

# PRESS RELEASE



## Consolidated results

1<sup>st</sup> Quarter 2018 (\*)

(Unaudited financial information)

1st Quarter 2018 confirms CGD to be on the right track, with a consolidated net profit of €68 million

- Following the successful conclusion of the first year of the CGD 2020 Strategic Plan, CGD started 2018 with a quarter of clear progression in its path towards profitability, efficiency and asset quality.
- Consolidated net income reached €68.0 million, exceeding the negative €38.6 million in the same quarter last year, and the €51.9 million obtained for the entirety of 2017.
- Special reference should be made to the following:
  - CGD Portugal's net interest income of €182.9 million, was up 6.1% over the same period of the preceding year despite the drop in consolidated net interest income (-1.1%), adversely impacted by foreign exchange effects.
  - commissions were up 9.4% (+€9.9 million) in first quarter 2018 over the end of March 2017. In Portugal, the 13.8% increase reflect the measures of the strategic plan implemented in 2017.
  - the 11.3% reduction (- €30.5 million) in recurring operating costs<sup>(1)</sup> derived from the consistent action on employee costs (-8.4%), general administrative costs (-12.5%) and depreciation and amortisation (-28.1%).
  - the reduced cost of credit risk of 0.22% reflecting net credit impairments of €33.4 million for the quarter.

(EUR Million)

CONSOLIDATED ACTIVITY	2017-03	2018-03	Y-o-Y Change
Net interest income	300	297	-1%
Net inter. income incl. inc. from equity investm.	305	304	0%
Net fees and commissions	106	116	9%
Net trading income	79	28	-65%
Total operating income	457	434	-5%
Recurrent operating costs <sup>(1)</sup>	269	239	-11%
Net core operating inc. before imp. <sup>(1)</sup>	136	173	27%
Provisions and impairments	108	13	-88%
Net income	-39	68	-

- The core operating result was up 27.3% over March 2017 to €173.0 million. Cost-to-core income evolved favourably, reaching 58.0%. Both indicators benefited from the already referred to growth of commissions and implementation of cost reductions.
- Net income for 1st quarter 2018 was €68 million, impacted by €10.7 million from non-recurring costs net of tax.
- The evolution of CGD's asset quality was favourable, with NPLs (non performing loans) according to the EBA's definition, down €592 million (or 7.5% over December 2017), given the positive evolution of sales, cures and recoveries.

<sup>(1)</sup> Excluding the non-recurring costs of employee reduction programmes for a total amount of €58.0 million in 1<sup>st</sup> quarter 2017 and €58.5 million in 1<sup>st</sup> quarter 2018.

- CGD reduced its NPL by €3.3 billion in the last five quarters, down 30.9% when compared to December 2016.
- The NPL ratio stood at 11.4% at the end of the quarter, with impairment and collateral coverage of 60.1% and 44.4% respectively at the same date (total coverage of 104.5%).
- CGD's activity continued to benefit from customer resources stability, which amounted to €68,868 million from domestic activity, including off-balance sheet products (investment and pensions funds, financial insurance and OTRV) which amounted to € 19,479 million.
- The liquidity position at the end of March 2018 was highly favourable, with an LCR (liquidity coverage ratio) of 241.3% and providing CGD eligible assets included in the Eurosystem pool amounting to €13.5 billion.
- The phased-in and fully implemented CET1 ratios, in March, were both 13.6%. The phased-in Tier 1 and Total ratios stood at 14.7% and 15.3%, respectively, easily complying with the capital requirements in force for CGD.
- These capital ratios include the full impacts of the implementation of IFRS 9 (-0.25%), the phased-in ratio for 2018 (-0.06%) and the deduction of irrevocable commitments associated with mandatory contributions (-0.35%). The reduction of risk-weighted assets across the quarter produced an increase of 0.25%.
- The track set by CGD to fulfill the objectives of the Strategic Plan for 2018, evidenced clear progress in the first quarter of 2018.

(<sup>1</sup>) The March 2017 values have been restated, considering BCG Espanha, BCG Brasil and CGD Investimentos CVC as a non-current asset held for sale. Mercantile Bank Holdings was already reclassified as such since December 2016. The whole analysis in this document was done comparably to the March 2017 restated accounts.

# 1. MAIN INDICATORS

CGD CONSOLIDATED	Restated	
BALANCE SHEET AND P&L INDICATORS (EUR million)	2017-03	2018-03
Net assets	97,535	90,902
Loans and advances to customers (net)	58,199	53,762
Customer resources	67,231	62,242
Total operating income	457	434
Net core operating Income before impairments <sup>(1)</sup>	136	173
Net income	-39	68
<b>PROFIT AND EFFICIENCY RATIOS</b>		
Gross return on equity - ROE <sup>(3) (4)</sup>	2.6%	7.5%
Net return on equity - ROE <sup>(4)</sup>	-1.9%	3.8%
Gross return on assets - ROA <sup>(3) (4)</sup>	0.2%	0.6%
Net return on assets - ROA <sup>(4)</sup>	-0.1%	0.3%
Return on tangible equity (ROTE)	-2.8%	3.5%
Total operating income / Average net assets <sup>(3) (4)</sup>	1.9%	1.9%
Employee costs / Total operating income <sup>(3) (4)</sup>	47.2%	46.1%
Employee costs recurrent / Total core operating income <sup>(1) (2)</sup>	39.4%	35.5%
Cost-to-income BoP <sup>(3)</sup>	71.0%	67.0%
Cost-to-income <sup>(2) (3)</sup>	58.4%	53.8%
Cost-to-core income <sup>(2) (5)</sup>	66.5%	58.0%
<b>CREDIT QUALITY AND COVER LEVELS <sup>(6)</sup></b>		
NPL ratio - EBA	15.3%	11.4%
NPE ratio - EBA	11.7%	8.9%
NPL coverage - EBA	53.2%	60.1%
NPE coverage - EBA	53.3%	59.0%
Forborne ratio for loans and advances - EBA	8.9%	6.2%
Coverage ratio on forborne loans and advances - EBA	96.0%	100.0%
Cost of credit risk <sup>(*)</sup>	0.13%	0.22%
<b>STRUCTURE RATIOS</b>		
Loans & adv. customers (net) / Net assets	59.7%	59.1%
Loans & adv. customers (net) / Customer deposits <sup>(3)</sup>	86.8%	86.5%

Note: Indicators calculations according to glossary at:

[https://www.cgd.pt/English/Investor-Relations/Other-information/Glossary/Other-versions/Documents/Glossary\\_10MAY2018.pdf](https://www.cgd.pt/English/Investor-Relations/Other-information/Glossary/Other-versions/Documents/Glossary_10MAY2018.pdf)

Solvency and credit quality ratios as of end-March 2018 are estimated, subject to change upon their definitive calculation. Solvency ratios include Net income of the period.

(1) Net core operating Income before impairments = Total operating income of core activity - Operating Costs; Total operating income of core activity = Net interest income + net fees and commissions; (2) Excluding the non-recurring costs of employee reduction programmes for a total amount of €58.0 million in 1st quarter 2017 and €58.5 million in 1st quarter 2018.; (3) Ratios defined by the Bank of Portugal (instruction 6/2018); (4) Considering average shareholders' equity and net asset values (13 observations); (5) Operating costs /Total operating income of core activity; (6) Prudential perimeter, except when marked with (\*)

CGD CONSOLIDATED		
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR) <sup>(1)</sup>	2017-03	2018-03
<i>CET 1 (phased-in)</i>	12.3%	13.6%
<i>Tier 1 (phased-in)</i>	13.3%	14.7%
Total (phased-in)	14.2%	15.3%
<i>CET 1 (fully implemented)</i>	12.0%	13.6%
<i>Liquidity coverage ratio</i>	229.7%	241.3%
OTHER INDICATORS		
Number of branches - CGD Group	1,210	1,137
Number of branches - CGD Portugal (Physical branches from individuals network)	650	587
Number of employees - Domestic activity	8,896	8,071
Number of employees - CGD Portugal	8,145	7,521

CGD RATING	Short Term	Long Term
FitchRatings	B	BB-
Moody's	N/P	Ba3
DBRS	R-2 (mid)	BBB (low)

(1) Prudencial perimeter

## 2. CONSOLIDATED INFORMATION

### RESULTS

Net interest income in first quarter 2018, was down 1.1% by €3.3 million over the preceding year to €296.5 million. This evolution derived from the fact that the 19.7% reduction of €54.6 million in funding costs was insufficient to offset the 10.00% decrease of €57.9 million in interest received. In terms of consolidated net income, the devaluation of the Angolan Kwanza and Macanese Pataca against the Euro (-30% and -14%, respectively, when considering the average exchange rate for 2018 first quarter compared to the average exchange rate for the same quarter of 2017) had a strong impact on the evolution measured in local currency.

CGD Portugal's net income of €182.9 million, was up 6.1% over the same period of the preceding year.

RESULTS	(EUR Million)			
	Restated 2017-03	2018-03	Change	
			Total	(%)
Net interest income	299.8	296.5	-3.3	-1.1%
Net inter. income incl. inc. from equity investm.	304.7	303.8	-0.9	-0.3%
Net fees and commissions	105.6	115.5	9.9	9.4%
Total operating Income	457.4	433.8	-23.6	-5.2%
Operating costs	327.5	297.5	-30.0	-9.2%
Net operating income before impairments	129.9	136.3	6.4	4.9%
Net core operating income before impairments <sup>(1)</sup>	135.9	173.0	37.1	27.3%
Credit impairment (net)	22.4	33.4	10.9	48.8%
Provisions and impairments of other assets (net)	85.9	-20.8	-106.7	-
Net operating income	21.6	123.8	102.2	473.0%
Net income	-38.6	68.0	106.7	-

(1) Excluding non-recurrent costs.

The results from services and commissions in first quarter 2018 were up 9.4% by €9.9 million, over the end of March 2017 to €115.5 million, having benefited from the 13.8% increase in commissions (net) in Portugal, reflecting the measures of the strategic plan implemented in 2017 and a new bancassurance agreement.

Results from financial operations, at the end of first quarter 2018, amounted to €27.6 million in comparison to €78.6 million recognised in the same period 2017. The March 2018 results essentially derived from profit on foreign exchange operations and capital gains on securities, in a context of a relative stability in long-term interest rates, in comparison to the same period of the preceding year.

CGD's total operating income for the quarter, heavily influenced by the referred to evolution of results from financial operations, was down €22.7 million over the same quarter 2017 to €433.8 million given the high figure recorded in 2017.

Total operating costs, in March 2018, were down 9.2% by €30.0 million over the same quarter 2017 to €297.5 million. Employee costs across the same period, were impacted by non-recurring costs of €58.5 million related to the employee redundancy policy (by the use of the provision constituted in 2017).

Recurring operating costs were down €30.5 million (11.3%). This derived from the consistent action on employee costs (down 8.4%), general administrative costs (down 12.5%) and depreciation and amortisation (down 28.1%).

Translating the operational efficiency posted in the first quarter, cost-to-income (excluding non-recurring costs) was down from 58.4% in 2017 to 53.8% in 2018, as a consequence of the referred to good performance of recurring total operating costs components. Cost-to-core income, which also excludes results from financial operations was down 8.5 percentage points from 66.5% to 58.0%, having benefited from the already referred to growth of commissions and implementation of cost reductions.

Net operating income before impairments was up 4.9% by €6.4 million over the same period 2017 to €136.3 million. The core operating result <sup>(1)</sup> fuelled by the referred to reduction of total operating costs, was up 27.3% by €37.1 million over March 2017 to €173.0 million.

Provisions and impairments for the period amounted to €12.6 million, against €108.3 million in March 2017, the latter amount having been heavily impacted by the provisions set up on the disposal of international activities.

The cost of credit risk of 0.22% in March 2018, reflecting net credit impairments of €33.4 million for the quarter, up €11 million over March 2017.

The evolution of provisions and impairments significantly impacted first quarter operating results of €123.8 million, against a negative €21.6 million for the same quarter 2017.

Tax for the period totalled €73.7 million, of which €34.8 million comprised the special banking sector contribution.

The results from held-for-sale subsidiaries, were up 29.0% by €3.1 million to €13.9 million.

As a reflection of the various above referred to items, the consolidated net result of €68.0 million, was up €106.7 million in comparison to losses of €38.6 million in the same quarter of the preceding year.

---

(1) Net interest income + results of services and commissions – recurring structural costs

## BALANCE SHEET

CGD's consolidated net assets were down 6.8% by €6,633 million over the end of the same quarter 2017 to €90,902 million at the end of first quarter 2018.

Securities investments, including assets with repurchase agreements, at 31 March 2018, were up €62 million over March 2017 to €16,097 million. This was offset by loans and advances to customers (net), which, strongly influenced by the action on NPLs, were down 8.0% in comparison to the same period 2017.

BALANCE SHEET - Main headings	(EUR Million)				
	Restated			Change	Change
	2017-03	2017-12	2018-03	2018-03 vs. 2017-03	2018-03 vs. 2017-12
				(%)	(%)
Net assets	97,535	93,248	90,902	-6.8%	-2.5%
Cash and loans and advances to credit institutions	8,255	8,348	7,549	-8.6%	-9.6%
Securities investments <sup>(1)</sup>	16,035	15,804	16,097	0.4%	1.9%
Loans and advances to customers (net) <sup>(1)</sup>	58,432	55,255	53,762	-8.0%	-2.7%
Loans and advances to customers (gross) <sup>(1)</sup>	63,684	59,811	58,150	-8.7%	-2.8%
Central banks' and credit institutions resources	4,494	4,043	4,217	-6.2%	4.3%
Customer resources	67,231	63,631	62,242	-7.4%	-2.2%
Debt securities	4,058	4,051	3,222	-20.6%	-20.5%
Shareholders' equity	7,827	8,274	8,054	2.9%	-2.7%

(1) Includes assets with repo agreements.

Total liabilities were down 2.5% by €2,126 million over December 2017. Special reference should be made to the 2.2% reduction of €1,389 million in customer resources and 20.5% reduction of €829 million in debt securities.

The 2.1% reduction of €1,359 million in customer deposits to €62,140 million at the end of March 2018 mainly derived from international activity in which they were down 10.5% by €1,174 million, reflecting the withdrawals of deposits of institutional customers in Macau.

CGD retained its leading position in the domestic market, both in total deposits with a market share of 26.3% as in individual customers' deposits with a market share of 29.7% in February 2018.

RESOURCES TAKEN	(EUR Million)				
	Restated			Change	Change
	2017-03	2017-12	2018-03	2018-03 vs. 2017-03	2018-03 vs. 2017-12
				(%)	(%)
<b>Balance sheet</b>	<b>77,258</b>	<b>72,753</b>	<b>70,707</b>	<b>-8.5%</b>	<b>-2.8%</b>
Central banks' & cred instit. resources	4,494	4,043	4,217	-6.2%	4.3%
Customer deposits (Consolidated)	67,078	63,499	62,140	-7.4%	-2.1%
Domestic activity	54,306	52,319	52,135	-4.0%	-0.4%
International activity	12,772	11,180	10,005	-21.7%	-10.5%
Covered bonds	3,778	3,851	3,020	-20.1%	-21.6%
EMTN and other securities	1,755	1,228	1,228	-30.0%	0.0%
Other	153	132	102	-33.4%	-23.0%
<b>Off-balance sheet</b>	<b>16,714</b>	<b>19,210</b>	<b>19,479</b>	<b>16.5%</b>	<b>1.4%</b>
Investment funds	3,434	3,928	4,059	18.2%	3.3%
Real estate investment funds	963	972	984	2.2%	1.2%
Pension funds	3,611	3,770	3,747	3.8%	-0.6%
Financial insurance	7,270	7,639	7,803	7.3%	2.1%
OTRV Portuguese Governm. Bonds	1,435	2,901	2,887	101.1%	-0.5%
<b>Total</b>	<b>93,972</b>	<b>91,963</b>	<b>90,186</b>	<b>-4.0%</b>	<b>-1.9%</b>
<b>Total resources (domestic activity) <sup>(1)</sup></b>	<b>68,512</b>	<b>68,781</b>	<b>68,868</b>	<b>0.5%</b>	<b>0.1%</b>

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

Total resources taken from domestic activity at the end of March 2018 amounted to €68,868 million, up by a year-on-year 0.5%, particularly influenced by the performance of off-balance sheet products with a 16.5% increase of €2,765 million and especially investment funds with an 18.2% increase of €624 million over the same period of the preceding year, allowing CaixaGest to reaffirm its leading position with an expressive market share of 32.7% in February 2018.

Loans and advances to customers (gross – including repurchase agreements) were down 2.8% over last December to €58,150 million at the end of March 2018, with loans to CGD Portugal's corporate and individual customers down 2.9% and 1.3%, respectively. Special reference should be made, as regards this reduction, to the process involving the reduction of non-productive exposures through disposals and a higher rate of repayment of loans in comparison to new agreements following deleveraging by national economic agents.

LOANS AND ADVANCES TO CUSTOMERS	(EUR Million)				
	Restated			Change	Change
	2017-03	2017-12	2018-03	2018-03 vs. 2017-03	2018-03 vs. 2017-12
				(%)	(%)
<b>CGD Portugal</b>	<b>52,056</b>	<b>48,826</b>	<b>47,933</b>	<b>-7.9%</b>	<b>-1.8%</b>
Corporate	17,717	15,706	15,252	-13.9%	-2.9%
General government	5,665	5,117	4,930	-13.0%	-3.7%
Institutionals and other	1,004	1,254	1,345	34.0%	7.3%
Individual customers	27,670	26,750	26,407	-4.6%	-1.3%
Mortgage loans	26,769	25,861	25,530	-4.6%	-1.3%
Other	901	889	877	-2.7%	-1.3%
<b>Other CGD Group companies</b>	<b>11,629</b>	<b>10,985</b>	<b>10,217</b>	<b>-12.1%</b>	<b>-7.0%</b>
<b>Total</b>	<b>63,684</b>	<b>59,811</b>	<b>58,150</b>	<b>-8.7%</b>	<b>-2.8%</b>

Note: Gross loans and advances to customers, including repurchase agreements.

In February, CGD received the second €150 million tranche, of a total loan of €300 million, from the European Investment Bank for the purpose of strengthening finance at special rates, both as regards maturity and interest rates, to SMEs (small and medium-sized enterprises) for the setting up of investment projects. This tranche will constitute the “Caixa BEI 2018” line, extension of the “Caixa BEI 2017” line, of which only 5% has not yet been drawn. In line with the strategy of increasing its market share of this segment, CGD has undertaken to complement this line of credit by at least the same amount, facilitating SMEs' access to credit and promoting economic growth and job creation in Portugal.

CGD had a 20.4% share of the credit market in February 2018 (16.4% for corporate loans and 25.2% for mortgage lending).

The loans-to-deposits ratio remained stable at 86.5% in March 2018 (86.8% in March 2017), as a reflection of the marked preference shown by CGD's deposit customers even allowing for an environment of low interest rates.

The evolution of CGD's asset quality was favourable, with NPLs (non performing loans) according to the EBA's definition, down €592 million (or 7.5% over December 2017), given the positive evolution of sales, cures and recoveries. The NPL ratio stood at 11.4% at the end of the quarter, with impairment and collateral coverage of 60.1% and 44.4% respectively at the same date (total coverage of 104.5%).

NPL, NPE and COVERAGE	Consolidated		CGD Portugal	
	2017-03	2018-03	2017-03	2018-03
Gross ratios				
NPE <sup>(1)</sup>	11.7%	8.9%	13.0%	9.9%
NPL <sup>(2)</sup>	15.3%	11.4%	16.8%	12.6%
Coverage by impairments				
NPE	53.3%	59.0%	55.3%	61.1%
NPL	53.2%	60.1%	55.9%	62.6%

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

## LIQUIDITY

Its comfortable liquidity situation has allowed CGD Portugal, since June 2016, to keep its liabilities to the European Central Bank (ECB) unchanged at €2 billion. The amount of CGD's assets portfolio eligible for the ECB collateral pool also remained relatively unchanged at €12 billion in March 2018, in comparison to the end of 2017.

On a CGD Group level, resources obtained from the ECB were slightly down from €3.5 billion in December 2017 to €3.4 billion, following the repayment of €70 million of MROs (Main Refinancing Operations). The assets portfolio eligible for the Eurosystem pool was also slightly down from €13.7 billion in December 2017 to €13.5 billion in March 2018.

The outstanding balance on the covered bonds programme was down across the first quarter to around €4.5 billion in March, following the maturity of a €750 million issuance, without the need for a refinancing. The outstanding balance on the EMTN programme, following a downwards trajectory in the maturity of several issuances, stabilised at €926 million across the first months of the year.

The liquidity position at the end of March 2018 was highly favourable, with an LCR (liquidity coverage ratio) of 241.3%. This exceeded regulatory requirements and the average for the European Union banks.

## SOLVENCY

Consolidated shareholders' equity was down €220 million over December 2017 to €8,054 million at 31 March 2018. Other reserves and retained earnings were down largely due to the full implementation of IFRS 9 since CGD chose not to make use of the phasing-in option.

SHAREHOLDERS' EQUITY	Restated		
	2017-03	2017-12	2018-03
Share capital	3,844	3,844	3,844
Other capital instruments	500	500	500
Revaluation reserves	109	395	309
Other reserves and retained earnings	3,042	3,098	2,991
Non-controlling interests	371	385	343
Net income	-39	52	68
<b>Total</b>	<b>7,827</b>	<b>8,274</b>	<b>8,054</b>



Other equity instruments for the amount of €500 million, refer to the market issuance of additional tier 1 funds at the end of March 2017.

The phased-in and fully implemented CET 1 ratios, in March, were both 13.6%. The phased-in Tier 1 and Total ratios stood at 14.7% and 15.3%, respectively, easily complying with the capital requirements in force for CGD.

SOLVABILITY	Phased-in		Fully Implemented	
	2017-12	2018-03	2017-12	2018-03
CET I	14.0%	13.6%	14.0%	13.6%
Tier I	15.1%	14.7%	15.0%	14.6%
Total	15.7%	15.3%	15.2%	14.9%

These capital ratios include the full impacts of the implementation of IFRS 9 (- 0.25%), the phased-in ratio for 2018 (-0.06%) and the deduction of irrevocable commitments related with mandatory contributions (-0.35%). The reduction of risk-weighted assets across the quarter produced an increase of 0.25%.

In this quarter, DG Comp (European Commission) agreed to the future issuance of CGD Tier 2 debt as a form of compliance with the subordinated debt requirement included in the Recapitalization Plan.

## RELEVANT EVENTS

### Digital banking

CGD initiated a comprehensive, ambitious, digital transformation programme across first quarter 2018 comprising the strategic definition and an action plan to materialise its ambition to become a benchmark operator in terms of innovation in financial services.

Based on the implementation of this programme and with the aim of improving customers' accessibility to digital solutions, in first quarter 2018 was launched the App *Caderneta* (Bank Passbook) a digital version of the CGD Bank Passbook particularly geared to the senior citizens' segment.

In terms of total internet banking customers, at the end of the quarter, CGD Group had 2 million private and corporate clients in the domestic and international markets. In Portugal, the Caixadirecta service grew by 141 thousand new customers thus reaching a total of 1.5 million customers. CGD has a 46% market share in the number of internet banking customers in Portugal (Basef Internet Banking study, by Markttest, average for 2017), twice the share of each of its two closest competitors. Additionally, the Caixadirecta Particulares app had around 540 thousand registered customers comprising around 50% of the total number of accesses to Caixadirecta.

Also in this quarter a new service was launched allowing customers to open their accounts by videocall.

### Conta Caixa accounts

In terms of day-to-day offer, customers have continued to express their preference for "Conta Caixa", as a multiproduct solution comprising a current account, online transfers, credit and debit cards and insurance. A total number of 1,170,000 "Conta Caixa" accounts were open by end March – an additional 270,000 accounts over the end of 2017.

### Encontros Fora da Caixa conferences

Following the 10 events carried out in 2017, in the first three months of 2018, CGD continued its

initiative "Encontros Fora da Caixa" in various locations nationwide (Castelo Branco, Aveiro, Lisbon and Évora), dealing with issues of regional interest while offering its contribution to a strategic vision for companies and the country, with the participation of more than 2,350 CGD customers.

### Caixa Empreender Award

This first quarter, not forgetting the fundamental role played by CGD in Portuguese society, witnessed the 3rd edition of Caixa's Empreender Award, in which the most promising start-up projects promoted by CGD, through Caixa Capital, were represented, with a prize of 100 thousand euros for the most promising start-up.

### Agência Móvel (Mobile Branch) – a proximity service

With the launch of its second mobile branch in first quarter 2018, Caixa now operates in 33 locations in the municipal districts of Castelo Branco and Guarda, strengthening its banking presence by providing an innovative proximity and convenience service, with adequate levels of service to meet the needs of inhabitants and customers.

### Prizes and distinctions

Across the first quarter of 2018, the following awards and distinctions were attributed distinguishing CGD Group's activity in retail banking, investment banking and fund management:

- CGD – Most Recognised Brand in the Portuguese banking sector in 2018 first quarter, according to the BASEF studies (by Marktest) and BrandScore (by Grupo Consultores).
- CGD – Best Retail Bank Portugal 2017, by EMEA Finance English magazine, in its Europe Banking Awards 2017;
- CaixaBI - Best Investment Bank in Portugal 2017, by English EMEA Finance magazine, in its Europe Banking Awards 2017;
- CaixaBI - Best Investment Bank in Portugal 2018, by the US Global Finance magazine, in its World's Best Investment Banks;
- Caixagest – Best Global Domestic Manager, by Morningstar, one of the world's leading experts on fund information, a distinction which it had already received in 2015 and which covers its global supply of funds;
- Caixagest - Best Domestic Bond Manager, by Morningstar, for the fourth consecutive year.

### 3. DOMESTIC AND INTERNATIONAL ACTIVITY

Domestic activity's contribution to CGD Group's net result in first quarter 2018 totalled €29.6 million against a negative €88.3 in the same period of the preceding year.

(EUR Million)

DOMESTIC ACTIVITY	Restated		
CONTRIBUTION TO CONSOLIDATED P&L (*)	2017-03	2018-03	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	192.6	204.2	6.0%
Net fees and commissions	82.2	94.3	14.7%
Net trading income	67.0	20.6	-69.2%
Other operating income	-10.5	-1.1	-
<b>Total operating income</b>	<b>331.3</b>	<b>318.1</b>	<b>-4.0%</b>
Employee costs	175.7	167.1	-4.9%
Administrative expenses	73.2	64.3	-12.2%
Depreciation and amortisation	14.8	9.6	-35.0%
<b>Operating costs</b>	<b>263.7</b>	<b>241.0</b>	<b>-8.6%</b>
<b>Net operating income before impairments</b>	<b>67.6</b>	<b>77.1</b>	<b>14.0%</b>
Credit impairment (net)	23.8	14.4	-39.6%
Provisions and impairments of other assets (net)	87.3	-14.8	-
<b>Net operating income</b>	<b>-43.5</b>	<b>77.6</b>	<b>-</b>
Income Tax	48.1	57.3	19.1%
<b>Net operating inc. after tax and before non-controlling interests</b>	<b>-91.6</b>	<b>20.3</b>	<b>-</b>
Non-controlling interests	0.7	1.0	34.8%
Results of associated companies	4.0	10.3	155.4%
<b>Net income</b>	<b>-88.3</b>	<b>29.6</b>	<b>-</b>

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

Reference should be made to the 6.0% increase in net income, including income from equity instruments over the first quarter of the preceding year and the results from services and commissions which were up 14.7% to €94.3 million.

Total operating costs were down 8.6% to €241.0 million in first quarter 2018 and include the non-recurring costs of €58.5 million (€58.0 million in March 2017) of employee redundancy programmes. Excluding non-recurring costs, the reduction of employee costs would have been 7.7% and 11.3% in the case of structural costs.

In continuing to implement its strategic plan 2017-2020, in first quarter 2018, the number of CGD Portugal employees was down 168. The number of branches in Portugal (with face-to-face services for individual customers) remained unchanged at 587 since the start of 2018.

There was also a positive level of performance in terms of net credit impairment which was down 39.6% over the same period 2017, to €14.4 million. Inversely, tax accounts for the year, in turn, amounted to €57.3 million – up 19.1% over March 2017.

The reduction of provisions for the year essentially resulted from €84 million in provisions for the disposal of international activities in 2017 which did not exist in 2018.

(EUR Million)

INTERNATIONAL ACTIVITY	Restated		
CONTRIBUTION TO CONSOLIDATED P&L (*)	2017-03	2018-03	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	114.6	100.0	-12.7%
Net fees and commissions	23.6	21.9	-7.3%
Net trading income	8.6	6.6	-23.9%
Other operating income	-8.5	-2.2	-
<b>Total operating income</b>	<b>138.4</b>	<b>126.2</b>	<b>-8.8%</b>
Employee costs	42.1	37.8	-10.2%
Administrative expenses	27.4	23.4	-14.4%
Depreciation and amortisation	6.6	5.8	-12.5%
<b>Operating costs</b>	<b>76.1</b>	<b>67.0</b>	<b>-11.9%</b>
<b>Net operating income before impairments</b>	<b>62.3</b>	<b>59.3</b>	<b>-4.9%</b>
Credit impairment (net)	-1.3	19.0	-
Provisions and impairments of other assets (net)	-1.4	-6.0	-
<b>Net operating income</b>	<b>65.1</b>	<b>46.2</b>	<b>-29.0%</b>
Income Tax	14.9	16.4	10.1%
<b>Net operating inc. after tax and before non-controlling interests</b>	<b>50.2</b>	<b>29.8</b>	<b>-40.7%</b>
Non-controlling interests	11.3	5.4	-51.9%
Results from subsidiaries held for sale	10.7	13.9	29.0%
Results of associated companies	0.0	0.2	-
<b>Net income</b>	<b>49.6</b>	<b>38.4</b>	<b>-22.6%</b>

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

The international business area's contribution to the Group's consolidated net result for first quarter 2018 was down 22.6% over the same quarter 2017 to €38.4 million.

Notwithstanding the favourable evolution of other operating income of €6.3 million, the €14.6 million decrease in net income, including income from equity instruments severely constrained total operating income that, in March 2018, totalled €126.2 million.

This unfavourable performance of total operating income that in comparison to the same period of the preceding year was down 8.8% by €12.2 million, was partially offset by the decrease of all component parts of the operating costs of international operations. Employee costs were down 10.2% over the fourth quarter of the preceding year. General administrative costs were reduced by 14.4% with depreciation being contained at 12.5%.

In first quarter 2018 the contribution of several units to CGD Group's results was negatively conditioned by foreign exchange effects and the application of IAS 29.

The largest contributors to the consolidated net result were particularly BNU Macau (€15.3 million), France branch (€6.6 million) and BCI Moçambique (€6.6 million)

## 4. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET	Restated			Change 2018-03 vs. 2017-03		Change 2018-03 vs. 2017-12	
	2017-03	2017-12	2018-03	Total	(%)	Total	(%)
<b>ASSETS</b>							
Cash and cash equiv. with central banks	4,267	4,621	4,177	-90	-	-444	-9.6%
Loans and advances to credit instit.	3,988	3,727	3,372	-616	-15.5%	-356	-9.5%
Securities investments	15,729	15,751	15,972	243	1.5%	221	1.4%
Loans and advances to customers	58,199	55,255	53,762	-4,437	-7.6%	-1,493	-2.7%
Assets with repurchase agreement	539	53	125	-414	-76.8%	72	136.9%
Non-current assets held for sale	7,205	6,757	6,578	-627	-8.7%	-178	-2.6%
Investment properties	966	898	893	-73	-7.5%	-5	-0.5%
Intangible and tangible assets	664	669	570	-94	-14.1%	-99	-14.8%
Invest. in subsid. and assoc. companies	334	415	398	64	19.1%	-17	-4.1%
Current and deferred tax assets	2,480	2,323	2,316	-164	-6.6%	-7	-0.3%
Other assets	3,164	2,780	2,738	-425	-13.4%	-41	-1.5%
<b>Total assets</b>	<b>97,535</b>	<b>93,248</b>	<b>90,902</b>	<b>-6,634</b>	<b>-6.8%</b>	<b>-2,346</b>	<b>-2.5%</b>
<b>LIABILITIES</b>							
Central banks' and cred. instit. resources	4,494	4,043	4,217	-278	-6.2%	174	4.3%
Customer resources	67,231	63,631	62,242	-4,989	-7.4%	-1,389	-2.2%
Debt securities	4,058	4,051	3,222	-836	-20.6%	-829	-20.5%
Financial liabilities	1,512	1,060	960	-552	-36.5%	-101	-9.5%
Non-current liabilities held for sale	5,986	5,784	5,692	-294	-4.9%	-92	-1.6%
Provisions	1,163	1,288	1,400	237	20.4%	112	8.7%
Subordinated liabilities	1,474	1,028	1,026	-448	-30.4%	-2	-0.2%
Other liabilities	3,790	4,088	4,089	299	7.9%	0	0.0%
<b>Sub-total</b>	<b>89,709</b>	<b>84,974</b>	<b>82,847</b>	<b>-6,861</b>	<b>-7.6%</b>	<b>-2,126</b>	<b>-2.5%</b>
<b>Shareholders' equity</b>	<b>7,827</b>	<b>8,274</b>	<b>8,054</b>	<b>228</b>	<b>2.9%</b>	<b>-220</b>	<b>-2.7%</b>
<b>Total</b>	<b>97,535</b>	<b>93,248</b>	<b>90,902</b>	<b>-6,634</b>	<b>-6.8%</b>	<b>-2,346</b>	<b>-2.5%</b>

(EUR Thousand)

INCOME STATEMENT	Restated		Change	
	2017-03	2018-03	Total	(%)
Interest and similar income	577,751	519,855	-57,897	-10.0%
Interest and similar costs	277,973	223,335	-54,638	-19.7%
Net interest income	299,778	296,520	-3,258	-1.1%
Income from equity instruments	4,965	7,281	2,316	46.7%
<b>Net interest inc. incl. inc. from eq. investm.</b>	<b>304,743</b>	<b>303,800</b>	<b>-942</b>	<b>-0.3%</b>
Fees and commissions income	134,720	143,774	9,055	6.7%
Fees and commissions expenses	29,126	28,254	-871	-3.0%
Net fees and commissions	105,594	115,520	9,926	9.4%
Net trading income	78,626	27,550	-51,076	-65.0%
Other operating income	-31,562	-13,077	18,485	-
<b>Non-interest income</b>	<b>152,658</b>	<b>129,993</b>	<b>-22,664</b>	<b>-14.8%</b>
<b>Total operating income</b>	<b>457,400</b>	<b>433,794</b>	<b>-23,607</b>	<b>-5.2%</b>
Employee costs	217,838	204,905	-12,932	-5.9%
Administrative expenses	88,225	77,176	-11,049	-12.5%
Depreciation and amortisation	21,397	15,390	-6,006	-28.1%
Operating costs	327,459	297,472	-29,988	-9.2%
<b>Net operating income before impairments</b>	<b>129,941</b>	<b>136,322</b>	<b>6,381</b>	<b>4.9%</b>
Credit impairment (net)	22,426	33,371	10,945	48.8%
Provisions and impairments of other assets (net)	85,918	-20,809	-106,726	-
<b>Provisions and impairments</b>	<b>108,344</b>	<b>12,562</b>	<b>-95,781</b>	<b>-88.4%</b>
<b>Net operating income</b>	<b>21,598</b>	<b>123,760</b>	<b>102,162</b>	<b>473.0%</b>
<b>Income Tax</b>	<b>63,017</b>	<b>73,699</b>	<b>10,682</b>	<b>-</b>
Current	26,898	49,724	22,826	84.9%
Deferred	-643	-10,818	-10,174	-
Special contribution on the banking sector	36,762	34,792	-1,970	-5.4%
<b>Net op. inc. after tax and before non-controlling int.</b>	<b>-41,419</b>	<b>50,061</b>	<b>91,480</b>	<b>-</b>
Non-controlling interests	11,987	6,399	-5,587	-46.6%
Results of associated companies	4,022	10,515	6,493	161.4%
Results of subsidiaries held for sale	10,747	13,859	3,112	29.0%
<b>Net income</b>	<b>-38,637</b>	<b>68,035</b>	<b>106,672</b>	<b>-</b>

## 5. SEPARATE ACCOUNTS

(EUR million)

BALANCE SHEET				Change		Change	
	2017-03	2017-12	2018-03	2018-03 vs. 2017-03	2018-03 vs. 2017-03	2018-03 vs. 2017-12	2018-03 vs. 2017-12
<b>ASSETS</b>				<b>Total</b>	<b>(%)</b>	<b>Total</b>	<b>(%)</b>
Cash and cash equiv. w ith central banks	3,489	3,750	3,344	-145	-4.1%	-406	-10.8%
Loans and advances to credit inst.	4,659	4,211	4,337	-323	-6.9%	125	3.0%
Securities investments	17,599	17,337	17,439	-159	-0.9%	102	0.6%
Loans and advances to customers	51,014	48,072	47,284	-3,731	-7.3%	-788	-1.6%
Non-current assets held for sale	337	713	708	371	109.9%	-6	-0.8%
Intangible and tangible assets	386	336	328	-58	-15.1%	-8	-2.2%
Invest. in subsid. and associat. companies	4,163	3,492	3,549	-615	-14.8%	56	1.6%
Current and deferred tax assets	2,329	2,235	2,219	-110	-4.7%	-16	-0.7%
Other assets	2,875	2,027	2,007	-869	-30.2%	-20	-1.0%
<b>Total assets</b>	<b>86,852</b>	<b>82,174</b>	<b>81,339</b>	<b>-5,513</b>	<b>-6.3%</b>	<b>-835</b>	<b>-1.0%</b>
<b>LIABILITIES</b>							
Central banks' and credit inst. resources	5,891	4,847	5,004	-887	-15.1%	157	3.2%
Customer resources	59,621	56,838	56,666	-2,955	-5.0%	-171	-0.3%
Debt securities	4,091	4,053	3,222	-869	-21.2%	-831	-20.5%
Financial liabilities	0	0	955	955	-	955	-
Provisions	1,124	1,247	1,310	186	16.6%	63	5.0%
Subordinated liabilities	1,673	1,128	1,127	-547	-32.7%	-1	-0.1%
Other liabilities	7,554	6,889	5,890	-1,664	-22.0%	-999	-14.5%
<b>Sub-total</b>	<b>79,954</b>	<b>75,001</b>	<b>74,174</b>	<b>-5,781</b>	<b>-7.2%</b>	<b>-828</b>	<b>-1.1%</b>
<b>Shareholders' equity</b>	<b>6,898</b>	<b>7,173</b>	<b>7,165</b>	<b>268</b>	<b>3.9%</b>	<b>-8</b>	<b>-0.1%</b>
<b>Total</b>	<b>86,852</b>	<b>82,174</b>	<b>81,339</b>	<b>-5,513</b>	<b>-6.3%</b>	<b>-835</b>	<b>-1.0%</b>

(EUR thousand)

INCOME STATEMENT	Change			
	2017-03	2018-03	Total	(%)
Interest and similar income	431,640	381,199	-50,441	-11.7%
Interest and similar costs	230,851	177,909	-52,942	-22.9%
Net interest income	200,789	203,290	2,501	1.2%
Income from equity instruments	36,568	31,301	-5,267	-14.4%
<b>Net interest income incl. income from eq. investm.</b>	<b>237,357</b>	<b>234,591</b>	<b>-2,765</b>	<b>-1.2%</b>
Fees and commissions income	105,891	116,055	10,164	9.6%
Fees and commissions expenses	20,067	19,386	-682	-3.4%
Net fees and commissions	85,824	96,669	10,845	12.6%
Net trading income	66,456	35,419	-31,037	-46.7%
Other operating Income	-33,719	-32,512	1,207	-
<b>Non-interest income</b>	<b>118,561</b>	<b>99,576</b>	<b>-18,985</b>	<b>-16.0%</b>
<b>Total operating income</b>	<b>355,918</b>	<b>334,168</b>	<b>-21,750</b>	<b>-6.1%</b>
Employee costs	177,753	167,090	-10,663	-6.0%
Administrative expenses	68,313	60,357	-7,956	-11.6%
Depreciation and amortisation	15,338	10,168	-5,169	-33.7%
Operating costs	261,403	237,615	-23,788	-9.1%
<b>Net operating income before impairments</b>	<b>94,514</b>	<b>96,552</b>	<b>2,038</b>	<b>2.2%</b>
Credit impairment (net)	21,419	18,115	-3,305	-15.4%
Provisions and impairments of other assets (net)	5,291	-67,267	-72,558	-
<b>Provisions and impairments</b>	<b>26,710</b>	<b>-49,152</b>	<b>-75,862</b>	<b>-</b>
<b>Net operating income</b>	<b>67,804</b>	<b>145,704</b>	<b>77,900</b>	<b>114.9%</b>
<b>Income Tax</b>	<b>38,109</b>	<b>67,502</b>	<b>29,394</b>	<b>77.1%</b>
Current	11,837	32,353	20,516	173.3%
Deferred	-7,253	1,057	8,310	-
Special contribution on the banking sector	33,524	34,092	568	1.7%
<b>Net income</b>	<b>29,696</b>	<b>78,202</b>	<b>48,507</b>	<b>163.3%</b>

Lisbon, 10 May 2018

