



**ANNUAL
REPORT**

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CONSOLIDATED

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Message from the
Chairman of the
General and
Supervisory Board

MESSAGE FROM THE CHAIRMAN OF THE GENERAL AND SUPERVISORY BOARD

To the Chairmen and Directors of the Associated Caixas,

As clearly demonstrated in the Annual Report submitted for your appraisal, the environment in which the banking business is developed is still constrained in crucial aspects, namely with respect to the interest rates of lending transactions that continue strongly influenced both by the negativity of Euribor rates for all maturities and by the fierce interbank competition, with these factors exerting downward pressure on the rates applied. Commercial banks thus face a particularly adverse situation in which to obtain adequate remuneration in loan interest, the primary component of their operating income. Naturally, the offsetting of this situation by attempting to increase other types of income, such as commissions, enabling improvement of the complementary margin, while possible, presents significant limitations and constraints, especially in the sphere of behavioural supervision. In view of these handicaps, the banks tried to defend their net interest income through containment in the remuneration of customer deposits.

Despite the inauspicious business circumstances, the main Portuguese banks actually achieved impressive profits in 2018, with the single and known exception. In this regard, the containment in deposit interest was one of the factors that contributed to this outcome, alongside the streamlining in the operative structures and the reorganisation and recovery in the loan portfolio.

In 2018, Crédito Agrícola also achieved a consolidated net income above 100 million euros, precisely 112.4 million, which is historically one of the highest figures reached by the Group. This value was only surpassed in 2017 (which benefitted from considerable capital gains in financial transactions due to the very favourable evolution of the markets during that year and as a result of the opportune decision to conduct them), and by the net income of the last two years before the crisis, namely 2007 and 2008, when the Group's consolidated net profit reached around 120 million euros.

All the Group's business areas contributed to this favourable performance of the net income of Crédito Agrícola in 2018, above all Caixa Central and the Caixas Agrícolas with a profit of 14.0 million euros at the former and 91.4 million at the latter as a whole, but also the insurer with its positive net income of 6.9 million at CA Vida and 2.7 million at CA Seguros. CA Gest, the Group's asset management unit, also achieved a positive net income, albeit merely residual, in view of the adverse situation in the financial markets. CA Imóveis, which manages the real estate portfolio acquired under credit recovery and proceeds with its divestment, although maintaining negative net income, managed to improve in relation to the previous year.

Concerning the area of technology and information systems, although priority must obviously be given to the quality and reliability of the service provided and response capacity to the increasingly more demanding requests addressed to it, aspects in which it has shown a manifestly positive performance, it should be highlighted that also in the economic and financial spheres a balanced operation has been observed in CA Informática / CA Serviços together.

The evolution in the set of Caixas Agrícolas merits special reference, as for the year that has now ended only 3 Caixas presented a loss, and it is also noteworthy that close to 30 Caixas recorded a net income above 1 million euros.

In the appraisal of the Group's business performance in 2018, it should also be strongly highlighted that Crédito Agrícola, in a context in which the volume of credit in the Portuguese financial system continued in contraction, maintained the trend of growth that it has shown in this core component of the business, with gross credit having increased by 5.6% in relation to the previous year. At the same time, there has been a significant improvement in the loan portfolio, with the Non-Performing Loan (NPL) ratio falling in consolidated terms to 10.4%, while at Caixa Central this ratio stood at 5.4%, and the classic ratio of loans overdue by more than 90 days standing short of 3% and in the Caixas a little above this value. As I have reiterated on previous occasions, despite this very positive scenario in overall terms, various Caixas maintain indices of overdue credit that are clearly excessive and out of line with the others, which not only requires an improvement in their credit granting practices but also in monitoring and recovery.

However, the growth achieved by Crédito Agrícola in credit did not contribute to improve our loan-to-deposit ratio, which remains very low, as customer deposits, reflecting the trust that Crédito Agrícola merits among the population, and which has been strengthened, has increased at a greater rate than that of loans. Indeed, with growth of 10.4%, deposits have grown at a rate almost double that of loans. This situation, which has traditionally given the Group great comfort in terms of liquidity (which was of enormous importance when the financial crisis erupted) very significantly penalises the Group's present profitability, especially in the current context of the financial markets, in which it is not possible to find investments for the cash surplus offering any income at an acceptable risk.

The growth achieved by Agrícola in loans and deposits reflects the good performance of the commercial front, where note should be made of the high rate of attainment at an overall level of the commercial goals established in the integrated commercial policy framework that the Group has placed in practice over a number of years in this regard. Effectively, of the 21 business variables included in the matrix of goals, only in two, in personal loans and investment funds, was the established goal not achieved. The deviation was more pronounced in the latter, to a large extent due to the aforesaid adverse circumstances in the financial markets. The Degree of Achievement of Goals which on average was reached in the set of selected variables stood at 108.6%.

An importance reference should also be made to the Group's solvency, which continues to be at the top of Portuguese banks, with the common equity tier 1 (CET 1) ratio reaching 15.2%, greatly above the regulatory minimum. Crédito Agrícola is one of the few banks that did not need to resort to the schemes supporting the recapitalisation of the banking system which were instituted under the package of financial assistance to our country. Also in this aspect, nevertheless, we have a situation of marked heterogeneity between the Caixas Agrícolas, with some showing equity levels considerably below those of the Group's average. Special note should also be made of the fact that Caixa Central currently presents a CET 1 ratio that appears comfortable, corresponding to a significant improvement in relation to the institution's solvency situation observed just a few years ago.

Concerning structural costs, which in cooperative banks such as ours tends to be an indicator subject to some pressure, in view of the multiplication of some costs (that in other banks are central) among the Group's different entities, there was growth of 3.2% (for SICAM as a whole). This was due to staff costs

having increased by 1.3% and general administrative overheads by 6.6%, and merely a reduction close to 4% in amortisation. The need to streamline our cost structure thus continues to be a priority, so as to increase our efficiency ratio (cost to income), especially as structural costs have been progressively burdened with supervisory and regulatory costs that did not exist in the past. In some Caixas the need to improve their efficiency ratio is particularly critical, as their current structural costs absorb an excessive proportion of operating income.

Complementing the review of the Group's evolution in 2018, the Report also considers the outlook for 2019, a year veiled in substantial uncertainties in the political and financial sphere at an international level, adding specific challenges posed to the banking sector. Among the challenges, we highlight those arising from the further intensification of the regulatory framework, involving almost entirely new aspects (such as those related to the governance model of institutions and scrutiny of members of the management and supervisory bodies), and considerably heavier compliance costs in numerous areas of our activity, both linked to the need for institutions to continue capacity-building to enable full accomplishment of the process of financial digitalisation in its different angles. It is crucial for banks to be able to rise to the challenges created by the transformations that are currently already being experienced, especially among the younger generations, in the mode of access to financial services, prioritising digital channels. This is an even more pressing need considering the competition of new financial service providers, which are no longer merely traditional banks.

From a more immediate perspective, the banking business will remain very constrained by the extremely low interest rates applied in loan transactions, continuing to be influenced by the negative interest rates and the pressure of interbank competition. These factors do not provide for a favourable environment in which to gain adequate levels of return, which will tend to be exacerbated by the need for banks to reduce their NPL ratio to levels set by the regulator.

In this complex picture, it is gratifying to confirm the continuous improvement that the Group has accomplished in its image and brand recall, as well as the various awards and distinctions received for key aspects of its activity.

Thus, in 2018, Crédito Agrícola achieved the award for “Best Bank in Customer Care Service” for the fifth consecutive year, and according to Banco de Portugal's report on this matter, continues to be among the institutions receiving less complaints in our banking system, in a particularly excellent place when compared to the main banks.

In the insurance business, note that both CA Vida and CA Seguros were elected in 2018 by the prestigious and independent entity as Leading Companies in the National Index of Customer Satisfaction in Portugal, with CA Vida having received this distinction for the second consecutive year. Naturally, in maintaining direct relations with its customers for the insurance business, the Caixas Agrícolas and Caixa Central deserve a considerable portion of the merit associated to this distinction, combined with the response capacity of the insurers, which has shown significant improvement that we should recognise, and are delighted to do so. CA Seguros also received the distinction, as had already occurred in 2017, of Best Company to Work for in the banking, insurance and financial service sector. All this, alongside the excellent economic and financial performance of our companies, allows us to state that Crédito Agrícola is nowadays also a reference of quality and a solid name in the insurance area, representing yet another winning strategy of the Group.

In the area of investment funds, "Fundo CA Património Crescente" received the award of Best Open Real Estate Fund in 2018, attributed by the sector's associative entity, APFIPP, as had already occurred in previous years.

All this associated with the growing trust that Crédito Agrícola has progressively merited from its customers and the recognition received from important segments of society, enables affirming that the Group is currently experiencing a high point in its history. For all of us this is a motive for legitimate and healthy pride in belonging to this Group, and in particular to have actively participated, in our different areas, in the very positive evolution that Crédito Agrícola has shown over the past years. We have successfully continued the work of all the preceding generations that created the magnitude of Crédito Agrícola.

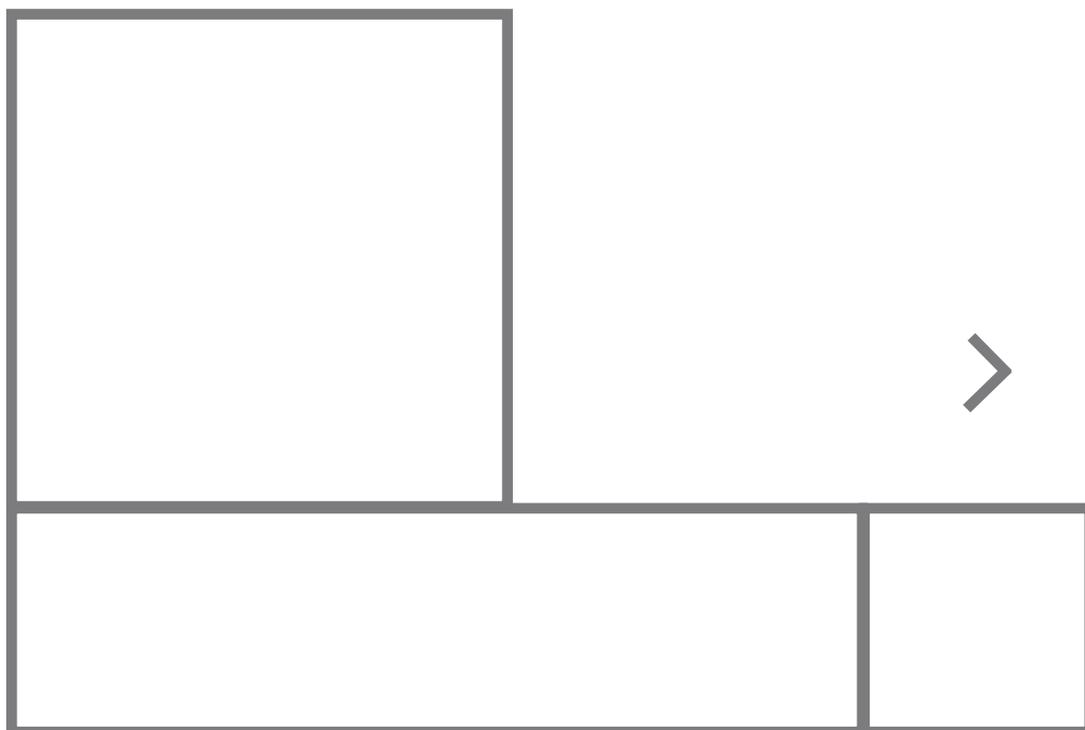
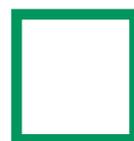
But as noted above, we are entering a period of tremendous change, some that, at least in what concerns our Group, might not be quite appropriate to the characteristics inherent to the type of institution that we are, and which elevate us to the leading position that we currently hold in society, going very much beyond our place (which is hardly insignificant) within the national banking system. These are signs of our times and we seek to adapt, fully certain that Crédito Agrícola's senior staff currently face a challenge perhaps unprecedented in its complexity and exigency.

Among the major changes to be highlighted, it must be said that 2018 also marks the end of a cycle in the Group's governance model at a central level, characterised by a General and Supervisory Board entirely composed of representatives of Associated Caixas and an Executive Board of Directors composed of professional managers, some from the Caixas Agrícolas and others not, a model initiated in 2004. If a model's worth is judged by its outcomes, we can say that the merits of this model have been thoroughly confirmed. As mentioned in other parts of this message and widely repeated at various levels, Crédito Agrícola experienced one of its most brilliant periods during the enforcement of this model. Nevertheless, the regulator wished, in the context of the new understanding on banking governance, which is obviously not unrelated to a concern to correct the scenarios that led to the financial crisis and collapse of various institutions, to strengthen the presence of independent individuals in the internal inspection and supervision of institutions. Accordingly, and as the General and Supervisory Board is the supervisory body of Caixa Central, the new composition of this body for the next three-year period will have a majority of independent members. The General Board's guidance function will also be largely diminished in terms of the scope of action of this body, as the aforesaid independent entities will be particularly entrusted with supervision.

As this is a closed subject, now beyond discussion, it remains for me to wish the new members of the General and Supervisory Board great success in carrying out their important mission, and hope that Crédito Agrícola continues with its new statutory design firmly along the path of progress of these past years, strengthening and consolidating its position as a reference institution within the national financial system, with an unrivalled role in supporting the socioeconomic development of numerous regions in our country and sustaining the quality of life of its population.

Lisbon, 4 April 2019





Key indicators of
the Group and
SICAM

KEY INDICATORS OF THE GROUP

Evolution of GCA

Values in million euros

	2015 Dec.	2016 Dec.	2017 Dec.	2018 Dec.
Customer Funds (on and off-balance sheet)	13,212	14,060	14,868	15,878
of which deposits	10,910	11,726	12,586	13,856
of which capitalisation funds and insurance a)	2,302	2,334	2,282	2,022
Gross Credit to Customers	8,373	8,651	9,373	9,891
Net Credit to Customers	7,555	7,941	8,721	9,420
Net Assets	14,936	16,699	17,988	18,790
Net Worth	1,205	1,244	1,449	1,516
Net Interest Income	310	327	330	349
Net Commissioning	98	105	113	116
Insurance Technical Margin	20	14	9	27
Recurring Operating Income b)	421	409	449	486
Operating Income	515	467	562	511
Net Income	54	58	152	112
Rácio de Non-Performing Loans (NPL)	n.a.	21.3%	15.2%	10.4%
Ratio of Coverage of NPL by Impairments	n.a.	39.2%	45.1%	44.0%
Common equity tier 1 - phased in	13.0%	13.6%	15.2%	15.2%
Total Solvency Ratio - GCA - %	13.5%	14.4%	16.0%	15.9%
Efficiency Ratio - GCA - %	63.8%	73.1%	60.4%	68.4%
Return on Equity (ROE) - %	4.5%	4.7%	10.5%	7.4%
Return on Assets (ROA) - %	0.4%	0.3%	0.8%	0.6%
Number of employees c)	4,121	4,054	4,068	4,067

Notes:

a) The values refer exclusively to the Associated Caixas of SICAM.

b) Operating Income excluding net trading income.

c) The values refer to employees with open-ended/indefinite contracts and fixed term contracts (positions at year end).

KEY INDICATORS OF THE BANKING BUSINESS (SICAM)

Evolution of Banking Business

Values in million euros

	2015 Dec.	2016 Dec.	2017 Dec.	2018 Dec.
Customer Funds	10,970	11,771	12,638	13,948
Gross Credit to Customers	8,430	8,713	9,435	9,960
Net Credit to Customers	7,578	7,998	8,783	9,489
Net Assets	13,060	14,881	16,437	17,658
Net Worth	1,173	1,227	1,444	1,525
Net Interest Income	245	276	290	305
Net Commissioning	130	138	148	152
Recurring Operating Income a)	401	426	450	470
Operating Income	503	475	533	475
Net Income	56	72	148	108
Loan to Deposit Ratio -% b)	69.1%	67.9%	69.5%	68.0%
Efficiency Ratio - SICAM - %	59.8%	66.0%	59.4%	68.8%
Return on Equity (ROE) - %	4.8%	5.9%	10.2%	7.1%
Return on Assets (ROA) - %	0.4%	0.5%	0.9%	0.6%
Leverage Ratio	11.1	12.1	11.4	11.6
Number of CCAM	82	82	81	80
Number of Branches (Total of SICAM) c)	683	673	669	657
Average Net Assets by CCAM d)	159,266	181,471	202,927	220,722
Average Number of Branches/CCAM e)	8.2	8.1	8.1	8.1
Number of employees f)	3,674	3,604	3,619	3,644

a) Operating Income excluding net trading income.

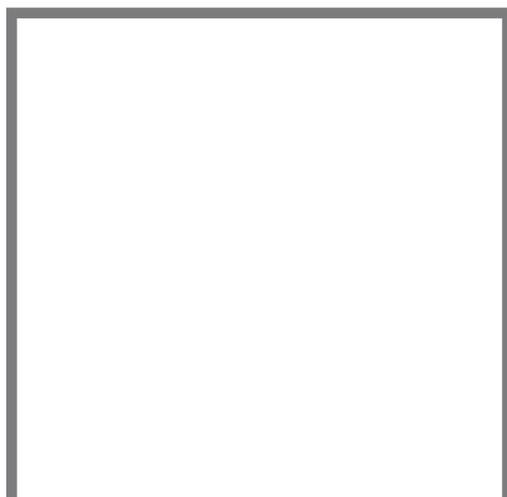
b) Ratio calculated as net credit divided by funds, pursuant to Banco de Portugal Instruction 23/2011.

c) Includes Caixa Central branches.

d) Values in thousand euros.

e) Refers only to branches of the Associated Caixas (SICAM).

f) The values refer to employees with open-ended/indefinite contracts and fixed term contracts (positions at year end).



Presentation of
the Report

PRESENTATION OF THE REPORT

Economic environment

The year of 2018 recorded a slowdown of economic growth, year-on-year (growth of 2.1% in 2018 compared to 2.8% recorded in 2017¹), explained by the reduction of the growth rate of exports and gross fixed capital formation.

In 2018, the weight of exports in nominal gross domestic product (GDP) was 44%, an increase of 17 p.p. In relation to the 27% recorded in 2009. Portugal's lower external dependence in relation to its trading partners reflects the structural transformation experienced by the business sector over the last few years. This has had positive effects in terms of the evolution of the trade balance, which shifted from recurring deficits of around 8% of gross domestic product (GDP) up to 2010 to surpluses close to 2% of GDP since 2013, with this surplus having fallen to 1% in 2018.

Despite the improvement of conditions in the labour market, private consumption continued to show a more moderate performance with a year-on-year variation of 2.8% at the end of 2018. The better economic conditions were reflected in the reduction of the unemployment rate which, at the end of 2018, stood at 6.7% of the active population. Medium and long-term unemployment reached the levels of 2004.

Despite the high indebtedness of the national economy compared to other European nations, companies have progressively moved towards a diversification of their funding sources, namely by strengthening their equity component, with the ratio of debt to GDP having fallen by 43 p.p. from 171% in 2012 to 128% in 2018. The need to reduce leverage levels has restricted investment levels which, in 2018, stood at close to 17% of GDP. In turn, the public sector and private sector show indebtedness close to 158% and 128% of GDP, respectively.

This deleveraging process and consequent retraction of demand for credit naturally had an impact on the activity of a financial group such as Crédito Agrícola Group, whose activity is based on funding households and companies to accomplish new projects.

Portuguese public finance continues to record a primary surplus, fundamental for a sustainable reduction of public debt, which still remains at high levels. In the third quarter of 2018, the public debt ratio reached around 125.0% of GDP, closing the year of 2018 at 121.5%, with the increase of debt securities and treasury certificates having contributed to this. Public debt ended 2018 at 244.9 billion euros, representing an increase of 2.1 billion euros in relation to that recorded at the end of 2017. The funding needs of Public Administrations stood at 912.8 million euros in 2018, representing 0.5% of national GDP, compared to the 3.0% deficit recorded in the same period of the previous year. The budget deficit for 2018 reached 0.5% of GDP, an improvement in relation to the 0.7% initially forecast by the government,



Chairman of the General and Supervisory Board
Carlos Courelas

¹ Source: Bloomberg, January 2019.

having benefited from the increased fiscal revenue and Social Security contributions, and reflecting the actual evolution of economic activity.

The interest rates of Portuguese Republic debt continued to record minimum levels, due to the reduction of perceived sovereign risk by investors, boosted by the good economic performance and the evolution of public accounts. This materialised in the upgrading of the Republic's rating from "BBB-" to "BBB" by the agency Standard and Poor's (S&P) on 15 March. This is two grades above the "junk" threshold that the country departed from in September 2017. S&P now has the same assessment of Portuguese sovereign debt as the agencies Fitch and DBRS which also graded Portuguese public debt at "BBB" with stable outlook. Although the general panorama is of stability, the agencies could consider a downgrade if the downward trend of the weight of debt in the Portuguese economy stagnates or if the authorities regress with reforms in enhancing the flexibility of the labour market. The rate associated to Portuguese debt at 10 years touched 1.73%, when, on the same date, the differential to German debt was less than 150 basis points.

Financial performance of the Group

Crédito Agrícola Group presented a consolidated net income of 112.4 million euros in 2018, showing comfortable liquidity and solvency levels. This performance of the Group, one of the highest levels in historic terms, was essentially due to the banking business which achieved a net income of around 108.0 million euros, as well as the insurance companies of Crédito Agrícola Group (CA Group or CAG) with an aggregate net income above 9 million euros.

The portfolio of gross credit to customers reached 9.9 billion euros, corresponding to growth of 5.5% compared to 2017, maintaining the increase in credit concession in contrast to that observed in the market, which recorded a reduction in the stock of credit granted to customers of around 1.5%. This evolution enabled Crédito Agrícola Group to strengthen its market share to 5.4% of the credit granted in Portugal. Credit to companies and the administrative public sector presents a relative weight above 54% in the credit portfolio, with growth of 8.4% having been recorded in relation to 2017.

Total customer funds reached 15.9 billion euros, reflecting year-on-year growth of 6.8% (distributed over deposits which increased by 10.1% and by investment funds and capitalisation insurance which increased by 11.4%) in relation to the value recorded at the end of 2017.

Operating income fell by 9.1% to 511 million euros, largely on account of the decreased net trading income (-89.0 million euros), as net interest income presented a positive contribution (+18.4 million euros) and net commissions increased by 2.9%, standing at 116.3 million euros.

In 2018, the Group's structural costs increased year-on-year by 3.0%, corresponding to a rise of 10.1 million euros in absolute terms and which, among others, arises from the concern to ensure an adequate allocation of resources to the Group's control functions and to risk management, the ongoing separation of duties, and compliance with binding guidelines on matters of internal governance in the Associated Caixas de Crédito Agrícola Mútuo (CCAM).

In 2018, CAG's credit portfolio showed a robust reduction of the levels of credit overdue by more than 90 days, in relation to the same period of the previous year, of around 171.8 million euros (-33.7%). This

reduction was influenced by the operation of annulment of uncollectible credit, carried out in the second half of the year, combined with the improvement of the country's socioeconomic context and the effort pursued by the CA Group aimed at improving and valorising the importance of credit risk analysis. This enabled the ratio of credit overdue by more than 90 days to stand at 3.4%, showing an improvement of 2.0 p.p. year-on-year. We also highlight the level of provisioning to cover the portfolio of total overdue credit of 135.6%, observing more conservative criteria than those recorded on average in the market.

Likewise, the level of non-performing loans (NPL) at Crédito Agrícola fell by 371.5 million euros, with the NPL ratio standing at 10.4%, showing a reduction of 4.8 p.p. in relation to the figure observed in December 2017.

It should be noted that, during 2018 and with respect to direct exposure to real estate assets, more than 90 million euros of sales of real estate properties were recorded, a figure above the 30 million euros of net entries of real estate assets acquired through credit recovery. This demonstrates that the underlying strategies, processes and tools, allied to the better market conditions, produced evident results, with the entire CA Group dedicated to pursuing the marketing effort.

Crédito Agrícola Group own funds reached 1,440 million euros (+53 million euros in relation to the same period of the previous year), corresponding to growth of 3.8% year-on-year. Own fund requirements to cover credit, market and operational risks reached 9,037 million euros, representing 0.3% growth in relation to the levels of December 2017.

In this context, the common tier 1 (CET1) and total solvency ratios, calculated for 2018 based on full application of the rules (fully implemented) established in Regulation (EU) 575/2013, are greatly above the regulatory minimum stipulated by Banco de Portugal, standing at 15.2% and 15.9%, respectively.

The Banking Union has also brought in challenges and new regulatory requirements. By observing a stricter regulatory and supervisory framework, in the more recent years, the national banking sector has carried out a significant process of adjustment and consolidation that has enabled improving its solvency, reducing unproductive assets (NPL and real estate properties) and increasing its operating efficiency. Despite the notable progress that is being achieved, the weight of NPL in the balance sheet of national institutions continues to compare unfavourably in the European context. Therefore, it is expected that credit institutions shall pursue a reduction of their unproductive assets, in line with the plans submitted to the supervision authorities. In addition to the defence of profitability, particularly strict actions were intensified in supervision and assessment aimed at strengthening the internal control and governance mechanisms and the qualification and stabilisation of the management teams of various credit institutions and financial companies.

It is also important to highlight that, with the enforcement of Directive PSD 2, at the end of 2018, access to bank accounts is no longer exclusively in the hands of banks but is now open to service providers, namely fintechs and the four giants of the internet world (GAFA - Google, Apple, Facebook and Amazon). In this context, the main institutions of the national banking system have progressively intensified their investments in technological areas (e.g. data analysis, development of expedite and credible solutions aimed at criteria chosen by the customer, digitalisation and automation of back-office activities, strengthening of cyber-security and anti-money laundering/terrorist financing) and focused on the renovation and capacity-building of the human factor as a transforming driver of the sector's current culture.

Organisational and technological development projects

Under the planned activity of technological development, during 2018 and as a result of the close collaboration between the business and supporting areas and the teams developing information systems and technologies, 52 projects were completed (compared to 59 in 2017) and 274 microprojects (compared to 298 in 2017). This corresponds to an allocation of effort of, respectively, 96,632 and 24,756 hours of internal resources and external resources with technological profile (59,998 and 22,750 hours, respectively, in 2017). Complementing the above, around 40 projects were carried over from 2017 into 2018 (compared to 49 in 2017) and 167 microprojects (compared to 131 in 2017) which, in 2018, corresponded to a total effort of 95,006 hours and 22,293 hours, respectively (59,726 and 15,630 hours, respectively, in 2017).

During 2018, the implementation of the activities plan was monitored in monthly executive forums (PMO Committees) represented by the Board of Directors of Caixa Central, by representatives of the Board of Directors of CA Serviços and by the leaders of the 39 initiatives being monitored.

During 2018, due to the request of the CCAM of the Azores to join the Group's information system/information technology architecture and after compliance with all the legal and statutory formalisms of participating in the business combination (ACE) as an Group Member, this CCAM was admitted as a member of CA Serviços, following the unanimous decision at the General Meeting held on 23 March.

During the period under review, the new institutional website was also developed, as well as new applications for CA Online and Mobile Companies, and new marketing models associated to the non-presential channels.

Another important milestone reached in 2018 coincided with the start of the development of the digital platform “i9”, aimed at mitigating the risk of disintermediation of banks via the entry into the market of other payment solutions, namely in the context of the PSD2 directive, simultaneously enabling the conquering of the millennials' trust and increasing the Group's presence in urban markets, through a transparent service perfectly adjusted to the mobility scenario.

Developments were also made in the multichannel platform “CA Flow Credit”, in which the second stage of the multiannual project implemented a platform to market consumer credit products, secured loans, credit cards and mortgage loans, and completed the implementation of the workflow of credit to Individuals.

At the beginning of 2018 new rules and strategic headings were defined for Crédito Agrícola, which required a corresponding adjustment to the Commercial Management Information (IGC) and Information System (IS). The work developed throughout the year enabled providing the headings of IGC 2018, Inventive System 2018, transfers, movements and contracts, daily GRO, year-on-year vision 2017 and 2016, among other information.

In the business area, we highlight the investment made in the multiannual project to upgrade the tool named Focus ALM and in the corresponding data supply process, leading, among others, to the improvement of the processes of management of liquidity, planning, reporting of liquidity and

determination of the price of the funds (FTP). In 2018, the work was completed relative to the module for reporting liquidity, internal transfer prices and regulatory reports.

The year of 2017 was marked by the preparation of the entry into force, on 1 January 2018, of the accounting standard IFRS 9 – Financial Instruments, which, after 6 years of elaboration, presented a new approach to the classification and measurement of financial Instruments (incorporating the issue of calculation of impairment losses). In 2018, the implementation of this standard was considered finalised.

The reporting of information to the Central Credit Register was completed in 2018, which forced the CA Group to invest in enhancing the robustness of the Group's information deposits and raised the need to create a centralised service to respond to third parties with the mission of coordinating and producing the mandatory and regulatory reporting of the Integrated System of Crédito Agrícola Mútuo (SICAM).

In May 2018, there was a massive updating of the operative system of the workstations to Windows 10, thus addressing the performance and security requirements associated to the protection of organisational and personal data pursuant to the General Data Protection Regulation. At the same time, the position of Data Protection Office (DPO) was implemented in the CA Group.

Market recognition

In 2018, Crédito Agrícola was awarded for the fifth consecutive year with the title of **“Best Bank in Customer Attendance Service”**, and was also referred to in Banco de Portugal's behavioural supervision report of the 1st semester of 2018 as **one of the institutions with lowest number of complaints recorded**.

Crédito Agrícola was also identified as a market leader in Net Promoter Score® in the Portuguese market².

CA Vida and CA Seguros were elected **Leading Companies in the Customer Satisfaction Index** of ECSI Portugal 2018.

CA Seguros was also distinguished, for the second consecutive year, as **Best Company to Work for in the Banking, Insurance and Financial Service sector**, an award attributed by the magazine Exame in partnership with the consultant Everis and AESE Business School.

In the area of investment funds, "Fundo CA Património Crescente" [CA Growing Wealth Fund] received the award of **Best Open Real Estate Fund** in 2018, attributed by the sector's associative entity, APFIPP, as had already occurred in previous years.

² Study “In Search of Customers Who Love Their Bank”, 14 November 2018, Bain.

Crédito Agrícola is a financial group with national capital which aims to continue to be a partner of excellence of its current and future customers, contributing to meeting their financial needs and aspirations through a universal offer, an encompassing network of branches and supplementary channels that are flexible and easy to use. Crédito Agrícola never neglects its fundamental role in the economic, social and cultural development of the communities in which it is inserted, in investment in sustainable projects, in fostering institutional relations with pertinent entities on matters of supervision of the financial system, and in its increasingly more proactive and systematic approach to business opportunities offering interesting prospects of continued profitability and strengthening of cooperative values, safeguarding the respect for prudential regulations and limits, ethical behaviour standards and compliance rules.



Executive Board of Directors

*Renato Feitor, Sérgio Frade, Licínio Prata Pina
(Chairman), Ana Paula Ramos, José Maia Alexandre
(from left to right)*

RELEVANT FACTS OF 2018

Distinctions achieved by Crédito Agrícola

In 2018, Crédito Agrícola was awarded for the fifth consecutive year with the title of “Best Bank in Customer Attendance Service”, and was also referred to in Banco de Portugal's behavioural supervision report of the 1st semester of 2018 as one of the institutions with lowest number of complaints recorded.

Crédito Agrícola was identified as a market leader in Net Promoter Score® in the Portuguese market³.

The distinctions received were not exclusive to the banking business, with CA Vida and CA Seguros having been awarded 1st place in the Customer Satisfaction Index of ECSI Portugal 2018.

CA Seguros was also distinguished, for the second consecutive year, as Best Company to Work for in the Banking, Insurance and Financial Service sector by the magazine Exame in partnership with the consultant Everis and AESE Business School.

DISTINGUE-NOS A CONFIANÇA.

ESCOLHA DO CONSUMIDOR PEQUENOS E MÉDIOS BANCOS
PREMIO ATRIBUÍDO POR CONSUMERCHOICE

CINCO ESTRELAS ATENDIMENTO AO CLIENTE 2019
PREMIO ATRIBUÍDO POR U-2000T

MELHOR BANCO PARA O DESENVOLVIMENTO AGRÍCOLA EM PORTUGAL 2018

1º LUGAR NO SECTOR BANCA, SEGUROS E SERVIÇOS FINANCEIROS
ÍNDICE DA EXCELÊNCIA 2018
PREMIO ATRIBUÍDO POR

MELHOR EMPRESA PARA TRABALHAR
#18 Exame
MELHORES EMPRESAS

SEGURADORA LÍDER RAMO NÃO VIDA
EMPRESA LÍDER
ECSI

SEGURADORA LÍDER RAMO VIDA
EMPRESA LÍDER
ECSI

Estes prémios são da exclusiva responsabilidade das entidades que os atribuíram.

INFORMAÇÕES NA AGÊNCIA OU LINHA DIRECTA:
808 20 60 60
Atendimento 24h/24 personalizado 2ª a 6ª feira, 9h30 às 21h30; sábado, domingo e feriados: 9h às 21h.
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CA
Crédito Agrícola
O Banco nacional com pronúncia local
Desde 1911

PUBLICIDADE 01/2019

³ Study “In Search of Customers Who Love Their Bank”, 14 November 2018, Bain.

Brand consolidation events in 2018

January

- Crédito Agrícola was distinguished for the fourth consecutive year with the Five Stars Award in the category "Banking - Customer Attendance".
- Launch, by CA Seguros, of the app CA Seguros Assistance aimed at making the process of requesting assistance faster and easier for the Customer. CA Seguros was also elected Best Non-Life Insurer for the seventh time consecutively.
- Launch of the CA "Agriculture Campaign" directed at the agricultural agroindustrial entrepreneurial sector, composed of a series of solutions for daily management, financing and protection.

February

- Official sponsorship of the 5th edition of "Chocolate in Lisbon", one of the most emblematic events of the sector, gathering together the most prestigious chocolate producers and brands, both national and international.
- Partnership between Crédito Agrícola Group and the Portugal Fresh Association which, for the fourth consecutive year, attended Fruit Logistics 2018, the largest horticultural fair of the world, in Berlin.
- Presence of Crédito Agrícola Group at the 23rd edition of SISAB (International Fair of the Food and Beverage Sector) with a stand presenting its offer of products for companies intending to internationalise or that are already operating in other markets.
- Launch of the campaign "CA Personal Credit Solutions" with special offers in terms of Life Insurance, namely in the subscription of Personal Credit Protection Insurance or CA Free Protection, and, of Non-Life Insurance, in the subscription of CA Housing Insurance.
- Launch of a campaign with the raffle of an electric motor vehicle, aimed at current and potential customers that open an account and subscribe or reinforce financial products and services of the Group. This campaign sought to mark Crédito Agrícola Day which was celebrated on 1 March.

March

- Sponsorship of the "Gourmet Market", an event which combines the best offer of gastronomic products of the different regions of Mainland Portugal and Islands.
- Sponsorship of the 36th Bicycle Tour of the Alentejo, as a form of supporting national and regional economic development.
- Grand National Meeting of Crédito Agrícola which, following the partnership with the "The Navigator Company", led to the planting of pine trees in Portugal, in line with the Group's social and environmental concerns.
- Disclosure of the consolidated net income of Crédito Agrícola Group for 2017 (namely: 150.2 million euros).

April

- Launch of the campaign “CA Protection and Investment Solution”, specifically aimed at customers of the CA Dedicated segment. The products under campaign included the Family Protection Life Insurance and CA Individual Health Insurance.
- Crédito Agrícola distinguished its corporate customers that, in 2017, received the stamp of SME Leader and SME Excellence attributed by IAPMEI and Turismo de Portugal to the companies that most contributed to the competitiveness and development of the national economy.
- Sponsorship of Ovibeja, the largest primary sector fair of the south of the country, where the CA Ovibeja Award was attributed during the 8th International Extra Virgin Olive Oil Competition.
- Launch of the campaign “CA Companies” targeting its Business Customers, under the motto “Take the right step for the growth of your company”, with the presentation of a range of solutions for funding, protection and specialised financial services.
- Launch of the 5th edition of the “Crédito Agrícola Entrepreneurism and Innovation Award 2018” in articulation with INOVISA and the National Rural Network.
- Partnership of Crédito Agrícola with AgriPro and Agriloja, with a view to supporting agriculture through the offer of special conditions to their business customers and suppliers.

May

- Crédito Agrícola's official sponsorship of AGRO – 51st International Agriculture, Fisheries and Food Fair for the 8th year, promoting the universal offer of products and services from its own stand.
- Sponsorship and participation in the 55th edition of Santarém National Agricultural Fair, organised around the theme of the “Olive Tree and Olive Oil”, with Crédito Agrícola Group having presented its universal offer of products and services to entrepreneurs and individuals.

June

- Signing of a protocol between Crédito Agrícola and ACISTDS (Association of Commerce, Industry, Services and Tourism of the District of Setúbal) aimed at enabling member entities, governing bodies and employees of ACISTDS to have access to financial products and services under preferential conditions.
- Offer of tickets for summer festivals through the launch of the competition “I am going to the summer festivals with Crédito Agrícola”, directed at customers and non-customers.
- Launch of the campaign “CA Housing Solutions” aimed at young people aged up to 30 years old, presenting various benefits as financing alternatives adapted to their needs, with competitive spreads and other special conditions.
- Signing of a protocol of collaboration between Crédito Agrícola and the Bank of China – Macau, with a view to promoting closer collaboration with respect to commercial cooperation.
- Launch of the campaign “CA Supports International Business”, directed at companies showing potential for export of products/services, and which included the offer of documentary collections, credit cards, external financing, insurance for credit and transported goods, and a network of partners with solutions and benefits to support its Customers, in export and import.

July

- Launch of a campaign under the motto “If you protect the, you can be sure they will be thankful”, directed at protection of family members through two life insurance products (CA Woman and CA Hospital Protection) and two health protection products (CA CliniCard and CA Health).
- Launch of the pastime “Tell me your story”, in collaboration with Mastercard, aimed at giving visibility and boosting the activity of companies that use CA Corporate cards.
- Sponsorship, by Crédito Agrícola through CA Cantanhede e Mira, of Expofacic - Agricultural, Commercial and Industrial Fair of Cantanhede, an event that combines gastronomy, exhibitions, dance, performing arts and music. The Group was represented through a stand presenting its universal offer of products and services.

August

- Official sponsorship of “Fruit - National Horticultural and Fruit Fair”, the largest fair dedicated to the exhibition and marketing of fruit of the Western Region, and AGRIVAL (Vale do Sousa Agricultural Fair), having attended both events with a stand presenting its offer of products and services.
- Support to the 39th edition of FATACIL, the largest fair of Handicrafts, Tourism, Agriculture, Commerce and Industry of the Algarve, having renewed this sponsorship linked to the strategy of “being close to what's best produced in Portugal”.
- Launch of the personal credit campaign, with the claim “New horizons for your plans” which presented competitive conditions for life and non-life insurance.
- Disclosure of the six-monthly results for 2018 of Crédito Agrícola Group (namely: 64.2 million euros).
- Provision of a line of advance assistance to entrepreneurs of the agricultural, forestry, fisheries and agroindustrial sectors to provide support in the payment of income support by IFAP – Single Request.

September

- Sponsorship and presence of Crédito Agrícola at the 6th edition of the Agroglobal Fair, in Valada do Ribatejo, municipality of Cartaxo, an event aimed at professionals of the agricultural sector.
- Official sponsorship of the 2nd edition of the Soul of the Wine Festival, in Alenquer, attended by representatives of regional and national wine producers inserted in the Wine Production Committee of the Lisbon Region.
- Launch of the campaign, with the motto “We believe in the positive impact of your project”, which sought to support impact-creating projects and business initiatives of Young Enterprising Entrepreneurs.

October

- Sponsorship of the 2nd edition of the “Beer in Lisbon” festival, in Campo Pequeno, attended by producers of the best beers of the world.
- Presence in the Real Estate Fair of Portugal (SIL), with a stand which enabled disclosing the more than 2,000 real estate properties being marketed by Crédito Agrícola Group and their special financing conditions.

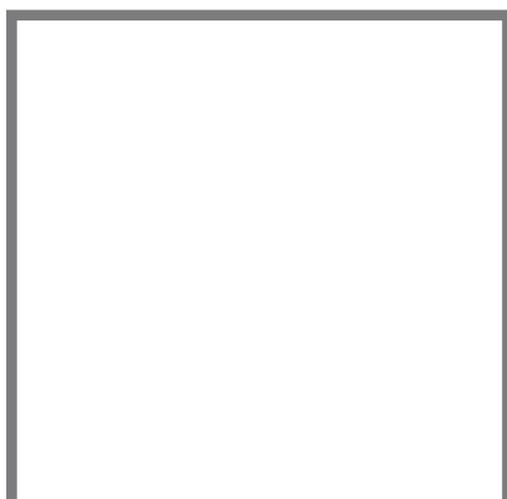
- Launch of a campaign that presented new solutions for funding, saving, investment and protection to the branches of the Azores, in conformity with the Group's current offer for the branches of Mainland Portugal and Madeira.
- Sponsorship of the Wine Market in Praça do Campo Pequeno, with blind wine-tasting competitions of the wine enrolled in the 5th edition of the Crédito Agrícola Wine Competition.
- Election of CA Vida and CA Seguros as leaders in the customer satisfaction index in European Consumer Satisfaction (ECSI) Portugal 2018, in its segment of activity. CA Vida was distinguished in being elected, for the 2nd consecutive year, a leading company in the customer satisfaction index in the Life Business, with its customers being even more satisfied than in 2017.
- Participation in in Fruit Attraction, the largest international fair directed at professionals of the horticultural sector, in Madrid. The Bank's presence, arising from the partnership established with the Portugal Fresh Association, aimed to support national producers of fruit and vegetables in exporting their products.
- Provision of 200 million euros, by Crédito Agrícola and the European Investment Bank (BEI), to facilitate access to credit by SMEs and midcaps located primarily in Portugal.
- Award giving ceremony of the 5th edition of the Entrepreneurship and Innovation Award at the National Innovation Summit in Agriculture, Forestry and Rural Development – Agro Innovation 2018.
- Awarding of 120 students of the 7th to 12th years of schooling, who are the Bank's customers, for the school results achieved in the academic year of 2017/2018 (CA Nota20 Programme).
- Support to the campaign to prevent breast cancer, in association with National Breast Cancer Prevention Day which was celebrated on 30 October, through donation to the Portuguese League Against Cancer of €0.50 for every “click” on the campaign banner available on the institutional website.

November

- Distinction of CA Seguros as “Best Company to Work for in the Banking, Insurance and Financial Service sector, for the second consecutive year.
- Launch of the campaign CA Commerce and Services, under the motto “No matter what your business is, our door is always open”, with the provision of a series of products to facilitate the financial management of companies (attractive interest rates, discount in pricing of commissions and insurance and specialised support).
- Celebration of a contract with DST Solar aimed at providing CA products that are more suited to the financing of Individual Customers and Corporate Customers of DST Solar in the acquisition of photovoltaic solar and thermal solar equipment, targeting the domestic market or the industrial/hospitality market.
- Provision of a line to support business development, by Crédito Agrícola together with IAPMEI, Turismo de Portugal, SPGM and SGM, amounting to 122 million euros distributed over four specific lines: Start-up, Short-Term, Real Estate Leasing and Equipment Leasing.

December

- Sponsorship, for the sixth consecutive year, of the Christmas Market of Campo Pequeno, which had more than 140 displays of products and articles exclusively of Portuguese origin or manufactured in Portugal.
- Launch of the campaign “CA Juniors”, under the claim “Become a Saving Super-Hero and enter Cristas club” directed at children up to 12 years old aimed at teaching children to save and promote saving and protection in a fun way.
- Launch of the “School Leader VIP” Challenge aimed young people aged 13 to 17 years old, with a view to fostering saving among this segment. The winner of this game will be whoever has achieved the highest number of views of a self-produced video, in the social network Instagram.
- Sponsorship of the participation of the Portuguese pilot Mário Patrão in the Dakar 2019 edition.



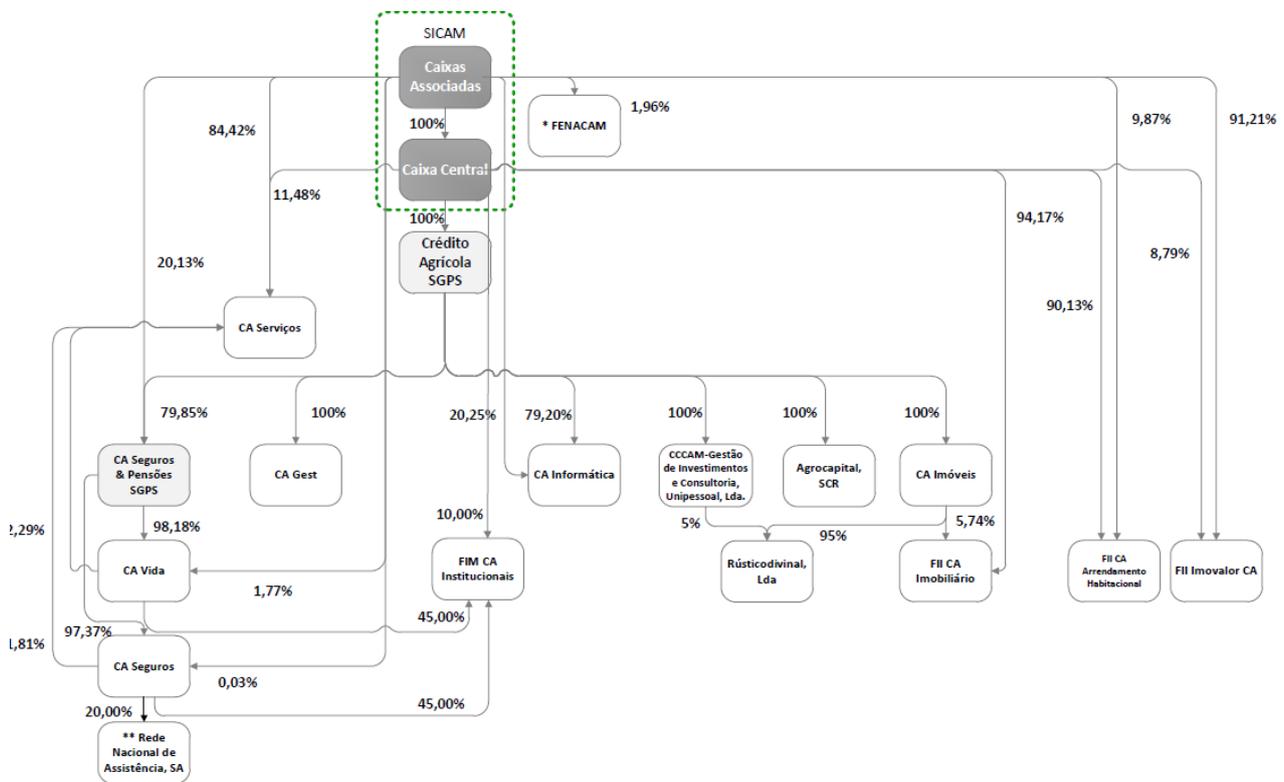
Presentation of
Crédito Agrícola
Group

I. PRESENTATION OF CRÉDITO AGRÍCOLA GROUP

1.1 STRUCTURE OF CRÉDITO AGRÍCOLA GROUP

The corporate organisation of Crédito Agrícola Group is driven by its sustainability and support to the competitiveness of the 80 Associated Caixas. The Group's companies are directly held by Caixa Central and/or Associated Caixas, or indirectly by Crédito Agrícola SGPS (holding 100% held by Caixa Central).

a) Corporate structure

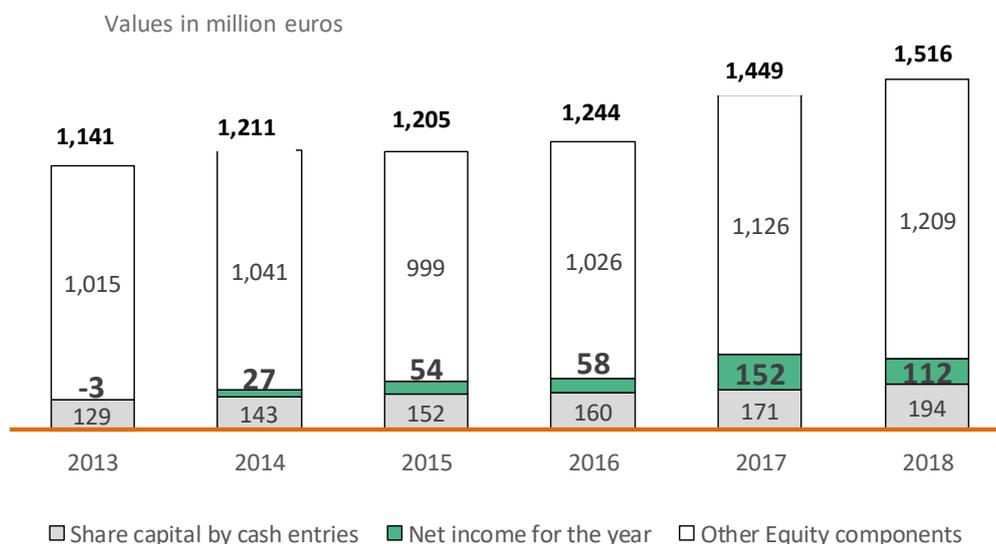


(*) A FENACAM detém 98,02% do seu próprio capital.
 (**) Consolidação por método de equivalência patrimonial.

Note: The corporate name Agrocapital — Sociedade de Capital de Risco, S.A. was changed to CA Capital, SCR, S.A. in January 2019, under a full amendment of the articles of association, which also included amendment of the corporate object.

b) Equity structure of Crédito Agrícola Group

Crédito Agrícola Group has demonstrated, in a consistent and unique form in the sector in Portugal, its capacity to comply with the capitalisation level requirements imposed by Basel III and derived from the Banking Union (Capital Requirements Directive IV), exclusively with reinforcement of the participation of its current Associates and the entry of new Associates and, fundamentally, via the incorporation of the annual net income over the years.



c) Cooperative Model of Crédito Agrícola and SICAM

i. Structure of the legal mechanism

Crédito Agrícola Group is a cooperative group, regulated by a specific legal system, the Legal System for Mutual Agricultural Credit and Agricultural Credit Cooperatives (RJCAM) and, simultaneously, by the Legal Framework of Credit Institutions and Financial Companies.

The Integrated System of Crédito Agrícola Mútuo (SICAM) is composed of Caixa Central and its Associated Caixas Agrícolas. Caixa Central is the “head of the Group”, operating as a central body which coordinates and represents the Group, being responsible for the coordination and planning, supervision, guidance and intervention in the Associated Caixas, reporting to the supervisory entities, integrated liquidity management, overall monitoring and control of risks and the definition and follow-up of the main policies and regulations of the Group, including, among others, those related to credit risk, human resources, information systems and marketing.

SICAM's mutuality/cooperative principle is based on a mechanism of solidarity which, when activated by any financial imbalance in any of the Associated Caixas, assures that Caixa Central is liable first and only afterwards the remaining Associated Caixas. In turn, Caixa Central, in a situation of financial imbalance, is backed by its Associates for reinforcement of its own funds. This mechanism is legally binding by the RJCAM.

Pursuant to the RJCAM, this system of mutual liability is a formal mechanism of crossed guarantees where: (i) Caixa Central fully guarantees the liabilities undertaken by the Associated Caixas, under terms by which the guarantor backs the secured entity; and (ii) the Associated Caixas, whenever requested for such, underwrite and pay in share capital increases to the amount required to correct any financial imbalances of Caixa Central, which are reflected in a reduction of own funds to a level below the legal minimum requirement or in non-compliance with the applicable prudential ratios and limits.

Supplementary to the above, the Crédito Agrícola Mútuo Guarantee Fund (FGCAM) provides a reinforcement of the support mechanism through the possibility of using part of the amount of this fund to guarantee the solidity and sustainability of SICAM.

ii. Crédito Agrícola Mútuo Guarantee Fund

The Crédito Agrícola Mútuo Guarantee Fund (FGCAM) operates as a reinforcement of CAG's solidarity mechanism. This fund not only guarantees the liabilities in relation to depositors of CAG, but also supports the solvency and liquidity of its system, through loans to the Associated Caixas, referred to as Financial Assistance Contracts.

The Crédito Agrícola Mútuo Guarantee Fund is a legal person governed by public law, endowed with administrative and financial autonomy, which operates with Banco de Portugal, and is totally independent of the Deposit Guarantee Fund for the Portuguese banking sector. This fund is managed by a Steering Committee, whose Chairman is a Director of Banco de Portugal and it has two appointed members, one in representation of the Ministry of Finance and the other in representation of Caixa Central de Crédito Agrícola Mútuo. The supervisory duties are entrusted to the Audit Board of Banco de Portugal.

The deposit guarantee mechanism is analogous to that governing the Deposit Guarantee Fund, applicable to the banking system in general, taking into account the particularities of the Caixas de Crédito Agrícola Mútuo belonging to SICAM. Thus, FGCAM guarantees up to 100 thousand euros, per deposit holder and per institution, the repayment of deposits constituted at Caixa Central de Crédito Agrícola Mútuo and in its associated Caixas de Crédito Agrícola Mútuo. This Fund has never been called on to guarantee deposits.

As at 31 December 2018, FGCAM's own resources amounted to 348.2 million euros, of which, 199.4 million euros corresponded exclusively to investments aimed at guaranteeing the deposits constituted at SICAM.

In conformity with the provisions in the Legal System regulating the activity, the FGCAM applies the available resources in financial investments, based on the investment plan defined by the Steering Committee, pursuant to which 30% of its assets should be invested in deposits repayable on demand and in highly liquid financial instruments. As at 31 December 2018, total financial investments reached 262.4 million euros.

d) International Presence of CAG

Aware of the importance of the international market, Crédito Agrícola Group has progressively strengthened its presence worldwide through commercial and investment agreements, together with the expansion of the network of representation offices and commercial agents and enlargement of the offer of products and services aimed at supporting the international business of Portuguese companies.

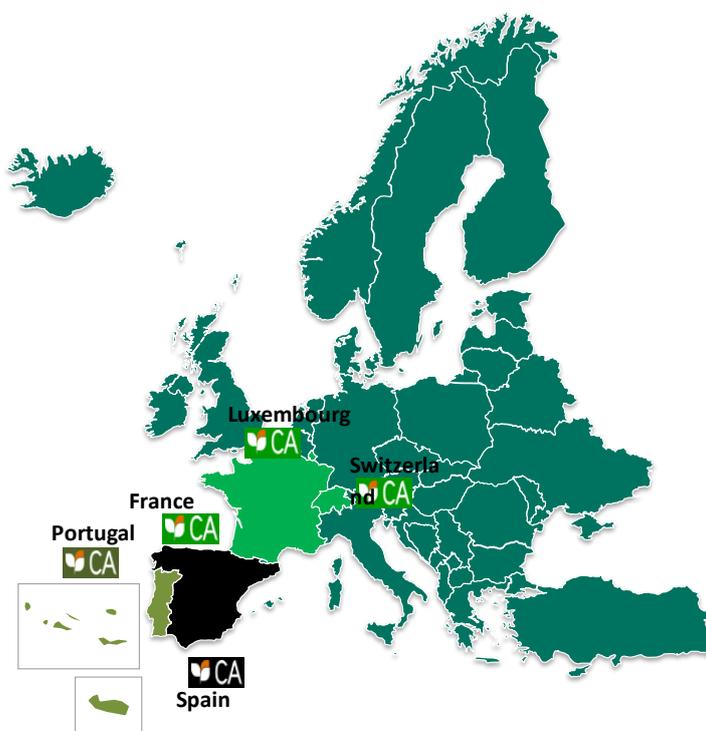
International Presence of Crédito Agrícola in 2018

Europe

France
Luxembourg
Portugal
Switzerland
Spain

Caption:

-  Domestic network
-  Offices (ER/EI)
-  Equity stake



1.2. CAIXA CENTRAL AND GOVERNANCE OF THE GROUP

a) Governing Bodies of Caixa Central

Although it is a cooperative, pursuant to the Legal System of Crédito Agrícola Mútuo, Caixa Central's governance may be based on one of the models established for public limited liabilities companies in the Commercial Companies Code. In this light, Caixa Central has adopted the German model, with a General and Supervisory Board, a Chartered Accountant and an Executive Board of Directors, as well as a Board of the General Meeting and an Advisory Board, where this last Board is of an advisory and non-executive nature.

The Board of the General Meeting, the General and Supervisory Board and the Advisory Board are exclusively composed of Associates of Caixa Central (the current 80 Caixas Agrícolas which appoint natural person to perform duties in their own name) elected at the General Meeting. Each Associated Caixa

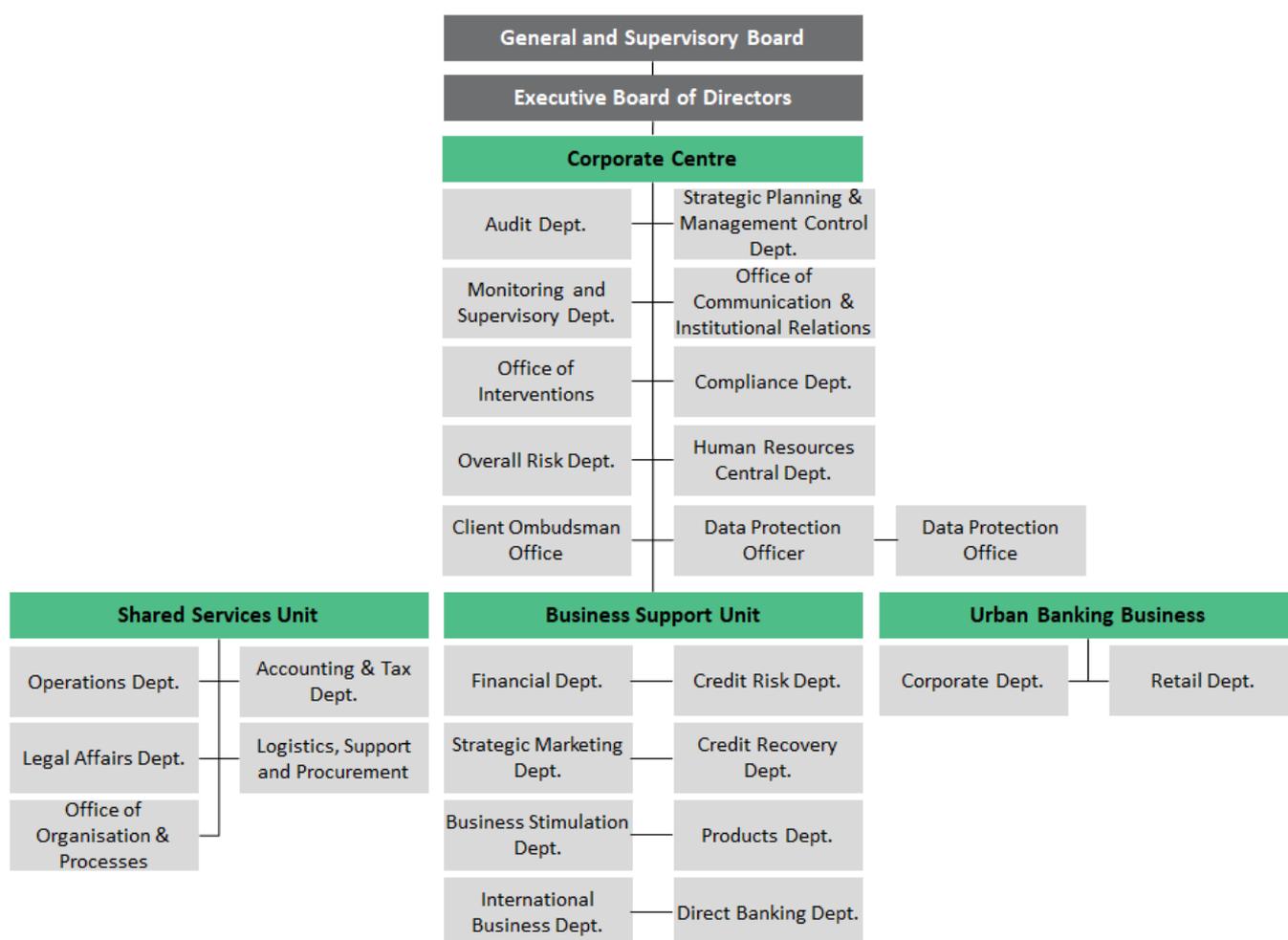
Agrícola may only belong to a governing body through its representatives, and cannot, therefore, accumulate duties in more than one body.

Following the recent statutory review, the Executive Board of Directors is elected at the General Meeting, being composed of natural persons, Associates or not of the Caixas Agrícolas and related or not to Crédito Agrícola Group.

BOARD OF THE GENERAL MEETING	GENERAL AND SUPERVISORY BOARD	ADVISORY BOARD	CHARTERED ACCOUNTANT	EXECUTIVE BOARD OF DIRECTORS
Chairman Nuno Carlos Ferreira Carrilho CCAM Terras de Viriato	Chairman Carlos Alberto Courelas CCAM Pombal	Chairman Hélio José de Lemos Rosa CCAM Alenquer	PricewaterhouseCoopers & Associados – SROC, Lda represented by: Aurélio Adriano Rangel Amado	Chairman Licínio Manuel Prata Pina
Deputy Chairman Josué Cândido Ferreira dos Cantos CCAM Ferreira do Alentejo	António Manuel Melo Gomes de Sousa CCAM Azores	José Luís Tirapicos Nunes CCAM Alentejo Central		Member Renato Manuel Ferreira Feitor *
Secretary Carlos Alberto Samora Bitoque Vargas Mogo CCAM São Bartolomeu de Messines e São Marcos da Serra	Alcino Pinto dos Santos Sanfins CCAM Alto Douro	José Lopes Gonçalves Barbosa CCAM Alto Cávado e Basto		Member José Fernando Maia Alexandre
	António João Mota Cachulo da Trindade CCAM Baixo Mondego	Normando António Gil Xarepe CCAM Extremoz, Monforte e Arronches		Member Ana Paula Raposo Ramos Freitas
	Afonso de Sousa Marto CCAM Batalha	António Germano Fernandes de Sá e Abreu CCAM Médio Ave		Member Sérgio Manuel Raposo Frade
	Orlando José Matos Felicíssimo CCAM Aljustrel e Almodôvar	João Nascimento Canas Guerra CCAM Nordeste Alentejano		
	José Gonçalves Correia da Silva CCAM Noroeste	António Francisco Coelho Pinheiro CCAM Paredes		
	Artur Teixeira de Faria CCAM Terras do Sousa, Ave, Basto e Tâmega	José Manuel Guerreiro Esteveira Gonçalves CCAM Silves		
	Magda Cristina Batista Antunes Santolini CCAM Zona do Pinhal	Francisco Eduardo das Neves Rebelo CCAM Vale do Távora e Douro		
		Adriano Augusto Diegues <i>By inference, pursuant to number 2 of article 35 of the Statutes of Caixa Central.</i>		

(*) Renato Feitor stepped down on 31 December 2018, the date on which his resignation from the position took effect (due to having entered the age and situation of retirement), with recognition of the merit of his work as Member of the Board of Directors of Caixa Central towards enhancement of the value of Crédito Agrícola Group.

b) Functional organisation of Caixa Central



The organisational chart of Caixa Central, derived from the process of internal reorganisation in line with the vision established in the Programme of Transformation of Crédito Agrícola Group, reflects its 4 essential functions:

- Corporate Centre (including the functions of planning, monitoring, control and management of risks, inspection and supervision of SICAM and when necessary intervention in the management of the Associated Caixas in situations of imbalances);
- Shared Services Unit (which, in a broader perspective, includes the sphere of action of the companies CA Serviços, CA Informática and CA Imóveis);
- Business Support Unit (including the treasury management of SICAM); and,
- Urban Banking Business of Caixa Central (retail/branches and corporate).

Recognising the importance of the existence of an appropriate and efficient internal control system, to assure effective compliance with the legal and regulatory obligations and all other duties to which Crédito Agrícola Group is subject, the Compliance, Risk Management and Audit structures have progressively become control functions of the entire Group. At the same time, the Monitoring and Supervision

structure performs the duties of control, supervision, guidance and monitoring (locally and systematically) of the Associated Caixas.

New Organisational Structures (created in 2018)

It is important to note the creation of two new structures in 2018: the Data Protection Office in the Corporate Centre, and the Digital Innovation Department in the Business Support Unit.

Data Protection and Data Protection Officer

This last year was also marked by the entry into force, on 25 May 2018, of Regulation 2016/679 of the European Parliament and Council, called the General Data Protection Regulation (GDPR), which defined the new legal framework for the protection of natural persons, with respect to the processing of personal data. The GDPR introduced new organisational, technological and corporate governance challenges.

In addition to intending to ensure European harmonisation, the GDPR, among other aspects of equal relevance, granted new rights to European citizens, deepening the current processes of control over personal data and raising the self-accountability of all organisations for compliance with the GDPR, namely by obliging notification of the National Data Protection Commission (CNPD) in the event of any breach of confidentiality, with all entities now being subject to supervisory actions and applicable penalties by this Control Authority.

Crédito Agrícola Group, after a phase during which it ensured minimum compliance with the guidelines laid down in the GDPR and appointed its Data Protection Officer (DPO) embarked on a widespread operation of intensifying, in the entire Crédito Agrícola Group, the changes implied by the Regulation in the current information processes and systems, launching a structural programme of initiatives aimed at adjusting Crédito Agrícola Group to the requirements of the GDPR.

Innovation and Digital Department

With a view to addressing, on the one hand, the current challenges that the technological evolution has progressively posed and, on the other hand, the need to rejuvenate the customer base and explore the urban markets (where the CA Group's current market share is lower), Crédito Agrícola Group took the decision to launch a disruptive digital solution in the Portuguese market in the first half of 2019, in the form of an App, integrated in the Group's technological architecture and accompanied by the communication of a distinct brand identity. For such, Caixa Central completed the creation of a new Department (Innovation and Digital Department), with the mission of accelerating the Group's digital transformation, the acquisition of new skills and the rejuvenation of the business. This is to be accomplished both through the specific human and technical means with which it is endowed, and by the establishment of strategic partnerships which will enable the CA Group to accelerate its digital transformation (e.g. partnership with international entities in the areas of payments and Portuguese and foreign fintechs).

c) Governing bodies and executive and non-executive forums of the Group

Apart from the Governing Bodies of Caixa Central, the governance of Crédito Agrícola Group is also complemented by forums composed of members representing the Associated Caixas and companies of the Group. During 2018, the members of the governing bodies elected on 12 December 2015, for the three-year period 2016-2018, took office after having obtained authorisation from Banco de Portugal to perform their duties, which occurred on 29 December 2015, the date on which all the bodies took office.

Executive Forums of the Group
General Meeting of the CA Group
Programme Management Committee (PMO)
Asset, Liability and Capital Committee (ALCCO)
Business & Information Technology Committee (IS/IT)
Credit Board
Credit Recovery Board
Monitoring and Supervisory Committee
Executive Board of Directors
Non-Executive Forums (not exhaustive)
Strategic Board
Commercial & Marketing Committee
Credit Recovery Committee
Risk Management Committee
Costs & Efficiency Committee
Human Resources Committee
IS/IT Committee
Business Continuity Management Committee
Internal Control Committee

d) Internal control functions of the Group

i. Compliance and internal control

The Compliance Department's mission is the management of the Compliance Function of Crédito Agrícola Group (CAG), ensuring appropriate compliance with the applicable regulations and prevention of fraud and money laundering. With a view to accomplishing its mission, its main activities involve the management of Compliance risk at SICAM, the monitoring and disclosure of pertinent legislation and regulations and assurance of their compliance, the issue of guidelines and recommendations, the coordination and preparation of behavioural reporting, the coordination and responsibility over the Internal Control System of Caixa Central, the coordination of prevention of fraud and money laundering

in the Group, the management of situations of Conflict of Interest and superintendence in the articulation between the Compliance Function of Caixa Central and the Associated Caixas.

The Compliance Function, as an integral part of the Internal Control System (SCI), is responsible for ensuring, together with all the other controls areas, the adequacy, strengthening and operation of the Internal Control System. Its objective is to mitigate risks according to the complexity of its business and disseminate the control culture so as to assure compliance with the existing laws and regulations, with a view to minimising the risk of incurring legal or regulatory, financial or reputation penalties.

The organisational model for this Function in the Group is based on a corporate logic in which Caixa Central assumes the Group's leadership, undertaking and centralising a significant part of the activities (with respect to SICAM), with the remaining members of the Group ensuring specific activities, with the support of the Compliance Department.

This structure articulates the tasks that are entrusted to it with the Compliance Monitors of the CCAM and companies of the Group, essential links in the development of the compliance culture and improvement of the Internal Control System. This coordination and organisation enable the adoption of uniform practices with regard to the identification, interpretation and implementation of legal and regulatory requirements and appropriate follow-up and monitoring of the identified risks.

ii. Risk management

Risk management seeks to develop and support, in an overall and integrated manner, the definition of the strategy and policies on risk and capital management at Crédito Agrícola Group, ensuring their compliance and appropriate organisational capacity through the implementation of methodologies, procedures and tools enabling the determination and planning of capital and the identification, measurement and control of the different risks.

The activities developed in this area fall under the duties of the internal control body, being embodied in the coordination of the matters in question with the different specialised organic units, in particular risks related to credit, liquidity, interest rates, market, operations and reputation, and also involve fostering relations with the regulatory entities.

In this context, risk management continues to be a priority for Caixa Central and Crédito Agrícola Group, in recognition of its decisive impact on the creation of value and importance as a factor of stability.

Caixa Central and the Group have continuously developed a significant number of initiatives in all areas entailing strong coordination with technological aspects and requiring the development of internal and specific skills and, in order to endow the Group with the capacity to meet the challenges emerging from a regulatory framework whose frequency of updating has been particularly accentuated in the recent past. This scenario is added to the effort demanded from the banking system by the requirements on planning and control of liquidity and solvency levels. At the same time, the Group continues to develop the necessary conditions for the affirmation of a true risk culture based on ethical values and high professional standards.

In pursuing these objectives, the business strategy that has been followed points to the balanced and sustained development of the Group and attributes particular emphasis to risk control, defining measurable objectives that are intended to be achieved, alongside the desirable profitability, subordinating the latter to the limitation of risks. The overall risk strategy defines objectives relative to quality, profitability, allocation of own funds and development of the portfolio of credit, financial assets and securities. These objectives are regularly monitored as a support base for the review or updating of the strategy pursued.

iii. Internal auditing

The internal audit function's main mission is to protect the institution and contribute to the sustainable development of its activities, through systematic, disciplined, independent and objective assessment, based on risk, the internal governance structure and the internal control system, with a view to ensuring its adequacy and efficiency, namely through the identification of flaws and opportunities for improvement, both in its design and implementation or use.

The applicable legal and regulatory rules and the guidelines, recommendations and determinations issued by supervisory and legislative entities, European and national, on matters of internal governance and risk management confer the Audit Department of Caixa Central duties of functional coordination and guidance on the internal audit function of the Associated Caixas, embodied in a common methodology and effective control mechanisms over the local managers of the Associated Caixas, towards an audit activity based on the risk of the processes and degree of mitigation of the control, which inevitably imposes an alignment with the management by processes and the operational risk management model.

Two independent models are used in the internal audit activity of the Associated Caixas: the outsourcing of the internal audit service from the Audit Department of Caixa Central (54 CCAM) or the existence of local in-house resources at the CCAM (26 CCAM), responsible for performing internal audits, reporting functionally to the Audit Department of Auditoria da Caixa Central, acting in articulation and under a common methodology of SICAM.

In 2018, the audit activities developed at Caixa Central respected the common internal audit activity plan proposed to SICAM and included a broad series of specific exercises of corporate nature derived from the regulatory and operational framework of Caixa Central.

The Associated Caixas implemented the internal audit activity plan proposed by Caixa Central to SICAM for 2018, although some of the planned audit missions were postponed to 2019 due to the implementation of a new tool to support the function, within the GRC electronic platform, which address SICAM's control function needs in an integrated perspective.

During the performance of its duties, the internal audit function was objective and independent, constituting a third line of defence in risk management and control, having examined and assessed the adequacy and efficacy of the different components of the institution's internal control system, issuing recommendations based on the results of the assessments conducted and monitoring the mitigation of flaws detected in the control actions.

iv. Supervision, guidance and monitoring of the Associated Caixas

The activity of the Associated Caixas continues to be exercised in an economic scenario that is increasingly more complex, competitive and of low profitability, added to more regulatory and supervisory requirements.

The significant changes that have occurred in the legislative and regulatory framework of Credit Institutions have led to a successive exacerbation of the requirements, implying that the methods used to assure correct and timely supervision must be supported by processes that ensure an operability adjusted to the organisational evolution and business of the Associated Caixas.

Accordingly, and in compliance with articles 75 and 76 of the Legal System of Crédito Agrícola Mútuo (RJCAM), the mission of the Monitoring and Supervision Department (DAS) continues to be the prudential supervision and monitoring of the action of the Associated Caixas. This includes the Associated Caixas that have been subject to intervention, pursuant to articles 77 and 77-A of the Legal System of Crédito Agrícola Mútuo, in compliance with the legal provisions, the prudential rules established by Banco de Portugal and the guidelines defined by Caixa Central, with a view to ensuring the sustainability of the Integrated System of Crédito Agrícola Mútuo and compliance with the prudential rules by the Associated Caixas, in concordance with the strategic guidelines of Crédito Agrícola Group.

During 2018, the Monitoring and Supervision Department implemented changes in its organic structure and functioning, reflecting Caixa Central's strategic vision for the monitoring function of the Associated Caixas, having an underlying risk-based approach, with different levels of requirement and control according to the calculated risk.

In this context, a series of measures are being implemented, which imply the review and updating of the regulations, to be carried out and implemented in a phased manner over time.

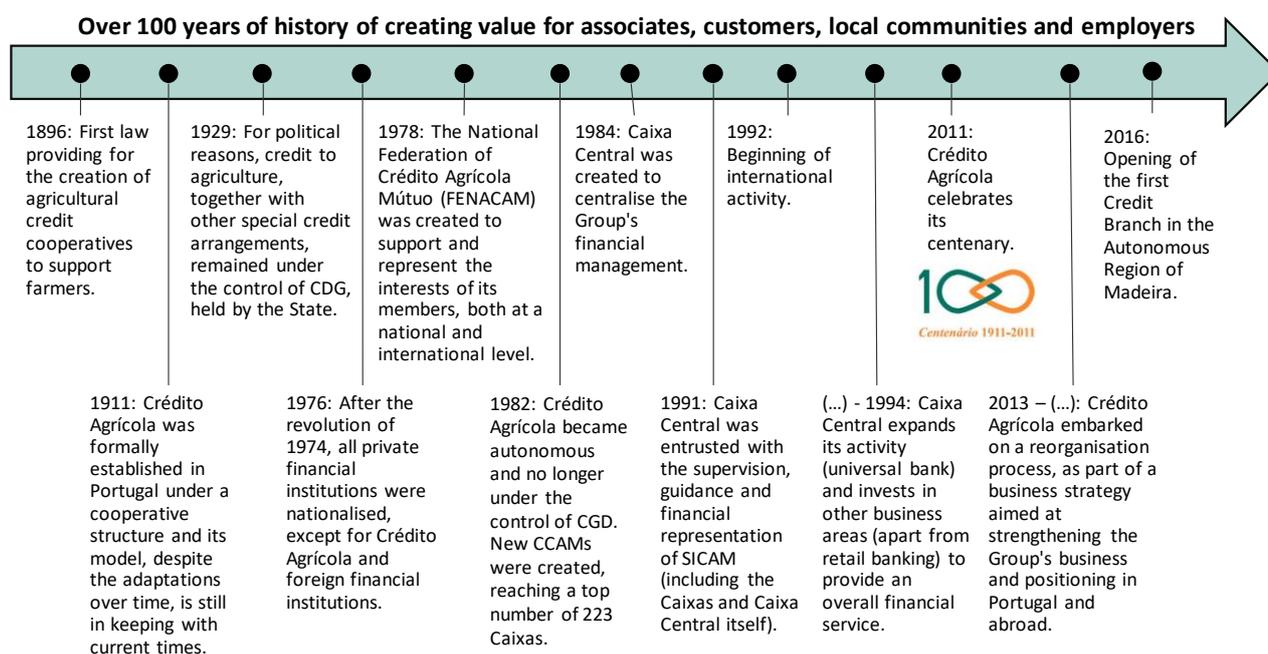
The Quantitative Monitoring Model of the Associated Caixas, approved in October 2017, based on the performance of a series of risk indicators, aligned with those defined under the Risk Management Function for the Integrated System of Crédito Agrícola Mútuo, continues to enable placing the Associated Caixas at different risk levels, which correspond to different regimes / types of supervision to be adopted by the Monitoring and Supervision Department in conducting its mission.

Under the new regulations and changes on matters of supervision, added to the consolidation of Crédito Agrícola Group, viewed as an entity subject to supervision on a consolidated basis, with all the requirements and responsibilities derived thereof, namely for Caixa Central, the Monitoring and Supervision Department plays a determinant role as the first line of action, both in terms of supervision and in terms of promotion of the necessary guidelines to comply with the Group's strategic objectives.

1.3.VISION, MISSION, VALUES AND STRATEGIES OF THE CA GROUP

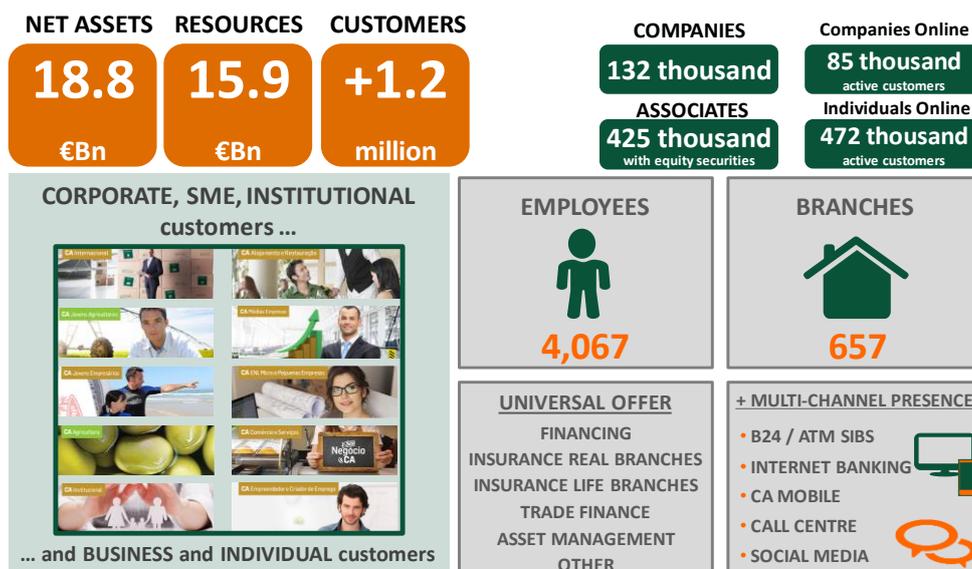
a) Historic milestones

In Portugal, cooperative banking is represented by Crédito Agrícola Group with its remarkable secular history of contributing to society and the national economy, and which renews itself on a daily basis in order to comply with its mission, fostering the development of local communities and the Portuguese diaspora.



b) Crédito Agrícola Group in 2018

Crédito Agrícola is a financial group with a universal offer corresponding to around 18.8 billion euros of net assets, 15.9 billion euros of customer funds and a base of close to 1.2 million Customers. With a net worth of approximately 1.5 billion euros, the Group interacts with its Customers and Associates through its 657 branches spread all over the country (which assure its top placement in terms of physical presence through bank branches) and its offer of non-presential and digital channels.



c) Mission, Vision and Values of Crédito Agrícola Group

Being a cooperative-based and centenary Group and not being subject to the regulations and pressure of the capital markets, Crédito Agrícola focuses on a strategy of reinvestment of its generated net income and maximisation of value in the long-term.

Mission and Vision of the CA Group

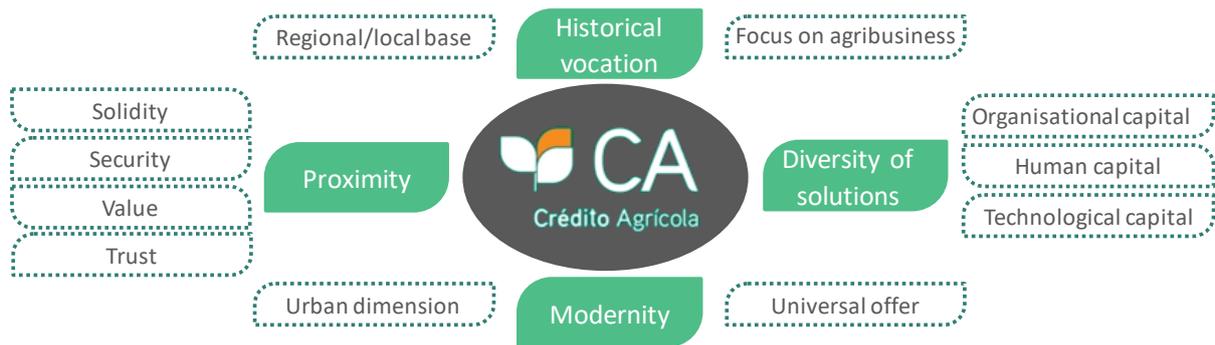
Grupo Crédito Agrícola (and its Associated Caixas) aims to be:

Mission	The engine driving the development of local communities through relations of proximity with customers, contributing to the attainment of their ambitions and financial projects; and
Vision	Recognised as the “Best Financial Group” in the markets in which it operates.

Crédito Agrícola Group concentrates on relations of proximity to meet the ambitions and financial projects of its customers and communities, being distinguished from the competition by reinvesting the profit created by each Associated Caixa in the actual region (the cases of distribution of net income is insignificant). This reinvestment is accomplished by investing the captured deposits in funding projects of the region of these depositors, by contributing the lower the unemployment levels of the regions where it operates (local recruitment) and by decentralising decision-making on loans taking into account the limits of exposure and policies of the Group in force.

The origin of the principles of solidarity and social responsibility of Crédito Agrícola Group, which guide its mission and values, go back to the fifteenth century, to the time of the foundation of the Santas Casas da Misericórdia in Portugal. These entities were pioneer in granting credit to farmers, from the middle of the eighteenth century, launching the bases to create the Caixas de Crédito Agrícola Mútuo. This system evolved continuously over the centuries, becoming increasingly important in the country's social and economic fabric, leading to its current legal and prudential framework and to its notable progress on matters of corporate governance and integration.

Values of the CA Group



d) Principles of strengthening of sustainability

In order to maintain the sustainability of the current business model, CAG has clearly demonstrated its capacity to adapt to change and respond with flexibility, standing on equal terms with the largest banks of the national banking system.

Guiding principles for the sustainability of the business model of CA

- Monitoring of social trends on urbanisation and electronic recording.
- Modernisation of the brand by fostering the brand's evolution to a concept of universal bank.
- Driving the entire organisation towards knowing the customer.
- Maintenance and encouragement of a discipline of rigour and risk containment.
- Fostering a culture of careful and strict appraisal of credit risk-taking.

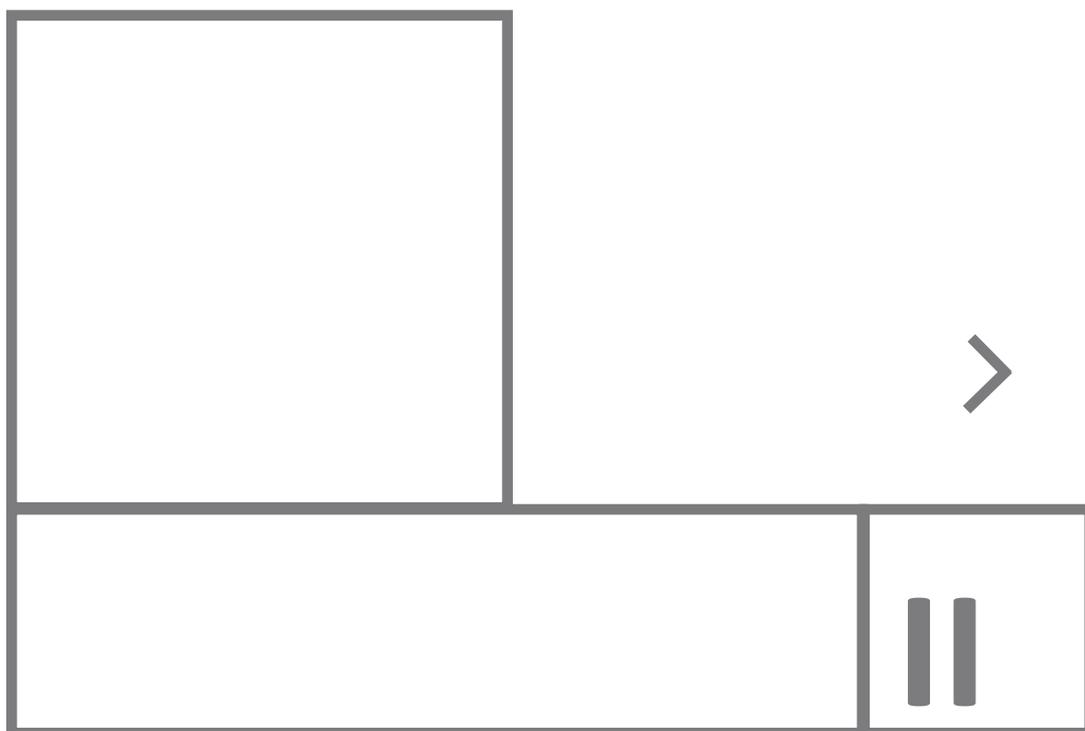
e) Integrated marketing and commercial strategy (bancassurance)

With the definition of a common strategy focused on the Customer and with the support of the senior management, Crédito Agrícola has reaped the benefits of its implementation of an integrated management of the banking business, insurance activity and asset management, which involves:

- Definition of commercial objectives aimed at focusing the branch network on the most profitable and binding segments/products (common strategy);
- Budgeting and attribution of incentives to the commercial staff of the branches so as to stimulate individual performance in compliance with the Group's objectives;
- Planning and accomplishment of campaigns, protocols and other marketing actions aimed at customer segments;

- Investment in tools to simplify the process of commercial interaction;
- Implementation of training cycles formatted according to the outcome of individual assessment of knowledge;
- Regular monitoring in the field of compliance with objectives;
- Preparation of commercial visits to customers and non-customers (when necessary, with the support of product specialists).

The transformation programme successfully focused the marketing and commercial strategy on a Group model (banking-insurance). With these dynamics, the insurance and asset management activities have been able to increase their participation in generating value for the Group.



Crédito Agrícola
responsible
banking model

II. RESPONSIBLE BANKING MODEL OF CRÉDITO AGRÍCOLA

Cooperative foundations and sustainability

The cooperative foundations lend the CA Group a unique nature in the Portuguese financial system, firmly based on crucial values such as solidity, ethics, solidarity and modernity.

These cooperative foundations give rise to a form of action that is differentiated from the other financial institutions, related to principles of sustainability, as it:

- Contributes to the development of all the regions of Portugal, by providing solutions for the ambitions and projects of entrepreneurs of the locations where the 80 CCAM develop their activity;
- Boosts the local economic fabric, by investing the captured deposits in the funding of projects of the region of the depositors;
- Distributes or reinvests the profit generated by each Associated Caixa in the actual region, fostering its continuous development and the welfare of its community;
- Contributes to reduce unemployment levels of the regions where it operates, through a strategy of local recruitment of its Employees;
- Has decentralised decision-making on loans, within the limits of exposure and policies of the Group in force;
- Promotes the wellbeing of the communities in which it is situated, through a strategy of social responsibility that links national initiatives to projects of local scope, that effectively meet the needs of the cultural, sports, educational and social areas.

Moreover, CA's sustainability is also expressed by the creation and distribution of wealth among the different stakeholders.

(thousand euros)	2016	2017	2018
Economic value generated	467,203	562,423	511,204
Operating Income	466,899	562,111	510,753
Earnings from holdings in associates (equity method)	304	312	451
Economic value distributed	408,645	410,278	398,852
Employee wages and benefits	201,091	203,328	210,851
General administrative overheads	112,685	109,893	113,253
Amortisation	27,567	26,184	25,358
Provisions and impairments	30,999	8,091	5,753
Payments to the State	36,420	62,723	43,561
Minority interests	-117	59	76
Economic value retained	58,325	152,145	112,353
Net Income	58,325	152,145	112,353

2.1 RESPONSIBILITY TO CUSTOMERS

We are the engine driving the development of local communities through relations of proximity with customers, contributing to the accomplishment of their ambitions and financial projects.

a) Products with Social and Environmental Benefits

The commitment to sustainability at Group CA is reflected in the provision of an offer of financial services that are able to lead to social and environmental benefits. The sustainable offer for business customers, fostering the development of the Portuguese business fabric and, consequently, employability, in 2018 included financing lines for micro and small enterprises, support to sole proprietorships (ENI), microcredit, support for companies of strategic sectors of the Portuguese economy and funding of renewable energy projects. The support to the competitiveness of micro and small enterprises amounted to 1,209 million euros, 11% more than in the previous year. We also highlight the 152% growth in credit for renewable energy. The support granted by CA to companies of strategic sectors of the Portuguese economy, of the total value of 460 million euros, recorded a reduction of 13%.

CA Sustainable Offer for Individual Customers

	2016	2017	2018
Support to the competitiveness of micro and small enterprises (million euros)	979	1,092	1,209
Support to sole proprietorships (million euros)	ND	ND	135
Microcredit (thousand euros)	720	526	954
Support to companies of strategic sectors of the Portuguese economy (million euros)	450	527	460
Credit for renewable energy (thousand euros)	242	198	498

In the individuals segment, the offer of products provided by CA fosters financial inclusion, eco-credit and support to education. Crédito Agrícola also offers solutions to boost saving habits at a household level, in a perspective of responsible financial management. In 2018, the eco-credit granted increased by 38% in relation to 2017, portraying the growing interest among the Portuguese to acquire ecological products. The credit granted to support education increased less expressively by 5% in relation to 2017.

CA Sustainable Offer for Business Customers

	2016	2017	2018
Financial inclusion Number of accounts with minimum banking services	329	352	480
Eco-credit (thousand euros)	94	113	156
Support to education (thousand euros)	735	911	960

b) Map of Branches and ATM

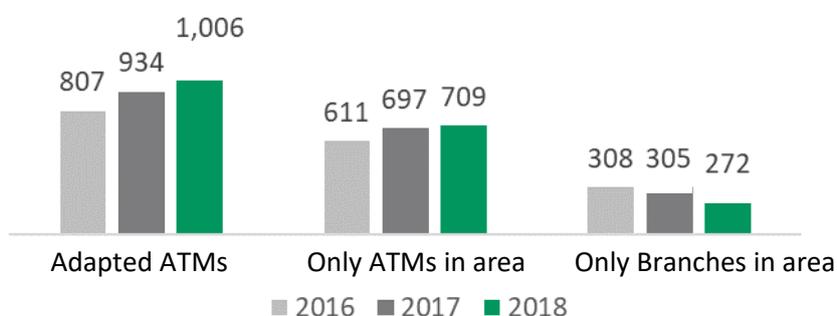
Crédito Agrícola possesses the largest network of branches in the Portuguese market. In 2018, CA offered its Customers a network of 657 branches, ensuring exclusive access to financial services at 981 contact points: providing 709 cash dispensers (ATM) at locations where there are no other ATM; 272 of its branches are the only financial service branch in the area.



Crédito Agrícola: A Private Bank with Public Functions

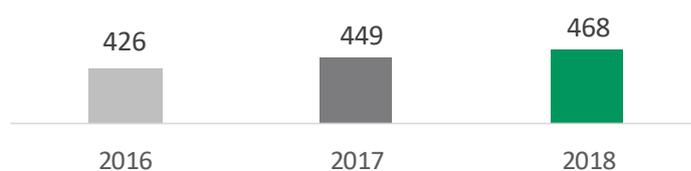
With the largest network of branches in the country, marked by high capillarity and presence in the interior of the country, in 2018, CA continued to assure accessibility to financial services in localities of the interior and with lower population density.

ATM adapted for users in wheelchairs and only ATM and Branches in area, 2016 to 2018⁴



In 2018, 468 branches were adapted for use by persons with reduced mobility.

Branches adapted for use by persons with reduced mobility, 2016 to 2018⁵



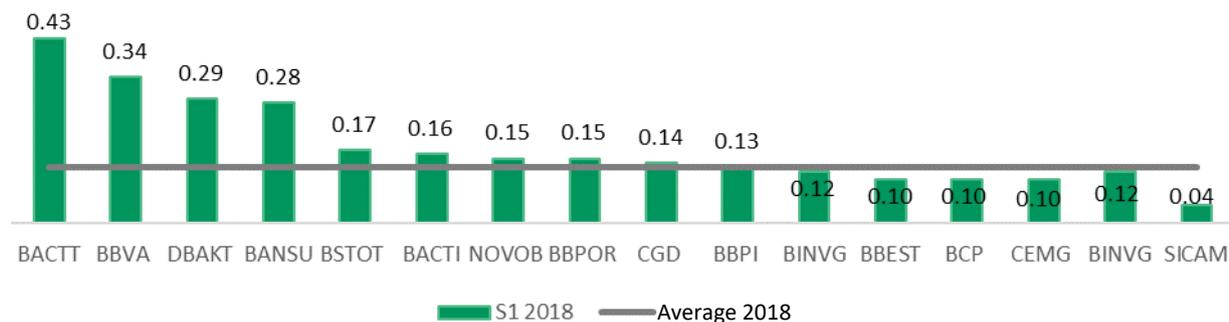
c) Relations

Customer complaints consist of an indicator that expresses quality of service and satisfaction of Customers. Analysing the data of the financial sector, integrated in the Behavioural Supervision Report relative to the first semester of 2018, and published by Banco de Portugal, Crédito Agrícola (SICAM) is the institution with least complaints made to Banco de Portugal with respect to demand deposit accounts, recording a figure of 0.04 per 1,000 demand deposit accounts, below the sector average of 0.13.

⁴ Based on answers of 80 CCAM and Caixa Central

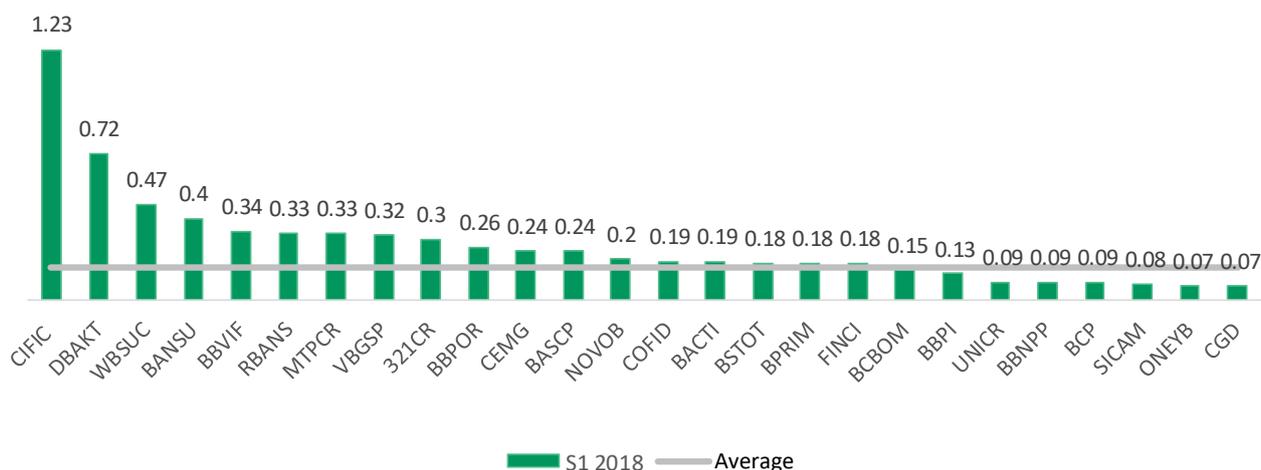
⁵ Based on answers of 78 CCAM and Caixa Central

Evolution of the number of complaints per 1,000 demand deposit accounts⁶



Crédito Agrícola's performance is also the best in its sector with respect to the number of complaints per 1000 consumer credit contracts in the first half of 2018, according to Banco de Portugal's report, showing a figure of 0.08, half the average of 0.16.

Evolution of the number of complaints per 1,000 consumer credit contracts



The CA Group has an in-house Customer Ombudsman Office whose duties include receiving and handling complaints. During 2018, 798 complaints were recorded, corresponding to a 7.5% decrease in relation to the previous year.

Evolution of the number of complaints



⁶ Source: https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/sinopse_de_atividades_de_supervisao_comportamental_2018.pdf;

BACTT: Banco CTT SA; BBVA: BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.; DBAKT: DEUTSCHE BANK EUROPE GMBH — BRANCH IN PORTUGAL; BANSU: BANKINTER, S.A. — BRANCH IN PORTUGAL; BSTOT: BANCO SANTANDER TOTTA, S.A.; NOVOB: BANCO ACTIVOBANK (PORTUGAL), S.A.; NOVOB: NOVO BANCO, S.A.; BBPOR: BANCO BIC PORTUGUÊS, S.A.; CGD: CAIXA GERAL DE DEPÓSITOS, S.A.; BBPI: BANCO DE INVESTIMENTO GLOBAL, S.A.; BBEST: BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL S.A.; BCP: BANCO COMERCIAL PORTUGUÊS, S.A.; CEMG: CAIXA ECONÓMICA MONTEPIO GERAL; BINVG: BANCO INVESTIMENTO GLOBAL S.A.; SICAM: CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRATED IN SICAM.

With respect to the distribution of complaints by entry channel, the Customer Ombudsman Office continues to be the primary channel in 2018, followed by the Direct Line, with 29% and 23%, respectively.

Origin/Entry channel of complaints	2016	Weight	2017	Weight	2018	Weight
Customer Ombudsman	254	34%	258	30%	233	29%
Direct Line/CCCAM	197	26%	208	24%	183	23%
Complaints Book (RCL)	162	22%	191	22%	193	24%
Banco de Portugal (RCO)	108	14%	161	19%	141	18%
Other	25	3%	45	5%	48	6%
Total	746	100%	863	100%	798	100%

The analysis of the distribution of the topics of the complaints shows that, in 2018, the patterns of previous years were maintained. It was found that “deposit accounts”, “commissions and expenses”, “attendance and premises” are the priority issues, accounting for 24%, 14% and 10%, respectively. The largest increases in the number of complaints received in 2018 compared to 2017 were related to infrastructures (ATM) and transfers.

Evolution of the number of complaints by topics

Subject of the Complaint	2016	2017	2018
Deposit Accounts	168	171	190
Commissions and Expenses	135	154	108
Cards	71	70	58
Attendance and Premises	49	68	80
Credit Liabilities Centre	26	48	31
Consumer Credit (and other credit)	27	48	35
Credit	N/A	N/A	11
Mortgage Loans	30	42	34
Equity Securities	38	42	40
Other Issues	45	38	33
Cheques	26	25	30
Credit to Companies	27	25	25
Insurance - ISP	25	24	19
Cash Transactions	26	19	5
Commercial Requests	8	17	11
Direct Debits/Charges	8	13	13
Infrastructures (ATM)	11	13	18
Cancelled Papers	8	12	10
Annulled Papers	N/A	N/A	10
Infrastructures	1	12	5
Transfers	11	12	22
Infrastructures (other POS Networks)	7	6	6
Securities - CMVM	2	4	4
Total	746	863	798

CA carries out six-monthly mystery client studies to ascertain its customer satisfaction levels at the 80 Caixas and detect areas for improvement, with the results having been consistent since 2016.

Customer satisfaction study

1S 2016	2S 2016	1S 2017	2S 2017	1S 2018	2S 2018
81.78%	80.73%	81.28%	84.00%	83.53%	82.28%

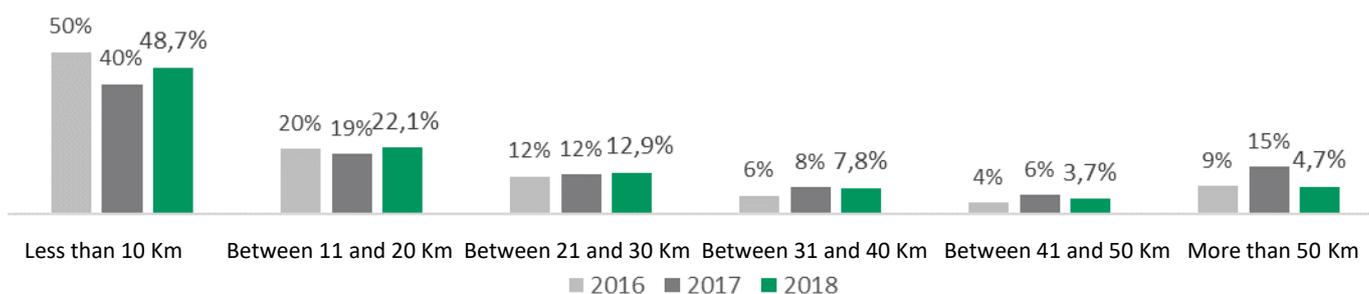
2.2. RESPONSIBILITY CONCERNING LOCAL DEVELOPMENT

We contribute to the development of the communities in which we operate through a policy of regional employability, purchases made from local suppliers and the promotion and support to initiatives that foster competitiveness and entrepreneurship.

a) Local Employability

One of the impacts of CA's organisational model is direct employment creation, especially in the interior and rural areas of the country, where the Group has a stronger relative presence. Based on the answers of the mobility survey, 48.7% of CCAM Employees travelled less than 10 Km in their home-work-home route in 2018, portraying the strong component of local employment.

Home-work-home distance travelled by CCAM Employees 2016-2018⁷

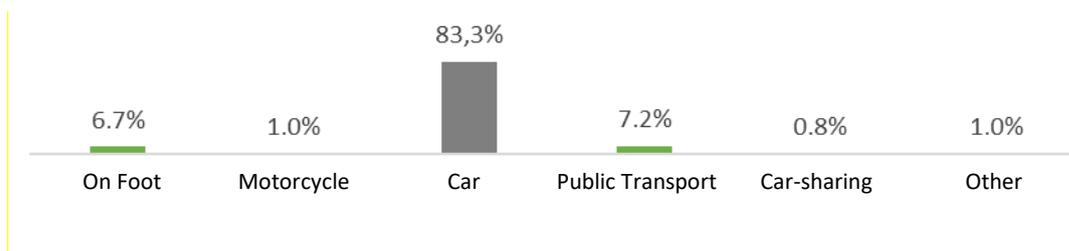


The mobility survey enabled appraising the mix of means of transport used by Crédito Agrícola Group Employees: 83.3% of the Employees travel from home to work and vice versa by car, 7% by public transport and 7% by foot⁸.

⁷ Results extrapolated based on a sample of 2,404 and 1,980 CCAM Employees for 2017 and 2018, respectively.

⁸ These indicators were calculated based on an extrapolation using a sample of 3,035 answers of the mobility survey.

Means of transport used by CA Group Employees in 2018



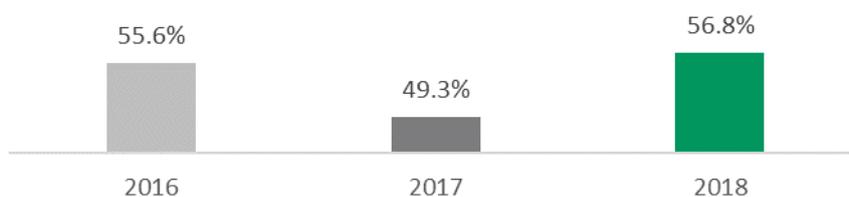
b) Local Procurement

The acquisition products and services from local suppliers is an important indicator of sustainability, not only because it constitutes a factor of reducing environmental impacts, namely energy costs, associated to the transport of products or people, but also due to the stimulus given to the local economy, with employment creation and consequent wellbeing of the community of each region.

In 2018, more than 50% of the service providers contracted by the CCAM are local, with the figure excluding utility providers of electricity, water and gas.

Weight of purchases of services from local providers of Crédito Agrícola Group:

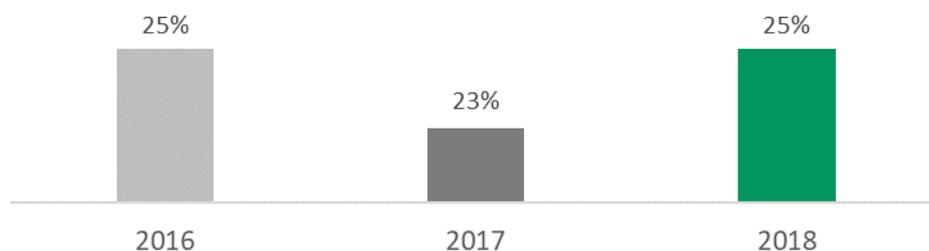
% of the number of service providers excluding water, electricity and gas; 2016-2018⁹



Considering only the purchases of services from local providers made by the CCAMs, they account for 25% in comparison to 23% in the previous year.

Weight of purchases of services from local providers of the CCAM of Crédito Agrícola Group:

% of the total purchase of services excluding water, electricity and gas; 2016-2018¹⁰



⁹ Values calculated based on full answers given by the CCAM: 59 in 2016, 64 in 2017 and 67 in 2018.

¹⁰ Values calculated based on full answers given by the CCAM: 51 in 2016, 57 in 2017 and 61 in 2018.

c) Mutual assistance in development

As a partner of local economic development, CA continued to invest, during 2018, in a series of activities fostering entrepreneurial action and stimulating strategic economic sectors for its financial activity and the country's economy. These activities, as a whole, embody CA's Sustainability Policy on matters of mutual assistance towards development:

- 5th edition of the CA Entrepreneurship and Innovation Award
- “V Crédito Agrícola Wine Competition”.
- Enabling, through its support/sponsorship, a large number of fairs and seminars, which perform an important role in the dissemination of innovations, in the debate of future opportunities and in the promotion of the network between the key players.

Crédito Agrícola Entrepreneurism and Innovation Award

The objective of the Crédito Agrícola Entrepreneurism and Innovation Award is to recognise merit and excellence, contributing in an effective manner to the dissemination of a culture of entrepreneurial action and innovation in the agricultural, agroindustrial and forestry sectors.

In its 5th edition, the award arises from the renewed partnership between Crédito Agrícola, INOVISA and the National Rural Network, counting with the support of the Presidency of the Portuguese Republic. The selection panel elected, from among the 5 final runners-up, the most innovative projects in our country, in the following categories: Production and Processing; Marketing and Internationalisation; Rural Development; Innovation in Consortium: Operational Groups; High Potential Project promoted by Associates of Crédito Agrícola. This edition also attributed the distinction "Born from Knowledge - BfK Awards" to the final runner-up project considered the “best example of a project born from knowledge”, by ANI (National Innovation Agency), partner of the initiative. In addition to their degree of innovation, the competing projects were appraised in terms of their market potential and the level of sustainability of the innovations.



The following projects were winners of the 2018 edition, with further details presented at <http://www.premioinovacao.pt/>.

Crédito Agrícola Entrepreneurism and Innovation Award

Categories	Winning projects in 2018
Production and Processing	SOILIFE: sustainable process to reduce the phytotoxicity of olive pomace.
Marketing and Internationalisation	Noocity: sub-irrigated pot with automatic irrigation and fertilisation system.
Rural Development	INFORMAT: semi-autonomous robots to clean undergrowth and create biofuel management strips.
Innovation in Consortium: Operational Groups	MaisSolo: development and application of alternative technologies to chemical control.
Project promoted by CA Associates	Lhana: exfoliant soap, 100% natural and biological, coated in wool.
BORN FROM KNOWLEDGE distinction	SOILIFE: sustainable process to reduce the phytotoxicity of olive pomace.

The winning projects of each of the 4 categories were awarded a cash prize of 5,000.00 euros, with a prize of special recognition also having been awarded to the candidate promoted by a CA Associate, of the same value. In addition to the cash value, after commercial and risk approval, beneficial conditions were attributed in financing lines, and other financial products and services of Crédito Agrícola.

Indicators	2016	2017	2018
Candidatures received	72	80	86
Elements	14	13	11
Bonuses	10	6	5
Euros of investment in the attributed awards	40,000	30,000	25,000
Financing with advantageous conditions for the winning projects	10	6	5

Wine Competition

CA promoted, in partnership with the Association of Sommeliers of Portugal, the 5th edition of the “Crédito Agrícola Wine Competition”. With this competition, placing under scrutiny the quality of national wines, Crédito Agrícola aims to support the wine producing sector and the development of local economies, especially Cooperatives and Producers.

Among the 240 white, red and sparkling wines entered in the competition by 143 national producers of the different wine producing regions of the country, the selection panel distinguished, during blind test conducted in the Wine Market of Campo Pequeno, 71 wines with the Wine Tasting Cup of the Sommeliers

of Portugal, 40 with Gold Medals and 31 with Silver Medals. In total, counting the four previous editions, the Wine Competition entailed the enrolment of more than 800 wines.

Sponsorships and support to fairs

In 2018, Crédito Agrícola was a partner, once again, in a series of events that performed an important role in boosting the primary sector and fostering entrepreneurship. The relevance of the support given by Crédito Agrícola is also justified by the partnerships which have progressively been established in these events over the last few years. A special reference to the sponsorships and support given in 2018 to the events described below.

Main sponsorships and support to fairs

Soul of the Wine Festival

Agrival

Vale de Sousa Agricultural Fair

AgroNegócios (Agri-Business)

National Agricultural Fair

Ovibeja (Beja Sheep and Agricultural Fair)

Campo Pequeno Markets (Christmas, Gourmet, Wines, Beer and Chocolate)

Olive Oil Competitions

AGRO (International Agricultural, Livestock and Food Fair)

SISAB

Fruit Attraction and Fruit Logistic

Fatacil

Conference on combating the desertification of the interior

Promoted by CCAM Vale do Távora e Douro

“The Role of Institutions in the Regional Development of Municipalities with Low Population Density” was the central theme of the conference held in Trancoso, organised by CCAM Vale do Távora e Douro, with the support of Trancoso Town Council. The meeting debated the Coast/Interior dichotomy and possible strategies to attenuate the desertification of the interior in the medium-term.

Business Protocols

Support to treasury and to medium and long-term investment, daily management and the protection of risks related to insurance products, with special conditions, are examples of some of the benefits for the members of the institutions with which CA establishes partnerships. We highlight, due to the role they have played in the Group's history, the protocols with business associations, namely those of the main economic sectors structuring CA's credit portfolio, which attribute special conditions for subscription of financial products and services to their Associates/members. In 2018, CA concluded 2 new protocols with entities promoting entrepreneurship and competitiveness, and also renewed 16 protocols with business associations.

Protocols with Business Associations	Number of Protocols in 2016	Number of Protocols in 2017	Number of Protocols in 2018
New Protocols	5	4	2
Renewal of Protocols	12	14	16

Renewals of partnerships in 2018 with entities promoting entrepreneurship and competitiveness

PORTUGAL FRESH

MINHA TERRA - Portuguese Federation of Local Development Associations

LUSIAVES - Lusiterra Project

CAP - Confederation of Farmers of Portugal

CPPME - Portuguese Confederation of Small and Medium Enterprises

COMPAL FRUTOLOGY ACADEMY OF THE CENTRE

ACBM - Association of Cattle Breeders

ADRAL - Regional Development Agency of the Alentejo

AJAP - Association of Young Farmers of Portugal

NERSANT - Business Association of the Region of Santarém

FPAS - Portuguese Federation of Pig Farmer Associations

AGRINDA GROUP

CONFAGRI - Confederação Nacional das Cooperativas e do Crédito Agrícola de Portugal, C.C.R.L.

New partnerships established in 2018 with entities promoting entrepreneurship and competitiveness

ACISTDS - Association of commerce, industry, services and tourism of the district of Setúbal;

DST SOLAR

Renewal of partnerships with other business associations in 2018

ARAN - National Association of the Motor Vehicle Branch

APImpresa - Portuguese Press Association

CPCCRD - Confederation of Collective Entities, Culture, Recreation and Sports

Partnership with DST Solar promotes renewable energy

Group Crédito Agrícola works together with DST Solar by concluding a protocol aimed at providing CA products that are more suited to the financing of Individual Customers and Corporate Customers of DST Solar in the acquisition of photovoltaic solar and thermal solar equipment, targeting the domestic market or the industrial/hospitality market.

The protocol enables customers of this company to benefit from a specific offer for financing Individual Customers (Eco-credit) and Sole Proprietorships (Renewable Energy Credit Line), as well as insurance provided by Crédito Agrícola. Customers and Associates of Crédito Agrícola are likewise given beneficial conditions in the acquisition of products sold by DST Solar, through a special discount for Individual Customers and Corporate Customers.

DST Solar is a company specialised in the provision of engineering services concerning energy production based on renewable sources, in this case solar energy. With this new partnership, Group Crédito Agrícola seeks to support new businesses in the energy sector and contribute to the development of a more sustainable planet.

2.3. RESPONSIBILITY TO COMMUNITIES

CA's citizenship model is characterised by the surgical action of each CCAM in response to the main problems and challenges faced by each local community. This model ensures a form of differentiated intervention of more standardised formats, ensuring that CA is an agent that contributes to resolving the specific problems and needs of the local community in which it develops its local activity, in articulation with the main institutions of the local social structure. In organisational terms, the support is carried out by the CCAM and 5 Foundations, operational in 2018, as carrier institution of the support to the community.

Through its social responsibility policy, Crédito Agrícola supports initiatives and institutions which develop their activity in five areas: culture, sports, social solidarity, senior citizens and education. In view of the local intervention of Crédito Agrícola's responsibility, a 6th category is also identified, named "other" which, in 2018, continues to be very relevant in terms of number of institutions supported and total value invested. The types of support granted are classified as monetary donations and sponsorships, and/or donations of items and equipment.

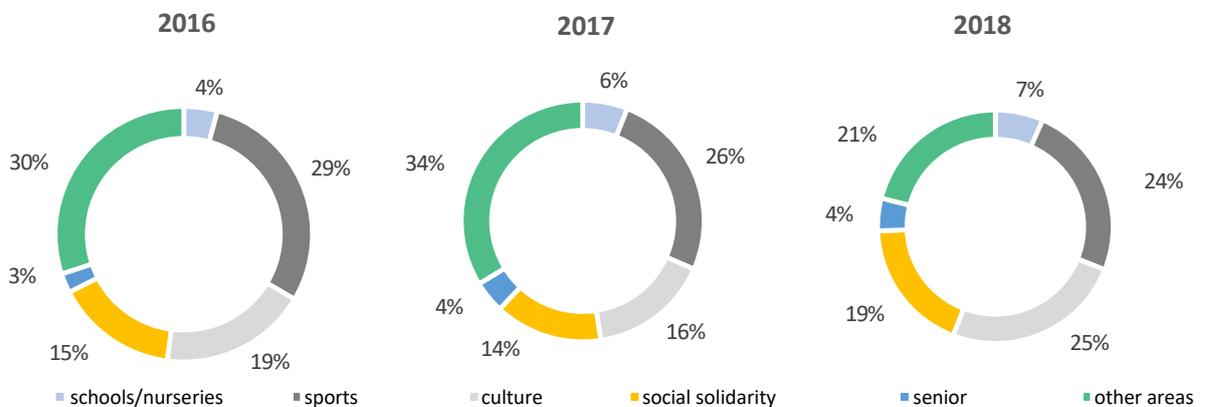
The investment in social responsibility in 2018 stood at 2.5 million euros, having grown by around 11% in comparison to 2017. This value includes donations and sponsorships.

Investment in social responsibility in 2016 to 2018 (million euros)



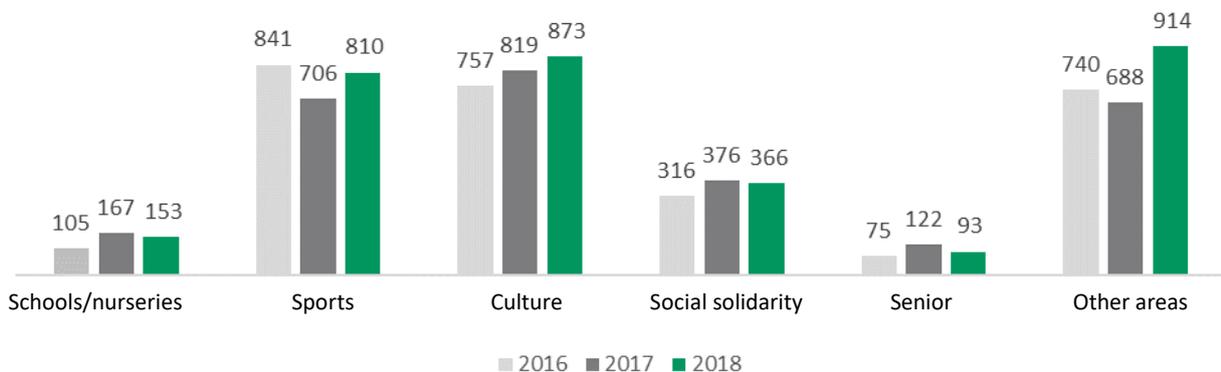
The distribution of the investment in social responsibility of Crédito Agrícola in 2018 continues similar to that of the previous year, although with an increased representativeness of support to culture in this year by almost 10 percentage points. Not less important is the weight of the category “other areas”, which accounts for 21% of the total value of social investment, due to reflecting social investment in causes and needs that are specific to each locality.

Distribution of the investment in social responsibility as a % of the total, 2016 to 2018



In 2018, support was given to a total of 3,209 institutions, 11% more than in 2017. In the strategic areas of citizenship, the highest increase of the number of institutions supported occurred in the areas of sports and culture, with 15% and 7% more, respectively.

Number of institutions supported from 2016 to 2018



An additional component of the support granted in 2018 was made with the purchase and donation of equipment for firemen and hospitals, among other institutions. The largest share of these contributions went to social centres during this year, valued at over 180 thousand euros.

a) Initiatives of Cultural Support

The CA Group supports cultural manifestations in various artistic areas. The cultural initiatives supported in 2018 include, in particular:

- Support to a joint action with Ovar Municipality - "More and Better Readers", aimed at promoting reading, by CCAM Costa Verde. Directed at 1st to 9th Year students, CCAM awarded cash prizes to the those with highest grades.
- Sponsorship for restoration of the panels of tiles of Alcanhões parish church by CCAM Pernes e Alcanhões.
- Support to Jobra - Branca Music School by CCAM Albergaria e Sever.
- Support to Crato Municipality for holding Crato Festival by CCAM Norte Alentejano.
- Sponsorship of the commemoration of the centenary of the composer António Lima Fragoso by CCAM Cantanhede e Mira.

b) Initiatives of Education Support

CA has performed an important role in attributing awards to students with excellent school performance. These initiatives, which are held all over the country, are relevant as they encourage young people to pursue values that will determine the quality and wellbeing of their future life and that of the community in which they live.

- In the 5th consecutive year in which the CA Vale do Távora e Douro foundation attributed scholarships to young people from deprived backgrounds and awards to excellent students, the initiative was enlarged to a total of 19 scholarships, among the seven municipalities of its area of action. The value of the award granted for scholarships due to merit was also increased.
- Following the protocol of collaboration between CA Coimbra and the Foundation for Assistance, Development and Vocational Training (ADFP), CA Coimbra awarded prizes to the 20 most outstanding students in the project "Brilliant Minds". This project seeks to give the school community access to advanced education programmes, encouraging the intellectual development of children, and thus leading to the detection of children with special abilities in the different areas addressed.
- For the 15th year, CA Cantanhede e Mira once again promoted "The Best Student" CA Award. Of the value of 250,00 euros in a Future Saving Account, this prize is directed at final year secondary school students of each educational establishment of the region. Over the year, "The Best Student" CA Award has selected and awarded more than one hundred young people for their good school results.
- Awarding of prizes to the best students of Salvaterra de Magos School Group and Marinhais School Group by CCAM Salvaterra de Magos.
- In 2018, prizes were given to the best students of Montemor-o-Velho School Group and to the best students who are children of Figueira da Foz voluntary fire brigade personnel by CCAM Baixo Mondego.

- CCAM Beja e Mértola awarded prizes of 2,000.00 euros to each school of the municipalities of Beja and Mértola to distinguish the students with highest grades.
- In 2018, CCAM Lafões once again awarded the best students of all the existing school groups in the 3 municipalities in which CCAM develops its activity.
- CCAM Silves promoted a gala, in the Mascarenhas Gregório Theatre, for the attribution of merit-based awards to students of the school group of its area of influence.

Regarding support to education, we highlight the following initiatives:

CA Ribatejo Norte e Tramagal raises the awareness of children on the importance of the forest

CA Ribatejo Norte e Tramagal took over one hundred 1st cycle children, on 21 March, International Day of Forests, to participate in an action involving students, teachers, CA Employees, Local Government, members of the municipal Civil Protection and National Republican Guard. The initiative, which took place at the village of Cabeça das Mós – Sardoa, included a programme with various activities, in particular awareness-raising on the importance of nature conservation, the painting of a collective mural symbolising the restoration of a burnt area and reforestation of a burnt portion with the planting of 125 strawberry trees.

CA Alto Douro

The institution established a partnership with Bragança Polytechnic Institute (IPB) for the development of a business simulator: a computer application operated on the internet, aimed at promoting business simulation in a virtual environment. This tool is used in management and accounting courses at IPB. The application was distinguished in the context of the ValorTICE project, and disclosed at a national level.

c) Initiatives to Support Savings and Financial Literacy

School leader video: awareness-raising among young people on saving

Through the video competition based on the theme “The best investment is saving”, the CA Young People campaign raised the awareness of young people on the importance of saving habits. The awareness-raising was carried out through social networks, using the competing videos. The 10 videos most viewed in the social networks passed on to the grand finale, with the winner having been Sofia Ramalho, with the video “Saving now is learning to save in the future”, elected by the competition's selection panel.

CA sponsorship of TV programme contributed to improving the financial education of the Portuguese

In 2018, CA continued its sponsorship of the programme “Minute of Economics”, which then included in the item “Economics with those who know”, signed by João Duque, economist and university professor at ISEG (Higher Education Institute of Economics and Management). Broadcast, the new item deals with concepts of Economics and Finance that are useful to the Portuguese, in a context of financial education.

CA Alto Douro promotes competition and awareness-raising actions on financial literacy

The competition “Come and Invest in the Stock Exchange!”, directed at secondary and vocational education students, seeks to fight against financial illiteracy by providing an electronic platform in which the users can trade shares on the stock exchange in order to maximise the profitability of their portfolio.

The candidates obtaining the highest yields are considered the winners. Under the existing protocol with Escolinha de Futsal Arnaldo Pereira, in Bragança, financial literacy actions are carried out among the athletes, encouraging habits of saving and money management. The Escolinha has 66 enrolled athletes, distributed over five brackets, aged between 5 and 14 years old.

d) Sports

Supporting the values underlying sports and its associated wellbeing has been one of the hallmarks of CA's culture of responsibility. In this sphere, the Group has enabled various sports institutions to accomplish their mission, stimulating thousands of young people to actively participate in sports.

CA maintained its policy of continuity of sponsorships in 2018 in the following areas: cross-country motor cycling, rally racing, surf, bodyboard, cycling in various categories, rugby, among others. This policy of proximity which characterises the Group has also been applied in terms of the sponsorships and support granted at a national level, including sports and social/cultural affairs.

Main athletes/events/modalities of sports supported

Motorcycling	Mário Patrão
Car racing	Paulo Ramalho, Rui Ramalho and Rafael Lobato
Cycling	36th Bicycle Tour of the Alentejo, Alcobça Cycling Club
Surf and Bodyboard	Teresa Almeida, Kathleen Barrigão, Crédito Agrícola Junior Cup
Rugby	Agronomia and CDUL
Other sports supported	Triathlon, Karting, Athletics, Hockey

CCAM Pernes e Alcanhões

Sponsorship of the local football team and the female rugby team of Santarém.

e) Social Solidarity

Crédito Agrícola's support to social solidarity initiatives and institutions in 2018 was portrayed by the following:

- **CCAM Albufeira offers ambulance with lifting platform:** Albufeira Voluntary Fire Brigade strengthened its fleet, in June, with an ambulance to transport patients equipped with a lifting platform. The new vehicle, of the value of 50,245.50 euros, is a gift of CCAM Albufeira which, in this way, reaffirms its civic and solidarity dimension in the context of the citizenship culture of Crédito Agrícola Group.
- **CA Vida:** Promoted, among all CA Group companies, resident at Edifício Bloom, a campaign of Solidarity Collection of goods required in shelters. Food products, hygiene and cleaning products, clothing, bed linen and school material were donated to "Associação Crescer Ser", a solidarity institution that care for, in seven houses spread all over the country, children from 0 to 18 years in danger, deprived of a family environment.

- **CCAM Bairrada e Aguieira:** Contribution of 5,000 euros to Mealhada Voluntary Fire Brigade towards the purchase of a fire-fighting vehicle.
- **CCAM Beja e Mértola:** Conclusion of a protocol with Mértola Municipality, with the attribution of 400 euros for each baby born and resident in this municipality.
- **CCAM Costa Azul:** Financial support to a customer with an extremely severe cancer disease and opening of a solidarity account for collective support of the population in general.
- **CCAM Vale do Sousa e Baixo Tâmega:** Donation of 5,000,00 euros towards the acquisition of a minibus for the Association for the Development of Portela.

2.4. RESPONSIBILITY TO THE EMPLOYEES

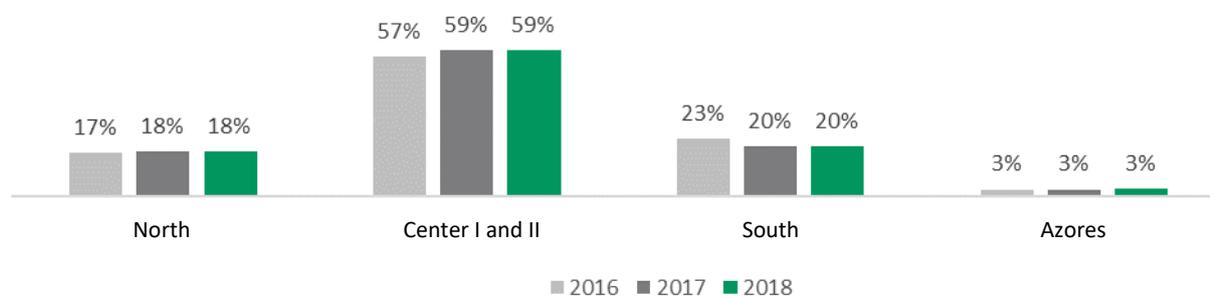
a) Characterisation of the Staff

In 2018, CA Group had a total of 4,067 Employees, with 90% being SICAM Employees. Their geographic distribution remains similar to that of previous years, with 59% working in the Centre I and II. Among the 4,067 Employees, 34 have some disability.

Distribution of the Employees of Crédito Agrícola Group

	2016	2017	2018
SICAM	3,607	3,618	3,644
CA Seguros	160	175	165
CA Serviços	172	176	168
CA Informática	9	9	6
CA Vida	43	43	40
CA Gest	15	10	10
Ca Consult	10	2	0
FENACAM	38	35	34
Total	4,054	4,068	4,067

Geographic distribution of the Employees of Crédito Agrícola Group

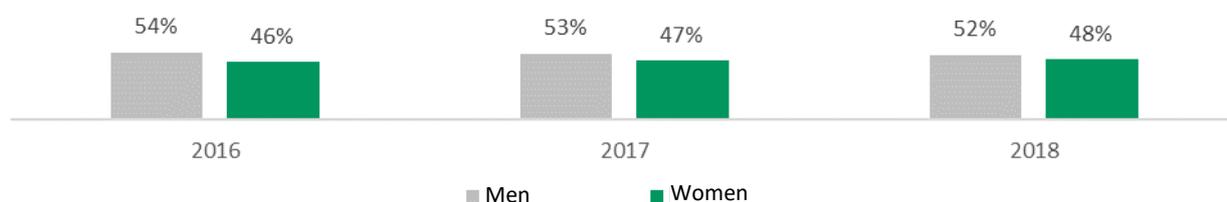


Number of Employees with some disability

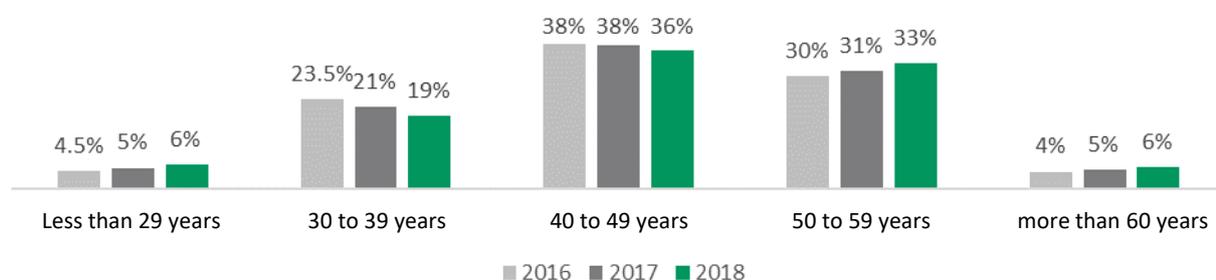
2016	2017	2018
32	35	34

The characterisation of the team by gender, age cohort and type of contract also continues similar to 2017, with the cohorts of 40 to 49 years old and 50 to 59 years old showing the highest weight, of 36% and 33%, respectively. 94% of the Employees have a contract for an indefinite period and 67% of the Employees have worked at Crédito Agrícola for more than 15 years.

Employee distribution by gender



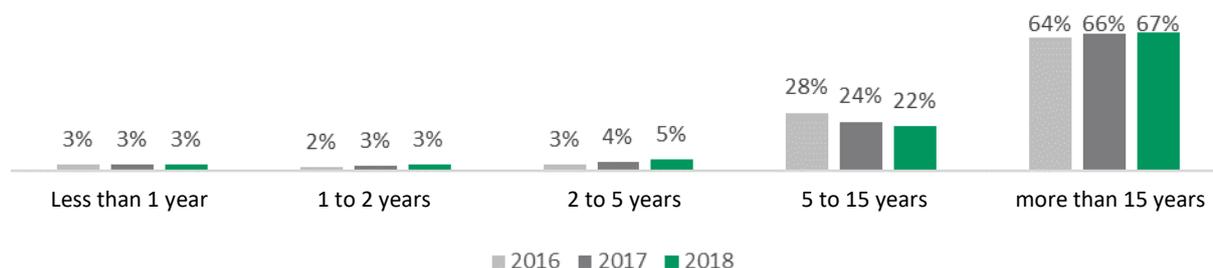
Employee distribution by age cohort



Characterisation of the Employees by type of employment contract

	2016	2017	2018
Indefinite Period	94.7%	93.6%	94%
Fixed Term	5.2%	6.30%	5.9%
Open-Ended	0.1%	0.1%	0.1%

Characterisation of the Employees by seniority

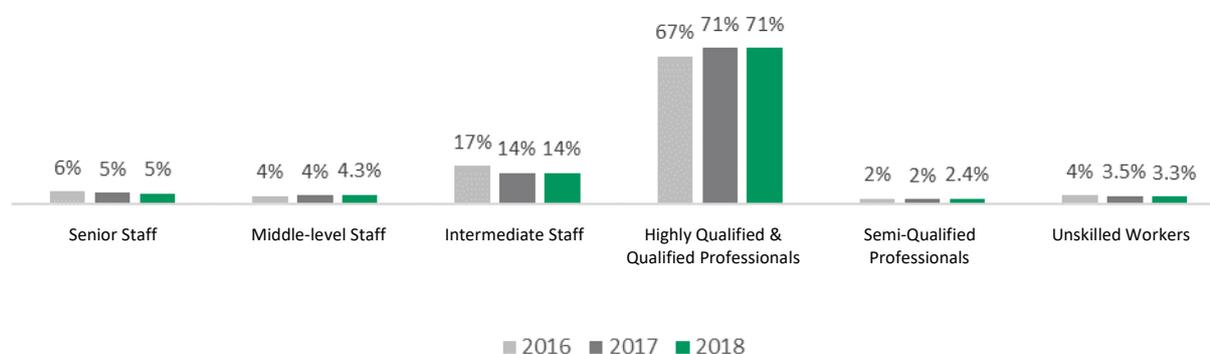


Regarding functional distribution, 71% of the Employees are included in the highly qualified or qualified category. 45% of the Employees have secondary education and 42% have a licentiate, master's or doctoral degree. 7.45% of the senior staff are women and 2.58% of the senior staff are young people (up to 39 years old).

As at 31 December 2018, 3,814 CA Group Employees¹¹ members of the unions indicated in the table:

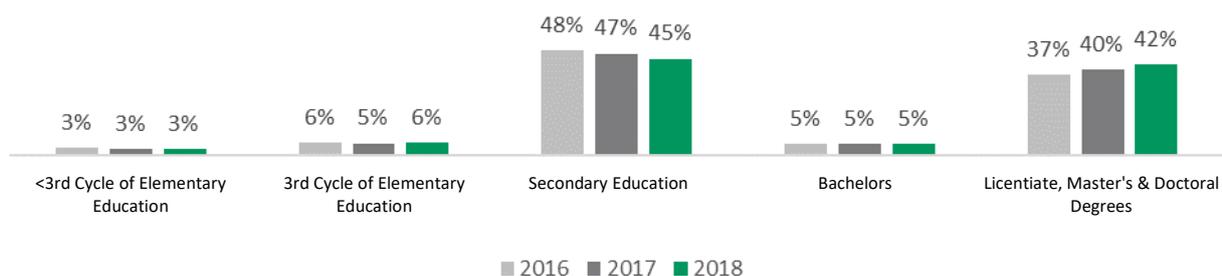
Union	2016	2017	2018
SBSI	1,427	1,408	1,394
SBC	426	410	401
SBN	367	352	303
SNQTB	1,105	1,184	1,288
SIB	433	426	418
STAS	10	10	10

Characterisation of the Employees by functional distribution



¹¹ Relative to Employees of SICAM, FENACAM and only the following participated companies: CA Serviços, CA Informática, CA Seguros and CA Vida.

Employees by academic qualification



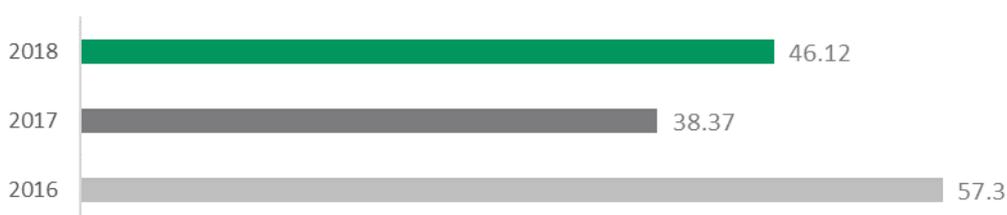
b) Training

With a total of 209,287 hours of training, the average training hours per Employee reached 46.12, corresponding to 20% more than in 2017. The training area with the heaviest weight in terms of number of hours was marketing, products, services and banking techniques.

Number of training hours



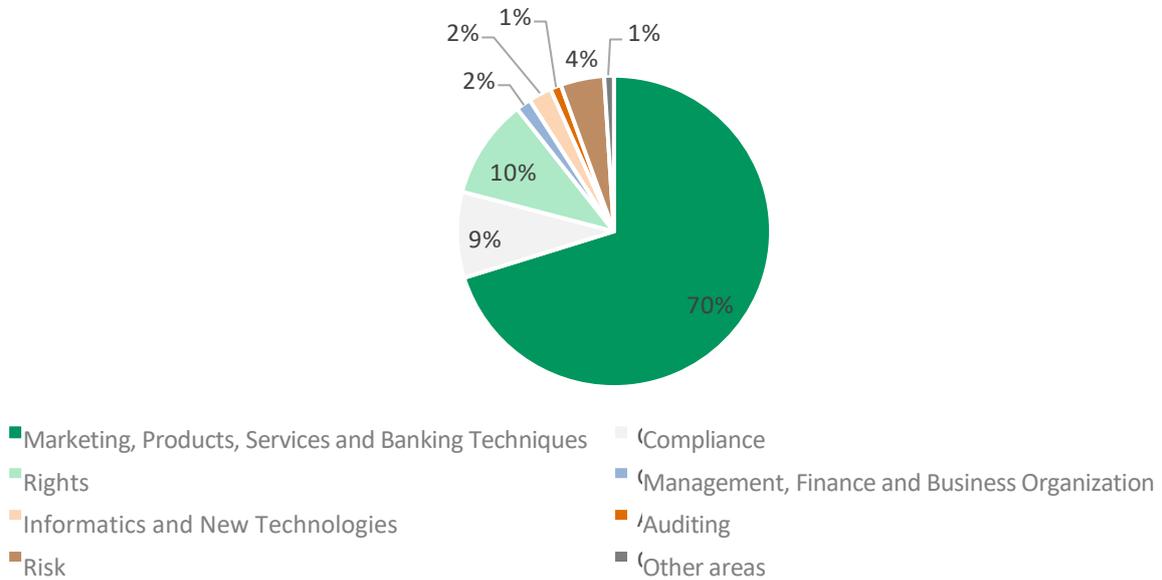
Average training hours per Employee



Senior staff by gender and age cohort

	2016	2017	2018
% Senior positions held by women	7.55%	7.55%	7.45%
% Senior positions held by young people	3.92%	3.29%	2.58%

% training hours by training area



In a context in which self-development is gaining a crucial importance in institutions, the recently developed e-learning platform of the CA Group enabled the implementation of simultaneous training actions with different groups of trainees in 2018. With a total of 209,287 hours of training, the average training hours per Employee reached 46.12, corresponding to 20% more than in 2017. 70% of the trainees attended e-learning training.

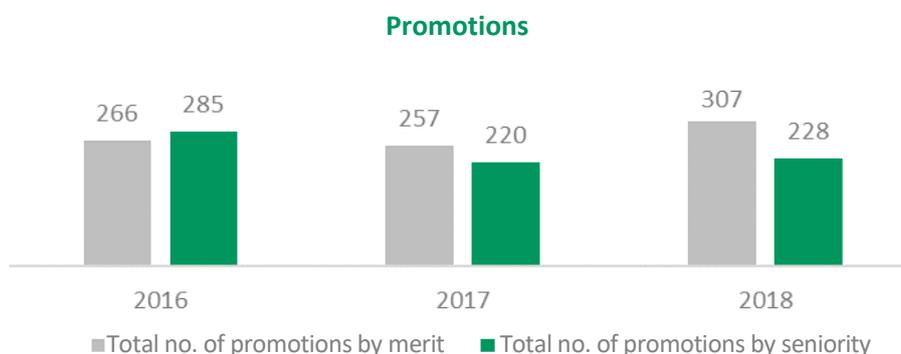
Number of participants and training hours by type

	2016	2017	2018
Number of participants			
Physical attendance	5,959	7,710	5,811
<i>E-learning</i>	3,571	3,192	13,258
Distance Learning	76	0	0
Number of hours			
Physical attendance	84,898	105,145	47,121
<i>E-learning</i>	132,073	27,452	162,166
Distance Learning	15,277	0	0

Note: The same employee could have attended various training courses.

c) Promotions and Benefits

In 2018, 19% more promotions were attributed based on merit than in the previous year, accounting for 57% of total promotions. The value of the bonuses paid in 2018 represented 6% of the total payroll.



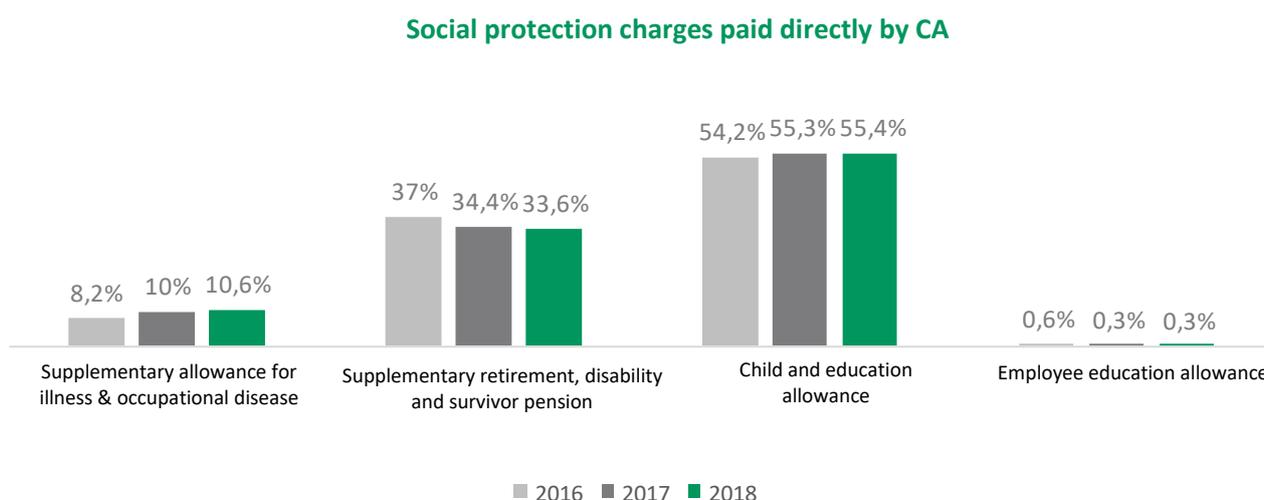
Benefits

The benefits attributed to the Employees are segmented in the 3 areas noted below, with the costs related to social protection paid by Crédito Agrícola being stated at the end of this sub-chapter:

- Social charges paid directly by the CA
- Credit
- Culture, Sports and Wellbeing.

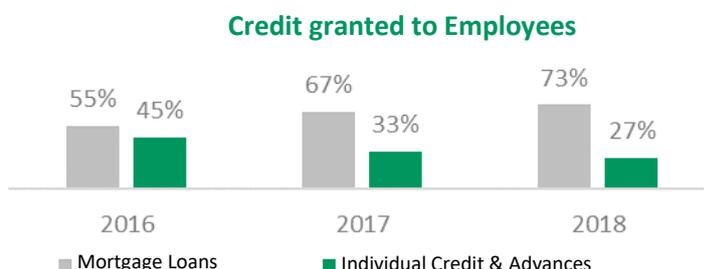
Social charges

In 2018, Crédito Agrícola Group paid 1,392,378 euros in social charges. Of this total value, 55.4% was for payment of child and education allowance, and 33.6% to supplement disability, old age and survivor's pensions. It should be noted that CA paid around 30 million euros to social security associated to its Employees.



Credit granted to Employees

Support to mortgage loans and personal credit is one of the benefits attributed to the Employees. In 2018, the total value of this support reached 20.8 million euros, 73% of which was mortgage lending for residential purposes.



Culture, Sports and Wellbeing

Social responsibility embodies Crédito Agrícola's values and positioning which are not only reflected in terms of the community but also in an enormous series of initiatives aimed at the Group's Employees, in particular the action of the Cultural and Sports Centre of Crédito Agrícola. The Cultural and Sports Centre of CA was designed to promote the cultural, intellectual, physical and civic development of the Employees of Crédito Agrícola Mútuo, aimed at fostering their wellbeing and interpersonal relations. This association has attracted a growing interest in joining initiatives of diversified scope:

- Sports activities: Athletics, Cycling, Walking, Golf, Billiards, Motorbiking, Amateur fishing and Triathlon;
- Cultural activities: protocols with discounts for acquisition of tickets for the zoo, performances, exhibitions and various cultural institutions;
- Promotion of work carried out by the Employees, namely painting, books and handicrafts;
- Organisation of trips, travel and visits to diversified places of interest, both national and international, and an annual Rally Paper competition;
- Library with a wide range of publications, aimed at promoting reading among the workers of Crédito Agrícola Group;
- Protocols with different entities aimed at obtaining discounts and provision of services, in areas such as health, aesthetics, education, parking, fuel and communications.

d) Absenteeism and Occupational Accidents

In 2018, absenteeism increased marginally by 0.21 p.p.% compared to 2017, having a stronger expression among women than men. The highest factor was absenteeism due to illness, accounting for 43% of absences in 2018.

	2016	2017	2018
Rate of absenteeism	5.77%	6.01%	6.23%
Rate of absenteeism - women	7.45%	7.54%	7.76%
Rate of absenteeism - men	4.29%	4.64%	4.84%

Absence from work / Year / Number of hours	2016	2017	2018
Due to illness	125,251	138,677	152,997
Due to maternity / paternity	67,489	65,188	63,908
Due to other reasons	71,036	72,800	72,401
Due to immediate and necessary assistance	49,728	47,775	50,764
Due to occupational accident	9,170	9,394	12,173
Due to disciplinary suspensions	3,262	2,940	3,969
Total	325,936	336,774	356,212

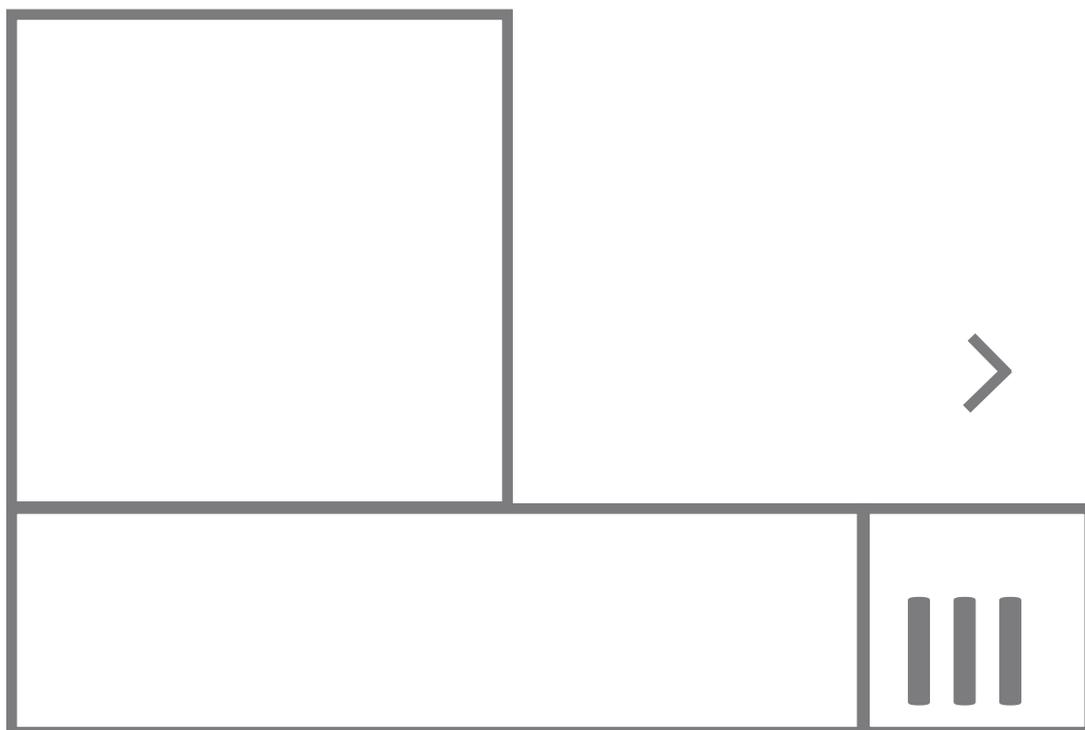
In 2018, a total of 104 occupational accidents were recorded, 55% more than in 2017. The number of days lost concerning absence due to occupational accidents increased by 28%.

	2016	2017	2018
Total number of occupational accidents	112	67	104

e) Annual Reunion of Employees

Along with support to and relations with the community, internal social responsibility is an important dimension of the Social Responsibility Policy of the CA Group. Initiatives are implemented in this regard aimed at about 4,000 Employees of the Group, which sometimes extend to their families. Apart from activities in the areas of culture, sports and wellbeing, special note should be made of the Annual Reunion, a great occasion gathering all the employees and their families together.

On 24 March, Crédito Agrícola gathered together more than 3,200 Employees and their families, from all over the country, at the Grand National Reunion, at FIL, Parque das Nações, in Lisbon. This event had the “Carbon Free” stamp, following the Bank’s partnership with “The Navigator Company”. All the carbon dioxide emissions that were produced during the Reunion (including travel of the participants) were offset by the planting of pine trees, in Portugal, which, in the next 35 years, will transform carbon dioxide in oxygen.



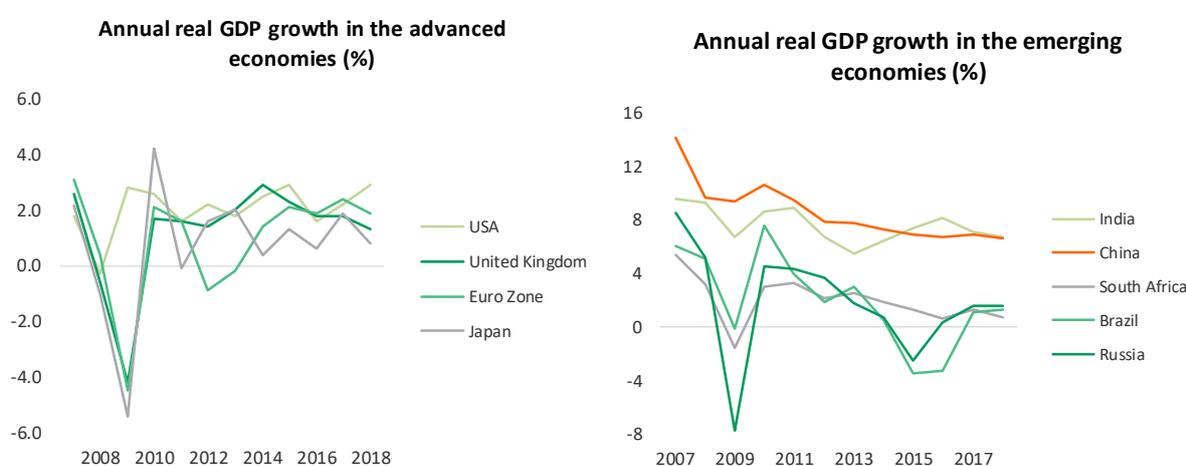
Economic environment

III. ECONOMIC ENVIRONMENT

3.1. INTERNATIONAL ECONOMY

After two years of robust economic growth in practically all geographic areas, 2018 proved to be a challenging year, in particular during the final stretch of the year.

This year of 2018 was marked by trade wars sparked in the USA against various of its most relevant economic partners (China, Europe, Canada and Mexico), uncertainties relative to China's growth rate, political instability in Europe, pursuit of the normalisation of monetary policy by the American Federal Reserve and the continuation of the atmosphere of uncertainty around the Brexit process. The World Bank estimates that global growth remained at 3% in 2018, unchanged in relation to 2017.



Source: Bloomberg, January 2019

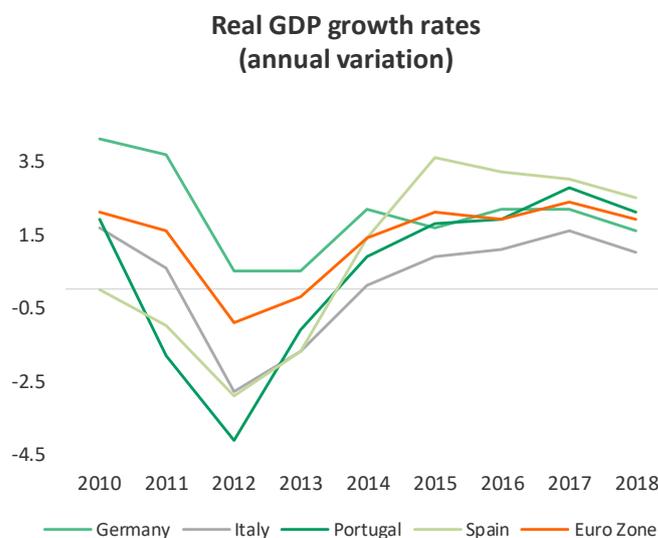
The friction between the USA and China, placing barriers to the regular operation of global supply chains, heightened the uncertainty as to the evolution of international trade and particularly affected the global economy in 2018. With the fiscal cuts promoted by President Donald Trump providing a further boost to the American economy in 2018, the USA continues to believe that it is well positioned to confront China. The trade war between the two countries, with immediate effects on the performance of the financial markets, started in March, with the USA announcing customs tariffs of 25% and 10% on steel and aluminium imports, respectively. China retaliated, which triggered an escalation of sanctions throughout the year by both sides, and an increase in the number of products subject to tariffs. The end of the year brought in some hope, following the G-20 summit, with the leaders of the USA and China indicating that an agreement was within sight.

The year was also marked by the historic meeting between Trump and the North Korean leader. This meeting, held in Singapore, gave rise to expectations of an agreement between the USA and North Korea and also of the possibility of strengthening the role of diplomacy at a global level.

In the USA, in November, the midterm elections shifted the control of the Chamber of Representatives to the Democrats, with the Republicans having strengthened their majority in the Senate. The American President thus ended up somewhat weakened with this outcome, as the Chamber has the potential to moderate or block Trump's plans and policies.

In terms of monetary policy, the American Federal Reserve (Fed) increased its reference interest rate four times during 2018, with the federal fund rate closing the year between 2.25% and 2.50%. Nevertheless, following the strong market correction in the fourth quarter, the Fed ended the year in a more dovish tone, giving signs that the neutrality level of the rates could be achieved with two further rises in 2019, instead of the 3 indicated previously. This reduction of expectations also reflects concern with most of the economic indicators disclosed throughout the 4th quarter, which enable consistently foreseeing that the peak of economic growth might already belong the past.

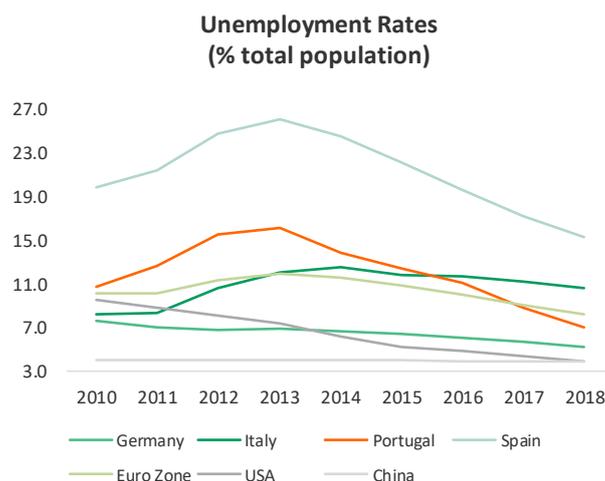
Even so, it is expected that the growth rate of North American GDP should have accelerated, growing by around 2.9% in 2018. The American labour market remained robust, with the unemployment rate continuing close to historically low levels, standing at 3.9% in December. Inflation remained consistently at levels close to 2.0%, closing the year at 1.9%.



Source: Bloomberg, January 2019

However, in other economic zones, growth slowed down and global growth became less synchronised.

In the euro zone, the economic slowdown was transversal. The European Central Bank (ECB) continued cautiously optimistic and announced the end of its asset purchasing programme. This programmed finished at the end of 2018 and, nonetheless, will be followed by a phase of full reinvestment of the amounts invested in issues that reach maturity. During the year, the Central Bank kept its rates unchanged and signalled that the beginning of a hypothetical rise of interest rates would not occur before the end of the summer of 2019. The first movement is expected to be carried out through a rise in the deposit rate.

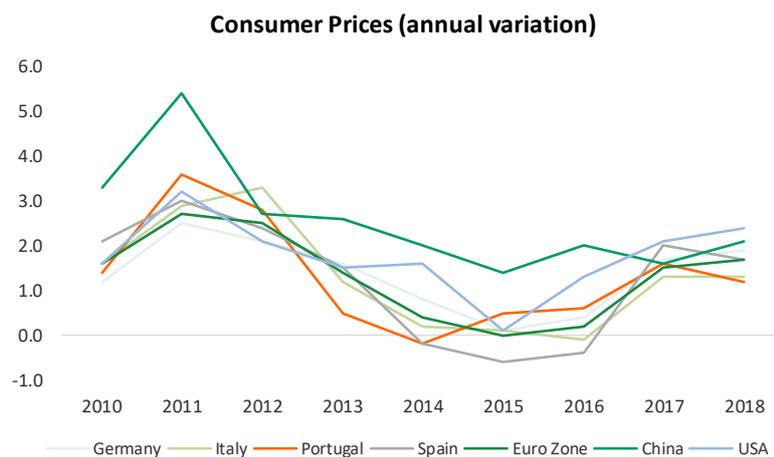


Source: Bloomberg, January 2019

In political terms, the populist parties gained strength in 2018, with Italy electing a government supported by a rather unlikely coalition, led by Matteo Salvini, leader of the Northern League, a nationalist right-wing party, and Luigi Di Maio, leader of the 5 Star Movement, a protest movement whose ideological nature is rather unclear. This Italian coalition government has been in ongoing confrontation with the European Union (EU), both due to the increased expenditure foreseen in the government programme, and due to the quantification of its effects on increased economic growth. Despite this fact and after a negotiation process that implied rejection of the initial version of the budget by the European Commission at the end of the year, the EU and Italy reached an agreement. The Italian government agreed to lower the budget deficit to 2.04% of GDP, instead of its original goal of 2.4%.

In Europe, the political and economic situation also deteriorated in France. At the end of the year, the "yellow vests" protest movement, reacting to the announcement of new tax increases, blocked roads and disrupted current economic activity, significantly hindering growth. In an effort to quieten down the situation, Emmanuel Macron cancelled various economic reform initiatives and announced an increase of the minimum wage next year, which suggests that the French President is unlikely to be able to continue his reformist plans.

In Germany, Angela Merkel, informed that she would not stand again as a candidate in the next elections. The CDU elected an ally of Merkel for party leader, reducing the probability that the Chancellor would step down before the end of the current term of office or encounter resistance to her policies.



Source: Bloomberg, January 2019

In the United Kingdom, the Brexit process remained marked by a high degree of uncertainty throughout the entire year of 2018, evidencing the difficulties demonstrated by the British government in its management. The negotiations with the European Union were progressively characterised by breakthroughs and setbacks, with an exit agreement having been reached in November. However, this agreement, which should have been ratified by the British parliament, was actually rejected by a large majority in the voting held in January 2019. The negotiating difficulties with the EU to a large extent reflect the major domestic divisions experienced in the United Kingdom. Theresa May's government stood out due to the resignation of numerous ministers throughout the year, in particular Boris Johnson and the Brexit ministers, direct interlocutors with the European Union during the long negotiation process (David Davis) and right after the signing of the agreement (Dominic Raab). The main points of discord have been the definition of the frontier of Northern Ireland, the subjection to European legislation (European Court of Justice), the monetary consideration for leaving, and the capacity to negotiate trade agreements freely, without European Union interference.

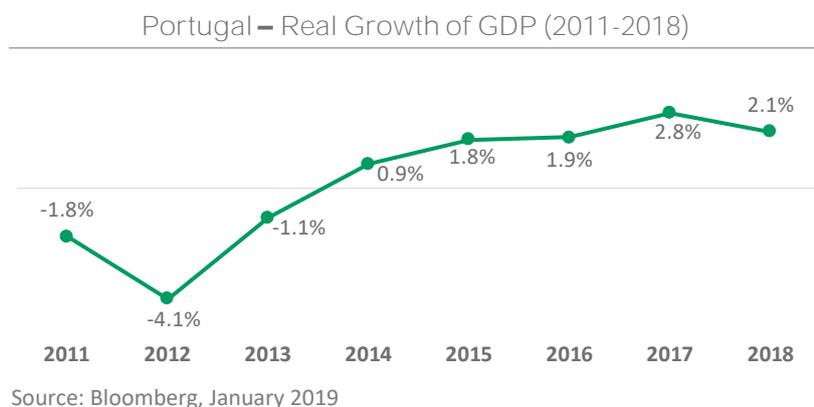
In this context, it is estimated that the euro zone should have grown by 1.9%, a decline in relation to the 2.4% of 2017. The unemployment rate still kept on its downward trend, falling to 8.2%. Inflation remained below the 2% target of the ECB, closing the year at 1.7%.

In China, the economy is estimated to have grown by 6.5% in 2018, the lowest rate since 1990. China faces high debt levels, slowdown in construction, a weak demography as well as the trade war with the USA referred to above. During the last two slowdowns, in 2009 and 2015, China responded with fiscal stimuli and massive credit. These efforts had a price: the debt to GDP ratio rose from 140% in 2008 to more than 250% at the end of 2017, creating concerns about financial stability. New stimuli are foreseen but it is rather unlikely that they will be as significant and effective as in the past. Nonetheless, they should be sufficient to keep growth close to 6% in 2019.

3.2. NATIONAL ECONOMY

Portugal experienced a slowdown, year-on-year, in the first half of 2018 due to the lower growth rate of exports and gross fixed capital formation. This trend should also occur in the second half of the year.

According to the National Statistics Institute (INE), in the third quarter of 2018, Portuguese GDP increased by 2.1%, year-on-year, representing a slowdown of activity in relation to the previous quarter. It is estimated that Portuguese GDP grew by 2.1%, below the figure of 2.8% observed in 2017.



Macroeconomic indicators (2016-2018)

		2016	2017	2018
External Demand	avr	2.0	4.6	3.4
EUR/USD Exchange Rate (%)	avr	-3.18	14.50	-4.48
Price of Oil (%)	avr	52.4	17.7	-19.6
Gross Domestic Product	avr	1.5	2.8	2.1
Private Consumption	avr	2.1	2.3	2.3
Public Consumption	avr	0.6	0.2	0.7
Gross Fixed Capital Formation	avr	1.6	9.2	3.9
Exports	avr	4.1	7.8	3.6
Imports	avr	4.1	8.1	4.1
Harmonised Consumer Price Index	avr	0.6	1.6	0.6
Saving Rate (%)	aav	5.0	4.7	4.4
Employment Rate	%	59.1	61.3	61.9
Unemployment Rate	%	11.0	8.9	7.0
Remuneration by Worker (private sector)	avr	2.1	2.0	1.1
Current and Capital Balance (% GDP)	avr	1.7	1.4	1.3
Balance of Goods and Services (% GDP)	avr	2.2	1.8	1.5
ECB Reference Rate (average)	%	0.00	0.00	0.00
3-Month Euribor (average)	%	-0.30	-0.30	-0.32
Yield of German 10 Y TBonds (average)	%	0.20	0.35	0.46
Yield of Portuguese 10 Y TBonds (average)	%	3.76	1.83	1.84

Source: Banco de Portugal (December 2018) and European Central Bank (December 2018) and Bloomberg (January 2019)

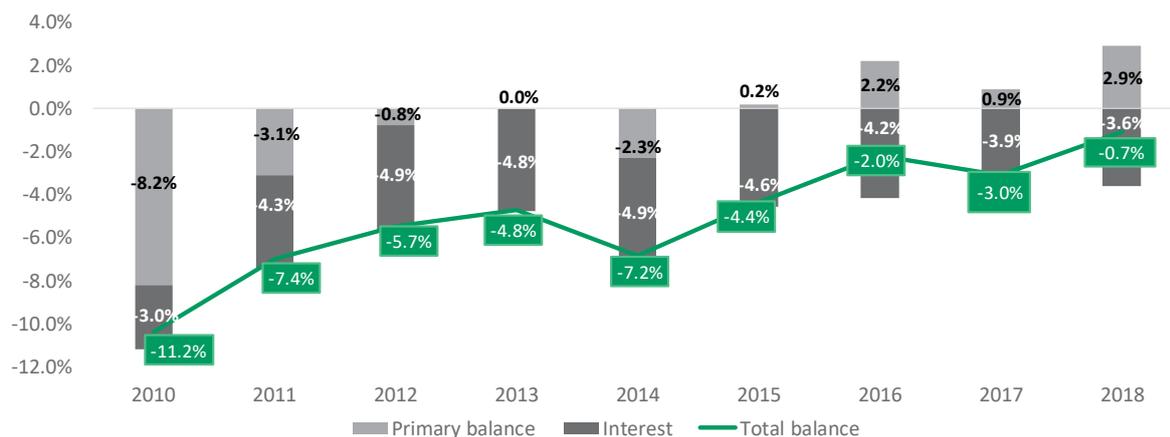
avr: Annual variation rate; aav: annual average variation

The slowdown of exports in the first half of the year was common across the euro zone, in a scenario of global economic slowdown and trade tensions associated to protectionist policies. In the second half of the year it is expected that it should have taken a further downturn.

Despite deceleration of growth, there was an increase in the employment rate. This increase essentially reflects the evolution recorded in the private sector. The unemployment rate stabilised in September, October and November at 6.6%, a minimum since September 2002, standing below the average of the EU countries during 3 consecutive months.

The inflation rate remained low in Portugal, standing at 0.7% in December, following the downward trend of the euro zone. However, the underlying inflation closed the year at 0.6%.

Budget balance of the Portuguese State: Total and primary balance (% GDP)



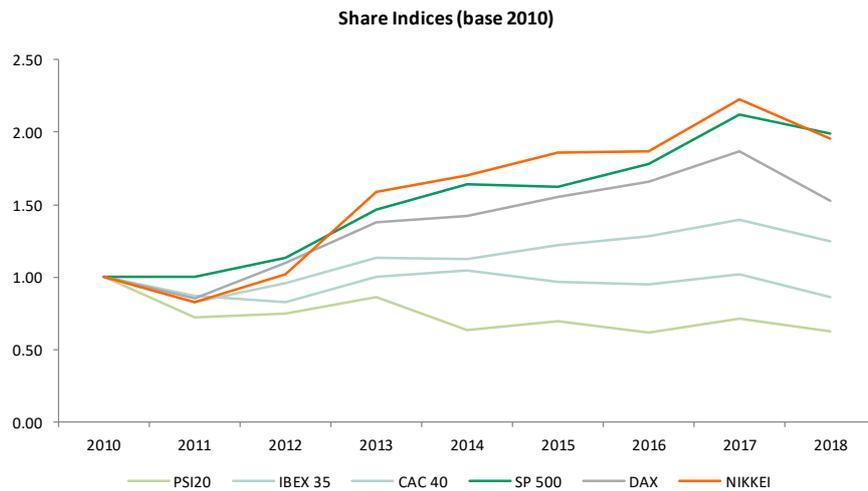
Source: Banco de Portugal, January 2019

Concerning public accounts, the overall budget balance reached 1.111.2 million euros in the first three quarters of 2018, representing 0.7% of GDP, compared to the value of -3.2% for the same period of the previous year. In the Stability Programme, the government forecasts a deficit of 0.7% for the end of 2018, a value which should not be surpassed.

3.3. FINANCIAL MARKETS

Stock markets

Stock markets were particularly penalised in 2018. The year was marked by two moments of abruptly increased volatility, with the VIX index exceeding 35%. The first occurred in February, in a context of rising public debt yields in the USA to figures around 2.9% due to the good performance of the economy and prospects of a normalisation of monetary policy at a stronger rhythm. The second moment took place at the end of December for almost diametrically opposite reasons. In this case, the atmosphere was one of strong risk aversion, with sharp declines in worldwide stock exchanges triggered by a series of economic indicators disclosed throughout the third quarter that proved disappointing. The persistence of the economic tussle between the USA and China, with potentially harmful effects on international trade, was also decisive to exacerbate the negative context.



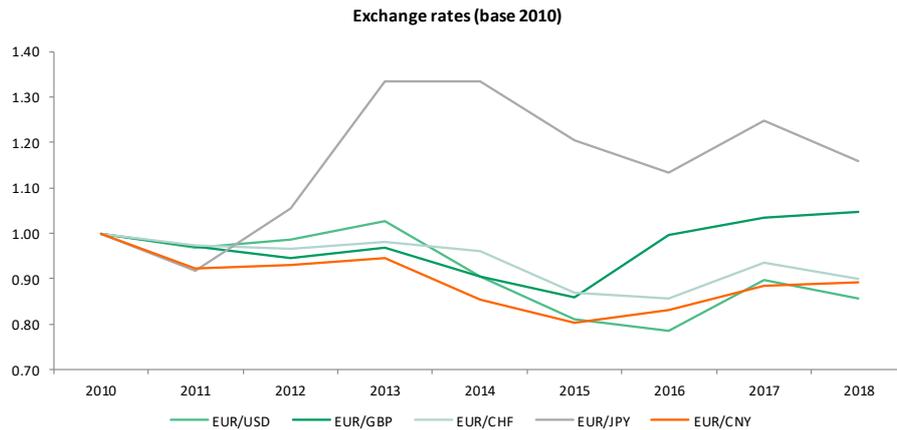
At a global level, according to the MSCI World Index, shares fell by 10.4% in 2018. The gains of the first 9 months were reversed, shifting to negative ground. Indeed, the global shares that had appreciated by 3.8% in the first three quarters of 2018, fell by more than 13% in the fourth quarter.

Regionally, for 2018 as a whole, S&P 500 receded by 6.24%, the Nikkei fell by 10.35%, the FTSE 100 and EuroStoxx 600 devalued by 13.41% and 13.24%, respectively. In Portugal, the PSI 20 did not escape this trend either, closing the year losing 12.19%.

Monetary markets - Exchange rates and reference interest rates

Throughout 2018, the American dollar followed a trend of appreciation in relation to other currencies. This movement was based on the relative buoyancy revealed by the economy of the USA following the fiscal stimuli of the Trump administration and the upward shift of rates by the Fed. However, in the last quarter of the year the figures pointed to a trend of devaluation of the dollar due to the effect of the trade war with China on economic growth, an inversion of the yield curve in the short and intermediate zone, and finally, a reduction of expectations of interest rate increases in 2019 by the Fed.

The performance of the pound sterling was linked to the Brexit developments throughout the year. The date established for the United Kingdom to leave the EU is 29 March 2019, but with so much still to be agreed upon during the transition period, it is unlikely that the concerns will disappear after this date. Although the majority of the coverage on the Brexit impacts focuses on the negative, the committee of the Bank of England has issued positive statements which have given some support to the pound in relation to the dollar and euro. The British central bank has carefully examined the possible effects of Brexit, conducting numerous stress tests demonstrating that the banks will survive any scenario, but noting a possible recession of the economy in some cases.



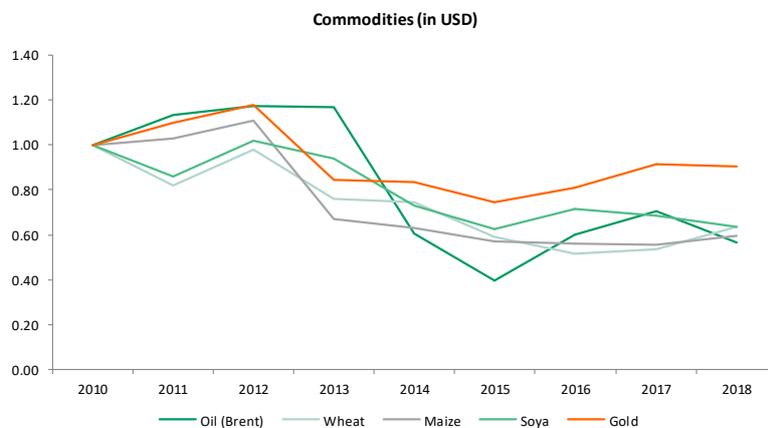
Source: Bloomberg, January 2019

The euro faced yet another volatile year, with particular reference, in the 2nd quarter, to its response to the falling consumer prices in the euro zone and sharp increase of Italian funding costs following the approval of the government programme. As noted in the previous point, the EU progressively expressed its concerns about the Italian budget plans and their implications for the country's public debt levels. It was only at the end of the year that signs of a turnaround were observed, with Italy partially recognising the European concerns. This issue decisively influenced the level of the euro during a large part of 2018. On the upside, we highlight the agreement reached in June by the European leaders about migration – which has become a hot topic during the last few years – giving a boost to the euro.

By the end of the summer, other topics had become fulcral. The data for August clearly showed a loss of momentum of the euro zone economy. Despite having been a challenging year for the single currency, Jean-Claude Juncker called upon the EU to defend the euro as a global currency rivalling the dollar, demanding more powers from Brussels. For the year as a whole, the EUR/USD rate lost 4.48% and the EUR/GBP rate appreciated by 1.22%.

In the monetary market the Euribor rates were on the rise. These rises were more pronounced in the second half of the year. The Euribor at 6 months advanced from -0.271% to -0.237% in the year and the Euribor at 12 months advanced from -0.186% to -0.117%.

Commodities



Source: Bloomberg, January 2019

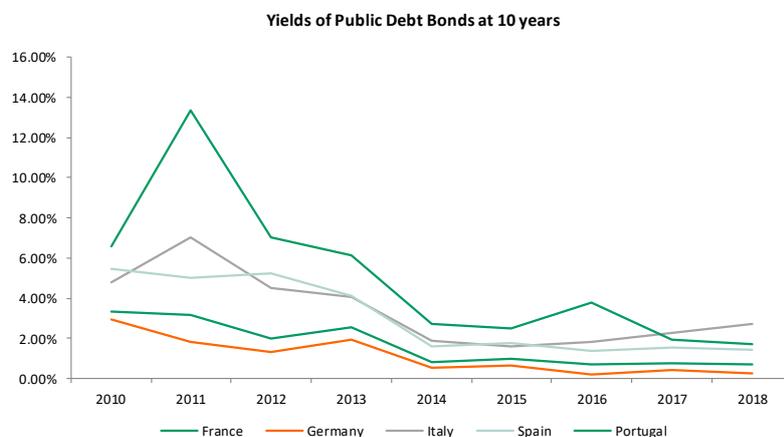
Oil showed some volatility in 2018. During the first 9 months of the year, Brent presented an upward trend, reaching its highest annual level since October, at approximately 86 dollars per barrel. This evolution was driven by the collapse of production in Venezuela and by the reintroduction of sanctions for Iran. Nonetheless, by the end of the year, factors such as the continued and very significant growth of American production, the downward revision of the outlook on global growth and the high stock levels led to considerable price decreases, with a devaluation above 20% having occurred in November. Brent closed the year at 53.8 dollars per barrel, reflecting an accumulated devaluation of 19.55% for the year.

In precious metals, the price of gold fluctuated throughout 2018. During most of the year, gold was penalised by the strength of the dollar, the normalisation of monetary policy by the Fed and the acceleration of the American economy. These factors fuelled a positive sentiment among investors which, in turn, drove other asset categories such as shares. However, as the geopolitical and macroeconomic risks heightened, investors started to find refuge in gold, with prices rising at the end of the year to 1,282.49 dollars. In accumulated terms, gold devalued by 1.56% in 2018. According to the World Gold Council, purchases by central banks all over the world increased in 2018, reaching a maximum of 2015.

The agricultural commodity market, as a whole, showed a negative performance. The Bloomberg Agriculture Total Return composite index recorded an annual devaluation of 10.79%. The analysis of its components reveals a high level of dispersion of annual yields, fluctuating between the 17.86% appreciation of wheat and fall of -20.65% in sugar.

Bond market

In 2018, the bond market was especially influenced by the stronger economic data in the USA versus specific factors, particularly political, of other countries.



Source: Bloomberg, January 2019

The negative return of American bonds at 10 years reflects the increase of the yield from 2.41% to 2.69% between the beginning and end of the year.

Strong growth, high inflation, interest rate rises and an apparently more hawkish Chairman of the Federal Reserve contributed to the persistent upward pressure on American yields. The 3% barrier was crossed in September and stayed above this level until the end of November, when risk aversion returned.

In the last 60 years, the American yield curve has been a good indicator for forecasting future recessions, with an average time in advance of 18 months. In particular, investors analyse the moment when the yield curves show a turnaround. Recently, the curve showed a turnaround. The yield of American bonds at 5 years stood below the yield of bonds at 3 and 2 years. Although this is a sign, it does not necessarily indicate that there will be a recession. Normally, economists look at this indicator more firmly when the yield turns around during a full quarter, as this is the necessary period of time for growth to be reported, together with other indicators.

In Europe, factors such as slowdown of economic growth and the victory of populist parties in Italy made the yield of the Bund at 10 years fall from 0.42% to 0.24%, even with the European Central Bank announcing the end of its purchase programme. The Italian yield at 10 years increased from 2% to levels above 3% when the coalition announced its proposed budget which led to confrontation with the EU. The agreement reached in December enabled the non-application of the procedure due to excessive deficit, with the consequent falling of Italian yields to 2.74% at the end of the year, even so remaining at high levels in relation to the other peripheral countries of the euro zone. The yields of Portuguese bonds at 10 years fell from 1.91% to 1.71%. Although there was some contagion derived from the strong increase of the risk premiums of Italian debt in relation to Portuguese and Spanish debt, it was found to have a limited effect both in terms of materiality and in terms of the duration of the time period of enlargement.

The yields of public debt bonds of the United Kingdom at 10 years increased from 1.19% to 1.28%. The key factors were inflation, which remained above the target, a consequence of the weaker pound due to Brexit, and expectations on interest rate increases. The Bank of England increased the rates in August from 0.50% to 0.75%.

3.4. NATIONAL BANKING MARKET

a) Relevant facts

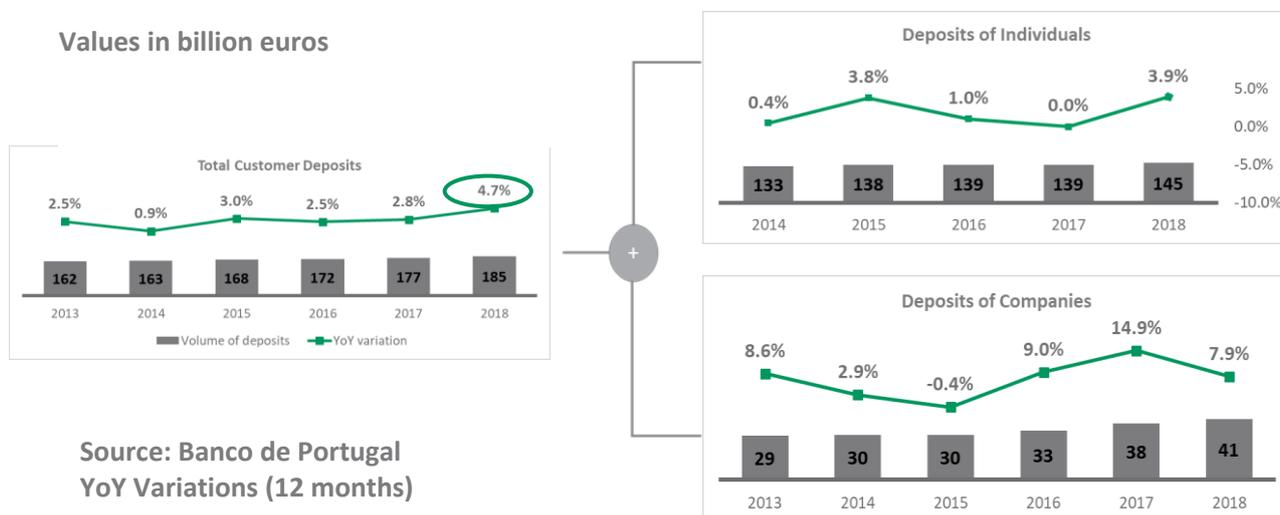
The year of 2018 was marked by a return to profit by the banking system, with 3 banks having already disclosed their consolidated annual results (considered together, CGD, BPI and Santander Totta produced profits of 1,487 billion euros). The results achieved are, in general, due to the reduction of the remuneration of customer deposits, the aggravation of commissions charged for banking services in an atmosphere of low interest rates (derived from ECB policies), the significant reduction of structural costs (even though, in some cases, extraordinary provisions are being constituted for outgoing workers), the divestment of non-performing portfolios of credit and real estate properties and, specifically in the case of BPI, the divestment of stakes held in Viacer and BPI Gestão de Ativos, and credit card businesses.

On banking prudential supervision matters, 2018 marked the heightening of concerns about capital and liquidity ratios, the sustainability of the business models, the adequacy of factors generating profitability, the control of credit risk, the efficacy of the implementation of plans to divest unproductive toxic exposures, internal governance (in this regard, it is important that the internal governance provisions are compatible with the risk profile and business model, namely with respect to the complexity of the activities of each institution).

It is also important to highlight that, with the enforcement of directive PSD 2, at the end of 2018, access to bank accounts is no longer exclusively in the hands of banks but is now open to service providers. The threats have not emerged as much from the fintechs (the cooperation between fintechs and banks is visible) but essentially from the operators of major digital platforms (the so-called GAFA). Proof of this is given by the fact that the operator Google is able to process payments and transfers, international remittances and deposits after having obtained a banking license in Lithuania. The same license of European scope was obtained by Amazon in Luxemburg and by Facebook in Ireland. In this context, in support of future performance, the main institutions of the national banking system have progressively intensified their investments in technological areas (e.g. data analysis, development of expedite and credible solutions aimed at criteria chosen by the customer, digitalisation and automation of back-office activities, strengthening of cyber-security and anti-money laundering/terrorist financing) and focused on the renovation and capacity-building of the human factor as a transforming driver of the sector's current culture (where the new business models imply finding ways to monetise innovation in favour of the customer).

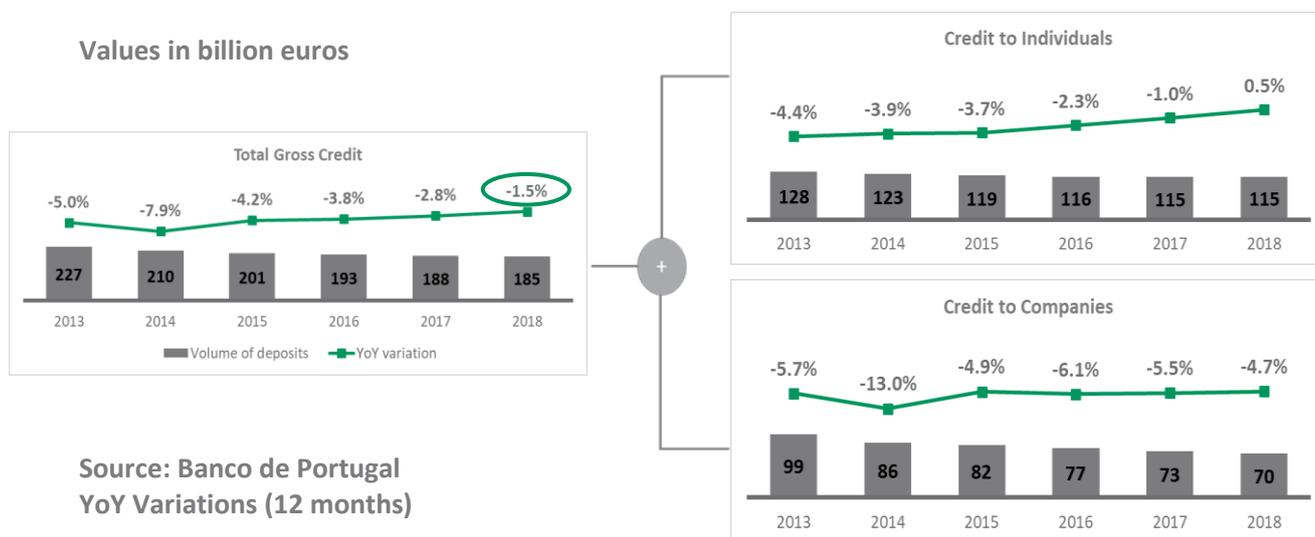
b) Evolution of the national deposit market (2013 – 2018)

According to the most recent information disclosed provided by Banco de Portugal, Supplementary allowance for deposits increased by 4.7% in 2018 in relation to December 2017. This evolution was in line with the growth in company deposits by 7.9% (even so, 7.0 p.p. less than the growth observed in 2017), and in deposits of individuals by 3.9% (+3.9 p.p. than in 2017).



c) Evolution of the national credit market (2013 – 2018)

In contrast, total gross credit granted to customers decreased by 1.5% in December 2018 in relation to that recorded at the end of 2017, partly explained by the divestment of the portfolio of unproductive credit (non-performing loans - NPL) occurred in various institutions of the banking sector. The decrease was only observed in credit to companies (-4.7%), but there was notable growth in credit to individuals (+0.5%), both in relation to December 2017.



According to the information disclosed by Banco de Portugal, total credit increased by 0.3% between December 2017 and December 2018, with the highest percentage growth (two-digit) being in the segment of companies in the districts of Évora and Viana do Castelo.

The districts of Lisbon and Porto accounted for more than half of the credit granted in the country in 2018 (57.9%). Adding the 4 districts of Setúbal, Braga, Aveiro and Faro to Lisbon and Porto accounts for 3/4 of total credit (77.3%).

The strongest declines observed in credit to companies occurred in the districts of Lisbon (-3.1 billion euros, i.e. -8.1%) and Porto (-0.8 billion euros, i.e. -5.8%).

Evolution of Total Credit by Region - Dec.2018

	Credit			Total Weight %	YoY variation		
	Individuals	Companies	Total		Individuals	Companies	Total
Aveiro	5,624	2,915	8,539	4.6%	0.6%	3.5%	0.4%
Beja	1,343	407	1,750	0.9%	0.6%	-0.5%	0.5%
Braga	6,423	3,523	9,946	5.4%	2.4%	2.7%	1.5%
Bragança	971	237	1,208	0.7%	1.9%	0.0%	1.5%
Castelo Branco	1,446	276	1,722	0.9%	-0.3%	-6.8%	-0.3%
Coimbra	3,867	1,279	5,146	2.8%	0.3%	3.8%	0.2%
Évora	1,698	1,055	2,753	1.5%	-1.6%	10.0%	-1.0%
Faro	4,740	1,846	6,586	3.6%	0.8%	1.7%	0.6%
Guarda	914	190	1,104	0.6%	-0.2%	-0.5%	-0.2%
Leiria	4,064	2,427	6,491	3.5%	-0.3%	1.4%	-0.2%
Lisbon	41,924	35,646	77,570	42.0%	1.2%	-8.1%	0.7%
Portalegre	865	198	1,063	0.6%	-1.0%	0.0%	-0.8%
Porto	17,290	12,162	29,452	15.9%	1.1%	-5.8%	0.6%
Santarém	3,976	1,500	5,476	3.0%	-1.0%	-1.9%	-0.7%
Setúbal	9,143	1,641	10,784	5.8%	-0.9%	-5.7%	-0.8%
Viana do Castelo	1,665	589	2,254	1.2%	-0.5%	12.4%	-0.4%
Vila Real	1,314	302	1,616	0.9%	-0.3%	0.3%	-0.2%
Viseu	2,589	1,088	3,677	2.0%	0.3%	-2.5%	0.2%
Autonomous Reg. Azores	2,640	1,039	3,679	2.0%	-3.0%	-0.5%	-2.2%
Autonomous Reg. Madeira	2,819	1,253	4,072	2.2%	-1.9%	4.8%	-1.3%
Total	115,314	69,572	184,886	100.0%	0.5%	-4.9%	0.3%

Source: Banco de Portugal

Analysing credit to individuals in detail reveals that the growth was essentially due to the increase of consumer credit (+10.5% in December 2018 in relation to December 2017) which represents 13.3% of total credit to individuals. Overdue credit to individual customers stood at 2.8%, primarily exacerbated by credit for other purposes which, even so, has been falling in terms of its weight in total credit (-3.1 p.p. in December 2018 in relation to December 2017).

Evolution of the Market of Credit to Individuals by Type - Dec.2018

Type	Volume of Credit (M€)	Total Weight %	Var. YoY	Overdue Credit %
Housing	93,012	80.7%	-0.2%	1.5%
Consumer	15,310	13.3%	10.5%	3.7%
Other purposes	6,991	6.1%	-8.2%	19.0%
Total	115,314	100.0%	0.5%	2.8%

Source: Banco de Portugal

In the case of credit to companies, the 4.9% decrease was mainly due to the reduction of credit to companies of the real estate, energy, commerce and construction sectors. In the sectors of the mining industries, water and sanitation, transport, and health and social support there was an increase of credit granted (36.7%, 254.8%, 47.2% and 31.9%, respectively).

Overdue credit to companies stood at 7.8%, with the sectors showing most non-performance continuing to be construction, the mining industries and commerce which, as a whole, are highly representative in total credit to companies.

Evolution of the Market of Credit to Companies by CAE - Dec.2018

Economic Activity	Total Credit	Weight %	Var. YoY	% Overdue Credit
Agriculture and Fisheries	2,330	3.3%	-1.3%	4.9%
Mining Industries	380	0.5%	36.7%	9.2%
Manufacturing Industries	11,975	17.2%	-3.4%	4.4%
Energy	170	0.2%	-94.1%	5.3%
Water and Sanitation	3,952	5.7%	254.8%	0.3%
Construction	7,630	11.0%	-24.0%	24.0%
Trade	8,567	12.3%	-27.2%	8.4%
Transport and Storage	8,810	12.7%	47.2%	3.5%
Accommodation and Restaurant	4,145	6.0%	-10.6%	6.5%
Real Estate Activities	2	0.0%	-100.0%	0.0%
Health and Social Support	1,728	2.5%	31.9%	2.5%
Other	19,883	28.6%	84.9%	7.8%
Total	69,572	100.0%	-4.9%	7.8%

Source: Banco de Portugal

In 2018, micro-enterprises were the companies which recorded the strongest value of credit taken out (21.5 billion euros), representing the primary commercial focus of banking institutions not only in terms of value, but also due to their relative weight (30.9% of total companies) and due to the higher incidence of overdue credit (16.7%).

Values in million euros, except percentages

Evolution of the Market of Credit to Companies by Size - Dec.2018

	Value	Weight %	% Overdue Credit
Micro-enterprises	21,477	30.9%	16.7%
Small enterprises	18,202	26.2%	8.5%
Medium-sized enterprises	15,739	22.6%	3.8%
Large enterprises	10,245	14.7%	4.0%
Total Segmented Companies	65,663	94.4%	9.4%
Non-segmented companies	3,909	5.6%	n.d.
Total	69,572	100.0%	8.8%

Source: Banco de Portugal

Analysing the number of companies, there is a notable positive variation in the emergence of new companies which, combined with the variation of the number of closed and insolvent companies, gave rise to the net creation of companies by 2.2 times in 2018 (i.e. business revitalisation), 11.9% above the figure observed in 2017.

Evolution of the Number of Companies - Dec.2018

	2016	2017	2018	Variation 17/18
Births	37,034	40,326	45,191	12.1%
Closures	15,505	14,165	18,111	27.9%
Insolvency	3,256	2,670	2,350	-12.0%
Business Revitalisation *	2.0	2.4	2.2	11.9%

Source: Informa DB Barometer

* Births / (Closures + Insolvency)

3.5. MAIN RISKS AND UNCERTAINTIES FOR 2019

In brief, the primary factors of economic risk include: (i) the intensification of protectionist policies, the exacerbation of geopolitical tensions and increased political uncertainty at a global level; (ii) tensions in the financial markets derived from an abrupt adjustment in sovereign debt markets in the euro zone; and (iii) uncertainties associated to the United Kingdom's process of leaving the European Union.

During the recovery period initiated in 2013, the Portuguese economy showed features that enable forecasting a more sustained growth of activity. While productive private investment has grown at a rate far higher than that of economic activity, it has simultaneously boosted the reduction of the debt levels of non-financial companies.

The degree of openness of the economy has increased, benefiting from the performance of exports, in particular the increased relevance of tourism. This structural change of the Portuguese economy has enhanced the exposure of the economy to international developments, especially of the euro zone. In fact, part of the slowdown of activity projected for Portugal arises from the expected evolution of exports, in a context of maturity of the economic cycle also in the euro zone and in the advanced economies in general, accompanied by a progressive reduction of monetary policy stimuli. The strong cyclical synchrony between Portugal and the euro zone should persist in 2018-21, reflecting modest progress along the path of convergence of growth per capita of the Portuguese economy.

The process of redirecting resources to sectors more exposed to international competition, by nature more permeable to innovation, should continue, fostering favourable effects for the evolution of the total productivity of the factors. In turn, the aging of the population creates limitations to the contribution of the labour factor to growth and, even if the migratory flows are able to offset these negative dynamics in the future, the focus on human capital appears essential to promote the long-term growth of the country.

By observing a stricter regulatory and supervisory framework, in the more recent years, the national banking sector has carried out a significant process of adjustment and consolidation that has enabled improving its solvency, reducing unproductive assets (NPL and real estate properties) and increasing its operating efficiency. In addition to the defence of profitability, particularly strict actions were intensified in supervision and assessment aimed at strengthening the internal control and governance mechanisms and the qualification and stabilisation of the management teams of various credit institutions and financial companies.

This process, combined with the path of Portuguese budgetary consolidation and the recovery of economic activity, has contributed to improving the perception of international investors relative to the banking sector and Portuguese sovereign debt, which has materialised in a substantial reduction of risk premiums and higher ratings. The strengthening of the solvency of the main banks, the improvement of economic activity and the evolution of prices in the real estate market have also created a favourable context for the reduction of unproductive assets. Notwithstanding the notable progress that is being achieved, the weight of NPL in the balance sheet of national institutions continues to compare unfavourably in the European context. In this scenario, it is expected that credit institutions shall continue to reduce their unproductive assets, in line with the plans submitted to the supervision authorities, and that they strengthen their capability to accommodate a possible aggravation of supervision and prudential requirements, in view of the continuous focus of the European Banking Authority (EBA), the

European Commission and the Single Supervisory Mechanism (SSM) on this topic. In view of the expected economic slowdown, the progress in relation to the balance of NPL could change the trend of reduction of the flow of impairments.

For 2019, the challenges for Crédito Agrícola, and the national banking system in general, are related to:

- i. the adaptation of the governance and internal control models to the guidelines of the EBA (EBA GL/2017/11);
- ii. the cultural change operated through the generational restructuring of employees and partners, the ongoing search for talent and diversity, and decision-making based on data analysis;
- iii. the review of business models as a result of data analysis focused on the customer and based on changes of context (e.g. open banking);
- iv. the improvement of the profitability of the banking business, via:
 - the adjustment of pricing according to attributes valued by the customers;
 - increased operating efficiency and cost control, namely through the digitalisation and automation of banking operations;
 - the appropriate resolution of unproductive credit stocks; and
 - the review of value proposition, in a logic of days, according to customer preferences.
- v. pressure on capital and liquidity, via:
 - the difficulty in attracting private capital (despite the positive results presented by the national banking system and the capacity to generate results via domestic capital) and the difficulty of successfully implementing the necessary investments and partnerships to operate in an industry in permanent mutation (e.g. digital); and,
 - compliance, with new requirements related to risk absorption (e.g. Basel IV, MREL), leverage and liquidity (e.g. LCR, NSFR).
- v. the adaptation to the new regulatory requirements and assurance of their compliance, all the other requirements faced by financial institutions are not only aimed at greater defence of the consumer (e.g. GDPR, PSD2, DMIF2), but also at assuring greater prudence and security in the conduct of banking activity.



Financial review

IV. FINANCIAL REVIEW

4.1 CRÉDITO AGRÍCOLA GROUP

The consolidated financial statements of Crédito Agrícola Group reflect the net worth of SICAM (Sistema Integrado de Crédito Agrícola Mútuo or Integrated System of Crédito Agrícola Mútuo), formed by Caixa Central and Associated Caixas, which with the rest of the affiliate and associate companies constitute the Financial Group of Crédito Agrícola Mútuo.

a) Evolution of the key indicators

Evolution of CAG

	Values in million euros		
	2016	2017	2018
Customer Funds (<i>on and off-balance sheet</i>)	14,060	14,868	15,877
of which deposits	11,726	12,586	13,856
capitalisation funds and insurance	2,333	2,282	2,022
Gross Credit to Customers	8,651	9,373	9,891
Net Credit to Customers	7,941	8,721	9,420
Net Assets	16,699	17,988	18,790
Net Worth	1,244	1,449	1,516
Net Interest Income	327	330	349
Net Commissioning	105	113	116
Insurance Technical Margin	14	9	27
Operating Income	467	562	511
Net Income	58	152	112
Ratio of Non-Performing Loans (NPL)	6.2%	15.2%	10.4%
Ratio of Coverage of NPL by Impairments	129.8%	45.1%	44.0%
Common equity tier 1	13.6%	15.2%	15.2%
Cost-to-income ratio - %	73.1%	60.4%	68.4%
Return on Equity (ROE) - %	4.7%	10.5%	7.4%
Return on Assets (ROA) - %	0.3%	0.8%	0.6%
Number of Branches	673	669	657
Number of employees a)	4,054	4,068	4,067

a) The values refer to employees with open-ended/indeterminate contracts and with fixed term contracts (positions at year end).

The consolidated net assets of Crédito Agrícola Group recorded a value of 18,790 million euros in 2018, representing 4.5% growth in relation to the 17,988 million euros achieved in 2017. This was essentially the result of the increased net credit to customers of 699 million euros and cash balances, which increased by around 316 million euros in 2018.

The consolidated total liabilities increased by 4.4%, having shifted from 16,539 million euros in 2017 to 17,274 million euros in 2018. In this context, particular note should be made of the year-on-year growth recorded in customer funds on the balance sheet of 1,270 million euros in 2018.

The consolidated equity of Crédito Agrícola Group reached 1,516 million euros in 2018, which represented an increase of 66.0 million euros (+4.6%), particularly explained by the increase of other reserves and retained earnings of 80.3 million euros (+48.6%), as well as the increased share capital of 73.3 million euros (+6.7%).

The net income of Crédito Agrícola Group reached 112.4 million euros, corresponding to a decrease of 39.8 million euros in relation to 2017. This decrease was fundamentally influenced by the reduction of net trading income by 88.9 million euros (-78.5%) and increased structural costs that stood at 349.5 million euros, corresponding to 10.1 million euros more than the value recorded in the same period of 2017.

b) Capital ratios

In December 2018, Crédito Agrícola Group's own funds reached 1,440 million euros, representing a reinforcement of 53 million euros in relation to the same period of the previous year. Own fund requirements to cover credit (which includes requirements of own funds for risk of adjustment of credit valuation and foreign exchange position) and operating risk increased as a whole by 0.3% when compared to the position at the end of 2017.

OWN FUNDS AND SOLVENCY RATIO - GRUPO CRÉDITO AGRÍCOLA

<i>In million euros</i>	2015	2016	2017	2018	Δ 18/17
Total Own Funds ^(a)	1,142	1,227	1,387	1,440	3.8%
Common equity tier 1	1,105	1,163	1,322	1,371	3.7%
Level 1 Own Funds (Tier 1)	1,105	1,163	1,322	1,371	3.7%
Position at risk of assets and equivalent	14,245	17,203	16,938	18,187	7.4%
Own fund requirements	8,476	8,544	9,008	9,037	0.3%
Credit ^(b)	7,377	7,426	7,908	7,866	-0.5%
Market				85	
Operational	1,099	1,118	1,100	1,086	-1.3%
Solvency ratios ^(c)					
Common equity tier 1	13.0%	13.6%	14.7%	15.2%	0.49 p.p.
Tier 1	13.0%	13.6%	14.7%	15.2%	0.49 p.p.
Total	13.5%	14.4%	15.4%	15.9%	0.53 p.p.

(a) Including the net income for the end of the year in own funds.

(b) Including own fund requirements for risk of adjustment of credit assessment (requirements for exchange rate risk included up to 2017).

The common equity tier 1 (CET1) and total solvency ratios stood at 15.2% and 15.9%, respectively.

OWN FUNDS AND SOLVENCY RATIO - CA GROUP

	CRD IV
<i>In million euros</i>	
Capital Common Equity Tier 1	1,371
Total own funds	1,440
Own fund requirements	18,187

Solvency ratios

<i>Common equity tier 1</i>	15.2%
<i>Total</i>	15.9%

c) Income Statement

In a context in which the financial sector remained under pressure due to the historically low Euribor rates, the process of deleveraging of economic agents and the growing regulatory requirements, Crédito Agrícola Group presented a net income of 112.4 million euros. This corresponds to a decrease of 26.2% in relation to 2017, explained by the year-on-year variation of net trading income (-88.9 million euros) and by the increased structural costs (+10.1 million euros) compared to 2017, primarily related to the technological investments and capacity-building of the CA Group.

Income Statement

<i>In thousand euros</i>	2016	2017	2018	Variation	
				Abs.	%
Interest and similar income	496,551	492,787	597,614	104,826	21.3%
Interest and similar costs	169,168	162,453	248,863	86,410	53.2%
Net Interest Income	327,383	330,334	348,750	18,416	5.6%
Technical margin of insurance activity	13,855	9,102	26,546	17,444	191.7%
Net commissions	105,143	112,958	116,259	3,301	2.9%
Net trading income*	57,652	113,266	24,333	-88,933	-78.5%
Other net operating income:	-37,134	-3,549	-5,135	-1,586	n.a.
Earnings of divestment of other assets	-21,255	-2,563	2,283	4,846	n.a.
Other net operating income	-15,879	-986	-7,418	-6,432	n.a.
Operating Income	466,899	562,111	510,753	-51,358	-9.1%
Structural Costs	341,343	339,405	349,461	10,056	3.0%
Staff costs	201,091	203,328	210,851	7,523	3.7%
General administrative overheads	112,685	109,893	113,253	3,359	3.1%
Amortisation	27,567	26,184	25,358	-827	-3.2%
Provisions and impairments	30,999	8,091	5,753	-2,338	-28.9%
Earnings from holdings in associates (equity method)	304	312	451	139	44.7%
Earnings before tax	94,861	214,926	155,990	-58,936	-27.4%
Taxes	36,420	62,723	43,561	-19,162	-30.5%
Non-controlling interests	117	59	76	17	28.9%
Net Income	58,325	152,145	112,353	-39,792	-26.2%

* Sum of the income from equity instruments, earnings from assets and liabilities stated at fair value through profit or loss, earnings from financial assets at fair value through other comprehensive income and currency revaluation.

d) Structure of the Balance Sheet

The net assets recorded a value of 18,790 billion euros in 2018, showing growth of 0,8 billion euros in relation to 2017. This was essentially the result of the increased net credit to customers (+699 million euros) and cash balances of the Group (+316 million euros).

The consolidated total liabilities increased by 4.4%, having shifted from 16,539 million euros in 2017 to 17,274 million euros in 2018. In this context, particular note should be made of the year-on-year growth recorded in customer funds on the balance sheet of 1,270 million euros in 2018.

The consolidated equity of Crédito Agrícola Group reached 1,516 million euros in 2018, representing an increase of 66.3 million euros (+4.6%). This was particularly explained by the increase of other reserves and retained earnings of 80.3 million euros (+48.6%), as well as the increased share capital of 73.3 million euros (+6.7%), which more than offset the 37.0 million euros (-84.3%) reduction of revaluation reserves essentially related to treasury bonds.

BALANCE SHEET AS AT 31 DECEMBER

In thousand euros	2016	2017	2018	Variation	
				Abs.	%
Assets					
Cash balances	415,873	480,516	796,521	316,005	65.8%
Investments in Credit Institutions	6,035	6,957	31	-6,926	-99.6%
Credit to Customers (net)	7,940,905	8,720,954	9,419,577	698,623	8.0%
Investments in Securities (net)	3,371,613	7,518,860	2,523,485	-4,995,376	-66.4%
Investments held to maturity	3,663,616	0	0	0	n.a.
Debt securities at amortised cost	0	0	4,800,451	4,800,451	n.a.
Activos não correntes detidos para venda	619,506	552,764	475,335	-77,429	-14.0%
Propriedades de investimento	69,946	63,511	57,619	-5,892	-9.3%
Invest. Affiliates, Tangibles and Intangibles	309,835	300,960	313,289	12,329	4.1%
Deferred tax assets	161,966	141,522	136,507	-5,015	-3.5%
Other Assets*	140,096	202,395	267,051	64,656	31.9%
Total Assets	16,699,391	17,988,440	18,789,866	801,426	4.5%
Liabilities					
Funds of central banks and other credit instituti	1,578,903	1,935,086	1,838,565	-96,521	-5.0%
Customer Funds	11,726,366	12,585,685	13,855,889	1,270,204	10.1%
Insurance contract technical provisions	1,573,475	1,346,109	1,120,211	-225,898	-16.8%
Subordinated Liabilities	116,534	106,782	96,100	-10,682	-10.0%
Other Liabilities	459,849	565,414	363,399	-202,015	-35.7%
Total Liabilities	15,455,126	16,539,075	17,274,163	735,088	4.4%
Equity	1,244,266	1,449,365	1,515,702	66,337	4.6%
Total Equity + Liabilities	16,699,391	17,988,440	18,789,866	801,426	4.5%

(*) Includes Hedge derivatives, Deferred current tax assets and Other liabilities

e) Quality of the Credit Portfolio

At the end of 2018, CAG's credit portfolio showed a reduction of the levels of credit overdue by more than 90 days, in relation to the same period of the previous year, of around 171.8 million euros (-33.7%), confirming the trend of improvement of the default rate observed in recent years. This reduction was influenced by the country's more dynamic socioeconomic context as well as the effort made by the CA

Group towards improving the analysis of credit risk and the investment in initiatives and technological tools to support the standardisation of the processes of credit concession, monitoring and recovery. This led to the ratio of credit overdue by more than 90 days standing at 3.4%, showing a year-on-year improvement of 2.0 p.p.

EVOLUTION OF OVERDUE CREDIT

<i>In million euros</i>	2016	2017	2018	Δ 18/17	% Δ 18/17
Credit overdue < 90 days	13.9	9.3	9.1	-0.2	-2.1%
Credit overdue > 90 days	533.3	510.2	338.4	-171.8	-33.7%
Total overdue credit	547.2	519.5	347.5	-172.0	-33.1%
Ratio of credit overdue > 90 days	6.2%	5.4%	3.4%	-2.0 p.p.	

The level of provisioning to cover total overdue credit stood at 135.6%, observing more conservative criteria than those recorded on average in the market.

OVERDUE CREDIT AND IMPAIRMENTS AS AT 31.DEC.2018

<i>In million euros</i>	Total gross credit	Overdue credit	Overdue credit / Total credit	Impairment	Coverage level
Companies and Public Administration	5,317	215	4.0%	326	151.8%
Individuals	4,578	133	2.9%	145	109.3%
Mortgage	2,905	29	1.0%	35	120.6%
Consumer and other purposes	1,693	104	6.2%	110	106.1%
Total	9,895	347	3.5%	471	135.6%

The segment of Companies and Public Administration recorded a reduction of overdue credit with the overdue credit ratio standing at 4.0% in December 2018 (6.5% in 2017). Credit granted to individual customers also followed the reduction of the overdue credit ratio, standing at 2.9% in December 2018, in other words, 1.5 p.p. below the 4.4% recorded in 2017.

The ratio of non-performing loans of the CA Group fell by 4.8 p.p. in relation to the same period of the previous years, to stand at 10.4%. The same occurred with the ratio of restructured credit, calculated pursuant to the terms of Banco de Portugal Instruction 32/2013, which stood at 8.2% (a reduction of 4.3 p.p. in relation to 2017).

RATIOS OF NON-PERFORMING LOANS AND RESTRUCTURED CREDIT (*)

<i>In million euros</i>	2016	2017	2018	Δ 18/17
Non-Performing Loans (NPL)	1,787.3	1,441.5	1,070.0	-371.5
Rácio de Non-Performing Loans	21.3%	15.2%	10.4%	-4.8 p.p.
Ratio of Coverage of Non-Performing Loans by Impairments	39.2%	45.1%	44.0%	-1.1 p.p.
Restructured credit / Total credit	13.8%	12.5%	8.2%	-4.3 p.p.

(*) Ratios calculated in the terms defined by the Bank of Portugal in Instruction nº 32/2013.

4.2. BANKING BUSINESS

a) Evolution of the key indicators

At the end of December 2018, Crédito Agrícola showed a year-on-year reduction of the net income of the banking business (SICAM) of 40 million euros (108.0 million euros compared to 147.6 million euros). This evolution was fundamentally influenced by the decrease of operating income (-10.9%), due to the lower net trading income (-94.2%) partially offset by the reduction of provisions and impairments for the year compared to 2017 (-95.6%). Excluding the net trading income, the operating income (recurrent) increased by 4.4% year-on-year.

KEY INDICATORS

In thousand euros

	2016	2017	2018	Var. 18/17	
				Abs.	%
Total assets	14,880,614	16,437,110	17,657,787	1,220,676	7.4%
Net Financial Investments	5,311,976	6,031,113	6,251,824	220,710	3.7%
Gross credit to customers	8,713,284	9,435,024	9,959,804	524,780	5.6%
Total liabilities	13,653,239	14,992,916	16,133,030	1,140,114	7.6%
Customer funds	11,770,738	12,638,189	13,947,821	1,309,632	10.4%
Funds of other credit institutions and ECB	1,578,903	1,935,086	1,838,565	-96,521	-5.0%
Equity	1,227,375	1,444,194	1,524,756	80,562	5.6%
Net interest income	276,013	289,679	305,308	15,628	5.4%
Recurring operating income*	426,023	449,786	469,787	20,001	4.4%
Operating income	474,532	532,655	474,582	-58,073	-10.9%
Structural costs	313,331	316,435	326,599	10,164	3.2%
Provisions / impairments	56,123	14,563	634	-13,929	-95.6%
Net Income	72,057	147,631	108,023	-39,608	-26.8%
Return on equity (ROE)	5.9%	10.2%	7.1%	n.a.	-3.1 p.p.
Cost to income ratio	66.0%	59.4%	68.8%	n.a.	9.4 p.p.

(*) Operating Income excluding net trading income.

b) Income Statement

After the year of 2017 having confirmed the phase of recovery and growth started in 2013, the year of 2018 was marked by the solidification and strengthening of this upward trend of the Portuguese economy. However, there was an evident slowdown of growth, year-on-year (GDP growth of 2.1% in 2018 compared to 2.8% growth recorded in 2017), explained by the reduction of the growth rate of exports and gross fixed capital formation. In addition to the dynamics observed in the trade balance and in domestic demand, there was also a reduction in the deleveraging level of economic agents, in particular of non-financial companies, directly reflected in credit reduction (volume of settlements not offset by new credit operations) of around 1.5%, due to the -4.7% variation in the granting of credit to companies, with credit to individuals having grown by 0.5%. This reduction was not unrelated to the operations of divestment of unproductive credit portfolios.

The banking activity of Crédito Agrícola Group, which includes Caixa Central and the Associated Caixas (SICAM) stood apart from the market trend, having recorded a 5.6% year-on-year increase of gross credit granted to customers, underpinned by the 8.4% growth in credit to companies and public administration and the 2.4% growth in credit to individuals.

At the end of December 2018, Crédito Agrícola presented a net income of the banking business (SICAM) of 108.0 million euros, corresponding to a negative variation of 39.6 million euros in relation to 2017. Overall, the net income is the result of: i) the 94.2% reduction of net trading income derived from the earnings obtained from the securities portfolio; ii) the 3.2% increase of structural costs; and iii) the reduction of provisions and impairments for the year which shifted from 14.6 million euros in 2017 to 0.6 million euros (-95.6%) in 2018.

Income Statement

In thousand euros

	2016	2017	2018	Variation	
				Abs.	%
Interest and similar income	396,270	407,803	407,206	-598	-0.1%
Interest and similar costs	120,256	118,124	101,898	-16,226	-13.7%
Net Interest Income	276,013	289,679	305,308	15,628	5.4%
Net commissions	138,192	148,122	152,443	4,321	2.9%
Net trading income	48,509	82,869	4,795	-78,074	-94.2%
Other net operating income	11,818	11,985	12,036	51	0.4%
Operating Income	474,532	532,655	474,582	-58,073	-10.9%
Structural Costs	313,331	316,435	326,599	10,164	3.2%
Staff costs	175,410	176,753	179,004	2,251	1.3%
<i>of which non-recurring*</i>	2,204	2,012	2,053	41	2.1%
General administrative overheads	124,682	127,193	135,599	8,406	6.6%
<i>of which non-recurring*</i>	116	43	46	4	8.4%
Amortisation	13,238	12,488	11,996	-493	-3.9%
Provisions and impairments	56,123	14,563	634	-13,929	-95.6%
Earnings before tax	105,078	201,658	147,349	-54,309	-26.9%
Taxes, after correction and deferred	33,020	54,027	39,326	-14,701	-27.2%
Net Income	72,057	147,631	108,023	-39,608	-26.8%

(*) Costs related to indemnities and consulting (reorganisation of the Compliance function).

i. Net Interest Income

SICAM's net interest income increased by 5.4%, having shifted from 290 million euros in 2017 to 305 million euros in 2018.

NET INTEREST INCOME

in thousand euros

Variables	2017			2018		
	Average capital	Average rate (%)	Income / Costs	Average capital	Average rate (%)	Income / Costs
Credit to customers	9,074,154	2.9%	260,685	9,697,414	2.7%	262,208
Securities and other investments*	6,157,652	0.8%	49,265	6,738,491	0.9%	58,211
Financial assets	15,231,806	2.0%	309,951	16,435,904	1.9%	320,418
Customer deposits	12,204,463	0.148%	18,117	13,293,005	0.102%	13,509
Funds of Central Banks and other liabilities	1,868,652	0.115%	2,154	1,988,266	0.081%	1,602
Financial liabilities	14,073,116	0.1%	20,271	15,281,271	0.1%	15,111
Net interest income		1.9%	289,679		1.9%	305,308
Intermediation margin**		2.7%			2.6%	
Average Euribor rate (6 months)		-0.3%			-0.3%	

(*) Income net of costs related to premium amortisation

(**) Average rate of credit to customers - customer deposits

The increase of net interest income was largely influenced by: i) the volume effect, via the increased credit granted to customers and the investments in securities that was higher than the increase of customer deposits, despite the effect of the fall in the average interest rate; and ii) the price effect, via the reduction of the average interest rate of deposits from 0.15% to 0.10%.

ii. Operating Income

Notwithstanding the increased net interest income, it is in the increased operating income that the evolution of net income is rooted (an increase 10.9%). This variation is explained by the lower contribution of net trading income (-78.1 million euros compared to 2017, of which -58.1 million euros are capital losses generated by the management of the portfolio of sovereign public debt).

iii. Net Commissions

In 2018, net commissions reached 152.4 million euros, reflected in an increase of 2.9% compared to the 148.1 million euros recorded in 2017. This effect was the result of:

- i) the increase of commissions related to transfer of values of 18.8% (+0.5 million euros);
- ii) the 9.2 % increase of commissions related to placement and marketing in the areas of insurance and investment funds (+3.5 million euros), following the Group's focus on strengthening the cross-selling of products complementing the banking business;
- iii) the 8.2% increase of commissions related to credit and debit cards (e.g. annuities) and interbank fees (+2.3 million euros).

COMMISSIONS

<i>In thousand euros</i>	2016	2017	2018	Variation	
				Abs.	%
Commissions received	149,219	159,760	165,300	5,540	3.5%
Guarantees provided	4,213	4,084	4,090	6	0.2%
Open documentary credit	65	80	69	-11	-13.8%
Commitments to third parties	8,221	7,392	7,500	108	1.5%
Deposit and custody of values	3,621	4,220	3,807	-413	-9.8%
Collection of values	793	807	825	18	2.3%
Transfer of values	2,321	2,556	3,037	481	18.8%
Credit operations	28,343	30,195	30,891	696	2.3%
Cards and interbank	26,324	27,997	30,285	2,288	8.2%
Placement and marketing	35,507	38,130	41,651	3,521	9.2%
Other commissions received	39,811	44,298	43,145	-1,153	-2.6%
Commissions paid	11,028	11,638	12,857	1,219	10.5%
Total net commissions	138,192	148,122	152,443	4,321	2.9%

The stronger activity of the participated companies was reflected in higher remuneration of Caixa Central and the Associated Caixas (+2.9%). This increase was particularly visible in the case of CA Seguros which paid commissions of around 23.3 million euros, representing an increase of 6.5% in relation to that observed in 2017.

PLACEMENT AND MARKETING COMMISSIONS

<i>In thousand euros</i>	2016	2017	2018	Variation	
				Abs.	%
CA Gest	763	852	6	-846	-99.3%
CA Seguros	17,945	21,893	23,309	1,416	6.5%
CA Vida	11,903	10,119	10,481	362	3.6%
Sub-total	30,612	32,864	33,796	932	2.8%
Other placement/marketing commissions	4,895	5,266	7,855	2,588	49.2%
Total	35,507	38,130	41,651	3,521	9.2%

iv. Net Trading Income

Net trading income reached 4.8 million euros in 2018, reflecting a decrease of 78.1 million euros in comparison to 2017 (-94%).

NET TRADING INCOME

<i>In thousand euros</i>	2016	2017	2018	Variation	
				Abs.	%
Earnings from financial assets at fair value through other comprehensive income	38,643	79,189	15,813	-63,376	-80%
<i>Sovereign public debt</i>	26,067	73,674	15,598	-58,076	-79%
<i>Other debt instruments</i>	422	5,896	215	-5,681	-96%
<i>Equity instruments</i>	12,154	-381	0	381	-100%
Income from equity instruments	8,181	2,155	727	-1,428	-66%
Earnings from currency revaluation	1,768	1,333	2,017	684	51%
Earnings from assets and liabilities measured at fair value through profit or loss	-82	193	-13,762	-13,955	n.a.
Total net trading income	48,509	82,869	4,795	-78,074	-94%

The evolution of the bond markets led to the reduction of capital gains generated by the portfolio of sovereign public debt securities which reached 15.6 million euros in 2018, representing a reduction of 79% in comparison to 2017 (-58.1 million euros).

v. Structural Costs

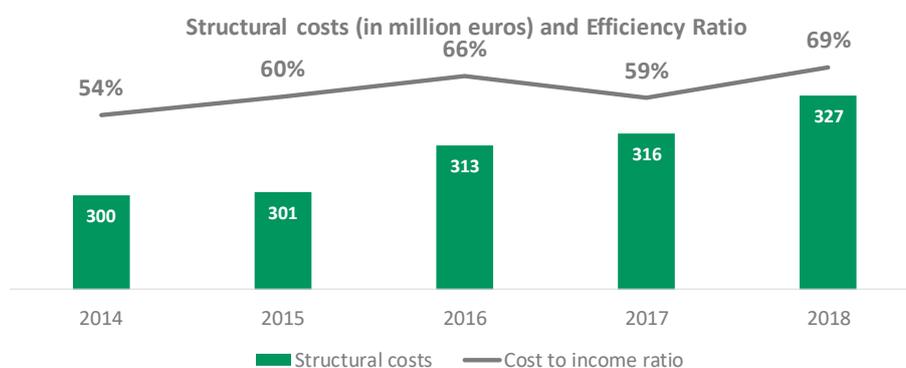
Structural costs grew by around 10.2 million euros to 327 million euros. This evolution is explained by the increased staff costs which shifted from 177 million euros in 2017 to 179 million euros in 2018. This variation (+2.3 million euros) was essentially due to (i) the increased social charges (+3.5 million euros), primarily pension funds (+3.8 million euros); and (ii) the increased remunerations of the governing bodies (+0.5 million euros). In turn, general administrative overheads increased by 8.4 million euros particularly due to the recognition of: (i) expenses related to information technology provided by CA Serviços (+3.3 million euros), (ii) +4.0 million euros in expenses related to business support services (which are included in the catalogue of services provided by CA Serviços); and (iii) expenses related to general administrative overheads of previous years (+0.8 million euros). There was also a reduction of the amortisation for the year of around 3.9%.

Structural costs

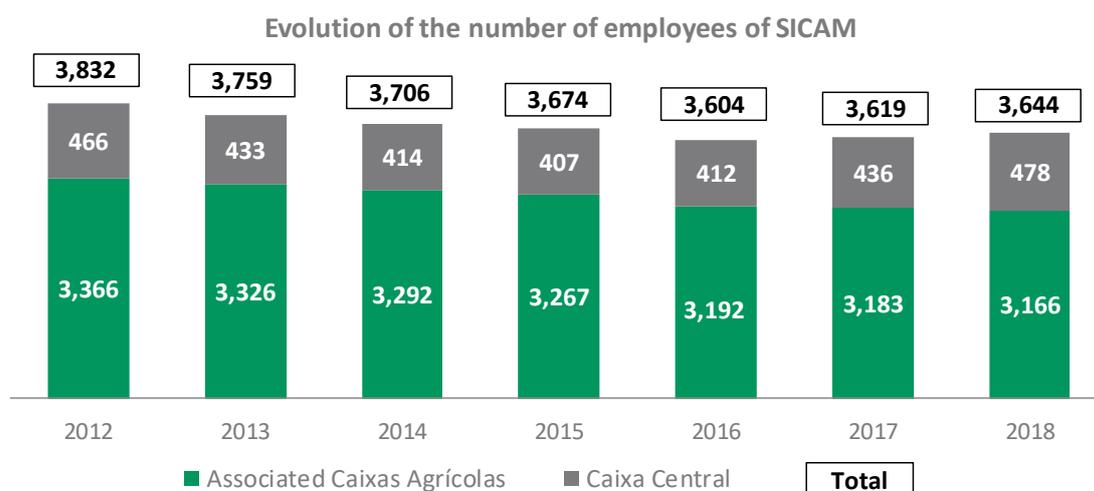
In thousand euros	2016	2017	2018	Variation	
				Absolute	Relative
Operating costs	300,093	303,946	314,603	10,657	3.5%
Staff costs	175,410	176,753	179,004	2,251	1.3%
of which non-recurring*	2,204	2,012	2,053	41	2.1%
General administrative overheads	124,682	127,193	135,599	8,406	6.6%
of which non-recurring*	116	43	46	4	8.4%
Amortisation	13,238	12,488	11,996	-493	-3.9%
Structural costs	313,331	316,435	326,599	10,164	3.2%
Non-recurring costs*	2,320	2,054	2,099	45	2.2%
Structural costs excluding non-recurring costs	311,011	314,381	324,500	10,119	3.2%
Cost to income ratio	66%	59%	69%	0.09	15.8%

(*) Costs related to indemnities and consulting (reorganisation of the Compliance function).

The efficiency ratio (cost-to-income) increased from 59% in 2017 to 69% in 2018, as a result of the growth of operating income having been higher than the increase of structural costs.



vi. Evolution of the employees of SICAM



In 2018, SICAM increased its number of employees from 3,619 to 3,644 (+25 employees), due to the growth of employees at Caixa Central (+42 employees).

vii. Provision/Impairment Levels

The volume of impairments recorded at SICAM in 2018 reached 0.6 million euros in 2018, representing a reinforcement of the slowdown observed in 2017. The distribution of the provisions and impairments for the year was as follows:

- i) the impairments of other financial assets, in particular participation units and real estate investment funds, fell by 11.5 million euros compared to 2017 (from +12.1 million euros in 2017 to 0.6 million euros in 2018);
- ii) the impairments of other assets fell by 4.3 million euros compared to 2017 (from +5.7 million euros in 2017 to 1.3 million euros in 2018);
- iii) credit impairments fell by 0.6 million euros (from +2.3 million euros in 2017 to +1.7 million euros in 2018).

This variation was primarily explained by the reduction of overdue credit from 5.6% in 2017 to 3.5% (-2.03 p.p.) in 2018, as a result of better risk analysis in credit concession and renewal, underpinned by the growing standardisation of processes and the enhanced and more careful risk analysis. The ratio of coverage of overdue credit stood at 134%, with Crédito Agrícola having continued its healthy and prudent management with respect to this matter.

Furthermore, the real estate properties received in lieu of loan repayment in situations of default showed a significant reduction from 3.8 million euros observed in 2017 to -0.5 million euros recorded in 2018.

PROVISIONS / IMPAIRMENTS

<i>In thousand euros</i>	2016	2017	2018	Variation	
				Abs.	%
Loan impairment	-8,033	2,300	1,736	-564	-24.5%
Impairment of other financial assets	31,553	12,131	645	-11,486	-94.7%
Impairment of other assets	32,155	5,655	1,346	-5,009	-88.6%
<i>of which real estate properties due to credit recovery</i>	<i>21,501</i>	<i>3,770</i>	<i>-464</i>	<i>-4,234</i>	<i>n.a.</i>
Other provisions / impairments	449	-5,524	-3,094	2,430	n.a.
Total	56,123	14,563	634	-13,929	-95.6%

viii. Profitability

Banking activity, reflected in the gross commercial margin, fell slightly by 0.09 p.p. in 2018 in relation to 2017, as a result of the lower average profitability of net interest income (-0.04 p.p.).

BREAKDOWN OF PROFITABILITY

	2016	2017	2018	Variation
+ Rate of financial assets	2.31%	2.03%	1.95%	-0.09 p.p.
- Rate of financial liabilities	0.28%	0.13%	0.09%	-0.04 p.p.
= Net interest income	2.03%	1.90%	1.86%	-0.04 p.p.
+ Yield of commissions	1.02%	0.97%	0.93%	-0.04 p.p.
= Gross Commercial Margin	3.05%	2.87%	2.79%	-0.09 p.p.
+ Net trading income and other	0.44%	0.62%	0.10%	-0.52 p.p.
= Business Margin	3.50%	3.50%	2.89%	-0.61 p.p.
- Effect of structural costs	2.31%	2.08%	1.99%	-0.09 p.p.
- Effect of provisions and taxes	0.66%	0.45%	0.24%	-0.21 p.p.
= Return on financial assets	0.53%	0.97%	0.66%	-0.31 p.p.
x Financial assets / Net assets	0.91	0.93	0.93	
= Return on assets (ROA)	0.48%	0.90%	0.61%	-0.29 p.p.
x Net assets / Equity	12.12	11.38	11.58	
= Return on equity (ROE)	5.87%	10.22%	7.08%	-3.14 p.p.

The profitability achieved in trading activity decreased by 0.52 p.p. in relation to 2017 which, combined with the negative effect of the higher structural costs (-0.09%) and the effect of provisions and taxes for the year(-0.21 p.p.), led to a reduction in the return on equity by 3.14 p.p., which shifted from 10.2% in 2017 to 7.08% in 2018.

c) Structure of the Balance Sheet**Balance Sheet as at 31 December***In thousand euros*

	2016	2017	2018	Variation	
				Abs.	%
Assets					
Cash balances	415,824	480,485	796,044	315,559	65.7%
Investments in Credit Institutions	6,035	6,957	31	-6,926	-99.6%
Credit to Customers (net)	7,997,636	8,782,890	9,488,702	705,812	8.0%
<i>Credit to Customers (gross)</i>	<i>8,713,284</i>	<i>9,435,024</i>	<i>9,959,804</i>	524,780	5.6%
<i>Impairments</i>	<i>715,648</i>	<i>652,134</i>	<i>471,102</i>	-181,032	-27.8%
Investments in Securities (net)	5,311,976	6,031,113	6,251,824	220,710	3.7%
Non-current assets held for sale	395,045	334,274	280,023	-54,251	-16.2%
Invest. Affiliates, Tangibles and Intangibles	320,780	314,505	313,339	-1,166	-0.4%
Other Assets	433,319	486,886	527,823	40,937	8.4%
Total Assets	14,880,614	16,437,110	17,657,787	1,220,676	7.4%
Liabilities					
Funds of central banks and other credit institutions	1,578,903	1,935,086	1,838,565	-96,521	-5.0%
Customer Funds	11,770,738	12,638,189	13,947,821	1,309,632	10.4%
Subordinated Liabilities	116,534	106,782	96,100	-10,682	-10.0%
Other Liabilities	187,064	312,860	250,545	-62,315	-19.9%
Total Liabilities	13,653,239	14,992,916	16,133,030	1,140,114	7.6%
Equity	1,227,375	1,444,194	1,524,756	80,562	5.6%
Total Equity + Liabilities	14,880,614	16,437,110	17,657,787	1,220,676	7.4%

In 2018, total assets stood at 17,658 million euros, corresponding to 7.4% growth in relation to 2017, due to the following factors:

- the 65.7% increase of cash balances (+315.6 million euros), due to the increased cash balances in central banks;
- the 8.0% increase of net credit to customers (+705.8 million euros), as a result of SICAM's commercial performance and the improved quality of the credit portfolio;

Total liabilities accompanied the trend of total assets with an increase of 7.6%, to stand at 16,133 million euros, corresponding to an increase of 1,140 million euros. This increase of liabilities is related to the increased customer funds (+1,310 million euros).

It is important to note that, notwithstanding the observed growth of credit, the net loan-to-deposit ratio stood at 68.0%, significantly below the recommended maximum threshold for the loan-to-deposit ratio (120%) and the values recorded in the banking system as a whole.

Equity

In thousand euros

	2016	2017	2018	Variation	
				Abs.	%
Capital	1,033,901	1,086,404	1,159,706	73,302	6.7%
Reserves	267,053	345,054	338,484	-6,570	-1.9%
Retained earnings	-145,636	-134,894	-81,457	53,438	n.a.
Net income for the year	72,057	147,631	108,023	-39,608	-26.8%
Total	1,227,375	1,444,194	1,524,756	80,562	5.6%

Equity grew by 80.6 million euros (+5.6%), to stand at 1,525 million euros, as a result of:

- the increased share capital by 73.3 million euros through new associates and reinforcement of the equity stock of the existing associates;
- the increase of retained earnings by 53.4 million euros.

i. Financial Assets Available for Sale

The portfolio of financial assets is managed by Caixa Central as the entity responsible for the treasury and liquidity management of Crédito Agrícola Group. Note should be made of the change in the mix of the investment portfolio following the reclassification of financial assets available for sale to financial assets at fair value through other comprehensive income.

In this context, it is important to mention that:

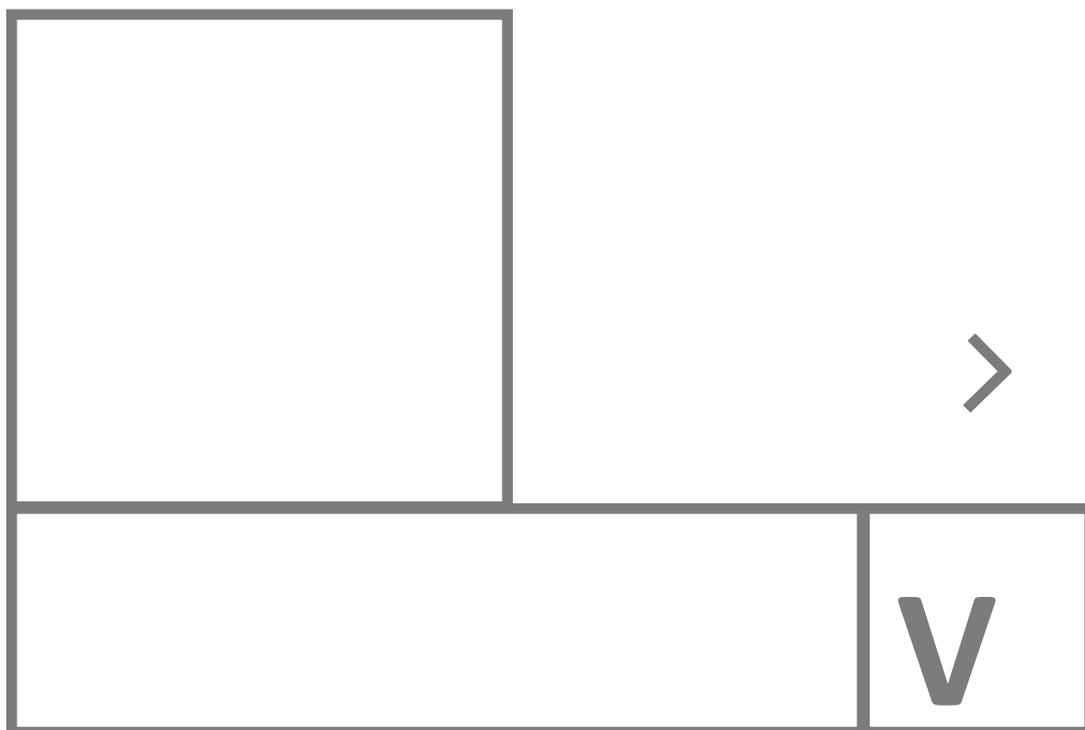
- Portuguese public debt securities continue to account for more than 40% of the portfolio of financial assets, despite the minor reduction observed (46.2% in 2018 compared to 48.3% in 2017);
- public debt securities of issuers abroad continue to account for a significant amount of the portfolio of financial assets (44.2%), with this percentage having increased in relation to the previous period.

Overall, the portfolio of financial assets grew to stand at 6,252 million euros at the end of 2018, compared to 6,031 million euros recorded at the end of 2017 (+13.5%).

Financial assets available for sale, held to maturity and for trading

In thousand euros

	2016		2017		2018		Δ 2018/ 2017
	Value	% of total	Value	% of total	Value	% of total	
Portfolio of assets							
Financial assets available for sale	1,647,949	31.0%	6,008,046	99.6%	1,038,462	16.6%	-82.7%
Treasury bills and other Portuguese debt securities	614,559	11.6%	2,915,914	48.3%	276,425	4.4%	-90.5%
Bonds of other resident issuers	109,466	2.1%	105,854	1.8%	61,862	1.0%	-41.6%
Bonds of foreign public issuers	559,540	10.5%	2,565,224	42.5%	677,413	10.8%	-73.6%
Bonds of other foreign issuers	60,408	1.1%	128,514	2.1%	22,762	0.4%	-82.3%
Shares of national companies and PUs	291,435	5.5%	278,958	4.6%	0	0.0%	-100.0%
Shares of foreign companies and PUs	12,541	0.2%	13,581	0.2%	0	0.0%	-100.0%
Investments held to maturity	3,663,616	69.0%	0	0.0%	4,832,411	77.3%	n.a.
Treasury bills and other Portuguese debt securities	1,580,766	29.8%	0	0.0%	2,614,208	41.8%	n.a.
Bonds of other national public issuers	0	0.0%	0	0.0%	8,924	0.1%	n.a.
Bonds of other resident issuers	82,361	1.6%	0	0.0%	51,934	0.8%	n.a.
Bonds of foreign public issuers	1,852,343	34.9%	0	0.0%	2,082,941	33.3%	n.a.
Bonds of other foreign issuers	81,779	1.5%	0	0.0%	23,952	0.4%	n.a.
Other non-detailed	66,366	1.2%	0	0.0%	50,453	0.8%	n.a.
Financial assets held for trading	411	0.0%	23,068	0.4%	380,951	6.1%	1551.4%
Total	5,311,976	100.0%	6,031,113	100.0%	6,251,824	100.0%	13.5%



Risk management

V. RISK MANAGEMENT

5.1 GOVERNANCE OF RISK MANAGEMENT

a) Organisational structure

The appropriate management of risks derived from the activity constitutes a priority for Crédito Agrícola Group, which recognises its decisive impact on the creation of value and its fundamental role in the construction of a cohesive and solid internal control system. In this context, the risk management function provides support to the management body and plays an important role in the defence of the Group's financial solidity, ensuring the consistency, integration and consolidation of the risks in a portfolio vision and ensuring that the organisation as a whole manages the risks within the established limits and rules.

At Crédito Agrícola Group, risk management aims to ensure, at an individual and consolidated level, the effective application of the risk management system, through the continuous monitoring of its adequacy and efficacy. This primarily implies the definition of the respective risk profile and its monitoring over time, as well as the adequacy and efficacy of the measures taken to correct any flaws in this system.

The risk management function at CAG was consolidated in 2018, through the continued expansion of the risk management system's capacity at an individual and consolidated level, in particular with respect to its alignment with best market practices and compliance with the provisions established in the regulatory framework in force, namely Banco de Portugal Notice 5/ 2008. The current model is based on the provision of sophisticated means to support the Caixas Agrícolas and the allocation of specialised and dedicated resources so as to ensure the monitoring, control and support of those in charge of the risk management function at a local level, taking into account the corporate perspective of Crédito Agrícola Group in force in the regulatory framework, which establishes strong articulation with Caixa Central.

The present evolution contributes to the development and implementation of a risk management system based on solid processes and appropriate methodologies for identification, assessment, monitoring and control of risks of the activity developed, on an individual and consolidated basis.

The Risk Committee plays a fundamental role in supporting the definition and implementation of the Group's risk and capital management policies, as it collaborates in the overall supervision of the risk management policies applied by the members of CAG and involves the presence of Caixas Agrícolas. The Risk Committee is generally responsible for supporting the definition of the overall objectives and issuing guidelines concerning the management of the different risks, seeking to assure their application and transposition to current activity. In performing this mission, the body is responsible for assuring the appropriate integration of the different aspects, functional perspectives and elements involved in the activity and which are reflected in their operating practices.

CAG's asset, liability and equity management involve all the initiatives aimed at identifying, quantifying and managing the risks inherent to financial intermediation activity, coordinating this with all the rest of the functional dimensions that are relevant in this regard. And, in this matter, the Asset, Liability and Capital Committee (ALCCO) is the collegiate body entrusted with the preparation, decision-making and subsequent monitoring of the implementation of the measures defined in terms of asset, liability and capital management.

In line with best practices, each component entity of SICAM generally has a series of bodies that intervene in the governance of risk, in particular concerning credit aspects, such as Credit Boards which aim to assure the quality of the portfolio through decision-making and monitoring of operations or limits placed within each of the levels of delegation of competence, as well as Credit Recovery Boards.

Risk profile

The risk profile corresponds to the risk level that Crédito Agrícola Group is willing to accept, pursuant to the Group's strategic positioning, structural features and degree of acceptance of risk. The processes adopted with a view to the prudent management of the business and appropriate assessment of risk reflect CAG's risk profile at any given moment. Its definition and continuous readjustment are deemed necessary to maintain the desired relationship between risk and return.

The methodology underlying the definition of the risk profile is based on the accomplishment of the strategic objectives, proposed by the Executive Board of Directors and endorsed at the General Meeting, in terms of indicators and limits of exposure to risk, which should be incorporated in daily business activity.

In view of the particularities of the cooperative system, namely the corporate and commercial autonomy of the Caixas Agrícolas and their involvement on the local economy and in the communities in work they are situated, the risk profile of the entities of SICAM follow a reference profile within the limits established for the purpose and the identification of measures to adjust capital or liquidity levels.

5.2 CREDIT, MARKET, INTEREST RATE, LIQUIDITY AND OPERATIONAL RISK

a) Credit risk

Strategy and Guiding Principles

Credit risk is the most important risk of the activity of Crédito Agrícola Group in view of its legal nature and the particularities of the Group's business strategy.

The objective of credit risk management is to maximise the income per unit of risk taken, maintaining the exposure to this risk at acceptable levels in relation to the business development objectives and always respecting the regulatory requirements.

The credit risk strategy and policies are defined, reviewed and approved at least once a year, assuring that they cover all the activities in which there is significant exposure to this type of risk.

Crédito Agrícola Group applies the standard approach in determining own fund requirements for credit risk, as established by the Basel prudential requirements, recording the value of 7.8 billion euros as at 31 December 2018.

Concerning credit risk and specifically with respect to the quantification of impairment, the year in question was marked by the activities associated to the process of implementation of the international financial reporting standard IFRS 9, published by the International Accounting Standards Board (IASB), in force from 1 January 2018 onwards. IFRS 9 covers matters related to the accounting of financial instruments, in particular their classification and measurement and, therefore, the calculation of impairment losses. The present regulatory framework introduced a significant series of alterations to the impairment quantification model, which is of the highest importance, with manifest impact on the activity of Crédito Agrícola Group, accentuating the presence of the concept of expected economic loss in the risk management cycle of the portfolio of financial assets. The indicated alterations were made under a specific initiative to adjust policies, processes, procedures, controls and systems (e.g. information, operational) to recent requirements.

The strategic plan for management of non-performing loans establishes the Group's approach and objectives actively aimed at their reduction within a feasible period of time, while being sufficiently ambitious as to the results to be attained. The NPL ratio reached 10.4%, as at 31 December 2018, recording a significantly favourable evolution. The active reduction measure associated to the annulment of loans considered uncollectible has led to a considerable reduction of the NPL portfolio, as well as the presence of specialised tools and improvement of CAG's capacity in monitoring and recovery.

With a view to reducing losses on granted credit, CAG applies a series of measures which seek to enhance the control over customers and operations, strengthen analytical capacity, improve decision-making on granting credit and reinforce the monitoring of customers to assure preventive action.

- **Process of credit risk analysis**

The procedures associated to credit risk analysis enable controlling its conformity, efficacy and efficiency, following a series of fundamental principles, such as, the appraisal of the borrower's repayment capacity through an informed vision of the borrower's activity and consolidated banking relationship; the gaining of thorough knowledge about the customer, derived from experience of relations and collection of information about the customer, the application of homogenous methods, criteria and practices in risk assessment, the appropriate separation of duties, risk assessment conducted in a manner that is independent, impartial, rigorous and pursuant to the ethical and professional criteria governing CAG and pursuant to the defined policies and procedures, respecting the prudential regulations.

- **Decision-making process**

In order to reconcile the commercial interest with the adequate management of the underlying credit risk, the variables are identified which, as a whole, determine the degree of risk of the customer and operation, which are based on analytical models supporting the decision-making process. In this regard, we have the

scoring models intended for the segment of individual customers (including sole proprietorships) and rating models that seek to assess the credit risk of corporate customers.

- **Monitoring process**

The credit portfolio monitoring process is underpinned by a tool which enables monitoring and systematising the credit throughout the pre-recovery phase, and also includes a series of monitoring procedures. These procedures enable keeping the portfolio in line with the defined strategy on limits of exposure, diversification and coverage by guarantees and credit impairment, and the individual monitoring of each operation, customer or group of customers. The objective is to monitor the evolution of the probability of receiving expected future cash flow and the adoption of measures aimed at minimising the probability of occurrence of losses derived from an adverse development of the customers' financial situation. In this regard, the process of calculating impairment plays an important role in the monitoring activities.

- **Recovery process**

In the case of situations of default, the customer's liabilities are managed by a specific and autonomous area which appraises the potential recovery of these liabilities through renegotiation, the calling of the existing guarantees or other means involving litigation. To support this process, the Group has a specialised computer tool which enables expediting the associated tasks, such as organising the information into extrajudicial and judicial case files, distributing the case files to the personnel of the recovery area, creating draft documents and providing information in due time on the status of these cases.

During this last year, the decision was taken to promote a review of the policy on credit derecognition, within the entire SICAM, aimed at boosting the active reduction of the so-called non-performing loans (NPLs), with the write-off of credit that met the defined criteria.

The process of externalisation was also started in 2018, under an outsourcing regime, of the recovery of card account credit written off from the assets for the Associated Caixas, with the management and monitoring of the whole process carried out by Caixa Central.

Analytical Models of Credit Risk Assessment

The models for attributing ratings (qualitative and statistical) to company customers, the scoring models (applicational and performance) directed at the segment of individual customers, including sole proprietorships, the system of management and control of economic groups and risk, the system of management and control of credit limits, the credit workflow, the tools supporting the credit monitoring and recovery processes, and the management tool for guarantees and collateral received, aim to achieve a significant improvement in the field of credit risk management at Crédito Agrícola Group, not only through the enhanced quality of the supporting information, but also due to the dynamism and robustness they foster, contributing to the efficient monitoring of the credit portfolio.

The qualitative internal rating model adopted by Crédito Agrícola, as the tool underlying the decision-making and monitoring of the portfolio of credit to customers with economic activity, seeks to standardise and summarise the risk rating of these customers, primarily aimed at its mitigation, and resulting in a scale

of solvency associated to different risk profiles.

The statistical rating model is intended to be associated to the qualitative angle of the existing models, making the methodologies more robust and at the same time ensuring the alignment of the internal credit risk management and the calculation of impairment losses pursuant to IFRS 9.

In order to quantify the risk at the time of credit acceptance for the segment of individual customers, application scoring models (reactive) are used for each segment, which enable estimating the probability of default, also based on a solvency scale correlated with the risk profile of the customer/operation. In some segments, with specific features, credit limits are presented of indicative nature associated to each risk category.

In line with the models referred to above, the performance scoring models enable the regular and automatic updating of the risk rating, the ongoing assessment of the customers and contracts, and the periodic monitoring of the credit granted to individual customers, especially by weighting the internal performance information.

Assessment of Exposure

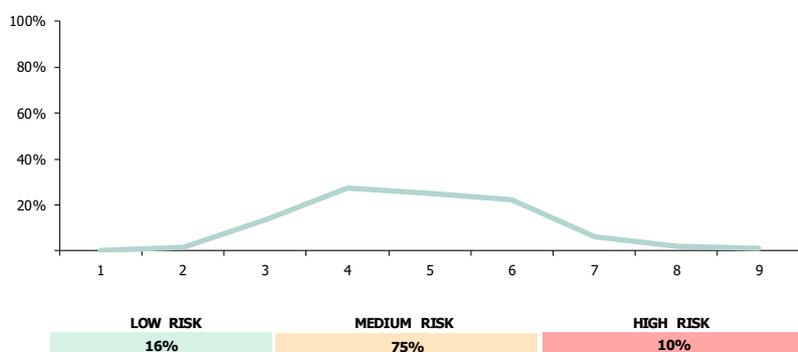
The credit granted to customers of Crédito Agrícola Group grew by more than 5% year-on-year, standing at 9.9 million euros in December 2018.

Credit to individuals grew by 1.3%, to 4.1 million euros, with credit to companies having risen by 8.8%, amounting to 5.9 million euros.

Non-performing loans to customers reached 1,070 million euros. The NPL ratio net of impairment stood at 6.5%. The degree of coverage of NPL by impairment (total) stands at 44%.

The analysis of the portfolio of credit to customers with economic activity, according to its relative distribution over the different risk categories, enables identifying a strong concentration in the medium average risk profile, which account for 75% of the amount of exposure.

CREDIT RATING
RELATIVE FREQUENCY OF THE VOLUME OF EXPOSURE

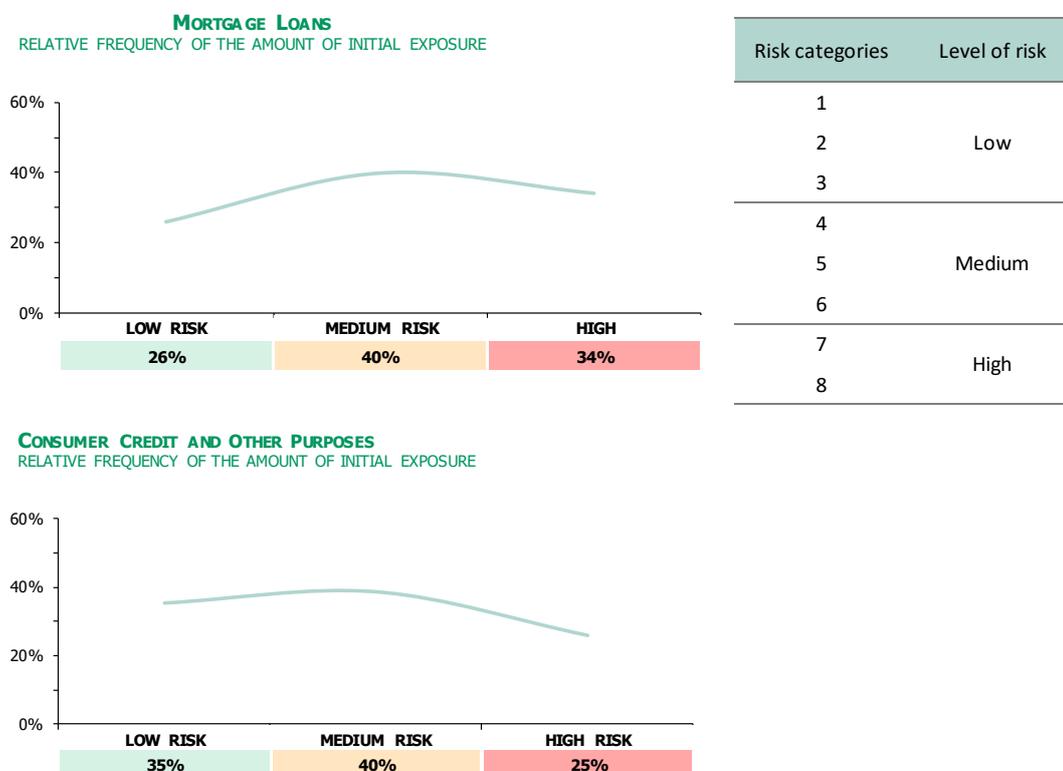


Rating	Description of the customer's risk profile
1	Extremely Solid
1.5	Very Solid
2	
2.5	Solid
3	
3.5	
4	Reasonable
4.5	
5	
5.5	Moderately Vulnerable
6	
6.5	
7	Vulnerable
7.5	
8	Very Vulnerable
8.5	
9	Excessively Vulnerable

In the segment of individual customers, mortgage loans also show a concentration in the average risk

profile, accounting for 40% of the amount of credit granted.

With regard to consumer credit and credit for other purposes, the graphic analysis of relative frequency indicates a downward trend of volume of with increased risk level, and a strong incidence in the low and average risk profile, standing at 35% and 40% of the amount granted, respectively.

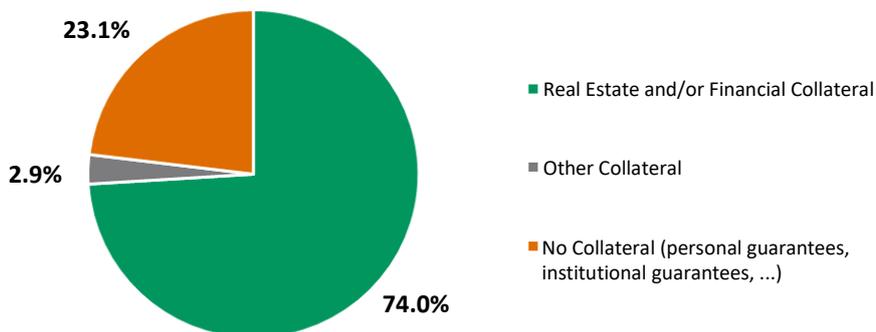


Credit concentration risk

The indicators of credit granted by customer or economic group and risk enable ascertaining the 10 largest exposures of Crédito Agrícola Group, excluding financial institutions and sovereign debt.

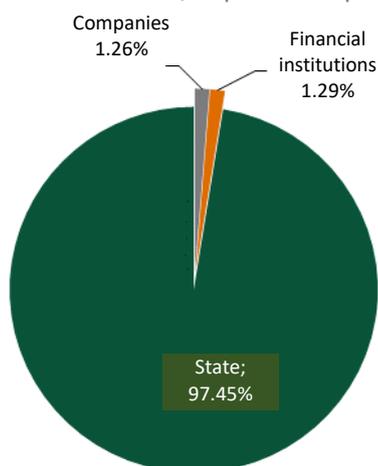
Customer / Group of customers	Weight of exposure in total portfolio (%)
Group A	0.8%
Group B	0.7%
Group C	0.7%
Group D	0.6%
Group E	0.3%
Total 5 largest	3.1%
Group F	0.2%
Group G	0.2%
Group H	0.2%
Group I	0.2%
Group J	0.2%
Total 6-10 largest	1.1%
Total 10 largest	4.1%
Total 50 largest	8.0%

The composition of the portfolio of guarantees received to cover credit to customers continues to show its usual structure, with preponderance of real estate and financial collateral representing approximately 74% of the volume of credit in December 2018.

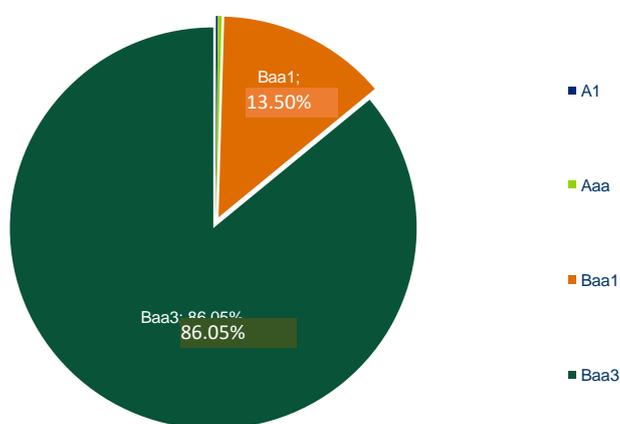


Portfolio of Debt Securities

The securities portfolio (financial investments) held reveals a high concentration, if the type of issuer is considered, with particular incidence on instruments issued by the State or backed by the State, observing the investment policy established at CAG, prioritising investments of high credit quality convertible into liquidity in a manner tending to be immediate, in particular public debt bonds of euro zone countries.



The analysis of the degree of concentration of the portfolio based on the rating of the counterpart presents the following distribution:



b) Interest rate risk

Interest rate risk reflects the probability of occurrence of negative impacts on net income or capital, due to adverse movements in interest rates, as a result of mismatches of maturities or interest rate repricing periods (repricing), alterations of the slope of interest rate curves (curve risk), the lack of a perfect correlation between the rates received and paid in the different instruments (base risk) of the balance sheet, or even the existence of options associated to financial instruments of the balance sheet or off-balance sheet items (optional risk).

Interest rate changes constrain net income by affecting not only net interest income, but also other items of operating income that are sensitive to interest rates (e.g. the value of public debt securities subject to revaluation at market value). The underlying value of the assets, liabilities, off-balance sheet items, and consequently, the value of equity, are likewise affected in view of the necessary review of the present value of the future cash flow generated by these components (and in many cases the review of the actual cash flow).

Strategy and Guiding Principles

Interest rate risk is an important risk in the activity developed by the Group and, in that regard, is identified, measured, monitored and controlled not only on a consolidated basis but also on an individual basis in terms of Caixa Central and the Associated Caixas. The policy on interest rate risk management is defined and monitored by the Asset, Liability and Capital Committee, in accordance with the guidelines defined by the Executive Board of Directors. The results of the assessments of exposure to interest rate risk and any strategies to hedge against this risk are also monitored by ALCCO and informed to the Executive Board of Directors.

The definition of appropriate measurements and methodologies for the assessment of interest rate risk and definition of limits of exposure to this risk seeks to assure that CAG does not incur situations that place in question the stability of its income statement or, ultimately, its solvency.

Assessment of Exposure

CAG uses a broad set of measurements to determine its exposure to interest rate risk, as well as the definition of a complementing series of limits that seek to minimise the risk of losses associated to interest rate variations, both in the medium and long-term.

The monthly assessment of its exposure to interest rate risk uses a methodology based on the grouping of the different sensitive assets and liabilities into time intervals according to the respective rate review dates. For each interval, the cash flow of the assets and liabilities are calculated as well as the correspondent gap sensitive to interest rate risk. Based on the obtained results, an assessment is made of the impact of these gaps on the evolution of net interest income and on the economic value of the entity in various scenarios of interest rate evolution.

Additionally, various types of internal reports are prepared, such as macroeconomic reviews, analyses of the financial statements, assessment of balance sheet risk, prolonged gaps and economic value, projection

of assessment of net interest income, analysis of the contribution of the different balance sheet items to net interest income, scenarios of interest rate evolution, stress tests, asset margins and evolution of the net interest income associated to different balance sheet items. The indicators in question enable the areas involved in ALCCO and the top management to monitor these situations and take decisions in due time.

As at 31 December 2018, the exposure of the balance sheet to interest rate risk according to its maturity or repricing date is as follows:

	Repricing Dates / Maturity Dates						Total
	Sight	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	
Net	502,016	5,213,347	6,186,883	1,746,073	466,985	1,602,237	15,717,540
Cash, cash balances at central banks and other demand deposits	441,786	133,723	0	0	0	0	575,508
Financial assets held for trading	0	100,428	470	0	0	1,500	102,398
Non-tradable financial assets mandatorily stated at fair value through profit or loss	0	0	0	0	0	0	0
Tradable financial assets	0	0	0	0	0	0	0
Financial assets stated at fair value through profit or loss	0	0	0	0	0	0	0
Financial assets stated at fair value through other comprehensive income	0	577,668	398,639	21,100	20,000	16,000	1,033,407
Financial assets at amortised cost	60,231	4,042,528	4,802,424	1,724,973	446,985	2,929,087	14,006,227
Investments held to maturity	0	0	0	0	0	0	0
Other non-tradable non-derivative financial assets	0	0	0	0	0	0	0
Derivatives- Hedge accounting	0	359,000	985,350	0	0	-1,344,350	0
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0	0	0	0	0	0
Investments in subsidiaries, joint ventures and associates	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0	0
Tax assets	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0
Non-current assets and groups for divestment classified as held for sale	0	0	0	0	0	0	0
Liabilities	2,524,413	3,461,354	5,682,039	2,890,339	638,406	600,185	15,796,736
Financial liabilities held for trading	0	0	0	0	0	0	0
Financial liabilities stated at fair value through profit or loss	0	0	0	0	0	0	0
Tradable financial liabilities	0	0	0	0	0	0	0
Financial liabilities stated at amortised cost	2,524,413	3,461,341	5,682,039	2,890,339	638,406	600,185	15,796,723
Derivatives- Hedge accounting	0	0	0	0	0	0	0
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0
Tax liabilities	0	0	0	0	0	0	0
Share capital repayable at sight	0	0	0	0	0	0	0
Other liabilities	0	12	0	0	0	0	12
Liabilities included in groups for divestment classified as held for sale	0	0	0	0	0	0	0
Net Exposure	-2,022,397	1,751,993	504,844	-1,144,267	-171,421	1,002,052	-79,196

The sensitivity analysis for interest rate risk, as at 31 December 2018, based on a simulation involving assets and liabilities sensitive to variations in references rates of -200 basis points and +200 basis points shows the following results:

	<i>Values in thousand euros</i>	
	Impact derived from variation of the reference interest rate	
	-200 b.p.	+200 b.p.
Net	685,911	-395,491
Cash, cash balances at central banks and other demand deposits	13,835	14,320
Financial assets held for trading	560	-529
Non-tradable financial assets mandatorily stated at fair value through profit or loss	0	0
Tradable financial assets	0	0
Financial assets stated at fair value through profit or loss	0	0
Financial assets stated at fair value through other comprehensive income	33,135	-10,603
Financial assets at amortised cost	865,446	-671,076
Investments held to maturity	0	0
Other non-tradable non-derivative financial assets	0	0
Derivatives- Hedge accounting	-227,065	272,398
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0
Investments in subsidiaries, joint ventures and associates	0	0
Liabilities	144,571	-309,612
Financial liabilities held for trading	0	0
Financial liabilities stated at fair value through profit or loss	0	0
Tradable financial liabilities	0	0
Financial liabilities stated at amortised cost	144,571	-309,612
Derivatives- Hedge accounting	0	0
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0
Provisions	0	0
Tax liabilities	0	0
Share capital repayable at sight	0	0
Other liabilities	0	0
Liabilities included in groups for divestment classified as held for sale	0	0
Impact on economic value	541,340	-85,878

	<i>Values in thousand euros</i>	
	Impact derived from variation of the reference interest rate	
	-200 b.p.	+200 b.p.
Net	-61,387	155,744
Cash, cash balances at central banks and other demand deposits	-1,241	2,481
Financial assets held for trading	-1,960	1,777
Non-tradable financial assets mandatorily stated at fair value through profit or loss	0	0
Tradable financial assets	0	0
Financial assets stated at fair value through profit or loss	0	0
Financial assets stated at fair value through other comprehensive income	-7,157	14,235
Financial assets at amortised cost	-43,380	117,009
Investments held to maturity	0	0
Other non-tradable non-derivative financial assets	0	0
Derivatives- Hedge accounting	-7,647	20,241
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0
Investments in subsidiaries, joint ventures and associates	0	0
Liabilities	-40,125	99,235
Financial liabilities held for trading	0	0
Financial liabilities stated at fair value through profit or loss	0	0
Tradable financial liabilities	0	0
Financial liabilities stated at amortised cost	-40,125	99,235
Derivatives- Hedge accounting	0	0
Fair value variation of the elements covered by the interest rate risk hedge portfolio	0	0
Provisions	0	0
Tax liabilities	0	0
Share capital repayable at sight	0	0
Other liabilities	0	0
Liabilities included in groups for divestment classified as held for sale	0	0
Impact on net interest income	-21,262	56,509

The sensitivity analysis table shows the variation in the theoretical market value of various Asset and Liability headings in scenarios of variation in market interest rates, which required updating the cash flow

associated to each operation in the different market scenarios considered. The variation of residual values in absolute terms (assets minus liabilities) should be interpreted as the impact on the economic value of the Group's equity and net interest income, respectively.

c) Liquidity risk

Liquidity risk reflects the probability of occurrence of negative impacts on net income or capital, derived from the Institution's inability to draw on the cash balances required, at any given time, to comply with its financial obligations, as they fall due, taking into consideration the existing capacity to manage a settlement of assets under reasonable conditions in terms of price and period of time. Hence, the aim is to finance the assets and meet the required liabilities on their due dates without incurring exaggerated losses and, for such, limiting the existence of potential difficulties of liquidation of positions in portfolio.

Strategy and guiding principles

CAG's liquidity management policy is defined and monitored in conformity with the guidelines defined by the Executive Board of Directors, while its management is the responsibility of the specialised areas. The Group's surplus funds are channelled to Caixa Central, where they are centrally invested in assets of high credit quality and liquidity, namely public debt of euro zone countries and short-term investment in renowned credit institutions, both domestic and international.

The Group and Caixa Central monitor the liquidity ratios from a prudential perspective, calculated according to the rules in force. On this issue, it should be noted that the Group maintains a conservative policy reflected in a loan-to-deposit ratio which is below the average of the sector.

Concerning liquidity management, the Group seeks to maintain financing lines, guaranteed or not by securities, at national and international credit institutions, which are regularly tested, launch debt products which contribute to maintaining the standards of permanence of funds, and control any concentration of commercial funds which, if this were to develop, could lead to a more permeable portfolio, thus reducing its stability and permanence.

Furthermore, CAG keeps an updated liquidity contingency plan at all times, identifying the actions to be developed and updating responsibilities in the event of materialisation of adverse scenarios; and uses, in the process of definition of pricing of the commercial offer and assessment of performance, mechanisms that consider the liquidity costs implicit in each product.

Assessment of exposure

The Group uses a broad set of measurements to determine its exposure to liquidity risk, as well as the definition of a supplementary series of limits that seek to minimise the risk of losses associated to situations of lack of liquidity, both in the medium and long-term.

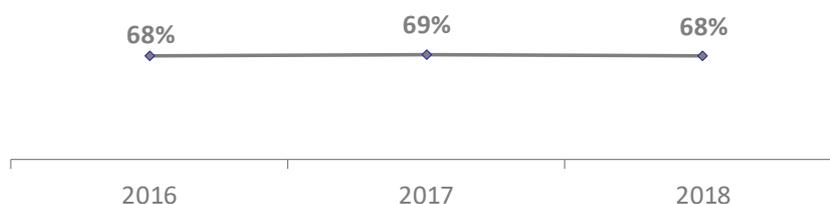
The analysis of exposure to liquidity risk is based on various methodologies aimed at assessing, on the one hand, the immediate liquidity, through the Liquidity Coverage Ratio (LCR), the minimum ratios of liquidity at one week and at one month, considering the degree of coverage of an abrupt reduction of customer

demand and term deposits (currently, SICAM's sole source of structural liquidity) without relevant impediments to early mobilisation, by high quality liquid assets (convertible into cash, due to maturity, sale or use in financing operations backed by securities, in a practically immediate form and without relevant loss of value. On the other hand, the assessment of structural liquidity involves calculation of the static and dynamic liquidity gaps (incorporating the budgeted evolution of the activity), with aggregation of all the cash flow (payment of interest and repayment of principal) generated by the contracted operations, both lending and borrowing (on and off the balance sheet) in a series of time intervals, as well as the Net Stable Funding Ratio (NSFR).

CAG also currently develops other mechanisms to calculate additional measurements for monitoring liquidity, namely: maturity time profile (contractual and performance) of assets and liabilities, concentration of funding by type of liability and counterpart, concentration of the portfolio of liquid asset with potential liquidation, costing of various types of available funding, profile of renewal of the different types of funding used.

The Group presents a comfortable liquidity position, reflected in a solid customer fund base (the main source of funding) and a loan-to-deposit ratio at levels below those observed, as a rule, in the financial system.

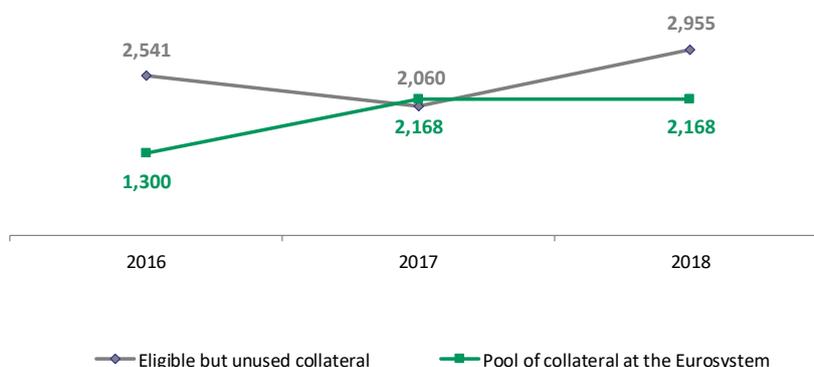
Loan-to-Deposit ratio (net)



The funding from the ECB increased, year-on-year, having reached 1.7 billion euros in December 2018, where it should be noted that the assets eligible (not used) for this type of operation amounted to 3.2 billion euros on the same date. The liquidity coverage ratio reached 400%.

Refinancing at the Eurosystem

thousand euros



d) Operational risk

Operational risk is defined as the risk of occurrence of events derived from the inadequate or negligent application of in-house procedures, personal conduct, inadequacy or flaws of information systems or external causes, where these events can give rise to a negative impact on net income and equity.

On this issue, the Group has progressively expanded its catalogue of processes, including the respective risks and controls, for subsequent close coordination with the operational risk infrastructure. This is characterised by incremental goals in the approach to evolution, in particular with respect to the matrix of risk events and the overall process of recording of events and losses. Here, the overall model for operational risk management has already been defined in terms of its conceptual structure, strategic objectives, internal governance, regulatory framework, monitoring and reporting, including the definition of self-assessment of risks and controls, database of loss events and key risk indicators, primarily in order to establish the guidelines for the respective implementation associated to a GRC tool.

The method for calculation of the internal capital for operational risk, called the Adjusted Basic Indicator, is based on questionnaires, distributed to qualified members of the institution, which enable appraising the level of conformity of CAG's operational risk model with the minimum practices established by the Basel Committee and with all the other best practices found in the financial sector. These questionnaires are independent (by type of risk), in other words, each questionnaire individually assesses each type of risk subject to assessment: operational, related to compliance and information systems.

The Group applies an enormous series of measures to mitigate operational risk, where we highlight the existence and permanent updating of a business continuity plan, internal rules on security of information, the automation of accounting processes, in particular those related to the credit portfolio, the separation of duties in the accomplishment and accounting of transactions, the existence of internal rules on the physical security of the premises and insurance (e.g. buildings, theft, etc.).

The regulatory capital requirements to cover operational risk are calculated in accordance with the basic indicator established by Basel, as at 31 December 2018, stood at 1.1 thousand million euros.

e) Real estate risk

Real estate risk strictly consists of loss derived from an unfavourable variation of the price of real estate assets stated in the balance sheet, in particular relative to properties acquired as repayment of own credit. Real estate risk represents a intrinsic risk of credit risk.

The methodology to assess real estate risk at the Group is based on the quantification of the potential loss resulting from a variation of the price of the real estate assets recorded on the balance sheet, considering the entire value of the real estate properties in portfolio on the reporting date, in previously established scenarios, taking into consideration the specificities of the different segments (residential, commercial and agricultural/agricultural land). Real estate risk naturally assumes an expected devaluation of the price of the properties recorded on the balance sheet (non-current assets held for sale) and in real estate funds.

f) Market risk and exchange rate risk

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

In the context of the strategy and activity developed by Crédito Agrícola Group, in 2018, we highlight the existence, under treasury management, of a trading book of very limited material value, consisting of financial assets whose cash flows could or could not be considered exclusively principal and interest, including derivative instruments, for the purpose of ensuring the profitability of actual treasury positions.

In order to mitigate the risks incurred, a policy has been implemented of separation of duties, at all times, between the execution of market transactions and risk control.

Apart from the portfolio of securities of Caixa Central, the portfolio of securities of CA Vida is entirely managed by CA Gest, with a defined investment benchmark, according to the risk that is intended to be taken and the desired yield, for each security. This portfolio is valued on a monthly or weekly basis (periods of major volatility), based on reports produced by CA Gest.

The monitoring of the portfolios managed by CA Gest is mainly carried out by regular assessment of their composition, average duration, profitability and risk, in this case through Value at Risk (VaR) analyses, being subject to scrutiny by ALCCO.

Foreign exchange risk arises as a result of changes in exchange rates for currencies whenever there are open positions in these currencies and, similarly to market risk, this is not considered a material risk for Crédito Agrícola.

The profile defined for foreign exchange risk is conservative, embodied in the coverage policy. The traded operations have underlying commercial substantiation, with foreign exchange activity being directed at their coverage within very low limits of exposure. Control and assessment of foreign exchange risk are carried out on a daily basis, individually for each branch and in consolidated terms. At the Group, foreign exchange risk management is centralised and subject to approved limits.



Consolidated
Financial
Statements

VI. CONSOLIDATED FINANCIAL STATEMENTS

GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED BALANCE SHEET AS AT 31 December 2018 AND 2017

(Amounts in euros)

ASSETS	Notes	31/Dec/2018			31/Dec/2017		LIABILITIES AND EQUITY	Notes	31/Dec/2018	31/Dec/2017
		Gross assets	Provisions, impairments & amortisation	Net Assets	Net Assets					
Cash and deposits at central banks	6	731,425,300	-	731,425,300	400,143,843	Funds of central banks	24	1,677,120,398	1,693,380,693	
Cash balances at other credit institutions	7	65,095,861	-	65,095,861	80,372,528	Financial liabilities at fair value through profit or loss	8 / 13	1,178	141,781	
Financial assets held for trading	8	29,255,527	-	29,255,527	51,264,812	Funds of other credit institutions	24	161,444,173	241,704,988	
Financial assets at fair value through profit or loss	9	218,884,866	-	218,884,866	88,186,422	Customer funds and other loans	25	13,855,889,040	12,585,684,620	
Financial assets available for sale	10	1,244,928,318	-	1,244,928,318	7,379,409,261	Hedging derivatives	16	45,399,348	-	
Financial assets at fair value through other comprehensive income	11	1,030,415,840	-	1,030,415,840	-	Provisions	26	24,784,056	27,357,142	
Investments in credit institutions	12	31,021	-	31,021	6,956,989	Insurance contract technical provisions	27	1,120,210,746	1,346,108,600	
Credit to customers	14	9,890,630,513	(471,053,055)	9,419,577,458	8,720,954,205	Current tax liabilities	22	7,336,966	27,687,297	
Debt securities at amortised cost	15	4,803,952,661	(3,502,025)	4,800,450,636	-	Deferred tax liabilities	22	7,945,125	18,068,687	
Hedging derivatives	16	40,723,495	-	40,723,495	-	Instruments representing equity	28	958,410	1,394,945	
Non-current assets held for sale	17	646,463,995	(171,129,006)	475,334,989	552,763,867	Other subordinated liabilities	29	96,100,064	106,781,646	
Investment properties	18	57,618,835	-	57,618,835	63,510,583	Other liabilities	30	276,973,866	490,764,518	
Other tangible assets	19	543,954,859	(307,350,850)	236,604,009	237,497,995	Total Liabilities		17,274,163,370	16,539,074,917	
Intangible assets	20	258,714,998	(183,447,005)	75,267,993	62,469,064					
Investments in associates and joint ventures	21	1,417,137	-	1,417,137	992,950	Capital	32	1,159,706,041	1,086,403,846	
Current tax assets	22	17,752,471	-	17,752,471	5,648,259	Fair value variation of financial assets at fair value through other	33	(10,030,393)	-	
Deferred tax assets	22	136,507,094	-	136,507,094	141,522,276	Revaluation reserves	33	6,891,470	43,933,052	
Other assets	23	243,421,160	(34,846,298)	208,574,862	196,746,742	Other reserves and retained earnings	33	245,516,377	165,243,151	
						Profit for the year	34	112,352,571	152,144,641	
								1,514,436,066	1,447,724,690	
						Non-controlling interests	35	1,266,276	1,640,188	
						Total equity		1,515,702,342	1,449,364,878	
Total Assets		19,961,193,951	(1,171,328,239)	18,789,865,712	17,988,439,795	Total Liabilities and Equity		18,789,865,712	17,988,439,795	

THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO

Luís Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO

[Signatures of the Executive Board of Directors]

GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED ON 31 December 2018 AND 2017

(Amounts in euros)

	Notes	31/Dec/2018	31/Dec/2017
Interest and similar income	36	597,613,844	492,787,366
Interest and similar costs	37	(248,863,422)	(162,453,213)
Net interest income		<u>348,750,422</u>	<u>330,334,153</u>
Technical margin of insurance activity	38	<u>26,545,896</u>	<u>9,101,733</u>
Income from equity instruments	39	906,767	1,106,495
Income from services and commissions	40	135,765,182	131,007,270
Costs related to services and commissions	41	(19,506,392)	(18,049,713)
Earnings from assets and liabilities measured at fair value through profit or loss	42	(9,497,649)	4,521,442
Earnings from financial assets available for sale	43	15,094,299	27,117,996
Earnings from financial assets at fair value through other comprehensive income	44	15,813,578	79,188,584
Earnings from currency revaluation	45	2,016,223	1,331,716
Earnings from divestment of other assets	46	2,283,277	(2,562,697)
Other net operating income	47	(7,418,354)	(985,956)
Operating income		<u>510,753,249</u>	<u>562,111,024</u>
Staff costs	48	(210,851,256)	(203,328,084)
General administrative overheads	49	(113,252,603)	(109,893,129)
Depreciation and amortisation for the year	19 / 20	(25,357,636)	(26,184,149)
Provisions net of write-backs and annulments	26	833,195	5,646,261
Impairment of credit to customers (net of write-backs and annulments)	26	(1,736,047)	(2,454,418)
Impairment of investments in credit institutions	26	(703,827)	-
Impairment of other financial assets net of reversals and recoveries	26	(645,510)	(1,468,651)
Impairment of other assets net of reversals and recoveries	26	(3,500,746)	(9,814,237)
Net income of holdings in associates and joint ventures (equity method)	21	451,171	311,815
Earnings before taxes and non-controlling interests		<u>155,989,990</u>	<u>214,926,431</u>
Taxes			
current	22	(30,563,586)	(46,226,082)
deferred	22	(12,997,426)	(16,496,448)
Earnings after taxes and before non-controlling interests		<u>112,428,978</u>	<u>152,203,901</u>
Non-controlling interests	35	(76,407)	(59,260)
Consolidated net income for the year		<u>112,352,571</u>	<u>152,144,641</u>

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

GRUPO CRÉDITO AGRÍCOLA

CASH FLOW STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

(Amounts in euros)

	Notes	31/12/2018	31/12/2017
Cash flow from operating activities			
Interest, commissions and other equivalent income received	36 / 40	666,520,058	691,593,799
Interest, commissions and other equivalent costs paid	37 / 41	(264,744,408)	(185,349,008)
Payments to employees and suppliers	30 / 46 / 49	(316,937,548)	(311,577,273)
Payment and contributions to pensions funds		(6,378,977)	(2,218,949)
Corporate income tax (payment)/revenue	22	(63,903,257)	(16,996,184)
Other (payments)/revenue relative to operating activity	47	(178,491,204)	(205,345,829)
Net operating income before the changes in operating assets		(163,935,338)	(29,893,444)
(Increase) / decrease of operating assets:			
Credit to customers	14	712,404,490	784,131,405
Financial assets held for trading and other assets at fair value through profit or loss	9	118,186,808	24,575,045
Financial assets at fair value through other comprehensive income	11	(4,673,768,332)	
Financial assets available for sale	10	(401,222,961)	3,954,011,590
Investments in credit institutions		(6,918,587)	917,514
Securities at amortised cost	15	4,751,315,408	
Investments held to maturity			(3,597,249,998)
Other assets		(63,141,914)	(12,831,328)
		436,854,912	1,153,554,228
Increase / (decrease) of operating liabilities:			
Funds of other credit institutions and central banks	24	(83,399,336)	356,524,461
Customer funds and other loans	25	1,271,027,161	863,822,634
Financial liabilities held for trading and hedge derivatives	13 / 16	4,535,250	(92,222)
Other liabilities	30	(243,151,930)	51,589,173
		949,011,144	1,271,844,046
Net cash from operating activities		348,220,895	88,396,374
Cash flow from investment activities			
Dividends		906,767	1,106,495
Divestment (acquisition) of associates, net of divestment		(424,187)	1,550,787
Acquisition of tangible assets, intangibles and investment properties, net of divestment		(38,223,885)	(22,861,051)
Net cash from investment activities		(37,741,305)	(20,203,768)
Cash flow from financing activities			
Issue of subordinated liabilities, net of redemption	29	(11,107,535)	(9,751,507)
Non-controlling interests	35	(450,318)	(57,839)
Share capital increase (decrease)	32	17,083,659	6,260,045
Net cash from financing activities		5,525,806	(3,549,301)
Increase / (decrease) of cash and cash equivalents		305,941,103	53,557,253
Net change in cash and cash equivalents		10,064,293	11,086,052
Cash and cash equivalents at the beginning of the year		480,516,372	415,873,067
Cash and cash equivalents at the end of the year	6/7	796,521,161	480,516,372
Cash and cash equivalents at the end of the year includes:			
Cash and deposits at central banks	6	731,425,300	400,143,843
Cash balances at other credit institutions	7	65,095,861	80,372,528
		796,521,161	480,516,372

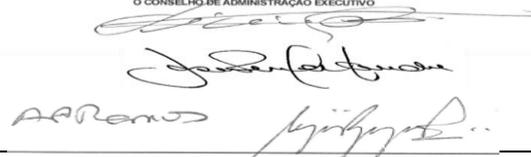
THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO

Luís Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO



GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

(Amounts in euros)

Notes	Capital	Revaluation reserves	Fair value variation of assets at FVTOCI	Other reserves and retained earnings			Consolidated net income for the year	Sub-total	Non-controlling interests	Total
				Other reserves	Retained earnings	Total				
	1,033,901,361	(1,953,106)	-	312,806,203	(160,452,406)	152,353,797	58,324,971	1,242,627,022	1,638,767	1,244,265,789
Appropriation of the net income for 2016										
	-	-	-	69,947,220	(11,622,249)	58,324,971	(58,324,971)	0	-	0
	1,684,270	-	-	(2,337,781)	-	(2,337,781)	-	(653,511)	-	(653,511)
32	40,943,450	-	-	(40,943,450)	-	(40,943,450)	-	-	-	-
32	14,208,930	-	-	-	-	-	-	14,208,930	-	14,208,930
32	(4,316,165)	-	-	(148,675)	-	(148,675)	-	(4,464,840)	-	(4,464,840)
	-	-	-	-	-	-	-	-	(57,839)	(57,839)
	(18,000)	-	-	(293,070)	(1,712,641)	(2,005,711)	-	(2,023,711)	-	(2,023,711)
34	-	-	-	-	-	-	152,144,641	152,144,641	59,260	152,203,901
	-	45,886,158	-	-	-	-	-	45,886,158	-	45,886,158
	<u>1,086,403,846</u>	<u>43,933,052</u>	<u>-</u>	<u>339,030,447</u>	<u>(173,787,296)</u>	<u>165,243,151</u>	<u>152,144,641</u>	<u>1,447,724,690</u>	<u>1,640,188</u>	<u>1,449,364,878</u>
Impact of the application of IFRS 9 (1/Jan/2018)		(19,133,133)	18,566,610		(14,619,204)	(14,619,204)		(15,185,727)		(15,185,727)
	<u>1,086,403,846</u>	<u>24,799,919</u>	<u>18,566,610</u>	<u>339,030,447</u>	<u>(188,406,500)</u>	<u>150,623,947</u>	<u>152,144,641</u>	<u>1,432,538,963</u>	<u>1,640,188</u>	<u>1,434,179,151</u>
Appropriation of the net income for 2017										
	-	-	-	83,066,438	69,078,203	152,144,641	(152,144,641)	-	-	-
	2,469,980	-	-	(3,062,180)	-	(3,062,180)	-	(592,200)	-	(592,200)
32	48,476,845	-	-	(48,397,354)	-	(48,397,354)	-	79,491	-	79,491
32	25,179,672	-	-	-	-	-	-	25,179,672	-	25,179,672
32	(3,141,302)	-	-	(172,464)	-	(172,464)	-	(3,313,767)	-	(3,313,767)
	-	-	-	-	-	-	-	-	(450,319)	(450,319)
	317,000	-	-	(463,499)	(5,156,714)	(5,620,213)	-	(5,303,213)	-	(5,303,213)
34	-	-	-	-	-	-	112,352,571	112,352,571	76,407	112,428,978
	-	(17,908,449)	(28,597,003)	-	-	-	-	(46,505,452)	-	(46,505,452)
	<u>1,159,706,041</u>	<u>6,891,470</u>	<u>(10,030,393)</u>	<u>370,001,388</u>	<u>(124,485,011)</u>	<u>245,516,377</u>	<u>112,352,571</u>	<u>1,514,436,066</u>	<u>1,266,276</u>	<u>1,515,702,342</u>

THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO

Luís Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO

[Handwritten signatures of the Executive Board of Directors]

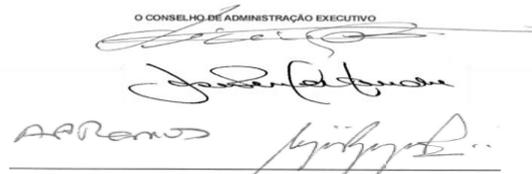
GRUPO CRÉDITO AGRÍCOLA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017
(Amounts in euros)

	<u>Notes</u>	<u>31-Dec-2018</u>	<u>31-Dec-2017</u>
Consolidated net income for the year		112,352,571	152,144,641
<i>Items that could be reclassified through profit or loss in the future:</i>			
Revaluation of financial assets available for sale, net (insurance activity)	10 / 22	(6,971,818)	11,400,572
Revaluation of financial assets available for sale, net (non-insurance activity)	10 / 22		8,919,482
Revaluation of financial assets at FVTOCI, net	11 / 22	(14,962,822)	
<i>Items that will not be reclassified through profit or loss in the future:</i>			
Remeasurement of liabilities related to defined benefits	51	2,927,880	3,153,766
Transfer to net income due to divestment		(26,468,160)	23,219,160
Depreciation of revalued tangible assets		3,144	
Other revaluation reserves		(1,033,675)	(806,822)
Total other comprehensive income		<u>(46,505,452)</u>	<u>45,886,159</u>
Impact of IFRS 9		(566,523)	-
Total consolidated comprehensive income for the period		<u>65,280,596</u>	<u>198,030,800</u>
Attributable to the Group		<u>64,926,320</u>	<u>198,461,033</u>
Attributable to non-controlling interests		<u>141,056</u>	<u>(430,233)</u>

THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO
Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO


SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Amounts in euros)

ASSETS	31-Dec-2018		31-Dec-2017		LIABILITIES AND EQUITY	31-Dec-2018	31-Dec-2017
	Net assets	Provisions, impairment & amortisation	Net assets	Net assets			
Cash and deposits at central banks	731,419,332	-	731,419,332	400,139,291	Funds of central banks	1,677,120,398	1,693,380,693
Cash balances at other credit institutions	64,625,050	-	64,625,050	80,345,631	Financial liabilities held for trading	1,178	141,781
Financial assets held for trading				23,067,678	Funds of other credit institutions	161,444,173	241,704,988
Other financial assets at fair value through profit or loss	380,950,823	-	380,950,823	-	Customer funds and other loans	13,947,820,832	12,638,189,020
Financial assets available for sale				6,008,045,778	Hedging derivatives	45,399,348	0
Financial assets at fair value through other comprehensive income	1,038,461,700	-	1,038,461,700		Provisions	21,260,527	26,506,322
Investments in credit institutions	31,020	-	31,020	6,956,989	Current tax liabilities	6,102,177	26,245,703
Credit to customers	9,959,803,986	(471,102,055)	9,488,701,931	8,782,890,105	Deferred tax liabilities	1,566,569	9,881,509
Securities at amortised cost	4,835,913,307	(3,502,025)	4,832,411,283		Instruments representing equity	958,410	1,394,945
Hedging derivatives	40,723,495	-	40,723,495	334,274,074	Other subordinated debt	96,100,064	106,781,646
Non-current assets held for sale	353,053,843	(73,030,359)	280,023,483	0	Other liabilities	175,256,635	248,689,259
Other tangible assets	480,670,734	(258,414,784)	222,255,950	223,249,013	Total Liabilities	16,133,030,311	14,992,915,866
Intangible assets	14,499,885	(14,290,994)	208,891	383,249	Capital	1,159,706,041	1,086,403,846
Investments in affiliates, associates and joint ventures	90,981,396	(107,475)	90,873,920	90,872,617	Fair value variation of financial assets at fair value through other cor	(9,246,884)	
Current tax assets	17,383,135	-	17,383,135	3,788,889	Revaluation reserves	5,677,522	31,709,694
Deferred tax assets	132,641,383	-	132,641,383	138,361,211	Other reserves and retained earnings	260,596,543	178,449,554
Other assets	368,036,190	(30,961,030)	337,075,160	344,735,579	Profit for the year	108,023,023	147,631,144
Total Assets	18,509,195,277	(851,408,721)	17,657,786,556	16,437,110,104	Total Equity	1,524,756,245	1,444,194,238
					Total Liabilities and Equity	17,657,786,556	16,437,110,104

THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO

Luís Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO

[Signatures]
 A. Ramos
 [Signature]

Unaudited Financial Statements.

SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

INCOME STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

(Amounts in euros)

HEADING	31-Dec-2018	31-Dec-2017
Interest and similar income	407,205,631	407,803,371
Interest and similar costs	(101,898,064)	(118,124,258)
Net interest income	<u>305,307,566</u>	<u>289,679,113</u>
Income from equity instruments	726,619	2,154,555
Income from services and commissions	165,299,816	159,759,716
Costs related to services and commissions	(12,856,765)	(11,638,124)
Earnings from assets and liabilities measured at fair value through profit or loss	(13,761,596)	193,029
Earnings from financial assets at fair value through other comprehensive income	15,813,081	79,188,933
Earnings from currency revaluation	2,016,994	1,332,732
Earnings from divestment of other assets	4,517,580	2,134,312
Other net operating income	7,518,597	9,850,905
Net operating revenues	<u>474,581,892</u>	<u>532,655,171</u>
Staff costs	(179,004,446)	(176,753,376)
General administrative overheads	(135,598,941)	(127,193,017)
Depreciation and amortisation for the year	(11,995,938)	(12,488,471)
Provisions net of write-backs and annulments	3,797,972	5,523,879
Impairment of credit to customers (net of write-backs and annulments)	(1,736,047)	(2,300,418)
Impairment of investments in credit institutions	(703,827)	-
Impairment of other financial assets net of reversals and recoveries	(645,490)	(12,131,207)
Impairment of other assets net of reversals and recoveries	(1,346,117)	(5,654,839)
Earnings before tax	<u>147,349,058</u>	<u>201,657,722</u>
Taxes		
current	(27,247,389)	(42,738,812)
deferred	(12,078,646)	(11,287,766)
Net income for the year	<u>108,023,023</u>	<u>147,631,144</u>

THE CERTIFIED ACCOUNTANT

O CONTABILISTA CERTIFICADO

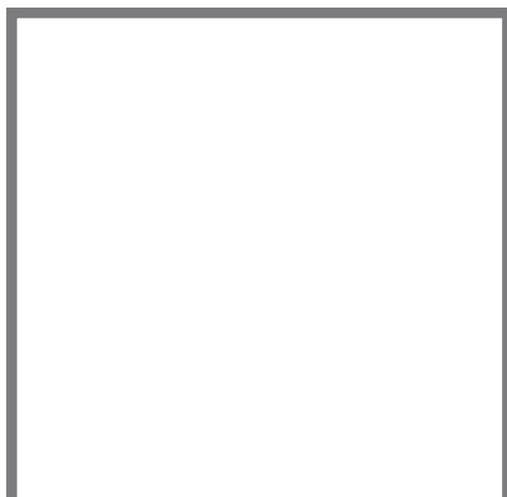
Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

O CONSELHO DE ADMINISTRAÇÃO EXECUTIVO

[Handwritten signatures of the Executive Board of Directors]

Unaudited Financial Statements.



Legal Certification
of Accounts

VII. LEGAL CERTIFICATION OF ACCOUNTS



Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Crédito Agrícola Group (composed by Caixa Central – Caixa Central de Crédito Agrícola Mútuo, CRL (Caixa Central), associated Caixas de Crédito Agrícola Mútuo and subsidiaries), which comprise the consolidated balance sheet as at 31 December 2018 (which shows total assets of Euros 18,789,866 thousand and total shareholders' equity of Euros 1,515,702 thousand, including a net profit of Euros 112,353 thousand), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Crédito Agrícola Group as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. In accordance with the law we are independent of the entities that are included in the Crédito Agrícola Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter**Summary of the Audit Approach**

Impairment losses on credit to customers

Measurement and disclosures related to impairment losses on credit to customers presented in notes 2.4. c) and 14. attached to the consolidated financial statements

The significant expression of the heading credit to customers and associated impairment losses, which require a set of complex assumptions and judgments from the Crédito Agrícola Group management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the corresponding amount of impairment losses, justify that these constitute key matters for the purposes of our audit. As at 31 December 2018, the gross amount of the heading credit to customers amounted to Euros 9,890,631 thousand and the corresponding impairment losses recognized at that date amounted to Euros 471,053 thousand.

The implementation of IFRS 9 - Financial Instruments ("IFRS 9") on 1 January 2018 by the Crédito Agrícola Group implied the introduction of a set of new requirements with impact on the measurement and recognition of impairment of credit on financial assets, calculated by means of an expected losses model to the detriment of the model of losses incurred under IAS 39. The impacts on the Crédito Agrícola Group consolidated financial statements arising from the adoption of this new standard were estimated with reference to 1 January 2018, based on the information available at that date and the assumption of a set of assumptions, which are presented in notes 2.2 and 2.4 c) attached to the consolidated financial statements of the Crédito Agrícola Group.

Impairment losses on credit to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the total loan portfolio, and for the remaining portfolio impairment is determined through a collective analysis. This process is summarized as follows:

- For the most significant exposures, evaluated in terms of the total amount of

The audit procedures developed included the identification, understanding and evaluation of key controls established by the Crédito Agrícola Group with respect to the approval, recording and monitoring of credit risk granted to customers as well as key Crédito Agrícola Group controls underlying the timely identification, recording and correct measurement of impairment losses.

In the specific scope of the implementation of IFRS 9 on 1 January 2018, we followed the action plan developed by the Crédito Agrícola Group and developed among others the following procedures:

- Meetings with management and with those principally responsible for the action plan in order to understand and follow the schedule, scope and depth of the work to be carried out by the different areas of the Crédito Agrícola Group;
- Understanding of the Crédito Agrícola Group's governance process, namely regarding the controls implemented on the review and approval of the main assumptions, judgments and future economic perspectives used in the models defined for the measurement of impairment losses;
- Reading and analysing the methodological documents for the adoption of IFRS 9 prepared by the Crédito Agrícola Group and reviewing its adherence to the principles of said standard; and
- Review of the effects identified by the Crédito Agrícola Group arising from the adoption of IFRS 9 with impact on the Crédito Agrícola Group's net equity position as at 1 January 2018.

On a sample basis, we analysed a group of clients within the Crédito Agrícola Group's individual

Key Audit Matter

responsibilities to the Crédito Agrícola Group and the possible existence of signs of default, the Crédito Agrícola Group develops an individual analysis process that includes an individual analysis of staging ("IAS"), in order to corroborate the allocation of automatic staging and an individual impairment measurement analysis ("IIA"). In the latter case, analysis is performed only for exposures classified in stages 2 and 3, in which the amount of impairment is determined through a detailed analysis of the economic and financial position of each individual customer, with reference to (i) the estimated cash flows that may be generated in the future for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received in the scope of the credit granted, whenever the recovery is anticipated by means of the assignment, execution and/or sale of the collateral, less the costs inherent to its recovery and sale.

- For exposures not covered by the individual analysis, the Crédito Agrícola Group developed collective analysis models to calculate expected impairment losses, in light of the requirements of IFRS 9, namely the classification of exposures by different stages according to the evolution of their credit risk since the date of its concession, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context, but also to incorporate a perspective of future economic evolution, these models use forward looking prospective information such as (i) the GDP growth rate; (ii) the unemployment rate; (iii) the evolution of the interest rate; and / or (iv) the prospects for the real estate market. On the basis of these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment based on a probability of occurrence.

Summary of the Audit Approach

analysis perimeter, based on the criteria defined in internal regulations, with the objective of: (i) reviewing the conclusions and results obtained by the Crédito Agrícola Group in the individual analysis of staging ("IAS") and in the individual analysis of impairment measurement ("IIA"); (ii) obtain our own judgment on the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Crédito Agrícola Group in its methodology.

For a sample of exposures classified in stages 2 and 3, representative of the credit population subject to individual analysis by the Crédito Agrícola Group as at 31 December 2018, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verify the adequacy of the cash flows used to determine impairment with those reflected in the contractual support; (iii) analyse the contractual support and the most relevant collaterals and confirm the registration of them in favour of the Crédito Agrícola Group; (iv) to analyse the evaluations of collaterals that were available; (v) to examine the criteria for determining a significant increase in credit risk (stage 2) and for classification under impairment (stage 3) on an individual basis; (vi) review the incorporation of forward looking information; (vii) a critical analysis of the discounted cash flows underlying the calculation of impairment; (viii) to assess the evolution of exposures; and (ix) understand the views of the Crédito Agrícola Group's officers regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits.

Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Crédito Agrícola Group, in order to assess the existence of

Key Audit Matter

In this context, changes in the assumptions or methodologies used by the Crédito Agrícola Group in the analysis and quantification of impairment losses of the credit to customers, as well as different recovery strategies, condition the estimation of recovery flows and timing of their receipt may have a material impact on the determination of the amount of impairment losses recognized in the Crédito Agrícola Group's consolidated financial statements as at 31 December 2018.

Summary of the Audit Approach

possible divergences.

For the portfolio whose impairment is assessed through the collective analysis model, a set of specific procedures were developed with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historic performance and recoveries of the Crédito Agrícola Group's loan portfolio, namely: (i) review of the methodological documentation for the development and validation of the models; (ii) analysis of the documentation of the backtesting exercise of the risk parameters and its results; (iii) review and testing of portfolio segmentation; (iv) analysis of the Crédito Agrícola Group's definition of default and the criteria applied in the classification of staging, on a sample basis; (v) review and testing of the main risk parameters; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default), including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of Expected Credit Loss ("ECL") for the loan portfolio, with reference to 31 December 2018.

Our auditing procedures also included a review of the disclosures for credit to customers, as well as the related impairment losses, in the accompanying notes to the consolidated financial statements, taking into account applicable and current accounting standards.

Key Audit Matter

Summary of the Audit Approach

Valuation of real estate properties received by credit recovery

Measurement and disclosures related with valuation of real estate properties received by credit recovery presented in Notes 17., 18. and 23. attached to the consolidated financial statements

As of 31 December 2018, the net value of real estate properties received by credit recovery and included in the headings Non-current assets held for sale ("NCAHS"), Investment Properties ("IP") and Other Assets ("OA") amounts to Euros 473,416 thousand, Euros 57,619 thousand and Euros 9,259 thousand, respectively.

In accordance with the policies in force in the Crédito Agrícola Group, the properties are subject to periodic evaluations, carried out by expert appraisers registered at the CMVM, which incorporate a set of assumptions, and which give rise to the recording of impairment losses whenever the amount resulting valuation, net of selling costs, is lower than its book value.

Given the significant expression of these assets in the consolidated balance sheet of the Crédito Agrícola Group and taking into consideration that their valuation requires the application of a set of assumptions and judgments by the management for the purpose of determining the amount and the moment of recognition of the corresponding losses due to impairment, this was a matter of relevance for the purposes of our audit.

The audit procedures we have undertaken included the identification and understanding of the key controls established by the Crédito Agrícola Group to identify real estate properties with signs of impairment, classified as NCAHS, IP and OA, to determine the corresponding amounts of impairment losses and ensure the corresponding accounting treatment in an appropriate and timely manner. Our procedures also included performing detailed tests.

For a sample of real estate properties, we conducted analyses on its valuation and, if applicable, the subsequent impairment loss recorded on the basis of the evaluations prepared by the external independent appraisers. This analysis also included an assessment of the reasonableness of the methodology applied and the assumptions used by the expert appraisers in determining the value of the selected properties. Whenever necessary, we held meetings to understand and challenge the judgments and assumptions adopted in preparing the valuations.

We evaluated the competence, capacity and objectivity of the expert appraisers contracted by the Crédito Agrícola Group, including confirmation of their registration with the CMVM.

For a sample of properties that were sold during 2018, we compared the sale value with the last valuation obtained, in order to assess the reasonableness of the valuations previously obtained by the Crédito Agrícola Group.

Our auditing procedures also included a review of the disclosures about NCAHS, IP an OA included in the notes to the consolidated financial statements taking into account applicable and current accounting standards.

Key Audit Matter	Summary of the Audit Approach
Financing of the Resolution Fund	
<i>Disclosures related to the Resolution Fund presented in Note 51. attached to the consolidated financial statements</i>	
<p>The resolution measures applied in 2014 to Banco Espírito Santo, SA - a process that led to the creation of Novo Banco, SA ("Novo Banco") - and in 2015 to Banif - Banco Internacional do Funchal, SA ("Banif") created uncertainties related to the possible insufficiency of resources of the Resolution Fund to ensure the fulfilment of its responsibilities, in particular the short-term repayment of the financing it has contracted for this purpose. These uncertainties have become more relevant due to the liabilities and contingent liabilities assumed, namely those resulting from:</p> <ul style="list-style-type: none"> • effects of the application of the principle that no creditor of the credit institution under resolution may incur greater loss than it would if it had entered into liquidation; • legal proceedings against the Resolution Fund; • negative effects arising from the resolution process resulting in additional responsibilities or contingencies for Novo Banco that must be neutralized by the Resolution Fund; • contingent capitalization mechanism associated with Novo Banco's sale process to Lone Star, under which the Resolution Fund, as shareholder of Novo Banco, may be called upon to make capital injections in the event of certain conditions related to the performance of a restricted set of assets of Novo Banco and the evolution of its capitalization levels; and • guarantee given to the obligations issued by the Oitante, and this guarantee is counter-guaranteed by the Portuguese State. <p>The contingent capitalization mechanism was first activated by Novo Banco in the amount of Euros 791,695 thousand related to audited accounts with reference to 31 December 2017, which resulted in the contraction of a loan in the amount of Euros 430,000 thousand from the</p>	<p>In the scope of our audit, we performed, among others, the following procedures:</p> <ul style="list-style-type: none"> • confirmation from Caixa Central that there were no changes to the contractual terms of the loan agreements entered into between the banks and the Resolution Fund, as well as the amendments thereto signed in August 2016 and February 2017; • monitoring of changes of greater significance to the simplified model of cash flow projections of the Resolution Fund; • follow-up of the relevant communications on the liabilities and contingent liabilities assumed by the Resolution Fund and / or Portuguese State; • analysis of the public communication of the Resolution Fund of 28 March 2018 and of 1 March 2019, regarding the payment to be made by the Resolution Fund to Novo Banco under the contingent capitalization mechanism established in Novo Banco; • reading the latest reports and accounts available from the Resolution Fund and Novo Banco; • analysis of the evolution of the Caixa Central's exposures to the Resolution Fund as well as an understanding of the Caixa Central's views on the economic and financial situation of the Resolution Fund and the predictability of expected cash flows from its regular revenues; and • holding meetings with the Caixa Central's management body to monitor available information on: (i) the outcome of legal actions in progress related to such resolution measures; and (ii) the contingent capitalization mechanism associated with the sale of Novo Banco to Lone Star and the liabilities assumed by the Resolution Fund under this transaction. <p>Our audit procedures also included the revision of the disclosures on provisions and contingent</p>

Key Audit Matter	Summary of the Audit Approach
<p>Portuguese State. According to the results of the 2018 fiscal year, recently announced by Novo Banco, the amount claimed in 2019 to the Resolution Fund, under this mechanism, will amount to Euros 1,149,000 thousand.</p> <p>At the beginning of 2017, the Resolution Fund publicly announced the contractual review of the financing it contracted with the Portuguese State and the participating banks to adjust and match the terms and conditions associated with such financing, in particular the extension of the repayment term, to enable the Resolution Fund to fully meet its obligations on the basis of its regular revenues, i.e. without charge, to the banks participating in the Resolution Fund, special contributions or any other extraordinary contribution. The evaluation of this capacity, and consequently of the risk of impairment of the financing granted by Caixa Central to the Resolution Fund, was based on a set of assumptions and estimates whose future evolution requires continuous monitoring.</p> <p>In these circumstances, the possibility that banks participating in the Resolution Fund will be called upon to make extraordinary contributions to the Resolution Fund is a concern for the Crédito Agrícola Group and for the banking sector in general, and to this extent the future evolution of this issue requires an attentive follow-up on our part, and therefore this was considered a key matter for the purposes of our audit.</p>	<p>liabilities in the notes to the consolidated financial statements of the Crédito Agrícola Group, taking into account applicable and current accounting standards.</p>
Employees post-employment benefits	
<u>Measurement and disclosures related with employees post-employment benefits presented in Notes 2.4. m) and 50. of the notes to the consolidated financial statements</u>	
<p>As at 31 December 2018, the liabilities for past services of the Crédito Agrícola Group with pensioners, employees and directors post-employment benefits amounted to Euros 88,582 thousand, mainly covering retirement and survival pensions, health care and death benefit, namely those predicted on the Vertical Collective Work Agreement for Crédito Agrícola, known as</p>	<p>The audit procedures we have undertaken included the identification and understanding of the key controls implemented by the Crédito Agrícola Group to ensure the information compiled and provided to the actuary is correct and complete to calculate the liabilities and future financing needs of the plan, as well as the adequacy of the process of calculating the fair</p>

Key Audit Matter

Collective Work Agreement for Credit Institutions of Crédito Agrícola Mútuo.

These liabilities are estimated based on actuarial valuations developed by an actuary of the Crédito Agrícola Group, certified by the Insurance and Pension Funds Supervisory Authority (ASF). These assessments incorporate a set of financial and actuarial assumptions, such as the discount rate, the inflation rate, the mortality and disability tables, the growth rates of pensions and wages, among others, which correspond to the best estimation of the management concerning characteristics of the benefits and the population of employees and the current and future behaviour of these variables.

In the specific case of the discount rate used in actuarial studies, it is determined on the basis of the market rates for high-quality corporate bonds in terms of credit risk, denominated in the currency in which the benefits will be paid (Euros) and similar maturity to the benefits plan expiration date.

In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on net liabilities as well as assets held to meet these liabilities, and this issue was considered a key matter for the purposes of our audit.

Information and technology systems

The information and technology systems and the controls implemented on the financial information preparation process, regarding the management of logical access and segregation of duties, was considered a matter of relevance for the purposes of our audit as the entire process of accounting processing and preparation of the financial information of the Crédito Agrícola Group is heavily dependent on complex computer systems.

Summary of the Audit Approach

value of the Fund's assets.

The audit work included meetings with the management and the actuary in order to identify the methodologies and the options considered in the definition of the main actuarial and financial assumptions adopted. Given the relevance of the required management judgments, we proceeded to evaluate the reasonableness of the main assumptions by comparing them with the data that we were independently able to obtain.

We performed a review the compliance (i) of the historic information of the employees used for the purposes of calculating responsibilities; (ii) accounting recognition of costs related to past services and other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the assets of the fund, calculating it, whenever possible, independently for a sample of assets held.

Finally, we have developed the detailed analysis of the actuarial study prepared with reference to 31 December 2018, based on the results of the procedures referred to above.

The audit procedures included the review of the directors, employees and pensioners' post-employment benefits disclosures included in the notes to the consolidated financial statements taking into account applicable and current accounting standards.

Our IT experts have reviewed the design and operational effectiveness of the Crédito Agrícola Group controls on critical information systems to the preparation of financial information. In addition, we conducted an extended set of tests on these controls, as well as detailed tests on the application systems and databases relevant to the scope of our audit, to ensure a satisfactory level of comfort on the integrity and accuracy of the financial information generated by the computer systems.

Risk of insufficient assets to cover contracted liabilities under life insurance segment

Measurement and disclosures related with the risk of insufficient assets to cover liabilities contracted under life insurance segment presented in Notes 27. and 30. of the notes to the consolidated financial statements

The heading Insurance contract technical provisions is a matter of relevance for the purposes of our audit, not only because of its relevance in the Liabilities, but also because this item requires, in relation to its determination, the application of subjective assumptions and judgments by the management of Crédito Agrícola Group. As at 31 December 2018, this heading amounts to Euros 1,120,211 thousand consisting of (i) a mathematical provision of life insurance of Euros 914,001 thousand and (ii) a provision for interest rate commitments of Euros 55,780 thousand. In addition, Other liabilities include financial liabilities in insurance contracts, which as at 31 December 2018 totals Euros 66,558 thousand.

The assessment of the adequacy of insurance liabilities is made based on the projection of future cash flows associated with each contract. These cash flows include premiums, deaths, maturities, redemptions, cancellations, expenses and commissions payable. This evaluation is carried out product by product and the curve used to discount the liability is a risk-free interest rate curve.

These evaluations involve judgments regarding the selection of the assumptions underlying the calculation, such as discount rates and redemption rates. The existing risk arises from the possibility of non-satisfaction of the guarantees assumed by the Crédito Agrícola Group for the commercialized contracts, due to the fact that there is no direct correspondence between assets and liabilities at the level of interest rate and maturity.

Our team, integrating actuarial experts, has developed the following main audit procedures:

- Identification and understanding of the process and controls considered key to the assessment of the adequacy of insurance liabilities, in particular in what concerns insurance products with assumed guarantees;
- Verification of the effectiveness of the controls associated with the recognition of mathematical provisions, the provision for interest rate commitments and financial liabilities of the deposit component of insurance contracts and insurance contracts and transactions considered as investment contracts for accounting purposes;
- Identification and evaluation of the assumptions used by management in assessing the adequacy of insurance responsibilities; and
- The development of independent tests for insurance contracts and investment contracts portfolios comparing the results obtained with those obtained by management.

In addition, our auditing procedures also included a review of the disclosures on mathematical provision of life insurance and provision for interest rate commitment included in the notes to the consolidated financial statements taking into account applicable and current accounting standards.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Crédito Agrícola Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Director's report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Crédito Agrícola Group ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Crédito Agrícola Group financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Crédito Agrícola Group internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- d) conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Crédito Agrícola Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Crédito Agrícola Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Crédito Agrícola Group to express an opinion on the consolidated financial statements. We are responsible for the direction supervision and performance of Crédito Agrícola Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one’s were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Director’s report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director’s report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director’s report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Director’s report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Crédito Agrícola Group, no material misstatements were identified.

Non-financial statement set forth in article nº 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article nº 451 of the Portuguese Company Law, we hereby inform the Crédito Agrícola Group stated in its Director’s Report that it will prepare a separate report of the

Director's Report that will include the non-financial information set forth in article nº 508-G of the Portuguese Company Law, which should be published on its website until the legal deadline.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

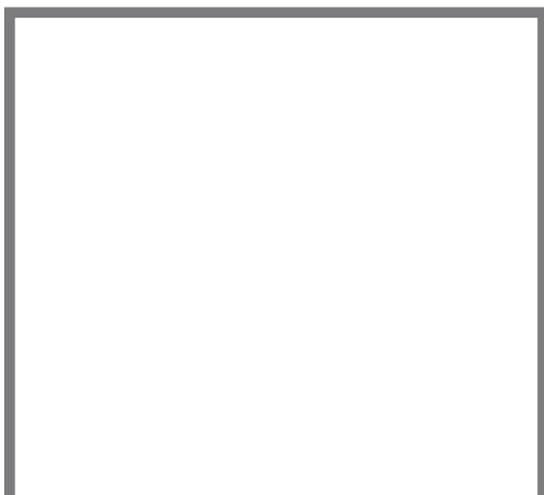
In accordance with article No. 10 of the Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Caixa Central in the Shareholders' General Meeting of 30 May 2015 for the financial year ended on 31 December of that year. Our last appointment was in the Shareholders' General Meeting of 28 May 2016 for the period from 2016 through 2018.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Crédito Agrícola Group supervisory board as of 28 March 2019.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remained independent of the Crédito Agrícola Group in conducting our audit.

30 April 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

Aurélio Adriano Rangel Amado, R.O.C.



Opinion of the
Advisory Board

VIII. OPINION OF THE ADVISORY BOARD

The Advisory Board of Caixa Central de Crédito Agrícola Mútuo hereby issues its opinion on the Consolidated Annual Report of Crédito Agrícola Group Mútuo for the financial year of 2018.

Having analysed the management report and accounts relative to the financial year of 2018 which will be submitted to discussion and approval at the Ordinary General Meeting on 25 May, the members of the Advisory Board issue the present opinion.

The Advisory Board was pleased to note the net income of Crédito Agrícola Group that surpassed 112 million euros. This fact is particularly impressive in an economic context marked by modest recovery but in which the profitability levels of the financial sector continue to be under pressure due to the historically low Euribor rates, the retraction of demand for credit, the challenges in the area of digitalisation and efficiency (e.g. European payments directive, PSD2), the high weight of unproductive assets (credit and real estate assets), and the growing requirements on control, internal governance and capital in the current regulatory framework.

The Management Report and Accounts highlight the alterations which have occurred in core business areas and the balance sheet variations and balances recorded at the end of the year, which, in our opinion, appropriately reflect the work developed by all the personnel that are part of Crédito Agrícola Group. These figures reveal the strong performance of the Caixas Agrícolas which, as a whole, contributed 91.4 million euros to the results obtained by the Group and the sound performance of Caixa Central which gave rise to a net income for the year of 14 million euros.

The Advisory Board recognises that the implementation of a bancassurance strategy, centred on the Customer and stimulated through a commercial monitoring model, combined with the daily effort of the Governing Bodies and employees involved in each of the Caixas de Crédito Agrícola Mútuo, supported by the central structures (Caixa Central and Group Companies), were critical factors in our achievement, in yet another year, of a notable performance embodied in the Group's results.

The document presented herein highlights, in a true and complete manner, the most important aspects that occurred in 2018, both concerning the Group's structure and the activities developed in pursuit of attainment of the established goals, always bearing in mind the timeless mission and values that have consistently guided Crédito Agrícola.

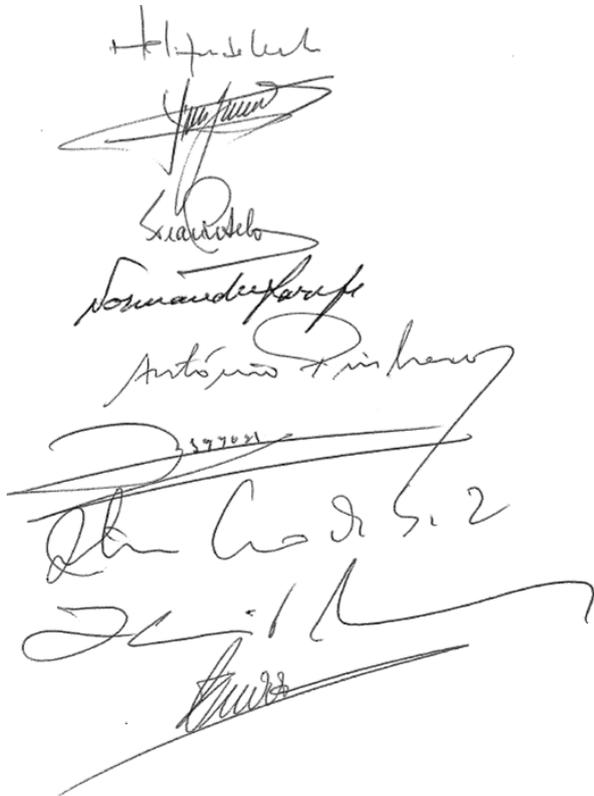
As we approach the end of the term of office for which we were elected, we would like to express our gratitude for and recognition of the cooperation that was always offered to us by Caixa Central, the Group Companies, their managers and employees. We are certain that they shall provide a suitable response to

the many challenges that will be placed before them in the near future, definitely focusing on means of payment, in view of the growing technological evolution and innovation, and a swift review of the Legal System for Mutual Agricultural Credit (RJCAM), fostering growth and an even stronger affirmation of Crédito Agrícola Group.

Thus, the Advisory Board proposes to the General Meeting that it approve the Consolidated Report and Accounts of Crédito Agrícola Group relative to 2018.

Lisbon, 7 May 2019

The Advisory Board



A collection of handwritten signatures in black ink, arranged vertically. The signatures are stylized and cursive. Some are partially obscured by horizontal lines drawn across them. The names are not clearly legible due to the handwriting.

2014

2015

2016

2017

2018

2019

2020

2021

2022

