PRESS RELEASE

Consolidated results
1st Half 2018 (*)

(Unaudited financial information)

Recapitalisation Plan concluded with Tier 2 issuance by CGD. Strategic Plan implementation with progress in profitability and asset quality.

- CGD completed the last stage of its Recapitalisation Plan for a global amount of €4,944 million with its recent issuance of €500 million Tier 2 own funds securities, in June 2018;

- At the same time, CGD's consolidated activity continued to be positively impacted by the current implementation of its Strategic Plan which generated a positive net income of €194.1 million in first half 2018, equivalent to a ROE[1] (return on equity) of 5.7%;

- Core operating income reached €367.3 million, up 29.9% over first half 2017;

- This level of return, in line with the CGD's Strategic Plan for 2018 (5%), reflects the following evolution:

  - CGD Portugal's net interest income which was up 5.8% over first half 2017 to €367.2 million. Consolidated net interest income, impacted by adverse foreign exchange effects in Angola and Macao, was down 2.1% to €593.3 million;

  - Net fees and commissions with a positive evolution of 9.6% in the half year in comparison to the first six months of 2017;

  - A visible 14.0%[2] reduction of operating costs;

  - The maintenance of a low cost of credit risk of 0.38%, confirming the CGD's assets quality as well as their respective coverage.

(EUR Million)

Core Activity Evolution	2017-06	2018-06	Abs Change	(%) Change
Net interest income	606	593	-12	-2%
of wich CGD Portugal	347	367	20	6%
Net fees and commissions	218	239	21	10%
Recurrent operating costs(2)	541	465	-76	-14%
Net core operating inc. before imp.(2	283	367	84	30%
Provisions and impairments	390	45	-346	-89%
Net income	-50	194	244	-

- Total Operating Income of €889,3 million in the semester (- €153,1 million compared to june 2017) was strongly impacted by the reduction of income from net trading income, given the high proportion thereof in 2017;

- CGD's efficiency level continued to show improvement, with a cost-to-income ratio of 50.8%;

- Net income of €194.1 million for the half year was sharply up over the negative €49.9 million of June 2017;

[1] Net ROE from current activity = (Net Income + non-recurring costs + Non-controlling interests) / Average Shareholders' equity (13 observations)

[2] Excluding non-recurring costs of M€ 50.7 in 2018 and M€ 61.0 in 2017 for staff reduction programs as well as general administrative expenses;

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- Following 2017 when CGD reduced its NPLs (non performing loans), according to the EBA's definition by €2.7 billion, an additional reduction of €1.1 billion, was achieved in first half 2018 with a strong impact from cured credit, write-offs and recovery components;

- The quality of CGD's assets therefore continues to show an improvement, with an NPL ratio of 10.5%, and a coverage by impairment of 61.6%, by collateral 41,9% and a total coverage of 103,5%;

- Consolidated Total Assets decreased in the semester by €1,740 million reaching €91,508 million,

- Special reference should be made to the €2 billion amortization of European Central Bank (ECB) funding as well as the reduction in credit, highly influenced by portofolio sales and write-offs;

- Total customer resources continue to benefit from the preference of CGD's customers, with the total, in terms of domestic activity, amounting to €71,067 million, notwithstanding the low level of current interest rates;

- CGD's liquidity position remains highly favourable. CGD's assets eligible as collateral for the Eurosystem pool amounted to €11.7 billion, with an LCR (liquidity coverage ratio) of 216%;

- CGD's capital ratios in the half year benefited from the referred to Tier 2 issuance which increased the total (phased-in) ratio by 1 p.p., to 16.5% in June. Both the phased-in and fully implemented CET 1 ratios stood at 14.0%, showing the robustness of CGD's capital position, even with the first quarter 2018 implementation of IFRS 9 without a phasing-in period.

(*) The 2017 June 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 June 2017 restated accounts.

This document is an English translation of the Portuguese language document "Press Release - Resultados Consolidados – 1º Semestre de 2018". In the event of any inconsistency, the original version prevails.

1. MAIN INDICATORS

CGD CONSOLIDATED	*Restated*	
BALANCE SHEET AND P&L INDICATORS (EUR million)	2017-06	2018-06
Net assets	96,602	91,508
Loans and advances to customers (net)	57,110	53,612
Customer deposits	66,773	64,190
Total operating income	1,042	889
Net core operating Income before impairments (1)	283	367
Net income	-50	194
PROFIT AND EFFICIENCY RATIOS		
Gross return on equity - ROE (3) (4)	4.0%	9.5%
Net return on equity - ROE (4)	-1.0%	5.3%
Net return on equity - ROE (4) from current activity (2) (5)	11.0%	5.7%
Gross return on assets - ROA (3) (4)	0.3%	0.8%
Net return on assets - ROA (4)	-0.1%	0.5%
Total operating income / Average net assets (3) (4)	2.2%	2.0%
Employee costs / Total operating income (3) (4)	35.7%	35.6%
Employee costs recurrent / Total core operating income (1) (2)	38.2%	33.4%
Cost-to-income BoP (3)	57.2%	56.3%
Cost-to-income (2) (3)	51.4%	50.8%
Cost-to-core income (2) (6)	65.7%	55.9%
CREDIT QUALITY AND COVER LEVELS (7)		
NPL ratio - EBA	13.5%	10.5%
NPE ratio - EBA	10.6%	8.3%
NPL coverage - EBA	52.0%	61.6%
NPE coverage - EBA	51.1%	60.2%
Forborne ratio for loans and advances - EBA (8)	7.2%	5.7%
Coverage ratio on forborne loans and advances - EBA (8)	96.8%	96.9%
Cost of credit risk(*)	0.14%	0.38%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	59.1%	58.6%
Loans & adv. customers (net) / Customer deposits (3)	85.5%	83.5%

Note: Indicators calculations according to glossary at:
https://www.cgd.pt/English/Investor-Relations/Other-information/Glossary/Other-versions/Documents/Glossary_10MAY2018.pdf
Solvency and credit quality ratios as of end-June 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 non-recurring costs of M€ 50.7 in 2018 and M€ 61.0 in 2017 for staff reduction programs as well as general administrative expenses; (3) Ratios defined by the Bank of Portugal (instruction 6/2018); (4) Considering average shareholders' equity and net asset values (13 observations); (5) Net ROE from current activity = (Net Income + Non-recurring costs + Non-controlling interests) / Average Shareholders' equity (13 observations) (6)Operating costs /Total operating income of core activity; (7) Prudencial perimeter, except when marked with (*); (8) CGD Portugal Ratios.

CGD CONSOLIDATED		
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR) (1)	2017-06	2018-06
CET 1 (phased-in)	12.8%	14.0%
Tier 1 (phased-in)	13.8%	15.1%
Total (phased-in)	14.6%	16.5%
CET 1 (fully implemented)	12.6%	14.0%
Liquidity coverage ratio	222.3%	216.0%
OTHER INDICATORS		
Number of branches - CGD Group	1,149	1,071
Number of branches - CGD Portugal (Physical branches from individuals network)	590	522
Number of employees - Domestic activity	8,819	7,903
Number of employees - CGD Portugal	8,070	7,447

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

(1) Prudencial perimeter

2. ECONOMIC - FINANCIAL ENVIRONMENT

The first half of 2018 witnessed the appearance and heightening of various risks affecting the evolution of the world economy. Added to last year's factors of uncertainty, namely regarding the consequences of the normalisation of monetary policy by the main central banks, the level of the impact on the value of certain financial assets and the financial stability of several emerging economies, Brexit negotiations and political tension in several countries such as Italy, was the highly relevant risk associated with the heightening of commercial tension between the US and particularly China and the European Union.

In contrast to the preceding year, the first six months of 2018 witnessed a less synchronised economic expansion cycle, given the slowdown affecting the euro area, as opposed to the acceleration being witnessed in the US. The outlook for world growth this year remains, however, high, with several supranational organisations forecasting a rate of expansion of around 3.9% in world GDP in 2018, higher than in 2017.

The Portuguese economy, in first quarter 2018, grew, when compared to the previous quarter, in real terms, non-annualised, 0.4%. This was down 0.3 pp over the preceding three months and was the lowest rate of the last eight quarters. The factors contributing to this performance were, on the one hand, the less positive performance of private consumption and fixed investment and, on the other, the negative contribution of net exports. First quarter unemployment of 7.7% was at its lowest level since first quarter 2004. Both confidence and activity indicators across the half year, remained at levels compatible with the maintenance of sustained growth, albeit lower than last year's.

Real GDP in the euro area for the first three months of the year rose, when compared to the previous quarter, non-annualised, 0.4%, as opposed to the 0.7% recorded across all quarters of 2017. The euro area's confidence indicators were down across the first half year, albeit remaining at high levels. Year-on-year inflation of around 1.0%, at the start of the year, started to trend upwards, to 2.0% in June, its highest level since the start of 2017.

With underlying inflation still far from 2% and with the ECB extending its monetary *stimuli* and indicating that there would be no change in rates, at least up to next summer, Euribor rates remained practically unchanged across the first half year, remaining in negative territory and close to all-time lows. At the same time, these factors led to a situation in which the yields on sovereign debt remained relatively stable up to May. The period between the end of May and June, however, witnessed a highly volatile trend affecting European sovereign rates, as a consequence of the political uncertainty in Italy and, to a lesser extent, Spain. Changes in the yields on 10 year sovereign bonds, across the half year, were mixed on account of different political and monetary dynamics. They were down 13 bps in Germany, 12 bps in France, 25 bps in Spain and 16 bps in Portugal. The yield on Italian bonds ended the first half year with an increase of 66 bps.

Following its sharp appreciation at the end of 2017 and after having reached its highest level since December 2014 in the first two months of the year, the euro ended first half 2018 by depreciating 2.7% against the dollar, as a reflection of divergence of monetary policies between the Fed and ECB. Owing to the uncertainty over the successful conclusion of Brexit negotiations between the British government and the European Union, sterling ended the semester with a depreciation of 2.3% against the dollar and a marginal appreciation of 0.4% against the euro.

Developing political risks resulted in a substantial increase in volatility in the European capital markets post January. There were particularly negative performances by Germany’s DAX (down 4.7%) and Spain’s IBEX (down 4.2%). In contrast, Portugal’s index (PSI20) ended in positive territory − up 2.6%. Europe’s Eurostoxx600 index was down 2.4% as a reflection of the more negative half year performance in average terms.

In the US and notwithstanding the moderation of economic growth in the first quarter, forecasts for the expansion of GDP, in 2018, were revised successively upwards. This optimism was shared by both the US Fed and the OECD and IMF which also upgraded their estimates. As regards underlying inflation, growth convergence in consumer prices in line with the Fed’s objective was witnessed in the first half of the year.

The Fed increased its benchmark rates twice to a total of 0.50 bps. The strength of the US economy, particularly its labour market and higher inflation, raised expectations over the rate of increase of the Fed’s benchmark rates, leading to an upwards trend on the yield curve.

The continuation of a solid economic framework gave equity markets a strong boost at the start of the year, with diverse indices reaching their highest levels of the year in January. In the US, the performance of the NASDAQ technology index (up 8.8%) and the Russell 2000 (up 7.0%), representing companies geared to domestic activity, was particularly positive, with higher gains than the S&P 500 (up 1.7%). The Dow Jones ended the half year at a negative 1.8%.

February witnessed a reversal of this positive sentiment after (i) the Fed’s emphasis of the need to continue to normalise monetary policy, (ii) heightening uncertainty over a trade war between the US and particularly China, Europe and Canada, and (iii) increased tension between the US and North Korea. This environment led to a 46 bps increase in the yield on US sovereign debt in the half year.

The dollar’s appreciation across the second quarter was also particularly strong, as a consequence of political uncertainty, having appreciated sharply against most of the currencies of the emerging and developing markets, as well as the euro.

Most indices in the emerging economies were markedly down at the end of the half year, influenced by fears over protectionism and a worsening funding situation on account of the US currency. The global MSCI Emerging Markets Index and the MSCI BRIC Index closed down 7.7% and 5.6%.

3. CONSOLIDATED INFORMATION

RESULTS

Net interest income in first half 2018 was down 2.1% by €12.4 million to €593.3 million in comparison to the first half of the preceding year. This evolution derived from the fact that the 21.2% reduction of €118.9 million in funding costs was insufficient to offset the 11.2% decrease of €131.4 million in interest received.

The performance of consolidated net interest income was also negatively impacted by the depreciation of Angola's kwanza and Macau's pataca against the euro which counteracted developments in local currency. Excluding the referred to FX effect, the consolidated net interest margin would have reached 619.3 million euros, a growth of 2.2% compared to the first half of 2017.

In turn, CGD Portugal's net interest income in the first half year amounted to €367.2 million in comparison to €347.1 million in the same period 2017 (up 5.8%).

(EUR Million)

RESULTS	Restated		Change	
	2017-06	2018-06	Total	(%)
Net interest income	605.8	593.3	-12.4	-2.1%
Net inter. income incl. inc. from equity investm.	629.5	605.3	-24.3	-3.9%
Net fees and commissions	218.2	239.2	21.0	9.6%
Total operating Income	1,042.3	889.3	-153.1	-14.7%
Operating costs	602.1	515.8	-86.3	-14.3%
Recurrent Operating costs	541.1	465.2	-76.0	-14.0%
Net operating income before impairments	440.2	373.4	-66.7	-15.2%
Net core operating income before impairments (1)	282.8	367.3	84.5	29.9%
Credit impairment (net)	47.0	113.0	66.0	140.4%
Provisions and impairments of other assets (net)	343.3	-68.2	-411.5	-
Net operating income	49.8	328.6	278.8	559.4%
Net income	-49.9	194.1	244.0	-

(1) Excluding non-recurrent costs.

Net fees and commissions, in comparison to the end of the same period 2017, were up 9.6% by €21.0 million to €239.2 million in first half 2018, having benefited from the 13.3% increase of € 21.3 million recorded in Portugal.

Net trading income amounted to €50.9 million, at the end of first half 2018, against €217.9 million for the same period 2017, owing to the less favourable evolution of interest rates deriving from higher levels of volatility in the financial markets which conditioned the impact on the value of interest rate hedge instruments.

CGD's total operating income for the half year, in comparison to the same half year 2017, was down €153.1 million to €889.3 million, impacted by the significant reduction of income from financial operations, given the high proportion thereof in 2017.

Operating costs in first half 2018 were down by a year-on-year 14.3% to €515.8 million. This visible decrease of operating costs in terms of consolidated activity, across-the-board to all components, was 13.1% (€49.0 million) for employee costs, 12.1% (€21.7 million) for administrative expenses and 32.9% (€15.6 million) for depreciation and amortisation.

Excluding non-recurring costs of €50.7 million in 2018 and €61.0 million in 2017 for employee redundancy programmes as well as administrative expenses, cost-to-income continued to reduce to 50.8% in first half 2018, down 0.6 pp over the same period last year, translating the higher level of operating efficiency in first half 2018.

Core operating income (as the sum of net interest income and commissions, net of operating costs), having benefited from the favourable evolution of operating costs and commissions, was up 29.9% over the same period of the preceding year to €367.3 million.

Provisions and impairment for the period were €44.8 million, reflecting a decrease of €390.3 million over the same period last year which significantly conditioned operating income of €328.6 million for the first half year in comparison to €49.8 million for the same half year 2017.

The €113.0 million in net credit impairment for the half year, reflected the maintenance of a low cost of credit risk of 0.38%, bearing witness to the quality of CGD's assets and their coverage level.

Tax for the period amounted to €168.1 million. €32.8 million of this amount comprised the banking sector contribution.

Income from subsidiaries held-for-sale amounted to €24.8 million. In turn, income from companies measured by the equity accounting method, reflecting primarily the favourable evolution of insurance activities in the half year, was up €16.1 million to €27.1 million.

Net income for the half year was therefore up by a significant €244.0 million over the same period of the preceding half year to €194.1 million.

BALANCE SHEET

CGD's consolidated net assets, in comparison to the same period 2017, were down 5.3% by €5,094 million to €91,508 million at the end of the first half year.

Cash balances and loans and advances to credit institutions at 30 June 2018 were up €182 million over June 2017 to €8,541 million. This was offset by loans and advances to customers (net) which, heavily influenced by the NPL reduction policy, were down 5.8% over the same period 2017.

The gross credit granted to companies in Portugal, excluding the real estate and construction sectors, continued to grow consistently in the first half of 2018, (+6%, 468 million euros) compared to December 2017, reaching a stock of 8,264 million euros.

(EUR Million)

BALANCE SHEET - Main headings	Restated 2017-06	2017-12	2018-06	Change 2018-06 vs. 2017-06 (%)	Change 2018-06 vs. 2017-12 (%)
Net assets	96,602	93,248	91,508	-5.3%	-1.9%
Cash and loans and advances to credit institutions	8,359	8,348	8,541	2.2%	2.3%
Securities investments (1)	17,019	15,804	15,838	-6.9%	0.2%
Loans and advances to customers (net) (1)	57,110	55,255	53,763	-5.9%	-2.7%
Loans and advances to customers (gross) (1)	61,938	59,811	57,945	-6.4%	-3.1%
Central banks' and credit institutions resources	4,167	4,043	2,323	-44.3%	-42.5%
Customer resources	66,951	63,631	64,303	-4.0%	1.1%
Debt securities	4,078	4,051	3,241	-20.5%	-20.0%
Shareholders' equity	7,895	8,274	8,154	3.3%	-1.5%

(1) Includes assets with repo agreements.

Total liabilities were down 1.9% by €1,619 million over December 2017. Reference should be made to the 42.5% reduction of €1,720 million in central banks' and credit institutions' resources which is explained by the early repayment of €2 billion in TLTROs 2 financed with the ECB. This contrasts with the evolution of customer resources which were up 1.1% by €672 million over December 2017.

The 1.1% increase of €691 million in customer deposits to €64,190 million at the end of June 2018 derived from the 3.5% increase of €1,832 million in domestic activity as opposed to the 10.2% drop of €1,140 million from international activity, reflecting a reduction of deposits of institutional customers in Macao, as well as the devaluation of the Macanese and Angolan currencies.

CGD continued to lead the domestic market both in total deposits with a market share of 26.0% as in individual customers' deposits with 29.3% in May 2018.

(EUR Million)

RESOURCES TAKEN	Restated 2017-06	2017-12	2018-06	Change 2018-06 vs. 2017-06 (%)	Change 2018-06 vs. 2017-12 (%)
Balance sheet	**76,667**	**72,753**	**71,389**	**-6.9%**	**-1.9%**
Central banks' & cred instit. resources	4,167	4,043	2,323	-44.3%	-42.5%
Customer deposits (Consolidated)	66,773	63,499	64,190	-3.9%	1.1%
Domestic activity	54,581	52,319	54,151	-0.8%	3.5%
International activity	12,192	11,180	10,040	-17.7%	-10.2%
Covered bonds	3,805	3,851	3,040	-20.1%	-21.1%
EMTN and other securities	1,744	1,228	1,724	-1.2%	40.3%
Other	178	132	113	-36.5%	-14.5%
Off-balance sheet	**17,560**	**19,210**	**19,601**	**11.6%**	**2.0%**
Investment funds	3,519	3,928	3,993	13.4%	1.7%
Real estate investment funds	969	972	966	-0.3%	-0.6%
Pension funds	3,639	3,770	3,758	3.3%	-0.3%
Financial insurance	7,308	7,639	8,068	10.4%	5.6%
OTRV Portuguese Governm. Bonds	2,125	2,901	2,815	32.5%	-3.0%
Total	**94,227**	**91,963**	**90,990**	**-3.4%**	**-1.1%**
Total resources (domestic activity) (1)	**69,680**	**68,781**	**71,067**	**2.0%**	**3.3%**

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

Total resources taken from domestic activities were up 2% over the same period last year and 3.3% over December 2017 to €71,067 million at the end of June 2018. They were especially influenced by the performance of off-balance sheet products which were up 11.6% by €2,041 million, particularly financial insurance with a 10.4% increase of €760 million and OTRV government bonds with a 32.5% increase of €690 million over the same period of the preceding year.

Gross loans and advances to customers − including loans with repo agreements − were down 3.1% over the preceding December to €57,945 million at the end of June 2018. CGD Portugal's loans to corporates and individual customers were down 1.0% and 2.5%, respectively. Special reference should be made to the process for reducing non-productive exposures, as well as, the continued deleveraging by national economic agents, albeit at a slower pace.

CGD received a second €150 million tranche of the total loan of €300 million from the European Investment Bank in the first few months of the year with the objective of improving financing conditions in terms of maturity and interest rate for the investment projects of SMEs (small and medium-sized enterprises). As a consequence of the strategy of firming its market share of this segment, CGD has undertaken to complement this line of credit for at least the same amount, facilitating SMEs' access to credit and promoting economic growth and job creation in Portugal.

(EUR Million)

LOANS AND ADVANCES TO CUSTOMERS	Restated 2017-06	2017-12	2018-06	Change 2018-06 vs. 2017-06 (%)	Change 2018-06 vs. 2017-12 (%)
CGD Portugal	**50,693**	**48,826**	**47,598**	**-6.1%**	**-2.5%**
Corporate	16,643	15,706	15,549	-6.6%	-1.0%
General government	5,514	5,117	4,840	-12.2%	-5.4%
Institutionals and other	1,182	1,254	1,122	-5.1%	-10.5%
Individual customers	27,354	26,750	26,088	-4.6%	-2.5%
Mortgage loans	26,471	25,861	25,208	-4.8%	-2.5%
Other	883	889	880	-0.4%	-1.0%
Other CGD Group companies	**11,245**	**10,985**	**10,347**	**-8.0%**	**-5.8%**
Total	**61,938**	**59,811**	**57,945**	**-6.4%**	**-3.1%**

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

CGD had a 20.2% share of the credit market in May 2018, 16.2% of corporate loans and 25.0% in mortgage loans to individual customers.

The loans-to-deposits ratio of 83.5% in June 2018 (85.5% in June 2017) reflects the marked preference shown by CGD's customer for deposits, even in an environment of low interest rates,

There was a favourable evolution of the quality of CGD assets, with a reduction of €1,1 billion (-14.3% over December 2017), in NPLs (non performing loans) according to the EBA definition, given the positive evolution of cured credit, write-offs and recovery components. The NPL ratio at the end of the half year stood at 10.5%, with impairment and collateral coverage of 61.6% and 41.9% respectively (total coverage of 103,5%).

NPL, NPE and COVERAGE	Consolidated		CGD Portugal	
Gross ratios	2017-06	2018-06	2017-06	2018-06
NPE [1]	10.6%	8.3%	11.6%	9.2%
NPL [2]	13.5%	10.5%	14.8%	11.6%
Coverage by impairments				
NPE	51.1%	60.2%	54.7%	62.1%
NPL	52.0%	61.6%	55.2%	63.4%

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

LIQUIDITY

CGD successfully completed the last stage of its Recapitalisation Plan, starting 2017, in June with its issuance of €500 million in Tier 2 own funds securities, exclusively for institutional investors, following its agreement with DG Comp. Demand was expressively higher than supply, In the geographical distribution of the final amount allocated to investors, particular reference should be made to the United Kingdom and Ireland (38%), followed by Portugal (26%), Spain and Italy (13%) and France (8%). By type of investors reference should be made to asset managers which subscribed for around 71% of the total issuance.

The issue has a maturity of 10 years, with an early redemption option by CGD at the end of the 5th year and an interest rate of 5.75% in the first 5 years. This interest rate, 5% lower than the rate obtained on the AT 1 own funds issuance of 2017, reflects the different nature of the securities in question and their level of subordination, in addition to the positive evolution achieved by CGD in the implementation of its Strategic Plan, namely in terms of profitability, efficiency and solvency.

With the normalisation of its activity and balance sheet and taking its comfortable liquidity situation into account, CGD Portugal opted, at the end of June, to make an early repayment of €2 billion in TLTROs 2 (Targeted Longer-Term Refinancing Operations) financed by the ECB, liquidating its liabilities to the said entity. In this context, the total amount of CGD's eligible assets portfolio for the ECB collateral pool was reduced from €12 billion in December 2017 to around €10.2 billion in June 2018. However, owing to the early redemption of €2 billion, the amount of eligible collateral available for new operations remained relatively unchanged.

Resources obtained from the ECB by CGD Group also trended downwards from €3.5 billion at the end of 2017 to €1.4 billion in June 2018, reflecting CGD's Portugal already referred to decrease of €2 billion. This trajectory is reflected in CGD Group's eligible assets portfolio for the Eurosystem pool which was down €1.9 billion over December of the preceding year to €11.7 billion in June 2018.

The funding balance under the covered bonds programme remained at a stable €4.5 billion (of which €1.5 billion in retained issuances) at the end of June following the maturity of a €750 million issuance in the first quarter of this year, without any need for its refinancing.

The liquidity position, at the end of June 2018, was highly favourable, with an LCR (liquidity coverage ratio) of 216%. This was higher than regulatory requirements and the average of European Union banks.

SOLVENCY

Consolidated shareholders' equity was down €120 million over December 2017 to €8,154 million at 30 June 2018. Other reserves and retained earnings were also down, largely on account of the impact of the full implementation of IFRS 9, in which CGD chose not to use the phasing-in option.

SHAREHOLDERS' EQUITY	Restated		
	2017-06	2017-12	2018-06
Share capital	3,844	3,844	3,844
Other capital instruments	500	500	500
Revaluation reserves	238	395	268
Other reserves and retained earnings	2,999	3,098	3,011
Non-controlling interests	364	385	337
Net income	-50	52	194
Total	**7,895**	**8,274**	**8,154**

The other equity instruments heading of €500 million refers to the issuance of AT1 securities at the end of June 2017.

The phased-in and fully implemented CET1 ratios, in June, were both 14.0%. The Tier 1 and Total phased-in ratios of 15.1% and 16.5%, respectively, easily complied with the capital requirements in force for CGD.

SOLVABILITY	Phased-in		Fully Implemented	
	2017-12	2018-06	2017-12	2018-06
CET I	14.0%	14.0%	14.0%	14.0%
Tier I	15.1%	15.1%	15.0%	15.0%
Total	15.7%	16.5%	15.2%	16.2%

Capital requirements, on this date, include the full impacts of the effects of the implementation of IFRS 9 (-0.25%), and the phasing-in process of 2018 (-0.06%) and the deduction of the irrevocable commitments associated with mandatory contributions (-0.35%). The reduction of risk weighted assets and the effects of the activity in the half year, fuelled an increase of 0.61%.

RELEVENT EVENTS

Digital banking

CGD embarked upon a digital transformation programme, in January 2018, designed to adjust the service to the needs of customers.

Based on the implementation of this programme and with the objective of improving the level of customers' accessibility to digital solutions, first half 2018 witnessed the launch of the Caderneta app (as a digital version of the CGD Passbook). This was particularly geared to the senior citizens' segment and allowed these customers to open an account remotely via video call. Lastly June 2018 witnessed the launch of a new Caixadirecta app that, in addition to its user-friendliness, increases the number of available functionalities to 120.

At the same time, Caixa started work on the expansion of its remote customers management service covering 230 thousand customers, to meet the requirements of a customer base which prefers a user-friendly proximity relationship with the bank with extended opening times and a multiplicity of contact channels.

CGD accordingly provided for the oversight of day-to-day management needs, savings, investment and financing of personal projects, providing its products and services in a friendlier, more convenient and safe manner.

CGD Group, at the end of the half year, had 2 million (individual and corporate) customers with active contracts in terms of total digital customers in domestic and foreign markets, an increase of 130 thousand new customers over the preceding year. CGD accounts for 46% of internet banking customers in Portugal (Basef Internet Banking survey, by Marktest, average 2017), more than double the number of users of the second bank.

Conta Caixa accounts

Customers continue to express their preference for *Contas Caixa* ("Caixa accounts"), a multiproduct solution consisting of a current account, online transfers, credit and debit cards and insurance coverage. There were more than 1,350,000 *Contas Caixa* subscribed at the end of June, an increase of more than 410 thousand new accounts in the semester, corresponding to a growth rate in excess of 40%.

Encontros Fora da Caixa conferences

CGD continued to organise its *Encontros Fora da Caixa* conferences in 7 locations nationwide (Castelo Branco, Aveiro, Lisbon, Évora, Porto, Beja and Setúbal), in first half 2018. These events deal with issues of interest to the regions and contribute towards a strategic vision for companies and for the country. They were attended by more than 4,000 CGD customers.

*Agência Móve*l (Mobile Branch) – a proximity service

Launch of the second *Mobile Branch* in first half 2018, expanding the cover of this innovative proximity service to 33 locations in those municipal districts of Castelo Branco and Guarda without any banking representation. The *Mobile Branch* is a regular, albeit non-permanent, service for inhabitants with less mobility in terms of access.

Prizes and distinctions

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

- CGD – *First in Portugal* at the *Top 1000 World Banks 2018 ranking*, rising from the 260th position to 154th in just one year;
- CGD – *Best Retail Bank in Portugal 2017*, by English EMEA Finance magazine, in its *Europe Banking Awards 2017*;
- CGD – *Most reputed brand 2018 – Banking*, by Marktest Reputation Index (MRI);
- CaixaBI - *Best Investment Bank in Portugal 2018*, by American Gobal Finance magazine, in its annual *World´s Best Investment Banks*;
- CaixaBI – *Best Investment Bank in Portugal 2017*, by English EMEA Finance magazine, in its *Europe Banking Awards 2017*;
- Caixagest – *Best Global Domestic Manager*, by Morningstar, 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.

4. DOMESTIC AND INTERNATIONAL ACTIVITY

Domestic activity contributed €118.7 million to CGD Group's net income in first half 2018, in comparison to a negative €169.5 million in the same period of the preceding year.

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	Restated 2017-06	2018-06	Change (%)
Net interest income	376.6	396.2	5.2%
Income from equity instruments	22.8	11.5	-49.5%
Net fees and commissions	174.1	195.0	12.0%
Net trading income	192.2	29.0	-84.9%
Other operating income	14.0	22.2	57.9%
Total operating income	**779.7**	**653.9**	**-16.1%**
Employee costs	289.6	249.3	-13.9%
Administrative expenses	149.2	127.6	-14.5%
Depreciation and amortisation	31.7	19.3	-39.2%
Operating costs	**470.5**	**396.2**	**-15.8%**
Net operating income before impairments	**309.2**	**257.7**	**-16.7%**
Credit impairment (net)	25.1	90.5	260.8%
Provisions and impairments of other assets (net)	330.4	-67.8	-
Net operating income	**-46.3**	**235.0**	**-**
Income Tax	132.6	141.2	6.5%
Net operat. inc. after tax and before non-controlling interests	**-178.8**	**93.9**	**-**
Non-controlling interests	1.6	1.9	16.3%
Results of associated companies	11.0	26.7	142.7%
Net income	**-169.5**	**118.7**	**-**

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

Core activity particularly included a 12.0% increase over first half last year in income from services and commissions to €195.0 million. There was also a positive evolution of 5.2% in net interest income, to €396.2 million.

Operating costs were down 15.8% in first half 2018 to €396.2 million.

In continuing to implement its Strategic Plan 2017-2020, in the domestic activity, the number of CGD employees in first half 2018 was reduced by 418. The 522 branch offices in Portugal (branches with face-to-face services), has been reduced by 65 units since the start of 2018.

Credit impairment (net) stood at €90.5 million highlighting the structurally low cost of credit risk that exists today at CGD, which contributed decisively to the strong increase in net income from domestic activity.

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	Restated 2017-06	2018-06	Change (%)
Net interest income	237.1	199.4	-15.9%
Income from equity instruments	1.0	0.5	-53.5%
Net fees and commissions	44.2	45.0	1.9%
Net trading income	17.0	19.4	14.1%
Other operating income	-12.7	-8.7	-
Total operating income	**286.5**	**255.5**	**-10.8%**
Employee costs	86.0	77.2	-10.2%
Administrative expenses	54.0	50.1	-7.1%
Depreciation and amortisation	15.6	12.4	-20.2%
Operating costs	**155.5**	**139.8**	**-10.1%**
Net operating income before impairments	**131.0**	**115.7**	**-11.7%**
Credit impairment (net)	21.9	22.5	2.6%
Provisions and impairments of other assets (net)	13.0	-0.3	-
Net operating income	**96.1**	**93.6**	**-2.6%**
Income Tax	20.0	26.9	34.8%
Net operat. inc. after tax and before non-controlling interests	**76.1**	**66.7**	**-12.4%**
Non-controlling interests	18.0	16.4	-9.2%
Results from subsidiaries held for sale	61.5	24.8	-59.6%
Results of associated companies	0.0	0.3	-
Net income	**119.5**	**75.4**	**-36.9%**

(EUR Million)

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

International businesses' contribution of €75.4 million to consolidated net income for the first half year were down 36.9% over the same half 2017.

Notwithstanding the favourable €4.0 million evolution of other operating income, the reduction of net interest income, sharply conditioned total operating income of €255.5 million in June 2018. Exchange rate developments in the Angolan and Macanese currencies have contributed decisively to the reduction in the net interest income of the first half 2018 (compared to the 1st half of 2017), contrary to the evolution in local currency. Excluding this exchange rate effect, the net interest income of the international activity in the first half of 2018 would have recorded an additional amount of 26.0 million euros.

The negative evolution of total operating income that, in comparison to the same period of the preceding year was down 10.8% by €31.0 million, was partly offset by the decrease of all of the component parts of the operating costs of international activity. In comparison to the same half last year employee costs were down 10.2% and administrative expenses down 7.1% with a 20.2% containment of depreciation.

The major contributors to consolidated net income were particularly BNU Macau (€30.5 million), BCI Moçambique (€10.1 million) and France branch (€9.8 million).

5. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET	Restated			Change 2018-06 vs. 2017-06		Change 2018-06 vs. 2017-12	
ASSETS	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Cash and cash equiv. with central banks	4,389	4,621	5,249	859	19.6%	628	13.6%
Loans and advances to credit instit.	3,970	3,727	3,292	-678	-17.1%	-435	-11.7%
Securities investments	17,019	15,751	15,671	-1,348	-7.9%	-80	-0.5%
Loans and advances to customers	57,110	55,255	53,612	-3,497	-6.1%	-1,642	-3.0%
Assets with repurchase agreement	0	53	318	318	0.0%	265	501.1%
Non-current assets held for sale	6,960	6,757	6,644	-316	-4.5%	-112	-1.7%
Investment properties	954	898	877	-77	-8.1%	-21	-2.3%
Intangible and tangible assets	650	669	526	-125	-19.2%	-144	-21.5%
Invest. in subsid. and assoc. companies	362	415	399	37	10.3%	-15	-3.7%
Current and deferred tax assets	2,431	2,323	2,219	-212	-8.7%	-104	-4.5%
Other assets	2,756	2,780	2,700	-56	-2.0%	-79	-2.9%
Total assets	**96,602**	**93,248**	**91,508**	**-5,094**	**-5.3%**	**-1,740**	**-1.9%**
LIABILITIES							
Central banks' and cred. instit. resources	4,167	4,043	2,323	-1,845	-44.3%	-1,720	-42.5%
Customer resources	66,951	63,631	64,303	-2,648	-4.0%	672	1.1%
Debt securities	4,078	4,051	3,241	-837	-20.5%	-810	-20.0%
Financial liabilities	1,258	1,060	859	-399	-31.7%	-201	-19.0%
Non-current liabilities held for sale	5,934	5,784	5,720	-214	-3.6%	-64	-1.1%
Provisions	1,117	1,288	1,212	95	8.5%	-76	-5.9%
Subordinated liabilities	1,470	1,028	1,522	52	3.5%	494	48.1%
Other liabilities	3,732	4,088	4,173	441	11.8%	85	2.1%
Sub-total	**88,708**	**84,974**	**83,354**	**-5,354**	**-6.0%**	**-1,619**	**-1.9%**
Shareholders' equity	**7,895**	**8,274**	**8,154**	**259**	**3.3%**	**-121**	**-1.5%**
Total	**96,602**	**93,248**	**91,508**	**-5,094**	**-5.3%**	**-1,740**	**-1.9%**

(EUR Thousand)

INCOME STATEMENT	Restated		Change	
	2017-06	2018-06	Total	(%)
Interest and similar income	1,167,748	1,036,405	-131,343	-11.2%
Interest and similar costs	561,984	443,090	-118,894	-21.2%
Net interest income	605,764	593,315	-12,449	-2.1%
Income from equity instruments	23,771	11,961	-11,810	-49.7%
Net interest inc. incl. inc. from eq. investm.	**629,535**	**605,276**	**-24,258**	**-3.9%**
Fees and commissions income	276,273	296,859	20,586	7.5%
Fees and commissions expenses	58,068	57,701	-366	-0.6%
Net fees and commissions	218,205	239,157	20,952	9.6%
Net trading income	217,904	50,878	-167,026	-76.7%
Other operating income	-23,320	-6,045	17,275	-
Non-interest income	**412,790**	**283,990**	**-128,800**	**-31.2%**
Total operating income	**1,042,324**	**889,267**	**-153,058**	**-14.7%**
Employee costs	375,588	326,566	-49,021	-13.1%
Administrative expenses	179,284	157,563	-21,721	-12.1%
Depreciation and amortisation	47,272	31,703	-15,568	-32.9%
Operating costs	602,143	515,833	-86,310	-14.3%
Net operating income before impairments	**440,181**	**373,434**	**-66,748**	**-15.2%**
Credit impairment (net)	47,001	112,988	65,987	140.4%
Provisions and impairments of other assets (net)	343,342	-68,168	-411,510	-
Provisions and impairments	**390,343**	**44,820**	**-345,523**	**-88.5%**
Net operating income	**49,839**	**328,614**	**278,775**	**559.4%**
Income Tax	**152,540**	**168,070**	**15,530**	**-**
Current	98,751	40,677	-58,075	-58.8%
Deferred	16,922	94,579	77,657	458.9%
Contribution on the banking sector	36,866	32,814	-4,052	-11.0%
Net op. inc. after tax and before non-controlling int.	**-102,701**	**160,544**	**263,245**	**-**
Non-controlling interests	19,683	18,301	-1,382	-7.0%
Results of associated companies	11,006	27,057	16,051	145.8%
Results of subsidiaries held for sale	61,453	24,799	-36,654	-59.6%
Net income	**-49,925**	**194,099**	**244,024**	**-**

6. SEPARATE ACCOUNTS – CGD, S.A.

(EUR million)

BALANCE SHEET				Change 2018-06 vs. 2017-06		Change 2018-06 vs. 2017-12	
ASSETS	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Cash and cash equiv. with central banks	3,561	3,750	4,453	892	25.0%	703	18.8%
Loans and advances to credit inst.	4,637	4,211	4,260	-377	-8.1%	48	1.2%
Securities investments	18,932	17,337	16,990	-1,941	-10.3%	-347	-2.0%
Loans and advances to customers	50,107	48,072	47,094	-3,012	-6.0%	-978	-2.0%
Non-current assets held for sale	335	713	720	385	114.9%	7	0.9%
Intangible and tangible assets	377	336	289	-88	-23.4%	-47	-14.0%
Invest. in subsid. and associat. companies	4,048	3,492	3,547	-501	-12.4%	54	1.6%
Current and deferred tax assets	2,298	2,235	2,136	-162	-7.1%	-99	-4.5%
Other assets	2,026	2,027	1,913	-113	-5.6%	-114	-5.6%
Total assets	**86,320**	**82,174**	**81,657**	**-4,663**	**-5.4%**	**-517**	**-0.6%**
LIABILITIES							
Central banks' and credit inst. resources	5,520	4,847	3,050	-2,470	-44.7%	-1,797	-37.1%
Customer resources	59,759	56,838	58,727	-1,031	-1.7%	1,889	3.3%
Debt securities	4,081	4,053	3,242	-839	-20.6%	-811	-20.0%
Financial liabilities	1,254	1,056	851	-403	-32.1%	-205	-19.4%
Provisions	1,174	1,247	1,167	-7	-0.6%	-80	-6.4%
Subordinated liabilities	1,669	1,128	1,621	-48	-2.9%	493	43.7%
Other liabilities	5,820	5,833	5,814	-7	-0.1%	-19	-0.3%
Sub-total	**79,277**	**75,001**	**74,472**	**-4,805**	**-6.1%**	**-529**	**-0.7%**
Shareholders' equity	**7,043**	**7,173**	**7,185**	**142**	**2.0%**	**12**	**0.2%**
Total	**86,320**	**82,174**	**81,657**	**-4,663**	**-5.4%**	**-517**	**-0.6%**

(EUR thousand)

INCOME STATEMENT			Change	
	2017-06	2018-06	Total	(%)
Interest and similar income	868,926	761,994	-106,933	-12.3%
Interest and similar costs	460,350	354,975	-105,375	-22.9%
Net interest income	408,576	407,018	-1,558	-0.4%
Income from equity instruments	47,005	65,070	18,065	38.4%
Net interest income incl. income from eq. investm.	**455,581**	**472,089**	**16,507**	**3.6%**
Fees and commissions income	217,610	237,230	19,620	9.0%
Fees and commissions expenses	41,386	39,966	-1,420	-3.4%
Net fees and commissions	176,224	197,263	21,040	11.9%
Net trading income	160,140	24,233	-135,908	-84.9%
Other operating Income	-32,981	-27,689	5,292	-
Non-interest income	**303,383**	**193,807**	**-109,576**	**-36.1%**
Total operating income	**758,964**	**665,896**	**-93,069**	**-12.3%**
Employee costs	290,922	248,512	-42,410	-14.6%
Administrative expenses	139,240	123,162	-16,078	-11.5%
Depreciation and amortisation	33,469	19,212	-14,257	-42.6%
Operating costs	463,631	390,885	-72,746	-15.7%
Net operating income before impairments	**295,334**	**275,011**	**-20,323**	**-6.9%**
Credit impairment (net)	43,866	89,596	45,730	104.2%
Provisions and impairments of other assets (net)	60,199	-72,010	-132,209	-
Provisions and impairments	**104,064**	**17,585**	**-86,479**	**-83.1%**
Net operating income	**191,269**	**257,426**	**66,156**	**34.6%**
Income Tax	**111,446**	**127,793**	**16,347**	**14.7%**
Current	78,615	6,932	-71,684	-91.2%
Deferred	-679	91,019	91,698	-
Contribution on the banking sector	33,509	29,842	-3,668	-10.9%
Net income	**79,823**	**129,633**	**49,810**	**62.4%**

Lisbon, 27 July 2018