Table of Contents

1. Introduction

The incorporation, in 1991, of the Integrated System of Crédito Agrícola Mútuo, composed of Caixa Central – Caixa Central de Crédito Agrícola Mútuo, CRL (Caixa Central) and its Associated Caixas, established an arrangement of co-responsibility between them. The Associated Caixas have freedom of association to Caixa Central and may pursue their business outside the Integrated System of Crédito Agrícola Mútuo, in this case under stricter rules, similar to those applied for all other credit institutions.

The Mutual Agricultural Credit Guarantee Fund (FGCAM) was established by Decree-Law 182/87 of 21 April 1987 as a legal person under public law, with a dual purpose: on the one hand, to guarantee the deposits of the Integrated System of Crédito Agrícola Mútuo Customers and, on the other, to provide support and assistance to Associated Caixas which are part of the Integrated System of Crédito Agrícola Mútuo and are experiencing financial difficulties.

On 1 January 2020 Decree-Law 106/2019 of 12 August, which determined the transfer of the deposit guarantee arm of FGCAM to the Deposit Guarantee Fund (FGD), came into force. However, the assistance component remained in FGCAM, which was transformed into a private law association called Crédito Agrícola Mútuo Assistance Fund (FACAM) to which the autonomous assets resulting from the transformation were allocated and which continues the financial assistance activity of the Integrated System of Crédito Agrícola Mútuo.

The consolidated accounts presented herein reflect the overall situation of the net worth of the Integrated System of Crédito Agrícola Mútuo, composed of the Caixa Central and Associated Caixas which, as well as of FACAM and their affiliates and associates, form the Crédito Agrícola Mútuo Financial Group (or Crédito Agrícola Group – "GCA"). These financial statements were prepared in conformity with the legal and regulatory provisions in force established in article 74 of the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives (RJCAM), Decree-Law 36/92 and the instructions stipulated in article 7 of this diploma.

Crédito Agrícola Group is a nationwide financial group, comprising 75 local banks (Associated Caixas) and specialist companies, with the central structure being the Caixa Central, which is a credit institution that also has powers to supervise, guide and monitor the activities of the Associated Caixas and Fenacam, a cooperative representative institution that provides specialist services to GCA.

In July 2021, Caixa Central de Crédito Agrícola received a Baseline Credit Assessment (BCA) rating of Ba1 from Moody's. The rating assessment, attributed to the institution for the first time, reflects the credit opinion towards Crédito Agrícola Group that incorporates the solidarity mechanism prevailing among its constituent institutions, namely the Associated Caixas and Caixa Central. The Baseline Credit Assessment rating is complemented with the Baa3 Outlook Stable/Prime-3 deposit rating and Counterparty Risk Rating (CRR) rating of Baa2/Prime-2.

The accompanying condensed interim financial statements refer to the consolidated activity of Crédito Agrícola Group.

The Executive Board of Directors of Caixa Central approved, on 12 August 2021, the interim condensed consolidated financial statements as at 30 June 2021.

In the first half of 2021 the activities were maintained in relation to the reporting of accounting and prudential aspects underpinned by harmonised information models in the European context (FINREP/ COREP), as well as the periodic conduct of various exercises that, in addition to GCA's internal management elements, represent prudential supervisory instruments used by the regulator. In this regard, of particular importance is (i) the Funding and Capital Plan, which presents projections of the main financial and prudential aggregates aimed at highlighting potential capital and liquidity needs in a markedly prospective manner, (ii) the Internal Capital Adequacy Assessment Process (ICAAP), which seeks to assess and quantify the main risks to which the institution is exposed, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan whose objective is the prior planning of measures that may be adopted so as to avoid or correct, in a timely form, any possible situation of financial imbalance, of capital or liquidity shortage.

In the first half of 2021, the interim consolidated accounts incorporate the accounts of 75 Associated Caixas which, with Caixa Central, constitute the Integrated System of Crédito Agrícola Mútuo. The object of these institutions is to grant credit and conduct all other acts inherent to the banking business.

The following institutions are also part of Crédito Agrícola Group:

- FENACAM - Federação Nacional das Caixas de Crédito Agrícola Mútuo, FCRL, whose corporate object consists of the representation and development of Crédito Agrícola Mútuo, strengthening the spirit of solidarity and cooperation between the associates, as well as the promotion, coordination and conduct of activities of common interest to them, and especially: i) representation of the Associated Caixas and regional unions of their associates before any national, foreign or international institutions in the realisation and defence of the rights and interests of the associates; and ii) promotion of cooperativism within the Group;

- Crédito Agrícola S.G.P.S., S.A. and Crédito Agrícola Seguros e Pensões S.G.P.S., whose object is the management of equity holdings in other GCA companies;

- The insurers Crédito Agrícola Seguros, S.A. and Crédito Agrícola Vida, S.A., dedicated to insurance activity in all non-life technical segments (except for the air, credit, and surety segments) and in the life segment, respectively;

- Crédito Agrícola Serviços – Serviços Informáticos e de Gestão – ACE, whose object is the provision of information technology, operational, technical and management services in a manner complementing the individual and group activities of its Group members;

- Crédito Agrícola Informática – Serviços de Informática, S.A., essentially dedicated to the provision of information technology services, including consulting on matters of selection of software and hardware, the development and support to the development of applications, data processing, staff training and provision of consulting services in organisation and management, as well as the marketing and management of information technology equipment and products;

- Crédito Agrícola GEST - SGOIC, S.A., whose main activity is the management of collective investment undertakings. It also carries out the activity of discretionary and individualised management of portfolios on behalf of others and consultancy for investments in securities. In 2019, it took up the management of Real Estate Investment Undertakings;

- Crédito Agrícola Imóveis Unipessoal, Lda whose object is the holding, management and administration of real estate properties and the purchase of real estate properties for resale;

- CCAM Gestão de Investimentos e Consultoria, Unipessoal, Lda. which, in general, provides economic and financial or specialised strategic advisory services, as well as accounting or consulting services for corporate direction or management and the preparation of economic and financial studies;

- CA Capital – Sociedade de Capital de Risco S.A., which, as a venture capital firm, has the core object of carrying out investments in venture capital reflected in the acquisition of equity instruments, both within and outside the Group in companies showing high potential development.

GCA also includes the real estate investment funds “FEIIA CA Imobiliário” and “Addrezza Arrendamento FIIF” whose holding company is Square Asset Management – Sociedade Gestora de Fundos de Investimento Imobiliário S.A., the real estate investment fund “FEIIF Imovalor CA” and the equity investment fund “FIMF CA Institucionais”, managed by Crédito Agrícola GEST and the Crédito Agrícola Mútuo Assistance Fund (FACAM).

2. Basis of presentation, comparability of the information and main accounting policies

2.1. Basis of presentation of the accounts

The interim condensed consolidated financial statements of GCA were prepared pursuant to the going-concern principle, based on the books and accounting ledgers kept in accordance with the principles established in the International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Union, pursuant to Regulation (EC) 1606/2002 of the European Parliament and the Council of 19 July, transposed into Portuguese law by Decree Law 35/2005 of 17 February and by Bank of Portugal Notice 1/2005 of 21 February, and in accordance with the specific rules on consolidation of accounts established in article 74 of the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives, Decree-Law 36/92 of 28 March, and Bank of Portugal Notice 5/2015. When GCA companies use different accounting standards, IAS/IFRS conversion adjustments are prepared.

International standards comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretation Committee ('IFRIC') and their predecessor bodies, issued and in force on 1 January 2021.

Except with respect to matters regulated by Bank of Portugal, as mentioned above, the institutions of Crédito Agrícola Group use the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and by the International Financial Reporting Interpretations Committee (IFRIC) which are relevant for their operations and have been approved by the European Union, effective for periods beginning on 01 January 2021.

The interim condensed consolidated financial statements for the period up to 30 June 2021 have been prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the European Union. These financial statements do not include all the information required to prepare consolidated financial statements under IFRS and therefore should be read in conjunction with the Annual Report and Accounts as at 31 December 2020 (annual), published on the Crédito Agrícola website.

In the preparation of the interim condensed consolidated financial statements, GCA followed the historical cost convention, modified, when applicable, by measurement of financial assets and liabilities at fair value through profit or loss, derivative financial instruments, investment properties and financial assets at fair value through other comprehensive income.

The preparation of financial statements in conformity with the IAS / IFRS requires the use of estimates, assumptions, and critical judgements in the process of determining the accounting policies to be adopted by GCA, which could have a significant impact on the book value of the assets and liabilities, as well as the income and costs of the reporting period. Although these estimates are based on the best experience of the Executive Board of Directors and its best expectations in relation to current and future events and actions, the real current and future results could differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements, are set forth in Note 3.

The financial statements presented are expressed in euros, rounded to the nearest euro.

2.2. Alterations to the accounting policies and comparative information

The interim condensed consolidated financial statements of June 2021 are, in all materially relevant aspects, comparable to the financial statements presented in this document relative to the previous period.

The accounting policies adopted are consistent with those of the previous year and of the interim report period.

Additionally, in the first half of 2021, a number of amendments to IAS/IFRSs occurred, comprising new standards, amendments to standards and interpretations, which had no impact on the accounting policies or interim consolidated financial statements presented as at 30 June 2021.

Impact of the adoption of new standards and interpretations which became effective on 01 January 2021:

a) **IFRS 16 (amendment),** 'Leases - Covid-19-related rent concessions' (applicable in financial years starting on or after 1 June 2020). This amendment introduces a practical expedient for lessees (bit not for lessors), that exempts them from assessing whether particular rent concessions attributed by lessors under Covid-19 qualify as lease "modifications" when three criteria are cumulatively met: i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and iii) there is no substantive change to other terms and conditions of the lease. Lessees that decide to apply this exemption shall record the change to the lease payments as variable lease payments in the period(s) in which the event or condition that activates the reduction of payments occurs. This change is applied retrospectively with the impacts reflected as an adjustment in retained earnings (or in another equity component, as appropriate) at the beginning of the annual reporting period in which the lessee applied the change for the first time. No impact on GCA's financial statements.

b) **IFRS 4 (amendment),** 'Insurance contracts – deferral of the application of IFRS 9' (applicable in financial years starting on or after 1 June 2021). This amendment refers to the temporary accounting consequences arising from the difference between the date of entry into force of IFRS 9 – Financial Instruments and the future IFRS 17 – Insurance Contracts. In particular, the amendment to IFRS 4 postpones the expiry date of the temporary exemption of the application of IFRS 9 up to 2023, in order to align the effective date of the latter with that of the new IFRS 17. No impact on GCA's financial statements.

b) **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)**, 'Interest rate benchmark reform – phase 2'. These amendments refer to issues that arise during the interest rate benchmark reform, including the replacement of a benchmark interest rate by an alternative one, enabling the adoption of exemptions, such as: i) change of hedge designation and documentation; ii) values accumulated in the cash flow hedge reserve; iii) retrospective assessment of the efficacy of a hedge relationship under IAS 39; iv) changes in hedge relationships for groups of items; v) assumption of an alternative benchmark rate, classified as a non-contractually specified risk component, it is separately identifiable and qualified as a hedged risk; and vi) updating of the effective interest rate, without recognising profits or losses, for financial instruments measured at amortised cost with variations in contractual cash flows as a consequence of the IBOR reform, including leases that are indexed to an IBOR. No impact on GCA's financial statements.

Published standards (new and amendments), whose application is mandatory for annual periods that begin on or after 01 January 2021, which the European Union has not yet endorsed:

a) **IAS 1 (amendment),** 'Presentation of financial statements – classification of liabilities' (applicable in financial years starting on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment seeks to clarify the classification of liabilities as current and non-current balances according to the rights that an institution must defer their payment, at the end of each reporting period. The classification of liabilities is not affected by the institution's expectations (the assessment should determine whether a right exists but should not consider whether the institution will or will not exercise this right), or by events after the reporting date, such as default on a covenant. This amendment also includes a new definition of "settlement" of a liability. This amendment is applied retrospectively. No impact on GCA's financial statements.

b) **IAS 16 (amendment),** 'Proceeds before intended use' (applicable in financial years starting on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. Change of the accounting treatment given to the proceeds obtained from the sale of production during the stage of testing Property, plant and equipment, prohibiting their deduction from the acquisition cost of the assets. This amendment is applied retrospectively and does not imply restatement of the comparative figures. No impact on GCA's financial statements.

c) **IAS 37 (amendment),** 'Onerous contracts – cost of fulfilling a contract' (applicable in financial years starting on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment specifies that the assessment of whether a contract is onerous or not can only consider the expenses directly related to the contract's fulfilment, such as the incremental costs related to direct labour and materials, and the allocation of other costs directly related to the depreciation of tangible assets used to fulfil the contract. This amendment should be applied to contracts that, at the beginning of the first annual reporting period in which the amendment is applied, also include unmet contractual obligations, and does not imply restatement of the comparative figures. No impact on GCA's financial statements.

d) **IFRS 3 (amendment),** 'References to the conceptual framework' (applicable in financial years starting on or after 1 June 2022). This amendment is still subject to endorsement by the European Union. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, with no changes having been made to the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be adopted in relation to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus included in a business combination. This amendment is applied prospectively. No impact on GCA's financial statements.

e) **Improvements to the standards 2018-2020** (applicable in financial years starting on or after 1 January 2022). These amendments are still subject to endorsement by the European Union. This cycle of improvements amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. No impact on GCA's financial statements.

f) **IAS 1 (amendment**), 'Disclosure of accounting policies' (applicable in financial years starting on or after 01 January 2023). This amendment is still subject to endorsement by the European Union. Amendment to the disclosure requirements of accounting policies based on the definition of 'material' rather than 'significant'. Information about an accounting policy is considered material if, in its absence, users of the financial statements would be unable to understand other financial information included in the financial statements. Immaterial information about accounting policies need not be disclosed. IFRS Practice Statement 2, was also amended to clarify how the concept of 'material' applies to the disclosure of accounting policies. No impact on GCA's financial statements.

g) **f) IAS 8 (amendment),** 'Disclosure of accounting policies' (applicable in financial years starting on or after 01 January 2023). This amendment is still subject to endorsement by the European Union. Introduction of the definition of accounting estimate and how it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary amounts subject to measurement uncertainty that are used to achieve the objective(s) of an accounting policy. No impact on GCA's financial statements.

h) **IFRS 16 (amendment)**, 'Leases - Covid-19-related rent concessions after 30 June 2021' (applicable in financial years starting on or after 01 April 2021). This amendment is still subject to endorsement by the European Union. The amendment extends the application date of the amendment to IFRS 16 – 'Leases - COVID-19 related rent subsidies' from 30 June 2021 to 30 June 2022. The conditions for applying the practical expedient are maintained, whereby: i) if the lessee is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and under comparable conditions; and ii) if the lessee has not applied the practical expedient to the 2020 eligible rent subsidies, it cannot apply this extension to the 2020 amendment. This amendment is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings of the annual reporting period in which the lessee first applies this amendment. No impact on GCA's financial statements.

i) **IAS 12 (amendment)**, 'Deferred tax related to assets and liabilities associated with a single transaction' (to be applied in financial years beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. IAS 12 now requires institutions to recognise deferred tax on certain specific transactions when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. The transactions subject to recognition refer to the recording of: i) assets under right of use and lease liabilities; and ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when at the date of initial recognition they are not relevant for tax purposes. These taxable differences are no longer subject to the exemption of initial recognition of deferred taxes. The cumulative effect of the initial application of this amendment is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented. No impact on GCA's financial statements.

j) **IFRS 17 (new),** 'Insurance contracts' (applicable in financial years starting on or after 01 January 2023). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and is applicable to all institutions that issue insurance contracts, reinsurance contracts and investment contracts with discretionary profit-sharing features. IFRS 17 is based on the current measurement of the technical liabilities, which are revalued on each reporting date. The current measurement can be done by application of the full model (building block approach) or simplified model (premium allocation approach). The full model is based on scenarios of discounted cash flow weighted by the probability of occurrence and adjusted by risk, and a contractual service margin, which represents the estimated future profit of the contract. Subsequent changes of estimated cash flows are adjusted against the contractual service margin unless it becomes negative. IFRS 17 is applied retrospectively with some exemptions on the transition date. No impact on GCA's financial statements.

k) **IFRS 17 (amendment),** 'Insurance contracts' (applicable in financial years starting on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment incudes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the statement of financial position; vii) recognition and measurement of the income statement; and viii) disclosures. This amendment also includes clarifications aimed at simplifying some of this standard's requirements and expediting its implementation. No impact on GCA's financial statements.

2.3. Principles of consolidation and registration of Members

The consolidation of accounts of Crédito Agrícola Group is conducted in compliance with the requirements of the following legislation:

- Article 74 of the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives (Decree-Law 24/91, of 11 January, with the most recent amendments introduced by Decree-Law 142/2009, of 16 June);

- Decree-Law 36/92 of 28 March (with the most recent amendments introduced by Decree-Law 188/2007, of 11 May); and

- Bank of Portugal Notice 5/2015; and

- Bank of Portugal Notice 1/2019.

Crédito Agrícola Group directly and indirectly holds financial stakes in subsidiaries and related companies. As a rule, subsidiaries are considered companies in which this percentage stake is more than 50% of its capital or companies in which Caixa Central exercises effective control of their management. Related companies are considered companies in which the percentage stake stands between 20% and 50% of its capital or in which the Integrated System of Crédito Agrícola Mútuo, directly or indirectly, exerts significant influence on their management and financial policy.

a) Subsidiaries

The interim condensed consolidated financial statements include the accounts of Caixa Central - Caixa Central de Crédito Agrícola Mútuo, C.R.L. (Caixa Central), the Associated Caixas, and the affiliates and associates controlled directly and indirectly by Caixa Central (Note 4).

Regarding the participated companies, "affiliates" are considered those in which GCA effectively controls their current management in order to obtain economic benefits from their activities. Control normally exists when the Group holds more than 50% of the capital or voting rights. The financial statements of all the companies controlled by the Group (subsidiaries or affiliates) were included in these consolidated financial statements by the full consolidation method.

The Group controls an institution when it is exposed to or has rights to variable returns arising from its involvement with the Entity and has the capacity to affect these same returns through the power it exercises over the Entity. The subsidiaries are consolidated from the date when their control is transferred to the Group and are excluded from consolidation from the date when this control ends.

The consolidation of the accounts of the affiliates was carried out by the full consolidation method, from the date when Caixa Central takes control of its activities up to the time when this control ceases to exist. The transactions and significant balances between the company's object of the consolidation were eliminated. Furthermore, when applicable, consolidation adjustments are made in order to assure consistency in the application of the accounting principles of Crédito Agrícola Group.

Acquisitions of affiliates are recorded by the purchase method. The acquisition cost corresponds to the sum of the fair values of the assets acquired and liabilities incurred or undertaken, as well as any equity instruments issued in exchange for control over the acquired institution. The costs directly attributable to the transaction are recorded as costs when incurred. On the acquisition date, the assets, liabilities, and contingent assets that are identifiable and meet the requirements for recognition established in IFRS 3 – "Business combinations", are stated at their fair value.

When the acquisition of control is carried out for a percentage of less than 100%, in the application of the purchase method, the non-controlling interests can be measured at fair value or in proportion to the fair value of the acquired assets and liabilities, with this option being defined in each transaction. Whenever control is acquired through potential rights, the non-controlling interests are measured at fair value.

Subsequent transactions involving the disposal or acquisition of holdings from non-controlling interests, which do not imply change of control, do not result in the recognition of profits, losses, or goodwill, with any difference between the transaction value and the book value of the traded holding being recorded in Equity, under Other equity instruments.

Any losses generated in each period by subsidiaries with non-controlling interests are allocated according to the percentage held in them, regardless of being a negative balance.

The value corresponding to third party holdings in the affiliates is presented under the equity heading of “Non-controlling interests”.

The consolidated profit derives from the sum of the net income of the Integrated System of Crédito Agrícola Mútuo and the affiliates, in proportion to their effective holding, after consolidation adjustments, namely the elimination of dividends received, and capital profits and losses generated in transactions between companies included in the consolidation perimeter.

b) Related companies

Related companies are institutions in which GCA has significant influence but does not control. Significant influence is considered to exist when GCA has financial holdings (directly or indirectly held) above 20% (but less than 50% with voting rights in proportion to the holding) or the power to participate in decisions about the financial and operational policies of the institution but has neither control nor has joint control over it. Any dividends received are recorded as a decrease of the value of the financial investment.

Investments in related companies are initially measured at cost in the consolidated financial statements. Financial holdings in related companies are subsequently recorded by the equity method, from the moment that GCA acquires significant influence until the date it ceases.

The excess of the cost of acquisition over the fair value of the share of the identifiable assets and liabilities acquired, goodwill, is recognised as part of the financial investment in the related companies. If the acquisition cost is lower than the fair value of the net assets of the acquired related companies, the difference is recognised directly as a gain in the consolidated comprehensive income statement.

If the financial holding in a related companies is reduced, but maintaining the significant influence, only a proportional amount of the values recognised previously in other comprehensive income is reclassified to the Income Statement.

Unrealised profits or losses in transactions between the Group and the related companies are eliminated in the application of the equity method.

The accounting policies of the related companies are changed whenever necessary so as to ensure that the same policies are applied consistently by all the Affiliated Companies.

When the share of the losses of a related company exceeds the investment in the related company, the Group recognises additional losses if it has undertaken liabilities or made payments in benefit of the related company.

The interim condensed consolidated financial statements include the part attributable to GCA of the total profit and loss recognised by the related company.

c) Goodwill

Acquisitions of subsidiaries and related companies occurred after 1 January 2006 are recorded by the purchase method. The acquisition cost corresponds to the fair value determined on the acquisition date of the assigned assets, issued equity instruments, minus the costs directly attributable to the issue. Goodwill refers to the difference calculated between the fair value of the acquisition price of investments in subsidiaries, related companies or businesses, and the fair value of the assets and liabilities of these companies or businesses on the date of their acquisition. Goodwill is recorded in the assets and is subject to impairment tests, pursuant to IAS 36, at least once a year, and is not amortised. Impairment losses relative to goodwill are not reversible. Furthermore, whenever it is detected that the fair value of the acquired net assets is higher than their acquisition cost (negative goodwill), the differential is recognised through profit or loss.

Goodwill is allocated to the cash generating units to which it belongs, for the purpose of conducting impairment tests. When the Group reorganises its corporate structure, implying an alteration of the composition of its cash generating units, to which goodwill has been imputed, the reorganisation process should involve the reallocation of the goodwill to the new cash generating units. The reallocation is made through an approach of relative value, in view of the new cash generating units arising from the reorganisation.

2.4. Summary of the main accounting policies

The most significant accounting policies used in the preparation of the interim condensed consolidated financial statements were as follows:

a) Accrual basis

GCA follows the accrual principle of accounting in relation to most of the items in its financial statements. Hence, the costs and income are recorded as they are generated, independently of the time of their payment or receipt.

b) Foreign currency transactions

Assets and liabilities denominated in foreign currency are converted into euros at the exchange rate prevailing at the balance sheet date.

Income and costs relative to transactions in foreign currency are recorded in the period when they occur, considering the exchange rates in force on the day when they were carried out.

Additionally, the following accounting procedures are used:

- The spot exchange rate position for each currency, which corresponds to the net balance of the assets and liabilities of any specific currency, is revalued daily pursuant to the fixing exchange rates published by Bloomberg, and recorded against profit or loss.

- The forward exchange rate position of a currency, which corresponds to the net balance of the forward transactions awaiting settlement, is revalued at the market forward exchange rate, or, if such does not exist, at a rate calculated based on the market interest rate for this currency and for the residual term of the transaction. The difference between the balances converted into euros at the revaluation rates used and the balances converted to the contracted rates corresponds to revaluation of the forward exchange rate position and is recorded through profit or loss.

- Non-monetary assets and liabilities measured at fair value are converted at the exchange rates of the date when the fair value was determined, with the currency conversion differences being recognised through profit or loss. The currency conversion differences of financial assets available for sale are, however, recognised in other comprehensive income, and likewise the currency conversion differences relative to cash flow hedges.

c) Loans and advances

These refer to financial instruments classified at amortised cost.

Loans and advances to customers includes loans granted to customers not intended for sale in the short-term, which are recorded on the date when the credit amount is advanced to the customer, being recognised at nominal value/amortised cost.

Subsequently, the credit and accounts receivable are recorded at amortised cost, being submitted to periodic impairment tests.

The interest component, including that relative to any premiums/discounts, is disclosed in the accounts separately in the respective profit or loss accounts, pursuant to the accrual principle. Whenever applicable, the external commissions and costs imputable to the contracting of the operations underlying the assets included in this category should also be divided into periods over the maturity period of the credit, in conformity with the effective interest rate method.

GCA institutions (Integrated System of Crédito Agrícola Mútuo) classify in loans overdue the instalments of principal or interest that remain unpaid once 30 days have elapsed after their due date as overdue credit. Credit with overdue instalments is denounced under the terms defined in the approved credit manual, with the entire debt being considered overdue at that time

GCA (Integrated System of Crédito Agrícola Mútuo) may renegotiate or modify the contractual cash flows of a financial asset. When this situation occurs, GCA (Integrated System of Crédito Agrícola Mútuo) assesses whether these new contract terms are substantially different from the original terms.

If the terms of the contract are not substantially different, the renegotiation or modification does not give rise to a derecognition, but rather the recalculation of the present value of the modified cash flows discounted at the original effective interest rate.

On the other hand, if the changes resulting from the renegotiation are substantially different, GCA (Integrated System of Crédito Agrícola Mútuo) derecognises the asset and recognises a 'new' one. The difference is recognised through profit or loss of modifications at the time when they are originated.

Loans and advances to customers is derecognised on the balance sheet when (i) the contractual rights of the GCA institution (Integrated System of Crédito Agrícola Mútuo) relative to the respective financial flows expire; (ii) the GCA institution (Integrated System of Crédito Agrícola Mútuo) has substantially transferred all the risks and benefits associated to the credit; or (iii) even if the GCA institution (Integrated System of Crédito Agrícola Mútuo) retains part of the risks and benefits associated to the credit, the control over the credit has been transferred.

Guarantees provided and irrevocable commitments

Liabilities for guarantees provided and irrevocable commitments are recorded as off-balance sheet items at risk value, where any flows of interest, commissions or other profits are stated through profit or loss over the life of the operations.

Loan impairment

The entry into force of IFRS 9 - Financial instruments, on 1 January 2018, introduced a significant series of changes in the impairment quantification model, with particular emphasis on the following aspects:

i. Concept of expected economic loss in the risk management of the portfolio of financial assets, determined based on macroeconomic scenarios.
ii. Definition of ‘default’ pursuant to article 178 of the Capital Requirements Regulation (CRR), introduced in a phased manner up to 2021;
iii. Quantification of impairment for loans to credit institutions.
iv. Revision and introduction of new risk parameters (e.g., probability of default, loss given default, credit conversion factor, performance maturity, prepayment).

v. Adjustment of the main segments of the credit portfolio aimed at classifying assets from a risk perspective, based on homogeneous standards, according to their type (e.g., purpose, performance), in addition to being integrated in scoring and rating analytical models.

The determination of impairment losses of financial assets, in conformity with the provisions in IFRS 9, is based on specific methods which comply with the regulatory requirements, adapted to the historical data, and features of Crédito Agrícola Group's portfolio.

A financial asset is in a situation of impairment (and incurs impairment losses) when the present value of the expected cash flows is less than the respective exposure value. This situation is observed when:

- There is objective evidence of impairment resulting because of one or more events that occur after the initial recognition of the asset (loss event).
- These events have an impact on the expected future cash flows and can be estimated in a reliable form.

Pursuant to the financial reporting standard IFRS 9, the assessment of impairment can be based on two types of analysis:

i. Individual analysis

Analysis of customers with significant exposure, through the assessment files (questionnaires) resident in the Module of Individual Analysis of Impairment (MOAI) application, where the data of the individual analyses are validated and used to calculate impairment on an individual basis.

The selection criteria of customers subject to individual analysis are as follows:

a. All customers/economic group (GER) with liabilities of more than 1,000,000 euros and/or loans overdue (by more than 90 days) of more than 50,000 euros;
b. Customer/GER classified equal to or above stage 2 and liabilities of more than 500,000 euros.
c. Customer/GER with current account exposure or overdraft of more than 500,000 euros and equal to or above 90% of the limit contracted in the last 18 months.
d. Customer/GER with liabilities of more than 500,000 euros without associated asset backing or with a loan-to value (LTV) above 80%;
e. Customer/GER with forborne loans and forborne loans exposure of more than 500,000 euros.

ii. Collective analysis

Analysis of customers/GER that do not meet the criteria for submission to the process of individual analysis, being analysed in homogeneous risk groups through statistical methods. The model adopted for calculation of impairment is based on an expected loss model, determined based on macroeconomic scenarios, necessarily classifying the assets at 3 stages, according to the evolution of their credit risk in relation to initial recognition.

Determination of significant increase of credit

A significant increase of credit risk is assessed in each reference period, comparing the current risk of occurrence of default throughout the remaining life of a given contract with the same risk rating on the initial date of the operation.

A significant increase of credit risk is determined when there is a deterioration of the risk rating, in particular the associated probability of default, including situations of loans overdue by 30 to 90 days and forborne loans not classified as being in default.

Furthermore, an exposure with low credit risk is considered to exist whenever the credit risk of a particular financial instrument does not increase significantly since its initial recognition, provided that low credit risk is determined on the reporting date. The evolution of the credit risk of these financial instruments should be monitored when they are classified as having low credit risk, to enable timely detection of a significant increase of credit risk and ensure that they maintain the premises of low credit risk in each reporting period.

Definition of default

The European Banking Authority (EBA) issued the 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' aimed at harmonising the definition of default across all prudential approaches of the European Union. Accordingly, it contains detailed clarification of the definition of default and its application, in particular clarifying the method for counting days in arrears, indications of default and conditions for leaving default. The guidelines are entirely applicable from 1 January 2021, implying that institutions must incorporate these requirements in their internal procedures and systems by this date in a phased manner and ensure their coherence with the internal models on capital and risk management.

The definition of default includes loans overdue by more than 90 days, those restructured with more than one restructuring and exposure in which there is predictability of default (improbability of payment) of the debtor, entailing quantitative and qualitative criteria, especially with respect to the reference values considered in their activation, being in concordance with the regulatory guidelines for identification and marking of a customer's financial difficulties. Moreover, there is also a contagion of default (cross default) effect for the exposure of business customers.

The criteria for leaving default respect quarantine periods.

Credit returns to the status of performing whenever, during a consecutive period, none of the criteria marking it as being in default/NPL occur. This period is named 'quarantine'/ 'probatory', pursuant to the following criteria:

- Operations entering default following the criteria of restructuring due to financial difficulties: 12 months.
- Operations entering default following at least one of the remaining criteria: 3 months.

Furthermore, pursuant to Implementing Regulation 680/2014, the return to the status of performing credit is confirmed by the credit monitoring or recovery areas.

Incorporation of forward-looking information

Pursuant to IFRS 9, various macroeconomic scenarios should be defined to obtain an expected loss value that reflects an unbiased and weighted vision of reality. To this end, 3 macroeconomic scenarios were defined (baseline, pessimistic and optimistic) whose projections and respective probabilities are established by one of the main External Credit Assessment Institutions (ECAI).

For each contract, the impairment values were calculated for each one of the three configured macroeconomic scenarios. Losses are calculated based on the corresponding risk factors for each scenario. Additionally, and to obtain an estimate of final loss, each one of the scenarios was duly weighted according to its probability of occurrence.

Expected lifetime

At the time of the initial recognition of a financial asset, the expected loan losses are calculated for 12 months (stage 1). If the credit risk of a financial asset 'increases significantly' in relation to the initial moment and the credit quality derived from this increase is not considered a low credit risk (stage 2) or the credit risk of a financial asset increases to the extent of being considered 'impaired' (stage 3), the expected losses are recognised for the respective maturity.

Purchased or originated credit impaired (POCI) assets are financial assets that are impaired at initial recognition (reduction to their recoverable value). POCI financial assets are recorded at fair value at initial recognition and the interest is subsequently recognised based on the effective interest rate adjusted for credit losses. The expected credit loss ("ECL") is recognised/reversed to the extent that there is a subsequent change in the ECL.

d) Financial assets (IFRS 9)

GCA decided to consolidate the information relative to insurance activity in accordance with IAS 39; therefore, this item is not applicable to this activity (see subparagraph f)).

Financial assets are classified into three categories according to the business model associated with their holding, the type of financial instrument (debt, equity, or derivatives) and their features, namely:

• Fair value through profit or loss (FVTPL);
• Fair value through other comprehensive income (FVTOCI); or
• Amortised cost.

The classification and subsequent measurement of debt instruments depends on:

(i) the features of the cash flow of the asset; and
(ii) the business model.

If the contractual features of the cash flows of a financial asset do not correspond exclusively to principal and interest (criteria of SPPI – Solely payments of Principal and Interest), it shall mandatorily be recognised and measured at fair value through profit or loss.

Based on these factors, GCA classifies its debt instruments into one of three measurement categories, namely:

i) Financial assets at fair value through profit or loss

Debt financial instruments at fair value through profit or loss are traded on active markets, acquired for the purpose of sale, or repurchase in the short-term.

These instruments are initially recognised at fair value with the profits and losses derived from subsequent measurement at fair value being recognised through profit or loss.

The interest inherent to financial assets and the differences between acquisition cost and nominal value (premium or discount) are calculated in accordance with the effective interest rate method and recognised in the income statement under the heading of “Interest income”.

The measurement of financial assets at fair value is based on the most representative values of the bid-ask range, in relation to the circumstances of the measurement, regardless of the IFRS 13 hierarchy level in which the instruments are classified. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, which include price assessment models or discounted cash flow techniques. When discounted cash flow techniques are used, the future financial flows are estimated in accordance with the management's expectations and the discount rate used corresponds to the market rate for financial instruments with similar features. In the price assessment models, the data used correspond to information about market prices.

These debt financial instruments at fair value through profit or loss are derecognised upon their sale or when the associated cash flows expire.

ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include financial instruments whose features exclusively refer to the SPPI criteria (principal and interest), and their objective is the receipt of contractual cash flows and/or their sale.

Financial assets at fair value through other comprehensive income are recorded at fair value. Profits and losses relative to subsequent fair value variation are reflected under a specific equity heading, named "Fair value variation of financial assets at FVTOCI", until their sale, at which time they are transferred to profit or loss. Currency conversion profit or losses of debt instruments are recognised directly through profit or loss for the period.

The interest inherent to financial assets and the differences between acquisition cost and nominal value (premium or discount) are calculated in accordance with the effective interest rate method and recognised in the income statement under the heading of "Interest income".

The quantification of the impairment of the securities portfolio (debt instruments) is calculated using the expected credit losses calculation tool (ECL) through the so-called "ECL Reporting Service", based on the calculation of the risk parameters, PD and LGD, based on models developed by Moody's and which consider, in particular, the rating, country, business sector and the probability of default implicit in credit default swaps (CDS). The calculation of conditional risk parameters, PD and LGD, is carried out using the MA Correlation Model (GCorr) and uses the distance-to-default (DD) measure correlations, determined from the spreads, to calculate sovereign correlations. The impairment calculated is stated under a specific heading in equity against profit or loss.

During 2021, sales did not exceed the limits defined in the investment policy.

iii) Debt instruments at amortised cost

Debt instruments at amortised cost are financial instruments whose features refer exclusively to the SPPI criterion (principal and interest), with their objective being the receipt of contractual cash flows up to their redemption, namely debt securities, investments in credit institutions, purchase operations with resale agreement and loans and advances to customers (see Note 2.4 c)).

These instruments measured at amortised cost are recorded at acquisition cost. The interest inherent to financial assets, and the recognition of differences between acquisition cost and nominal value (premium or discount), are calculated in accordance with the effective interest rate method and recognised in the income statement under the heading of "Interest income".

The quantification of impairment for the securities portfolio (debt instrument) recorded at amortised cost is based on the risk rating and risk factors established by the main credit risk rating agencies.

The quantification of the impairment of the securities portfolio (debt instruments) is calculated using the expected credit losses calculation tool (ECL) through the so-called “ECL Reporting Service”, based on the calculation of the risk parameters, PD and LGD, based on models developed by Moody's and which consider, in particular, the rating, country, business sector and the probability of default implicit in credit default swaps (CDS). The calculation of conditional risk parameters, PD and LGD, is carried out using the MA Correlation Model (GCorr) and uses the distance-to-default (DD) measure correlations, determined from the spreads, to calculate sovereign correlations.

Securities sold with a repurchase agreement are kept in the portfolio in which they were originally recorded. The funds received are recorded, on the settlement date, in a specific liability account, with the respective interest being divided into periods through the effective interest rate method.

For debt financial instruments measured at amortised cost, maximum sale limits have been defined based on the frequency, amount, and proximity to maturity.
During 2021, sales did not exceed the limits defined in the investment policy.

Debt instruments also include securitised loans (e.g., commercial paper) (see Note 2.4 c)).

iv) Equity instruments

GCA considers equity instruments to include all those which, from the point of view of the issuer, are classified as equity, i.e., instruments that do not contain a contractual obligation to pay and which show a residual interest in the net assets of the issuer. Examples of equity instruments include basic ordinary shares.

Subsequently, GCA measures all equity instruments at fair value through profit or loss, except when GCA has decided, upon initial recognition, to place it under the irrevocable designation of an equity investment at fair value through other comprehensive income. It is Caixa's policy to designate equity instruments at fair value through other comprehensive income when they are held for objectives that differ from generating returns via their sale.

When this option is taken, the fair value profits and losses are recognised through other comprehensive income, and are not subsequently reclassified to profit or loss, inclusively upon their disposal. Dividends, when representing return on the equity invested, are recognised through profit or loss at the time when the right to receive them is established.

v) Derivative financial instruments

Items that qualify as derivative financial instruments are financial instruments, or other contracts, that have the following characteristics:

(a) Its value varies as a result of changes in specific variables, such as interest rates, commodity prices, exchange rates, etc. (if a given variable is non-financial, it must not be specific to one of the parties to the contract);

(b) it does not require initial net investment, or the initial net investment is less than would be required for other types of contracts for which similar behaviour would be expected in the face of changes in market factors; and

(c) The instrument/contract will be settled at a future date.

Derivative financial instruments are recorded at fair value on the date of their contracting, being subsequently measured at fair value through profit or loss (profits and losses at fair value for the year being stated in the headings of “Earnings from assets and liabilities stated at fair value through profit or loss”). Furthermore, they are reflected under off-balance sheet headings at their notional value. Fair value is calculated as follows:

- Based on prices in active markets (for example, with respect to futures traded on organised markets).
- Based on models which incorporate valuation techniques accepted in the market, including discounted cash flow and options valuation models.

Trading derivatives with net value receivable (positive fair value) are included under the heading of “Financial assets at fair value through profit or loss”. Trading derivatives with net value payable (negative fair value) are included under the heading of “Financial liabilities at fair value through profit or loss”.

Hedge accounting

For financial instruments to qualify for hedge accounting, the following criteria must be fully met:

- The management must formally designate and document the hedge relationship at the beginning of the hedge. This includes identifying the hedge instrument, the hedged instrument (or transaction), the type of the risk being hedged, and how the institution will assess the effectiveness of the hedge, identification of sources of ineffectiveness, how the hedge ratio will be determined, and the Group's risk management objectives and strategies that justify contracting the hedge.
- There must be an economic relationship between the hedging instrument and the hedged

instrument. With the expectation that the value of the hedging instrument and the value of the hedged instrument will move in opposite directions, as a result of the common underlying assumptions, or the risk being hedged;

- Credit risk does not dominate changes in value. Even if an economic relationship exists, a change in the credit risk of the hedge instrument or the hedged instrument should not be of such magnitude as to dominate the changes in value that result from the economic relationship.
- The designated hedging ratios are consistent with the risk management strategy. The hedge ratio is defined as the ratio between the quantity of the hedge instrument and the quantity of the hedged instrument, in terms of its relative proportions.

Management documents, on the initial date of the hedge relationship, the economic relationship between the hedge instruments and the hedged instruments, including the condition as to whether the hedge instruments will offset changes in the cash flows of the hedged instruments, in accordance with the risk management objectives and strategy defined for contracting hedge transactions.

Fair value hedge:

In a fair value hedge of an asset or liability, the book value of that asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the risk being hedged. Changes in the fair value of hedge derivatives are recognised in the profit or loss, together with changes in the fair value of the hedged asset or liability attributable to the hedged risk. When a hedge instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting or the institution revokes the designation, the derivative financial instrument is transferred to the trading portfolio and the hedged assets and liabilities are no longer adjusted for changes in their fair value. If the hedged asset or liability corresponds to an instrument measured at amortised cost, the revaluation adjustment is amortised to maturity using the effective interest rate method and reflected in the net trading income.

vi) Restrictions of reclassification between financial asset categories, pursuant to IFRS 9

The principle of IFRS 9 is that there are no reclassifications between categories, unless the business model used by management is changed. In this case, the reclassification is carried out prospectively from the date of reclassification and does not result in the restatement of profits and losses previously recognised in the income statement.

In the event that GCA reclassifies financial assets, such reclassification follows the following set of principles:

1. 1. If GCA reclassifies a financial asset, removing it from the category of measurement at amortised cost and placing it in the category of measurement at fair value through profit or

loss, its fair value is measured as at the reclassification date. Any gain or loss derived from a difference between the previous amortised cost of the financial asset and the fair value should be recognised through profit or loss.

2. If GCA reclassifies a financial asset, removing it from the category of measurement at fair value through profit or loss and placing it in the category of measurement at amortised cost, its fair value on the reclassification date will become its new book value.

3. If GCA reclassifies a financial asset, removing it from the category of measurement at amortised cost and placing it in the category of measurement at fair value through other comprehensive income, its fair value is measured as at the reclassification date. Any gain or loss derived from a difference between the previous amortised cost of the financial asset and the fair value should be recognised through other comprehensive income. The effective interest rate and the measurement of expected loan losses are not adjusted as a result of the reclassification.

4. If GCA reclassifies a financial asset, removing it from the category of measurement at fair value through other comprehensive income and placing it in the category of measurement at amortised cost, the financial asset is reclassified at its fair value on the reclassification date. However, any accumulated gain or loss previously recognised in other comprehensive income is removed from the equity and adjusted according to the fair value of the financial asset on the reclassification date. As a result, the financial asset is measured on the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and, consequently, does not consist of a reclassification adjustment. The effective interest rate and the measurement of expected loan losses are not adjusted as a result of the reclassification.

5. If GCA reclassifies a financial asset, removing it from the category of measurement at fair value through profit or loss and placing it in the category of measurement at fair value through other comprehensive income, the financial asset continues to be measured at its fair value.

6. If GCA reclassifies a financial asset, removing it from the category of measurement at fair value through other comprehensive income and placing it in the category of measurement at fair value through profit or loss, the asset continues to be measured at its fair value. However, any accumulated gain or loss previously recognised in other comprehensive income is reclassified from the equity to profit or loss as reclassification adjustment on the reclassification date.

Both the category of measurement at amortised cost and the category of measurement at fair value through other comprehensive income require that the effective interest rate should be determined upon initial recognition. Both measurement categories also imply the impairment requirements should be applied in the same way. Consequently, when an institution reclassifies a financial asset between the category of measurement at amortised cost and the category of measurement at fair value through other comprehensive income:

The recognition of income from interest remains unchanged and, consequently, the institution continues to apply the same effective interest rate;

The measurement of expected loan losses will remain unchanged, as both measurement categories apply to the same approach with respect to impairment. However, if a financial asset is reclassified from the category of measurement at fair value through other comprehensive income to the category of measurement at amortised cost, a provision for losses should be recognised in the form of an adjustment to the gross book value of the financial asset from the reclassification date. If a financial asset is reclassified from the category of measurement at amortised cost to the category of measurement at fair value through other comprehensive income, the provision for losses should be derecognised (thus no longer being recognised as an adjustment to the gross book value), being, instead recognised as an amount due to accumulated impairment (of the same value) in other comprehensive income and disclosed from the reclassification date.

Nonetheless, GCA is not obliged to separately recognise the income from interest or the profits or losses due to impairment of a financial asset measured at fair value through profit or loss. Consequently, when an institution reclassifies a financial asset, removing it from the category of measurement at fair value through profit or loss, the effective interest rate is determined based on the fair value of the asset on the reclassification date.

e) Annulments/Write-offs of principal and interest

Pursuant to IFRS 9, the gross book value of a financial asset is reduced when there are no longer any reasonable expectations of recovery. A credit annulment constitutes a derecognition event. The annulment can involve the financial asset as a whole or merely part of it. Consequently, the gross book value of a financial asset is reduced at the time of annulment. A financial asset should be annulled (written off from the assets), as a whole or partially, in the period when the loan, or fraction of this loan, is considered irrecoverable. In assessing the recoverability of NPL and determining the internal annulment methods, attention should be given to the following particular situations: positions with extended arrears in repayment and positions under insolvency procedures.

Crédito Agrícola Group believes that detailed records should be kept on all processes of annulment of uncollectible loans. Moreover, the databases collating information about processes of annulment of loans considered uncollectible should fulfil requirements of depth, amplitude, reliability, up-to-dateness and traceability. The information collected in the databases should be included in management reports, in order to ensure that the reports and other pertinent documentation (recurring or occasional) for the decision-making process at various managerial levels, including at the level of the board of directors, are based on up-to-date, complete, and coherent information.

Credit operations with the following non-cumulative features are mandatorily eligible for annulment:

- Impairment coverage level above 80% for loans backed by real estate collateral (mortgage);
- Impairment coverage level above 70% for all other loans.

Nevertheless, cases in which the customer shows good compliance in the context of judicial agreements, special revitalisation processes (PER) or insolvency plans that have been homologated and turned into final judgements should be safeguarded, as their annulment is, in these cases, not feasible.

The procedures for annulment of uncollectible loans comply with the following requirements:

i) The loan should be entirely covered by impairments (100% provisioned). In cases where the degree of coverage of the exposure by impairments is less than 100%, the necessary impairments should be constituted up to this threshold.

ii) Once the entirety of the loan has been called in and the main efforts of collection considered adequate have been developed, the expectations of loan recovery are reduced to a time horizon in which they can be reasonably estimated, thus leading to a high rate of coverage by impairment and/or the existence of default for an extended period of time.

In accounting terms, the annulment of loans considered uncollectible gives rise to the corresponding recognition in off-balance sheet accounts (see Circular Letter CC/2017/00000020), which should remain there until the effective limitation period of the debt has ended (ordinary period of 20 years, pursuant to article 309 of the Civil Code) or, for any reason, the right to receive these loans extinguishes (e.g., debt recovery, debt remission, among others).

With the adoption of Bank of Portugal Instruction 29/2018, the process of interest write-off occurred, with only overdue interest on loans written off from assets being recognised off balance sheet.

f) Other financial assets and liabilities (IAS 39)

GCA decided to consolidate the information relative to insurance activity in accordance with IAS 39; therefore, this item is only applicable to this activity.

Financial assets and liabilities are recorded in conformity with the provisions of IAS 39, with their classification on the date of their initial recognition depending on their features and the intention of their acquisition/holding.

Financial assets and liabilities are recognised on the transaction date, i.e., on the date when the purchase or sale commitment is undertaken. The classification of the financial instruments on the initial date of recognition depends on their characteristics and the intention of acquisition.

Financial assets are initially recognised at fair value plus their transaction costs, except for financial assets held for trading, which are recognised immediately through profit or loss.

These categories of assets are derecognised when (i) GCA's contractual rights to receive their cash flow expire; (ii) GCA has substantially transferred all the risks and benefits associated to their ownership; or (iii) even if GCA retains part, but not substantially all, of the risks and benefits associated to their ownership, GCA has transferred control over the assets.

i) Financial assets held for trading at fair value through profit or loss

Financial assets held for trading include income earning securities traded on active markets, acquired for the purpose of sale, or repurchase in the short term, as well as derivatives. Trading derivatives with net value receivable (positive fair value) are included under the heading of “Financial assets held for trading”. Trading derivatives with net value payable (negative fair value) are included under the heading of financial liabilities held for trading.

Financial assets and liabilities held for trading and financial assets at fair value through profit or loss are initially recognised at fair value. Profits and losses arising from subsequent measurement at fair value are recognised through profit or loss.

The interest inherent to financial assets is calculated in accordance with the effective interest rate method and recognised in the income statement under the heading “Interest income”.

Dividends are recorded under the respective profit or loss accounts when the entitlement to their payment is established.

The fair value of financial assets traded in active markets is their bid-price or closing market price on the reporting date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, which include price assessment models or discounted cash flow techniques.

When discounted cash flow techniques are used, the future financial flows are estimated in accordance with the management's expectations and the discount rate used corresponds to the market rate for financial instruments with similar features. In the price assessment models, the data used correspond to information about market prices.

Financial assets at fair value through profit or loss include fixed yield securities trade in active markets that the Group has decided to record and measure at fair value through profit or loss.

Financial assets held for trading and other financial assets at fair value through profit or loss are derecognised upon their sale.

ii) Financial assets available for sale

With the publication of Bank of Portugal Notice 1/2019 of 22 January 2019, the Bank defined that the model financial statements and respective applicable items would be carried out according to the FINREP mapping. Therefore, for disclosure purposes the financial assets available for sale are disclosed in the note "Financial assets at fair value through other comprehensive income".

Financial assets available for sale include equity and debt instruments that are not classified as financial assets held for trading, at fair value through profit or loss, investments held to maturity, credit or loans and accounts receivable.

Financial assets available for sale are measured at fair value, except for equity instruments not listed on an active market and whose fair value cannot be measured reliably, which remain recorded at cost. Profits and losses relative to subsequent variation of fair value are reflected under a specific equity heading, "Fair value reserve", until their sale (or up to the recognition of impairment losses), at which time they are transferred to profit or loss. Currency conversion profits or losses of debt instruments are recognised directly through profit or loss for the period, while currency conversion profits or losses of equity instruments are recognised directly in reserves.

The interest inherent to financial assets is calculated in accordance with the effective interest rate method and recorded in the income statement under the heading "Interest and similar income".

Dividends are recorded under the respective profit or loss accounts when the entitlement to their payment is established.

GCA conducts periodic impairment tests on its financial assets. When there is objective evidence of impairment in a financial asset or group of financial assets, the impairment losses are recorded against profit or loss.

For listed securities and investment funds, it is considered that there is objective evidence of impairment in a situation of continued devaluation or significant loss of value in the market price of the securities. This is defined as a depreciation of value for a period of time above 12 months or of a value above 30%, respectively.

For unlisted securities, objective evidence of impairment is considered the existence of an events with impact on the estimated value of the future cash flow of the financial asset, provided that it can be reasonably estimated.

In the event of objective evidence of impairment, arising from a significant or prolonged reduction of the fair value of security or from financial difficulties of the issuer, the accumulated loss in the fair value revaluation reserve is removed from the equity and recognised through profit or loss. Impairment losses recorded for fixed income securities may be reversed through profit or loss, if there is a positive change in the fair value of the security arising from an event which has occurred after the determination of the impairment. Impairment losses relative to variable income securities cannot be reversed, hence any potential capital profits arising after the recognition of impairment losses are reflected in the fair value reserve. Regarding variable income securities for which impairment has been recorded, subsequent negative variations in fair value are always recognised through profit or loss.

iii) Financial assets at amortised cost

With the publication of Bank of Portugal Notice 1/2019 of 22 January 2019, the Bank defined that the model financial statements and respective applicable items would be carried out according to the FINREP mapping. Therefore, for disclosure purposes the financial investments to be held to maturity are disclosed in the note “Financial assets at amortised cost”.

Financial investments assets held to maturity are investments with a fixed yield, an interest rate that is known at the time of the issue and a determined redemption date, where it is in the Group's interest to keep them until their repayment.

Financial investments held to maturity are recorded at acquisition cost. The interest inherent to financial assets and the recognition of the differences between the acquisition cost and the nominal value (premium or discount) are calculated in accordance with the effective interest rate method and recorded in the income statement under the heading of “Interest income”.

iv) Investments in credit institutions

Only the amounts receivable from other credit institutions are recorded in this heading.

These are financial assets with fixed or determinable payments, not listed on an active market and not included in any other category of financial asset.

These assets are initially recognised at their fair value, minus any commissions included in the effective rate and plus all incremental costs directly attributable to the transaction. Subsequently, these assets are recognised in the balance sheet at amortised cost, minus impairment losses.

The interest is recognised based on the effective rate method, which enables calculating the amortised cost and distributing the interest over the period of the operations. The effective rate is the rate which is used to discount the estimated future cash flow associated to the financial instrument on the date of its initial recognition. The effective interest rate calculated for a financial asset of this type is not altered in subsequent reporting periods.

v) Financial liabilities

An instrument is classified as a financial instrument when there is a contractual obligation of its settlement being made against the submission of money or another financial asset, independently of its legal form.

Financial liabilities are classified as measured at amortised cost, except for derivatives, financial liabilities held for trading (for example, short positions) which are classified at fair value through profit or loss upon initial recognition. Profits and losses arising from subsequent measurement at fair value are recognised through profit or loss.

The classification of financial liabilities pursuant to IFRS 9 does not differ from the accounting policies established in IAS 39.

Derecognition of financial liabilities pursuant to IAS 39 and recording of modification impacts:

GCA derecognises a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinct, i.e., when the specific obligation in the contract is fulfilled, cancelled, or expires.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is recorded as the extinction of the original financial liability and recognition of a new financial liability. Likewise, a substantial modification in the terms of an existing financial liability or part of it (whether or not attributable to the debtor's financial difficulty) is recorded as the extinction of the original financial liability and recognition of a new financial liability.

1. The difference between the book value of a financial liability (or part of a financial liability) extinguished or transferred to another party, and the retribution paid, including any non-monetary assets transferred or liabilities assumed, is recognised through profit or loss.

2. If GCA repurchases a part of a financial liability, it shall allocate the previous book value of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts at the repurchase date. The difference between a) the book value imputed to the derecognised part, and b) the retribution paid, including any non-monetary assets transferred or liabilities undertaken, for the derecognised part is recognised through profit or loss.

g) Financial liabilities (IFRS 9)

An instrument is classified as a financial instrument when there is a contractual obligation of its settlement being made against the submission of money or another financial asset, independently of its legal form.

Financial liabilities are classified as measured at amortised cost, except for derivatives, financial liabilities held for trading (for example, short positions) which are classified at fair value through profit or loss upon initial recognition. Profits and losses arising from subsequent measurement at fair value are recognised through profit or loss.

The classification of financial liabilities pursuant to IFRS 9 does not differ from the accounting policies established in IAS 39.

Financial liabilities are measured at amortised cost, and are essentially funds of credit institutions, customer deposits, debt issued, and financial assets acquired with a resale agreement. These liabilities are initially valued at fair value, which corresponds to the consideration received net of transaction costs and are subsequently valued at amortised cost.

Financial assets acquired with a resale agreement at a fixed price, or at a price equal to the purchase price plus the interest inherent to the period of the operation, are not recognised on the balance sheet, with the acquisition cost being recorded as loans to other credit institutions. The difference between the purchase value and the resale value is treated as interest and is deferred over the life of the agreement, through the effective interest rate method.

As established in Decree-Law 182/87, of 21 April, the Crédito Agrícola Mútuo Guarantee Fund was created, whose operation was regulated by Decree-Law 345/98, of 9 November. The latter sought to reconvert the Crédito Agrícola Mútuo Guarantee Fund, so as to direct its objectives towards (i) guaranteeing the reimbursement of deposits constituted at Caixa Central and in its Associated Caixas; and (ii) promoting and carrying out actions aimed at assuring the solvency and liquidity of these institutions, with a view to defending the Integrated System of Crédito Agrícola Mútuo.

On 1 January 2020, by virtue of the entry into force of Decree-Law 106/2019 of 12 August, the deposit guarantee arm of FGCAM was transferred to the Deposit Guarantee Fund (FGD). However, the assistance component remained in FGCAM, which was transformed into a private law association called Crédito Agrícola Mútuo Assistance Fund to which the autonomous assets resulting from the transformation were allocated.

<u>Derecognition of financial liabilities</u>

An institution should remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinct, i.e., when the specific obligation in the contract is fulfilled, cancelled, or expires.

h) Tangible assets

The tangible asset items used by GCA for the development of its activity are measured at acquisition cost (including directly attributable costs) minus accumulated depreciation, and impairment losses.

The acquisition cost includes the purchase/production price of the asset, the expenses directly attributable to its acquisition and costs incurred to prepare the asset to place it in condition for use. The financial costs incurred in relation to loans obtained for construction of tangible assets may also eventually be recognised as part of the cost of constructing the asset.

The depreciation of the tangible asset is recorded on a systematic basis over the estimated period of useful life of the asset, based on the following useful life periods:

Tangible assets	Service lifetime (years)
Properties for own use	50
Expenses in rented buildings	10
Information technology and office equipment	4 a 10
Furniture and interior facilities	6 a 10
Vehicles	4

The useful lives of tangible assets are reviewed in each financial reporting period so that the depreciation carried out is in accordance with the consumption patterns of the assets. Land is not depreciated. Alterations to useful lives are treated as an alteration of accounting estimate and are applied prospectively under the terms of IAS 8.

Expenditure related to investment in works which cannot be recovered, carried out in buildings that are not owned by GCA are amortised over a period compatible with their expected utilisation or the rental agreement, whichever is lowest.

Whenever there are indications of loss of value in tangible assets, impairment tests are performed to estimate the recoverable amount of the asset, and when required, to record an impairment loss. The recoverable amount is determined as the highest between the fair value less costs to sell and the value in use of the asset, with the latter calculated based on the present value of estimated future cash flows, arising from the continued use and disposal of the asset at the end of its defined useful life.

Profits or losses in the disposal of assets are determined by the difference between the realisation value and the book value of the asset, being recognised in the income statement.

i) Intangible assets

GCA records under this heading the expenses during the development phase of projects relative to information systems that are already installed or under implementation, as well as the cost of acquired software, in both cases when the impact is expected to be reflected beyond the year when the costs are incurred.

Intangible assets are recorded at acquisition cost, minus accumulated depreciation and impairment losses.

Internally generated assets, namely expenses related to internal development, are recorded as costs when incurred, whenever it is not possible to distinguish between the research phase and the development phase, or when it is not possible to reliably determine the costs incurred at each phase or the probability of economic benefits flowing to GCA.

Depreciation is recorded as costs for the year on a systematic basis over the useful life of the assets, which corresponds to a period of 3 to 6 years.

j) Non-current assets held for sale

GCA records under "Non-current assets held for sale and disposal groups classified as held for sale" the real estate, equipment and other assets received as a result of credit recoveries (e.g., in lieu of payment, judicial auction sale, other). These assets are recorded at the lowest between the value agreed in the contract, which usually corresponds to the value of the existing debt which is thus extinguished, and the asset's valuation on the date of the operation. Real estate properties are recorded in this heading from the time of the signing of the deed for transfer in lieu of repayment, auction sale or other.

Real estate properties can also be stated as "Non-current assets held for sale and disposal groups classified as held for sale" previously stated in tangible assets, if the expected realisation of the asset is through sale and if the criteria of IFRS 5 are met.

For these assets, there is the expectation of sale within the period of 12 months when actively on sale and the price is regularly analysed and if necessary adjusted.

As an exception to the above-mentioned framework, the real estate that have encumbrances that prevent their sale are accounted for in "Other Assets" and not as "Non-current assets held for sale and disposal groups classified as held for sale", in accordance with paragraph 7 of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations":

"For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable."

GCA does not recognise potential capital gains for these assets.

k) Investment properties

GCA records under "Investment properties" the real estate properties held by GCA that are not used in the activity and identified as being income earning, i.e., where the objective is to obtain income. Real estate properties are measured at fair value.

The income received from investment properties of Crédito Agrícola Group are recorded in the income statement under the heading "Other operating revenue".

The incomes and expenses from the disposal of these assets are recorded in the income statement under the heading "Gains or losses on derecognition of non financial assets". Changes in fair value are recorded under "Other operating income" or "Other operating expenses" depending on their nature.

l) Provisions

This liability heading includes the provisions constituted to meet risks associated to lawsuits based on the assessment of probability of condemnation done by the lawyers that follow the lawsuits and other specific risks arising from the activity of Crédito Agrícola Group.

The provisions recorded by GCA are based on the assumptions of IAS 37 - "Provisions, contingent liabilities, and contingent assets", corresponding to present liabilities or obligations with high probability of future occurrence or liability whose settlement is expected to give rise to an expenditure of funds. Their high degree of certainty necessarily implies the recording of provisions, so they cannot merely be disclosed as a "contingent liability".

The effect of the financial discount due to the updating of the provisions is considered.
Contracts that require their issuer to make payments to compensate the holder for losses incurred because of a breach of the contractual terms of debt instruments, including the payment of principal and/or interest, are considered financial guarantees.

Financial guarantees issued are initially recognised at fair value. Subsequently, these guarantees are measured at the higher of (i) the fair value initially recognised and (ii) the amount of any obligation arising under the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with financial guarantees issued is recognised through profit or loss.

Financial guarantees issued by the Group normally have a defined maturity and a periodic fee charged in advance, which varies according to the counterparty risk, amount and period of the contract. On that basis, the fair value of the collateral at the date of its initial recognition is approximately equivalent to the amount of the initial commission received considering that the agreed terms are market terms. Thus, the amount recognised on the contract date equals the amount of the initial commission received, which is recognised through profit or loss during the period to which it relates. Subsequent commissions are recognised in profit or loss in the period to which they relate.

m) Deposits

After initial recognition, the customers deposits and credit institutions are valued at amortised cost, based on the effective interest rate method.

n) Other subordinated liabilities

Subordinated loans are recorded under the heading "Other financial liabilities". Subordinate loans are stated at their amortised cost.

o) Employee benefits

GCA has signed the Collective Labour Agreement (ACT) for Crédito Agrícola (called the Collective Labour Agreement of the Institutions of Crédito Agrícola Mútuo), therefore its employees and their families are entitled to pensions due to retirement, disability, and survival. However, since the employees are enrolled in Social Security, ACT Signatory Institutions' liabilities related to employee pensions consist of the payment of supplementary pensions in accordance with the levels established in the ACT.

The defined benefit pension plan thus provides for the possibility of paying pensions set by the ACT in force, in the event of early retirement, old-age retirement, disability retirement and survivors' benefits, in addition to those granted by Social Security schemes.
The employees' post-employment benefits also include medical care (SAMS), whose liabilities are calculated based on the same assumptions as the liabilities related to supplementary pensions. In accordance with clause 116 of the said ACT, the sum corresponding to 6.5% of the total retirement and survivor's pensions, provided for in the ACT, regardless of the pensions received from social security schemes, constitutes compulsory contributions by the Crédito Agrícola institutions to the SAMS.

In December 2018, the incorporation contract of the Pension Fund was amended to include the coverage of liabilities related to pre-retirement, relative to agreements that are concluded from 1 January 2019.

The managing institution of the GCA Pension Fund is Crédito Agrícola Vida - Companhia de Seguros, S.A.

An actuarial evaluation is carried out annually with a reference date of 31 December for the calculation of liabilities to be financed by the respective shares of the pension fund of Caixa Central, Associated Caixas and other Crédito Agrícola Institutions associated with the Pension

Fund.

Pursuant to the Statutes of GCA institutions, the members of their governing bodies are not covered by the benefits described above.

The ACT pension calculations are based on the following lengths of time of service:

- For future seniority bonuses and automatic promotions, the length of service time was considered for purposes of level and seniority.

- For the calculations in Annex V, the starting point was the recruitment date recognised for the pension fund.

The present value of past service liabilities, as well as the corresponding current service costs, were calculated using the "Projected Unit Credit" method.

Only those legally married are accepted for survivor pensions. For surviving men, the age is taken as three years younger than the pensioner, and for women as three years older. The calculation of this benefit is based on the remuneration level of the participant, in line with Annex VI of the collective agreement (ACT).

Bank of Portugal Notice 4/2005 determines that it is compulsory for pension funds to assure the full financing of pension liabilities under current payment and a minimum level of 95% of liabilities related to past service of current personnel.

Due to the application of IAS 19 Reviewed (starting in 2013), the remeasurement (actuarial profits and losses; return on plan assets, excluding amounts included in net interest on liabilities (assets) net of defined benefits; and any change in the effect of the maximum limit on assets, excluding amounts included in net interest on liabilities (assets) net of defined benefits) resulting from (i) differences between the actuarial and financial assumptions used and the amounts actually recorded and (ii) changes in actuarial assumptions, are recognised in their entirety as comprehensive income in the respective year in which they occur, being recorded under revaluation reserves.

The amounts recorded in the year in profit or loss refer to:

- Cost of the service: The cost of the service includes the cost of current services, cost of past services and profits or losses upon settlement.

- Net interest: Net interest is determined by multiplying the discount rate by the net liability (asset) of defined benefits (both determined at the beginning of the annual reporting period, considering any variation of the net liability (asset) of defined benefits during the period as a consequence of the payment of contributions and benefits);

The re-measurements recorded in "Other comprehensive income" include all the changes derived from the re-measurement of liabilities due to past and present services of the plan.

Defined contribution plan

Pursuant to number 1 of clause 50 of the Collective Labour Agreement between the insurers and the Trade Union of Insurance Workers (STAS) and other (hereinafter also referred to as collective labour agreement or ACT), to which CA Vida and CA Seguros adhered, published in Labour and Employment Bulletin (BTE) number 4 of 29 January 2016, "all active workers in full exercise of their duties, with an employment contract for an indefinite period, shall benefit from an individual retirement plan, and in the case of retirement due to old age or disability granted by Social Security, which shall integrate and replace any other retirement pension attribution systems established in previous collective labour regulation instruments applicable to the company".

The pension plan is funded through collective adherence to the open pension fund "CA Reforma Garantida".

In view of the provisions in Annex V of the aforesaid collective labour agreement, in 2018, the Company made contributions to the Individual Retirement Pension Plan (PIR) of the value corresponding to the rate of 3.25% applied to the annual wage of the worker.

The first annual contribution of the employer to the Individual Retirement Pension Plan shall occur, for workers in full exercise of their duties, in the year following that in which they complete 2 years of effective employment at the Company.

If the employment contract is subject to a fixed term, the first annual contribution of the employer shall take place in the calendar year subsequent to that of the conversion of the fixed term contract into an indefinite employment contract and after completion of period of grace of 2 years stipulated above.

The individual retirement pension plan foresees the guarantee of the capital invested, with the management institution being responsible for such. This is a defined contribution plan, with the post-employment benefits received by the employees being determined by the contributions paid by the Company, together with the return on the investments derived from these same contributions. Consequently, the actuarial and investment risks shall fall on the employees, notwithstanding the guaranteed capital invested, referred to above.

As the obligation of the Company is determined by the amounts to be contributed, the respective accounting shall consist of recognising an annual expense, as these contributions are made.

p) Seniority bonuses

Under the terms of the collective agreement (ACT), Crédito Agrícola Group accepted the commitment to attribute a seniority bonus to active employees upon completing 15, 25 and 30 years of good and effective service of the value of 1, 2 and 3 months of their effective monthly retribution (in the year of attribution), respectively.

Crédito Agrícola Group determines the present value of benefits related to seniority bonus through actuarial calculations using "the Projected Unit Credit" method. The actuarial assumptions (financial and demographic) are based on expected wage growth and mortality tables used to calculate pension liabilities. The discount rate is determined based on market rates of bonds of companies with high rating and similar maturity period to that of the settlement of the liabilities.

The impact of the estimated actuarial deviations in each year is recorded through profit or loss for the year.

q) Fee and commission income

The Fee and commission income received from a particular activity is recognised through profit or loss when the activity has been completed.

As the services are provided, Fee and commission income is recognised through profit or loss in the year to which it refers.
Fee and commission income that is an integral part of the effective interest rate of a financial instrument is recognised through profit or loss by the effective interest rate method.

The recognition of commissions associated with financial instruments will depend on the objective underlying their charging.

Distinction between:

- Commissions that are part of the effective interest rate of the financial instrument ("Effective interest rate method").

- Commissions that are received in accordance with the provision of the service ("Method of linear recognition over the period of the operation").

- Commissions charged at the time of execution of a significant act ("Recognition at the time").

Commissions associated with credit contracts paid at the initial time of the loan are deferred and recorded under the heading of "Revenue with deferred income", being subsequently recorded under income for the year throughout the useful life of the loan contracts and in accordance with the financial plan of the loans.

Commissions relative to operations of loans and other financial instruments, namely commissions charged or paid at the very beginning of the operations, are recognised throughout the period of the operations by the effective interest rate method under "commissions received" or "commissions paid".

Commissions for services rendered are normally recognised as income throughout the period that the service is rendered or once only if they correspond to compensation for the execution of single acts.

r) Income tax

The institutions belonging to Integrated System of Crédito Agrícola Mútuo are taxed individually, being subject to the tax system established in the Corporate Income Tax Code (IRC Code). There is also a group of institutions within GCA that are taxed under the Special Tax System for Groups of Companies (RETGS) foreseen in the IRC Code.

Total income tax recorded through profit or loss incorporates current and deferred taxes.

Current tax is calculated based on the taxable profit for the year, which is different from the book value profit due to adjustments to taxable profit foreseen in the Corporate Income Tax Code, arising from costs or income not relevant for tax purposes, or which will only be considered in other periods.

Deferred tax assets and liabilities correspond to the value of the tax recoverable and payable in future periods arising from temporary differences between the book value of an asset or liability and its tax base. Tax credits are also recorded as deferred tax assets.

Deferred tax liabilities are usually recorded for all temporary taxable differences, while deferred tax assets are only recorded up to the amount for which future taxable profits are likely so as to enable the use of the corresponding deductible taxable differences or tax losses. However, deferred taxes are not recorded in the following situations:

- Deferred tax assets or liabilities arising on initial recognition of assets and liabilities in transactions that do not affect the accounting profit or loss or taxable profit.
- Deductible temporary differences arising from profit not distributed to affiliates and related companies, to the extent that parent company is able to control their reversal and when it is probable that this will not occur in the predictable future.

Deferred taxes are calculated using tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved, or largely approved, on the reporting date.

Income taxes (current or deferred) are reflected in the profit or loss for the year, except in cases when their underlying transactions have been reflected in other equity headings (for example, in the case of the revaluation of financial assets stated through other comprehensive income). In these cases, the corresponding tax is also recognised against equity, and does not affect the profit for the year.

s) IFRS 16 - Leases

Lease agreements - identification of assets

At the start of the contract, the Group evaluates whether a contract is or contains a lease. For a contract to be considered as a lease, the following three cumulative conditions must be met:
- the contract identifies one or more leased assets;
- the institution derives most of the economic benefits from using the leased asset; and
- the institution has the right to control the underlying asset, for the duration of the contract, in return for payment.

As the Lessee

IFRS 16 sets out a number of new requirements for the application of this standard, in particular regarding the classification and measurement of lease transactions from a lessee's perspective. As a lessee, GCA records an asset under right-of-use and a lease liability at the date on which control over the use of the leased asset is transferred to the Group.

The lease liability is measured at the present value of future rents to be incurred under the contract, discounting payments at the discount rate implicit in the contract, if this is determinable. When the implicit rate is not available or cannot be measured, an incremental Group borrowing rate should be used, corresponding to the rate that the lessee would use to pay the funds necessary to obtain an asset of similar value in an economic environment with comparable terms and conditions.

The payments taken into account in the calculation of the lease liability are: (i) fixed payments (including payments that are in substance fixed), less any amounts receivable for lease incentives, (ii) index or rate-dependent variable payments (if the payments considered variable are not dependent on an index or rate, they shall be recognised in the income statement at the time they are incurred), (iii) the amount relating to the exercise of the call option, if it is reasonably certain that the institution will exercise it and (iv) payments for non-lease components.

Lease liabilities are subsequently adjusted upwards to reflect the interest on the lease liability (using the effective interest rate method) and reduced to reflect the payments made.

The liability is remeasured whenever there is a change in one of the following variables: (i) change in the value of index or rate-dependent variable payments (for the period in question only), (ii) change in assessment as to whether or not to exercise the call option on the underlying asset, (iii) change in the residual value of the asset, or (iv) change in the term of the contract. If there is a change in the term of the contract or a change in the assessment of the exercise of the call option (points (ii) and (iv)), a new discount rate shall be calculated for the remeasurement of the liability. If the modification qualifies as a separate lease, this shall give rise to the quantification and recognition of a new right-of-use asset together with the related lease liability.

When the lease liability is revalued, the difference arising from the revaluation is offset against the right-of-use asset or is recorded through profit or loss if the book value of the right-of-use asset has been reduced to zero.

Right-of-use asset - The asset under the right-of-use is initially measured at cost, corresponding to the initial value of the lease liability, adjusted for any payments incurred up to the inception date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset or restoring the underlying asset or the location in which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method, from the start date to the end of the useful life of the right-of-use asset or the end of the lease term. Additionally, the right-of-use asset is periodically adjusted if re-measures are made to the lease liability.

When there are indicators of loss in value, impairment tests are carried out on right-of-use assets, reducing their value in situations of impairment losses.

Where GCA incurs an obligation to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised in accordance with IAS 37. The expenses are included in the right-of-use asset.

Lease incentives (e.g., non-rental lease periods) are recognised as items of measuring right-of-use assets and lease liabilities, as received or receivable, respectively.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liabilities or right-of-use assets. Such payments are recognised as expenses in the period in which the event or condition giving rise to the payments occurs.

Practical expedients - Short-term leases, low value leases and separation of components

As provided for in the standard, the Group has adopted the following practical expedients, in particular:

- Non-recognition of lease liabilities and respective right-of-use for lease contracts (i) with a duration not exceeding 12 months (short term) or (ii) where the underlying asset has a value, in its new state, of less than 5,000 euros (low value).
- Non-segregation of the non-leasing component in the estimate of the lease liability and corresponding right of use, therefore measuring the financial liability and the respective right of use considering the total amount to be incurred with the operation.
- These contracts are accounted for under 'Other administrative expenses'.

As the Lessor

When GCA is a sublessor, the accounting for the main lease and the sublease is done as 2 separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset of the main lease.

When a given contract includes payments of lease components and other components, Crédito Agrícola Group applies IFRS 15 - Revenue from contracts with customers, to allocate the consideration of the contract to each component, and only the lease components are considered for registration under IFRS 16.

t) Insurance

Insurance Contracts:

Insurance contracts are taken out where the Insurer assumes a significant risk of the insured person, accepting to compensate this person in the case of an uncertain future event which affects this person in an adverse manner. This type of contract is established under IFRS 4 (Pure Life Insurance).

Investment contracts are contracts which exclusively involve financial risk, not having any significant insurance risk. These contracts may also be differentiated between purely financial contracts and those with a discretionary participation feature (profit-sharing). If the investment contracts are purely financial, they fall under IAS 39, however, if they attribute a discretionary participation, they come under the terms of IFRS 4 (Capitalisation products with guaranteed rates and profit-sharing), continuing to recognise the premiums received as income and the corresponding increase in liabilities as cost.

Potential capital gains, net of capital losses, derived from the revaluation of assets allocated to insurance with profit-sharing, are distributed between a liability component and an equity component, based on the conditions of the products and the historical record of attributed profit-sharing.

Reinsurance and co-insurance operations are recognised in accordance with the accrual principle, so when the revenue occurs at a different time from the period to which it refers, the operations are recorded as values receivable under an asset heading.

Recognition of income and costs

Premiums of non-life insurance contracts, life insurance contracts and investment contracts with discretionary participating features in profit or loss, are recorded when issued, under the income statement heading “Premiums, net of resinsurance”.

Issued premiums relative to non-life insurance and the associated acquisition costs are recognised as income and cost, respectively, throughout the corresponding risk periods, through movement of the provision for unearned premiums.

Liabilities related to insurance associated to life insurance contracts and investment contracts with discretionary participating features in profit or loss are recognised through the life insurance mathematical provision, with the cost being reflected at the same time as when the income associated to the issued premiums are recorded.

The main accounting policies and basis of measurement of the technical provisions are as follows:

i) Provision for unearned premiums

This provision reflects the portion of the issued premiums stated for the year, relative to risks that have not yet expired as at the reporting date and are imputable to one or various following years, aimed at guaranteeing the coverage of the risks undertaken and costs derived thereof during the period between the end of the year and the maturity date of each insurance contract. This is determined, for each contract in force, by application of the pro-rata temporis method to the gross premiums issued.

The calculated amount of the provision for unearned premiums is deducted by the portion of the deferred cost of the remunerations by the insurance intermediaries and other acquisition costs.

ii) *Provision for risks in progress*

The provision for risks in progress corresponds to the amount needed to provide against probable compensation payments and other charges payable after the end of the financial year and which exceed the value of the unearned premiums and the premiums payable for contracts in force. This provision is calculated for direct insurance on the basis of ratios for claims, assignment, expenses, and income, as defined by the Portuguese Supervision Authority for Insurance and Pension Funds (ASF).

iii) *Provision for claims*

The provision for claims corresponds to the cost of claims that have occurred and have not yet been paid, the estimated liabilities for claims due to events which have occurred but have not yet been reported (IBNR - incurred but not yet reported) and the direct and indirect costs associated to their settlement. The provision for reported and unreported claims is estimated by GCA based on past experience, available information and by application of statistical methods.

In order to calculate the provision for IBNR in sectors related to vehicles, accidents at work, housing, trade and services, and civil liability (operations and in general), actuarial estimates were made based on triangulation of amounts paid, considering the specific features of each sector. For all other sectors, a general rate of 4% was applied to the value of costs related to claims for the year of declared claims, to provision the liability related to claims declared after the closing of the year. The provision for claim management costs is calculated using the average cost method.

A mathematical provision was also considered for the sector of accidents at work for the following liabilities related to claims occurred up to 31 December: (i) pensions payable already confirmed by the Labour Court; (ii) pensions payable with a conciliation agreement already made; (iii) pensions of claims that have already occurred but are awaiting a final agreement or decision. The mathematical provisions relative to claims that have occurred, involving payment of life-long annuities concerning the sector of accidents at work, are calculated using actuarial assumptions based on actuarial methods recognised in the existing labour legislation.

Additionally, a mathematical provision has been constituted to meet: (i) liabilities related to pension claims that have already occurred due to potential permanent disability of claimants under treatment; and (ii) claims due to events that have already occurred but have not yet been reported.

Provisions for claims are not recorded at their present value, except for the mathematical provision for work-related accidents, which is calculated based on estimated future cash flows, updated at a discount rate of 3.25%.

Any shortfall or surplus of the provision for claims, if existing, is recorded through current profit or loss, when determined.

iv) Provision for claim rate deviations

The provision for claim rate deviation is intended to meet exceptionally high claims ratios in insurance sectors which, by their type, is expected to have greater fluctuations. Under the risks assumed by GCA, this provision is only constituted for the risk of seismic phenomena, being calculated by application of a risk factor, defined by the ASF for each seismic zone and applied to the insured capital retained by GCA.

v) Assigned reinsurance technical provisions

The assigned reinsurance technical provisions recorded under assets, are determined by applying the criteria described above for direct insurance, considering the percentage assignment to reinsurance as well as other clauses in the reinsurance treaties in force.

vi) Mathematical provision for the life business

The mathematical provision for the life usiness corresponds to the difference between the present values of the Company's liabilities and the actuarial values of the liabilities of the policyholders, relative to the policies issued. The calculations are based on recognised actuarial methods in conformity with the technical notes approved by the Supervision Authority for Insurance and Pension Funds (ASF) for each modality.

Pursuant to these technical notes, the provision is calculated based on the GKM80 mortality table and the technical interest rates defined for each modality.

vii) Provision for stabilisation of the life branch portfolio

This provision for portfolio stabilisation is constituted for annual renewable group insurance contracts, whose main coverage guarantees the risk of death, with a view to coping with the increased risk inherent to the progressively higher average age of the insured group, whenever the pricing for this group has been based on a single rate which must be kept for a certain period due to contractual commitment.

viii) Provision for rate commitment in the life business

On each reporting date, the Company evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. This assessment is based on future cash flow projections associated to each Contract, discounted considering the time structure of interest rates provided by the European Insurance and Occupational Pensions Authority (EIOPA), for calculation of Technical Provisions under the Solvency II regime. This is carried out product by product or aggregated when the risks of the products are similar or managed together. In the event of any discrepancy between the values of the liabilities and the discounted future *cash flow* projection, this is recorded on the income statement against the heading of provision for rate commitment.

ix) Provision for profit-sharing

Provision for profit-sharing to be attributed (shadow accounting)

Pursuant to IFRS 4, unrealised profits and losses of financial assets allocated to liabilities arising from insurance and investment contracts with discretionary profit-sharing are attributed to policyholders, in proportion to their estimated share, through recognition of a liability, based on the expectation that they will receive these unrealised profits and losses when they are realised.

This provision corresponds to the net value of the fair value adjustments of the investments allocated to Life Insurance with profit -sharing, in the estimated proportion of the policyholder or beneficiary of the contract. The estimated amounts to be attributed to the insured persons in the form of profit-sharing, for each modality or group of modalities, should be calculated based on a suitable plan applied consistently, considering the profit-sharing plan, the maturity of the commitments, the allocated assets as well as other specific variables of the modality or modalities in question.

Throughout the duration period of the contracts of each modality or group of modalities, the corresponding balance of the provision for profit-sharing to be attributed should be fully used by offsetting the negative fair value adjustments of the investments and their transfer to the provision for attributed profit-sharing.

x) Provision for attributed profit-sharing

This provision includes the amounts intended for the insurance policyholders or beneficiaries of contracts in the form of profit-sharing which has not yet been distributed, namely through inclusion in the mathematical provision of the contracts.

xi) Insurance and investment contracts with discretionary participation in profit

As mentioned above, GCA maintained most of its accounting policies applicable to insurance contracts and investment contracts with participation in profit, for cases where the profit-sharing includes a discretionary component on the company side, continuing to recognise premiums received as income and the corresponding increase in liabilities as cost.

It is considered that an insurance or investment contract contains profit-sharing with a discretionary component when the contractual conditions stipulate the attribution to the insured person, supplementary to the guaranteed component of the contract, additional benefits characterised by:

- Being probable that they constitute a significant portion of the total benefits to be attributed under the contract; and
- Whose amount or timing of distribution is contractually at the discretion of the issuer; and
- Are dependent on the performance of a particular group of contracts, realised or unrealised income in certain assets held by the issuer of the contract, or the result of the institution responsible for the issue of the contract.

The liabilities derived from insurance contracts and investment contracts with discretionary participation in profit are included in the liability adequacy tests conducted by GCA.

xi) Embedded derivatives in insurance contracts

Pursuant to that permitted by IFRS 4, the options held by insurance policyholders for early redemption of contracts in force for a fixed amount, or for a fixed amount plus interest, are not separable from the host contract.

xii) Adequacy tests for liabilities

Pursuant to the requirements of IFRS 4, GCA carries out adequacy tests on liabilities related to current insurance contracts with reference to the reporting date of the financial statements, considering estimates of the present value of the future cash flow associated to the contracts, including expenses to be incurred with the settlement of claims and the cash flow associated to options and guarantees implicit in the insurance contracts.

If the present value of the liabilities estimated by these tests is higher than the value of the liabilities recognised in the financial statements, net of the book value of the deferred acquisition costs and the intangible assets related to the contract in question, additional provisions are recorded against profit or loss for the year.

The methodology and main assumptions used for in the adequacy tests on liabilities were the following:

Life insurance business

Adequacy tests on liabilities are performed by updating, at the risk-free market interest rate, the future cash flow of claims, redemptions, maturities, commissions, and management expenses deducted from the future cash flow of premiums.

This future cash flow is projected for each policy, taking account the prudent technical bases in use, which are calculated based on the historical analysis of their data as follows:

Mortality:

Based on files taken from the information technology systems, the number of insured persons is obtained, by age group at the beginning and end of the year, and the claims in the year. This data is used to calculate the number of people exposed to risk at each age, which is multiplied by the probability of death from a specific mortality table so as to determine the expected number of claims in accordance with this table. Comparing this value with the real figure gives the real claims rate for the year in percentage of the table. The mortality assumption is then determined by analysing the values for the last five years. This analysis is carried out separately for Life, Risk and Capitalisation products.

Redemptions:

Based on files taken from the information technology systems, the mathematical provisions are obtained for the beginning and end of the year, and the amounts withdrawn by product. This data is used to calculate the average value of mathematical provisions for each product, where the amount of redemptions is divided by this figure to obtain the redemption rate for the year. The redemption assumption for each product is determined by analysing the values for the last five years.

Expenses:

The expenses involve costs related to investment, administrative and claims. In order to obtain the unit costs, the investment expenses are divided by the average value of mathematical provisions, the investment expenses are divided by the average number of insured persons and the expenses related to claims are divided by the total number of claims for the year.

Yield Rates:

The future yield rates, applicable to the mathematical provisions, are determined by the risk-free market interest rate. The projected participation in future profit is based on yield rates obtained, with this projected profit-sharing subsequently being incorporated in the mathematical provisions, and then projected for maturities, claims and future redemptions.

Provisions for Claims:

The future cash flows are projected from the run-off of the company in the death and disability coverage for the purpose of determining future cost by comparison with present cost. Statistical methods are used to this end. Being short term, the cash flow is calculated without discount of provisions.

Non-life insurance business

The appointed actuaries regularly assess the adequacy of the provisions, based on analysis of the liabilities of the company in the areas of uncertainties, contract duration, type of claims and expenditure on claim settlement. A whole series of micro and macroeconomic scenarios are also applied in order the check their adequacy.

xiii) Impairment of debtor balances related to insurance and reinsurance contracts

With reference to each reporting date of the financial statements, GCA assesses the existence of indications of impairment in the assets generated by insurance and reinsurance contracts, namely the accounts receivable from insured persons, intermediaries, reinsurers, and the technical provisions of assigned reinsurance.

If any impairment losses are identified, the book value of the corresponding assets is reduced through profit or loss for the year, with the cost being reflected in the income statement heading of “Impairment of other financial assets net of reversions and recoveries”.

u) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months’ maturity from the acquisition/contracting date and which are not subject to risks of fluctuation of value, including cash and deposits at Central Banks and at other credit institutions.

v) Contingent liabilities and assets

Where one of the criteria for recognising provisions is not met or the existence of the obligation is conditioned on the occurrence (or non-occurrence) of a certain future event, GCA discloses this fact as a contingent liability, as set out in unless the assessment of the requirement of the outflow of resources for payment is considered remote.

Contingent assets are “possible” assets generated by past events, the existence of which derives from the confirmation of the future occurrence of one or more uncertain events over which GCA has no control. Contingent assets are not recognised in the financial statements, merely being disclosed whenever relevant and when the existence of a future economic inflow of funds is probable.

w) Offsetting financial instruments

The financial assets and liabilities are presented in the balance sheet at their net value when there is a legally enforceable right to set off the amounts already recognised and there is an intention to settle them at their net value or realise the asset and settle the liability simultaneously. The exercisable legal right cannot be contingent on future events, and should be exercisable during normal business activity, and likewise in the case of default, bankruptcy or insolvency of the Group or counterpart.

x) Classification of cash flows

The cash flow statement reports cash flows during the period classified by operating, investing, and financing activities.

Cash flows related to leases are presented as follows:

a) Payments of the principal components of lease liabilities are classified as cash flows from financing activities.
b) Interest component payments are also classified as cash flows from financing activities; and
c) Short-term leases, lease payments for immaterial assets and variable lease payments that are not included in the measurement of lease liabilities are classified as cash flows from operating activities.

The Group classifies cash flows for purchase and disposal of investment assets in its operating cash flows, as the purchases originate in cash flows associated to the beginning of insurance and investment contracts, net of the cash flows for payment of insurance benefits and claims, as well as benefits of investment contracts.

y) Capital

The share capital certificates are recorded in the share capital. The Articles of Association of the Associated Caixas stipulate the conditions of exoneration of the members and the entry of new members.

z) Fair value of financial instruments

As established in IFRS 13, the financial instruments recorded in the balance sheet at fair value are classified according to the following hierarchy:

Level 1 – Prices in active markets
This level includes financial instruments valued based on active market prices (enforceable bids), disclosed through trading platforms;

Level 2 – Valuation techniques based on market data
This level considers financial instruments valued by inhouse models which use observable market data, namely interest rate or exchange rate curves.

Level 3 - Valuation techniques using inputs not based on observable market data

This level includes financial instruments valued based on in-house valuation methods essentially considering inputs not observable in markets with significant impact on the valuation of the instrument or valued based on indicative bids calculated by third parties through valuation models.

For items classified at this level, the assumptions used to obtain the fair value was the price/sales quotation of the last transaction made between unrelated parties.

aa) Subsequent events

Subsequent events refer to the accounting treatment to be given to events occurring after the reporting date and before the issue date of the interim condensed consolidated financial statements.
Events that occurred after the reporting date and before the issue of the interim condensed consolidated financial statements, which provide additional information, or confirm situations pending at the reporting date are adjusted in this set of interim condensed consolidated financial statements.

Events that occurred after the reporting date and before the issue of these interim condensed consolidated financial statements, which are not related to situations that existed at the reporting date, do not give rise to adjustments in the interim condensed consolidated financial statements and are disclosed, if considered material.

3. Main estimates and uncertainties associated with the application of accounting policies

The estimates and judgments with impact on GCA's individual financial statements are continually evaluated, representing the best estimate of the Executive Board of Directors at each reporting date, considering the historical performance, accumulated experience, and expectations regarding future events, which under the circumstances in question are believed to be reasonable.

The intrinsic type of the estimates may lead to the real reflection of the situations that have been estimated, for financial reporting purposes, being different from the estimated amounts.

The preparation of the financial statements requires the preparation of estimates and the adoption of assumptions by the management, which might affect the value of the assets and liabilities, income, and costs, as well as the contingent liabilities that are disclosed.

The most significant estimates and assumptions used by the management are the following:

3.1. Impairment in credit portfolio to customers and with off-balance sheet liabilities

Integrated System of Crédito Agrícola Mútuo conducts a periodic assessment of its credit portfolio to customers, as well as its liabilities due to guarantees provided and irrevocable commitments, in order to assess the existence of evidence of impairment, based on Crédito Agrícola Group's impairment model.

In this context, the customers identified as having loans in default and whose total liabilities are deemed to be of a significant amount, are analysed individually to assess the need to record impairment losses.

Furthermore, a collective impairment analysis is also made to all other credit operations which were not subject to individual analysis, by placing these operations in credit segments, with similar features and risks, with collective impairment losses being estimated, whose calculation is based on the historical behaviour of losses for similar assets. Where no objective existence of impairment has been observed in credit analysed on an individual basis, this credit is grouped together based on similar risk features and assessed collectively for purposes of impairment.

The process of evaluation of credit portfolio to customers and off-balance sheet liabilities, used to determine whether an impairment loss should be recognised, is subject to various estimates and judgments. This process includes factors such as the frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows. The models are regularly reviewed and validated, as well as the inputs included in the models, in order to reduce any differences between estimated credit losses and actual experience with credit losses.

3.2. Fair value of financial instruments

Fair value of financial instruments is based on market prices, whenever available. However, in the absence of a market price, the financial instruments are valued based on indicative bids calculated by third parties using valuation models or pursuant to valuation methodologies essentially using *inputs* that can be observed in markets with a significant impact on the valuation of the instrument.

The Valuation Price of a financial instrument is established based on the following criteria:

- The Valuation Price of financial instruments listed for trading on regulated markets corresponds to the last transaction price, disclosed by Bloomberg up to the reference time of the valuation, corresponding to the last price disclosed for that date, unless the nominal value of the traded financial instruments in that deal has been less than one hundred thousand euros or equivalent countervalue;

- Whenever there is no reference market or, existing on dates on which transactions are not conducted, or reference markets in which the last established price cannot be considered representative due to corresponding to a transaction of financial instruments whose nominal value is less than 100 thousand euros, the Valuation Price will consist of the last CBBT purchase price established on the date, and disclosed up to the reference time of the valuation, by Bloomberg;

- If the CBBT purchase values referred to in the previous item do not exist, the Valuation Price will correspond to the last BVAL purchase price, established on the date and disclosed up to the reference time of the valuation, by Bloomberg;

- If the BVAL purchase values referred to in the previous item do not exist, the Valuation Price will correspond to the best firm offer of qualified financial intermediaries, disclosed by Bloomberg;

- Whenever there are no prices or firm offers corresponding to immediately enforceable offers at Bloomberg Bond Trader, referred to above, the Valuation Price will be determined based on the generally accepted model for the type of financial instrument in question, which separately assesses the value of each structural component of the financial instrument.

3.3. Employee benefits

Liabilities related to supplementary retirement and survivor pensions are estimated based on actuarial and financial assumptions, in particular with respect to mortality, wage and pension growth and long-term interest rates. In this sense, the actual results may differ from these estimates.

3.4. Deferred tax assets

Unused deferred taxes assets due to tax losses are recognised, to the extent that it is probable that, within the reporting period established by law, there will be taxable profits which can absorb these tax losses. To this end, judgements are made to determine the amount of deferred assets tax which may be recognised, based on projections of future taxable earnings which are, in turn, constructed based on economic and financial projections under conditions of uncertainty. Should these estimates prove incorrect, there is a risk of adjustment in the value of deferred taxes assets in future years.

3.5 Valuation of real estate assets

The valuation service is carried out by independent experts, registered at the Portuguese Securities Commission (CMVM), who are qualified and have recognised competence and professional experience for the duties they perform.

These valuation procedures require the collection of precise information from updated documentation, during inspection of the property and the surrounding area, and in the analysis of the market, transactions, the relationship between supply and demand, and the prospects for development. The treatment of the information enables the adoption of basic values for the calculation, applying the method and using it for comparative purposes.

The realisation value of the assets will depend on the future evolution of the real estate market.

3.6 Valuation of non-current assets held for sale (real estate properties)

The valuation of these assets, and consequently the impairment losses, is based on assessments made by independent expert valuators, which incorporate various assumptions, in particular about the evolution of the real estate market, the best use of the property, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions about the marketing of these assets. The assumptions used in the valuation of these real estate properties have impact on their valuation and consequently on the determination of impairment. Also considered for the fair value of the real estate properties are the selling costs estimated by the Crédito Agrícola Group considering the history supported. All these assets are in condition for immediate sale.

The book value of these real estate properties corresponds to the lowest between the valuation amount minus selling costs and the purchase price.

The expected period for sale of these real estate properties varies according to local market conditions, as well as their type or segment that influence the expected demand. As such, the expected period of sale of these real estate properties, assuming favourable market circumstances, is one year. The residential segment typically has higher turnover levels than the commercial segment assets, which in turn have greater liquidity than the land segment, defined here in a broad perspective as the ANCDV portfolio includes rustic, urban and plots. The management directs its activity based on a Real Estate Property Divestment Plan, approved by the Executive Board of Directors, which is progressing soundly. The portfolio of non-current assets held for sale is available for consultation on the real estate portal of Crédito Agrícola.

3.7 Impairment of real estate properties for own use

Real estate properties for own use are stated at acquisition cost minus accumulated depreciation and any impairment losses. The valuations of properties for own use, used in the impairment tests, were carried out on a going concern basis, and using the depreciated replacement cost approach.

3.8 Determination of insurance contract liabilities

The Group's liabilities related to insurance contracts are determined based on the methods and assumptions described in Note 2.3 t) above. These liabilities reflect an estimated figure for the impact of future events on the Group’s insurance companies, based on actuarial assumptions, the historical claims rate and other methods accepted in the sector.

Considering the type of insurance activity, the determination of provisions for claims and other liabilities due to insurance contracts is highly subjective, therefore the actual figures to be disbursed in the future could well be considerably different from the estimates.

However, the Group considers that the liabilities related to insurance contracts stated in the consolidated accounts adequately reflect the best estimate on the reporting date of the amounts that the Group will have to disburse.

3.9 Measurement of Lease Liabilities

In accordance with IFRS 16, a lease liability is measured at the present value of the sum of future payments to be incurred under the lease contract. To discount the payments the Group should use the implicit interest rate of the contract, considering that all the information is known to determine it. If the implicit rate is not determinable, an incremental interest rate should be used, requiring the institution to develop a methodology duly supported by internal and external information for its calculation.

I. Implicit interest rate is the discount rate that equals the fair value of the rents foreseen in the contract (including the residual value) to the fair value of the asset plus all the initial direct costs of the lessor. The main difficulty in ascertaining this rate is, in most cases, the scarce information available to the lessee relating to the residual value of the underlying asset and/or the amount of direct costs incurred by the lessor.

II. Incremental interest rate is the rate that a third party would charge to the Crédito Agrícola Group institution in a financing transaction for the acquisition of an asset like that underlying the lease, under similar conditions, namely in terms of duration and guarantees. The calculation of incremental interest rates was segmented by type of underlying asset, based on internal and external information.

The spreads of Commercial Mortgage-Backed Securities (CMBS) and Residential Mortgage Backed Securities (RMBS) in Portugal and Europe were used as a reference in real estate leasing and car parking operations, given the similarity between the operations that make up this type of issue and the assets underlying these leasing contracts. With regards to vehicle leases, the procedure adopted depends on the date on which the contract originated, namely (i) for contracts originated before 1 January 2019, the incremental borrowing rate was determined on the basis of the average of the implicit rate for leasing contracts contracted between 2017 and 2019, and (ii) for contracts contracted subsequently, i.e., after 1 January 2019, the rate was determined on the basis of the implicit interest rate for the contract. Implicit interest rate is the discount rate that equals the fair value of the rents foreseen in the contract (including the residual value) to the fair value of the asset plus all the initial direct costs. The main difficulty in ascertaining this rate is, in most cases, the scarce information available to the lessee relating to the residual value of the underlying asset and/or the amount of direct costs incurred by the lessor.

It should be noted, however, that on the date of first application, incremental interest rates were used in the calculation of the lease liability for all transactions covered by the standard. Except for that period, lease payments are discounted using the discount rate implicit in the contract, if this is determinable.

In relation to the maturity of the lease to be considered in the calculation of the lease liability, its determination should consider the non-cancellable period of the lease, as well as the period covered by any options for extension of the term and/or early cancellation, if there is reasonable certainty as to its exercise. In situations where there are options for extension and/or cancellation of the term, it is up to the management to assess the reasonableness of their occurrence - the concept of “reasonably certain”, in relation to its future decision.

To support its analysis, the Group used internal and market data that may require professional judgement, such as:

I. importance of the asset to the Group's business, lack of adequate alternatives.

II. significant economic benefits to the Group in the event of exercising the option to extend/cancel the contract or purchase the underlying asset.

III. any costs associated with the early cancellation of the contract, costs of changing and/or returning the asset.

IV. comparison of the terms and conditions of the contract with current market conditions; among other data considered relevant.

The extension and rescission options contained in the lease contracts were considered in the calculation of the lease liability of various items of equipment and real estate properties of

GCA. These options are used to maximise operational flexibility in terms of contract management. The majority of these options may only be exercised by GCA, and not by the respective lessor.

On the transition date, the Group used an incremental loan rate segmented by type of asset underlying the lease contract to calculate the lease liability, namely: (i) real estate property leasing (1.7%); (ii) car park leasing (1.7%); (iii) vehicle leasing (5.2%); and (iv) equipment leasing (3%).

3.10 Provisions for legal proceedings

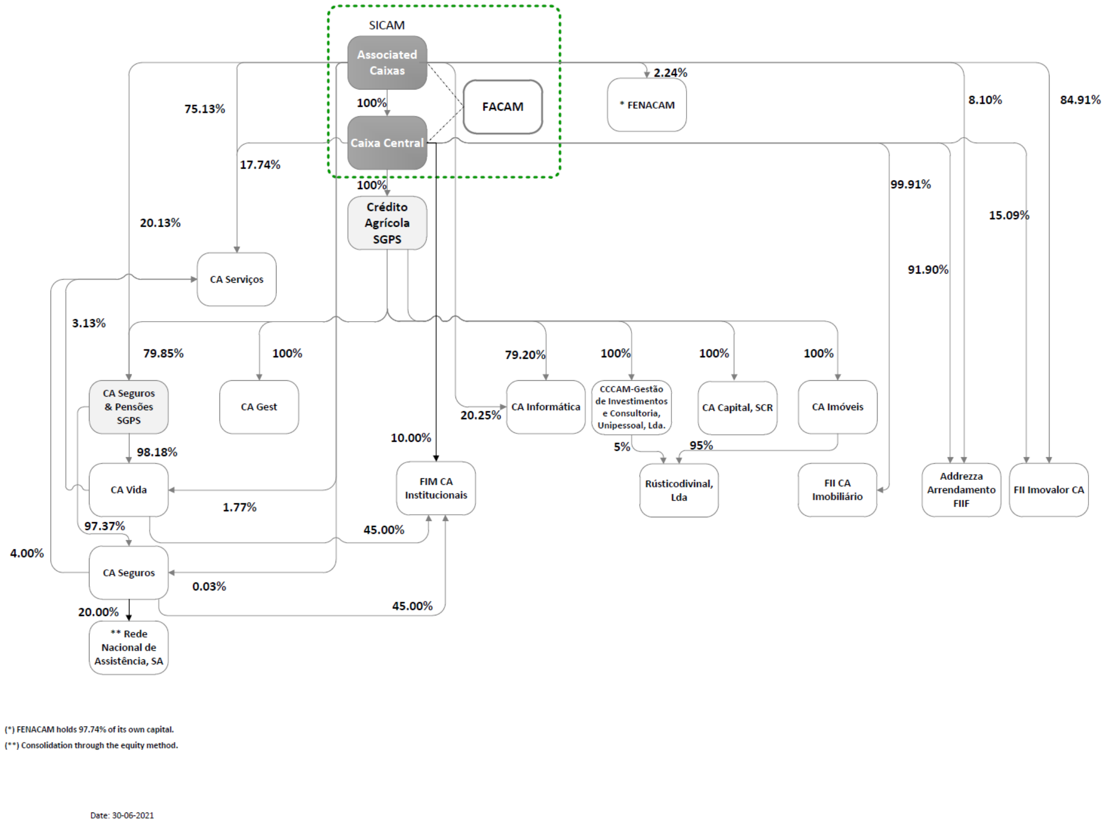
The provisions set up to cover the risks associated with legal proceedings are recorded based on the assessment of the probability of conviction carried out by the lawyers that monitor the proceedings and other specific risks arising from the activity of GCA.

3.11 Valuation of financial instruments not traded on active markets

Equity instruments, according to their contractual characteristics, only cover capital. Therefore, as there is no associated interest, they do not comply with the "SPPI" test. These equity securities are valued at fair value through profit or loss, this being determined, necessarily, in the following order: quoted price in a market in which there is no identical asset held by another party, price of the last market transaction that occurred between unrelated institutions or price according to the net situation of the institution.

4. Affiliated Companies

As of 30 June 2021, Crédito Agrícola Group is composed of the following institutions:



	30-Jun-21					
	Equity	Net Assets	Profit/(Loss) for the year	Direct holding	Effective holding	Consolidation method
Banks						
Caixas de Crédito Agrícola Mútuo [1]	1,692,012,547	19,099,067,145	34,473,502	100.00%	100.00%	Full
Caixa Central de Crédito Agrícola Mútuo	411,962,818	12,440,372,598	32,126,493	100.00%	100.00%	Full
Asset management and brokerage						
Crédito Agrícola Gest – SGOIC, S.A. de Investimento Mobiliário S.A.	2,704,597	3,595,848	139,840	100.00%	100.00%	Full
Crédito Agrícola Imóveis, Unipessoal, Lda.	522,417	24,482,933	(1,397,574)	100.00%	100.00%	Full
Provision of Services						
FENACAM - Federação Nacional das Caixas de Crédito Agrícola Mútuo FCRL	7,145,957	10,133,020	848,720	99.98%	99.98%	Full
Crédito Agrícola Informática-Serviços de Informática S.A.	7,814,865	12,702,299	323,101	99.45%	99.45%	Full
Venture Capital						
CA Capital - Sociedade de Capital de Risco, S.A.	883,135	2,667,652	(39,174)	100.00%	100.00%	Full
Investment Funds						
FEIIA CA Imobiliário	125,754,000	128,850,322	(2,608,281)	99.91%	99.91%	Full
Addrezza Arrendamento FIIF	52,110,376	53,128,325	(86,635)	100.00%	100.00%	Full
FEIIF ImoValorCA	25,070,694	25,658,632	(479,423)	100.00%	100.00%	Full
FIM Alternativo de Obrigações Fechado CA Institucionais	19,964,380	20,784,528	(67,721)	100.00%	98.79%	Full
Insurance						
Crédito Agrícola Seguros	54,733,193	262,554,482	2,594,726	97.40%	97.38%	Full
Crédito Agrícola Vida	117,992,311	722,664,865	3,883,595	99.95%	99.93%	Full
Other						
Associação – Fundo de Assistência do Crédito Agrícola Mútuo	134,461,602	134,523,851	59,793	100.00%	100.00%	Full
CA Serviços - Serviços Informáticos e de Gestão - ACE	2,786,342	106,983,384	2,786,342	100.00%	99.89%	Full
Crédito Agrícola SGPS S.A.	59,935,223	172,369,435	(1,373,537)	100.00%	100.00%	Full
Crédito Agrícola Seguros & Pensões SGPS S.A.	130,665,784	147,687,764	(83,011)	99.98%	99.98%	Full
CAssociated Caixas Gestão de Investimentos e Consultoria, Unipessoal Lda	1,540,103	6,996,932	105,717	100.00%	100.00%	Full
Rústicodivinal, Lda	(57,098)	654,358	(24,154)	100.00%	100.00%	Full
RNA - Rede Nacional de Assistência, S.A.	11,440,321	18,046,862	1,949,643	20.00%	19.48%	Eq. Method

Note: Values as at 30 June 2021 (accounting balances before consolidation adjustments)
[1] These values correspond to the algebraic sum of the balances of the Associated Caixas Agrícolas

The head offices and business activities of the Group's institutions are as follows:

Caixa Central - Caixa Central de Crédito Agrícola Mútuo, CRL, Crédito Agrícola S.G.P.S. S.A., Crédito Agrícola Imóveis, Sociedade Imobiliária Unipessoal, Lda., CCCAM Gestão de Investimentos e Consultoria, Unipessoal Lda. and CA Capital - Sociedade de Capital de Risco S.A. have their head offices at Rua Castilho, n.º 233 - 1099-004 Lisboa.

The object of Caixa Central is to grant credit and carry out all other acts inherent to the banking business.

The object of Crédito Agrícola Imóveis Unipessoal, Lda is the holding, management and administration of real estate properties and the purchase of real estate properties for resale.

The activity of CCAM Gestão de Investimentos e Consultoria, Unipessoal, Lda consists of the provision, in general, of economic and financial or specialised strategic advisory services, as well as accounting or consulting services for corporate direction or management and the preparation of economic and financial studies.

CA Capital has the core object of carrying out investments in venture capital reflected in the acquisition of equity instruments, both within and outside the Group in companies showing high potential development.

Crédito Agrícola Seguros, S.A. and Crédito Agrícola Vida, S.A., whose head offices are located at Rua de Campolide 372, 1070-040 Lisboa, are engaged in the insurance business of all non-life business (except for aviation, credit, and sureties) and life business respectively.

The object of Crédito Agrícola S.G.P.S., S.A. and Crédito Agrícola Seguros e Pensões S.G.P.S, with head office in Rua de Campolide 372, 1070-040 Lisboa, is the management of participations in other GCA companies.

The main activity of Crédito Agrícola GEST - SGOIC, S.A. is the management of collective investment undertakings. It also carries out the activity of discretionary and individualised management of portfolios on behalf of others and consultancy for investments in securities.

CA Informática – Serviços de Informática, S.A., whose head office is at Rua Teófilo Braga, Lote 63 Damaia – 2720-526 Amadora, is essentially dedicated to the provision of information technology services, including consulting on matters of selection of software and hardware, the development and support to the development of applications, data processing, staff training and provision of consulting services in organisation and management, as well as the marketing and management of information technology equipment and products;

CA Serviços – Centro de Serviços Partilhados – ACE, whose head office is at Rua Teófilo Braga, Lote 63 Damaia – 2720-526 Amadora, was built as the unit of auxiliary services for GCA, with the object of providing information technology, operational, technical and management services in a manner complementing the individual and group activities of its Group members.

The corporate object of FENACAM - Federação Nacional das Caixas de Crédito Agrícola Mútuo, FCRL, whose head office is at Rua Professor Henrique Barros, Edifício Sagres, 7.º Piso - 2685-338 Prior Velho, consists of the representation and development of Crédito Agrícola Mútuo, strengthening the spirit of solidarity and cooperation between the associates, as well as the promotion, coordination and conduct of activities of common interest to them, and especially: i) representation of the Associated Caixas and regional unions of their associates before any national, foreign or international institutions in the realisation and defence of the rights and interests of the associates; and ii) promotion of cooperativism within the Group.

FEIIA CA Imobiliário and Addrezza Arrendamento – Fundo de Investimento Imobiliário Fechado para o Arrendamento Habitacional are real estate investment funds whose management company is Square Asset Management – Sociedade Gestora de Fundos de Investimento Imobiliário S.A., with head office at Rua Tierno Galvan, Torre 3, Piso 7, Sala 706, 1070-274 Lisboa.

FEIIF Imovalor CA is a real estate investment fund, whose management company is Crédito Agrícola Gest - SGOIC, S.A., and has its head office at Rua de Campolide 372, 1070-040 Lisboa.

FIM CA Institucionais is a securities investment fund whose management company is Crédito Agrícola Gest - SGOIC, S.A., with its head office at Rua de Campolide 372, 1070-040 Lisboa.

The head office of Rústicodivinal, Lda is at Rua Castilho, Nº 233/233-A 1099-004 Lisboa and its corporate object is the production of common and liqueur wines, wholesale of liqueur drinks and viticulture.

The Credit Agrícola Mútuo Assistance Fund has its head office at Rua Castilho, Nº 233/233-A 1099-004 Lisbon and its object is to adopt and implement recovery and assistance measures for its members experiencing financial difficulties in terms of liquidity or solvency, as well as the other procedures set out in its Internal Regulations.

The head office of RNA Seguros de Assistência S.A. is at Av. Eng.º Duarte Pacheco – Edf. Amoreiras, Torre 1 - 12º Piso - Sala 1, 1070-101 Lisboa.

5. Cash, cash balances at central banks and other demand deposits

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Cash on hand	115,361,737	119,581,555
Cash balances at central banks	3,307,858,904	3,600,268,873
Other demand deposits	57,284,902	78,361,117
Interest	1	1,736
	3,480,505,543	**3,798,213,281**

The variation of the value of demand deposits at Bank of Portugal between 31 December 2020 and 30 June 2021 is explained by the natural management of the minimum cash reserves throughout the period of maintenance of reserves and by the temporary liquidity deposits associated with movements of recomposition of the portfolio of financial assets.

6. Financial assets and liabilities held for trading

As at 30 June 2021 and 31 December 2020, the breakdown of Financial assets and liabilities held for trading was as follows:

	30-Jun-21	31-Dec-20
Financial assets held for trading		
Debt instruments (non-insurance activity)	171,512,926	18,798,911
Derivative financial instruments with positive fair value		
Currency forwards (non-insurance activity)	1,190	3,338
Interest rate swaps (non-insurance activity)	349,821	476,230
	171,863,937	**19,278,479**
Financial liabilities held for trading		
Derivative financial instruments with positive fair value		
Currency forwards (non-insurance activity)	4,057	274
Interest rate swaps (non-insurance activity)	296,986	416,085
Futures (non-insurance activity)	6,750	0
	307,793	**416,359**

The change in this heading profit or loss from investment proposals that the Financial Department considers appropriate in view of the market situation and in the framework of approved limits in force. These proposals are short-term and arise from the volatility of the market itself.

The debt instruments amounting to Euro 171.5 million are measured at valuation level 1, in accordance with IFRS 13.

7. Non-trading financial assets mandatorily at fair value through profit or loss

	30-Jun-21	31-Dec-20
Equity instruments		
Non-insurance activity	44,768,598	44,913,407
	44,768,598	**44,913,407**

The impact of changes in the fair value of financial assets and liabilities is presented under the heading of “Profits or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net” (see Note 34).

There are no collaterals received or mortgages constituted on the equity instruments.
The equity instruments, in the amount of Euro 44.8 million, are presented in accordance with the fair value hierarchy levels, as established in IFRS 13:

	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVTPL	0	180,885	44,587,714	44,768,598

8. Financial assets stated at fair value through profit or loss

This heading is detailed as follows:

	30-Jun-21	31-Dec-20
Debt instruments (insurance activity)	9,604,534	31,093,821
Debt instruments (non-insurance activity)	0	0

Issued by residents		
Equity instruments (insurance activity)	52,594	100,116
	9,657,128	**31,193,937**

The change in this heading results from short-term investment proposals and arise from the volatility of the market itself.

The impact generated by the fair value variation of these assets was recorded in the Income Statement under “Profits or losses from financial assets and liabilities stated at fair value through profit or loss, net” (Note 35).

The financial assets at fair value through profit or loss are measured at fair value, which reflects any credit risk and the corresponding losses, and represents Crédito Agrícola Group's maximum exposure to credit risk.

In terms of hierarchy of fair value, established in IFRS 13, assets classified upon initial recognition at fair value through profit or loss are placed according to the following levels:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	3,290,854	6,359,166	7,107	9,657,128

9. Financial assets at fair value through other comprehensive income

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Securities		
Equity instruments		
insurance activity	16,681,927	19,420,269
Debt instruments	1,901,482,375	1,275,056,796
non-insurance activity	1,074,008,050	403,959,004
insurance activity	827,474,326	871,097,792
	1,918,164,303	**1,294,477,066**

The instruments of the non-insurance activity present a variation in the first semester of 670 million Euros and are the result of investment proposals that the Financial Department considers adequate in view of the market conjuncture. These instruments are broken down as follows:

Description	31-Dec-20 Opening balance	Acquisitions	Disposals	Fair value adjustment	30-Jun-21 Closing balance
Financial assets at fair value through other comprehensive income					
Debt instruments	403,959,004	959,343,067	(260,213,370)	(29,080,652)	1,074,008,050
Total	**403,959,004**	**959,343,067**	**(260,213,370)**	**(29,080,652)**	**1,074,008,050**

In the first half of 2021, insurers did not reclassify financial assets between asset categories.

As referred in the Accounting Policies (note 2.4 f)), GCA opted to consolidate the information regarding the insurance activity in accordance with IAS 39, therefore the securities related to the insurance activity do not present impairment.

In terms of hierarchy of fair value, established in IFRS 13, assets classified upon initial recognition at fair value through profit or loss are placed according to the following levels:

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	1,901,482,375	2,119,190	14,562,737	1,918,164,303

The impairment of financial assets at fair value through other comprehensive income of the non-insurance activity is reflected in equity.

All the debt instruments of the non-insurance activity are classified at stage 1 of the expected credit loss (ECL) model, having remained unchanged during 2021.

There are debt instruments at fair value through other comprehensive income given as collateral, in the amount of 28,419 thousand euros. These instruments have not undergone any change in their credit risk stage and remain at stage 1.

10. Financial assets at amortised cost

10.1 Debt Securities

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Debt instruments		
Issued by residents		
Debt instruments	2,040,412,444	2,230,093,361
Issued by non-residents		
Debt instruments	4,168,465,770	3,639,367,448
	6,208,878,214	5,869,460,809
Interest receivable	60,477,521	56,960,425
Accumulated impairment	(3,104,804)	(5,713,823)
	6,266,250,931	5,920,707,412
Certified		
Commercial Paper	360,280,130	340,464,013
Commercial Paper - overdue loans	0	0
Interest of Commercial Paper	266,353	496,147
Commissions received to be deferred	(2,059,201)	(1,694,888)
	358,487,282	339,265,272
Accumulated impairment	(638,343)	(703,762)
	6,624,099,871	**6,259,268,921**

The movement in debt instruments at amortised cost during the first half of 2021 is as follows:

Type	Opening Balance		Additions		Disposals/Maturities		Depreciation premium	Closing Balance	
	Quantity	Value	Quantity	Value	Quantity	Value		Quantity	Value
Debt instruments	5,480,937,000	5,869,460,809	1,415,000,000	1,464,327,438	(1,047,415,000)	(1,142,949,580)	18,039,547	5,848,522,000	6,208,878,214
Total - Financial Assets at CA	**5,480,937,000**	**5,869,460,809**	**1,415,000,000**	**1,464,327,438**	**(1,047,415,000)**	**(1,142,949,580)**	**18,039,547**	**5,848,522,000**	**6,208,878,214**

GCA's investment policy determines that maximum limits of 10% should be observed in the annual sales ratios in terms of amount and quantity of securities in the portfolio. During 2021, the disposal of portfolio securities at amortised cost did not exceed the defined limits.

There are debt instruments at amortised cost given as collateral, in the amount of 3,482,998 thousand euros. These instruments have not undergone any change in their credit risk stage and remain at stage 1.

All the debt instruments at amortised cost are classified at stage 1 of the expected credit loss (ECL) model.

10.2 Loans and Advances

Loans and advances	30-Jun-21	31-Dec-20
Investment:		
Deposits	2,300,000	350,001
Other investments	21,894	28,112
Interest receivable of loans	3,422	617
	2,325,316	378,731
Impairment of investment	(38,311)	(288)
Total Investment	**2,287,006**	**378,443**
Credit portfolio:		
Mortgage loans	3,312,155,620	3,213,337,361
Secured and unsecured loans	6,375,276,463	6,180,480,692
Financial leasing contracts		
Customers	274,469,164	265,907,234
Credit in current accounts		
Customers	387,255,158	367,261,789
Current account overdrafts		
Other residents	7,088,051	6,334,754
Consumer credit	559,520,517	549,469,986
Other credit		
Credit cards	41,098,881	40,099,031
Other credit to customers	8,241,525	8,775,540
Modifications	(11,141,088)	(11,141,088)
	10,953,964,290	10,620,525,299
Interest receivable	25,030,165	26,887,294
Commissions associated to amortised cost		
Expenses with deferred charge	1,231,652	881,806
Revenue with deferred income	(27,092,658)	(25,682,438)
Total credit not immediately due	10,953,133,448	10,622,611,961
Overdue credit and interest		
Overdue credit	201,282,543	214,698,901
Overdue interest	12,239,914	12,573,470
Total overdue credit and interest	213,522,456	227,272,371
Accumulated impairment	(384,969,062)	(384,811,204)
Total Credit Portfolio	**10,783,973,848**	**10,465,451,571**
Total Debt at Amortised Cost (Note 10.1)	**6,624,099,871**	**6,259,268,921**
Total Financial assets at amortised cost	**17,408,073,718**	**16,724,720,492**

The variation is mainly due to the increase in loans granted to customers.

The heading of loans and advances to customers (including Commercial Paper - note 10.1), according to the type of guarantee, is as follows (in thousand euros):

	30-Jun-21	31-Dec-20
Loans receivable:		
Asset-backed loans	8,526,147	8,309,391
Unsecured loans	1,159,405	1,118,655
Loans with personal guarantees	1,626,068	1,533,831
	11,311,621	10,961,877
Loans overdue		
Asset-backed loans	168,595	184,075
Unsecured loans	17,024	15,836
Loans with personal guarantees	27,904	27,361
	213,522	227,272
	11,525,143	**11,189,150**

As at 30 June 2021 and 31 December 2020, there is no loans overdue without impairment, as shown in the table below (values in thousand euros):

	30-Jun-21	31-Dec-20
Overdue loans with impairment	201,282	214,698
Overdue interest with impairment	12,240	12,574
Overdue loans without impairment		-
Overdue interest without impairment		-
	213,522	**227,272**

As at 30 June 2021 and 31 December 2020, the residual periods of the credit to customers presented the following structure (in thousand euros):

	30-Jun-21	31-Dec-20
Up to three months	433,600	574,976
Three months to one year	809,826	676,548
One year to three years	818,192	780,508
Three to five years	1,018,547	892,889
Over five years	8,444,979	8,264,230
	11,525,143	**11,189,150**

As at 30 June 2021 and 31 December 2020, credit to customers was divided between fixed and variable rates, as follows (in thousand euros):

	30-Jun-21	31-Dec-20
Fixed rate	1,290,521	1,272,723
Variable rate	10,234,622	9,916,427
	11,525,143	**11,189,150**

The duration of overdue credit balances with impairment for the periods presented is as follows (in thousand euros):

	30-Jun-21	31-Dec-20
Up to three months	6,415	6,089
Three months to one year	13,762	26,479
One year to three years	70,554	66,331
Three to five years	40,325	47,671
Over five years	82,466	80,703
	213,522	**227,272**

There are no overdue credit balances without impairment as at 30 June 2021 and 31 December 2020.

Up to this date, Crédito Agrícola Group has not carried out any operation of securitisation of its credit portfolio.

11. Hedge derivatives

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Swaps - Interest Rate Risk	195,237,576	211,767,955
Assets	**195,237,576**	**211,767,955**
Swaps - Exchange Rate Risk	(200,241,232)	(214,990,720)
Liabilities	**(200,241,232)**	**(214,990,720)**
	(5,003,656)	**(3,222,765)**

The details of assets recorded in the Balance Sheet are as follows:

Type of hedge	Hedged risk	Book Value			Notional value	Fair value changes
		Derived debit balance	Derived credit balance	Securities		
As at 30 June 2021						
Hedge						
- fair value	Interest rate	195,237,576	(200,241,232)	3,940,456,146	3,650,350,000	(1,780,891)

Type of hedge	Hedged risk	Book value			Notional value	Fair value changes
		Derived debit balance	Derived credit balance	Securities		
As at 31 December 2021						
Hedge						
- fair value	Interest rate	211,767,955	(214,990,720)	2,977,154,107	2,795,350,000	4,393,191

The details of the estimated notional values of effective derivatives, by their maturity in 2021, are as follows:

	2026	2027	2028	2029	2030	2031	2033	> 2034 up to 2040
Fair value hedge of interest rate risk								
Notional value	507,000,000	100,000,000	671,350,000	78,000,000	265,000,000	240,000,000	444,000,000	1,345,000,000
	507,000,000	100,000,000	671,350,000	78,000,000	265,000,000	240,000,000	444,000,000	1,345,000,000

The details of the estimated notional values of effective derivatives, by their maturity in 2020, are as follows:

	2026	2027	2028	2029	2030	2031	2033	> 2034 up to 2040
Fair value hedge of interest rate risk								
Notional value	507,000,000	100,000,000	671,350,000	78,000,000	175,000,000	75,000,000	444,000,000	745,000,000
	507,000,000	100,000,000	671,350,000	78,000,000	175,000,000	75,000,000	444,000,000	745,000,000

The details of instruments hedged by fair value hedges, including the ineffectiveness recorded through profit or loss in 2021:

	Book value	Accumulated fair value adjustment to book value	Fair value change	Inefficacy recognised through profit or loss
Financial assets				
Debt securities classified at amortised cost				
- interest rate risk	3,940,456,146	-	-	-
	3,940,456,146	-	-	-

The details of instruments hedged by fair value hedges, including the ineffectiveness recorded through profit or loss in 2020:

	Book value	Accumulated fair value adjustment to book value	Fair value change	Inefficacy recognised through profit or loss
Financial assets				
Debt securities classified at amortised cost				
- interest rate risk	2,977,154,107	-	-	-
	2,997,154,107	-	-	-

The fair value hedge aims to mitigate the impact on fair value associated to the contracted hedge interest rate swaps, through the recording of synthetic interest rate swaps, so that the fair value variation of the hedge interest rate swaps evolves inversely in relation to the fair value of the synthetic interest rate swaps.

12. Investments in affiliates, related companies, and joint ventures

As at 30 June 2021 the composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Rede Nacional de Assistência, SA	2,228,129	1,829,779
	2,228,129	1,829,779

As at 30 June 2021, the most significant data withdrawn from the financial statements of this Company is summarised in Note 4.

13. Tangible assets

13.1 Property, plant and equipment

During the first semester of 2021, Property, plant and equipment varied by 1.5 million Euros, essentially due to amortisations and acquisitions.

13.2 Investment properties

The existing balance as at 30 June 2021, of the total value of 43,202,200 euros (2020: 47,775,750 euros) corresponds to the fair value of the real estate properties that are rented or held for this purpose.

Their type refers to real estate properties whose direct objective is housing rental and are therefore concentrated in Addrezza Arrendamento – Fundo de Investimento Imobiliário Fechado for housing rental.

The fair value hierarchy to which the fair value calculated for the valuation of the assets corresponds is level 2. Fair value is ascertained by expert valuators that assess the real estate properties according to their use, using the market/comparative approach or income method. For real estate properties which are leased, the presumption of effective rent is used.

14. Intangible assets

The movement which occurred in intangible assets during the first semester of 2021 and the full year of 2020 was as follows:

Description	31-Dec-20 Gross value	31-Dec-20 Accumulated amortisation	Acquisitions	Amortisation for the year	Write-offs, disposals and other	30-Jun-21 Gross value	30-Jun-21 Accumulated amortisation	30-Jun-21 Net value
Automatic data treatment system (software)	241,960,047	(166,337,301)	769,629	(6,808,014)	2,404,953	245,134,629	(173,145,315)	71,989,314
Other intangible assets	36,300,306	(36,216,588)	-	-	-	36,300,306	(36,216,588)	83,718
Intangible assets in progress	17,271,910	-	10,808,058	-	(2,419,021)	25,660,946	-	25,660,946
	295,532,263	(202,553,889)	11,577,687	(6,808,014)	(14,068)	307,095,881	(209,361,903)	97,733,978

Description	31-Dec-19 Gross value	31-Dec-19 Accumulated amortisation	Acquisitions	Amortisation for the year	Write-offs, disposals and other	31-Dec-20 Gross value	31-Dec-20 Accumulated amortisation	31-Dec-20 Net value
Automatic data treatment system (software)	222,844,182	(153,092,055)	2,091,884	(13,317,882)	17,096,616	241,960,047	(166,337,301)	75,622,746
Other intangible assets	36,397,560	(36,318,842)	-	-	5,000	36,300,306	(36,216,588)	83,718
Intangible assets in progress	10,975,176	-	23,306,508	-	(17,009,775)	17,271,910	-	17,271,910
	270,216,918	(189,410,897)	25,398,392	(13,317,882)	91,841	295,532,263	(202,553,889)	92,978,373

As at 30 June 2021 and 31 December 2020, the heading “Automatic data treatment system (software)” includes the amounts of 69,082,349 euros and 66,972,040 euros, respectively, relative to costs incurred with employees allocated to the development of software internally at CA Serviços. The value incurred during the first semester of 2021 reached 2,110,309 euros (31-Dec-2020: 3,671,765 euros).

As at 30 June 2021 and 31 December 2020, the heading “Intangible assets in progress” essentially refers to costs incurred allocated to software which is under internal development at CA Serviços.

15. Income tax

The balances of income tax assets and liabilities as at 30 June 2021 and 31 December 2020 are detailed as follows:

	30-Jun-21	31-Dec-20
Deferred tax assets		
Due to temporary differences	73,440,028	74,989,687
Due to tax losses carried forward	5,973,789	5,674,518
	79,413,817	80,664,205
Deferred tax liabilities		
Due to temporary differences	(3,421,493)	(6,112,736)
	(3,421,493)	(6,112,736)
	75,992,325	**74,551,469**
Current tax assets		
Income tax recoverable	3,678,053	3,998,719
	3,678,053	3,998,719
Current tax liabilities		
Income tax payable	(14,512,816)	(13,613,151)
	(14,512,816)	(13,613,151)
	(10,834,763)	**(9,614,432)**

Following the publication of Order no. 240/2021-XXII of the Deputy Secretary of State for Tax Affairs, the obligation to file the periodic corporate income tax return (Form 22) for the 2020 tax period, and the respective payment, was extended until 19 July 2021. Due to this fact, the net balance of current tax assets and liabilities amounts to a credit balance of 10,834,763 Euros and is influenced by (i) payments on account, additional payments on account, special payments on account and withholdings incurred in 2020 and 2021 and (ii) includes the current tax estimated at 30 June 2021 and 31 December 2020 by the institutions that make up the GCA.

Current taxes were calculated based on the rates in force established in the tax legislation, more specifically (i) the general rate of corporate income tax (21%), (ii) the municipal surcharge rates (up to 1.5%) and (iii) the state surcharge rates, which vary according to the calculated taxable profit (between 3% and 9%).

The average annual tax rate used for the year until 30 June 2021 is 25% (similar to that considered at 30 June 2020), and the average effective tax rate expected for the full financial year is 25%.

As for deferred taxes, they were calculated using the rates expected to apply when they are realised, based on tax rates enacted or substantively enacted at the balance sheet date, considering an average rate of 25% for consolidation adjustments to be made to deferred tax assets and liabilities.

16. Other assets

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Other assets		
Other cash balances	304,734	246,233
Gold and other precious metals	657,214	662,567
Pledged account investments	2,831,733	2,771,913
Administrative Public Sector		
VAT recoverable	10,735,677	10,673,744
IMT (property transfer tax) - requested refunds	484,963	401,411
Other values receivable	249,120	247,839
Receivables due to unrealised capital	2,954	8,964
Overdue credit expenses	3,016,060	2,914,794
Credit litigation expenses	3,213,455	3,236,444
Subsidies receivable	1,636,231	1,728,001
Miscellaneous receivables - advances	2,165,166	1,995,464
Financial leasing customers	48,317	99,450
Other assets due to credit recovery	26,828,087	28,796,914
of which real estate	*24,396,649*	*28,310,414*
Other miscellaneous receivables	45,908,396	46,811,226
Other assets	900,000	-
	98,982,108	**100,594,964**

Income receivable		
From irrevocable commitments undertaken	262,179	272,871
From banking services	2,652,196	2,755,670
Other income receivable	4,754,419	1,756,124
	7,668,795	**4,784,666**
Expenses with deferred charge		
Insurance	1,247,634	1,303,629
Hire and rental charges	147,862	147,677
Other	17,280,267	9,702,962
	18,675,763	**11,154,268**
Amounts to be settled		
Foreign exchange position	16,663	-
Transactions of securities to be settled	1,906,689	146,871
Multibanco automatic teller machines (ATM clearing)	56,025,719	75,193,807
Off-setting of values	25,386	26,809
Margin call	231,310,814	313,167,636
SIBS invoicing	275,607	230,015
Protocol agreements	2,619,844	730,073
Office supplies	1,946,582	1,688,658
Other transactions to be settled - electronic transfers	-	-
Other transactions to be settled	17,988,223	11,357,169
	312,115,527	**402,541,038**
	437,442,193	**519,074,935**
Impairment - Other assets		
Other assets - Loan recovery	(4,448,065)	(4,719,245)
of which real estate	*(3,901,118)*	*(4,555,795)*
Other assets	(80,000)	-
Receivables and other investments	(30,564,672)	(30,316,504)
	(35,092,737)	**(35,035,749)**
	402,349,457	**484,039,187**

The amount recorded under the heading of "Other assets due to credit recovery" on 30 June 2021, as at 31 December 2020, relates to real estate properties that, although there is an intention to sell, cannot be classified as "Non-current assets held for sale" by application of paragraph 7 of IFRS 5 because they are "encumbered" and thus prevented from sale.

The decrease in Margin Call values is due to the allocation of liquidity to this specific activity, which results from two tranches. On the one hand, an initial margin, calculated according to the value transferred and the maturity of the exposures and, on the other hand, a variation margin, derived from the market value of the outstanding positions. The counterparties to these amounts are Commerzbank (196,872 million Euros), EUREX (34 million Euros) and

Santander (0.4 million Euros). The assessment of credit risk stems from the credit institution's own low rating.

The heading "Multibanco automated teller machines (ATM clearing)" corresponds to the amount immobilised at ATMs, pending settlement by SIBS.

As at 30 June 2021 and 31 December 2020, the balance of the heading "Other transactions to be settled" includes the movements of the corresponding demand deposit accounts, namely in foreign currency made by customers of Crédito Agrícola Group, which remain pending the value date of the movement. These amounts were mostly settled in July 2021 and January 2021, respectively.

Impairment of debtors refers essentially to litigation, where the stage of impairment is level 3.

17. Non-current assets and disposal groups classified as held for sale

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Real estate properties		
Real estate properties received in loan recovery	491,384,800	506,828,498
Other real estate properties held for sale	4,605,063	5,163,606
Equipment received in loan recovery	839,080	594,187
Other assets	947,383	900,797
	497,776,326	**513,487,089**
Impairment (Note 19)		
Impairment of real estate properties	(150,613,763)	(152,287,888)
Impairment of equipment and other assets	(756,392)	(805,056)
	(151,370,154)	**(153,092,944)**
	346,406,172	**360,394,145**

It can thus be summed up in:

	30-Jun-21	31-Dec-20
Real estate properties	345,376,100	359,704,216
Equipment and other assets	1,030,072	689,929
	346,406,172	**360,394,145**

The change in the heading of other real estate properties held for sale relates mainly to disposals during the first half of 2021.

The method used to calculate the impairment of the real estate properties is the result of the lowest amount between their fair value, obtained through valuation minus costs of sale, and the book value of the credit. The valuations are carried out by external expert valuators, registered with the CMVM. The main characteristics of the valuations are related to obtaining the fair value of the real estate property through the market or comparative method. The calculated losses are recognised through profit or loss at the time when they occur.

The fair value hierarchy to which the fair value calculated for the valuation of the assets corresponds is level 2.

18. Financial liabilities measured at amortised cost

As at 30 June 2021 and 31 December 2020, this heading has the following composition:

	30-Jun-21	31-Dec-20
Deposits		
Loans - Banco de Portugal	3,030,790,000	3,030,790,000
Loans to Other Institutions	88,282,748	60,853,342
Customer deposits		
Demand	8,454,924,174	7,860,886,411
Term	4,981,659,455	4,909,162,132
Other savings deposits	4,538,251,329	4,265,149,646
Cheques and orders payable	16,653,512	6,884,841
Other customers' funds	82,498	120,024
Other	45,810	45,865
Interest payable - Banco de Portugal	(31,318,163)	(8,040,012)
Interest payable	4,661,437	4,255,506
	21,084,032,802	20,130,107,754
Debt securities issued		
Investment securities	9,000,000	9,000,000
Interest	55,345	55,345
	9,055,345	9,055,345
Other financial liabilities		
Loans	140,000,000	148,750,000
Overdrafts - Other Credit Institutions	415,555	0
Interest payable	21,250	28,355
	140,436,805	148,778,355
	21,233,524,952	**20,287,941,454**

18.1 Deposits

Loans - Banco de Portugal

The table below details the loans granted by Banco de Portugal which are included in this heading, as at 30 June 2021:

Institution	Original currency amount	Currency	EUR Amount	Start date	Redemption date	Fee
Banco de Portugal	3,030,790,000	EUR	3,030,790,000	06/24/2020	06/28/2023	-1.00%
Total			**3,030,790,000**			

The European Central Bank launched the second series of targeted longer-term refinancing operations (TLTRO) aimed at strengthening the accommodative monetary policy of the Eurosystem and increasing the incentive to grant bank credit to the real economy.

Taking into consideration that the rate disclosed by Banco de Portugal is negative, the interest is presented as an amount receivable of 31,318,163 euros.

After assessing the capacity to comply with all the conditions and covenants associated with the TLTRO III operations, a rate of -1.0% was considered for the purposes of determining the amount of interest receivable.

The securities pledged as collateral to Banco de Portugal to cover financing operations with the Eurosystem, at 30 of June 2021, are valued at 3,328 million euros.

The largest variation in the item is explained by the increase in customer deposits of 939.6 million Euros.

18.2 Debt securities issued

In subordinated liabilities, the residual duration of the balance at 30 June 2021 and 31 December 2020 is:

	30-Jun-21	31-Dec-20
Less than three months	9,000,000	-
Three months to one year	-	9,000,000
One year to three years	-	-
Three to five years	-	-
Over five years	-	-
Interest payable	55,345	55,345
	9,055,345	9,055,345

The balance of the Investment Securities issued is as follows:

Description	Entity holding the securities	Number of Bonds	Currency	Unit Nominal Value	Interest due date	Interest rate in force	Maturity date	2021 Balance 12/31/2020	Repayments	Balance 06/30/2021
Investiment securities/2016	CCAM Costa Azul	18,000	Euro	500	4-Jul	1.2500%	7/4/2021	9,000,000	-	9,000,000
								9,000,000	-	9,000,000

18.3 Other financial liabilities

In this heading of loans, a value of 140 million euros is recorded, whose operation is incorporated in credit lines of the European Investment Bank (EIB), aimed at financing medium, and long-term investments for small and medium-sized enterprises operating in Portugal. The average rate of these loans is 0.02% and the maturity is between 3 months to around 10 months.

19. Provisions and impairments

The provisions and impairments of Crédito Agrícola Group are presented as follows:

	30-Jun-21	31-Dec-20
Impairments		
Impairment of Assets at FVTOCI (Note 24)	316,390	335,186
Impairment of Assets at amortised cost (Note 10)	388,750,520	391,228,789
Other impairments:		
- Non-Current Assets Held for Sale (Note 17)	151,370,154	153,092,944
- Other assets (Note 16)	35,092,737	35,035,749
- Tangible Fixed Assets	7,889,114	8,030,333
	583,418,914	587,723,002
Provisions		
- Pension and other post employment defined benefit liabilities	317,717	321,979
- Guarantees provided and irrevocable commitments	14,859,412	15,377,820
- Other provisions	688,828,685	750,272,313
	704,005,814	765,972,112
	1,287,424,728	**1,353,695,114**

The movement in provisions and impairment of Crédito Agrícola Group during the first semester of 2021 and the full year of 2020 is shown in the tables below.

	31-Dec-20	2021				30-Jun-21
Description	Closing balance	Top-ups	Write-backs & annulments	Uses and write-offs	Transf.	Closing balance
Impairments						
Impairment of Assets at FVTOCI (Note 24)	335 186	550 756	(579 968)	10 415	-	316 390
Impairment of Assets at amortised cost (Note 10)	391 228 789	122 334 708	(116 909 240)	(7 903 738)		388 750 520
- Impairment of Assets at amortised cost related to loans and certified/commercial paper (excluding impairment from interest income of stage 3 contracts)		*119 301 948*	*(110 937 932)*			
Other impairments:						
- Non-Current Assets Held for Sale (Note 17)	153 092 945	5 971 147	(3 383 830)	(4 255 874)	(54 235)	151 370 154
- Other assets (Note 16)	35 035 749	1 403 388	(750 035)	(650 601)	54 235	35 092 737
- Tangible Fixed Assets (Note 13)	8 030 333	61 365	(202 585)	-	-	7 889 114
- Other intangible assets (Note 14)	-	-	-	-	-	-
	587 723 002	130 321 364	(121 825 657)	(12 799 797)	-	583 418 914
Provisions						
- Pension and other post employment defined benefit obligations	321 979	-	(4 262)	-	-	317 717
- Guarantees provided and irrevocable commitments	15 377 820	10 936 856	(11 455 266)	-	-	14 859 412
- Other provisions	750 272 313	26 962 458	(70 260 053)	(18 146 033)	-	688 828 685
	765 972 112	37 899 314	(81 719 582)	(18 146 033)	-	704 005 813
Total	**1 353 695 114**	**168 220 679**	**(203 545 238)**	**(30 945 830)**	**-**	**1 287 424 728**

Description	31-Dec-19 Closing balance	2020 Top-ups	2020 Write-backs & annulments	2020 Uses and write-offs	2020 Transf.	31-Dec-20 Closing balance
Impairments						
Impairment of Assets at FVTOCI (Note 24)	617 434	4 009 231	(4 291 507)	28	-	335 186
Impairment of Assets at amortised cost (Note 10)	398 621 985	320 188 963	(265 212 202)	(62 369 957)		391 228 789
- Impairment of Assets at amortised cost related to loans and certified/commercial paper (excluding impairment from interest income of stage 3 contracts)		*298 363 261*	*(244 169 010)*			
Other impairments:						
- Non-Current Assets Held for Sale (Note 17)	165 575 493	8 471 481	(9 240 989)	(11 354 361)	(358 680)	153 092 945
- Other assets (Note 16)	33 631 675	3 893 037	(1 497 501)	(1 350 142)	358 680	35 035 749
- Tangible Fixed Assets (Note 13)	8 955 485	740 399	(1 537 162)	(128 389)	-	8 030 333
- Other intangible assets (Note 14)	33 858	-	(5 000)	(28 858)	-	-
	607 435 930	336 562 712	(280 242 199)	(75 074 432)	-	587 723 002
Provisions						
- Pension and other post employment defined benefit obligations	362 553	270 000	(185 574)	(125 000)	-	321 979
- Guarantees provided and irrevocable commitments	12 133 850	21 988 541	(18 744 570)		-	15 377 820
- Other provisions	882 859 879	83 804 907	(217 042 228)	649 755	-	750 272 313
	895 356 282	106 063 447	(235 972 371)	524 755	-	765 972 112
Total	**1 502 792 212**	**442 626 159**	**(516 214 570)**	**(74 549 677)**	**-**	**1 353 695 114**

The variation in Provisions and impairments is mainly explained by the item “other provisions”. This heading includes provisions set up to cover specific risks arising from the activity of Crédito Agrícola Group.

Technical provisions of insurance activity

The composition of technical provisions is as follows:

	30-Jun-21	**31-Dec-20**
Life insurance provisions:		
Mathematical provision	408,925,695	457,067,967
Provision for claims	12,221,477	15,965,996
Other technical provisions:		
Provisions for profit sharing	17,156,427	32,686,979
Provisions for stabilisation of the portfolio	5,094,985	5,094,985
Provision for rate commitment	78,955,419	78,955,419
	522,354,003	589,771,346
Non-life insurance provisions:		
Provisions for unearned premiums	15,855,955	15,107,560
Provisions for claims	125,218,434	120,648,340
Other technical provisions:		
Provisions for profit sharing	-	(1,861,623)
Provision for claim rate deviations	2,765,272	2,765,272
	143,839,661	136,659,549
	666,193,664	726,430,895

Life insurance business

The reduction in the mathematical provision during the first half of 2021 is explained by the maturity of capitalisation insurance. Although there was an increase in the volume of gross premiums issued, this was lower than the maturities that occurred.

Between December 2020 and June 2021, the provision for claims recorded a decrease resulting from the payment of the due dates occurred in the last days of 2020.

The variation of the provision for the calculated profit-sharing corresponds to the amount attributed to the insurers or beneficiaries of insurance contracts, in the form of profit-sharing, which have not yet been distributed or incorporated in the mathematical provision.

The provision for portfolio stabilisation was constituted for renewable annual group insurance contracts, whose main coverage guarantees the risk of death, with a view to coping with the increased risk inherent to the progressively higher average age of the insured group, whenever the pricing for this group has been based on a single rate which must be kept for a certain period due to contractual commitment.

On each reporting date, an evaluation is made of the adequacy of the liabilities arising from insurance contracts and investment contracts with discretionary participation features. The evaluation of the adequacy of responsibilities is based on the projection of future cash flows associated to each contract, discounted at rates determined based on the time structure of interest rates provided by the European Insurance and Occupational Pensions Authority (EIOPA). This evaluation is done individually for each product or aggregated when the risks are similar or managed jointly. In the event of gaps, these are recorded in profit or loss against the heading of “Provision for rate commitments”.

Non-life insurance business

The variation of the non-life insurance business provisions results essentially from the increase in the provision for claims. The actuarial studies have revealed a good level of provisioning for the responsibilities assumed by the GCA, in line with the conservative policy that has been followed.

The calculation of payments for future claims is related to the provision for premiums. The best estimate of the provision for premiums considers various assumptions that could influence its calculation, such as for example: the rates of annulment of future premiums (Type I and Type II premiums), the rhythm of receiving future premiums, the estimated costs associated to the contracts as well as their rhythm. The profit or loss of the application of statistical methods in calculating the provisions always have an implicit degree of uncertainty due to random factors, structural changes not yet reflected in GCA's information system and perhaps in the market, as well as legal, judicial, and political changes with impact on the applied models. On the other hand, it must be borne in mind that it is not only necessary to assume standards for some macro and microeconomic variables, but also that the methods used have some implicit assumptions. All this could undergo significant changes as time moves forward, so the ongoing monitoring of these situations is crucial and indispensable for the permanent updating of the conclusions reached.

The movement which occurred in the technical provisions during the first half of 2021 was as follows:

	Balance at 12/31/2020	Variation in provision	Uses / settlements	Balance at 6/30/2021
Life insurance provisions:				
Mathematical provision	457,067,967	(48,142,272)		408,925,695
Provision for claims	15,965,996	(3,744,519)		12,221,477
Other technical provisions:	-			-
Provisions for profit sharing	32,686,979	4,342,898	(19,873,450)	17,156,427
Provisions for stabilisation of the portfolio	5,094,985	-	-	5,094,985
Provision for rate commitment	78,955,419	-	-	78,955,419
	589,771,346	(47,543,893)	(19,873,450)	522,354,002
Non-life insurance provisions:				
Provisions for unearned premiums	15,107,560	945,474	(197,079)	15,855,955
Provisions for claims	120,648,340	3,191,575	1,378,519	125,218,434
Other technical provisions:				
Provisions for profit sharing	(1,861,623)		1,861,623	-
Provisions for risks underway	(0)			(0)
Provision for claim rate deviations	2,765,272			2,765,272
	136,659,549	4,137,048	3,043,063	143,839,660
	726,430,895	(43,406,845)	(16,830,387)	666,193,663

As at 30 June 2021 and 31 December 2020, the mathematical provision is detailed as follows:

	30-Jun-21	31-Dec-20
Protecção Poupança Investimento	25,814,705	26,473,953
Protecção Poupança Reforma	81,135,243	81,759,954
Protecção Poupança Educação	16,268,310	16,190,135
CA PPR+6	2,442,629	2,623,873
CA Poupança Activa	50,792,793	58,807,560
Protecção Super-Crédito	410,661	377,308
CA PPR	65,252,716	66,077,729
CA Protecção Livre	117,259	157,123
CA Vida Plena	22,290	30,382
CA Mulher	20,696	27,617
CA Pessoa-Chave	69,830	103,757
CA Pessoa-Chave Crédito	53,769	69,949
CA Universitário (Poupança)	19,605,362	19,991,260
CA Premium	837	635
CA PPR Capital	60,101,077	68,828,716
CA Poupança Activa Capital	72,205,599	101,192,263
CA Universitário [Capital]	12,836,608	13,462,956
Protecção Super Crédito	31,309	29,814
CA Protecção Hospitalar	10,621	13,420
CA Corporate	178,226	190,020
CA Express Vida	540,522	582,895
Família	76,037	76,650
Empresa Viva	248,244	0
CA Protecção Fundo de Pensões	690,354	0
	408,925,695	457,067,967

20. Share capital repayable on demand

This heading is detailed as follows:

	30-Jun-21	31-Dec-20
CCAM Nordeste Alentejano, CRL	355,395	379,835
CCAM do Sotavento Algarvio, CRL	160,395	160,395
CCAM Ribatejo Norte e Tramagal, CRL	77,110	77,125
CCAM de Trás-os-Montes e Alto Douro, CRL	83,685	87,895
CCAM do Guadiana Interior, CRL	23,800	53,800
CCAM Caixas Médio Ave, CRL	30,265	30,265
CCAM do Baixo Vouga, CRL	2,150	2,150
CCAM Costa Azul, CRL	4,675	4,675
	737,475	796,140

Pursuant to IAS 32, securities representing share capital are equity instruments if the institution has the unconditional right to refuse their reimbursement. The introduction of the IAS/IFRS implied an adjustment with reference to 1 January 2006 of the value of 41,447,495 euros, derived from the classification of special securities of share capital as liabilities (Note 23).

The reductions of securities representing share capital refer to reimbursements made to members.

21. Other liabilities

This heading is detailed as follows:

	30-Jun-21	31-Dec-20
Payables and other funds		
Funds - captive account	1,658,813	1,352,726
Funds - pledged account	7,070,757	7,600,300
Other funds	4,667,541	6,469,427
Administrative Public Sector		
Tax withholdings at source	6,755,618	7,474,613
Social Security Contributions	3,720,215	3,714,711
VAT payable	979,550	1,053,890
Other taxes	2,886,389	2,797,685
Collections on behalf of third parties	955,596	262,413
Contributions to other health systems	707,167	692,242
Financial liabilities of insurance contracts	29,170,680	29,460,518
Liabilities in investment funds, incorporated in the consolidation perimeter	113,179	116,466
Miscellaneous payables		
Payables due to supply of goods and services	11,697,262	19,065,748
Payables - credit cards	1,056,101	995,419
Other creditors	30,450,778	28,648,412
Advances received	6,860,414	6,689,679
Lease liabilities	22,289,269	24,857,744
	131,039,330	**141,251,993**
Liabilities related to pensions and other benefits		
Total liabilities	121,323,267	121,323,267
Equity of the pension fund	(118,439,613)	(118,439,613)
	2,883,654	**2,883,654**
Charges payable		
Staff expenses		
Provisions for holidays and holiday allowance	17,284,554	22,562,121
Seniority bonus	18,879,602	18,753,431
Other	14,571,772	4,057,290
Other administrative expenses	58,784	119,456
Other	14,198,863	7,864,825
	64,993,575	**53,357,123**
Revenue with deferred income		
Commissions on guarantees provided and irrevocable claims	2,456,485	2,341,489
Rents	124,459	149,872
Other	224,737	198,705
	2,805,681	**2,690,065**
Amounts to be settled		
Foreign exchange position	0	35,181
Interest - swaps	15,005,066	7,415,421
Multibanco (ATM) clearing chamber - transit in real time	21,107,357	14,487,552
Transactions of securities to be settled	1,905,448	146,500
Off-setting of values	3,351,518	4,240,338
Other transactions to be settled - electronic transfers	68,312	45,826
Other transactions to be settled - protocol agreements	2,063,503	228,388
Other transactions to be settled	82,182,854	45,413,175
	125,684,059	**72,012,380**
	327,406,298	**272,195,216**

The variation in the caption "Other liabilities" results from the normal activity of the GCA in the first half of 2021.

As at 30 June 2021 and 31 December 2020, the balance of the heading "Other transactions to be settled" includes the *Nostro* accounts, namely in foreign currency, which continue awaiting the value date of the movement. The majority corresponds to transactions with value date in July 2021 and January 2021, respectively, with the transactions being settled at that time.

22. Contingent liabilities and commitments

The off-balance-sheet items associated with guarantees provided, irrevocable commitments and other liabilities due to services rendered are shown in the table below:

	30-jun-21	31-Dec-20
Guarantees provided and any other possible liabilities		
Guarantees and sureties provided	220,316,130	212,564,990
Documentary credit	1,138,358	1,544,906
Assets given as guarantee - securities	3,719,958,142	4,102,434,710
Other liabilities	8,519,666	9,779,819
Commitments to third parties		
Due to credit lines		
Irrevocable commitments	1,269,933,182	1,237,119,512
Revocable commitments	375,526,929	359,282,828
Due to securities underwritten	57,629,757	47,084,677
Potential liability in relation to the System of indemnity of investors	1,305,918	1,133,466
Liabilities due to services rendered		
Deposit and custody of values	1,733,836,940	1,734,137,382
Values administered by the institution	1,350,513,468	1,419,021,715
Values received for collection	26,002,371	23,953,497
Other	1,749,902	975,001
	8,766,430,763	**9,149,032,504**

The off-balance-sheet heading of "Assets given as guarantee - securities" includes the value of the securities included in the pool of collateral at Bank of Portugal to back financing operations from the Eurosystem. This heading also includes securities given as guarantee to cover repos contracted with other non-resident financial institutions.

The entirety of the balance of the heading of "Commitments to third parties – Due to subscription of securities" corresponds to the underwriting of commercial paper.

Although this is not recorded in the off-balance sheet accounts under the Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives, the Group is jointly liable for the non-financed amount of the pension funds of the Associated Caixas which do not belong to Integrated System of Crédito Agrícola Mútuo.

23. Capital

The statutory share capital of Crédito Agrícola Group is divided and represented by registered securities with unit nominal value of 5 euros is 1,396,534,822 euros as at 30 June 2021.

Of the total amount of underwritten capital, the amount of 737,475 euros was transferred to the liability heading “Share capital repayable on demand”, by application of IAS 32 – Financial Instruments (Note 20).

The publication of the new Legal Regime for Mutual Agricultural Credit and Agricultural Credit Cooperatives, in Diário da República (Decree-Law 142/2009, of 16 June), as mentioned in the Introduction implied the adaptation of the Statutes of the Associated Caixas the new Legal Regime which, at the limit, had to be amended by the date of the first mandatory general meeting held in 2010, as stipulated in the transitory provisions in article 5 of Decree-Law 142/2009 of 16 June. Therefore, during 2009 and in early 2010, the Statutes of the Associated Caixas were amended and approved at the General Meeting, in order to assure the General Meeting's decision on the exoneration of members. This is the reason why the registered securities underwritten by its members continued under the same classification of equity, under the terms of IAS 32, with the exception of those classifiable under liabilities, also as defined in IAS 32.

Pursuant to the Statutes of the Associated Caixas, the conditions of exoneration of the members are as follows:

- Up to 31 October of each year, the Members may either present their exoneration or request a reduction of their participation, by letter addressed to the Board of Directors, in accordance with the following conditions:

  - At least three years must have elapsed after the equity securities have been paid;

  - The reimbursement must not lead to a reduction of capital to a figure below the minimum amount stipulated in the statutes nor imply default or the worsening of default in any relationship or prudential limits established by the law or Bank of Portugal in relation to Caixa Agrícola.

- The exoneration takes effect after approval by the General Meeting that deliberates on the report and accounts for the year when the request is;

- Members that are exonerated or have reduced their participation are entitled to the reimbursement of their equity securities, under the terms of number 7 of article 8 of the

Statutes, although the Board of Directors may order suspension of the reimbursement as established in number 8 of this same article;

- The reimbursement may be made in three annual instalments unless a shorter timeframe is decided by the Board of Directors.

Following the General Meetings held by the different Associated Caixas, share capital increases are made by incorporation of reserves, which leads to movements of transfer of balances of reserves to carry out share capital increases.

On 30 June 2021 and 31 December 2020, the statutory capital corresponded to the members of the following Associated Caixas:

	30-Jun-21	31-Dec-20
CCAM de Pombal, CRL	56,212,505	56,194,505
CCAM Batalha, CRL	52,721,295	51,456,905
CCAM Costa Azul, CRL	60,841,186	58,930,765
CCAM Alto Douro, CRL	54,324,095	52,792,000
CCAM de Vale de Sousa e Baixo Tâmega, CRL	49,919,335	46,192,810
CCAM Açores, CRL	41,054,270	39,901,025
CCAM do Noroeste, CRL	45,269,480	45,362,620
CCAM da Serra da Estrela, CRL	39,643,200	38,637,635
CCAM Alto Cávado e Basto, CRL	35,844,565	34,682,415
CCAM Terras Sousa, Ave, Basto e Tâmega, CRL	31,781,205	30,802,965
CCAM do Vale do Távora e Douro, CRL	30,990,075	30,584,900
CCAM de Alcobaça, Cartaxo, Nazaré, Rio Maior e Santarém, CRL	28,026,910	27,313,225
CCAM de Trás-os-Montes e Alto Douro, CRL	24,214,905	23,771,395
CCAM P. Varzim, V. Conde e Esposende, CRL	24,045,000	23,930,750
CCAM C. da Rainha, Óbidos e Peniche, CRL	26,753,945	21,753,030
CCAM do Baixo Mondego, CRL	22,707,150	22,173,365
CCAM Beira Douro e Lafões, CRL	33,434,715	32,277,610
CCAM do Sotavento Algarvio, CRL	19,681,910	19,651,455
CCAM Vale do Dão e Alto Vouga, CRL	18,943,090	18,627,855
CCAM de São Teotónio, CRL	18,172,660	18,157,670
CCAM de Terras de Viriato, CRL	22,537,315	19,489,100
CCAM Lourinhã, CRL	19,133,775	18,378,505
CCAM Alenquer, CRL	16,258,000	15,939,540
CCAM Coimbra, CRL	14,625,205	14,604,365
CCAM Vila Verde e Terras do Bouro, CRL	15,035,460	14,663,360
CCAM S. Bart. Messin. e S. Marcos Serra, CRL	14,777,345	14,632,310
CCAM Douro e Côa, CRL	15,115,545	14,459,160
CCAM da Terra Quente, CRL	14,117,675	14,126,030
CCAM de Pernes e Alcanhões, CRL	13,144,235	13,313,750
CCAM da Bairrada e Aguieira, CRL	13,143,500	13,122,130
CCAM da Zona do Pinhal, CRL	13,072,055	13,050,040
CCAM do Baixo Vouga, CRL	13,034,455	12,721,005
CCAM Ribatejo Norte e Tramagal, CRL	12,239,710	12,191,425

	30-Jun-21	31-Dec-20
CCAM do Guadiana Interior, CRL	13,537,085	13,556,990
CCAM Região do Fundão e Sabugal, CRL	11,615,605	11,613,630
CCAM Alentejo Sul, CRL	20,015,325	20,007,435
CCAM Albufeira, CRL	11,089,305	11,182,390
CCAM de Silves, CRL	12,787,895	12,204,660
CCAM Cadaval, CRL	11,185,215	11,183,900
CCAM Área Metropolitana do Porto, CRL	12,163,620	11,668,370
CCAM Salvaterra de Magos, CRL	10,820,975	10,818,360
CCAM Oliveira do Bairro, CRL	11,146,850	10,983,395
CCAM Coruche, CRL	10,524,855	10,524,835
CCAM Costa Verde, CRL	10,447,730	10,433,730
CCAM Médio Ave, CRL	10,285,815	10,292,055
CCAM Loures, Sintra e Litoral, CRL	10,391,635	10,334,700
CCAM Aljustrel e Almodovar, CRL	11,056,100	11,037,035
CCAM de Cantanhede e Mira, CRL	15,000,195	14,976,775
CCAM Paredes, CRL	10,244,110	10,114,945
CCAM Estremoz, CRL	9,131,765	9,122,095
CCAM Nordeste Alentejano, CRL	9,491,960	9,489,080
CCAM do Ribatejo Sul, CRL	9,099,575	9,041,405
CCAM Douro e Sabor, CRL	15,974,685	16,011,945
CCAM Arruda dos Vinhos, CRL	8,508,340	8,495,025
CCAM da Beira Baixa (Sul), CRL	11,178,600	9,787,195
CCAM Oliveira de Azeméis e Estarreja, CRL	7,949,835	7,947,215
CCAM Alentejo Central, CRL	14,612,995	14,532,135
CCAM Beira Centro, CRL	8,622,090	8,499,615
CCAM de Moravis, CRL	7,805,825	7,830,785
CCAM Vila Franca de Xira, CRL	7,992,690	7,967,215
CCAM Arouca, CRL	7,911,535	7,768,020
CCAM Elvas e Campo Maior, CRL	7,423,345	7,412,495
CCAM do Algarve, CRL	7,446,955	7,404,056
CCAM Porto de Mós, CRL	7,793,525	7,593,730
CCAM Oliveira do Hospital, CRL	8,149,105	8,059,490
CCAM Alcácer-Sal e Montemor-Novo, CRL	6,795,940	6,797,935
CCAM Sobral de Monte Agraço, CRL	6,640,740	6,640,160
CCAM do Norte Alentejano, CRL	6,948,755	6,941,175
CCAM Azambuja, CRL	6,172,945	6,122,595
CCAM Serras de Ansião, CRL	6,126,325	5,998,320
CCAM Entre Tejo e Sado, CRL	5,614,345	5,612,535
CCAM Borba, CRL	5,758,350	5,758,340
CCAM de Albergaria e Sever, CRL	5,629,135	5,624,675
CCAM Vale de Cambra, CRL	5,219,755	5,223,120
CCAM Vagos, CRL	5,187,415	5,172,315
Crédito Agrícola Mútuo Assistance Fund	84,218,046	84,218,046
	1,396,532,662	1,365,889,542

24. Other accumulated comprehensive income, retained earnings and reserves

As at 30 June 2021 and 31 December 2020, the headings of other accumulated comprehensive income, retained earnings and reserves are broken down as follows:

		30-Jun-21	31-Dec-20
Reserves derived from measurement at fair value			
Fair value variation of financial assets at FVTOCI (IFRS 9)			
Potential gains		1,538,285	6,352,101
Impairment		316,390	335,186
Fair value variation of financial assets at FVTOCI (IAS 39)		3,842,444	13,406,308
Deferred taxes		(1,473,482)	(4,792,646)
Fair value variation of financial assets at FVTOCI		**4,223,636**	**15,300,948**
Fixed asset revaluation reserves		1,914,360	1,924,160
Other reserves		549,869,923	512,583,335
Actuarial gains or (-) loss on defined benefit pension plans	(Note 47)	(19,887,448)	(19,887,448)
Retained earnings		(58,237,019)	(75,092,988)
Profit or loss attributable to Owners of the parent		96,456,247	86,796,736
		574,339,699	**521,624,744**

The value indicated in “Other reserves” is distributed among the following statutory reserves:

	30-Jun-21	31-Dec-20
Legal reserve	408,695,590	389,493,607
Statutory reserve	2,020,158	2,014,704
Special reserve	40,433,629	43,776,071
Free reserves	34,924,962	17,476,197
Reserve for cooperative Training and education	6,721,316	6,336,813
Reserve for mutualism	5,094,574	4,932,812
Reserves for differences in capital repayments	7,191	7,191
Reserves for remuneration of equity securities in following year:	2,185,155	2,013,143
Reserves for capital rights of the members	438,930	434,214
Other reserves	49,348,417	46,098,583
	549,869,923	512,583,335

The heading of “Other reserves” refers to the reserves of surpluses, which do not have any restrictions concerning their use.

Legal reserve

The legal reserve is intended to cover any losses for the year. Pursuant to article 33 of the statutes of the Caixas, the legal reserve is annually credited with 20% of the net annual surplus and any other amounts paid in by the Members to this end, until its amount is equal to the capital.

Reserve for cooperative training and education

The reserve for cooperative training and education is intended to finance expenses related to technical, cultural, and cooperative training of the Members, management, and employees of Caixa Central, being reinforced with additional funds of the maximum of 2.5% of the net annual surplus, along with any other amounts obtained for this purpose.

Reserve for mutualism

The reserve for mutualism is intended to cover the cost of mutual assistance required by Members or employees, being credited with the maximum of 2.5% of the net annual surplus.

Revaluation reserves

This heading includes the revaluation reserve derived from the measurement at fair value of the financial assets available for sale and the revaluation of fixed assets. This reserve cannot be distributed, although it may be used, in situations following the revaluation of fixed assets, to increase the share capital or cover losses, according to their use (depreciation) or disposal of the assets to which it refers.

25. Consolidated profit

During the first half of 2021, the determination of the consolidated profit can be summarised as follows:

(Amounts in euros)	30-jun-21
Profit for the year of the Associated Caixas and Crédito Agrícola Mútuo Assistance Fund (1)(2)	34,533,295
Profit for the year of the Caixa Central de Crédito Agrícola Mútuo	32,126,493
	66,659,788
Impact on net income of the reconciliation of common balances at Integrated System of Crédito Agrícola Mútuo (SICAM)	17,883,003
Net income of Integrated System of Crédito Agrícola Mútuo (SICAM)	84,542,791
Net income of all the other Affiliated Companies	
Crédito Agrícola Vida, Companhia de Seguros S.A.	3,883,595
Crédito Agrícola Seguros – Companhia de Seguros de Ramos Reais, S.A.	2,594,726
Crédito Agrícola SGPS S.A.	(1,373,537)
Fenacam - Federação Nacional das Caixas de Crédito Agrícola Mútuo FCRL	848,720
Crédito Agrícola Informática - Serviços de Informática S.A.	323,101
Crédito Agrícola Serviços - ACE (2)	2,786,342
Crédito Agrícola Gest - Sociedade Gestora de Fundos de Investimento Mobiliário S.A.	139,840
CA Capital - Sociedade de Capital de Risco S.A.	(39,174)
CAssociated Caixas Gestão de Investimentos e Consultoria, Unipessoal, Lda	105,716
Crédito Agrícola Seguros e Pensões SGPS S.A.	(83,011)
FII ImoValor CA	(479,423)
CA Imóveis, Unipessoal Lda	(1,397,574)
FII Addrezza	(86,635)
FII CA Imobiliário	(2,608,281)
FIM CA Institucionais	(67,721)
Rústicodivinal, Lda	(24,154)
	4,522,532
Annulment of the devaluation of the PUs of the Real Estate Investment Funds recorded in the year	3,065,019
Earnings from application of the equity method to associates	379,715
	3,444,733
Adjustment of intergroup relations and annulment of common balances:	
Adjustment of provisions for additional paid-in capital of CA SGPS in CCCAM GI and CA Imóveis	1,453,729
Annulment of insurance brokerage commissions paid to Associated Caixas and CCCAM	999,527
Annulment of insurance premiums charged to CA Affiliated Companies	660,080
Annulment of intergroup dividends	(433,534)
Annulment of invoices issued between CA Group entities	96,971
Adjustment of properties of Real Estate Investment Funds	610,573
Adjustment of taxes in the consolidation	671,658
Other consolidation adjustments	(41,029)
	4,017,975
	96,528,031
Earnings attributable to non-controlling interests	(71,783)
Consolidated profit for the year of Crédito Agrícola Group	**96,456,247**

[1] This value derives from the sum of the net income of all the Associated Caixas belonging to Integrated System of Crédito Agrícola Mútuo (SICAM).

[2] At the end of each year, the net income of the ACE is divided in the invoicing to the Group's entities, in proportion to the total invoiced in that same year

26. Non-controlling interests

The value of third-party stakes in Affiliated Companies of Crédito Agrícola Group, in the first half of 2021 and the first half of 2020, is distributed by institution as follows:

	30-Jun-21			30-Jun-20		
	% holding	Balance Sheet	Income Statement	% holding	Balance Sheet	Income Statement
Crédito Agrícola Seguros	97.38%	1,433,722	(67,968)	97.38%	1,341,922	(80,187)
FIM Alternativo CA Institucionais	98.79%	241,589	819	98.79%	240,685	1,172
Crédito Agrícola Informática	99.45%	42,982	(1,777)	99.45%	44,270	(1,674)
Crédito Agrícola Vida	99.93%	82,165	(2,704)	99.93%	79,892	(3,002)
Crédito Agrícola Seguros e Pensões	99.98%	26,133	17	99.98%	26,168	20
Fenacam	99.98%	1,429	(170)	99.98%	1,374	(126)
		1,828,020	(71,783)		1,734,312	(83,797)

27. Interest income

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Financial assets held for trading		
Debt securities issued by residents	82,798	210,271
Debt securities issued by non-residents	56,251	381,660
Interest rate swaps	72,374	115,642
	211,423	**707,573**
Interest on financial assets at fair value through profit and loss		
Debt securities issued by residents	84,383	614,605
	84,383	**614,605**
Interest of financial assets at fair value through other comprehensive income		
Debt securities issued by residents	9,341,675	14,313,749
Debt securities issued by non-residents	636,176	1,995,251
	9,977,851	**16,309,000**

	30-jun-21	30-jun-20
Interest of financial assets at amortised cost		
Interest of securities at amortised cost		
Debt securities issued by residents	27,398,551	32,178,879
Debt securities issued by non-residents	30,809,004	24,169,639
Interest of deposits at other credit institutions		
Investments in domestic credit institutions	14,994	43,565
Investments in credit institutions abroad	-	-
Interest on credit to customers		
Credit not represented by securities		
Domestic credit		
Companies and public administration		
Discounts and other securitised receivables	218,495	365,200
Loans	64,935,444	60,510,411
Credit in current accounts	5,431,665	6,488,340
Demand deposit overdrafts	777,918	1,270,756
Finance lease operations		
Movable assets	1,268,544	1,130,791
Real estate	1,083,802	966,302
Credit cards	37,494	39,771
Commercial paper	2,816,638	2,641,262
Other	-	-
Individuals		
Housing	18,642,220	20,238,984
Consumer	13,585,244	14,403,238
Other purposes		
Loans	14,355,633	15,353,364
Credit in current accounts	622,567	763,145
Demand deposit overdrafts	354,386	522,862
Finance lease operations	246,512	238,705
Other credit	16,203	24,531
External credit		
Companies and public administration		
Loans	4,038	1,613
Commercial paper	31,066	76,096
Individuals		
Housing	1,192,060	1,225,580
Consumer		
Credit cards	26,154	28,316
Other credit	322,224	325,393
Other purposes		
Loans	117,650	123,099
Demand deposit overdrafts	3,229	4,913
Interest of overdue credit	3,701,264	3,728,273
	188,013,000	**186,863,028**
Interest of cash balances at Bank of Portugal	23,278,151	2,080,360
Interest of derivatives	253,386	584,236
Other interest and similar income	815,975	2,770,408
	222,634,168	**209,929,210**

The variation in the Interest Income item is essentially explained by two opposite effects: recognition of interest on cash and cash equivalents at the Bank of Portugal, given that after assessing the ability to comply with all the conditions and covenants associated with the TLTRO III operations, the rate of -1.0% was considered for the purposes of determining the amount of interest receivable (+€21.2 million) and a decrease in interest on financial assets at fair value through other comprehensive income (-€6.3 million).

28. Interest expenses

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Interest of financial liabilities held for trading		
Interest of securities held for trading	22,996	166,325
	22,996	**166,325**
Interest of financial liabilities measured at amortised cost		
Interest on funds of central banks	919	13,560
Interest of funds of other credit institutions		
Domestic	17,222	131,097
Abroad	120,051	65,959
Interest of customer funds and other loans	3,785,438	4,467,407
Interest of subordinated liabilities	56,250	60,781
	3,979,880	**4,738,804**
Interest of hedge derivatives		
Interest rate swaps - hedge	16,923,882	11,167,354
	16,923,882	**11,167,354**
Other liabilities		
Interest of leases	215,676	236,952
Other interest and charges	8,926,354	3,839,947
	9,142,029	**4,076,899**
Interest expenses of assets		
Amortisation of the premium on bond transactions in the capital market	31,744,305	33,419,400
Other interest and charges	66,235	19,602
	31,810,541	**33,439,002**
	61,879,328	**53,588,385**

The variation in Interest Expenses is mainly explained by Other Interest and charges due to the increase in the remuneration of the surplus reserves and by the interest from interest rate hedging swaps with an increase of 5.8 million Euros compared to June 2020.

29. Dividend income

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Dividends of non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments issued by residents	71,322	800
Equity instruments issued by non-residents	109,440	37,005
	180,762	**37,806**

30. Fee and commission income

The composition of this heading is as follows:

	30-jun-21	30-Jun-20
For guarantees provided		
Guarantees and sureties	1,956,349	1,933,843
Documentary credit	25,797	17,447
	1,982,146	1,951,290
For commitments assumed before third parties		
Irrevocable commitments		
Irrevocable credit lines	4,248,631	4,028,282
Other irrevocable commitments	18,159	25,273
	4,266,790	4,053,555
For services rendered		
Deposit and custody of values	1,400,599	1,348,716
Collection of values	251,063	351,388
Transfer of values	1,916,243	1,647,486
Cards management	78,928	71,337
Annuities	3,123,453	5,052,267
Assembly of operations	1,237,274	1,291,572
Credit operations		
Other credit operations	14,188,800	16,119,000
Other services rendered		
Other interbank commissions	761,389	588,115
Placement and marketing	3,667,525	3,767,669
Other	17,851,794	16,326,945
	44,477,068	46,564,496
For transactions conducted on account of third parties		
For securities		
In Stock Exchange transactions	68,172	40,542
In transactions outside the Stock Exchange	2,896	1,616
	71,068	42,158
Other commissions received	19,988,064	19,195,865
	70,785,137	**71,807,365**

The Fee and commission income shows a reduced variation compared to the same period of the previous year.

31. Fee and commission expenses

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
For guarantees received	63	253
For banking services provided by third parties		
Deposit and custody of values	425,053	370,772
Collection of values	5,160	54,267
Management of values	56,390	113,978
Cards	6,512,757	5,487,310
Other	237,633	137,962
	7,237,057	6,164,542
For operations conducted by third parties	2,577,199	2,437,337
	2,577,199	2,437,337
Other commissions paid		
Brokerage commissions	-	69
Other	6,857,477	9,540,089
	6,857,477	9,540,158
	16,671,732	**18,142,037**

Fee and commission expenses show a reduced variation compared to the same period of the previous year.

32. Profits or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Financial assets at fair value through other comprehensive income		
Securities		
Equity instruments (insurance activity)	-	77,086
Issued by residents		
Debt instruments (non-insurance activity)	0	76,579
Debt instruments (insurance activity)	6,147,079	17,712,430
Issued by non-residents		
Debt instruments (non-insurance activity)	537,700	7,068,590
	6,684,780	24,934,684
Financial assets at amortised cost		
Securities		
Issued by residents (non-insurance activity)		
Debt instruments	20,449,627	37,381,706
Issued by non-residents (non-insurance activity)		
Debt instruments	28,997,826	3,459,515
Other	36,176	16,154
	49,483,629	40,857,375
	56,168,409	**65,792,059**

Portfolio securities at amortised cost were sold during 2021, within the limit defined in the investment policy of GCA.

33. Profit or losses on financial assets held for trading

The composition of this heading is as follows:

	30-Jun-21			30-Jun-20		
Description	Gains	Losses	Net	Gains	Losses	Net
Financial assets and liabilities held for trading						
Debt instruments	4,878,978	(8,001,447)	(3,122,468)	9,979,715	(7,116,940)	2,862,775
Trading derivatives	700,209	(238,089)	462,120	1,198,028	(2,026,033)	(828,005)
Total	**5,579,188**	**(8,239,536)**	**(2,660,348)**	**11,177,743**	**(9,142,973)**	**2,034,770**

Profits and losses on debt instruments refer to capital gains and losses on the sale of foreign public debt securities.

34. Profits or losses on non-trading financial assets mandatorily at fair value through profit or loss, net

The composition of this heading is as follows:

Description	30-Jun-21 Gains	30-Jun-21 Losses	30-Jun-21 Net	30-Jun-20 Gains	30-Jun-20 Losses	30-Jun-20 Net
Non-trading financial assets and liabilities						
Equity instruments	2,206,628	(1,383,057)	823,571	1,984,693	(1,892,449)	92,244
Investment fund units	973,477	(191,611)	781,865	330,919	(477,721)	(146,802)
Total	**3,180,104**	**(1,574,668)**	**1,605,436**	**2,315,612**	**(2,370,171)**	**(54,558)**

35. Profits or losses on financial assets and liabilities stated at fair value through profit or loss, net value

The composition of this heading is as follows:

Description	30-Jun-21 Gains	30-Jun-21 Losses	30-Jun-21 Net	30-Jun-20 Gains	30-Jun-20 Losses	30-Jun-20 Net
Financial assets and liabilities designated at fair value through profit or loss						
Bonds - Portuguese public debt	98,824	(124,676)	(25,852)	218,435	(274,534)	(56,099)
Bonds - Other residents	1,316,732	(1,182,350)	134,382	89,534	(1,624,459)	(1,534,925)
Total	**1,415,554**	**(1,307,026)**	**108,530**	**307,969**	**(1,898,993)**	**(1,591,024)**

Profits and losses recorded under this heading relate essentially to bonds issued by other residents.

36. Profits or losses from hedge accounting, net

The composition of this heading is as follows:

Description	30-Jun-21 Gains	30-Jun-21 Losses	30-Jun-21 Net	30-Jun-20 Gains	30-Jun-20 Losses	30-Jun-20 Net
Swaps - Interest rate risk hedge	121,460,063	(123,240,954)	(1,780,892)	79,188,477	(79,210,116)	(21,639)
Total	**121,460,063**	**(123,240,954)**	**(1,780,892)**	**79,188,477**	**(79,210,116)**	**(21,639)**

The profits and losses recorded under this heading relate to interest rate risk swaps (see Note 11 - Derivatives and hedging).

37. Exchange differences, net

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Earnings from currency revaluation		
Spot foreign exchange transactions	801,296	535,713
	801,296	**535,713**

The earnings recorded in this heading refer to the currency revaluation of monetary assets and liabilities expressed in foreign currency, of foreign exchange spot transactions.

Being spot transactions, they are settled within two business days or less.

38. Profits or losses on derecognition of non-financial assets, net value

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Earnings from non-financial assets		
Other tangible assets	72,205	71,968
Investment properties	708,550	206,324
Other assets	110	265,094
	780,866	**543,385**

The variation is mainly explained by the disposal of Investment Properties.

39. Other operating income

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Rents	1,394,500	1,941,902
Reimbursement of expenses	592,614	563,993
Recovery of credit, interest and expenses		
Recovery of uncollectible credit	12,201,629	7,080,608
Recovery of interest and expenses of overdue credit	1,322,023	1,033,306
Income from miscellaneous services rendered	4,432,493	3,552,897
Gains relative to previous years	570,630	308,058
Technical margin of insurance activity	31,289,007	21,085,986
Other	3,223,221	3,692,634
	55,026,116	**39,259,384**

The technical margin of the insurance business amounted to 31.3 million Euros, 10.2 million Euros higher than the previous year, shown in the following breakdown:

	30-Jun-21	30-Jun-20
Premiums net of reinsurance		
Life insurance business		
Gross premiums issued	49,466,359	28,314,295
Assigned reinsurance premiums	(4,672,295)	(4,371,627)
	44,794,063	23,942,668
Non-life insurance		
Gross premiums issued	69,863,557	66,964,705
Assigned reinsurance premiums	(16,366,577)	(15,221,598)
	53,496,980	51,743,107
	98,291,044	75,685,775
Costs related to claims		
Amounts paid		
Gross amounts	117,683,764	165,056,856
Portion of the reinsurers	(7,274,882)	(7,086,713)
	110,408,882	157,970,143
Variation in technical provisions net of reinsurance	43,406,845	103,370,354
	31,289,007	21,085,986

During the first half of 2021, Crédito Agrícola Group recovered 12.2 million euros of uncollectible loans, which represents about 5.1 million more than the previous year.

40. Other operating expenses

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Levies and donations	(710,545)	(1,240,526)
Annulment of overdue interest	(283,845)	(64,479)
Contribution of the banking sector	(4,576,045)	(3,711,496)
Additional solidarity of the banking sector	(223,443)	-
Other taxes	(1,392,933)	(1,530,821)
Other operating charges and costs relative to previous years	(543,043)	(426,807)
Other operating charges and costs	(9,761,072)	(15,731,841)
	(17,490,926)	**(22,705,969)**

The variation is essentially explained by two opposite effects: the decrease in expenses with the sale of loans and the increase in the contribution on the banking sector.

The most relevant value under the heading of “Other operating costs and expenses” relates to expenses to be reimbursed to SIBS/SBE in the amount of 4 million euros (30-Jun-2020: 3.9 million euros).

41. Staff expenses

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Salaries and wages		
Management and Supervisory Bodies	12,177,008	11,545,421
Employees	73,296,558	72,677,251
	85,473,566	84,222,672
Mandatory social security charges		
Pension Funds	997,718	1,047,094
Charges relative to remunerations		
Social Security	17,576,157	17,158,293
SAMS	3,706,033	3,179,214
Other	66,570	60,847
Occupational accident insurance	313,421	306,046
Other compulsory charges	252,366	327,860
	22,912,265	22,079,353
Other staff expenses		
Contractual indemnities	408,377	765,142
Other	957,159	784,530
	1,365,537	1,549,672
	109,751,367	**107,851,697**

Staff expenses show a reduced variation compared to the same period of the previous year.

42. Other administrative expenses

The composition of this heading is as follows:

	30-Jun-21	30-Jun-20
Related to supplies		
Water, energy and fuel	2,353,096	2,246,061
Consumables	375,107	518,622
Hygiene and cleaning material	151,965	382,403
Publications	45,614	54,938
Material for assistance and repair	19,811	10,736
Other third party supplies	526,454	742,140
	3,472,047	3,954,900
Related to services		
Hire and rental charges	694,630	792,714
Maintenance and repair	2,991,897	3,105,025
Communications	3,032,253	3,140,807
Advertising and publishing	3,067,824	4,703,119
Travel, hotel and representation	1,014,720	1,061,051
Insurance	667,244	659,629
Staff training	245,799	359,711
Transport	1,468,624	1,511,298
Specialised services:		
Information technology	11,006,573	10,063,099
Retainers and fees	2,428,198	2,621,947
Security, surveillance and cleaning	1,964,530	2,038,497
Information	1,523,030	1,331,669
Occasional manpower	64,984	123,300
Legal and notary expenses	1,008,985	1,320,158
Database	87,634	72,381
Other specialised services:		
Multibanco (ATM) services	767,274	816,228
External valuators	1,432,402	1,101,494
Other third party services	15,658,217	17,963,149
	49,124,817	52,785,274
	52,596,865	**56,740,174**

The variation in Other administrative expenses is essentially explained by the decrease in advertising and publishing costs, 1.6 million Euros, and other specialised services - other third-party services, where expenses with consultants and auditors are included.

43. Cash contributions to resolution funds and deposit guarantee schemes

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20
Contributions to the Single Resolution Fund	1,968,802	1,954,207
Contributions to the Resolution Fund	1,328,821	1,091,276
Contributions to the Deposit Guarantee Fund	30,558	27,385
Other contributions	0	5,736
	3,328,182	**3,078,604**

44. Profits or (-) losses of modification, net

This item does not present values as of 30 June 2021 and 30 June 2020.

45. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading is as follows:

	30-Jun-21	31-Dec-20	30-Jun-20
Profit or (-) loss on non-current assets held for sale			
Realised gains and losses	736,869	(2,271,112)	1,020,154
Impairment top-ups and reversals	(2,587,317)	3,025,035	(2,110,836)
Non-banking activity	*(1,167,398)*	*2,227,241*	*(1,904,560)*
Banking activity	*(1,419,919)*	*797,794*	*(206,276)*
	(1,850,448)	**753,923**	**(1,090,682)**

46. Related institutions

The institutions listed correspond to the governing bodies of the Associated Caixas belonging to Crédito Agrícola Group.

The benefits attributed to the Management Bodies (executive and non-executive) are set out in the respective Remuneration Policy.

All transactions conducted between related parties are done according to market conditions.

47. Retirement pensions and healthcare

In order to determine the liabilities of GCA institutions participating in the pension fund due to past services of active and retired employees/pensioners, actuarial studies were conducted by Companhia de Seguros Crédito Agrícola Vida, S.A.

The accounting of employee benefits is governed by the provisions of IAS 19, considering already the changes introduced by IAS 19 Reviewed (IAS 19R), whose mandatory adoption occurred in 2013. As a result of the amendments introduced by IAS IAS19R, the remeasurements, formerly named “actuarial deviations”, are now recognised as “Other comprehensive income”.

The amendments to IAS 19R imply the application of a single rate to the plan's liabilities and assets, with the profit of the pension plan now corresponding only to current costs and net expenditure on interest. The impact on net income is recognised under the heading of “Staff Expenses”, which refers to value of costs related to current service and net interest, jointly with insurance premiums paid by Crédito Agrícola Group to employees, in the amount of 997,718 euros (1,047,094 euros in June 2020) (see Note 41).

The actuarial and financial assumptions used in the calculation of the liabilities were as follows:

	30-Jun-21	31-Dec-20
Demographic assumptions		
Mortality table	TV – 88/90	TV – 88/90
Invalidity table	EVK 80	EVK 80
Retirement age	**(*)**	**(*)**
Assessment methods	"Projected Unit Credit"	"Projected Unit Credit"
Financial assumptions		
Discount rate:		
- Active workers and Leave with actuarial age < 55 years old	1.40%	1.40%
- Active workers and Leave with actuarial age ≥ 55 years old	1.05%	1.05%
- Pre-retired, retired and pensioners	0.85%	0.85%
Growth rate of wages and other benefits	1.20%	1.20%
Growth rate of pensions	0.80%	0.80%
Wage revaluation rate for Social Security:		
- pursuant to number 2, article 27 of Decree-Law 187/2007	1.20%	1.20%
- pursuant to number 1, article 27 of Decree-Law 187/2007	1.20%	1.20%

(*) Pursuant to Decree-Law 167-E/2013

The number of participants of pension plans financed by the pension fund are detailed below:

	30-Jun-21	31-Dec-20
Active workers and those on unpaid leave	4,057	4,057
Pre-retired	234	234
Former participants	1	1
Retired and pensioners	789	789
Total	**5,081**	**5,081**

The liabilities related to retirement pensions, healthcare, and seniority bonus, as well as their coverage, present the following details:

	30-Jun-21	31-Dec-20
Active and former employees	67,988,798	67,988,798
Unpaid leave	4,337,312	4,337,312
Pre-retired	14,846,427	14,846,427
Retired and pensioners	34,203,184	34,203,184
Total	**121,375,721**	**121,375,721**

In the first half of 2021 and year 2020, liabilities related to past services of the Crédito Agrícola Pension Fund according to actuarial studies conducted and the respective assets allocated to their coverage, present the following details:

	30-Jun-21	31-Dec-20

Total liability for past services	(121,375,721)	(121,375,721)
Equity of the pension fund	118,439,613	118,439,613
(Excess)/(Shortfall) of coverage	(2,936,108)	(2,936,108)
Liability funding level	97.58%	97.58%

Pursuant to Bank of Portugal Notice 12/2001, which establishes the minimum solvency level (with past services of active staff financed at a minimum level of 95%, without prejudice to compliance with the minimum solvency levels determined by the Insurance and Pension Funds Supervisory Authority), the present value of liabilities for past services to be recognised was 117,765,321 euros as at 30 June 2021 (117,765,321 euros as at 31 December 2020).

Bank of Portugal Notice 4/2005 determines that it is compulsory for pension funds to assure the full financing of pension liabilities under current payment and a minimum level of 95% of liabilities related to past service of current personnel.

The Integrated System of Crédito Agrícola Mútuo Pension Fund covers the Caixas de Crédito Agrícola Mútuo of Leiria, Torres Vedras and Mafra. However, they are not part of the consolidation perimeter of Crédito Agrícola Group. As at 30 June 2021, GCA's balances do not include the amounts of these Caixas Agrícolas (Note 21).

The liabilities of these Caixas Agrícolas calculated under the terms of IAS 19, and the respective share in the value of the Fund as at 30 June 2021 and 31 December 2020, are broken down as follows:

	30-Jun-21	**31-Dec-20**
Total liability for past services	(6,069,209)	(6,069,209)
Equity of the pension fund	5,886,093	5,886,093
(Excess)/(Shortfall) of coverage	(183,116)	(183,116)
Liability funding level	96.98%	96.98%

Pursuant to Bank of Portugal Circular Letter 106/08/DSBDR of 18 December, from 2008 onwards, the cost of current service and net interest were recorded in the heading of “Staff expenses”.

The book value of the liabilities related to the pension fund, apart from the value relative to the Pension Fund of Crédito Agrícola Mútuo – FPCAM (30-Jun-2021: 121,375,721 euros; 31-Dec-20: 121,375,721 euros), includes liabilities undertaken by other institutions of the Group. These liabilities also include the net value of the financing of the autonomous pension fund of the insurers, corresponding to a defined contribution plan, rather than a defined benefit plan as is the case of FPCAM, being of the total value of 47,224 euros in June 2021 (31-Dec-2020: 47,224 euros).

Pursuant to IAS 19R, the value recorded for the year through profit or loss includes the cost of past services and net interest. The service cost includes the cost of current services, the cost of past services and profits or losses upon settlement, minus expected income. Although materially insignificant, in 2015, it was decided that the values recorded for the year relative to the insurance premiums paid and income from insurance should be considered and integrated in comprehensive income and not through profit or loss for the year.

The value of liabilities due to past services evolved as follows during the year:

Liabilities as at 30 June 2020	**109,772,298**
Cost of current service:	
Of Group entities (GCA)	1,191,709
Of the contribution of the participants (employees)	1,935,688
Net interest	1,388,180
Remeasurements	
Change of demographic assumptions and experience of gains and losses; financial assumptions (discount rate)	9,077,648
Increase of liabilities arising from early retirements	989,155
Pensions paid by the pension fund	(1,273,911)
Contributions paid to SAMS	(696,525)
Benefits paid to pre-retired	(1,008,523)
Liabilities as at 31 December 2020	**121,375,721**
Liabilities as at 30 June 2021	**121,375,721**

There were no readjustments recognised in Equity in the first half of 2021.

The value of the expected payment of benefits by maturity period for the entire fund is as follows:

Analysis of maturity of the expected benefits	Amounts in euros
Benefits payment expected within the next 12 months	3,044,600
Benefits payment expected over a period of 1 to 3 years	5,545,600
Benefits payment expected over a period of 3 to 5 years	8,417,600
Benefits payment expected over a period above 5 years	137,891,100
	154,898,900

The average duration of the liabilities related to pensions, considering the created population groups, was as follows (in years):

	30-Jun-21	31-Dec-20
Average duration of the liabilities		
Active workers and those on unpaid leave aged < 55 years old	26.4	26.4
Active workers and those on unpaid leave aged ≥ 55 years old	16.4	16.4
Pre-retired, Retired and Pensioners	11.5	11.5

The movement in the Pension Fund (assets of the plan) during 2020 and 2021 was as follows:

Balance as at 30 June 2020	**106,682,816**
Contributions of Crédito Agrícola Group	8,791,940
Contributions of the employees	1,935,688
Sums insured received	207,759
Net income from Fund assets	4,128,556
Insurance premiums paid	(1,854,546)
Profit-sharing in insurance	1,531,507
Retirement and survivor's pensions paid	(1,273,911)
Contributions paid by the pension fund to SAMS	(696,525)
Payment of ASF fee	(5,149)
Benefits paid to pre-retired	(1,008,523)
Balance as at 31 December 2020	**118,439,613**
Balance as at 30 June 2021	**118,439,613**

Risks associated with the benefits of the plan:

The plan guarantees pensions for old age, disability, early retirement, and survivors, as defined in the Collective Labour Agreement for the Crédito Agrícola Mútuo institutions. The payment of pension refers to a supplementary scheme beyond the pensions paid by Social Security. The plan also foresees the payment of contributions for medical and social support after retirement.

Hence, the risks associated with the benefits of the plan are as follows:
- Risk of dependency on the benefits provided by the public Social Security schemes.
- Risk of mortality during the period of formation of the benefit and risk of longevity during the retirement period.
- Risk of disability of the participants. Currently, this risk is mitigated as the pension fund has taken out risk insurance to cover the increased liabilities related to the death and disability of active participants.

- Risk relative to early retirement.

Furthermore, Crédito Agrícola Group is committed to the payment of seniority bonuses to its employees. As at 30 June 2021 these liabilities are detailed as follows (see Note 21):

	30-Jun-21	31-Dec-20
Seniority bonus:		
Total liabilities related to seniority bonus	18,879,602	18,753,430

The reconciliation of seniority bonus movements is as follows:

	31-Dec-20	Increases	Reversals	Uses	30-Jun-21
Seniority bonus	18,753,430	843,966	0	(717,795)	18,879,602

48. Disclosure relative to financial instruments

48.1 Financial Risks

As a result of its activity, GCA is exposed to risks arising from financial assets and liabilities held in its portfolios. The main risks refer to market risks, foreign exchange risk, interest rate risks, credit risk and liquidity risk.

Market Risk

Market risk represents any potential losses derived from an adverse change in the market value of a financial instrument because of variations in interest rates, exchange rates, share prices, commodity prices, credit spreads or other equivalent variables.

The market risk management rules established for each portfolio include limits of market risk regarding exposure to credit and liquidity risk, required yield, types of authorised instruments and permissible maximum loss levels.

To mitigate the risks associated with an assessment of the risks incurred, a policy has been implemented of separation of duties between the execution of market transactions and the control of the risk incurred at any time during this execution.

Any hedge operations can be proposed by the portfolio managers or those responsible for risk control, considering the risk limits and authorised instruments.

In the case of CA Vida, the securities portfolio is entirely managed by CA Gest, with investment policies being defined according to the risk that is intended to be taken and the desired yield, which stipulates limits of distribution by asset categories, by geographic areas and by credit risk, among others.

The Insurer's portfolio is valued monthly based on inputs of the Management Entity.

With respect to the management of credit and market risk of the securities portfolio, CA Vida carries out the following controls:

- Permanent contact is ensured with the Management Entity, in order to assess the evolution of the portfolio;
- Monthly risk analysis reports are prepared by the Management Entity, with the respective analysis being made; and
- Regular meetings are held with the Management Entity, every month and whenever recommended by market outlook and evolution, with the re-definition of the portfolio risk profiles where necessary.

The value at risk (VaR) of the portfolio as at 30 June 2021 is presented as follows:

	Market value	**Duration**	**VaR Monte Carlo**
Portfolio position at 30/06/2021	6,576,159,803	2.00	3,291,971
Variation relative to 31/12/2020	29,622,202	*-0.30*	*(4,386,681)*

- In line with previous years, we only considered the VaR of the portfolio of financial assets at fair value through profit or loss and fair value through other comprehensive income as the portfolio at amortised cost is not affected by the impact of price variations in the securities market.
- The VaR of the portfolio is calculated based on the Monte Carlo methodology, with a confidence level of 99% and a time horizon of 1 month (22 days).

Foreign Exchange Risk

Foreign exchange risk arises in connection with changes in exchange rates for currencies whenever there is an open position in one of them.

Control and assessment of foreign exchange risk are carried out daily, individually for each branch and in consolidated terms. Amounts and compliance with limits in terms of total position are calculated.

At Crédito Agrícola Group, foreign exchange risk management is the responsibility of the Financial Department, within the limits approved by the Executive Board Directors.

Crédito Agrícola Group has low exposure to this type of risk. Effectively, the profile defined for foreign exchange risk is very conservative and embodied in the coverage policy followed.

Interest Rate Risk

Crédito Agrícola Group incurs interest rate risk whenever, during the course of its activity, it contracts operations with future financial flows whose present value is sensitive to interest rate variations.

The overall interest rate risk incurred derives from various factors, namely:

- different periods regarding maturity or review of the rates of assets, liabilities, and off-balance sheet items (repricing risk);
- alterations of the slope of the interest rate curve (curve risk).
- asymmetric variations of the different market curves which affect the different balance sheet and off-balance sheet values (base risk); and
- existence of explicit or implicit options in many banking products (option risk).

The interest rate risk management policy is defined and monitored by the Asset, Liability and Capital Committee (ALCCO).

Crédito Agrícola Group conducts monthly assessments of its exposure to this type of risk, using a methodology based on grouping various assets and liabilities sensitive to interest rate changes at intervals of time in line with their rate review dates. For each interval, the active and passive cash flows are calculated and the corresponding gap sensitive to interest rate risk is measured. The impact of the mentioned gaps on the evolution of the net interest income and on the institution's economic value is then assessed in various interest rate evolution scenarios.

The risk/yield relationship is defined within limits and monitored every month by the ALCCO in terms of the exposure of net interest income and the economic impact of adverse interest rate changes.

At CA Vida, this risk is monitored on a daily basis, with observation of the differential between the amount of assets and liabilities that will be subject to interest rate repricing based on predefined intervals of time.

Crédito Agrícola Group can trade derivative financial instruments, namely, by selling futures on interest rates, strictly for the purpose of hedging against the risk of asset variation. The use of futures only contemplates contracts that can be traded on the Stock Exchange or in regulated markets.

Crédito Agrícola Group also trades interest rate swaps over the counter, aimed at assuring a suitable model for the financial flows generated by closed portfolios, traded, and contracted with financial institutions whose rating is preferentially investment grade, in order to minimise the credit and/or counterpart risk in portfolios.

As at 30 June 2021, Crédito Agrícola Group hedges interest rate risk arising from investment activities, aimed at maintaining a stable net interest income, both in the short-term and medium-term, affecting its economic value in a long-term perspective. These hedges follow the fair value hedge principle in accordance with the defined policy indicated in Note 2.2. In the investment portfolio risk is low as the management of these positions is done by a specific Department of the Group, with this risk being controlled on a daily basis through indicators and limits defined for control of market risks.

The Asset and Liability Management function embodies the risk profile of GCA. In this sense, considering the stability of customer funds, a maturity transformation effect is achieved. Considering an upward yield curve as the norm, this transformation effect positions the financial assets portfolio along the yield curve, translating into a positive differential between the duration of Assets and the duration of Liabilities. In this context, a rise in interest rates is reflected in a sharper devaluation of Assets vis-à-vis Liabilities, with an effect on the Capital position. The relative projections, presented in the table above, fall within the limits of the impact on Own Funds as a consequence of significant rises in interest rates.

Liquidity risk

Liquidity risk is associated with the inability of Crédito Agrícola Group to meet its contractual and contingent liabilities, and with the potential inability of the Crédito Agrícola Group to finance its assets.

The liquidity management policy is defined and monitored daily by the Financial Department.

To assess the overall exposure to this type of risk in the short, medium, and long-term, reports are prepared which not only enable identifying negative mismatches but assessment of their dynamic coverage. The Group and Caixa Central also monitor the liquidity ratios from a prudential perspective, calculated according to the rules required by Bank of Portugal.

In terms of liquidity the Crédito Agrícola Group pursues a conservative policy reflected in a loan-to-deposit ratio in each of its areas which is clearly below the average ratio in the national banking system.

Surplus funds from Crédito Agrícola Group are channelled to Caixa Central, where they are centrally invested in assets of high credit and liquidity quality, namely public debt of euro zone countries and investments in bonds of renowned credit institutions, both domestic and international.

Crédito Agrícola Group has a solid position in the retail market, distributed evenly over the entire country, reflected in its network of 630 branches and a funding base that is dispersed, stable and with a high degree of permanence.

From the perspective of prevention and management of liquidity risk contingency, the following points are especially considered and monitored:

- Control and containment of any possible concentration of commercial funds which, if this were to develop, could lead to a more permeable portfolio, thus reducing its stability and permanence. Regular simulations are carried out to assess impact, using conservative hypotheses regarding the stability of retail funds and without considering tenders of additional sources of funding.

- Albeit without depending on these supplementary sources of funding, in view of the structural treasury position of Crédito Agrícola Group, maintenance of financing lines with domestic and international credit institutions, which are regularly tested.
-
- Regular launch of liability products to enable maintaining the standards of permanence of the projected funds.

- Maintenance of a cushion of assets with immediate liquidity to cope with any unexpected increased cash outflow.

CA Vida's treasury situation is monitored on a daily basis, with controls on bank balances and the necessary guidelines to maintain liquidity. The prudential management of liquidity risk requires the maintenance of sufficient cash or liquid financial instruments and the possibility to close market positions. The Management monitors updated forecasts on the liquidity reserve, considering the expected cash flow. This is based on an analysis of the residual contractual maturity of the financial liabilities and obligations related to insurance contracts, and the expected date of inflows of financial assets. Specifically with regard to investment portfolios, the Management Entity conducts the daily treasury management, taking into consideration cash inflow and outflow, and the settlement of transactions on securities.

Moreover, the investment policy gives priority to the acquisition of securities traded in regulated markets.

Credit Risk

The activities developed concerning risk and capital management seek to endow Crédito Agrícola Group with capacity for credit risk management in line with best market practices, through a series of initiatives which include strong coordination with technological aspects and require the development of specific in-house skills and also ensure the necessary framework for the demanding regulatory challenges currently being experienced.

Credit risk is associated with the risk of loss arising from the inability of customers, debtors, or other counterparties to meet their contractual obligations to pay on the maturity date and in full the principal, interest, collateral, and other amounts receivable.

Credit quality for cash balances at credit institutions

The table below shows the breakdown of the balance sheet value of investments in credit institutions, with reference to 30 June 2021 and 31 December 2020, considering aggregated risk classes (low, medium, and high) associated with external ratings:

	30-Jun-21	31-Dec-20
Ratings		
Low	4,770,388	4,489,012
Medium	2,513,536	7,520,951
High	954,830	10,575,154
Without rating	49,046,148	55,777,736
	57,284,902	78,362,853

The ratings of credit institutions in the table above are considered as follows: A/AA/AA as low risk, BBB as medium risk and BB/CCC as high risk.

Exposure and impairment by segment and type of analysis

The accounting policy (Note 2.3 c)) discloses the way in which the Group evaluates: i) the significant increase in credit; ii) the definition of default; and iii) the incorporation of "forward looking" information in 3 scenarios.

Unit: thousand euros, except %

GCA	Exposure						Impairment						Coverage level		
	Collective Analysis	%	Individual Analysis	%	Total	%	Collective Analysis	%	Individual Analysis	%	Total	%	Collective Analysis	Individual Analysis	Total
Companies	**6,770,908**	**33.6%**	**838,154**	**85.6%**	**7,609,062**	**36.5%**	**118,899**	**60.9%**	**170,331**	**81.5%**	**289,250**	**72.2%**	**1.8%**	**20.3%**	**3.8%**
Business	2,020,704	10.1%	160,826	16.4%	2,181,530	10.5%	53,161	27.2%	43,848	21.0%	97,008	24.0%	2.6%	27.3%	4.4%
Large and SME	3,171,822	15.5%	425,884	43.5%	3,597,706	17.2%	42,484	21.8%	80,867	38.7%	123,351	30.5%	1.4%	19.0%	3.5%
Construction and real estate activities	1,578,382	7.9%	251,444	25.7%	1,829,825	8.8%	23,275	11.9%	45,616	21.8%	68,891	17.1%	1.5%	18.1%	3.8%
Individuals, of which:	**5,132,258**	**25.7%**	**128,190**	**13.1%**	**5,260,448**	**25.2%**	**72,265**	**37.0%**	**38,511**	**18.4%**	**110,775**	**27.7%**	**1.4%**	**30.0%**	**2.1%**
Mortgage	3,501,800	17.5%	26,597	2.7%	3,528,397	16.9%	20,428	10.5%	5,173	2.5%	25,601	6.3%	0.6%	19.5%	0.7%
Consumer	787,309	3.9%	61,090	6.2%	848,399	4.1%	36,660	18.8%	21,683	10.4%	58,343	14.4%	4.7%	35.5%	6.9%
Other	**640,850**	**3.2%**	**13,200**	**1.3%**	**654,050**	**3.1%**	**417**	**0.2%**	**62**	**0.0%**	**479**	**0.1%**	**0.07%**	0.47%	**0.07%**
Sub-total	**12,544,016**	**63.1%**	**979,544**	**100.0%**	**13,523,560**	**64.8%**	**191,581**	**98.2%**	**208,903**	**100.0%**	**400,505**	**99.2%**	**1.5%**	**21.3%**	**3.0%**
Investments in securities	**7,343,364**	**36.9%**	**0**	**0.0%**	**7,343,364**	**35.2%**	**3,421**	**1.8%**	**0**	**0.0%**	**3,421**	**0.8%**	**0.05%**	**0.00%**	**0.05%**
Total	**19,887,380**	**100.0%**	**979,544**	**100.0%**	**20,866,923**	**100.0%**	**195,002**	**100.0%**	**208,903**	**100.0%**	**403,926**	**100.0%**	**1.0%**	**21.3%**	**1.9%**

Note - The reconciliation of the balances in this table and the following is as follows:

	Gross Value	Impairment
Securities portfolio		
Financial assets at AC CA (Note 10.1)	6,269,356	3,105
	6,269,356	**3,105**
Financial assets at FVTOCI (Note 9 and 24)		
- Non-insurance activity (IFRS 9)	1,074,008	316
- Insurance activity (IAS 39)	827,474	0
	1,901,482	**316**
Financial assets at AC CA (Note 10.1)	6,269,356	3,105
Financial assets at FVTOCI (Note 9)		
- Non-insurance activity (IFRS 9)	1,074,008	316
Closing Balance	**7,343,364**	**3,421**

Credit to customers	On-balance sheet items	Off-balance sheet items
Financial assets at CA - Commercial Paper (Note 10.1)	358,487	
Financial assets at CA - Loans and advances (Note 10.2)	11,168,981	
	11,527,469	
Loan commitments granted		1,577,578
Financial guarantees granted		3,951,238
Other commitments granted		407,385
		5,936,201

	On-balance sheet items	Off-balance sheet items	Presented balance
Customer balances under review	11,567,004	1,956,556	**13,523,560**
Commissions (deferred income - Note 10.2)	(27,093)		
Commissions (deferred expenses - Note 10.2)	1,232		
Commissions received deferred (discounted commercial paper - Note 10.1)	(2,059)		
other possible liabilities (Note 22)		8,520	
Assets given as guarantee (Nota 22)		3,719,958	
Liability related to investor compensation scheme (note 22)		1,306	
Commitments undertaken by third parties - BoP)		250,000	
Modified	(11,141)		
Honoured guarantees	(393)		
Other	(81)	(138)	
	11,527,469	**5,936,201**	

The individual analysis of GCA's (Integrated System of Crédito Agrícola Mútuo) credit portfolio impairment, as at June 2021, reveals higher rates than those obtained in collective analysis. In addition to the evaluation according to the categories of financial assets, Management performs the credit risk analysis by segments, which are structured as follows: “Companies”, “Individuals” and “Others”. The information presented by segment corresponds to the categories of financial assets at amortised cost, reconciled above.

Exposure by segment and stage

Unit: thousand euros, except %

GCA	Exposure											
	Assets without significant increase in credit risk (Stage 1)	%	Assets with significant increase in credit risk (Stage 2)	%	Of which: forborne	%	Assets in default (Stage 3)	%	Of which: forborne	%	Total	%
Companies	**5,887,316**	**32.0%**	**1,030,279**	**67.0%**	**240,707**	**77.6%**	**691,467**	**74.0%**	**396,294**	**72.6%**	**7,609,062**	**36.5%**
Business	1,708,723	9.3%	230,585	15.0%	49,400	15.9%	242,222	25.9%	121,981	22.4%	2,181,530	10.5%
Large and SME	2,757,998	15.0%	581,590	37.8%	119,661	38.6%	258,118	27.6%	158,795	29.1%	3,597,706	17.2%
Construction and real estate activities	1,420,595	7.7%	218,104	14.2%	71,646	23.1%	191,126	20.5%	115,518	21.2%	1,829,825	8.8%
Individuals, of which:	**4,516,106**	**24.6%**	**501,932**	**32.6%**	**69,483**	**22.4%**	**242,410**	**26.0%**	**149,256**	**27.4%**	**5,260,448**	**25.2%**
Mortgage	3,188,664	17.3%	272,549	17.7%	23,075	7.4%	67,185	7.2%	32,513	6.0%	3,528,397	16.9%
Consumer	614,474	3.3%	120,761	7.8%	26,943	8.7%	113,164	12.1%	70,428	12.9%	848,399	4.1%
Other	**647,508**	**3.5%**	**6,542**	**0.4%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**654,050**	**3.1%**
Sub-total	**11,050,931**	**60.1%**	**1,538,752**	**100.0%**	**310,190**	**100.0%**	**933,877**	**100.0%**	**545,550**	**100.0%**	**13,523,560**	**64.8%**
Investments in securities	**7,343,364**	**39.9%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**7,343,364**	**35.2%**
Total	**18,394,295**	**100.0%**	**1,538,752**	**100.0%**	**310,190**	**100.0%**	**933,877**	**100.0%**	**545,550**	**100.0%**	**20,866,923**	**100.0%**

Note - See reconciliation of balances above

The analysis of the portfolio of GCA (Integrated System of Crédito Agrícola Mútuo), with reference to June 2021, reveals a significant weight of the company's segment, thus being the segment with the most assets in default (stage 3).

Impairment by segment and stage

Unit: thousand euros, except %

GCA	Impairment												Coverage level		
	Assets without significant increased credit risk (Stage 1)	%	Assets with significant increased credit risk (Stage 2)	%	Of which: forborne	%	Assets in default (Stage 3)	%	Of which: forborne	%	Total	%	Assets without significant increased credit risk (Stage 1)	Assets with significant increased credit risk (Stage 2)	Assets in default (Sateg 3)
Companies	**47.371**	**88,4%**	**41.987**	**82,6%**	**23.884**	**90,3%**	**199.892**	**66,7%**	**132.996**	**68,1%**	**289.250**	**71,6%**	**0,8%**	**4,1%**	**28,9%**
Business	10.759	20,0%	5.112	10,1%	1.673	6,3%	81.137	27,1%	47.759	24,5%	97.008	24,0%	0,6%	2,2%	33,5%
Large and SME	27.033	50,4%	30.586	60,2%	18.597	70,3%	65.732	21,9%	48.456	24,8%	123.331	30,5%	1,0%	5,3%	25,5%
Construction and real estate activities	9.579	17,9%	6.289	12,4%	3.615	13,7%	53.023	17,7%	36.781	18,8%	68.891	17,1%	0,7%	2,9%	27,7%
Individuals, of which:	**2.323**	**4,3%**	**8.852**	**17,4%**	**2.575**	**9,7%**	**99.600**	**33,3%**	**62.249**	**31,9%**	**110.775**	**27,4%**	**0,1%**	**1,8%**	**41,1%**
Mortgage	697	1,3%	2.412	4,7%	227	0,9%	22.492	7,5%	11.404	5,8%	25.601	6,3%	0,0%	0,9%	33,5%
Consumer	1.152	2,1%	3.992	7,9%	1.607	6,1%	53.199	17,8%	32.947	16,9%	58.343	14,4%	0,2%	3,3%	47,0%
Other	**476**	**0,9%**	**3**	**0,0%**	**0**	**0,0%**	**0**	**0,0%**	**0**	**0,0%**	**479**	**0,1%**	**0,07%**	**-**	**-**
Sub-total	**50.170**	**93,6%**	**50.843**	**100,0%**	**26.459**	**100,0%**	**299.492**	**100,0%**	**195.246**	**100,0%**	**400.505**	**99,2%**	**0,5%**	**3,3%**	**32,1%**
Investments in securities	**3.421**	**6,4%**	**0**	**0,0%**	**0**	**0,0%**	**0**	**0,0%**	**0**	**0,0%**	**3.421**	**0,8%**	**0,05%**	**-**	**-**
Total	**53.591**	**100,0%**	**50.843**	**100,0%**	**26.459**	**100,0%**	**299.492**	**100,0%**	**195.246**	**100,0%**	**403.926**	**100,0%**	**0,3%**	**3,3%**	**32,1%**

Note - See reconciliation of balances above

In the company's segment, being the segment with the largest weight in the total credit portfolio, the weight of impairments in the total exposure is higher, at 71.6%. For individual customers, the highest weight refers to the consumer credit segment, with 14.4% of total impairment.

Exposure by segment, stage and days in arrears

Unit: thousand euros

GCA	Assets without significant increase in credit risk (Stage 1)	Assets with significant increase in credit risk (Stage 2)				Assets in default (Stage 3)				Total
		≤ 30 days overdue	> 30 and ≤ 90 days overdue	> 90 days overdue	Total	≤ 30 days overdue	> 30 and ≤ 90 days overdue	> 90 days overdue	Total	
Companies	**5,887,316**	**1,017,958**	**11,982**	**338**	**1,030,279**	**505,282**	**19,865**	**166,320**	**691,467**	**7,609,062**
Business	1,708,723	228,250	2,059	277	230,585	154,460	8,621	79,141	242,222	2,181,530
Large and SME	2,757,998	577,108	4,481	0	581,590	224,267	6,256	27,596	258,118	3,597,706
Construction and real estate activities	1,420,595	212,601	5,442	61	218,104	126,556	4,988	59,582	191,126	1,829,825
Individuals, of which:	**4,516,106**	**482,528**	**18,350**	**1,054**	**501,932**	**102,937**	**15,011**	**124,462**	**242,410**	**5,260,448**
Mortgage	3,188,664	260,928	10,906	715	272,549	28,545	4,033	34,606	67,185	3,528,397
Consumer	614,474	116,057	4,398	305	120,761	43,872	7,242	62,050	113,164	848,399
Other	**647,508**	**6,542**	**0**	**0**	**6,542**	**0**	**0**	**0**	**0**	**654,050**
Sub-total	**11,050,931**	**1,507,028**	**30,332**	**1,392**	**1,538,752**	**608,219**	**34,876**	**290,781**	**933,877**	**13,523,560**
Investments in securities	**7,343,364**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7,343,364**
Total	**18,394,295**	**1,507,028**	**30,332**	**1,392**	**1,538,752**	**608,219**	**34,876**	**290,781**	**933,877**	**20,866,923**

Note - See reconciliation of balances above

Guarantees obtained by repossession and execution procedures

Unit: thousand euros

	Value at initial recognition	Accumulated negative changes
Property, plant, and equipment	**0**	**0**
Other than property, plant, and equipment	**9,954**	**-192**
Residential real estate	3,628	-111
Commercial real estate	529	0
Movable property	99	-1
Equity and debt instruments	0	0
Other	5,698	-81
Total	**9,954**	**-192**

Maximum exposure to credit risk

As at 30 June 2021 and 30 June 2021, the maximum exposure to credit risk by type of financial instrument, excluding the securities in portfolio, may be summarised as follows (values in thousand euros):

As at 30 June 2021	Maximum exposure	Collateral	Credit improvement	Total
Cash, cash balances at central banks and other demand deposits (Note 5)	3,480,506	0	0	3,480,506
Financial assets available for trading (Note 6):				0
Derivatives	351	0	0	351
Debt securities	171,513	0	0	171,513
Non-trading financial assets mandatorily at fair value through profit or loss (Note 7):	0			0
Equity instruments	44,769	0	0	44,769
Financial assets designated at fair value through profit or loss (Note 8)	9,605	0		
Financial assets at fair value through other comprehensive income (Note 9):				
Equity instruments	16,682	0	0	16,682
Debt securities	1,901,482	28,419	0	1,873,063
Financial assets at amortised cost (Note 10):				0
Debt securities	6,624,100	3,482,998	0	3,141,102
Loans and advances	10,793,974	7,983,002	1,344,671	1,466,301
Derivatives - Hedge accounting (Note 11)	195,238	0	0	195,238
	23,238,220	11,494,419	1,344,671	10,389,525
Off-balance sheet items	5,936,201	650,034	0	5,286,168
	5,936,201	650,034	0	5,286,168

As at 31 December 2020	Maximum exposure	Collateral	Credit improvement	Total
Cash, cash balances at central banks and other demand deposits (Note 5)	3,798,213	0	0	3,798,213
Financial assets available for trading (Note 6):				
Derivatives	480	0	0	480
Debt securities	18,799	0	0	18,799
Non-trading financial assets mandatorily at fair value through profit or loss (Note 7):				0
Equity instruments	44,913	0	0	44,913
Financial assets designated at fair value through profit or loss (Note 8)	31,194			
Financial assets at fair value through other comprehensive income (Note 9):				
Equity instruments	19,420	0	0	19,420
Debt securities	1,275,057	25,853	0	1,249,204
Financial assets at amortised cost (Note 10):				
Debt securities	6,259,269	3,403,668	0	2,855,601
Loans and advances	10,465,452	7,832,019	1,275,395	1,358,038
Derivatives - Hedge accounting (Note 11)	212	0	0	212
	21,913,008	11,261,540	1,275,395	9,344,880
Off-balance sheet items				
Off-balance sheet items	6,252,424	654,753	0	5,597,671
	6,252,424	654,753	0	5,597,671

Information on loans and advances with moratoriums (legislative and non-legislative) pursuant to the EBA requirements

	Gross carrying amount								
		Performing				Non-performing			
			Of which: grace period for principal and interest	Of which: exposures with forbearance measures	Of which: instruments with significantly increased credit risk since initial recognition but without credit impairment (Stage 2)		Of which: grace period for principal and interest	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratoria	2,813,148,472	2,477,103,656	1,685,018,529	184,342,100	530,244,203	336,044,817	202,935,775	242,229,090	335,106,520
of which: households	479,310,490	445,722,569	425,290,821	23,063,995	85,763,312	33,587,920	27,367,085	29,912,842	33,274,691
of which: collateralised by residential immovable property	319,470,240	306,193,988	303,659,262	8,353,522	58,479,947	13,276,251	11,956,627	11,621,224	13,052,079
of which: non-financial corporations	2,333,837,983	2,031,381,086	1,259,727,708	161,278,105	444,480,891	302,456,896	175,568,690	212,316,248	301,831,829
of which: small and medium-sized enterprises	2,272,706,777	1,970,249,881	1,214,606,424	153,815,939	428,611,533	302,456,896	175,568,690	212,316,248	301,831,829
of which: collateralised by commercial immovable property	1,732,343,010	1,475,849,668	873,222,279	137,259,373	333,983,518	256,493,343	143,436,525	192,159,693	256,159,795

	Accumulated impairment, accumulated negative changes in fair value due to credit risk									Gross carriyng amount
		Performing				Non-Performing				
			Of which: grace period for principal and interest	Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: grace period for principal and interest	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratoria	(144,684,938)	(52,643,238)	(19,248,947)	(21,241,105)	(30,156,806)	(92,041,701)	(50,796,887)	(76,538,090)	(91,770,021)	22,120,819
of which: households	(12,305,875)	(2,698,013)	(2,090,214)	(1,032,808)	(2,052,364)	(9,607,862)	(7,983,550)	(9,047,089)	(9,542,885)	422,242
of which: collateralised by residential immovable property	(5,140,181)	(1,041,722)	(1,028,951)	(191,700)	(830,837)	(4,098,458)	(3,452,448)	(3,954,411)	(4,049,376)	375,597
of which: non-financial corporations	(132,379,063)	(49,945,224)	(17,158,733)	(20,208,297)	(28,104,442)	(82,433,839)	(42,813,337)	(67,491,001)	(82,227,135)	21,698,577
of which: small and medium-sized enterprises	(131,313,089)	(48,879,250)	(16,842,617)	(20,167,379)	(27,927,790)	(82,433,839)	(42,813,337)	(67,491,001)	(82,227,135)	21,698,577
of which: collateralised by commercial immovable property	(98,375,368)	(32,024,433)	(14,667,506)	(8,922,989)	(15,268,888)	(66,350,936)	(32,764,355)	(56,187,694)	(66,290,276)	16,602,588

Overview of the moratoriums (legislative and non-legislative) pursuant to the EBA requirements

	Number of obligors		Gross book value										
				Of which: granted									
								Residual maturity of moratoria					
		Of which: granted			Of which: legislative moratoria	Of which: subject to extended moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
EBA-compliant moratoria loans and advances	**17762**	**17133**	3,243,326,816	3,050,105,485	2,609,947,290	1,912,073,753	236,957,013	2,541,024,941	78,844,021	53,882,114	18,507,069	92,160,106	28,730,221
of which: households				539,601,304	472,631,876	454,484,509	60,290,815	452,975,006	21,040,552	125,005	1,050,092	680,199	3,439,635
of which: collateralised by residential immovable property				353,065,371	319,470,240	316,029,024	33,595,131	305,579,622	13,890,617	0	0	0	0
of which: non-financial corporations				2,510,504,181	2,137,315,414	1,457,589,245	176,666,198	2,088,049,935	57,803,469	53,757,109	17,456,976	91,479,907	25,290,586
of which: small and medium-sized enterprises				2,430,992,143	2,082,563,464	1,412,467,961	158,285,366	2,033,297,985	54,348,005	53,557,034	17,456,976	89,756,650	24,290,128
of which: collateralised by commercial immovable property				1,854,826,213	1,728,726,638	1,036,943,425	122,483,202	1,681,432,956	37,863,190	375,073	5,899,999	1,799,051	4,972,741

Information on new loans and advances under public guarantee systems in the context of the Covid-19 crisis

	Gross carrying amount		Maximum value of the guarantee that can be considered	Gross carriyng amount
		Of which: exposures with forbearance measures	Public guarantee received in the context of the Covid-19 crisis	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	148,798,751	0	123,420,254	518,147
of which: households	4,751,648	0		0
of which: collateralised by residential immovable property		0		0
of which: non-financial corporations	144,047,103	0	119,142,756	518,147
of which: small and medium-sized enterprises	142,315,897	0		518,147
of which: collateralised by commercial immovable property	537,283	0		0

Governance and Control System

Crédito Agrícola Group is a cooperative financial group, composed of the Integrated System of Crédito Agrícola Mútuo which, in turn, consists of Caixa Central de Crédito Agrícola Mútuo and the Associated Caixas, and a series of specialised companies. In this context, a governance model and control system were established that accommodate the Group's characteristics. The duties of each intervenor are stipulated so as to ensure the validity and sustainability of the process of quantification of impairment, namely in terms of bodies of approval, areas of supervision and supporting areas, in particular involving:

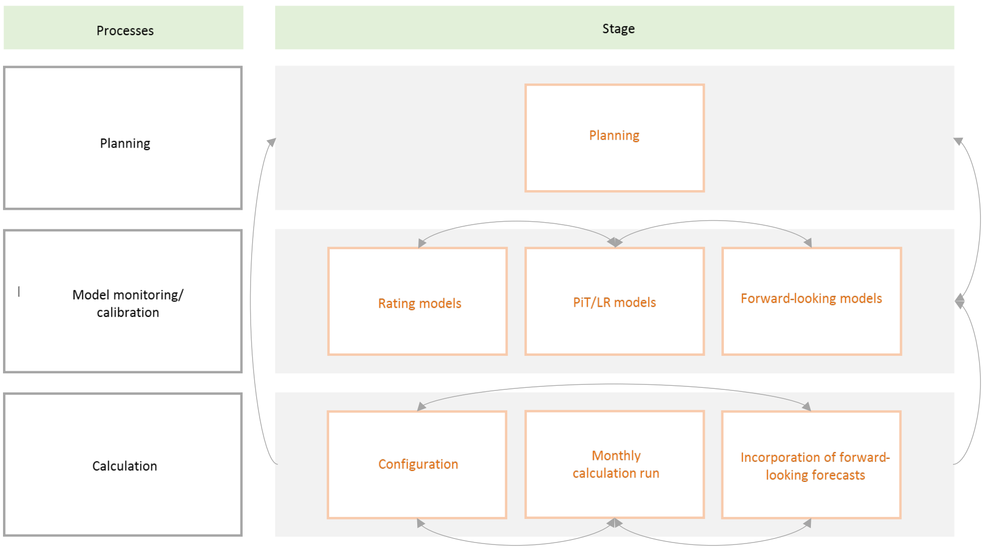
- The description of the intervenors of the process.
- Identification of the core activities associated with the process of monthly calculation of impairment losses and respective scheduling.
- Consideration of the process of recalibration of the models, configuration and updating of parameters.

In order to ensure the effective management of the impairment loss model, a cycle of activities is established by the governance model, as presented below:

i) The planning process should take place in accordance with the rules currently in force at Crédito Agrícola Group, implying the intervention of the different bodies established therein.

ii) Definition, maintenance, and approval of the necessary models for calculation of impairment losses. This process presumes a periodic review of the model's reflection of reality. Whenever the calculations are made, their result should be incorporated in the decision-making process. The management cycle of the impairment model also seeks to ensure that it continues to appropriately reflect the individual and collective impairment.

iii) The configuration and calculation of impairment losses should be done on a monthly basis at the very minimum. When the calculation is made, a quarterly report must be drawn up with the corresponding conclusions. Furthermore, the forward-looking forecasts of macroeconomic variables should be incorporated on a monthly basis.



Investment Policy

GCA has established an Investment Policy with the concepts, principles, rules, and business model applicable to the control of the activity in financial markets in concordance with the Investment Policy of Crédito Agrícola Group.

The investment policy pursues the following main purpose embodying its mission, namely ensuring that the remuneration of the available surplus liquidity is in keeping with adequate risk control in its application, in particular, credit risk, loan-to-deposit risk (i.e., lack of alignment between the permanence of assets and liabilities) and interest rate risk. This is reflected in the following general criteria:

- Investment in fixed yield securities with high credit risk quality, aimed at guaranteed repayment of capital upon maturity.
- Mitigation of the consumption of own funds.
- Maintenance of the risk of the portfolio under management at suitable levels.
- Acquisition of issues that comply with the SPPI criteria.

Business models

In the context of the financial market activity, the following business models have been defined:

i) The business model called Base Coverage of Surplus Funds (CBRE) frames the management of an investment portfolio consisting solely of financial assets whose cash flows can be considered principal and interest (SPPI), particularly public debt bonds, but not necessarily exclusively, aimed at ensuring the profitability of GCA's (Integrated System of Crédito Agrícola Mútuo) commercial resources not directly allocated to funding its lending activity. In terms of earnings, the critical aspect associated with the Base Coverage of Surplus Funds Business Model is the generation of a stable margin over the cost of the financial resources used in the financing of the portfolio. In this case, the evolution of the fair value of the financial assets is not a critical aspect in assessment of the earnings associated with the Base Coverage of Surplus Funds Business Model, and the remuneration of its managers does not depend primarily on the fair value of the portfolio. This business model aims at holding assets to receive contractual financial flows, where the assets associated with the Base Coverage of Surplus Funds Business Model should be measured at amortised cost.

ii) The business model called Coverage of TLTRO (CTLTRO) frames the management of an investment portfolio consisting exclusively of financial assets whose cash flows can be considered solely principal and interest (SPPI), particularly public debt bonds, but not necessarily exclusively, aimed at ensuring the profitability of resources obtained via participation in TLTRO II promoted by the ECB. In terms of earnings, the critical aspect associated with the Coverage of Targeted Longer-term Refinancing Operations Business Model is the generation of a stable margin over the cost of the financial resources used in the financing of the portfolio. In this case, the evolution of the fair value of the financial assets is not a critical aspect in the assessment of the earnings associated with the Coverage of Targeted Longer-term Refinancing Operations Business Model, and the remuneration of its managers does not depend primarily on the fair value of the portfolio. This business model aims at holding assets to receive contractual financial flows, where the assets associated with the Coverage of Targeted Longer-term Refinancing Operations Business Model should be measured at amortised cost.

iii) The business model called Dynamic Coverage of Surplus Funds (CDRE), complementing the Base Coverage of Surplus Funds business model, frames the management of an investment portfolio consisting exclusively of financial assets whose cash flows can be considered solely principal and interest (SPPI), particularly public debt bonds, but not necessarily exclusively. This business model aims to ensure profitability by combining the generation of net interest income as well as the net trading income of GCA's (Integrated System of Crédito Agrícola Mútuo) commercial resources not directly allocated to funding its lending activity. In terms of earnings, the critical aspect associated with the Dynamic Coverage of Surplus Funds Business Model is the combination of the generation of a stable margin over the cost of the financial resources used in the financing of the portfolio with the potential achievement of net trading income associated with sales in the case of a particularly favourable evolution of the fair value of the financial assets. This is a relevant aspect in the assessment of the earnings associated with the Dynamic Coverage of Surplus Funds Business Model, although not primarily determinant in the remuneration of its managers. This business model aims at holding assets to receive contractual financial flows and/or sell. The assets associated with the Dynamic Coverage of Surplus Funds Business Model should be measured at fair value through other comprehensive income.

iv) The business model called Dynamic Management of Own Treasury Positions (GDPPT) frames the management of a trading book consisting of financial assets whose cash flows can or cannot be considered solely principal and interest (SPPI), including derivative instruments. This business model aims to ensure profitability of own treasury positions, in particular through the achievement of net trading income. The critical aspect associated with the Dynamic Management of Own Treasury Positions Business Model is the achievement of net trading income associated with financial asset purchase and sale operations. Therefore, the evolution of the fair value of the financial assets is particularly relevant in the assessment of the earnings associated with the Dynamic Management of Own Treasury Positions Business Model, although not primarily determinant in the remuneration of its managers. The objective of this business model is not sale; hence, the assets associated with the Dynamic Management of Own Treasury Positions Business Model should be measured at fair value through profit or loss.

v) The business model called Dynamic Management of Own Treasury Positions by Third Parties (GDPPTRT) frames the management of a trading book by external institutions consisting of financial assets whose cash flows can or cannot be considered solely principal and interest (SPPI), including derivative instruments. This business model aims to ensure profitability of own treasury positions, in particular through the achievement of net trading income. The critical aspect associated with the Dynamic Management of Own Treasury Positions by Third Parties Business Model is the achievement of net trading income associated with purchase and sale operations of financial assets. Therefore, the evolution of the fair value of the financial assets is particularly relevant in the assessment of the earnings associated with the Dynamic Management of Own Treasury Positions by Third Parties Business Model, although not primarily determinant in the remuneration of its managers. The objective of this business model is not sale; hence, the assets associated with the Dynamic Management of Own Treasury Positions by Third Parties Business Model should be measured at fair value through profit or loss.

vi) The business model called Short-Term Liquidity Management (GLCP) frames the management of a portfolio of financial assets with short-term maturity whose cash flows can be considered solely principal and interest (SPPI), particularly treasury bills or equivalent assets, aimed at permitting the maintenance at all times of a comfortable level of immediate liquidity. The generation of earnings, whether associated with the generation of net interest income or the realisation of financial operations, is not particularly relevant in the Short-Term Liquidity Management Business Model. The evolution of the fair value of the financial assets is not a critical aspect of assessment of the earnings associated with the Short-Term Liquidity Management Business Model, and the remuneration of its managers does not primarily depend on the fair value of the portfolio. The assets associated with the Short-Term Liquidity Management Business Model should be measured at fair value through other comprehensive income.

vii) The business model called Operations of the Corporate Area (OPAE) frames structured loans by Caixa Central's Corporate Department (DE) in the form of securitised loans, consisting of financial assets whose cash flows can be considered capital and interest ("SPPI"). In the case of operations that have their origin in the credit activity of the corporate area, they are allocated to the respective cost centre. In terms of earnings, the critical aspect associated with the Operations of the Corporate Area Business Model is the generation of a stable margin over the cost of the financial resources used in the financing of the portfolio. In this case, the evolution of the value of the financial assets is not a critical aspect in assessment of the earnings associated with the Operations of the Corporate Area Business Model, and the remuneration of its managers does not depend on the fair value of the portfolio. The generation of net trading income is not a relevant factor in the Operations of the Corporate Area Business Model. This business model aims at holding assets to receive contractual financial flows, where the assets associated with the Operations of the Corporate Area Business Model should be measured at amortised cost.

Management of the activity in financial markets

Considering the regulatory changes introduced by IFRS 9, it was decided that it was necessary to promote the internal development of an appropriate system for management of activity in financial markets, which incorporates processes of identification, measurement, analysis and monitoring of investments. To this end, under the aforesaid Policy, organisational and control procedures were developed, which shall be reviewed and updated at least annually or whenever considered necessary, with a view to prudent risk management. In the process of acquisition of debt instruments, there are managers responsible for accomplishing the SPPI test, ensuring the correct classification of the securities in the appropriate business models, compliance with the limits presented in the Investment Policy, the correct justification of exclusion from sales of indicators on the frequency of sales, if applicable, and the annual process of monitoring the frequency and amount of sales to check compliance with the business model of each portfolio.

Fair value of financial assets and liabilities

The comparison between the fair value and book value of the main assets and liabilities, recorded at amortised cost, as at 30 June 2021 and 31 December 2020, is presented in the table below (in thousand euros):

Insurance activity (IAS 39)

	30-Jun-2021		
	Balances analysed		
	Book value	Fair value	Difference
Assets			

Financial assets at FVTPL	9,657	9,657	-
Financial assets at FVTOCI	844,156	844,156	-
Financial assets at amortised cost	-	-	-
	853,813	853,813	-
Liabilities			
Other liabilities - Insurance contracts	29,171	29,171	-
	29,171	29,171	-

	31-Dec-20		
	Balances analysed		
	Book value	Fair value	Difference
Assets			
Financial assets at FVTPL	31,194	31,194	-
Financial assets at FVTOCI	890,518	890,518	-
	921,712	921,712	-
Liabilities			
Other liabilities - insurance contracts	25,926	25,926	-
	25,926	25,926	-

All other activities (IFRS 9)

	30-Jun-2021		
	Balances analysed		
	Book value	Fair value	Difference
Assets			
Cash, cash balances at central banks and other demand deposits	3,480,506	3,480,506	-
Financial assets held for trading	171,864	171,864	-
Non-trading financial assets mandatorily at fair value through profit or loss	44,769	44,769	-
Financial assets at FVTOCI	1,074,008	1,074,008	-
Financial assets at amortised cost	17,408,074	18,320,723	912,649
Derivatives - Hedge accounting	195,238	195,238	-
	22,374,459	23,287,108	912,649
Liabilities			
Financial liabilities measured at amortised cost	21,233,525	21,575,311	341,786
Derivatives - Hedge accounting	200,241	200,241	-
	16,564,134	21,775,552	341,786

	31-Dec-20		
	Balances analysed		
	Book value	Fair value	Difference
Assets			
Cash, cash balances at central banks and other demand deposits	3,798,213	3,798,213	-

Financial assets held for trading	19,278	19,278	-
Non-trading financial assets mandatorily at fair value through profit or loss	44,913	44,913	-
Financial assets at FVTOCI	403,960	403,960	-
Financial assets at amortised cost	16,724,721	17,804,273	1,079,552
Derivatives - Hedge accounting	211,768	211,768	-
	21,202,852	22,282,405	1,079,552
Liabilities			
Financial liabilities at amortised cost	20,287,942	20,739,088	451,146
Derivatives - Hedge accounting	214,991	214,991	-
	20,502,932	20,954,079	451,146

The main considerations on the fair value of the financial assets and liabilities are as follows:

- For on demand balances, it was considered that the book value corresponds to fair value.
- The fair value of the remaining instruments was determined based on discounted cash flow models, considering the contractual conditions of the operations involved and using appropriate interest rates for the type of instruments, which included:

  a) Market interest rates;

  b) Interest rates applied in operations granted by the Group for comparable types of credit;

  c) Reference interest rates for issue of products for retail placement.

  d) Interest rates applied in intergroup operations conducted under the Legal System of Crédito Agrícola, namely the taking of funds from the Associated Caixas for centralised investment at Caixa Central.

Specific curves were used based on the application of the Euribor/Swap curve as at 30 June 2021 of the average spreads for operations carried out in the last three months prior to 30 June 2021. The following rates were applied:

	Euribor - Euribor / Swap	Credit Spread: Individuals	Credit Spread: Business	Mortgage Loan Spread	Spread: Customer Funds	Spread: Funds of Other Credit Institutions
1 day (overnight)	(0.50%)	4.78%	2.32%	1.30%	0.54%	0.58%
1 month(s)	(0.56%)					
2 month(s)	(0.55%)					
3 month(s)	(0.54%)					
4 month(s)	(0.53%)					
5 month(s)	(0.52%)					
6 month(s)	(0.51%)					
9 month(s)	(0.50%)					
12 month(s)	(0.49%)					
2 year(s)	(0.48%)					
3 year(s)	(0.45%)					
4 year(s)	(0.39%)					
5 year(s)	(0.31%)					
8 year(s)	(0.01%)					
10 year(s)	0.13%					
15 year(s)	0.38%					
20 year(s)	0.50%					
30 year(s)	0.50%					

As established in IFRS 13, for purposes of presentation, the financial instruments recorded in the balance sheet at fair value are classified according to the following hierarchy:

Level 1 – Prices in active markets
This level includes financial instruments valued based on active market prices (enforceable bids), disclosed through trading platforms;

Level 2 – Valuation techniques based on market data
This level considers financial instruments valued by inhouse models which use observable market data, namely interest rate or exchange rate curves.
These are currency forwards valued in accordance with the future cash flows method which updates the contractual flows using the interest rate curves of each currency observable in the market.

Level 3 - Valuation techniques using inputs not based on observable market data
This level includes financial instruments valued based on in-house valuation methods essentially considering inputs not observable in markets with significant impact on the valuation of the instrument or valued based on indicative bids calculated by third parties through valuation models. Internal valuation is based on the net position of the institution.

As at 30 June 2021 and 31 December 2020, the method of calculation of the fair value of the financial instruments reflected in the financial statements can be summarised as follows:

Insurance activity (IAS 39)

	30-Jun-21			
		Valuation Techniques		
	Prices in active market (1)	Market data (2)	Models (3)	Total
Financial assets at FVTPL	3,290,854	6,359,166	7,107	9,657,128
Financial assets at FVTOCI	827,474,326	2,119,190	14,562,737	844,156,252
	830,765,180	8,478,356	14,569,844	853,813,380

	31-Dec-20			
		Valuation Techniques		
	Prices in active market (1)	Market data (2)	Models (3)	Total
Financial assets at FVTPL	9,183,865	22,004,003	6,069	31,193,937
Financial assets at FVTOCI	871,097,792	4,817,839	14,602,430	890,518,061
	880,281,657	26,821,842	14,608,499	921,711,998

Non-insurance activity (IFRS 9)

	30-Jun-21			
		Valuation Techniques		
	Prices in active market (1)	Market data (2)	Models (3)	Total
Financial assets held for trading	171,512,926	351,011	-	171,863,937
Non-trading financial assets mandatorily at FVTPL	-	180,885	44,587,714	44,768,599
Financial assets at FVTPL		-	-	0
Financial assets at FVTOCI	1,074,008,050	-	-	1,074,008,050
Financial assets at amortised cost	6,266,250,931	-	-	6,266,250,931
	7,511,771,907	531,896	44,587,714	7,556,891,517
Financial liabilities held for trading	-	307,793	-	307,793
	-	307,793	-	307,793

	31-Dec-20			
		Valuation Techniques		
	Prices in active market (1)	Market data (2)	Models (3)	Total
Financial assets held for trading	18,798,911	479,568	-	19,278,479
Financial assets at FVTPL		-	-	0
Non-trading financial assets mandatorily at FVTPL	-	-	44,913,407	44,913,407
Financial assets at FVTOCI	403,959,004	-	-	403,959,004
Financial assets at amortised cost	5,920,707,412			5,920,707,412
	6,343,465,328	479,568	44,913,407	6,388,858,303
Financial liabilities held for trading	-	416,359	-	416,359
	-	416,359	-	416,359

(1) Apart from the financial instruments listed on the stock exchange, this category includes securities valued based on active market prices, disclosed through trading platforms (Level 1).

(2) Valuation based on market interest rates, namely interest rate curves, swap curves and exchange rates (Level 2).

This category includes instruments valued using quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active, or other valuation techniques in which all inputs are directly or indirectly observable from market data;

(3) Corresponds to securities valued through indicative bids disclosed by the issuer (Level 3).
This category includes financial instruments where the valuation technique includes inputs not based on unobservable data and the unobservable inputs have a significant effect on the valuation of the instrument. This category includes instruments that are valued on the basis of similar income quotations where there is a need for significant unobservable adjustments or assumptions to reflect the differences between the instruments.

Concentration Risk

Concentration risk management principles and policies

1. Risk management at GCA

Risk management is one of the priority areas for the Group, in recognition of its decisive impact in the creation of value.

The Executive Board of Directors of Caixa Central is responsible for defining the overall strategy on risk-taking, incorporating measurable goals relative to the risk that is intended to be taken and the desired profitability.

The Overall Risk Department (hereafter also referred to as DRG) and the Asset, Liability and Capital Committee (ALCCO), working closely with the other areas with responsibility in the field, play a crucial role in the definition of policies and procedures for risk management, subject to the approval of the Executive Board of Directors of Caixa Central.

1.1 Duties of the Overall Risk Department

In terms of risk management, Caixa Central, through the Overall Risk Department, is responsible for defining the overall principles and policies on risk management. This is accomplished by the development and provision of instruments for analysis and support to decision-making, calculation of impairment on a consolidated basis, ICAAP (Internal Capital Adequacy Assessment Process), design of models and systems to support the risk function, creation of rules and establishment of guidelines for procedures and processes.

The Overall Risk Department is responsible for supervising credit risk management and coordinating the management of all the other risks, from a strategic perspective. On the other hand, the Credit Risk Department (DRC) is responsible for assuring the operationalisation of the policies defined by the Overall Risk Department concerning credit risk at Caixa Central, with its local management being entrusted to the Associated Caixas.

Concerning concentration risk, DRG is responsible for the execution of the Concentration Risk Management Model: identification of the relevant variables for the assessment, measurement of the associated concentration and preparation of in-house and external reporting.

In the process of identifying, assessing, and monitoring Concentration Risk, the Overall Risk Department is also responsible for drawing up the reporting established in Bank of Portugal Instruction 23/2007, so as to enable calculation of the Individual Concentration Index stipulated in Bank of Portugal Instruction 5/2011.

1.2 Duties of the Asset, Liability and Capital Committee (ALCCO)

ALCCO is chaired by Caixa Central and includes various departments and bureaus directly responsible for:

1) Control of the activities related to the Balance Sheet of Caixa Central and GCA.
2) Risk control by production of management, accounting and reporting information for Caixa Central and GCA.

Among the duties performed by the ALCCO, it is particular entrusted with the following in the context of risk management:

- Assessment and on-going monitoring of the different financial risks (namely, concentration risk) to which GCA and Caixa Central are subject, ensuring their measurement and control based on predefined methods and indicators.
- Proposal to the Executive Board of Directors on pertinent risk thresholds for asset and liability management.

With regard to Concentration Risk, ALCCO is responsible for supervising the management of concentration in financial risks (in particular, interest rate risk, exchange, liquidity, and market risk) with the contribution of the Financial Department, as well as monitoring overall concentration risk for the Group in coordination with the Overall Risk Department.

1.3 Duties of the Monitoring and Supervision Department

The duties of the Monitoring and Supervision Department (DAS), in the context of risk management, is to monitor and guide the management of the Associated Caixas, especially in terms of risk-taking policy.

Regarding the management of concentration risk, the Monitoring and Supervision Department is responsible for coordination between the Caixa Central bodies (DRG and ALCCO) and the Associated Caixas, with the latter being responsible for local management of concentration risk.

2. Integration of best practices in concentration risk management

According to the guidelines of the Basel Committee, the CEBS (Committee of European Banking Supervisors), institutions should implement a systematic practice for management of concentration risk, including identification, assessment, adjustment, monitoring and control.

The Basel Committee presents two alternative approaches to the management of concentration risk: basic approach (one-dimensional methodologies for assessment of concentration risk) and an advanced approach (use of internal models of economic capital which should adequately measure concentration risk, but which are sometimes limited by lack of data).

2.1 Measurement of concentration risk: implemented approach

GCA has progressively been implementing the management of concentration risk, and this will continue to receive the Group's attention and effort in the medium term.

The assessment of concentration risk (under the responsibility of the Overall Risk Department) is based on an appraisal of the credit, investment, and funding portfolios, according to the different variables of relevance from a single and multi-dimensional point of view, using the Herfindahl and Gini indexes, as well as the Relative Weight of the Exposures. Where pertinent, a coefficient for the correlation of variables is also used in order to explore possible connections between variables at risk or to relate internal variables with the actual situation.

GCA's objective is to assure the permanent enhancement of the robustness of the methods use in concentration risk management.

2.2 Monitoring of concentration risk

GCA has established a Management Model to serve as a framework for monitoring and controlling concentration risk, by means of periodic review of the conducted concentration analyses and the implementation of risk prevention or corrective measures.

3. Common features that identify each concentration

Analysis of credit risk concentration

The concentration risk was analysed in the Portfolio of Loans and Advances to Customers of GCA (Integrated System of Crédito Agrícola Mútuo), as considered for the Group's prudential reporting (concerning loans and advances to customers). The concept of exposure considered for the concentration analysis was the balance of the operation that has been used (which means the sum of the outstanding and overdue principal). This differs from the concept considered in the Annex to Instruction 5/2011 (in the calculation of the Index of Sectorial Concentration and the Index of Individual Concentration): Total Amount (sum of the balance used and the unused credit limits).

Single dimension analyses are conducted ((Region, Product Group, Rate, Guarantee, Customer, Activity Sector, Total Period, Residual Period) as well as multi-dimensional analyses (Product Group by Region, Activity Sector by Region and Guarantee by Product Group) of exposure to concentration risk. The multi-dimensional analysis by Product Group and Region aims to assess the level of concentration of the portfolio of loans and advances to customers based in each region of the country in terms of distribution by Product Group. The multi-dimensional analysis by Activity Sector and Region aims to assess the level of concentration of the portfolio of loans and advances to customers based in each region of the country in terms of distribution by Activity Sector (classification of economic activity - CAE). Within each multi-dimensional analysis mentioned, three regions were especially selected for concentration analysis. On a final note, the multi-dimensional analysis by Guarantee and Product Group aims to assess the level of concentration of the portfolio of loans and advances to customers of a specific product group in terms of distribution by type of guarantee involved. For this last analysis, two product groups were chosen for concentration analysis.

3.1 Analysis by region

The "Region" variable was chosen to analyse the geographic concentration risk in Portugal, with the Domicile Branch having been considered as a reference for the region of the operation. The regions follow the classification in NUTS III, of the National Statistical Institute (INE).

An analysis was made of the correlation between the distribution of the portfolio of loans and advances to customers by region and the GDP variable by region.

Another correlation analysis was made between the weight of the number of GCA Branches per region and the distribution of the GCA (Integrated System of Crédito Agrícola Mútuo) credit portfolio by region.

A further correlation analysis was made between the weight of customer credit and the proportion of impairment, by region.

It was also considered pertinent to compare the distribution of the GCA (Integrated System of Crédito Agrícola Mútuo) credit portfolio with the Portuguese banking sector.

3.2 Analysis by product group

The concentration of the distribution of the customer credit portfolio was analysed by type of Product Group.

The correlation was analysed between the weight of Customer Credit and the proportion of Impairment by Product Group.

3.3 Analysis by type of rate

A distribution of the Portfolio was drawn up (Weight by type of Rate: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.4 Analysis by guarantees

The customer credit portfolio concentration was analysed by type of guarantee, considering just one of the Guarantees available and recorded in the system, selected according to its relevance in a conceptually established hierarchy. The distribution of the Portfolio was drawn up and analysed (Weight by type of Guarantee: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

The correlation was analysed between the weight of Customer Credit and the proportion of Impairment by Guarantee.

3.5 Analysis by type of customer

The distribution of the Portfolio was drawn up (Weight by type of customer: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

The correlation was analysed between the weight of Customer Credit and the proportion of Impairment by Customer.

It was considered pertinent to compare the distribution of credit by type of customer at GCA (Integrated System of Crédito Agrícola Mútuo) with the Portuguese banking sector.

3.6 Analysis by economic activity sector (CAE)

The distribution of the Portfolio was drawn up (Weight by economic activity classification: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

The correlation was analysed between the weight of Customer Credit to Non-financial Companies in the Banking Sector and the GCA (Integrated System of Crédito Agrícola Mútuo) Credit Portfolio.

3.7 Analysis by total period

The distribution of the Portfolio was drawn up (Weight by Total Period bracket: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

It was considered pertinent to compare the distribution of credit by operation period at GCA (Integrated System of Crédito Agrícola Mútuo) with the Portuguese banking sector.

3.8 Analysis by residual period

The distribution of the Portfolio was drawn up (Weight by Residual Period bracket: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.9 Analysis by company size

The analysis by company size sought to investigate the concentration of credit granted by type of “Company” customer at Crédito Agrícola. In this study, the companies are distributed by turnover. “Large companies” have a turnover of more than 50 million euros, “Medium-sized companies” between 10 and 50 million euros, “Small” between 2 and 10 million euros, and “Micro companies” less than 2 million euros.

The distribution of the Portfolio was drawn up (Weight by Company Size: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.10 Analysis by product group in the Greater Lisbon Region

The multi-dimensional analysis by Product Group in the Greater Lisbon Region aims to assess the level of concentration of the credit portfolio based in this region in terms of its distribution by Product Group.

The regions of Lisbon, the West and the Algarve were selected due to showing highest concentration in the single dimension analysis of GCA's (Integrated System of Crédito Agrícola Mútuo) credit portfolio by region.

The distribution of the Portfolio was drawn up (Weight by Product Group in Lisbon: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.11 Analysis by product group in the West Region

The multi-dimensional analysis by Product Group in the West Region aims to assess the level of concentration of the credit portfolio based in this region in terms of its distribution by Product Group.

The distribution of the Portfolio was drawn up (Weight by Product Group in the West: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.12 Analysis by product group in the Algarve Region

The multi-dimensional analysis by Product Group in the Algarve Region aims to assess the level of concentration of the credit portfolio based in this region in terms of its distribution by Product Group.

The distribution of the Portfolio was drawn up (Weight by Product Group in the West: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.13 Analysis by activity sector in the Lisbon Region

The multi-dimensional analysis by Activity Sector in Lisbon aims to assess the level of concentration of the credit portfolio based in the Lisbon region in terms of its distribution by Activity Sector.

The distribution of the Portfolio was drawn up (Weight by Activity Sector in Lisbon: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.14 Analysis by activity sector in the West Region

The multi-dimensional analysis by Activity Sector in the West aims to assess the level of concentration of the credit portfolio based in the West region in terms of its distribution by Activity Sector.

The distribution of the Portfolio was drawn up (Weight by Activity Sector in the region: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.15 Analysis by activity sector in the Algarve Region

The multi-dimensional analysis by Activity Sector in the Algarve aims to assess the level of concentration of the credit portfolio based in the West region in terms of its distribution by Activity Sector.

The distribution of the Portfolio was drawn up (Weight by Activity Sector in the region: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.16 Analysis by type of guarantee for credit for business activity

The multi-dimensional analysis by Type of Guarantee for credit granted to companies to finance their business aims to assess the level of concentration of the credit portfolio of this product group in terms of its distribution by Type of Guarantee.

The distribution of the Portfolio was drawn up (Weight by Type of Guarantee for Credit for Business Activity: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

3.17 Analysis by type of guarantee for credit for business investments

The multi-dimensional analysis by Type of Guarantee for credit granted to companies for investment purposes aims to assess the level of concentration of the credit portfolio of this product group in terms of its distribution by Type of Guarantee.

The distribution of the Portfolio was drawn up (Weight by Type of Guarantee for Credit for Business Investment: Balance Used and Production of Credit in the current year) and compared with the profit or loss of the analysis of Balance Used, Overdue Credit and Total Amount.

Analysis of credit risk concentration of the portfolio of resources

4.1 Analysis by region

The "Region" variable was chosen to analyse the geographic concentration risk of the portfolio of resources in Portugal.

The correlation was analysed between the weight of the number of Branches per region and the distribution of the GCA's (Integrated System of Crédito Agrícola Mútuo) portfolio of resources per region.

The correlation was also analysed between the Distribution of Deposits and Equivalent by District in Portugal (Banking Sector) and GCA (Integrated System of Crédito Agrícola Mútuo).

4.2 Analysis by product group

The concentration of the distribution of the portfolio of resources was analysed by type of Product Group.

4.3 Analysis by customer

The concentration of the distribution of the portfolio of resources was analysed by type of Customer, between individuals and companies, with the latter being divided by type of economic activity.

The correlation was also analysed between the weight of each type of Customer in Portugal (Banking Sector) and at GCA (Integrated System of Crédito Agrícola Mútuo).

The correlation was also analysed between the types of customers of funds at other credit institutions and in the GCA (Integrated System of Crédito Agrícola Mútuo) Portfolio of Resources by Institutional Sector.

4.4 Analysis by activity sector

The concentration of the distribution of the portfolio of resources was analysed by Activity Sector.

4.5 Analysis by residual period

The concentration of the distribution of the portfolio of resources was analysed by Residual Period.

4.6 Analysis by amount

The concentration of the distribution of the portfolio of resources was analysed by category of Amount.

4.7 Analysis by residual period for category of amount: 5 to 25 thousand euros

A multi-dimensional analysis was made of the concentration of the distribution of the portfolio of resources associated to the category of Amount of 5 to 25 thousand euros by residual period.

The categories of amount with significant concentration were selected, following their single dimension analysis.

4.8 Analysis by residual period for category of amount: 25 to 50 thousand euros

A multi-dimensional analysis was made of the concentration of the distribution of the portfolio of resources associated to the category of Amount of 25 to 50 thousand euros by Residual Period.

The categories of amount with significant concentration were selected, following their single dimension analysis.

<u>Analysis of liquidity risk concentration</u>

The Concentration Risk was analysed for the Integrated System of Crédito Agrícola Mútuo Balance Sheet headings. The concept of exposure considered for the analysis of concentration was the cash flow as at 31 December 2013.

The analysis is made according to the residual maturity of the Asset and Liability headings and Liquidity Gap.

1. ANALYSIS OF THE ASSETS

Total Assets were analysed from the perspective of their residual maturity. The same was done for the most representative/concentrated headings.

2. ANALYSIS OF THE LIABILITIES

The Total Liabilities were analysed from the perspective of their residual maturity. The same was done for the most representative/concentrated headings.

3. LIQUIDITY GAP ANALYSIS

The Liquidity Gap was analysed from the perspective of its residual maturity (Positive Gap and Negative Gap).

Specific risks of insurance activity

Insurance companies incur risks through insurance contracts, which are classified in the category of specific insurance risk.

Type of specific insurance risk

Specific insurance risk includes the risks inherent to the marketing of insurance contracts, associated to product design and pricing, the process of subscription and provisioning for liabilities, and the management of claims and reinsurance. These risks are applicable to all activity branches and can be subdivided into different sub-risks:

a) Product design risk: risk of an insurance company taking on risky exposure derived from features of products that had not been anticipated during the phase of design and definition of the price of the contract.

b) Premium risk: related to claims to occur in the future, relative to policies currently in force, whose premiums have already been charged or are fixed. The risk is that the premiums that have already been charged or are fixed may prove insufficient to cover all the future liabilities derived from these contracts (under-pricing).

c) Subscription risk: risk of exposure to financial loss related to selection and approval of the risks to be insured.

d) Provisioning risk: this is the risk that the constituted provisions for claims prove insufficient to meet costs related to claims that have already been submitted.

e) Claims rate risk: this is the risk that more claims may be submitted than expected, or that some claims have costs that are much higher than expected, leading to unexpected losses.

f) Retention risk: this is the risk that a higher retention of risks (less reinsurance protection) may cause losses due to the occurrence of catastrophic events or higher claim rate.

There is also catastrophic risk, derived from extreme events which imply the devastation of property, or the death/injury of people, generally due to natural disasters (earthquakes, hurricanes, floods). This is the risk that a single event, or series of enormous events, normally in a short period (up to 72 hours), implies a significant deviation in the number and cost of claims, in relation to what had been expected.

Management of specific insurance risk

Specific insurance risk is managed by the Companies through operating procedures with embedded preventive control and detection, highly automated, run by skilled staff and with clear responsibilities for senior management:

a) Product design (new products and changes to existing products) and pricing, which identifies the risks derived from the coverage and sums insured, defines systems to determine premiums, checks the adequacy of the reinsurance programme associated to new products, verifies compliance with legal rules and standards and in-house regulations, conducts a full test programme, and defines the training plan and outsourcing of services associated to the new product. The prices applied to risks are adjusted according to pricing factors, which enables assessing the risk level associated to each insurance contract, determined on the basis of technical actuarial studies.

b) Distribution and management of the risk portfolio, which includes definition of the subscription policies, levels of delegation of power in acceptance of risk, incentive schemes for sales and the subscription of new insurance, and the procedures for portfolio management and review of premiums. The rules for accepting risk are stipulated in the supporting IT systems and blocking and warning mechanisms are established whenever any of these rules are broken. In cases where there are conditions attached to risk acceptance, the subscription is made centrally, with written evidence of the conditions and the person responsible for the decision.

c) Provisioning, under which the technical provisions are defined and managed, assuring coverage of the Company's obligations towards insured persons and claimants, based on studies assessing the adequacy of provisions prepared regularly by the appointed actuary.

d) Claims management, under which payments are made to claimants, assuring: (i) the treatment and management of claims in a timely fashion; (ii) rigorous compliance with the law, regulations, and in-house rules; (iii) minimisation of the average cost of claims, without compromising the fair treatment of all claimants and injured persons.

e) Reinsurance management, which carries out the specification, implementation, monitoring, reporting and control of treaties and other conditions agreed with the reinsurers. The reinsurance policy plays a crucial role in mitigating specific insurance risks, enabling greater stabilisation of net income and solvency levels, the more efficient use of the available capital and an increase in the Company’s capacity to take on risks.

The management of specific insurance risk is also backed by a variety of studies carried out by the technical office and by the actuaries in charge, analysing the adequacy of the pricing, identifying the types of risk and the most profitable segments, and determining suitable value for the technical provisions.

49. Prudential ratios

From 1 January 2014 onwards, the solvency of European banking has been assessed through the Common Equity Tier 1 (CET1) ratio, under the Basel III Agreement.

On 30 June 2021, Crédito Agrícola Group's own funds reached 1,791 million euros, representing a reinforcement of 103.5 million euros in relation to the same period of the previous year. The main level 1 own funds ratio (Common Equity Tier 1) stood at 17.9%, as did the level 1 own funds ratio (Tier 1). Overall, the total capital ratio was at the same percentage 17.9%, clearly meeting the minimum requirements set by the regulator.

Million euros, except %	Jun-21	Dec-20
Total Own Funds [c]	**1,791,087**	**1,820,949**
Common equity tier 1	1,791,087	1,820,062
Level 1 Own Funds (Tier 1)	1,791,087	1,820,062
Level 2 Own Funds (Tier 2)	0	887
Exposure value [b]	**24,260,534**	**23,329,220**
Risk weighted exposure amounts	**10,031,989**	**9,855,509**
Credit	9,044,984	8,861,164
Market	45,235	52,147
Operational	920,732	921,153
Credit valuation adjustment (CVA)	21,039	21,044
RWA Density	47.35%	42.08%
Solvency ratios [a]		
Common equity tier 1	17.85%	18.47%
Tier 1	17.85%	18.47%
Total	17.85%	18.48%
Leverage ratio	8.45%	7.81%
Liquidity coverage ratio (LCR)	380.4%	433.5%

(a) The ratios are calculated in accordance with the rules of Directive 2013/36/EU (CRD IV - Capital Requirements Directive) and Regulation (EU) 575/2013 (CRR – Capital Requirements
(b) Includes on-balance sheet, off-balance sheet and derivative positions, net of impairment.
(c) Incorporates net income for the period, except June 2021

Note: Unaudited information

The metrics and indicators used by Crédito Agrícola Group as to how to monitor Capital are as follows:

Indicator	Risk Profile	Warning Limit
Ratio of Common Equity Tier 1	>13%	10.5%
Ratio of Total Own Funds	>13.75%	13.0%
Leverage Ratio	>6%	4%

50. Resolution Fund

Under the banking resolution mechanisms implemented over the last few years at a European level, the credit institutions of Crédito Agrícola Group, like most of the credit institutions operating in Portugal, are participants in the Portuguese Resolution Fund and in the European Single Resolution Fund.

a) Portuguese Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law 31-A/2012 of 10 February, which is ruled by the Legal Framework of Credit Institutions and Financial Companies (RGICSF) and by its regulation. Its mission is to provide financial support to the resolution measures applied by Bank of Portugal, in the capacity of national resolution authority, and to perform all other duties entrusted by the law concerning the execution of these measures.

The credit institutions of Crédito Agrícola Group make contributions to the Resolution Fund which result from the application of a rate defined annually by Bank of Portugal based essentially on the amount of their liabilities.

Under its responsibility as the supervisory and resolution authority of the Portuguese financial sector, Bank of Portugal, on 3 August 2014, decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), under number 5 of article 145-G of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), which consisted of the transfer of most of its assets to a transition bank, named Novo Banco, S.A. ("Novo Banco"), created especially for the purpose.

The Resolution Fund provided 4,900 million euros for the payment of the share capital of Novo Banco, of which 377 million euros corresponded to its own financial resources. A loan of 700 million euros was also granted by a banking syndicate to the Resolution Fund, with the participation of each credit institution having weighted according to various factors, including its size. The remaining amount (3,823 million euros) came from a repayable loan granted by the Portuguese State.

In December 2015, the national authorities decided to sell the majority of the assets and liabilities associated with the activity of Banif – Banco Internacional do Funchal, S.A. ("Banif") to Banco Santander Totta, S.A. ("Santander Totta"), for 150 million euros, also in the context of the application of a resolution measure. This operation involved an estimated public support of 2,255 million euros, aimed at covering future contingencies, with 489 million euros financed by the Resolution Fund and 1,766 million euros directly by the Portuguese State. In the context of this resolution measure, the assets of Banif which were identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the issue of bonds representing the debt of this vehicle, of the value of 746 million euros, backed by the Resolution Fund and counter-backed by the Portuguese State.

The resolution measures applied in 2014 to BES (a process that gave rise to the creation of Novo Banco) and in 2015 to Banif generated uncertainties related to the risk of litigation involving the Resolution Fund, which is significant, as well as the risk of a possible insufficiency of resources to ensure compliance with the liabilities, in particular the repayment in the short-term of the contracted loans.

It was in this scenario that, in the second semester of 2016, the Portuguese Government reached an agreement with the European Commission to change the conditions of the loans granted by the Portuguese State and banks participating in the Resolution Fund, so as to preserve financial stability via the promotion of conditions conferring predictability and stability to the effort of contributing to the Resolution Fund. To this end, a formal amendment was made to the financing contracts of the Resolution Fund which introduced a series of alterations to the repayment plans, remuneration rates and other terms and conditions associated with these loans so that they should be adjusted to the Resolution Fund's capacity to fully comply with its obligations based on its own regular income. This means, without requiring that the banks participating in the Resolution Fund should be charged special contributions or any other type of exceptional contribution.

According to the press release of the Resolution Fund dated 31 March 2017, the review of the conditions of the loans granted by the Portuguese State and participant banks sought to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable, and affordable charge for the banking sector. Based on this review, the Resolution Fund assumed that the full payment of the Resolution Fund's liabilities is assured, as well as the respective remuneration, without requiring special contributions or any other type of exceptional contributions by the banking sector.

On 31 March 2017, Bank of Portugal also disclosed that the Lone Star Fund had been selected to purchase Novo Banco. This purchase was completed on 17 October 2017, with the new shareholder having injected 750 million euros, which will be followed by a new capital entry of 250 million euros, to be paid up over the next three years. The Lone Star Fund now holds 75% of the share capital of Novo Banco and the Resolution Fund holds the remaining 25%.

Moreover, the approved conditions include a contingent capitalisation mechanism, under the terms of which the Resolution Fund, as shareholder, can be called upon to inject capital in the event of certain cumulative conditions materialising, related to: (i) the performance of a restrictive set of assets of Novo Banco, and (ii) the evolution of the bank's capitalisation levels, namely the foreseen issue on the market of 400 million euros of Tier 2 equity instruments. Any capital injections that may be made pursuant to this contingent mechanism are subject to an absolute maximum limit.

On 31 May 2021, the banks granted a loan to the Resolution Fund, in the form of an opening and simple credit, up to a maximum amount of 475 million euros, exclusively intended to provide the Fund with the financial resources necessary to comply with requirements from the Contingent Capitalization Agreement in the years 2021 and 2022. Caixa Central granted 4.275 million euros.

Notwithstanding the possibility established in the applicable legislation of charging special contributions, in view of the renegotiation of the conditions of the loans granted by the Portuguese State and by a banking syndicate, in which Caixa Central is included, and the press releases made by the Resolution Fund and by the Office of the Minister of Finance which refer to this possibility not being used, the present financial statements reflect the Board of Directors' expectation that GCA (Integrated System of Crédito Agrícola Mútuo) will not be required to make special contributions or any other type of exceptional contributions to finance the Resolution Fund. Any significant changes in relation to this matter could have relevant implications for GCA's financial statements.

b) European Single Resolution Fund

In addition to the Portuguese Resolution Fund, as mentioned above, Crédito Agrícola also participates in the European Single Resolution Fund.

The European Single Resolution Fund, financed by the European banking sector, is intended to support the resolution of banks at risk or situations of insolvency, after having depleted other options such as the internal recapitalisation of the institutions.

The European Single Resolution Fund is an integral part of the Single Resolution Mechanism, which is the European system for resolution of non-viable banks. In the Single Resolution Mechanism, the responsibility for the resolution of credit institutions is shared between the Single Resolution Board and the national resolution authorities of the Member States of the euro zone, among which Bank of Portugal, and other countries of the European Union that decide to join the Banking Union. The Single Resolution Mechanism seeks to ensure the orderly resolution of banks in situations of insolvency at minimum costs for taxpayers and the real economy.

The Single Resolution Mechanism became fully operational on 1 January 2016.

51. Subsequent events

In the current context, bearing in mind the activity carried out and the information available at the present date, the Executive Board of Directors of Caixa Central does not estimate any additional material effects at the level of the individual financial statements for the second half of 2021, arising from the subsequent event related to the impact of the Covid-19 pandemic.

Given the uncertainty that still lingers in relation to the magnitude of the effects arising from the pandemic, which will still depend on future developments, the Executive Board of Directors of Caixa Central is unable to make an adequately reliable estimate of the future impacts of the coronavirus on the national economy and in particular on the activity and financial situation of Caixa Central and Crédito Agrícola Group, beyond those mentioned and quantified throughout the Report and Notes to the Financial Statements.

The Executive Board of Directors of Caixa Central will continue to monitor the situation on a regular basis and promote the updating of estimates based on information that arises internally and externally, based on the various external sources to which it has access, in order to adopt the most appropriate response, impact mitigation and/or recovery measures to the estimated or verified impacts.

52. Review Report on the Interim Condensed Consolidated Financial Statement

Review Report on the Interim Condensed Consolidated Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Grupo Crédito Agrícola (composed by Caixa Central – Caixa Central de Crédito Agrícola Mútuo, CRL (Caixa Central), related Caixas de Crédito Agrícola Mútuo and subsidiaries) (the Group), which comprise the interim condensed consolidated balance sheet as at 30 June 2021 (which shows total assets of Euros 24.456.860 thousand and a total shareholder's equity of Euros 1.972.703 thousand, including a net profit of Euros 96.456 thousand), the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and the accompanying explanatory notes to these interim condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 – Interim Financial Reporting, as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed consist primarily in making inquiries and applying analytical procedures, and subsequently evaluating the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with the International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these interim condensed consolidated financial statements.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Basis for qualified conclusion

The Group has prepared interim condensed consolidated financial statements for the first time, for the six-month period ended 30 June 2021. Hence, the comparative figures for the six-month period ended 30 June 2020 were not audited or reviewed. However, based on the audit procedures performed throughout 2020 for the completion of the year audit, it should be noted that, concerning the comparative figures recorded in the income statement, we acknowledged an undervaluation of the "*Impairments or (-) reversal of impairments on financial assets not measured at fair value through profit or loss*" of some Euro 22.2 million, as well as an overvaluation of the "*Provisions or (-) reversal of provisions*" of some Euros 16.8 million.

Nevertheless, the findings described above were properly adjusted in the Group's audited financial statements for the year ended 31 December 2020.

Qualified conclusion

Based on our review, except for the effects of the matter referred to in paragraphs above in the "Basis for qualified conclusion" section, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Grupo Crédito Agrícola as at 30 June 2021 are not prepared, in all material aspects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting, as adopted by the European Union.

18 October 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

Aurélio Adriano Rangel Amado, R.O.C.