PRESS RELEASE

2018 Consolidated results [(*)]

(Unaudited financial information)

2018 results reinforce the increase in profitability and improved asset quality consequent from the successful implementation of the Strategic Plan, reflected in rating improvements.

- CGD's consolidated activity continued to be positively impacted by the implementation of its strategic plan which generated net income of €495.8 million in 2018, equivalent to a ROE[(1)] (return on equity) of 6.6%;

- This level of profitability reflects the evolution of the following accounts:

  - CGD Portugal's net interest income was up 2.1% over 2017 to €731.0 million. Consolidated net interest income, impacted by adverse foreign exchange effects in Angola and Macau, was down 2.9% to €1,204.8 million;

  - An improvement of 2.0% in net fees and commissions in 2018, in comparison to the same period 2017;

  - A visible 10.3% reduction in operating costs[(2)];

- A low cost of credit risk (0.21%) was maintained, confirming the quality of CGD's assets as well as their coverage ratio;

- Net core operating income before impairments was up 15% over the end of 2017 to €726 million;

- CGD's total operating income in 2018 was sharply impacted by the anticipated reduction in net trading income, owing to its highly expressive proportion in 2017;

- CGD's efficiency level continued to progress favourably with a cost-to-income ratio of 52%;

(EUR Million)

Core Activity Evolution	2017-12	2018-12	Abs Change	(%) Change
Net interest income CGD Portugal	716	731	15	2%
Net interest income Other entities	525	474	-51	-10%
Net interest income Consolidated	1,241	1,205	-36	-3%
Net fees and commissions	465	474	9	2%
Recurrent operating costs[(2)]	1,062	953	-109	-10%
Net core operating inc. before imp.[(2)]	634	726	92	15%
Credit impairment (net)	86	119	34	39%
Net income	52	496	444	854%

- Consolidated net income of €495.8 million in 2018 was sharply up over the €51.9 million of 2017;

- As part of the implementation of its deleveraging plan for non-performing assets, in 2018, CGD Group made several sales of both real estate received as payment in kind for loans as well as other investment properties. All non-performing loan sales planned for 2018 were therefore negotiated and executed without the recognition of any capital losses to the net book value;

- CGD's asset quality continued to show remarkable improvement with the CGD Group NPL (non-performing loans) ratio reaching 8.5%, along with impairment and collateral coverage ratios of 63.5% and 52.4% respectively (total coverage ratio of 115.8%);

- Total resources continue to show the

[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€ 47.9 in 2018 and M€ 31.1 in 2017 for staff reduction programs as well as administrative expenses

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engagement of customers with CGD, with the total amount of domestic deposits reaching €70,360 million;

- In new mortgage loans, there was an increase of 27%, more €328 million compared to 2017;

- Regarding specialised credit, new factoring and confirming operations increased by 15%, equipment and property leasing by 27% and 33%, respectively, over 2017;

- A CGD's liquidity position remains highly favourable. CGD's assets eligible as collateral for the Eurosystem pool amounted to €12 billion, with an LCR (liquidity coverage ratio) of 226%;

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

- The phased-in and fully loaded CET 1 ratios both stood at 14.7%. The fully loaded Tier 1 and Total ratios of 15.7% and 17.0%, were indicative of the robustness of CGD's capital position, even without any phasing in period for the implementation of IFRS 9 in first quarter 2018;

- CGD's performance in implementing its strategic plan and the completion of its recapitalisation plan in 2018, together with the favourable economic environment in Portugal, were reflected in Moody's three notch upgrade of CGD's rating to Ba1, and one notch upgrade from FitchRatings, to BB with positive outlook, while DBRS affirmed CGD's investment grade rating of BBB (low);

- The London, Cayman, Macau Offshore, Zhuhai and New York branches were already closed down as part of the implementation of the Strategic Plan. Work also continued on the sale process of CGD's shareholder position in Mercantile Bank Holdings Limited, Banco Caixa Geral, S.A. (Spain) and Banco Caixa Geral Brasil during the course of 2018. These sales seek to rationalise CGD Group's international structure, enabling it to free up capital and reduce its risk profile.

  The buyers of CGD's entire shareholding in Mercantile Bank Holdings Limited (South Africa) and in Banco Caixa Geral, S.A. (Spain) were approved in 2018. These transactions are now subject to the local authorities, and for that reason weren't considered in 2018 accounts. If these sales materialise until the final approval of the CGD's Annual Report 2018, they will constitute an adjustable subsequent event.

(*) 2017 accounts have been restated following a change of accounting policy on the sale of non-current real estate assets (held for sale) which includes essentially assets obtained from credit recovery.

This document is an English translation of the Portuguese language document "Press Release - Resultados Consolidados 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)	2017-12	2018-12
Net assets	93,248	89,091
Loans and advances to customers (net)	55,255	51,589
Customer deposits	63,499	63,335
Total operating income	2,015	1,786
Net core operating Income before impairments (1)	634	726
Net income	52	496
PROFIT AND EFFICIENCY RATIOS		
Gross return on equity - ROE (3) (4)	4.1%	10.3%
Net return on equity - ROE (4)	1.1%	6.6%
Gross return on assets - ROA (3) (4)	0.3%	0.9%
Net return on assets - ROA (4)	0.1%	0.6%
Total operating income / Average net assets (3) (4)	2.2%	2.0%
Employee costs / Total operating income (3)	32.3%	33.7%
Employee costs recurrent / Total core operating income (1) (2)	36.0%	34.1%
Cost-to-income BoP (3)	54.1%	54.4%
Cost-to-income (2) (3)	53.8%	51.8%
Cost-to-core income (2) (6)	62.9%	56.8%
CREDIT QUALITY AND COVER LEVELS (7)		
NPL ratio - EBA	12.0%	8.5%
NPL > 90 days ratio - EBA	8.1%	5.5%
NPE ratio - EBA	9.3%	6.6%
NPL coverage - EBA	56.7%	63.5%
NPE coverage - EBA	56.4%	62.4%
Forborne ratio for loans and advances - EBA (8)	6.6%	4.2%
Coverage ratio on forborne loans and advances - EBA (8)	97.1%	100.1%
Cost of credit risk(*)	0.13%	0.21%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	59.3%	57.9%
Loans & adv. customers (net) / Customer deposits (3)	87.0%	81.5%

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-December 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€ 47.9 in 2018 and M€ 31.1 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.

(*) 2017 accounts have been restated following a change of accounting policy on the sale of non-current real estate assets (held for sale) which includes essentially assets obtained from credit recovery.

CGD CONSOLIDATED		
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR) (1)	2017-12	2018-12
CET 1 (phased-in)	14.0%	14.7%
Tier 1 (phased-in)	15.1%	15.7%
Total (phased-in)	15.7%	17.1%
CET 1 (fully implemented)	14.0%	14.7%
Liquidity coverage ratio	208.9%	225.5%
OTHER INDICATORS		
Number of branches - CGD Group	1,139	1,064
Number of branches - CGD Portugal (Physical branches from individuals network	587	522
Number of employees - Domestic activity	8,321	7,675
Number of employees - CGD Portugal	7,665	7,244

CGD RATING	Short Term	Long Term
FitchRatings	B	BB
Moody's	NP	Ba1
DBRS	R-2 (mid)	BBB (low)

(1) Prudencial perimeter

2. ECONOMIC - FINANCIAL FRAMEWORK

The world economy posted a ninth consecutive year of expansion, in 2018, albeit with a lesser degree of synchronisation between the US and other developed countries. As opposed to an accelerating US economy, owing to fiscal stimuli and the contribution of household consumption, Europe and the rest of the developed economies witnessed a moderation of activity and more sharply so across the second half year.

According to the IMF (International Monetary Fund), world GDP growth estimates of 3.7%, in 2018, were in line with last year's rate of expansion and one of the highest in a decade.

Following growth of no more than 2.2%, in 2017, US GDP, driven by fiscal stimuli, the highly positive performance of private consumption, fuelled by a robust labour market and fixed capital investment, accelerated to 2.9%, notwithstanding signs of an already observable deceleration in the real estate market.

According to the ECB (European Central Bank) growth in the Euro Area decelerated from 2.4% to 1.9%. Special reference should be made to the slowdown across practically all member states, largely deriving from the lower level of the external net contribution. Domestic demand continued to account for a positive contribution on the back of the favourable performance of private consumption and fixed investment, resulting in yet another year of an improving labour market.

In 2018, the major central banks continued to adopt a cautious approach, underlining the need to continue to implement a monetary accommodation policy owing to the heightening of diverse risks affecting the world economy. They continued, however, to remain firm over the intention to normalise monetary policy, as exemplified by the Fed, which hiked its base rate on four occasions to its highest level since first quarter 2008 and the Bank of England which also announced a hike in its base rate. In spite of having acknowledged that growth-related risks, albeit remaining in balance, showed signs of a possible negative distortion, the ECB confirmed the end of its quantitative easing programme on sovereign and corporate bonds in the sphere of its unconventional monetary policy measures, in December.

2018 was the fifth consecutive year of economic expansion in Portugal, with a total GDP growth estimate of 2.2%, in real terms. This was higher than the Euro Area average, but down 0.6 pp over 2017. This slowdown was the result of a reduction of the contribution made by domestic demand, with the rate of expansion of gross fixed capital formation particularly deriving from the construction segment allied with the negative contribution made by the external demand component, notwithstanding a slight upturn in private consumption.

The harmonised index of consumer prices registered an average annual rate of change of 1.0% in 2018, down 0.4 pp over 2017, having benefited from the decline in the contribution of the energy account.

The labour market continued to evolve highly positively, with an estimated average unemployment rate down to around 7%, its lowest level since 2004, in a year in which job creation continued to post considerable growth and in which reference should be made to the contribution of the services sector, particularly the tourism-related segment.

In the money markets, Euribor rates with the shortest maturities of between 1 and 3 months remained stable across 2018. On the contrary, the longer 12 month maturities, encompassing the period expected to witness the start of the normalisation of ECB interest rates, from the end of Summer 2019, started to post successive increments from the beginning of the 3rd quarter. Eonia, in turn, continued to post very similar levels to the referred to deposit rate in which reference should, once again, be made to the low levels of volatility.

The euro depreciated 4.6% against the dollar, across 2018, owing to the higher level of US economic activity and higher US interest rate spreads. The euro's effective exchange rate was down 1.7%.

The European and Portuguese banking systems continued to trend towards a recovery of profitability, in 2018, albeit reduced in average terms, in a context both of a reduction of credit impairment and improved operational efficiency.

The liquidity position of the banking system showed fresh improvement, with total own funds ratios continuing to increase, confirming adequate capital levels, even in the event of extreme adverse shocks, as shown by the results of the stress tests disclosed in November.

As regards bank loans, financing terms in the Euro Area, both for households and financial corporations, remained favourable. New loan operations in Portugal, processed up to November, recorded a second consecutive year of expansion in comparison to the same period last year, at an inclusively higher rate, particularly deriving from the contribution of operations geared to non-financial corporations.

Portuguese, in line with European banks, continued to be constrained by the maintenance of an environment of very low interest rates, structural costs that, in several cases, are high and the need for considerable investments in technological infrastructures to enable them to meet the market challenges. The need to continue to optimise commercial and operational support structures and debt issuance requirements for the purpose of complying with regulatory ratios will continue to be challenging areas.

3. CONSOLIDATED INFORMATION

RESULTS

Net interest income was down 2.9% by €36.3 million over the preceding year to €1,204.8 million in 2018. The performance of consolidated net interest income was negatively impacted by the depreciation of Angola's kwanza and Macau's pataca against the euro (exchange rate losses of €56.3 million). Excluding the referred to exchange rate effect, CGD's consolidated net interest income would have been up 1.6% over December 2017 to €1,261 million.

CGD Portugal's net interest income was, in turn, up 2.1% over the €716.2 million registered in the same period of 2017 to €731.0 million.

(EUR Million)

RESULTS	Restated		Change	
	2017-12	2018-12	Total	(%)
Net interest income CGD Portugal	716.2	731.0	15	2.1%
Net interest income Other entities	524.8	473.8	-51	-9.7%
Net interest income Consolidated	1,241.1	1,204.8	-36	-2.9%
Net inter. income incl. inc. from equity investm.	1,287.4	1,222.3	-65	-5.1%
Net fees and commissions	464.9	474.2	9	2.0%
Net interest income + Net fees and comissions	1,705.9	1,679.0	-27	-1.6%
Net trading income	215.8	31.7	-184	-85.3%
Total operating Income	2,014.8	1,785.8	-229	-11.4%
Operating costs	1,103.3	1,000.9	-102	-9.3%
Recurrent Operating costs	1,061.8	952.9	-109	-10.3%
Net operating income before impairments	911.5	785.0	-127	-13.9%
Net core operating income before impairments (1)	633.7	726.1	92	14.6%
Credit impairment (net)	85.9	119.5	34	39.1%
Provisions for reduction of employees	226.9	-53.4	-280	-
Provisions for sale international subsidiaries	382.7	5.0	-378	-98.7%
Provisions for garantees and other commitements	-22.8	-76.9	-54	-
Other provisions	54.5	41.6	-13	-23.7%
Net operating income	184.3	749.2	565	306.5%
Net income	51.9	495.8	444	854.4%

(1) Excluding non-recurrent costs.

Income from services and commissions was up 2.0% by €9.3 million over December 2017 to €474.2 million in 2018. Income from financial operations, in 2018, in turn, arising from income from interest rate hedges and foreign exchange operations which were strongly impacted by external factors, totalled €31.7 million.

CGD's total operating income in 2018 was, accordingly, down €229.0 million in comparison to 2017 to €1,785.8 million, influenced by the significant reduction of net trading income, given its highly expressive proportion in 2017.

Consolidated operating costs in 2018 were down 9.3% by €102.4 million to €1000.9 million in comparison to 2017. Excluding non-recurring items related to the implementation of the Strategic Plan, the year-on-year reduction of these costs would have been 11.1%, across all accounts which confirms CGD Group's trajectory in terms of rationalising its cost structure.

Net operating income before impairment was down 13.9% by €126.6 million, in comparison to the same period of the preceding year. Core operating income (excluding non-recurring items), as the sum of net interest income and commissions, net of operating costs, was up 14.6% in the period under analysis to €726,1 million.

Credit impairment (net) was €119.5 million in the January to December 2018 period. The credit impairment (net) indicator, as a percentage of the average credit portfolio balance, increased slightly in December 2018 to an annualised 0.21%, confirming the quality of CGD's assets in addition to their coverage ratio.

Income tax for 2018 amounted to €308.3 million against €215.8 million for the same period 2017, an increase justified by the rise in operating results. The referred to tax includes a banking sector contribution of €32.9 million in 2018 (€36.5 million in 2017).

Income from subsidiaries held-for-sale totalled €45.8 million. Results of associated companies were in turn, up €28.1 million over 2017 to €52.8 million, reflecting the favourable evolution of insurance activity.

The referred to evolution resulted in consolidated net income of €495.8 million for CGD in 2018, against €51.9 million for the preceding year.

BALANCE SHEET

CGD's consolidated net assets were down 4.5% by €4,157 over last December to €89,091 million at the end of 2018.

Cash balances and loans and advances to credit institutions were up 5.6% by €466 million over December 2017 to €8,814 million.

(EUR Million)

BALANCE SHEET - Main headings	Restated		Change 2018-12 vs. 2017-12
	2017-12	2018-12	(%)
Net assets	93,248	89,091	-4.5%
Cash and loans and advances to credit institutions	8,348	8,814	5.6%
Securities investments (1)	15,804	16,497	4.4%
Loans and advances to customers (net) (1)	55,255	51,589	-6.6%
Loans and advances to customers (gross) (1)	59,811	54,926	-8.2%
Central banks' and credit institutions resources	4,043	1,759	-56.5%
Customer resources	63,631	63,423	-0.3%
Debt securities	4,051	3,260	-19.5%
Shareholders' equity	8,274	8,285	0.1%

(1) Includes assets w ith repo agreements.

The loans and advances to customers portfolio was down 8.2% and 6.6% respectively over the end of 2017 to €54,926 million (gross) and €51,589 million (net). Reference should be made to the strong progression in terms of fresh loans, albeit insufficient to offset the portfolio reduction, strongly influenced by NPL sales as well as the significant credit repayments by public entities of around 1 billion euros.

New mortgage lending in CGD Portugal was up 26.7% by €328 million over December 2017 to €1,558 million.

The 0.3% decrease of €164 million in customer deposits was more than offset by the positive performance of the €677 million increase in off-balance sheet.

Central banks' and credit institutions' resources were down 56.5% by €2,284 million owing to the early repayment of €3 billion of financing from the ECB. At the end of 2018, CGD and Caixa-Banco de Investimento had paid ECB in full their respective liabilities.

CGD retained its leading position in the domestic market, both in total deposits, which grew 1.8%, with a 26% market share and 29% in terms of individual customers' deposits.

(EUR Million)

RESOURCES TAKEN	Restated 2017-12	2018-12	Change 2018-12 vs. 2017-12 (%)
Balance sheet	**72,753**	**69,601**	**-4.3%**
Central banks' & cred instit. resources	4,043	1,759	-56.5%
Customer deposits (Consolidated)	63,499	63,335	-0.3%
Domestic activity	52,319	53,263	1.8%
International activity	11,180	10,072	-9.9%
Covered bonds	3,851	3,058	-20.6%
EMTN and other securities	1,228	1,362	10.9%
Other	132	87	-33.9%
Off-balance sheet	**19,210**	**19,887**	**3.5%**
Investment funds	3,928	3,745	-4.6%
Real estate investment funds	972	777	-20.1%
Pension funds	3,770	3,641	-3.4%
Financial insurance	7,639	8,586	12.4%
OTRV Portuguese Governm. Bonds	2,901	3,138	8.2%
Total	**91,963**	**89,489**	**-2.7%**
Total resources (domestic activity) (1)	**68,781**	**70,360**	**2.3%**

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

Total resources taken from domestic activity were up 2.3% over the same period last year to €70,360 million at the end of 2018. Reference should be made to the performance of off-balance sheet products that, in spite of the decreases registered in funds were up 3.5% by €677 million, with financial insurance posting a 12.4% increase of €947 million and variable rate treasury bond issuances with an 8.2% increase of €607 million over December 2017.

Gross loans and advances to customers, were down 8.2% over December 2017 to €54,926 million, with lending to companies and individual customers in terms of CGD Portugal's activity down 10.9% and 5.2%, respectively. Special reference herein should be made to the effort of reduction of non-productive exposures through portfolio sales, as well as the maintenance of a deleveraging trend, albeit to a lesser extent, by domestic economic agents.

(EUR Million)

LOANS AND ADVANCES TO CUSTOMERS	Restated		Change 2018-12 vs. 2017-12	
	2017-12	2018-12	Total	(%)
CGD Portugal	**48,826**	**44,629**	**-4,197**	**-8.6%**
Corporate	15,706	13,997	-1,709	-10.9%
Construction and real estate	6,185	4,383	-1,802	-29.1%
Other sectors	9,520	9,614	94	1.0%
General government	5,117	4,124	-993	-19.4%
Institutionals and other	1,254	1,160	-94	-7.5%
Individual customers	26,750	25,348	-1,402	-5.2%
Mortgage loans	25,861	24,496	-1,365	-5.3%
Other	889	852	-37	-4.1%
Other CGD Group companies	**10,985**	**10,298**	**-687**	**-6.3%**
Total	**59,811**	**54,926**	**-4,885**	**-8.2%**

Note: Gross loans and advances to customers

CGD had a 19.4% share of the credit market in November 2018, with lending to companies at 15.1% and mortgage loans to individual customers at 24.5%.

The loans-to-deposits ratio of 81.5%, in December 2018, against 87.0% in December 2017, reflected the strong preference shown by CGD's deposits customers, even in an environment of low interest rates.

The evolution of CGD's asset quality was favourable, with a reduction of €2.6 billion in NPLs (non-performing loans according to the EBA definition) − down 33.5% over December 2017, where, in addition to portfolio sales, we have seen a positive evolution in the components of cured and recovery components. The NPL ratio at the end of 2018 stood at 8.5% with impairment and collateral coverage of 63.5% and 52.4% respectively at the said date (total coverage ratio of 115.8%).

NPL, NPE and COVERAGE	Consolidated		CGD Portugal	
Gross ratios	2017-12	2018-12	2017-12	2018-12
NPE [1]	9.3%	6.6%	10.3%	7.1%
NPL [2]	12.0%	8.5%	13.2%	9.0%
Coverage by impairments				
NPE	56.4%	62.4%	58.9%	64.8%
NPL	56.7%	63.5%	59.2%	65.3%

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

LIQUIDITY

Benefiting from its comfortable liquidity situation, CGD reduced its borrowings from the ECB (European Central Bank) across 2018. Resources obtained from the ECB at the end of December on a CGD Group level were reduced to around €471 million against the €3.5 billion registered at the end of the preceding year. This decrease was based on CGD's full early repayment of €2 billion in TLTRO 2 ("Targeted Longer-Term Refinancing Operations") to the ECB in June, in addition to a decrease of €996 million in borrowings obtained through other Group entities (BCG Espanha and Caixa-Banco de Investimento).

CGD's assets portfolio eligible for the collateral pool with the ECB was down, in line with the reduction in its level of borrowings, from €12 billion in December 2017 to around €10.5 billion at the end of 2018. At Group level, the decrease was from €14 billion to €12 billion.

CGD issued €1.5 billion in covered bonds to be retained in its own portfolio in December, for the purpose of enhancing the level of diversification of its assets pool eligible as collateral for the ECB. This resulted in an increase in the financing balance under the covered bonds programme, notwithstanding the repayment of €770 million across the year in question, from €5.3 billion to €6 billion at the end of 2018.

In June, CGD successfully completed the last stage of its Recapitalisation Plan, started in 2017, with its issuance of €500 million in Tier 2 securities, exclusively for institutional investors, following its agreement with DG Comp.The issuance contributed to the increase of the outstanding balance under the EMTN (Euro Medium Term Notes programme) that, in December 2018, stood at €1.4 billion.

The liquidity position in the form of an LCR (liquidity coverage ratio) of 225.5%, at the end of December 2018 was highly favourable and in excess of regulatory requirements and the average of European Union banks.

SOLVENCY

Consolidated shareholders' equity, at 31 December 2018, were up €11 million over the same period 2017 to €8,285 million. Other reserves and retained earnings were down, largely owing to the impact of the full implementation of IFRS 9, in which CGD decided not to take advantage of the phasing-in option.

SHAREHOLDERS' EQUITY	Restated	
	2017-12	2018-12
Share capital	3,844	3,844
Other capital instruments	500	500
Revaluation reserves	395	257
Other reserves and retained earnings	3,098	2,855
Non-controlling interests	385	333
Net income	52	496
Total	**8,274**	**8,285**

The other capital instruments account for an amount of €500 million, refers to the Additional Tier 1 market issuance at the end of March 2017.

The phased-in and fully loaded CET 1 ratios both stood at 14.7%. The fully loaded Tier 1 and Total ratios of 15.7% and 17.0%, easily met the capital requirements currently in force at CGD.

SOLVABILITY	Phased-in		Fully Implemented	
	2017-12	2018-12	2017-12	2018-12
CET I	14.0%	14.7%	14.0%	14.7%
Tier I	15.1%	15.7%	15.0%	15.7%
Total	15.7%	17.1%	15.2%	17.0%

The capital ratios at the said date include the full impacts of the implementation of IFRS 9 (-0.25%), the phasing-in process in 2018 (-0.06%), the deduction of irrevocable commitments associated with mandatory contributions (-0.35%) and other regulatory adjustments (-0.26%). The generation of capital via the net result of 2018 provided an increase of 1.14%.

RELEVANT EVENTS

Rating agencies confirm rating upgrades

Fitch Ratings upgraded CGD's rating to BB in December 2018. Moody's had taken a similar step in October, after an initial upgrade in February, when it upgraded CGD's deposits and long term senior debt ratings by two notches − Ba3 to Ba1 − largely as a reflection of the progress made in implementing the 2017-2020 Strategic Plan, particularly in terms of profitability, improved asset quality and higher capital ratios.

Innovation and digital transformation

CGD CGD introduced its digital transformation programme at the start of 2018, to adjust its service to customers' needs.

Under this programme and with the objective of improving customer's accessibility to digital solutions, 2018 witnessed the launch of CGD's App Caderneta as a digital version of CGD's bank account passbook which was particularly designed for the senior segment, the possibility of opening an account by video call, a new Caixadirecta App which quickly became the 1st App in Apps Stores and accounted for 60% of accesses to Caixadirecta largely due to the availability of 120 user-friendly functionalities, Caixa Easy, as a smartphone service enabling small amounts to be transferred using a mobile phone number, without identifying the number of the current account to be credited, Caixadirecta for 12-17 years old with a special “Consult” feature in order to promote a better management of their resources in the future, the possibility of contracting Consumer Credit in Caixadirecta and, finally, the immediate connection to Caixadirecta in Caixautomática and via Extrato Global.

Caixa also continues to commit resources to its remote customers management services which account for 273,000 customers, to meet the needs of customers who prefer a proximity relationship with the bank with the convenience of extended opening times and a multiplicity of contact channels.

In Corporates, the rate of adherence to Caixadirecta App exceeded 68%, reaching in some products high operating rates through the digital channel, in particular the use of Trade Finance operations (50%) and factoring and confirming operations (40%).

CGD is therefore providing for day-to-day management oversight needs, savings, investment and loans for personal projects, enabling agreements for products and services to be entered into in a more comfortable, convenient and secure manner.

CGD Group had more than two million individual and corporate digital customers with active contracts, in the domestic and foreign markets at the end of 2018. This comprises a year-on-year increase of 170,000 new customers, of which 128,000 in Portugal.

Caixa was distinguished, for the first time, by the readers of the highly regarded PC Guia, magazine as the Best Homebanking Site 2018. With this distinction, Caixa has consolidated its position as the digital bank of Portuguese citizens with a simple solution available to all.

Caixa is the leader in terms of the number of internet banking users in Portugal, with more than 1.5 million customers or around 47% of the total number of homebanking customers in Portugal and more than twice the number of customers of the second placed bank (Basef Banca/ Marktest – average for January to October 2018).

Caixa continues to be the only bank in the top 30 in terms of the number of social network searches. This is more than twice that of the second placed bank (PHD/NetAudience – December).

Improved customer loyalty with an increase in the number of “Caixa Accounts”

Customers continue to express their preference for “Caixa accounts” as a multiproduct solution comprising a current account, online transfers, credit and debit cards and insurance. The total number of subscriptions was up by 584 thousand new active accounts during the course of 2018 to 1.5 million at the end of December, comprising a 62% increase at a rate of around 50 thousand accounts per month.

New Commercial Offer

To adress the needs of diferente types of clientes, CGD launched a diversified offer of products:

- The launch of Crédito Pessoal Caixadirecta (Caixadirecta Personal Loans) as an online credit process permitting agreements to be entered into online through the Caixadirecta service.
- Expansion of the use of debit cards abroad and 24 hours a day interbank transfers when using the Caixadirecta service.
- The consolidation of the Valor Caixa Casa Fast process, with its “Fast Decision” (10 working days) based on 3 steps: Simulation and Decision; Assessment and Confirmation; Title Deed.
- Launch of the Caixa Top exclusive recognition programme with special advantages and terms as a speedy decision on credit applications, better price terms, exclusive Treasury products, foreign trade support services and a host of other “Top” advantages, covering 9,600 companies.
- CGD promoted new government sponsored lines, namely Caixa Invest Inovação (FEI), Caixa EIB 2018 and Capitalize Plus - SI Inovação.
- A new facility of 1.000 million euros to finance agriculture and agro-industrial activities through its dedicated AgroCaixa – Antecipar lines.
- Launch of overdraft facility for non-Euro accounts.
- New products for SMEs, with emphasis on fixed rate solutions, Flex leasing, guaranteed Confirming and export and import Forfait.

Encontros Fora da Caixa conferences

CGD organised thirteen nationwide Encontros Fora da Caixa meetings throughout 2018 (Castelo Branco, Aveiro, twice in Lisbon, Évora, Porto, Beja, Setúbal, Bragança, Fátima, Coimbra, Viana do Castelo and Guarda), dealing with regional issues and helping to define a strategic vision for companies and the country. These meetings were attended by circa 7,000 CGD customers and 275 thousand via streaming.

Greater proximity to local inhabitants

In September, the third mobile branch office, expanding the coverage of this innovative proximity and convenience service to 18 locations in the Portalegre district, extending the same service already in place in the districts of Castelo Branco and Guarda to those customers living in areas where no traditional banking services are available.

Caixa continues to lead the main customer and product segments

Particularly in terms of unit trust investment funds and deposits, loans to households, payments and bank cards and in the digital area, with 1.5 million Caixadirecta customers.

MARKET SHARE	
	2018-11
Deposits (Balance)	25.7%
Individuals	29.1%
Emigrants	*49.3%*
General government	33.3%
Loans and advances to customers (Balance)	19.4%
Mortgage loans	24.5%
General government	30.2%
Unit trust Investment funds (1)	33.2%
Financial insurance	43.0%
Retirement savings plan	55.6%
Debit cards (1)	26.7%

(1) December 2018.

Reference should also be made to the public offering of July 2025 on variable rate Treasury bonds in which Caixa was the leader in terms of the number of orders received, with 40% of customers having made their investment through Caixa.

As regards the protection of people with fewer resources, reference should be made to the "minimum banking services" account in which CGD is the leader with a market share of around 50% (June 2018).

Caixa organised the largest digital reception operation at 80 universities and polytechnics in the new 2018 academic year. The operation envolved more than 40 thousand new students out of a total universe of more than one million customers over 24 years, ending 2018 with 240 thousand university customers and a market share of 56% of the Portuguese academic population.

In terms of government sponsored credit lines, CGD achieved the 1st place in the "Capitalizar 2018" and "Capitalizar Mais" lines.

A better customer experience

This is a priority for Caixa and is one of the core themes for strengthening the value proposals for its customers. Research shows the high proportion of satisfied customers (80% of individual customers and 73% corporate and business customers) who expressed their satisfaction or high level of satisfaction in terms of their global experience with Caixa.

According to Basef, Caixa has the highest share of a major bank (36%).

Prizes and distinctions

Across 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);
- CGD – *Bank with most valuable reputation in Portuguese banking in 2017*, by ON Strategy;
- CGD – *Brand with greatest notoriety in Portuguese banking*, BrandScore 02Q18;
- CaixaBI - *Best Investment Bank in Portugal 2018*, by American Global 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 offer of funds;
- Caixagest – *Best Domestic Bond Manager*, by Morningstar, for the fourth consecutive year.

4. DOMESTIC AND INTERNATIONAL ACTIVITY

Domestic activity contributed an amount of €341.0 million to CGD Group's net income in 2018, in comparison to a negative €175.9 million in the preceding year.

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	Restated 2017-12	2018-12	Change (%)
Net interest income	773.4	795.6	2.9%
Income from equity instruments	45.3	16.5	-63.6%
Net fees and commissions	374.5	383.3	2.3%
Net trading income	226.3	-7.1	-
Other operating income	74.6	95.5	28.1%
Total operating income	**1,494.2**	**1,283.8**	**-14.1%**
Employee costs	486.4	460.7	-5.3%
Administrative expenses	302.7	258.2	-14.7%
Depreciation and amortisation	51.8	36.0	-30.4%
Operating costs	**840.8**	**755.0**	**-10.2%**
Net operating income before impairments	**653.3**	**528.8**	**-19.1%**
Credit impairment (net)	55.3	57.8	4.6%
Provisions and impairments of other assets (net)	623.3	-90.2	-
Net operating income	**-25.2**	**561.2**	**-**
Income Tax	171.0	267.4	56.4%
Net operat. inc. after tax and before non-controlling interests	**-196.2**	**293.8**	**-**
Non-controlling interests	3.2	4.0	24.0%
Results of associated companies	23.6	51.3	117.3%
Net income	**-175.9**	**341.0**	**-**

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

In what regards CGD's core activity reference should be made to the 2.3% increase in net fees and commissions over 2017 to €383.3 million and the 2.9% improvement in net interest income to €795.6 million.

The negative evolution of income from financial operations, in comparison to the exceptionally good results achieved in 2017, was behind the 14.1% reduction of total operating income of the domestic activity.

The 10.2% reduction of €755.0 million in operating costs represented a positive evolution over December 2017, having been particularly influenced by the sharp reduction of employee costs, along with the decrease in the other operating costs items.

Continuing to implement the strategic plan 2017-2020, the number of CGD employees engaged in domestic activity in 2018 was down 646.

In the implementation of its deleveraging plan on non-performing assets agreed with DG Comp (Directorate General for Competition of the European Commission), CGD Group also disposed of several items of real estate received as payment in kind for its loans and investment properties, in 2018. All non-performing loan disposals planned for 2018 were therefore negotiated and implemented, without the recognition of any capital loss in comparison to the net value recognised in the balance sheet. This made significant contribution to the reduction of CGD Group's NPL ratio.

Still within the scope of its Strategic Plan, in 2018 the structure of the CGD Group was reorganized aiming at its simplification by reducing the number of instrumental entities by way of merger or dissolution of some group companies. The resulting structure will contribute to greater profitability in the future by abolishing procedures that were a source of operational costs at the consolidated level.

(EUR Million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	Restated 2017-12	2018-12	Change (%)
Net interest income	474.4	408.5	-13.9%
Income from equity instruments	1.1	1.0	-10.1%
Net fees and commissions	91.5	91.7	0.2%
Net trading income	-18.2	40.1	-
Other operating income	20.8	1.2	-94.3%
Total operating income	**569.5**	**542.4**	**-4.8%**
Employee costs	172.6	158.5	-8.2%
Administrative expenses	103.8	102.3	-1.5%
Depreciation and amortisation	35.0	25.6	-26.9%
Operating costs	**311.4**	**286.3**	**-8.0%**
Net operating income before impairments	**258.2**	**256.1**	**-0.8%**
Credit impairment (net)	30.6	61.7	101.2%
Provisions and impairments of other assets (net)	18.0	6.5	-64.2%
Net operating income	**209.5**	**188.0**	**-10.3%**
Income Tax	44.8	40.9	-8.8%
Net operat. inc. after tax and before non-controlling interests	**164.7**	**147.1**	**-10.7%**
Non-controlling interests	21.6	39.8	84.2%
Results from subsidiaries held for sale	83.6	45.8	-45.2%
Results of associated companies	1.1	1.6	41.8%
Net income	**227.8**	**154.7**	**-32.1%**

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

The international area's contribution of €154.7 million to consolidated net income in 2018 was down 32.1% year-on-year 2017. This unfavourable development was due to the depreciation of Angola's kwanza and Macau's pataca against the euro referred to previously and also derived from the reduction of CVC Corretora contribution to CGD Group results as this subsidiary had significant gains in September 2017 following the disposal of its economic rights over Rico Corretora.

Notwithstanding the favourable €40.1 million increase in net trading income, lower levels of net interest income sharply conditioned total operating income of €542.4 million, in 2018. Excluding the referred to foreign exchange effect, net interest income from international activity would have recorded an additional amount of €56 million.

The 4.8% reduction of €27.1 million in total operating activity in comparison to the same period of the preceding year was offset by the decrease of all component parts of the operating costs of international activity. Employee costs were down 8.2% over the preceding year, administrative costs down 1.5% and containment of depreciation at 26.9%.

The main contributors to consolidated net income were BNU Macau (€61.5 million), BCI Moçambique (€35.8 million) and France branch (€16.2 million).

Following the implementation of the Strategic Plan, the branches in London, Cayman, Offshore Macau, Zhuhai and New York have been closed. Work also began on the process for the disposal of CGD's equity investments in Mercantile Bank Holdings Limited, in South Africa, Banco Caixa Geral, S.A., in Spain and Banco Caixa Geral Brasil, during the course of 2018. These operations were designed to rationalise CGD Group's international structure, enabling it to free up capital and reduce its risk profile.

The buyers of CGD's shareholding in Mercantile Bank Holdings Limited (South Africa) and in Banco Caixa Geral, S.A. (Spain) were approved by the Portuguese Government in 2018, as announced in November 2018. For each transaction, the completion of the sale is subject to local authorities approval, and for that reason weren't considered in 2018 accounts. If these sales materialise until the final approval of the CGD's Annual Report 2018, they will constitute a subsequent event.

5. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET	Restated		Change 2018-12 vs. 2017-12	
ASSETS	2017-12	2018-12	Total	(%)
Cash and cash equiv. with central banks	4,621	5,607	986	21.3%
Loans and advances to credit instit.	3,727	3,207	-520	-14.0%
Securities investments	15,751	16,442	691	4.4%
Loans and advances to customers	55,255	51,589	-3,665	-6.6%
Assets with repurchase agreement	53	55	2	0.0%
Non-current assets held for sale	6,757	6,213	-543	-8.0%
Investment properties	898	810	-88	-9.8%
Intangible and tangible assets	669	509	-160	-23.9%
Invest. in subsid. and assoc. companies	415	389	-26	-6.3%
Current and deferred tax assets	2,323	2,152	-170	-7.3%
Other assets	2,780	2,117	-662	-23.8%
Total assets	**93,248**	**89,091**	**-4,156**	**-4.5%**
LIABILITIES				
Central banks' and cred. instit. resources	4,043	1,759	-2,284	-56.5%
Customer resources	63,631	63,423	-208	-0.3%
Debt securities	4,051	3,260	-791	-19.5%
Financial liabilities	1,060	738	-323	-30.4%
Non-current liabilities held for sale	5,784	5,396	-387	-6.7%
Provisions	1,288	1,116	-172	-13.4%
Subordinated liabilities	1,028	1,160	132	12.9%
Other liabilities	4,088	3,955	-134	-3.3%
Sub-total	**84,974**	**80,806**	**-4,168**	**-4.9%**
Shareholders' equity	**8,274**	**8,285**	**11**	**0.1%**
Total	**93,248**	**89,091**	**-4,156**	**-4.5%**

(EUR Thousand)

INCOME STATEMENT	Restated		Change	
	2017-12	2018-12	Total	(%)
Interest and similar income	2,344,714	2,072,329	-272,385	-11.6%
Interest and similar costs	1,103,655	867,529	-236,126	-21.4%
Net interest income	1,241,059	1,204,800	-36,259	-2.9%
Income from equity instruments	46,383	17,472	-28,910	-62.3%
Net interest inc. incl. inc. from eq. investm.	**1,287,442**	**1,222,272**	**-65,170**	**-5.1%**
Fees and commissions income	589,151	598,514	9,363	1.6%
Fees and commissions expenses	124,289	124,316	27	0.0%
Net fees and commissions	464,862	474,198	9,336	2.0%
Net trading income	215,779	31,669	-184,110	-85.3%
Other operating income	46,741	57,673	10,932	23.4%
Non-interest income	**727,382**	**563,540**	**-163,842**	**-22.5%**
Total operating income	**2,014,823**	**1,785,812**	**-229,012**	**-11.4%**
Employee costs	658,936	619,171	-39,765	-6.0%
Administrative expenses	357,590	320,056	-37,534	-10.5%
Depreciation and amortisation	86,765	61,628	-25,137	-29.0%
Operating costs	1,103,291	1,000,855	-102,436	-9.3%
Net operating income before impairments	**911,532**	**784,957**	**-126,575**	**-13.9%**
Credit impairment (net)	85,909	119,466	33,557	39.1%
Provisions for reduction of employees	226,901	-53,378	-280,279	-
Provisions for sale international subsidiaries	382,734	5,000	-377,734	-98.7%
Provisions for garantees and other commitements	-22,773	-76,897	-54,124	-
Other provisions	54,452	41,556	-12,896	-23.7%
Provisions and impairments	**727,222**	**35,747**	**-691,475**	**-95.1%**
Net operating income	**184,310**	**749,209**	**564,899**	**306.5%**
Income Tax	**215,823**	**308,284**	**92,462**	**-**
of which Contribution on the banking sector	36,526	32,860	-3,666	-10.0%
Net op. inc. after tax and before non-controlling int.	**-31,513**	**440,925**	**472,438**	**-**
Non-controlling interests	24,829	43,788	18,959	76.4%
Results of associated companies	24,688	52,821	28,133	114.0%
Results of subsidiaries held for sale	83,601	45,818	-37,783	-45.2%
Net income	**51,946**	**495,776**	**443,830**	**854.4%**

6. SEPARATE ACCOUNTS – CGD, S.A.

(EUR million)

BALANCE SHEET			Change 2018-12 vs. 2017-12	
ASSETS	2017-12	2018-12	Total	(%)
Cash and cash equiv. with central banks	3,750	4,661	911	24.3%
Loans and advances to credit inst.	3,809	3,312	-497	-13.0%
Securities investments	17,337	17,995	658	3.8%
Loans and advances to customers	48,072	44,852	-3,220	-6.7%
Non-current assets held for sale	713	657	-56	-7.9%
Intangible and tangible assets	336	292	-43	-13.0%
Invest. in subsid. and associat. companies	3,492	1,672	-1,820	-52.1%
Current and deferred tax assets	2,235	2,045	-190	-8.5%
Other assets	2,430	2,120	-310	-12.8%
Total assets	**82,174**	**77,607**	**-4,568**	**-5.6%**
LIABILITIES				
Central banks' and credit inst. resources	4,847	2,176	-2,672	-55.1%
Customer resources	56,838	56,215	-623	-1.1%
Debt securities	4,053	3,261	-792	-19.5%
Financial liabilities	1,056	731	-325	-30.7%
Provisions	1,247	1,046	-202	-16.2%
Subordinated liabilities	1,128	1,270	143	12.6%
Other liabilities	5,833	5,543	-291	-5.0%
Sub-total	**75,001**	**70,240**	**-4,761**	**-6.3%**
Shareholders' equity	**7,173**	**7,367**	**193**	**2.7%**
Total	**82,174**	**77,607**	**-4,568**	**-5.6%**

(EUR thousand)

INCOME STATEMENT	2017-12	2018-12	Total	(%)
Interest and similar income	1,725,180	1,516,129	-209,051	-12.1%
Interest and similar costs	890,360	703,040	-187,320	-21.0%
Net interest income	834,820	813,089	-21,731	-2.6%
Income from equity instruments	59,889	66,988	7,099	11.9%
Net interest income incl. income from eq. investm.	**894,709**	**880,077**	**-14,632**	**-1.6%**
Fees and commissions income	460,424	483,015	22,591	4.9%
Fees and commissions expenses	88,411	89,158	747	0.8%
Net fees and commissions	372,013	393,857	21,844	5.9%
Net trading income	218,633	39,419	-179,214	-82.0%
Other operating Income	-40,083	-14,135	25,949	-
Non-interest income	**550,563**	**419,142**	**-131,421**	**-23.9%**
Total operating income	**1,445,272**	**1,299,218**	**-146,053**	**-10.1%**
Employee costs	492,574	459,133	-33,441	-6.8%
Administrative expenses	279,018	251,811	-27,207	-9.8%
Depreciation and amortisation	53,182	37,059	-16,122	-30.3%
Operating costs	824,774	748,004	-76,770	-9.3%
Net operating income before impairments	**620,498**	**551,215**	**-69,283**	**-11.2%**
Credit impairment (net)	119,092	116,518	-2,574	-2.2%
Provisions for reduction of employees	223,900	-54,314	-278,214	-
Provisions for sale international subsidiaries	125,136	14,500	-110,636	-88.4%
Provisions for garantees and other commitements	-28,400	-98,334	-69,934	-
Other provisions	26,758	-33,527	-60,285	-
Provisions and impairments	**466,486**	**-55,158**	**-521,644**	**-**
Net operating income	**154,012**	**606,372**	**452,361**	**293.7%**
Income Tax	**129,370**	**268,575**	**139,205**	**107.6%**
Current	30,406	13,673	-16,734	-55.0%
Net income	**24,642**	**337,798**	**313,156**	**1270.8%**

Lisbon, 01 February 2019