Depreciation and amortisation	(188)
Provisions and impairments, net of reversals and recoveries	(2,703)
Other	(1,130)
	3,077
Income tax	(1,492)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	1,585
Non-controlling interests	-
NET INCOME	1,585

Banco Caixa Geral, S.A. (Spain)

Information on the most significant financial data of Banco Caixa Geral, at December 31, 2017, is set out below.

ASSETS	31-12-2017
Cash balances and loans and receivables at other credit institutions	357,717
Financial assets at fair value through profit or loss	17
Available-for-sale financial assets	1,153,341
Financial assets with repurchase agreement	142,813
Non-current assets held-for-sale	44
Other tangible assets	6,291
Intangible assets	3,430
Current tax assets	5,982
Deferred tax assets	76,193
Loans and advances to customers	3,414,157
Other assets	34,109
TOTAL ASSETS	5,194,094
LIABILITIES AND EQUITY	
Resources of other credit institutions	1,552,134
Customer resources	2,951,484
Financial liabilities at fair value through profit or loss	22
Provisions for guarantees and other commitements	7,344
Provisions for other risks	7,735
Deferred tax liabilities	23,586
Other subordinated liabilities	31,082
Other liabilities	79,485
TOTAL LIABILITIES	4,652,871
TOTAL EQUITY, of which:	541,223
Revaluation reserves	32,364
	5,194,094

	31-12-2017
Other income and expenses	
Interest and similar income	88,677
Interest and similar expenses	(13,143)
Income from services rendered and commissions	14,012
Cost of services and commissions	(3,099)
Income from equity instruments	15
Results from financial operations	9,329
Employee costs	(35,405)
Other administrative costs	(18,199)
Depreciation and amortisation	(2,407)
Provisions and impairments, net of reversals and recoveries	(4,636)
Other	2,467
	37,611
Income tax	(11,283)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	26,328
Non-controlling interests	-
NET INCOME	26,328

CGD Investimentos, CVC

Information on the most significant financial data of CGD Investimentos, CVC, at December 31, 2017, is set out below.

ASSETS	31-12-2017
Cash balances and loans and receivables at other credit institutions	37,424
Financial assets at fair value through profit or loss	2,627
Available-for-sale financial assets	1,488
Intangible assets	20
Current tax assets	3,514
Other assets	6,942
TOTAL ASSETS	52,015
LIABILITIES AND EQUITY	
Provisions for other risks	2,876
Current tax liabilities	8,578
Deferred tax liabilities	1,258
Other liabilities	1,003
TOTAL LIABILITIES	13,715
TOTAL EQUITY, of which:	38,300
Revaluation reserves	-
	52,015

	31-12-2017
Other income and expenses	
Interest and similar income	6,456
Interest and similar expenses	(166)
Results from financial operations	52,933
Employee costs	(137)
Other administrative costs	(677)
Depreciation and amortisation	(598)
Provisions and impairments, net of reversals and recoveries	(6,496)
Other	(3,322)
	47,991
Income tax	(6,766)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	41,225
Non-controlling interests	-
NET INCOME	41,225

During the course of first half 2017, Caixa Group, through CGD Investimentos, CVC, completed the process of disposal of its economic rights in Rico Corretora, under the terms of the contract for the purchase and sale of securities and other agreements entered into on November 29, 2016 and after having obtained the relevant regulatory permits. The transaction amounted to approximately 209,000 thousand reais, in which the Group recognised capital gains of €51,196 thousand (based on the average exchange rate for the period), as reported in the above table in the caption "Results from financial operations".

Foreign exchange reserves

As referred to in Note 2.7., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss made on the exchange rates previously recognised in "Other reserves" will be transferred to profit and loss for the period as they constitute an integral part of the profit or loss on the transaction.

At December 31 2017, the accumulated value of the profit and loss on foreign exchange operations recognised as a charge to "Other reserves" on consolidation of entities classified as non-current assets and liabilities held-for-sale, represented losses of approximately €144,464 thousand (€115,866 thousand at December 31, 2016, based on the same consolidation perimeter).

Interbancos, S.A.R.L.

During the course of 2017, the shareholders of the company Interbancos, S.A. (Interbancos) agreed with Sociedade Interbancária de Moçambique, S.A. (SIMO) to fully dispose of their shares (representing economic and corporate rights of Interbancos). The objective of the sale of Interbancos to SIMO was to comply with the dispositions of article 7, no. 2, of the Regulation of the Credit Institutions and Financial Corporations Law (LICSF), under the terms of *Official Notice* 2/GBM/2015, of April 22, which defined the conditions governing the connection of the internal banking operations management systems to the nationwide "Unique, Common and Shared Payments Network".

Following this transaction the Group, through BCI Moçambique, recognised capital gains of €3,923 thousand (€1,868 thousand net of non-controlling interests) (Note 33).

Property and equipment

As described in Note 2.9, non-current assets held-for-sale also include property and other assets auctioned for credit recovery purposes.

Information on the above asset movements for 2017 and 2016 is set out below:

	Balances at 31-12-2016							Balances at 31-12-2017	
	Gross value	Accumulated impairment	Changes in the consolidation perimeter	Acquisitions	Sales and write-offs	Other transfers and adjustments	Impairment (Note 37)	Gross value	Accumulated impairment
Non-current assets held for sale									
Property	1,108,658	(502,133)	-	231,438	(335,288)	20,673	40,217	1,025,443	(461,878)
Other	3,301	(1,966)	(212)	4,185	(4,041)	1,159	(1,381)	3,247	(2,202)
	1,111,959	(504,099)	(212)	235,623	(339,329)	21,832	38,836	1,028,690	(464,080)

	Balances at 31-12-2015							Balances at 31-12-2016	
	Gross value	Accumulated impairment	Changes in the consolidation perimeter	Acquisitions	Sales and write-offs	Other transfers and adjustments	Impairment (Note 37)	Gross value	Accumulated impairment
Non-current assets held for sale									
Property	1,238,438	(409,788)	-	193,458	(269,655)	(20,220)	(125,708)	1,108,658	(502,133)
Other	3,473	(1,721)	198	4,639	(5,009)	581	(827)	3,301	(1,966)
	1,241,911	(411,509)	198	198,098	(274,664)	(19,639)	(126,535)	1,111,959	(504,099)

Net losses on non-current assets and liabilities held-for-sale, in 2017 and 2016, amounted to €27,615 thousand and €16,760 thousand, respectively (Note 33), of which €4,257 thousand and €5,414 thousand for the costs of holding these assets in the period prior to the disposal.

On recognition of the proceeds from the disposal of these assets, the accumulated related impairment is reversed as a charge to profit and loss for the period, with the amount of the operation's capital gain/loss assessed based on the acquisition cost.

14. INVESTMENT PROPERTIES

Information on "Investment properties" movements, in 2017 and 2016, is set out below:

Balances at 31-12-2015	1,125,044
Acquisitions	60,783
Revaluations (Note 33)	(217,136)
Sales	(40,837)
Transfers from tangible assets and non-current assets held-for-sale	62,057
Other	(11,648)
Balances at 31-12-2016	978,263
Acquisitions	3,707
Revaluations (Note 33)	23,230
Sales	(54,569)
Transfers from tangible assets and non-current assets held-for-sale	57
Other	(52,870)
Balances at 31-12-2017	897,818

Investment properties owned by the Group, at December 31, 2017 and 2016, are recognised at fair value. Profit and loss on the revaluation of these properties are recognised as a charge to "Other operating income" (Note 2.10) in profit and loss.

"Investment properties", at December 31, 2017 and 2016, included €728,784 thousand and €744,144 thousand, respectively, in property owned by the Fundimo and Fundiestamo Funds. Negative revaluations of €2,090 thousand were made on the property included in these Funds in 2017.

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, takes into consideration primarily the nature, characteristics and geographies of the properties, with the objective of assessing the best price to be obtained from their disposal under normal market conditions. Fair value is assessed by individual appraisers, who must employ at least two of the following methods:

. Market comparison method. The market comparison method assesses the amount of a specific transaction using prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising the various market data. This is the main method used whenever there is a significant number of known transactions;

. Income method. The income method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the building. When, over time, the changes in income are more significant than generally expected in the market, DCF (discounted cash flows) analysis techniques are used. The income method applies in the case of an effective rental of the 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; and,

. 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 obtained from the sum of the acquisition cost of the land and cost of construction, including expenses, depreciation based on a property's present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This method is used as the main approach when no market information is available on transactions of similar property and no potential income associated with it has been identified.

The availability of significant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in each case, should be principally based on those which maximise the use of relevant observable variables.

The most important variables considered for each of the above valuation methods are as follows:

(i) Market comparison method

– The presumed sales price per m^2 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 directly or indirectly by 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

– The amount of the monthly rent per m^2 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 directly or indirectly by observable data in the said market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

– Variables which contribute towards the assessment of operating income generated by the property. These variables may vary in line with the function and 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 players. The data supplied by the entity operating the property may be used if there is no reasonably available information indicating that market players would employ such 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, relating to a given location and a specific type of property, with an identical risk and identical evolution of rental income.

Discounted cash flow technique

Diverse variables may contribute to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows. It is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

– 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 m^2. This variable is essentially reliant upon the construction characteristics of the property but in which the location is 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 separate and collective impairment valuation model applied to property recognised as non-current assets held-for-sale, whose main characteristics are described in Note 2.10. In these cases, the respective fair value is assessed with reference to the assessment of the recoverable amount.

In compliance with IFRS 13 – “Fair value measurement requirements”, the following table sets out information on the Group portfolio of investment properties, at December 31, 2017 and 2016, classified by type, development status as regards their preparation for use and current occupancy, considering the methodologies used to measure fair value:

				31-12-2017		
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	4,783	Income capitalisation method	Estimated rental value per m2	5
				Income capitalisation method	Estimated rental value per m2	[724 - 779]
			4,783			
Offices	Concluded	Rented	26,819	Presumed transaction value method	Estimated sale value per m2	[428 -1069]
			139,391	Presumed transaction value method	Estimated sale value per m2	[1041 -2140]
			111,112	Presumed transaction value method	Estimated sale value per m2	[2010 - 3862]
			75,787	Market comparable method / Income capitalisation method	Discount rate	[6,25%-8,75%]
			89,648	Replacement cost method / DCF / Market comparable method	Discount rate	[6,50%-8,25%]
		Capitalisation / sale	7,103	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1700-2050
	Under construction	Capitalisation / sale	13,010	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-2050
			462,870			
Housing	Concluded	Rented	59,907	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,4 - 6,3 / 1200 - 2270
			4,134	Income capitalisation method / Market comparable method	Estimated sale value per m2	6,0 - 9,6 / 2030 - 2070
			22,744	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,0 - 32,00 / 5000 - 6000
			12,215	Income capitalisation method / Market comparable method	Estimated sale value per m2	[280 - 2031]
			38	Market method / Cost method	Estimated rental value per m2	2
			240	Income capitalisation method	Estimated rental value per m2	4,2
		Capitalisation / sale	150	Income capitalisation method	Estimated rental value per m2	0,6 / 770
	Under construction	Capitalisation / sale	30,468	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-2000]
			129,896			
Stores	Concluded	Rented	132	Income capitalisation method / Market comparable method	Estimated sale value per m2	10 / 970
			46	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,90 / 800
			3,014	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,7 / 1770 - 2080
			9,210	Income capitalisation method	Estimated rental value per m2	2.3 / 8.5%
			15,749	Income capitalisation method	Estimated rental value per m2	740-1100
			136	Market comparable method	Estimated sale value per m2	1440
			23,078	Presumed transaction value method	Estimated sale value per m2	397-961
			24,797	Presumed transaction value method	Estimated sale value per m2	938-7783
			9,621	Presumed transaction value method	Estimated sale value per m2	13736 - 22078
	Under construction	Capitalisation / sale	2,294	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			88,077			
Parking	Concluded	Rented	3,916	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,25%
			2,261	Presumed transaction value method	Estimated sale value per m2	[2470-10000]
			31,484	Presumed transaction value method	Estimated sale value per m2	[10200-33000]
			15,537	Presumed transaction value method	Estimated sale value per m2	[38060-48300]
	Under construction	Capitalisation / sale	749	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[600-650]
			432	Replacement cost method / DCF / Market comparable method	Value of sales per parking	[6.500-7.500]
			54,379			
Land	n.a.	Capitalisation / sale	13,417	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			1,196	Replacement cost method / Market comparable method	Estimated sale value per m2	1.000-1.350 / 900-1.000
			1,204	Income capitalisation method / Market comparable method	Estimated sale value per m2	200
		Rented	204	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1.700-2.000
			481	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	1.050-1.200 / 900-1.000
			1,265	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	5
			12	Market comparable method	Estimated rental value per m2	6.5 - 8
			17,779			
Warehouses	Concluded	Rented	22,576	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			11	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,00%
			94,776	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
			126	Presumed transaction value method	Unit value	127000 - 124500
		Capitalisation / sale	1,342	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
				Presumed transaction value method	Unit value	127000 - 124500
			118,831			
			876,615			
Other			21,203			
			897,818			

				31-12-2016		
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	54,443	Income capitalisation method	Estimated rental value per m2	5
			4,752	Income capitalisation method	Estimated rental value per m2	[724 - 779]
			59,195			
Offices	Concluded	Rented	7,968	Income capitalisation method	Estimated rental value per m2	5-7,5
			2,660	Market comparable method / Income capitalisation method	Discount rate	5-7,5
			107,649	Market comparable method / Income capitalisation method	Discount rate	[6,25%-11%]
			300,595	Market comparable method	Estimated sale value per m2	[903 - 3775]
		Capitalisation / sale	6,646	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1750-1900
	Under construction	Capitalisation / sale	12,173	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1750-1900
			437,691			
Housing	Concluded	Rented	144	Income capitalisation method	Estimated rental value per m2	4,2
			25,293	Income capitalisation method / Market comparable method	Discount rate	6,75%-7,75%
			34,078	Market method / Cost method	Estimated rental value per m2	[1025-1100] 2
			83,611	Income capitalisation method / Market comparable method	Estimated rental value per m2	[0-910] [280-2026]
		Capitalisation / sale	150	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-4,8
	Under construction	Capitalisation / sale	19,751	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[500-625] [1400-1875]
			163,027			
Stores	Concluded	Rented	73,602	Market comparable method	Estimated sale value per m2	700-1700
			36	Income capitalisation method	Estimated rental value per m2	2,5-7,5
			190	Income capitalisation method / Market comparable method	Estimated sale value per m2	[5 -12,3]
	Under construction	Capitalisation / sale	175	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			74,003			
Parking	Concluded	Rented	3,359	Market comparable method / Income capitalisation method	Discount rate	[6,25% - 8,25%]
			9,240	Market comparable method / Income capitalisation method	Value of sales per parking	4800-10700
			35,847	Market comparable method	Value of sales per parking	11000-47900
			14,835	Market comparable method / Income capitalisation method	Value of sales per parking	41739-47826
			1,470	Market comparable method / Income capitalisation method	Discount rate	6,35%-7,7%
			519	Income capitalisation method	Estimated sale value per m2	5-7,5
	Under construction	Capitalisation / sale	814	Replacement cost method / DCF / Market comparable method	Value of sales per parking	600-650
			2,292	Replacement cost method / DCF / Market comparable method	Value of sales per parking	7200-8500
			68,376			
Land	n.a.	Rented	229	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	70-140
		Capitalisation / sale	7,928	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	1700-2000
			220	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / commercial	900-1000 1050-1200
			13	Market comparable method	Estimated rental value per m2	6,5-8
			6,555	Income capitalisation method	Discount rate	5-7,5
			14,945			
Warehouses	Concluded	Rented	675	Market comparable method	Estimated rental value per m2	405
			119,117	Market comparable method	Estimated rental value per m2	266-1323
			8,824	Income capitalisation method	Estimated rental value per m2	5% / 7,5%
			128,616			
			945,853			
Other			32,411			
			978,263			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13 – “Fair value measurement”.

15. OTHER TANGIBLE ASSETS

Other tangible asset movements (net), in 2017 and 2016, were as follows:

	Balances at 31-12-2016										Balances at 31-12-2017	
	Gross value	Accumulated depreciation and impaiment losses	Changes in the consolidation perimeter	Acquisitions	Exchange differences	Transfers between tangible assets	Other transfers and adjustments	Depreciation for the year	Impaiment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impaiment losses
Premises for own use												
Land	80,898	-	-	72	-	-	(9,927)	-	-	-	71,043	-
Buildings	613,332	(290,569)	(28)	11,148	(3,094)	1,902	38,634	(15,953)	-	(6,920)	647,909	(299,457)
Leasehold improvements	150,905	(107,331)	(390)	1,267	282	1,163	7,366	(8,865)	(1,323)	(1,989)	135,981	(94,896)
Other premises	-	-	-	-	-	-	2,121	-	(2,121)	-	-	-
Equipment												
Fittings and office equipment	78,735	(69,373)	(147)	660	(323)	533	4,272	(3,449)	-	(50)	77,572	(66,714)
Machinery and tools	22,564	(20,743)	25	2,261	(20)	-	868	(1,229)	-	(33)	26,695	(23,002)
Computer equipment	245,471	(221,168)	(671)	6,477	(200)	38	4,610	(13,854)	(638)	(256)	249,250	(229,441)
Indoor facilities	349,071	(290,953)	(7)	2,393	136	473	4,282	(14,386)	(358)	(258)	350,780	(300,387)
Transport material	13,596	(9,144)	(26)	2,846	(27)	-	1,299	(2,680)	-	(399)	14,966	(9,501)
Safety/security equipment	46,216	(41,710)	(12)	757	22	232	1,231	(1,931)	-	(90)	49,010	(44,294)
Other equipment	7,131	(6,035)	12	429	(21)	(198)	1,625	(237)	-	(73)	6,409	(3,776)
Assets under finance lease	4,854	(4,619)	-	5		-	(174)	(61)	-	-	3,375	(3,370)
Other tangible assets	11,081	(10,870)	-	38	9	-	572	(138)	-	(12)	9,902	(9,222)
Tangible assets in progress	25,165	-	(69)	26,551	373	(4,143)	(18,072)	-	-	(25)	29,780	-
	1,649,019	(1,072,516)	(1,313)	54,904	(2,863)	-	38,709	(62,783)	(4,440)	(10,105)	1,672,672	(1,084,060)

	Balances at 31-12-2015										Balances at 31-12-2016	
	Gross value	Accumulated depreciation and impaiment losses	Changes in the consolidation perimeter	Acquisitions	Exchange differences	Transfers between tangible assets	Other transfers and adjustments	Depreciation for the year	Impaiment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impaiment losses
Premises for own use												
Land	82,949	-	-	257	(40)	-	(2,268)	-	-	-	80,898	-
Buildings	595,097	(279,276)	31	18,185	(10,421)	25,737	(6,085)	(13,915)	(3,303)	(3,289)	613,332	(290,569)
Leasehold improvements	157,954	(109,113)	-	3,596	(6,325)	4,032	5,563	(7,707)	(1,223)	(3,203)	150,905	(107,331)
Other premises	-	-	-	-	-	-		-	-	-	-	-
Equipment												
Fittings and office equipment	83,694	(71,054)	25	1,753	(694)	171	(1,559)	(3,270)	57	238	78,735	(69,373)
Machinery and tools	22,756	(20,537)	-	365	(213)	152	71	(777)	-	4	22,564	(20,743)
Computer equipment	240,066	(208,121)	1,194	6,677	(3,848)	1,679	1,200	(13,951)	(636)	45	245,471	(221,168)
Indoor facilities	347,662	(280,204)	11	3,438	(1,608)	1,255	2,778	(14,610)	(150)	(455)	349,071	(290,953)
Transport material	14,507	(9,265)	61	864	(912)	305	865	(2,027)	-	54	13,596	(9,144)
Safety/security equipment	47,349	(41,012)	28	463	(920)	273	89	(1,743)	-	(21)	46,216	(41,710)
Other equipment	10,053	(6,971)	21	412	(42)	(279)	(1,561)	(583)	-	47	7,131	(6,035)
Assets under finance lease	16,780	(16,309)	-			(1)	2	(209)	-	(28)	4,854	(4,619)
Other tangible assets	17,536	(12,178)	-	13	(639)	23	(4)	(546)	-	(3,994)	11,081	(10,870)
Tangible assets in progress	37,007	-	7	30,308	(9,555)	(33,347)	2,786	-	-	(2,041)	25,165	-
	1,673,410	(1,054,040)	1,378	66,332	(35,217)	-	1,877	(59,337)	(5,255)	(12,645)	1,649,019	(1,072,516)

The "Other transfers and adjustments" column in the other tangible assets table for 2016 includes €3,565 thousand and €3,364 thousand in assets net of accumulated depreciation and impairment recognised on buildings for own use and equipment, respectively, related to the activity of Mercantile Bank Holdings, Ltd and recognised in "Non-current assets held-for-sale" (Note 13).

The "Depreciation for the period" and "Reversals net of impairment for the period" columns in the table of other tangible assets movements for 2016 include €1,792 thousand and €59 thousand, respectively, which were reclassified to "Results from subsidiaries held-for-sale" in profit and loss in that period deriving from the transfer of the assets and liabilities of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. to non-current assets and liabilities held-for-sale (Note 13).

The "Other transfers and adjustments" column in the other tangible assets table for 2017 also includes €3,025 thousand, €1,819 thousand and €1,739 thousand in assets net of accumulated depreciation and impairment recognised on buildings for own use, works on rented buildings and equipment, respectively, relating to the activities of these business units, which, at December 31 of the same year were recognised in "Non-current assets held-for-sale" (Note 13).

Accumulated impairment on other intangible assets, at December 31, 2017 and 2016, totalled €13,980 thousand and €16,922 thousand, respectively (Note 37).

16. INTANGIBLE ASSETS

Movements in this account, in 2017 and 2016, were as follows:

	Balances at 31-12-2016									Balances at 31-12-2017	
	Gross value	Accumulated depreciation and impairment losses	Changes in the consolidation perimeter	Acquisitions	Write-offs	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impairment losses (Note 37)	Gross value	Accumulated depreciation and impairment losses
Goodwill											
CGD Investimentos CVC	32,058	(32,058)	-	-	-	(4,377)	-	-	4,377	27,681	(27,681)
Banco Caixa Geral Angola	16,011	-	-	-	-	(2,044)	-	-	-	41,968	(28,000)
Software	757,097	(698,023)	(596)	4,098	(27,982)	24,327	565	(22,539)	-	692,519	(655,572)
Other intangible assets	11,026	(2,578)	-	71	-	1,887	(623)	(1,443)	-	11,804	(3,464)
Intangible assets in progress	32,645	-		20,403	(2,841)	(28,605)	(180)	-	-	21,422	-
	848,837	(732,659)	(596)	24,573	(30,823)	(8,811)	(238)	(23,982)	4,377	795,394	(714,717)

	Balances at 31-12-2015									Balances at 31-12-2016	
	Gross value	Accumulated depreciation and impairment losses	Changes in the consolidation perimeter	Acquisitions	Write-offs	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impairment losses (Note 37)	Gross value	Accumulated depreciation and impairment losses
Goodwill											
CGD Investimentos CVC	25,506	(20,400)	-	-	-	-	6,552	-	(11,658)	32,058	(32,058)
Banco Caixa Geral Angola	16,487	-	-	-	-	-	(476)	-	-	16,011	-
Software	746,536	(673,485)	(10,980)	6,170	(207)	23,936	1,158	(34,054)	-	757,097	(698,023)
Other intangible assets	11,275	(1,961)	-	461	(183)	1,134	(798)	(1,479)	-	11,026	(2,578)
Intangible assets in progress	31,074	-	-	27,790	-	(26,012)	(206)	-	-	32,645	-
	830,878	(695,846)	(10,980)	34,421	(390)	(943)	6,230	(35,533)	(11,658)	848,837	(732,659)

The “Transfers and adjustments” column in the intangible assets table for 2016 included €10,168 thousand and €1,143 thousand in assets, net of accumulated depreciation and impairment recognised on software and intangible assets in progress, respectively, related to the activity of Mercantile Bank, Ltd, which, at December 31, of the same year, were recognised in “Non-current assets held-for-sale” (Note 13).

The “Depreciation for period” column in the table of movements of intangible assets for 2016 included the reclassification of €1,356 thousand to “Income from subsidiaries held-for-sale” for that period, in profit and loss, deriving from the transfer of the assets and liabilities of Banco Caixa Geral Brasil, S.A. and CGD Investimentos S.A., to non-current assets and liabilities held-for-sale (Note 13).

The “Transfers and adjustments” column in the intangible assets table for 2017 also included €3,663 thousand in assets, net of accumulated depreciation and impairment recognised on software related to the activity of these business units, which, at December 31, of the same year, were recognised in “Non-current assets held-for-sale” (Note 13).

Intangible assets in progress, at December 31, 2017 and 2016, essentially refer to expenses incurred in development of software which was not yet operational at year end.

Accumulated impairment on intangible assets, at December 31, 2017 and 2016 totalled €55,919 thousand and €32,297 thousand, respectively (Note 37).

Goodwill – Banco Caixa Geral Angola (BCGA)

Impairment tests were carried out on the goodwill of BCGA, at December 31, 2016.

The valuation incorporates the information on macroeconomic conditions and the condition of the markets in which the Bank operates. It was noted that as the assets’ recoverable value exceeded their book value, no impairment loss was required.

The following is a description of the methodology and principal assumptions employed in performing the valuation:

(i) *Assessment methodology*

The dividend discount model valuation methodology was applied. This assumes that an institution's value should be estimated on the basis of the present value of cash flows available to shareholders generated in the future, discounted at a yield, which reflects the opportunity cost of equity. Owing to the absence of any separation between operating and funding activities for this type of entity, this methodology is considered to be adequate for bank valuation purposes.

Cash Flow available to shareholder

The cash flows available to the shareholder essentially reflect the funds available for appropriation based on the cash flows generated by the activity and any investment operations, after potential capital requirements have been met and after the regulatory requirements to which the entity is subject have been complied with.

The cash flows generated by the activity of a bank essentially comprise its total consolidated operating income, other operating or non-operating income and the profit and loss of its associates, consolidated by the equity accounting method (when not measured separately) net of employee and other administrative costs, use of provisions or impairment and taxes on operating activity.

The funding needs/surpluses in respect of the development of the bank's operations, such as an increase in credit or changes in other balance sheet accounts having an impact on the use of own funds are also considered.

Discount rate

The discount rate on cash flows available to the shareholder comprise the opportunity cost of equity, assessed on the basis of the capital asset pricing model, based on the application of the formula Kcp = Rf + CRP + Beta * (Rm-Rf), in which:

Kcp = Return on equity requirement

Rf = Interest rate on a risk-free investment

CRP = Country risk premium

(Rm-Rf) = Average market risk premium

Beta = Beta coefficient for equity or systemic activity risk

Residual value

The residual value was calculated by the formula VR = DIVt / (Kcpt - g), in which:

VR = Residual value

DIVt = Dividend for year t (first year of perpetuity)

Kcpt = Required return on long term equity for the year t

g = Nominal growth rate in perpetuity

Shareholder’s equity value

The equity value was based on the discounted assessment of the flows available to the shareholder resulting from economic-financial projections produced on the Bank's activity

(ii) *Main assumptions underpinning the assessment*

The following components were assessed to calculate the discount rate:

. Risk-free interest rate. A risk-free interest rate of 6.5% was considered for the Angolan market, reflecting the risk associated with Angola's medium and long term public debt in US dollars;

. Market risk premium. A rate of 5.5%, corresponding to the risk premium used for mature markets, was used;

. Beta – Approximation to the beta value comprised a comparative analysis with listed, comparable companies in terms of activity. A beta 1.1 level (sourced from the beta averages of the universe of comparable institutions) was applied.

Taking into consideration the parameters appropriate to the characteristics of the cash flows available to shareholders a discount rate of 12.5%, denominated in US dollars, was used and remained unchanged across the projection period.

(iii) Sensitivity analyses

Based on the valuation methodology applied, sensitivity tests were performed on the value of the discount rate used, with changes of +50 bps and -50 bps, enabling the calculation of the following deviations from the estimated amount of the Bank's equity at the valuations' reference date:

SENSITIVITY OF PROJECTED EQUITY

- 50 bp	+ 50 bp
13,341	(12,507)

Goodwill – CGD Investimentos CVC

As a result of the analysis, goodwill impairment on *CGD Investimentos CVC* was increased by €11,658 thousand, in 2016. The company was fully impaired on this date.

Research and development expenses

Caixa spent €1,220 thousand and €5,378 thousand, on research, development and innovation projects, in 2017 and 2016, respectively.

17. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of this account, at December 31, 2017 and 2016, was as follows:

	31-12-2017			31-12-2016		
	Effective participating interest (%)	Book Value	Contribution to the results of the group	Effective participating interest (%)	Book Value	Contribution to the results of the group
Jointly controlled entities						
Locarent, S.A.	50.00	18,650	2,593	50.00	16,057	3,350
Esegur, S.A.	50.00	8,526	409	50.00	8,123	1,006
		27,176	3,002		24,180	4,356
Associated companies						
Fidelidade – Companhia de Seguros, S.A	15.00	323,190	12,421	15.00	231,426	29,152
Fidelidade Assistence Consolidated (a)	20.00	7,544	1,003	20.00	6,403	345
Multicare - Seguros de Saúde, S.A.	20.00	15,375	1,618	20.00	13,652	1,441
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	29,064	5,291	21.60	27,194	10,677
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,774	428	27.00	3,567	368
Other		9,062	924		5,915	1,140
		388,009	21,686		288,157	43,124
Impairment (Note 37)		(469)	-		-	-
		414,717	24,688		312,338	47,480

(a) Ex-Cares - Companhia de Seguros, S.A.

Information on the statutory financial data (unaudited financial statements) of the main associates and jointly controlled enterprises, at December 31, 2017 and 2016, is set out below:

Business sector / Entity	Registered office	31-12-2017				
		Assets	Liabilities	Equity (a)	Net income	Total income
<u>Insurance</u>						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	17,259,472	14,595,845	2,663,628	187,861	3,327,523
Fidelidade Assistence Consolidated (c)	Lisbon	70,054	33,950	36,105	5,016	50,229
Multicare - Seguros de Saúde, S.A.	Lisbon	157,842	83,792	74,050	8,089	267,804
<u>Other</u>						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	342,051	516,120	(174,069)	(15,771)	21,245
Esegur, S.A.	Lisbon	37,642	20,898	16,744	510	44,237
Locarent, S.A.	Lisbon	271,519	234,211	37,309	5,194	77,597
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	176,438	56,587	119,851	24,574	186,183

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.
(c) Ex-Cares - Companhia de Seguros, S.A.

Business sector / Entity	Registered office	31-12-2016				
		Assets	Liabilities	Equity (a)	Net income	Total income
<u>Insurance</u>						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	15,741,593	13,684,589	2,012,255	247,271	2,778,672
Fidelidade Assistence Consolidated (c)	Lisbon	65,179	36,768	28,411	1,925	48,647
Multicare - Seguros de Saúde, S.A.	Lisbon	147,126	81,694	65,432	7,204	233,247
<u>Other</u>						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	343,136	502,181	(159,045)	(15,103)	20,071
Esegur, S.A.	Lisbon	39,791	23,546	16,246	2,011	45,987
Locarent, S.A.	Lisbon	245,429	213,314	32,115	6,701	72,997
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	185,380	70,100	115,280	45,398	207,496

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.
(c) Ex-Cares - Companhia de Seguros, S.A.

The Group made losses of €2,734 thousand on the disposal of its equity stake in Prado Cartolinas da Lousã, S.A., for €1,400 thousand, during the course of first half 2016 (Note 32).

18. INCOME TAX

Tax assets and liabilities balances on income, at December 31, 2017 and 2016, were as follows:

	31-12-2017	31-12-2016
Current tax assets		
Income tax recoverable	33,171	24,355
Other	1,712	17,423
	34,883	41,778
Current tax liabilities		
Income tax payable	26,704	43,150
Other	3,814	7,634
	30,519	50,784
	4,365	(9,006)
Deferred tax assets		
Temporary differences	2,263,183	2,502,566
Reported tax losses	24,625	43,219
	2,287,808	2,545,785
Deferred tax liabilities	277,790	191,045
	2,010,019	2,354,740

The following table provides details and information on deferred tax movements, in 2017 and 2016:

	Balance at 31-12-2016	Change in		Transfers	Other	Balance at 31-12-2017
		Equity	Profit or loss			
Impairment losses on credit	2,003,876	-	(148,340)	-	(33,500)	1,822,036
Employee benefits	188,854	(7,302)	59,549	-	(16,696)	224,405
Impairment and adjustments to property and tangible and intangible assets	60,530	(24,109)	(10,914)	-	(21,279)	4,227
Measurement of available-for-sale financial assets	34,655	(88,756)	-	-	(40,717)	(94,818)
Impairment and other value changes in equity investments and other securities	(56,562)	-	(24,395)	-	47,543	(33,414)
Other provisions and impairment not tax deductible	98,605	-	(26,944)	-	(47,056)	24,605
Tax loss carry forward	43,219	-	5,054	-	(23,648)	24,625
Other	(18,438)	-	25,346	-	31,444	38,351
	2,354,740	(120,167)	(120,645)	-	(103,910)	2,010,019

	Balance at 31-12-2015	Change in		Transfers	Other	Balance at 31-12-2016
		Equity	Profit or loss			
Impairment losses on credit	790,487	-	804,021	394,721	14,647	2,003,876
Employee benefits	199,145	(7,123)	(2,517)	-	(651)	188,854
Impairment and adjustments to property and tangible and intangible assets	34,072	96	28,418	-	(2,056)	60,530
Measurement of available-for-sale financial assets	(75,447)	103,843	5,887	-	373	34,655
Impairment and other value changes in equity investments and other securities	(10,637)	-	(45,925)	-	-	(56,562)
Other provisions and impairment not tax deductible	38,191	-	9,735	50,390	289	98,605
Tax loss carry forward	241,620	-	(199,354)	-	953	43,219
Other	3,263	-	(20,629)	-	(1,072)	(18,438)
	1,220,694	96,816	579,635	445,111	12,484	2,354,740

The “Changes in results” column in the deferred tax assets movements table for 2016 includes the reclassification of costs of €1,223 thousand to the “Results of subsidiaries held-for-sale” in profit and loss for the referred to period, from the transfer of the assets and liabilities of Mercantile Bank Holdings. Ltd to non-current assets and liabilities held-for-sale categories (Note 13).

The "Other" column in the deferred tax movements table for 2017 also included deferred tax assets of €85,017 thousand, related to the activity of business units, recognised, in "Non-current assets and liabilities" categories at December 31 2017.(Note 13).

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied for the special deferred tax assets regime, in 2014, following a favourable resolution passed at their respective general meetings of shareholders.

This regime, approved by Law 61/2014 of August 26 and amended by Law 23/2016 of August 19, applies to deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans (provided for in nos. 1 and 2 of article 28-A of the IRC code and respective exclusions) and with the post employment or long term benefits of employees.

The changes to the timeframe of the amendments to the regime brought in by Law 23/2016 of August 19, excluded the expenses and negative equity changes accounted for in the taxation periods beginning on or after January 1, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of expenses and negative equity changes at December 31, 2015.

Deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans and with the post employment or long term benefits of employees are converted into a tax credit when the taxpayer recognises negative net income in the respective tax period or, in the event of liquidation based on voluntary dissolution or a court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit 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 amount of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer posts negative net income, the full amount of the assets is converted into tax credit.

On conversion into tax credit (other than in cases of liquidation or insolvency) a special reserve, plus 10%, should be created for the amount of the respective credit and, when shareholders' equity is less than share capital, adjusted by the quotient between the former and latter, the latter of 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, Caixa's sole shareholder. The consequence of exercising conversion rights increases the taxpayer's share capital through the incorporation of the special reserve and issuance of new ordinary shares for free delivery to the state. This special reserve cannot be appropriated. On the date of the issuance of the conversion rights, shareholders have the absolute 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 the regime, up to December 31, 2015, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	31-12-2017	31-12-2016
Impairment losses on credit	960,465	1,009,352
Employee benefits	163,410	163,410
	1,123,875	1,172,762

In conformity with the terms of the regime and as a consequence of Caixa Geral de Depósitos's assessment of negative net income from its separate activity in 2016, eligible deferred tax assets at year end will be converted into tax credit in proportion to net income and the amount of shareholders' equity.

The estimated amount of the deferred tax to be converted, with regard to Caixa's equity, at December 31, 2016, is around €446,000 thousand.

As specified in article 12 of the appendix to Law 61/2014 (of which it is an integral part), the amount of deferred tax assets to be converted into tax credit, the creation of the special reserve and the issuance and attribution of conversion rights to the state should be certified by a statutory auditor. The amount of deferred tax assets to be converted will also be analysed by the fiscal authorities, as part of the review procedures on taxable income for the relevant tax periods.

As the state is Caixa's sole shareholder, the issuance and attribution of conversion rights will not result in dilution of its equity position.

Income tax as a charge to shareholders' equity

The Group changed its accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits in 2011, pursuant to which actuarial gains and losses arising from the revaluation of pensions and healthcare liabilities and pension fund yield forecasts were fully recognised as a charge to a shareholders' equity. Up to 2010 such profit and loss had been recorded using the corridor method.

The amount of tax associated with actuarial gains and losses originating after the date upon which the accounting policy was changed are considered deductible under the terms of the limits of numbers 2 and 3 of article 43 of the IRC code, or under number 8 of the referred to article and are recorded in an equity account in conformity with the recognition of the originating liabilities.

Income tax as a charge to profit or loss

Information on income tax recognised in profit and loss and the effective tax rate, measured by the ratio between the tax charge on profit and net profit for the year before tax is set out below:

	31-12-2017	31-12-2016
Current tax		
For the year	91,494	(290,106)
Extraordinary contribution of the banking sector	36,526	39,068
Prior year adjustments (net)	(32,842)	3,503
	95,178	(247,534)
Deferred tax	120,645	(589,022)
Total income tax	215,823	(836,557)
Consolidated income before tax and non-controlling interests	184,310	(2,744,506)
Tax charge	117.10%	30.48%

Information on the composition of "Adjustments for past years" for 2017 and 2016 is set out below:

	31-12-2017	31-12-2016
Insufficiency / (excess) of estimated tax for 2017 and 2016	(31,108)	61
Adjustments to previous years taxable income	(1,729)	3,523
Other	(5)	(81)
	(32,842)	3,503

The following is an analysis of the reconciliation between nominal tax rates in 2017 and 2016.

	31-12-2017		31-12-2016	
	Rate	Tax	Rate	Tax
Income before tax		184,310		(2,744,506)
Tax at the nominal rate	27.35%	50,409	27.35%	(750,622)
Impact of companies with tax rates different from the nominal rate in Portugal	(3.98%)	(7,337)	(0.38%)	10,463
Permanent difference to be added:			0.00%	
Non deductable provisions and impaiment	3.14%	5,791	(0.60%)	16,397
Other	0.47%	869	(0.06%)	1,727
Other permanent differences to be deducted	(0.41%)	(759)	0.06%	(1,656)
Impairment on available-for-sale financial assets, net of write-offs	57.72%	106,383	(2.46%)	67,498
Annulment of tax losses considered non recoverable	1.49%	2,749	(0.08%)	2,280
Use of tax losses previously considered non recoverable.	0.00%	-	6.01%	(164,896)
Differential of tax rate on tax losses carry forward (*)	1.25%	2,310	2.15%	(58,956)
Autonomous taxation	1.63%	3,003	(0.05%)	1,504
Contribution of the banking sector	19.82%	36,526	(1.42%)	39,068
Change in the net monetary position of Caixa Angola under IAS 29	7.51%	13,849	0.00%	-
Other	(3.49%)	(6,426)	(0.13%)	3,515
	112.51%	207,368	30.38%	(833,678)
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	0.045899542	8,460	0.10%	(2,798)
Other	(0.00%)	(5)	0.00%	(81)
	4.59%	8,455	0.10%	(2,879)
	117.10%	215,823	30.48%	(836,557)

(*) The computation of deffered taxes relating to tax losses carry forward is based on a regulatory tax rate of 21% and does not include State or Municipal subcharges

CGD's nominal tax rate, in 2017 and 2016, 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. In the case of the state surcharge, reference should be made to the amendment to the wording of article 87-A of the IRC code under Law 114-2017 of January 29, whose no. 1 provides for the application of the following rates on taxable profit in the following bands:

– a rate of 3% between €1,500 thousand and €7,500 thousand;

– a rate of 5% between €7,500 thousand and €35,000 thousand; and,

– a rate of 9% on more than €35,000 thousand.

According to the wording of article 87-A of the IRC code in force up to the time of the changes made by Law 114/2017, the rate applicable to the upper limit of the band (taxation on more than €35,000 thousand) was only 7%.

Amendments were also made to article 51-C of the IRC code with the publication of Law 42/2016, on the basis of an addendum to no. 6, which rules, for 2017 and subsequent years, that impairment losses and other value adjustments to corporate investments or other own equity instruments included as part of taxable profit under no. 2 of article 28-A, are considered to be positive components of taxable profit for the taxation period in which their sale is made.

As a result of this ruling, the Group recognised deferred tax liabilities for the impairment of financial investments, deductible as a tax expense when the intention involves a sale or liquidation (or when in progress), for €116,169 thousand and €95,906 thousand, at December 31, 2017 and 2016, respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments

As described in Note 2.14, during the course of 2016, owing to the application of the Bank of Portugal's *Official Notice* 5/2015, Caixa and other significant financial institutions in Portugal now prepare the financial statements on their separate activity in accordance with International Financial Reporting Standards whenever adopted under a European Union Regulation, considering IAS 39 – "Financial instruments: recognition and measurement" requirements on provisions for loans and other receivables from January 1 2016.

Regulatory Decree 5/2016, published on November 18, 2016, sets out the maximum limits on impairment losses and other value adjustments on specific credit risks, deductible for the calculation of IRC taxable profit, extending the framework of *Official Notice* 3/95 for the taxation period beginning January 1, 2016, for fiscal purposes.

This Regulatory Decree also introduced a transitional regime available at the option of the tax payer, for write-offs or write-downs of impairment losses under *Official Notice* 5/2015. Pursuant to this regime, positive differences at January 1, 2016, between the amount of impairment losses on loans assessed with reference to the terms of *Official Notice* 3/95 and the impairment assessed in accordance with the new accounting standard, are considered in the calculation of taxable profit, but only as regards the excess of the unused fiscal losses generated in taxation periods beginning on or after January 1, 2012.

Caixa exercised its option to apply this transitonal regime for its taxable income of 2016, applying the unused tax losses carried-forward from years 2013 and 2014.

The use of the carry-forward tax losses for 2013, on which deferred tax assets had been derecognised in 2015, resulted in the recognition of €164,896 thousand in tax gains (at an effective tax rate of 27.35%).

In 2017, the publication of Regulatory Decree 11/2017 on December 28, clarified the one year extension of the rules in force in 2016 and preceding years, retaining the dispositions of *Official Notice* 3/95 as a reference for the deductibility of the impairment losses on loan operations within the scope of tax regulations.

No specific tax rules existed regarding the regime in force for accounting of impairment losses on loans and other receivables from January 1, 2018, with respect to the analysis of the recoverability of deferred tax assets. Consequently Caixa applied the principles of the preliminary draft law changing article 28-C of the IRC code provided in December 2016 by the Secretary of State for Fiscal Affairs to the Portuguese Banks Association for comment and analysis by its members, complemented by the respective discussions taking place in 2017 as part of the elaboration of the state budget law for 2018, to prepare its financial statements, in particular:

- Impairment charges deriving from individual analysis of loans that will be fully deductible;
- 75% of the impairment charges resulting from the collective analysis will be deductible; and,
- The amount of impairment of loans that is non-deductible at December 31, 2017 but which becomes deductible under the new regime will be recognised for tax purposes as follows
    - Over a period of 19 years (increasing percentages) for impairment included in the special regime of Law 61/2014 of August 26 and later amendments; and,
    - Over a minimum period of 5 years in other cases.

Analysis of recoverability of deferred tax assets

Based on the requirements of IAS 12 – "Income taxes", deferred tax assets are recognised based on the Group's expectations of their future recoverability as follows (i) an evaluation of its capacity to generate sufficient taxable profit, and (ii) an interpretation of the legal framework in the period under analysis.

This assessment was made on the basis of the implementation of its strategic plan, developed as part of the agreement between the Portuguese state and the European authorities for the period 2017-2020, allowing the Group to ensure the existence of adequate profitability and capital levels over the this timeframe as well as fulfilling the objectives of reducing non-performing assets disclosed to the regulators.

The anticipation of future taxable profitability is based on projections prepared in conformity with the above plan, using highly conservative assumptions. Reference should be made to the following factors:

(i) The positive evolution of net interest income, attributable to a sustained reduction of financing costs, consistent with its commercial policy and current market conditions, namely the continuation of very low interest rates;

(ii) An increase in revenue from services, aligned with a commercial strategy more geared to value creation for customers;

(iii) A decrease in the cost of risk to levels comparable to those of other leading European banks, based on a major restructuring of its toxic assets management policy as well as adapting loan making and oversight processes to a duly sustainable risk appetite policy;

(iv) Major cost reductions, aligned with measures to rationalise operational structures for implementation over the next three years, based on the size, type and expected evolution of business in which digitalisation will play a decisive role in the intended improvements to the efficiency of human resource management; and,

(v) Achieving profitability and solvency levels aligned with the objectives and assumptions involved in CGD's recent recapitalisation process. Based on a conservative approach, the amount of income before tax considered appropriate for this purpose, was kept constant across all tax periods after 2020, i.e. 2021 to 2036.

The assumptions listed below with significant impacts regarding the recoverability of deferred tax assets were also considered:

(vi) Conversion of around €446,000 thousand in eligible deferred tax assets under the special regime, net of the amount that, at December 31, 2017 had already met the deductibility criteria but was still not effective owing to an insufficient level of taxable income;

(vii) Amendment to the fiscal framework for impairment losses on specific credit risk, for tax periods beginning on or after January 1, 2018, as described above;

(viii) Incorporation of estimated fiscal results from the restructuring strategy of international operations; and,

(ix) Projections of the deductibility of the costs of present and future employee benefits based on an estimate of the taxation period when the payments will occur.

Based on a scenario of a projected 25% drop in income before tax in the assessment of the recoverability of deferred tax assets, applicable to all of the years of the projection between 2018 and 2036 (period of application of the transitional regime for deduction of the balance of impairment losses on loans under the new fiscal rules), no requirement to reduce deferred tax assets recognised by the Group at December 31, 2017 was identified.

Sensitivity analyses were also performed on the transition period applicable to the accounting for the credit impairment balance, which is not tax deductible at December 31, 2017, but which would be deductible under the new regime with regard to its extension and requirements. The conclusion of these analyses did not affect Caixa's board of directors' conclusions as to the recoverability of the deferred tax assets recognised in the balance sheet.

It should also be noted that any changes to the assumptions used or significant variables used for the assessment of taxable profit projections may lead to substantially different results and conclusions.

The Group has also prepared alternative scenarios for the analysis of the recoverability of deferred tax assets on the assumption of the future maintenance of the fiscal regime applicable to credit impairment for 2017, having concluded that the conclusions reached in the central scenario remain unchanged.

Banking sector contribution

Deriving from the dispositions of article 141 of the state budget law for 2011 (Law 55-A/2010 of December 31), which established the introduction of a new contribution regime applicable to the banking sector, the Group recognised costs of €36,526 thousand and €39,068 thousand for December 31, 2017 and 2016, respectively, relating to the total costs to be paid in the respective tax periods. The tax, regulated under the terms of Ministerial Order 121/2011 of March 30 is levied on the liabilities of credit institutions headquartered on Portuguese territory, net of respective own and complementary funds, as well as deposits covered by the deposit guarantee fund and the notional amount of derivatives other than hedge derivatives. The tax is also levied on the subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union.

The tax authorities are normally entitled to review the tax situation during a certain period, which, in Portugal, is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the same year as this right). Owing to different interpretations of the legislation, this may result in adjustments being made to the taxable profit of prior years (2013 to 2016 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2013 and 2014). Any possible adjustments, given their nature, cannot be quantified at present. Caixa's board of directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on the consolidated financial statements.

19. OTHER ASSETS

This account comprises the following

	31-12-2017	31-12-2016
Other assets		
Debt certificates of the Territory of Macau	849,883	893,496
Gold, precious metals, numismatics and medals	3,449	3,434
Other receivables	33	28
Other	5,843	6,249
Debtors and other investments		
Central and local government	43,552	43,345
Shareholders' loans	149,500	217,859
Debtors - futures contracts	58,926	42,995
Amount receivable from the sale of EDP	482,456	482,457
Grants receivable from		
The State	18,292	16,922
Other entities	14,011	11,882
Amount receivable from the sale of assets recovered as settlement of defaulting loans	201	284
Other past due debtors	53,405	183,196
Other debtors	992,325	1,188,554
Commitments with pension and other employee benefits		
Excess responsabilities coverage		
Caixa Geral de Depósitos (Note 35)	14,620	-
Other	148	-
Income receivable	52,478	46,051
Deferred costs		
Rent	4,038	2,280
Other	12,395	40,768
Operations pending settlement	262,539	254,954
Stock exchange operations	41,903	9,743
	3,059,997	3,444,497
Impairment (Note 37)	(287,643)	(402,849)
	2,772,355	3,041,648

Information on impairment movements on debtors and other assets for 2017 and 2016 is set out in Note 37.

The proceeds from the EDP sale, at December 31, 2017 and 2016, derive from CGD's disposal of an equity stake in the company to Parpública.

The “Debtors and other assets – other debtors” account at December 31, 2017 and 2016, included €628,989 thousand and €806,380 thousand, respectively, for surety accounts in several financial institutions. These sureties derive from the liquidity injection operations collateralised by financial assets and from interest rate swap agreements (IRS) with these entities (Note 10).

The “Debtors and other assets – other debtors” account, at December 31, 2017 and 2016, included €50,282 thousand for Caixa’s surety deposit with the tax authorities relative to proceedings involving the suspension of the fiscal execution of a tax settlement. The surety deposit was cancelled in January 2017, as a result of Caixa’s subscription to *PERES* (“Special Programme for the Reduction of Debt to the State”).

At December 31, 2017 and 2016, the “Debtors and other assets – other debtors” account, included €8,754 thousand and €4,574 thousand, respectively, for sureties for contributions to the Single Resolution Fund in the form of an irrevocable commitment (Note 33).

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the Bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (Note 25). The amounts to be provided to the Territory by the Bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month’s average daily balances. At December 31, 2017 and 2016, the debt certificate of the government of Macau totalled €849,883 thousand and €893,496 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

At December 31, 2017 and 2016, the "Debtors and other assets - other debtors" account, included outstanding balances for calling in guarantees provided to customers and other expenses directly associated with such operations for €49,091 thousand and €63,521 thousand respectively. Accumulated impairment associated with these operations on these dates amounted to €31,707 thousand and €55,913 thousand respectively.

Shareholders’ loans, at December 31, 2017 and 2016, comprised the following:

	31-12-2017	31-12-2016
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	36,000	86,000
A. Silva & Silva - Imobiliário & Serviços, S.A.	28,977	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	12,180	12,180
Visabeira Global, SGPS, SA	11,223	11,047
PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	-	10,200
Relating to financial assets transferred (Note 8)		
Moretextile, SGPS, S.A.	37,876	37,006
Taem - Processamento Alimentar, SGPS, S.A	5,118	5,050
Vncork - SGPS, S.A	999	976
Flitptrel Portugal , SGPS, S.A	-	8,825
	43,993	51,857
Other	17,127	17,597
	149,500	217,859

Details on shareholders' loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at December 31, 2017 and 2016 are set out below:

- A shareholders' loan of €36,000 thousand at the 3 month Euribor rate plus a spread of 0.75%. Interest is paid quarterly on 1 February, May, August and November of each year. An addendum to the loan agreement extending its maturity to June 30, 2018 was signed in first quarter 2014, and

- A shareholders' loan of €50,000 thousand. This operation was liquidated by new funding in the form of commercial paper, on November 30, 2017, with a maturity of five years.

Caixa wrote-off fully impaired partners´ loans to Flitptrel II, S.A. in 2017.

Caixa made shareholders' loans of €31,182 thousand to Moretextile, SGPS, S.A. under the terms of the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textiles groups, in first half 2011. These partners' loans, which were used to pay off a part of Coelima's debt to its creditors (including CGD), bear interest at the 6 month Euribor rate plus a spread of 2.5% and will be repaid in full (principal and interest) in a lump sum on May 13, 2018, which period is renewable for an additional five years. The repayment of these partners' loans is subordinated to Moretextile's and its subsidiaries' settlement of overdue, unpaid credit to other creditors. Caixa recognised impairment of 37,876 thousand on this asset, €870 thousand of which in 2017.

20. RESOURCES OF CREDIT INSTITUTIONS AND CENTRAL BANKS

This account comprises the following:

	31-12-2017	31-12-2016
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	2,000,000	2,000,000
Other Group entities	165,340	1,527,220
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	361	285
Of foreign credit institutions	11,978	149,617
Interest payable	-	1,029
	2,177,678	3,678,151
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	407,368	719,983
Of foreign credit institutions	1,076,301	971,299
Interbank money market resources	14,500	14,500
Immediate short term resources		
Of domestic credit institutions	270,967	22,846
Of foreign credit institutions	30,202	699
Loans		
Of foreign credit institutions	2,655	12,862
Resources of international financial entities	7,643	62,911
Sale operations with repurchase agreement	44,956	308,981
Interest payable	10,579	8,453
Charges with deferred cost	-	(973)
	1,865,172	2,121,560
	4,042,850	5,799,712

The “Resources of central banks – resources – European Central Bank” account at December 31, 2017 and 2016, refers to loans obtained from the European Central Bank, collateralised by debt instruments and other loans in the Group’s portfolio. These assets are not available for free circulation and are recognised at their nominal value in “Asset-backed guarantees” (Note 23) in off-balance sheet accounts.

The “Sales operations with repurchase agreements” account, at December 31, 2017 and 2016, refers to contracts for the assignment of financial assets with an agreement to purchase at a future, date at a predefined price, entered into between the Group and various financial institutions.

The assignment of financial instruments in sales operations with repurchase agreements is not derecognised in the balance sheet and continues to be measured in accordance with the accounting policies applicable to the underlying assets (Note 9). The difference between sales and repurchase prices is recognised as an interest expense and deferred over the contract's lifetime.

These operations were contracted for under GMRAs (“Global Master Repurchase Agreements”) or bilateral liquidity injection agreements, comprising mechanisms to strengthen the collateral associated with these transactions based on the evolution of their respective market value, assessed in accordance with the specifications agreed between the counterparties, usually comprising surety deposits.

21. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	31-12-2017	31-12-2016
Savings deposits	2,448,858	2,395,529
Other debts		
Repayable on demand	25,952,012	25,024,891
Term		
Deposits	33,308,435	40,033,566
Mandatory deposits	253,634	292,950
Other resources:		
Cheques and orders payable	114,034	92,785
Loans	20,000	70,030
Operations with repurchase agreement	-	158,965
Other	1,447,732	1,451,931
	35,143,835	42,100,227
	61,095,846	67,125,118
Interest payable	96,602	170,661
Deferred costs net of deferred income	(4,939)	(8,608)
Commissions associated with amortised cost (deferred)	(6,520)	(3,895)
Adjustments to liabilities under hedging operations	1,048	1,326
	86,191	159,484
	63,630,896	69,680,130

22. DEBT SECURITIES

This account comprises the following:

	31-12-2017	31-12-2016
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	40,000	12,498
- Fixed interest rate	123,951	218,034
- Remuneration indexed to exchange rates	31,642	91,956
	195,593	322,488
Covered bonds	3,761,050	3,759,850
	3,956,643	4,082,338
Adjustments to liabilities under hedging operations	3,291	13,326
Deferred costs net of income	(5,336)	(9,809)
Interest payable	96,823	97,874
	4,051,421	4,183,729

The breakdown of the debt securities account, at December 31, 2017 and 2016, is net of the accumulated debt balances repurchased, as follows:

	31-12-2017	31-12-2016
Bonds issued under the EMTN programme	78,000	15,000
Covered bonds	1,507,550	1,500,000
	1,585,550	1,515,000

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 billion euro commercial paper and certificates of deposit” programme, CGD (either directly or through its France branch) is entitled to issue certificates of deposit (CDs) and notes with a maximum maturity of 5 years and 1 year, respectively, in euros, US dollars, sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be linked to indices or shares.

(ii) Euro medium term notes (EMTN)

CGD Group, through CGD (either directly or through its France branch) and CGD Finance, are entitled to issue a maximum amount of €15 billion in debt securities under this programme. The France branch guarantees all CGD Finance issuances.

Bonds may be issued in any currency, with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively. There are no maximum maturities on these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(iii) Covered bonds

CGD initiated a covered bonds programme, for direct issuance, up to a current maximum amount of €15 billion, in November 2006. The bonds to be issued are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulation applicable to issuances of such assets, i.e. Decree-Law no.59/2006, *Official Notices* 5, 6, 7 and 8 and Bank of Portugal *Instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and maximum term of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be linked to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise mortgage loans for housing or commercial purposes in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral for property for housing (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with across the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;
- The total amount of interest payable on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of mortgage loans allocated to the referred to bonds; and,
- The present value of the covered bonds may not exceed the present value of the assets allocated to them. This ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include replacement assets, up to a maximum of 20% of its value, namely deposits with the Bank of Portugal or securities eligible for Eurosystem credit and other operations as defined by law.

The nominal value of covered bonds, issued by Caixa at December 31, 2017 and 2016, was the same and totalled €5,270,000 thousand, with the following issuance characteristics:

DESIGNATION	Nominal amount		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 31-12-2017	Interest rate at 31-12-2016
	31-12-2017	31-12-2016						
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%	0.017%	0.000%
Hipotecárias Série 8 2008/2038	20,000	20,000	2008-10-01	2038-10-01	Annually, on October 1	Fixed rate	5.380%	5.380%
Hipotecárias Série 10 2010/2020	1,000,000	1,000,000	2010-01-27	2020-01-27	Annually, on January 27	Fixed rate	4.250%	4.250%
Hipotecárias Série 14 2012/2022 (*)	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%	0.419%	0.438%
Hipotecárias Série 15 2013/2018	750,000	750,000	2013-01-18	2018-01-18	Annually, on January 18	Fixed rate	3.750%	3.750%
Hipotecárias Série 16 2014/2019	750,000	750,000	2014-01-15	2019-01-15	Annually, on January 15	Fixed rate	3.000%	3.000%
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%
	5,270,000	5,270,000						

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

The assets pool, used as collateral for the issuances, includes mortgage loans issued in Portugal with a book value of €8,420,634 thousand and €9,432,153 thousand at December 31, 2017 and 2016 respectively (Note 12).

At December 31, 2016, the assets pool used as collateral for the covered bonds also comprised debt securities, with a book value of €142,693 thousand at the said date (Note 8),

The Moody's and Fitch ratings on these covered bonds, at December 31, 2017, were A2 and BBB+, respectively.

Details on bond issuances, by type of interest and period to maturity, in the financial statements, at December 31, 2017 and 2016, are set out below:

	31-12-2017				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	-	-	749,000	749,000
One to five years	66,481	79,360	145,841	2,992,050	3,137,891
Five to ten years	17,110	-	17,110	-	17,110
Over ten years	22,642	10,000	32,642	20,000	52,642
	106,233	89,360	195,593	3,761,050	3,956,643

	31-12-2016				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	119,361	119,361	-	119,361
One to five years	61,724	101,171	162,895	2,492,350	2,655,245
Five to ten years	18,156	-	18,156	1,247,500	1,265,656
Over ten years	12,076	10,000	22,076	20,000	42,076
	91,956	230,532	322,488	3,759,850	4,082,338

Derivatives were contracted for to convert the amounts of most EMTN programme issuances into euros and their respective interest into 3 or 6 month Euribor rates, net of a spread.

23. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Movements in provisions for employee benefits and for other risks, for the years ended 2017 and 2016, were as follows:

	Balance at 31-12-2016	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2017
Provision for employee benefits (Note 35)	613,094	225,768	(61,507)	(228)	36,937	814,064
Provision for litigation	23,145	1,967	-	-	(7,649)	17,464
Provision for guarantees and other commitments	360,935	(22,773)	(8,783)	(1,178)	237	328,437
Provision for other risks and charges	130,138	(1,555)	(765)	(811)	1,319	128,326
	514,218	(22,361)	(9,548)	(1,989)	(6,093)	474,227
	1,127,312	203,407	(71,055)	(2,217)	30,844	1,288,291

	Balance at 31-12-2015	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2016
Provision for employee benefits (Note 35)	642,958	4,105	(37,524)	(876)	4,431	613,094
Provision for litigation	15,740	5,148	-	1,352	906	23,145
Provision for guarantees and other commitments	156,006	203,481	-	1,124	324	360,935
Provision for other risks and charges	177,760	20,095	(3,740)	(1,073)	(62,905)	130,138
	349,506	228,724	(3,740)	1,403	(61,675)	514,218
	992,464	232,829	(41,264)	527	(57,243)	1,127,312

The "Transfers and other" column, in “Provisions for other risks and liabilities”, in 2017 and 2016, included:

- Appropriations and reversals of €18,402 thousand and €44,048 thousand, respectively, relating to investments in vehicles involved in the sale of financial assets operations recognised as "Available-for-sale financial assets" (Note 8).
- Transfer of the provision for the Caixa Brasil contingency for €34,071 thousand to "Impairment of other assets" following Caixa’s December 2016 application for PERES (“Special Programme for the Reduction of Debt to the State”) – (Note 37). This provision was increased by €7,192 thousand in 2016.

The “Transfers and other” column in the provisions table for 2016 included €2,132 thousand and €27 thousand, for accumulated provisions recognised as the costs of employee benefits and other risks and liabilities, respectively, related to the activity of Mercantile Bank Holdings, Ltd., which, at December 31 2016, were recognised as non-current assets held-for-sale (Note 13).

The “Increases, recoveries and cancellations” column in the table of provisions movements for 2016 included net costs of €5,278 thousand of which €2,427 thousand were reclassified to “Income from subsidiaries held-for-sale” in profit and loss and €2,851 thousand reclassified from impairment on loans and advances to customers to provisions for guarantees and commitments. These reclassifications in the period relate to the transfer of the assets and liabilities of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. to non-current assets and liabilities held-for-sale (Notes 13 and 37).

The “Transfers and other” column of the table of provisions movements for 2017 also includes €6,904 thousand, €7,824 thousand and €10,589 thousand in accumulated provisions recognised for legal contingencies, guarantees and commitments and other risks and liabilities, respectively, related to the activity of these business units which, at December 31 2017 were recognised in non-current assets held-for-sale (Note 13).

The value of "Provisions for the costs of employee benefits", in 2017, includes an increase of €223,901 thousand for the pre-retirement programme for the three year period 2018-2020, as an extension to the pre-retirement programme implemented in 2017 and designed to facilitate the exit of CGD and CGD Group employees who, not being eligible for voluntary retirement, are interested in applying for pre-retirement status.

At December 31, 2017 owing to developments during the course of the year, the Group recognised costs related to a series of restructuring measures provided for in its strategic plan. Caixa’s board of directors considered that the conditions of IFRS (International Financial Reporting Standards) on the estimation of other costs for the implementation of the strategic plan in the consolidated financial statements at December 31, 2017 had not been fully met.

The above amount was estimated in accordance with the potential pre-retirement exits calculated at the same date for the contractual timeframe of 2018-2020.

Provisions for other risks and liabilities are for contingencies arising from the Group’s activity

Provisions for legal contingencies comprise the Group’s best estimate of any amounts to be spent on their resolution, based on estimates of the Legal Department and supporting lawyers.

Information on provisions for employee benefit costs, at December 31, 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
Provisions recognised as employee costs:		
Healthcare – CGD (Note 34 and 35)	17,802	21,046
Labour suspension agreements and Plano Horizonte	26,799	5,570
Mutually agreed terminations	10,184	-
Death grant	-	(37)
Other	-	3,084
Other entities	3,022	841
	57,807	30,503
Provisions recognised by charges to reserves		
Actuarial and financial gain and loss (Note 35)	(21,120)	(22,747)
Transfered to non-current assets and liabilities held for sale - Subsidiaries	-	(2,463)
Other	249	(862)
	36,937	4,431

The amount of €26,799 thousand recognised as a charge to employee costs (Note 34) derives from early retirement plans and voluntary redundancies. The amount was assessed on the basis of the submission and acceptance of applications up to the end of 2017.

Contingent liabilities and commitments

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

	31-12-2017	31-12-2016
Contingent liabilities		
Assets given as collateral	14,907,681	14,907,144
Guarantees and sureties	3,285,796	3,820,765
Open documentary credits	241,886	324,575
Stand by letters of credit	45,028	62,060
	18,480,391	19,114,544
Commitments		
Revocable commitments	8,486,603	9,983,313
Securities subscription	1,340,452	1,683,944
Irrevocable lines of credit	569,331	567,968
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	39,947	37,760
Other irrevocable commitments	63,220	-
Forward deposit agreements		
Receivable	21,624	-
To be created	60,242	218
Other	192,198	-
	10,929,171	12,428,757
Deposit and custody of securities	46,223,343	41,058,503

Asset-backed guarantees are as follows:

	31-12-2017	31-12-2016
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,567,500	1,117,500
Council of Europe Development Bank	22,300	28,800
Bank of Portugal (*)	13,001,548	13,366,030
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	64,509	181,409
Deposit Guarantee Fund	175,240	185,240
Banco Português de Investimento	50,000	-
Investor Compensation System (futures)	21,000	21,000
Euronext	5,000	6,500
Other Assets		
Other	584	664
	14,907,681	14,907,144

(*) 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 December 31, 2017 and 2016, refer to debt instruments recognised as assets held-for-trading, available-for-sale financial assets, loans and advances to customers and debt securities accounts (Note 22). The market value of debt instruments given as collateral, at December 31, 2017 and 2016, was €15,093,209 thousand and €14,948,581 thousand, respectively.

The market value of securities collateralizing the Group's term liabilities for its annual contributions to the Deposit Guarantee Fund and Investors' Indemnity System was €216,564 thousand and €203,178 thousand, at December 31, 2017 and 2016, 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 has taken the form of an irrevocable commitment to make contributions when requested by the Fund, with the amount not being recognised as a cost. Commitments assumed since 1996 totalled €155,553 thousand. At December 2017 and 2016 the Group recognised liabilities of €661 thousand and €590 thousand, respectively for its annual contribution to the Deposit Guarantee Fund.

Asset-backed guarantees are not available for the Group's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

Caixa Brasil, SGPS, S.A.

In 2009, CGD was notified by the Portuguese Tax Authorities of their inspection report for 2005 in respect of an adjustment of €155,602 thousand in taxable income for the year. In addition to other situations, this amount included an adjustment of €135,592 thousand because Caixa had benefited from the full elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in that period. Caixa contested these adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force, as it was in possession of data enabling it to show that Caixa Brasil, SGPS S.A.'s earnings were subject to taxation. The Lisbon Tax Court also issued a ruling, in 2014, annulling the adjustments made by the Tax and Customs Authority during that year on the component allocated to the profit made on the liquidation of Caixa Brasil.

The contents of the ruling of the Southern Central Administrative Court were announced in April 2015. A decision was made, in the second instance, to revoke the ruling decreed in the first instance by the Lisbon Tax Court. In its reaction to this ruling of the Southern Central Administrative Court, Caixa decided to appeal and apply for a review of the rulings in first half 2015. As a result of the allegations made, the Southern Central Administrative Court recognised the legitimacy of the basis of the appeal against the rulings whose final verdict now awaits the decision of the Supreme Administrative Court, The appeal for a review was considered admissible within legal framework of the allegations made.

In December 2016, as a result of Caixa's application 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 no. 67/2016 of November 3, an amount of the €34,071 thousand in tax associated with the current procedural dispute was settled in full at that time. Consequently, Caixa applied for the cancellation of the surety deposit made in 2010 as a provision of a guarantee for the suspension of the tax settlement procedure provided for by law, for €50,282 thousand. It was received in January 2017 (Note 19)

On May 31, 2017, Caixa was notified of the ruling of the Supreme Administrative Court's review of the appeal, which accepted the arguments put forward regarding the correct interpretation of the taxation concept, ruling, as a consequence that the proceedings should be returned to the Southern Central Administrative Court to review its initial conclusion issued in the second instance on the basis of this interpretation.

Although Caixa's board of Directors' are convinced of the Group's compliance with fiscal regulations having already taken the steps to contest the ruling, as permitted by law, in light of the developments occurring in the meantime it was considered appropriate that the amount of the tax paid to the state on subscription to PERES, be recorded in "Other assets" and that the full impairment be maintained as of December 31, 2017.

Competition Authority

On June 3, 2015, in addition to fourteen other credit institutions, CGD was charged by the Competition Authority, with performing certain practices, namely exchanging information with several other credit institutions, which, the competition authority considered to represent 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 a full 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 of the procedure for the current offence with which it had been charged, although the period for the decision regarding the charge remained in force. A new resolution passed by the Competition Authority's board of directors terminated the suspension of the sentencing period, ending on September 27, 2017. CGD submitted its defence on September 26, 2017, having requested complementary evidentiary hearings which took place on December 5 and 6 2017.

CGD's defence is based on its understanding that there is no factual or legal pretext for Caixa Geral de Depósitos being sentenced for any restrictive market practice, for which reason it has expressly applied for the procedure to be closed.

Resolution Fund

The Resolution Fund was created by Decree-Law no.31-A/2012 of February 10. It is funded by contributions from institutions participating in the Fund and the banking sector contribution. Whenever such resources are shown to be insufficient to meet liabilities other sources of funding may also be used, namely: (i) special contributions made by 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”), transferring most of the activity and assets of BES to Novo Banco S.A., a new transitional banking institution created for the purpose, fully owned by the Resolution Fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the Resolution Fund did not then have sufficient own resources for the operation, 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, starting 2014 and completed the transfers in progress without accepting any of the three binding proposals, considering that the associated terms and conditions 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 investment in Novo Banco.

On December 29, 2015 the Bank of Portugal issued an announcement approving a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to return the liability for the non-subordinated bonds issued by it for institutional investors to BES. The nominal amount of the bonds reassigned to BES was €1,941 million, representing a balance sheet carrying amount of €1,985 million. In addition to this measure, the Bank of Portugal also clarified that the Resolution Fund is responsible for neutralising any negative effects of future decisions resulting from contingent liabilities deriving from the resolution process, by compensating Novo Banco.

The disposal process of the Resolution Fund’s equity investment in Novo Banco was re-launched in January 2016.

In July 2016, following the completion of the independent valuation process on the recovery level of loans in each category of BES creditors, in a hypothetical liquidation scenario in August 2014, as an alternative to the application of the resolution measure, the Bank of Portugal clarified, in the event of the closure or liquidation of BES, that its creditors whose loans had not been transferred to Novo Banco, S.A., would incur greater losses 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 communicated that it had changed the conditions of the loans obtained to finance the resolution measure applied (both with a maximum maturity of August 4, 2016) which would mature on December 31, 2017, without prejudice to early redemptions or agreements to other changes.

On September 28, 2016, the Resolution Fund announced that it had reached an agreement with the Ministry of Finance on a review of the conditions of the loans obtained to fund the BES resolution measure. According to the Resolution Fund’s announcement, the agreed revision "would permit the extension of the maturity in such terms as to guarantee the Resolution Fund’s capacity to fully comply with its obligations based on its regular revenue, notwithstanding the positive or negative contingencies to which the Resolution Fund was exposed." On the same date, the Office of the Ministry of Finance also announced that: “in the context of the agreement with the Resolution Fund and bases already established, any increases or reductions of liabilities resulting from the materialisation of future contingencies, shall adjust 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 sustainability and financial balance of the Resolution Fund, based on stable, foreseeable, manageable costs for the banking sector.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. This agreement required two capital increases, the first of €750,000 thousand in October 2017 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 reimbursement 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 for an amount of up to €3,890,000 thousand on the recognition of losses on any of its assets under the management of the Resolution Fund,

On October 18, 2017, the Resolution Fund complied with the operation's final formalities in implementing the resolutions of the National Resolution Authority, with the Bank of Portugal, retaining a 25% equity stake in Novo Banco and Lone Star taking 75%. This operation increased Novo Banco's share capital from €4,900,000 thousand to €5,900,000 thousand.

Following the completion of this operation, the transitional regime's application ceased to be applied to Novo Banco, which started to operate normally albeit subject to several measures limiting its activity imposed by the European Competition Authority

The contingent capitalisation mechanism, provided for in the contracts entered into at the time of the sale was activated on March 28, following the announcement of the Bank's results for 2017, providing for the Resolution Fund's payment of €792,000 thousand to Novo Banco, in 2018. This payment will be made after the issue of Novo Banco's statutory audit certificate and following a certification procedure by an independent entity, using the funding provided for in the framework agreement entered into between the Resolution Fund and the Portuguese state in October 2017.

Pursuant to this framework agreement, a loan contract was entered into in October under which the Resolution Fund is provided with funding of up to €1,000,000 thousand. The amount payable to Novo Banco in 2018, by the Resolution Fund will be paid from this amount.

The Resolution Fund will, for this purpose, firstly use its available financial resources resulting from the contributions paid by the banking sector, complemented by a loan of around €450,000 thousand from the Portuguese state.

<u>Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.</u>

Following the Bank of Portugal's announcement of December 20, 2015, a decision was made to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150,000 thousand. According to this announcement, the demands of European institutions and the impossibility of a voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) an asset management vehicle that was specifically created for the purpose, with the Resolution Fund as its sole shareholder. Oitante issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee having been issued by the Resolution Fund and counter guaranteed by the Portuguese state.

The operation involved a state loan of around €2,255,000 thousand to cover future contingencies of which €489,000 thousand from the Resolution Fund and €1,766,000 thousand directly from the Portuguese state, as a result of the options for the delimitation of the assets and liabilities sold, 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 by way of part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the debt to be reduced from €489,000 thousand to €353,000 thousand.

The amount not transferred to the Single Resolution Fund will be paid by the institutions covered by the UMR (“Unique Mechanism of Resolution”) Regulation of the same Single Resolution Fund over a period of eight years (ending 2024), as provided for in the Council’s Implementing Resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the Resolution Fund announced a change to the conditions of the loans obtained to finance the Banif resolution measure, similar to the financing of the BES resolution measure.

Notwithstanding, at the present time, in light of the above developments: (i) the Resolution Fund is unlikely to propose the creation of a special contribution to finance the above resolution measures and the probability of any special contribution being charged is therefore remote, and (ii) any Resolution Fund deficits are expected to be financed by periodic contributions under article 9 of Decree-Law no.24/2013 of February 19, which stipulates that the periodic contributions to the Resolution Fund should be paid by the institutions participating therein and 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 each year in accordance with IFRIC 21 – “Levies”.

24. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	31-12-2017	31-12-2016
Bonds	1,016,230	2,363,316
Loans	209	209
	1,016,439	2,363,525
Interest payable	17,418	72,990
Deferred income net of charges	(6,116)	(12,382)
	1,027,741	2,424,133

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 Order 8840-C/2012 of June 28, 2012). These bonds are convertible into shares in the following circumstances:

- CGD’s full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially significant breach 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 (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 the authorisation of the European Central Bank and the Bank of Portugal on December 6, 2016, obtained in the sphere of the new recapitalisation process negotiated with the European authorities, Caixa Geral de Depósitos, S.A., received the hybrid financial instruments eligible as core tier 1 own funds (Coco bonds), as a capital increase in kind plus their corresponding accrued and unpaid interest up to January 4, 2017, as the date upon which the operation was finalised.

Following this process the European Commission also lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. In first quarter 2017, Caixa resumed payment of the coupons suspended since December 31, 2013, with an amount of €1,448 thousand having been paid by December 31, 2017.

The following is a summary of the main issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Capital Core Tier 1 capital instruments subscribed by the State	EUR	900,000	-	900,000	2012-06-29	2017-06-29	1st year 8.5%, 2nd year 8.75%, 3rd year 9%, 4th year 9.5% and 5th year 10%. Half yearly interest payment on 29 June and December.	The redemption option can be made at any time, with prior authorisation of the Bank of Portugal.
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538,552	536,729	536,729	2009-05-11	2019-05-13	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May 2014.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	368,522	368,522	2008-11-03	2018-11-05	2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	125,000	-	125,000	2007-12-27	2017-12-27	5.733%. If there is no early redemption, 3 month Euribor rate + 1.70%. Annual interest rate payment on 27 December. Quarterly interest payment on 27 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 27 December 2012.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	120,000	-	104,720	2007-12-17	2017-12-17	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
CGD (France branch)	Floating Rate Undated Subordinated Notes	EUR	110,000	209	209	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
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	Caixa Subordinadas CGD 2007/2017 (2nd issue)	EUR	81,595	-	81,245	2007-11-12	2017-11-13	1st year 5.00%, 2nd year 5.50%, 3rd year 6.00%, 4th and 5th years 7.50% and 10%, if the weight of all underlying assets is over its initial value, otherwise it will pay 0.00%. 3 month Euribor rate + 0.7%, if there is no early redemption. Annual interest payment on 12 November. Quarterly interest payment on 12 February, May, August and November (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	50,000	-	50,000	2007-12-28	2017-12-28	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 28 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 28 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	-	6,000	2007-12-03	2017-12-04	1st coupon 22.50%.3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2008. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	-	6,000	2007-12-03	2017-12-04	1st coupon 23.00%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2009. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	-	6,000	2007-12-03	2017-12-04	1st coupon 23.50%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2010. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	-	6,000	2007-12-03	2017-12-04	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 5 December 2011. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	-	6,000	2007-12-03	2017-12-04	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2012. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	765	765	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
CGD Finance	Floating Rate Notes due December 2017	EUR	55,000	-	55,000	2007-12-17	2017-12-17	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption. Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	2,847	2,664	2008-10-16	2018-10-16	1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 16 January, April, July and October.	The issuer has an early redemption option, in full or in part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date.
Banco Comercial do Atlântico	Bonds BCA Crescente 2017	CVE	500,000	-	897	2010-12-17	2017-12-17	1st and 2nd years 5.75%, 3rd and 4th years 5.85%, 5th and 6th years 6% and 7th year 6.25%. Half yearly interest payment on 17 June and December.	The issuer has an early redemption option at nominal value of outstanding debt, applicable as from the 5th coupon, and from this date onwards, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Interatlântico	Bonds BI 2014	CVE	500,000	4,255	4,255	2008-07-08	2018-07-08	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	3,112	3,520	2008-07-30	2018-07-30	3 month Libor rate + 3.00%. Quarterly interest payment on 30 January, April, July and October.	Early redemption of principal, in full or part, may only occur at BCI's initiative and with prior authorisation of the Bank of Mozambique.

25. OTHER LIABILITIES

This account comprises the following:

	31-12-2017	31-12-2016
Creditors		
Consigned resources	880,771	801,844
Resources - collateral account	32,332	146,148
Resources - subscription account	37,087	49,368
Resources - secured account	1,311	2,919
Suppliers of finance leasing assets	6,195	5,277
Creditors for factoring ceded	67,723	72,246
Caixa Geral de Aposentações	4,024	5,246
CGD's Pension Fund	357	182,004
Creditors for futures contracts	39,417	20,277
Creditors for transactions in securities	66	94
Creditors for sale of assets recovered as settlement of defaulting loans	6,332	5,789
Other suppliers	43,947	50,215
Other creditors	150,191	717,435
Other liabilities		
Notes in circulation - Macau (Note 19)	886,381	926,285
Withholding taxes	24,075	34,564
Social Security contributions	5,031	14,396
Other taxes payable	5,772	9,209
Collections on behalf of third parties	110	105
Other	17,102	3,490
Accrued costs	195,097	206,633
Deferred income	63,723	67,939
Liabilities pending settlement	1,251,372	483,287
Stock exchange operations	56,047	11,813
	3,774,464	3,816,580

The “Resources – collateral account”, at December 31, 2017 and 2016, included €28,672 thousand and €143,722 thousand respectively, relating to interest rates swap (IRS) contracts deposits in Caixa by several financial institutions.

At December 31, 2017 and 2016, the "Miscellaneous creditors - other" account included €523,721 thousand and €573,431 thousand, respectively, for financial liabilities with minority investors in the unit trust investment funds included in CGD Group’s consolidation perimeter.

At December 31, 2017 and 2016, the "Costs payable" account included €36,350 thousand and €37,367 thousand, respectively, for seniority bonuses (Note 35).

The following is a summary of the conditions attached to the "Consigned resources" account, at December 31, 2017 and 2016:

DESIGNATION	COUNTERPARTY	Balances at 31-12-2017	Balances at 31-12-2016	Start date	Payment date
CGD Loan for SMES and other PRIO II	European Investment Bank	300,000	300,000	10-04-2015	06-04-2023
CGD Loan for SMES and other PRIO II	European Investment Bank	150,000	0	21-07-2017	21-07-2025
CGD Empréstimo Global XI	European Investment Bank	80,000	93,333	25-06-2003	15-06-2023
CGD Empréstimo Global X	European Investment Bank	66,667	80,000	21-11-2002	15-09-2022
Mid-Cap I taxa revisível	European Investment Bank	47,637	56,494	29-11-2007	15-09-2022
Projeto Scut Açores	European Investment Bank	48,571	51,429	14-12-2007	15-09-2034
CGD - Empréstimo Global XII - B	European Investment Bank	43,750	50,000	19-11-2004	15-09-2024
CGD - Empréstimo Global XIII	European Investment Bank	42,188	46,875	12-10-2006	15-09-2026
Projeto Tejo Energia CCGT	European Investment Bank	30,254	33,712	09-12-2009	15-09-2026
CGD Reabilitação Urbana	European Investment Bank	29,667	34,611	11-12-2003	15-12-2023
Hospital Braga	European Investment Bank	23,214	32,500	03-06-2009	09-06-2020
CEB - PARES	CEB - Council of Europe Development Bank	10,762	12,299	23-12-2009	23-12-2024
CEB - Educação	CEB - Council of Europe Development Bank	7,373	8,601	21-11-2008	21-11-2023
Operations carried out by Banco Comercial e de Investimentos, S.A.R.L.		632	1,909		
Other		57	81		
		880,771	801,844		

Interest on the "Consigned resources" account, at December 31, 2017 and 2016, was paid at an average annual rate of 0.543% and 0.451%, respectively

26. CAPITAL AND OTHER INSTRUMENTS

At December 31, 2017 and 2016, CGD's share capital was totally owned by the Portuguese state, as follows (amounts in euros):

	31-12-2017	31-12-2016
Number of shares	768,828,747	1,180,000,000
Unit price (Euros)	5	5
Share capital	3,844,143,735	5,900,000,000

As referred to in more detail in the introductory note, the Portuguese state, under the March 2017 agreement with the European authorities as part of CGD's recapitalization process, passed a resolution, on January 4, 2017, relating to the following:

(i) - 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 equity shares of Parcaixa, SGPS, S.A. for the amount of €498,996 thousand and the transfer in kind of Coco bonds for €900,000 thousand (Note 24), plus respective accrued interest of €45,148 thousand; and,

(ii) - A €6,000,000 thousand reduction in CGD's share capital through the extinguishment of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves of €4,595,494 thousand.

Subsequently, on March 30, 2017, the state issued a resolution to undertake 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.

On the same date Caixa issued 500,000 thousand securities representing additional tier 1 own funds, fully subscribed for by private professional investors. Interest of 10.75% is paid on this issuance.

27. RESERVES, RETAINED EARNINGS AND PROFIT ATTRIBUTABLE TO CGD'S SHAREHOLDER

The composition of the reserves and retained earnings accounts, at December 31, 2017 and 2016, was as follows:

	31-12-2017	31-12-2016
Revaluation reserves		
Legal revaluation reserve of fixed assets	128,342	119,672
Revaluation reserves associated with foreign exchange differences in equity instruments, net of deferred tax	3,321	9,179
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	263,134	(40,548)
Assets with repurchase agreement	4,100	2,202
Other revaluation reserves	(3,936)	(3,237)
	394,961	87,268
Other reserves and retained earnings		
- Legal reserve - CGD	-	865,348
- Other reserves	4,494,077	300,831
- Retained earnings	(1,395,858)	(2,275,501)
	3,098,220	(1,109,321)
Net income attributable to the shareholder of CGD	51,946	(1,859,523)
	3,545,126	(2,881,576)

As part of the reprivatisation process taking place in first quarter 2017, the Portuguese state as CGD's sole shareholder, decided to use free and legal reserves of €1,412,460 thousand, to cover the same amount in negative retained earnings.

The "Fair value reserve" recognises unrealised capital gains and losses on available-for-sale financial assets and assets with repurchase agreements as a charge to shareholders' equity, net of the corresponding tax effect.

"Other reserves and retained earnings", at December 31, 2016, included CGD's legal reserves for the amount of €865,348 thousand and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries, jointly controlled enterprises and associates.

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

The legal revaluation reserves may only be used to cover accumulated losses or increase capital. CGD's non distributable reserves therefore totalled €110,425 thousand in compliance with the following legislation:

Tangible fixed assets	
Decree-Law nº 219/82, of June 2	1,752
Decree-Law nº 399 - G/84, of December 28	1,219
Decree-Law nº 118 - B/86, of May 27	2,304
Decree-Law nº 111/88, of April 2	8,974
Decree-Law nº 49/91, of January 25	22,880
Decree-Law nº 264/92, of November 24	24,228
Decree-Law nº 31/98, of February 11	48,345
Financial fixed assets	723
	110,425

The net contribution to CGD's consolidated results made by branches and subsidiaries, at December 31, 2017 and 2016, was as follows:

	31-12-2017	31-12-2016
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(350,736)	(1,690,629)
France Branch	49,640	68,638
Spain Branch	11,542	(105,008)
Luxembourg Branch	(6,075)	(2,235)
East Timor Branch	4,608	4,201
London Branch	4,202	(2,538)
Cayman Branch	(3,488)	(38,861)
New York Branch	928	2,778
Zhuhai Branch	(301)	(8)
Macau Branch	264	415
	(289,415)	(1,763,248)

	31-12-2017	31-12-2016
Contribution to net income from		
subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	69,967	63,051
Caixa Banco de Investimento, S.A. (a)	68,264	(1,802)
CGD Investimentos CVC, S.A.	41,174	(2,345)
Banco Caixa Geral, S.A.	26,273	25,408
Caixa Imobiliário, S.A.	24,172	(63,215)
Banco Comercial e de Investimentos, S.A.R.L.	19,839	10,279
Cibergradual, Investimento Imobiliário, S.A.	(19,001)	(39,778)
Caixa Seguros e Saúde, SGPS, S.A.	14,664	(3,335)
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	14,275	92
Mercantile Bank Holdings, Ltd.	14,150	10,821
Fundimo - Fundo de Investimento Imobiliário Aberto	10,083	(1,297)
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	8,458	(23,865)
Inmobiliaria Caixa Geral, S.A.U.	(7,997)	(8,214)
Beirafundo - Fundo de Investimento Imobiliário Fechado	6,598	(18,718)
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	6,253	(23,897)
Parcaixa, SGPS, S.A.	5,835	(2,764)
Banco Caixa Geral Angola, S.A.	5,767	26,348
Partang, SGPS	(5,496)	(81)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	5,472	3,143
Fundo de Capital de Risco Caixa Fundos	4,822	6,182
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	4,596	(920)
Caixagest - Técnicas de Gestão de Fundos, S.A.	4,340	2,207
Caixagest Private Equity - Fundo Especial de Investimento	3,457	2,152
Fundo de Capital de Risco Caixa Crescimento	(3,224)	(406)
Imobci, Lda.	(2,050)	(56)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	1,682	2,828
CGD Pensões, S.A.	1,600	1,944
Banco Caixa Geral Brasil, S.A.	1,585	1,362
Banco Comercial do Atlântico, S.A.R.L.	1,403	1,501
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	1,245	1,608
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	1,022	(11,276)
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	874	(36,414)
Imocaixa - Gestão Imobiliária, S.A.	855	(18,626)
Fundo de Capital de Risco Empreender Mais	(806)	(2,049)
Parbanca, SGPS	784	(559)
Fundolis - Fundo de Investimento Imobiliário Fechado	663	(40,912)
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	645	(3,988)
Wolfpart, SGPS, S.A.	(85)	218
Other	233	(283)
	332,394	(145,656)
Associates and jointly controlled entities:	8,966	49,381
Consolidated net income attributable to the shareholder of CGD	51,946	(1,859,523)

(a) Data taken from the consolidated financial statements.

These amounts are before the elimination of intragroup operations in the consolidation process.

A series of initiatives were taken to rationalise the Group's presence in the international market in the framework of the commitments agreed between the Portuguese state and the competent European authorities for the purposes of CGD's recapitalisation. To pursue these objectives, Caixa closed down its financial activities in its Cayman and Macau offshore branches, as well as its London branch in 2017.

Appropriation of results for 2016

A resolution was passed at the general meeting of shareholders, held in May 2017, to include €2,050,413 thousand in losses, made in 2016, in the "Other reserves and retained earnings" balance sheet account.

Appropriation of results for 2015

A resolution was passed at the general meeting of shareholders, held in May 2016, to include earnings of €12,211 thousand made in 2015, appropriated on the basis of an incorporation of €2,442 thousand in the "Legal reserve" and €9,769 thousand in "Other reserves" and "Retained earnings".

28. NON-CONTROLLING INTERESTS

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

	31-12-2017	31-12-2016
Banco Caixa Geral Angola, S.A.	155,904	141,953
Caixa Geral Finance	96,246	96,245
Banco Comercial e de Investimentos, S.A.R.L.	78,001	68,990
Fundiestamo - Fundo de Investimento Imobiliário Fechado	32,507	31,848
Banco Comercial do Altlântico, S.A.R.L.	13,548	13,096
Banco Interatlântico, S.A.R.L.	4,944	4,610
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,464	1,514
Banco Caixa Geral, S.A.	1,114	990
Caixa – Banco de Investimento, S.A.	959	764
Parcaixa, SGPS, S.A. (a)	-	505,181
Caixagest Rendimento Nacional - Fundo de Investimento Alternativo Estruturado Aberto de Obrigações	-	(2,001)
Interbancos, S.A.R.L.	-	668
Other	359	560
	385,046	864,417

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

Caixa Geral Finance, with a share capital of €1,000, is headquartered in the Cayman Islands. On June 28, 2004, the company issued €250,000 thousand in non-voting preference shares. If a decision is made by its directors to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.8% up to June 28, 2014 and 1.8% thereafter, will be paid to shareholders, as from that date. Caixa Geral Finance may redeem the preference shares, in part or in full, from June 28, 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

On September 30, 2005 Caixa Geral Finance issued €350,000 thousand in non-voting preference shares. If a decision is made to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.77% up to September 30, 2015 and 1.77% thereafter, will be paid to shareholders, as from that date. Caixa Geral Finance may redeem the preference shares, in part or in full, from September 30, 2015, at their nominal value of €50 per share, plus the monthly payment of dividends accrued since the last payment.

During the course of its activity, the Group repurchased preference shares issued by Caixa Geral Finance for an accumulated amount of €504,241 thousand, at December 31, 2017 and 2016.

Following Caixa Geral de Depósitos, S.A.'s recapitalisation process, in June 2012, the payment of dividends to holders of Caixa Geral Finance's preference shares was suspended from January 1, 2013. Considering the nature of preference shares, dividends are not mandatory and not cumulative. CGD resumed payment of the dividends, for the period December 30, 2016 to March 30, 2017, for €1,638 thousand with the lifting of the prohibition by the European Commission, on March 10, 2017, in the context of the new recapitalisation plan.

Information on the amount of consolidated profit attributable to non-controlling interest shareholders, in 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
Banco Comercial e de Investimentos, S.A.R.L.	14,560	9,438
Banco Caixa Geral Angola, S.A.	5,541	25,315
Caixa Geral Finance	1,650	(4)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	1,536	882
Banco Comercial do Atlântico, S.A.R.L.	1,031	1,091
Parcaixa, SGPS, S.A. (a)	-	(2,586)
Other	511	214
	24,829	34,351

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

29. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	31-12-2017	31-12-2016 (restated amounts)
Interest and similar income		
Interest on loans and advances to domestic credit institutions	1,415	1,177
Interest on loans and advances to foreign credit institutions	47,929	30,549
Interest on domestic credit	681,126	820,918
Interest on foreign credit	533,975	509,417
Interest on overdue credit	41,746	40,411
Interest on financial assets held-for-trade		
- Derivatives	475,475	527,774
- Securities	574	1,196
Interest on financial assets at fair value through profit or loss	-	46
Interest on available-for-sale financial assets	231,303	250,236
Interest on hedging derivatives	5,131	7,840
Interest on debtors and other investments	6,448	6,875
Interest on cash equivalents	2,469	1,881
Interest on other loans and other amounts receivable	160,764	122,501
Other interest and similar income	341	622
Commissions received relating to amortised cost	139,864	128,961
Other	16,155	20,521
	2,344,714	2,470,924
Interest and similar costs		
Interest on deposits of		
- Central and local government	76	324
- Other residents	134,972	304,904
- Emigrants	13,110	21,000
- Other non-residents	252,774	209,327
- Other	46	54
Interest on resources of foreign credit institutions	25,500	36,044
Interest on resources of domestic credit institutions	8,576	7,284
Interest on swaps	497,038	553,768
Interest on other trading liabilities	7,750	6,420
Interest on unsubordinated debt securities	109,013	153,672
Interest on hedging derivatives	(269)	791
Interest on subordinated liabilities	23,072	109,353
Other interest and similar costs	16,917	18,771
Commissions paid relating to amortised cost	15,079	9,601
	1,103,655	1,431,312

The "Interest and similar costs - interest on subordinated liabilities" account at December 31, 2016, included €81,202 thousand on CGD's issuance of a total amount of €900,000 thousand in hybrid financial instruments, eligible as core tier 1 own funds, on June 29, 2012. These securities were fully subscribed for by the Portuguese state (Note 24).

30. INCOME FROM EQUITY INSTRUMENTS

This account comprises the following:

	31-12-2017	31-12-2016 (restated amounts)
ADP - Águas de Portugal, S.A.	4,953	8,896
Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta, S.A	1,072	607
Galp Energia, SGPS, S.A.	532	1,987
EDP - Energias de Portugal, S.A.	-	1,308
Income received from investment funds	25,473	33,582
Other	14,352	4,991
	46,383	51,373

31. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	31-12-2017	31-12-2016 (restated amounts)
Income from services rendered and commissions:		
On guarantees provided	43,112	50,184
On commitments to third parties	17,778	18,682
On operations on financial instruments	568	712
On services provided		
Deposit and safekeeping of valuables	21,541	19,533
Collection of valuables	6,224	6,036
Management of securities	16,362	15,792
Collective investment in transferable securities	28,156	22,490
Transfer of valuables	18,713	19,442
Cards management	14,251	13,977
Annuities	61,970	58,685
Structured Operations	10,045	7,808
Credit operations	36,799	41,661
Other services rendered	176,512	164,045
On operations carried out on behalf of third parties	8,176	6,529
Other commissions received	128,944	122,653
	589,151	568,228
Cost of services and commissions:		
On guarantees received	1,757	2,507
On operations on financial instruments	161	268
On banking servicers rendered by third parties	104,282	100,400
On operations carried out by third parties	5,113	4,868
Other commissiond paid	12,976	10,335
	124,289	118,378

32. RESULTS FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	31-12-2017	31-12-2016 (restated amounts)
Result from foreign exchange operations:		
Revaluation of foreign exchange position	125,076	14,039
Results from currency derivatives	(71,867)	37,606
	53,208	51,645
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	6,039	968
Equity instruments	4,674	3,132
Other instruments	-	1,110
	10,712	5,210
Derivatives:		
Interest rate	169,067	(102,646)
Equity	6,266	5,000
Credit default	260	656
Other	(3,675)	(7,355)
	171,918	(104,344)
	182,631	(99,134)
Result from other financial assets at fair value through profit or loss:		
Debt instruments	(39)	819
Equity instruments	11,753	(3,871)
Other securities	16,936	2,370
	28,650	(682)
Result from available-for-sale financial assets:		
Debt instruments	28,277	25,571
Equity instruments		
VISA Europe Limited (Note 8)	-	36,256
Other	270	(2,193)
	270	34,063
	28,547	59,634
Other securities	8,038	31,421
	36,585	91,055
Result of hedging operations:		
Hedging derivatives	(8,913)	(23,055)
Value adjustments of hedged assets and liabilities	5,366	22,180
	(3,547)	(875)
Other		
Results from repurchase of liabilities issued	(2,633)	44,300
Net monetary loss (IAS 29)	(50,637)	-
Other	(28,479)	(9,692)
	(81,748)	34,608
	215,779	76,616

Income from the repurchase of liabilities issued, in 2016, included €43,017 thousand on the early redemption of two debt issuances (Schuldshein) recognised in France branch's balance sheet.

In 2016, the "Results from available-for-sale financial assets – other" account, in 2016, include the proceeds from the disposal of Prado Cartolinas da Lousã, S.A. (Note 17).

At December 31, 2017 and 2016, the "Other" account included losses of €28,238 thousand and €10,803 thousand, respectively, on income with minority investors included in CGD Group's consolidation perimeter.

33. OTHER OPERATING RESULTS

These accounts are made up as follows:

	31-12-2017	31-12-2016 (restated amounts)
Other operating income:		
Rendering of services	31,364	52,712
Expense reimbursement	7,858	8,043
Gains on subsidiaries and jointly controlled entities	3,923	-
Lease income under operating lease agreements	50,745	50,305
Gains on non-financial assets:		
- Non-current assets held-for-sale (Note 13)	130,256	32,261
- Other tangible assets	16,532	3,111
- Investment property	51,275	37,509
- Other	641	566
Secondment of employees to Caixa Geral de Aposentações	137	581
Sale of cheques	8,425	9,698
Other	48,135	36,907
	349,290	231,693
Other operating costs:		
Donations and subscriptions	8,294	9,042
Losses on non-financial assets:		
- Non-current assets held-for-sale (Note 13)	157,871	49,020
- Other tangible assets	32,010	2,084
- Investment property	39,945	253,934
- Other	22	158
Other taxes	39,050	31,100
Contribution to the Deposit Guarantee Fund	661	590
Contribution to the Resolution Fund	38,026	34,930
Administrative expenditure under the Single Resolution Board	412	270
Fines and penalties	986	308
Other	35,385	44,265
	352,663	425,701
	(3,373)	(194,007)

At December 31, 2017, the “Profit made by subsidiaries and jointly controlled entities” account refers to the profit made on the Group’s disposal of Interbancos, S.A., as described in more detail in Note 13.

“Investment properties”, at December 31, 2017 and 2016, included unrealised capital gains of €23,230 thousand and unrealised capital losses of 217,136 thousand, respectively (Note 14).

The Resolution Fund, created by Decree-Law no.31-A/2012 of February 10, introduced a resolution regime in the General Credit Institutions and Financial Corporations Regime, approved by Decree-Law no.298/92 of December 31.

The measures provided for in the new regime have been designed, 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 main 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 domestic legislation introduced a common European Union resolution regime providing for the internalising of losses on the bankruptcy processes of banking institutions by their shareholders and creditors. It will be financed by mandatory contributions to the Single Resolution Fund.

The Group contributed €29,227 thousand and €31,961 thousand to the Single European Resolution Fund in 2017 and 2016, respectively, of which €25,047 thousand and €27,387 thousand in cash and €4,180 thousand and 4,574 thousand, respectively, in the form of an irrevocable guarantee for that purpose (Note 19).

The Group’s periodic contribution to the domestic Resolution Fund in 2017 and 2016 totalled €12,980 thousand and €7,543 thousand, respectively.

34. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account comprises the following:

	31-12-2017	31-12-2016 (restated amounts)
Remuneration of management and supervisory bodies	14,937	13,521
Remuneration of employees	418,740	464,992
Provision for suspension of labour agreements (Note 35)	26,799	5,570
Mutually agreed terminations	10,184	-
	470,660	484,083
Other charges relating to remunerations	30,808	29,968
Healthcare - CGD		
- Normal cost (Notes 23 and 35)	17,802	21,046
- Contributions relating to current employees	17,283	20,163
Pension Liabilities - CGD (Note 35)		
- Normal cost	71,666	70,327
- Retirements before the normal retirement age	(3,795)	6,310
Other pension costs	5,971	1,760
Other mandatory social charges	10,420	11,734
	150,155	161,308
Other employee costs	38,121	15,987
	658,936	661,377

The approval of CGD's restructuring plan provided for a substantial reduction of its operating costs with adjustments to CGD's structure and resources to the present and future size of the business.

Considering the need to make the referred to adjustment as smoothly as possible, with the least possible impact on the social climate within the company it was considered appropriate to create an employee adjustment programme, based on retirements, early retirements and voluntary redundancies to be applied to the Group's domestic perimeter.

CGD provided an overall amount of €36,983 thousand in employee costs in 2017. An amount of €26,799 thousand was associated with the early retirement programme and €10,184 thousand with voluntary redundancies.

CGD recognised an increase of €11,880 thousand in employee costs in 2016, relating to "Provisions for voluntary redundancies" under the *Horizonte* plan, approved by the executive committee in 2015, with the aim of creating new opportunities for its employees' voluntary redundancies. The objective of the *Horizonte* plan was to reduce employee numbers through early retirements. The process was available to all employees aged 55 or more by December 31, 2016.

The average number of employees in Caixa and its subsidiaries, for the periods ended December 31, 2017 and 2016, by function, was as follows:

	31-12-2017	31-12-2016
Senior management	534	554
Management	2,826	2,999
Technical staff	5,249	5,457
Administrative staff	6,303	6,615
Auxiliary	282	314
	15,194	15,939
Number of employees at the end of the period	14,765	15,412

These numbers, at December 31, 2017 and 2016, did not include the employees of the Caixa Geral de Aposentações support department (219 and 221 respectively), employees assigned to CGD’s Social Services (34 and 42, respectively) and employees in other situations i.e. secondments or extended absences (118 and 123 respectively).

35. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

Retirement pensions and post retirement death grants:

Liabilities to CGD employees

Under article 39 of Decree-Law no.48.953 of April 5, 1969 and Decree-Law no. 161/92 of August 1, CGD is responsible for the payment of employees' retirement pensions for sickness, disability or old age and the survivors' pensions of employees hired after January 1, 1992. Caixa Geral de Aposentações ("CGA") was responsible for the survivors' pensions of employees engaged prior to January 1, 1992. These employees discounted 2.5% on their remuneration to CGA, for that purpose.

In conformity with the "Vertical Collective Wage Bargaining Negotiations" in force in the banking sector, the former BNU had also grant to its employees cash payments for early retirement and old age, disability and survivors' pensions. These payments comprised an increasing percentage in line with the number of years' service, applied to the wage scale, negotiated annually with the banking employees' union. In 2001, following BNU's incorporation into CGD, pension liabilities for BNU employees were transferred to CGD. Former BNU employees, still active at the date of the merger, were therefore included in CGD's current pension and benefits plan. The pension plan in force at the date of the respective retirements continues to be applied to BNU retirees and pensioners on the date of the merger.

All retirement pension liabilities for Caixa staff, for their length of service up to December 31, 2000, under Decree Laws 240-A/2004 of December 29 and 241-A/2004 of December 30, were transferred to CGA with reference to November 30, 2004. The transfer included liability for death grants after the standard retirement age, relative to length of service.

Caixa's pension liabilities, at December 31, 2017, therefore comprised the following:

- Liabilities for the services of active employees, after December 31, 2000;
- Part share of liabilities on the length of service provided, for employees retiring between January 1, 2001 and December 31, 2017;
- Liabilities for the retirement and respective survivors' pensions of BNU employees already being paid at the date of the merger; and,
- Liabilities for death grants on length of service provided after December 31, 2000.

Pension payments are based on employees' length of service and their respective remuneration at their retirement date and are revised on the basis of the remuneration in force for active employees.

CGD's pension plan does not apply to current employees who were hired by CGD after January 1, 2006.

Caixa makes the necessary payments to cover its pension liabilities, for which it set up a pension fund, in December 1991. Caixa's employees pay the following percentages of their remuneration into the pension fund:

- Employees hired before January 1, 1992 - 7.5%
- Employees hired after January 1, 1992 - 10.0%

The latter's contribution is fully paid into the pension fund given that it is responsible for the respective survivors' pensions regime.

The transfer of liabilities to CGA required the transfer of equivalent assets from the pension fund.

The liability for defined benefit plans recognised in the balance sheet comprises the difference between the present value of liabilities and fair value of pension fund assets. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and appropriate actuarial assumptions. The rate used for liabilities discounting procedures 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 of maturity to the average settlement period on liabilities.

Gains and losses on differences between the actuarial and financial assumptions used and the effective amounts of liabilities and income expected from the pension fund, as well as the results of changes to actuarial assumptions are recognised directly in a shareholders' equity account.

The annual cost of retirement and survivors' pensions, including current servicing and interest costs, net of the expected yield, comprises the net amount of the "Employee costs" account.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs".

Assessment of liabilities for retirement pensions and post retirement death grants.

Actuarial studies for the assessment of liabilities on the current payment of retirement pensions and past services of active employees, at December 31, 2017 and 2016, have been carried out by specialised entities.

The following hypotheses and technical bases were used:

	31-12-2017	31-12-2016
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
. Men	TV 73/77 (-2 year)	TV 73/77 (-2 year)
. Women	TV 88/90 (-2 year)	TV 88/90 (-2 year)
Disability table	EKV 80	EKV 80
Discount rate	2.125%	2.125%
Salary growth rate	1% on 2018 and following years	1% on 2017 and following years
Pension growth rate	0,5% on 2018 and following years	0% on 2017 and 0,5% on following years
Turnover rate:	0%	0%
Retirement age	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.

Studies, in 2017 and 2016, considered that the standard retirement age would be 36 years of service and an age of at least 60 with a maximum age limit of 70. There is also the possibility of retiring at age 59 with 39 years' service or at 58 with 42 years' service.

As defined under IAS 19 – "Employee benefits", the discount rate is assessed on the basis of market rates on low risk bonds, with a similar maturity to Caixa's liabilities (20 years). The economic environment and sovereign debt crisis, essentially in Southern Europe, implied significant instability in eurozone debt markets and a consequently very large drop in market yields on the debt of the companies with the highest ratings, as well as a reduction in available bonds. To reflect these circumstances and maintain the representativeness of the discount rate, at December 31, 2017 and 2016, Caixa's assessment incorporated information on yields, which can be obtained on bonds issued by Eurozone entities considered to be of high quality in terms of credit risk.

CGD maintained the principal assumptions related to the calculation of its employee benefits liabilities in 2017.

A comparison between the actuarial and financial assumptions used to assess CGD's pension costs, for 2017 and 2016 and effective amounts is set out in the following table:

	31-12-2017		31-12-2016	
	Assumption	Real	Assumption	Real
Rate of return of fund asset	2.13%	5.40%	2.13%	0.89%
Salary growth rate	1.00%	1.76%	0.50%	0.30%
Pension growth rate	0.50%	0.00%	0.00%	3.23%

Wage growth, in 2017, is related to the restoring of the conditions defined in the company agreement under which merit and seniority-based promotions are mandatory, as also the restart of merit-based promotions.

Mandatory, seniority-based promotions and continuity payment projections are autonomously and directly considered in the estimate of the evolution of wages and are not considered in wage growth assumptions. Wage growth rates based on continuity payments were 0.30% and 0.46%, at December 31, 2017 and 2016, respectively.

Wage growth assumptions reflect other changes in remuneration in the form of increases in wage scales and merit-based promotions.

Liabilities for the Group's past services in accordance with the actuarial studies and the funds and provisions available for their cover, at December 31, 2017 and 2016, totalled:

	31-12-2017			31-12-2016		
	CGD	Other	Total	CGD	Other	Total
Past service liability:						
Current employees	1,442,489	22,175	1,464,664	1,433,596	19,351	1,452,947
Retired and early retired employees	1,193,699	25,325	1,219,024	1,106,918	24,873	1,131,791
	2,636,188	47,500	2,683,688	2,540,514	44,224	2,584,738
Autonomous pension funds	2,650,808	987	2,651,795	2,358,869	973	2,359,842
Extraordinary contribution - Liability	-	-	-	138,637	-	138,637
Provision for pensions and similar charges	-	46,662	46,662	-	43,630	43,630
	2,650,808	47,649	2,698,457	2,497,506	44,603	2,542,109
Difference	14,620	148	14,768	(43,008)	379	(42,629)
Funding level	100.55%	100.31%	100.55%	98.31%	100.86%	98.35%

The Bank of Portugal's *Official Notice* 4/2005 of February 28, set out an obligation to fully finance liabilities for retirees and pre-retirees with a minimum financing level of 95% on liabilities for the past services of active employees.

At December 31, 2017, the pension fund, based on the management company's assessment, was worth €2,650,808 thousand. The Fund's worth as calculated by the fund manager is equivalent to 100% of liabilities for retirees and 101.1% for active employees, i.e. a total liabilities coverage rate of 100.55%. The liabilities coverage rate at December 31, 2016, was 98.31%

At December 31, 2017, CGD had assets covering liabilities for past services of €14,620 thousand (Note 19), originating from its surplus funding of pension plan liabilities.

CGD had liabilities of €182,004 thousand for past services (Note 25) at December 31, 2016, of which €138,637 thousand for an extraordinary contribution made to the Fund in March 2017.

At December 31, 2017, the sensitivity analysis on a change of the main actuarial assumptions applied to the timeframe under assessment would have the following impacts on the present value of liabilities for past services.

	%	Value
Change in discount rate		
Increase of 0,5%	(4.44%)	(116,954)
Decrease of 0,5%	4.74%	125,003
Change in salary growth rate		
Increase of 0,5%	1.39%	36,703
Decrease of 0,5%	(1.34%)	(35,417)
Change in pension growth rate		
Increase of 0,5%	3.09%	81,386
Decrease of 0,5%	(2.95%)	(77,889)
Change in mortality table		
Increase of 1 year in life expectancy	3.22%	84,769

Liabilities for the future services of active CGD employees, at December 31, 2017 and 2016, totalled €1,012,995 thousand and €1,104,863 thousand, respectively.

At December 31, 2017 and 2016, provisions for the pension and similar costs of "Other entities", included €12,512 thousand and €13,165 thousand, respectively, for healthcare costs.

Information on the number of beneficiaries, in 2017 and 2016, is set out below:

	31-12-2017	31-12-2016
Current employees	5,899	6,390
Retired and early retired employees	8,114	7,676
	14,013	14,066

Pension funds and pension provisions and similar costs movements, in 2017 and 2016, were:

	CGD	Other	Total
Balances at 31 December 2015	2,301,561	48,772	2,350,333
Contributions paid			
Regular contributions			
By employees	21,889	160	22,049
By the entity	66,945	274	67,219
Change in provisions for pensions and similar charges	-	1,903	1,903
Pensions paid	(52,303)	(2,032)	(54,335)
Net income of the pension fund	20,777	(816)	19,961
Other changes	-	(3,656)	(3,656)
Balances at 31 December 2016	2,358,869	44,603	2,403,472
Contributions paid			
Regular contributions			
By employees	21,476	157	21,633
By the entity	56,123	266	56,390
Change in provisions for pensions and similar charges	-	4,806	4,806
Pensions paid	(57,454)	(2,243)	(59,697)
Net income of the pension fund	133,156	66	133,222
Other changes	-	(6)	(6)
Balances at 31 December 2017	2,512,171	47,649	2,559,820
Extraordinary contribution	138,637	-	138,637
Balances including extraordinary contribution	2,650,808	47,649	2,698,457

The estimated contribution made by Caixa's workers for 2018 is €20,446 thousand, with €62,829 thousand being payable by CGD itself.

CGD's pension fund, at December 31, 2017 and 2016, was managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.

The component parts of Caixa employees' pension fund, at December 31, 2017 and 2016, were as follows:

	31-12-2017	31-12-2016
Equity investments presented by activity sector:		
Consumer industry	47,718	40,461
Manufacturing industry	45,577	37,996
Financial institutions	36,574	19,829
Health Care	9,624	9,959
Energy	17,267	17,154
Telecoms	4,480	4,754
subtotal	161,240	130,153
Debt investments presented by issuer' credit rating:		
AAA	300,390	173,979
AA	86,107	79,714
A	215,212	155,588
BBB	608,727	438,366
BB and lower	36,856	135,871
Not rated	11,153	5,137
subtotal	1,258,445	988,653
Equity instrument funds	746,063	742,277
Deposits in credit institutions	23,934	48,388
Real Estate	443,197	431,723
Others	17,930	17,675
Balances at the end of the year	2,650,808	2,358,869
Extraordinary contribution - liability	-	138,637
Balances including extraordinary contribution	2,650,808	2,497,506

At December 31, 2017, CGD's pension fund, as calculated by CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A. was worth €2,650,808 thousand.

The following is an analysis of shares and bonds at December 31, 2017 and 2016:

	31-12-2017	31-12-2016
Portuguese shares	76,306	54,528
Listed	100.00%	100.00%
Foreign shares	84,934	75,626
Listed	100.00%	100.00%
Fixed rate bonds	811,603	746,631
Listed	100.00%	100.00%
Floating rate bonds	446,841	242,022
Listed	100.00%	100.00%

CGD's pension fund rented out buildings to Caixa Geral de Depósitos for €378,144 thousand and €373,918 thousand, at December 31, 2017 and 2016, respectively in addition to holding securities, issued by Caixa Geral de Depósitos and investment units in funds managed by CGD Group for €300,362 thousand and €377,387 thousand, respectively.

CGD's pension fund had deposits of €23,934 thousand and €48,388 thousand with Caixa Geral de Depósitos, at December 31, 2017 and 2016, respectively.

The Fund's assets are subject to interest rate, credit, equity market, property market, liquidity and foreign exchange risk.

The Fund's investment policy involves exposure to the equities, bonds and property markets as well as alternative investments such as private equity and infrastructure funds.

The investment policy implemented by the Fund aims to mitigate a part of interest rate and inflation risks. This protection takes the form of allocating investments to long term, variable-rate bonds in order to provide part protection from oscillations in the financial market's yield curve over the long term.

To mitigate market and foreign exchange risks, the Fund may use futures and options on share indices and forward exchange rates.

The economic environment over the last few years, allied with the scarcity of alternative, longer term maturity investments, has not made it possible to match different asset categories to the average maturity of liabilities, based on an ALM (asset liability matching) approach.

The evolution of the liabilities and balance of CGD employees' pension fund in addition to its actuarial profit and loss across the present and over the last 4 years is analysed below:

	31-12-2017		31-12-2016		31-12-2015		31-12-2014		31-12-2013	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	2,636,188	464,475	2,540,514	491,352	2,287,699	512,756	2,211,563	500,622	1,712,206	466,908
Value of the fund	2,650,808	-	2,497,506	-	2,301,561	-	2,144,032	-	1,712,206	-
Provisions	-	464,475	-	491,352	-	512,756	-	500,622	-	466,908
Under (Over) financed liabilities	(14,620)	-	43,008	-	(13,862)	-	67,531	-	-	-
Gains / (Losses) resulting from liabilities	(14,061)	21,120	(149,432)	19,704	39,776	(13,445)	(391,003)	(28,967)	(56,942)	(9,053)
Gains / (Losses) resulting from the fund's assets	83,436	-	(36,383)	-	51,631	-	29,616	-	10,908	-
	69,376	21,120	(185,815)	19,704	91,407	(13,445)	(361,388)	(28,967)	(46,034)	(9,053)

Information on changes in the spread between the Group's liabilities for past services and respective coverage and corresponding impact in the financial statements, at December 31, 2017 and 2016, is given below:

	CGD	Other	Total
Situation at 31 December 2015	13,862	22	13,884
Current service cost	(70,911)	(2,525)	(73,436)
Interest cost (net)	584	1	585
Normal cost for the year (Note 34)	(70,327)	(2,525)	(72,852)
Increase in liabilities due to early retirements (Note 34)	(6,310)	-	(6,310)
Other changes	-	724	724
Changes with impact in net income	(76,637)	(1,800)	(78,437)
Liability	(149,432)	4,608	(144,824)
Income	(36,383)	(2,451)	(38,834)
Actuarial gains and losses	(185,815)	2,157	(183,658)
Contributions made by the entity	66,945	-	66,945
Other	-	-	-
Situation at 31 December 2016 before extraordinary contribution	(181,645)	379	(181,266)
Extraordinary contribution - liability	138,637	-	138,637
Situation at 31 December 2016 after extraordinary contribution	(43,008)	379	(42,629)
Current service cost	(68,030)	(2,912)	(70,942)
Interest cost (net)	(3,636)	9	(3,627)
Normal cost for the year (Note 34)	(71,666)	(2,903)	(74,569)
Increase in liabilities due to early retirements (Note 34)	3,795	-	3,795
Other changes	-	(2,072)	(2,072)
Changes with impact in net income	(67,871)	(4,976)	(72,847)
Liability	(14,061)	(265)	(14,326)
Income	83,436	4,744	88,181
Actuarial gains and losses	69,376	4,479	73,855
Contributions made by the entity	56,123	266	56,390
Situation at 31 December 2017	14,620	148	14,769

Liabilities deviations, on a CGD level, in 2017 and 2016, were as follows:

	31-12-2017	31-12-2016
Change in the salary growth rate	-	(5,188)
Change in the discount rate	-	(169,518)
Other actuarial gains and losses	(14,061)	25,274
	(14,061)	(149,432)

Medical – social care

Caixa Geral de Depósitos' Social Services are responsible for medical care services for CGD headquarters' active employees and pensioners. CGD makes an annual contribution of 7.80% of wages and pensions to its Social Services. Caixa also has contributions liabilities to “SAMS” (Medical Care Services) for former BNU employees, retiring before 23 July 2001.

Liabilities for past medical-social care services were assessed on the basis of actuarial studies by specialised entities, using identical actuarial assumptions to those for the above pension liabilities.

Liabilities for past services of €464,475 thousand and €491,352 thousand, at December 31, 2017 and 2016, respectively are recognised in “Provisions”.

At December 31, 2017, a 0.25% reduction in the actuarial discount rate applied to the period under assessment would lead to an increase of €16,730 thousand in the present amount of liabilities for past services with the medical plan. In the event of an increase of the same magnitude in the discount rate, the reduction of liabilities would be €15,778 thousand.

Other long-term benefits

Caixa pays a bonus of one, two or three months’ wages to all employees with ten, twenty or thirty years of full time service, in the year of completion. A bonus is also paid to employees with early retirement status, whose value is proportional to the amount they would have received if continuing to be employed until satisfying the assumptions of the following scale. The corresponding liabilities of €36,350 thousand and €37,367 thousand, at December 31, 2017 and 2016, respectively, were recognised in “Other liabilities” (Note 25).

Caixa pays a death grant to current employees prior to the standard retirement age.

France branch also pays long-term benefits to its employees. Liabilities of €12,512 thousand and €13,165 thousand were assessed, at December 31, 2017 and 2016, respectively.

Provisions

Provisions for employee benefit costs, at December 31, 2017 and 2016, comprise the following:

	31-12-2017	31-12-2016
CGD		
Provision for post-employment healthcare	464,475	491,352
Provision for labour suspension agreements (PH and ASPT)	60,150	60,380
Provisions for early retirement (PPR)	223,901	-
Provisions for mutually agreed terminations	1,788	-
France branch liability	12,512	13,165
	762,826	564,897
Provision for pension and other liabilities		
Banco Comercial do Atlântico, S.A.	43,596	42,536
Banco Comercial de Investimento (Moçambique)	671	638
Caixa Leasing Factoring-IFIC	1,943	-
Other	683	457
	46,894	43,630
Provision for post-employment healthcare		
Banco Comercial do Atlântico, S.A.	2,434	2,364
	2,434	2,364
Other	1,910	2,203
	814,064	613,094

The liability of €2,463 thousand, associated with the medical plan for Mercantile, at December 31, 2016, was recognised in non-current liabilities held-for-sale (Note 13).

Caixa recognised a specific liability on the impact of the change to "inactive" status of employees with whom it has entered into voluntary redundancy agreements. CGD also set up a provision of €223,901 thousand for its early retirement programme covering the three year period 2018-2020, in 2017, as an extension to the early retirement programme set up in 2017 in order to facilitate the exits of CGD and CGD Group employees who, not being eligible for voluntary retirement are interested in the possibility of early retirement.

The respective liability recognised by Caixa, at December 31, 2017 and 2016 amounted to €285,389 thousand and €60,380 thousand, respectively, recognised in “Provisions”. Provision movements for employee benefits, in 2017 and 2016, comprised the following (Note 23):

	31-12-2017	31-12-2016
Balances at the beginning of the year	613,094	642,958
Provisions recognised as employee costs:		
Healthcare – CGD (Note 34)	17,802	21,046
Labour suspension agreements (Note 34)	26,799	5,570
Mutually agreed terminations	10,184	-
Actuarial gains and losses on post-employment healthcare liability	(21,120)	(19,704)
Other	2,794	(29)
	36,459	6,882
Increase, net of reversals, recorded by corresponding entry to “Provisions”	225,768	4,105
Payments to SAMS and CGD’s Social Services	(23,559)	(22,746)
Payment of labour suspension agreements	(37,948)	(12,659)
Other	249	(2,984)
Transfered to non-current assets and liabilities held for sale - Subsidiaries	-	(2,463)
Balances at the end of the year	814,064	613,094

The amount of €2,463 thousand, transferred to non-current assets held-for-sale, in 2016, refers to Mercantile’s medical plan.

36. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	31-12-2017	31-12-2016 (restated amounts)
Specialised services		
- IT services	59,466	64,604
- Safety and security	9,709	11,078
- Cleaning	6,635	7,085
- Information services	6,793	7,091
- Contracts and service fees	4,116	3,821
- Studies and consultancy	1,991	3,170
- Other	82,787	96,033
Operating leases	46,914	66,854
Communications and postage	30,267	33,433
Maintenance and repairs	35,742	37,438
Advertising and publications	18,584	23,376
Water, energy and fuel	18,778	20,907
Transport of cash and other values	10,441	11,176
Travel, lodging and representation expenses	6,558	8,142
Standard forms and office supplies	5,764	6,733
Other	13,044	14,926
	357,590	415,867

Information on the composition of total future operating lease payments, at December 31, 2017 and 2016, under the terms of the principal contracts in force, at the referred to dates, was as follows:

	31-12-2017	31-12-2016 (restated amounts)
Up to one year	19,321	20,318
One to five years	72,245	70,052
Over five years	134,799	150,507

Information on the statutory auditors' fees, in 2017 and 2016, for their statutory revision of the annual accounts and other services, is detailed below:

	31-12-2017	31-12-2016 (restated amounts)
Statutory audit of annual accounts	1,752	243
Other services	1,720	67
	3,471	309

(a) Balances include VAT

37. ASSETS IMPAIRMENT

Information on impairment movements, for 2017 and 2016, is set out below:

	Balances at 31-12-2016	Changes in the consolidation perimeter	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2017	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,633,397	-	184,883	(1,093,354)	(17,914)	(151,052)	4,555,961	(98,975)
Impairment of loans and advances to credit institutions (Note 6)	7,125	-	-	-	-	-	7,125	
Impairment of available-for-sale financial assets (Note 8)								
Equity instruments	126,238	-	1,489	(25,192)	(287)	9,020	111,268	
Debt instruments	9,927	-	(2,207)	(904)	510	(3,704)	3,622	
Other instruments	342,711	-	14,216	(7,606)	(5,280)	30,654	374,694	
Impairment of financial assets with repurchase agreement (Note 9)	688	-	-	-	-	(688)	-	
Impairment of other tangible assets (Note 15)	16,922	-	(4,440)	-	-	1,497	13,980	
Impairment of intangible assets (Note 16)	32,297	-	(4,377)	-	-	27,999	55,919	
Impairment of non-current assets held-for-sale (Note 13)								
Properties	502,133	-	(40,217)	(4,329)	(49)	4,340	461,878	
Equipment	1,966	-	1,381	(1,145)	-	-	2,202	
Subsidiaries	18,000	-	382,734	-	-	7,529	408,263	
Impairment of investments in associates and jointly controlled entities (Note 17)	-	-	439	-	-	30	469	
Impairment of other assets (Note 19)	402,849	-	38,775	(157,509)	119	3,408	287,643	
	1,460,857	-	387,792	(196,685)	(4,987)	80,086	1,727,063	
	7,094,253	-	572,675	(1,290,039)	(22,900)	(70,965)	6,283,024	(98,975)

	Balances at 31-12-2015	Changes in the consolidation perimeter	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2016 (unaudited)	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,197,706	-	2,415,610	(1,929,117)	(1,308)	(49,494)	5,633,397	(19,211)
Impairment of loans and advances to credit institutions (Note 6)	11,394	-	(624)	(3,643)	-	(2)	7,125	
Impairment of available-for-sale financial assets (Note 8)								
Equity instruments	112,532	-	15,832	(2,200)	74	-	126,238	
Debt instruments	1,029	-	9,777	-	(688)	(190)	9,927	
Other instruments	247,138	-	120,246	(26,030)	1,356	-	342,711	
Impairment of financial assets with repurchase agreement (Note 9)	-	-	-	-	-	688	688	
Impairment of other tangible assets (Note 15)	13,597	-	5,255	(27)	-	(1,901)	16,922	
Impairment of intangible assets (Note 16)	20,639	-	11,658	-	-	-	32,297	
Impairment of non-current assets held-for-sale (Note 13)								
Properties	409,788	-	125,708	(7,450)	(12)	(25,902)	502,133	
Equipment	1,721	-	827	(581)	-	-	1,966	
Subsidiaries	-	-	18,000	-	-	-	18,000	
Impairment of other assets (Note 19)	245,760	-	81,036	(4,859)	(1,001)	81,914	402,849	
	1,063,598	-	387,714	(44,790)	(271)	54,605	1,460,857	
	6,261,304	-	2,803,324	(1,973,907)	(1,578)	5,111	7,094,253	(19,211)

The "Transfers and other" column of the “Impairment of other assets” account across 2016, included:

- The reclassification of €49,612 thousand of impairment on the outstanding balances on the calling in of guarantees provided to customers, transferred from "Impairment of loans and advances to customers" to "Impairment of other assets"; and,
- The reclassification of €34,071 thousand of impairment on the provision for fiscal contingencies relating to the Caixa Brasil dispute, which was transferred to "Impairment of other assets" following Caixa’s application for the PERES (“Special Programme for Reduction of Debts to the State”) programme (Note 23).

The “Transfers and other” column in the impairment movements table for 2016 included €3,519 thousand for the recognition of accumulated impairment on loans and advances to customers, related to the activity of Mercantile Bank Holdings, Ltd, recognised in non-current assets held-for-sale at December 31, 2016 (Note 13).

The “Increases, recoveries and cancellations” column in the table of impairment movements for 2016 includes net costs of €12,681 thousand, of which €15,532 thousand were reclassified to “Results from subsidiaries held-for sale” and €2,851 thousand reclassified from impairment on loans and advances to customers to provisions for guarantees and commitments in profit and loss. These reclassifications derive from the transfer of the assets and liabilities of Banco Caixa Geral, S.A., Banco Caixa Geral Brasil, S.A. and CGD Investimentos CVC, S.A. to non-current assets and liabilities held-for-sale (Notes 13 and 23).

The “Transfers and other” column in the table of impairment movements for 2017 also includes €76,695 thousand, €1 thousand, €463 thousand, €558 thousand, €245 thousand and €406 thousand, for the recognition of accumulated impairment on loans and advances to customers, intangible assets, tangible assets, other assets, debt and equity instruments, related to the activity of these business units which, at December 31 2017, were recognised in non-current assets held-for-sale accounts (Note 13).

Credit disposals, in 2017, caused the use of €518,043 thousand in impairment.

As a result of the changes in loan write-off policies, in 2016, detailed in Note 41, an amount of €1,747,483 thousand, fully covered by impairment, were derecognised in Caixa’s balance sheet in the period.

38. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 − Operating segments" requirements and the assessment of own funds requirements to cover operational risk, using the standard method under the Bank of Portugal's *Official Notice* 9/2007 of 2007/04/18:

- *Trading and sales.* Trading and sales include banking activity related to the management of the treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Loans and advances to and cash balances at other credit institutions and derivatives are included in this segment;
- *Retail banking.* Retail banking comprises banking activities for individual customers, one-man businesses and micro enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;
- *Commercial banking.* Commercial banking includes lending activities and resource-taking from major enterprises and SMEs. The segment includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and loans to the public sector;
- Asset management. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trust and property funds 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 operating segments not described in the preceding business segments.

Information on the appropriation of results and principal balance sheet aggregates, by business areas and geographies, in 2017 and 2016, is given below:

<u>Business areas</u>

	31-12-2017						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	741,920	312,577	101,023	14	81,949	3,576	1,241,059
Income from equity instruments	5,980	-	6,712	19,953	351	13,387	46,383
Income from services rendered and commissions	18,075	194,073	65,341	36,934	37,816	236,912	589,151
Cost of services and commissions	(32,172)	(1,583)	(214)	(6,788)	(1)	(83,531)	(124,289)
Results from financial operations	224,015	(2,978)	475	(14,297)	1,181	7,383	215,779
Other net operating income	3,171	22,412	4,322	34,784	282	(68,344)	(3,373)
Net operating income from banking	960,989	524,501	177,659	70,600	121,578	109,382	1,964,709
Other income and expenses							(1,912,763)
Net income attributable to the shareholder of CGD							51,946
Cash balances and loans and advances to credit institutions (net)	7,944,104	394,908	325	209	-	8,741	8,348,287
Investments in securities and derivatives (net)	15,181,474	-	31	385,254	-	244,509	15,811,268
Loans and advances to customers (net)	-	29,798,103	25,341,765	80	115,033	-	55,254,981
Total net assets	26,588,712	31,033,155	27,095,619	1,721,535	831,826	5,977,067	93,247,914
Resources of central banks and credit institutions	4,032,630	-	6,652	-	-	3,568	4,042,850
Customer resources	53,117	49,102,414	14,470,102	-	-	5,263	63,630,896
Debt securities	4,051,421	-	-	-	-	-	4,051,421

	31-12-2016 (restated amounts)						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	568,106	444,881	3,781	(4)	18,992	3,856	1,039,612
Income from equity instruments	13,282	-	6,300	28,324	326	3,141	51,373
Income from services rendered and commissions	22,701	191,256	79,592	32,371	32,852	209,456	568,228
Cost of services and commissions	(29,960)	(2,757)	(916)	(6,873)	(134)	(77,739)	(118,378)
Results from financial operations	84,201	2,083	566	(6,999)	(310)	(2,924)	76,616
Other net operating income	(107,400)	(15,787)	(6,585)	10,461	363	(75,058)	(194,007)
Net operating income from banking	550,929	619,676	82,738	57,278	52,089	60,733	1,423,443
Other income and expenses							(3,282,966)
Net income attributable to the shareholder of CGD							(1,859,523)
Cash balances and loans and advances to credit institutions (net)	5,348,534	383,397	55,705	12,874	-	15,572	5,816,082
Investments in securities and derivatives (net)	14,252,875	160,552	420,176	508,997	210,363	272,879	15,825,841
Loans and advances to customers (net)	1,144,278	31,854,605	28,981,251	212,876	643,385	30,430	62,866,825
Total net assets	20,986,044	33,633,622	29,643,252	1,853,300	924,266	6,506,829	93,547,313
Resources of central banks and credit institutions	5,003,241	188,144	491,231	100,915	-	16,181	5,799,712
Customer resources	974,583	51,924,019	16,125,937	177,409	449,469	28,713	69,680,130
Debt securities	4,183,729	-	-	-	-	-	4,183,729

Geographies

	31-12-2017							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	772,336	105,556	9,355	-	91,591	268,760	(6,539)	1,241,059
Income from equity instruments	102,180	482	-	-	92	17,904	(74,276)	46,383
Income from services rendered and commissions	491,612	38,920	768	-	37,743	52,916	(32,808)	589,151
Cost of services and commissions	124,178	10,743	168	-	17,658	11,192	(288,228)	(124,289)
Results from financial operations	276,331	4,364	104	-	4,395	(27,144)	(42,270)	215,779
Other net operating income	(144,551)	(11,429)	4	-	18,321	10,800	123,481	(3,373)
Net operating income from banking	1,622,086	148,635	10,399	-	169,800	334,428	(320,639)	1,964,709
Other income and expenses								(1,912,763)
Net income attributable to the shareholder of CGD								51,946
Cash balances and loans and advances to credit institutions (net)	10,918,450	854,464	378,210	-	2,604,333	1,260,717	(7,667,888)	8,348,287
Investments in securities and derivatives (net)	19,123,683	16,524	138,729	-	517,985	1,117,056	(5,102,709)	15,811,268
Loans and advances to customers (net)	47,394,005	6,471,135	86,927	-	2,965,130	2,051,794	(3,714,009)	55,254,981
Total net assets	75,147,881	12,689,734	604,130	532,776	6,996,062	5,906,375	(8,629,044)	93,247,914
Resources of central banks and credit institutions	5,599,321	1,461,757	627,886	-	303,683	38,804	(3,988,600)	4,042,850
Customer resources	52,652,810	2,511,383	1,129	-	5,161,298	3,689,103	(384,827)	63,630,896
Debt securities	3,996,735	3,859,257	-	-	-	-	(3,804,571)	4,051,421

	31-12-2016 (restated amounts)							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	610,510	108,789	9,886	-	95,092	224,418	(9,084)	1,039,612
Income from equity instruments	110,624	3,889	-	-	92	13,449	(76,681)	51,373
Income from services rendered and commissions	468,038	35,399	1,224	-	40,082	56,380	(32,895)	568,228
Cost of services and commissions	123,259	8,640	127	-	17,507	9,634	(277,546)	(118,378)
Results from financial operations	(38,003)	50,595	(35)	-	7,959	33,730	22,369	76,616
Other net operating income	(26,635)	(13,323)	(96)	-	4,023	9,611	(167,587)	(194,007)
Net operating income from banking	1,247,793	193,990	11,107	-	164,756	347,222	(541,425)	1,423,443
Other income and expenses								(3,282,966)
Net income attributable to the shareholder of CGD								(1,859,523)
Cash balances and loans and advances to credit institutions (net)	10,819,996	2,422,199	1,508,080	218,144	4,401,931	1,125,944	(14,680,212)	5,816,082
Investments in securities and derivatives (net)	17,533,808	1,607,903	133,068	213,376	494,409	1,112,159	(5,268,883)	15,825,841
Loans and advances to customers (net)	49,598,914	11,698,575	462,164	160,686	3,115,037	2,233,311	(4,401,862)	62,866,825
Total net assets	90,870,736	16,094,124	2,103,821	660,791	8,944,235	5,761,686	(30,888,080)	93,547,313
Resources of central banks and credit institutions	9,549,783	6,292,822	1,813,560	266,344	326,750	129,691	(12,579,239)	5,799,712
Customer resources	55,580,448	5,101,961	464,962	229,515	7,014,799	3,717,253	(2,428,809)	69,680,130
Debt securities	4,142,146	4,232,347	-	-	-	-	(4,190,764)	4,183,729

The "Other" column includes balances between Group companies eliminated in the consolidation process.

The following is a breakdown of the contribution to the Group's results by business area, based on internal management criteria, in 2017 and 2016.

	31-12-2017					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,669,640	843,264	139,485	-	(307,676)	2,344,714
Interest and similar costs	(952,519)	(368,904)	(120,227)	-	337,995	(1,103,655)
Income from equity instruments	6,243	1,124	13,822	-	25,194	46,383
Net interest income	723,364	475,485	33,080	-	55,513	1,287,442
Income from services rendered and commissions	418,060	130,348	37,088	-	3,655	589,151
Cost of services and commissions	(79,690)	(38,860)	(5,780)	-	41	(124,289)
Results from financial operations	127,736	(18,246)	112,895	-	(6,606)	215,779
Other net operating income	(54,540)	17,295	(232)	(50)	34,153	(3,373)
Net operating income	411,567	90,537	143,971	(50)	31,243	677,267
NET OPERATING INCOME FROM BANKING	1,134,931	566,021	177,051	(50)	86,756	1,964,709
Other income and expenses	(1,485,667)	(338,215)	(101,731)	14,714	(1,864)	(1,912,763)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(350,736)	227,806	75,320	14,664	84,892	51,946

	31-12-2016 (restated amounts)					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,912,452	779,354	159,786	-	(380,668)	2,470,924
Interest and similar costs	(1,364,750)	(342,121)	(138,238)	-	413,797	(1,431,312)
Income from equity instruments	5,579	4,408	3,863	-	37,523	51,373
Net interest income	553,280	441,641	25,411	-	70,653	1,090,985
Income from services rendered and commissions	396,274	133,086	36,005	-	2,864	568,228
Cost of services and commissions	(78,990)	(34,957)	(7,173)	(0)	2,741	(118,378)
Results from financial operations	(2,272)	92,517	(5,445)	-	(8,185)	76,616
Other net operating income	(13,724)	215	682	2	(181,182)	(194,007)
Net operating income	301,289	190,862	24,068	2	(183,762)	332,459
NET OPERATING INCOME FROM BANKING	854,569	632,503	49,479	2	(113,110)	1,423,443
Other income and expenses	(2,538,928)	(576,993)	(71,656)	30,056	(125,444)	(3,282,966)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(1,684,359)	55,509	(22,177)	30,058	(238,554)	(1,859,523)

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

39. RELATED ENTITIES

Associates, jointly controlled enterprises, the Group's management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The Group's financial statements, at December 31, 2017 and 2016, included the following balances and transactions with related entities, excluding management bodies:

	31-12-2017			31-12-2016 (Restated amounts)		
	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	6,778,065	384,181	5,820	5,859,146	184,991	20,312
Loans and advances to customers	-	4,005,883	73,242	2,441	4,825,004	265,910
Impairment for loans and advances to customers	-	-	-	-	6,996	165,953
Other assets	36,793	218,422	493,425	363,801	16,017	14,429
Liabilities:						
Customer resources	31,252	621,516	414,534	37,202	652,792	404,852
Financial liabilities held-for-trading	65,333	45,238	44	174,359	33,292	-
Other liabilities	116,911	68,631	1,294	945,763	65,100	2,502
Guarantees given	1,500	148,279	33,979	1,500	98,764	33,595
Net income:						
Interest and similar income	104,178	135,009	3,271	68,379	46,339	1,600
Interest and similar costs	34,914	12,847	2,571	32,950	14,229	2,336
Income from services rendered and commissions	66	8,848	53,923	-	2,639	45,582
Cost of services and commissions	24	1,113	391	-	30	-
Results from financial operations	108,618	(17,054)	(852)	(11,545)	26,952	-
Other operating income	(45)	(1,385)	238	(97)	1,248	229
General administrative costs	-	13	2,460	-	506	147

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at December 31, 2017 and 2016, does not include balances with regional or local government.

Management bodies

The remuneration and the other benefits enjoyed by members of the management bodies of Caixa and Caixa Group companies in 2017 (considered, for this purpose as relevant key management employees in line with the respective IAS 24 − Related Party Disclosures requirements) totalled €16,773 thousand (€14,380 thousand in 2016). Information on the amount of the referred to costs in 2017 and 2016 is itemised below:

	31-12-2017	31-12-2016
Short-term emploee benefits	14,916	14,066
Post-employment benefits	147	257
Other long-term benefits	1,709	56
	16,773	14,380

Loans to members of management bodies, at December 31, 2017 and 2016, also totalled €2,120 thousand and €1,468 thousand respectively.

40. PROVISION OF INSURANCE BROKERAGE SERVICE

Total remuneration from the provision of insurance brokerage services amounted to €46,009 thousand and €43,079 thousand, in 2017 and 2016, respectively, all of which cash commissions.

All remuneration in 2017 and 2016 derived from the provision of insurance brokerage services by associate company Fidelidade - Companhia de Seguros S.A., as itemised below:

	31-12-2017	31-12-2016
Life insurance	39,039	35,640
Non-life insurance	6,970	7,439
	46,009	43,079

Caixa recognised all commissions received for brokering the life and non-life insurance of Fidelidade - Companhia de Seguros S.A. on its branch office network as results for the period, at the time of origination, recognised in “Results from services and commissions” (Note 31).

The balances receivable by Caixa from Fidelidade - Companhia de Seguros S.A. for brokerage service commissions amounted to €3,301 thousand and €2,825 thousand, at December 31, 2017 and 2016 respectively. Caixa’s activity as an insurance broker does not involve any collections related to insurance contracts payments from customers.

The nominal value of Fidelidade’s financial insurance sold over Caixa counters totalled €7,638,895 thousand and €7,264,852 thousand at December 31, 2017 and 2016, respectively, mainly in respect of *PPRs* (retirement savings plans).

In spite of retaining a non-controlling equity stake in Fidelidade, CGD Group does not have any direct involvement in the company’s investment policy nor does it assume any contractual liability with customers for these products.

41. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies on the financial risks involved in the Group's activity

CGD adopted a centralised risk management model, in 2001, encompassing the assessment and control of all of the Group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

Credit risk -

The credit risk attached to CGD's customer portfolio is overseen and controlled by the monitoring of indicators which are split by type of product, customer segment, maturities, types of guarantee, level of exposure to the financial system, sector of activity and geography. The amount of large exposures *vis-à-vis* the maximum limits defined by supervisors is also analysed. CGD has implemented a system for the identification, assessment and control of risk on its credit portfolio, beginning at the time the loan is made, with risk being monitored over the lifetime of the operations.

Regarding implementation of the International Accounting Standards, CGD assesses the amount of impairment on each credit sub-portfolio on a monthly basis, by splitting it up into like-for like risk segments and use of PD (probability of default) and migration to default and recoveries after default (LGD - loss given default) annually updated on the base of historical information.

The credit portfolio was overseen and recovery policy revised by DGR (Risk Management Division), as was the incorporation of default and non-performing exposure concepts, in alignment with the definitions published by the European Banking Authority (EBA), in the operating system used for the daily monitoring of the credit portfolio. This system incorporates a series of rules and functionalities designed to promptly recognise risk events enabling work to begin on a series of corrective actions designed to regularise and recover credit:

- All customers have an associated risk level which is updated daily;
- Retail customers for which more serious risk levels are identified are automatically allocated to specialised recovery areas; and,
- The measures taken to regularise the loan are identified and enable an assessment of the level of efficiency.

The process is monitored in a monthly report produced by DGR.

As part of the lending process, DRC (Credit Risks Division) has corporate functions and reports directly to the executive committee, has decision-making and/or credit analysis functions for corporates, financial institutions, institutional and individual customers.

The analysis of lending to corporates, in addition to natural portfolio oversight, is geared to customer credit risk, the respective economic group and the operations set out in the proposal, having separate functions from the commercial area that is responsible for submitting the proposals with the conditions of the operations.

The analysis is based on the ratings issued by rating agencies and internal assessment models as well as quantitative and qualitative weighting factors on the customer/economic group and operation in question. The market and the economy in which the entities operate, and any aspects/conditions which could mitigate credit risk are also taken into account.

Market risk -

Market risk management rules have been defined for each portfolio or business unit to ensure that the risk levels incurred on CGD Group's credit portfolios are in line with its risk appetite. They include market risk limits as well as limits on exposures to credit and asset liquidity risk, the required returns, types of instruments authorised and maximum acceptable loss levels.

Market risk hedging operations are decided by portfolio or business unit managers, based on risk limits and authorised instruments, in which the risk management area collaborates on assessing the impact of total risk hedges incurred or changes of authorised market risk levels, if deemed advisable under the circumstances.

Under management rules each portfolio is subject to restrictions in terms of its composition, as regards assets and risk levels. Risk levels are defined on credit exposure (concentration by name, sector, rating and country), and market (maximum total risk level, risk factor and maturity), as well as market liquidity.

The most common market risk monitoring instrument used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates and volatility), using the historical simulation method, whose confidence levels used in the simulation are contingent upon portfolio retention objectives. Additional measurements are also monitored on certain portfolios and include: *Expected Shortfall* and *Third Worst*. Other market risk measurements, such as sensitivity to the price changes of underlying assets (basis point value – bpv, on interest rates) and other sensitivity indicators commonly used for share portfolios are also applied (usually referred to as "Greeks"). Stress test assessments, whether standard or historic, have also been developed.

The reliability of the VaR (*Value at Risk*) model is monitored daily on the basis of a comparative analysis between value at risk and theoretical and real backtesting results. The number of exceptions obtained enable the method's accuracy to be assessed and any necessary adjustments or calibrations made.

Executory functions on market operations and their associated risk control are completely separate.

Foreign exchange risk –

Foreign exchange risk is controlled and assessed daily on a separate basis for domestic operations and for each of the branch offices and subsidiaries and monthly, on a consolidated level, for the Group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Liquidity risk and balance sheet interest risk –

Liquidity and balance sheet interest risk management policies are defined by the CALCO (*Capital, Asset and -Liability Committee*). The Risk Management Division's liquidity risk and balance sheet interest rate area measures, monitors and reports on the two types of risk.

The specialised Capital, Assets and Liabilities Management Board is the executive committee's decision-making arm responsible for the integrated assets and liabilities management process (ALM – Asset-Liability Management), designed to achieve proactive balance sheet management and promote CGD Group's profitability. In the risk management domain, the ALM process normally concentrates on liquidity and balance sheet interest rate risk, as a space for the rapid dissemination of Group-wide management information.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity risk management also includes stress tests based on internally developed methodologies articulated with the existing liquidity contingency plan, designed to assess the funding situation at any point of time, strengthening CGD's resistance to adverse shocks and examining funding alternatives.

Caixa Group has endeavoured to guarantee a sustainable financing structure for its activity, across the year as a whole, based on the liquidity and period to maturity of its assets and off-balance-sheet exposures.

The measurement methodology adopted for interest rate management risk includes a short term or accounting perspective and a long term or economic perspective.

The short term or accounting perspective for interest rate risk assessments aims to estimate the effect of adverse changes 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 for fixed-rate financial instruments, and (ii) periods between the repricing of interest rates for variable-rate financial instruments. The respective interest rate gaps for these time bands are then calculated, enabling the effects of interest rate changes to be matched with net interest income.

Net interest rate simulations are also used with the objective of improving the reliability of the estimations obtained from interest rate gaps on the sensitivity of interest income. 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 as reflected in the yield curves.

The long term or economic perspective on the assessment of interest rate risks aims to estimate the effect of adverse changes in interest rates on the economic value of capital. The methodology used for the purpose involves the calculation of the effective duration of assets and liabilities sensitive to changes in interest rates, in addition to the respective duration gap, enabling the effect of interest rate changes to be matched to the economic value of capital.

Simulation techniques are also used to improve the reliability of the estimations obtained from the duration gap of the sensitivity of the economic value of capital They include the assessment and respective estimation of all of the future cash flows from assets and liabilities sensitive to interest rate changes (full valuation).

The management of liquidity and balance sheet interest rates is based on a set of guidelines approved by the CALCO (*Capital, Asset and -Liability Committee*), which includes limits on a collection of significant exposure variables to such types of risk. The guidelines aim to ensure that CGD Group has a means of managing the return-risk trade-off for balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its assumption of risk policies and positions.

Credit Risk

Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at December 31, 2017 and 2016:

	31-12-2017	31-12-2016
Trading securities		
Public debt	5,147,032	4,868,665
Private debt	10,807	18,334
	5,157,839	4,886,999
Financial assets at fair value through profit or loss		
Private debt	-	4,969
	-	4,969
Available-for-sale financial assets*		
Public debt	3,487,966	4,827,582
Private debt	1,719,935	1,430,644
	5,207,901	6,258,226
Held-to-maturity investments		
Public debt	2,626,819	433,131
	2,626,819	433,131
Financial assets with repurchase agreement		
Public debt	52,849	358,683
Private debt	-	206,219
Credit and securities	-	234,830
	52,849	799,732
	13,045,408	12,383,055
Derivatives	971,122	1,519,408
Cash balances at other credit institutions	698,700	757,726
Loans and advances to credit institutions*	3,031,103	3,221,582
Loans and advances to customers*	55,316,195	62,950,042
Other debtors*	2,442,173	2,724,210
Other operations pending settlement	304,442	264,697
	62,763,735	71,437,665
Other commitments		
Personal/ Institutional guarantees given:		
Guarantees and sureties**	2,957,359	3,459,830
Stand-by letters of credit	45,028	62,060
Open documentary credits	241,886	324,575
Forward deposit agreements	60,242	218
Irrevocable lines of credit	569,331	567,968
Securities subscription	1,340,452	1,683,944
Other irrevocable commitments	63,220	-
Credit default swaps	-	75,894
	5,277,519	6,174,490
Maximum exposure to credit risk	81,086,661	89,995,211

[*] Balances net of impairment
[**] Balances net of provisions

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (Note 25) and netting agreements.

Credit quality of loans and advances to credit institutions

The following table splits up the balance sheet amounts of loans and advances to credit institutions, with reference to December 31, 2017 and 2016, considering risk aggregate categories (reduced, average and high) associated with external ratings and the counterparty's country of origin:

	31-12-2017						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	-	487,161	363,665	1,100,760	-	301,806	2,253,392
Medium risk	1,003	-	-	5,496	-	-	6,499
Not rated	237,657	-	-	-	5,795	39,116	282,568
Central and Supranational banks	-	-	-	50,832	54,174	381,229	486,235
	238,660	487,161	363,665	1,157,088	59,969	722,151	3,028,694

	31-12-2016						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	-	907,382	170,897	114,046	-	192,622	1,384,947
Medium risk	2,145	119,778	-	2,412	964	-	125,299
High risk	8,014	-	-	-	-	-	8,014
No Rating	20,969	5,039	193	-	9,513	2,347	38,061
Central and Supranational banks	-	-	148,199	1,149,721	157,598	205,958	1,661,476
	31,128	1,032,199	319,289	1,266,179	168,075	400,927	3,217,797

Credit quality of debt securities

The following table provides a breakdown of the book value of debt securities in the portfolio, net of impairment (excluding matured securities) according to a rating note (which are presented according to an equivalent *Standard & Poor's* or *Fitch scale)*, by type of guarantor or issuing entity and by the guarantor's or issuing entity's geography, at December 31, 2017 and 2016:

	31-12-2017				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AA+ to AA-	-	-	2,805	827	3,632
A+ to A-	-	-	413	-	413
BBB+ to BBB-	103	2,336,247	496	617	2,337,464
BB+ to BB-	2,815,686	207	-	-	2,815,894
Not rated	437	-	-	-	437
	2,816,227	2,336,454	3,713	1,444	5,157,839
Issued by:					
Governments and local authorities	2,815,686	2,328,541	2,805	827	5,147,859
Corporates	541	7,914	908	204	9,566
Othet issuers	-	-	-	414	414
	2,816,227	2,336,454	3,713	1,444	5,157,839
Financial assets at fair value through revaluation reserves					
AAA	-	7,665	-	-	7,665
AA+ to AA-	-	185,839	161,859	57,216	404,914
A+ to A-	170,060	380,858	87,635	154,232	792,784
BBB+ to BBB-	28,878	406,960	30,858	28,244	494,940
BB+ to BB-	2,778,430	10,653	442	211,729	3,001,253
B+ to B-	-	-	-	1,012	1,012
Lower than B-	-	-	-	327,817	327,817
Not rated	154,494	-	-	75,871	230,365
	3,131,862	991,975	280,793	856,120	5,260,750
Issued by:					
Governments and local authorities	2,771,522	174,668	138,729	537,327	3,622,246
Corporates	162,762	257,799	28,319	33,166	482,046
Financial institutions	36,069	491,551	112,898	266,096	906,613
Othet issuers	161,509	67,957	847	19,531	249,844
	3,131,862	991,975	280,793	856,120	5,260,750
Held-to-maturity investments					
AA+ to AA-	-	199,789	-	-	199,789
A+ to A-	-	50,781	-	-	50,781
BBB+ to BBB-	-	1,352,607	-	-	1,352,607
BB+ to BB-	508,100	-	-	515,543	1,023,643
	508,100	1,603,176	-	515,543	2,626,819
Issued by:					
Governments and local authorities	508,100	1,603,176	-	515,543	2,626,819
	508,100	1,603,176	-	515,543	2,626,819

	31-12-2016				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AAA	-	-	-	-	-
AA+ to AA-	-	18,511	-	-	18,511
A+ to A-	-	704	1,905	663	3,272
BBB+ to BBB-	-	1,175,807	-	2,901	1,178,708
BB+ to BB-	2,299,075	1,336,401	231	47,541	3,683,248
B+ to B-	-	-	-	2,673	2,673
Not rated	587	-	-	4,969	5,556
	2,299,662	2,531,424	2,135	58,747	4,891,968
Issued by:					
Governments and local authorities	2,299,075	2,523,096	-	46,494	4,868,665
Corporates	587	5,723	231	11,732	18,273
Financial institutions	-	1,107	-	47	1,154
Othet issuers	-	1,499	1,905	473	3,876
	2,299,662	2,531,424	2,135	58,747	4,891,968
Financial assets at fair value through revaluation reserves					
AAA	-	13,091	-	-	13,091
AA+ to AA-	-	30,653	159,240	64,535	254,428
A+ to A-	310,476	191,213	67,538	146,534	715,760
BBB+ to BBB-	23,926	388,993	59,579	18,913	491,410
BB+ to BB-	3,883,516	487,115	930	503,148	4,874,710
B+ to B-	-	1,868	-	14,589	16,457
Lower than B-	-	4,432	165	199,527	204,124
Not rated	165,533	38,023	-	49,590	253,146
	4,383,451	1,155,389	287,451	996,836	6,823,127
Issued by:					
Governments and local authorities	3,875,623	572,205	133,068	690,309	5,271,205
Corporates	197,296	210,704	15,473	49,459	472,932
Financial institutions	-	321,447	135,547	249,475	706,469
Othet issuers	310,532	51,033	3,362	7,593	372,520
	4,383,451	1,155,389	287,451	996,836	6,823,127
Held-to-maturity investments					
BB+ to BB-	-	-	-	433,131	433,131
	-	-	-	433,131	433,131
Issued by:					
Corporates	-	-	-	433,131	433,131
	-	-	-	433,131	433,131

Exposure to the sovereign debt of the main eurozone countries

Information on the main characteristics of these issuances, within Caixa Group, at December 31, 2017 and 2016, is set out below:

	Book value net of impairment at 31-12-2017				Fair value	Fair value reserve	Rating
	Residual maturities						
	2018	after 2018	no maturity	Total			
Financial assets at fair value trough profit or loss							
Portugal	2,810,844	4,843	-	2,815,686	2,815,686	-	
Greece	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	
Spain	1,475,614	-	-	1,475,614	1,475,614	-	
Italy	852,927	-	-	852,927	852,927	-	
	5,139,385	4,843	-	5,144,227	5,144,227	-	
Financial assets at fair value through revaluation reserves							
Portugal	30,130	2,660,418	-	2,690,548	2,690,548	158,734	
Greece	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	
Spain	1,224	73,171	-	74,395	74,395	1,552	
Italy	-	-	-	-	-	-	
	31,354	2,733,589	-	2,764,943	2,764,943	160,285	
Held-to-maturity investments							
Portugal	-	505,343	-	505,343	508,100	-	
Greece	-	-	-	-	-	-	
Ireland	-	50,464	-	50,464	50,781	-	
Spain	-	743,026	-	743,026	757,931	-	
Italy	-	592,767	-	592,767	594,676	-	
	-	1,891,600	-	1,891,600	1,911,487	-	
Total							
Portugal	2,840,974	3,170,604	-	6,011,577	6,014,334	158,734	BB+
Greece	-	-	-	-	-	-	
Ireland	-	50,464	-	50,464	50,781	-	A
Spain	1,476,838	816,198	-	2,293,036	2,307,940	1,552	BBB
Italy	852,927	592,767	-	1,445,693	1,447,602	-	BBB
	5,170,738	4,630,032	-	9,800,770	9,820,657	160,285	

	Book value net of impairment at 31-12-2016				Fair value	Fair value reserve	Rating
	Residual maturities						
	2017	after 2017	no maturity	Total			
Financial assets at fair value trough profit or loss							
Portugal	2,296,420	2,655	-	2,299,075	2,299,075	-	
Greece	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	
Spain	1,332,726	389	-	1,333,115	1,333,115	-	
Italy	1,171,566	408	-	1,171,973	1,171,973	-	
	4,800,712	3,451	-	4,804,163	4,804,163	-	
Financial assets at fair value through revaluation reserves							
Portugal	517,391	3,273,086	587	3,791,064	3,791,064	(190,719)	
Greece	-	4,432	-	4,432	4,432	(1,975)	
Ireland	-	-	-	-	-	-	
Spain	52,848	342,167	-	395,014	395,014	(953)	
Italy	-	172,758	-	172,758	172,758	(1,298)	
	570,238	3,792,443	587	4,363,269	4,363,269	(194,946)	
Total							
Portugal	2,813,811	3,275,741	587	6,090,139	6,090,139	(190,719)	BB+
Greece	-	4,432	-	4,432	4,432	(1,975)	CCC
Ireland	-	-	-	-	-	-	
Spain	1,385,574	342,555	-	1,728,129	1,728,129	(953)	BB
Italy	1,171,566	173,166	-	1,344,732	1,344,732	(1,298)	BBB
	5,370,950	3,795,894	587	9,167,432	9,167,432	(194,946)	

The evolution of these markets reflects the consequences of the serious liquidity crisis and generally high level of uncertainty regarding the perception of the risk associated with sovereign debt issuances in this economic space and particularly so in the case of the European Central Bank, International Monetary Fund and European Union bail-out countries (Greece and Ireland) in 2010 and Portugal (2011).

Measurement criteria

The sovereign debt issuances of the peripheral Eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. These portfolios were segmented into levels 1 and 2 of the fair value chain at December 31, 2017 and 2016. Greater detail on the distinguishing elements of these categories, along with the main assumptions used is given in the “Fair value” column.

Exposures affected by the period of turbulence

The composition of the Group’s available-for-sale assets portfolios, at December 31, 2017 and 2016, includes the types of securities particularly affected by the period of financial turbulence, as set out below:

				31-12-2017			31-12-2016		
TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net of impairment)	Accumulated impairment	Fair value reserve	Book value (net of impairment)	Accumulated impairment	Fair value reserve
Available-for-sale financial assets									
Residential mortgage-backed securities	A- to A+	Senior	European Union	-	-	-	11,859	-	(777)
	Lower than A-	Senior	European Union	-	-	-	13,529	-	(1,130)
		Mezzanine	European Union	-	-	-	1,632	(746)	-
				-	-	-	27,019	(746)	(1,907)

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2017, with the exception of alienated species whose information provided should be referenced 31-12-2016.

Movements in this account, in 2017 and 2016, were:

						Impact on results for the year		
TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2016	Sales and amortisations	Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 31-12-2017
Available-for-sale financial assets								
Residential mortgage-backed securities								
	A- to A+	Senior	European Union	11,859	(12,681)	45	777	-
	Lower than A-	Senior	European Union	13,529	(15,181)	523	1,130	-
		Mezzanine	European Union	1,632	(1,759)	127	-	-
				27,019	(29,621)	695	1,907	-

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2017, with the exception of alienated species whose information provided should be referenced 31-12-2016.

						Impact on results for the year		
TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2015	Sales and amortisations	Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 31-12-2016
Available-for-sale financial assets								
Residential mortgage-backed securities								
	A- to A+	Senior	European Union	1,533	(4,117)	(275)	1,087	(1,771)
	Lower than A-	Senior	European Union	28,694	(1,646)	103	7	27,159
		Mezzanine	European Union	908	-	(733)	1,457	1,632
				31,135	(5,762)	(905)	2,552	27,019

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2016, with the exception of alienated species whose information provided should be referenced 31-12-2015.

“Profit/loss” recognised as a charge to profit and loss includes accrued interest and foreign exchange revaluation results.

Quality of loans and advances to customers

The disclosures on asset quality and credit risk management required by the Bank of Portugal's circular letter 2/2014 are set out below and are essentially based on the practices of CGD headquarters.

Qualitative

1. Credit risk management policy;

1.1 Credit risk management

In response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos (CGD) has implemented a credit risk management process comprising the different funding stages:

1.1.1. Issue of loans

The way in which loans are made aims to comply with the credit risk management strategy and policy defined by CGD's competent bodies.

DRC (Credit Risks Division) was created in fourth quarter 2016 with the objective of achieving a greater focus on credit risk analysis when making loans. This corporate division has the following main attributes: (i) the prior, mandatory issuance of a risk opinion on the allocation of internal limits or consideration of operations not covered by the said limits for customers whose amount of exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justify (in accordance with the internal standard); (ii) the decision on credit proposals within the limits defined in the current delegation of authority; iii) to submit the redefinition of credit limits to higher authority whenever deemed advisable under the circumstances; and, (iv) to approve the constitution/alteration of economic groups.

The credit-making process has been successively strengthened, with the expansion of the scope of a credit risk level or an analysis of the credit risk area, in pursuit of the final objective of totally centralising the decision.

Credit decisions on the most relevant exposures are the responsibility of the board of directors or the Credit Risks Executive Committee or the Credit Board, depending upon the amounts in question. Other operations are the responsibility of credit risk committees or the Business Units' Credit Committee.

The submission of operations/limits for a decision of the board of directors requires the advance favourable opinion of the Financial Risks Committee.

Credit risk assessment in the retail segment is based on the use of statistical risk assessment tools (scoring and rating models), a series of internal regulations on lending operations, which establish objective criteria to be complied with and the delegation of authority in accordance with the ratings allocated to credit operations.

1.1.2 Credit portfolio oversight

Oversight of the credit portfolio provides early warnings of potential default situations, enabling decisions for optimising debt recovery to be made.

In 2017, following the processes implemented in 2015, the workflow process which is transversal to commercial, recovery and credit risk areas was consolidated on the basis of the oversight and credit recovery policy in force.

The workflow classifies a customer's creditworthiness on a daily basis with the identification of pre-defined events and by level of severity regarding the probability of a default situation. All portfolio customers are segmented into one of the following classifications:

a) Customers with performing loans without any additional risks being identified;

b) Customers with performing loans but with early warnings which may indicate a higher probability of default;

c) Customers registering serious events and a high probability of default who are classified as being in financial distress;

d) Customers on a 24 months' probation period following the occurrence of a restructuring operation on the customer owing to financial difficulties;

e) Customers classified as being in default; and,

f) Customers classified as being in quarantine following a default situation.

The workflow process recommends operational measures which vary in line with the severity of the event. 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 dealt with by specialised credit recovery managers. If these more serious events involve corporate customers with significant exposures, the decision to transfer them from commercial structures to specialised recovery areas is the responsibility of the Credit Risks Executive Committee and Credit Board, depending on the level of the customers' liabilities in the analysis, based on a specific report to be produced by the Risk Management Division.

In the credit portfolio oversight process, the Risk Management Division diagnoses the process as a whole and makes any necessary changes, in line with its analysis of measurements and indicators, based on monthly monitoring reports on credit portfolio quality.

1.1.3. Credit recovery

Adequate steps are taken to recover the overdue credit as soon as any arrears have been noted, to enable a settlement of the situation, in due compliance with the terms of Decree-Law no. 227/2012 – PARI ("Action Plan for the Risk of Default") and PERSI ("Extrajudicial Procedure for the Settlement of Default Situations") – for loans and advances to individual 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 present across the whole of the rest of the loan's lifetime until settlement. Negotiated credit recoveries comprise three types by order of priority in terms of their application:

- Collection of overdue payments;
- Restructuring solutions; and,
- Terminal solutions not involving legal proceedings.

The call centre and the commercial area make contacts with customers, with a view to the settlement of overdue amounts at the initial credit collection phase. 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 deciding the most appropriate credit recovery solution.

In cases in which the negotiating process with a customer is not producing the desired result for CGD Group and its customers, credit recovery should move on to legal/pre-legal proceedings. This solution consists of the seizure 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 sale of credit portfolios or individual loans whenever this is 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 DGR (Risk Management Division), which identifies, measures and controls significant exposures.

Concentration risk monitoring measurements permitting the monthly control of portfolio segments considered to be more critical in terms of credit risk were defined in the risk appetite statement.

Decisions to enter into agreements for operations entailing significant exposures (as defined in internal regulations) require the opinion of DGR. The limit naturally includes the amount of CGD Group's total exposure to a relevant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off a loan from assets, based on the write-off policy formalised in 2017, is taken at a senior level when expectations of credit recovery are nil or highly residual following all of the negotiating proceedings with the parties involved in a loan agreement. Loans eligible for write-offs that necessitate the recognition of 100% impairment also include: i) loans in arrears for more than 24 months; ii) loans without a real guarantee.

3. Impairment reversal policy

The quantification of impairment losses is conditioned by the identification of events indicating a deterioration of the counterparty's creditworthiness when having an impact on the loan's future cash flows.

In situations involving significant improvements in the creditworthiness of debtors and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss and results in a direct reversal of impairment.

A reversal of impairment is also recognised in situations in which the loans are sold for a higher amount than net impairment exposure.

4. Description of the 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 change to the conditions in force on 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 Group's interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

The application of the recovery solutions always bears in mind a customer's individual circumstances and the best interests of customer and CGD, in line with three basic principles.

Impact on capital and cash flows. The first aspect to be considered should be the impact on CGD Group's invested capital and the cash flows produced by the operation in the future. This impact should be measured by calculating the incremental NPV on the accounting 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 accounting 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. a 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. Lastly, a series of factors, which may add to the complexity of default situations should be considered in the accounting strategy, with a different treatment from the one proposed, solely taking the former two principles into account. Even if the financial impact of the solution may not be optimal, other parameters such as a customer's specific characteristics, the impact of the process on CGD Group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit, which is restructured owing to a customer's financial difficulties, is subject to a specific process for the purposes of calculating impairment, across the whole of the minimum application period of 24 months defined in the Bank of Portugal's *Instruction* 32/2013.

5. Description of collateral valuation and management process

Property

The main components of the valuation methodology for property within CGD Group are:

i. Examination of property. The property is inspected when all new mortgage lending operations are entered into, with the objective of assessing its likely transaction price in a free market.

Certification of the value of a property asset 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 direct physical observation.

ii. Review of the valuation of the property's worth by an expert appraiser. Mortgage lending operations whose contractual terms have been changed usually require a new valuation, which is performed as if they were new operations.

In the case of non-productive credit, the amounts of real guarantees are examined and updated. An individual appraisal is therefore made, within a period of up to 3 months from the loan's classification as a "non-performing exposure". The value of the property is also annually reviewed for as long as the loan is classified as an NPE.

iii) Review of indexed amount. This is a review of property prices by an internal CMVM registered property appraiser, who makes use of the information contained in the preceding valuation report and which does not involve a personal visit to the property. This methodology is exclusively used for properties for residential purposes, non-productive credit with a debtor balance of less €300,000 and, in the case of performing credit, a debtor balance of more than €500,000.

Property valuation procedures:

iv. CGD's property valuation activity has engineers and architects with significant experience in the valuations area. Those with technical approval functions have complementary training in the form of CMVM certified property valuation courses and are registered with and certified by the CMVM as property appraisers.

v. CGD has a network of CMVM registered corporate and individual external service providers in its property valuation area, 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.

vi. 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,

vii. The appraisers are listed 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. Requests for appraisals are delivered to appraisers via CGD's property portal. The appraiser records the date of the visit and appraisal report in the portal in a standardised format, which includes the relevant documents for the valuation, and photographs of the property.

Other collateral

In addition to 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.

6. <u>Type of principal judgments, estimates and hypotheses used to assess impairment</u>

CGD's credit impairment model uses duly grounded, reasoned methodologies to ensure that the impairment calculation is in line with IAS 39 – "Financial instruments: recognition and measurement".

CGD considers certain modelling approaches to be more appropriate for assessing impairment but 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 used:

   a. Loans to individual customers – type of product (e.g. housing), purpose of loan, type of collateral, present and past performance of the operation, length of current performance; and,

   b. Loans to corporates – type of 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. Loan conversion factors applied to off-balance sheet exposures; and,

v. Defined exposure level for separate impairment assessments.

7. <u>Description of impairment calculation methodologies, including the way in which portfolios are segmented to reflect different loan characteristics</u>

The credit impairment model used in CGD includes loans to corporate and individual customers, including the provision of bank guarantees and irrevocable lines of credit and assesses each operation's risk profile which it classifies in credit portfolio sub-segments defined on the basis of the operation's current and past performance.

The following concepts are used to calculate credit impairment:

i) Separate impairment based on an assessment of customers with individually significant exposures by completing an impairment form and the estimated discounted future cash flows schedule at the agreement's original interest rate; and

ii) Collective or parametric impairment is automatically assessed by the credit impairment model. The parametric calculation is performed by dividing the portfolio up into risk sub-segments, which include assets with similar risk characteristics.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

1. Probability of default within 12 months (PD_{12m}). This is the probability of a performing loan registering a default event over the next 12 months. The impairment model incorporates the differentiation of PDs in line with the historical classification of customers or operations (e.g. performing loans with past defaults).
2. Lifetime default probability (PD_{LT}). This is the probability of a loan, conditioned by signs of impairment and an operation's track record, registering a default. Lifetime PDs are different for customers or operations with (i) external signs 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. Lifetime PDs are also differentiated for customers with a history of default: and
3. Loss given defaults (LGDs). This comprises 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 registered on each operation and for each month of the historical period. The differentiation of LGDs in line with the length of time the loan has been in default enables impairment losses to be differentiated by length of default. LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed.

8. Indication of signs of impairment by credit segments.

Performing loans

- No signs of loss at the time of the analysis.

Performing credit with signs of impairment – with at least one of the following signs of loss:

- Overdue credit in CGD with arrears of more than 30 days but not classified as being in default;
- 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 performed for companies with an exposure of more than €250 thousand not included in the separate analysis;
- Identification of debts to the tax authorities and social security services, on the basis of a quarterly survey sent to customer account managers and information taken from the workflow for loan oversight purposes;
- 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; and,
- Insolvency processes other than a declaration of insolvency and *PER* ("Special Revitalisation Programme") processes.

Restructured credit for customers in financial distress

- Lifetime default probability curves specifically estimated for the sub segments defined in the credit impairment model for the respective operations are applied to loans which have been restructured owing to financial difficulties, as described in item 4.

Credit in default – the following loss events are considered

- Contractual defaults to CGD Group, particularly credit materially overdue for more than 90 consecutive days;
- Existence of a material impairment provision resulting from an individual analysis on customers with individually significant exposures;
- Declaration of insolvency;
- An insolvency application (including PERs) submitted by the debtor or CGD;
- Operations at a pre-legal/legal stage within CGD;
- 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 individual 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;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with new restructuring operations during the surveillance period of 2 years, when classified as a non-performing exposure prior to the start of the probation period;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with arrears of more than 30 days, when classified as a non-performing exposure prior to the start of the probation period;
- Restructuring operations owing to a customer's financial difficulties in the event of loss events (in accordance with the defined materiality); and,
- Existence of amounts written-off from assets or cancelled interest.

9. <u>Indication of thresholds defined for separate analyses.</u>

Within CGD Group, the limits on separate impairment assessments, as defined in an internal standard, take the specific characteristics of the diverse credit portfolios of each Group unit into account, with the objective of assessing all exposures considered to be individually significant by each unit and the Group. In the case of CGD, with reference to December 31, 2017, a separate analysis is performed on customers with an overall balance sheet exposure of €3 million or more

10. <u>Policy relating to internal risk levels, specifying the treatment of a borrower classified as being in default</u>

Pursuant to internal regulations, customers entering into a default situation are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the Credit Board or Credit Risks Executive Committee.

Owing to the innovation implemented 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 beginning at the time of the transfer of customers from the commercial to the recovery areas.

The recovery solution considered most appropriate to customers' and CGD's interests is applied, on the basis of an analysis, with legal action for credit recovery purposes being considered as a last resort.

11. <u>General description of the form of calculating the present value of future cash flows for separate and collective impairment loss assessments</u>

<u>Separate assessments</u>

The assessment of future cash flows on loans considers the extent to which the customer will generate the cash flow necessary for debt payment purposes. A loan's recoverable amount is the sum of the expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), and underlying expectations of collectability, discounted at the agreement's original effective interest rate.

An assessment is made as to whether the cash flow projections 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 cash flow projections:

i. The going concern approach which considers the continuation of the company's activity and its 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 to offset the debt can also be considered provided that they do not have any influence of the company's cash flow projections (i.e. provided that they are non-operating cash flows). This going concern approach is used if:

   - The company's cash flow projections are material and can be reasonably estimated; and,
   - 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 was followed by a tightening process on the former scenario of analyses of going concern customers on which the sensitivity analysis of several business plans were based, including, by way of example, cash flow projections for emerging markets. In the case of several customers, impairment also started to be assessed on the basis of indicative market bids in a credit disposal scenario.

ii. A "gone concern" approach associated with a scenario of the ending of a company's activity in which the collateral is executed and the company's operating cash flows cease to exist. The application of this approach is considered on the basis of the occurrence of at least one of the following situations:

   - When the customer's exposure has been overdue for a considerable length of time with the presumption that the gone concern approach should be applied when the loan has been overdue for more than 18 months;
   - When operating cash flow projections are residual or negative or less than the estimated amount of the collateral and clearly insufficient to enable the customer to service its debt;
   - When the exposure is highly collateralised and the collateral is essential for producing cash flow;
   - When the application of a going concern approach would have a material, negative impact on the recoverable amount;
   - When there is a high level of uncertainty over cash flow projections, namely when EBITDA over the last few years has been negative; and,
   - When the available information is insufficient for a going concern analysis.

Collective impairment

Impairment on performing operations is assessed by the application of the EAD x PD_{12M} x discounted LGD formula.

For operations with signs of impairment or in default, the assessment of cash flow in the collective impairment model is based on the contractual cash flow and risk factors applicable to the operation.

Estimated future cash flows are subsequently discounted at the operation's original interest rate to assess the respective current amount.

12. Description of the emergence period used for the different segments and justification of its appropriateness

IAS 39 – "Financial instruments: recognition and measurement" provides for provisions to be set up on credit without any observable signs of impairment and referred to as IBNR ("incurred but not reported") losses.

Based on this definition, the calculation of impairment is contingent upon the definition of an emergence period, which is the period of time between the occurrence and observation of the event loss. This may be broken down into a period of the appearance of the information and a latter occasion when such signs are confirmed. The current emergence period is 12 months.

In CGD the use of the emergence period is based on the use of diverse early warning signs which aim to identify any potential deterioration of a customer's creditworthiness which could lead to losses, as soon as possible.

Quantitative

The following tables provide information on the loans and advances to customers portfolio and property received in kind or repossessed, based on the Group's activities:

a) Details of exposures and impairment by segment

	Exposure in 31-12-2017						Impairment in 31-12-2017		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Of which: cured	Of which: restrutured		Of which: restrutured				
Segment									
Government	7,103,828	151,600	215,809	135,677	24,850	7,239,505	18,898	19,977	38,875
Corporate	11,782,625	85,364	170,067	1,863,889	684,283	13,646,514	189,812	1,189,735	1,379,547
Construction and real estate (CRE)	4,806,901	188,934	362,258	2,738,628	1,578,713	7,545,529	151,687	1,771,926	1,923,613
Households - Housing	26,734,246	324,783	185,142	1,691,676	425,475	28,425,923	73,265	526,542	599,806
Households - Consumption and other purposes	1,792,560	18,999	36,342	575,293	406,170	2,367,853	29,567	459,546	489,113
Other	303,354	5,827	27,065	282,264	18,908	585,618	6,811	118,196	125,008
	52,523,515	775,506	996,682	7,287,427	3,138,398	59,810,942	470,040	4,085,921	4,555,961

	Exposure in 31-12-2016						Impairment in 31-12-2016		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Of which: cured	Of which: restrutured		Of which: restrutured				
Segment									
Government	6,711,178	202,011	25,578	127,903	41,336	6,839,081	7,670	31,923	39,592
Corporate	14,693,884	154,542	976,359	2,763,928	1,160,558	17,457,812	212,710	1,533,299	1,746,009
Construction and real estate (CRE)	5,437,703	394,387	368,450	3,761,572	2,101,356	9,199,275	186,410	2,325,579	2,511,988
Households - Housing	29,528,016	210,393	370,865	2,013,869	597,437	31,541,885	92,999	514,697	607,695
Households - Consumption and other purposes	2,106,406	33,001	40,543	615,468	437,877	2,721,875	46,067	484,171	530,238
Other	598,976	47,411	26,109	376,148	63,879	975,125	8,369	189,505	197,874
	59,076,164	1,041,745	1,807,905	9,658,889	4,402,443	68,735,052	554,225	5,079,172	5,633,397

	Exposure in 31-12-2017							Impairment in 31-12-2017				
	Performing loans			Non-performing loans				Performing loans		Non-performing loans		
	Days past due < 30			Days past due		Sub-total	Total exposure	Days past due		Days past due		Total impairment
	Without evidence	With evidence		<=90 (*)	>90 (*)			<30	between 30 - 90	<=90 (*)	>90 (*)	
Segment												
Government	4,708,292	2,362,430	7,103,828	39,466	96,211	135,677	7,239,505	14,881	4,017	645	19,331	38,875
Corporate	11,347,369	265,778	11,782,625	1,060,825	803,064	1,863,889	13,646,514	153,115	36,697	675,489	514,246	1,379,547
Construction and real estate (CRE)	4,407,698	344,350	4,806,901	699,029	2,039,599	2,738,628	7,545,529	133,437	18,250	395,554	1,376,372	1,923,613
Households - Housing	25,560,565	981,887	26,734,246	351,636	1,340,040	1,691,676	28,425,923	56,014	17,251	77,930	448,612	599,806
Households - Consumption and other purposes	1,694,539	80,799	1,792,560	90,565	484,727	575,293	2,367,853	21,571	7,996	43,623	415,923	489,113
Other	295,832	6,087	303,354	20,181	262,082	282,264	585,618	6,440	372	4,663	113,533	125,008
	48,014,295	4,041,331	52,523,515	2,261,703	5,025,724	7,287,427	59,810,942	385,456	84,583	1,197,904	2,888,018	4,555,961

(*)Credit installments of principal and accrued interest less than 90 days, but about w hich there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

	Exposure in 31-12-2016							Impairment in 31-12-2016				
	Performing loans			Non-performing loans				Performing loans		Non-performing loans		
	Days past due < 30			Days past due		Sub-total	Total exposure	Days past due		Days past due		Total impairment
	Without evidence	With evidence		<=90 (*)	>90 (*)			<30	between 30 - 90	<=90 (*)	>90 (*)	
Segment												
Government	4,075,313	2,604,299	6,711,178	53,129	74,774	127,903	6,839,081	7,640	30	1,609	30,314	39,592
Corporate	14,000,107	513,262	14,693,884	1,358,350	1,405,577	2,763,928	17,457,812	196,305	16,405	605,494	927,805	1,746,009
Construction and real estate (CRE)	4,979,104	375,796	5,437,703	1,019,303	2,742,269	3,761,572	9,199,275	168,559	17,851	596,466	1,729,113	2,511,988
Households - Housing	28,267,625	1,048,704	29,528,016	446,534	1,567,335	2,013,869	31,541,885	75,226	17,773	60,420	454,277	607,695
Households - Consumption and other purposes	1,992,893	89,779	2,106,406	104,279	511,189	615,468	2,721,875	35,873	10,194	49,823	434,348	530,238
Other	551,493	47,195	598,976	50,812	325,336	376,148	975,125	8,185	184	29,531	159,974	197,874
	53,866,535	4,679,035	59,076,164	3,032,409	6,626,480	9,658,889	68,735,052	491,789	62,436	1,343,342	3,735,831	5,633,397

(*)Credit installments of principal and accrued interest less than 90 days, but about w hich there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

b) Details of credit portfolio by segment and year of production

	Government			Corporate			Construction and real estate (CRE)			Households - Housing			Households - Consumption and other purposes			Other financial institutions			Total		
	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment	Number of operations	Total exposure	Impairment
Year of origination																					
2005 and before	1,442	637,897	2,501	6,253	759,338	132,549	2,922	551,736	218,230	343,997	9,688,259	264,549	44,500	130,039	42,714	40	20,567	167	399,154	11,787,837	660,710
2006	163	72,361	750	2,452	396,503	102,340	945	723,133	477,435	40,405	2,302,943	59,538	104,009	120,302	4,934	10	37,442	625	147,984	3,652,684	645,623
2007	128	473,072	2,020	3,011	459,873	248,025	1,339	820,698	427,428	48,784	2,671,664	92,907	27,148	382,703	327,476	46	284,538	112,237	80,456	5,092,547	1,210,093
2008	151	559,276	301	2,617	718,267	189,243	1,226	780,562	214,910	41,812	2,346,402	62,031	28,108	62,022	8,831	41	6,379	29	73,955	4,472,908	475,344
2009	164	170,103	638	2,377	424,219	69,399	1,020	787,083	162,550	37,351	2,398,315	45,931	35,373	67,477	12,241	48	3,010	244	76,333	3,850,207	291,002
2010	200	3,528,441	3,034	2,917	369,273	67,472	1,122	356,761	59,094	28,566	2,026,844	32,795	39,407	99,461	14,238	31	5,782	67	72,243	6,386,562	176,700
2011	202	119,669	25	2,814	524,414	39,095	985	230,156	74,195	14,921	1,074,076	12,336	33,999	157,004	12,751	62	836	60	52,983	2,106,154	138,462
2012	227	40,012	30	3,411	593,424	80,192	910	159,751	34,857	7,628	580,802	5,995	35,201	136,092	11,493	40	18,436	131	47,417	1,528,518	132,699
2013	309	146,577	6,310	6,841	727,581	92,295	1,652	318,519	85,315	7,779	648,834	4,507	115,871	155,985	5,997	50	28,955	3,475	132,502	2,026,452	197,898
2014	707	380,115	733	10,059	978,671	131,783	2,406	462,856	43,002	9,638	888,695	3,288	61,491	204,798	9,900	92	4,747	65	84,393	2,919,883	188,771
2015	1,170	352,014	3,611	13,998	2,640,140	106,176	3,217	448,337	41,931	15,373	1,196,107	9,370	82,621	281,826	20,070	114	51,436	5,994	116,493	4,969,860	187,152
2016	1,174	368,312	4,629	14,135	1,858,666	78,726	3,401	817,492	66,030	24,122	1,271,823	3,460	81,716	186,361	10,995	110	49,592	749	124,658	4,552,246	164,590
2017	1,850	391,656	14,292	27,873	3,196,146	42,251	5,723	1,088,445	18,635	24,786	1,331,158	3,101	180,502	383,784	7,474	116	73,899	1,164	240,850	6,465,086	86,917
	7,887	7,239,505	38,875	98,758	13,646,514	1,379,547	26,868	7,545,529	1,923,613	645,162	28,425,923	599,806	869,946	2,367,853	489,113	800	585,618	125,008	1,649,421	59,810,942	4,555,961

c) Details of gross amount of credit exposure and separately and collectively analysed impairment, by segment, sector (Code of Economic Activities) and geography.

	31-12-2017													
	Government		Corporate		Construction and real estate (CRE)		Households - Housing		Consumer and other purposes		Other financial institutions		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	326,508	32,824	1,245,364	909,041	1,966,221	1,426,878	85,233	3,930	404,703	372,653	187,207	110,544	4,215,236	2,855,871
Collective	6,912,997	6,051	12,401,150	470,506	5,579,308	496,735	28,340,690	595,876	1,963,150	116,460	398,412	14,463	55,595,706	1,700,090
	7,239,505	38,875	13,646,514	1,379,547	7,545,529	1,923,613	28,425,923	599,806	2,367,853	489,113	585,618	125,008	59,810,942	4,555,961

	31-12-2016													
	Government		Corporate		Construction and real estate (CRE)		Households - Housing		Consumer and other purposes		Other financial institutions		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	81,383	35,973	3,282,622	1,247,403	3,136,625	1,984,103	94,499	2,985	432,092	382,922	302,064	177,067	7,329,285	3,830,454
Collective	6,757,698	3,620	14,175,189	498,606	6,062,651	527,885	31,447,386	604,710	2,289,782	147,315	673,061	20,806	61,405,767	1,802,943
	6,839,081	39,592	17,457,812	1,746,009	9,199,275	2,511,988	31,541,885	607,695	2,721,875	530,238	975,125	197,874	68,735,052	5,633,397

	31-12-2017											
	Government				Households and Corporate				Total			
	Individual		Collective		Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Activity sector												
Construction and real estate (CRE)	60,228	8,895	56,768	1,929	1,966,221	1,426,878	5,579,308	496,735	2,026,449	1,435,773	5,636,076	498,664
Agriculture, forestry and fishing	33,440	796	5,911	140	4,837	3,667	322,345	21,955	38,277	4,463	328,256	22,095
Mining and quarrying	-	-	-	-	104	22	82,796	6,627	104	22	82,796	6,627
Manufacturing	17,484	491	8,012	289	162,230	137,071	2,654,932	163,357	179,715	137,563	2,662,945	163,646
Electricity, gas, steam and air conditioning supply	21,800	347	92,493	11	15,150	3,036	571,757	6,202	36,950	3,383	664,250	6,212
Water supply	-	-	-	-	60,025	29,322	260,598	7,100	60,025	29,322	260,598	7,100
Wholesale and retail trade	96,268	18,502	79,691	2,040	143,628	104,369	2,003,447	98,803	239,896	122,872	2,083,138	100,843
Transport and storage	16,592	343	69,887	375	71,910	49,080	995,744	34,723	88,503	49,423	1,065,631	35,098
Accommodation and food service activities	18,856	914	8,200	370	115,390	62,568	1,182,508	36,940	134,246	63,482	1,190,707	37,310
Information and communication	8,757	167	12,629	13	2,914	1,691	211,661	17,073	11,671	1,858	224,290	17,087
Professional, scientific and technical activities	37	37	3,782,507	365	501,260	429,597	2,631,456	36,814	501,297	429,634	6,413,963	37,179
Administrative and support service activities	-	-	13,522	93	45,380	29,042	331,325	12,112	45,380	29,042	344,846	12,205
Public administration and defence, compulsory social security	880	855	1,726,993	12	-	-	2,002	82	880	855	1,728,995	93
Education	8,941	970	14,175	31	32,253	10,151	91,263	6,098	41,193	11,121	105,438	6,129
Human health services and social work activities	1,469	4	6,595	79	25,808	12,241	322,121	8,553	27,277	12,245	328,716	8,632
Arts, entertainment and recreation	-	-	342	2	19,609	8,868	278,748	2,603	19,609	8,868	279,090	2,605
Other services	41,756	503	1,035,201	302	41,759	28,308	458,399	11,076	83,514	28,810	1,493,600	11,378
Other financial activities	-	-	70	0	190,315	110,552	398,461	14,851	190,315	110,552	398,531	14,851
Households - housing	-	-	-	-	85,233	3,930	28,340,690	595,876	85,233	3,930	28,340,690	595,876
Households - other	-	-	-	-	404,703	372,653	1,963,150	116,460	404,703	372,653	1,963,150	116,460
	326,508	32,824	6,912,997	6,051	3,888,728	2,823,046	48,682,709	1,694,038	4,215,236	2,855,871	55,595,706	1,700,089

	31-12-2016											
	Government				Households and Corporate				Total			
	Individual		Collective		Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Activity sector												
Construction and real estate (CRE)	40,999	29,101	37,712	2,525	3,136,625	1,984,103	6,062,651	527,885	3,177,623	2,013,204	6,100,363	530,409
Agriculture, forestry and fishing	-	-	3	-	120,076	27,037	452,352	19,441	120,076	27,037	452,355	19,441
Mining and quarrying	-	-	-	-	3,762	156	78,926	6,610	3,762	156	78,926	6,610
Manufacturing	-	-	1,663	3	427,943	139,824	2,932,162	125,657	427,943	139,824	2,933,826	125,660
Electricity, gas, steam and air conditioning supply	-	-	25,208	23	210,436	10,864	726,822	6,749	210,436	10,864	752,030	6,773
Water supply	-	-	-	-	72,611	27,844	362,945	6,733	72,611	27,844	362,945	6,733
Wholesale and retail trade	-	-	1,355	211	388,266	94,085	2,192,508	130,599	388,266	94,085	2,193,863	130,810
Transport and storage	-	-	9,257	27	587,757	311,240	1,103,971	25,047	587,757	311,240	1,113,229	25,074
Accommodation and food service activities	-	-	-	-	214,255	76,915	1,313,704	38,318	214,255	76,915	1,313,704	38,318
Information and communication	-	-	13,758	181	67,063	2,014	240,216	17,694	67,063	2,014	253,974	17,875
Professional, scientific and technical activities	-	-	3,703,464	207	749,799	456,703	2,985,934	73,889	749,799	456,703	6,689,398	74,096
Administrative and support service activities	-	-	13,441	179	98,105	36,985	274,530	11,164	98,105	36,985	287,971	11,343
Public administration and defence, compulsory social security	26,143	1,087	2,858,953	36	65,616	251	2,376	39	91,759	1,338	2,861,329	74
Education	-	-	4,374	19	45,529	9,217	106,252	6,202	45,529	9,217	110,626	6,220
Human health services and social work activities	-	-	5,145	47	66,041	4,137	252,098	15,376	66,041	4,137	257,243	15,423
Arts, entertainment and recreation	-	-	597	6	62,798	11,709	83,350	3,774	62,798	11,709	83,947	3,781
Other services	14,241	5,785	82,767	158	102,571	38,532	555,216	11,169	116,812	44,317	637,983	11,327
Other financial activities	-	-	-	-	302,060	176,958	1,184,889	20,950	302,060	176,958	1,184,889	20,950
Households - housing	-	-	-	-	94,499	2,985	31,447,386	604,710	94,499	2,985	31,447,386	604,710
Households - other	-	-	-	-	432,092	382,922	2,289,782	147,315	432,092	382,922	2,289,782	147,315
	81,383	35,973	6,757,698	3,620	7,247,902	3,794,481	54,648,069	1,799,323	7,329,285	3,830,454	61,405,767	1,802,943

	31-12-2017													
	Portugal		Spain		France		Africa		Asia		Rest of the world		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	3,395,625	2,598,830	304,611	174,813	28,136	18,653	401,089	58,570	22	22	85,753	4,983	4,215,236	2,855,871
Collective	48,007,826	1,453,455	507,267	24,572	2,181,994	79,789	1,779,188	73,942	3,028,972	63,843	90,459	4,489	55,595,706	1,700,090
	51,403,450	4,052,285	811,879	199,386	2,210,130	98,442	2,180,277	132,511	3,028,994	63,864	176,212	9,473	59,810,942	4,555,961

	31-12-2016													
	Portugal		Spain		France		Africa		Asia		Rest of the world		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	5,617,103	3,210,382	713,882	450,545	47,869	27,090	449,038	42,249	386	386	501,006	99,802	7,329,285	3,830,454
Collective	48,477,723	1,531,181	3,699,521	74,672	3,823,375	82,336	1,900,850	37,066	3,187,030	72,155	317,269	5,532	61,405,767	1,802,943
	54,094,826	4,741,564	4,413,403	525,217	3,871,244	109,426	2,349,888	79,315	3,187,417	72,541	818,275	105,334	68,735,052	5,633,397

d) Details of restructured credit portfolio by restructuring measure applied

	31-12-2017											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual Impairment	Collective Impairment	Number of operations	Exposure	Individual Impairment	Collective Impairment	Number of operations	Exposure	Individual Impairment	Collective Impairment
Measure												
Credit term extension	2	134,818	23	7,353	4	655,519	256,619	86,605	7	790,338	256,642	93,958
Grace period	1	150,132	7,750	15,108	1	169,191	21,726	25,298	2	319,323	29,477	40,407
Changes in the Interest rate	0	31,764	-	967	1	1,113,856	741,640	60,078	1	1,145,620	741,640	61,045
Other	3	679,968	24,579	5,550	5	1,199,831	472,960	172,313	8	1,879,800	497,539	177,863
	6	996,682	32,352	28,979	11	3,138,398	1,492,946	344,294	18	4,135,080	1,525,298	373,272

	31-12-2016											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual Impairment	Collective Impairment	Number of operations	Exposure	Individual Impairment	Collective Impairment	Number of operations	Exposure	Individual Impairment	Collective Impairment
Measure												
Credit term extension	3,061	719,714	14,954	15,554	5,527	1,013,478	415,274	92,252	8,588	1,733,191	430,228	107,806
Grace period	730	62,672	6,632	2,400	1,458	170,353	12,023	23,922	2,188	233,025	18,655	26,323
Changes in the Interest rate	429	74,733	180	2,021	1,338	1,479,933	965,472	58,234	1,767	1,554,666	965,652	60,256
Other	8,595	950,786	36,654	26,133	8,412	1,738,680	666,883	201,004	17,007	2,689,466	703,537	227,137
	12,815	1,807,905	58,420	46,109	16,735	4,402,443	2,059,652	375,412	29,550	6,210,348	2,118,072	421,521

e) Restructured credit portfolio - entries and exits

Balance of restructured loans at 31-12-2016	6,210,348
New restructured loans	405,961
Accrued interest of the restructured loans	9,714
Restructured loans liquidation (partial or total)	(1,061,278)
Reclassifyed loans from "restructured" to "normal"	(1,166,942)
Other	(262,723)
Balance of restructured loans at 31-12-2017	4,135,080

f) Details of the fair value of the credit portfolio's underlying collateral, namely corporate, construction, "commercial property" (CRE) and housing.

	31-12-2017											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other collaterals		Real Estate		Other collaterals		Real Estate		Other collaterals	
	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure
Fair value												
<0.5 M€	6,780	808,171	15,565	685,718	3,535	400,803	128,447	319,005	449,812	55,354,498	1,638	1,595,940
≥ 0.5 M€ and < 1 M€	912	494,997	441	363,185	508	280,747	190	109,926	2,355	2,198,055	17	252,269
≥ 1 M€ and < 5 M€	886	1,326,775	271	892,552	771	1,167,550	216	349,096	369	680,621	6	105,833
≥ 5 M€ and < 10 M€	109	572,433	24	450,571	94	413,197	32	166,785	26	211,626	-	-
≥ 10 M€ and < 20 M€	44	397,005	14	322,616	42	428,831	18	281,699	19	259,717	-	-
≥ 20 M€ and < 50 M€	33	504,293	18	915,057	28	574,365	7	187,293	6	180,952	-	-
≥ 50 M€	5	494,508	2	303,813	18	2,712,239	12	835,647	1	78,339	-	-
	8,769	4,598,182	16,335	3,933,511	4,996	5,977,732	128,922	2,249,451	452,588	58,963,808	1,661	1,954,042

	31-12-2016											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other collaterals		Real Estate		Other collaterals		Real Estate		Other collaterals	
	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure	Number	Exposure
Fair value												
<0.5 M€	6,954	901,134	13,776	779,063	3,988	482,889	3,559	217,815	485,299	58,549,385	1,223	1,804,454
≥ 0.5 M€ and < 1 M€	1,005	554,916	576	507,298	538	290,342	259	150,634	2,870	2,219,834	16	217,996
≥ 1 M€ and < 5 M€	1,014	1,557,306	377	1,309,476	868	1,377,504	266	439,741	463	634,995	4	83,293
≥ 5 M€ and < 10 M€	149	785,624	38	594,927	116	565,014	46	234,775	35	236,197	-	-
≥ 10 M€ and < 20 M€	53	484,003	19	602,252	55	552,847	19	278,562	25	291,018	-	-
≥ 20 M€ and < 50 M€	39	656,283	21	964,301	26	510,590	11	271,244	9	181,324	-	-
≥ 50 M€	5	496,596	3	3,752,753	23	4,338,325	12	1,093,938	3	490	-	-
	9,219	5,435,862	14,810	8,510,070	5,614	8,117,511	4,172	2,686,710	488,704	62,113,243	1,243	2,105,742

g) LTV ratio of corporate, construction and CRE and housing segments

Segment / Ratio	31-12-2017 Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		6,626,417	585,990	609,078
< 60%	6,867	3,113,289	820,664	493,966
>= 60% and < 80%	1,560	491,117	110,630	70,910
>= 80% and < 100%	925	400,136	144,182	89,547
>= 100%	932	1,151,665	202,423	116,046
	10,284	11,782,625	1,863,889	1,379,547
Construction and real estate (CRE)				
With no associated collateral		3,138,032	372,950	400,471
< 60%	3,922	1,004,841	1,361,714	891,312
>= 60% and < 80%	646	161,422	384,953	236,315
>= 80% and < 100%	592	243,276	250,337	202,137
>= 100%	617	259,330	368,674	193,378
	5,777	4,806,901	2,738,628	1,923,613
Households - Housing				
With no associated collateral		723,556	62,944	51,124
< 60%	429,886	15,878,828	600,943	146,395
>= 60% and < 80%	101,891	6,698,195	288,687	79,901
>= 80% and < 100%	37,856	2,884,600	287,616	96,271
>= 100%	12,180	549,066	451,487	226,116
	581,813	26,734,246	1,691,676	599,806
Households - Consumption and other purposes				
With no associated collateral		1,329,665	79,544	73,212
< 60%	1,252	157,672	372,723	336,464
>= 60% and < 80%	310	60,011	25,389	14,249
>= 80% and < 100%	1,945	60,753	27,147	20,139
>= 100%	62,439	184,461	70,489	45,048
	65,946	1,792,560	575,293	489,113
Other				
With no associated collateral		141,576	134,350	84,321
< 60%	87	31,868	31,526	26,980
>= 60% and < 80%	30	74,895	106,554	10,247
>= 80% and < 100%	10	18,790	9,260	3,338
>= 100%	10	36,225	573	121
	137	303,354	282,264	125,008
	663,957	45,419,687	7,151,750	4,517,086

Segment / Ratio	31-12-2016			
	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		11,561,405	1,740,602	1,224,376
< 60%	4,117	1,057,591	182,084	62,193
>= 60% and < 80%	2,140	471,312	98,910	29,190
>= 80% and < 100%	1,922	515,718	135,846	53,624
>= 100%	3,135	1,087,858	606,486	376,626
	11,314	14,693,884	2,763,928	1,746,009
Construction and real estate (CRE)				
With no associated collateral		3,984,526	1,333,913	1,204,984
< 60%	2,059	452,715	182,402	67,331
>= 60% and < 80%	839	292,101	320,785	155,900
>= 80% and < 100%	1,054	331,713	550,288	224,047
>= 100%	2,023	376,647	1,374,184	859,726
	5,975	5,437,703	3,761,572	2,511,988
Households - Housing				
With no associated collateral		1,049,345	69,798	44,240
< 60%	386,855	12,574,833	401,502	40,084
>= 60% and < 80%	140,261	9,501,991	405,585	68,749
>= 80% and < 100%	72,022	5,311,723	486,750	145,612
>= 100%	20,432	1,090,124	650,234	309,010
	619,570	29,528,016	2,013,869	607,695
Households - Consumption and other purposes				
With no associated collateral		1,701,939	463,852	447,480
< 60%	2,675	132,367	21,154	13,631
>= 60% and < 80%	632	79,540	31,886	17,436
>= 80% and < 100%	1,023	53,249	34,242	16,843
>= 100%	1,123	139,313	64,334	34,847
	5,453	2,106,406	615,468	530,238
Other				
With no associated collateral		497,327	187,343	119,743
< 60%	73	12,015	105,928	13,873
>= 60% and < 80%	17	6,662	1,316	22
>= 80% and < 100%	33	33,828	21,741	7,910
>= 100%	31	49,145	59,820	56,326
	154	598,976	376,148	197,874
	642,466	52,364,986	9,530,985	5,593,804

h) Details of fair value and net accounting value of property received in kind or repossessed by type of assets and seniority.

Asset	31-12-2017 Number of properties	Fair value of the assets	Book value
Land			
Urban	733	141,159	80,127
Rural	112	12,664	2,409
Buildings under construction			
Commercial	4	2,690	2,292
Housing	557	74,648	41,879
Other	164	17,705	11,179
Concluded buildings			
Commercial	606	163,535	125,738
Housing	3,453	326,600	197,639
Other	1,960	163,546	96,218
	7,589	902,547	557,481

Time elapsed since the initial recognition / reposessssion	31-12-2017 < 1 year	≥ 1 year and < 2,5 years	≥ 2,5 years and < 5 years	≥ 5 years	Total
Land					
Urban	21,377	10,051	38,999	9,700	80,127
Rural	564	727	546	572	2,409
Buildings under construction					
Commercial	-	-	2,268	24	2,291
Housing	13,006	13,512	9,938	5,422	41,877
Other	6,416	1,939	1,018	1,806	11,179
Concluded buildings					
Commercial	71,033	9,604	27,227	17,875	125,739
Housing	74,283	57,149	51,267	14,941	197,641
Other	35,759	29,214	23,461	7,783	96,217
	222,438	122,195	154,723	58,124	557,481

Asset	31-12-2016 Number of properties	Fair value of assets	Book value
Land			
Urban	855	261,731	57,858
Rural	113	11,533	2,530
Buildings under construction			
Commercial	4	3,755	2,748
Housing	665	100,708	62,422
Other	172	10,078	4,254
Concluded buildings			
Commercial	601	189,350	104,514
Housing	4,193	409,131	264,858
Other	2,174	210,426	107,341
	8,777	1,196,711	606,525

Time elapsed since the initial recognition / reposessssion	31-12-2016 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	10,141	27,862	11,651	8,204	57,858
Rural	757	570	661	542	2,530
Buildings under construction					
Commercial	-	220	2,528	-	2,748
Housing	15,695	18,641	7,459	4,553	46,348
Other	606	2,626	2,350	483	6,065
Concluded buildings					
Commercial	11,136	52,172	30,939	10,268	104,514
Housing	98,282	84,577	63,567	18,432	264,858
Other	22,962	40,281	51,592	6,770	121,605
	159,579	226,949	170,746	49,251	606,525

<u>Explanatory notes on the above quantitative disclosures:</u>

. *Common Definitions*

Segmentation – the segments used are based on the definitions provided in the Bank of Portugal’s Monetary and Financial Statistics publication:

i. “Government” – local and central government sector which includes institutional units whose main 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;

ii. “Corporate” – non-financial corporations sector, comprising institutional units with their own legal ersonality whose main activity consists of producing non-financial goods and services; and,

iii. “Construction CRE” – non-financial corporations (“corporates”) whose economic activity is related to the “construction” or “property activities” sectors, according to the respective “CAE” (Classification of Economic Activities) Release 3.

Households sector – includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies.

Also included are the self-employed who are members of individual companies and companies of persons not having a legal personality which are mercantile producers.

iv. “Individuals – housing” – household sector comprising loans for housing purposes

v. Individuals - consumption and other purposes” – households sector not comprising mortgage loans (usually consumer credit); and,

vi. "Other" – other financial corporations (financial institutions sector which includes institutional units having their own legal personality which are mercantile producers and whose main 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.

Separate and collective analyses – difference between credit with separate and collective impairment in accordance with the impairment model.

. Table a)

Cured credit refers to performing credit that, according to the credit impairment model has already been in default.

Note*:* Classification as restructured credit prevails in the case of cured credit which has been restructured.

Performing loans with evidence follow the default criteria defined in item 8 of the qualitative information.

Non-performing loans in arrears for less than 90 days refer to the other event losses defined in item 8 of the qualitative information.

. Table b)

Year of production refers to the date upon which the portfolio operations in June 2017 were entered into.

. Table c)

Activity sectors refer to the classification of economic activity codes "CAE" – Release 3 of customers in the "corporate" and "government" sectors.

i. Customers in the "Other financial institutions" segment were included in the "Other financial activities" sector.

ii. Customers classified as being "Individual customers – housing" and – "Individual customers - other" were allocated those categories.

Reference is made, in each geography, to the portfolio credit of entities with an activity in that region/geography.

. Table d)

In the case of restructuring measures, the first event noted on a level of contractual changes after having been marked as restructured is assumed to derive from financial difficulties. The "Other" restructuring measure includes the following events:

a) Capitalisation of interest;

b) Refinancing operations;

c) Moratoria on payments/maturity;

d) Capital deferments; and,

e) Other non-systemised automatic or manual markings.

- Table f)

Real collateral considered in the impairment model:

- Property refers to mortgage guarantees on immovable assets; and,
- Other real collateral includes mortgage guarantees on material/moveable assets and financial collateral such as deposits, bonds, shares, other;

The fair value of collateral is understood to be the valuation price of mortgage collateral and market value for financial collateral. In cases in which the same guarantee/collateral covers more than one credit operation, fair value is duly weighted by the operations based on the amount of the credit.

. Table g)

LTV is the ratio between outstanding credit on a loan and the fair value of the collateral held.

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but which may also imply a restriction on asset growth, and, (ii) the prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution's financial assets and liabilities. Liquidity risk may be reflected in the impossibility of achieving a quick sale of a financial asset at close to its fair market value.

Under IFRS 7 – "Financial instruments: Disclosures", the contractual periods to maturity of financial instruments, at December 31, 2017 and 2016, were as follows:

	31-12-2017									
	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	4,620,844	-	-	-	-	-	-	-	-	4,620,844
Cash balances at other credit institutions	697,092	-	-	-	-	-	-	-	-	697,092
Loans and advances to credit institutions	2,140,206	172,403	157,426	465,225	4,432	6,508	6,684	43,541	54,663	3,051,087
Securities										
Trading	41	426,573	466,482	4,233,349	3,710	3,226	9,326	3,817	997,402	6,143,926
Other (net of impairment)	80,603	232,450	392,373	626,985	999,704	2,944,022	3,094,868	495,942	1,965,426	10,832,373
Loans and advances to customers (gross)	2,764,836	2,647,184	3,846,822	3,279,205	12,153,896	9,561,868	12,889,322	22,267,206	191,836	69,602,175
Assets with repurchase agreement	-	-	81	669	1,503	51,501	-	-	2,849	56,602
Hedging derivatives	-	-	-	-	-	-	-	-	7,413	7,413
	10,303,622	3,478,610	4,863,184	8,605,433	13,163,244	12,567,126	16,000,199	22,810,506	3,219,588	95,011,513
Liabilities										
Resources of central banks and credit institutions	(1,091,068)	(116,378)	(72,459)	(213,349)	(2,139,886)	(450,000)	-	-	(10,933)	(4,094,073)
Customer resources and other loans	(31,333,683)	(7,480,336)	(11,012,214)	(6,853,464)	(5,888,763)	(680,624)	(559,224)	(4,082)	(152,244)	(63,964,635)
Debt securities	(851,807)	(73)	(427)	(23,386)	(1,955,016)	(1,331,436)	(17,110)	(20,050)	3,039	(4,196,267)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	(5,459)	(5,459)
Subordinated liabilities	(35)	(6,835)	(8,401)	(384,393)	(560,511)	(30,543)	(30,332)	(106,080)	256	(1,126,872)
Consigned resources	(751)	(882)	(19,542)	(53,677)	(145,760)	(130,761)	(538,839)	(20,842)	(689)	(911,744)
	(33,277,343)	(7,604,503)	(11,113,043)	(7,528,270)	(10,689,936)	(2,623,365)	(1,145,505)	(151,054)	(166,030)	(74,299,049)
Derivatives	(2,424)	875	428	19,439	30,892	47,274	120,966	209,130	-	426,581
Difference	(22,976,144)	(4,125,018)	(6,249,431)	1,096,602	2,504,200	9,991,036	14,975,660	22,868,582	3,053,557	21,139,045

	31-12-2016									
	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	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,184,976	302,202	224,154	427,304	7,353	2,694	6,350	43,763	43,358	3,242,154
Securities										
Trading	680	174,987	1,612,422	3,040,961	40,682	12,495	26,349	3,710	1,526,144	6,438,429
Other (net of impairment)	151,891	138,642	428,223	709,858	1,297,123	2,081,279	2,482,212	829,512	1,758,373	9,877,112
Loans and advances to customers (gross)	3,385,420	2,690,791	4,371,144	3,788,037	12,948,875	10,073,067	14,989,776	23,813,259	100,922	76,161,291
Assets with repurchase agreement	22,086	3,222	12,594	179,488	143,278	157,171	354,877	-	29,280	901,995
Hedging derivatives	-	-	-	-	-	-	-	-	9,541	9,541
	8,342,141	3,309,843	6,648,536	8,145,647	14,437,310	12,326,706	17,859,564	24,690,245	3,467,618	99,227,611
Liabilities										
Resources of central banks and credit institutions	(811,854)	(208,539)	(320,933)	(410,192)	(1,522,316)	(2,230,881)	(420,423)	(3,366)	16,977	(5,911,526)
Customer resources and other loans	(29,935,179)	(7,873,561)	(11,517,041)	(6,847,682)	(10,505,777)	(1,482,051)	(606,831)	(1,265,138)	(92,933)	(70,126,194)
Debt securities	(102,920)	(50,181)	(635)	(78,399)	(1,746,389)	(1,181,320)	(1,277,394)	(22,264)	6,239	(4,453,263)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Hedging derivatives	-	-	-	-	-	-	-	-	(2,197)	(2,197)
Subordinated liabilities	(951,366)	(7,105)	(10,948)	(456,091)	(945,427)	(12,143)	(30,332)	(112,143)	(24)	(2,525,578)
Consigned resources	(265)	(1,046)	(19,923)	(53,507)	(148,425)	(133,502)	(446,193)	(23,955)	(80)	(826,894)
	(31,803,262)	(8,141,767)	(11,870,259)	(7,847,666)	(14,869,638)	(5,040,068)	(2,787,970)	(1,427,972)	(1,752,531)	(85,541,134)
Derivatives	(3,146)	(4,576)	9,911	19,804	7,060	11,002	78,654	270,368	-	389,077
Difference	(23,464,267)	(4,836,500)	(5,211,812)	317,784	(425,268)	7,297,640	15,150,248	23,532,641	1,715,086	14,075,554

The above tables also include cash flow projections on capital and interest and are not therefore directly comparable to the accounting balances at December 31, 2017 and 2016. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective references dates.

In the special case of mortgage loans, the distribution of capital and interest flows took into consideration expectations of early repayment rates assessed on an analysis of the historic performance of operations and the present macroeconomic context.

The following tables, which contain information on CGD Group's "structural" (as opposed to contractual) periods to maturity, at December 31, 2017 and 2016, differ from the former tables in their use of the following assumptions:

- 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;
- Customers' sight deposits: reallocation of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to up to 6 years buckets based on a uniform distribution of balances. This approach endeavours to correspond to the recommendations of the Basel Committee on Banking Supervision[11] as regards the average and maximum maturity of core deposits; and,
- Term deposits and savings accounts (CGD headquarters): reallocation of balances by buckets in accordance with an estimation model on their expected useful average lives.

[11] *Basel Committee on Banking Supervision*, "*Standards – Interest rate risk in the banking book*", April 2016.

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	31-12-2017									
	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	4,620,844									4,620,844
Cash balances at other credit institutions	696,886	-	-	-	-	-	-	-	206	697,092
Loans and advances to credit institutions	2,137,210	171,229	155,453	464,505	1,769	2	17	38,997	54,663	3,023,847
Securities										
Trading	2,233,833	62,470	68,304	620,079	1,008,586	371	1,219	1,852,552	292,242	6,139,656
Other (net of impairment)	2,197,564	40,495	158,091	264,968	1,200,148	1,246,055	1,291,180	1,882,244	1,293,400	9,574,145
Loans and advances to customers (gross)	2,634,233	2,470,663	3,560,200	2,757,989	10,283,746	6,769,308	9,695,235	16,827,827	191,836	55,191,037
Assets with repurchase agreement	50,000	-	-	-	-	-	-	-	2,849	52,849
	14,570,571	2,744,856	3,942,048	4,107,541	12,494,249	8,015,738	10,987,650	20,601,621	1,835,195	79,299,469
Liabilities										
Resources of central banks and credit institutions	(1,090,177)	(106,476)	(71,488)	(202,010)	(2,101,188)	(450,000)	-	-	(10,933)	(4,032,271)
Customer resources and other loans	(16,412,169)	(7,848,758)	(11,591,643)	(8,031,670)	(10,808,520)	(5,655,655)	(3,037,129)	(2,405)	(156,755)	(63,544,704)
Debt securities	(749,000)	-	-	(20,000)	(1,822,429)	(1,331,092)	(17,110)	(20,050)	3,039	(3,956,643)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	(766)	-	(376,145)	(539,576)	(209)	-	(100,000)	256	(1,016,439)
Consigned resources	-	(864)	(18,841)	(50,284)	(136,004)	(123,006)	(531,083)	(20,000)	(689)	(880,771)
	(18,251,345)	(7,956,865)	(11,681,972)	(8,680,108)	(15,407,718)	(7,559,961)	(3,585,323)	(142,455)	(165,082)	(73,430,829)
Difference	(3,680,775)	(5,212,008)	(7,739,924)	(4,572,566)	(2,913,470)	455,777	7,402,327	20,459,166	1,670,114	5,868,640

	31-12-2016									
	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	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,182,388	300,715	222,709	426,301	4,804	181	-	38,886	43,358	3,219,341
Securities										
Trading	2,001,813	47,990	234,346	441,875	611,819	907,712	3,729	1,410,815	773,935	6,434,034
Other (net of impairment)	2,632,988	30,415	178,010	116,891	1,094,566	1,490,242	309,956	1,939,230	770,955	8,563,253
Loans and advances to customers (gross)	3,263,453	2,516,330	4,054,588	3,239,071	11,142,810	8,703,560	11,764,890	18,664,847	100,922	63,450,470
Assets with repurchase agreement	195,855	-	419,054	153,538	-	-	-	-	28,655	797,102
	12,873,584	2,895,449	5,108,706	4,377,676	12,854,000	11,101,694	12,078,575	22,053,778	1,717,825	85,061,286
Liabilities										
Resources of central banks and credit institutions	(811,261)	(199,256)	(318,832)	(400,026)	(1,479,759)	(2,195,700)	(403,346)	-	16,977	(5,791,203)
Customer resources and other loans	(16,290,273)	(8,228,073)	(12,002,886)	(7,882,227)	(14,488,380)	(5,615,286)	(2,660,068)	(2,269,288)	(84,164)	(69,520,646)
Debt securities	-	(50,000)	-	(72,500)	(1,563,000)	(1,115,345)	(1,265,656)	(22,076)	6,239	(4,082,338)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Subordinated liabilities	(906,183)	-	(449)	(447,365)	(909,505)	-	-	(100,000)	(24)	(2,363,526)
Consigned resources	(253)	(1,002)	(19,047)	(50,289)	(141,084)	(127,384)	(439,848)	(22,857)	(80)	(801,844)
	(18,009,649)	(8,479,666)	(12,341,994)	(8,854,202)	(18,583,033)	(9,053,886)	(4,775,716)	(2,415,328)	(1,741,566)	(84,255,038)
Difference	(5,136,065)	(5,584,217)	(7,233,288)	(4,476,526)	(5,729,033)	2,047,808	7,302,859	19,638,450	(23,741)	806,248

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.

Short term or accounting perspective

Interest rate gap

Detailed information on financial instruments exposed to interest rate risk, based on their maturity or interest re-fixing date, at December 31, 2017 and 2016, is set out in the following tables:

	31-12-2017								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	4,620,844	-	-	-	-	-	-	-	4,620,844
Cash balances at other credit institutions	697,092	-	-	-	-	-	-	-	697,092
Loans and advances to credit institutions	2,020,471	117,515	171,244	155,665	464,483	1,750	38,055	54,663	3,023,847
Securities									
Trading	-	-	426,850	466,300	4,233,195	2,739	11,010	35,852	5,175,946
Other (net of impairment)	71,305	249,448	318,368	443,283	431,571	464,834	5,387,254	2,208,082	9,574,145
Loans and advances to customers (gross)	2,859,972	13,127,424	16,753,318	13,816,530	3,147,943	1,651,673	3,640,175	194,002	55,191,037
Assets with repurchase agreement	-	-	-	-	-	-	50,000	2,849	52,849
	10,269,684	13,494,386	17,669,780	14,881,778	8,277,192	2,120,997	9,126,495	2,495,448	78,335,760
Liabilities									
Resources of central banks and credit institutions	(708,641)	(381,536)	(656,476)	(71,488)	(202,010)	(2,001,188)	-	(10,933)	(4,032,271)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Customer resources and other loans	(27,648,449)	(4,853,821)	(9,118,490)	(12,006,331)	(5,972,499)	(3,618,525)	(241,232)	(85,358)	(63,544,704)
Debt securities	-	(749,000)	(250,000)	-	(82,000)	(1,760,429)	(1,118,252)	3,039	(3,956,643)
Subordinated liabilities	-	(5,936)	(975)	(536,729)	(373,057)	-	(100,000)	256	(1,016,439)
Consigned resources	-	-	(291,687)	-	(16,618)	(33,906)	(537,872)	(689)	(880,771)
	(28,357,090)	(5,990,292)	(10,317,627)	(12,614,548)	(6,646,183)	(7,414,048)	(1,997,356)	(93,685)	(73,430,829)
Derivatives									
Interest Rate Swaps (IRSs)	5,561,733	(379,409)	(1,239,467)	(1,129,296)	(1,494,663)	756,110	(2,053,380)	-	21,627
Interest rate futures	-	-	1,538,726	1,100,000	-	-	-	-	2,638,726
Forward Rate Agreements (FRAs)	-	-	-	-	-	-	-	-	-
Interest rate options	-	5,306	347,884	(330,588)	(173,600)	(112,831)	57,144	-	(206,685)
	5,561,733	(374,103)	647,143	(359,885)	(1,668,263)	643,279	(1,996,236)	-	2,453,668
Net exposure	(12,525,673)	7,129,991	7,999,296	1,907,346	(37,254)	(4,649,773)	5,132,903	2,401,763	7,358,599

	31-12-2016								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	1,840,553	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	1,515,336	668,859	299,127	223,709	426,301	4,804	37,847	43,358	3,219,341
Securities									
Trading	-	1,897	174,050	1,603,848	3,037,729	30,966	31,656	44,020	4,924,167
Other (net of impairment)	53,002	452,385	386,081	370,675	498,266	525,331	4,269,148	2,008,364	8,563,253
Loans and advances to customers (gross)	2,991,937	15,711,994	19,270,084	16,325,568	3,378,469	1,730,041	3,941,604	100,774	63,450,470
Assets with repurchase agreement	-	174,794	159,200	103,540	153,538	-	176,750	29,280	797,102
	7,157,363	17,009,931	20,288,542	18,627,339	7,494,304	2,291,142	8,457,004	2,225,795	83,551,420
Liabilities									
Resources of central banks and credit institutions	(716,551)	(281,430)	(699,832)	(291,585)	(301,980)	(1,417,954)	(2,098,848)	16,977	(5,791,203)
Financial liabilities at fair value through profit or loss	(774)	(749)	(1,335)	(780)	(1,950)	(1,305)	(8,075)	(1,680,513)	(1,695,481)
Customer resources and other loans	(26,500,004)	(5,653,211)	(10,214,769)	(13,245,410)	(6,359,212)	(6,030,930)	(1,428,260)	(88,851)	(69,520,646)
Debt securities	-	-	(300,000)	-	(147,500)	(1,528,000)	(2,113,077)	6,239	(4,082,338)
Subordinated liabilities	(961,926)	-	(391,622)	(537,178)	(368,522)	(4,254)	(100,024)	0	(2,363,526)
Consigned resources	-	(444)	(346,522)	-	(16,402)	(33,458)	(404,938)	(80)	(801,844)
	(28,179,256)	(5,935,834)	(11,954,081)	(14,074,952)	(7,195,565)	(9,015,900)	(6,153,221)	(1,746,229)	(84,255,038)
Derivatives									
Interest Rate Swaps (IRSs)	3,921,320	(271,066)	(1,016,353)	(569,286)	(563,247)	872,867	(2,275,290)	-	98,945
Interest rate futures	115,971	-	3,128,150	168,876	193,419	164,838	99,326	-	3,870,579
Forward Rate Agreements (FRAs)	-	-	-	-	-	-	-	-	-
Interest rate options	31,446	8,478	(239,415)	(118,484)	298,787	20,600	(328,396)	-	(326,984)
	4,068,737	(262,588)	1,872,382	(518,895)	(71,041)	1,058,305	(2,504,360)	-	3,642,540
Net exposure	(16,953,156)	10,811,508	10,206,844	4,033,493	227,698	(5,666,454)	(200,576)	479,566	2,938,921

The above tables include the amounts of outstanding capital, excluding accrued interest and value adjustments.

Their production was based on the following assumptions:

- Cash balances at central banks were classified in the up to 1 month column and customers' sight deposits were classified in the "<= 7 days" column;
- The difference between the nominal and market value of debt securities recognised at fair value is considered in the "indeterminate" column and includes the accrued interest component; and,
- Equity instruments were classified in the "indeterminate" column.

Sensitivity analyses

The following table demonstrates the effect of a parallel shift of benchmark interest rate yield curves of ±50, ±100 e ±200 bps on CGD Group's net interest income for 2018 and 2017, respectively. The estimates were obtained from the interest rate gap and are therefore, particularly conservative, in a macroeconomic environment of negative interest rates.

As, up to December 31, 2016, the disclosures did not consider the "negative market indexer" effect, in order to ensure the comparability of information, the estimates of the impacts on net interest income for 2017 were re-expressed in conformity with the methodology now being applied.

ESTIMATED CHANGE IN NET INTEREST INCOME

	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2016	(311,859)	(155,929)	(77,965)	77,965	155,929	311,859
2017	(295,406)	(147,703)	(73,851)	73,851	147,703	295,406

The analysis set out in the above table, at December 31, 2017, excludes the effect of the parallel shifts in the reference interest rates curve on net interest income for the operations of the Timor branch. At December 31, 2016, the sensitivity analysis also excluded the operations of the Zhuhai branch.

The information set out in the preceding table does not take into consideration structural balance sheet changes or interest rate risk management policies which may be adopted as a consequence of analyses of the performance of sensitivity analyses.

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 December 31, 2017 and 2016.

	31-12-2017						
	Balances analysed					Balances not analysed	Total book value
	Book value	Fair value			Difference	Book value	
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalents at central banks	4,620,893	-	-	4,620,893	-	-	4,620,893
Cash balances at other credit institutions	698,700	-	-	698,700	-	-	698,700
Loans and advances to credit institutions	2,961,982	-	-	2,977,940	15,958	66,711	3,028,694
Held-to-maturity investments	2,661,199	-	-	2,517,614	(143,585)	(34,380)	2,626,819
Loans and advances to customers	55,072,661	-	-	54,319,364	(753,297)	182,320	55,254,981
	66,015,436	-	-	65,134,512	(880,924)	214,651	66,230,087
Liabilities							
Resources of central banks and other credit institutions	(4,013,287)	-	-	(4,028,409)	(15,122)	(29,563)	(4,042,850)
Customer resources and other loans	(63,318,533)	-	-	(63,429,228)	(110,695)	(312,363)	(63,630,896)
Debt securities	(4,051,175)	(3,720,882)	-	(443,555)	(113,263)	(246)	(4,051,421)
Subordinated liabilities	(1,027,719)	(373,643)	-	(692,134)	(38,058)	(23)	(1,027,741)
Consigned resources	(880,708)	-	-	(891,269)	(10,561)	(63)	(880,771)
	(73,291,421)	(4,094,525)	-	(69,484,595)	(287,699)	(342,258)	(73,633,679)

	31-12-2016						
	Balances analysed					Balances not analysed	Total book value
	Book value	Fair value			Difference	Book value	
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalents at central banks	1,840,560	-	-	1,840,560	-	-	1,840,560
Cash balances at other credit institutions	757,726	-	-	757,726	-	-	757,726
Loans and advances to credit institutions	2,886,523	-	-	2,902,490	15,967	331,274	3,217,797
Assets with repurchase agreement	234,830	-	-	231,220	(3,609)	-	234,830
Held-to-maturity investments	433,131	-	-	433,131	-	-	433,131
Loans and advances to customers	61,134,467	-	-	58,817,433	(2,317,034)	1,732,359	62,866,825
	67,287,236	-	-	64,982,560	(2,304,676)	2,063,633	69,350,868
Liabilities							
Resources of central banks and other credit institutions	(5,542,275)	-	-	(5,560,296)	(18,020)	(257,436)	(5,799,712)
Customer resources and other loans	(67,503,291)	-	-	(67,677,756)	(174,465)	(2,176,839)	(69,680,130)
Debt securities	(4,190,817)	(3,791,212)	-	(540,899)	(141,294)	7,088	(4,183,729)
Subordinated liabilities	(2,407,887)	(546,328)	-	(1,812,086)	49,473	(16,247)	(2,424,133)
Consigned resources	(799,855)	-	-	(804,729)	(4,875)	(1,989)	(801,844)
	(80,444,124)	(4,337,540)	-	(76,395,765)	(289,180)	(2,445,423)	(82,889,548)

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 Caixa's listed debt issuances (net), 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 as well as cash flow projections for the estimated variable-rate instruments, 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 the average spreads on new investment operations and credit institutions' resources; and,
  - Market interest rates incorporating the average spreads on new lending operations and customer deposits on like-for-like loans and deposits;
- The "Balances not analysed" column essentially includes:
  - Overdue credit, net of impairment; and,
  - The balances of several branches not included in Caixa's centralised calculation.

Sensitivity analyses

The impact of parallel shifts of ±50, ±100 and ±200 bps of the reference interest rates yield curve on the fair value of financial instruments sensitive to interest rate risk, excluding derivatives, at December 31, 2017 and 2016, is set out in the following tables:

	Fair Value						
	31-12-2017						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	4,676,140	4,675,630	4,675,376	4,675,124	4,674,873	4,674,624	4,674,129
Loans and advances to credit institutions	3,507,805	3,501,424	3,499,502	3,495,649	3,491,557	3,487,615	3,480,142
Securities							
Trading	5,305,629	5,269,687	5,251,822	5,234,000	5,216,334	5,198,849	5,164,404
Other	6,797,153	6,746,400	6,663,147	6,522,991	6,381,786	6,246,299	5,991,000
Held-to-maturity investments (gross)	2,674,514	2,664,759	2,637,445	2,578,445	2,519,377	2,462,415	2,354,434
Assets with repurchase agreement	213,779	213,706	213,462	210,052	206,186	202,421	195,178
Loans and advances to customers	58,910,571	58,912,413	58,755,685	58,580,836	58,430,936	58,295,361	58,045,563
Asset	**82,085,592**	**81,984,018**	**81,696,439**	**81,297,097**	**80,921,050**	**80,567,584**	**79,904,850**
Resources of central banks	(3,522,889)	(3,515,810)	(3,512,316)	(3,493,178)	(3,457,885)	(3,423,205)	(3,355,629)
Resources of other credit institutions	(1,868,512)	(1,866,230)	(1,867,126)	(1,867,111)	(1,866,121)	(1,865,135)	(1,863,174)
Customer resources and other loans	(69,623,488)	(69,334,693)	(69,137,752)	(68,799,286)	(68,421,519)	(68,052,703)	(67,339,861)
Debt securities	(4,267,622)	(4,254,572)	(4,247,501)	(4,217,193)	(4,177,982)	(4,140,222)	(4,067,040)
Subordinated liabilities	(1,711,543)	(1,704,560)	(1,696,799)	(1,681,364)	(1,663,734)	(1,646,606)	(1,613,775)
Liabilities	**(80,994,054)**	**(80,675,864)**	**(80,461,493)**	**(80,058,132)**	**(79,587,240)**	**(79,127,871)**	**(78,239,480)**
Market value	**1,091,538**	**1,308,154**	**1,234,946**	**1,238,965**	**1,333,810**	**1,439,713**	**1,665,370**

	Fair Value						
	31-12-2016						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	1,924,075	1,924,066	1,924,060	1,924,053	1,923,896	1,923,722	1,923,375
Loans and advances to credit institutions	3,887,093	3,886,892	3,888,521	3,888,995	3,883,625	3,878,093	3,867,472
Securities							
Trading	5,003,990	5,001,477	5,000,162	4,998,720	4,983,743	4,968,887	4,939,529
Other	6,724,664	6,705,271	6,654,071	6,567,068	6,430,955	6,301,275	6,059,429
Assets with repurchase agreement	552,637	552,637	552,169	550,426	544,653	539,053	528,341
Loans and advances to customers	62,259,323	62,257,787	62,254,274	62,245,909	62,167,960	62,090,145	61,937,070
Asset	**80,351,782**	**80,328,129**	**80,273,257**	**80,175,171**	**79,934,832**	**79,701,174**	**79,255,216**
Resources of central banks	(3,599,321)	(3,599,295)	(3,599,244)	(3,599,193)	(3,550,965)	(3,503,708)	(3,412,008)
Resources of other credit institutions	(2,507,033)	(2,506,647)	(2,506,122)	(2,505,713)	(2,503,148)	(2,500,591)	(2,495,500)
Customer resources and other loans	(71,826,139)	(71,760,556)	(71,723,079)	(71,667,685)	(71,307,433)	(70,954,523)	(70,270,018)
Debt securities	(4,390,939)	(4,390,136)	(4,388,835)	(4,383,851)	(4,328,847)	(4,275,113)	(4,171,291)
Subordinated liabilities	(2,476,211)	(2,476,052)	(2,474,260)	(2,470,515)	(2,463,897)	(2,457,493)	(2,445,284)
Liabilities	**(84,799,643)**	**(84,732,688)**	**(84,691,541)**	**(84,626,956)**	**(84,154,290)**	**(83,691,429)**	**(82,794,101)**
Market value	**(4,447,862)**	**(4,404,558)**	**(4,418,284)**	**(4,451,785)**	**(4,219,457)**	**(3,990,255)**	**(3,538,885)**

It should be noted that, at December 31, 2017, the analysis set out in the above table excluded the effect of parallel shifts of the respective benchmark yield curves on the fair value of the operations of the Timor branches. At December 31, 2016, the sensitivity analysis also excluded the operations of the Zhuhai branch.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at December 31, 2017 and 2016, may be summarised as follows:

	31-12-2017			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	5,175,534	413	-	5,175,946
Securities at fair value through profit or loss	229,756	-	423,412	653,168
Available-for-sale financial assets	3,966,454	780,441	1,415,183	6,162,078
Assets with repurchase agreement	52,849	-	-	52,849
Trading derivatives	-	(511,163)	414,533	(96,630)
Hedging derivatives	-	1,954	-	1,954
	9,424,593	271,645	2,253,128	11,949,365

	31-12-2016			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held-for-trading	4,764,322	159,360	485	4,924,167
Securities at fair value through profit or loss	255,443	-	464,449	719,892
Available-for-sale financial assets	4,915,303	981,200	1,360,417	7,256,920
Assets with repurchase agreement	358,683	19,105	187,114	564,901
Trading derivatives	716	(685,259)	501,094	(183,449)
Other financial liabilities at fair value through profit or loss	(2,165)	-	-	(2,165)
Hedging derivatives	-	7,344	-	7,344
	10,292,302	481,750	2,513,558	13,287,610

The preparation of the above table was based on the following criteria:

- **Level 1** – Market prices. This column included financial instruments measured on the basis of prices in active markets;
- **Level 2** – Measurement techniques – observable market input. This column included financial instruments measured on the basis of internal models using observable market input (interest rates, foreign exchange rates, ratings of external entities, other). It also includes financial instruments measured on the bid prices supplied by external counterparties; and,
- **Level 3** – Other measurement techniques. This column includes financial instruments measured on the basis of internal models, prices supplied by external entities including non-observable market parameters or NAV (net asset value) supplied by restructuring or closed-end fund management companies.

Information on movements in financial instruments, classified in the "Other measurement techniques" column, in 2017 and 2016, is set out below:

	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	Collateralized Loan Obligation	Corporate bonds			
Book value (net) at 31-12-2016	459,965	4,968	464,934	886,259	316,712	-	344,560	1,547,530	501,094	2,513,558
Changes in consolidation perimeter	(687)	-	(687)	-	-	-	-	-	273,551	272,864
Acquisitions	3,681	-	3,681	47,344	-	-	331,910	379,255	-	382,936
Amortisations	(42,759)	(7,123)	(49,882)	(61,483)	(180,702)	-	(19,585)	(261,771)	(348,525)	(660,177)
Sales	-	-	-	-	(39,384)	-	(275,595)	(314,979)	-	(314,979)
Gains / (losses) recognised as a charge to net income - alienated instruments	7,943	2,167	10,110	(1,269)	424	-	13,944	13,099	-	23,209
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	1,216	-	1,216	(1,545)	10,501	-	5,097	14,053	(11,587)	3,682
Impairment for the year	-	-	-	(17,270)	746	-	-	(16,524)	-	(16,524)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(5,803)	33,623	-	29,773	57,592	-	57,592
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	-	-	(9,315)	(9,315)	-	(9,315)
Transfers from / (to) other accounting captions	-	-	-	(1,198)	-	-	-	(1,198)	-	(1,198)
Exchange differences	(5,947)	(13)	(5,960)	(1,962)	-	-	9,506	7,543	-	1,583
Other	-	-	-	(92)	(7)	-	(4)	(104)	-	(104)
Book value (net) at 31-12-2017	423,412	-	423,412	842,982	141,911	-	430,289	1,415,183	414,533	2,253,128

[*] Includes values of equity unit redemption portfolios

	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	Collateralized Loan Obligation	Corporate bonds			
Book value (net) at 31-12-2015	494,403	6,681	501,084	1,158,991	368,530	-	504,466	2,031,987	534,788	3,067,859
Changes in consolidation perimeter	-	-	-	(348)	-	-	-	(348)	-	(348)
Acquisitions	19,738	-	19,738	21,868	-	-	157,502	179,370	1,668	200,776
Amortisations	(55,069)	-	(55,069)	(89,302)	-	-	(2,116)	(91,418)	-	(146,488)
Sales	-	(5,000)	(5,000)	-	(44,100)	-	(194,152)	(238,252)	45,994	(197,258)
Gains / (losses) recognised as a charge to net income - alienated instruments	7,852	(14)	7,838	26,479	-	-	(39)	26,441	-	34,279
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	(4,249)	2,873	(1,377)	15,844	5,891	-	(2,700)	19,034	(81,356)	(63,699)
Impairment for the year	-	-	-	(117,782)	(746)	-	(382)	(118,910)	-	(118,910)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(88,205)	(17,411)	-	(14,443)	(120,058)	-	(120,058)
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	4,548	-	-	4,548	-	4,548
Transfers from / (to) other accounting captions	-	-	-	-	-	-	-	-	-	-
Exchange differences	(2,709)	428	(2,281)	2,405	-	-	(103,577)	(101,172)	-	(103,452)
Other	-	-	-	(43,692)	-	-	-	(43,692)	-	(43,692)
Book value (net) at 31-12-2016	459,965	4,968	464,934	886,259	316,712	-	344,560	1,547,530	501,094	2,513,558

[*] Includes values of equity unit redemption portfolios

At December 31, 2017 and 2016, a positive shift of 100 bps on the yield curve used to discount cash flow projections on debt instruments measured by internal models, would result in decreases of around €73 thousand and €241 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

Equity instruments valued by other measurement techniques (Level 3) at December 31, 2017 and 2016, 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 2017 and 2016 were as follows:

	31-12-2017		31-12-2016	
	Available-for-sale financial assets		Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	45,150	20,914	33,005	28,960

The transfers noted between classification levels in the fair value ranking essentially derive from the changes in the sources available for the valuation of these assets (market or external counterparties).

Derivatives

Derivatives are transacted in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured on the basis of commonly accepted theoretical, reasonably complex models, in line with the characteristics of the product in question:

- Discounted cash flow projections based on an adequate yield curve; and,
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

Although the type of input necessary for the measurement also depends upon the characteristics of the operations, it generally includes yield curves, volatility curves, equity/indices prices, exchange rates and dividend yields.

Yield curves are produced on Reuters/Bloomberg deposit rates and swap prices. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available on cash flow projections, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of the implied volatilities in the prices of listed options on underlying assets. If there are no listed options for an underlying asset, historic volatility is calculated on the basis of the historical price series of its component parts.

Prices of shares/indices, exchange rates and dividend yields are supplied by Reuters/Bloomberg.

Applying IFRS 13 – "Fair value measurement requirements", Caixa incorporated add-ons to its measurement of these financial instruments to reflect its own credit risk based on a market discount curve considered to reflect the associated risk profile. Simultaneously, based on its current exposure, the Group adopted a similar methodology to reflect counterparty credit risk on derivatives with positive fair value. The fair value thus obtained comprises the risk-free measurement affected by this addition.

CVA/DVA is assessed by a methodology implemented at a Caixa Geral de Depósitos level. This methodology is based on the estimation of exposure at the time of default ("Exposure at default" or "EAD") on each operation and the application of risk parameters on EAD estimates in order to assess the expected loss for CGD (CVA) and 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 future potential exposure of the operations. For the remaining products, EAD usually corresponds to the instrument's fair value on the reference date.

The risk parameters, consisting of PDs or LGDs, 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 risk parameters underpinning the prices and uses them in the calculation; and,
- The remaining counterparties or projects are classified on the basis of their creditworthiness based on a set of quantitative and qualitative criteria, resulting in an internal rating the Group matches to a historical PD.

The value of CVAs (credit value adjustments) recognised in "Financial assets held-for-trading", at December 31, 2017 and DVAs (debit value adjustments) recognised in "Financial liabilities held-for-trading" totalled €32,192 thousand and €441 thousand respectively (€138,551 thousand and €3,290 thousand, respectively at December 31, 2016).

Debt instruments of financial and non-financial entities

Whenever possible, the value of securities is measured at market prices, based on an internally developed algorithm. This algorithm endeavours to obtain the most appropriate price for each security in accordance with a ranking of contributions defined internally by CGD. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general the input used for internal valuations is obtained from Bloomberg and Reuters systems.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. These securities are priced by the use of internal/external measurement techniques which are generally based on discounted cash flow projections. They may be forecast by a reasonably complex model ranging from simple discounted cash flows resulting from forward rates (obtained from the most appropriate yield curve, which, in turn, is produced on the basis of money market rates and swap prices, whose money market component is adjusted by interest rate futures or FRAs) to a CLO (collateralised loan obligation) cascade payment on the basis of information disclosed in investor reports.

For discount purposes, internal measurements use a listed credit curve complying with the issuance's currency/sector/rating trinomial to consider the risk attached to each. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of input sources for measurement purposes. The valuations provided by structurers, issuing entities or counterparties (external measurements) are also generally allocated to level 3. Securitisations with reduced liquidity are also allocated to level 3.

Yield curves are calculated on 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 values of the curves of the currencies with greater exposure, at December 31, 2017 and 2016, were as follows:

	31-12-2017			31-12-2016		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.4300	1.4300	0.4450	-0.4200	1.7500	0.1950
1 month	-0.4200	1.6300	0.4900	-0.4100	1.4500	0.5300
2 months	-0.3999	1.6600	0.5300	-0.3831	1.3900	0.5400
3 months	-0.3796	1.7354	0.5680	-0.3545	1.3686	0.5277
6 months	-0.3170	1.7637	0.5723	-0.2716	1.2014	0.4542
9 months	-0.3006	1.8326	0.6098	-0.2528	1.2189	0.4405
1 year	-0.2755	1.8993	0.6485	-0.2253	1.2673	0.4418
2 years	-0.1634	2.0798	0.7705	-0.1754	1.5118	0.4972
3 years	0.0074	2.1580	0.8933	-0.0929	1.6785	0.7010
5 years	0.3144	2.2390	1.0440	0.0720	1.9830	0.8728
7 years	0.5630	2.3040	1.1535	0.3040	2.1780	1.0320
10 years	0.8837	2.3870	1.2853	0.6430	2.3600	1.2197
15 years	1.2447	2.4745	1.4184	1.0000	2.5170	1.4003
20 years	1.4107	2.5170	1.4664	1.1420	2.5820	1.4485
25 years	1.4717	2.5250	1.4592	1.1830	2.6000	1.4377
30 years	1.4937	2.5180	1.4402	1.1960	2.6060	1.4157

Credit curve values are obtained from the Bloomberg/Thomson Reuters Eikon system and assessed 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 December 31, 2017 and 2016, were as follows:

	31-12-2017		31-12-2016	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.4590	-0.8280	-0.1562	-0.9590
6 months	-0.3933	-0.8070	-0.0392	-0.8440
9 months	-0.3699	-0.7290	-0.0343	-0.8530
1 year	-0.3369	-0.7285	-0.0382	-0.8595
2 years	-0.1162	-0.6195	0.3235	-0.8025
3 years	-0.0060	-0.4919	1.0170	-0.7619
5 years	0.5092	-0.2100	2.1482	-0.5550
7 years	1.3192	0.0287	3.2787	-0.2170
10 years	2.0591	0.4215	3.7678	0.1710
15 years	2.5701	0.6406	4.2602	0.4137
20 years	2.8890	0.9304	4.3389	0.6506
25 years	3.0939	1.0836	4.5131	0.7609
30 years	3.1897	1.2365	4.6222	0.8713

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at December 31, 2017 and 2016:

	31-12-2017	31-12-2016
EUR/USD	1.1993	1.0541
EUR/GBP	0.8872	0.8562
EUR/CHF	1.1702	1.0739
EUR/AUD	1.5346	1.4596
EUR/JPY	135.0100	123.4000
EUR/BRL	3.9729	3.4305

Equity instruments held as part of a venture capital activity

The value of unlisted shareholders' equity instruments held as part of a venture capital activity is measured on the basis of the following criteria:

i) Prices of significant transactions made by independent entities over the last six months;

ii) Multiples of comparable companies in terms of sector of activity, size and profitability;

iii) Discounted cash flows; and,

iv) Settlement price comprising the subsidiary company's net equity.

Market Risk

Market risk comprises the risk of a change in fair value or the cash flows of financial instruments deriving from changes in market prices, including foreign exchange, interest rate and price risks.

Market risk is assessed on the basis of the following methodologies:

- 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 setting up a value and liquidity reserve, including the remaining securities in Caixa's own portfolio and associated hedges, except for equity stakes and securitised credit;
    - Treasury management activity – comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk
    - Branches – CGD New York; and ,
    - Subsidiaries – Caixa BI, BCG Spain, BCG Brasil and BNU Macau.
- Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in Caixa's and the following Group units' separate financial statements:
    - Caixa - Banco de Investimento;

  - BCG Spain; and,
  - BNU Macau.
- Sensitivity analysis on all financial instruments with optionality; and,
- Stress tests

VaR analysis – market risk

VaR 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, branches and subsidiaries) and 1 day (trading portfolio and treasury management activity);
- confidence level: 99% (investment and own portfolios, branches and subsidiaries) and 95% (trading portfolio and treasury management activity);
- price sample period: 730 calendar days; and,
- decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of adequate models and implied volatility. Given the methodology used, correlations are not calculated but empirical.

The following is a breakdown of VaR, at December 31, 2017 and 2016:

Activity of Caixa Geral de Depósitos (headquarters and branches)

Held-for-Trading portfolio (VaR 99%, 10 days)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR	21,889	27,506	16,966	24,524

Held-for-Trading portfolio (VaR 95%, 1 day)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	413	1,568	360	375
Foreign exchange rate	97	12,015	9	187
Price	26	257	16	24
Volatility	28	38	-	1
Diversification effect	(169)			(158)
	395	12,320	394	429

Treasury management (VaR 95%, 1 day)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	976	1,612	878	1,582
Foreign exchange rate	4,444	8,520	3,468	5,631
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(766)			(1,414)
	4,654	9,257	3,695	5,799

Own portfolio (VaR 99%, 10 days)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	106	686	104	614
Foreign exchange rate	72	178	-	37
Price	9,635	10,318	2,465	2,904
Volatility	-	-	-	-
Diversification effect	(153)			(619)
	9,660	10,346	2,751	2,936

Investment portfolio (VaR 99%, 10 days)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	101,491	113,737	98,180	102,916
Foreign exchange rate	-	10	-	5
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	-			(2)
	101,491	113,737	98,182	102,919

<u>Investment banking activity</u>

Caixa - Banco de Investimento (VaR 99%, 10 days)

	31-12-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	11,160	13,380	3,899	9,859
Foreign exchange rate	1,664	2,766	1,243	1,306
Price	130	255	46	52
Volatility	203	716	202	697
Diversification effect	(1,540)			(300)
	11,616	15,039	4,683	11,613

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

Foreign exchange risk

Breakdown of financial instruments by currency

Financial instruments were broken down into the following currencies, at December 31, 2017 and 2016:

	31-12-2017												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Angola Kwanzas	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	3,729,526	103,519	3,659	1,577	91,140	158,411	235,360	22,688	71,392	184,693	18,927		4,620,893
Cash balances at other credit institutions	520,092	17,360	5,337	2,581	48,533	75,192	905	404	3,226	-	25,071		698,700
Loans and advances to credit institutions	302,750	1,108,857	118,753	4,577	1,026,364	40,782	193,946	6,564	186,786	-	46,439		3,035,819
Financial assets at fair value though profit or loss	5,710,437	111,244	3,603	68	-	67	-	-	2,326	-	1,371	963,709	6,792,824
Available-for-sale financial assets	5,330,072	918,986	21,277	-	-	213	315,514	-	59,556	123,923	51,407		6,820,947
Loans and advances to customers (gross)	54,615,701	651,562	39,695	1,138	1,165,009	1,660,952	634,803	3	603,774	435,115	3,193		59,810,942
Held-to-maturity Investments	2,111,276	-	-	-	-	-	-	-	-	515,543	-		2,626,819
Assets with repurchase agreement	52,849	-	-	-	-	-	-	-	-	-	-		52,849
Other assets	1,549,043	632,055	(54,939)	(1,070)	858,076	(40,858)	62,350	2,960	25,190	11,354	15,836		3,059,997
Accumulated impairment (financial instruments)	(5,052,133)	(107,863)	(4,885)	(3)	(34,477)	(320)	(53,355)	-	(50,619)	(36,636)	(22)		(5,340,313)
	68,869,611	3,435,720	132,499	8,869	3,154,645	1,894,440	1,389,522	32,619	901,630	1,233,992	162,221	963,709	82,179,477
Liabilities													
Resources of central banks and other credit institutions	(3,226,676)	(692,369)	(58,266)	(1,025)	(23,557)	(16,885)	(6,500)	-	(12,906)	-	(4,665)		(4,042,850)
Customer resources and other loans	(54,164,354)	(2,276,359)	(65,743)	(2,196)	(3,071,417)	(1,067,977)	(1,252,199)	(873)	(865,436)	(724,993)	(139,348)		(63,630,896)
Debt securities	(4,026,054)	-	-	(25,367)	-	-	-	-	-	-	-		(4,051,421)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	(1,060,339)	(1,060,339)
Subordinated liabilities	(1,017,212)	-	-	-	-	-	(6,145)	-	(4,384)	-	-		(1,027,741)
Consigned resources	(880,139)	-	-	-	-	-	(632)	-	-	-	-		(880,771)
Other	(1,512,016)	45,935	(31,650)	20,840	(1,116,299)	(15,078)	(58,408)	(130,952)	(45,349)	(31,628)	(19,088)		(2,893,693)
	(64,826,451)	(2,922,793)	(155,659)	(7,749)	(4,211,273)	(1,099,940)	(1,323,885)	(131,825)	(928,075)	(756,621)	(163,101)	(1,060,339)	(77,587,712)
Derivatives (Notional)													
Currency swaps	(35,733)	45,382	(50,637)	(852)	-	73,730	(35,452)	2,719	-	-	1,569	-	726
Interest rate swaps	(487,356)	483,800	-	25,183	-	-	-	-	-	-	-	-	21,627
Futures	(3,022,457)	2,604	(987)	-	-	-	-	-	-	-	-	-	(3,020,840)
Options and Caps & Floors	(239,705)	35,522	(249)	(72)	-	-	-	-	-	-	-	-	(204,504)
Forward foreign exchange transactions	28,748	(336,412)	2,291	(191)	-	305,698	-	237	-	-	(2,267)	-	(1,896)
	(3,756,502)	230,895	(49,582)	24,068	-	379,428	(35,452)	2,956	-	-	(698)	-	(3,204,887)
Net exposure	286,658	743,822	(72,742)	25,188	(1,056,628)	1,173,928	30,186	(96,250)	(26,445)	477,370	(1,578)	(96,630)	1,386,879

	31-12-2016												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Angola Kwanzas	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	945,934	136,339	4,492	1,119	105,733	179,137	198,457	10,140	73,942	164,877	20,390		1,840,560
Cash balances at other credit institutions	501,932	80,761	8,219	6,433	77,250	33,579	827	1,381	1,501	32,950	12,892		757,726
Loans and advances to credit institutions	165,467	948,242	245,938	-	1,144,534	83,244	9,792	4,667	197,066	1,145	424,826		3,224,922
Financial assets at fair value though profit or loss	5,456,716	122,971	2,787	422	-	165	-	-	2,332	-	58,665	1,509,867	7,153,925
Available-for-sale financial assets	6,261,487	768,258	6,662	-	-	12,203	198,367	19,581	62,563	390,451	188,816		7,908,388
Loans and advances to customers (gross)	62,232,410	1,281,393	61,742	5,706	1,238,944	1,724,824	648,735	-	583,338	572,686	150,446		68,500,222
Held-to-maturity Investments	-	-	-	-	-	-	-	-	-	433,131	-		433,131
Assets with repurchase agreement	780,627	-	-	-	-	-	-	-	-	-	19,793		800,419
Other assets	1,728,623	1,055,267	(217,993)	713	897,779	124,232	5,510	2,818	13,082	33,770	(199,304)		3,444,497
Accumulated impairment (financial instruments)	(6,088,097)	(264,103)	(5,188)	(337)	(37,465)	-	(37,255)	-	(47,268)	(22,342)	(20,880)		(6,522,935)
	71,985,099	4,129,128	106,660	14,055	3,426,775	2,157,384	1,024,434	38,587	886,557	1,606,667	655,643	1,509,867	87,540,854
Liabilities													
Resources of central banks and other credit institutions	(5,193,010)	(430,363)	(38,066)	(1,122)	(25,431)	(16,767)	(9,524)	(7,537)	(3,771)	(19,869)	(54,253)		(5,799,712)
Customer resources and other loans	(57,947,091)	(2,963,390)	(75,549)	(4,982)	(3,585,221)	(1,500,977)	(933,397)	(19,396)	(864,477)	(1,401,081)	(384,570)		(69,680,130)
Debt securities	(4,153,950)	-	-	(29,779)	-	-	-	-	-	-	-		(4,183,729)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	(1,695,481)	(1,695,481)
Subordinated liabilities	(2,412,529)	-	-	-	-	-	(6,320)	-	(5,284)	-	-		(2,424,133)
Consigned resources	(799,935)	-	-	-	-	-	(1,909)	-	-	-	-		(801,844)
Other	(1,411,468)	(24,778)	(1,411)	(4,702)	(1,186,877)	(13,522)	(15,179)	(122,343)	(27,323)	(53,521)	(153,612)		(3,014,736)
	(71,917,983)	(3,418,530)	(115,026)	(40,585)	(4,797,528)	(1,531,266)	(966,329)	(149,276)	(900,854)	(1,474,470)	(592,435)	(1,695,481)	(87,599,765)
Derivatives (Notional)													
Currency swaps	(68,047)	368,880	(214,079)	(1)	-	146,250	-	(6,957)	-	-	(205,193)	-	20,853
Interest rate swaps	(92,616)	132,603	-	29,579	-	-	-	-	-	-	29,379	-	98,945
Other swaps	-	28,460	-	-	-	-	-	-	-	-	-	-	28,460
Futures	(2,994,799)	(2,039)	-	-	-	-	-	-	-	-	(990,851)	-	(3,987,689)
Options and Caps & Floors	(188,426)	(23,835)	(496)	(16,719)	-	-	-	-	-	-	(6,299)	-	(235,775)
Forward foreign exchange transactions	17,993	(1,050,181)	3,675	(459)	-	1,033,763	-	(1)	-	-	3,833	-	8,623
	(3,325,895)	(546,112)	(210,900)	12,400	-	1,180,013	-	(6,958)	-	-	(1,169,131)	-	(4,066,583)
Net exposure	(3,258,779)	164,485	(219,266)	(14,130)	(1,370,753)	1,806,130	58,105	(117,647)	(14,297)	132,196	(1,105,923)	(185,615)	(4,125,494)

VaR analysis – foreign exchange risk

To guarantee the control and measurement of foreign exchange risk, Caixa calculates and monitors Value-at-Risk (VaR) on amounts and limits on its total open and currency positions for each relevant Group unit on a daily basis and consolidates the amounts every month.

Information on CGD Group's VaR (10 days with a 99% confidence level) by currency, at December 31 2017 and 2016, is shown in the following table:

	VaR	
	31-12-2017	31-12-2016
Hong Kong Dollar	21,230	68,788
Macau Pataca	23,263	60,995
South African Rand	12,618	17,149
US Dollar	5,364	18,340
Mozambican Meticais	19,009	12,380
Pound Sterling	150	6
Japanese Yen	216	209
Other currencies	29,864	45,931
Diversification effect	(53,961)	(171,440)
Total	57,754	52,358

With the application of the above methodology the diversification effect is calculated implicitly.

42. CAPITAL MANAGEMENT

Capital management objectives

Capital management objectives, in Caixa Geral de Depósitos, are in line with the following general principles:

- To comply with the regulatory requirements established by supervisors, i.e. European Central Bank, Bank of Portugal and the National Council of Financial Supervisors;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital employed;
- To sustain the development of operations that CGD is legally authorised to perform, maintaining a solid capital structure, capable of providing for the growth of activity and in line with its respective risk profile;
- To ensure the Bank's and Group's reputation, maintaining the integrity of the operations performed during the course of their activities.

Caixa Geral de Depósitos plans its short and medium term capital requirements to finance its operations in order to achieve the above objectives, particularly using its own and other resources. This planning is based on internal estimates of the evolution of balance sheet operations and borrowings primarily raised from subordinated debt issuances, including complementary own funds within certain limits.

Regulatory framework

The activity of credit institutions in Portugal is governed by the General Credit Institutions and Financial Corporations Regime approved by Decree-Law no. 298/92, which plays a primary role in Portuguese prudential regulation, largely reflecting Community Directives applicable to the financial system (Directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

With the coming into force, in January 2014, of the new Basel III regulatory framework (Regulation (EU) 575/2013 and Directive 2013/36/EU of the European Parliament and of the Council both dated June 26), applicable to all European Union member states and defining the prudential requirements for credit institutions and investment firms, the regulatory framework provided for a series of transitional dispositions permitting the staged application of the new capital requirements, with more restrictive requirements on the calculation of capital quality and risk-weighted assets, with the competent authorities of the member states able to maintain or accelerate their implementation.

The main impacts of Regulation 575/2013/EU (CRR/CRD IV) on capital ratios were on DTAs (deferred tax assets), dispositions relative to impairment deficits based on loss projections, pension fund corridor, non-controlling interests in consolidated subsidiaries, significant equity stakes in non-consolidated financial institutions and additional requirements for market and counterparty risk.

The Bank of Portugal, herein, issued *Official Notice* 6/2013 which regulates the transitional regime of Regulation 575/2013/EU, having established the transitional implementation of the impacts of own funds.

With the coming into force of Regulation (EU) 2016/445 of the European Central Bank, starting October 1 2016, credit institutions ceased to consider the percentage applicable to unrealised profit as defined by article 468, 1 of Regulation (EU) 575/2013 for the calculation of their CET1 components and included the profit in respect of risk positions in central governments classified in "Available-for-sale financial assets" and thus accelerating the application of the transitional dispositions.

In November 2016, the European Commission published a draft of the new CRR and CRD IV incorporating different Basel standards such as the "Fundamental Review of the Trading Book for Market Risk, Net Stable Funding Ratio (NSFR)" for liquidity risk, interest rate risk in the banking book, and modifications relating to the treatment of central counterparties, the MDA (minimum distributable amount), Pillar 2, leveraging ratio and Pillar 3, *inter alia*.

The most significant change was the implementation of TLAC (total loss absorbing capacity) term sheet, internationally defined by the Financial Stability Board (FSB) in the capital structure. Consequently, systemically important banks must comply with MREL/TLAC requirements under Pillar 1, whereas banks that are not systemically important need only comply with MREL in the sphere of Pillar 2 to be decided by the resolution authority on a case by case basis.

In December 2017, the Bank of Portugal published its *Official Notice* 10/2017, revoking *Official Notice* 6/2013 and defining a new structure for the gradual application of deductions from own funds, particularly including, on account of their significance, deferred tax assets which are contingent upon future returns, starting January 1, 2018.

The same period also witnessed the publication of Regulation (EU) 2017/2395 of the European Parliament and of the Council, amending Regulation (EU) 575/2013 on a transitional regime to reduce the impact of the introduction of IFRS 9 - "Financial instruments" on own funds and for the treatment of major risks in certain risk positions in the public sector in the domestic currency of any member state.

CGD did not opt for the possibility of the progressive application of a transitional regime provided for in the above referred to Regulation. The estimated impact on both the phased-in and fully implemented CET 1, is -25 bps.

Pursuant to the regulatory framework in force, CGD applied IAS 29 – “Financial Reporting in Hyperinflationary Economies” (related to Angola).

Reference should also be made to the fact that the combined effect of the application of IAS 29 – “Financial Reporting in Hyperinflationary Economies” whose application had already been considered in December 2017, on reserves and profit and loss does not have material effects on capital ratios.

Requirement to set up a capital buffer

In September 2015, the Bank of Portugal, in its *Official Notice* 1/2015, required credit institutions headquartered in Portugal to bring forward the application of the own funds conservation reserve of 2.5%, under article 138-D of the General Credit Institutions and Financial Corporations Regime.

The context of the Single Supervisory Mechanism (SSM) in which credit institutions’ capital decisions are assessed and adopted for the whole of the euro area and the fact that the capital operations deriving from such decisions should essentially be realised with recourse to the market, required the need to ensure that domestic credit institutions should operate under the same conditions as most of the institutions in the same space, pursuant to which the Bank of Portugal issued *Official Notice* 6/2016 of May 31, revoking *Official Notice* 1/2015, as it considered that bringing forward the application of the own funds conservation reserve, under the terms of *Official Notice* 1/2015 could prejudice the existence of such conditions, forcing entities to comply with the transitional regime of nos. 1 to 4 of article 23 of Decree-Law no. 157/2014 of October 24.

Requirement to set up a capital buffer for “Other systemically important institutions”

The Bank of Portugal, pursuant to article 138-Q of the General Credit Institutions and Financial Corporations Regime and in accordance with the guidelines of the European Banking Authority (EBA) on the identification of “Other Systemically Important Institutions – OSIIs), identified CGD as an O-SII having informed the European Banking Authority and the European Central Bank thereof.

The practical consequence of this decision for CGD consists of the obligation to set up an O-SII buffer totally covered by CET 1, on a consolidated basis.

The amount of CGD’s capital buffer was set by the Bank of Portugal at 1%, although it will be implemented in stages, with the application of 25% in 2018, 50% in 2019, 75% in 2020 and 100% of the defined amount in 2021, in line with the Community’s decision of November 30, 2017.

CGD’s consolidation perimeter should therefore consider a capital buffer of 0.25% in 2018, 0.50% in 2019, 0.75% in 2020 and 1.00% in 2021 pursuant to its status as an OSII.

Requirement to set up a counter cycle buffer

According to the Basel Committee, the main objective of the counter cycle buffer is to ensure that banks have a sufficiently large capital buffer to enable them to absorb unexpected losses when facing a negative systemic shock and therefore not compromising their lending to the real economy.

The Bank of Portugal, in exercising its competence as the national macro prudential entity, may force credit institutions to set up an additional own funds reserve with the objective of protecting the banking sector in periods of an increase in cyclical systemic risk owing to excessive credit growth.

The counter cycle buffer (measured as a percentage of the total amount of risk positions) will be set at between 0% and 2.5%, unless exceptional circumstances justify the definition of a higher percentage.

The buffer's percentage for each institution, i.e. the "percentage of an institution's specific counter cycle buffer" is a weighted average of the counter cycle buffer's percentages applicable in the countries in which the said institution's credit risk positions are located.

For 2017 the Bank of Portugal set the counter cycle reserve at 0% of the total amount at risk positions.

It should be pointed out that any default on any of the previously identified buffers (O-SII, counter cyclic buffer and specific buffer) does not call the continuity of an institution's activity into account.

It does, however, imply restrictions on the payment of dividends and repurchase of treasury shares, in addition to a requirement for the said institutions to submit a properly scheduled own funds conservation plan to the Bank of Portugal with the objective of fully complying with the combined own funds requirement. The Bank of Portugal is responsible for defining the timeframe for the production of the plan.

ECB's capital requirements

The ECB, in the sphere of the competence afforded by Regulation 1024/2013/EU of October 15, monitors and evaluates institutions, using stress tests and, based on this review process (SREP – Supervisory Review and Evaluation Process) may insist upon specific additional own funds requirements for credit institutions as well as specific information disclosure requirements.

Based on SREP results for 2016, CGD was notified by the European Central Bank (ECB) of the need to meet the following requirements in 2017:

2017						
Ratios	Total	of which:				
		Pillar 1	Pillar 2	buffers		
				Conservation	O-SII	
CET1	8.250%	4.500%	2.500%	1.250%	0.000%	
TIER 1	9.750%	6.000%	2.500%	1.250%	0.000%	
Total Capital	11.750%	8.000%	2.500%	1.250%	0.000%	

As a result of the new SREP 2017 requirements, CGD must achieve the following minimum ratios in 2018:

2018					
Ratios	Total	of which:			
		Pillar 1	Pillar 2	buffers	
				Conservation	O-SII
CET1	8.875%	4.500%	2.25%	1.875%	0.250%
TIER 1	10.375%	6.000%	2.25%	1.875%	0.250%
Total Capital	12.375%	8.000%	2.25%	1.875%	0.250%

The fully loaded capital conservation buffer of 1.875% in 2018 will be 2.5% in 2019.

The CET 1 and total (phased-in) ratios, calculated on a consolidated basis under CRD IV / CRR rules at December 31, 2017, of 14.0% and 15.6% respectively were higher than the requirements for 2017 (in line with the outlook on CGD's reprivatisation process).

REGULATORY CAPITAL

The Basel regulatory framework is based on three pillars:

- Pillar 1: defines the minimum capital requirements for credit, market and operational risks, permitting the use of classifications and internal models. The objective is to make regulatory requirements more sensitive to the real risks faced by financial institutions in performing their activities;
- Pillar 2: defines a system for reviewing supervision, in order to improve internal risk management and the assessment of the adequacy of banks' capital in accordance with their risk profile; and,
- Pillar 3: deals with disclosures and aims to improve market discipline by developing a series of disclosure requirements to enable market agents to assess the main information related to the application of Basel III, on capital, risk exposures, risk appraisal processes and, consequently the Bank's capital adequacy.

The regulatory capital (Pillar 1) of CGD's consolidation perimeter includes the following components:

a) Common Equity Tier 1 (CET 1) capital

According to CRR/CRDIV regulations, common equity tier capital mainly comprises:

- Paid up capital;
- Other reserves and retained earnings;
- Revaluation reserves; and,
- Non-controlling interests (as defined by CRR/CRD IV).

Deductions from CET1 capital essentially comprise:

- Goodwill and intangible assets, net of their associated deferred tax liabilities;
- Deferred tax assets (on fiscal losses), net of their related deferred tax liabilities;
- Deferred tax assets (for temporary differences) net of their related deferred tax liabilities for an amount of more than 10% of CET 1;
- Defined benefit pension fund, net of deferred tax;
- AVA (additional valuation adjustments) resulting from the application of articles 34 and 105 of Regulation (EU) 575/2013 – on the prudent assessment applicable to all trading portfolio position; and,

- Amounts related to national filters (application of the corridor method to pension funds – *Official Notice* 2/2012 (Bank of Portugal).

b) Additional tier 1 capital (AT1)

According to CRR/CRD4 regulations, additional tier 1 capital comprises highly subordinated instruments with the following characteristics issued directly by the Bank:

- They are perpetual and are highly subordinated bonds;
- They must have a trigger point (upon attaining the CET1 ratio of 5.125%), as a *sine qua* non for consideration as additional tier 1 own funds. If the trigger point is reached, the nominal values of securities may be temporarily or permanently reduced;
- They cannot include an increase in returns nor any other redemption incentive;
- They must have a loss absorption capacity; and,
- They must be approved in advance by the European Central Bank, with CGD having the option to redeem these instruments on certain dates, but not within five years from their issuance date.

Additional tier 1 capital is subject to regulatory adjustments, essentially in respect of the part of intangibles and goodwill not deducted from CET 1.

c) Tier 2 capital

Instruments eligible as tier 2 capital, include:

- Instruments issued or subordinated loans contracted for and fully paid up; and,
- Issuance premiums related to the above referred to instruments.

Tier 2 capital is essentially subject to deductions related to national filters. In the case of CGD, they are related to the deductions provided for in the Bank of Portugal's *Instruction* 120/96.

Details are given on all equity instruments and their characteristics in the market discipline sphere whose report is available on CGD's website.

Own funds and capital ratios

Caixa Geral de Depósitos, S.A. (CGD) was recapitalised under market conditions in two separate stages under the heads of agreement reached between the European Commission and the Portuguese state:

First phase:

On January 4, 2017, following authorisation from the Bank of Portugal and the European Central Bank, Caixa's state shareholder issued resolutions on the following operations:

1. The use of a global amount of €1,412,460 of free reserves and the legal reserve to cover the same amount of negative retained earnings;
2. An increase in CGD's share capital from €5,900,000 thousand to €7,344,144 thousand, based on the issuance of 288,828,747 new ordinary shares with a nominal value of €5.00 each, to be subscribed for and fully paid up by the Portuguese state, as follows:

   (i) €945,148 thousand comprising the delivery of CoCo bonds subscribed for by the state, with a nominal value of €900,000 thousand, plus respective accrued, unpaid interest for an amount of €45,148 thousand since the last coupon date; and,

   (ii) €498,996 thousand comprising the book value of the Portuguese state's equity investment in Parcaixa, SGPS, S.A., through the payment in kind of 490,000,000 of that company's equity shares.

3. 3. A €6,000,000 thousand reduction in the share capital of Caixa Geral de Depósitos, S.A. to €1,344,144 thousand through the extinguishing of 1,200,000,000 shares with a nominal value of €5 each to cover negative retained earnings of €1,404,506 thousand and to set up a free reserve for the amount of €4,595,494 thousand.

Second phase:

The second phase, comprised a share capital increase of €2,500 million in cash by the state, in addition to the market issuance of securities representing additional tier 1 own funds, for the amount of €500 million in March 2017.

Information on own funds and capital ratios at December 31, 2017, December 31, 2016 and January 1, 2018 are given below (essentially reflecting the impact on December values of the progression, over time, comprising another year of the transitional period, the deduction of irrevocable commitments associated with deposit guarantee funds and the Resolution Fund and the application of IFRS 9 - "Financial instruments"):

	CRD IV / CRR rules		
	01-01-2018 [**]	31-12-2017 [*]	31-12-2016
	Phased-in		
Capital			
Common equity tier I (CETI)	6,936,590	7,288,678	3,858,122
Tier I	7,501,158	7,830,808	3,858,700
Tier II	331,294	317,648	578,692
Total	7,832,452	8,148,456	4,437,392
Risk weighted assets	51,974,413	52,185,099	55,014,886
Solvency ratios			
CET I	13.3%	14.0%	7.0%
Tier I	14.4%	15.0%	7.0%
Total	15.1%	15.6%	8.1%
	Fully implemented		
Capital			
Common equity tier I (CETI)	6,954,512	7,271,590	2,999,985
Risk weighted assets	51,981,135	52,162,674	54,541,802
Solvency ratios			
CET I	13.4%	13.9%	5.5%

[*] - Capital does not include net income of €22,942 thousand; if incuded, the ratio w ould increase in + 5 b.p.s
[**] - Includes phasing-in, the deduction of irrevocable commitments and the adoption of IFRS 9 - "Financial Instruments".

The ratios obtained following the recapitalisation operations exceed SREP's minimum capital requirements for 2017 and decisively enhanced CGD's financial strength.

Composition of regulatory capital in 2017

The following table summarises Caixa Geral de Depósitos’s regulatory capital, at December 31, 2017, for its consolidated activity.

	Transitional	*Full implementation*
Paid in capital	3,844,144	3,844,144
Other reserves and retained earnings	3,122,119	3,122,119
Net income (included in CET 1 capital)	-	-
Revaluation reserves	323,579	403,643
Non-controlling interests given recognition in CET 1 capital	201,769	213,261
Total CET 1 capital prior to regulatory adjustments	**7,491,610**	**7,583,167**
Intangibles (Includes goodwill), net of related DTLs	(75,619)	(94,524)
DTAs (arising from tax losses carry forward), net of related DTLs	(36,773)	(45,966)
Defined benefit pension fund assets	(11,696)	(14,620)
Other deduction affecting CET1 (ie. AVAs - Additional Valuation Adjustment -)	(59,836)	(59,836)
Total CET 1 capital after the regulatory adjustments identified above	**7,307,687**	**7,368,222**
Investments in significant financial entities (amount above the 10% threshold)	-	-
DTAs arising from temporary differences (amount above the 10% threshold)	(58,383)	(71,755)
Total CET 1 capital after the regulatory adjustments identified above	**7,249,304**	**7,296,467**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)	-	-
Total CET 1 capital after the regulatory adjustments identified above	**7,249,304**	**7,296,467**
Amount exceeding the 15% threshold	(8,919)	(24,877)
Financial institutions and insurers	(3,394)	(7,837)
DTA's (arising from temporary differences)	(4,608)	(15,285)
National filters and deductions that affect CET1	48,293	-
Common Equity Tier 1 (CET 1)	**7,288,678**	**7,271,590**
Additional Tier 1	547,950	500,000
Non-controlling interests (Preference shares)	47,950	-
Other equity instruments	500,000	500,000
AT 1 - subsidiaries (NCI)	13,465	16,619
Regulatory adjustments	(19,284)	-
Tier 1 capital	**7,830,808**	**7,788,209**
Tier 2 capital instruments	309,136	100,000
Tier 2 capital instruments - subsidiaries (NCI)	17,726	22,158
Regulatory adjustments	(9,214)	-
Total capital	**8,148,456**	**7,910,367**
Total RWA	**52,185,099**	**52,162,674**
Credit	45,306,704	45,287,090
Market	2,036,923	2,036,923
Operational	3,821,485	3,821,485
CVA	46,753	46,753
Others	973,233	970,422
CET1 ratio	**14.0%**	**13.9%**
Tier 1 ratio	**15.0%**	**14.9%**
Total ratio	**15.6%**	**15.2%**

Note: Capital does not include net income of €22,942 thousand; if incuded, the ratio w ould increase in + 5 b.p.s

Differences between the consolidation method for accounting purposes and the consolidation method for the purposes of calculating regulatory capital.

The prudential consolidation perimeter differs from CGD Group's accounting perimeter in the treatment of entities whose economic activity is different from the activity characterising credit institutions and financial corporations as set out in the "General Credit Institutions and Financial Corporations Regime". Subsidiaries with an activity in economic sectors not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recognised in the prudential consolidation perimeter by the equity accounting method.

There are several collective investment entities within the Group, as well as special purpose vehicles which were not included in the banking supervision perimeter as they are not classifiable as financial corporations, as determined in the "General Credit Institutions and Financial Corporations Regime". The *Nostrum Mortgage* 2 Fund was included in the prudential perimeter at the behest of the supervisory body.

It should also be noted that BCG (Spain), BCG Brasil, CGD Investimentos CVC and Mercantile are recognised in the accounting perimeter in accordance with IFRS 5 – "Non-current assets held-for-sale and discontinued operations" (the assets of such entities have been recognised in a single consolidated assets account, in "Non-current assets held-for-sale" whereas liabilities have been recognised in "Non-current liabilities held-for-sale"). These entities have been consolidated in the prudential perimeter on an account by account basis).

CGD Group's accounting and prudential consolidation perimeter, at December 31, 2017, comprised the following entities:

		Consolidation Method		Percentage	Country	Activities
		Financial Perimeter	Prudential Perimeter			
ID	**Branches**					
00011	Cayman Islands Branch	Full	Full	100.00%	Cayman Islands	Financial institutions
00012	Macau Off-Shore Branch	Full	Full	100.00%	China (Macau)	Financial institutions
00015	Luxembourg Branch	Full	Full	100.00%	Luxembourg	Financial institutions
00017	New York Branch	Full	Full	100.00%	USA	Financial institutions
00020	France Branch	Full	Full	100.00%	France	Financial institutions
00021	London Branch	Full	Full	100.00%	United Kingdom	Financial institutions
00022	East Timor Branch	Full	Full	100.00%	Timor	Financial institutions
00023	Zhuhai Branch	Full	Full	100.00%	China	Financial institutions
00025	Spain Branch	Full	Full	100.00%	Spain	Financial institutions
ID	**Subsidiaries**					
00030	Banco Caixa Geral Brasil, S.A.	Full (*)	Full	100.00%	Brazil	Financial institutions
00040	Banco Caixa Geral, S.A.	Full (*)	Full	99.79%	Spain	Financial institutions
00065	Caixa - Banco de Investimento, S.A.	Full	Full	99.75%	Portugal	Financial institutions
00070	Banco Comercial e de Investimentos, S.A..	Full	Full	63.05%	Mozambique	Financial institutions
00075	Banco Interatlântico, S.A.	Full	Full	70.00%	Cape Verde	Financial institutions
00076	Banco Comercial do Atlântico, S..A.	Full	Full	58.19%	Cape Verde	Financial institutions
00091	Banco Nacional Ultramarino, S.A.	Full	Full	100.00%	China (Macau)	Financial institutions
00100	Caixa - Participações, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00101	Parbanca, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00105	Caixa Seguros e Saúde, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00106	Caixa - Gestão de Activos, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00110	Wolfpart, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00111	Parcaixa, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
00112	Partang, SGPS, S.A. .	Full	Full	100.00%	Portugal	Financial (holding)
00120	CGD Finance	Full	Full	100.00%	Cayman Islands	Financial institutions
00121	Caixa Geral Finance	Full	Full	0.00021%	Cayman Islands	Financial institutions
00123	CGD Investimentos CVC	Full (*)	Full	99.88%	Brazil	Financial institutions
00124	Interbancos, SA	Full	Full	29.80%	Mozambique	Financial institutions
00140	A Promotora, S.A.	Full	Full	45.33%	Cape Verde	Venture Capital
00206	Esegur - Empresa de Segurança, S.A.	Equity	Equity	50.00%	Portugal	Ancillary Services
00210	Fundger - Soc. Gestora de Fundos de Investimento Imobiliário, S.A.	Full	Full	100.00%	Portugal	Asset Management
00220	Caixagest - Técnicas de Gestão de Fundos, S.A.	Full	Full	100.00%	Portugal	Asset Management
00230	CGD Pensões - Soc. Gestora de Fundos de Pensões, S..A.	Full	Full	100.00%	Portugal	Asset Management
00301	Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50.00%	Portugal	Financial institutions
00305	Caixa Leasing e Factoring, IFIC, S.A.	Full	Full	100.00%	Portugal	Financial institutions
00307	Promoleasing, S.A.	Full	Full	58.19%	Cape Verde	Financial institutions
00408	Imobci, Lda.	Full	Full	46.31%	Mozambique	Real Estate Management
00422	Imocaixa - Gestão Imobiliária, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
00423	Caixanet - Telemática e Comunicações, S.A.	Full	Full	80.00%	Portugal	Ancillary Services
00427	Caixatec, Tecnologias de Comunicação, S.A.	Full	Full	100.00%	Portugal	Ancillary Services
00460	Sogrupo - Compras e Serviços Partilhados, S.A.	Full	Full	90.00%	Portugal	Ancillary Services
00461	Sogrupo - Serviços de Informação, ACE	Full	Full	80.00%	Portugal	Ancillary Services
00463	Sogrupo - Gestão de Imóveis, ACE	Full	Full	82.00%	Portugal	Ancillary Services
00469	GIE - Groupment d'Interet Economique	Full	Full	100.00%	France	Ancillary Services
00904	Mercantile Lisbon Bank Holdings, Ltd.	Full (*)	Full	100.00%	South Africa	Financial institutions
00905	Banco Caixa Geral Angola	Full	Full	51.00%	Angola	Financial institutions
00945	SCI - Rue du Helder	Full	Full	100.00%	France	Real Estate Management
00960	Inmobiliaria Caixa Geral, S.L.	Full	Full	100.00%	Spain	Real Estate Management
00961	Caixa - Imobiliário, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
00962	Cibergradual, Invest. Imobiliário, SA	Full	Full	100.00%	Portugal	Real Estate Management

(cont.)

ID		Consolidation Method - Financial Perimeter	Consolidation Method - Prudential Perimeter	Percentage	Country	Activities
ID	**Special Purpose Entities**					
00508	Nostrum Mortgages 2	Full	Full	100.00%	Portugal	Securitisation Fund
00511	FCR - Grupo CGD - Caixa Capital	Full	-	100.00%	Portugal	Venture Capital Fund
00513	FCR - Empreender+	Full	-	100.00%	Portugal	Venture Capital Fund
00515	FCR - Caixa Fundos	Full	-	100.00%	Portugal	Venture Capital Fund
00516	FCR - Caixa Crescimento	Full	-	100.00%	Portugal	Venture Capital Fund
00518	Caixa Arrendamento - Fundo Fechado (FIIAH)	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00521	Fundo Especial de Investimento Aberto Estratégias Alternativas	Full	-	74.32%	Portugal	Investment Fund (open-end)
00524	Caixa Imobiliário - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00525	Caixagest Private Equity (FEI)	Full	-	35.86%	Portugal	Investment Fund (open-end)
00526	Caixagest Imobiliário Internacional (FEI)	Full	-	41.48%	Portugal	Investment Fund (open-end)
00527	Caixagest Infra-Estruturas (FEI)	Full	-	21.45%	Portugal	Investment Fund (open-end)
00530	Beirafundo - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00531	Cidades de Portugal FIIAH	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00533	Fundolis - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
00534	Fundimo	Full	-	52.20%	Portugal	Real Estate Investment Fund (open-end)
00535	Fundo Obrigacoes Rendimento Nacional FEI	Full	-	31.94%	Portugal	Investment Fund (open-end)
00550	Fundiestamo	Full	-	78.08%	Portugal	Real Estate Investment Fund (closed-end)
00551	Iberia - FEIIF	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
ID	**Associated**					
00145	GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	35.67%	Mozambique	Venture Capital
00320	SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	22.97%	Portugal	Financial institutions
00411	Companhia do Papel do Prado, S.A.	Equity	Equity	38.15%	Portugal	Industry
00435	Yunit Serviços, S.A.	Equity	Equity	33.33%	Portugal	Telecommunication services
00450	Turismo Fundos, SGFII, S.A.	Equity	Equity	33.47%	Portugal	Asset management
00451	Vale do Lobo - Resort Turístico Luxo S.A.	Equity	Equity	24.00%	Portugal	Real Estate Management
00454	Bem Comum, Sociedade Capital Risco	Equity	Equity	32.00%	Portugal	Venture Capital
00903	Banco Internacional de S.Tomé e Príncipe	Equity	Equity	27.00%	São Tomé Príncipe	Financial institutions

(*) - Considering the effects of IFRS 5 - "Non-current assets held for sale and discontinued operations"

Reconciliation between the consolidation perimeter balance sheet for accounting purposes and the prudential consolidation perimeter balance sheet.

ASSETS	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
Cash and cash equivalents at central banks	4,620,893	59,485	-	-	4,680,378	
Cash balances at other credit institutions	698,700	(18,825)	-	49,604	729,479	
Loans and advances to credit institutions	3,028,694	394,900	-	(579,230)	2,844,363	
Financial assets at fair value through profit or loss	6,792,824	(418,221)	433,599	(652)	6,807,551	
Available-for-sale financial assets	6,331,363	1,273,827	178,859	-	7,784,048	
Financial assets with repurchase agreement	52,849	157,234	-	-	210,082	
Hedging derivatives	7,413	-	-	-	7,413	
Held-to-maturity investments	2,626,819	-	-	-	2,626,819	
Loans and advances to customers	55,254,981	4,160,966	(17,375)	124,647	59,523,219	
Non-current assets held-for-sale	6,756,508	(6,595,004)	408,263	-	569,767	
Investment properties	897,818	(993,267)	110,138	-	14,689	
Other tangible assets	588,612	(20,872)	-	-	567,740	
Intangible assets	80,677	13,847	-	-	94,524	10
Investments in associates and jointly controlled entities, of which:	414,717	(5,404)	477,898	-	887,210	
Insurers	346,110				346,110	12
Other financial institutions (equity participation > 10%)	32,838				32,838	12
Current tax assets	34,883	9,848	-	-	44,731	
Deferred tax assets, of which:	2,287,808	92,879	(10,372)	-	2,370,315	
Deferred tax assets for temporary differences	2,263,183				2,324,295	11
Deferred tax assets for tax losses carry forward	24,625				46,020	9
Other assets	2,772,355	(43,320)	-	68,495	2,797,529	
Total assets	**93,247,914**	**(1,931,928)**	**1,581,009**	**(337,137)**	**92,559,858**	

LIABILITIES AND EQUITY	Financial Perimeter	Consolidation of other entities + IFRS5	Differences in consolidation adjustments	Differences in intragroup eliminations	Prudential Perimeter	Key (*)
Resources of central banks and other credit institutions	4,042,850	1,678,193	-	(597,706)	5,123,338	
Customer resources and other loans	63,630,896	3,672,525	-	189,452	67,492,873	
Debt securities	4,051,421	32,237	-	-	4,083,658	
Financial liabilities at fair value through profit or loss	1,060,339	65,644	-	(878)	1,125,105	
Hedging derivatives	5,459	-	-	-	5,459	
Non-current liabilities held-for-sale	5,783,829	(5,783,829)	-	-	-	
Provisions for employee benefits	814,064	2,454	-	-	816,518	
Provisions for other risks	474,227	15,234	390,888	-	880,349	
Current tax liabilities	30,519	5,068	-	-	35,587	
Deferred tax liabilities, of which:	277,790	32,751	(2,620)	-	307,921	
Deferred tax liabilities for temporary differences	277,735				307,866	13
Other deferred tax assets liabilities	54				54	
Other subordinated liabilities	1,027,741	31,082	-	(31,082)	1,027,741	8
Other liabilities	3,774,464	62,103	(523,721)	103,076	3,415,923	
Total liabilities	**84,973,598**	**(186,537)**	**(135,453)**	**(337,137)**	**84,314,472**	
Share capital	3,844,144	(1,986,846)	1,986,846	-	3,844,144	1
Other equity instruments (Additional Tier 1)	500,000	-	-	-	500,000	7
Revaluation reserves	394,961	(15,548)	24,230	-	403,643	2
Other reserves and retained earnings	3,098,220	320,316	(296,417)	-	3,122,119	3
Net income attributable to the shareholder of CGD	51,946	(63,314)	34,310	-	22,942	4
Shareholders' equity attributable to CGD	**7,889,270**	**(1,745,391)**	**1,748,970**	**-**	**7,892,848**	
Non-controlling interests, of which:	385,046	-	(32,507)	-	352,538	
Ordinary shares	289,287				256,779	5
Preference shares	95,759				95,759	6
Total equity	**8,274,316**	**(1,745,391)**	**1,716,462**	**-**	**8,245,387**	
Total liabilities and equity	**93,247,914**	**(1,931,928)**	**1,581,009**	**(337,137)**	**92,559,858**	

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

Reconciliation between the prudential balance sheet and regulatory own funds

	Key (*)	Prudential Balance Sheet	Transitional	Transitional dispositions / filters	Full implementation
Paid in capital	1	3,844,144	3,844,144		3,844,144
Other reserves and retained earnings	3	3,122,119	3,122,119		3,122,119
Net income (included in CET 1 capital)	4	22,942	0	✔	0
Revaluation reserves	2	403,643	323,579	✔	403,643
Non-controlling interests given recognition in CET 1 capital	5	256,779	201,769	✔	213,261
Total CET 1 capital prior to regulatory adjustments			**7,491,610**		**7,583,167**
Intangibles (Includes goodwill), net of related DTLs	10	94,524	(75,619)	✔	(94,524)
DTAs (arising from tax losses carry forward), net of related DTLs	9	46,020	(36,773)	✔	(45,966)
Defined benefit pension fund assets			(11,696)	✔	(14,620)
Other deduction affecting CET1 (ie. AVAs - Additional Valuation Adjustment -)			(59,836)		(59,836)
Total CET 1 capital after the regulatory adjustments identified above			**7,307,687**		**7,368,222**
Investments in significant financial entities (amount above the 10% threshold)			-		-
DTAs arising from temporary differences (amount above the 10% threshold)	11	2,324,295	(58,383)	✔	(71,755)
Total CET 1 capital after the regulatory adjustments identified above			**7,249,304**		**7,296,467**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)			-		-
Total CET 1 capital after the regulatory adjustments identified above			**7,249,304**		**7,296,467**
Amount exceeding the 15% threshold			(8,919)	✔	(24,877)
Financial institutions and insurers	12	378,948	(3,394)	✔	(7,837)
DTA's (arising from temporary differences)	11	2,324,295	(4,608)	✔	(15,285)
National filters and deductions that affect CET1			48,293	✔	-
Common Equity Tier 1 (CET 1)			**7,288,678**		**7,271,590**
Additional Tier 1		595,759	547,950	✔	500,000
Non-controlling interests (Preference shares)	6	95,759	47,950	✔	-
Other equity instruments	7	500,000	500,000	✔	500,000
AT 1 - subsidiaries (NCI)			13,465		16,619
Regulatory adjustments			(19,284)		-
Tier 1 capital			**7,830,808**		**7,788,209**
Tier 2 capital instruments	8	1,027,741	309,136	✔	100,000
Tier 2 capital instruments - subsidiaries (NCI)			17,726	✔	22,158
Regulatory adjustments			(9,214)	✔	-
Total capital			**8,148,456**		**7,910,367**
Total RWA			**52,185,099**		**52,162,674**
Credit			45,306,704		45,287,090
Market			2,036,923		2,036,923
Operational			3,821,485		3,821,485
CVA			46,753		46,753
Others			973,233		970,422
CET1 ratio			**14.0%**		**13.9%**
Tier 1 ratio			**15.0%**		**14.9%**
Total ratio			**15.6%**		**15.2%**

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

Note: The net positive result of 22,942 thousand in the ratios was not considered. If it were considered, the impact on the ratios would be +5 bp.

Application of transitional dispositions and prudential filters to balance sheet amounts

The calculation of the accounting entries to own funds described in the preceding table are governed by the terms of Regulation (EU) 575/2013 of the European Parliament and of the Council, as follows:

- Inclusion of the positive result in prudential own funds: should comply with the definition given in no. 2 of article 26 of the above mentioned Regulation, namely, requiring the certification of the positive net result and authorisation from the competent authority;
- Application of transitional dispositions to revaluation reserves: the amount of unrealised profit and loss in own funds, calculated at fair value, is subject to transitional dispositions, with 20% being considered between the years 2014 and 2017, up to the full implementation of the regulatory impacts of Basel III, in 2018;
- Non-controlling interests: associated with subsidiaries classified in sub-paragraphs a) and b) of no. 1 and no. 2, of article 81 of the CRR/CRD IV are eligible as CET1 own funds. Therefore,

the total fully implemented amount of non-controlling interests may be less than the accounting balance. The transitional eligible amount is also subject to transitional dispositions (20% per annum between 2014 and 2017);

- Intangibles (including goodwill): their transitional accounting value is subject to a phased deduction of 20% per annum (between 2014–2017) in CET 1 own funds. Their full amount is considered when fully implemented;
- Defined benefit pension fund assets: deduction of principal tier 1 own funds, as provided for in sub-paragraph a) of no. 1 of article 36 of the CRR / CRD IV, 20% per annum (between 2014-2017);
- Deferred tax assets (carry-back of tax losses): their accounting value is subject to a phased deduction of 20% per annum (between 2014 and 2017) in CET own funds. Their full amount is considered when fully implemented;
- Deferred tax assets (for temporary differences):
  - ✓ Eligible for the special regime, defined in Law 61/2014 of August 26 (not contingent on future returns). This regime allows such deferred tax assets (DTAs) not to produce any deduction in tier 1 CET 1 principal own funds although 100% of the respective amount is considered in risk-weighted assets; and,
  - ✓ Non-eligible for the special regime (contingent on future returns): the part which exceeds the defined prudential limit (10% of tier 1 principal own funds - CET1 prior to deductions) deduction in own funds, 250% of the remaining amount has an impact on risk-weighted assets,
- Deduction limits (threshold of between 10% and 15%): based on the levels of tier 1 principal own funds, there may be deductions resulting from an excess of the following thresholds:
  - ✓ Threshold of 10%: DTAs (deferred tax assets) values – temporary limits) deducted in own funds when in excess of this threshold;
  - ✓ Threshold of 15%: DTAs (deferred tax asset) values – temporary limits) added to the amounts of equity stakes in credit institutions (>10%) and insurance companies, above the limit they are deducted in own funds;
- Eligible instruments for additional tier 1 and tier 2 funds: the disqualification from own funds complies with the dispositions of articles 64 and 486 n.4 c) of the CRR/CRD IV; and,
- National filters and deductions affecting CET 1: only transitional amounts have an impact on own funds. The amounts identified are associated with the prudential filters related to pension funds, pursuant to the application of the pension fund corridor method – Bank of Portugal's Official Notice 2/2012.

EBA's Transparency exercise for 2017

In 2017, the European Banking Authority (EBA) carried out a transparency exercise with the objective of promoting the transparency of and knowledge on European banks' capital and solvency, contributing to market discipline and the European Union's financial stability and published information on RWAs (risk-weighted assets), capital, solvency and details of sovereign positions at the end of 2016 and June 2017 for 132 banks in 25 European countries.

The report for the year concluded that the banks have strengthened their positions, which have been sustained by a benign macroeconomic and financial environment, an improved capital position and better asset quality, in addition to slight improvements in profitability. It considers, however, that a greater effort must be made in respect of loans in default and that the long-term sustainability of business models continues to pose a challenge.

CGD’s consolidated CET1 ratios considered in the transparency exercise were 12.8% in June 2017 and 7.0% in December 2016. The positive evolution between the periods under analysis is clearly visible, in line with the conclusion referred to in the EBA’s report.

43. SUBSEQUENT EVENTS

In the framework of the implementation of the objectives of reducing non-performing assets set out in the agreement entered into between the Portuguese state and the competent European authorities, Caixa entered into an agreement on December 22, 2017 for the transfer of Vale do Lobo Group's assets to FLITPTREL VDL, S.A., a Portuguese company fully owned by the Flit-PTREL, SICAV-SIF, S.C.A., fund for an overall amount of €222,821 thousand. At the same date, Caixa undertook to subscribe for 224,220 thousand investment units to be issued by the Flit-PTREL fund.

At December 31, 2017, the completion of the operation was contingent upon certification, as one of its pre conditions, including the need to obtain authorisation for the issuance of these investment units by the Flit-PTREL fund, from the supervisory body of the Grand Duchy of Luxembourg (CSSF – "*Commission de Surveillance du Secteur Financier*"), where the vehicle is headquartered.

As a result of this situation Caixa concluded that the conditions required to proceed with the derecognition of the transferred assets in 2017 pursuant to the requirements of IAS 39 – "Financial instruments: recognition and measurement" for the purpose, had not been met, having only materialised in February 2018 together with the subscription for and financial settlement of the investment units.

Upon the date of derecognition of the said assets, the total amount of the debt was €372,259 thousand, of which only €265,077 thousand had been recognised in the balance sheet, with impairment of €144,784 thousand (net amount of €120,294 thousand). To ensure the neutrality of this transaction for Caixa's equity a provision of €102,859 thousand was set up in 2018, equivalent to the difference between the sales price of the loans and the respective net amount of impairment on the date of the transfer. The future use of this provision is subordinated to compliance with the assets deleveraging plan on the assets of Vale de Lobo Group to be implemented by the Fund. As a result of this operation, Caixa's exposure of 14.6% to the Flit-PTREL Fund at December 31 2017, increased to 36.4%.

44. 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 language version prevails.

2.2. Other Information

2.2.1. INFORMATION ON ASSET ENCUMBRANCES

Bank of Portugal Instruction 28/2014 of 15 January 2015

Consolidated Operations (EUR)

MODEL A – ASSETS

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	16,101,772,949		76,458,085,388	
030	Equity instruments	0	0	1,788,054,652	1,788,054,652
040	Debt securities	5,127,030,443	5,127,030,443	15,877,305,759	15,877,305,759
120	Other assets	10,974,742,506		58,792,724,977	

MODEL B – COLLATERAL RECEIVED

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued other than own covered bonds or ABSs**	0	0

MODEL C – ENCUMBERED ASSETS, COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

		Associated liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	9,563,404,406	15,211,048,774

2.2.2. INFORMATION BY COUNTRY

DISCLOSURE OF FINANCIAL INFORMATION UNDER DECREE-LAW NO.157/2014

Name, nature of activities and geographic location

Consult Note 3 - *Group companies and transactions in period*, from chapter 2.1. - *Notes to the Consolidated Financial Statements*.

Business volume (*)

(EUR thousand)

	2016-12	2017-12
Domestic activity	**847,005**	**1,447,567**
International activity	**632,503**	**566,021**
Europe	**176,977**	**127,149**
Spain	-7,437	-4,003
France	168,516	123,338
United Kingdom	14,193	6,095
Luxembourg	1,705	1,719
America	**10,852**	**10,063**
North America	10,852	10,063
Africa	**314,932**	**294,325**
Angola	140,201	101,453
Mozambique	145,464	159,393
Cape Verde	29,267	33,479
Asia	**129,741**	**134,484**
China	119,100	123,418
Timor	10,642	11,065
Total	**1,479,508**	**2,013,588**

(*) Refers to total operating income.

Note: Values refer to each geographic area contribution.

Number of employees

	2016-12	2017-12
Europe	**10,053**	**9,471**
Portugal	8,901	8,344
Spain	534	530
France	543	555
United Kingdom	32	3
Luxembourg	29	27
Switzerland	6	5
Belgium	3	3
Germany	5	4
Africa	**4,661**	**4,628**
Angola	563	549
Mozambique	2,989	2,926
Cape Verde	608	623
South Africa	500	530
Algeria	1	0
America	**113**	**88**
Brazil	86	67
USA	15	12
Cayman	3	0
Canada	3	2
Mexico	2	2
Venezuela	4	5
Asia	**625**	**612**
China	491	479
Timor	131	130
India	3	3
Total	**15,452**	**14,799**

Income tax

(EUR thousand)

	2016-12	2017-12
Domestic activity	**-830,300**	**171,009**
International activity	**-6,257**	**44,814**
Europe	**-18,581**	**19,317**
Spain	-42,623	1,335
France	25,840	18,688
United Kingdom	-955	1,582
Luxembourg	-842	-2,287
America	**-13,584**	**-964**
North America	-13,584	-964
Africa	**15,544**	**14,734**
Angola	9,037	12,629
Mozambique	6,554	1,530
Cape Verde	-47	574
Asia	**10,364**	**11,727**
China	8,782	9,992
Timor	1,582	1,735
Total	**-836,557**	**215,823**

Note: Values refer to each geographic area contribution.

Income before tax

(EUR thousand)

	2016-12	2017-12
Domestic activity	**-2,795,696**	**-21,966**
International activity	**85,541**	**231,105**
Europe	**-67,581**	**70,932**
Spain	-155,792	4,934
France	94,782	68,576
United Kingdom	-3,493	5,784
Luxembourg	-3,077	-8,362
America	**-49,667**	**-3,473**
North America	-49,667	-3,524
Brazil	0	51
Africa	**124,766**	**77,381**
Angola	85,933	23,982
Mozambique	35,639	49,436
Cape Verde	3,194	3,963
Asia	**78,023**	**86,266**
China	72,240	79,922
Timor	5,783	6,343
Total	**-2,710,155**	**209,139**

Note: Values refer to each geographic area contribution, including non controlling interests.

2.2.3. EBA REPORTS

ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

Bank of Portugal Circular Letter 97/2008/DSB, of 03 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);	See Board of Directors' Report - Chapters: • 1.2. Message from the Chairman of the Board of Directors and the CEO; • 1.4. The Year 2017; • 1.5. Activity and Financial Information. See Report on Corporate Governance.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. See Notes to the Consolidated Financial Statements: Notes 12 and 22 on securities issued under securitisation operations and structured products.
3.	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	The Board of Directors' Report contains a detailed description of CGD Group's activity, its objectives and results, contribution to business, consequences of the turmoil in the Financial Statements, both in quantitative and qualitative terms. Particular note should be taken of the Chapters referred to in item I.1 above and the Chapter on 1.6.3. Financial Analysis. See Notes 27 and 38 of the Notes to the Consolidated Financial Statements.
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. See Board of Directors' Report – Chapter on 1.6. Risk Management. See Note 2 of the Notes to the Consolidated Financial Statements.
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;	See Board of Directors' Report: • Chapter on 1.6. Risk Management. See Notes to the Consolidated Financial Statements: • Note 41: containing a detailed 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.
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;	See Board of Directors' Report – Chapter: • 1.5. Activity and Financial Information. See Notes 6, 8, 19 and 37 of Notes to the Consolidated Financial Statements.
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), assetbacked securities (ABS);	See Board of Directors' Report – Chapter: • 1.5. Activity and Financial Information. See Note 41 of Notes to the Consolidated Financial Statements.
10.	Description of the reasons and factors responsible for the impact;	See Board of Directors' Report – Reference is made, in the various chapters, to the consequences of the turmoil in financial markets on the banking system and on CGD, in particular, namely in the following chapters: • 1.2. Message from the Chairman of the Board of Directors and the CEO; • 1.4. The Year 2017; • 1.5. Activity and Financial Information. See items III. 8 and III.9 above.

III.	**Impact of period of financial turmoil on results**	
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 above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	See items III.8 to III.10 above, particularly Note 41 of the Notes to the Consolidated Financial Statements.
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;	See Board of Directors' Report, particularly the Chapter: • 1.4. The Year 2017.
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;	See Board of Directors' Report – Chapter: • 1.5. 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;	See Board of Directors' Report – Chapter: • 1.6. Risk Management. See Notes to the Consolidated Financial Statements: • Note 2; • Note 41, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	See Notes to the Consolidated Financial Statements: • Note 2, describes the accounting policies for derivatives and hedge accounting. • Notes 10 and 41, setting out detailed information on derivatives, notional amounts and book values of Caixa operations using such instruments for which there are exposure limits per product and per customer and daily monitoring of results.

IV.	Levels and types of exposures affected by the period of turmoil	
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;	See Board of Directors'Report: • Note 41 of Notes to the Consolidated Financial Statements.
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See Board of Directors' Report on exposure of assets affected by the period of turmoil. 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;	See Notes to the Consolidated Financial Statements: • Note 2, setting out a description of the financial instruments and how they are processed in the accounts.
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);	See Notes 7 and 41 of the Notes to the Consolidated Financial Statements. See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.
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.	See Notes to the Consolidated Financial Statements: • Note 2 setting out information and processes applied by CGD in the valuation of financial instruments; • Note 41.
VI.	**Other relevant disclosure aspects**	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	See Note 2 of the Notes to the Consolidated Financial Statements.

2.2.4. GLOSSARY

Credit at risk ratio(1)

Ratio between loans and advances to customers at risk (gross) and total loans and advances to customers (gross).

Credit at risk ratio, net(1)

Ratio between loans and advances to customers at risk and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (on Balance Sheet).

Credit more than 90 days overdue ratio

Ratio between the loans and advances to customers with instalments of principal or interest more than 90 days overdue and the total loans and advances to customers balance.

Cost-to-income(1)

Ratio between operating costs and the sum of total operating income and results of associated companies.

Cost of credit risk

Ratio between Credit impairment (net) (P&L) and the average loans and advances to customers balance (gross and average of the last 13 monthly observations).

Coverage ratio on credit at risk

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers at risk.

Coverage ratio on Non-performing credit

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and non-performing credit.

Coverage ratio on credit more than 90 days overdue

Ratio between accumulated impairment on loans and advances to customers (Balance Sheet) and loans and advances to customers more than 90 days overdue.

Employee costs / total operating income(1)

Ratio between employee costs and total operating income.

Gross return on assets (ROA) (1) (3)

Ratio between income before tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

Gross return on equity (ROE) (1)(3)

Ratio between income before tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

Loans-to-deposits ratio(1)

Ratio between total loans and advances to customers net of accumulated impairment on loans and advances to customers (on Balance Sheet) and customer deposits.

Net interest income

Interest and similar income net of interest and similar costs.

Net interest income including income from equity instruments

Net interest income plus income from equity instruments.

Net operating income

Net operating income before impairments net of provisions and impairments.

Net operating income before impairments

Total operating income net of operating costs.

Net return on assets (ROA)[(3)]

Ratio between income after tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

Net return on equity (ROE)[(3)]

Ratio between income after tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

Non-interest income

Sum of net fees and commissions, net trading income and other operating income.

Non-performing credit ratio[(1)]

Ratio between loans and non-performing credit (gross) and total loans and advances to customers (gross).

Non-performing credit ratio, net[(1)]

Ratio between non-performing credit and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (Balance Sheet).

Operating costs

Sum of employee costs, administrative costs and depreciation and amortization for the period.

Operating costs / average net assets

Ratio between operating costs and average net assets (average of the last 13 monthly observations).

Restructured credit ratio[(2)]

Ratio between restructured loans and advances to customers and total loans and advances to customers.

Restructured credit ratio not included in credit at risk[(2)]

Ratio between restructured loans and advances to customers not included in loans and advances to customers at risk and total loans and advances to customers.

Return on Tangible Equity (ROTE)

Ratio between net income and average shareholders' equity (average of the last 13 monthly observations) deducted from average intangible assets (average of the last 13 monthly observations).

Net fees and commissions

Fees and commissions income net of fees and commissions expenses.

Securities investments

Sum of financial assets at fair value through profit or loss, available for sale financial assets and financial assets held to maturity.

Total operating income

Net interest income including income from equity instruments and non-interest income.

Total operating income / average net assets[(1)]

Ratio between the sum of total operating income and income from associated companies and the average of net assets (average of the last 13 monthly observations).

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(1) As defined by Bank of Portugal Instruction 23/2012.

(2) As defined by Bank of Portugal Instruction 32/2013.

(3) Income after tax: net income for the period attributable to the shareholder of CGD and net income for the period attributable to non-controlling interests.

2.3. Audit Reports and Opinions

2.3.1. STATUTORY AND AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Caixa Geral de Depósitos, S.A. ("CGD" or "the Group"), which comprise the Consolidated Balance Sheet as at 31 December 2017 (showing a total of 93.247.914 thousand euros and a total equity of 7.889.270 thousand euros, including a net profit for the year of 51.946 thousand euros), and, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Caixa Geral de Depósitos, S.A. as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the following matters:

1. As described in Note 1 to the consolidated financial statements and in the sections 1.4.3 and 1.4.4 of the Management Report, the CGD Recapitalization Plan was approved in March 2017, based on a strategic 4 year plan (2017-2020), which provided for two capitalization phases that were concluded on January 4, 2017 and March 30, 2017. These operations enable the Group to return to compliance with regulatory capital requirements. Additionally in accordance to the recapitalization plan, CGD was to issue additional subordinated debt instruments of 430.000 thousand euros by September 30, 2018.

2. As described in Note 18 to the consolidated financial statements in the section related to the "Analysis of the recoverability of deferred tax assets", applying the requirements of IAS 12 – Income Tax, the deferred tax assets are recognised when Caixa expects to recover these assets in the future based on (i) CGD's capability to generate sufficient future taxable profits and (ii) the

interpretation of the legal framework in place during the recovery. In this context, the Regulatory Decree no. 11/2017, of December 28, maintained the legal taxation framework for impairment losses on credit risk that was in place on December 31, 2016, extending it to cover the 2017. Given the absence of specific regulations on the tax regime to be applied from January 1, 2018, CGD used the assumptions described in Note 18 in the section “Limits to the tax deductibility of impairment losses on loans and advances to customers and other value adjustments” and performed a sensitivity analysis to support the estimation on the recoverability of deferred tax assets. However the decree states that the final version of the new tax regime on impairment will be defined in 2018. Consequently, there is presently uncertainty as to the terms of the final law, which may impact the current estimation of recoverability.

Our opinion is not impacted by these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Impairment of loans and advances

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As presented in the Balance Sheet and disclosed in more detail in Note 12 to the consolidated financial statements, the gross amount of loans and advances to customers is 59.810.942 thousand euros representing 59% of the total assets. The total impairment for loans and advance is 4.555.961 thousand euros representing 7,6% of the total gross credit. The impairment of loans and advances to customers is estimated through the application of judgment and use of highly subjective assumptions, which were subject to a comprehensive review with reference to December 31, 2016 and updated during 2017. Accordingly, the impairment losses reflect the best estimate of the Management for December 31, 2017 and were determined in accordance with Note 41 to the consolidated financial statements, by an individual assessment to the customers with individually significant exposures and through a collective assessment to the remaining exposures. The individual impairment assessment includes a set of judgmental assumptions, of which we highlight the identification of indicators of impairment based on information on the debtor, the collateral and the recovery strategy of the Group. The collective assessment of impairment is based on historical parameters derived from comparable types of exposures considering the estimated default and recovery. Due to subjectivity and complexity which the estimation of impairment entails and the significance of its amount we considered this to be a key audit matter.	► Understanding of the internal controls over the process of estimation of impairment of loans and advances to customers; ► Performance of analytical review procedures on the balances of impairment of loans and advances to customers comparing them to the previous period and to expectations which provides an understanding of the variations of the credit portfolio and the changes of assumptions and methodologies on impairment; ► Sampling a group of exposures individually assessed for impairment to test the assumptions used by the Group’s Management. These tests included a review of the financial and economic information of the debtors and of the underlying collateral appraisals, an understanding of the recovery strategy of the loans as well an assessment of the reasonableness of the assumptions used to determine impairment; ► Use of internal specialists to assess the reasonableness of the assumptions used on the collective assessment of impairment, with particular regard to the following procedures: (i) understanding of the approved and formal methodology and comparison with the calculations performed, (ii) analysis of the changes of risk parameters (PD and LGD) occurred during 2017, (iii) tests, on a sample basis, of the underlying data used to determine the risk parameters, (iv) evaluation of the consistent application of calculations of risk parameters throughout the period under review; ► Analysis of the disclosures included in Notes 2.8 d), 12, 23, 37 and 41 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

2. Liabilities with post-employment benefits of CGD employees

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The group assumed responsibility for current and retired employees retirement benefits and other long-term post-employment benefits. To this purpose, the Group estimated at December 31, 2017, the total liabilities for post-employment benefits of CGD employees of 2.683.688 thousand euros and medical post-employment benefits of 464.475 thousand euros (Note 35 to the consolidated financial statements). These obligations were estimated by an external actuary, who used actuarial methodologies and financial and actuarial assumptions defined by CGD Management, in particular the discount rate, annual increases in salaries and pensions and mortality and disability metrics. The use of different methodologies, assumptions or judgments on the application of actuarial calculations, could generate estimations different from those recorded. We considered this to be a key audit matter due to the significance of the liability for post-employment benefits for pensions and other long-term employee benefits and the risk of material distortion due to the use of assumptions and judgment.	► Understanding of the internal control over the process of estimation of post-employment benefits related to pensions and other long term employee benefits; ► Performance of analytical review procedures of the balances of post-employment liabilities comparing with previous periods and expectations based on an understanding of the variations of the number of employees and retirees and changes of assumptions; ► Use of internal actuarial specialists to assess the reasonableness of the assumptions used, as compared to external benchmarks and to review on a sample basis, the calculations performed by the external actuary; ► Analysis of the commitments agreed in the document establishing the pension fund and the liabilities considered in the actuarial report as of December 31, 2017 as well as the regulations regarding medical post-employment benefits; ► Testing, on a sample basis, of the data included in the actuarial report; ► Analysis of the disclosures included in Notes 2.16, 23 and 35 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

3. Recoverability of deferred tax assets and application

Description of the most significant risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Consolidated balance sheet includes total deferred tax assets of 2.287.808 thousand euros as of December 31,2017, of which 1.123.875 thousand euros are included in the special regime for deferred tax assets (SRDTA), which correspond to the expenses and negative equity variations prior to December 31, 2015 (Note 18 to the consolidated financial statements). When the taxpayer incurs a loss during a tax period the assets included in the SRDTA are converted to a tax credit in the proportion of the loss for the period and the total equity combined with contingent capital instruments, creating a special reserve for the amount of tax credit plus 10%. Based on balance sheet amounts of CGD as of December 31 2016 the amount of deferred tax assets that are estimated to be converted to tax credits is 446.000 thousand euros. Under the requirements of IAS 12 – Income taxes, deferred tax assets are recognised considering the Group's estimation of its future recoverability, which is essentially determined by its capacity to generate future taxable profits and on an understanding of the legal framework applicable in the reversal period. As referred to in the second paragraph of the Emphasis of Matter Section, the legal framework is uncertain and the Group used its expectation of the most likely scenario. Bearing in mind the significance of the amounts and the complexity of the calculation, with the consequent risk of	► Understanding of internal controls over the process of estimation of the recoverability of deferred tax assets; ► Understanding of the most significant assumptions and judgments used by the Group to estimate future taxable profits, including an analysis of consistency with the projections included in the Strategic Plan; ► Use of internal tax specialists to assess the reasonableness of the assumptions used in the estimation of deferred tax assets; ► Analysis of the Regulatory Decree nº 11/2017, of December 28 and inquiries of Management on their expectations regarding evolution of tax laws; ► Review of the calculations made by the Group to determine the recoverability of the deferred tax assets, in view of the assumptions used to estimate the future tax profits and the interpretation of tax law; ► Analysis of the disclosures related to this matter included in the Notes 2.14 and 18 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

Description of the most significant risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
material distortion due to the use of assumptions and judgments, we considered this to be a key audit matter.	

4. Classification and measurement of subsidiaries classified as non-current assets available for sale

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As disclosed in Note 13 to the consolidated financial statements, as of December 31, 2017 the net amount of non-current assets and liabilities held for sale related to subsidiaries was 408.070 thousand euros. Following the commitments assumed between the Portuguese State, as sole shareholder of CGD, and the European authorities under the CGD recapitalization plan, Management took the necessary steps to comply with the Strategic Plan, initiating during the year the sale process of the subsidiaries Group Banco Caixa Geral Brasil, S.A., Banco Caixa Geral, S.A. and CGD Investimentos CVC, S.A. whilst pursuing the sale process of Mercantile Bank Holdings, Ltd.. Having determined that the conditions set out in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (IFRS 5) had been met, the Group classified and measured these subsidiaries in accordance with this standard. To comply with the measurement criteria of IFRS 5, CGD obtained appraisals from external specialists to determine the fair value of these subsidiaries, and recognize an impairment loss of 408.263 thousand euros. The determination of fair value was based on assumptions and judgments set out in Note 2.22 to the consolidated financial statements. The use of different methodologies, assumptions or judgments could generate estimations different than the amount booked net of impairment. We considered this to be a key audit matter given the significance of the amounts and the risk of material distortion due to the use of assumptions and judgments.	► Understanding the internal controls over the process to determine the fair value of the subsidiaries classified as non-current assets available for sale; ► Analysis of the supporting evidence for the classification criteria under IFRS 5; ► Use of internal valuation specialists to assess the assumptions and methodologies used to determine the fair value of these subsidiaries; ► Review of the reasonableness of the projections, methodologies and assumptions used in the valuation of the subsidiaries with regard to available financial information and market data; ► Analysis of the related disclosures in Note 13 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

5. Provisions related to the restructuring plan included in the strategic plan

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
The strategic plan established for 2017-2020, which provides for the recapitalization of the Group, incorporates a group of organizational restructuring measures to ensure the global sustainability of the Group. As mentioned in the Management Report and in Note 1 to the consolidated financial statements, the Group took measures during 2017, to implement the Strategic Plan to	► Understanding of the internal control over the process of estimation of contingencies; ► Use of internal specialists to assess the assumptions used and to review on a sample basis, the calculations performed by the external actuary; ► Analysis of the commitments agreed in the early retirement plan and of the data used in the estimation prepared by CGD as of December 31, 2017, as well as of

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
allow the structural transformation of the Group's efficiency and profitability. In this context, at December 31, 2017, the Group recognized a provision of 223.901 thousand euros related to the early retirement programme for the 2018-2020 detailed in the Strategic Plan. To estimate the provision, as of December 31, 2017, the Management considered the requirements of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, and concluded that not all requirements of International Financial Reporting Standards were met to enable financial statement recognition at December 31, 2017 for expected certain other costs resulting from the Strategic Plan. Considering the nature of the provisions, the Group used the independent actuary to evaluate the liabilities related to the commitments in the early retirement plan. The estimation of these liabilities was based on actuarial assumptions and methodologies. The use of different methodologies, assumptions or judgments on the application of actuarial calculations, could generate estimations different from the amount booked. We considered this area to be a key audit matter due to the significance of the provision and the risk of material distortion due to the use of assumptions and judgments.	the analysis of the accounting treatment of the liability under the requirements of IAS 37; ► Analysis of the disclosures included in the Notes 23 and 35 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

6. Financial instruments measured at fair value and classified as level 3 under IFRS 13

Description of our assessment the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As described in Note 41 to the consolidated financial statements, at December 31, 2017 the Group holds financial instruments valued at fair value amounting to 11.949.365 thousand euros, of which 2.253.128 thousand euros are valued according to valuation techniques using variables not observable in the market (Level 3). The valuation of investments is subjective, given that these financial instruments (level 3) are valued based on internal models or through quotes provided by external entities that include unobservable market parameters. The consideration of this matter as significant to the audit was based on its materiality in the consolidated financial statements and the fact that the use of different valuation techniques and assumptions could give rise to different estimates of fair value.	► Understanding of the internal control over the process of valuation of financial instruments; ► Use of internal specialists to assess the reasonableness of the assumptions used on the internal valuation model; ► Performance of analytical review procedures on the balances of financial instruments comparing with the previous period and expectations in order to obtain an understanding of the variations that occurred with regard to changes in assumptions and methodologies; ► On the internal models used we performed the following procedures: (i) understanding of the approved and formal methodology, (ii) analysis, for a sample basis of financial instruments, of the underlying data used in the internal models, (iv) recalculation of the fair value of the financial instruments on a sample basis; ► For the recovery funds and close-ended funds, our analysis was based on the latest financial information available and/or the last net asset value disclosed by the management entities of the funds and on the reports by the Group on the value of the underlying assets of the funds; ► Analysis of the disclosures included in the Notes 2.8 and 41 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

7. Valuation of real estate assets repossessed under loan recovery

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
As of December 31, 2017, the net book amount of the real estate assets repossessed by credit recovery was 563.565 thousand euros as disclosed in Note 13 to the consolidated financial statements. These real estate assets are recorded at recoverable amount under the caption "Non-current assets available for sale" and are measured in accordance with the accounting policy described in Note 2.9 to the consolidated financial statements. To determine the recoverable amount of the repossessed real estate assets, impairment is assessed individually for all the assets with a gross amount in excess of 5.000 thousand euros, including, on a case by case basis, assets with a lower value with specific characteristics that justify an individual assessment. The remaining assets are appraised on a collective assessment. The individual assessment of impairment takes into account the specific characteristics of the real estate asset and the disposal strategy, incorporating available information on supply and demand and other specific risks that may influence the value of the asset. On the other hand, the model of collective impairment is based on the recoverable amount of each real estate asset corresponding to the minimum of value of the last appraisal report and that resulting from the application of a haircut to the amount since the real estate asset was repossessed. The haircut is differentiated by segments of real estate with similar devaluation characteristics and ageing in the portfolio. The haircuts are determined based on the historical evolution of the real estate appraisals, with additional adjustments to ensure the consistency of recoverable amounts with effective sales, focusing on older real estate assets in the portfolio and aligning with the disposal strategy. The consideration of this matter as significant to the audit was based on its materiality to the consolidated financial statements and the use of different valuation techniques and assumptions that could give rise to different estimates of fair value.	► Understanding internal controls over the process of valuation of real estate assets repossessed by credit recovery; ► Performance of analytical review procedures on the real estate assets included in the balance of non-current assets available for sale comparing it to the previous period and expectations, of which are relevant the understanding of the variations occurred and the changes of assumptions and methodologies; ► Assessment of the analysis performed by the internal departments of CGD – DNI (Direção de negócio imobiliário) and DGR (Direção de Gestão de Risco) on the most significant assets; ► For a sample of assets, tests of the reasonableness of the assumptions used by the external specialists registered with the CMVM, as well as on the appropriateness of the methodology used in the appraisals; ► For the real estate assets collectively assessed: (i) understanding the main features of the model used, (ii) for a sample of real estate assets, tests of the data used in the model, (iii) recalculation of the overall impairment; ► Analysis of the disclosures included in the Notes 2.9 and 13 to the consolidated financial statements, based on the requirements of International Financial Reporting Standards and on the accounting records.

8. Resolution fund

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
Following the resolution measures applied to Banco Espírito Santo, S.A. ("BES") and Banif – Banco Internacional do Funchal, S.A. ("Banif"), the Resolution Fund became sole holder of the share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted	► Analysis of the loan agreement concluded between CGD and the Resolution Fund and the respective amendments signed in August 2016 and February 2017; ► Analysis of the public communications from the Resolution Fund on September 28, 2016, March 21, 2017 and March 28, 2018, regarding the new conditions for loans to the Resolution Fund and the corresponding impact on its sustainability and

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
loans to the Resolution Fund, which assumed other liabilities and contingent liabilities. CGD has participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the income of the Resolution Fund is essentially the periodic contributions from participating institutions (including CGD) and contributions from the banking sector. It is also provided for the possibility of the Portuguese Government representative responsible for the finance to require, by ministerial order, that participating institutions make special contributions in circumstances determined in the applicable legislation, particularly if the Resolution Fund does not have sufficient funds to conclude its obligations. As described in a public statement by the Resolution Fund on March 21, 2017, the terms of the loans granted to Fundo de Resolução to finance the resolution measures for BES and Banif were renegotiated during the first quarter of 2017. This included an extension of the term of the loan to December 31, 2046 and the possibility to further adjust that term to enable the Resolution Fund to settle the liabilities based on regular contributions without reliance on special contributions or other extraordinary contributions by the banking sector. It was also specified the treatment of the loans of the Resolution Fund to the banking syndicate, of which CGD is a part, *pari pasu* with loans granted by the Portuguese State. On October 11, 2017, the Council of Ministries and the European Commission issued communications announcing the approval of the sale of Novo Banco to a new private investor committed to restructuring the bank to restore its economic viability and approval by the European Commission of plans for Portugal to grant additional State support to Novo Banco in accordance with European Union rules, through a new loan to the Resolution Fund up to 3,89 thousand million euros. In this context, the Resolution of the Council of Ministries nº 151-A/2017 of October 2, authorized a master agreement to make available to the Resolution Fund the necessary funds to, when and if necessary, comply with contractual obligations emerging from the sale of 75% of the share capital of Novo Banco, S.A.. Under this master agreement, on October 2017, a line of credit up to 1.000.000 thousand euros was approved, which can be used by the Fund during the 2 years beginning on January 1, 2018 and subject to an annual limit of 850.000 thousand euros. As disclosed in Note 23 to the consolidated financial statements, as of December 31, 2016 and 2017, the expectation of CGD is that no special contributions or other extraordinary contributions will be required to finance the resolution measures applied to BES and Banif. The cost of the regular contributions and the contribution of the banking sector is recognised annually in accordance with IFRIC 21 – Levies.	financial soundness and on the sale of Novo Banco and additional State support measures; ► Reading of the communication of the Council of Ministries and of the European Commission on October 11, 2017, related to the approval of the sale of Novo Banco; ► Reading of the last Report and Accounts of the Resolution Fund for the year 2016. ► Review of the accounting framework of the contributions to the Resolution Fund. ► Review of the disclosures included in the consolidated financial statements note 23 related to this matter, considering the applicable accounting framework.

Description of our assessment of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
Taking into account the potential impact of the responsibilities of the Resolution Fund for the Group and the judgments of the Management in this matter, this was considered a key audit matter.	

Other matters

The consolidated financial statements for the year ended December 31, 2016, were audited by another statutory auditor/auditor who expressed an opinion on those statements on April 28, 2017, without qualifications and one emphasis of matter related to the recapitalization plan of CGD.

We were appointed as statutory auditors/auditors of CGD on May 18, 2017, assuming functions on June 1, 2017. As a first year audit, we performed transition procedures with the predecessor auditor, as described in ISA 510 – initial audit engagements – opening balances.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group’s ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code, as well as the verification that non- financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the non-financial statement described in article 508.º-G of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that Group includes in the Management Report the non-financial statement described in article 508.º-G of the Commercial Companies Code.

On the Corporate Governance Report

In our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of this article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as statutory auditors/auditors of Caixa Geral de Depósitos, S.A. (Group´s Parent Entity) for the first time by decision of the sole shareholder the Portuguese State, dated May 18, 2017 for the period from 2017 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on April 30, 2018; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 30 April 2018

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nr. 1230
Registered with the Portuguese Securities Market Commission under license nr. 20160841

2.3.2. REPORT AND OPINION OF THE SUPERVISORY BOARD

Caixa Geral de Depósitos, S.A.

Report and Opinion of the Supervisory Board for 2017

In conformity with the dispositions of sub-paragraph g) of no. 1 of article 420, in conjunction with no. 1 of article 508-D, both of the Commercial Companies Code (CSC), the Supervisory Board is responsible for producing an annual report on its inspection activities and issuing an opinion on the Board of Directors' report and separate and consolidated financial statements of Caixa Geral de Depósitos (CGD) for the year ended 31 December 2017.

In the sphere of its competencies, as attributed by law and the articles of association, the Supervisory Board oversaw the management and results of CGD and CGD Group during the course of 2017, which particularly included:

(a) Participation in all meetings of the Board of Directors starting 1 February 2017, including the analysis of all of the documentation distributed on which the respective works were based;

(b) The reception and analysis of the explanations given by the officers in charge of each of the areas whose issues were discussed, analysed and decided;

(c) The submission of issues and requests for clarification raised by the documents under analysis and presentations and explanations;

(d) Direct oversight of multiple aspects of the evolution of CGD Group's activity, paying special attention to compliance with the company's articles of association and legal and regulatory dispositions; and;

(e) Participation in all of the activities of CGD's Board of Directors' special advisory and supporting committees, based on its members' presence at meetings of the Nomination, Appraisals and Remuneration, Audit and Internal Control and Corporate Governance Committees.

During the course of 2017, the Supervisory Board met 27 times, in 26 of the 27 meetings held there were no absences. At the meeting held on 30/06/2017, Manuel Lázaro de Brito was absent. This absence was dully justified. Minutes have been drawn up for all the meetings. Special reference should be made to the following issues that were discussed and analysed:

(a) An analysis of the activity plans of the Internal Audit Division and Compliance Office and their respective quarterly activity reports;

(b) Oversight of the reports of the auditors by the Audit Division and an examination of the activities of the Compliance Office and Risk Management Division;

(c) The issue of opinions within its sphere of competence;

(d) Consideration of the report on the prevention of money laundering and the financing of terrorism as provided for in the Bank of Portugal's *Official Notice* 9/2912 upon which an opinion was issued in June 2017;

(e) Consideration of the reports on the adequacy and effectiveness of the internal control system of CGD, CGD Group and its most relevant subsidiaries, with the reports provided for in the Bank of Portugal's *Official Notice* 5/28 having been issued in June 2017;

(f) Analysis of the complaints and claims submitted to it whose processes were passed on to the CGD's appropriate services;

(g) Analysis of the exchange of correspondence between CGD and the supervisory entities;

(h) Analysis of the reports on the evolution of actions to mitigate the defects found by the supervisors;

(i) The holding of a meeting with regulators CMVM and joint supervisory team – Bank of Portugal / European Central Bank.

Pursuant to the provisions of article 3 of Law 148/2015 of 9 September, the Supervisory Board undertook the following procedures:

(a) Selection of the statutory audit companies to be proposed to the General Meeting for election, justifying a recommendation for one of them, under the terms of article 16 of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014;

(b) Inspection of the effectiveness of the internal quality control and risk management and internal audit systems as regards the process for the preparation and disclosure of financial information, without violating their independence;

(c) Oversight of the legal revision of the consolidated and separate annual accounts, having been present, for the said purpose, at 17 meetings with the representatives of the Statutory Audit Company – Ernst & Young Audit & Associates – SROC, S.A. ("EY" or "SROC") since the date of its appointment up to the present, for the understanding and planning of the evolution of its works and the main conclusions and recommendations formulated in the sphere of the performance of its attributions, including the discussion and approval of the general audit plan. The clarifications both necessary and sufficient in response to the issues raised and particularly on the conformity of the accounting records and their supporting documents, the existence of assets or amounts belonging to CGD or received by or deposited with it by any other means and whether the accounting policies and measurement criteria adopted lead to an adequate presentation of the equity and results of CGD and CGD Group were herein obtained;

(d) Verification and oversight of the independence of the Statutory Audit Company in legal terms, including the provisions of no. 2 of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 and, especially, verification of adequacy for approving the provision of other services, in addition to audit services, pursuant to the terms of articles 10 and 11 of article 77 of the articles of association of the statutes of the Statutory Auditors as published in the annex to Law 140/2015;

(e) Consideration of the Statutory Audit Company's additional report, produced in compliance with the dispositions of article 24 nos. 1 to 3 of the legal regulations on audit supervision, approved by Law 148/2015 of 9 September, having discussed the contents thereof with the representatives of EY and with which the Supervisory Board was in agreement;

(f) Informing the Board of Directors of the results of the statutory audit on the consolidated and separate accounts, explaining the form of contribution to the integrity of the process for the preparation and disclosure of the financial information in addition to the role played by the Supervisory Board in this process;

(g) Oversight of the process for the preparation and disclosure of CGD's and CGD Group's quarterly financial information, having obtained the clarifications requested in the sphere of the respective closing of the accounts from DCI (Accounting, Consolidation and Financial Information Division);

(h) Production of the quarterly reports for the Ministry of Finance under the terms of the dispositions of no. 2 of article 6 of Decree-Law no.287/93 of 20 August, presenting the analysis of CGD's and CGD Group's main financial indicators in addition to the results of the other analyses performed by the Supervisory Board.

(i) Under the terms of article 452 of the Commercial Companies Code, the Supervisory Board examined the Board of Directors' report and the separate and consolidated financial statements of CGD with reference to the year ended 31 December 2017 and the respective statutory audit certificates and audit reports issued by EY without reservations but with emphases that merited the agreement of the Supervisory Board.

It assessed compliance with the legal guidelines in force for the state's corporate sector, i.e. compliance with the guidelines on remuneration in force in 2017 and those in respect of the corporate governance report included in the Board of Directors' report.

It also verified that the information set out in the corporate governance report includes the items required under the terms of article 225-A of the Securities Market Code.

In light of the above, the following opinion is issued:

Opinion of the Supervisory Board

The Supervisory Board has performed an inspection of Caixa Geral de Depósitos pursuant to article 420, in conjunction with no. 1 of article 508-D of the Commercial Companies Code as a result of which it hereby issues the following opinion

(a) The Board of Directors' report for 2017 meets the requirements of the Commercial Companies Code and Securities Market Code;

(b) The balance sheet, profit and loss statement, profit and loss and other comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows and the notes to the separate financial statements of Caixa Geral de Depósitos satisfy the applicable legal and accounting requirements;

(c) The consolidated balance sheet, consolidated profit and loss statement, consolidated profit and loss and other comprehensive income statement, consolidated statement of changes to shareholders' equity and consolidated statement of cash flows and the notes to the consolidated financial statements satisfy the applicable legal and accounting requirements;

(d) The proposal for the appropriation of net income presented by the Board of Directors in its report does not contravene the applicable legal and statutory dispositions

(e) The corporate governance report included in the Board of Directors' report referred to in (a) complies with the legal guidelines in force for the state's corporate sector;

for which the shareholders' approval is recommended;

The members of the Supervisory Board declare, pursuant to the terms and for the purposes of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code that, to the best of their knowledge the Board of Directors' report and the separate and consolidated financial statements, in addition to the respective statutory audit certificates and audit reports and other documents for the provision of CGD Group's accounts, all of which in respect of 2017, have been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the equity and financial results of CGD and the companies included in its consolidation perimeter and that the Board of

Directors' report provides a faithful description of the evolution of business the performance and position of CGD and the referred to Group and contains a description of the main risks and uncertainties facing it.

Lastly, the Supervisory Board wishes to express its gratitude to the Board of Directors, Executive Committee, officers in charge of CGD's divisions and other employees as well as the Statutory Audit Company, for the collaboration provided in the performance of their functions.

Lisbon 30 April 2018

SUPERVISORY BOARD

Guilherme d'Oliveira Martins

(Signed)

Chairman

António Luís Traça Borges de Assunção

(Signed)

(Member)

Manuel Lázaro de Brito

(Signed)

(Member)

Caixa Geral de Depósitos, S.A.
Annex to the Report of the Supervisory Board for 2017

Members of the Supervisory Board appointed in 2017:

POSITION	NAME	DATE OF APPOINTMENT
Member	Dr Manuel Lázaro Oliveira de Brito	24/04/2017
Alternate member	Professor Nuno Filipe Abrantes Leal Cunha Rodrigues	24/04/2017

Members of the Supervisory Board officiating as members of special committees in 2017:

COMMITTEE	NAME	WITH EFFECT FROM
CNAR	Dr Guilherme Valdemar Pereira de Oliveira Martins	01/02/2017
CNAR	Professor António Luís Traça Borges de Assunção	01/02/2017
CNAR	Dr Manuel Lázaro Oliveira de Brito **(1)**	22/06/2017
CACI	Professor António Luís Traça Borges de Assunção	23/03/2017
CG	Professor António Luís Traça Borges de Assunção	23/03/2017
CG	Professor Nuno Filipe Abrantes Leal Cunha Rodrigues **(2)**	22/06/2017

(1) Member of CNAR in replacement of Dr Guilherme Valdemar Pereira de Oliveira Martins - Board of Directors' resolution of 22/06/2017

(2) Member of CG in replacement of Professor António Luís Traça Borges de Assunção.

Lisbon, 30 April 2018

2.4. Non Financial Information Verification Statement

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Independent Limited Assurance Report of the Sustainability Information Disclosed in the Annual Report 2017

(Free translation from the Original Independent Limited Assurance Report in Portuguese dated April 27, 2018. In case of any discrepancy, the Portuguese version always prevails.)

To the Board of Directors of CGD, S.A.

Introduction

1. We were contracted by the Board of Directors of Caixa Geral de Depósitos, SA to proceed with the independent review of the Sustainability Information disclosed (hereinafter the “Sustainability Information”) included in the “Annual Report 2017”, relating to the sustainability activities carried out from 1 January to 31 December 2017.

Responsibilities

2. The Board of Directors is responsible for preparing the sustainability information disclosed in the “Annual Report 2017”, and to maintain an appropriate internal control system that allows the information presented to be free of material misstatements due to fraud or error.
3. It is our responsibility to issue a limited assurance report, professional and independent, based on the procedures performed and described in the “Scope” section below.

Scope

4. Our review procedures have been planned and executed in accordance with the International Standard on Assurance Engagements (ISAE 3000, Revised) – “Assurance engagements other than Audits and Reviews of Historical Financial Information”, for a limited level of assurance.
5. The procedures performed in a limited assurance engagement vary in timing and nature from, and are less in extent than for, a reasonable assurance engagement. Therefore, the assurance provided by these procedures is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our independent review procedures comprised the following:

- Conducting interviews with Management, in order to understand how the information system is structured and assess their level of knowledge of the topics addressed in the report;
- Review of the processes, criteria and systems adopted to collect, consolidate, report and validate the data for the year 2017;
- Analytical review, on a sample basis, of the data calculated by Management, and verification of quantitative and qualitative information disclosed in the report;
- Confirmation on how collection, consolidation, validation and report procedures are being implemented in selected operating units;
- Verification of the conformity of the information included in the non-financial information statements with the results of our work.

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

Caixa Geral de Depósitos, S.A.
Independent Assurance Report of the Sustainability Information
disclosed in the Annual Report 2017
1 of January to 31 of December 2017

6. Regarding the disclosure of non- financial information and information about diversity, we performed a review of conformity with Article 508-G of the Portuguese Companies Act (*Código das Sociedades Comerciais*) and 245-A, paragraph r) of the Securities Market Code (*Código do Mercado dos Valores Mobiliários*) with respect to non-financial and diversity disclosures.

Quality and independence

7. Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable and we comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the Code of Ethics of the Order of Chartered Accountants (OROC).

Conclusion

8. Based on our work, nothing has come to our attention that causes us to believe that the systems and procedures for the collection, consolidation, validation and reporting of the Sustainability Information included in the “Annual Report 2017” are not operating appropriately and the information disclosed is not free from relevant material misstatements. Additionally, nothing has come to our attention that causes us to believe that the “Annual Report 2017” do not include all the required data and information as defined by the Article 508-G of the Portuguese Companies Act and paragraph r) of the article 245-A of the Securities Market Code.

Lisboa, April 27, 2018

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)

Represented by:

(signed)

Ana Rosa Ribeiro Salcedas Montes Pinto (ROC nº 1230)
Registada na CMVM com o nº 20160841

3. Report on Corporate Governance 2017

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3.1. Summary

Caixa Geral de Depósitos, SA (CGD, Caixa or Bank)'s Corporate Governance Report has been produced in conformity with current legislation, namely the dispositions of Decree-Law no.133/2013 of 3 October (approving the new Legal Regime on the State's Corporate Sector – hereafter referred to under the Portuguese acronym "RJSPE") and the guidelines issued for the purpose by UTAM (Technical Unit for the Oversight and Monitoring of the State's Corporate Sector).

Decree-Law no.89/2017 of 28 July was published in 2017 and transposes Directive 2014/95/EU of the European Parliament and the Council of 22 October 2014 (which amends Directive 2013/34/EU, on the disclosure of non-financial information) into national legislation.

This report therefore reflects the collection of non-financial information bearing witness to CGD's involvement in environmental matters and issues related to workers, respect for human rights, the fight against corruption, attempts at bribery and gender equality, in line with the model defined by UTAM for the production of the corporate governance report for 2017.

Notwithstanding its status as an institution in the state's corporate sector, CGD's Corporate Governance Report for 2017 endeavours to comply with the conditions required of most national institutions, which have as relevant reference CMVM (Securities Market Commission) Code and IPCG (Portuguese Corporate Governance Institute).

The members of the Board of Directors for the 2017 – 2020 term of office, were elected based on the *unanimous written resolutions* of 31 January, 17 March, 1 and 2 of August and 19 October 2017.

The governance model adopted by CGD includes a Board of Directors, Supervisory Board and Statutory Audit Company and ensures the existence of effective segregation between management and inspection functions.

CGD opted to encompass the functions of the External Auditor and Statutory Audit Company in a single entity in 2017 with a view to improving efficiency, produced by close articulation between the respective functions.

In a Unanimous Written Resolution of 18 May 2017, the company Ernst & Young Audit & Associados, SROC, S.A., was elected to perform the functions of CGD's Statutory Auditor / External Auditor for the 2017-2020 term of office.

3.2. Mission, Objectives and Policies

MISSION

CGD's mission consists of making a decisive contribution to the development of the national economy in order to achieve a balanced evolution between profitability, growth and financial strength, accompanied by prudent risk management, to enhance the stability of the national financial system.

As a driving force behind the country's economic development, CGD's mission comprises the following:

- A strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly Small and medium-sized enterprises (SMEs), ensuring their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services oriented to export or import substitution;
- Backing the entrepreneurship and recapitalization process of Portuguese companies;
- The provision of solutions to meet the borrowing requirements of Portuguese households at various times in their lifecycles, encouraging savings and national investment.

VALUES

As CGD's activity and its employees' conduct are governed by the following fundamental values:

- Rigour, which includes objectivity, professionalism, technical skill and diligence always geared to achieving higher levels of economic, financial, social and environmental efficiency, based on the adoption of best banking and financial practice;
- Transparency of information, namely as regards conditions governing the provision of services and the organisation's performance, operating with truth and clarity;
- Security of investments, with prudent risk management and CGD's stability and strength as a sine qua non;
- Organisational and personal responsibility for own actions, endeavouring to correct eventual negative impacts. This includes socially responsible performance and commitment to sustainable development;
- Integrity, understood to mean scrupulous legal, regulatory, contractual and ethical compliance with ethical values and the operating principles adopted;
- Respect for interests which have been entrusted, acting with courtesy, discretion and loyalty, in addition to principles of non-discrimination, tolerance and equality of opportunities.

MAIN STRATEGIC GOALS

STRATEGIC PLAN 2017 – 2020

CGD's capitalisation was designed on the basis of a Strategic Plan which has defined the Bank's strategy up to 2020 and which evidences the rationality and sustainability of CGD's sole shareholder's investment decision.

The Portuguese state and CGD strongly support the viability of the Strategic Plan, agreed with Directorate General for Competition of the European Commission (DG Comp), mainly on account of the following:

- The plan is based on a prudent macroeconomic scenario, namely with negative interest rates up to 2020;

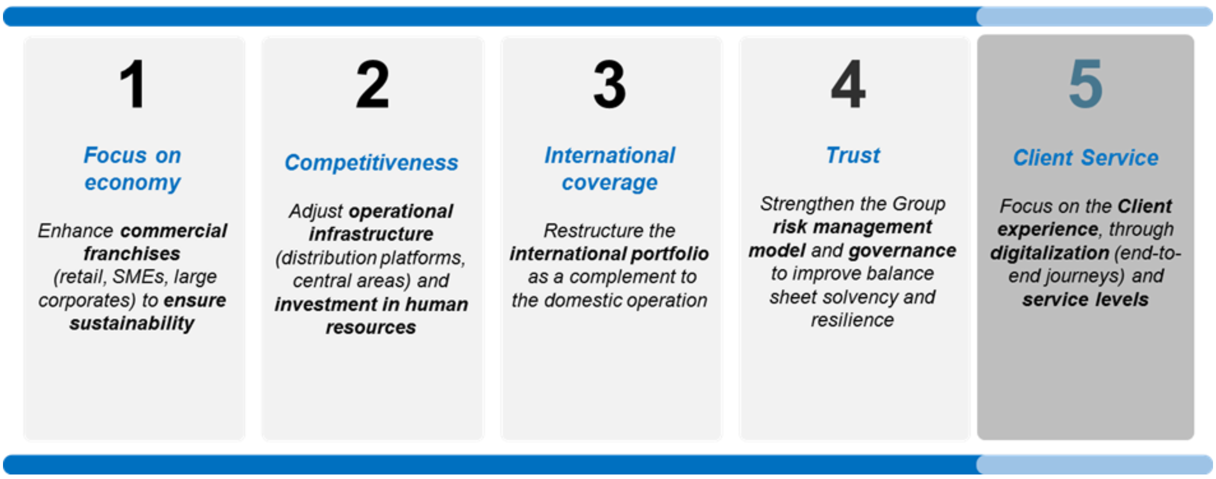
- The fact that there are no relevant changes to market share, or the launch of new areas, reduces the reliance on growth assumptions which could be less controlled by the management team;
- There is a significant restructuring of the operational platform, corresponding to an area under the control of the management team;
- The restructuring of CGD's international presence, based on criteria of economic and strategic rationality, will simplify and attenuate the risk attached to CGD's subsidiaries' portfolio;
- The plan includes a strengthening of the Group's risk management practice, aiming to align CGD with best market practice;
- Fresh measurements of the credit and securities portfolios will permit a normalisation of the cost of risk; and
- The company's governance and remuneration conditions have been revised to allow CGD to operate on a par with other competitors in the market.

The Strategic Plan includes (i) the macroeconomic context, (ii) a viable restructuring plan that includes major disposals of non-strategic operations, (iii) a detailed profit and loss analysis accompanied by an overview of CGD's balance sheet with projections of financial statements following the capital increase (iv) an indication of expected returns and (v) the definition of periods for the referred to expected returns.

As the objective of the measures contained in the Strategic Plan is to ensure CGD's long term sustainability and the creation of value for its shareholder, it is, accordingly, based on the following principles:

- To maintain its current leading position in the market without any fundamental change to its current business model as a "universal" (i.e. general) bank;
- To improve the operational efficiency of its domestic operations, combining it with a simplification of the Group's structure and restructuring of its international portfolio;
- To guarantee attractive returns for its investor (> 9%) over a 5 year period;
- To strengthen the Bank's solvency levels in order to meet the requirements defined by supervisors and market expectations (achieving a CET 1 ratio of more than 12.5%);
- To maintain an independent and responsible governance and management model.

CGD'S STRATEGIC PLAN 2020: 5 PILLARS



The Strategic Plan contains 5 essential pillars:

<u>Pillar 1</u> - Modernising of the commercial franchise of domestic operations to guarantee sustainability.

This pillar's main initiatives include:

- A review of segments and upgraded Retail commercial offer;
- A review of bancassurance and asset management models on which retail value proposals and penetration of off-balance sheet products are based;
- Definition of a plan viewing to improve the level of involvement with SMEs (small and medium sized enterprises), taking in current operations and treasury management fees;
- Optimisation of credit processes.

Such initiatives took the form of short and medium and term initiatives based on the launch of the following strategic initiatives:

#1 Review of commercial offer and service models

- *Conta Caixa* accounts - new commissions pricing plan for individuals more than 25 years old, with a bundle of services, debit and credit cards, online transfers and other facilities, with monthly fee launched on June, 1 2017. Already opened 938,533 accounts at end 2017;
- Deposits interest rate reduction along 2017, in line with the market;
- Revision of service models and assignment of dedicated account managers to additional 34 thousand clients.

#2 Improvement of Individuals commercial performance

- Enhance business dynamism with focus on commercial cycles;
- A review of mortgage lending contracts procedure (improved operational efficiency and levels of customer service);
- A strengthening of time-to-market based on adjustments and simplifications of decision-making levels.

#3 Strengthen of corporate margins

- Implemented new pricing delegation and minimum technical price model;
- Implemented adjusted decision workflow for pricing differentiation on collateral type;
- Implemented a framework to all-in price calculation and commissions discounts.

#4 Improvement of Small Business and Corporates' commercial performance

- Enhance business dynamism with focus on commercial cycles.

#5 Upgrade of credit processes

- Defined new tighter levels for Corporate credit decision;
- Implemented a Dual Lane approach with specialized analysts for some specific segments;
- Underwriting process of mortgage credit centralized for all the non standard proposals and non-standard pricing decision;
- Approved and published new guidelines for a healthy origination of credit.

<u>Pillar 2</u> – An adjustment to CGD's domestic operational infrastructure in order to improve efficiency. The main initiatives to be implemented are:

- An adjustment to the branch office network with a reduction of around 180 branch offices;
- Staffing reductions of around 2,200 employees (in addition to the exit agreements in 2016 under the *Horizonte Plan*'s early retirements programme);
- An improvement of human resources management, including training;

- An improvement of levels of customer care and services based on the digitalisation of processes.

This pillar's strategic initiatives produced the following results in 2017:

#6 Optimization of Retail distribution network

- Closure of 64 branches;
- The launch of the Mobile Branch office as a proximity solution.

#7 Optimization of Administrative costs

Launched new projects to achieve costs target (higher than Strategic Plan Targets):

- Robotic Process Automation for 10 process. Estimated savings of 35% of operational costs related to those processes;
- Reduction on postal costs communication: new projects implemented generated savings around €2 million in 2017 and €4 million estimated for 2018;
- Important savings with the annual contract renewal for external suppliers – started an online platform for competitive auction;
- IT optimizations generated cost reductions of €4 million in 2017 and €12 million/year run rate;
- Implemented a Branch Paperless project that saves printing and archiving 40 million documents/year.

#8 Rationalization of structure and talent management

- Early retirements program successfully concluded and Mutual Agreement Resignations accepted over the CGD's 2017 target;
- Reorganization of a group of internal divisions to adapt the organizational structure to the implementation of the Strategic Plan (Digital business, Corporate and retail marketing).

#9 Information architecture/ Business Intelligence (BI) / Management Information System (MIS)

- Definition of a new Governance Framework and a new Information Architecture is underway;
- New dashboards implemented in the Management Information System (MIS) for commercial areas, Risk, Benchmark and Profitability.

Pillar 3 – Restructuring of the international portfolio with the objective of focusing on selected geographies.

CGD's international portfolio mainly consisted of nine subsidiaries and nine branches. In the sphere of the global principle of reducing international risk and focusing on priority geographies with a business affinity with Portugal, CGD has developed a focused approach in reviewing its business and governance models on assets to be retained and proceeding with the sale of disposable assets in non-priority geographies.

Improved governance in international units was also defined as a priority.

Disinvestment initiatives in the international units comprised the following:

#14 Divestment of international operations – Sale

- Legislation published, which enables the start of the formal sale of international units;
- Authorization received from the Ministry of Finance for the initiation of contacts with potential investors (January, 10 2018);
- Formal sale process launched (Mercantile, BCG Spain) with formal contacts with potential investors.

#15 Divestment of international operations – Wind Down

- London, Offshore Cayman and Offshore Macao branches wind down concluded;
- Zhuhai branch wind down in conclusion in December 2017;
- Conclusion of France branch's wholesale credit portfolio transfer to CGD headquarters;

#16 Reinforcement of international operations governance

In the context of International Governance, key priority levers have been identified for implementation.

Pillar 4 – Restructuring of CGD's assets portfolio and strengthening of its risk management model with the objective of improving balance sheet solvency and resilience.

Pillar 4 of the Strategic Plan comprises a set of initiatives designed to ensure that CGD's risk management is in line with the best international and regulatory standards and to guarantee the implementation of an efficient risk business model.

One of the priorities consists of the implementation of the deleveraging plan on NPLs (non-performing loans), in the form of an operational plan in line with the NPL Strategy Report agreed with the ECB.

The materialisation of these initiatives in short and medium term actions has already produced a significant collection of results, namely based on the following strategic initiatives:

#10 Upgrade of risk model

- New scoring models for Small and medium business, Mortgage and Personal loans are in implementation;
- The corporate wide risk management framework has been deployed: roles and responsibilities have been assessed and specified; policies regarding each material risk have been approved, disseminated and locally adopted;
- Local risk appetite have been discussed with the units, provided as strategic guidance, used to challenge the strategic plans, and approved by CGD's Board of Directors. The process is complete with the local Board of Directors formal approvals and the implementation of the reporting lines;
- The internal project to implement ECB's NPL Guidance consists of 92 micro initiatives of which 82 have already been concluded.

#11 Optimization of recovery (standard)

- New processes and tools to measure performance and increase efficiency for all the recovery managers mostly implemented with new reports and alerts;
- Taskforce to reduce mortgages recovery Backlog was finished with 49% of the processes resolved without litigation;
- The consumer credit proposals automation already available for recovery areas;
- Defined a new mortgage credit portfolio for sale in 2018 (Project Pacific along with the Real Estate Owned (REO)).

#12 Optimization of recovery (specialized)

- Execution and monitoring of a plan for individual sales, with completion of several significant operations (sales during 2017 which amounted a gross balance value of €0.8 billion);
- Finished the back office centralization tasks for the corporate recovery in the CGD's operations center;
- Selected the new corporate credit portfolio for sale in 2018 (Projects Atlantic and Artic).

#13 Optimization of recovery (Real Estate)

- Launched all the organized sale processes of most complex REOs strategy, with anticipation of all 2018 scheduled processes;
- Approved new measures for reducing properties under pre-regularization and regularization;
- 5 real estate auctions concluded during 2017;
- Launched a REOs portfolio for sale for 2018 (Project Pacific along with the residential NPLs);
- Sold €338 million in REOs during the year of 2017.

#17 Recapitalization

The main actions develop during the first quarter were:

- The use of the free reserves and legal reserve for an overall amount of €1,412 million to cover the same amount of retained losses carried forward from past years;
- An increase in CGD's share capital from €5,900 million to €7,344 million through the issuance of 288.8 million new ordinary shares with a nominal value of €5 each fully subscribed and paid up by the Portuguese State, as follows:

  (i) €945 million through the transfer of contingent convertible bonds (CoCos) subscribed for by the state (nominal value of €900 million plus accrued, unpaid interest since the last coupon for the amount of €45 million);

  (ii) €499 million, corresponding to the book value of the Portuguese State's equity stake in Parcaixa, SGPS, S.A., through the transfer in kind of 490 million of the said company's equity shares.
- A reduction of Caixa Geral de Depósitos, S.A.'s share capital for the amount of €6,000 million through the extinguishing of 1,200 million shares with a nominal value of €5 each, to cover the retained losses of €1,405 million and to set up a free reserve for the amount of €4,595 million;
- Issuance of €500 miillion in AT1s (additional tier 1) at a 10.75% interest rate;
- State cash injection of €2.5 billion in an issuance of 500 million new ordinary shares of CGD with a nominal value of €5 each.

Pillar 5 - Customer service

A new pillar designed to respond to the challenges of digitalisation and customer service was created for 2018. This pillar includes strategic initiative #18 which will implement Caixa's digital transformation strategy and redesigned "Customer Experience". This pillar will also further optimise customer service levels.

The Strategic Plan execution in 2017 enabled the successful achievement of a large number of targets set out for the year in the referred to Plan, among which the following should be highlighted:

	2017	
	Plan	Execution
Return on Equity (ROE)	< 0%	0.6% (1)
Recurrent Cost-to-Income	< 61%	53% (2)
Cost of Credit Risk	< 0.60%	0.13%
NPL ratio (EBA)	< 12.5%	12.0%
CET 1 (Phased-In)	> 12.0%	14.0%

(1) ROE = Net results / Shareholder Equity (end of period).

(2) Excluding the non-recurring costs of employee reduction programmes and costs related with the restructuring and disposal of national and international assets, as well as the application of IAS 29 to the activity in Angola, as applicable to each Profit and Loss heading, for a total amount net of tax of €609 million in 2017 and €32 million in 2016.

3.3. Shareholders' Structure

CGD is an exclusively state-owned public liability limited company whose shares may only be owned by the state. Its share capital of €3,844,143,735 comprises 768,828,747 shares with a nominal value of €5 each, at 31 December 2017.

(ARTICLE 448 OF COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 31/12/2017	% Equity Stake at 31/12/2017
Portuguese State	€ 3,844,143,735	100%

There is no knowledge of shareholders' agreements involving the share capital of CGD,SA.

3.4. Group Structure and Bond holdings

Information on the group's structure in terms of its subsidiaries, by sector of activity is set out below:

		31-12-2017	
	Head Office	Effective Participating interest	Direct Participating interest
Holding Companies			
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	100.00%
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	100.00%
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	0.00%
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	100.00%
Parbanca, SGPS, S.A.	Madeira	100.00%	10.00%
Parcaixa SGPS, S.A.	Lisbon	100.00%	100.00%
Partang, SGPS, S.A.	Lisbon	100.00%	100.00%
Wolfpart, SGPS, S.A.	Lisbon	100.00%	100.00%
Banking			
Banco Caixa Geral, S.A.	Vigo	99.79%	99.79%
Banco Comercial do Atlântico, S.A.	Praia	58.19%	54.41%
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	10.51%
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	99.90%
Banco Interatlântico, S.A.R.L.	Praia	70.00%	70.00%
Banco Nacional Ultramarino, S.A. (Macao)	Macau	100.00%	99.42%
Caixa - Banco de Investimento, S.A.	Lisbon	99.75%	94.05%
CGD Investimentos CVC, S.A.	São Paulo	99.88%	0.00%
Mercantile Bank Holdings, Ltd.	Johannesburg	100.00%	100.00%
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	0.00%
Specialised Credit			
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	0.00%
Asset Management			
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	0.00%
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	0.00%
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	0.00%
Venture Capital			
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	36.21%
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.75%	0.00%
Property			
Imobci, Lda.	Maputo	46.31%	40.00%
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	90.00%
Caixa Imobiliário, S.A.	Lisbon	100.00%	0.00%
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	0.00%
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	0.00%
Other Financial Entities			
CGD Finance	Cayman	100.00%	100.00%

		31-12-2017	
Other Companies	Head Office	Effective Participating interest	Direct Participating interest
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	80.00%
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	100.00%
Complementary Corporate Groupings			
Groupment d'Interet Economique	Paris	100.00%	0.00%
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	90.00%	90.00%
Sogrupo - Sistemas de Informação, ACE	Lisbon	80.00%	80.00%
Sogrupo IV - Gestão de Imóveis, ACE	Lisbon	82.00%	82.00%
Special Purpose Entities and Investment Funds			
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	100.00%	100.00%
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	76.22%
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	100.00%
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	100.00%
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	100.00%
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.32%	74.32%
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	100.00%
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	35.86%	35.86%
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	41.48%	41.48%
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	21.45%	21.45%
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	41.39%
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	100.00%
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	100.00%
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	52.20%	52.20%
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	78.08%
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	31.44%

The above referred to direct percentages comprise capital held and voting rights.

The main movements in the group's subsidiaries in 2017, in terms of acquisitions and disposals of equity stakes and investments were as follows:

Banco Comercial e de Investimentos, S.A.

During the course of 2017 an agreement was reached between Caixa Geral de Depósitos S.A., Banco BPI, S.A., BCI – Banco Comercial de Investimentos, S.A., Parbanca SGPS, S.A. and Insitec SGPS, S.A. for the payment in kind of BCI shares In the sphere of this operation Insitec Capital surrendered, as payment in kind, 110,171,080 shares in its name, comprising 16.18069% of BCI's share capital in payment of the credit operations entered into with CGD and BPI, for the purpose of fully extinguishing its debts. CGD received 71,543,434 BCI shares comprising 10.51% of the respective share capital in payment for its credit. The Group has increased its effective equity stake in this company to 63.05%.

Fundo de Capital de Risco Grupo CGD (FCR Group CGD)

In 2017 as a result of the resolution of its General Meeting, by the sole shareholder, the capital of Caixa Capital (Fund manager) was reduced by €78.885 thousand, of which €23,884 thousand used to cover the same amount of losses carried forward from past years and the remaining €55,001 thousand by the delivery in cash.

Fundo de Capital de Risco Caixa Fundos

In 2017, as a result of the resolution of its General Meeting, Caixa Capital (Fund manager) reduced the subscribed for capital of FCR Caixa Fundos by €65,000 thousand. This reduction was based on the consideration that the amount of commitments largely exceeded the forecast of a new investments to be made by the Fund.

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento (FIIAH – Caixa Arrendamento)

During the course of 2017, a resolution approving a reduction of 48,238 investment units for an overall amount of €48,000 thousand to the capital of the Caixa Arrendamento fund, was passed by a General Meeting of investors. The fund's capital continued to be fully owned by CGD.

CGD - North America Finance

During the course of 2017 a resolution was passed by Caixa Geral de Depósitos, S.A. as its sole shareholder, to close down and liquidate CGD - North America Finance, which was totally inactive at the said date.

Parcaixa

The Portuguese state, as CGD's sole shareholder, passed a resolution on 4 January transferring to Caixa, by way of a capital increase, its indirect equity stake in the company Parcaixa, SGPS, S.A., held through Parpública, SGPS, S.A., based on the delivery in kind of 490,000,000 shares comprising 49% of the share capital. The value attributed to the equity stake, comprising its book value at the said date, amounted to €498,996 thousand.

This operation was part of the agreement entered into between the Portuguese state and the competent European authorities, with a view to CGD's recapitalisation.

This transaction gave Caixa Geral de Depósitos, S.A. full ownership of the share capital of this holding company and, ipso facto, an effective equity stake of 100% in Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A., by the Group.

Fundo de Capital de Risco Caixa Tech Transfer Accelerator Ventures

The Fund's corporate object is to perform a venture capital activity by investing in technology companies with medium to high growth potential, with projects in the scientific field originating in the domestic and international science-technology system. 22 June 2017 witnessed the merger with Fundo de Capital de Risco Empreender +, to which the equity and current profit for the period were transferred. On the basis of this merger the capital structure of Fundo de Capital de Risco Empreender + was held by Caixa Geral de Depósitos and Fundo de Capital de Risco Caixa Fundos, in a ratio of 76.23% (500 investment units) to 26.77% (155,9277 investment units), respectively.

Information on the bondholding status of members of the Board of Directors and Supervisory Board is as follows:

Bondholders Members of the Board of Directors in office as of 31/12/2017:	Security	Number of bonds at 31/12/2017
Emílio Rui Vilar	Subordinated bonds CGD – 2009/2019 – Anniversary	100
José António da Silva Brito	Subordinated bonds CGD – 2009/2019 – Anniversary	45

The remaining members of the Board of Directors and related entities referred to in article 447 of the commercial companies code do not hold any CGD bonds or bonds in the other companies also listed in the referred to legal disposition.

Members of the Board of Directors and Supervisory Board do not have any investment in companies in which CGD has a direct or indirect majority shareholding.

In the Annex V of the Corporate Governance Report of CGD is disclosed the whole set of declarations made for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, regarding the members ownership of any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

Furthermore the members disclosed individually their position in terms of their situation regarding relations with suppliers, customers, financial institutions or any other business partner of Caixa Geral de Depósitos, likely to generate conflicts of interest

3.5. Statutory Bodies and Committees

CGD's articles of association are changed under the terms of the Commercial Companies Code and their draft changes must be duly substantiated and approved by the shareholder (Decree-Law no.133/2013 of 3 October, article 36). Under the statutes, there are no shareholders' resolutions, other than those set out by law, that have to be taken by a qualified majority.

Members of CGD's statutory bodies are elected under a shareholder's resolution for a period of four years and may be re-elected. The maximum number of successive terms of office cannot, however, exceed four, with the exception of members of the Supervisory Board and the Statutory Audit Company, who are governed by the dispositions set out by law.

At the end of their mandates the statutory bodies shall remain in office until new office holders have been elected. The terms of the mandates between the various statutory bodies do not have to coincide.

The election of members of the Board of Directors for the 2017-2020 term of office, in 2017, was based on the *unanimous written resolutions* of 31 January, 17 March, 1 and 2 of August and 19 October 2017.

CGD's governance model is structured in accordance with articles 278 nos. 1 a) and 3 and 413 no. 1 b) of the Commercial Companies Code, i.e. Board of Directors, Statutory Audit Company and Supervisory Board.

According to this model, account inspection functions are for an autonomous Statutory Auditor or Statutory Audit Company other than members of the Supervisory Board (case of CGD), depending on the type of company in question.

The Board of Directors has the widest range of powers to manage and represent the company with the Executive Committee being responsible for the company's day-to-day management, pursuant to the authority delegated to it by the Board of Directors, as expressly set out in the respective regulation, approved at the meeting of CGD's Board of Directors held on 14 September 2017, as the date upon which it came into effect.

Under the terms of article 25 of CGD's articles of association and respective regulations published on CGD's official website at https://www.cgd.pt, the following special advisory and support committees operate under the aegis of the Board of Directors:

- Audit and Internal Control Committee (CACI). This committee is responsible, *inter alia*, for overseeing the activity of the Executive Committee and, without prejudice to the competence of the Supervisory Board, overseeing the process for the disclosure of financial information and the efficacy of the internal control, non-financial risk management and internal audit systems.
- Financial Risks Committee (CRF). This committee is responsible, *inter alia*, for overseeing the management policies on all financial risks related with CGD's activity, such as liquidity, interest rate, foreign exchange, market and credit risks, notwithstanding the competence of the Supervisory Board herein.
- Nomination, Assessment and Remuneration Committee (CNAR). This committee is particularly responsible for issuing an opinion on any vacancy to be filled on the statutory bodies of CGD and other companies in a controlling or group relationship, assessing the adequacy of the selection in addition to the choice of Board members to be included on the Executive Committee, their assessment and respective remuneration policy.
- Governance Committee. This committee is charged with producing an annual report on the operation of the company's governance structure to be submitted to the Board of Directors, in addition to issuing an opinion on any matters related with social, ethical, professional deontology and environmental protection.

A Supervisory Board and a Statutory Audit Company, which does not have a seat on the said body are responsible for inspecting CGD.

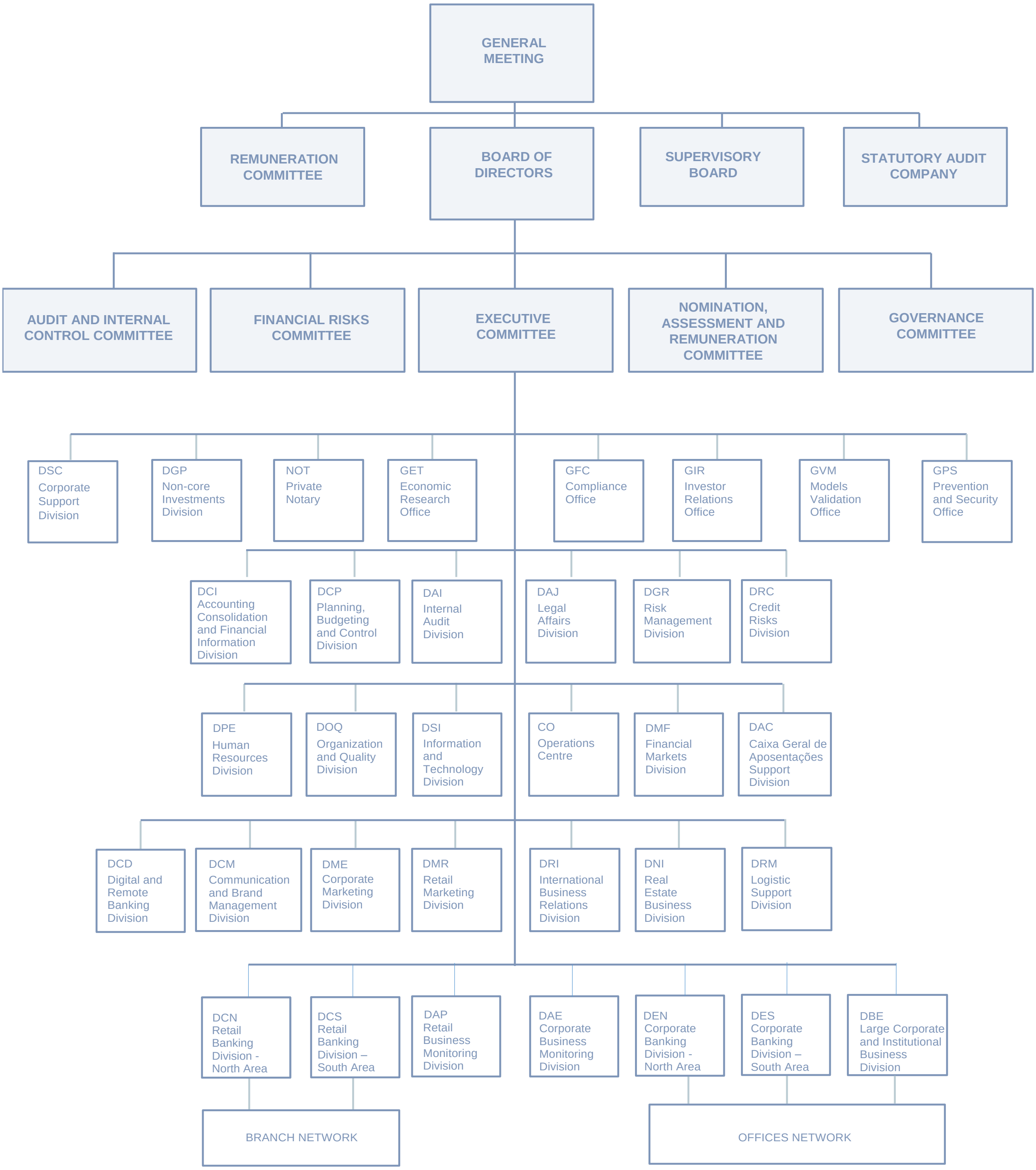
The Supervisory Board and its respective Chairman are elected at a General Meeting. It is made up of a total number of three permanent members and one alternate all of whom are subject to the lawfully established regime on incompatibilities.

The duties of the Supervisory Board should be performed conscientiously and impartially. They essentially include the inspection of the Bank's management, ensuring compliance with the law and CGD's articles of association, examination of the accounts, inspection of the independence of the Statutory Auditor and the External Auditor.

The Statutory Audit Company is appointed by the General Meeting, at the proposal of the Supervisory Board, under article 30 of the articles of association.

Ernst & Young Audit & Associados, SROC was elected as CGD's auditor for the 2017- 2020 term of office, in the form of the Unanimous Written Resolution of 18 May 2017, under the terms of sub-paragraph d) of no. 2 of article 14 of the company's articles of association.

CGD'S ORGANISATION CHART



Update resulting from the Deliberation of the Executive Committee of 27 of december 2017.

CGD Group's heads of divisions in Portugal and abroad, in credit institutions and branches, are listed in the following tables:

Heads of the CGD Group in Portugal (Credit Institutions)		
Entity	Name	Division
CGD Portugal	Nuno Jose Rabaca Fonte	DGR - Risk Management Division
CGD Portugal	Marta Medina Cochat-Osorio	GFC - Compliance Office
CGD Portugal	Sandra Cristina Martins Pereira Paramés	DAI - Internal Audit Division
CGD Portugal	Marco Paulo Leonardo Azevedo	DMF - Financial Markets Division
CGD Portugal	Ana Paula Tavares Abrantes Melo	CO - Operations Centre
CGD Portugal	Vasco Sérgio Capelo Nascimento Costa	DAC - Caixa Geral de Aposentações Support Division
CGD Portugal	Alexandre Paulo Jesus Neves Ferreira Santos	DAE - Corporate Business Monitoring Division
CGD Portugal	Maria Manuela Correia Duro Teixeira	DAJ - Legal Affairs Division
CGD Portugal	Raul Antonio Correia Saraiva Almeida	DAP - Retail Business Monitoring Division
CGD Portugal	Paulo Alexandre Oliveira Silva	DBE - Large Corporate and Institucional Business Division
CGD Portugal	Rui Manuel Negroes Soares	DCD - Digital and Remote Banking Division
CGD Portugal	Antonio Jose Alves Valente	DCI - Accounting Consolidation and Financial Information Division
CGD Portugal	Francisco Afonso Ghira Campos de Teixeira Viana	DCM - Communication and Brand Management Division
CGD Portugal	Maria Antonieta Martins Guimarães Santos	DCN - Retail Banking Division - North area
CGD Portugal	Alexandre Jose Matias Nunes Mendes	DCP - Planning, Budgeting and Control Division
CGD Portugal	Isabel Maria Lopes Vieira Neto	DCS - Retail Banking Division - South area
CGD Portugal	Paulo Jose Matos Oliveira Pinto	DEN - Corporate Banking Division - North Area
CGD Portugal	Maria Manuela Martins Ferreira	DES - Corporate Banking Division - South Area
CGD Portugal	Francisco José Pinguinha Piedade	DGP - Non-core Investments Division
CGD Portugal	Armando Mata Santos	DME - Corporate Marketing Division
CGD Portugal	Filipe Ferreira Da Silva Teixeira	DMK - Retail Marketing Division
CGD Portugal	Jose Antonio Vilela Filipe	DNI - Real Estate Business Division
CGD Portugal	Pedro Miguel Valentim Taborda	DOQ - Organization and Quality Division
CGD Portugal	Jorge dos Santos Duro	DPE - Human Resources Division
CGD Portugal	Jose Rui Cruz Lopes Gomes	DRC - Credit Risks Division
CGD Portugal	Pedro Mimoso Vairinhos	DRI - International Business Relations Division
CGD Portugal	Eugénio Luís Correia Martins Baptista	DSI - Information and Technology Division
CGD Portugal	Miguel Barbosa Namorado Rosa	GET - Economic Research Office
CGD Portugal	Luís Miguel Saraiva Lopes Martins	GIR - Investor Relations Office
CGD Portugal	José Manuel Gonçalves Pica	GPS - Prevention and Security Office
CGD Portugal	Helena Maria Sousa Moreira Delgado	Private Notary - Oporto
Caixa Banco de Investimento, S.A	Joaquim Pedro Saldanha do Rosário e Souza	
Caixa Leasing e Factoring - IFIC, S.A	António Paulo Rosa Agostinho Pinheiro	

Heads of the CGD Group in the International Area (Credit Institutions and Branches)	
Entity	**Name**
Europe	
Spain	
Banco Caixa Geral Espanha	Manuel Victor López Figueroa
CGD – Spain Branch	Carlos Manuel Mesquita Meira
France	
CGD – France Branch	Rui Manuel Vale Jordão Gonçalves Soares
Luxemburg	
CGD – Luxembourg Branch	Teresa do Rosário C.R.M. Faria de Carvalho
America	
United States	
CGD – New York Branch	Rodolfo Vasco C. G. Mascarenhas Lavrador
Brazil	
Banco Caixa Geral Brasil	Fábio de Sarandy Raposo
Africa	
Cape Verde	
Banco Comercial do Atlântico	António José De Castro Guerra
Banco Interatlântico	Pedro Bruno Cardoso Braga Gomes Soares
Angola	
Banco Caixa Geral Angola	Francisco José Santos Silva
Mozambique	
Banco Comercial e de Investimentos	Paulo Alexandre Duarte De Sousa
South Africa	
Mercantile Bank	Karl R. Kumbier
Asia	
China	
Banco Nacional Ultramarino - Macau	Pedro Manuel De Oliveira Cardoso
East Timor	
CGD – East Timor Branch	Paulo António Arsénio Lopes

3.5.1. GENERAL MEETING

The State, as CGD's sole shareholder, is represented at the General Meeting by the person appointed in a ruling issued by the Minister of Finance.

The General Meeting has particular responsibility for approving the Board of Directors' report and annual accounts for the year, appropriation of net income, changes to the articles of association and capital increases, approving the annual declaration on the remuneration policy as well as dealing with any other matter for which it has been called.

Composition of the Board of the General Meeting

The Board of the General Meeting comprises a Chairman, a Vice-Chairman and a secretary being the current mandate from 2016 to 2019:

Chairman: Paulo Cardoso Correia da Mota Pinto

Vice-Chairman: Elsa Maria Roncon Santos

Secretary: José Lourenço Soares

BOARD OF THE GENERAL MEETING REMUNERATION

(EUR)

Term of office	Function	Name	Remuneration statute (2017)	Gross Annual Remuneration (2017)
2016-2019	Chaiman	Paulo Mota Pinto	14,000	14,001
2016-2019	Vice-Chairman (1)	Elsa Roncon Santos	12,000	10,607
2016-2019	Secretary (2)	José Lourenço Soares	8,000	0

(1) This member didn't receive the full amount while acting in the Directorate General for the Treasury and Finance.

(2) This member, as a CGD employee /retiree, cannot accumulate this remuneration, therefore doesn't receive it.

There are no attendance fees for the members of the Board of the General Meeting.

The Portuguese state, as CGD's sole shareholder, passed the following resolutions, in 2017, either at a General Meeting or in the form of a *unanimous written resolution*:

- An increase and reduction in share capital and corresponding change to the articles of association, taking into account the dispositions of the Commercial Companies Code and articles of association (4 January);
- Election of members of the Board of Directors (31 January);
- Election of non-executive members of the Board of Directors (17 March);
- Increase in share capital and corresponding changes to the articles of association (17 March);
- Election of member and deputy of the Supervisory Board to complete the 2016-2019 term of office (20 April);
- Election of CGD's Statutory Auditor / External Auditor for the 2017-2020 term of office (18 May);
- Approval of the annual report and accounts for 2016 on CGD's separate and consolidated activity; approval of the proposal for the appropriation of net income (29 May);
- Election of a non-executive member of the Board of Directors (1 August);
- Election of an executive member of the Board of Directors (2 August);
- Election of a non-executive member of the Board of Directors (19 October).

GENERAL MEETING'S REMUNERATION COMMITTEE (CRAG)

In addition to legal and statutory dispositions, the authority, organisation and operation of the General Meeting's Remuneration Committee are governed by its respective regulation, approved at a meeting of the General Meeting's Remuneration Committee held on 16 June 2017, the date upon which it came into effect as published on CGD's official website at https://www.cgd.pt.

Under the terms of the referred to regulation, the General Meeting's Remuneration Committee is made up of three members, shareholders or not, appointed by the General Meeting, which shall also appoint its Chairman.

Members of the General Meeting's Remuneration Committee may not be members of the Board of Directors and must comply with the incompatibilities and meet the requirements of independence applicable to them by law and banking regulation.

A resolution was passed in the form the Unanimous Written Resolution of 31 January 2017, to maintain the appointment of the Remuneration Committee pursuant to the Unanimous Written Resolution of 31 August 2016, under the terms of sub-paragraph f) of article 14 of Caixa Geral de Depósitos's articles of association for the four year period 2017-2020, with the following composition:

Chairman: Manuel Ferreira de Oliveira

Member: Francisco Veloso

Member: Patrícia Andrea Bastos Teixeira Lopes Couto Viana

Under the terms of the respective regulation, the General Meeting's Remuneration Committee is responsible for the following:

- In due compliance with the remuneration policy for members of the Board of Directors and the Supervisory Board, as approved by the General Meeting, including the limits therein defined, to define the fixed and variable components of the remuneration of members of the company's statutory bodies, as applicable;
- To define the maximum amount of all compensation payable to members of the Board of Directors and the Supervisory Board, when their term of office comes to an end, as set out by law and, as applicable, the current remuneration policy;
- To issue the annual declaration on the remuneration policy of members of the Board of Directors and the Supervisory Board, in articulation with the Nomination, Assessment and Remuneration Committee, to be submitted for the approval of the General Meeting, in compliance with legislation and the applicable regulation, including Law 28/2009 and the Legal Framework of Credit Institutions and Financial Companies, in addition to the Bank of Portugal *Official Notice* 10/2011;
- To adopt and periodically review the general principles of the remuneration policy for members of the Board of Directors and the Supervisory Board, in articulation with the Nomination, Assessment and Remuneration Committee, submitting proposals for amendments considered desirable with the aim of pursuing the objectives that may be drawn up at any point of time, for the approval of the General Meeting;
- Under the terms and for the purposes of numbers 3 and 4 of article 115 F of the Legal Framework of Credit Institutions and Financial Companies, to submit a proposal for the approval of the maximum level of the variable component of the total remuneration defined in number 2 of the referred to article 115 F, to the General Meeting, indicating the maximum proposed ratio, the reasoning behind the proposal and its scope, including the number of members of the Board of Directors and the Supervisory Board affected, their functions, demonstrating that the proposed ratio is compatible with CGD's obligations, especially for the purposes of maintaining a solid own funds basis;
- To oversee the contractual vicissitudes of the term of offices of members of the Board of Directors and the Supervisory Board when having an effect on their remuneration, namely in the event of the suspension or termination thereof;
- In general and as the competent body for defining the remuneration of members of the Board of Directors and the Supervisory Board, to ensure compliance with the applicable legal and regulatory requirements, namely as regards their remuneration policy and the implementation thereof.

The General Meeting's Remuneration Committee shall meet every quarter and whenever called by its respective Chairman or at the request of any of its members.

The General Meeting's Remuneration Committee met 9 times in 2017. Minutes recording presences and absences have been drawn up on all meetings. There is no record of any absence.

3.5.2. BOARD OF DIRECTORS

Under the terms of the respective regulation, the Board of Directors may comprise a number of seven to a maximum of twenty members, including a non-executive Chairman and a Vice-Chairman, elected by the General Meeting, for four year terms of office.

During the course of January 2017 and up to the time of the Unanimous Written Resolution of 31 January 2017, the Board of Directors comprised members appointed for the 2016-2019 term of office as set out in the Unanimous Written Resolution of 31 August 2016.

The composition of the Board under the referred to Unanimous Written Resolution was as follows:

Chaiman: António Domingues

Vice-Chairman: Emílio Rui da Veiga Peixoto Vilar

Members: Emídio José Bebiano e Moura da Costa Pinheiro, Henrique Cabral de Noronha e Menezes, João Paulo Tudela Martins, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, Pedro Humberto Monteiro Durão Leitão, Tiago Ravara Belo de Oliveira Marques, Pedro Lopo de Carvalho Norton de Matos, Angel Corcóstegui Guraya and Herbert Walter.

António Domingues resigned from his position as Chairman of the Board of Directors on 28 November 2016. Board members Emídio José Bebiano e Moura da Costa Pinheiro, Henrique Cabral de Noronha e Menezes, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, Pedro Lopo de Carvalho Norton de Matos, Angel Corcóstegui Guraya and Herbert Walter also resigned from their positions as members of the Board of Directors on the same date.

In the form of the Unanimous Written Resolution of 31 January 2017, the members Pedro Humberto Monteiro Durão Leitão and Tiago Ravara Belo de Oliveira Marques, ceased to be members of the Board of Directors of CGD, S.A., effective from the said date.

Since 1 January 2017 and up until the election of the statutory bodies for the 2017-2020 term of office, the Board of Directors in office met 20 times. The respective minutes were ratified by the Board of Directors elected on 31 January 2017.

The election of the members of the Board of Directors for the 2017-2020 term of office was made on the basis of the *unanimous written resolution*s of 31 January, 17 March, 1 and 2 of August and 19 October 2017.

At 31 December 2017, the Board of Directors comprised fourteen members.

Non-Executive Chaiman: Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman: Paulo José de 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; João José Amaral Tomaz; José Maria Monteiro de Azevedo Rodrigues; Alberto Afonso Souto Miranda; Hans-Helmut Kotz.

Board member Maria dos Anjos Melo Machado Nunes Capote resigned from her position with effect from 30/11/2017.

The Board of Directors is comprised by members with executive functions who make up the Executive Committee and members with non-executive functions who make up the support and advisory committees to the Board.

The Portuguese State, as sole shareholder, has elected Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin as non-executive members of the Board of Directors of CGD S.A., to complete the 2017-2020 current term, by Unanimous Written Resolution of April 4 and 5, 2018, respectively.

The *résumés* of members of the Board of Directors, elected for the 2017-2020 term of office, are set out in the annex to this report and include the professional qualifications and other relevant curricular information, namely the accumulation of positions or activities.

The independence requirement in Article 31 A of the RGICSF is applied to all members of the Board of Directors. Specific criteria are applied to non-executive members of the Board of Directors, in accordance with article 414, paragraph 5 of the CSC.

The competence of the Board of Directors is attributed by law. It is particularly responsible for the following in accordance with the company's articles of association:

- Managing the company's corporate affairs and performing all acts relating to its corporate object;
- Defining the company's global strategies and policies;
- Establishing the company's internal organisation and producing expedient regulations and instructions to ensure the implementation of adequate internal control, risk management, reporting, supervision and accounting structures;
- Hiring company workers, defining the terms of their respective contractual conditions and exercising the respective corresponding managerial and disciplinary authority;
- Appointing proxies with expedient powers;
- Approving, under the terms of no. 3 of article 4 (Object), equity stakes in other companies and in partnership agreements in corporate groupings and European economic interests groups;
- Acquiring, burdening and disposing of any moveable or immoveable assets and rights, including equity stakes and making investments, when considered to be in the company's interests, without prejudice to the dispositions of sub-paragraph g) of no. 2 of article 14 (Competence);
- Approving resolutions on issuances of bonds or any other financial instruments, under the terms of article 7 (Bonds);
- Implementing and ensuring compliance with the resolutions of the General Meeting;
- Representing the company in legal and non-legal matters as a plaintiff or defendant, having the right to confess, withdraw or come to terms in any lawsuits and agreeing to be bound by the decisions of arbitrators in arbitration procedures;
- To exercise the other competencies attributed by law or these articles of association and pass resolutions on any other matters falling outside the sphere of competence of the company's other bodies.

Under the terms of the Remuneration Policy and the CNAR and CRAG Regulations, the performance assessment of executive Board of Directors to determine the variable component remuneration is the responsibility of CRAG in articulation with CNAR's competencies in conducting the process.

The fixed remuneration component comprises a sufficiently high proportion of the Executive Board Members' total remuneration, to permit the application of a fully flexible policy relative to the variable component, including the possibility of the non-payment thereof.

The variable component is indexed to the achievement of concrete, qualified objectives in line with CGD's long term interests. No amounts were paid in respect of variable remuneration in 2017.

The total amount of the variable remuneration of the Executive Board Members as a whole may not exceed the maximum percentage of consolidated net profit for the year as defined for each year by the General Meeting of shareholders following the proposal submitted by the Remuneration Committee, with the fixing of the said amount taking CGD's performance and global results, the policy followed on this matter in comparable institutions and the evolution of the global amount defined for the variable remuneration of CGD employees as a whole into account.

The variable component of the remuneration of the Executive Board Members comprises:

a) A cash payment comprising 50% of the total amount of the variable component; and

b) A payment in kind comprising 50% of the total amount of the variable component.

The payment in kind shall comprise bonds issued by CGD, with a minimum period to maturity of five years, in the form of additional Tier 1 or Tier 2 own funds instruments as defined by articles 52 and 63, respectively, both of Regulation (EU) 575/2013.

Performance will be assessed, based on the following quantitative criteria:

i. Solvency, comprising: solvency ratio, credit default ratios and property foreclosures;

ii. Profitability, comprising: return on equity, net interest income, impairment and risk-adjusted return on capital;

iii. Efficiency: cost-to-income;

iv. Market position: CGD's market shares;

v. Liquidity: reference should be made to: the ratio of the conversion of resources from balance to credit, the maturity of medium / long-term debt and the rate of use of the European Central Bank funding.

The following qualitative criteria will also be considered:

i. Level of customers' complaints;

ii. CGD's reputation indicators.

The Board of Directors' activity is governed by its respective regulation, approved by this body on 14 September 2017, the date upon which it came into effect. It has been published on CGD's official website at: https://www.cgd.pt.

Up to 31 January, the Board of Diretors met 20 times and the absences were recorded for the following members, all of which justified: Emílio Rui da Veiga Peixoto Vilar (2), João Paulo Tudela Martins (3), and Tiago Ravara Belo de Oliveira Marques (1). The board, elected on 31 January 2017, met 17 times. Absences were recorded for the following members in 2017, all of which justified: João Paulo Tudela Martins (1), José João Guilherme (2), Maria João Borges Carioca Rodrigues (1), Hans-Helmut Kotz (1). Minutes recording presences and absences have been drawn up on all meetings.

MANDATES OF THE BOARD OF DIRECTORS

Term of office (Start-End)	Position	Name	Date of the resolution	No. of terms of office performed in Company
2017-2020	Chairman of the Board of Directors	Emílio Rui da Veiga Peixoto Vilar	31-01-2017	3
2017-2020	Vice-Chairman of the Board of Directors and Chairman of the Executive Committee	Paulo José Ribeiro Moita de Macedo	31-01-2017	1
2017-2020	Member of the Board of Directors	Francisco Ravara Cary	31-01-2017	1
2017-2020	Member of the Board of Directors	João Paulo Tudela Martins	31-01-2017	2
2017-2020	Member of the Board of Directors	José António da Silva de Brito	31-01-2017	1
2017-2020	Member of the Board of Directors	José João Guilherme	31-01-2017	1
2017-2020	Member of the Board of Directors	Maria João Borges Carioca Rodrigues	31-01-2017	2
2017-2020	Member of the Board of Directors	Nuno Alexandre de Carvalho Martins	31-01-2017	1
2017-2020	Member of the Board of Directors	Carlos António Torroaes Albuquerque	02-08-2017	1
2017-2020	Non-Executive Member of the Board of Directors	Ana Maria Machado Fernandes	17-03-2017	1
2017-2020	Non-Executive Member of the Board of Directors	Maria dos Anjos Melo Machado Nunes Capote (*)	17-03-2017	1
2017-2020	Non-Executive Member of the Board of Directors	João José Amaral Tomaz	17-03-2017	1
2017-2020	Non-Executive Member of the Board of Directors	José Maria Monteiro de Azevedo Rodrigues	17-03-2017	1
2017-2020	Non-Executive Member of the Board of Directors	Alberto Afonso Souto Miranda	01-08-2017	1
2017-2020	Non-Executive Member of the Board of Directors	Hans-Helmut Kotz	19-10-2017	1

(*) Resigned with effect 30.11.2017

Executive Committee

Under the company's articles of association, the Board of Directors shall delegate the management of the company's day-to-day affairs to an Executive Committee and shall set out the limits and conditions of the referred to delegation.

The Executive Committee comprises between five and nine members of the Board of Directors, in addition to its Chairman.

Composition of the Executive Committee:

Chairman: Paulo José de 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.

The Executive Committee's activity is governed by its respective regulation, as approved by the Board of Directors on 19 October 2017. It has been published on CGD's official website at https://www.cgd.pt.

Under the terms of the regulation, the Executive Committee shall meet at least once a month as well as whenever called by its Chairman or at the request of any of its members, although it has usually met once a week.

The Executive Committee met 56 times in 2017. Minutes recording presences and the following absences, all of which justified, have been drawn up on all meetings: João Tudela Martins (5), José João Guilherme (5), Francisco Ravara Cary (5), Maria João Borges Carioca Rodrigues (5), José António da Silva de Brito (3), Nuno Alexandre de Carvalho Martins (3), Paulo José de Ribeiro Moita de Macedo (1), Carlos António Torroaes Albuquerque (1).

Reference should be made to the following positions simultaneously held in other entities, inside and outside the Group and other relevant activities performed by members of the referred to bodies in 2017:

ACCUMULATION OF FUNCTIONS

Board of Directors member	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Paulo José Ribeiro Moita de Macedo	Fundação Caixa Geral De Depósitos - CULTURGEST (*)	Board of Directors Chairman	
	Associação Portuguesa de Bancos	Member of the Steering	Private
José João Guilherme	Banco Nacional Ultramarino, SA	Board of Directors Chairman	Public
	Banco Comercial e de Investimentos, SA	Board of Directors 1st Vice-Chairman	Public
	Fidelidade Companhia de Seguros, SA	Board of Directors Member	Private
	Parbanca, SGPS, SA	Board of Directors Chairman	Public
Francisco Ravara Cary	Banco Comercial e de Investimentos, SA	Board of Directors Member	Public
	Banco Caixa Geral - Spain, SA	Board of Directors Chairman	Public
	Banco Caixa Geral - Brasil, SA	Board of Directors Chairman	Public
	Locarent - Companhia Portuguesa de Aluguer de Viaturas, SA	Board of Directors Member	Private
	Fidelidade Companhia de Seguros, SA	Board of Directors Member	Private
Maria João Borges Carioca Rodrigues	Caixa Geral de Aposentações	Director Council Chairman	Public
	Wolfpart, SGPS, SA	Board of Directors Chairman	Public
	SIBS, SGPS, SA	Board of Directors Member	Private
	SIBS Forward Payment Solutions, SA	Board of Directors Member	Private
José António da Silva Brito	Caixa-Participações SGPS, SA	Board of Directors Chairman	Public
	Caixa Geral de Aposentações	Director Council Member	Public
João José Amaral Tomaz	Caixa Geral De Aposentações	Director Council Member	Public

(*) The start of functions depends on the non-opposition of the supervisory entity.

Supervisory board member	Accumulation of functions		
	Entity	Functions	Regime (Public/ Private)
Guilherme Valdemar Pereira d'Oliveira Martins	Grande Conselho do Centro Nacional de Cultura	Chairman	
	Fundação Calouste Gulbenkian	Executive Member	
António Luís Traça Borges de Assunção	Universidade Católica	Teatcher	Private
	VLX	Manager	Private
	Altauto Fahren (AF)	Manager	Private
	Sinvegere	Manager	Private
Manuel Lázaro Oliveira de Brito	DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda	Manager	Private
Nuno Filipe Abrantes Leal da Cunha Rodrigues	Faculdade de Direito da Universidade de Lisboa	Teatcher	Public
	Instituto Europeu da Faculdade de Direito da Universidade de Lisboa	Vice-Chairman	Public
	Gabinete do Representante da República para a Rgião Autónoma da Madeira	Consultant	Public

SPECIAL COMMITTEES

Reference should be made in the sphere of the Board of Directors to the following special advisory and support committees:

CACI (AUDIT AND INTERNAL CONTROL COMMITTEE)

The function of this committee is to oversee the activity of the Executive Committee, the process for the preparation and disclosure of financial information and the effectiveness of the internal control, management of non-financial risks and internal audit systems, without prejudice to the competence of the Supervisory Board and Financial Risks Committee herein.

It is also responsible for ensuring compliance with regulatory legal dispositions, articles of association and standards issued by the supervisory authorities, independence of the Statutory Auditor and consideration and revision of the statutory audit.

Within CGD and other CGD Group companies, subject to supervision on a consolidated basis, it should promote the furtherance of the objectives defined in terms of internal control and the management of non-financial risks, by the Bank of Portugal and ECB (European Central Bank) and assess the reliability of the prudential reports on CGD Group and Group companies subject to this obligation.

It should also be informed on all of the inspection actions on CGD and other CGD Group companies subject to the supervision of the ECB, Bank of Portugal and other entities.

In 2017, the Committee, among other activities, assessed the Quarterly activity reports of the Research and Reporting Area, as well as the reports on shortcomings with CGD Compliance Risk. It also proceeded the analysis of the plan of action on ECB recommendations - IFRS 9; Plan of activities (2017-2019), presented the report on the internal control system - individual activity (RSCI CGD) and the report on internal control system at group/headquarter level (RSCI); and proceeded to review its internal regulation.

Minutes recording presences and absences have been drawn up on all meetings.

The Audit and Internal Control Committee met 11 times in 2017, with no absences having been recorded.

The Regulation has been published at: https://www.cgd.pt.

CRF (FINANCIAL RISKS COMMITTEE)

This committee has the specific function of overseeing the management policy of all financial risks connected with the activity of CGD and all CGD Group companies, including liquidity, interest rate, foreign exchange, market and credit risks, albeit without prejudice to the competence of the Supervisory Board herein.

It is also responsible for monitoring the management policy of CGD's pension fund, advising the Board of Directors on risk appetite, analysing specific risk categories, namely credit risk, in addition to assisting the Board of Directors on supervising the implementation of CGD's and CGD Group's risk strategy, assessing the adequacy of CGD's risk management systems *vis-à-vis* its profile and strategy.

As regards financial risks, CRF monitors liquidity management and the medium and long tern funding plan, including the contingency plan.

In performing its duties, CRF is responsible for overseeing all data on the analysis of financial and credit risks, namely risk measurement and calculation of own funds models adopted internally, in addition to Community Directives and Bank of Portugal and ECB guidelines on financial and credit risks.

In the context of its duties and powers, the committee reviewed, inter alia, reports submitted by DGR in relation to Risk; and assessed credit and refinancing operations presented by other divisions. It also reviewed its rules of procedure and ruled on some of the necessary appointments of those responsible for risk management.

Minutes recording presences and absences have been drawn up on all meetings.

The Financial Risks Committee met 13 times in 2017. The absences of the following members were recorded and justified: José Maria Monteiro de Azevedo Rodrigues (1); Hans-Helmut Kotz (1).

The Regulation has been published at https://www.cgd.pt.

CNAR (NOMINATION, ASSESSMENT AND REMUNERATION COMMITTEE)

This committee issues an opinion on any vacancy to be filled on CGD's and CGD Group companies' statutory bodies, the choice of Board members to serve on the executive and other committees, in addition to the assessment thereof and respective remuneration policy.

CNAR is responsible for producing an annual assessment of members of the Board of Directors, "holders of essential and relevant functions" and for assessments deriving from supervenient facts, namely as regards accumulations of functions and conflicts of interest.

As regards its support for filling in vacancies on statutory bodies and appointment of executive board members, CNAR produces and updates all of the information on the qualifications, knowledge and professional experience required for the performance of functions attributed to members of the diverse statutory bodies and the Executive Committee, in addition to overseeing the selection and nomination process for the senior staff of CGD Group companies.

CNAR is also responsible for proposing the criteria to be used for defining the variable component of the remuneration of members of the Executive Committee, to the Board of Directors. Such criteria should include adequate consideration of merit, individual performance and contribution to the Executive Committee's efficiency.

Within its duties, the committee assessed the Fit & Proper processes of the Statutory Bodies members, producing the respective opinions; assessed the CGD and Group companies remuneration policies; Proceeded also with the evaluation of GFC initiatives to CGD group develop for full compliance with "EBA Guidelines on sound policies remunerations" EBA/GL/2015/22; Reviewed information about the definition of non-financial criteria that contribute to the performance evaluation of the holders of relevant functions in CGD and other entities of the Group.

Minutes recording presences and absences have been drawn up on all meetings.

Twenty meetings were held in 2017, with the following absences having been justified: Guilherme d'Oliveira Martins (1); António Luís Borges Assunção (2).

The Regulation has been published at: https://www.cgd.pt.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for recommending the Board of Directors' adoption of policies on corporate governance issues in accordance with the recommendations, standards and best national and international practice. It has the task of producing an annual report on the functioning of the company's corporate governance structure to be submitted to the Board of Directors.

This committee is also responsible for:

- Advising the Board of Directors on the assessment of identification systems and resolution of conflicts of interest.
- Issuing opinions on the code of conduct and other documents that define ethical business principles, promoting and examining effective compliance therewith, as well as the revision and updating thereof.
- Overseeing the production of the annual corporate governance report as regards issues in its area, commenting thereon prior to its approval by the Board of Directors.

The objective of the Governance Committee is to improve CGD's governance and inspection model and that of all of the companies, at any time, in a controlling or group relationship with it, whatever the location of their respective headquarters, their management's effective main offices or principal place of business.

The committee is also responsible for proposing the guidelines on social responsibility, sustainability and environmental protection issues to the Board of Directors, including, *inter alia*, the principles and values for safeguarding the interests of CGD, its shareholder and other relevant entities.

This committee reviewed its internal rules of procedure; became aware of potential risks of compliance situations in CGD group entities, as well as of the "On site Inspection on Internal Governance" reports; analyzed the structure of CGDs Report on Corporate Governance (RCG), in comparison with other banks; assessed the ongoing internal organic restructure and impact on the RCG, having approved the methodology of the 2017 Report on Corporate Governance.

Minutes recording presences and absences have been drawn up on all meetings.

The Governance Committee met 8 times in 2017. No absences were recorded.

The Regulation has been published at: https://www.cgd.pt.

SPECIALISED EXECUTIVE BOARDS

Specialised executive Boards are decision-making bodies which consider and decide upon proposals pursuant to the authority delegated by CGD's Executive Committee and are therefore structures which are dependent upon the Executive Committee.

They were set up with the aim of permitting broad-ranging discussions on certain issues, with the presence of the structural bodies responsible for the issues in question, in order to permit a detailed explanation whenever necessary.

Changes were made to the existing model in 2017. Its composition is now as follows:

- CALCO (Specialised Capital Management, Assets and Liability Management Executive Board), as the body responsible for the consideration and oversight of the integrated capital, assets and liabilities management process (ALM – asset–liability management), geared to the proactive management of CGD Group's balance sheet and profitability, with the authority to promote the ALM process and the actions and procedures necessary for its implementation, considering and issuing resolutions on proposals for strategic guidelines on the Group's funding and liquidity policy and its oversight, considering and passing resolutions on proposals for strategic guidelines and latter oversight for the risk management policy, analysing and passing resolutions on strategic proposals and latter oversight, on the Group's capital ratios and its resource-taking and capital management policies, passing resolutions on balance sheet and net interest income proposals/optimisation measures in addition to strategic initiatives for optimising the risk/return binomial and promoting articulation between financial strategy and the Group's commercial policy. It comprises all members of CGD's Executive Committee (with a minimum of 3) and is chaired by the Chairman of the Executive Committee. It usually meets once a month and held 8 meetings in 2017.

- CERC (Credit Risks Executive Committee). The Credit Risks Executive Committee is responsible for credit matters. It comprises a minimum of 3 members of the Executive Committee and is chaired by its Chairman who, if absent, will be replaced by the Board member acting as the Chief Risk Officer. The managing directors or their deputies of DRC (Credit Risks Division), DAJ (Legal Affairs Division) and DNI (Real Estate Business Division) are permanent members of the Specialised Executive Credit Board. They meet at least once a week, having met 47 times in 2017.

- CC (Specialised Executive Credit Board). This body is responsible for credit matters in accordance with the authority delegated to it, in terms of amounts, maturities and conditions. It comprises a minimum number of 2 members of the Executive Committee and is chaired by the Board member acting as the Chief Risk Officer. The managing directors or their deputies of DRC (Credit Risks Division), DAJ (Legal Affairs Division) and DNI (Real Estate Business Division) are permanent members of the Specialised Executive Credit Board. They meet at least twice a week, having met 84 times in 2017.

- CDP (Specialised Products Executive Board). This body is responsible for approving the launch of products and services and verification of the adequacy thereof to the Regulations in force and guidelines issued by the supervisory bodies. CDP is responsible for analysing the offer of Caixa's products and services and is permanently engaged on ensuring their conformity with regulations and policy and internal procedures in different areas: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting. It comprises the Chairman of CGD's Executive Committee (CEO), who chairs the Board and the Board members responsible for DMR (Retail Marketing Division), DME (Corporate Marketing Division), DCD (Digital and Remote Banking Division), CRO (Chief Risk Officer), DCP (Planning, Budgeting and Control Division), DMF (Financial Markets Division), CO (Operations Centre), DSI (Information and Technology Division), DPN, DPC, DPL and DPS (retail banking divisions). It generally meets once a month, having met once in 2017.
- CDCI – Specialised Costs and Investment Executive Board. This body is responsible for the consideration and discussion of issues related with CGD's expenditure (costs and investments), including SCS, SSI and Group structures. It comprises the Chairman of the Executive Committee and members of the said committee (subject to a minimum of three) and is responsible for *Sogrupo – Procurement and Shared Services (SCS),* the structural bodies proposing the expenditure, DCP (Planning, Budgeting and Control Division) (optional), DSI (Information and Technology Division) (optional) and DRM (Logistic Support Division). It generally meets once a fortnight, having held 16 meetings in 2017.
- CDRT (Specialised Rating Executive Board). This body reports to the Executive Committee on issues involving the monitoring of credit risks and policies and methodologies for the monitoring, management and control of the risks for which it is responsible. Responsibilities for the attribution, or revision of internal ratings on counterparties, approval of credit risks for which CERC (Credit Risks Executive Committee) or the Board of Directors is responsible have been delegated to the Specialised Rating Executive Board. The board comprises the member acting as the CRO (Chief Risk Officer), who shall chair the specialised executive board and the members responsible for the corporate banking divisions (DEN, DES and DBE), the retail banking divisions (DPN, DPC, DPL and DPS) and Caixa-Banco de Investimento (CaixaBI). Meetings are held monthly. No meetings were scheduled in 2017.

The resolutions of the specialised executive boards which have, in the meantime, been extinguished, have been entrusted to the current specialised executive boards and committees in accordance with the issues in question.

3.5.3. INSPECTION BODIES

The company is inspected by the Supervisory Board and a Statutory Audit Company.

Term of office (Start-End)	Supervisory board				
	Position	Name	Appointment		Monthly remuneration (€)
			Form (1)	Date	
2016-2019	Chairman	Guilherme Valdemar Pereira d'Oliveira Martins	UWR	31-08-2016	5,200
2016-2019	Member	António Luís Traça Borges de Assunção	UWR	31-08-2016	4,500
2016-2019	Member	Manuel Lázaro Oliveira de Brito (*)	UWR	20-04-2017	4,500
2016-2019	Alternate member	Nuno Filipe Abrantes Leal da Cunha Rodrigues (**)	UWR	20-04-2017	0

(1) Unanimous written declaration (UWR).
(*) By resignation of Dr. Luís Manuel Baptista Branco on 30/11/2016, initially designated by the UWR of 31/08/2016.
(**) By resignation of Mr. Manuel Sotto-Mayor Coelho de Sousa on 30/11/2016, initially designated by the UWR of 31/08/2016.

The composition of the Supervisory Board:

Chairman: Guilherme Valdemar Pereira de Oliveira Martins

Members: Luís Traça Borges de Assunção e Manuel Lázaro Oliveira de Brito

Alternate Member: Nuno Filipe Abrantes Leal da Cunha Rodrigues

The authority delegated to the Supervisory Board is set out at law and the articles of association. It is specifically responsible for:

- Inspecting the company's management;
- Monitoring compliance with the law and the company's articles of association
- Verifying the regularity of the company's books, accounting records and supporting documents;
- Verifying the exactness of the accounting documents and, in general, supervising the quality and integrity of the financial information therein contained;
- Inspecting the process for the preparation and disclosure of financial information;
- Verifying whether the accounting policies and measurement criteria adopted by the company lead to the correct assessment of its equity and results;
- Producing an annual report on its inspection activities and issuing an opinion on the report, accounts and proposals submitted by the Board of Directors;
- Inspecting the revision of the accounts and auditing of the company's accounting documents;
- Proposing the nomination of the Statutory Audit Company to the General Meeting;
- Inspecting the independence of the Statutory Audit Company as regards the provision of additional services;
- Inspecting the quality and effectiveness of the risk management, internal control and internal audit systems and supervising the performance of the functions in the internal audit and internal control system spheres;
- Receiving communications concerning irregularities, protests and/or complaints submitted by the shareholder, company employees or others and implementing procedures for the reception, registration and processing thereof.
- Contracting for the services of experts to assist it in performing its functions, with the contracting and remuneration of such experts taking the importance of the issues and the company's economic situation into account.

The supervisory body sends a quarterly report on its control, detection of anomalies and eventual detection of the main deviations from any forecasts under article 6, number 2 of Decree-Law no.287/93 of 20 August to the Ministry of Finance.

The Supervisory Board's activity is governed by its respective regulation, approved by the Supervisory Board, published on CGD's official website at https://www.cgd.pt.

According to the statutes of CGD, the Supervisory body has the composition of 3 members (minimum number, under the terms of paragraph 4 of article 413 of the Commercial Companies Code (CSC) and one alternate.

As CGD operates in the State Corporate Sector it is necessary comply with no. 2 of article no. 33 of Decree-Law no.133/2013 that determines a maximum number of 3 effective members.

According to no. 5.1 of its regulation, the Supervisory Board will be made up of three permanent members and one alternate member.

Owing to the resignation request of 30 November 2016 submitted by Luís Manuel Baptista Branco and Manuel Sotto-Mayor Coelho de Sousa, from their positions as Board member and deputy Board member, respectively, Manuel Lázaro de Brito was elected as a Board member and Nuno Filipe Abrantes Leal da Cunha Rodrigues, as a deputy Board member in the form of a Unanimous Written Resolution effective as of 24 April 2017, to complete the 2016-2019 term of office.

The members of the Supervisory Board are independent under the Article 31 A of the RGICSF and in accordance with article 414, no. 5 of the CSC.

The Supervisory Board whose composition has remained unchanged since 24 April 2017, held 27 meetings in 2017.

In 26 of the 27 meetings held there were no absences. At the meeting held on 30/06/2017, Manuel Lázaro de Brito was absent. This absence was dully justified. The alternate member attended two meetings.

Supervisory Board (SB)			
No. Meetings	Place of the meeting	Participants in the meeting	Absences of SB members
26	CGD headquarters*	SB Chairman and all members	There were no absences
1	CGD headquarters*	SB Chairman and members, excluding Manuel Lázaro de Brito	Member Manuel Lázaro de Brito

* Av. João XXI, 63, Lisbon

Minutes have been drawn up on all meetings recording presences and absences.

3.5.4. STATUTORY AUDIT COMPANY AND EXTERNAL AUDITOR

IDENTIFICATION OF THE EXTERNAL AUDITOR AND PARTNER STATUTORY AUDIT COMPANY

In 2017, CGD had a Statutory Auditor and an External Auditor up to the Unanimous Written Resolution on May 18 and from that Unanimous Written Resolution gathered its functions into a single entity.

Up to May 18, 2017:

The company “Oliveira Rego e Associados, SROC”, registered with the Chamber of Statutory Auditors under number 46 and the CMVM under number 218, represented by its partner Pedro Miguel Marques Antunes Bastos, Statutory Auditor registration number 1063, was the Statutory Auditor for the term of office 2013-2015.

Considering that the procedure to appoint a new Statutory Auditor was in progress, on 20 March 2017, CGD entered into a services agreement with the company Oliveira Rego e Associados, SROC, with the specific objective of undertaking a statutory review of its separate and consolidated accounts for 2016 and issuing the respective statutory audit certificates and opinion on the internal control system underpinning the Process for the Preparation and Disclosure of Financial Information (financial report), both separate and Group of CGD, under articles 25 and 26 of the Bank of Portugal’s Official Notice 5/2008 of 25 June.

The deputising company is “Álvaro, Falcão & Associados, SROC”, represented by partner Sérgio Paulo Esteves de Poças Falcão.

Up to the unanimous written resolution, the Statutory Auditor in CGD, for the term of office 2013-2015, was Pedro Miguel Marques Antunes Bastos, who took up office in 2013 and has completed the 3rd year of performance of his respective term of office.

In regards the external audit function, the same was done by independent external entity, Deloitte & Associados, SROC, SA. Represented by partner Maria Augusta Cardador Francisco (Chartered Accountant) registration number, 934.

Following the procedure for the appointment of CGD’s new External Auditor and Statutory Auditor, for 2017 and following years, the necessary opinion of the Supervisory Board was issued and sent to the Chairman of the Board of CGD’s General Meeting of Shareholders.

After May 18, 2017:

Ernst & Young Audit & Associados, SROC, S.A was elected as Statutory Auditor / External Auditor under the terms of the unanimous written resolutions of 18 May 2017 for the 2017 – 2020 term of office, under the terms of sub-paragraph d) of no. 2 of article 14 of the company’s articles of association.

In regards the External Audit Services, a price list was defined for the services to be rendered. All services provided outside the contracted scope, follow the usual hiring procedures established in CGD.

In 2017 CGD decided that both funtions Statutory Auditor and External Auditor should be performed by single entity aiming to increase efficiency, benefiting from the close articulation of their respective functions.

This company is headquartered at Avenida da República, 90-6º in Lisbon and is registered in the Order of Official Accountants under number 178 and in the Securities Market Commission (CMVM), under number 20161480, TAX no. 505 988 283.

It is represented by Ana Rosa Ribeiro Salcedas Montes Pinto, Chartered Accountant No. 1230 and registered at the CMVM under number. 20160841.

STATUTORY AUDIT COMPANY / EXTERNAL AUDITOR

Term of office (Start-End)	Function	Name (SROC - ROC)	No.	Legal designation of current nomination	Number of Terms
2017-2020		Ernst & Young Audit & Associados, SROC, S.A.(*)	178	General Meeting of 18 May 2017	1

(*) Elected as Statutory Auditor / External Auditor. Represented by Ana Rosa Ribeiro Salcedas Montes Pinto, Chartered Accountant No. 1230 and registered at the CMVM under number. 20160841.

The Statutory Auditor / External Auditor took up its duties in the Group for the 2017-2020 term of office on 1 June 2017.

Information on the remuneration agreed with the auditor for 2017 is set out in the following table:

FEES CONTRACTED IN 2017 WITH THE STATUTORY AUDITOR / EXTERNAL AUDITOR AND ENTITIES OF ITS NETWORK

(EUR)

	Fees (*)			
	Portugal	Abroad	Total	%
Separate accounts				
Audit and statutory audit	355,215	131,630	486,845	58%
Other audit related services	-	-	-	0%
Other assurance services	323,685	34,800	358,485	42%
Tax advisory services	-	-	-	0%
Other advisory services	-	-	-	0%
Total	**678,900**	**166,430**	**845,330**	**100%**
Consolidated accounts				
Audit and statutory audit	717,780	697,188	1,424,228	50%
Other audit related services	545,775	158,200	703,975	25%
Other assurance services	346,465	347,530	693,995	25%
Tax advisory services	-	-	-	0%
Other advisory services	-	0	0	0%
Total	**1,619,280**	**1,202,918**	**2,822,198**	**100%**

(*) Amounts in euros and exclusive of VAT.

Note: The fees on consolidated accounts already includes the fees on separate accounts.

The fees for audit and statutory audit and other assurance services correspond to the agreed amount for 2017 and not the invoice amount in the year.

POLICY AND PERIODICITY OF THE ROTATION OF THE EXTERNAL AUDITOR AND RESPECTIVE PARTNER STATUTORY AUDIT COMPANY

According to article 54 of Law 140/2015 of 7 September, the maximum period for performing the statutory audit functions for the partner responsible for the guidelines on or direct performance of the statutory audit is seven years, starting from the time of first appointment, with the possibility of a fresh appointment being made after a minimum period of three years has elapsed.

The minimum initial period for the performance of statutory audit functions for the Statutory Auditor or Statutory Audit Company is two years, with a maximum period of two or three mandates depending on whether such mandates are for four or three years, respectively.

The maximum period for acting as a Statutory Auditor or Statutory Audit Company in the same public interest entity may be exceptionally extended for up to a maximum period of 10 years provided that such an extension is approved by the competent body and that this has been justified by a proposal of the supervisory body.

As regards the appraisal of the auditor, in the sphere of the provisions of article 423 F of the Corporate Companies Code and CGD's articles of association, the Supervisory Board is responsible, *inter alia*, for examining the independence of the Statutory Auditor, assessing its respective professional performance, undertaking a procedure justifying the analysis and choice of the Statutory Auditor and proposing the appointment thereof (sub-paragraph m of the referred to article) to the General Meeting.

INTERNAL PROCEDURES FOR THE PURPOSE OF THE APPROVAL OF CONTRACTING FOR SEPARATE AUDIT SERVICES

In accordance with no. 10 of article 77 of the statutes of EOROC (articles of association of the Institute of Statutory Auditors) annexed to Law 140/2015 of 7 September, Caixa Geral de Depósitos, S.A.'s Supervisory Board is responsible for the advance approval of the provision of separate audit services, which have not been prohibited under the terms of no. 8 of the same article, to be provided by the Statutory Audit Company performing the statutory audit on the accounts of CGD or entities under its control. The Supervisory Board should, for the said purpose, adequately assess the threats related with independence, deriving from the provision of such services and the application of safeguarding measures in conformity with article 73 of EOROC.

If any member of the Statutory Audit Company's network provides any services which are different from those of the audit, prohibited under the terms of no. 8, to an entity headquartered in a third country which is controlled by the audited public interest entity, the Statutory Auditor or Statutory Audit Company assesses whether its independence has been compromised by the provision of such services by the member of the network, with the application of no. 5 of article 5 of Regulation (EU) 537/2014, of the European Parliament and the Council, of 16 April 2014 – European Audit Regulation.

According to chapter 4.1 of the Regulation of CGD's CACI (Audit and Internal Control Committee) of 17 November 2016, without prejudice to the authority legally attributed to the Supervisory Board, CACI is responsible for examining and ensuring the independence of the Statutory Audit Company when the latter provides additional services to CGD.

The authority given to CACI covers not only CGD, but also, without any limitation, all companies that, at any time are in a controlling or group relationship with CGD, notwithstanding the location of their respective headquarters, main, effective administrative office or principal establishment ("CGD Group").

The tasks attributed to CACI in such a context are as follows:

- To supervise the Statutory Audit Company's activities;
- To propose the fees payable to the Statutory Audit Company for the provision of audit services to CGD and other CGD Group companies to the Supervisory Board;

- To propose the Supervisory Board's approval of contracting for additional services to be provided by the Statutory Audit Company to CGD and other CGD Group companies, as well as the terms of the respective remuneration.

In turn according to CGD's Supervisory Board's Regulation, the Supervisory Board is responsible for examining the Statutory Audit Company's independence as regards the provision of additional services and should, for the following:

- Approve CACI's proposal on the fees payable to the Statutory Audit Company for the provision of audit services to CGD and other CGD Group companies;
- Approve CACI's proposal on contracting for the additional services to be provided to CGD by the Statutory Audit Company and other CGD Group companies in addition to the terms of the respective remuneration.

Sogrupo Procurement and Shared Services, S.A. ("SCS") has an aggregating function for the goods and services purchasing process of its group companies and is involved both upstream, at the negotiating phase of the contracts for the supply of goods and services and downstream in managing both the contracts and the means of logistical support of goods.

3.5.5. COMPANY SECRETARY

Under the terms of article 31 of its articles of association, CGD has a permanent and a deputy secretary appointed by the Board of Directors.

The duration of the functions of the permanent and deputy secretaries coincides with the term of office of the Board of Directors by which they were appointed and may be renewed on one or more occasions in conformity with article 446 C of the Commercial Companies Code.

In addition to the other functions set out at law, the company secretary is responsible for:

- Providing the statutory bodies with secretarial services;
- Preparing and signing the minutes of the meetings together with the members of the respective statutory bodies and the Chairman of the Board of the General Meeting, as appropriate;
- Conserving and maintaining in good order the books and pages of the minute book, attendance lists and associated procedures;
- Certifying the signatures of the members of the statutory bodies on company documents;
- Recording the respective corporate acts.

Permanent secretary: Eucária Maria Martins Vieira

Deputy secretary: João Eduardo de Noronha Gamito de Faria

3.6. Internal Organisation

3.6.1. STATUTES[12] AND COMMUNICATIONS

COMMUNICATION OF IRREGULARITIES

In the RGICSF (Legal Framework of Credit Institutions and Financial Companies), national legislation requires credit institutions to implement specific, independent and autonomous means to receive, process and file information on serious irregularities related with management, accounting organisation and internal inspections and serious signs of breaches of duties provided for in Regulation (EU) 575/2013, of the European Parliament and the Council, on 26 of June.

The issuance of international recommendations namely by the European Banking Authority (EBA) and the European Commission require banking institutions to adopt internal procedures, as an alternative to the usual means of reporting, to enable employees to report their legitimate concerns on matters related with the activity of organisations.

In line with these recommendations, article 34 of CGD's code of conduct establishes that the Institution should set up an internal communication circuit on irregularities allegedly committed in the sphere of its activity, ensuring confidential treatment as well as non-retaliation against any person submitting the allegation in good faith.

This article is duly regulated by an internal standard which provides CGD workers with SCIPI ("internal communication system on irregular practices") establishing the characteristics thereof, the treatment afforded to the communications, the communication circuit and parties thereto.

The communications through SCIPI concern the following areas:

a) Serious irregularities related with management, accounting organisation and CGD´s internal inspections

b) Serious signs of breaches of duties provided for in the RGICSF (Legal Framework of Credit Institutions and Financial Companies), as regards rules of conduct, relationships with customers, professional secrecy, own funds, reserves, corporate governance, internal capital, disclosure of information risks and duties;

c) Serious signs of breaches of duties provided for in Regulation (EU) 575/2013 of the European Parliament and the Council on own funds, risks, liquidity, leveraging and disclosure of information;

d) Potential or effective breaches of CGD's obligations in the sphere of its financial brokerage activities as set out in Regulation (EU) 600/2014 of the European Parliament and the Council;

e) Denunciations related with the process for submitting prices which could compromise the integrity of the Euribor benchmark, in compliance with the Code of Obligations of Panel Banks (COPB), as an integral part of the Euribor Code of Conduct, which is binding on CGD.

Reference should be made, herein, to Law 83/2017 of 18 August that defines anti-money laundering and countering the financing of terrorism measures and which requires credit institutions to define adequate means to enable the employees of the obligated entity whatever their type of contract, to provide information, on a specific, independent and anonymous channel, on any infringements of Law 83/2017 and its respective regulation, in addition to any infringements of the internally defined policies, procedures and controls on anti-money laundering and countering the financing of terrorism.

[12] The Chapter 3.5 "Statutory Bodies and Committees" provides the required information on CGD's Statutes

Law 28/2017 of 30 May, which reviews the legal sanctions on securities and amends the Securities Market Code, also ruled that financial brokers should adopt specific, independent and autonomous means and procedures to allow their employees to provide information on facts, proof or information on infringements or irregularities which have already been committed, are being committed or which, in light of the available information appear likely to be committed, in respect of the matters established in the referred to Law, namely financial instruments, public offers on securities and organised means of trading on financial instruments.

CGD duly launched various initiatives in order to fully comply with the referred to laws, in 2017, in conformity with the new legal framework on the internal communication of irregularities.

3.6.2. INTERNAL CONTROL AND RISK MANAGEMENT

The internal control system is defined as a collection of strategies, systems, processes, policies and procedures, defined by the Board of Directors, in addition to the actions taken by the Board and other CGD employees, for the purpose of ensuring:

a) The efficient and profitable performance of activity, over the medium and long term (performance objectives);
b) The existence of full, pertinent, reliable, prompt, financial and management information (information objectives);
c) Compliance with applicable legal and regulatory dispositions (compliance objectives).

CGD Group's management of its internal control system is based on good practice guidelines and methodologies, particularly the general internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and the CobiT (Control Objectives for Information and Related Technology) framework in the case of information systems technology. At the same time, the recommendations of the Basel Committee on Banking Supervision and the Committee of European Banking Supervisors (EBA) are considered.

Risk management has its own chapter in the annual report, as well as a note in each of the annexes to the separate and consolidated financial statements referred to as "Disclosures on Financial Instruments", describing the financial risk management policies and quantifying CGD/CGD Group's exposure to each type of risk.

Under this framework and to effectively comply with its defined objectives, CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system and a continuous monitoring process with the objective of ensuring the quality and efficacy of the system over time.

To achieve these objectives, specific, transversal responsibilities related with the management of internal control systems have been attributed to certain CGD structural bodies whose hierarchical and/or functional relationships are reflected in the organisational chart of item 3.5. – Statutory Bodies and Committees.

Reference should be made to the responsibilities of the bodies listed below, developed in conjunction and articulation with the Group's other structures and bodies, specifically to ensure an adequate internal control system:

BOARD OF DIRECTORS

The Board of Directors is responsible for promoting the implementation and maintenance of an internal control system to ensure the existence of:

- An adequate internal control environment;
- A solid risk management system which should take into consideration credit, market, interest rate, foreign exchange rate, liquidity, compliance, operational, information systems, strategy and reputational risks, in addition to all other risks which may be material to each entity's concrete situation;

- Documented control policies and procedures, information on which has been disclosed to ensure the implementation of risk mitigation measures;
- An efficient information and communication system;
- An effective monitoring process on the adequacy and efficacy of the system itself over time.

EXECUTIVE COMMITTEE

Considering the guidelines and resolutions of the Board of Directors, the Executive Committee is responsible for ensuring the implementation of CGD's strategy and risk management and internal control policies, in addition to the alignment of Group entities therewith.

AUDIT AND INTERNAL CONTROL COMMITTEE

This Committee is responsible for the assessment and promotion of the effectiveness of CGD's and CGD Group's internal control systems, ensuring, without prejudice to the competence of the Supervisory Board herein, the oversight of the activity of the Executive Committee, the process for the preparation and disclosure of financial information and non-financial risk management and internal audit.

FINANCIAL RISKS COMMITTEE

Oversight of the management policy of all of the Group's financial risks, including liquidity, interest rate, foreign exchange, market and credit risks, is the responsibility of the Financial Risks Committee without prejudice to the competence of the Supervisory Board, herein.

INSPECTION BODIES

The company is inspected by its Supervisory Board and Statutory Auditor.

GENERAL MODELS VALIDATION COMMITTEE (CGVM)

This is an advisory forum which is responsible for considering the models validation reports, deciding on the recommendations submitted and approving changes to the Validation Model or other methodological documents in the sphere of the activities of the Models Validation Office.

INTERNAL AUDIT DIVISION (DAI)

Internal Audit contributes to the sustainable development of CGD Group activities and internal control culture through a systematic, disciplined, independent and objective risk-based assessment of the internal governance structure and the internal control system, viewing to ensure adequacy and effectiveness, in particular through the identification of deficiencies, opportunities for improvement and monitoring of their implementation.

It is also, herein, responsible for producing and submitting an annual report on audit issues, containing a summary of the main defects identified in its control actions which may indicate deteriorating trends within the internal control system as well as indicating and identifying the recommendations followed to the Board of Directors and to the Audit and Internal Control Committee.

The Division is also responsible for assisting the Board of Directors in preparing the regulatory report on the internal control system, both separate and for the parent company, periodically reviewing the status of any defects and reporting them to the Board of Directors and to the Audit and Internal Control Committee. These activities are performed in close cooperation with the Compliance Office, Risk Management Division, branches and subsidiaries and the statutory and External Auditors.

RISK MANAGEMENT DIVISION (DGR)

The objective of the Risk Management Division is to protect CGD Group's capital, namely by means of managing the risks of credit, market, liquidity and operational incurred by the Group, the inter-relationships existing between them and the coherent integration of their part contributions, that they maintain the risk appetite level defined by the Board of Directors and that they will not significantly affect the financial situation of the institution.

In the sphere of the internal control management process, this Division provides advisory services and submits risk management reports, at least once a year, with indicating the measures adopted to correct any defects, to the Board of Directors and to the Audit and Internal Control Committee.

COMPLIANCE OFFICE (GFC)

The Compliance Office ensures the coordination of compliance risk management in CGD and CGD Group. This includes the oversight and assessment of the control procedures on the prevention of money laundering and countering the financing of terrorism, as well as the prevention of market abuse.

It ensures the adequacy and efficacy of the procedures adopted to identify any risk of non-compliance with the legal obligations and duties to which CGD is subject, in addition to the measures taken to correct any control defects/weaknesses.

It provides advisory services and submits reports, at least once a year, on compliance risk defects and any non-compliances occurring in the Group, indicating the evolution of the implementation of the defined action plans up to the time of their resolution, to the Board of Directors and to the Audit and Internal Control Committee.

ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION (DCI)

Division responsible for producing, processing and developing financial information on CGD's activity, both global and consolidated from an accounting, prudential, statistical and financial reporting viewpoint.

The circuits and controls inherent to the process for the preparation and disclosure of information on separate and consolidated financial information are subject to the permanent oversight and validation of the Statutory Auditors who are responsible for issuing an opinion on the adequacy and efficacy of the part of the internal control system underpinning the process for the preparation and disclosure of separate and financial information (financial report), submitted annually to the supervisors.

INVESTOR RELATIONS OFFICE (GIR)

This is the structural body geared to handling the relationship and communication with investors, the market and the financial community in general. It is inter alia, responsible for the Board of Directors' annual report and accounts which includes the Board of Directors' report per se and issues related with sustainability and corporate governance.

The financial information for disclosure purposes is produced by DCI. The Supervisory Board, in turn, issues an opinion on the report, accounts and proposals submitted by the Board of Directors and supervises the process for the company's preparation and disclosure of financial information in the sphere of its responsibilities.

The financial statements contained in the annual report and accounts and their respective notes are subject to an audit report issued by an external entity.

The governance committee, in conformity with its regulation, is responsible for issuing a formal opinion on the corporate governance report prior to its approval by the Board of Directors. GFC also assesses compliance with the corporate governance report vis-à-vis the legal requirements binding upon CGD.

It should also be noted that the information related with the conformity and reliability of the information on sustainability, provided in accordance with the Directive on the 2016 GRI Standards, and the guarantee that such information provides an appropriate reflection of CGD's effective circumstances is certified in a declaration issued by Ernst & Young Audit & Associados - SROC, S.A. (EY).

PLANNING, BUDGETING AND CONTROL DIVISION (DCP)

Coordinates the Group's strategic planning activities, defining objectives, producing the activity plans and budgets of the entities and analysing the proposed funding and capital plans.

ORGANISATION AND QUALITY DIVISION (DOQ)

This Division is responsible for managing the prompt supply of documentation on CGD processes, including the identification of potential operational risks and control procedures, articulating this activity with process owners and other structural bodies. It is also responsible for keeping documents in branches and subsidiaries up-to-date, in articulation with the local structures responsible for their management.

INFORMATION AND TECHNOLOGY DIVISION (DSI)

This body has specific responsibilities for the development of processes within the information systems sphere, including the assessment of processes under the CobiT framework, identification and reporting of non-conformities and opportunities for improvement.

MODELS VALIDATION OFFICE (GVM)

This Office is responsible for the monitoring and control of the internal validation processes of the risk validation models used in CGD Group, defining and developing methodological techniques for the systematic assessment of the performance of the financial risks assessment models and the rating systems, in addition to other risk models being produced by the Group. It is responsible for producing a periodic report on the conclusions of its oversight and validation of risk assessment models.

CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ASSETS

Background

To comply with the dispositions of the Bank of Portugal in its official notice 5/2008 and instructions 33/2002 and 12/2015 and, on a complementary level, based on the European Banking Authority – EBA's document: "EBA Guidelines on Internal Governance (GL 44)". CGD's activity is governed on the basis on a series of guidelines and internal standards as the control system's main supporting instruments for protecting its investments and assets. Such guidelines and internal standards are also the tools upon which the management and control of the financial and operational risks assumed by CGD are sustained, as they govern the maximum levels of risk it may incur, in compliance with its risk appetite.

Company's risk profile

The risk appetite statement formally establishes the Bank's risk appetite, defining the maximum risk level the Bank is willing to assume on each risk category considered as being material. The risk strategy is directly related with the Bank's objectives and Strategic Plan and is regularly reviewed and monitored by the Board of Directors and management team.

The Risk Appetite Statement is complemented by the respective dissemination to Group units (international and domestic activity) and the Risk Appetite Governance Model (RAF – Risk Appetite Framework) that establishes the governance model and involvement of the Bank's different areas, risk management and monitoring mechanisms and the integration of Risk Appetite in risk management and decision-making processes.

General risk appetite principles are set out in qualitative declarations which define the Group's risk strategy. These principles derive from and are aligned with CGD's business strategy and the understanding of the resulting risk/benefit trade-offs. The principles are part of the Bank's culture and strategy, upon which all of its activities are based.

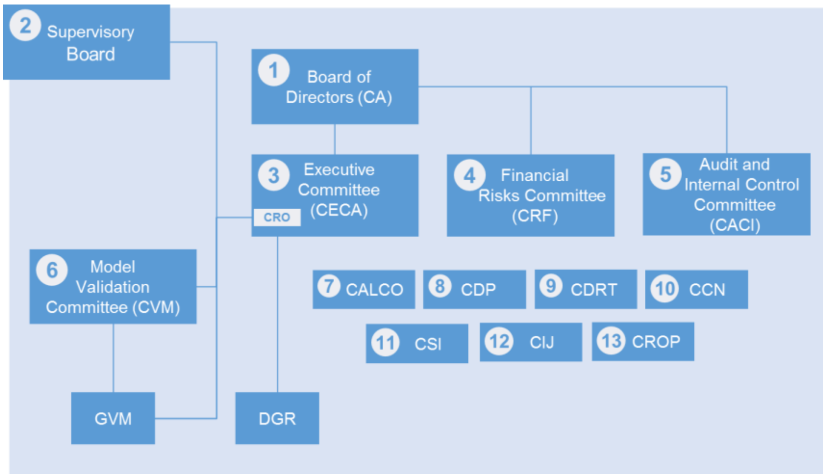
CGD Group Risk Appetite is based on three general principles:

- To ensure solvency and liquidity levels - CGD Group should ensure adequate solvency and liquidity levels, observing the following:
    - To maintain capital strength based on a regular review of the balance sheets' structure;
    - To maintain capital levels at a higher level than required by regulation, ensuring the existence of a buffer in line with market expectations, both in normal as in adverse scenarios;

  - To continue to ensure a stable, solid and safe liquidity position able to withstand adverse scenarios;
  - To maintain stable levels of financing capacity and an adequate stock of high quality liquid assets based on a market-driven approach enabling the balance sheet structure to be adapted to existing circumstances;
  - To control the risk exposure of international entities while, at the same time, maintaining their independence in terms of financing and capital adequacy.
- To ensure long term sustainability and to maintain a leading market position − CGD Group should ensure its sustainability and leading position as follows:
  - Long term stability based on adequate returns on balance sheet risks, improved operational efficiency and risk management (particularly when associated with credit risk) which may put the execution of the Bank's strategy at risk;
  - Maintenance of its identity as a commercial Bank and leading position in the Portuguese market, both in deposits and lending to the economy and households, focusing on retail customers and small and medium-sized enterprises;
  - The aim of achieving a simple and transparent Group structure, based on a modern infrastructure to ensure adequate customer satisfaction levels and minimise operational risk.
- Adopting risk management practices of excellence − CGD Group should ensure the adoption of best risk management practice, observing the following:
  - To strengthen governance and Risk Management and Control functions, ensuring that they are on a level of best market practice and therefore helping to merit greater stakeholder trust;
  - To operate in accordance with solid risk management principles with an effective governance model and policies which ensure compliance with laws and regulations, guaranteeing full alignment with the European Central Bank's SREP – Supervisory Review and Evaluation Process guidelines (as a transversal supervision methodology structured around: *i)* an analysis of institutions' business models, *ii)* an assessment of internal governance and implementation of controls, *iii)* assessment of capital risks and adequacy of capital levels to mitigate them, and *iv)* assessment of risks to institutions' liquidity levels and the adequacy of liquidity sources to mitigate them);
  - To develop a strong risk management culture focused on safeguarding the Bank's solvency and financing capacity, avoiding risk that may affect stakeholders, particularly depositors and ensuring a strong reputation and market image.

RISK MANAGEMENT

Risk management in CGD Group is based on a governance model that aims to comply with respective best practice, as set out in Community Directive 2013/36/EU. The person ultimately in charge of the Risk Management Function in CGD Group is the "Chief Risk Officer" ("CRO"), as a member of the Executive Committee of CGD's Board of Directors. CGD's CRO has global responsibility for monitoring the Group's risk management framework and particularly for ensuring the adequate and effective operation of the Risk Management Function and also having the duty to inform members of the administration and inspection bodies on the risks incurred, CGD's and CGD Group's global risk profile and level of compliance with the defined risk tolerance levels.



The Board of Directors, (❶) assisted by the Financial Risks Committee (❹) and by the Audit and Internal Control Committee (❺) establishes CGD's risk appetite which is implemented by the Executive Committee (❸) assisted by the Risk Management Division and control and business areas.

The Supervisory Board (❷) is the independent Body responsible for inspecting whether the Risk Management Function complies effectively and independently with its responsibilities.

The Financial Risks Committee (❹) oversees management policy on all of the financial risks of CGD Group's activity, namely liquidity, interest rates, foreign exchange rate, market and credit risks.

The Audit and Internal Control Committee (❺) assesses and promotes the effectiveness of internal control, non-financial risk management and internal audit systems.

The Chief Risk Officer, member of the Executive Committee, is the person ultimately in charge of the risk management function based on a dedicated corporate structure - DGR (Risk Management Division) - responsible for the assessment and control of CGD Group's credit, market, liquidity and operational risks, firmly establishing the principle of separation between functions in the commercial and risk management areas.

The Head of Risk is directly responsible for the risk management function (managing director of DGR), who is also responsible, without prejudice to the other duties established in CGD's internal standards, for developing and leading a benchmark Division taking into account the dispositions of the RGICSF (Legal Framework of Credit Institutions and Financial Companies), other applicable legal texts and best international practice and standards, to ensure the effectiveness and efficiency of the risk management system and help make continuous improvements to a risk culture within CGD Group.

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

- Ensuring the implementation and monitoring of the risk appetite framework (RAF) under the terms of the internal RAF standard;
- Ensuring the development and implementation of a risk management system based on robust identification, assessment, oversight and risk control processes, risk oversight and, and coordinating the development of policies and procedures upon which these processes are based;
- Identifying the risks involved in the activity being performed on a separate, aggregate, present and prospective basis, assessing such risks and measuring exposure thereto using appropriate methodologies;
- Permanently overseeing risk generating activities and risk exposure, assessing them in the context of the approved risk appetite limits and defined risk limits and ensuring the planning of the corresponding capital and liquidity requirements in normal and adverse circumstances;
- Developing, implementing and monitoring of Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process, as well as coordinating the production of the respective reports.
- Participating in the process for the approval of new products and services, by making an assessment of their respective associated risks and analysing CGD's management capacity of such risks;

- Ensuring that operations with related parties are revised and that CGD's real or potential risks, caused by them are identified and adequately assessed;
- Advising administration and inspection bodies prior to making any decisions involving the taking of material risks, namely when involving acquisitions, disposals, mergers or the launch of new activities or products, for the purpose of ensuring the opportune and appropriate assessment of the impact of risk-taking in terms of CGD's and CGD Group's global risk exposure;
- Overseeing market evolution, legal and regulatory amendments in respect of the Risk Management function, strategic planning process and CGD and CGD Group's respective decisions to ensure that the actions of the function are permanently up-to-date;
- Developing and implementing early warning mechanisms for situations of default and breaches of the Risk Appetite or established limits;
- Issuing recommendations based on the results of the assessments made and continuous oversight of the situations identified, with a frequency in line with the associated risk.
- Producing and maintaining an up-to-date Risk Management Plan to ensure that all of CGD and CGD Group's material risks are adequately identified, assessed, overseen and reported;
- Supplying information, analyses and pertinent, independent expert appraisals on risk positions, in addition to issuing an opinion on the compatibility of the risk-related proposals and decisions with CGD's risk tolerance/appetite;
- Producing and submitting reports with an adequate frequency on risk management to the administration and inspection bodies, including an assessment of the global risk profile and CGD's and CGD Group's various material risks, a summary of the main defects identified in control actions, including immaterial defects when considered separately but which could indicate a deteriorating trend in the internal control system in addition to the identification of recommendations that were (or not) implemented;
- Informing the administration and inspection bodies of any breach or violation (including their causes and a legal and economic analysis of the real cost of eliminating, reducing or offsetting the risk position in light of the possible cost of the continuation thereof), informing, if appropriate, the areas in question and recommending any solutions;
- Ensuring the preparation and submission of prudential reports on CGD's and CGD Group's risk management system.

DGR, the Risk Management Division, is present in the following forums:

❸ At Executive Committee meetings when specifically called and monthly with its own item on the agenda for a presentation of the evolution of the main financial risks measurement indicators and respective essential concerns on this issue for the following periods.

❻ On the General Models Validation Committee (CGVM) in which the Credit Risks Division (DRC) and the Models Validation Office (GVM) are also present. CGVM is the body responsible for the functional management of the Models Validation Office (GVM) and is responsible for considering the validation reports, deciding on the recommendations made and approving amendments to the Validation Manual or other methodological documents in the sphere of GVM.

❼ In the CALCO (Specialised Capital Management, Assets and Liabilities Management Executive Board), in conjunction with business generating areas, support areas and members of the Executive Committee. CALCO is the executive Board's decision-making body, It is responsible for the consideration and oversight of the ALM (Asset-Liability Management) process which aims to achieve proactive balance sheet management and CGD Group profitability.

❽ In CDP (Specialised Products Executive Board) which is responsible for analysing Caixa's offer of products and services and continuously ensuring their conformity with the regulation and internal policy and procedures in different spheres: legal, behavioural, compliance, ethical, fiscal, accounting, management information requirements and regulatory reporting;

❾ In the CDRT (Specialised Rating Executive Bard) which is responsible for attributing or revising the internal rating on counterparties, the approval of whose credit risks CERC (Credit Risks Executive Committee) or the Board of Directors, is responsible;

❿ In CCN (Business Continuity Committee). CCN is the advisory body to the Executive Committee responsible for coordinating and articulating the initiatives and processes in respect of CGD's and CGD Group entities' business continuity, ensuring the control of risks associated with events that could disrupt business by implying the unavailability of physical infrastructures, computer systems or human resources in such a way as to permit the immediate adoption of corrective measures, guaranteeing the alignment of business continuity with the recommendations issued by regulatory entities and overseeing the implementation of the business continuity plans of CGD Group entities;

⓫ In CSI (Information Security Committee) responsible for the consideration and coordination of CGD's and CGD Group's information security initiatives;

⓬ In CIJ (General JESSICA Investment Committee) which is the Executive Committee's advisory body responsible for considering and classifying financing proposals under the JESSICA Community Initiative, (developed by the European Union and the EIB – European Investment Bank, in collaboration with the CEB – Council of Europe Development Bank

⓭ In CROP (Operational Risk Committee) which is the body responsible for the coordination, assessment and discussion of issues related with operational risk management on a CGD Group level. It is responsible for monitoring the global level of operational risk assumed by the Group, verifying its conformity with the established strategy and policies and deciding on the action plans submitted or submit them for a resolution of the Executive Committee.

Main risks to which the Company is exposed

Caixa Geral de Depósitos operates as a universal bank, with a full range of specialised financial services, providing its customers with a full service international group.

CGD has an integrated presence in almost all banking business areas, namely: commercial banking, investment banking, brokerage and venture capital, real estate, asset management, specialised credit, *inter alia*, incurring credit, market, liquidity and operational risks (the exposure to foreign exchange risk is low).

Credit risk

Credit risk is associated with the losses and level of uncertainty regarding a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

There are also internal regulations on credit risk management and control which, based on risk ratings, define the levels of competence required for the decision-making process regarding the credit.

There is a qualitative in-depth assessment process of the economic-financial capacity of companies and economic groups of greater relevance and size, based on the level of expertise of risk analysts upon which the final rating of each company and economic group will be based.

In the credit risk delivery process, which is always accompanied by a commercial proposal, a risk opinion on companies, financial institutions and economic groups whose exposure to CGD is higher than a specific limit, as defined both by their rating and activity sector, must be obtained from the Credit Risk Division (DRC).

Credit portfolios and credit risk control are regularly examined by DGR, on the basis of operational systems which identify potential events involving added risk on a day-to-day basis. Reports making reference to the performance and perceived quality of the credit portfolio are produced, in the following spheres i) new credit agreements, ii) credit which has been restructured owing to a customer's financial difficulties, iii) non-performing exposures, iv) default and v) concentration.

A process for measuring impairment losses related with default and the measurement of credit assets has also been implemented in CGD Group. It is overseen by the Board of Directors on a monthly basis. The criteria and methodologies involved in the calculation of impairment are subject to control and audit processes both by the internal bodies responsible for the validation (Models Validation Office and Internal Audit Division) and CGD's External Auditors who produce an independent report to be sent to the Bank of Portugal every six months.

Progressive improvements have also been made to credit risk control, both as regards the definition of new approaches to credit portfolio segmentation and in terms of greater standardisation of the methodologies applied.

Market risk

This translates into potentially negative impacts on the Institution's income or capital, deriving from unfavourable price movements of portfolio assets.

So this is originated by uncertainty on the fluctuations of market prices and rates, such as share prices or interest and foreign exchange rates and indices and on the behaviour of the correlations between them.

Guidelines approved by the Executive Committee to be complied with by the Financial Markets Division (DMF) and CGD Group entities responsible for the management of portfolios which include financial assets subject to market risk have been defined for market risk management and control purposes. The key measure used for the management and measurement of market risk is Value at Risk (VaR) complemented by other sensitivity measures, more adjusted to the specific type of market risk to be measured; e.g. (i) V01 for interest rate risk and (ii) Greeks for optionality risks.

Liquidity and balance sheet interest rate risk

Liquidity risk in the banking business area can occur in the event of *i)* difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth, or *ii)* difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

Balance sheet interest rate risk is the risk incurred in the activity of a financial institution whenever, during the course of its activity, it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of interest rate refixing periods between assets and liabilities held, with a decrease in yield or increase in financial cost.

The particular dichotomy, in the case of assets and liabilities held by credit institutions, between short, medium and long term fixed and variable-rate portfolios, may also lead to interest rate risk as regards the risk of mismatches between refixing periods, base risk and yield curve risk, for which matters involving the assessment of interest rate risk should be closely monitored.

For the management and control of liquidity and balance sheet interest rate risk, guidelines have been defined on the roles and responsibilities of the diverse parties, the metrics to be measured, the limits on such metrics and control on such limits. Monthly reports are produced on the monitoring process of the size of the exposure to such risks to support control compliance with the existing guidelines.

Operational risk

Operational risk is the risk of losses resulting from inadequacies or failures of processes, persons and information systems or caused by external events, including legal risks.

An end-to-end methodology for operational risk management has been adopted in CGD Group (both by CGD and its branches and subsidiaries).

The referred to methodology includes the definition, oversight and reporting of tolerance and risk appetite limits for the Group as a whole. It also includes the identification of operational risk events, self-assessment of risks and controls associated with processes and key risk management indicators, as well as the promotion of action plans designed to mitigate exposure to operational risk, based on the implementation of adequate control and risk-mitigating procedures.

3.6.3. REGULATIONS AND CODES

INTERNAL AND EXTERNAL REGULATIONS APPLICABLE

CGD's activity is governed by the legal standards applicable to public limited liability companies in the form of the Commercial Companies Code and the Standards regulating the state's corporate sector as a result of its public company status (cf. Decree-Law no.133/2013 of 3 October[13]).

In general, CGD is governed by European and domestic legislation on its activity. This particularly includes, in terms of domestic law, the General Credit and Financial Institutions Regime approved by Decree-Law no.298/92 of 31 December[14] and the Securities Code approved by Decree-Law no.486/99 of 13 November[15] and all regulatory Standards issued by the Bank of Portugal and Securities Market Commission.

As regards European legislation and particularly deriving from Directive 2013/36/EU and Regulation (EU) 575/2013[16], both in respect of access to the activity of credit institutions and respective prudential requirements, reference should be made to the continuation of the publication process of complementary Regulations (EU) 2017/18017, Commission Delegated Regulation (EU) 2017/218818, Commission Delegated Regulation (EU) 2017/123019 and Commission Implementing Regulation (EU) 2017/954[20].

Reference should also, herein, be made to the publication, on 26 September, of the joint EBA/ESMA guidelines on internal governance and assessment of the suitability of members of management bodies

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[13] Amended by Law 75-A/2014 of 30 September and by Law 42/2016 of 28 December.

[14] Amended and republished by Decree Law 157/2014 of 24 October, Law 16/2015 of 24 February, Law 23-A/2015 of 26 March, Decree Law 89/2015 of 29 May, Law 66/2015 of 6 July, Decree Law 140/2015 of 31 July, Law 118/2015 of 31 August, Decree Law 190/2015 of 10 September and Decree Law 20/2016, of 20 April.

[15] Republished by Decree Law 357-A/2007 of 31 October and amended by Decree Law 211-A/2008 of 3 November, Law 28/2009 of 19 June, Decree Law 185/2009 of 12 August, Decree Law 49/2010 of 19 May, Decree Law 52/2010 of 26 May, Decree Law 71/2010 of 18 June, Law 46/2011 of 24 June, Decree Law 85/2011 of 29 June, Decree Law 18/2013 of 6 February, Decree Law 63-A/2013 of 10 May, Decree Law 29/2014 of 25 February, Decree Law 40/2014 of 18 March, Decree Law 88/2014 of 06 June, Decree Law 157/2014 of 24 October, Law 16/2015 of 24 February, Law 23-A/2015 of 26 March, Decree Law 124/2015 of 7 July, Law 148/2015 of 9 September, Decree Law 22/2016 of 3 June and Decree Law 63-A/2016 of 23 September.

[16] European Parliament and Council Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies and European Parliament and Council regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment companies. Directive 2013/36/EU was transposed into domestic legislation by Decree Law 157/2014 of 24 October, which significantly amended the Legal Framework of Credit Institutions and Financial Companies.

[17] Complements European Parliament and Council Directive 2013/36/EU as regards the technical regulatory standards governing the standards to be adopted on the assessment of benchmark portfolios and the procedures for sharing such assessments.

[18] Amends European Parliament and Council Regulation (EU) 575/2013 on the derogation of own funds requirements applicable to certain covered bonds.

[19] Completes Regulation (EU) 575/2013 on the technical regulatory standards that specify the supplementary objective criteria for the application of a preferential rate on liquidity inflows or outflows on credit or cross-border liquidity facilities not used within a group or an institutional protection regime.

[20] Extends the transition periods related with own funds requirements for risk positions on the central counterparties provided for in Regulations (EU) 575/2013 and (EU) 648/2012/.

and key-function holders in the sphere of the referred to Directive 2013/36/EU[21].

Reference should additionally be made, in the sphere of the European legislative framework, to the publication, in 2017, of material amendments to Commission Implementing Regulation (EU) 680/2014, which sets out the financial information reporting technical standards for the purposes of the supervision of institutions in accordance with Regulation (EU) 575/2013, namely those introduced by Commission Implementing Regulation (EU) 2017/2114 and Regulation (EU) 2017/2017/1538 of the ECB[22] and by Commission Implementing Regulation (EU) 2017/1443[23].

It should also be noted that Community regulations continued to be published in 2017 that as part of the MiFID package, complement Directive 2009/65/EC of the European Parliament and Council as regards the duties of depositaries, such as Commission Delegated Regulation EU 2017/1943[24] and Commission Delegated Regulation EU 2017/1946[25].

Another reference should be made, in the financial brokerage sphere, to the publication of Commission Delegated Regulation EU 2017/653, which defines regulatory technical standards on the presentation, content, re-examination and revision of documents containing fundamental information for PRIIPs (Packaged Retail Investment and Insurance-based Products).

Further reference should be made, in the case of national legislation, to the publication of Decree-Law no.107/2017 that transposes the PAD (Payments Accounts Directive) – European Parliament and Council Directive 2014/92/EU of 23 July 2014 – on the comparability of fees related with payment accounts, changes of payment account and access to payment accounts with basic characteristics, setting out the rules on changes of payment accounts and facilitating the opening of cross-border payment accounts by consumers, in addition to standards on transparency and comparability between the fees charged to consumers for the payment accounts in their name.

With a significant impact on institutions' lending activity, reference should be made to the transposition of the Mortgage Credit Directive – Directive 2014/17/EU with the publication of Decree-Law no.74-A/2017 of 23 June and Decree-Law no.81-C/2017 of 7 July. The former approves the credit contracts regime for property and sets out the specific rules applicable to mortgage-backed consumer credit or by another right over a moveable asset and the latter establishes the regime covering credit brokers, accompanied by specific Bank of Portugal regulation on issues related with the calculation of consumers' solvency, pre-contractual and contractual information requirements from lenders and the knowledge required of employees involved in credit contract negotiations.

2017 also saw the transposition of the European Parliament and Council's 4th AML Directive – 2015/849/EU of 20 May 2015 – through the publication of Law 83/2017 of 18 August that in its amendments to the legal regime for the prevention of money laundering and countering the financing of terrorism (AML/CFT) was accompanied by several complementary legislative measures namely the creation of a central registry of effective beneficiaries, regulated by Law 89/2017, published on 21 August and the UNO's and EU's new framework covering the execution of restrictive measures published by Law 97/2017 of 23 August.

CGD’s activity must also comply with its articles of association, the most recent amendments to which were approved by its General Meeting of 31 August 2016.

CGD also has an Internal Standards System (ISS) which is accessible to and binding upon all employees and covers the most relevant aspects of the company’s operation and performance of its activity.

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[21] EBA/GL/2017/11 and 12.

[22] Amends Regulation (EU) 2015/534 on the reporting of financial information for supervision purposes (ECB/2017/25.

[23] Amends financial information reporting models for supervision purposes adapting them to IFRS 9.

[24] Complements European Parliament and Council Directive 2014/65/EU on the technical regulatory standards on information and requirements for the purposes of authorising investment companies.

[25] Complements European Parliament and Council Directives 2004/39/EC and 2014/65/EU as regards technical regulatory standards for an exhaustive list of information to be included by potential acquirers in the notification of a proposal for the acquisition of a qualified holding in an investment company.

CGD has public information on internal regulations available on the website www.cgd.pt https://www.cgd.pt/English/Institutional/Pages/Institutional_v2.aspx

It also provides information on external regulations and some internal policies in the Corporate Governance Report itself https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/Pages/CGD-Annual-Reports.aspx

CODES OF CONDUCT AND ETHICS

The Code of Conduct is a fundamental management instrument in respect of CGD's ethics. It provides information to its employees and other stakeholders on the values, ethical principles and standards of professional conduct governing CGD's performance.

CGD's current Code of Conduct was published in 2010. It is a mandatory self-regulating document to be complied with in and by CGD and helps to:

- Guarantee the clarification and harmonisation of benchmark standards for the performance of activity;
- Formalise and disclose information on the values, operating principles and standards of conduct governing relationships with various interested parties;
- Promote an organisational culture of compliance with the law and conformity with the values and principles adopted, in addition to the development of best corporate governance and ethical conduct practices.

The targets defined for the recipients of the Code, assume three dimensions:

- Know the code – knowledge of the code of conduct and values, operating principles and standards of professional conduct that this enshrines;
- Know-how – learn how to act in practical situations in accordance with the duties set out; and
- Commitment – commitment to the values and principles of CGD.

These dimensions include ethical performance indicators which aim to contribute to evaluate knowledge and the application of the code of conduct and for the periodic review of its management model.

The elaboration of the code of conduct and the definition of its management model was based on applicable law and on diverse literature on the topic, including the Portuguese Standard NP 4460-1:2007 "Guidelines for the process of drafting and implementation of codes of ethics in organizations".

CGD provided training in ethics and its code of conduct to its new employees, current employees from Caixa's structural bodies, employees participating in seasonal programmes and employees of CGD Group entities as part of its “Compliance Training for Teams” programme, in 2017.

The disclosure of the Code of Conduct to the employees is made both through these training actions and the Internal Rules System. The Code is available for consultation by Clients, Suppliers and other stakeholders on CGD's public website.

Specifically with regard to suppliers, CGD integrates clauses related to compliance with Ethical Principles and Good Corporate Practices in accordance with its Code of Conduct.

CGD’s Code of Conduct may be viewed on its intranet and website at:
https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduta-CGD.pdf

APPLICATION OF STANDARDS DESIGNED TO PREVENT CORRUPTION AND ACTION PLANS TO PREVENT AND MITIGATE FRAUD

Caixa, through DAI (Internal Audit Division), allocates various resources in a preventative approach to internal/external fraud, mainly comprising the following procedures/tools:

- Maintenance of a permanently updated system of recommendations/fraud alerts, in respect of the opening of accounts, certification of signatures, subscriptions to the Caixadireta service, direct debits, payments of cheques, domestic postal orders, bank passbooks, distance transfers, acceptance of deposits, negotiation of cheques drawn on foreign banks, banking secrecy and irregular cheques, in the sphere of the letter-cheques service; and internal fraud;
- Classroom training and awareness sessions for taskforces from the commercial branch office network, based on a predefined, standardised schedule, aiming to provide more explanatory, personal information on the more common recurrent fraud-related concerns/issues;
- Classroom training actions on fraud prevention and detection for trainees who will be working in the branch office network;
- Within the sphere of the ongoing audit system, the existence of a series of indicators and alerts on operations whose characteristics could potentially indicate the existence of internal or external fraud, that permanently and automatically activate audit alarms, which may generate the need to question the parties involved in the respective operations.

In addition to a preventative aspect, Caixa, through DAI, approaches fraud on the basis of an investigative and remedial strategy. DAI also has a computerised interaction and communication channel (mailbox) for all users and provides a permanent telephone hotline during office hours.

Precautionary measures necessary to avoid material losses for Caixa and its customers are put in place as soon as the investigation starts (contacts for clarification purposes, constraints on accounts, blocking of amounts, risk annotations, reports to the authorities, etc.).

The investigations aim to establish (internal) disciplinary liabilities and of third parties (clients), taking the applicable recovery and mitigation steps (e.g. negotiating of payment plans, legal action against fraudsters, etc.)

Whenever, during the course of such investigations, any control weaknesses that may give rise to internal or external fraud or when needs for any additional procedural improvements are identified, they are sent to the entities/structural bodies which are best qualified to examine them in greater detail and implement them.

DAI is equipped with software to register all occurrences related to internal and external fraud, as well as the respective mitigation measures.

As regards the specific phenomenon of corruption and considering that the management of this risk is a dynamic process and that its complexity increases in proportion to the size and structure of the organisation in which it can occur, Caixa has endeavoured to implement the best preventative and corrective practices in this area, both by integrating risk management in the corporate culture, on the basis of a programme set by the tone at the top and attributing and sharing responsibilities across the organisation as a whole.

Based on a pedagogical, proactive approach to all of Caixa’s structural bodies, DAI has played an active role with the aim of contributing to an internal control culture which necessarily includes the issue of preventing the crime of corruption and connected infractions.

At the same time, it articulates its internal audit activities in the said sphere with other control functions – risk management and compliance – considering the respective functions, responsibilities and authority.

The identification of any occurrences which could be related with corruption will be dealt with by DAI in the sphere of its authority and incorporated as referred to above.

With the aim of guaranteeing its adequacy and effectiveness, DAI assesses CGD’s current internal control system in which permanent measures to prevent and repress crime and connected infractions have currently been implemented in the form of internal procedures and standards, namely in:

- The opening and use of deposit accounts;

- Verification of the signatures of parties to agreements with CGD;
- Approval of expenses, external services, sponsorships and donations;
- CGD employees' involvement in loan operations;
- Contracting for services;
- The employee management area, including recruitment and training;
- Verification of access to insider information on issuing customers.

Accordingly, as regards prevention measures, the internal control system comprises documented procedures and practices for the detection and prevention of corruption and connected infractions, namely the code of conduct, its organic and functional structure, decision-making processes and adoption of the principle of separation between functions when justified by activities and tasks.

As a result of these policies, CGD is a contributor to the Council for the Prevention of Corruption's (CPC's) list of entities and sends information to this Council on the respective Prevention Plans on the Risks of Corruption and Associated Offences under CPC Recommendation 1/2009 of 1 July.

In addition to the above referred to procedures and internal standards, as part of the internal control system, all of the activity of Caixa and its employees is governed by the principle of active rejection of all forms of corruption. Such imperative professional conduct has been set out in article 31 of its code of conduct which expressly states the following:

1. CGD actively rejects all forms of corruption and its employees should not be involved in situations which may lead to acts which may be associated therewith.
2. CGD's activity is subject to rigorous internal control mechanisms, which include internal standards geared to preventing and countering corruption.

CGD published its PPCIC ("Prevention of Corruption and Connected Infractions Policy") in 2017. This corporate standard establishes the guideline principles for detecting and preventing corruption and connected infractions, lists the areas which are potentially more exposed thereto and describes prevention methods, respective officers, and rules applicable to the monitoring, assessment and revision of the respective policy.

The policy identifies the areas potentially more exposed to corruption and connected infractions with which procedures, mechanisms and prevention mechanisms should be associated.

The dispositions set out in the policy are always, whenever necessary, complemented by specific internal standards or other instruments.

CGD's policy for the prevention of corruption and connected infractions also enables employees to provide information on situations which come to their knowledge and which they consider may be associated with corruption, based on defined internal or external mechanisms, namely SCIPI (Internal Communication System on Irregular Practices), whose objectives are also related to preventing and combating corruption.

Information on corruption prevention is disclosed throughout the Corporate Governance Report.

Reference should lastly be made to the fact that under the PPCIC, CGD should provide all of its employees with training on issues related with the prevention of corruption and connected infractions. Training on CGD policy for the prevention of corruption and connected infractions was given to the employees of CGD Group entities' compliance teams in 2017.

COMPLIANCE WITH LEGISLATION AND REGULATIONS

APLICATION OF FISCAL REGULATIONS

CGD has two inter-complementary technical units for compliance with the fiscal legislation and regulations in force. One is geared to CGD’s compliance with its own fiscal obligations and the other focuses on logistical support for the interpretation of legislative standards and those pertaining to CGD itself and products geared to customers, in addition to other functions attributed to it in matters of tax disputes.

APPLICATION OF STANDARDS RELATING TO COMPETITION AND CONSUMER PROTECTION

Caixa Geral de Depósitos’s activity is governed by the ethical principles set out in its code of conduct, furthering objectives of profitability, quality, customer satisfaction, fair prices and rigorous compliance with the rules of competition and protection of bank customers.

Updating norms of transparency in the relationship with the client

CGD permanently oversees the publication of new legal and regulatory obligations, in addition to the issue of recommendations and definition of good practice by the supervisors, with the objective of adjusting its activity in conformity.

Reference is made in the item on "Applicable Internal and External Regulations" to several statutes published in 2017, which, *inter alia*, include specific obligations to provide customers with clear, full and reliable information.

With the aim of adjusting its performance to conform to these behavioural standards, Caixa systematically analyses its practices and internal standards on such issues, identifying opportunities for improvement, to prepare for the expected legal and regulatory amendments.

Commercialisation of banned products or products under public discussion

Owing to their nature and importance in people's day-to-day lives, financial products and services are permanently scrutinised by supervisory bodies, as well as by customers and consumer protection bodies, self-regulating bodies, sectoral representation bodies and lawmakers.

The financial products and services commercialised by CGD comply with rigorous internal control mechanisms ranging from design to commercialisation and disclosure/advertising, with the aim of ensuring scrupulous compliance with all legal and regulatory obligations, as well as best practice, as disclosed by international and national bodies and the ethical principles defined by CGD.

Corporate management, approval and monitoring of products policy

Caixa defined its corporate management, approval and monitoring of products policy in 2017. The policy sets out the performance principles governing the process for the internal approval of products in due compliance with governance and monitoring guidelines, as well as official policy for the approval of new products, establishing the stages, functions and responsibilities to be complied with in the product approval process.

Transparent commercial practices

The disclosure of product information to customers uses clear, user-friendly, transparent language in conformity with the dispositions of CGD's code of conduct and in due compliance with the lawfully and regulatory defined duties of information and transparency, support for which is submitted internally in advance for the consideration of the Compliance Office, Risk Management Division and Communication and Brand Management Division and, externally, to the supervisors , in the case of complex financial products.

In the case of investment and savings products, based on continuous improvements to informational and contractual contents across all bank deposit-taking channels by providing customers with standardised information sheets, in line with Bank of Portugal Official Notices 4/2009 and 6/2009, as well as the respective contracts and the provision of simulators.

Improvements were developed in terms of market relations, to ensure greater transparency in activities involving the reception and transmission of customers' orders, in order to guarantee investors' trust in Caixa, as a financial broker.

3.6.4. SPECIAL INFORMATION REQUIREMENTS

Caixa Geral de Depósitos complies with the special information duties required by the Directorate General for the Treasury and Finance.

Under the terms of ministerial ruling 1361, issued on 18 July 2014 by the secretary of state for finance, CGD was dispensed from the requirement to disclose the information provided for in sub-paragraphs d), f) and g) of article 44 of Decree-Law no.133/2013, with CGD considering the extension thereof to sub-paragraph i) of the same article given the analogous nature of the information in question.

Caixa Geral de Depósitos, in compliance with its reporting requirements provides information on its performance and economic-financial situation through via “SIRIEF” (“system for the collection of economic and financial information”). The annual accounting documents are published on various platforms namely CGD’s website, the CMVM’s extranet, BPNet (Bank of Portugal), SIRIEF (DGTF) and the Portuguese audit court’s electronic application for the submission of accounts.

CGD Annual Reports are available on the site: www.cgd.pt - Annual reports of accounts: https://www.cgd.pt/English/Investor-Relations/Financial-Information/CGD/Pages/CGD-Annual-Reports.aspx

INVESTOR SUPPORT

Under the terms defined in its legal framework, CGD, as an issuer of financial instruments, has appointed a Market Relations Representative, which promotes the timely communication of information that is likely to materially affect the economic, financial and equity situation of the company. In addition, the website www.cgd.pt provides a set of institutional and business information.

Contacts of Market Relations Representative

CGD's representative for market relations and head of the Investor Relations Office (GIR):

Luís Saraiva Martins

Av João XXI, 63	Phone: (351) 21 795 3524
1000-300 Lisboa	Fax: (351) 21 795 3479
	E-mail: luis.saraiva.martins@cgd.pt

Functions of the Investor Relations Office

The Investor Relations Office is a corporate body, responsible for ensuring good relationships and communication with investors, market and financial community in general. Particular reference should be made to its following areas:

- The ongoing, consistent disclosure of information on policies, strategic pillars, financial evolution and all relevant information helping to strengthen CGD Group's image in the market;
- The proactive management of relations with the financial community, namely investors, rating agencies, counterparties, analysts and supervisory authorities.

As part of its recapitalisation process CGD organised a roadshow for institutional investors in Lisbon, London and Paris, in March 2017, having met with around 120 investors.

Following the referred to roadshow and in the ensuing 9 months, The Investor Relations Office held 91 one-on-one or group meetings involving a total number of 150 investors. This translated into a monthly average of 10 meetings and 16 investors, respectively.

These meetings, organised by investment banks and CGD's Investor Relations Office, working in conjunction with research enterprises, final investors and rating agencies, in different European cities (Lisbon, Paris, London, Lausanne, Madrid, Milan, Frankfurt and Dusseldorf) were indicative of the interest in the Bank.

Type of information provided by the Investor Relations Office

The link https://www.cgd.pt/Investor-Relations/Pages/Investor-Relations_v2.aspx link, on CGD’s website, provides information on annual reports, quarterly financial information and other mandatory documents in addition to other information considered to be of interest to analysts and investors, namely quarterly factsheets, Investor Journal and Strategic Plan.

First quarter 2017 witnessed the start of conference calls to analysts and institutional investors following the disclosure of information on the quarterly accounts, with a podcast of the information on CGD's activity and results.

To facilitate interaction with analysts and investors the Office has a mailbox that received requests for information on various issues during the course of 2017. These included own debt securities, financial indicators and the quarterly accounts. When the information is public most of the questions are answered on the day upon which the request is received. Other situations within the remit of this Office are answered within the shortest possible space of time, with the time taken to respond to requests being contingent upon the complexity of the issues raised and the dynamics of the involvement of the structural bodies from which the Office has requested an input, taking into account the need to provide full, rigorous information.

DISCLOSURE OF PRIVILEGED INFORMATION

CGD disclosed the following privileged information in 2017, in full compliance with its duty to immediately publish relevant information:

Date	Subject
27/12/2017	Caixa Geral de Depositos, S.A. infoms about Fitch rating decisions
21/12/2017	Caixa Geral de Depositos, S.A. infoms about minimum own funds requirements to be observed from 1st January 2018
21/12/2017	Caixa Geral de Depósitos, SA informs about the launch of the final process of shareholdings disposal
12/12/2017	Caixa Geral de Depósitos, S.A. Informs about participation in BCI-Banco Comercial e de Investimentos, S.A.
27/10/2017	Caixa Geral de Depósitos, S.A. informs about third quarter 2017 Consolidated Results Presentation
27/10/2017	Caixa Geral de Depósitos, S.A. informs about third quarter 2017 Consolidated Results
28/09/2017	Caixa Geral de Depósitos, S.A. Informs on platform for the integrated management of non performing loans
28/07/2017	Caixa Geral de Depósitos, S.A. informs about 1st half 2017 Consolidated Results Presentation
28/07/2017	Caixa Geral de Depósitos, S.A. informs about 1st half 2017 Consolidated Results
18/05/2017	Caixa Geral de Depósitos, S.A. informs about 1st quarter 2017 Consolidated Results Presentation
18/05/2017	Caixa Geral de Depósitos, S.A. informs about 1st quarter 2017 Consolidated Results
30/03/2017	Caixa Geral de Depósitos, S.A. Informs about recapitalisation process
23/03/2017	Caixa Geral de Depósitos, S.A. Informs about AT1 placement in the market
23/03/2017	Caixa Geral de Depósitos, S.A. Informs about AT1 launch in the market
22/03/2017	Caixa Geral de Depósitos, S.A. Informs about the conclusion of investors Roadshow
20/03/2017	Caixa Geral de Depósitos, S.A. Informs about AT1 issue - Q&A
20/03/2017	Caixa Geral de Depósitos, S.A. Informs about the AT1 issuance process
20/03/2017	Caixa Geral de Depósitos, S.A. Informs about share capital increase
15/03/2017	Caixa Geral de Depósitos, S.A. informs about 2016 Consolidated Results including Separate Accounts
13/03/2017	Caixa Geral de Depósitos, S.A. informs about DGComp Announcement
10/03/2017	Caixa Geral de Depósitos, S.A. Informs on CGD Strategic Plan 2020
10/03/2017	Caixa Geral de Depósitos, S.A. informs about 2016 Consolidated Results Presentation
10/03/2017	Caixa Geral de Depósitos, S.A. informs about 2016 Consolidated Results
04/01/2017	Caixa Geral de Depósitos, S.A. Informs about first stage of recapitalisation process

DISCLOSURE OF OTHER MARKET INFORMATION

CGD maintained its market information feed over the course of 2017 in line with the recommendations of the Securities Market Commission and best international practice, in a context of transparency and rigour for its investors, analysts, customers and other stakeholders.

In compliance with its public disclosure requirements, Caixa Geral de Depósitos has published all relevant, mandatory information on the CMVM's information disclosure system as well as hosting it on its internet site for all interested parties.

DISCLOSURE OF INFORMATION ON CGD´S WEBSITE

The informational architecture of CGD's website contains a public area exclusively for the disclosure of corporate governance information, in full compliance with good governance principles for companies in the state's corporate sector. This website area ensures the disclosure of all mandatory and legal information on the company's diverse corporate governance issues, including information on the issues set out in the following table:

	Disclosure			
	Yes	No	NA.	Remarks
Mission and Strategy	X			
Shareholder Structure	X			
Governance Model	X			
Remunerations and other Benefits	X			Remunerations Policy
Organisational chart	X			
Code of Conduct	X			
Regulations	X			
Historical and Current Financial Information	X			
Corporate Governance Principles	X			
Identity and résumés of all members of statutory bodies	X			

This information is available at:

https://www.cgd.pt/Institucional/Pages/Institucional_v2.aspx

The addresses used, including hyperlinks, for disclosing the following elements on CGD:

a) Headquarters and other elements referred to in article 171 of the Commercial Companies Code: https://www.cgd.pt

b) Articles of association and operational regulations of bodies and/or committees

- CGD website at: www.cgd.pt:
  - Statutes: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Estatutos-da-CGD.pdf
  - Board of Directors Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Conselho-Administracao.pdf
  - Executive Commission Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Executiva.pdf
  - Supervisory Board Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Conselho-Fiscal.pdf
  - Corporate Governance Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Governo.pdf
  - Financial Risks Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Riscos-Financeiros.pdf

- Audit and Internal Control Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-da-Comissao-Auditoria-Controlo-Interno.pdf
- Nomination, Assessment and Remuneration Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Nomeacoes-Avaliacao-Remuneracoes.pdf
- Remuneration Committee Regulation: https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Regulamento-Comissao-Remuneracoes.pdf

• SEE (State’s corporate site) website: Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

c) Holders of statutory office and other statutory bodies and respective résumés, in addition to their respective remuneration and other benefits

• CGD website at: www.cgd.pt:
  - Holders of statutory office and other statutory bodies - https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Pages/Orgaos-Sociais.aspx
  - *Résumés* - https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Modelo-de-Governo/Pages/Orgaos-Sociais-Curriculos.aspx

• SEE (State’s corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

d) Documents for the provision of the annual and, if applicable, half yearly accounts

• CGD website at: www.cgd.pt - Annual and half yearly accounts: https://www.cgd.pt/Investor-Relations/Informacao-Financeira/CGD/Relatorios-Contas/Pages/Relatorios-Contas-CGD.aspx

• SEE (State’s corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

e) Public service obligations to which the entity is subject and the contractual terms governing the provision of public service

• n.a.

f) Underlying funding model and financial support received from the state over the last three years

• SEE (State’s corporate site) website - Obligatory information available at: http://www.dgtf.pt/sector-empresarial-do-estado-see/informacao-sobre-as-empresas/entity/cgd-caixa-geral-de-depositos-sa

3.7. Remuneration

COMPETENCE FOR ASSESSING REMUNERATION

The General Meeting's Remuneration Committee, in due compliance with the remuneration policy for the Board of Directors and Supervisory Board, as approved by the General Meeting, including the limits therein defined, is responsible for setting the fixed and variable components of the remuneration of members of the company's statutory bodies, as applicable.

As the body in charge of defining the remuneration of members of the Board of Directors and Supervisory Board, the said Committee is responsible for ensuring compliance with the applicable legal and statutory requirements, namely as regards their remuneration policy and implementation.

In turn, the Nomination, Assessment and Remuneration Committee is responsible for assisting and advising the Board of Directors on the appointment and definition of the remuneration of the statutory bodies of other CGD Group companies and CGD employees with a managerial status who report directly to the Board of Directors or any of its Committees (including the Executive Committee). This Committee is also responsible for producing the opinion defining the variable component of the remuneration of members of the Executive Committee for submission to the General Meeting's Remuneration Committee.

REMUNERATION POLICY FOR MEMBERS OF BOARDS OF DIRECTORS AND SUPERVISORY BOARDS

The remuneration policy, approved in the form of a *unanimous written resolution,* on 31 August 2016, is applicable to CGD's statutory and supervisory bodies.

In 2017, the state budget law for 2017 (Law 42/2016 of 28 December 2017) eliminated the restrictions on remuneration and restored career advancements. This applies to members of statutory bodies and workers of credit institutions in the state's corporate sector and qualified as "significant supervised entities" in the sense of item 16) of article 2 of Regulation EU 468/2014 of the ECB of 16 April 2014 and respective subsidiaries in the state's corporate sector.

The remuneratory policy of CGD's statutory bodies continues to be governed by the RGICSF ("Legal Framework of Credit Institutions and Financial Companies"), Community standards and Bank of Portugal regulation, which establish mandatory rules and restrictions on the referred to policy.

No management bonuses were awarded in 2017.

The following are the primary objectives of the remuneration policy for CGD's statutory bodies:

- To ensure compliance with the applicable, legal and regulatory dispositions;
- To promote and be coherent with healthy, prudent risk management;
- To discourage risk-taking at levels higher than those defined and tolerated by CGD;
- To ensure compatibility between the remuneration mechanisms defined and CGD's long term strategy, objective, values and interests, as established by its competent Statutory Bodies;
- To avoid situations of conflicts of interest;
- To structure remuneration mechanisms which take into account and which are adequate and proportional to the type, characteristics, dimensions, organisation and complexity of CGD's activities;
- To promote the competitiveness of CGD's Remuneration Policy, taking into consideration the remuneration policies and practices of other banks and institutions comparable to CGD.

The remuneration and its respective composition are coherent with CGD's governance structure and are aligned with the risk profile tolerated by CGD.

The remuneration of Executive Board Members comprises a fixed and variable component, the latter attribution of which is not guaranteed.

The fixed remuneration component comprises a sufficiently high proportion of the Executive Board Members' total remuneration, to permit the application of a fully flexible policy relative to the variable component, including the possibility of the non-payment thereof.

The variable component is indexed to the achievement of concrete, qualified objectives in line with CGD's long term interests. No amounts were paid in respect of variable remuneration in 2017.

The remuneration of non-executive Board members, in addition to members of the Supervisory Board exclusively comprises a fixed component and does not include any variable component nor is the attribution thereof contingent upon CGD's results.

According to the remuneration policy approved on 31 August 2016, the amount of the variable component of the remuneration may not exceed the amount of the fixed remuneration, in order to ensure that the fixed component represents a sufficiently high proportion of the total remuneration of executive directors, in such a manner as to permit the application of a fully flexible policy regarding the remuneration's variable component, including the possibility of its non-payment.

The total amount of the variable remuneration of the Executive Board Members as a whole may not exceed the maximum percentage of consolidated net profit for the year as defined for each year by the General Meeting of shareholders following the proposal submitted by the Remuneration Committee, with the fixing of the said amount taking CGD's performance and global results, the policy followed on this matter in comparable institutions and the evolution of the global amount defined for the variable remuneration of CGD employees as a whole into account.

The variable component of the remuneration of the Executive Board Members comprises:

c) A cash payment comprising 50% of the total amount of the variable component; and

d) A payment in kind comprising 50% of the total amount of the variable component.

The payment in kind shall comprise bonds issued by CGD, with a minimum period to maturity of five years, in the form of additional Tier 1 or Tier 2 own funds instruments as defined by articles 52 and 63, respectively, both of Regulation (EU) 575/2013.

Performance will be assessed:

a) On a pluriannual basis, for the assessment process to be based on long term performance and for the payment of the remuneration components thereon dependent to be spread over a period which takes CGD's underlying economic cycle and its business risks into account and which should, for the said purpose, consider not only the year referred to by the variable component but also the preceding years of the term of office in progress;

b) Based on the following quantitative criteria:

   vi. Solvency, comprising: solvency ratio, credit default ratios and property foreclosures;

   vii. Profitability, comprising: return on equity, net interest income, impairment and risk-adjusted return on capital;

   viii. Efficiency: cost-to-income;

   ix. Market position: CGD's market shares;

   x. Liquidity: reference should be made to: the ratio of the conversion of resources from balance to credit, the maturity of medium / long-term debt and the rate of use of the European Central Bank funding.

c) The following qualitative criteria will also be considered:

   iii. Level of customers' complaints;

   iv. CGD's reputation indicators.

The variable cash component of the Remuneration Policy is assessed and paid in the first half year following the year to which such remuneration refers and corresponds to the “assessment date”.

The variable component of the remuneration in kind is subject to a period of 3 years starting from the assessment date, to ensure compatibility between the Executive Board Members’ incentives and CGD’s long term interests.

The remuneration’s variable component is subject to reduction and reversal mechanisms.

The remuneration policy provides Executive Board Members with social benefits under the terms to be defined by the General Meeting of Shareholders or Remuneration Committee, with the practices being followed in CGD, in addition to the remuneratory policies and practices of other banks and institutions comparable to CGD being taken into consideration.

Non-executive Board Members and members of the Supervisory Board are not entitled to any social benefits.

Members of all CGDs Statutory Bodies do not have any specific retirement plan due to their membership. Individually, these members keep their contributions to the plan which they were beneficiaries of before the start of their functions at CGD or, in the case when the previous position was as a CGD employee, the contribution rates are maintained and applied to the remuneration due under that condition.

Reference should also be made to the following as regards the remuneration of statutory bodies:

- Board of the General Meeting
  The remuneration of members of the Board of the General Meeting is approved by the Remuneration committee.
- Board of Directors
  No management bonuses were awarded in 2017.
- Supervision:
  The above referred to rules apply.

In the case of the External Auditor, according to the state budget law for 2017, the global costs of service contracts cannot exceed the global amounts paid in 2016.

It should also be stated that the amounts paid for service contracts that, in 2017, were renewed or entered into with an identical object or counterparty of a contract existing in 2016, may not exceed the amounts paid in 2016, considering the total aggregate amounts of the contracts, whenever the same counterparty provides more than one service to the same acquirer, or unit price when the contract can be mathematically assessed or has been used as a basis for calculating the amounts paid in 2016.

As regards the remuneration received by performing duties in companies in a dominant position or of the CGD Group, during 2017 the remuneration policy referred to in order No. 8/2016, expressly provided that "the members of the Executive Board carrying out functions in the management bodies of companies in relation of domain and/or group with CGD, or carrying out specific functions by indication of the Board of Directors, are not paid by its Office, notwithstanding the relevance and the importance of the same." At August 31 2016, following the new remuneration policy approval, applicable to administrators who were elected on the same date, "the value of variable component of remuneration in cash, that will be fixed for each Executive Member, will be deducted from the amount corresponding to the total remuneration received by the same, during the financial year of which it concerns, as a counterpart for the exercise of functions in other entities indicated by CGD”.

BOARD OF DIRECTORS

(EUR)

Board of Directors	Remuneration (Monthly values - 14 months)
Up to 31.01.2017	
Chairman non-executive	
Emilio Rui da Veiga Peixoto Vilar [(a)]	3,500.00
Executive members	
João Paulo Tudela Martins	23,285.71
Tiago Ravara Belo de Oliveira Marques	23,285.71
Pedro Humberto Monteiro Durão Leitão	23,285.71
From 01.02.2017	
Chairman	
Emílio Rui da Veiga Peixoto Vilar [(a)]	3,500.00
Vice-President	
Paulo José Ribeiro Moita Macedo	30,214.29
Executive members	
Francisco Ravara Cary	23,285.71
João Paulo Tudela Martins	23,285.71
José António Silva Brito	23,285.71
José João Guilherme	23,285.71
Maria João Borges Carioca Rodrigues	23,285.71
Nuno Alexandre Carvalho Martins	23,285.71
Carlos António Torroaes Albuquerque	23,285.71
Non executive members	
Maria dos Anjos Capote [(b)]	3,500.00
Ana Maria Machado Fernandes	3,500.00
João José Amaral Tomaz [(a)]	3,500.00
José Maria Azevedo Rodrigues	3,500.00
Alberto Souto Miranda	3,500.00
Hans-Helmut Kotz	3,500.00

(a) This member opted not to receive.

(b) Resigned, taking effect from 30.11.2017.

Supervisory Board	Remuneration (Monthly values - 14 months)
Chairman	
Guilherme Valdemar Pereira d'Oliveira Martins	5,200.00
Member	
António Luis Traça Borges de Assunção	4,500.00
Manuel Lázaro Oliveira de Brito	4,500.00
Alternate Member	
Nuno Filipe Abrantes Leal Cunha Rodrigues	0.00

SPECIAL COMMITTEES

Regardless of the amount stipulated for attendance tickets per meeting and the number of meetings actually held, the maximum annual amount that can be received is limited to 49,000 euros per year per member.

Name	Statutory Bodies / Position	Attendance fee	Payment Frequency	Meeting Frequency	Total Meeting
Audit and Internal Control Committee					**11**
José Maria Monteiro de Azevedo Rodrigues	Chairman	4,900	Per meeting	6 meetings/year	
António Borges de Assunção	Member	3,700	Per meeting	6 meetings/year	
João José Amaral Tomaz [a]	Member	3,700	Per meeting	6 meetings/year	
Alberto Souto de Miranda [b]	Member	3,700	Per meeting	6 meetings/year	
Financial Risks Committee					**13**
João José Amaral Tomaz [a]	Chairman	3,700	Per meeting	8 meetings/year	
José Maria Monteiro de Azevedo Rodrigues	Member	3,700	Per meeting	8 meetings/year	
Ana Maria Machado Fernandes	Member	3,700	Per meeting	8 meetings/year	
Hans-Helmut Kotz [c]	Member	3,700	Per meeting	8 meetings/year	
Nomination, Assessment and Remuneration Committee					**20**
Ana Maria Machado Fernandes [d]	Chairman	3,700	Per meeting	Quarterly	
Manuel Lázaro Oliveira de Brito [e]	Member	3,700	Per meeting	Quarterly	
António Borges de Assunção	Member	3,700	Per meeting	Quarterly	
Alberto Souto de Miranda [b]	Member	3,700	Per meeting	Quarterly	
Corporate Governance Committee					**8**
Alberto Souto de Miranda [c]	Chairman	3,700	Per meeting	Quarterly	
Nuno Filipe Abrantes Leal Cunha Rodrigues [f]	Member	3,700	Per meeting	Quarterly	
Ana Maria Machado Fernandes	Member	3,700	Per meeting	Quarterly	
Hans-Helmut Kotz [g]	Member	3,700	Per meeting	Quarterly	

a) This member opted not to receive.
b) Appointed as a member of the Committee by Board deliberation in 14.09.2017.
c) Appointed as a member of Committee to replace Maria dos Anjos Capote, by Board deliberation in 23.11.2017.
d) Appointed as a member to replace Emilio Rui Vilar, by Board deliberation in 14.09.2017.
e) Appointed to replace Guilherme d'Oliveira Martins, by Board deliberation in 22.06.2017.
f) Appointed as a member to replace António Borges de Assunção, by Board deliberation in 22.06.2017.
g) Appointed as a member of the Committee by Board deliberation in 23.11.2017.

STAFF REMUNERATION POLICY

The remuneration policy for CGD's employees takes the form of collective bargaining agreements which are published in the Labour and Employment Bulletin and internal regulations accessible to all workers.

In the remuneration policy sphere, company agreements and internal regulations govern the following:

- Wage scales and pecuniary clauses;
- Professional careers;
- Remuneration system;
- Performance management system;
- Labour conditions;
- Welfare regime;
- Incentives system;
- Profit sharing.

The remuneration of CGD workers comprises a fixed and variable component.

The fixed remuneration defined under the terms of the Company Agreement in force and internal regulations, comprises a basic wage complemented by various remuneratory items such as continuity payments, subsidies for the absence of fixed working hours, subsidies for certain functions and holiday and Christmas bonuses.

Variable remuneration is paid on a one-off basis by the Board of Directors and is closely linked to performance and the level of fulfilment of objectives.

The Performance Management System consists of an annual process by means of which CGD plans its activity, monitors performance and evaluates results. The assessment of performance and fulfilment of objectives are relevant factors to be taken into consideration in any change to the remuneratory status of workers, including managerial staff, either in the form of merit-based promotion or the revision of other fixed or variable wage components.

The remuneration policy for CGD workers ceased to be conditioned by the wage restrictions imposed under the state budget law, in 2017, which were eliminated, with career advancements being restored from 2017. This is applicable to the workers of credit institutions in the state's corporate sector and qualified as "significant supervised entities", in the sense of item 16) of article 2 of Regulation (EU) 468/2014 of the ECB of 16 April 2014 and respective subsidiaries in the state's corporate sector.

In 2017, there were no changes in the salary scale, but a process of salary revision and merit-based promotions was carried out at the same time that commercial incentives were maintained, which resulted in a wage increase of 1.76%, significantly higher than in previous years, as shown in the following table:

	2013	2014	2015	2016	2017
Wage variation (without diuturnities)	-0.34%	0.49%	0.50%	0.71%	1.76%

The average salary paid by CGD in 2017 to employees with managerial functions was €5,636 (€5,868 in 2016). In the case of employees who do not exercise managerial functions, the average compensation in 2017 was €1,979 (€1,937 in 2016).

The average value of retirement pay for employees who are CGA beneficiaries and retired upon reaching the natural retirement age in 2017 was €6,000 (€5,451 in 2016). In the case of retiring employees who did not exercise managerial functions, the average value in 2017 was €2,108 (€2,086 in 2016).

Remuneration paid in 2017 to management staff employees dedicated to CGD structures with and without control functions, were the following:

STAFF REMUNERATION

(EUR)

	Workers covered by article 17 no. 1 of the Bank of Portugal's Official Notice 10/2011	
	Management staff CGD Structures (without Control Functions)	Management staff CGD Structures (with Control Functions)
1. Annual remuneration		
1.1. Base remuneration	13,444,616.75	1,027,956.42
1.2. Variable remuneration	5,163.00 (1)	0
1.3. Number of Beneficiaries	188	16
2. Additional Information		
2.1. New Hirings in 2017	1	1
2.2. Amounts paid on early rescissions of work contracts	303,539.23	0
2.2.1. Number of payment beneficiaries	1	0

(1) Productivity incentives attributed to workers with managerial functions in commercial areas.

3.8. Transactions with Related and Other Parties

CGD performs transactions with group and associated companies and other entities controlled by the Portuguese state.

CGD's separate financial statements, at 31 December 2017, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	31-12-2017			
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	Other Companies of CGD Group
Assets:				
Liquid assets held in credit institutions	-	-	-	941
Loans and advances to credit institutions	-	-	-	2.361.307
Bonds and trading derivatives	5.774.473	113.692	5.820	1.102.266
Loans and advances to customers	-	3.928.536	62.889	205.568
Impairment of Loans and advances to customers	-	-	-	34.434
Other Assets	-	213.278	145.892	618.138
Liabilities:				
Resources from credit institutions	-	68.089	5	1.196.661
Customer resources	31.252	621.146	387.161	1.891.398
Debt securities	-	-	-	1.406
Subordinated Liabilities	-	-	-	111.366
Financial liabilities held for sale	65.333	3.455	44	37.737
Other Liabilities	10.611	378	730	110.299
Guarantees Given	1.500	143.607	33.979	1.377.334
Costs and Income:				
Interest and similar income	69.128	118.076	2.973	166.651
Interest and similar costs	34.914	1.412	2.386	80.319
Income from services rendered and comissions	66	2.799	49.698	24.288
Costs from services rendered and comissions	24	728	371	3.492
Results from financial operations	138.441	(33.757)	(852)	(58.315)
Other operating income	-	-	-	13.806
General administrative costs	-	9	1.288	30.180

CGD's consolidated financial statements, at 31 December 2017, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	31-12-2017		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:			
Liquid assets held in credit institutions	-	-	-
Bonds and trading derivatives	6,778,065	384,181	5,820
Loans and advances to customers	-	4,005,883	73,242
Impairment of Loans and advances to customers	-	-	-
Other Assets	36,793	218,422	493,425
Liabilities:			
Resources from credit institutions	31,252	621,516	414,534
Financial liabilities held for sale	65,333	45,238	44
Other Liabilities	116,911	68,631	1,294
Guarantees Given	1,500	148,279	33,979
Costs and Income:			
Interest and similar income	104,178	135,009	3,271
Interest and similar costs	34,914	12,847	2,571
Income from services rendered and comissions	66	8,848	53,923
Costs from services rendered and comissions	24	1,113	391
Results from financial operations	108,618	(17,054)	(852)
Other operating income	(45)	(1,385)	238
General administrative costs	0	13	2,460

As regards the concept of "related parties" established in the Legal Framework of Credit Institutions and Financial Companies, CGD adopted a collection of internal standards in the respective regulation sphere.

Caixa records and regularly oversees operations with related parties as regards the companies included in the Group's consolidation perimeter.

CGD's internal regulation formalises the policies on prohibitions and restrictions on lending to members of its Board of Directors and Supervisory Board, as set out in article 85 of the RGICSF (Legal Framework of Credit Institutions and Financial Companies) and defines the respective rules and procedures in force.

Under the terms of the referred to regulation CGD may not issue any form or type of loan, including the provision of guarantees, either directly or indirectly, to members of its boards of directors or Supervisory Boards, or to companies or other collective entities directly or indirectly controlled by them.

Lending is presumed to be indirect when the beneficiary is a spouse or a person living in a de facto union, a relation or the like up to the first degree of any member of boards of directors or Supervisory Boards of a company directly or indirectly controlled by any of the said persons.

CGD's Board of Directors is responsible for considering requests countering the above referred to presumption, which should be formulated in advance of the loan and should, if considering such counterarguments justified, inform the Bank of Portugal of the specific lending operation with a minimum advance notice of 30 days.

The regulation also rules that the following are not covered by the above referred to prohibition:

- lending operations for social purposes or when deriving from CGD's employee policy as well as loans made as a result of the use of credit cards associated with the deposit account, under similar conditions to those for other customers with an analogous profile and risk;
- lending operations whose beneficiaries are credit institutions, financial or holding companies included in the supervision perimeter on a consolidated basis to which CGD is subject, or pension fund managers, insurance companies, brokers, and other insurance agents that control or are controlled by any entity which is part of the same supervision perimeter.

In 2017, Law 109/2017 of 24 November amended various articles of the RGICSF (Legal Framework of Credit Institutions and Financial Companies) for the purpose of ensuring the reduction of potential conflicts of interest and tightening the criteria on suitability. The various amendments included the elimination of article 85, the exception (no. 5) which ruled that non-executive Board members of credit institutions who were not members of the Audit Committee and companies or other collective bodies controlled by them were not covered by the general prohibition on loans of any form or type made by credit institutions, to members of their boards of directors or supervisory bodies, or companies or other collective bodies directly or indirectly controlled by them. In conformity, all members of boards of directors or supervisory bodies are now legally subject to the referred to lending prohibition.

The referred to legal amendment did not imply modifications to the internal regulation as the procedures therein incorporated were already in consonance with the more restrictive understanding now established.

CGD has implemented duly formulated and documented systems, policies and internal control procedures to guarantee compliance with its obligations under article 85 of the RGICSF.

OTHER TRANSACTIONS

PROCEDURES FOR THE ACQUISITION OF GOODS AND SERVICES

Caixa Geral de Depósitos (CGD) has transparent procedures in place for the acquisition of goods and services, subject to principles of economy and effectiveness.

CGD has adopted the following procedures:

Preparation and market consultation

- Initiation of process with the identification of the need for new services or renewal of contracts;
- Identification of suppliers to be consulted;
- Production of tender documents, using the adequate draft model for the goods/service;
- Preparation of the suppliers' assessment grid;
- Tender documents sent to previously identified suppliers, inviting them to submit their proposals, which consultation, whenever possible, is sent to a minimum number of 3 suppliers per item/service;
- Reception of calls for tender and scheduling of meetings for clarifying doubts within the periods indicated in the tender documents.

Reception, assessment and negotiations of bids

- Reception of the bids from consulted suppliers, within the periods specified in the tender documents and in a sealed letter;
- Opening of bids by a bid opening committee;
- Preparation and signing of the minutes of the opening of the bids;
- Analysis and comparative assessment of bids (production of shortlist if necessary);

- Production of a bid assessment grid, taking the previously defined assessment table into account.

Selection, approval of expense and award

- Selection of suppliers for inclusion in the following stage of the negotiating process;
- Notification of suppliers excluded during the course of the negotiating process;
- Negotiating rounds up to the selection of the final supplier (in each round the collection of activities set out in this item is checked);
- Allocation of expenditure;
- Production of information for the decision of the competent corporate body;
- Production of award document in accordance with the current draft model;
- Award of the acquisition of goods/services to supplier.

Contracts

- Production of draft contract, based on the contents of the negotiating process, with no work being allowed to commence on its execution prior to the start date defined in the award;
- Copy of draft model sent to supplier.

TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS IN 2017

Information on the contracts usually entered into with CGD Group companies, without consulting the market is set out below:

- Valuables transport – ESEGUR – Empresa de Segurança, SA;
- Leasing operations – Caixa Leasing e Factoring, IFIC, SA;
- Vehicle hire – LOCARENT - Companhia Portuguesa de Aluguer de Viaturas, SA;
- New media developments with CaixaTec – Tecnologias de Informação, SA;

LIST OF SUPPLIERS REPRESENTING MORE THAN 5% OF EXTERNAL SUPPLIES AND SERVICES ON A SEPARATE BASIS

The following suppliers represented more than 5% of external supplies and services on an individual basis, in 2017:

(EUR)

Tax no.	Supplier	Total in 2017
PT500068801	Companhia IBM Portuguesa, S.A.	29,057,845.24
PT720003490	Fundo de Pensões do Pessoal da Caixa Geral de Depósitos	24,400,157.29

3.9. Prevention of conflicts of interest

CGD is lawfully required to implement effective instruments to ensure the identification, prevention and management of possible conflicts of interest, with the Board of Directors being the body responsible for the definition, implementation and monitoring of a global prevention of conflicts of interest policy as well as the creation of adequate structures and means for the identification, prevention and management of conflicts.

Members of the Board of Directors and inspection bodies perform their functions in accordance with the interests of Caixa Geral de Depósitos, in due compliance with principles of transparency and loyalty, and are aware of the limitations provided for in article 85 of the Legal Framework of Credit Institutions and Financial Companies.

In compliance with the issue of recommendations on conflicts of interest, CGD has defined operating principles on professional conduct as well as a system for the internal communication of irregular practice in the form of various internal standards, code of conduct and global prevention and management of conflicts of interest policy in CGD, as defined in Internal Instruction 29/2017 of 16 August.

Members of the Board of Directors are fully aware of the fact that they cannot interfere in considerations of and decisions on operations in which they themselves, their spouses or persons with whom they live in *de facto* unions, relatives or the like up to the 1st degree, or companies or other collective entities which they directly or indirectly control, under the terms of article 86 of the Legal Framework of Credit Institutions and Financial Companies are involved.

It should be noted that in the course of 2017 there were no credit or equivalent operations performed with the entities covered in article 85 of the Legal Framework of Credit Institutions and Financial Companies, since it should exempt operations granted under CGD's personnel policy, when applied to its employees, as well as the use of credit cards associated with the deposit account under conditions similar to those practiced with other clients of similar credit risk profile.

3.10. Analysis of the Company's Sustainability in the Economic, Social and Environmental Domains

STRATEGIES ADOPTED AND DEGREE OF COMPLIANCE WITH TARGETS

CGD endeavours to create sustained value for its stakeholders. This implies the sustainable management of its resources based on principles of responsibility, not only economic, but also social and environmental.

In alignment with the Group's business strategy, CGD implements a Corporate Sustainability Programme supported by the strategy 2015-2017, under three guiding pillars - Responsible Business, Community and the Environment of which 10 operating areas emerge : Ethics and Compliance, Customer Relationship Management, Risk Management, Development of Human Capital, Responsible Supplier Management, Social and Financial Inclusion, Education and Financial Literacy, Support for the Local Economy, Eco-efficiency and Adapting to Climate Change.

Management Model

The sustainability planning is based on several sources of which reference should be made to the process of consulting stakeholders, integration at domestic and international working groups, keeping an eye on trends in the sector and CGD's results in terms of ratings and international assessments for sustainability performance.

A sustainability management model, transversal to the organisation has been implemented to ensure the implementation of the Corporate Sustainability Programme. It involves most of the structural bodies and Complementary Corporate Groupings in furthering the Corporate Sustainability Programme, as well as several Group companies and affiliate banks – both in Portugal and abroad - Caixa Banco de Investimento; Caixa Gestão de Activos; Caixa Geral de Depósitos Foundation – Culturgest; Banco Interatlântico, Banco Comercial do Atlântico, Banco Caixa Geral Brasil and Timor Branch.

The Governance Committee is responsible for ensuring compliance with the governance principles and policies of CGD and CGD Group, including ethical and deontological principles, standards of conduct and evaluation of strategies and sustainability policies and social responsibility.

The Governance Committee is responsible for submitting proposals on sustainability, social responsibility and environmental protection guidelines to the Board of Directors, including, inter alia, principles and values for safeguarding the interests of CGD, its shareholder, stakeholders and other relevant entities.

The sustainability management model is accessible on 3.12 – Annex 1 – Disclosure of non-financial information under the terms of Decree law89/2017 of 28 July.

CGD currently reports and communicates its sustainability performance, including the current status of the implementation of its sustainability information, to all stakeholders, in accordance with the Global Reporting Initiative Directives (GRI) certified by an external entity. CGD adopted the most recent version – 2016 GRI Standards, for the "Comprehensive" option.

The documents in respect of the Annual Sustainability Report can be viewed at www.cgd.pt:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

PURSUIT OF POLICIES DESIGNED TO GUARANTEE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARD STANDARDS OF QUALITY

CGD continues to base its activity on policies comprising the foundations of its Corporate Sustainability Programme which are published on its website:

- Sustainability policy;

- Environmental policy;
- Community involvement policy;
- Product and service policy;
- Quality policy.

https://www.cgd.pt/English/Institutional/Sustainability/Commitments-and-Policies/Pages/Commitments-Policies.aspx

The referred to Programme is accessible on 3.12 – Annex 1 – Disclosure of non-financial information under the terms of Decree law89/2017 of 28 July.

CGD also voluntarily responds to external assessments by entities which notify investors of their results, including, namely the Carbon Disclosure Project (CDP) and the Robeco SAM assessment for the Dow Jones Sustainability Index.

FORM OF COMPLIANCE WITH THE PRINCIPLES INVOLVED IN ADEQUATE BUSINESS MANAGEMENT

SOCIAL RESPONSIBILITY

In its Sustainability, Involvement with the Community and Product and Service Policies, CGD has established a series of operational guidelines in the sustainable development sphere, including directives on customer relationships and community support needs, focusing on entrepreneurship, education, the social economy, financial literacy and continuous backing for social and cultural activities.

Assessment of quality of service and customer satisfaction is one of the strategic pillars to strengthen CGD's value proposals. The methodologies used, aligned with best international practice, enable CGD to identify critical performance areas, adjust supply and service models and provide each segment with adequate levels of service.

The Bank operates as a catalyst for sustainable development in Portugal, present through its branch office network in all of the country's municipal districts, including the autonomous regions of Madeira and the Azores. The Integration of the community as a decisive factor in value creation and business sustainability is one of CGD’s fundamental operating pillars.

To achieve articulation between business objectives, sustainability and social responsibility, financial solutions involving socio-economic inclusion, incentivising entrepreneurship, support for education, development of the Portuguese business fabric, products designed to facilitate savings and solutions for the prevention and processing of credit default situations continued to be provided, together with transitional financial solutions to a low carbon economy.

The “Mobile Branch office”, was created in the sphere of the branch office restructuring plan, in 2017, with the objective of providing adequate levels of service to meet the needs of people and customers, aiming to provide CGD’s banking services in locations in which none are available or, when they are available, are basic.

This solution, which was launched on 17 July, is based on the supply of a mobile infrastructure, in the form of a vehicle that can be parked in previously defined locations, allowing CGD to continue to provide a banking service to people in locations which have been penalised by their interiority and distance from urban centres, providing all possible banking branch services, with the exception of operations involving cash (for security reasons).

Reference should be made to the Unidos por Pedrogão Grande “solidary account”, opened by CGD in accordance with the criteria defined by the Ministry of Internal Administration, in which an amount of €2,650,975.60, donated by more than 36,000 citizens was collected.

The total amount of the collection was managed by the Calouste Gulbenkian Foundation with which CGD entered into a protocol of cooperation to manage the funds. The Foundation has the duty to publish the respective report on how the amounts have been spent each quarter.

This year's Annual Report, in an integrated format, in addition to the Sustainability Report, provides detailed information on CGD's performance in the various referred to domains:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

Adoption of equality of treatment and opportunities plans, designed to eliminate inequality and permit conciliation between personal, family and professional lives

The management of CGD's Social and Family Responsibility Policy, under by the guidelines and principles followed by CGD, which are described throughout this document, is geared to the human factor and socially responsible leadership, involving all of the Company's line management in the creation of an inclusive environment, support for integration and permanent development and preventing the most diverse problems.

CGD's restructuring context has required greater attention to be paid to psychosocial issues affecting its employees and their families, in an endeavour to prevent situations of work-related stress and burnout.

In its furtherance of an inclusive policy, CGD integrates employees with special needs, without any discrimination, providing them with technical assistance and guaranteeing the accessibility needed for such employees' full integration and development.

In terms of access to employment there is no distinction between men and women whose selection is based solely and exclusively on their résumés and a candidate's profile and skills, irrespective of gender.

The analysis of professional career advancement is based solely on criteria of merit and skills.

In terms of remuneration, CGD's effective policy is one of equal wages with no differentiation in terms of gender.

In addition to the internal valuation of these principles, CGD proceeds to the promotion of sustainability within its supply chain and service providers - forbidding discrimination based on criteria such as race, gender, incapacity, disability, ideological or political convictions, religion, education, marital status or other.

CGD bases its policies on effective conciliation between personal, family and professional lives as part of a culture of solidarity aimed at adopting sustainable practice as a "Family Responsible Company".

Considering the impact of the socioeconomic crisis on families across the last few years and the fact of the effect thereof over time, CGD has furthered its quest for sustainable and risk prevention solutions, encouraging savings and providing support in situations involving debt restructuring operations, in parallel with psychosocial support.

Several support measures have an impact on the balance between personal/family and professional lives in CGD. The referred to measures are accessible on 3.12 – Annex 1 – Disclosure of non-financial information under the terms of Decree-Law no.89/2017 of 28 July. The excellence of CGD's reconciliation of work and family lives policy is only possible on the basis of a social leadership culture and the active, responsible, solidary participation of people, not as mere beneficiaries of social measures but as agents in managing challenge.

One of the ethical performance indicators evaluated is the number of breaches of employment-related duties committed by workers, considering that such breaches comprise disciplinary offences and, in the last analysis, breaches of the Code of Conduct.

Four of the thirteen disciplinary sanctions applied in 2017 resulted in a worker's dismissal.

Data on the application of these principles has been published in the Annual Sustainability Report and certified by an independent external entity.

Measures adopted by the company regarding the Principle of Equality between Men and Women, as established in no, 1 of Council of Ministers' Resolution 19/2012 of 23 February

CGD applys good, non-discriminatory practice and an inclusive policy based on a set of fundamental pillars, namely, effective non-discrimination, social responsibility and the defence of high ethical standards and values of trust.

Although there is no formal equality plan, the plans included as part of the employee policy are, however, based on principles underpinned by the principle of equal rights between genders.

In CGD there is effective equality of treatment and opportunities between men and women, with no discrimination. CGD accordingly scrupulously complies with principles of equality, both in its employee hiring operations and their career advancement as well as in terms of its employees' remuneration.

Recruitment in terms of access to work, does not discriminate between men and women and selection is solely and exclusively based on a candidate's résumé and skills profile, with gender being a non-issue.

The analysis of professional career advancement is solely based on criteria of merit and competence.

As regards remuneration, CGD implements an effective equal wages policy between men and women, with no gender-based distinction.

CGD also promotes equal access to professional training which is available to all workers on the e-Learning platform.

The distribution between the sexes in CGD in 2017 was balanced, 58.2% women and 41.8% men[26].

CHANGE IN WOMEN % OF TOTAL CGD'S EMPLOYEES STRUCTURE

Functional Distribution	(Change 2004 - 2017)
Administrative	8.4 b.p.
Technical	9.5 b.p.
Line Management	23.3 b.p.
Management	11.4 b.p.

Reference should be made, herein, to the fact that the mandate of the Board of Directors, starting 2017, includes three women Board members who account for 20% of the said Board.

CGD's policies are based on the effective reconciliation of personal, family and professional lives, in a culture of solidarity, based on the adoption of sustainable practice as a family-friendly Company.

Particularly as regards parenthood, CGD promotes balance between the social roles of men and women in its disclosure of information on the rights of both parents and its acceptance of their respective entitlements.

CGD also provides support for the breastfeeding project and arranges for birth planning and preparation consultations as well as medical appointments for the newborn.

Reference should also be made to the fact that in the sphere of the revision of CGD's Company Agreements, a "birth grant" was available for all working employees, men or women, on the birth or adoption of children.

In short, it is fair to claim that CGD promotes effective equality between men and women in all areas of their lives in the Company, providing them both with equal opportunities and rights.

[26] Employees linked to CGD, ceded to CGD and ACE (Complementary Group of Companies) own employees.

Indication of measures implemented in the sphere of investment in terms of professional advancement

CGD adopts a culture of ongoing development for its employees, geared to results, always based on its corporate strategy.

Caixa bases the advancement of its human resources and talent management on an inclusive and continuous employee training policy and creation of functional mobility opportunities to enhance their professional careers and skills.

There is equal access to professional training by responding to the specific needs of functional areas and *e-learning* training, encompassing a wide range of thematic issues targeted at a significantly large number of employees.

CGD's annual plan is designed to develop transversal or specific skills, based on strategic guidelines and survey of the specific needs of each structural body and employees during the course of their work. The knowledge management strategy upon which the training model and employee development and advancement is based, permits employees' needs to be matched to business requirements, promoting a culture of excellence, in the service of client scope.

In 2017, CGD developed continuous training initiatives on basic skills, strengthened critical skills for business, technical skills in the regulatory and business support sphere.

4,807 employees were trained and certified on the new Instruments and Financial Markets Directive, giving them with the skills to provide information in the sphere of financial instruments.

Reference should be made to the *Liderança* (Leadership) training programme for all mid level managers and employees – coordinators and line managers. This programme included a Performance Management System component and CGD's implementation of its New Functions Model.

Caixa's transformation process requires the capacity to innovate and flexibility in terms of problem solving, focusing on customer service and the leadership of its management teams.

Work began on training programmes for managers in leading management schools, the contents of which dealt with issues related with banking sector trends, management of transformation processes and the development of team management skills, providing contact with best practices in the sector.

Members of the Board of Directors have been involved in induction and training programmes, given by Caixa employees in charge of the areas in question and leading external entities.

CGD Group produced a Social Climate Study in 2017, making it possible to analyse employees' level of motivation, involvement and commitment to their work.

This study made it possible to identify priorities and initiatives with the aim of improving CGD policies, practices and procedures.

ENVIRONMENTAL RESPONSIBILITY

Adoption of policies for the protection of the environment and respect for principles of legality and business ethics in addition to the rules implemented, taking sustainable development into account

CGD's Environment Policy, is based on three fundamental commitments:

- Compliance with environmental legislation and other applicable requirements
- Adoption of a proactive approach and measures to pollution prevention.
- Continuous improvement of environmental performance.

CGD continued to assume its responsibility for the preservation of the environment and management of the direct and indirect impacts of its activities, as one of its sustainability strategy's three operational areas.

CGD achieved the renewal of its certification of its headquarters' SGA (Environmental Management System), in 2017, for another cycle (2017-2020) and respective transition to the new NP ISO 14001:2015 international benchmark. The SGA's existence helps CGD to achieve its strategic objective of improving the operational efficiency of its domestic activity, through the reduction of its energy and materials operating costs. It also enables CGD to respond to the current demands and expectations of its strategic stakeholders, in its anticipation of eventual emerging trends involving markets and society in general.

Objectives and goals for various significant environmental aspects were established with the aim of continually improving CGD's environmental performance. Investments continued to be made on promoting best practice for reducing the Bank's environmental impact, particularly focusing on energy efficiency, employee mobility, waste management, re-use of resources and minimising of waste.

Feasibility studies for the implementation of the ecological processing of the waters of the lake at CGD Headquarters and the use of water sourced from the public network instead of bottled water have been developed for the purpose of achieving greater hydro efficiency and the sustainable use of natural resources.

CGD sent around 1.8 tonnes of cards for recycling as part of its cards recycling programme, in 2017. This enabled it to deliver items of urban furniture from this waste recycling project to four "social solidarity" institutions (i.e. charities).

This innovative bank card recycling initiative was the winner of the Efficient Resource Management category in the 9th edition of the Green Project Awards.

CGD also involves its suppliers and service providers in its environmental management processes, ensuring that they also operate in alignment with CGD's requirements. During the course of the year, CGD continued to progressively incorporate sustainability-related clauses in its contracts, namely compliance with Ethical Principles and Good Business Practice, aligned with Global Compact Principles and the obligations set out in the Manual of Good Environmental, Safety and Health Practices, appended to the contracts with suppliers regarding the type of service provided.

As part of its Low Carbon Project, CGD produces since 2006 an inventory of greenhouse gas emissions on its banking activities in Portugal, enabling it to disclose information on its carbon footprint and monitor its carbon-related environmental performance.

CGD simultaneously promotes environmental responsibility with its main groups of internal and external stakeholders, in the form of environmental awareness actions in the surrounding community. CGD once again organised environmental-type events and maintained partnerships related to awareness-raising and environmental education in 2017.

CGD is a voluntary participant in the climate change questionnaire mentored by Carbon Disclosure Project (CDP), having achieved an A- classification in 2017. This leadership classification recognises CGD's endeavours regarding carbon emissions and the transparency of its approach to climate change.

The Annual Report, in an integrated format and the Sustainability Report, publish more detailed information on the measures implemented and CGD's environmental performance:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

ECONOMIC RESPONSIBILITY

Ways in which the company's competitiveness has been safeguarded, namely through research, innovation, development and the integration of new technologies in the productive process

CGD maintain its responsibility as an agent promoting the country's economic development through:

- The strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly SMEs, providing for their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services for export or import substitution;
- Backing the recapitalization processes of Portuguese companies;
- Backing entrepreneurship;
- Encouraging domestic savings;
- Contributing to the stability and strength of the domestic financial system.

CGD continued to make progress on its transformation process in 2017, endeavouring to strengthen its commercial capacity and improve its competitiveness; adjust its operational infrastructure and investment in human resources; adjust the size of its international operations based on an economic and strategic approach and restructure its risk management and governance model.

The reduction of the capillarity of its branch office network under which 64 branches were closed in 2017, developed in partnership with customers and the main local stakeholders with the aim of maintaining the relationship of trust with them as the Bank's most important asset.

This commercial approach gave continuity to the strategy of greater customer involvement and satisfaction, encouraging subscriptions for and the use of products deriving from a commercial dynamic based on a proactive approach to customers.

CGD broadened its offer to customers, in 2017, guaranteeing diversified financial solutions to meet the specific needs of each life cycle: managing day-to-day affairs, saving, with the aim of providing for the future and achieving new projects.

The value proposal and improvements to the experience of individual customers was strengthened by the launch of S, M, L Caixa accounts, the Caixazul account and Caixa Platinum account as multiproduct solutions comprising essential day-to-day management products (current account, online transfers, debit and credit cards), services, insurance, discounts on Continente cards and other benefits, to meet customers' needs at a lower cost with the inclusion of more services.

Reference should be made, in the sustainability field, to the launch of a unique fund in the national marketplace in the form of the *Fundo Caixagest de Investimento Socialmente Responsável – ISR (*Caixagest Socially Responsible Investment Fund*).* This solution incorporates the performance of various international listed companies and conciliates the financial analysis thereof with social, environmental and corporate management criteria.

Based on the *Floresta Caixa* (Caixa Forest) programme, which promotes the preservation of Portuguese Forest Heritage by emphasising the need to replant, reforest and recover fire-damaged areas with native species, a campaign associated with the *Caixagest Investimento Socialmente Responsável* fund whose subscriptions revert for the effective assistance to the reforestation of the fire-damaged areas of Pedrógão Grande was developed.

Also in the sphere of the fire damage, specific lines of credit with the objective of not only providing assistance to victims and enabling the reconstruction of the zones affected but also laying the groundwork for the maintenance of the economic activity of the affected companies were created.

CGD continued to back initiatives to promote entrepreneurship, helping to favour the growth of the Portuguese business environment.

Another edition of the *Caixa Empreender* (Entrepreneurship) award (for the third consecutive year) was hosted in 2017. This is the main event in support of national entrepreneurship, with the participation of the most relevant Portuguese "accelerators".

CGD retained its partnership with *Startup Lisboa* (up to October 2017) and CoHiTec, the COTEC Portugal accelerator (up to the end of 2017).

Innovation and the integration of new technologies have been CGD's hallmark in the development of its activity and commercial offer, in which it continues to strengthen its market competitiveness.

CGD continued to strengthen its lead of the university market, based on national partnerships with higher educational establishments, having entered into 50 cooperation agreements, with the main Portuguese universities and polytechnics, in 2017. More than a million customers including students, lecturers and other staff have been involved in CGD's university programme over the course of 24 years,

During the New University Year, CGD has committed to technological innovation, based on its digital onboarding of customers and fast and effective agreements, in which tablets have been used to digitalise the process involved in opening an account and subscribing for products.

CGD sponsored a series of its nationwide *"Encontro Fora da Caixa"* conferences during the course of 2017. These meetings, in dealing with issues of interest to various sectors of economic activity in Portugal, in addition to the construction of a strategic vision for companies and the country, brought Caixa into closer contact with the business community.

Action plans for the future

CGD considers relational management and ongoing dialogue with various stakeholder groups as a strategic tool designed to ensure transparency, trust and the alignment of performance with stakeholders' expectations, including the prompt management of risks and opportunities.

CGD will embark upon a new sustainability strategy for the three year period 2018-2020 in 2018 endeavouring to ensure the implementation of good management practice in the diverse areas comprising the Bank's operating principles and alignment with the UN sustainable development objective, as well as its stakeholders' expectations.

The Bank will remain committed to broadening its Corporate Sustainability Programme to its international structures, namely, Banco Interatlântico, Banco Comercial do Atlântico, Banco Caixa Geral Brasil, CGD believes that continued expansion to other structures will enable the sharing of knowledge, skills and good practice and help achieve synergies and economies of scale. On the other hand, the optimisation of consolidated results will also enable it to contribute towards the maintenance of the external recognition of CGD's performance and its contribution to sustainable development and strengthen its brand's image and reputation.

With its capacity to provide for and adapt to society's emerging challenges based on the ethical and responsible performance of its activity, CGD will continue to develop sustainability awareness-raising initiatives while also remaining committed to the development of its commercial offer with social and environmental benefits.

Creation of value for shareholder (higher productivity, customer-centric approach, reduction of exposure to risks deriving from the environmental, economic and social impacts of activities, etc.)

CGD's state shareholder expects CGD to operate in such a way as to allow it to consolidate as a structuring group for the Portuguese financial system, differentiated by the strong relevance and responsibility of its contribution to economic development; strengthening its competitiveness, innovation capacity and the internationalisation of Portuguese companies and the stability and strength of the domestic financial system.

The Corporate Sustainability Programme is based on a Sustainability Policy comprising the 4 economically profitable, financially viable, socially fair and environmentally correct areas that govern CGD's activity. On the basis of this programme and, more specifically, the Sustainability Strategy for the three year period 2015-2017, CGD has been permanently and effectively engaged on reducing its activity's exposure to risks deriving from economic, environmental and social impacts. This programme's contribution to sustainable development has been recognised over the last few years by national and international external entities.

The Corporate Sustainability Programme, internally leveraged by CGD through its development of a series of issues over the last few years, has helped to achieve several benefits, including: the reduction of costs and improvement of operational efficiency; achieving additional revenue; talent retention; satisfaction of the expectations of various stakeholder groups; oversight of regulatory trends; risk mitigation; promotion of innovation of its offer and the improvement of brand reputation.

CGD's operating pillars in the sustainable development domain are based on its recognition of the importance of balance, transparency and responsibility in stakeholder relationships, in addition to its banking activity's contribution to sustainable development in order to achieve a better future.

CGD recognises that the success of its approach also depends upon various communication channels to ensure continuous dialogue with its diverse stakeholders and building balanced and trusting relationships which are mutually beneficial to all parties.

The Annual Report, in an integrated format and the Sustainability Report 2016, publish more details on the results of the Corporate Sustainability Programme. More detailed sustainability-related information can be consulted at:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

3.11. Assessment of Corporate Governance

ASSESSMENT OF THE LEVEL OF COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRACTICE BINDING UPON CGD IN ACCORDANCE WITH CIRCULAR LETTER NO. 589 OF 7 FEBRUARY 2018 FROM DGTF

	Corporate Governance Report	Page	Comply	Remarks
I	**Summary**	383	✓	
II	**Mission, Objectives and Policies**			
1.	Indication of mission and furtherance thereof, in addition to the company's vision and values	384	✓	
2.	Policies and guidelines triggered by the defined strategy	384-389	✓	
3.	Key variables to the company results		✓	
4.	Evidence of performance in acordance to the guidelines proposed by sectoral competent authorities		✓	
III	**Capital**			
1.	Capital structure	390	✓	
2.	Eventual limitations on ownership and/or transferability of shares		✓	
3.	Shareholders' agreements		✓	
IV	**Corporate Investments and Bonds**			
1.	Identification of singular (statutory bodies) and/or collective persons (Corporate) with direct or indirect investments in other entities with detailed information on capital and voting percentages	391-392	✓	
2.	The acquisition and disposal of corporate investments and involvement in any associative or foundational entities	391-392 539-541	✓	
3.	Provision of financial guarantees or assumption of the debts or liabilities of other entities	n.a.		
4.	Indication of the number of shares and bonds held by members of boards of directors and inspection bodies	394	✓	
5.	Information on the existence of significant commercial relationships between equity stakeholders and the company		✓	
6.	Identification of the mechanisms adopted to prevent the existence of conflicts of interest	446	✓	

Corporate Governance Report		Page	Comply	Remarks
V	**Statutory Bodies and Committees**			
A.	**Governance model**			
1.	Identification of the governance model adopted	395	✓	
2.	CGD organisational chart	397	✓	
B.	**Board of the shareholders Meeting**			
1.	Composition of the Board of the SM, term of office and remuneration	399	✓	
2.	Identification of shareholders' resolutions	400	✓	
C.	**Administration and Supervision**			
1	Statutory rules on procedures applicable to the nomination and replacement of members	402-404	✓	
2	Composition, duration of term of office, number of permanent members	402-404 476	✓	
3	Identification of the executive and non-executive members of the Board of Directors and identification of the independent members of the CGS.	402, 472	✓	
4	CVs of each of the members	492-511	✓	
5	Production of the declaration by each of the members of the board of directors to the board of directors and the audit body, in addition to IGF of any equity investments they may have in the company in addition to any relations they may maintain with suppliers, customers, financial institutions or any business partners which could generate conflicts of interest	516	✓	
6	Family, professional or commercial relationships of members, with shareholders having a qualified investment of more than 2% of the voting rights	n.a.		
7	Organisational charts on the division of competencies among the various statutory bodies	397-399	✓	
8.	Functioning of Board of Directors	402-404 485-488	✓	
9.	Special committees	407-410	✓	
D.	**Inspection**			
1.	Identification of the inspection body, corresponding to the model adopted and its composition, indication of the statutory minimum and maximum number of members, duration of term of office, number of permanent and deputy members	410-415	✓	
2.	Identification of members of the Inspection Body	410, 412	✓	
3.	CVs of each member	511-515	✓	
4.	Functioning of inspection	410-412	✓	
E.	**Statutory Auditor**			
1.	Identification of Statutory Auditor/ Statutory Audit Company	412-413	✓	
2.	Indication of legal limitations	414	✓	
3.	Indication of the number of years the Statutory Auditor and/or Statutory Audit Company has exercised functions in the company/group	412-413	✓	
4.	Description of other services provided to the company by the Statutory Audit Company	413	✓	
F.	**External Auditor**			
1.	Identification	412	✓	
2.	Rotation policy and periodicity	414	✓	
3.	Identification of performance of works other than audits		✓	
4.	Indication of annual remuneration paid	413	✓	

	Corporate Governance Report	Page	Comply	Remarks
VI.	**Internal Organisation**			
A.	**Company´s Articles of Association and Communications**			
1.	Changes to the company's articles of association - Applicable rules	395	✓	
2.	Communication of irregularities	416	✓	
3.	Indication of anti-fraud policies	428-430	✓	
B.	**Internal control and risk management**			
1.	Information on the existence of an internal control system (ICS).	417-425	✓	
2.	Persons, bodies or committees responsible for internal audit and/or ICS.	417-420	✓	
3.	Principal risk policy measures adopted	420-426	✓	
4.	Line management and/or functional dependencies	422	✓	
5.	Other competent functional areas for risk control	417-420	✓	
6.	Identification of main types of risk	424-426	✓	
7.	Description of the process for the identification, appraisal, oversight, control, management and mitigation of risk	420-426	✓	
8.	Implementation of ICS and risk management elements in the company	417-426	✓	
C.	**Regulations and Codes**			
1.	Internal and external regulations applicable	426-431	✓	
2.	Codes of conduct and ethics	428	✓	
3.	Plan to manage corruption risks	430	✓	
4.	Identification of fraud events and mitigation measures.	429, 430	✓	
D.	**Special information disclosure requirements**			
	Platform for compliance with information disclosure duties	432	✓	
	Platform for compliance with duties of transparency		✓	
E.	**Website**			
	Indication of addresses and disclosure of information supplied	434-435	✓	
	Information to be hosted on "SEE" (government corporate sector) website		✓	
F.	**Provision of public or service of general interest**	n.a.		
VII	**Remunerations**			
A.	**Competency for Assessment**			
1.	Indication of body responsible for defining remuneration	436	✓	
2.	Mechanisms to prevent current or potential conflicts of interest.	446	✓	
3.	Evidence of compliance with Article 51.	516	✓	
B.	**Remuneration Committee**			
	Composition	400-401	✓	
C.	**Remunerations structure**			
1.	Remuneration policy for boards of directors and audit bodies	436-444	✓	
2.	Information on the way in which remuneration is structured	436-441	✓	
3.	Variable component of remuneration and attribution criteria		✓	
4.	Deferral of payment of variable component	n.a.		
5.	Parameters and bases for attributing bonuses	436, 438 470	✓	
6.	Complementary pension regimes	438	✓	

	Corporate Governance Report	Page	Comply	Remarks
D.	**Disclosure of information on remunerations**			
1.	Indication of annual amount of remuneration earned	477	✓	
2.	Amounts paid by other companies in a controlling or group relationship	438	✓	
3.	Remuneration paid in the form of profit sharing and/or bonuses	436, 438	✓	
4.	Indemnities paid to former executive board members	474, 478	✓	
5.	Indication of the annual amount of remuneration earned by the company's audit body	413	✓	
6.	Indication of annual remuneration of the board of the shareholders' meeting	400	✓	
VIII	**Transactions with related and other parties**			
1.	Implementation of mechanisms for the control of transactions with related parties	442	✓	
2.	Information on other transactions	442-445	✓	
3.	List of suppliers that represent more than 5% of external suppliers.	445	✓	
IX	**Analysis of the company's sustainability in the economic, social and environmental domains**			
1.	Adoption of strategies and degree of compliance with targets	447	✓	
2.	Policies pursued		✓	
3.	Form of compliance with the principles inherent to adequate business management		✓	
X	**Appraisal of corporate governance**			
1.	Compliance with recommendations	456-459	✓	
2.	Other information	n.a.		
	Annexes			
1.	Non-Financial Statement	460	✓	
2.	Compliance with legal Guidelines	469	✓	
3.	Executive Committee - Distribution of Responsibilities	485	✓	
4.	Curricula Vitae of Members	489	✓	
5.	Declarations	516	✓	
6.	Non-Profitable organizations of which CGD is an associated Member	539	✓	
7.	Supervisory board report	542	✓	
8.	Excerpt from the Minutes - Approval of Corporate Governnace Report - 2017	543	✓	
9.	Excerpt from the Minutes of the Annual Shareholders' Meeting of Caixa Geral de Depósitos, SA - 2017	544	✓	

3.12. Annexes

ANNEX I

DISCLOSURE OF NON-FINANCIAL INFORMATION UNDER THE TERMS OF DECREE-LAW NO.89/2017 OF 28 JULY

CONSOLIDATED NON-FINANCIAL STATEMENT CONTAINING SUFFICIENT INFORMATION FOR THE COMPREHENSION OF THE EVOLUTION OF THE PERFORMANCE, POSITION AND IMPACT OF THE GROUP'S ACTIVITIES, IN RESPECT OF, AT THE MINIMUM, ENVIRONMENTAL AND SOCIAL ISSUES REGARDING WORKERS, EQUALITY BETWEEN WOMEN AND MEN, NON-DISCRIMINATION, RESPECT FOR HUMAN RIGHTS, THE FIGHT AGAINST CORRUPTION AND ATTEMPTS AT BRIBERY

As CGD operates as a universal (i.e. general) bank, without neglecting all specialised financial services, its customers, nowadays, enjoy the benefits of a full service international group.

CGD has an integrated presence in almost all banking business areas, namely commercial banking, investment banking, brokerage and venture capital, real estate, asset management and specialised credit *inter alia*.

CGD Group is committed to achieving the leadership of each sector, in terms of its provision of services enabling it to meet its customers' specific needs. The aim is to retain customers' loyalty to Caixa Geral de Depósitos Group and achieve a sustained increase in market shares.

Over the years, CGD has been promoting the incorporation of various sustainability areas in its management model, based on its application of a series of policies:

- Sustainability Policy. The sustainability policy defines the scope of GGD's operations in terms of sustainability across five key areas: Responsible Banking, Promotion of the Future, Protection of the Environment, Involvement with Stakeholders and Human Assets Management;
- Environmental Policy. This policy reflects the three fundamental environmental commitments: compliance with environmental legislation, the adoption of a proactive attitude and measures to prevent pollution and continuous improvements to environmental performance;
- Involvement with the Community Policy. This policy comprises the commitment that CGD has renewed over the course of its history, in its awareness that the company's sustainable development signifies a contribution to a better society;
- Product and Service Policy. This policy recognises that the development of balanced, transparent and responsible relationships with customers, as well as the banking sector's contribution to sustainable development, with the aim of promoting a better future, are fundamental pillars in CGD's *modus operandi*.

These policies define the Bank's voluntary operating directives and the development of its offer, in alignment with its sustainability commitment.

Information on the policies is available in the sustainability area of CGD's corporate website using the following link: https://www.cgd.pt/English/Institutional/Sustainability/Commitments-and-Policies/Pages/Commitments-Policies.aspx

Together with these policies, CGD operates responsibly in alignment with a series of codes and voluntary principles of relevance to its economic, social and environmental performance, namely:

- Good Government Practice for Companies in the State's Corporate Sector (Council of Ministers' Resolution 49/2007 replaced by Decree-Law no.133/2013 of 3 October);
- European Voluntary Code of Conduct on Home Loans, first subscribed to in 2000;

- Code of Conduct of the Civil Institute for Advertising Self-Discipline, since 2000;
- Enterprise for Health — European Healthy Enterprises Network of which CGD was a founding member, since 2000;
- World Savings Banks Institute/European Savings Banks Group (WSBI/ESBG) Charter for Responsible Business, since 2011;
- APAN (Portuguese Advertisers' Association) Commitments Charter in the sphere of responsible communication, since 2012.
- Global Compact - 10 universally accepted principles in the human rights, labour practice, environmental protection and anti-corruption areas, since 2013;
- 17 Sustainable Development Objectives launched by the UNO, since 20 January 2016. Caixa is a Member of the Coordination Committee of the Alliance for Sustainable Development Objectives of the United Nations. In 2017, CGD continued as a member of the main Sustainability organisations and initiatives, including: UNEP-FI, Carbon Disclosure Project - CDP, the Social and Corporate Responsibility Committee of the European Savings Bank Group (ESBG), the Global Compact Network Portugal, and BCSD Portugal – Corporate Council for Sustainable Development.

The Governance Committee is responsible for ensuring compliance with the governance principles and policies of CGD and CGD Group, including ethical and deontological principles, standards of conduct and social responsibility and sustainability policies.

The Governance Committee is responsible for submitting proposals on social responsibility, sustainability and environmental protection guidelines to the Board of Directors, including, *inter alia*, principles and values for safeguarding the interests of CGD, its shareholder and other relevant entities.

The model comprises the following:

- The Sustainability Committee (CSU), formed in 2017. This is an Executive Committee decision-making body responsible for the assessment, discussion and monitoring of the implementation of the sustainability of CGD and CGD Group branches and subsidiaries, including the maintenance of its Environmental Management System. CSU informs the Governance Committee and Executive Committee of the annual planning involved in the corporate sustainability programme;
- Sustainability coordination team, responsible for coordinating and overseeing the programme, promoting taskforce activities, making proposals and reporting on sustainability policies to the Governance Committee and the Board of Directors;
- Ambassadors and Appointees, responsible for analysing and validating the proposals produced by the taskforces;
- Taskforces, comprising members in charge of various structural bodies;

Contextual changes require ever greater endeavours to guarantee customer satisfaction. The diffusion and implementation, herein, of a culture of quality and improvement have been a guideline principle behind CGD's management strategy for its internal processes since 2006.

In this sphere, in 2017, CGD ensured the maintenance of the five processes certified to ISO 9001, having inclusively completed the transitional phase to the 2015 version and achieving an extension thereof on an information systems level.

Reference should also be made, in the transition to the new version of the standards in 2017, to the certification of CGD Headquarters' environmental management system to ISO 14001:2015, strengthening CGD's commitment to sustainability-related issues.

CGD has also committed to its business continuity system, certified to ISO 22301. Its implementation, at this stage, has been completed and is in alignment with international and Bank of Portugal requirements. This has improved CGD's ability to identify and manage current and future threats to its business, adopt a proactive attitude to minimise the impact of incidents and demonstrate its commitment to providing its customers with a more consistent and reliable service, in all circumstances.

The information security system is currently being implemented to ISO 27001, for the purpose of adopting a series of requirements, processes and controls to mitigate and adequately manage information security risk. This is how CGD intends to improve the reliability and safety of information and its systems, in terms of confidentiality, availability and integrity, increasing the trust and satisfaction of customers and partners in general.

It should also be noted that, in endeavouring to provide for the challenge of achieving the optimisation/efficiency of processes and operational support units, CGD's Organisation and Quality Division has continued to implement its LEAN transformation programme, which it has endeavoured to integrate with other ongoing improvement and organisational re-engineering methodologies.

CGD continues its inclusive and equality policy in the management of one of its fundamental assets - its employees – through the implementation of good practices of non-discrimination, social responsibility, protection of high ethical standards and confidence values.

CGD fully respects human rights, as a socially responsible institution in its compliance with legal requirements and reflects these principles in terms of its human assets management.

It ensures effective equality of treatment and opportunities for both genders, in scrupulously complying with principles of equality both in terms of hiring and career advancements and its employees' remuneration.

CGD's involvement with the community policy incorporates the United Nations' Sustainable Development Objectives, namely priorities in respect of education and training, combating social exclusion and focusing on job creation to achieve intelligent, sustainable and inclusive growth. It also incorporated the 10 universally accepted Global Compact principles, in the areas of human rights, labour practice, environmental protection and anti-corruption.

CGD has undertaken to produce an annual report on its activities in the sustainability sphere, namely COP (Communication On Progress).

This document informs all interested parties (investors, consumers, civil society, government etc.) of its efforts to implement the ten Global Compact principles within the organisation.

The COP is also used to support and disclose information on the Global Compact, as yet another tool to further the United Nations' development objectives.

CGD also protects human rights in its chain of suppliers and service providers, in contractually committing, *inter alia*, to promote, respect and protect human rights and not, in any way, to derive any benefit from child labour, non-voluntary work or any work performed in conditions and subject to remuneration which are prejudicial to human rights.

In the sphere of its internal control system, CGD has implemented permanent measures to prevent and repress the crime of corruption and connected infractions. These have translated into internal procedures and standards on:

- The opening and use of deposit accounts;
- The confirmation of the signatures of parties to agreements with CGD;
- The approval of expenses, external services, sponsorships and donations;
- CGD employees' involvement in loan operations;

- Contracting for the provision of services;
- The employee management area, including recruitment and training;
- Verification of access to the privileged information of issuing customers.

Therefore, in terms of prevention measures, the internal control system integrates documented procedures and practices for the detection and prevention of corruption and connected infractions namely its Code of Conduct, its organic and functional structure, decision-making processes and principle of separation between functions when justified by activities and tasks.

As a result of these policies, CGD is a contributor to the Council for the Prevention of Corruption's (CPC's) list of entities and sends information to this Council on the respective Prevention Plans on the Risks of Corruption and Associated Offences under CPC Recommendation 1/2009 of 1 July.

CGD published its PPCIC (Prevention of Corruption and Connected Infractions Policy) in 2017. This internal standard establishes the guideline principles for the detection and prevention of corruption and connected infractions, lists the areas potentially more exposed to this phenomenon and describes prevention measures and lists the respective officers in charge of the rules applicable to the monitoring, assessment and updating of the actual policy.

The policy identifies the areas potentially more exposed to the phenomenon of corruption and connected infractions with which procedures, mechanisms and prevention practices should be associated.

CGD's Prevention of Corruption and Connected Infractions Policy also enables workers to communicate situations of which they are aware and which they consider to be classifiable as corruption based on the use of defined internal or external mechanisms, namely SCIPI (Internal Communication System of Irregular Practices), whose objectives are also related with the prevention and fight against corruption.

Reference should, lastly, be made to the fact that, under the PPCIC, CGD should train all workers on issues related with the prevention of corruption and associated infractions, with training on CGD's Prevention of Corruption and Connected Infractions Policy having been given, in 2017, to employees in the compliance teams of CGD Group entities.

CGD has been achieving results with a positive impact in the various sustainability areas, with special reference being made, in 2017, to the renewal of the certification of CGD headquarters' SGA (Environmental Management System) to ISO 14001:2015, the creation of CGD's mobile banking branch which provides levels of service in line with the needs of people and customers in areas penalised by interiority and their distance from urban centres and the opening of Caixa's "solidary account" to assist the victims of the Pedrógão Grande fire.

More detailed information on the results achieved is supplied in the Annual Report in an integrated format as well as the Sustainability Report at:
https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx.

On an economic level CGD's Risk Appetite Statement formally codifies its risk appetite, detailing the maximum level of risk it is willing to accept for each category of risk considered to be material. This risk strategy is directly related with the Bank's objectives and Strategic Plan which are regularly reviewed and monitored by its Board of Directors and management team.

CGD has defined three general principles in the sphere of this statement: to guarantee levels of solvency and liquidity, ensure long term sustainability and maintain a leading position in the market and adopt standards of excellence in terms of risk management.

In terms of social risk CGD provides for the needs of interested parties by guaranteeing principles of ethics, transparency, equality and non-discrimination, respect for human rights, subscribing for codes of conduct, respect for its employees and ongoing and committed support for social and cultural activities.

In social terms CGD carried out a Social Climate Study in 2017, whose results provide an overview of employee satisfaction and which were important for decisions related to human resources management.

CGD fully respects human rights as a socially responsible institution and complies with legal requirements, reflecting these principles in its human assets management.

In sphere of psychosocial assistance, socioeconomic assistance, healthcare support, flexibility and socio-professional support policies, socio-family support, cultural-sporting dynamics and social solidarity, special reference should be made to the following measures:

a) Psychosocial assistance

- In the form of a psycho-social/advisory programme for employees and their families, articulated with the company's social, psychology and healthcare area services including the mobilisation of forms of internal solidarity with a guarantee of confidentiality.

b) Socioeconomic assistance

- Possibility of mortgages and personal loans with special maturities and subsidised interest rates for employees.
- Situations benefiting from the exceptional financial measures implemented in past years and situations justifying the application of a loan restructuring measure to prevent larger ruptures and/or needs continued to be accompanied. This has accordingly resulted in the prevention of greater ruptures and/or needs having the potential to aggravate the social risk of exclusion;
- Special lines of credit for employees and their families, for the purchase of consumer durables, tourism and the acquisition of books and school material.

c) Healthcare support

- Provision of medical and nursing facilities in the main urban centres and special protocols with providers in diverse areas, providing ample nationwide medical cover.
- Vaccination campaigns and free screening, focusing on seasonal flu prevention, how to stop smoking and the prevention of cardiovascular disease, diabetes, cancer of the colon of the uterus and women's health, aneurisms of the aorta and others, based on articulation between Medicine in the Workplace services and doctors' surgeries.
- Diabetes nursing consultations and family-related initiatives based on a preventative approach;
- Support for ageing based on an interdisciplinary approach;
- Protocols to ensure ongoing integrated care for employees and their families;
- Maintenance of specific treatment protocols for employees and their families in the area of addiction;
- Subsidies and assistance for specific treatment for children with special needs;
- Special payments in the case of major illness (severely ill patients).

d) Flexibility and socio-professional support policies

- Adequacy of function, location/workplace to employees' physical and psychological conditions;
- Geographical and functional mobility adjusted to employees' personal/family needs as part of an interest combination policy;
- Possibility of extending absences for family assistance in extreme situations such as serious illness;
- Student worker grants;
- Continuity payments and annuities;
- Payment of seniority bonuses;

- Continuous training model designed to achieve a culture of excellence focusing on quality and results and based on values such as change, a customer-centric approach, contribution to employees' personal and professional fulfilment designed to promote social well-being;
- Welcoming actions (informational and awareness-raising) for employees with new managerial functions;
- Provision of advice and oversight in pre-retirement or retirement situations;
- Welcoming actions for new retirees, endeavouring to promote the continuity of an active lifestyle and preventing social exclusion.

e) Socio-family support

- Special agreements for the acquisition of products and services in the insurance, transport, kindergartens and nurseries, homes and homecare support areas;
- Holiday camps, language and other courses for leisure-time and educational purposes particularly during the school holiday period;
- Used school books and materials sharing system;
- Parenthood planning and support for consultations including preparations for births, consultations for newborns and a breastfeeding space;
- Awareness and training sessions in the responsible parenthood area;
- Payment of birth grants;
- Attribution of a “Disabled persons subsidy” and/or “Subsidy for assistance to a 3rd person”, for employees with duly certified seriously ill children;
- Subsidies for the children of employees (infancy, study, higher educational grants based on social criteria and merit);
- “Funeral grant” to an employee when the deceased family member is not covered by any other mandatory social protection regime under which they are entitled to receive a death grant;
- Prevention and security actions promoted by CGD’s Office of Prevention and Security and extended to include employees’ children/family members.

f) Cultural-sporting dynamics

- Special access to shows/events for CGD employees, through its Social Services;
- Special access facilities for employees and their families for the Culturgest Foundation’s cultural amenities and the organisation of cultural actions for groups of employees at compatible times during the lunch hour;
- Readers’ Club, possibility of ordering books with no postage costs for residents in the autonomous regions (of Madeira and the Azores), combating insularity, in addition to partnerships with publishers and booksellers;
- CGD provides various sports-related infrastructures, particularly, at its HQ building’s Culture and Sports Centre and the Ajuda Sports Hall. There are also special agreements covering employees and their families nationwide for the most diverse events.

g) Social solidarity

- SSCGD Blood Donors’ Group that, with more than five thousand registered donors and a large nationwide network through its regional sections is the largest group associated with financial institutions and one of the largest nationwide.

- Corporate volunteering continues to mobilise employees and their families for social and environmental causes, strengthening CGD's corporate culture.
- Internal volunteering activities in which reference should be made the "SéniAmor" Group of Volunteers which has sections in Lisbon, Porto and Guarda, who interact with colleagues in greater psycho-social difficulty, based on an approach geared to preventing breakdowns.
- Support also continued to be provided to associations of retirees/pensioners, particularly ANAC which chairs the European Savings Banks Group comprising representatives from banks in 8 countries, translating the recognition of its prestige in the senior associative sector.

CGD endeavours to keep interested parties continually involved.

Based on relationship channels and listening to its stakeholders and its social climate study, CGD identifies risks, priorities and initiatives for the purpose of improving policies, practices and procedures.

The main risks related to the environmental level this area are identified, monitored and mitigated by the Environmental Management System (EMS), CGD's approach is based on an environmental life cycle which identifies risks and opportunities related to material issues such as the consumption of natural resources, waste production and greenhouse gas emissions, inter alia. The EMS is certified by an external entity, since 2014, which confirms its soundness.

In the sphere of its sustainability strategy and considering that a large part of the Bank's environmental and social impacts are directly expressed by the performance of its suppliers CGD has been promoting sustainability principles with them as a means of mitigating environmental and social risks in its supply chain.

CGD therefore operates as an agent of change in its value chain, promoting principles of upstream sustainability, as a way of mitigating environmental and social risks in its supply chain namely through ethical principles and good business practices aligned with Global Compact principles and the obligations set out in its good environmental principles safety and health handbook annexed to contracts, as applicable to the type of service being performed.

69% of contracted suppliers had environmental clauses in 2017.

CGD has maintained its environmental commitment based on its environmental policy directives: compliance with environmental legislation, its proactive attitude to preventing pollution and ongoing improvements to its environmental performance.

CGD has been promoting the eco-efficiency of its operations, having, in 2017, achieved a 13% reduction of its energy and 16% of its water consumption, respectively (includes estimated consumption).

In line with CGD's status as a socially responsible bank with an active role in terms of providing for social emergencies, CGD sponsored a campaign for donations to the victims of the Pedrógão Grande fire, with Caixa's *Unidos por Pedrógão Grand* "solidary account" having received € 2,650,975.60 in donations from 36,000 donors.

Based on a commercial campaign associated with the Caixagest Socially Responsible Investment Fund, CGD will contribute to the reforestation of Pedrógão Grande in accordance with the volume of subscriptions received. The €69.4 million collected during the campaign will contribute towards the planting of 25,687 trees.

CGD continued to assume its funding role for a low carbon economy across the year in promoting the reduction of its customers' greenhouse gas emissions, having launched its Caixagest Socially Responsible Investment Fund, at the start of 2017. The fund will provide investors with access to a diversified portfolio of assets made up of companies with an above average sustainability performance.

In the sphere of social inclusion and particularly in terms of humanitarian assistance and commitment, CGD is a member of the Global Platform for Syrian Students, which aims to provide support for Syrian university students, enabling them to attend foreign universities and continue their training, taking them out of the refugee camps. This support for university students comprises a contribution for safeguarding a generation and a country, protecting its human capital and potential through education, in order to permit the rehabilitation of a whole nation following the end of the conflict.

CGD also continued to associate with major issues in the solidarity areas, not only through its Blood Donors' Group but also its fund-raising actions and in collecting goods for social causes.

In the sphere of the social and financial inclusion of people with special needs, CGD has been incorporating the ColorADD universal colour identification system in several of its informational and advertising support media in an endeavour to improve equitable accessibility to communication on products and services, promoting the social responsibility of all for all.

CGD regularly responds to requests for donations of goods, in the form of furniture and computer equipment, made by from various entities.

CGD is also part of the Financial Literacy Taskforce of the Portuguese Banking Association and is actively involved in this group's initiatives.

Based on its Saldo Positivo financial literacy site, CGD has provided the community with an incentive for financial education, with information on essential literacy essential for planning and managing consumption and financial resources based on a responsible approach with the future in mind.

CGD's relationship with academia comprises not only cooperation agreements with higher educational institutions but also its presence at the most important events for the academic population, namely academic festivities.

CGD awarded scholarships, merit and research awards and participated in conferences and innovation projects of national and international scope.

CGD's ongoing support for culture continues to be one of its operating pillars. CGD – Culturgest Foundation has been a crucial cultural agent in hosting a series of events in various artistic domains, including music, theatre, dance, cinema, conferences and readings, exhibitions and the educational service.

In addition to sponsorship of various cultural events, continuity was also given to CGD's "Orchestras Project" for traditional classical and fusion music, with the aim of creating new audiences, enjoyment of culture and fondness for music as well as the decentralisation of access to other communities and regions of the country.

In addition to promoting the economic growth of countries in which it performs a banking activity, CGD, through its mediatheque (multimedia library) network provides its customers and the general public with ease of access to a vast range of information necessary for and pertinent to their formative and intellectual development. The objective behind this project has always been related to opening up the market to business units through social responsibility.

Facilitating access to cultural development, supplying scarce resources to the regions and exploiting the synergies of the existing commercial structure were aspects valued by Portuguese Cooperation and the Camões Institute and naturally accompanied by access to information and knowledge, human capital improvements, integral development of populations and promotion and use of the Portuguese language.

The Historical Heritage Area encompasses 3 themes: the Historical Archive, Musicological Collection, various collecting activities and Library Management. This area, in addition to managing the mediatheques (computerised multimedia leisure/educational areas) is responsible for the collection, conservation, organisation and furtherance of the strategy of divulging information on CGD's Historical Heritage, working with other similar national and international institutions and entities in participating in and providing support for actions to promote interchange between information sources and collaborating with educational institutions and research centres in providing the necessary means for the development of their research.

Key performance indicators

4,807 employees were trained and certified on the new Instruments and Financial Markets Directive, giving them with the skills to provide information in the sphere of financial instruments.

CGD Group produced a Social Climate Study in 2017, making it possible to analyse employees' level of motivation, involvement and commitment to their work.

In 2017 CGD published its PPCIC (Prevention of Corruption and Connected Infractions Policy) internal standard.

The certification of CGD headquarters' SGA (Environmental Management System) to ISO 14001:2015 was renewed.

CGD promoted the eco-efficiency of its operations, having, in 2017, achieved a 13% reduction of its energy and 16% of its water consumption, respectively (includes estimated consumption).

CGD continued to assume its funding role for a low carbon economy across the year in promoting the reduction of its customers' greenhouse gas emissions, having launched its Caixagest Socially Responsible Investment Fund, This Fund contributed to the reforestation of Pedrógão Grande in accordance with the volume of subscriptions received.0The fund will provide investors with access to a diversified portfolio of assets made up of companies with an above average sustainability performance.

It should be noted that the new sustainability strategy for the three year period 2018-2020 reflects already a wide range of targets for the several sustainability areas.

The Annual Report, in an integrated format and the Annual Sustainability Report, disclose more details on the key performance indicators and their respective evolution. More detailed information is available at: https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

ANNEX II

COMPLIANCE WITH LEGAL GUIDELINES

COMPLIANCE WITH LEGAL GUIDELINES ON AVERAGE PAYMENT PERIODS CALCULATED UNDER THE TERMS OF RULING 9870/2009, AND DISCLOSURE OF INFORMATION ON ARREARS, AS DEFINED BY DECREE-LAW NO.65-A/2011

The evolution of the average payment period to suppliers (average periods calculated under the terms of Ruling 9870/2009 issued by the Ministry of Finance and Public Administration), which changed the formula of Council of Ministers' Resolution 34/2008 of 22 February, was as follows:

(EUR thousand)

	2017				2016				Change 4th Q 2017 / 4th Q 2016	
Quarter	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**	**Amount**	**%**
Payment period (days)	48	59	50	57	32	32	33	43	-10,236	-13.0%

CGD has a mandate agreement with Sogrupo Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), which includes, inter alia, the provision of services related with billing and the processing of payments for the supply of goods and services.

SCSP has implemented an invoice validation process enabling the identification of divergent situations regarding the conclusion and quality of the provision of services, amounts incorrectly invoiced, invoices with missing mandatory information requested when awarding the contract, invoices with omissive descriptions and incorrect VAT rates and amounts.

As a means of improving the efficiency of the validation process with the objective of reducing the number of divergences found and promoting a strategy of reducing payment delays deriving from the above referred to situations, diverse initiatives, particularly the request for items to be set out in the invoice when awarding the contract, to improve efficiency in terms of its processing are in progress.

PAYMENTS IN ARREARS

(EUR)

	December 2017				
Payments in arrears under Decree Law 65-A/2011, article nº 2	0-90 days	90-120 days	120-240 days	240-360 days	More than 360 days
Acquisitions of goods and services	4,711,308	694,363	1,451,354	1,484,990	226,281
Acquisitions of capital	411,416	(30,006)	24,815	499,842	2,401
Outstanding balance	5,122,724	664,357	1,476,169	1,984,832	228,682

COMPLIANCE WITH LEGAL GUIDELINES ON REMUNERATION LEVELS (SEE CHAPTER 3.7. – REMUNERATION FOR MORE DETAILS)

Chairman, executive and non-executive members of CGD's Board of Directors

A Remuneration Policy, applicable to Executive and Non-Executive Members of CGD's Board of Directors and members of its Supervisory Board was approved on 31 August 2016 in the form of a unanimous written corporate declaration.

The State Budget Law for 2017 – Law 42/2016, of 28 December (SBL 2017) – eliminated remuneratory restrictions and restored career advancements. It is applicable to members of statutory bodies and workers of credit institutions in the state's corporate sector and qualified as "significant supervised entities" in the sense of item 16 of article 2 of Regulation (EU) 468/2014 of the ECB of 16 April 2014 and respective subsidiaries in the State's corporate sector.

The remuneration policy of CGD's Statutory Bodies continued to be governed by the Legal Framework of Credit Institutions and Financial Companies (RGICSF), Community Standards and Bank of Portugal Regulation which establish rules and mandatory restrictions on the referred to policy.

The total amount of the variable remuneration of the executive Board members as a whole may not exceed the maximum percentage of consolidated net profit for each year as defined by the General Meeting following the proposal submitted by the Remuneration Committee, with such amount taking into account the following factors: i) CGD's performance and global results ii) the policy followed on this issue in comparable institutions iii) the evolution of the global amount defined for the variable remuneration of CGD's employees as a whole.

The remuneration policy entitles executive Board members to social benefits under the terms to be defined by the General Meeting or Remuneration Committee. The policy should take into account the practice being followed in CGD, in addition to the remuneratory policies and practices of other banks and institutions comparable to CGD.

Members of all CGDs Statutory Bodies do not have any specific retirement plan due to their membership. Individually, these members keep their discounts to the plan which they were beneficiaries of before the start of their functions at CGD or, in the case when the previous position was as a CGD employee, the contribution rates are maintained and applied to the remuneration due under that condition.

The remuneration of non-executive Board members in addition to members of the Supervisory Board is not entitled to any social benefits and is exclusively made up of a fixed component with no variable component nor is the attributing thereof dependent on CGD's results.

Management bonuses

No management bonuses were attributed in 2017.

Application of reductions to CGD workers' remuneration

The effects of the wage restrictions were eliminated in 2017 and career advancements were restored with a restart of the counting of the time for seniority-based promotional purposes. A process of merit-based promotions and wage reviews was implemented.

COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE CREDIT CARDS USE

As Decree-Law no.39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased to apply to the remuneration of CGD's Board Members.

No credit cards were attributed to members of the Board of Directors in 2017 and any expense account items submitted by them were reimbursed.

COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE PROHIBITION OF UNDOCUMENTED OR PRIVATE EXPENSES

All expenses reimbursed by the Human Resources Department are supported by the respective tax document certifying its execution.

COMPLIANCE WITH LEGAL GUIDELINES ON A PUBLIC CONTRACTING LEVEL

Public Contracting Rules

Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code approved by Decree-Law no.18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).

A combination of the dispositions of no. 2 of article 1 and article 2 of the public contracts code, shows that CGD is not subject to the public contracts code regime. Even if it is considered that CGD was formed to meet the needs of the general interest, it is a commercial company and is subject to market rules and free competition and may not therefore be considered an awarding entity under the terms of the said article 2.

In the same way CGD is not bound to subscribe for the national public procurement system (SNCP), including its BASE system, because it is a commercial company, with the object of performing a banking activity in the broadest terms permitted by law.

Although Caixa Geral de Depósitos has not joined the National Public Procurement System, it has internal and external regulations, which are close to the procedures adopted in the SNCP.

CGD operates in the market in due compliance with the objectives and principles of legality and business ethics defined for the state's corporate sector as defined by Decree-Law no.133/2013 of 3 October, amended by law 75-A/2014 of 30 September which covers, inter alia:

- Transparency;
- Social responsibility;
- Sustainable development;
- Equal treatment for all customers and suppliers;
- Promotion of equality and non-discrimination.

Acts and agreements entered into involving more than €5 million

- Contract for the provision of services entered into on 13 December between CGD and Accenture Consultores de Gestão, S.A., with the objective of providing application management services to the central system;
- First addendum on the software licensing agreement and first addendum on the agreement for the provision of maintenance services entered into on 18 December between CGD and Companhia IBM Portuguesa, S.A..

Acts and agreements submitted for the previous approval of the court of auditors in accordance to article 47

In 2017, contracts subject to prior approval by the Court of Auditors were as follows:

- Extension to 2017 of the agreement for the provision of services entered into on 1 January 2009, between CGD and ESEGUR – Empresa de Segurança, S.A., with the object of providing valuables handling and transport services;
- Extension to 2018 of the agreement for the provision of services entered into on 1 January 2009, between CGD and ESEGUR – Empresa de Segurança, S.A., with the object of providing valuables handling and transport services;
- Agreement for the provision of services entered into on 13 December between CGD and Accenture, Management Consultants, S.A., with the corporate object of providing application maintenance services;
- First amendment to the software service agreement and first amendment to the agreement for the provision of services and maintenance entered into on 18 December between Caixa Geral de Depósitos, S.A. and Companhia IBM Portuguesa, S.A.;
- Second addendum on the licence concession agreement entered into on 30 November between Caixa Geral de Depósitos, S.A. and DXC Technology Portugal, Lda.;
- Second addendum on the agreement for the provision of services entered into on 22 September between CGD and EIT Services Co. Portugal, Lda., with the object of providing implementation, administration and management of systems services;
- Third addendum to the agreement for the provision of services entered into on 12 June between

Caixa Geral de Depósitos, S.A., Fidelidade – Companhia Seguros, S.A, Caixagest – Técnicas de Gestão de Fundos, S.A., Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A, CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A, Via Direta – Companhia de Seguros, S.A, Multicare – Seguros de Saúde, S.A, Empresa de Análise, Prevenção e Segurança, S.A and Banco Caixa Geral (Espanha), and Fujitsu Technology Solutions, Lda.;

- Service agreement between CGD and Timestamp – Business Inteligence & Warehousing, Lda, celebrated on June 8 with the object of providing maintenance and application development services;
- First addendum on the agreement for the provision of services entered into on 26 December 2016 between CGD and HAVAS MEDIA - Publicidade, S.A., with the objective of the planning, negotiating and acquisition of advertising space on diverse communications media;
- First addendum on the agreement for the provision of services entered into on 19 December 2016 between Caixa Geral de Depósitos, S.A and NewSpring Services, S.A., with the object of the provision of document digitalisation services;
- Agreement for the provision of services entered into between CGD and Mckinsey Internacional, Inc., with the object of providing strategic consultancy services;
- Addendum to the naming and sponsorship contract entered into between Caixa Geral de Depósitos, S.A. and Sport Lisboa e Benfica, Sport Lisboa e Benfica – Futebol S.A.D and Benfica Estádio – Construção e Gestão de Estádios, S.A;
- Service agreement between CGD and Sporting Clube de Portugal and Sporting Clube de Portugal – Futebol S.A.D.

COMPLIANCE WITH LEGAL GUIDELINES ON A LEVEL OF THE STATE'S VEHICLE FLEET

Centralized management measures and optimization of processes related to the acquisition, assignment and use of service vehicles continued to be introduced at CGD and within the scope of Group companies based in Portugal.

CGD's total fleet of 1,098 vehicles in 2016 was reduced to 753 in 2017. The 31.4% year-on-year reduction of the number of vehicles in 2017 derives from the new policy for attributing vehicles approved in 2017, based on an even greater level of rationalisation, in comparison to the series of initiatives promoted by CGD over the course of the last few years. These initiatives have been designed to cut costs, particularly as regards the management of vehicles and official travel, with the aim of achieving an even more responsible use of CGD Group's vehicle fleet.

Costs were cut by 19.1 %, in 2017 and are likely to be further reduced over the next few years.

COMPLIANCE WITH GUIDELINES ON THE REDUCTION OF OPERATING EXPENSES

Caixa has been implementing a consistent cost reduction plan, employing all types of measures to help achieve this objective, since 2007, notably:

- Centralised demand management, revising operating and business procedures to reduce consumption;
- Integration of negotiation activities and strengthening respective competencies and operating scopes;
- Separation between functions in purchasing processes;
- Optimisation of suppliers portfolio management;
- Revision of budgeting process;
- Implementation of budget performance control processes.

In addition to the business and structural measures that will result in the further reduction of costs, including the closure of branches and reducing staff, particularly via an early retirement plan, developed over 2017, various initiatives have contributed directly to cost reduction, particularly:

- Renegotiation of software maintenance agreements and specialised outsourcing services;
- Automation of back-office processes;
- Reduction in costs related to mail service;
- Renegotiation of rents and diverse agreements for the provision of services;
- Reduction of the vehicle fleet.

The results of the various initiatives implemented were however partially offset by the cost of implementing the early retirement plan, as well as exogenous factors, not controlled by CGD, which forced the institution to incur significant costs. A part of these costs should translate into future savings of financial costs, namely:

- Regulatory, tax and other nature requirements;
- Reporting requirements and implementation of recommendations by supervisory authorities.

Continuity was given to the structural measures aimed at reducing costs, in 2017, namely branch closures and staff reductions based on an early retirement programme and mutual agreement resignations without the need to replace employees. The form of attributing meal allowances was also adjusted and they are now paid, as provided for by the company agreement, for each day effectively worked.

EVOLUTION OF OPERATIONAL COSTS - CGD PORTUGAL

(EUR Thousand)

	2017	2016	2015	2017 / 2016 ∆ Total.	2017 / 2016 Change %
EBITDA	n.a	n.a	n.a		
External services and supplies	238,747	286,412	314,584	-47,665	-16.6%
Employee costs	440,281	453,552	541,894	-13,271	-2.9%
i) Early termination severance pay [(a)]	1,698	-	172	-	-
ii) Impact of the reversals on previous remuneration reduction [(b)]	-	3,241	9,051	-	-
iii) Impact of the application of Articles 20 and 21 of the 2017 State Budget Law [(c)]	101	-	-	-	-
Staff expenses excluding costs i), ii) and iii)	438,482	450,311	532,670	-11,829	-2.6%
Operational costs	677,229	736,723	847,255	-59,494	-8.1%
Turnover [(d)]	1,116,319	907,934	1,728,202	208,385	23.0%
Expenses/turnover	**61%**	**81%**	**49%**		
Communications	15,489	17,495	20,004	-2,006	-11.5%
Travel / accommodation	1,964	2,144	2,690	-180	-8.4%
Allowances	227	358	398	-131	-36.5%
Vehicle expenses	6,015	7,438	7,442	-1,423	-19.1%
Total	**23,695**	**27,434**	**30,534**	**-3,739**	**-13.6%**
Number HR (*)	7,988	8,463	9,146	-475	-5.6%
No. Employees (exc. SBs and managers)	7,765	8,213	8,883	-448	-5.5%
No. management positions	204	236	250	-32	-13.6%
No. corporate bodies	19	14	13	5	35.7%
No. Employees / management posts	**38**	**35**	**36**	**3**	**9.4%**
Vehicles					
No. vehicles	753	1,098	1,117	-345	-31.4%

(a) Does not Include the compensations paid for Mutual Agreement Resignations.

(b) Net value between the Reversal and the Correction Factor (value).

(c) The application of article 20 of the State Budget Law, 2017 had no impact. Regarding article 21 of State Budget 2017, 50% of the closing value for 2017 of the supplementary work was considered. The remaining measures had no impact on CGD.

(d) Total Operating Income.

COMPLIANCE WITH THE DUTY TO PROVIDE INFORMATION ON THE "SEE" (STATE CORPORATE SECTOR) WEBSITE AT 31 DECEMBER 2017

INFORMATION TO BE PUBLISHED ON "SEE"

	Disclosure		
Information to be published on "SEE" (state corporate sector) website	Y / N / na	Last update	Remarks
Articles of association	Y	June 17	
Characterisation of company	Y	June 17	
Supervisory and shareholder function	Y	June 17	
Governance model / members of statutory bodies		December 17	
- Identification of statutory bodies	Y	December 17	
- Fixed remuneration status	Y	December 17	
- Disclosure of information on remuneration earned by statutory bodies	Y	December 17	
- Identification of functions and responsibilities of members of the board of directors	Y	December 17	
- Presentation of résumés of members of statutory bodies	Y	December 17	
State funding	Y	June 17	
Summary	Y	December 17	
Historical and current financial information	Y	September 17	
Good governance principles	Y	June 17	
Internal and external regulations binding on company	Y	June 17	
Relevant transactions with related entities	Y	June 17	
Other transactions	Y	June 17	
Analysis of company's sustainability in the following domains		June 17	
Economic	Y	June 17	
Social	Y	June 17	
Environmental	Y	June 17	
Appraisal of compliance with good governance principles	Y	June 17	
Code of ethics	Y	June 17	

APPENDIX 1

BOARD OF DIRECTORS

Term of office (Start-End)	Board of directors					
	Position	Name	Appointment		ORPLE (2)	
			Form (1)	Date	[Identification Entity]	Paid by (S/D)
2017-2020	Board chairman	Emílio Rui da Veiga Peixoto Vilar	UWR	31-01-2017	N/A	N/A
2017-2020	Board vice chairman and Executive committee chairman	Paulo José Ribeiro Moita de Macedo	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	Francisco Ravara Cary	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	João Paulo Tudela Martins	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	José António da Silva de Brito	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	José João Guilherme	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	Maria João Borges Carioca Rodrigues (*)	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	Nuno Alexandre de Carvalho Martins	UWR	31-01-2017	N/A	N/A
2017-2020	Executive member	Carlos António Torroaes Albuquerque	UWR	02-08-2017	N/A	N/A
2017-2020	Non-executive member	Ana Maria Machado Fernandes	UWR	17-03-2017	N/A	N/A
2017-2020	Non-executive member	Maria dos Anjos Melo Machado Nunes Capote (**)	UWR	17-03-2017	N/A	N/A
2017-2020	Non-executive member	João José Amaral Tomaz	UWR	17-03-2017	N/A	N/A
2017-2020	Non-executive member	José Maria Monteiro de Azevedo Rodrigues	UWR	17-03-2017	N/A	N/A
2017-2021	Non-executive member	Alberto Afonso Souto de Miranda	UWR	01-08-2017	N/A	N/A
2017-2020	Non-executive member	Hans-Helmut Kotz	UWR	19-10-2017	N/A	N/A

Note: S/D: Source/Destination; (1) Unanimous w ritten resolution (UWR).

(2) As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers. This was also confirmed by the article n.47 of 2017 State Budget.

(*) Started functions on 3/6/2017; (**) Resigned from office w ith effect from 11/30/2017.

SPECIAL COMMITTEES

Term of office (Start-End)	Nomination, assessment and remuneration committee - CNAR				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	Ana Maria Machado Fernandes (1)	Board of Directors decision 14/09/2017	14/09/2017	20
2017-2020	Member	Manuel Lázaro Oliveira de Brito (2)	Board of Directors decision 22/06/2017	22/06/2017	
2017-2020	Member	António Borges de Assunção	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Alberto Souto de Miranda	Board of Directors decision 14/09/2017	14/09/2017	

(1) Joined CNAR in place of Emilio Rui Vilar, initially appointed by decision of the Board of Directors on 03/23/2017.
(1) Joined CNAR in place of Guilherme d'Oliveira Martins, initially appointed by decision of the Board of Directors on 03/23/2017.

Term of office (Start-End)	Audit and internal control committee - CACI				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	José Maria Monteiro de Azevedo Rodrigues	Board of Directors decision 23/03/2017	23/03/2017	11
2017-2020	Member	António Borges de Assunção	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	João José Amaral Tomaz	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Alberto Souto de Miranda	Board of Directors decision 14/09/2017	14/09/2017	

Term of office (Start-End)	Financial risks committee - CRF				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	João José Amaral Tomaz	Board of Directors decision 23/03/2017	23/03/2017	13
2017-2020	Member	José Maria Monteiro de Azevedo Rodrigues	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Ana Maria Machado Fernandes	Board of Directors decision 14/09/2017	14/09/2017	
2017-2020	Member	Hans-Helmut Kotz (1)	Board of Directors decision 23/11/2017	23/11/2017	

(1) Joined CNAR to replace Maria dos Anjos Capote in a decision of the Board of Directors on 11/23/2017.
Note: Maria dos Anjos Capote joined the CRF as President up to 11/30/2017, when this member ceased functions in CGD due to resignation.

Term of office (Start-End)	Corporate governance committee - CG				Meetings
	Position	Name	Appointment		
			Form	Date	
2017-2020	Chairman	Alberto Souto de Miranda (1)	Board of Directors decision 23/11/2017	23/11/2017	8
2017-2020	Member	Nuno Filipe Abrantes Leal Cunha Rodrigues (2)	Board of Directors decision 22/06/2017	22/06/2017	
2017-2020	Member	Ana Maria Machado Fernandes	Board of Directors decision 23/03/2017	23/03/2017	
2017-2020	Member	Hans-Helmut Kotz	Board of Directors decision 23/11/2017	23/11/2017	

(1) Joined the CG, by decision of the Board of Directors on November 23, 2017, in place of Maria dos Anjos Capote, initially designated by decision of the CA dated 03/23/2017.
(2) Joined the CG, Board of Directors decision of 06/22/2017, in place of Borges de Assunção, initially designated by decision of the Board of Directors on 03/23/2017.
Note: Maria dos Anjos Capote joined the CG as President up to November 30, 2017, when she resigned from CGD due to resignation of the mandate. Borges de Assunção joined the CG up to 06/21/2017.

REMUNERATION

2017 - 1st term - up to 31/01

Board member (name)	Annual remuneration (€)		
	Variable	Fixed	Gross
Emílio Rui Veiga Peixoto Vilar (a)	-	0	0
João Paulo Tudela Martins	-	27,203.48	27,203.48
Tiago Ravara Belo Oliveira Marques	-	27,166.67	27,166.67
Pedro Humberto Monteiro Durão Leitão	-	27,166.67	27,166.67
Total		**81,536.82**	**81,536.82**

(a) This member opted not to receive

The early termination severance payments recorded in 2017 in the amounts of €746,416.83 and €950,833.27 due to Tiago Ravara Belo Oliveira Marques and Pedro Humberto Monteiro Durão Leitão, respectively, were due to the fact that there was no just cause for their dismissal as members of the Board of Directors under article 403, n.5 of the Commercial Companies Code.

2017 - 2nd term - from 31/01

Board member (name)	Annual remuneration (€)		
	Variable	Fixed	Gross
Emílio Rui Veiga Peixoto Vilar (a)	-	0.00	0.00
Paulo José Ribeiro Moita Macedo	-	387,701.76	387,701.76
Francisco Ravara Cary	-	298,796.07	298,796.07
João Paulo Tudela Martins	-	298,796.07	298,796.07
José António Silva Brito	-	298,796.07	298,796.07
José João Guilherme	-	298,796.07	298,796.07
Maria João Borges Carioca Rodrigues (b)	-	268,107.58	268,107.58
Nuno Alexandre Carvalho Martins	-	298,796.07	298,796.07
Carlos António Torroaes Albuquerque (c)	-	135,827.99	135,827.99
Maria Anjos Melo Machado Nunes Capote (d)	-	34,300.00	34,300.00
Ana Maria Machado Fernandes (e)	-	38,393.72	38,393.72
João José Amaral Tomaz (f)	-	0.00	0.00
José Maria Monteiro Azevedo Rodrigues (e)	-	38,393.72	38,393.72
Alberto Afonso Souto Miranda (g)	-	20,425.45	20,425.45
Hans Helmut Kotz (h)	-	10,208.34	10,208.34
Total	-	**2,427,338.91**	**2,427,338.91**

(a) This member opted not to receive; (b) Started 06-03-2017; (c) Started 02-08-2017; (d) Started 20-03-2017 and resigned, taking effect from 30 November 2017; (e) Started 20-03-2017; (f) Started 20-03-2017. This member opted not to receive; (g) Started 01-08-2017; (h) Started 17-10-2017.

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

Board member (name)	Remuneration - Attendance fee (€) Maximium: 49,000.00		
	Variable	Fixed	Gross
Maria Anjos Melo Machado Nunes Capote (a)	-	49,000.00	49,000.00
Ana Maria Machado Fernandes (b)	-	49,000.00	49,000.00
José Maria Monteiro Azevedo Rodrigues (c)	-	49,000.00	49,000.00
Alberto Afonso Souto Miranda (d)	-	44,400.00	44,400.00
Hans Helmut Kotz (e)	-	3,700.00	3,700.00
João José Amaral Tomaz (f)	-	-	-
Total		**195,100.00**	**195,100.00**

(a) Atendance at 9 Financial Risks Committee (FRC) meetings and 7 Corporate Governance Committee (CGC) meetings.
(b) Atendance at 14 Nomination, Assessment and Remuneration (NARC) Committee, 7 CGC meetings and 3 FRC meetings.
(c) Atendance at 11 Audit and Internal Control Committee (AICC) meetings, as its Chairman and 11 FRC meetings.
(d) Atendance at 4 AICC meetings; and at 8 NARC meetings.
(e) Atendance at 1 FRC meeting.
(f) Atendance at 8 AICC meetings and 7 FRC meetings. This member opted not to receive.

Supervisory board member (name)	Annual remuneration (€)		
	Variable	Fixed	Gross
Guilherme Valdemar Pereira Oliveira Martins	-	72,800.00	72,800.00
António Luís Traça Borges Assunção	-	63,000.00	63,000.00
Manuel Lázaro Oliveira Brito	-	43,619.35	43,619.35
Nuno Filipe Abrantes Leal Cunha Rodrigues	-	-	-
Total		**179,419.35**	**179,419.35**

Supervisory board member (name)	Remuneration - Attendance fee (€)		
	Variable	Fixed	Gross
Guilherme Valdemar Pereira Oliveira Martins (a)	-	25,900.00	25,900.00
António Luís Traça Borges Assunção (b)	-	59,200.00	59,200.00
Manuel Lázaro Oliveira Brito (c)	-	44,400.00	44,400.00
Nuno Filipe Abrantes Leal Cunha Rodrigues (d)	-	25,900.00	25,900.00
Total		**155,400.00**	**155,400.00**

(a) Atendance at 7 NARC meetings; (b) Atendance at 11 AICC meetings, at 20 NARC meetings, and at 2 CGC meetings; (c) Atendance at 12 NARC meetings; (d) Atendance at 7 CGC meetings.

SOCIAL BENEFITS

2017 - 1st Term - Up to 31 January 2017

Board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Emílio Rui Veiga Peixoto Vilar (a)	0.00	0.00			N/A	N/A		
João Paulo Tudela Martins	0.00	0.00	Social security	5,530.36	N/A	N/A		
Tiago Ravara Belo Oliveira Marques	0.00	0.00	Social security	5,530.36	N/A	N/A		
Pedro Humberto Monteiro Durão Leitão	0.00	0.00	Social security	5,530.36	N/A	N/A		
Total	**0.00**	**0.00**		**16,591.08**				

(a) This member opted not to receive.

2017 - 2nd Term - From 31 January 2017

Board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Emílio Rui Veiga Peixoto Vilar (a)	0.00	0.00			N/A	N/A		
Paulo José Ribeiro Moita Macedo	0.00	0.00	Social security	92,079.12	N/A	N/A		
Francisco Ravara Cary	0.00	0.00	Social security	70,964.10	N/A	N/A		
João Paulo Tudela Martins	0.00	0.00	Social security	65,894.61	N/A	N/A		
José António Silva Brito	0.00	0.00	CGA/Pension Fund	42,036.99	N/A	N/A	Study grant	466.40
José João Guilherme	0.00	0.00	Social security	70,964.10	N/A	N/A		
Maria João Borges Carioca Rodrigues	0.00	0.00	Social security	63,675.59	N/A	N/A	Study grant	784.20
Nuno Alexandre Carvalho Martins	0.00	0.00	Social security	70,964.10	N/A	N/A		
Carlos António Torroaes Albuquerque	0.00	0.00	Social security	44,877.58	N/A	N/A		
Maria Anjos Melo Machado Nunes Capote (b)	0.00	0.00			N/A	N/A		
Ana Maria Machado Fernandes	0.00	0.00	Social security	20,756.01	N/A	N/A		
João José Amaral Tomaz (c)	0.00	0.00			N/A	N/A		
José Maria Monteiro Azevedo Rodrigues (b)	0.00	0.00			N/A	N/A		
Alberto Afonso Souto Miranda (b)	0.00	0.00			N/A	N/A		
Hans Helmut Kotz (d)	0.00	0.00			N/A	N/A		
Total	**0.00**	**0.00**		**542,212.20**				

(a) This member opted not to receive; (b) Beneficiary of "Regime Convergente (CGA)" , exempt of paying contributions to Social Security; (c) The member is retired, is not paid; (d) Tax residence rules appy.

Supervisory board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Guilherme Valdemar Pereira Oliveira Martins	0.00	0.00	Social security	19,159.90	N/A	N/A	-	-
António Luís Traça Borges Assunção	0.00	0.00	Social security	24,048.35	N/A	N/A	-	-
Manuel Lázaro Oliveira Brito	0.00	0.00	Social security	17,116.83	N/A	N/A	-	-
Nuno Filipe Abrantes Leal Cunha Rodrigues	0.00	0.00	Social security	5,257.70	N/A	N/A	-	-
Total	**0.00**	**0.00**		**65,582.78**				

MOBILE COMMUNICATIONS EXPENSES

Up to 31 January

Board member (name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
Emílio Rui Veiga Peixoto Vilar	N/A	20.64	23% VAT on voice & data communications
João Paulo Tudela Martins	N/A	18.61	23% VAT on voice & data communications
Tiago Ravara Belo de Oliveira Marques	N/A	67.03	23% VAT on voice & data communications
Pedro Humberto Monteiro Durão Leitão	N/A	0.00	Had not
Total		**106.28**	

After 31 January

Board member (name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
Emílio Rui Veiga Peixoto Vilar	N/A	103.31	23% VAT on voice & data communications
Paulo José Ribeiro Moita Macedo	N/A	1,515.23	23% VAT on voice & data communications
Francisco Ravara Cary	N/A	436.54	23% VAT on voice & data communications
João Paulo Tudela Martins	N/A	360.28	23% VAT on voice & data communications
José António Silva Brito	N/A	376.43	23% VAT on voice & data communications
José João Guilherme	N/A	1,105.28	23% VAT on voice & data communications
Maria João Borges Carioca Rodrigues	N/A	661.89	23% VAT on voice & data communications
Nuno Alexandre Carvalho Martins	N/A	696.83	23% VAT on voice & data communications
Carlos António Torroaes Albuquerque	N/A	159.42	23% VAT on voice & data communications
Total		**5,415.22**	

VEHICLE COSTS / CHARGES

Up to 31 January 2017

Board member (Name)	Vehicles costs/charges								
	Vehicle	Agreement entered into	Reference price of vehicle	Type of payment (1)	Start year	End year	Monthly instalments	Annual instalments	Remaining payments
	[Y/N]	[Y/N]	[€]	[identify]			[€]	[€]	
Emílio Rui Veiga Peixoto Vilar	N	N	-	-	-	-	-	-	-
João Paulo Tudela Martins	Y	N	73,392.00	Renting	2013	2017	1,038.35	1,038.35	4
Tiago Ravara Belo de Oliveira Marques	Y	N	87,200.00	Renting	2014	2017	1,288.20	1,288.20	11
Pedro Humberto Monteiro Durão Leitão	Y	N	92,000.00	Renting	2014	2017	1,365.02	1,365.02	11

(1) Purchase; LTR; Leasing; Other.

After 31 January 2017

Board member (Name)	Vehicles costs/charges								
	Vehicle	Agreement entered into	Reference price of vehicle	Type of payment (1)	Start year	End year	Monthly instalments (*)	Annual instalments	Remaining payments (**)
	[Y/N]	[Y/N]	[€]	[identify]			[€]	[€]	
Emílio Rui Veiga Peixoto Vilar	N	N	-	-	-	-	-	-	-
Paulo José Ribeiro Moita Macedo (***)	Y	N	51,568.88	Purchase	-	-	1,139.61	9,939.35	-
Francisco Ravara Cary	Y	N	88,900.00	Renting	2014	2017	1,406.80	13,237.84	0
João Paulo Tudela Martins	Y	N	73,392.00	Renting	2013	2017	1,498.04	9,855.24	0
José António Silva Brito	Y	N	58,467.00	Renting	2014	2018	648.53	7,131.91	10
José João Guilherme	Y	N	74,842.61	Renting	2013	2018	1,020.95	11,328.56	3
Maria João Borges Carioca Rodrigues	Y	N	80,681.03	Renting	2013	2018	1,023.97	9,787.39	3
Nuno Alexandre Carvalho Martins	Y	N	92,000.00	Renting	2014	2017	1,487.98	15,138.20	0
Carlos António Torroaes Albuquerque	Y	N	87,200.00	Renting	2014	2017	1,409.17	6,520.40	0

(1) Purchase ;.LTR;.Leasing;.Other.

(*) Same as the last monthly instalment of 2017; (**) Remaining instalments on 01.01.2018; (***) Paulo Macedo's vehicle w as bought by CGD. Reference price corresponds to purchase price by CGD.

Note: Maria João Carioca began on 06.03.2017 and Carlos Albuquerque began on 02.08.2017.

ANNUAL VEHICLE COSTS

Up to 31 January 2017

Board member (name)	Monthly fuel limit	Annual vehicle costs (€)				
		Fuel	Tolls	Other repairs (*)	Insurance	Remarks
Emílio Rui Veiga Peixoto Vilar	N/A	-	-	-	-	
João Paulo Tudela Martins	N/A	267.79	96.15	19.26	-	
Tiago Ravara Belo de Oliveira Marques	N/A	234.79	44.25	22.59	-	
Pedro Humberto Monteiro Durão Leitão	N/A	122.29	24.25	22.59	-	

Note: The insurance for vehicles insured by Locarent, are included in the amount of the instalments.
(*) Includes monthly overhaul costs.

After 31 January 2017

Membro do CA (Nome)	Monthly fuel limit	Annual vehicle costs (€)				
		Fuel	Tolls	Other repairs (*)	Insurance	Remarks
Emílio Rui Veiga Peixoto Vilar	N/A	708.92	138.30	94.51	-	11 months cost
Paulo José Ribeiro Moita Macedo	N/A	3,311.57	834.08	886.99	-	11 months cost
Francisco Ravara Cary	N/A	3,162.61	965.70	1,943.19	-	11 months cost
João Paulo Tudela Martins	N/A	2,847.12	1,035.80	893.96	-	11 months cost
José António Silva Brito	N/A	1,502.10	381.50	590.45	-	11 months cost
José João Guilherme	N/A	2,700.23	917.35	1,725.16	-	11 months cost
Maria João Borges Carioca Rodrigues	N/A	2,981.03	885.90	2,165.26	-	10 months cost
Nuno Alexandre Carvalho Martins	N/A	1,183.56	293.30	933.42	-	11 months cost
Carlos António Torroaes Albuquerque	N/A	691.01	270.00	102.78	-	5 months cost

Note: The insurance for vehicles insured by Locarent, are included in the amount of the instalments.
(*) Includes monthly overhaul costs.

BOARD REPRESENTATION EXPENSES

Board Representation Expenses (€)			
	2015	2016	2017
Annual amount	19,924	18,136	2,795

BOARD MEAL ALLOWANCE EXPENSES

Board Meal Allowance Expenses (€)			
	2015	2016*	2017*
Annual amount	17,483	10,634	0

(*) From September 2016, the meal allowance ceased for Board members.

TRAVEL EXPENSES

Until 31 January 2017

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
Emílio Rui Veiga Peixoto Vilar	557.43	428.99				986.42
João Paulo Tudela Martins	363.67	375.00				738.67
Tiago Ravara Belo de Oliveira Marques	-	-				0.00
Pedro Humberto Monteiro Durão Leitão	-	-				0.00
						1,725.09

a) Includes: visas, vaccinations, taxis, expense account items.

After 31 January 2017

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
Emilio Rui da Veiga Peixoto Vilar	2,718.10	586.87				3,304.97
Paulo José Ribeiro Moita Macedo	29,395.24	2,241.59				31,636.83
Francisco Ravara Cary	30,774.47	1,820.76		Visa	25.00	32,620.23
João Paulo Tudela Martins	1,869.99	3,950.11				5,820.10
José António Silva Brito	936.26	773.88				1,710.14
José João Guilherme	42,384.19	2,180.51		Visa	250.00	44,814.70
Maria João Borges Carioca Rodrigues	5,584.38	773.88				6,358.26
Nuno Alexandre Carvalho Martins	2,002.16	773.88				2,776.04
Carlos António Torroaes Albuquerque	596.11	1,037.88				1,633.99
Maria dos Anjos Capote	273.49	-				273.49
Ana Maria Machado Fernandes	273.49	-				273.49
João José Amaral Tomaz	273.49	-				273.49
José Maria Monteiro Azevedo Rodrigues	273.49	-				273.49
Alberto Souto Miranda	-	-				0.00
Hans-Helmut Kotz	13,482.11	1,054.39				14,536.50
						146,305.72

a) Includes: visas, vaccinations, taxis, expense account items.

Supervisory Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify	Amount	
Guilherme Valdemar Pereira de Oliveira Martins	-	-				0.00
António Luís Traça Borges de Assunção	620.49	-				620.49
Manuel Lázaro Oliveira de Brito	-	-				0.00
Nuno Filipe Abrantes Leal Cunha Rodrigues	-	-				0.00
						620.49

APPENDIX 2

	Compliance			Quantification / Identification	Justification / reference in report
	Y	N	N/A		
Management objectives			x		
Targets of the Activity and Budget Plan					The Portuguese state and CGD strongly support the viability of the Strategic Plan, agreed with DG Comp.
Execution % at the budgetary information system			x		In 2017 the Strategic Plan execution enabled the successful achievement of a large number of targets set out for the year in the referred to Plan.
Evolution of average payment time to suppliers	x			-13.0%	
Disclosure of information on arrears	x			123.8%	Considering the change between 9,476,764 € (as of 2017) and 4,234,665 € (as of 2016).
Shareholder's recommendations at the time of the last approval of the accounts:					
Recommendation			x	Not applicable	
Remunerations					
Non attribution of management bonuses	x				No management bonuses were awarded in 2017.
Board of directors - Remuneration reduction and reversals in 2017	x			Remuneration policy for members of Boards of Directors and Supervisory Boards	Remuneration's variable component is subject to reduction and reversal mechanisms.
Supervisory bodies - Remuneration reduction and reversals in 2017				Remuneration paid to Statutory audit / External Auditor	
Auditor					the external auditor, according to the state budget law for 2017, the global costs of service contracts cannot exceed the global amounts paid in 2016.
Other workers - Remuneration reduction and reversals in 2017	x				The remuneration policy for CGD workers ceased to be conditioned by the wage restrictions imposed under the state budget law, in 2017, which were eliminated, with career advancements being restored from 2017.
Other workers - prohibition of increases in remuneration under article 35 of law 66			x		
Article 32 of public manager statute					
Use of credit cards	x			As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased to apply to the remuneration of CGD's Board Members.	No credit cards were attributed to members of the board of directors in 2017 and any expense account items submitted by them were reimbursed
Reimbursement of personal expense account items	x				
Expenses with Communications (Maximum amount)			x		
Expenses with fleet car (Maximum amount)			x		
Representation expenses	x				
Confidencial or non-documented expenses	x				All expenses reimbursed by Human Resources Division are supported by the tax document proving that they have been paid.
Report on CGD´s promotion gender equality					CGD complies with the rules of equality in the award of remuneration to men and women.
Elaboration of Report on Gender Equality Remuneration		x			
Elaboration of Report on Corruption prevention		x			CGD published its PPCIC ("Prevention of Corruption and Connected Infractions Policy") in 2017.
Public contracts					
Company's application of rules on public contracts			x		Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code.A combination of the dispositions of no. 2 of article 1 and article 2 of the public contracts code, shows that CGD is not subject to the public contracts code regime.approved by decree law 18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).
Contracts submitted for the approval of the court of auditors	x			13	Acts and agreements submitted for the previous approval of the court of auditors in accordance to article 47. The complete breakdown is disclosed at: "Compliance with legal guidelines on a public contracting level".
Audits - court of auditors			x		In the last three years CGD was not subject to Audits by the Court of Auditors.
Vehicle fleet	x				
Reduction of number of vehicles				-345	CGD had a fleet of 1,098 vehicles in 2016 which was reduced to 753 vehicles in 2017 corresponding a decrease of 31.4%.
Expenses with vehicles				-19.1%	The Expenses with vehicles ere 6015 thousands € in 2017 from 7438 thousand € in 2016
Operating expenses of state-owned companies		x		-8.2% (2017/2016)	Between 2016 and 2017 was registered a reduction on employee costs (-2.9%) and on external supplies and services (-16.6%).

ANNEX III

EXECUTIVE COMMITTEE – (DISTRIBUTION OF RESPONSIBILITIES)

Paulo de Moita Macedo – Chairman of the Executive Committee

Areas of responsibility	Substitutes
Organisational units of CGD:	
Corporate Support Division (DSC)	Carlos Albuquerque
Human Resources Division (DPE)	Maria João Carioca
Communication and Brand Management Division (DCM)	Carlos Albuquerque
Internal Audit Division (DAI) *	José Brito
Compliance Office (GFC) *	José Brito
Economic Research Office (GET)	Carlos Albuquerque

* Hierarchical Report - current affairs; Functional Report to the Audit and Internal Control Committee (CACI)

José João Guilherme – Member of the Executive Committee

Areas of responsibility	Substitutes
Organisational units of CGD:	
Retail Banking Division - North area (DCN)	Francisco Cary
Retail Banking Division - South area (DCS)	Francisco Cary
Retail Marketing Division (DMR)	Francisco Cary
International Business Relations Division (DRI)	Francisco Cary
Domestic units:	
Parbanca SGPS	José Brito
Partang SGPS (wind down in progress)	José Brito
International units:	
France Branch	José Brito
Timor Branch	José Brito
Banco Caixa Geral de Angola	José Brito
Banco Comercial e de Investimentos - Mozambique	José Brito
Banco Comercial do Atlântico – Cape Verde	José Brito
Banco Interatlântico – Cape Verde	José Brito
Banco Internacional de S. Tomé and Príncipe	José Brito
Banco Nacional Ultramarino – Macau	José Brito
Macau Branch[27]	José Brito

[27] Closed since 15.12.2017

José Brito – Member of the Executive Committee

Areas of responsibility	Substitutes
Organisational units of CGD:	
Accounting Consolidation and Financial Information Division (DCI)	Francisco Cary
Financial Markets Division (DMF)	Francisco Cary
Planning, Budgeting and Control Division (DCP)	Francisco Cary
Investor Relations Office (GIR)	Francisco Cary
Domestic units:	
Caixa Gestão de Activos, SGPS	Carlos Albuquerque
International units:	
CGD Branch – Spain	José João Guilherme
CGD Branch – New York	José João Guilherme
CGD Branch – Luxembourg	José João Guilherme
CGD Branch – Cayman Island[28]	José João Guilherme
CGD Branch – London[29]	José João Guilherme

Francisco Cary – Member of the Executive Committee

Areas of responsibility	Substitutes
Organizational units of CGD:	
Large Corporate and Institucional Business Division (DBE)	José João Guilherme
Corporate Banking Division - North Area (DEN)	José João Guilherme
Corporate Banking Division - South Area (DES)	José João Guilherme
Corporate Marketing Division (DME)	José João Guilherme
Domestic units:	
Caixa Banco de Investimento	José João Guilherme
Caixa Leasing e Factoring	José João Guilherme
Locarent	José João Guilherme
International units:	
Banco Caixa Geral (Brazil)	José Brito
Banco Caixa Geral (Spain)	José Brito
CGD Investimentos CVC (Brazil)	José Brito
Mercantile Bank Holdings (South of Africa)	José Brito

[28] Closed since 22/12/2017

[29] Closed since 30/11/2017

João Tudela Martins – Member of the Executive Committee

Areas of responsibility	Substitutes
Organisational units of CGD:	
Risk Management Division (DGR)	Maria João Carioca
Credit Risks Division (DRC)	Maria João Carioca
Models Validation Office (GVM)	Maria João Carioca

Maria João Carioca – Member of the Executive Committee

Areas of responsibility	Substitutes
Organizational units of CGD:	
Corporate Business Monitoring Division (DAE)	Carlos Albuquerque
Real Estate Business Division (DNI)	Carlos Albuquerque
Operations Centre (CO)	Nuno Martins
Information and Technology Division (DSI)	Nuno Martins
Caixa Geral de Aposentações Support Division DAC)	Nuno Martins
Private Notary (NOT)	Nuno Martins
SEPA Coordination Office (GCS)[30]	
Domestic units:	
Caixa Imobiliário	Carlos Albuquerque
Imocaixa	Carlos Albuquerque
Wolfpart	Carlos Albuquerque
Sogrupo – Information and Technology Services	Nuno Martins
Caixanet	Nuno Martins
Caixatec - Tecnologias de Comunicação	Nuno Martins
Esegur	Nuno Martins

[30] Closed since July 2017

Nuno Martins – Member of the Executive Committee

Areas of responsibility	Substitutes
Organizational units of CGD:	
Organization and Quality Division (DOQ)	Maria João Carioca
Non-core Investments Division (DGP)	José Brito
Domestic units:	
Sogrupo Procurement and Shared Services	Maria João Carioca
Caixa Capital	Francisco Cary
Caixa Participações SGPS	Francisco Cary
Sogrupo IV – Real Estate Management (wind down in progress)	Maria João Carioca

Carlos Albuquerque – Member of the Executive Committee

Areas of responsibility	Substitutes
Organizational units of CGD:	
Legal Affairs Division (DAJ)	José Brito
Digital and Remote Banking Division (DCD)	Maria João Carioca
Logistic Support Division (DRM)	Maria João Carioca
Retail Business Monitoring Division (DAP)	Nuno Martins
Prevention and Security Office (GPS)	Nuno Martins

ANNEX IV

CURRICULA VITAE OF MEMBERS OF THE STATUTORY BODIES

MEMBERS OF THE GENERAL MEETING

CHAIRMAN - PAULO CARDOSO CORREIA DA MOTA PINTO

Date of Birth: 18 of November 1966

Current Positions

- Chairman of the Board of the General Meeting of Caixa Geral de Depósitos, SA,
- Chairman of the Supervisory Board of NOS, SGPS

Former positions

Business Positions

- Member of the Audit Committee and Non-Executive member of the Board of Directors of Zon SGPS

Government and Para-Governmental Positions

- Chairman of the Intelligence Oversight Committee of the Portuguese Republic (2013-2017)
- Member of Portuguese Parliament to the XII Legislature, Chairman of the Parliament´s European Affairs Committee (2011-2015)
- Member of the Portuguese Parliament to the XI Legislature, Chairman of the Parliament's Finance and Budget Committee (2009-2011)
- Judge at the Constitutional Court (1998-2007)

Academic Positions

- Lecturer at the Coimbra University Law School.
- Guest lecturer at the University of Sarre (Universität des Saarlandes), Germany

Academic qualifications

- Master's degree and Ph.D in the field of Legal Civilist Sciences (Law Faculty of the Universidade de Coimbra)
- Certificate of German law foundations, Ludwig-Maximilians Universität, Munchen, 1990

Prizes and Distinctions

- Member of the International Academy of Portuguese Culture

VICE-CHAIRMAN - ELSA MARIA RONCON SANTOS

Date of Birth: 10 of March 1951

Current positions

- Vice-Chairman of the Board of Shareholders Meeting of Caixa Geral de Depósitos, S.A., (2016-)
- Senior advisor to the Board of Directors of CP – Comboios de Portugal E.P.E., (Feb 2017-)
- Member of the Foundations Advisory Board representing the Ministry of Finance, (2014-)

Former positions

- Director General of the Treasury and Finance – Ministry of Finance, (Aug 2011- Feb 2017)

- Member of the Board of Directors and of the Remuneration Committee of the EIB-European Investment Bank, (Jan 2015 - Feb 2017)
- Member of the Board of Directors of the Resolution Fund, (on behalf of the Minister of Finance 2012- 30 Mar 2017)
- Chairman of the Joint Committee of the Portuguese Fund for Investment in Mozambique, (2011-Feb 2017)
- Chairman of the Shareholders' Meeting of Parpublica – Participações Públicas (SGPS),S.A., (2013-Feb 2017)
- Chairman of the Shareholders' Meeting of Lusa – Agência de Notícias de Portugal, S.A., (2015-Feb 2017)
- Representative of the State's Corporate Sector on the Economic and Social Council, (2012-Feb 2017)
- Ex officio: Chairman of the Board of Management of the Equity Rehabilitation and Conservation Fund, (2011- Feb 2017)
- Chaiman of the Supervisory Board of E.P. - Estradas de Portugal, S.A., (2014 – 2015 until the establishment of IP – Infraestruturas de Portugal, S.A.)
- Chairman of the Supervisory Board of CTT, Correios de Portugal, S.A., and (2012-2013). Member of the Supervisory Board of CTT, (2013 - March 2014)
- Member of the Board of Fundação Ricardo Espírito Santo Silva, (ex officio: 2011-2013)
- Chairman of the Ethical Committee of CP- Comboios de Portugal, E.P.E., (2009-2011)
- Chairman of the Supervisory Board of CP Carga – Logística e Transportes Ferroviários de Mercadorias, S.A., (2010-2011)
- Chairman of the Supervisory Board of EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A., (2010-2011)
- Chairman of the Executive Committee (2003-2005) and of the Board of Directors of Fernave - Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A., (2003-2008)
- Member of the Advisory council of Elo-Associação Portuguesa for the Development and Coperation, (2004-2006)
- Member of the Board of Directors of the Forum for Company Directors (FAE), (2002-2004)
- Member of the Supervisory Board of the Forum for Company Directors, (2004-2013)
- Member of the Board and CFO of REFER - Rede Ferroviária Nacional, E.P., (2001-2002)
- Non-executive Chairman of the Board of GIL - Gare Intermodal de Lisboa, S.A., (2001-2002)
- Member and e CFO of the Board of Directors,of Caminhos-de-Ferro Portugueses, E.P.,(1996-2000)
- Non-executive member of the Board of Directors da EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A., (1996-2000)
- Non-executive member of the Board of Directors of CPCOM - Exploração de Espaços Comerciais, S.A., (1996-2000)
- Representative to Eurofima - European Company for Financing of Railroad Stock
- Member of the Board of Directors and CFO of Metropolitano de Lisboa, E.P., (1994-1996)

Government and Para-Governmental Positions

- Chief of Staff for the Deputy State Secretary for the Budget; Prof Fernando Pacheco, (2000-2001)
- Chief of the Staff of the State Secretary of Industry, Prof. António de Sousa, (1998-1999)
- Chief of the Staff of the Deputy State Secretary of Finance, Prof. António de Sousa, (1993-1994)
- Chief of the Staff of the Deputy State Secretary of Foreign Trade, Prof. António de Sousa, (1991-1993)

Academic qualifications

- Economics degree by the Universidade Técnica de Lisboa
- Master at Gulbenkian Science Institute – Centre of Agrarian Economic Studies
- Introduction to the Calculation of Probabilities and Statistical inference
- Microeconomic Theory
- Econometric Models

SECRETARY - JOSÉ LOURENÇO SOARES

Date of Birth: 22 of November 1950

Current positions

- Secretary of the Board of the General Meeting of Caixa Geral de Depósitos, S.A.
- Managing Director of the Legal Affairs Department of Caixa Geral de Depósitos, S.A.
- Chairman of the Shareholders' Meeting of Caixa – Banco de Investimento S.A.
- Chairman of the Shareholders' Meeting of Caixa - Participações, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Caixa Leasing e Factoring - IFIC, S.A.
- Chairman of the Shareholders' Meeting of Gerbanca, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Parbanca, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Partang, SGPS, S.A.
- Chairman of the Shareholders' Meeting of Banco Internacional de S. Tomé e Príncipe, SARL

Former positions

Business Positions

- Chairman of the Board of Directors of Parvalorem, S.A, since 2010
- Chairman of the Board of Directors of Parups, S.A., since 2010
- Chairman of the Board of Directors of Participações, SGPS, S.A., since 2010
- Board Member of BPN – Banco Português de Negócios, S.A., 2008
- Board Member of BPN Internacional, SGPS, S.A., 2008
- Board Member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE, 2008
- Board Member of Banco Efisa, S.A., 2009
- Chairman of the Shareholders' Meeting of Bandeirantes, SGPS, S.A., 2009

- Vice-Chairman of the Shareholders' Meeting of Companhia de Seguros Fidelidade - Mundial, S.A. (2009)

Academic Positions

- Assistant at the University of Lisbon School of Law
- Assistant lecturer at Universidade Autónoma de Lisboa

Academic qualifications

- Masters in Legal Sciences from the University of Lisbon School of Law
- Degree in Law from the University of Lisbon School of Law

MEMBERS OF THE BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN - EMÍLIO RUI DA VEIGA PEIXOTO VILAR

Date of Birth: 17 May 1939

Current positions

- Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., (2017-)
- Member of the Superior Board of Universidade Católica, (2017-)
- Chairman of the Advisory Board of the Portuguese Oncology Institute, (2013-)
- Chairman of the Foundations Advisory Board, (2012-)
- Non-Executive Member of the Board of Directors of the Calouste Gulbenkian Foundation, (2012-)
- Non-Executive Member of the Board of Directors of Partex Oil & Gas (Holdings) Corporation, (2012-)

Former positions

- Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., (2016-2017)
- Member of the Advisory Board of the Bank of Portugal, (2014-2016)
- Chairman of the General Council of the University of Coimbra, (2013-2016)
- Chairman of REN, SGPS, S.A., (2014-2015)
- Lawyer-Consultant at PLMJ, Sociedade de Advogados, RL, (2012-2015)
- Non-Executive Member of the Board of Directors and Officer of the Audit Committee of REN, SGPS, S.A.,(2012-2014)
- Chairman of the European Foundation Centre, (2008-2011)
- Chairman of the General Council of the Portuguese Institute of Corporate Governance, (2007-2011)
- Chairman of the Portuguese Foundations Centre, (2006-2012)
- Chairman of the Gulbenkian Foundation, (2002-2012)
- Chairman of Partex Oil & Gas (Holdings) Corporation, (2002-2012)
- Chairman of the Board of Directors of Galp Energia, (2001-2002)
- Non-Executive Member of the Board of Directors of SOPORCEL, (2000-2001)

- Chairman of the Audit Board of the Bank of Portugal, (1996-2014)
- Member of the Board of Directors of the Gulbenkian Foundation, (1996-2002)
- Chairman of the European Savings Bank Group, (1991-1994)
- Chairman of the Board of Directors of Caixa Geral de Depósitos, (1989-1995)
- Commissary General of Europália 91 – Portugal, (1989-1992)
- Director General of the European Commission, (Brussels) (1986-1989)
- Chairman of the Advisory Board of BESCL, (1985-1986)
- Vice-Governor of the Bank of Portugal, (1975-1984)
- Director of Banco Português do Atlântico, (1969-1973)
- Technical Officer and Head of Department of GEPTT, (1966-1969)
- Military Service, (1962-1965)
- Law Traineeship, (1961-1962)

Government Positions

- Minister of Transport and Communications, (1976-1978)
- Minister of the Economy, (1974-1975)
- Secretary of State for Foreign Trade and Tourism, (1974)

Academic Positions

- Guest lecturer at the Faculty of Economics and Management of Universidade Católica (Porto), (1998-2002)

Academic qualifications

- Degree in Law from the University of Coimbra, (1961)

Distinctions

- Honoris Causa PH.D. from the University of Lisbon, (2011)
- Grand Cross of the Military Order of Christ, (1996)
- Grand Cross of the Ordem do Infante, (1991)
- Commander of the Order of Agricultural and Industrial Merit – Industrial Merit Class, (1982)
- Campaign Medal, (Angola 1964-65)
- Grand Master of the Order of Léopold, (Belgium)
- Grand Master of the National Order of the Southern Cross, (Brazil)
- Grand Master of the Order of the Star and Italian Solidarity
- Officer of the National Order of the Legion of Honour, (France)
- Order of Civil Merit, (Spain)
- Royal Norwegian Order of Merit

VICE-CHAIRMAN – PAULO JOSÉ DE RIBEIRO MOITA DE MACEDO

Date of Birth: 14 July 1963

Current positions

- Chief Executive Officer of Caixa Geral de Depósitos, S.A.
- Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A.

Former positions

Business Positions

- Board Member, Millenniumbcp Ageas Grupo Segurador, SGPS, S.A., (29 August 2016 to 31 January 2017)
- Board Member, Ocidental Vida – Companhia Portuguesa de Seguros de Vida, S.A., (29 August 2016 to 31 January 2017)
- Board Member, Ocidental – Sociedade Gestora de Fundos de Pensões, S.A., (29 August 2016 to 31 January 2017)
- Director-General of Banco Comercial Português, S.A. (Millennium BCP), (November 2015 to August 2016)
- Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A., (January 2008 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Ocidental Vida – Companhia Portuguesa de Seguros de Vida, S.A., (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of Companhia Portuguesa de Seguros de Saúde, S.A. (Médis), (March 2011 to 20 June 2011)
- Vice-Chairman of the Board of Directors of PensõesGere – Sociedade Gestora de Fundos de Pensões, S.A. (now Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.), (March 2011 to 20 June 2011)
- Member of the Supervisory Board of Bank Millennium (Poland), (March 2008 to April 2011)
- Member of the Supervisory Board of Euronext, NV, (January 2010 to June 2011)
- General Manager of Banco Comercial Português, S.A., (July 2007 to January 2008)
- Member of the Directive Committee of Seguros e PensõesGere, SGPS, S.A., (2003-2004)
- Board Member of Companhia Portuguesa de Seguros de Saúde, S.A. (Médis), (2001-2004)
- Board Member of Interbanco, S.A., (2000-2001)
- Board Member of Comercial Leasing, S.A., (1998-2000)
- Director of the Strategic Marketing Unit; Director of the Credit Cards Commercial Division, Director of Marketing of the Commercial and Business Network; Director of the Corporate Centre; Director of the Euro Office, Banco Comercial Português, S.A. (September 1993 to 1998)
- Senior Assistant and Director, Arthur Andersen (whose activities were merged with Deloitte in Portugal, starting August 2002), (september 1986 to September 1993)

Government and Para-Governmental Positions

- Minister of Health of the 19th Constitutional Government, (21 June 2011 to 30 October 2015)
- Director General of Tax and Chairman of the Fiscal Administration Board, (May 2004 to July 2007)

Academic Positions

- Guest professor at Lisbon University's *Instituto Superior de Ciências Sociais e Políticas* (since January 2016)
- Guest professor at Lisbon University's *Instituto Superior de Economia e Gestão,* (since October 2016)

Academic qualifications

- National defence auditor course, *Instituto de Defesa Nacional* (May 2016)
- Executive training in Lisbon (*Instituto Nacional de Administração*, inter alia), Madrid, Buenos Aires
- *PADE – Programa de Alta Direção de Empresas AESE – Escola de Direção e Negócios,* (May 2001)
- Executive training in Lisbon, Rome, Paris, London – INSEAD (advanced senior staff training programme), (1993-2004)
- Executive training in London, Segovia, Paris, Berlin, Amsterdam and Chicago, (1986-1993)
- Degree in Corporate Organisation and Management, from Lisbon's University's *Instituto Superior de Economia e Gestão,* (July 1986)

Prizes and Distinctions

- Grand Cross of the Order of *Infante D. Henrique,* (2016)
- Grand Master of the Official Order of *Infante D. Henrique,* (2006)
- Commendation from the Minister of State and Finance, (2007)
- *Alumni Económicas* prize – Lisbon University's *Instituto Superior de Economia e Gestão,* (2014)
- Professional of the Year prize, Lisbon Rotary Club (2006), Expresso – Gente prize, (2006) and Politician of the Year prize – Lux, (2015)

FRANCISCO RAVARA CARY

Date of Birth: 29 August 1965

Current positions

- Executive Board Member of CGD, responsible for the Corporate Banking areas (SMEs and large enterprises), institutional banking, investment banking and international activities in Brazil, Spain and South Africa (since 1 February 2017)
- Non-executive Chairman of the Board of BCG (Spain), (since 23 October 2017)
- Non-executive Board Member of Fidelidade – Companhia de Seguros, S.A., (since 30 October 2017)
- Non-executive Board Member of BCI (Mozambique), (since 30 October 2017)
- Non-executive Chairman of the Board of BCG (Brazil), (since 31 October 2017)

- Non-executive Board Member of Locarent, Companhia Portuguesa de Aluguer de Viaturas, S.A., (since 2 November 2017)

Former positions in the last 5 years

- Executive Board Member of Novo Banco, SA, (2015/2017)
- Chairman of the Board of Directors of Espírito Santo Ventures, Sociedade de Capital de Risco, S.A., (2015/2016)
- Board Member of ES TECH VENTURES, SGPS, SA, (2016/2017)
- Chairman of the Board of Directors of GNB Gestão de Activos, SGPS, SA., (Portugal), (2015/2016)
- Chairman of the Board of Directors of GNB Vida, SA., (Portugal), (2015/2016)
- Chairman of the Board of Directors of Banco BEST, SA., (Portugal), (2015/2016)
- Board Member of Banque Espírito Santo et de la Vénétie, (France), (2013/2016)
- Board Member of Pharol SGPS, SA, (Portugal), (2014/2016)
- Board Member of Oi SA., (Brazil), (2015/2016)
- Board Member of BESI Brasil SA., (Brazil), (2013/2016)
- Board Member of EMPARK Aparcamientos Y Servicios, SA., (Spain), (2013/2014)
- Vice-Chairman of the Board of Directors Banco Espírito Santo de Investimento, S.A. (BESI), (Portugal), (2013/2015)
- Board Member of BESI Holdings Limited, (United Kingdom), (2013/2015)
- Chairman of the Board of Directors Espírito Santo Capital, SA, (Portugal), (2013/2015)
- Chairman of the Board of Directors SES Iberia Private Equity, SA., (Spain), (2013/2014)
- Board Member of Espírito Santo Investimentos, SA., (Brazil), (2013/2016)
- Board Member of 2bCapital, SA., (Brazil), (2013/2014)
- Board Member of COPORGESTE - Companhia Portuguesa de Gestão e Desenvolvimento Imobiliário, SA., (Portugal), (2013/2015)
- Board Member of Emparque Portugal, SA., (Portugal), (2013/2014)
- Board Member of Dornier, SA., (Spain), (2013/2014)
- Board Member of Fomentinveste, SGPS, SA., (Portugal), (2013)
- Board Member of BRB Internacional, SA (Spain), (2013/2014)
- Board Member of Apolo Films, SL (Spain), (2013)
- Board Member of Swan Street, (United Kingdom), (2013/2015)
- Member of the Supervisory Board of *Casa da América Latina,* (Portugal), (2013/2014)
- Member of the *Conseil de Surveillance* of Siparex Dévélopment, (France), (2013/2014)
- Member of the *Conseil de Surveillance* of Financière Mandel, (France), (2013)

Academic Positions

- Lecturer at *Universidade Católica Portuguesa,* (1988-1992)

Academic qualifications

- MBA (with distinction) from INSEAD, (Fontainebleau, France, 1993)

- Degree in Corporate Administration and Management from *Universidade Católica Portuguesa,* (1982-1988)

JOÃO PAULO TUDELA MARTINS

Date of Birth: 25 April 1966

Current positions

- Member of the Board of Directors of CGD

Former positions

Business Positions

- General Manager of DACR (Risk Control and Analysis Division), BPI, from February to August 2016
- Coordination Manager of DRC (Credit Risk Division), in BPI, from 2002 to February 2016
- Commercial Coordination Manager of DGES (Large Enterprises Southern Division), in BPI, from 2000 to 2002
- Commercial Manager of Corporate Centre, in BPI, from 1996 to 2000

Academic qualifications

- Stanford Executive Program – Stanford Graduate School of Business, São Francisco, San Francisco, USA in 2013
- Post-Graduation in Corporate Finance – ISCTE Business School, from 2000 to 2001
- Degree in Management – Universidade Católica Portuguesa, from 1983 to 1989

JOSÉ ANTÓNIO DA SILVA DE BRITO

Date of Birth: 9 February 1965

Current positions

- Executive Member of the Board of Directors of Caixa Geral de Depósitos, as CFO, (since 1 February 2017)

Former positions

Business Positions

- Managing Director of CGD's Financial Markets Division as the senior officer for the Treasury, debt issuances and management of the investment and trading portfolios, (June2009 – January 2017)
- Executive Board Member of *MTS – Portugal, Sociedade Gestora do Mercado Especial da Dívida Pública, SGMR, SA*, representing CGD, (2004 – 2009)
- Director of CGD's Financial Markets Division of Caixa Geral de Depósitos, (January 2001 – June 2009)
- Member of the Board of Directors of Caixagest – Técnicas de Gestão de Fundos SA, representing CGD, (January to August 2000)
- Member of the Board of Directors of Servimédia, Sociedade Mediadora de Capitais SA, representing CGD, (March 1995 - March 2000)
- Deputy Director of CGD's Treasury and Capital Markets Division of Caixa Geral de Depósitos, (January 1995- January 2001)

- CGD Sub-Director responsible for the trading room, (November 1993 – January 1995)
- Head of CGD's Money Markets Room, (May 1990 – November 1993)
- Technical Assistant, working in the capital market sphere in CGD's Treasury and Securities Management Division, (March 1988 – May 1990)
- Specialist in the Financial Division of Banco Português do Atlântico, working in the sphere of the secondary capital market, (September 1987 – March 1988)
- Regular contributor to the economics supplement of *Diário de Noticias,* (May 1988 – December 1991)
- Contributor to the economics supplement of *Comércio do Porto* and *Revista das Empresas* (January 1990 – May 1991)
- Management member of *Forex Club de Portugal,* (March 1996 – January 1998)

Government and Para-Governmental Positions

- Deputy to the Assistant Secretary of State to the Minister of National Defence at the time of compulsory military service pursuant to a requisition process, as a corporate economic analyst in the defence sector, (September 1989 – May 1990)

Academic qualifications

- Post-Graduation, senior banking management course from the Bank Training Institute and *Universidade Católica Portuguesa*, in 1991/92, with a final average of 17
- Degree in Economics from the Faculty of Economics of *Universidade Nova de Lisboa*, in 1987, with a final average of 16

Other qualifications

- Attendance at the 1990 edition of the "International Banking Programme", organised by the Surrey Summer School in London

JOSÉ JOÃO GUILHERME

Date of Birth: 16 June 1957

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos

Former positions

- Worked with ECS Capital private equity on the management of various industrial companies, (September 2016 to January 2017)
- Member of the Board of Directors of Novo Banco, (2014 to August 2016)
- Vice-Chairman of the companies Investwood and IFM SA and Chairman of VIROC, SA., (May to September 2014)
- Foundation of the "Sociedade Agrícola do Monte da Rosa" S.A., agricultural company to exploit self-owned property, (2013)
- Foundation of the "Pego dos Alhos", agricultural company as a partnership and managing partner of both companies, (2013)
- Member of the Board of Directors of Holding Bernardino Gomes SGPS SA, (2011-2013)
- Member of the Board of Directors of Banco Comercial Português, (2008-2011)

- Management member of *ELO - Associação Portuguesa para o Desenvolvimento Económico e Cooperação,* (2008-2011)
- Chairman of Remuneration Committee of SOFID, (2008-2011)
- Member of the Board of Directors of Fundação do Millennium BCP, (2008-2011)
- Board Member and Vice-Chairman of the Board of Directors of Millennium BIM Moçambique, (November 2009)
- CEO of Millennium BIM, (until March 2011)
- Board member of Fundo PVCI-Portugal Venture Capital Initiative, (2008-2010)
- Member of the Board of Directors of BCP Holdings (USA) Inc., (2008-2010)
- Manager of *BCP Participações Financeiras* and *BCP Internacional II*, (2008-2009)
- Member of the Board of Directors of Millennium BCP-Prestação de Serviços, (2008-2009)
- Chairman of the Board of Directors of Banco Millennium BCP de Investimento, (2008-2009)
- Chairman of the Board of Directors of Banco ActivoBank S.A., (2008-2009)
- Director General of Millennium BCP's Innovation and Commercial Promotion Division, (2007-2008)
- Chairman of the Board of Directors of Millennium BCP Teleserviços, (2007-2008)
- Member of the Board of Directors of Millennium BCP Gestão de Fundos, (2007-2008)
- Director General of the Assets Disinvestment Division, (2006-2007)
- Director General of the Credit Recovery Division, (2004-2006)
- Board Member of Ocidental Companhia de Seguros e Ocidental Vida, (2001-2005)
- Board Member of Seguro Direto, (2001-2005)
- Board Member of Seguro Direto S.A., (2001-2005)
- Board Member of Seguros e Pensões SGPS, (2001-2005)
- Responsible for the launch of the Millennium Big Bank SA project, (1998-2001)
- Vice-Chairman of Big Bank Gdansk, S.A, na Polónia, (1998-2001)
- Member of the Supervisory Board of Polcard, (1998-2001)
- Director General of Nova Rede, (1995-1998)
- Director of CISF (currently Banco Millennium BCP Investimento, SA), (responsible for the financial services area), (1991-1995)
- Board Member of CISF Risco- Companhia de Capital de Risco, SA, (1991-1995)
- Director of the Porto private banking branch, (1990-1991)
- Director of the Guimarães corporate branch, (1989-1990)
- Promoted to Deputy Director of the Capital Market Division (responsible for the first commercial bonds issuance programme), (1988-1989)
- International and Financial Division, (1986-1988)
- Joined BCP (Studies and Planning Division), (1986)
- Ministry of Finance and the Plan (*Instituto de Análise de Conjuntura* and Planning Studies), (1981-1986)

Academic qualifications

- Participation in Masters Degree in Economics from Faculty of Economics of *Universidade Nova de Lisboa* (interrupted in April 1986, when joining BCP), (1985-1986)
- Degree in Economics from *Universidade Católica Portuguesa,* (1976-1981)
- INSEAD 2004 – Customised programme for senior BCP staff
- AESE 2003 – *PADE - Programa de Alta Direção de Empresas*
- INSEAD 1996 – Programme for Executives

MARIA JOAO BORGES CARIOCA RODRIGUES

Date of Birth: 10 August 1971

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, (Since March 2017)

Former positions

- Chairman of the Board of Directors of Euronext Lisboa, da Interbolsa and Euronext Tecnologies, (June 2016 to February 2017)
- Board of Directors Member of Euronext NV, (June 2016 to February 2017)
- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A., (June 2013 to May 2016)
- Non-Executive Member of the Board of *CGA - Caixa Geral de Aposentação*, *IP* (CGD), (July 2013 to May 2016)
- Non-Executive Chairman of the Board of Directors of *Caixatec – Tecnologia de Comunicações, S.A.,* (CGD), (July 2013 to May 2016)
- Non-Executive Chairman of the Board of Directors of So*grupo – Sistemas de Informação, S.A*. (CGD), (July 2013 to May 2016)
- Non-Executive Member of the Board of Directors of SIBS, SGPS e da SIBS – Forward Payment Solutions, S.A., (July 2013 to May 2016)
- Board of Directors Member of *SIBS Pagamentos*, (2011 to July 2013)
- Non-Executive Member of the Board of Directors of *MULTICERT - Serviços de Certificação Electrónica, S.A*., (2009 to July 2013)
- Director of the Corporate and Strategy Office of SIBS Forward Payment Solutions / SIBS SGPS, (2008 to July 2013)
- Coordinating Director of GAE (Strategic Management Office) of *UNICRE – Instituição Financeira de Crédito, S.A.,* (2004-2008)
- Consultant and latterly Associate Principal of McKinsey & Company, (1994-2004)

Academic qualifications

- Leading Change and Organisational Renewal (LCOR), Harvard Business School, (2012)
- Master in Business and Administration (MBA), pela INSEAD, (1996)
- Degree in Economics from *Universidade Nova de Lisboa*, (1989-1993)

NUNO ALEXANDRE DE CARVALHO MARTINS

Date of Birth: 24 September 1970

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, (Since March 2017)

Former positions

- Office of the Secretary of State for the Treasury and Finance – Consultant for the financial area, (2015-2016)
- Citigroup – Director – Responsible for the capital markets area for Portugal, (2011-2015)
- Barclays Capital, UK, Director – ALM distribution and solutions for financial institutions in the Iberian Peninsula, (2007-2011)
- Barclays Capital, London, UK, Deputy Manager – Financial Institutions in Portugal area, (2005-2007)
- Bank of Portugal, Department of Economic Studies – Financial Markets Group, (2001-2005)
- IFC, World Bank, Consultant to the Economic Department for the project: “Primary Financial Markets – Macroeconomic Conditions and Market Evolution”, (1999-2000)
- Zacks Investment Research, Inc., Analyst – Global/International Markets Analysis, (1999-1999)

Academic Positions

- Universidade Católica Lisboa, Portugal, (2016)
  Lecturer on MA in Finance Course, Executive Post-Graduation Programme
- Universidade Nova de Lisboa, Portugal, (2000-2005)
  Lecturer in Finance on MBA courses, Executive Post-Graduation Programme in Finance and Degree in Economics and Management
- Universidad de Navarra, Spain, (2002-2005)
  Lecturer in Finance responsible for the Derivatives Course in a Masters in Economics and Finance
- Northwestern University – Evanston, Illinois, Assistant Lecturer, macroeconomics course, (1999-2000)
- *Universidade Nova de Lisboa*, Portugal, Assistant Lecturer on calculation and algebra courses, Degree in Economics and Management, (1993-1995)
- *Instituto Superior Técnico*, Monitor on the Electromagnetism and Thermodynamics Courses, (1992-1993)

Academic qualifications

- Northwestern University – Evanston, Illinois, USA – Doctorate in Economics, (2000)
- *Universidade Nova de Lisboa* – Masters in Economics, (1995)
  Amélia Mello Foundation” prize for the best academic performance in the Masters Programme
- *Instituto Superior Técnico* – Lisbon, Degree in Physical Engineering, (1993)

Prizes and Distinctions

- Awarded insignia of *Comendador da Ordem do Infante D. Henrique* by the President of the Portuguese Republic

CARLOS ANTÓNIO TORROAES ALBUQUERQUE

Date of Birth: 27 February 1955

Current positions

- Executive Member of the Board of Directors of Caixa Geral de Depósitos

Former positions

Business Positions

- Director of the Prudential Supervision Department of the Bank of Portugal, (November 2014 to January 2017)
- Alternate Portuguese Member on the Supervisory Board of the ECB's Single Supervisory Mechanism, Bank of Portugal, (November 2014 to January 2017)
- General Manager of the purchases and means area, including the Purchasing Division, Real Estate Infrastructures Management, Third Party Services Unit, IT Security Division, Physical Security Division, Business Continuity Unit and the General Secretariat – Millennium BCP, (May 2012 to November 2014)
- Board Member of Fundação Millennium BCP, (2013-2014)
- Group Head of Compliance, Millennium BCP, (July 2008 to April 2012)
- Head of Retail no Millennium Bank – Grécia, (July 2006 to June 2008)
- Responsible for the Call Centre (internet banking for individual and corporate customers telephone banking and the complaints area), Millenium BCP, (March 2005 to June 2006)
- Responsible for the Marketing and Communications Area, Activo Bank7, (January 2003 to March 2005)
- Responsible for the *BCP'* University Area, Millennium BCP, (April 2001 to January 2003)
- Marketing and Communication for Millennium BCP's *Cidadebcp.pt*, (January 2000 to April 2001)
- Marketing at AF Investimentos, (October 1995 to January 2000)
- Director of the Financial Brokers Division, CMVM (Portuguese Securities Market Commission), (December 1990 to September 1995)
- Financial Services Director, Printer Portuguesa Indústria Gráfica, Lda. – Bertelsmann Group – Germany, (May 1980 to September 1986)
- Accounts and finance in a private company, (February 1976 to April 1980)
- Assistant Statutory Auditor, (February 1976 to 1979)

Academic Positions

- Lecturer at *Instituto Superior de Economia e Gestão* (UTL)
- Lecturer at *Instituto Superior de Gestão Bancária*
- Lecturer at the Portuguese Open University
- Lecturer at the Faculty of Law of Lisbon University

Academic qualifications

- Post-Graduation in Political Science and International Relations – Political Studies Institute – *Universidade Católica* – Lisbon

- Academic Examinations for Pedagogical Aptitude and Scientific Capacity. Summary project (thesis) on: “Conglomerate Type Mergers: their Consequences on the Value of Companies’ Capital and Debt)” and classroom project on “Share Purchase Options – Practical Application of the Black-Scholes” model – ISE UTL
- Degree in Corporate Organisation and Management, ISE UTL
- Bachelors degree in Accountancy and Administration from Lisbon’s *Instituto Superior de Contabilidade e Administração*
- Senior Corporate Management Programme AESE – *Escola de Direção e Negócios* – Lisbon
- Programme for Senior BCP Management at INSEAD
- Development programme on market regulation of SEC – Securities and Exchange Commission – Washington, USA

ANA MARIA MACHADO FERNANDES

Date of Birth: 01 November 1962

Current positions

- Non-executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.

Former positions

- Member of the Board of Directors of *EDP Renováveis Brasil*, (2015-2016)
- Member of the Advisory Board of *EDP* Foundation, (2015-2016)
- Chairman of *EDP Brasil – Energias de Portugal no Brasil* – Chairman and CEO of *Instituto EDP Brasil* and Chairman of *EDP Renováveis Brasil*, (2014-2015)
- CEO of *EDP Brasil*, (2012-2013)
- Member of the Board of Directors of *EDP – Energias de Portugal*, (2006-2012)
- Responsible for the Strategy and Management Portfolio of Gás de Portugal, (1998-2000)
- Corporate Finance Director in BPI, (1995-1998)
- Corporate Finance Director in *EFISA – Engenharia Financeira, SA*, (1989-1993)

Academic qualifications

- Degree in Economics, from the Faculty of Economics (Porto), (1986)
- MBA in Management, Porto School of Management, (1989)
- Post-Graduation in International Finance, Faculty of Economics (Porto), (1989)

JOÃO JOSÉ AMARAL TOMAZ

Date of Birth: 7 October 1949

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Member of the Advisory Board of Caixa Geral de Aposentações, I.P
- Co-opted Member of the Council for the Prevention of Corruption, (since 2010)
- Member of the Specialisation Council of the Specialised College of Economics and Business Management of the Order of Economists, (since 2011)

Former positions

Business Positions

- Board Member of the Bank of Portugal, (September 2011 to May 2015)
- Member of CNSA (National Audit Supervision Council), (June 2014 to December 2015)
- Chairman of the OTOC's (Order of Accountants) Specialised College of Tax on Consumption (June 2010 to September 2011)
- Consultant to API (Portuguese Investment Agency), (2004)
- Consultant to the Public Finances Department of the International Monetary Fund (April 1990 to March 1993)
- Manager in the Directorate General of Contributions and Tax (Head of Division, Director of Services and Sub-director General), (1976 - 1990)
- Economist at the Directorate General of Contributions and Tax, (1968 -1970)

Government and Para-Governmental Positions

- Secretary of State for Fiscal Affairs in the 17th Constitutional Government, (March 2005 to January 2008)
- Advisor to the Secretary of State for European Affairs for the negotiation of Financial Prospects, (2004)
- Councillor for Economic Affairs of the Portuguese Embassy in London, (2002-2003)
- Member of the Economic and Financial Committee of the European Union, (2000-2001)
- Principal technical councillor of the Portuguese Representation to the European Union as the coordinator of the Economics and Finance Unit, (1993-2001)
- Chairman of the *ad hoc* group for the removal of fiscal frontiers in the European Union, representing the Portuguese presidency (1st half 1992)
- Member of the Accounts Standardisation Committee, representing the Ministry of Finance, (1987-1988)
- Representative of the Ministry of Finance on the oversight of investment projects pertaining to the SIII (Contractual Regime of Fiscal and Financial Incentives for Investment), (1981-1985)

Academic Positions

- Lecturer at IDEFF (Institute of Economic, Financial and Fiscal Law) of FDL, (2016-2017 and 2008-2009)
- Lecturer at ISEG (Higher Institute of Economics and Management), (2008-2013 and 1987-1992)
- Lecturer on the 1st Postgraduate Course in Fiscal Law at the Faculty of Law of the University of Porto, (2004-2005)
- Lecturer at the *Instituto Superior de Estudos Superiores Financeiros e Fiscais*, (1991/1999)
- Lecturer on various European Integration courses at *Instituto Nacional de Administração* (INA), (1982-1988)
- Lecturer at the University Institute of the Azores, (1980-1981)

Academic qualifications

- Degree in Finance, from Lisbon's *Instituto Superior de Economia*, currently ISEG (Higher Institute of Economics and Management), (1976)

- International seminar on the tax aspects of banking, financial and treasury management, IBFD-International Tax Academy, Amsterdam, (1991)
- Placement in European Commission - *Institutions Financières et Fiscalité*, Brussels, (1986)
- Placement in *Institut National d'Administration Publique*, Paris, (1982)

Distinctions

- Commendations from the Secretaries of State for European Affairs (Commendation 492/2004, of 16 July 2004) and Minister of Finance, (Ruling of 20 March 2002)
- ISEG conference in honour of the ending of lecturing activity, (23 September 2013)
- Awarded the title of "Senator" in Fiscality from IDEFF, (Institute of Economic and Fiscal Law) at a ceremony taking place on 15 March 2013 at the University of Lisbon School of Law

JOSÉ MARIA MONTEIRO DE AZEVEDO RODRIGUES

Date of Birth: 5 March 1952

Current positions

- Non-executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- President and Chairman of the Advisory Board of the Order of Statutory Auditors
- Statutory Auditor and Partner of the specialised "ABC – Azevedo Rodrigues, Batalha, Costa, & Associados, SROC, Lda." company
- Guest Associate Professor at *ISCTE – IUL, Instituto Universitário de Lisboa*, on a part time basis coordinating the "corporate accounting project"

Former positions

Business Positions

- Chairman and Member of the Supervisory Board of private entities
- Assistant Manager and coordinator of the finance and management control area of CIFAG – IPE, an entity providing training activities on national and international programmes for executives

Government and Para-Governmental Positions

- Member of the Board of Management and Chairman of the registration committee and jury of the Order of Statutory Auditors
- Member of the National Council of Audit Supervision, representing the Order of Statutory Auditors
- Chairman and Member of the supervisory bodies of public entities
- Consultant for the auditing of the Portuguese Social Security's consolidated account for the economic years 2003 and 2008 – Portuguese Audit Court

Academic Positions

- Management Member of OVERGEST – ISCTE, an entity with training activity for programmes for executives, postgraduate and other specialised programmes
- Guest Associate Professor at *ISCTE – IUL, Instituto Universitário de Lisboa*, coordinating the programmes for the 1st and 2nd cycles

- Director and Lecturer on the Executive Masters for Management and Control of Performance course for the 2nd educational cycle
- Member of the ISCTE Senate and the Pedagogical Committee of *IBS – ISCTE Business School*
- Chairman of the Audit Committee of *UNIDE – Centro de Investigação da IBS* – ISCTE Business School
- Author of several books in the accounting, finance and management control areas

Academic qualifications

- Degree in Finance from *Instituto Superior de Economia*
- Postgraduation in Management Control – HEC – ISA
- Masters in Corporate Management from *Instituto Superior de Economia*

Prizes and Distinctions

- Pedagogical prize in ISCTE – IUL
- Several prizes as the "best lecturer" for postgraduate programmes and executive masters degrees promoted by ISCTE - IUL
- Honorary citizen of the city of Chaves

ALBERTO AFONSO SOUTO DE MIRANDA

Date of Birth: 8 November 1958

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Chairman of the Board of Directors of "*Fundiestamo, SGFII, SA*
- Member of the Board of *Fundação Eng. António Pascoal*

Former positions

Business Positions

- Data Protection Officer at the European Investment Bank, (2012-2017)
- Member of the Board of Directors *of "Aveiro Pólis, SA*", (2001-2005)
- Chairman of the "*Aveiro-Digital City*" consortium(1998-2001)
- Legal Department of the European Investment Bank, (1991-1998)
- Legal Affairs Division in CGD, (1984-1991)

Positions held in non-corporate public entities

- Vice-Chairman of *ANACOM – Autoridade Nacional das Comunicações*, (2006-2012)
- Mayor of Aveiro City Hall, (1998-2005)
- Chairman of *AMRIA - Associação de Municípios da Ria*, (1998-2001)
- Rapporteur of the Portuguese Advocate General at the European Union's Court of Justice
- Rapporteur of the Portuguese Judge at the European Union's Court of Justice

Academic Positions

- Lecturer at the Faculty of Law of Lisbon's *Universidade Clássica* (Commercial and Commercial Companies Law), (1983-2017)

- Guest professor for postgraduate courses in European Law at *Universidade Católica*
- Guest professor on postgraduate courses in European Law of *Universidade Lusíada*
- Guest professor at *INA - Instituto Nacional de Administração*

Academic qualifications

- Masters in Legal Sciences (pre-Bologna) – European Law from the Faculty of Law of Lisbon's *Universidade Clássica*, (1993)
- Post-Graduation in Legal Sciences from the Faculty of Law of Lisbon's *Universidade Clássica,* (1985)
- Post-Graduation in European Law from *ULB - Université libre de Bruxelles*, (1983)
- Degree in Law (pre Bologna) from the Faculty of Law of the University of Coimbra (Legal-Economic Sciences), (1981)

MARIA DOS ANJOS DE MELO MACHADO NUNES CAPOTE

Date of Birth: 17 October 1957

Former positions

- Non-executive member of the Board of Directors of CGD, S.A. (elected on 17 March 2017 for the 2017-2020 term of office, effective from 20 March 2017. Resigned from position, effective 30/11/2017)
- Non-executive Member of the Board of Directors of Fundiestamo. SGFII,S.A
- Member of the Board of Directors of the CMVM (Securities Market Committee)
- Chairman of the Management Committee of SII (Investors Indemnity System)
- Member of CNSA (National Audit Supervisory Council)
- Member of the Advisory Board of IGCP (Public Management and Credit Institute)
- Secretariat of State for the Treasury and Finance of the 7th Constitutional Government
- DGT (Director General of the Treasury), Ministry of Finance
- Member of the Negotiation Committee for Angola's Debt
- Member of various juries for the reprivatisation processes of several companies
- Member of the Advisory Board of IFADAP (Agriculture and Fisheries Support Institute)
- Member of the prequalification committee of entities for the evaluation of companies in the state's corporate sector and for technical assistance on privatisation operations
- Chairman of the Council of Financial Guarantees
- Sub-Inspector General of Finance, Principal Senior Inspector, Coordinating Inspector of Finance, Principal Inspector of Finance, Inspector of Finance of the Inspectorate General of Finance, Ministry of Finance

Academic Positions

- Monitor on the Political Science and Administrative Science course at the Faculty of Law of the University of Lisbon
- Lecturer in Fiscal Law at *Lusíada* University
- Responsible for different specialised courses in the fiscal area at *Lusíada* University

- Teaching activity and scientific coordination of postgraduate courses in the fiscal area in different higher institutions

Academic qualifications

- *École Nationale d'Administration* - Paris
- Sixth year student (Post-Graduation), Faculty of Law of Lisbon University
- Degree in Law (five years), Faculty of Law of Lisbon University
- Higher diploma from *Chambre de Commerce et de l' Industrie de Paris*

Placements/ Scholarships

- Marshall Memorial Fellowship Programme in the United States
- Ministry of Finance – Directorate General for Tax, Directorate General for the Treasury and Directorate General for the Budget - Paris
- Tax Administration Paris
- Inspectorate General for Finance – Paris

Distinctions

- Commendation from the Minister of Finance and Public Administration, (2005)
- Commendation from the Secretary of State for the Treasury and Finance, (1999)
- Commendation from the Minister of Finance, (1999)
- Commendation from the Minister of Finance, (1998)
- "Good Practice in Public Administration"- DGT prize, (2003)

HANS-HELMUT KOTZ

Date of Birth: 17 January 1957

Current positions

- Non-Executive Member of the Board of Directors of *Caixa Geral de Depósitos, S.A*.
- Officer in charge of the *SAFE Policy Center*, Goethe University (Frankfurt)
- Senior Consultant at McKinsey & Co
- Independent Member of the Board of Directors of Eurex Clearing AG (Zurich)
- Member of the Advisory Board of *Konstanz* Seminar on Monetary Theory (Bonn)
- Member of the *Conseil d'Orientation* of the *Revue d'Économie Financière* (Paris)
- Member of the Credit and Capital Markets Scientific Council
- Member of the Scientific Council of the *Centre Cournot la Recherche en Économie*
- Member of the Scientific Council of the Hamburg World Economic Institute
- Member of the Scientific Council of the *Fondation de la Banque Centrale du Luxembourg*

Former positions

- Monopolkommission, Cologne, Research Assistant, (1982)
- Deutsche Girozentrale, Frankfurt, Economist, (1983)
- Deutsche Girozentrale, Frankfurt, Chief Economist, (1984-1999)

- Landeszentralbank Bremen, Niedersachen und Sachen-Anhalt, President and Member of Deutsche Bundesbank's Central Bank Council, (1999-2002)
- Deutsche Bundesbank, Member of the Board of Directors, (2002-2010)

Academic Positions

- Professor at the Center for European Studies, Harvard University, (since 2010)
- Honorary professor at the Faculty of Economics and Behavioural Sciences, Freiburg University, (since 1997)

Academic qualifications

- Pre-diploma in Economics from the University of Cologne, (1977-1981)
- Diploma in Economics from the University of Mainz, (1975-1977)

Distinctions

- University Teaching Award - Albert-Ludwigs University, (2010)
- Excellence in Teaching Award – University of Harvard, (2015)
- Turgot Prize (*Ouvrages Collectifs*) – *Cercle Turgot*, (2017)

MARY JANE ANTENEN

Date of Birth: 18 August 1959

Current positions

- Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A (elected by WUR on April 5, 2018)
- Member of the Advisory Board of SONETEC (Fin Tech start-up), Switzerland, (since 2016)

Former positions

- Member of the Advisory Board of Touchstone Ventures, Switzerland, (2015-2016)
- Member of the Board of Directors and Member of Audit Committee of Bank Zweeiplus AG, Switzerland, (2013-2014)
- Vice Chairman of the Board of Falcon Europe AG, Austria, (2009-2012)
- Chief Financial Officer / Member of the Management Board of Falcon Private Bank (formely AIG Private Bank), Zurich, Switzerland, (2006-2014)
- Member of the Board of Directors of AIG International Trust Managenment Co., Luxembourg, (2005-2007)
- Head of Financial Control of Falcon Private Bank (Anterior AIG Private Bank), Zurich, Switzerland, (1998-2005)
- Head of Financial Control / CFO of Goldman Sachs & Co. Bank, Zurich, Switzerland, (1994-1998)

Academic qualifications

- Degree in Business Administration & Accounting with a specialization in Economics, St. Catherine University, St. Paul, Minnesota USA (1981)
- Certificate in Corporate Governance, IDP-C, International Directors Programme, INSEAD, Fontainebleau, France (2016)

ALTINA SEBASTIAN GONZALEZ

Date of Birth: 13 July 1955

Current positions

- Non executive Board member of Caixa Geral de Depósitos, S.A (elected by WUR on April 6, 2018)

- BANCO CAIXA GERAL (E-SIMEON) – CGD GROUP, (since 2003)
  - Independent Board member
  - Chair of Audit and Compliance Committee
  - Chair of Appointments and Wages Committee
- SAN JOSE BUSINESS GROUP, (since 2003)
  - Independent Board member
  - Chair of Audit Committee
- EXPANSION AND CURRENT ECONOMIC SITUATION, (since 2003)
  - Member of Advisory Board
- COUNCIL OF THE PORTUGUESE DIASPORA, (since 2003)
  - Portugal's world advisor and member of the World Portuguese Network
- PORTUGUESE BANKS' ASSOCIATION, (since 2003)
  - External consultant
- COMPLUTENSE UNIVERSITY, (since 1998)
  - Associate lecturer – Department of the Financial Economy and Accounting III
- UNIVERSIDADE CATÓLICA PORTUGUESA, (since 2003)
  - Coordinating lecturer of banking programmes in Luanda – Angola

Former positions

Business Positions

- INSTITUIÇÃO FINANCEIRA DE DESENVOLVIMENTO, (2015-2017)
  - Independent Board member of the state-owned bank
  - Chair of Audit Committee
- PARQUESOL INMOBILIARIA Y PROYECTOS,S.A (Now a member of the San Jose Business Group), (2003-2017)
  - Board member
  - Chair of Audit Committee
- DIAGNOSTICO & SOLUCIONES, S.L, (2003-2017)
  - Consultant for financial and actuarial matters

Academic Positions

- Director of Summer Course of UCM-Fundacion Ramon Areces: "The reconfiguration of Spain's banking sector prior to the new financial regulation : scope and impact of the crisis", July 2012

- CARLOS III UNIVERSITY
  Associated lecturer in the Department of Corporate Economy

- UNIVERSIDADE CATÓLICA PORTUGUESA
  - Guest lecturer – Católica Lisbon Business & Economics
  - Lecturer on the Advanced Programme on Corporate Finance

- Lecturer and coordinator of the Advanced Bank Management Programme
- Lecturer in Executive Masters in Bank Management for Banco Espirito Santo
- Lecturer and coordinator of Caixa Geral de Depósitos's Training Programmes
- Coordinating lecturer for banking programmes in Maputo – Mozambique

- IDE BUSINESS SCHOOL
  - Guest lecturer for an in-company programme of Gauyaquil Bank
  - Guest lecturer for an in-company programme of Amazonas Bank
  - Guest lecturer for an in-company programme of Rumifihaui General Bank
  - Guest lecturer for an in-company programme of Banco del Pacifico Group
  - Conference on: "The international financial crisis and impact on the banking system""-Quito and Guayaquil

Academic qualifications

- Degree in Corporate Administration and Management from Universidade Católica Portuguesa specialising in Accounting and Finance
- Doctorate in Corporate Management and Administration from IESE. University of Navarre - Barcelona
- Post-doctorate research with Professor Dwight Crane (Lecturer in Finance in HBS) on "Management and Risk Hedges of the Type of Interest? in Commercial Banking from Harvard Business School – Boston
- Summer Course on Management Research in Real Colegio Complutense at Havard University from 14 to 23 July 2003

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN - GUILHERME VALDEMAR PEREIRA DE OLIVEIRA MARTINS

Date of Birth: 23 de September de 1952

Current positions

- Chairman of the Supervisory Board of Caixa Geral de Depósitos, S.A., (31-08-2016)
- Chairman of the Great Council of Centro Nacional de Cultura (National Centre for Culture), (2016)
- Executive Director of Calouste Gulbenkian Foundation, (16/11/2015)
- Correspondent Member of Academia das Ciências de Lisboa (Lisbon Academy of Science), (elected on 31/05/2010)
- Acting Member of the Academia de Marinha (Naval Academy), (elected on 16/12/2014)
- Academic of Merit in the Academia Portuguesa da História (Portuguese History Academy), (elected on 6/07/2015)
- Guest Professor at Lusíada University
- Guest Professor at Instituto Superior de Ciências Sociais e Políticas da Universidade Técnica de Lisboa (ISCSP)

Former positions

Business Positions

- Chairman of Centro Nacional de Cultura, (2003-2016)
- Chairman of Tribunal de Contas (Audit Court), (2005-2015)

- Chairman of Conselho de Prevenção da Corrupção (Council for the Prevention of Corruption), (2008-2015)
- Chairman of EUROSAI – Organização das Instituições Superiores de Controlo das Finanças Públicas da Europa (Organisation of Higher Institutions for the Control of Public Finances in Europe) - elected at the 7th EUROSAI Congress, Lisbon (Portugal), (2011-2014)
- Chairman of the Comité de Contacto dos Presidentes das Instituições Superiores de Controlo da União Europeia (Contact Committee of Presidents of Higher Control Institutes of the European Union), (2011-2012)
- General Meeting Auditor of the WEU – Western European Union, (2008-2011)
- First Vice-Chairman of EUROSAI, (2008-2011)

Government Positions:

- Minister of the Presidency, (2000-2002)
- Minister of Finance, (2001-2002)
- Minister of Education, (1999-2000)
- Secretary of State for Educational Administration, (1995-1999)
- Chef de cabinet of the Minister of Finance, (1979)

Other:

- Deputy of the Assembly of the Republic, (1980-1988, 1991-1995, 1995, 1999, 2002-2005)
- Vice-Chairman of Socialist Party Parliamentary Group, (2002-2005)
- Vice-Chairman of the National Committee for UNESCO, (1988-1994)
- Chairman of SEDES - Associação para o Desenvolvimento Económico e Social (Association for Economic and Social Development), (1985-1995)
- Political advisor to the Casa Civil do Presidente da República (Civil Household of the Presidency of the Republic), (1985-1991)
- Secretary General of Portuguese Committee of the European Cultural Foundation
- Director of the Legal Services of the Directorate General for the Treasury
- Member of Convention on the Future of Europe
- Chairman of the Steering Committee of the Council of Europe, (27/10/2005)

Academic Positions

- Lecturer at Lisbon Faculty of Law, (1977-1985)

Academic qualifications

- Degree in Law from the Faculty of Law of the University of Lisbon
- Masters Degree in Law, University of Lisbon

Prizes and Distinctions

- Honorary Doctorate from the Portuguese Open University, (September 2016)
- Honorary Doctorate from Lusíada University, (June 2016)
- Grand Master of Ordem do Infante D. Henrique
- Commander of the Order of Isabella the Catholic, (Spain)

- Gran Cruz of the Order of the Southern Cross, (Brazil)
- Officer of the Order of the Legion of Honour, (France)
- Medal of Gratitude from the European Solidarity Centre, (Poland)
- Cross of the Grand Master of the Order of Merit of the Republic of Poland
- Municipal Medal of Merit – Gold, (Loulé City Hall)
- Collar of Merit of the Minister Victor Nunes Leal, (Audit Court of the Rio de Janeiro City Hall, Brazil)
- Grand Cross of the Military Order of Christ

ANTÓNIO LUÍS TRAÇA BORGES DE ASSUNÇÃO

Date of Birth: 8 of November 1958

Current positions

- Member of the Supervisory Board of Geral de Depósitos, S.A., (31-08-2016)
- Manager, Altauto Fahren (AF), Lda., (since 2015)
- Manager, VLX, Lda., (since 2013)
- Manager, Sinvegere, Lda, (since 2006)
- Professor of Finance at Universidade Católica Portuguesa, (since 2005)

Former positions

Business Positions

- Advisory to the Executive Committee, Banco BPI, (2011-2015)
- Non-Executive Member of the Board of Directors, TagusPark, SA, (2013-2014)
- Board Member, BPI Global Investment Fund Management Company, SA, (2005-2012)
- Board Member, BPI Vida, SA, (2007-2011)
- Board Member, BPI Pensões, SA, (2007-2011)
- Board Member, BPI Gestão de Activos, SA, (2005-2011)
- Board Member, Banco Português de Investimento, SA, (1998-2007)
- Chairman, BPI – Serviços Financeiros, SA, (1997-1999)
- Board Member, BFE – Mercado de Capitais e Serviços, SGPS, SA, (1993-1996)
- Board Member, BFE – Serviços Financeiros, SA, (1993-1996)
- Manager, Sociedade Independente de Serviços Financeiros, Lda., (1991-1993)
- Director, CISF, SA, (1988-1990)
- Director General, Vanguarda – Sociedade Gestora de Fundos de Pensões, SA, (1987-1990)
- Economist, Chase Econometrics, EUA, (1983-1984)
- Economist, Planning and Financial Analysis Department, Banco Fonsecas & Burnay, (1981-1982)

Academic Positions

- Associate Professor, Universidade Nova de Lisboa, Business School, (1987-1989)

- Professor of Finance at Universidade Católica Portuguesa, Lisboa, (1987-1989)
- Assistant Professor, Investments and Financial Management, Wharton School, University of Pennsylvania, EUA, (1983-1986)
- Assistant Professor, Universidade Católica, Lisbon, (1980-1982)

Academic qualifications

- Ph.D in Finance, Wharton School, Universidade da Pennsylvania, EUA, (1987)
- MBA, Universidade Nova de Lisboa, (1981)
- Graduated in Business Administration, Universidade Católica Portuguesa, Lisbon, (1980)

MANUEL LÁZARO OLIVEIRA DE BRITO

Date of Birth: 8 May 1961

Current positions

- Member of the Supervisory Board of CGD, S.A.
- Manager of *DFK & Associados, Sociedade de Revisores Oficiais de Contas, Lda*.

Former positions

- Manager of Sul, Sol e Sal, Lda.., (2014-2017)
- Manager of Sun Concept, Lda., (2015-2017)
- Sole director of *MRM – Investimentos e Serviços, SA.*, (2014-2017)
- Manager of DFK & Associados, SROC, Lda., (1997-2017)
- Board Member of *Brito Crisóstomo & Roque, Sociedade de Revisores Oficiais de Contas,* (1995-1997)
- Manager and Statutory Auditor at BDO, (1993-1995)
- Audit Supervisor at BDO, (1991-1992)
- Senior Auditor at BDO, (1989-1991)
- Junior Auditor at BDO, (1988-1989)

Academic qualifications

- Degree in Business Management, *Instituto Superior de Línguas e Administração*

NUNO FILIPE ABRANTES LEAL DA CUNHA RODRIGUES

Date of Birth: 10 February 1973

Current positions

- Deputy Member of the Supervisory Board of CGD, S.A.
- Assistant Professor at the Faculty of Law of Lisbon University
- Vice-Chairman of the European Institute of the Faculty of Law of Lisbon University
- Vice-Chairman of IDEFF (Institute of Economic, Financial and Fiscal Law) of the University of Lisbon
- Permanent Member of the Scientific Council of the Faculty of Law of Lisbon University
- Deputy of Legal Affairs for the representative of the Republic for the Autonomous Region of

Madeira

Former positions

- Lawyer (registration currently in abeyance at own request)
- Monitor and latterly lecturer at the Faculty of Law of Lisbon University. Assistant lecturer at the Department of Law and Department of International Relations of Lisbon's *Autónoma* University
- Guest professor for several masters, postgraduate courses and conferences at *Universidade Católica Portuguesa* (Portugal); Faculty of Law of Guinea Bissau; Faculty of Law of Louvain-La-Neuve (Belgium); Faculty of Law of Eduardo Mondlane University (Mozambique); Salgaocar Law School (Goa, India); International Law Institute (New Delhi, India); Faculty of Law of the Getúlio Vargas Foundation (São Paulo – Brazil) and the Faculty of Law of the University of Vigo (Spain)
- Scientific coordinator of various postgraduate courses at the Faculty of Law of Lisbon University
- Assistant for the economic-financial area of the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2000-2005)
- Principal deputy at the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2006-2013)
- *Chef de cabinet* of the Office of the Minister of the Republic for the Autonomous Region of Madeira, (2005-2006)
- Member of the taskforce charged with preparing and presenting the model of a system to provide protection against catastrophic phenomena in Portugal (Ruling 1192/2006-SETF of the Secretary of State for the Treasury and Finance, (issued on 27 September 2006)
- Member of the Budget Law Reform Framework Committee (Ruling 10975/2014 of 28 August issued by the Minister of State and Finance, published in *Diário da República* 165/2014, Series II of 2014-08-28)
- Member of the Public Contracts Code Review Committee (Ruling 3290/2016 of 3 March issued by the Secretary of State for Infrastructures, published in *Diário da República*, Series II of 2016-03-03)
- Jurisconsultant
- Arbitrator

Academic qualifications

- Degree (1995); Masters (2003) and Doctorate in Law (2012) from the Faculty of Law of Lisbon University.

ANNEX V

DECLARATIONS REFERRED TO IN ARTICLE 22 OF DECREE-LAW NO. 71/2007, OF 27 OF MARCH, AND ARTICLE 52 OF DECREE-LAW NO. 133/2013, OF 3 OF OCTOBER

Inspector General of Finance

I, Emílio Rui da Veiga Peixoto Vilar, NIF[31] 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, for the 2017-2020 term of office, declare, under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

Emílio Rui da Veiga Peixoto Vilar

Inspector General of Finance

I, Paulo José de Ribeiro Moita de Macedo, having been elected as Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company, except the transactions with the account owned in this institution since 1986.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Paulo Moita Macedo

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[31] Tax number

Inspector General of Finance

I, Francisco Ravara Cary, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A..

Also, I declare to have, direct or indirect, control or qualified participation in the following companies: Garantia Capital, SGPS, SA; Fisiopirâmide - Centro de Medicina Física e de Reabilitação Lda; Fisiame - Centro de Medicina Física e de Reabilitação, SA; Movi-Física - Centro de Medicina Física e de Reabilitação Lda; Dr. Caldeira Miguéns - Centro de Medicina Física e de Reabilitação Lda; Ruínas, Sociedade Imobiliária Lda; SOMICO - Sociedade Imobiliária do Mico Dourado, SA; Ocupadia Imobiliária, Lda; Divercidade - Restauração de Imóveis e Empreendimentos Imobiliários Lda; and Ruas Labirínticas Imobiliária Lda, all based in Portugal, which have no relevant relationship with Caixa Geral de Depósitos.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

Francisco Cary

Inspector General of Finance

I, João Paulo Tudela Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

João Paulo Tudela Martins

Inspector General of Finance

I, José António da Silva de Brito, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

José António da Silva de Brito

Inspector General of Finance

I, José João Guilherme, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon,

José João Guilherme

Inspector General of Finance

I, Maria João Borges Carioca Rodrigues, having been elected as Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A at 6 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 6 March 2017

Maria João Carioca

Inspector General of Finance

I, Nuno Alexandre de Carvalho Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Nuno Alexandre de Carvalho Martins

Inspector General of Finance

I, Carlos António Torroaes Albuquerque, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 2 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Within my family, I declare that my wife Isabel Maria Firmino de Almeida Torroaes Albuquerque is retired from Caixa Geral de Depósitos, my son Rui de Almeida Torroaes Albuquerque is employed at the auditing firm Deloitte in Lisbon, my daughter Clara Daniel Torroaes Albuquerque Gonzalez-Duran is employed at the consulting firm Bain & Company in Mexico City and my daughter Adriana de Almeida Torroaes Albuquerque Aguiar is employed at the means of payment management company iZettle in São Paulo, Brazil.

Lisbon, 2 August 2017

Carlos António Torroaes Albuquerque

Inspector General of Finance

I, Ana Maria Machado Fernandes, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Ana Maria Fernandes

Inspector General of Finance

I, João José Amaral Tomaz, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

João José Amaral Tomaz

Inspector General of Finance

I, José Maria Monteiro de Azevedo Rodrigues, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

José Azevedo Rodrigues

Inspector General of Finance

I, Alberto Afonso Souto de Miranda, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 23 August 2017

Alberto Afonso Souto de Miranda

Inspector General of Finance

I, Maria dos Anjos de Melo Machado Nunes Capote, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 17 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests, but as a member of the Board of Directors of Fundiestamo, Sociedade Gestora de Fundos de Investimento Imobiliários, SA, a 100% public capital entity.

Lisbon, 30 March 2017

Maria dos Anjos de Melo Machado Nunes Capote

Inspector General of Finance

I, Hans-Helmut Kotz, appointed, in 17 October 2017, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 8 November 2017

Hans-Helmut Kotz

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Emílio Rui da Veiga Peixoto Vilar, NIF[32] 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, for the 2017-2020 term of office, declare, under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

Emílio Rui da Veiga Peixoto Vilar

[32] Tax number

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Paulo José de Ribeiro Moita de Macedo, having been elected as Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company, except the transactions with the account owned in this institution since 1986.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Paulo Moita Macedo

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Francisco Ravara Cary, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A..

Also, I declare to have, direct or indirect, control or qualified participation in the following companies: Garantia Capital, SGPS, SA; Fisiopirâmide - Centro de Medicina Física e de Reabilitação Lda; Fisiame - Centro de Medicina Física e de Reabilitação, SA; Movi-Física - Centro de Medicina Física e de Reabilitação Lda; Dr. Caldeira Miguéns - Centro de Medicina Física e de Reabilitação Lda; Ruínas, Sociedade Imobiliária Lda; SOMICO - Sociedade Imobiliária do Mico Dourado, SA; Ocupadia Imobiliária, Lda; Divercidade - Restauração de Imóveis e Empreendimentos Imobiliários Lda; and Ruas Labirínticas Imobiliária Lda, all based in Portugal, which have no relevant relationship with Caixa Geral de Depósitos.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

Francisco Cary

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, João Paulo Tudela Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

João Paulo Tudela Martins

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, José António da Silva de Brito, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

José António da Silva de Brito

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, José João Guilherme, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon,

José João Guilherme

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Maria João Borges Carioca Rodrigues, having been elected as Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A at 6 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 6 March 2017

Maria João Carioca

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Nuno Alexandre de Carvalho Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Nuno Alexandre de Carvalho Martins

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Carlos António Torroaes Albuquerque, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 2 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Within my family, I declare that my wife Isabel Maria Firmino de Almeida Torroaes Albuquerque is retired from Caixa Geral de Depósitos, my son Rui de Almeida Torroaes Albuquerque is employed at the auditing firm Deloitte in Lisbon, my daughter Clara Daniel Torroaes Albuquerque Gonzalez-Duran is employed at the consulting firm Bain & Company in Mexico City and my daughter Adriana de Almeida Torroaes Albuquerque Aguiar is employed at the means of payment management company iZettle in São Paulo, Brazil.

Lisbon, 2 August 2017

Carlos António Torroaes Albuquerque

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Ana Maria Machado Fernandes, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Ana Maria Fernandes

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, João José Amaral Tomaz, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

João José Amaral Tomaz

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, José Maria Monteiro de Azevedo Rodrigues, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

José Azevedo Rodrigues

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Alberto Afonso Souto de Miranda, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 23 August 2017

Alberto Afonso Souto de Miranda

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Maria dos Anjos de Melo Machado Nunes Capote, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 17 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests, but as a member of the Board of Directors of Fundiestamo, Sociedade Gestora de Fundos de Investimento Imobiliários, SA, a 100% public capital entity.

Lisbon, 30 March 2017

Maria dos Anjos de Melo Machado Nunes Capote

To the Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Hans-Helmut Kotz, appointed, in 17 October 2017, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 8 November 2017

Hans-Helmut Kotz

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Emílio Rui da Veiga Peixoto Vilar, NIF[33] 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, for the 2017-2020 term of office, declare, under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

Emílio Rui da Veiga Peixoto Vilar

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Paulo José de Ribeiro Moita de Macedo, having been elected as Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, S.A., at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company, except the transactions with the account owned in this institution since 1986.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Paulo Moita Macedo

[33] Tax number

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Francisco Ravara Cary, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A..

Also, I declare to have, direct or indirect, control or qualified participation in the following companies: Garantia Capital, SGPS, SA; Fisiopirâmide - Centro de Medicina Física e de Reabilitação Lda; Fisiame - Centro de Medicina Física e de Reabilitação, SA; Movi-Física - Centro de Medicina Física e de Reabilitação Lda; Dr. Caldeira Miguéns - Centro de Medicina Física e de Reabilitação Lda; Ruínas, Sociedade Imobiliária Lda; SOMICO - Sociedade Imobiliária do Mico Dourado, SA; Ocupadia Imobiliária, Lda; Divercidade - Restauração de Imóveis e Empreendimentos Imobiliários Lda; and Ruas Labirínticas Imobiliária Lda, all based in Portugal, which have no relevant relationship with Caixa Geral de Depósitos.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

Francisco Cary

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, João Paulo Tudela Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 January 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 1 February 2017

João Paulo Tudela Martins

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, José António da Silva de Brito, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 31 January 2017

José António da Silva de Brito

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, José João Guilherme, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon,

José João Guilherme

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Maria João Borges Carioca Rodrigues, having been elected as Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A at 6 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 6 March 2017

Maria João Carioca

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Nuno Alexandre de Carvalho Martins, having been elected as Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 February 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 27 February 2017

Nuno Alexandre de Carvalho Martins

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Carlos António Torroaes Albuquerque, having been elected as Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 2 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Within my family, I declare that my wife Isabel Maria Firmino de Almeida Torroaes Albuquerque is retired from Caixa Geral de Depósitos, my son Rui de Almeida Torroaes Albuquerque is employed at the auditing firm Deloitte in Lisbon, my daughter Clara Daniel Torroaes Albuquerque Gonzalez-Duran is employed at the consulting firm Bain & Company in Mexico City and my daughter Adriana de Almeida Torroaes Albuquerque Aguiar is employed at the means of payment management company iZettle in São Paulo, Brazil.

Lisbon, 2 August 2017

Carlos António Torroaes Albuquerque

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Ana Maria Machado Fernandes, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Ana Maria Fernandes

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, João José Amaral Tomaz, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

João José Amaral Tomaz

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, José Maria Monteiro de Azevedo Rodrigues, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 20 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 20 March 2017

José Azevedo Rodrigues

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Alberto Afonso Souto de Miranda, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 1 August 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 23 August 2017

Alberto Afonso Souto de Miranda

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Maria dos Anjos de Melo Machado Nunes Capote, having been elected as Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A at 17 March 2017, declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests, but as a member of the Board of Directors of Fundiestamo, Sociedade Gestora de Fundos de Investimento Imobiliários, SA, a 100% public capital entity.

Lisbon, 30 March 2017

Maria dos Anjos de Melo Machado Nunes Capote

To the Board of Directors of

Caixa Geral de Depósitos, S.A.

I, Hans-Helmut Kotz, appointed, in 17 October 2017, Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A, hereby declare, before taking up the corresponding duties and under the terms and for the purposes of number 9 of the article 22 of the Public Manager Statute, approved by Decree-Law no.71/2007 of 27 March, and of article 52 of Decree-Law no.133/2013, of 3 October, that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon, 8 November 2017

Hans-Helmut Kotz

ANNEX VI

NON-PROFITABLE ORGANIZATIONS OF WHICH CGD IS AN ASSOCIATED MEMBER

DECEMBER 2017

- AC - Aliança Connector
- ACEPI – Associação para o Desenvolvimento e Promoção do Comércio Eletrónico em Portugal
- ACI Portugal (ex-Forex Club de Portugal)
- AEP – Associação Empresarial de Portugal
- AIP – Associação Industrial Portuguesa
- American Club of Lisbon
- APAN – Associação Portuguesa de Anunciantes
- APCC – Associação Portuguesa de Contact Centers
- APCER
- APQ - Associação Portuguesa para a Qualidade
- Associação África-Verein der Deutschen Wirtsch
- Associação Fiscal Portuguesa
- Associação Portuguesa de Bancos
- Associação Portuguesa de Bibliotecários, Arquivistas e Documentalistas - BAD
- Associação Smart Waste Portugal
- BCSD – Conselho Empresarial para o Desenvolvimento Sustentável
- CADIN
- Câmara de Comércio Americana em Portugal
- Câmara de Comércio Belgo-Portuguesa A.S.B.L
- Câmara de Comércio e Indústria Árabe Portuguesa
- Câmara de Comércio e Indústria Luso Alemã
- Câmara de Comércio e Indústria Luso Britânica
- Câmara de Comércio e Indústria Luso Espanhola
- Câmara de Comércio e Indústria Luso Francesa
- Câmara de Comércio e Indústria Luso Marroquina
- Câmara de Comércio e Indústria Luso-Brasileira – Fusão com Clube de Empresários do Brasil
- Câmara de Comércio e Indústria Luso-Chinesa
- Câmara de Comércio e Indústria Luso-Mexicana
- Câmara de Comércio e Indústria Portugal Angola
- Câmara de Comércio e Indústria Portuguesa
- Câmara de Comércio Indústria e Turismo Portugal Cabo-Verde
- Câmara de Comércio Luso Colombiana
- Câmara de Comércio Luso Sul Africana
- Câmara de Comércio Luso-Belga- Luxemburguesa
- Câmara de Comércio Portugal Moçambique

- CE CPLP Conselho Empresarial da Comunidade dos Países de Língua Portuguesa
- Centro Marítimo da Venezuela
- Centro Nacional de Cultura
- Centro Português de Caracas
- COTEC
- EABH - European Association for Banking and Financial History
- EBA – Euro Banking Association
- ECBC - European Covered Bond Council
- EFMA – European Financial Management & Marketing Association
- Égide - Economia e Gestão, Associação para a Investigação e Desenvolvimento do Ensino (Univ. Nova de Lisboa)
- EMF - Federação Hipotecária Europeia
- EPC – European Payments Council - AISBL
- ESBG- European Savings Banks Group (GECE) / WSBI – World Savings and Retail Banking Institute
- Federation of Portuguese Canadian Business & Professionals
- Fórum Oceano - Associação da Economia do Mar
- Fórum para a Competitividade
- Fundação de Serralves
- Fundação Eça de Queirós
- Fundação Económicas
- Fundação Luso Brasileira
- Fundação Luso Espanhola
- Fundação Portugal África
- Global Compact Network Portugal (inclui o Global Compact Internacional)
- GOH Portugal (faz parte da Federação Hipotecária Europeia)
- GPUS – Grupo Português de Utilizadores de Swift
- GRACE – Grupo de Reflexão e Apoio à Cidadania Empresarial
- ICA - International Council on Archives
- ICAP – Instituto Civil da Autodisciplina da Publicidade
- ICC - Câmara de Comércio e Indústria Internacional - Secção Portuguesa
- IFB - Instituto de Formação Bancária
- Instituto Português de Corporate Governance
- IPAI – Instituto Português de Auditores Internos
- IPN - Instituto Pedro Nunes + Incubadora - Associação para o Desenvolvimento de Atividades de Incubação de Ideias e Empresas
- iTeCons - Instituto de Investigação e Desenvolvimento Tecnológico para a Construção, Energia, Ambiente e Sustentabilidade
- Nova Fórum - Instituto de Formação de Executivos da Universidade Nova de Lisboa
- Politec & ID - Associação para o Desenvolvimento de Conhecimento e Inovação (Instituto Politécnico de Lx)

- Turismo Fundos
- UCCLA – União das Capitais Luso-Afro-Américo-Asiáticas
- United Nations for Global Compact
- Visa Portugal
- World Monuments Fund

ANNEX VII

REPORT BY THE SUPERVISORY BODY PERTAINING TO NO. 2 OF ARTICLE 54 OF THE RJSPE

Evidence of compliance of the presentation of the supervisory body's report as it pertains no.2 of article 54 of RJSPE can be found in section 2.3.3. Report and Opinion of the Supervisory Board of this report.

ANNEX VIII

MINUTE NO. 6/2018 - ANNUAL REPORT 2017 APPROVAL

Meeting of 27 April 2018

ISSUE NO. 6/2018 OF MINUTES

A meeting of the Board of Directors of Caixa Geral de Depósitos took place on the twenty seventh of April two thousand eighteen at ten past three in the afternoon. Present at the meeting were its Chairman, Emílio Rui da Veiga Peixoto Vilar, vice Chairman and CEO Paulo José de Ribeiro Moita de Macedo, executive Board members José João Guilherme, Francisco Ravara Cary, José António da Silva de Brito, João Paulo Tudela Martins, Maria João Borges Carioca Rodrigues, Nuno Alexandre de Carvalho Martins and Carlos António Torroaes de Albuquerque and the non-executive Board members Ana Maria Machado Fernandes, José Maria Monteiro de Azevedo Rodrigues, Alberto Souto de Miranda, Mary Jane Antenen and Altina de Fátima Sebastian Gonzalez Villamarin.

At the invitation of the Chairman, the Supervisory Board of Caixa Geral de Depósitos was represented at the meeting by its Chairman Guilherme Valdemar Pereira d'Oliveira Martins, permanent members António Luís Traça Borges de Assunção and Manuel Lázaro Oliveira de Brito.

The justification for the absence of the non-executive Board member Hans-Helmut Kotz was accepted by the Board.

The term of office of non-executive Board member João Amaral Tomaz is in abeyance.

In consideration of item no. 2 on the agenda, the company EY, as the Bank's External Auditors, represented by Ana Salcedas, was also present.

…

The Chairman then opened the meeting in which the following issues were considered and dealt with.

Item 2 – Approval of the Board of Directors' Report and the Corporate Governance Report for 2017

… Following consideration of and discussion on the documentation submitted, the Board of Directors approved the Board of Directors' report and corporate governance report for 2017, showing a consolidated net result of €51,945,741 and a net result in respect of CGD's separate activity of €24,641,806 and the respective proposal for the appropriation of results, with 20% for the legal reserve and the remainder for the "Other reserves and retained income" balance sheet account …

The Board member Hans-Helmut Kotz also approved the documents in question by the use of telematic media.

Following the consideration of the items on the agenda, the Chairman declared the meeting closed at a quarter past seven in the evening and I, the undersigned, João Eduardo de Noronha Gamito de Faria, company secretary, have prepared the minutes thereon, which have also been signed by me.

Secretary General

(João Eduardo de Noronha Gamito de Faria)

Excerpt from the Minutes of the Annual General Meeting of Caixa Geral de Depósitos, SA

The following text is an excerpt of the minute of CGD's General Meeting of 28 May 2018, containing a resolution on CGD, S.A.'s 2017 annual report and the proposal for the appropriation of net income, as transcribed below:

" (…) At the end of the interventions by the Chairman and Vice-Chairman of the Board of Directors, the Chairman of the General Meeting invited the state representative to address the meeting who greeted all those present and voted in favour of the approval of the Board of Directors' 2017 management report, consolidated and separate financial statements, as well as the Corporate Governance Report, taking into account the favourable opinion expressed in the separate and consolidated statutory and auditor' reports, and the report and opinion of the Supervisory Board.

(…)

The meeting then went on to discuss item two on the agenda, with the Chairman of the General Meeting reading the proposal, under the terms of article 66, no. 5, sub-paragraph f) and article 376 of the Commercial Companies Code, and article 33 of Caixa Geral de Depósitos's Articles of Association, for the appropriation of net income for the year relative to the separate accounts of CGD, SA, in the amount of €24,641,806, should be allocated by 20% for Legal Reserve (€ 4,928,361) and €19,713,445 into the "Other Reserves and Retained Earnings" balance sheet account. The state representative voted in favour of the proposal submitted by the board of directors.

Regarding the third item on the agenda, the state representative, proposed and expressed a vote of confidence in the board of directors and supervisory bodies, as well as in each of its members (...)"

The Company Secretary