



**ANNUAL
REPORT**

2017

CONSOLIDATED

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Message from the
Chairman of the
General and
Supervisory Board



MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

To the
Chairmen and Representatives of the Caixas de Crédito Agrícola Mútuo,

Grupo Crédito Agrícola achieved a record positive net income in 2017 of more than 150 million euros. This is naturally a most remarkable result, especially as it was obtained in a clearly adverse business environment. While it may be certain that the indicators of the national economy are showing an improvement, as portrayed by the macroeconomic review in this Annual Report, this has been accompanied by a rather lacklustre demand for credit in general, and by thoroughly unfavourable interest rate levels for the commercial banking sector, with interest effectively at minimum figures and market reference rates, including the Euribor rates, remaining negative for all periods.

The outcome achieved was especially influenced by gains in financial transactions and by the reversal of impairments, in net terms, particularly concerning the loan portfolio. These aspects were combined with the moderation applied in the remuneration of customer funds (which enabled defending the financial margin despite the aforesaid context of low interest rates). Furthermore, in contrast to the previous year, the real estate assets showed a less adverse performance, in a scenario where the main business variables maintained the strong drive that had already been evident in previous years as a result of the new dynamics of the commercial activity.

The Caixas Agrícolas as a whole, Caixa Central and the Companies all gave a very positive contribution to the results that were achieved.

Regarding the Caixas Agrícolas, the net profit for the year reached 89 million euros, exceeding the previous year's result by 10.9 %, strongly influenced by the reduction of the impairment level which stood at 7 million euros. It should be noted that all the Caixas presented positive results in 2017, with a single exception, with approximately 30 Caixas having achieved over 1 million euros, and some greatly above this figure. The Caixas should be justly congratulated for this magnificent performance in what was still a rather hostile business climate. As we have insistently mentioned, in spite of this very positive overall evolution, we still have a number of Caixas in which an improvement in their governance is critical, and very especially in their practices of credit concession and management of the respective risk, with a view to enhancing the robustness of the portfolio so that it can effectively be a source generating sustainable income for the Group. Some Caixas, fortunately only a few, do indeed show overdue credit indices that are clearly out of line in relation to the others. This situation is sometimes combined with a visibly excessive ratio of operating costs to operating revenues (the efficiency ratio), which then constrains the profitability of the Caixas in question.



In the case of Caixa Central, the institution closed 2017 with a net income of 55 million euros, by far the highest ever since the beginning of its activity in the mid 1980s. This outcome was largely influenced by the income from financial transactions, which were recorded in the context of the recomposition of the portfolios of securities managed by the Financial Department, decided, with an excellent sense of timing, in the preparation of the conditions for the entry into force of IFRS 9, which led to the settlement of positions in which there were considerable latent capital gains. Alongside this factor, the operating conditions of Caixa Central also benefited from the increased net interest income, concentrated in the first three quarters, combined with a mitigation of the losses in real estate assets, including those placed in investment funds (which had been very expressive in 2016, causing a heavy loss in that year). It should also be noted that as was the case of the Caixas, Caixa Central also recorded a reduction of impairment in its loan portfolio. With this performance in 2017, Caixa Central managed to clean its accounts of the large amount of negative retained earnings that had been burdening it over the last two decades, and which had reached more than 130 million euros. This is clearly a feat that merits highlighting, as this fact constitutes a true milestone in the institution's life, which the General and Supervisory Board takes great pleasure in saluting. At the same time as this evolution, the CET 1 ratio of Caixa Central increased to a level never achieved before, by reaching 14.9%, equalling that of the CA Group on a consolidated basis, which is, in fact, the highest in our financial system.

With respect to the companies, the insurance area once again gave a very positive contribution to the Group's results.

Thus, in the case of CA Vida, the company will present one of its highest annual net incomes of almost 7 million euros, despite the temporary containment introduced in the capitalisation business decided for strategic reasons which are linked to the entry into force of the Solvency II scheme. However, this decision is also explained by the adverse conditions prevailing in the financial markets in which the best risks appear to be associated to negative interest rates, not enabling the offer, to customers, of products with an interesting return and acceptable risk. Therefore, the company's business thrust has recently been almost exclusively based on risk products.

In the case of CA Seguros, despite the very severe impact (of close to 7 million euros, where this figure is net of resinsurance) of the cost of claims derived from the wave of forest fires that swept through vast tracts of national land in 2017, especially those of October, the year ended with a positive net income. Although this net income was lower than that of the previous year, it was still impressive, at 2 million euros. In this regard, we highlight the fact that the company achieved this result without resorting to exceptional measures beyond the scope of technical management. In particular, it was not necessary to resort to the realisation of financial gains, despite the latent capital gains in its investment portfolio, or to make any reduction in the brokerage fees paid to the Caixas, which remained at the levels that had been opportunely disclosed.

We should be proud of the way that our two insurance companies acted before the disastrous fires of 2017. CA Seguros immediately placed its teams of experts in the field to monitor the events, seeking to calm its insured persons to the extent possible, while CA Vida responded with extreme swiftness and in a very collaborative manner to the reporting of the claims that were made under its sphere of action.



In the area of management of assets and investment funds, in which CA Gest operates, it should be noted that positive operating earnings were recorded in 2017, of around 2 million euros. This figure contrasts with the loss of close to 300 thousand euros in 2016, which was due to a widespread contraction in the investment fund market. The positive net income of 2017 was the result of an operation to transfer the management of investment funds to a specialised entity outside the Group; therefore, being of non-recurrent nature. Moreover, in the company's recent evolution, we also highlight the expansion of its activity to the management of public debt portfolios of Associated Caixas, which has been raising growing interest among the latter as an alternative to the placement of its surplus liquidity.

The area of action of CA Imóveis naturally involves the effective management of the real estate acquired during credit recovery and the enhanced flexibility of its divestment. The conditions under which these assets were generally acquired, added to the market evolution, have led to operating losses. However, in 2017, even so, it was possible for CA Imóveis to very significantly reduce the level of its losses, which stood at around 2 million euros, compared to more than 10 million euros in accumulated terms in 2016 and 2015. This evolution was influenced by the fact that the resolution achieved in the last years in some of the files with greatest potential impact of losses has, to some extent, alleviated the current operating conditions. Furthermore, the losses incurred by the Group in its total exposure to real estate assets (which surpasses the restricted scope of CA Imóveis) were, in 2017, as noted above, much less expressive than in previous years. Indeed, it should be noted that occasional capital gains are beginning to occur in some assets, reflecting the improvement of the real estate market, in particular its residential segment.

Concerning the area of information technologies and systems, CA Serviços and CA Informática have managed to maintain a balanced operation, without overloading costs to the Caixas, despite the enormous impact on this area's activity of the new supervisory and regulatory requirements. These requirements affect both the prudential and behavioural supervision sphere, as all these new impositions are inevitably reflected in the information systems, implying costly investments to make the adaptations and transformations that have become necessary, and which in general must be made in very limited intervals of time. We highlight the capacity that has been demonstrated to comply with all these requirements, in due time, which in 2017 is even more merit-worthy as it coincided with the imperative and undelayable effort to restructure the technical infrastructure underpinning the Group's core system. In this area special note should also be made of the progressive introduction of the new pricing scheme which is intended to bring in greater transparency and be a factor of efficiency.

Finally, the Group's performance on the commercial front should also be highlighted as very positive, where, thanks to the new integrated policy, with goals established for the main business variables and the introduction of systematic practices aimed at combining efforts and their effective stimulation, it was once again possible to surpass the accomplishment level of the previous year, attaining a new maximum in commercial terms. Thus, of the twenty-one goal-variables that were defined, only one established target was not achieved. It should be noted, very much in particular, that in credit, the key component in the commercial banking activity, we maintained very significant growth, both for companies and individuals, against the cycle shown by the sector as a whole, implying that our market share has now attained the rather expressive level of 5%. A few years ago, it was around 3%. The growth of the insurance area was also notable, with the new production in the real branches expanding at a two-digit rate, with CA Seguros having exceeded 100 million euros of premiums, which is a milestone in the company's life. And in life insurance,

the portfolio of risk products (the component that ultimately sustains the company's value) has also maintained sustained growth, in general well above that observed in the market as a whole.

All this evolution consolidates, in sum, the vision that Crédito Agrícola is doing extremely well, with an accumulation of positive aspects in the image that the Group portrays to the market and to society in general. We frequently receive, from the most varied origins, very favourable appraisals of our Group's situation, conveyed in the most important media, contrasting with the widespread feeling in relation to the banking sector which, affected by the financial crisis, still tends to be adverse. Not to mention the distinctions that the Group's different entities have continued to receive (in banking, non-life insurance, life insurance and fund management) for the performance achieved and/or due to particular aspects of its activity.

It is therefore legitimate that we should feel proud (in a healthy manner rather than with arrogance) in relation to Crédito Agrícola and to the elevated position that it has reached within the national financial system, despite the eminently local nature of its original institutions, the Caixas Agrícolas, founded in the countryside by mere farmers in order to resolve immediate problems experienced within their communities.

Nevertheless, the people of Crédito Agrícola would never have been content for the Group to be seen as second place in the panorama of the national financial sector. Thanks to the fierce tenacity and vision of many directors, the Group has always strived to be endowed with all the operating means to enable it to rub shoulders with all the other institutions, and the results are clearly evident. In addition to being a very solid bank, Crédito Agrícola is also an extremely modern bank, able to offer its associates and customers the very best that can be found in the financial system.

Everything that we achieve gives us a strong boost to face the future with great confidence. But we would be committing a serious mistake if we were unaware of our limitations and the major challenges lying ahead of us, and for which we must find the appropriate response.

Naturally, part of the challenges comes from the regulatory and supervisory sphere, with successive waves of new legislation and regulation, along a path initiated with the outbreak of the financial crisis which has not yet been quelled. Added to this are new kinds of concerns of great importance, highly demanding and rigorous, like those related to the prevention of money laundering and terrorist financing, and all behavioural regulations. Neither Crédito Agrícola nor the type of institutions that share with us the same principles in the conduct of banking business, namely cooperative banking, were at the origin of the crisis, but rather to the contrary, we were a victim of the crisis just like the rest of society. However, we know that the new legislative and regulatory pressure has a general reach and affects us to the same extent as all other institutions. So, we must adapt and do whatever is necessary to comply with our regulatory obligations, as has always been our appanage.

But alongside the regulatory requirements, there are important challenges posed by the present time, and which may perhaps be more decisive than those of purely legislative and regulatory order. I have already mentioned the need to improve the governance and certain business practices of our institutions, but we must also concentrate on the imperative need to rejuvenate our base of associates and customers, and expand our activity to segments of the economy, namely certain layers of the business structure in which the Caixas have not been very active, but which are fundamental to comply with our mission of drivers of economic and social development at a local level, and to sustain the Group's business in the future.

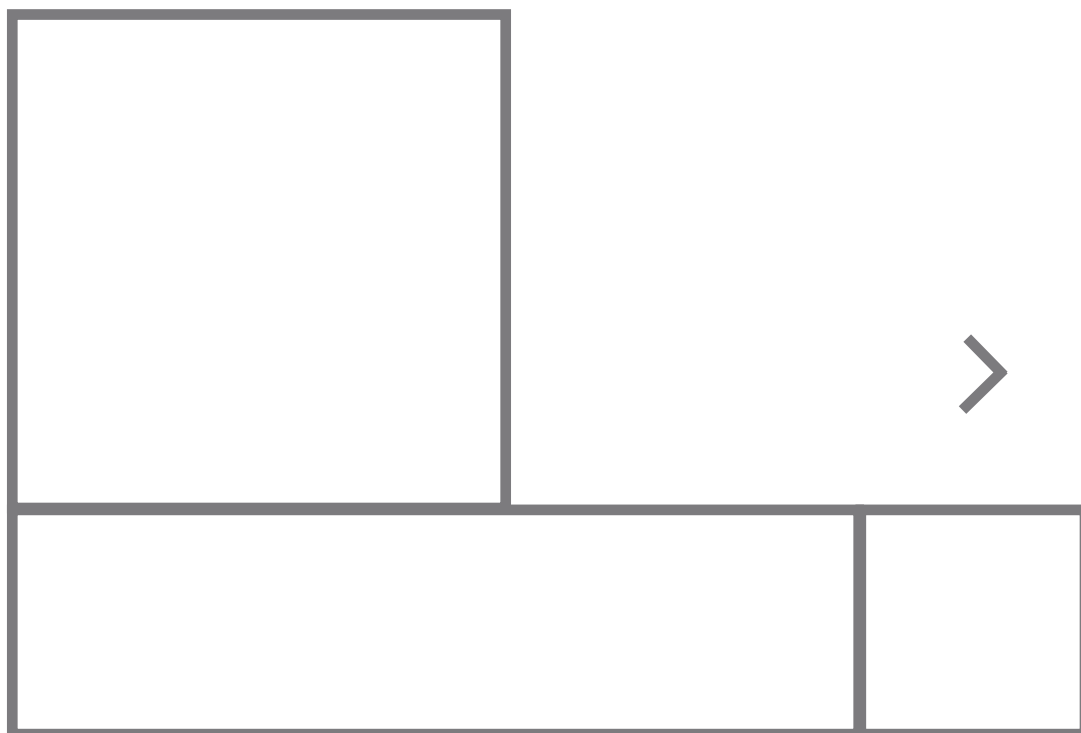
And already before us is the digital challenge, which banks must take very seriously, as this challenge criss-crosses the very core of the habits of the younger generations and the type of banking relations they prefer. This involves the use of digital infrastructures rather than contact in person at the branch, and will naturally tend to constitute the dominant mode in the future, progressively more so as the younger generations fully enter into active life.

Crédito Agrícola has already shown in its past a great capacity to respond and surpass itself in the challenges it has encountered, and I am absolutely convinced that, once again, we will be able to transform the current challenges into opportunities to develop and grow, and thus continue to enhance the robustness and greatness of the Group.

Lisbon, 26 April 2018

The Chairman of the General and Supervisory Board

A handwritten signature in black ink, appearing to read 'António Gomes', written in a cursive style.



Key indicators of
the Group and
SICAM

KEY INDICATORS OF THE GROUP

Evolution of GCA

Values in million euros

	2014 Dec.	2015 Dec.	2016 Dec.	2017 Dec.
Customer Funds (on and off-balance sheet)	12,655	13,212	14,060	14,868
of which deposits	10,537	10,910	11,726	12,586
of which capitalisation funds and insurance a)	2,118	2,302	2,334	2,282
Gross Credit to Customers	8,099	8,373	8,651	9,373
Net Credit to Customers	7,261	7,555	7,941	8,721
Net Assets	15,051	14,936	16,699	17,988
Net Worth	1,211	1,205	1,244	1,449
Net Interest Income	307	310	327	330
Net Commissioning	101	98	105	113
Insurance Technical Margin	-21	20	14	9
Operating Income	577	515	467	562
Net Income	27	54	58	152
Ratio of Credit Overdue > 90 days	8.0%	7.8%	6.2%	5.4%
Ratio of Coverage of Overdue Credit - %	122.9%	122.5%	129.8%	125.5%
Common equity tier 1 - phased in	13.1%	13.0%	13.6%	15.2%
Total Solvency Ratio - GCA - %	13.1%	13.5%	14.4%	16.0%
Efficiency Ratio - GCA - %	57.5%	63.8%	73.1%	60.4%
Return on Equity (ROE) - %	2.2%	4.5%	4.7%	10.5%
Return on Assets (ROA) - %	0.2%	0.4%	0.3%	0.8%
Number of employees b)	4,158	4,121	4,054	4,068

Notes:

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

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

KEY INDICATORS OF THE BANKING BUSINESS (SICAM)

Evolution of Banking Business

Values in million euros

	2014 Dec.	2015 Dec.	2016 Dec.	2017 Dec.
Customer Funds	10,620	10,970	11,771	12,638
Gross Credit to Customers	8,147	8,430	8,713	9,435
Net Credit to Customers	7,310	7,578	7,998	8,783
Net Assets	13,267	13,060	14,881	16,437
Net Worth	1,168	1,173	1,227	1,444
Net Interest Income	248	245	276	290
Net Commissioning	129	130	138	148
Operating Income	554	503	475	533
Net Income	25	56	72	148
Loan-to-Deposit Ratio - % a)	68.8%	69.1%	67.9%	69.5%
Efficiency Ratio - SICAM - %	54.2%	59.8%	66.0%	59.4%
Return on Equity (ROE) - %	2.1%	4.8%	5.9%	10.2%
Return on Assets (ROA) - %	0.18%	0.4%	0.5%	0.9%
Leverage Ratio	11.4	11.1	12.1	11.4
Number of CCAM	82	82	82	81
Number of Branches (Total of SICAM) b)	683	683	673	669
Average Net Assets by CCAM c)	161,788	159,266	181,471	202,927
Average Number of Branches/CCAM d)	8.2	8.2	8.1	8.1
Number of employees e)	3,706	3,674	3,604	3,619

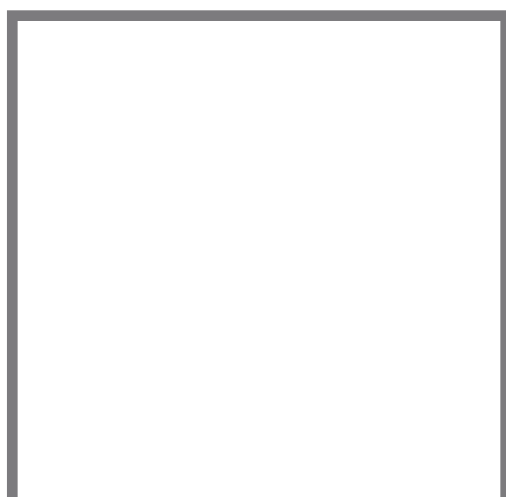
a) Ratio calculated as net credit divided by funds pursuant to Banco de Portugal Instruction 23/2011.

b) Includes Caixa Central branches

c) Values in thousand euros

d) Refers only to branches of the Associated Caixas (SICAM - Integrated System of Crédito Agrícola Mútuo)

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



Presentation of
the Report

PRESENTATION OF THE REPORT

Economic environment

The year of 2017 recorded the highest level of economic growth in the last 10 years (2.7%), with the last quarter having been marked by a slight slowdown of activity in relation to the previous quarter. Boosting this dynamic of growth were investment and exports.

In 2017, the weight of exports in nominal gross domestic product (GDP) was 43%, an increase of 16 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 that the business sector has been undergoing 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 GDP up to 2010 to surpluses close to 2% of GDP currently and since 2013.

Despite the improvement of the conditions in the labour market, private consumption maintained more moderate behaviour. The better economic conditions were reflected in the reduction of the unemployment rate which, in the third quarter of 2017, stood at 8.5% of the active population. The medium and long-term unemployment reached levels of 2006.

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 33 p.p. from 171% in 2012 to 138% in 2017. The need to reduce leverage levels has restricted investment levels which, in 2017, stood at close to 21% of value added. In turn, the public sector and private sector show indebtedness close to 130% and 212% of GDP.

This deleveraging process and consequent retraction of demand for credit naturally had an impact on the activity of a financial group such as Grupo Crédito Agrícola, 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 2017, the public debt ratio was around 130.7% of GDP and closed the year of 2017 at 125.6%. This was the result of a series of early repayments, in particular to the International Monetary Fund whose cost was higher than that obtained from treasury bonds issues and retail saving products. Public debt ended 2017 at 242.6 billion euros, representing an increase of 1.6 billion euros in relation to that recorded at the end of 2016. The budget balance of public administrations of 1.1% of GDP in 2017 should have been slightly below the initial target



Chairman of the General and Supervisory Board
Carlos Courelas

forecast by the Government of 1.4% of GDP, benefiting from the good moment of the economic cycle, reflected in the increased indirect fiscal revenues and in the stabilisation of the level of public expenditure.

The interest rates of the Portuguese Republic continued to record minimum levels, due to the reduction of the perception of the sovereign risk by investors, fostered by the good economic performance and by the evolution of public accounts. This materialised in the upgrading of the Republic's rating to "BBB-" (investment grade) by Standard and Poor's in September, and to "BBB" by Fitch in December 2017. On 8 December 2017, the rate associated to Portuguese debt at 10 years reached 1.786%, thus breaking the barrier of 1.8% for the first time since April 2015. On that same date, the rate at five years decreased by 2.6 points to 0.428%, which also represented the lowest value ever. In January 2018, the differential for German debt was lower than 150 basis points.

The European Central Bank (ECB) is progressively adjusting to the monetary policy towards a less expansionary profile, reducing the amounts of acquisition of financial assets, and indicating a possible revaluation of the deposit rate level if the economic scenario continues to evolve favourably. In spite of the cycle of economic recovery in the euro zone, the global risks continue identified, with the ECB showing willingness, if necessary, to extend the unconventional monetary policies for the period of time that may be required.

Financial performance of the Group

Grupo Crédito Agrícola presented a consolidated net income of 152.1 million euros in 2017, showing comfortable liquidity and solvency. This record result of the Group was essentially due to the banking business which grew by around 105% in relation to 2016, as well as the insurance and asset management companies of the CA Group, which contributed with an aggregate net income above 10 million euros.

The portfolio of gross credit to customers reached 9.4 billion euros, corresponding to growth of 8.3% compared to 2016, maintaining the increase in credit concession in stark contrast to that observed in the market, which recorded a reduction in the stock of credit granted to customers of around 2.8% year-on-year. This enabled Grupo Crédito Agrícola to strengthen its market share to 5.0% of the credit granted in Portugal. Loans to companies and the administrative public sector presents a relative weight above 52% in the credit portfolio, with growth of 11.6% having been recorded in relation to 2016.

Total customer funds reached 14.9 billion euros, reflecting year-on-year growth of 5.7% (distributed over deposits which increased by 7.3% and by investment funds and capitalisation insurance which increased by 2.2%) in relation to the value recorded at the end of 2016.

Operating income increased by 20.4% to 562 million euros, largely on account of the increased net trading income (+64.5 million euros), as net interest income presented a positive contribution (+3.0 million euros). Net commissions increased by 7.4%, having reached 113.0 million euros.

In 2017, the Group's structural costs decreased by 0.06% year-on-year, corresponding to a decline of 1.9 million euros in absolute terms.

In 2017, GCA credit portfolio showed a reduction of the levels of over 90 days overdue credit, in relation to the same period of the previous year, of around 23.1 million euros (-4%), confirming the trend of improvement of the default rate observed in recent years. This reduction was influenced by the more dynamic socioeconomic context of the country as well as the effort made by the CA Group towards improving the analysis of credit risk and the investment in initiatives and tools to support the standardisation of the processes of credit granting, monitoring and recovery. This led to the ratio of credit overdue by more than 90 days standing at 5.4%, showing an improvement of 0.7 p.p. in relation to the previous year. We also highlight the level of provisioning to cover total overdue credit of 125.5%, observing more conservative criteria than those recorded on average in the market.

It should be noted that, during 2017 and with respect to the direct exposure to real estate assets, over 100 million euros of sales of real estate properties and 39 million euros of accrued income was recorded. This demonstrates that the underlying strategies, processes and tools, combined with the better market conditions, effectively produced results, with the entire CA Group dedicated to pursuing the marketing effort.

Grupo Crédito Agrícola own funds reached 1,426 million euros (+199 million euros in relation to the same period of the previous year), corresponding to a growth of 16.2% year-on-year. Own fund requirements to cover credit and operating risks increased as a whole by 4.0% in relation to 2016.

In this context, the common tier 1 (CET1) and total solvency ratios, calculated for 2017 based on the application of the transitional provisions (phased-in) and full application (fully implemented) of the rules established in Regulation (EU) 575/2013, are greatly above the regulatory minimum stipulated by Banco de Portugal, at 15.2% and 14.8%, respectively.

The Banking Union has also brought in challenges and new regulatory requirements, namely new requirements on liquidity, disclosure of information on encumbered assets and minimum amounts of liabilities than can be used to absorb losses (bail-in), new classifications incorporated in reporting frameworks, guidelines as to NPE divestment strategies, tighter levels of scrutiny on business models, among others.

The programme of reduction of unproductive assets, currently underway, aims to mitigate the risks associated to (i) the high exposure to credit risk, particularly in cases of credit to companies undergoing insolvency procedures, which can create significant and prolonged direct and indirect costs; (ii) the time of credit recovery, especially in the case of mortgage guarantees, dependent on the performance of the legal system, which can imply a deterioration of asset value; and (iii) the high exposure to the risk of real estate devaluation which, among others, can be created by the swelling of credit recovery procedures and the need for the rapid and massive sale of real estate assets in order to comply with the ongoing agreed divestment plan.

Organisational and technological development projects

Under the planned activity of technological development during 2017 and as a result of the close collaboration with the business and supporting areas and the teams developing information and technology systems, 59 projects were completed (compared to 65 in 2016) and 298 microprojects (compared to 375 in 2016). This corresponds to an allocation of, respectively, 59,998 and 22,750 hours of internal resources and external resources with technological profile (35,200 and 26,200 hours, respectively, in 2016). Complementing the above, close to 49 projects (compared to 51 in 2016) and 131 microprojects (compared to 56 in 2016) were carried over from 2016 which, in 2017, amounted to a total effort of 59,726 hours and 15,630 hours, respectively (108,000 and 5,400 hours, respectively, in 2016).

During 2017, 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 43 initiatives being monitored.

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, now presents a new approach to the classification and measurement of financial Instruments (incorporating the issue of calculation of impairment losses). IFRS 9 represents one of the current prudential supervision priorities of Banco de Portugal and the Single Supervisory Mechanism. In this regard, Caixa Central operated proactively, in order to implement the appropriate accounting and prudential reflection of this standard from its initial application date and, in 2017, create the necessary conditions to position the portfolio of investments under management according to the strategic objectives of Caixa Central and SICAM.

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). The work relative to the ALM engine and planning module were completed in 2017, and the preparation of the reporting and liquidity module was started.

The CA Target infrastructure was implemented with a view to providing, to the Associated Caixas, business opportunities based on events that occur in the Customer's life cycle and in its cycle of relations with Crédito Agrícola. The engine is currently being used, with dozens of analytical models having been developed to determine the propensity of acquisition of products and services. Complementing this, in 2017, the initiative of quality data at SICAM enabled making data corrections to close to 95 thousand Customers, involving the correction of over 1.4 million errors.

In 2017, under a multiannual project, developments were made to the multichannel platform CA Flow Credit in a phased approach (1st phase: consumer credit; 2nd phase: mortgage loans and multi-purpose credit). This solution entails the linking of simulators to a solution of proposals, making full use of the collected information and its conversion into business opportunities. In line with the implementation of CA Flow Credit, a new consumer credit destination was developed which can be taken out by the Customers in an easy and fast manner through subscription at a distance or presential, with immediate approval. Here, the model of risk behavioural analysis was used for these types of customers and products.

In order to optimise the process of sale of new credit cards at the branches, ensuring the indispensable compliance with the regulations, some automated procedures were incorporated which, in line with the rules defined in CA Target and with the commercial commitments generated for treatment by the sales force, led to a simplified process of approval. A process was also developed that, using historical information, ratios and other financial indicators, enables an updated perception of the level of risk at any time, re-analyses the Customer's risk and consequently the credit card's limit.

Under the standardisation of processes, in 2017, an additional functionality was developed for the Jvris tool which consists of the connection of the external lawyers' offices of Caixa Central and the Associated Caixas. This functionality is currently in use at 23 law firms.

In 2017, various initiatives were developed and implemented for the Commercial Information and Management (IGC) tool, aimed at updating new items and enriching the presented information, maximising the control of business results.

In order to improve the efficiency and integrated management of the Group's human capital, a review was made of all the processes and activities related to the management of human resources at Caixa Central, with the definition of a model of processes aimed at the provision of services to the CA Group based on the harmonisation of the models and policies underpinning the Group's human resources strategy, as well as a roadmap of improvements to be launched in 2018. On matters of internal communication, the necessary technological migration of the intranet platform (from CMS to Sharepoint) was seized as an opportunity to develop a new vision and implement a new version of the Corporate Portal which is more collaborative, more inclusive (designed and implemented for all the Group's employees), more task-oriented (efficiency) and more aligned with the Group's image. Complementing this, a digital newsletter was developed, published monthly, named "CA Entre Nós", to foster the Group culture among all the employees and senior staff of the Group.

In a context in which self-development is gaining crucial importance in institutions which are increasingly more confronted with the accelerating obsolescence of information and knowledge, an e-learning platform was developed for the CA Group which enables the implementation of simultaneous training actions, involving different groups of trainees, including a knowledge assessment component. The training and learning process has thus become more flexible and faster for the employee and for the institution. In this regard, it is expected that 2018 will be enriched with training actions at a distance and in a context of mobility.

The adaptation of systems and design of processes was started in 2017, including in-house training to adjust SICAM to the regulatory requirements of MIFID II. This regulation has impacts in terms of new rules on information and protection of customers/investors in the marketing/distribution of financial instruments and the definition of policies on production and distribution of financial products which ensure their suitability to the target markets and pre and post-negotiation reporting and transparency duties.

With a view to designing a CA Group Transformation Plan to meet the requirements on personal data protection, during 2017, activities were developed for diagnosis on non-conformities with the General Data Protection Regulation (RGDP) and identification of the respective recommended measures of correction. This regulation enters into force from 25 May 2018 onwards and seeks to ensure the appropriate protection of the personal data of customers, employees and others.

In order to meet the need for automation of pledges, a solution has been developed, together with SIBS Processes, which was operationalised at Caixa Central and, as a pilot, in one CCAM. The complete autonomy and automation of the process of treatment of pledges at the Associated CCAM and CA Vida is expected to be in place by the end of 2018.

In view of the need to reduce general administrative overheads associated to lawyers' fees, as well as the need to promote a standardisation of the tables of service provisions at SICAM, the rules for contracting lawyers in the Group was approved on 21 December 2017 and published on 3 January 2018 taking immediate effect.

Concerning matters of control functions, an IT platform was developed for SICAM (named GRC) aimed at supporting the audit process based on risk, improving compliance activity, making the management of operating risk and automating (to the extent possible) the management of flaws in internal control. The parameterisation of the Internal Audit module was completed. The training of the internal auditors of SICAM, through non-presential sessions, started in mid January 2018. The module of management of flaws needed customisation material to safeguard the regulatory requirements, where it is planned that the 1st internal control report of 2018 should be produced based on the available information in GRC.

It is important to note that, during 2017, the necessary support was provided for the accomplishment of the mergers of the Associated Caixas of Alcobaça and Cartaxo (deed drawn up on 25 September 2017, taking effect in the accounts on 29 September 2017) and the Associated Caixas of Pernes and Alcanhões (deed drawn up on 18 December 2017, taking effect in the accounts on 1 January 2018).

In March 2017, the Single Assessment Model was implemented at Caixa Central, plus the respective supplementary instruments of this assessment, with completion of the process of assessment of the holders of key positions on 4 May 2017. This Model began to be implemented at the Associated Caixas on 26 May 2017 and continued during the remaining months of 2017 and beginning of 2018.

In October 2017, a Quantitative Monitoring Model was approved for the Associated Caixas, based on the performance of a series of risk indicators, in line with those defined under the Risk Management Function for the Integrated System of Crédito Agrícola Mútuo. The performance of these indicators enables placing the Associated Caixas at different risk levels, corresponding to different supervisory regimes. In line with the strengthening of the internal control procedures and adjustment of the internal governance structure, the Disciplinary Regulations were completed and submitted to the approval of the Executive Board of Directors on 21 December 2017, with the opinion of the General and Supervisory Board having been requested. With the favourable opinion of the General and Supervisory Board, the Executive Board of Directors definitively approved the binding regulations for the Associated Caixas on 25 January.

Market recognition

In 2017, Crédito Agrícola was awarded for the fourth consecutive year the title of “**Best Bank in Customer Attendance Service**”, and was also referred to in Banco de Portugal behavioural supervision report of the 1st semester of 2017 as **one of the institutions with lowest number of complaints recorded**.

CA Vida achieved **first place in the rankings of image and customer loyalty**, according to the National Customer Satisfaction Index of ECSI Portugal 2017.

CA Seguros was distinguished, for the seventh consecutive year, as **Best Non-Life insurer of its segment**, by the Magazine Exame in partnership with Deloitte and Informa D&B.

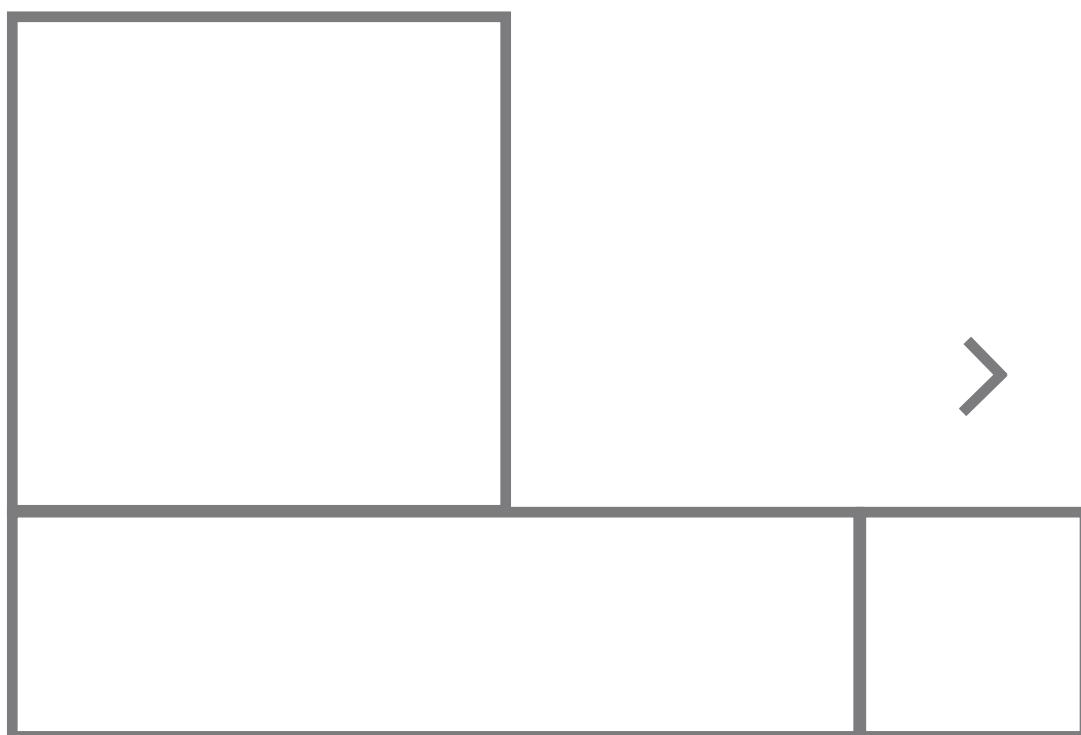
The investment funds **CA Monetary** and **CA Income**, marketed in Crédito Agrícola network, were the **most profitable** in 2017 in the respective categories and consequently eligible for attribution of the APFIPP award.

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 Raposo Frade, Licínio Prata Pina (chairman), Ana Paula Ramos, José Maia Alexandre (from left to right)



Relevant facts
2017

RELEVANT FACTS OF 2017

Distinctions achieved by Crédito Agrícola

In 2017, Crédito Agrícola was awarded for the fourth consecutive year with the title of “Best Bank in Customer Attendance Service”, and was also referred to in Banco de Portugal behavioural supervision report of June 2017 as one of the institutions with lowest number of complaints recorded.

The distinctions received were not exclusive to the banking business, with CA Vida having led the rankings of Customer Loyalty and Image of the National Customer Satisfaction Index of ECSI Portugal 2017.

Likewise, CA Seguros was distinguished, for the seventh consecutive year, as Best Non-Life insurer of its segment, by the Magazine Exame in partnership with Deloitte and Informa D&B.



Brand consolidation events in 2017

January

- Crédito Agrícola was distinguished for the third consecutive year with the Five Stars Award in the category “Banking - Customer Attendance Service”.
- CA Vida achieved with first place in the rankings of Customer Loyalty and Image, two classifications obtained in the National Customer Satisfaction Index of ECSI Portugal 2016.
- Launch of the Campaign to join the Internet Banking service with the weekly lottery of an iPhone 6s and the offer of the first annuity of the insurance CA Family Civil Liability.
- Grupo Crédito Agrícola managed to obtain the best profitability, relative to 2016, in three of its Equity Investment Funds in the respective categories (CA Monetary, CA Income and CA Alternative), with CA Monetary having achieved this distinction for the eighth consecutive year, according to the profitability levels disclosed by the Portuguese Association of Investment Funds, Pensions and Assets.
- Launch of the CA Agriculture Campaign intended for the agricultural, forestry, sea and agro-industrial sector, which included a series of solutions or daily management, financing and protection.

February

- Grupo Crédito Agrícola, in partnership with the Portugal Fresh Association, attended Fruit Logistics for the fourth year consecutively, the largest horticultural fair of the world, in Berlin.
- Official sponsor of the 4th edition of “Chocolate in Lisbon”, one of the most emblematic events of the chocolate sector, which was held in Campo Pequeno.
- Crédito Agrícola promoted, in partnership with Portugal Fresh, the workshop “Cooperate to Export”, aimed at producers, entrepreneurs and representatives of entities of the horticultural sector.
- To mark Crédito Agrícola Day, which was celebrated on 1 March, the institution launched a campaign aimed at current and potential customers that open an account, subscribe/strengthen financial products and services of the Group, where an electric motor vehicle was raffled.

March

- Grupo Crédito Agrícola attended the 22nd edition of SISAB (International Fair of the Food and Beverage Sector) with a stand presenting its products and services aimed at companies intending to internationalise or that are already exporting.
- Official sponsorship of the 6th edition of the “Gourmet Market” which presented the best national offer of gastronomic and wine products of Portuguese origin, which was held in Campo Pequeno.
- Crédito Agrícola, in partnership with ADRAL (Regional Development Agency of the Alentejo), presented the “ADRAL & CA Ideas Competition”, aimed at promoting projects which embody the concept “doing differently with greater efficiency and economic feasibility”.
- Crédito Agrícola was, for the 7th year, the official sponsor of AGRO – 50th International Fair of Agricultural, Livestock and Food. The Group's presence was also marked by a stand, where visitors could learn about the universal offer of products and services provided by the only Portuguese cooperative group.

April

- Launch of the campaign “CA Protection and Investment Solution”, specifically aimed at customers of the CA Dedicated segment. The campaign products included the Family Protection Life Insurance, CA Health Insurance and Open Pension Funds of CA Vida.
- Launch of a new campaign directed at companies, under the motto “Se a sua empresa precisa, estamos CÁ” [*If your company needs it, we are here*], aimed at meeting the needs of business customers and their demanding challenges of innovation, competitiveness and/or internationalisation. The offer included a set of financing, protection and specialised service solutions.
- Crédito Agrícola sponsored Ovibeja, the largest primary sector fair of the south of the country. In addition to the sponsorship of the fair, Crédito Agrícola was also exclusive sponsor of the 7th International Competition of Extra Virgin Olive Oil - CA Ovibeja Award.

May

- Launch of the CA Housing Solutions campaign, under the motto “Instalments that correspond to your budget”, proposing credit with special financing conditions for customers intending to acquire, build or rebuild a house, based on competitive spreads and special conditions.
- Grupo Crédito Agrícola sponsored the conference “Better Alentejo”, in Beja, an initiative aimed at enhancing the value of the identity and authenticity of this region of major agricultural, commercial, agro-industrial, touristic and cultural excellence.
- Crédito Agrícola distinguished its corporate customers that, in 2016, received the status of SME Leader and SME Excellence, a quality stamp attributed by IAPMEI and Turismo de Portugal to the companies that most contributed to the competitiveness and development of the national economy.

June

- The Equity Investment Funds (FIM) CA Monetary and CA Income, of Grupo Crédito Agrícola, were distinguished by the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP) and by Jornal de Negócios, with the “National Management of Collective Investment Bodies” award in the respective categories.
- Grupo Crédito Agrícola one again sponsored the National Agricultural Fair, in its 54th edition, under the theme “Cereals of Portugal”, with a stand presenting its universal offer of products and services, both for entrepreneurs and individuals.
- Crédito Agrícola opened a solidarity account to support the victims of the fire which ravaged the central region of the country since 17 June.

July

- Grupo Crédito Agrícola and the Business Association of the Region of Santarém, NERSANT, signed a protocol to provide financial products and services to the members of this entity.
- Grupo Crédito Agrícola joined the Movement for Active Digital Use (MUDA), an initiative aimed at fostering the “digital education” of the Portuguese, thus contributing to a more evolved, inclusive and participative society and in this way creating a stronger and more competitive economy.

- Crédito Agrícola once again renewed its sponsorship of Expofacic - Agricultural, Commercial and Industrial Fair of Cantanhede, the largest fair of the central region and one of the largest nationwide, which took place in Cantanhede. The Group was represented through a stand, displaying its universal offer of products and services.

August

- Crédito Agrícola supported the 38th edition of FATACIL, the largest Handicraft, Tourism, Agriculture, Commerce and Industry fair of the Algarve. The renewal of this sponsorship is aligned with the Bank's philosophy: being on the side of what's best produced in Portugal.
- Crédito Agrícola delivered the donations collected by the CA Solidarity Account, amounting to 218 thousand euros, to the Union of Portuguese Misericórdias, aimed at supporting the victims of the forest fires with devastated the central region of the country in June, and mitigating the drastic consequences derived thereof.
- Grupo Crédito Agrícola and Grupo Lusiaves signed a protocol aimed at supporting the LUSITERRA project. Here, Crédito Agrícola aims to help boost the production of the Members of Grupo Lusiaves, by providing an offer of financial products and services under preferential conditions.
- Crédito Agrícola was the official sponsor of the National Horticultural Fair, held in Caldas da Rainha, and AGRIVAL - Vale do Sousa Agricultural Fair. Crédito Agrícola was present at two events with a stand displaying its offer of products and services.
- Disclosure of the six-monthly results of 2017 of Grupo Crédito Agrícola: positive net income of 46.9 million euros.
- Grupo Crédito Agrícola established a protocol with the Regional Government of Madeira, to provide financial means for sugar cane producers (credit line of 2.3 million euros).

September

- Launch of a campaign aimed at young entrepreneurs, under the claim “If you have different ideas, you need a bank to accompany you”, which sought to provide the opportunity to accomplish their projects through access to credit lines with rebates on the interest rates and prices in force.
- Grupo Crédito Agrícola launched the “4th Wine Competition” aimed at producers and cooperatives of all wine-producing regions of the country, in partnership with the Association of Sommeliers of Portugal.
- Crédito Agrícola presented a new area at CA Express, an innovative digital service which enables the rapid opening of accounts for Individual Customers (by reading the Citizen Card), with attribution, at the time, of a personalised debit card.
- Grupo Crédito Agrícola sponsored the 1st edition of the Soul of the Wine Festival, in Alenquer, attended by representatives of national wine producers inserted in the Wine Production Committee of the Region of Lisbon.

October

- Grupo Crédito Agrícola sponsored the 1st edition of “Beer in Lisbon”, in Campo Pequeno, attended by the producers of the best beers of the world.
- Under the Programme Grade20 CA, Crédito Agrícola awarded 120 students of the 7th to 12th years of schooling, Bank Customers, for the results achieved in the academic year of 2016/2017.
- The new campaign “Takeover your Future”, directed at the “CA Youth” segment, provided an exclusive offer of products under attractive conditions for young people from 13 to 17 years old, simultaneously promoting the awareness of this age cohort on the importance of saving habits.
- Grupo Crédito Agrícola participated in Fruit Attraction, the largest international fair directed at professionals of the horticultural sector, in Madrid. The Bank's presence, as a sponsor of the Portugal Fresh Association, aimed to support national producers of fruit and vegetables in exporting their products.
- Crédito Agrícola once again made its presence noted at the Real Estate Fair of Portugal (SIL), through a stand, where it disclosed its portfolio of real estate properties (around 2,700) and special funding conditions.
- Crédito Agrícola has always supported the production and dissemination of Portuguese wine. In this regard, it once again sponsored the Wine Market, an initiative promoted by Campo Pequeno and the House of Wines which was held in Praça do Campo Pequeno. During the Wine Competition there was blind wine-tasting competitions of the wine enrolled in the 4th edition of the Crédito Agrícola Wine Competition.

November

- The CA Comércio e Serviços campaign, under the motto “Have More Ambition for your Business”, provided a set of products to facilitate the financial management of companies, protect entrepreneurs, their business and employees of the trade sector and sub-sectors of tourism, local accommodation, restaurants and health.
- Crédito Agrícola sponsored, for the fifth consecutive year, the Christmas Market of Campo Pequeno, which had more than 100 displays of products and articles exclusively of Portuguese origin or manufactured in Portugal.
- Promotion of a ceremony to deliver awards to the winners of the 4th Wine Competition of Crédito Agrícola, in partnership with the Association of Sommeliers of Portugal, which was held in the Estufa Fria, in Lisbon.
- Crédito Agrícola launched the campaign “CA Juniors” aimed at children up to 12 years old, in order to teach the younger generation to save, promote saving and protection, in an entertaining manner.

December

- Crédito Agrícola signed a partnership with Grupo Agrinda, where the protocol enables the customers and business suppliers of AgriPro and Agriloja to benefit from a series of advantageous financial conditions provided by Crédito Agrícola.
- Crédito Agrícola attributed 30 thousand euros to 6 national entities and projects, distinguished by the 4th edition of the “Crédito Agrícola Entrepreneurism and Innovation Award”, as a result of the

partnership with INOVISA, at a ceremony which was attended by the Minister of Agriculture, Luís Capoulas Santos.

- For the seventh time, CA Seguros was elected the Best Non-Life Insurer of its segment, in a distinction attributed by the Banking & Insurance Awards organised by the magazine Exame.
- Crédito Agrícola sponsored the participation of the Portuguese pilot Mário Patrão in the 2018 edition of the Dakar.



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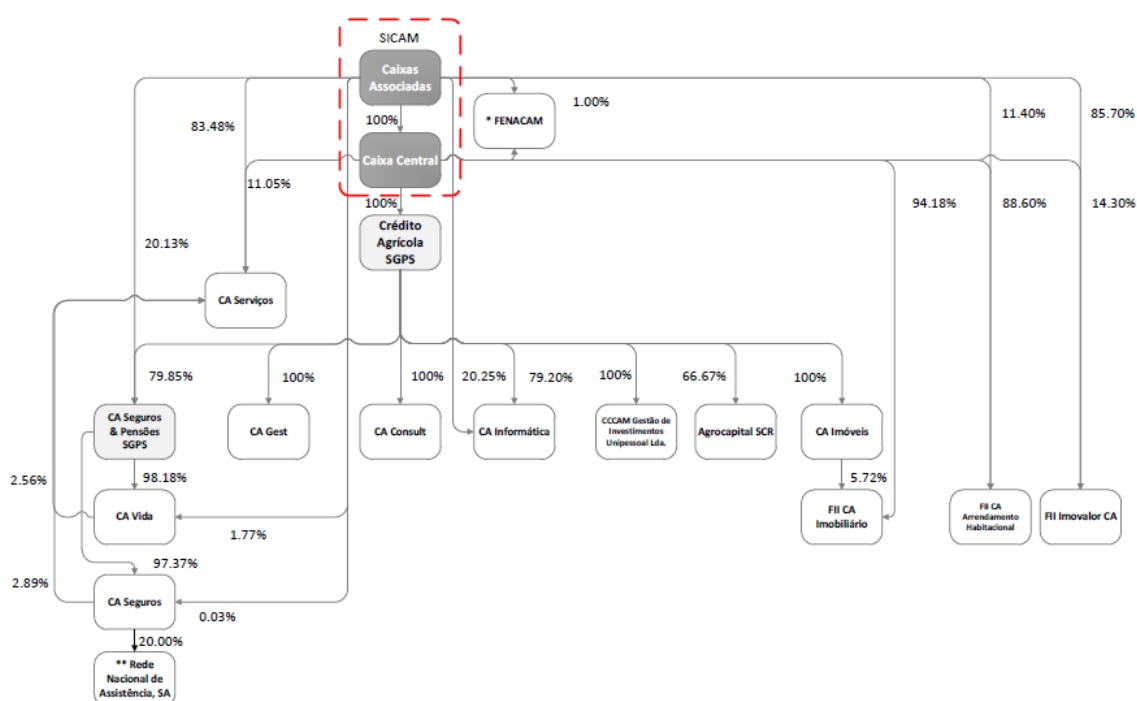
Presentation of
Grupo Crédito
Agrícola

I. PRESENTATION OF GRUPO CRÉDITO AGRÍCOLA

1.1 STRUCTURE OF GRUPO CRÉDITO AGRÍCOLA

The corporate organisation of Grupo Crédito Agrícola is driven by its sustainability and support to the competitiveness of the 81 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



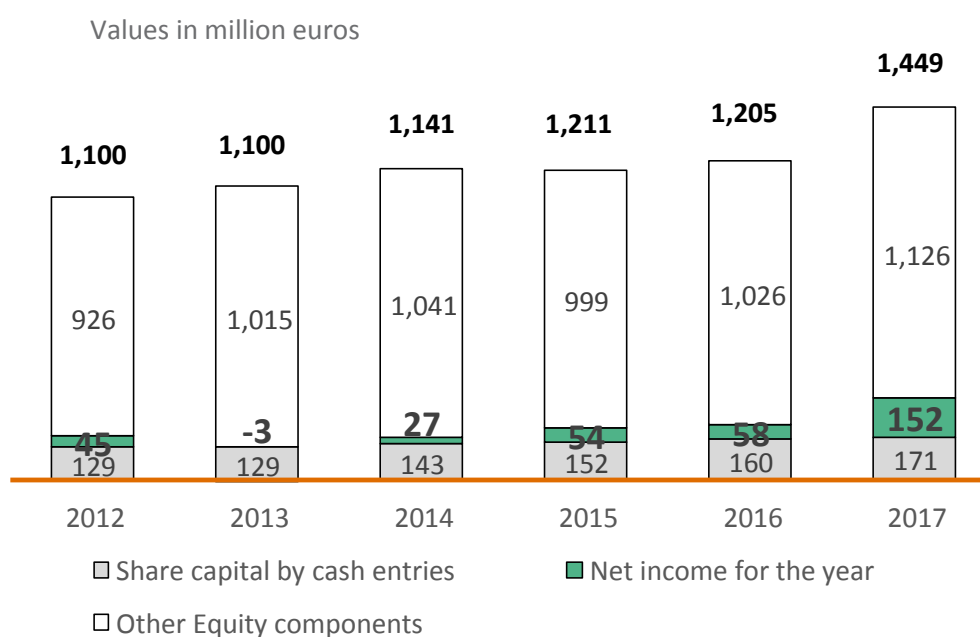
(*) FENACAM holds 98.80% of its own capital.

(**) Consolidation through the equity method.

08.01.2018

b) Equity structure of Grupo Crédito Agrícola

Grupo Crédito Agrícola 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

Grupo Crédito Agrícola 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 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 GCA solidarity mechanism. This fund not only guarantees the liabilities in relation to depositors of GCA, 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, its 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 2017, FGCAM own resources amounted to 347.8 million euros, of which, 199.9 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 2017, total financial investments reached 262.1 million euros.

d) International Presence of GCA




Aware of the importance of the international market, Grupo Crédito Agrícola 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.

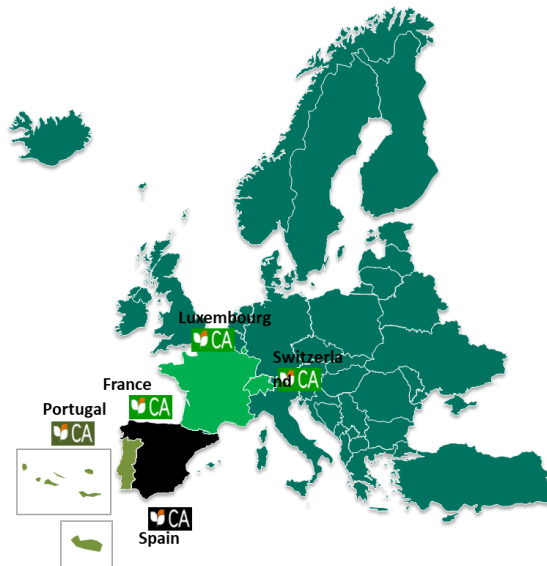
International Presence of Crédito Agrícola in 2017

Europe

France
Luxembourg
Portugal
Switzerland
Spain

Caption:

 Domestic network
 Offices (ER/EI)
 Equity holding



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 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.

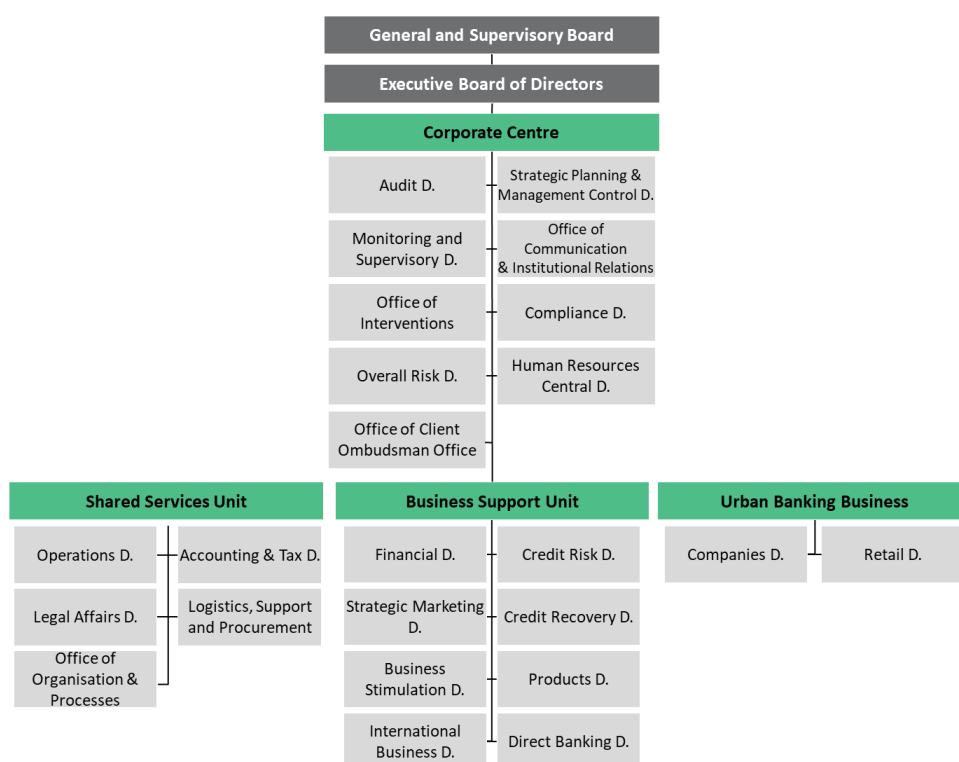
The Board of the General Meeting, the General and Supervisory Board and the Advisory Board are exclusively composed of Associates of Caixa Central (the current 81 Caixas Agrícolas which appoint natural person to perform duties in their own name) elected at the General Meeting. Each Associated Caixa Agrícola 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 Grupo Crédito Agrícola.

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	Francisco Amâncio Oliveira Macedo* CCAM Açores	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 inherence, pursuant to number 2 of article 35 of the Statutes of Caixa Central.</i>		

(*) Deceased on 16.09.2017. Replaced on 20.11.2017 by António Manuel Melo Gomes de Sousa, also appointed by Caixa de Crédito Agrícola Mútuo dos Açores, C.R.L.

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 Grupo Crédito Agrícola, 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 Grupo Crédito Agrícola 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.

It is important to note that in 2017 there was a transformation and division of the former Supervision, Guidance and Monitoring Department (DFOA) into the new Monitoring and Supervision Department (DAS) and new Office of Interventions (GI), in addition to the merger of the former Operational Human Resources Department (DRHO) and the former Human Resources Strategic Department, giving rise to the new Human Resources Central Department (DCRH).

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

Apart from the Governing Bodies of Caixa Central, the governance of Grupo Crédito Agrícola is also complemented by forums composed of members representing the Associated Caixas and companies of the Group.

Executive Forums of the Group
General Meeting of the CA Group
Programme Management Committees(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
Technical Audit Commission

d) Internal control functions of the Group

i. Compliance and internal control

The mission of the Compliance Function, as an integral part of the Internal Control System, is responsible for Compliance Risk Management, including the Prevention and Investigation of Fraud (IPF) and the Prevention of money laundering and Terrorist Financing (PBC/FT). Its mission is to assure, 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, aimed at minimising the risk of incurring legal or regulatory, financial or reputation penalties.

The organisation model defined for this function at Grupo Crédito Agrícola is based on a corporate logic in which Caixa Central assumes the leadership of the Group. In this model, Caixa Central undertakes and centralises a significant part of the activities (with respect to SICAM), with the rest of the Group's members being entrusted to assure specific activities, with the support of the specialised structural body created at Caixa Central, the Compliance Department.

This structure coordinates the tasks for which it is responsible, concerning Compliance risk management and control at the Group and coordination of the Internal Control System, with the Compliance Monitors of the Associated Caixas and companies of the Group, that are essential links in the development of the culture of compliance and improvement of the Internal Control System. This coordination and organisation enables 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 Grupo Crédito Agrícola, 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 Grupo Crédito Agrícola, 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 Grupo 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.

Among the activities and initiatives associated to risk management, particular note should be made of the work inherent to the implementation of IFRS 9 - Financial Instruments, the actions related to accounting and prudential reporting under the information models, which enabled harmonising and ensuring the comparability of information on net worth and risk, the strengthening of the capacity of the risk management function in terms of the Associated Caixas, including in particular the definition of internal governance, the development of regulations ruling the function and the definition of the reporting models

with significant evolution from the application point of view, the expansion in depth and scope of the analytical scoring and rating models, increasing robustness in the assessment of the customers' risk profile and credit operations, and the definition of the overall risk management model in terms of its conceptual structure, internal governance and objectives.

iii. Internal auditing

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 and Control, namely Notice 5/2008 and Circular Letter 23/2011, both of Banco de Portugal, the guidelines issued by the European Banking Authority – EBA (EBA/GL/2017/11 and EBA/GL/2012/6) and the guidelines of the Basel Committee on Banking Supervision contained in the document entitled “The Internal Audit Function in Banks” (June 2012), confer the Internal Audit function of Caixa Central the responsibility of coordinating, controlling and monitoring the audit activity developed at the Associated Caixas.

At the operational level, the Audit Department of Caixa Central is responsible for establishing the procedures, work methods and assessment criteria underpinning the audit activity of the Associated Caixas. These mechanisms ensure the quality, sufficiency and coverage of the local function and assure that the audit activity developed by the CCAMs contribute in an effective manner to the strengthening and coherence of the internal control system of SICAM.

The mission of the Internal Audit Function of Caixa Central also includes the provision of audit services to the Associated Caixas. Throughout 2017, protocols were made for 23 new adhesions to the service, with the number of CCAM that subcontracted the internal audit function from Caixa Central having shifted to 46. The service level materialised the conduct of 927 audit missions at Associated Caixas.

At the Associated Caixas without protocols for internal audit services with Caixa Central, the implementation of the internal audit activity plan proposed by Caixa Central for 2017 was fully assured.

The audit activities developed at Caixa Central respected the common internal audit activity plan proposed to the Associated Caixas, and also included a series of specific exercises of corporate nature derived from the regulatory and operational framework of Caixa Central.

On matters of work tools, we highlight the acquisition of a new IT platform which will address, in an integrated vision, the needs of the control functions.

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.

On 1 June 2017, the former Supervision, Guidance and Monitoring Department (DFOA) was divided into two structures: Monitoring and Supervision Department (DAS) and Office of Interventions (GI), following the decision of the Executive Board of Directors of Caixa Central, dated 18 May 2017.

In compliance with articles 75 and 76 of the Legal System of Crédito Agrícola Mútuo (RJCAM), the mission of the Monitoring and Supervision Department is the prudential supervision and monitoring of the action of the Associated Caixas, including those intervened, pursuant to 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 Grupo Crédito Agrícola. In turn, the Office of Interventions is specifically responsible for monitoring the activity of the intervened Associated Caixas, under articles 77 and 77-A of the Legal System of Crédito Agrícola Mútuo, with a view to their rapid and effective recovery. In 2017, the Office of Interventions defined its operational model, having instituted the main regulations.

Regarding the Monitoring and Supervision Department, the division mentioned above led to changes in its organic structure and functioning, reflecting Caixa Central strategic vision for the monitoring function of the Associated Caixas, with an underlying risk-based approach, with different levels of requirement and control of the Associated Caixas, 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.

In October 2017, a Quantitative Monitoring Model was approved for the Associated Caixas, based on the performance of a series of risk indicators, in line with those defined under the Risk Management Function for the Integrated System of Crédito Agrícola Mútuo. The performance of these indicators enables placing the Associated Caixas at different risk levels, corresponding to different regimes/type of supervision. To be adopted by the Monitoring and Supervision Department.

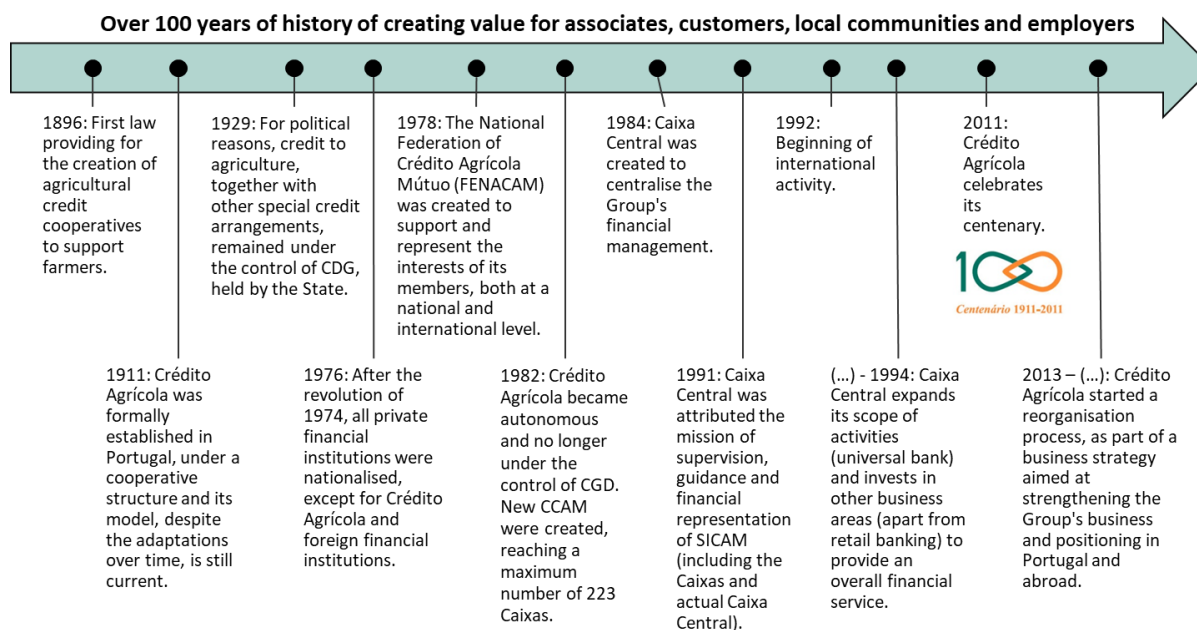
In view of the economic environment underlying the exercise of the activity of the Associated Caixas, this Department aims to ensure the consolidation of the economic, financial and organisational conditions, as well as the provision of tools to allow the Associated Caixas to comply with the requirements that are progressively imposed on the financial sector. with respect to prudential matters and competitiveness, where the Monitoring and Supervision Department emerges as a driver of change.

Under the new regulations and changes on matters of supervision, added to the consolidation of Grupo Crédito Agrícola, 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

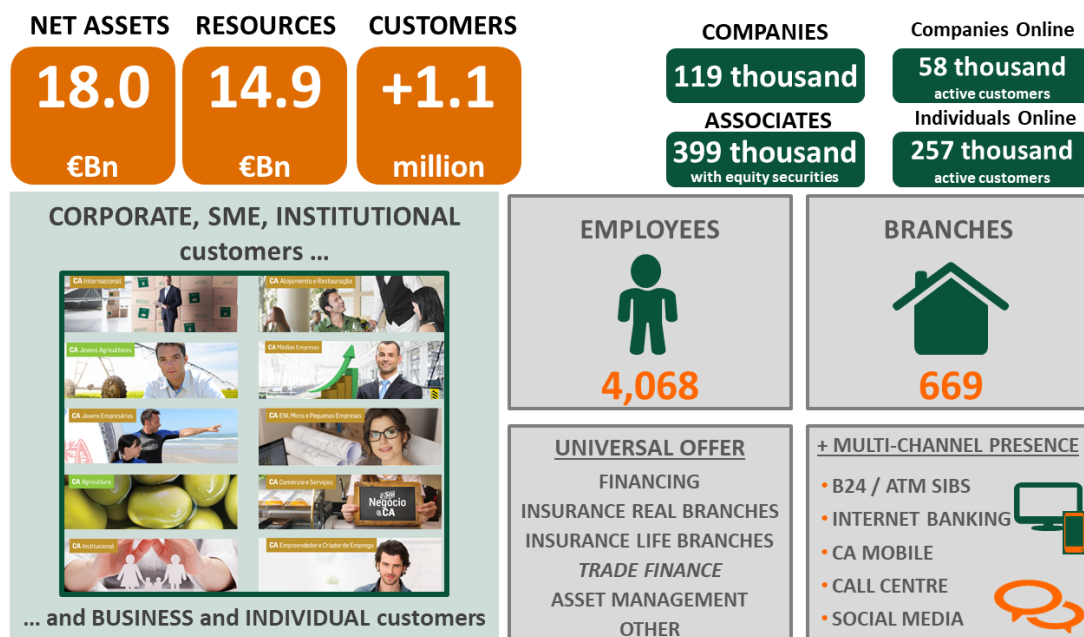
a) Historic milestones

In Portugal, cooperative banking is represented by Grupo Crédito Agrícola 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) Grupo Crédito Agrícola in 2017

Crédito Agrícola is a financial group with a universal offer corresponding to around 18.0 billion euros of net assets, 14.9 billion euros of customer funds and a base of close to 1.1 million Customers. With a net worth of approximately 1.5 billion euros, the Group interacts with its Customers and Associates through its 669 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 Grupo Crédito Agrícola

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:

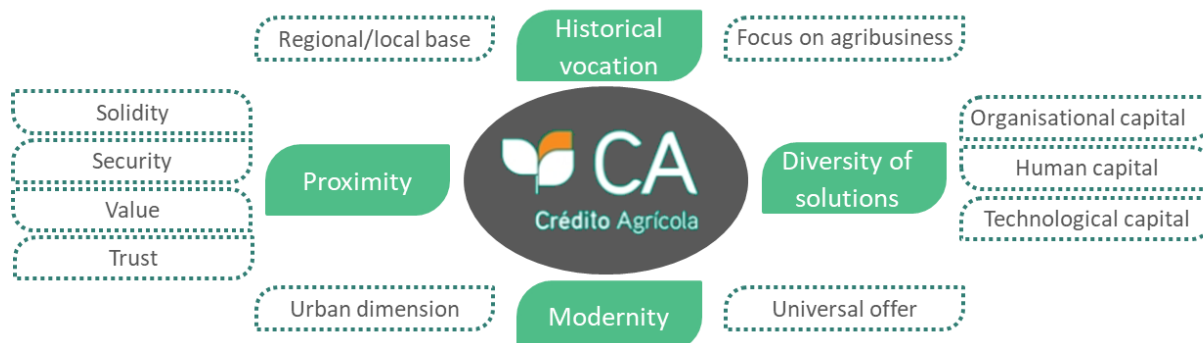
Mission	The engine driving the development of local communities through relations of proximity with customers, contributing to the accomplishment of their ambitions and financial projects; and
Vision	Recognised as the “Best Financial Group” in the markets in which it operates.

Grupo Crédito Agrícola 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 Grupo Crédito Agrícola, 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, GCA 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.**

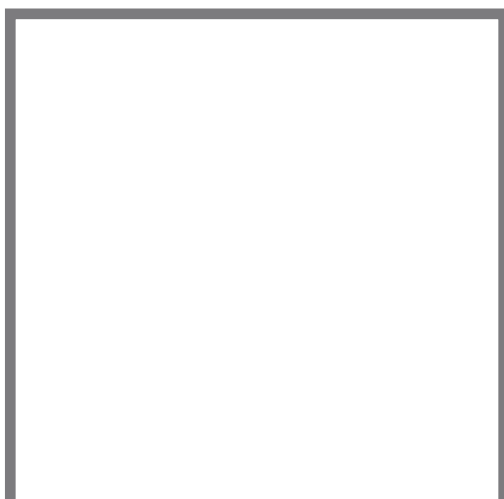
e) Integrated marketing and commercial strategy (bancassurance)

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 new dynamics, the insurance and asset management activities have been able to increase their participation in the generation of value for the Group.



02

Crédito Agrícola
responsible
banking model

II. RESPONSIBLE BANKING MODEL OF CRÉDITO AGRÍCOLA

In compliance with DL 89/2017 of 28 July, the disclosure of financial and non-financial information and details on the diversity of Grupo Crédito Agrícola will be ensured in its Sustainability Report, to be produced and disclosed separately from the Annual Report.

Crédito Agrícola is the only cooperative financial institution in Portugal, of exclusively national capital and with the largest network of branches in the country. Its cooperative nature gives rise to a governance model and organisation differentiated from the traditional banking system, with 81 Caixas de Crédito Agrícola dedicated to fostering the economic development and wellbeing of the communities of each of the regions in which they are implanted. This chapter presents a summary of the sustainability initiatives implemented in 2017 among the main stakeholders: Customers, Local Communities, Suppliers and Employees. More detailed information can be consulted in the sustainability report, provided on the CA group's website, which meets the guidelines of Directive 2014/95/EU with respect to the disclosure of non-financial information.

Among the corporate sustainability initiatives implemented, we highlight the endorsement, at the end of 2017, of the Letter of Principles of BCSD Portugal – Business Council for Sustainable Development. This document establishes the principles comprising the guidelines for good business management. The Code of Ethics and Conduct of the CA Group was also developed and launched, presenting and aggregating the Group's values, deepening the commitment to Associates, Customers, Regulators and Society in general, valorising and reinforcing the existing relations. The Code of Ethics and Conduct externalises the commitment made by Grupo Crédito Agrícola in defence of a culture of integrity, responsibility, respect and rigour in the relations of its Governing Bodies and Employees and in all other relations with third parties.

2.1 RESPONSIBILITY TO CUSTOMERS

a) Products with Social and Environmental Benefits

The commitment to sustainability at Grupo Crédito Agrícola 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 2017 included financing lines for micro and small enterprises, for companies of strategic sectors of the Portuguese economy and support to microcredit projects. It also entailed funding for renewable energy projects, namely wind and photovoltaic farms. The support to the competitiveness of micro and small enterprises amounted to 1,092 million euros, 12% more than in the previous year. We also highlight the 17% growth in the support granted by Crédito Agrícola to companies of strategic sectors of the Portuguese economy, of the total value of 527 million euros. In contrast, the funding of microcredit projects fell to 526 thousand euros in 2017, showing a negative variation of 27% in relation to 2016. The credit granted to renewable energy also fell by 18% in 2017 in relation to the previous year.

CA Sustainable Offer for Business Customers	Value of financing in 2016	Value of financing in 2017
Support to the competitiveness of micro and small enterprises (million euros)	979	1,092
Support to companies of strategic sectors of the Portuguese economy (million euros)	450	527
Microcredit (thousand euros)	720	526
Credit for Renewable Energy (thousand euros)	242	198

In the individuals segment, the offer of products provided by Crédito Agrícola 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 2017, the eco-credit that was granted increased by 20% in relation to 2016, portraying the growing interest among the Portuguese to acquire ecological products. The credit granted to support education also increased by 24% in 2017, in relation to the previous year.

CA Sustainable Offer for Individual Customers	Value in 2016	Value in 2017
Financial Inclusion - Number of accounts with minimum banking services	329	352
Eco-credit (thousand euros)	94	113
Support to Education (thousand euros)	735	911

b) Map of Branches and ATM

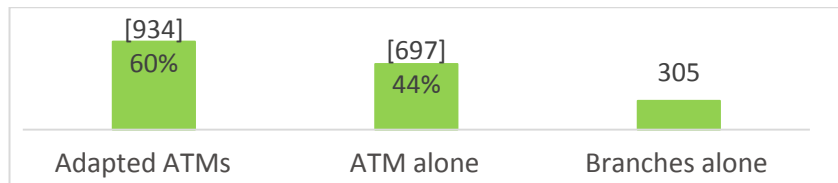
Crédito Agrícola owns the largest network of branches in the Portuguese market with 669 Branches at the end of 2017, ensuring exclusive access to financial services at 1002 contact points: providing 697 ATM at locations where there is no ATM of other institutions; 305 of its branches are the only financial service branch in the locality.

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 2017, Crédito Agrícola continued to assure accessibility to financial services in localities of the interior and with lower population density.

ATM adapted for users in wheelchairs and ATM and Branches alone in the locality in 2017



c) Relations of trust with customers

Market Recognition

In 2017 various companies of Grupo Crédito Agrícola were distinguished with a series of awards, reflecting the institution's positive performance in various areas.

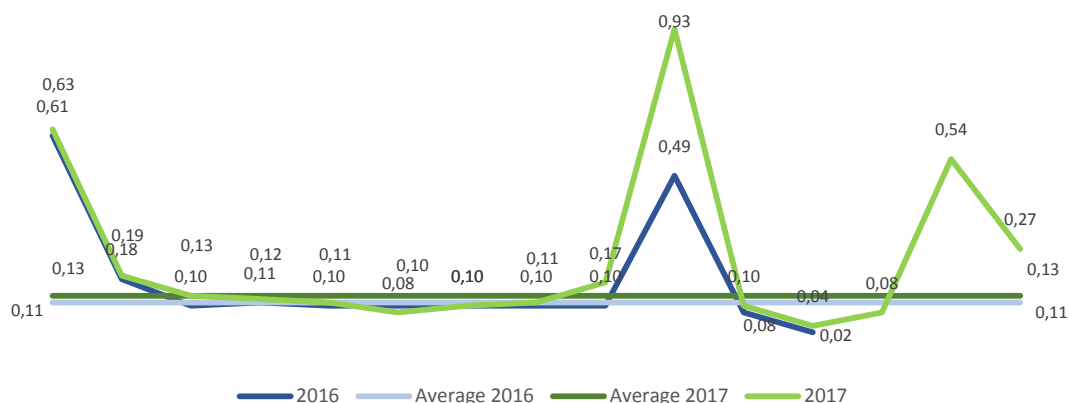
- Crédito Agrícola was distinguished for the fourth consecutive year with the Five Stars Award in the category “Banking - Customer Attendance Service”. The award, promoted by U-Scout based on market research conducted by Ipsos APEME, distinguishes the best services and products in the national market, through the independent assessment of the consumers and according to satisfaction indices, quality-price relationships, intention to purchase, trust and innovation. Among the various banks assessed during this research, Crédito Agrícola obtained the best classification.
- For the seventh time CA Seguros, non-life insurer of Grupo Crédito Agrícola, was elected Best Non-Life Insurer of its segment. The distinction was attributed at the annual award-giving ceremony for Banking & Insurance Awards organised by the magazine Exame. The Banking & Insurance Awards assess the economic performance and financial solidity of the companies, with the distinctions being attributed based on annual studies conducted by the magazine Exame in partnership with Deloitte e Informa D&B.
- CA Vida, Life Insurer of Grupo Crédito Agrícola, was elected Leading Company in the Customer Satisfaction Index in European Consumer Satisfaction (ECSI) Portugal 2017. A study was carried out by Universidade Nova de Lisboa (IMS), in partnership with the Portuguese Quality Institute (IPQ) and the Portuguese Quality Association (APQ), which assure credibility and rigour, and make this study a national and international reference in what concerns Customer satisfaction.
- CA Vida achieved with first place in the rankings of Customer Loyalty and Image, in the National Customer Satisfaction Index of ECSI Portugal 2017. According to this study, the Customers of CA Vida are the most loyal and those with the best image of the company, compared to the Customers of all the other insurers of this branch operating in Portugal.



Complaints

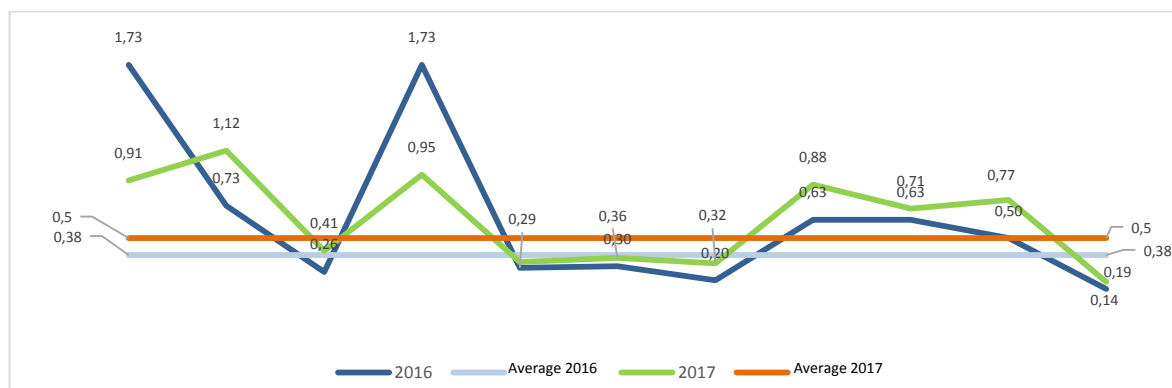
Customer complaints consist of an indicator that expresses quality of service and satisfaction of Customers. Analysing the data of the financial sector, integrated in the Behavioural Supervision Report relative to the first semester of 2017, and published by Banco de Portugal, Crédito Agrícola (SICAM) is the institution with least complaints made to Banco de Portugal with respect to demand deposit accounts, recording a figure of 0.04 per 1000 demand deposit accounts, below the sector average of 0.13.

Evolution of the number of complaints per 1000 demand deposit accounts¹



Crédito Agrícola performance is also the best in its sector with respect to the number of complaints per 1000 mortgage loan contracts received in 2017, according to the Banco de Portugal report, where its performance stands at 0.19, lower than the average of 0.5.

Evolution of the number of complaints per 1000 mortgage loan contracts



Internally, the CA Group has customer ombudsman whose duties include receiving and treating complaints. During 2017, 863 complaints were recorded, corresponding to a 16% increase in relation to the previous year.

¹ BBVA - BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S. A.; BSTOT: BANCO SANTANDER TOTTA, S. A.; NOVOB: NOVO BANCO, S. A.; BBPOR: BANCO BIC PORTUGUÊS, S. A.; BCP: BANCO COMERCIAL PORTUGUÊS, S. A.; CGD: CAIXA GERAL DE DEPÓSITOS, S. A.; BBPI: BANCO BPI, S. A.; BAPOP: BANCO POPULAR PORTUGAL, S. A.; DBAKT: DEUTSCHE BANK EUROPE GMBH - BRANCH IN PORTUGAL; CEMG: CAIXA ECONÓMICA MONTEPIO GERAL; SICAM: CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRATED IN SICAM; BBEST: BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL S.A.; BBAG: BANCO DO BRASIL - PORTUGUESE BRANCH; BANSU: BANKINTER S.A. - BRANCH IN PORTUGAL

Evolution of the number of complaints



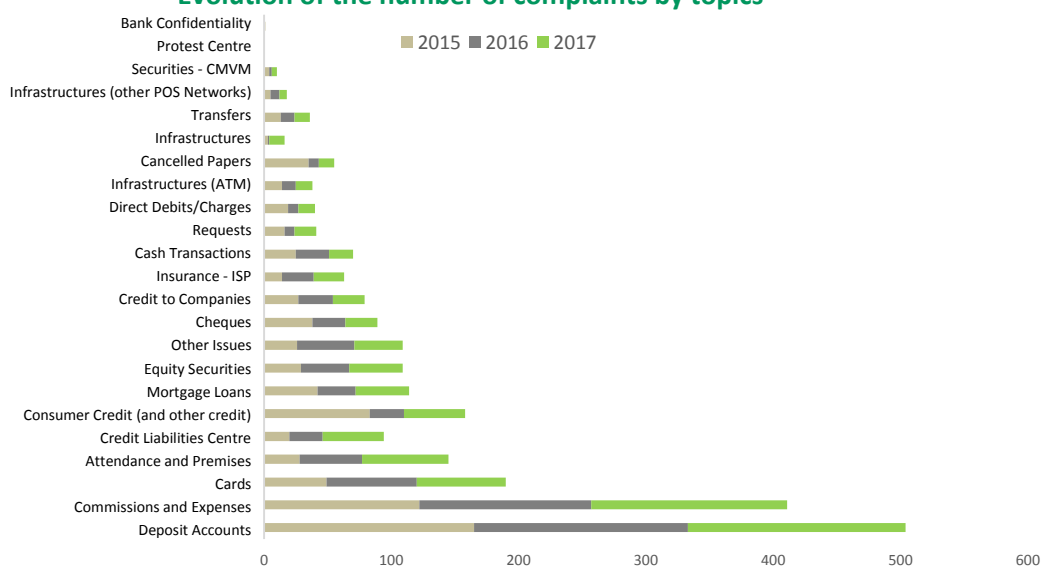
With respect to the distribution of complaints by entry channel, the Customer Ombudsman Office continues to be the primary channel in 2017, followed by the Direct Line, with 30% and 24%, respectively. Although the weight of each channel is similar to that of the previous year, there was an increase of 5 p.p. in the complaints derived from Banco de Portugal.

Evolution of the source of the complaints

Source of Complaints	2015	Weight	2016	Weight	2017	Weight
Customer Ombudsman	225	29%	254	34%	258	30%
Direct Line/CCCAM	201	26%	197	26%	208	24%
Complaints Book	167	21%	162	22%	191	22%
Banco de Portugal	128	16%	108	14%	161	19%
Other	57	7%	25	3%	45	5%
Total	778	100%	746	100%	863	100%

The analysis of the distribution of the topics of the complaints shows that, in 2017, the patterns of previous years were maintained. It was found that “deposit accounts”, “commissions and expenses”, “cards” and “attendance and premises” are the priority topics, with an aggregate weight of 54% of the total complaints received. Individually, these 4 topics present a weight of, respectively, 20%, 18%, and the last two topics 8%. The largest increases in the number of complaints received in 2017 compared to 2016 were related to consumer credit, credit liabilities centre and attendance and premises.

Evolution of the number of complaints by topics

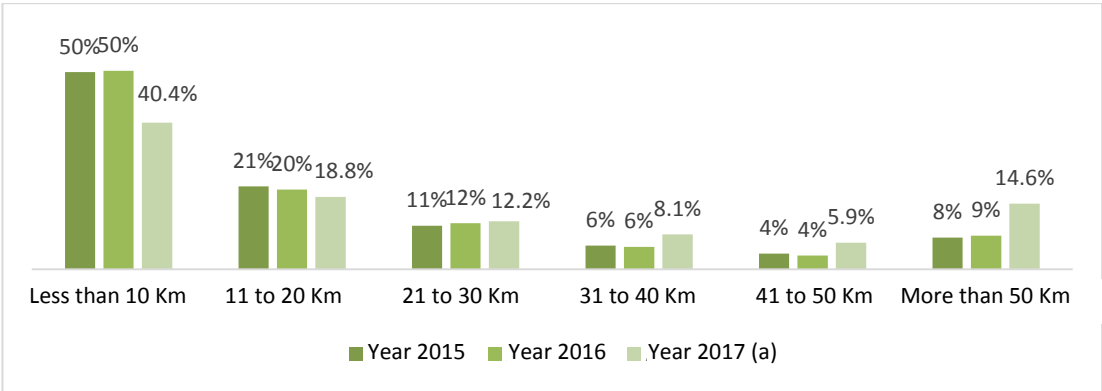


d) Impact on Local Development

Local Employability

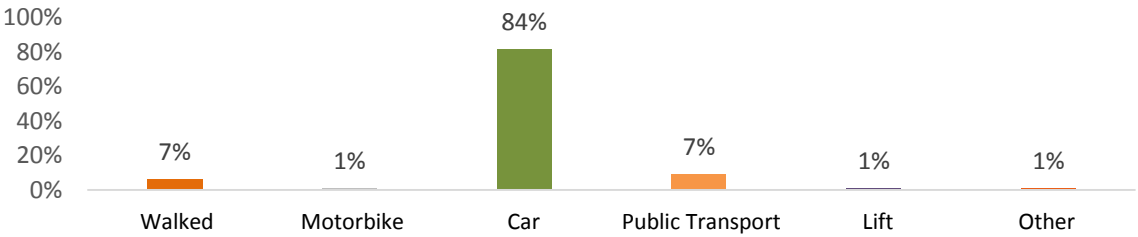
One of the impacts of Crédito Agrícola organisational model is direct employment creation, especially in the interior and rural areas of the country. In 2017, 40.4% of the Employees² of the CCAM travelled less than 10 Km in their home-work-home route, portraying the strong component of local employment. The reduction recorded in relation to 2016 is derived from the improvement of the method of collection of information for 2017, where each Employee was responsible for completing a specific questionnaire on her/his mobility. Thus, and in relation to 2016, we find that in 2017 there was a reduction in the trend in the time series of the two following graphs, especially visible in the extreme categories.

Home-work-home distance travelled by CCAM Employees 2015-2017



The mobility survey also enabled assessing the mix of means of transport used by Grupo Crédito Agrícola Employees: 84% of the Employees travel from home to work and vice versa by car, 7% by public transport and 7% by foot³.

Means of transport used by CA Group Employees in 2017



Local Procurement

The acquisition products and services from local suppliers is an important indicator of sustainability. Not only because it reduces environmental impacts, namely energy costs, associated to the transport of

² Results extrapolated based on a sample of 2404 Employees of the CCAMs. The break in the trend was due to the change of methodology as in previous years it had been based on answers of the CCAMs and in 2017 the results began to consider the individual answers of Crédito Agrícola Employees.

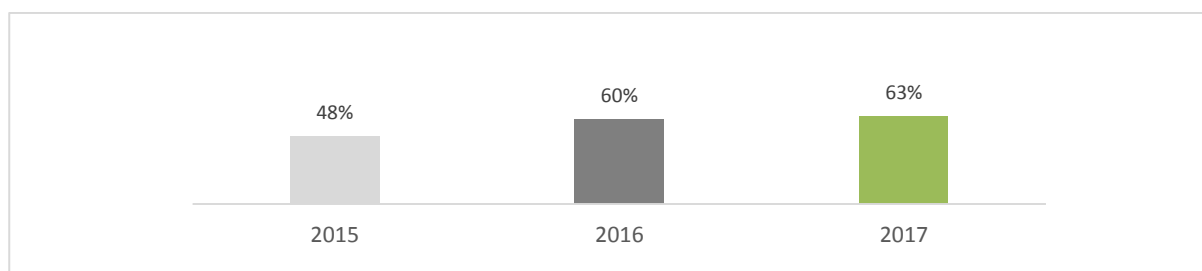
³ These indicators were calculated based on an extrapolation using a sample of 3035 answers from the mobility survey.

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 2017, 62.5% of the acquisition of services by the different entities of Crédito Agrícola was done locally (in other words, in the same municipality of the acquiring entity), with electricity, water and gas suppliers being excluded from this number.

Weight of purchases of services from local suppliers of Grupo Crédito Agrícola:

% of total purchase of services except for water, electricity and gas; 2015-2017⁴



Considering only the purchases of services from local suppliers made by the CCAMs⁵, they account for 23% in comparison to 24% in the previous year.

e) Measures implemented to foster competitiveness and entrepreneurial action

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.

Protocols with Business Associations	Number of Protocols in 2015	Number of Protocols in 2016	Number of Protocols in 2017
New Protocols	4	5	4
Renewal of Protocols	5	12	14

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 credit portfolio, which attribute special conditions for subscription of financial products and services to their Associates/members. In 2017 CA concluded 4 new protocols with entities promoting entrepreneurship and competitiveness, and also renewed 14 protocols with business associations.

⁴ In view of the low response rate obtained in 2016 and 2017 in the collection of information to calculate this indicator, the stated value is an extrapolation based on a sample of 42 entities (39 CCAMs and 3 participated companies) whose total acquisitions correspond to more than 70% of the overall value of purchases made in 2017. The indicator considers only CCAMs and participated companies with answers given in 2016 and 2017. This figure excludes FENACAM and CCAMs with high disparities of values between 2016 and 2017.

⁵ The number of CCAMs with information collected relative to acquisition of services in 2017 was 57 and in 2016 it was 54. The number of CCAM with information in both periods and without extreme changes in the method of collection of information was 39.

Outlook of the Partnerships
Renewals of partnerships in 2017 with entities promoting entrepreneurship and competitiveness
Portugal Fresh
Minha Terra - Portuguese Federation of Local Development Associations
Lusiaves - Lusiterra Projecto
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
ANDC - National Association for the Right to Credit
New partnerships established in 2017 with entities promoting entrepreneurship and competitiveness
Nersant - Business Association of the Region of Santarém
FPAS - Portuguese Federation of Pig Farmer Associations
Grupo Agrinda
CONFAGRI - Confederação Nacional das Cooperativas e do Crédito Agrícola de Portugal, C.C.R.L.
Renewal of partnerships with other business associations
ARAN - National Association of the Motor Vehicle Branch
APImpresa - Portuguese Press Association
CPCCRD - Confederation of Collectivities, Culture, Recreation and Sports
ENERGIE

Protocol with Grupo Agrinda

Support to treasury, medium and long-term investment, daily management and the protection of risks related to insurance products are some of the areas where the customers and suppliers of AgriPro and Agriloja will benefit from special conditions under a protocol signed today between Crédito Agrícola and Grupo Agrinda. The protocol enables the customers and business suppliers of these companies to benefit from a series of advantageous financial conditions provided by Crédito Agrícola.

f) Mutual assistance in development

As a partner of local economic development, Crédito Agrícola continued to invest, during 2017, 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 the Crédito Agrícola Sustainability Policy on matters of mutual assistance towards development:

- 4th edition of the CA Entrepreneurism and Innovation Award, which distinguishes and awards the best projects in the categories of Cereals, Forestry, Horticulture, Animal Husbandry and Innovation in Collaboration.
- Cycle of workshops on innovation focused on Cereals, Forestry, Horticulture and Animal Husbandry.
- “IV 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, agro-industrial and forestry sectors. Focused on strategic sectors for Portugal, this 4th edition of the CA Award identifies, distinguishes and encourages companies and projects that are outstanding in the following categories: Cereals, Forestry, Horticulture, Animal Husbandry and Innovation in Collaboration.

Four of the categories – Cereals, Forestry, Horticulture and Animal Husbandry – are exclusively intended for the participation of entities/companies. The category “Innovation in Collaboration” was designed for innovation projects promoted by more than one entity and, in contrast to the others, requires participation in the Innovation Workshops which enable the participants to acquire and use tools and good practices in terms of the structuring and implementation of their projects.

The winning projects of the 2017 edition are indicated below, with further details presented at <http://www.premioinovacao.pt/>

Crédito Agrícola Entrepreneurism and Innovation Award	
Categories	Winning projects in 2017
Cereals	Matter
Forestry	ADAI
Horticulture	Biovivos
Animal husbandry	ScrofaTech
Innovation in collaboration	GREENTASTE
Project of high potential promoted by Associated CA	LUSARROZ

The winning projects of each category were awarded a cash prize of 5,000 euros. Furthermore, a prize of special recognition was also attributed to the promoted candidature per Associate of Crédito Agrícola, of the same value.

Crédito Agrícola Entrepreneurism and Innovation Award			
Indicators	2015	2016	2017
Candidatures received	102	72	80
Elements	15	14	13
Awards	8	10	6
Euros of investment in the attributed awards	32,500	40,000	30,000
Financing with advantageous conditions for the winning projects	5	10	6

Innovation Workshops

In partnership with Inovisa, coordinating entity of the Inovar network, in 2017, Crédito Agrícola promoted a series of innovation workshops, fostering the debate and sharing of knowledge on the culture of innovation in strategic sectors of the Portuguese economy. Directed at entrepreneurs, producers, associative structures and entities of the scientific and technological system, the debates held in 2017 constituted a space of sharing and appraisal of future opportunities of these sectors, promoting entrepreneurship based on innovation. In 2017 special note should be made of the new format of the seminars, transformed into innovation workshops in the following 4 areas: Cereals, Forestry, Horticulture and Animal Husbandry.

Cycle of seminars / innovation workshops			
Indicators	2015	2016	2017
Number of seminars/workshops held	6	6	6*
Number of seminars/workshops held outside Lisbon and Porto	4	4	4*
Participants	1042	1100	700
Speakers	70	53	26
Cases of success/participant companies	7	16	n.a.
Work sessions with entrepreneurs	7	n.a.	4

Cycle of workshops on innovation focused on Cereals, Forestry, Horticulture and Animal Husbandry.

Wine Competition

Crédito Agrícola promoted, in partnership with the Association of Sommeliers of Portugal, the 4th 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.

In the total of the three previous editions, the Wine Competition recorded an enrolment of close to 650 wine producers and awarded with Gold, Silver and Bronze over 200 white, red and sparkling wines from the wine producing regions of the Vinhos Verdes, Trás-os-Montes, Douro, Beiras, Dão, Bairrada, Tejo, Lisbon, Península de Setúbal, Alentejo and Algarve.

In 2017 the edition involved the participation of around 200 white, red and sparkling wines of 120 national producers of the different wine producing regions of the country. The selection panel distinguished 59 wines with the "Tambuladeira" [shell-shaped cup] of the Sommeliers of Portugal, 21 with gold medals and 38 with silver medals.

The distinguished wines come from the wine producing regions of the Vinhos Verdes, Douro, Távora-Varosa, Beiras, Dão, Bairrada, Tejo, Lisbon, Península de Setúbal, Alentejo and Algarve.

Sponsorships and support to fairs

In 2017, Crédito Agrícola was the partner, once again, in a series of events performing an important role in boosting the areas of the primary sector and in 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. In 2017 special note should be made of the sponsorships and support given 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 and Wines)
Olive oil competitions
AGRO (International Agricultural, Livestock and Food Fair)
SISAB
Fruit Attraction and Fruit Logistic
Fatacil

CA OFFICIAL BANKING PARTNER OF THE “BUSINESS IDEAS” COMPETITION

Mangualde Municipal Library was the scenario of the presentation of the 2nd edition of the “Business Ideas Competition – Wanted Business Ideas”, an initiative of the Viseu-Dão-Lafões Intermunicipal Community, whose strategic bank partner is Crédito Agrícola de Vale do Dão e Alto Vouga.

CA SUPPORTS SUGAR CANE AREA

At the 62nd Agricultural and Livestock Fair of Porto Moniz

On 29 August, Grupo Crédito Agrícola established a protocol with the Regional Government of Madeira, through the Regional Secretariat of Agriculture and Fisheries, to provide financial means for sugar cane producers. Through this protocol, Crédito Agrícola provides a subsidised credit line of the value of 2.3 million euros aimed at meeting working capital and financing needs for the acquisition of this commodity by the industry manufacturing agricultural rum and sugar cane honey. Sugar cane is the third agricultural most cultivated in the autonomous region and, therefore, plays a fundamental role in the socioeconomic development of Madeira and the country.

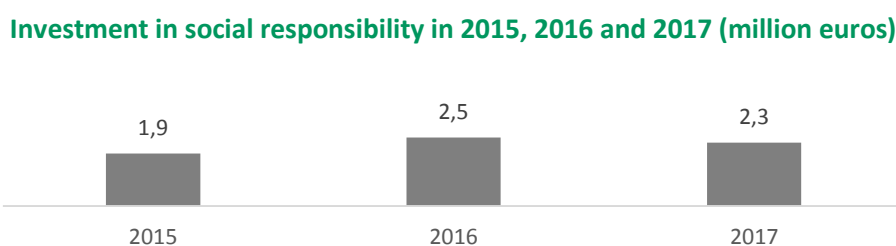
2.2 RESPONSIBILITY TO COMMUNITIES

Crédito Agrícola 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.

Crédito Agrícola social responsibility supports initiatives and institutions which develop their activity in 5 areas: culture, sports, social solidarity, senior citizens and education. In view of the local intervention of the responsibility of Crédito Agrícola, a 6th category is also identified, named “other” which, in 2017, was the second most relevant in terms of the number of institutions supported and the relevant in terms of the total value invested. The types of support granted are classified as monetary donations, sponsorships and/or donations of items and equipment.

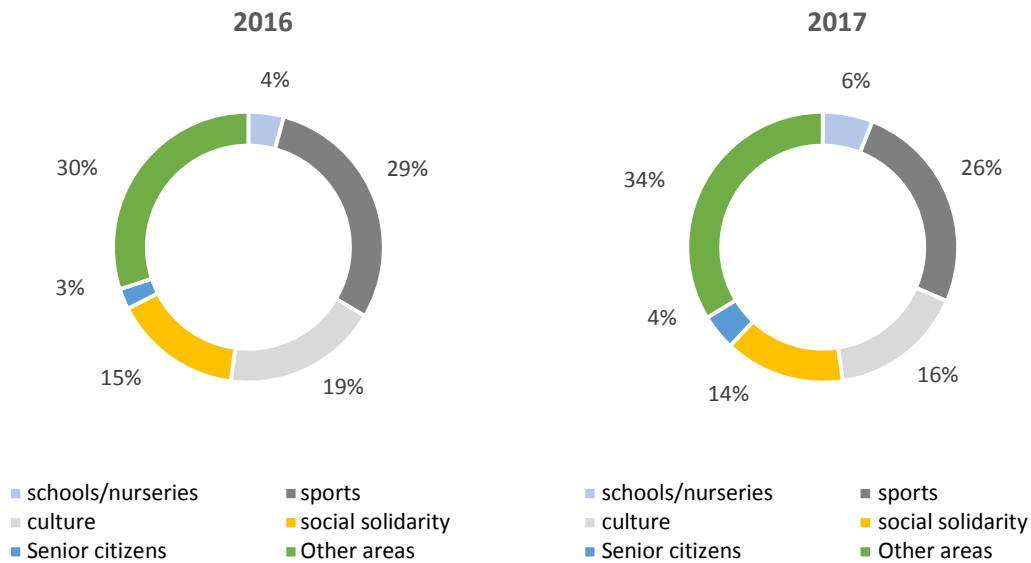
Indicator of Social Responsibility with the Local Community in 2017	
2.3	Millions of euros invested in the community in social responsibility actions
2,883	Institutions supported
16%	Weight of the total value of investment in the cultural area
5	Number of foundations in operation as vehicles of the support to the community

The investment in social responsibility in 2017 stood at 2.3 million euros, having fallen by around 8% in comparison to 2016. This value includes donations and sponsorships.



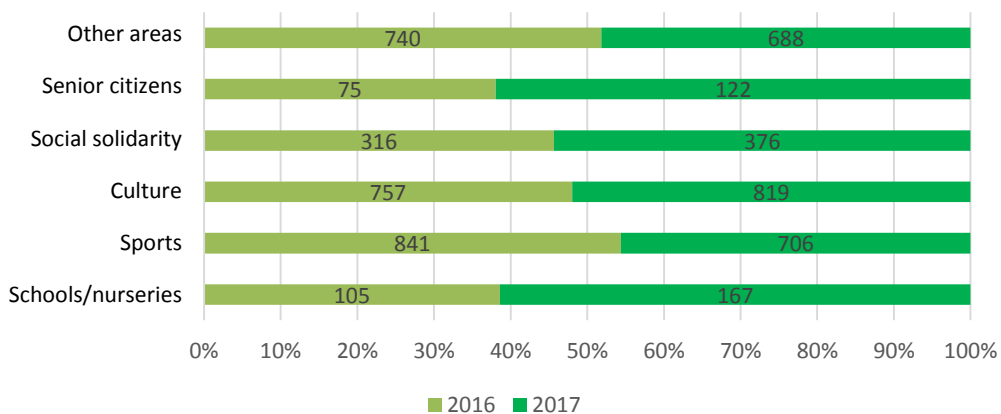
The distribution of the investment in responsibility of Crédito Agrícola in 2017 continues similar to the same period of the previous year, although with increased equanimity in the distribution of funds over the different areas. Not less important is the weight of the category “other areas”, which accounts for 34% 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



In 2017, support was given to a total of 2,883 institutions, 1% more than in 2016. There was also a greater dispersion in the supported institutions (category “other areas”), reflecting Crédito Agrícola matrix of social support, guided by response to the specific needs of each community. In the areas of strategic citizenship, the highest increase of the number of institutions supported occurred in the areas of schools and nurseries, and institutions supporting senior citizens, with more than 59% and 63%, respectively.

Number of institutions supported in 2016 and 2017



An additional component of the support granted in 2017 was made by the purchase and donation of equipment for firemen, hospitals and other institutions. The largest share of these contributions went to the firemen, in 2017, valued at over 200 thousand euros.

Thousands of Customers of Crédito Agrícola

Help the victims of the fires

Thousands of Portuguese joined the CA Solidarity Campaign, created to support the victims of the fires in Pedrógão Grande, Figueiró dos Vinhos and Castanheira de Pêra. The funds that were raised, amounting to 218 thousand euros, by CA Customers, contributed to recover part of the material losses incurred by the families and companies of these localities.

Crédito Agrícola delivered the donations collected by the CA Solidarity Account to the Union of Portuguese Misericórdias, whose direct support to the victims has been recognised by all, in particular in the reconstruction of permanent home and in the recovery of companies, with a working party having been created to list the most pressing needs of the populations affected by the fires. Work has been developed together with Social Security, the National Civil Protection Authority and the Municipal Councils and Misericórdias of Pedrogão Grande, Castanheira de Pêra, Figueiró dos Vinhos, Góis, Pampilhosa da Serra, Sertã and Penela. Through this action, Crédito Agrícola has taken up an active position in the development and social well-being of the Portuguese and, once again, congratulates the spirit of solidarity shown by its Associates, Customers and Employees.

Support to culture

Grupo Crédito Agrícola supports cultural manifestations in various artistic areas. The cultural initiatives supported in 2017 include, in particular:

- Support given by CCAM Cantanhede e Mira in the holding of concerts in various localities to commemorate the Centenary of the Death of the composer and musician António de Lima Fragoso (born in Pocariça, a village of the Municipality of Cantanhede).
- Support to Jobra - Branca Music School, by CCAM Albergaria e Sever.
- Support to Expofacis - Agricultural, Commercial and Industrial Exhibition/Fair of Cantanhede. This event was attended by more than 300 thousand participants and its cultural programme included various performances, with emblematic names of national and international music.
- The Foundation of CCAM do Vale do Távora supported the celebration of World Theatre Day, enabling the performance of the play “The King who ate stories”, seen by children of the 1st Cycle of the School Group of the region. The main purpose of the performance was to raise the children's' awareness on the importance of reading and the knowledge derived from widespread reading.
- The CA do Norte Alentejano sponsored Crato Festival one again, in 2017, a reference cultural event of this region.
- Support to the production of the documentary “Nazaré, A Wave For History”. Incorporated in SAL – Surf at Lisbon Film Festival, the film addresses various issues on Surf in Nazaré.

Education

Crédito Agrícola has performed an important role in attributing awards to students with the best 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 well-being of their future life and that of the community in which they live.

- The Programme Grade20 promoted for the entire Grupo Crédito Agrícola awarded 120 students of the 7th to 12th years of schooling for the school results achieved in the academic year of 2016/2017. This initiative awarded the 20 best students of each academic year with cash prizes between 100 and 1,000 euros, to a total of 25 thousand, for deposit in saving accounts. With this initiative, Crédito Agrícola encourages and valorises the academic efforts made by the awarded young people, on the one hand, the culture of merit, and, on the other hand, saving habits among young people.
- School Merit Awards - approximately 11,740 euros were attributed in donations to 44 students of the Schools of Beja and Mértola.
- Support to a joint initiative, with the Municipality of Ovar - "More and Better Readers", awarding cash prizes to students between the 1st and 9th year by CCAM Beira Centro.
- The CCAM do Baixo Mondego awarded the best students, children of staff of the Corporation of the Humanitarian Association of the Voluntary Fire Brigade of Figueira da Foz.
- Under the protocol of collaboration between CA Coimbra and the Foundation for Assistance, Development and Vocational Training (ADFP), yet another ceremony took place to deliver the 'Brilliant Minds' awards. With this initiative, this CCAM aims to facilitate the school community's access to advanced education programmes, encouraging and awarding the development of special talent.
- In 2017, CCAM Alto Douro started a partnership with a university lecturer, author of children's books, to promote interest in reading and writing among children attending the 1st cycle of elementary education. The project, named "Cook (with) your words", inspired in the television programme *Masterchef Junior*, consists of a competition aimed at children of the 3rd and 4th years of elementary education of the School Groups of Bragança, Alijó, Vinhais and Sabrosa. In 2017 the initiative covered a total of around 850 students of 6 School Groups.
- The Foundation of Caixa Agrícola do Vale do Távora e Douro attributed scholarships to children from low-income families of the municipalities of their area of action and also awarded the good school performance of the applicants who achieved exceptional results through merit scholarships.

FINANCIAL EDUCATION

RENEWAL OF THE CRISTAS CLUB

The Cristas Club is community for children and young people with a variety of entertaining and educational activities, aimed at instilling saving habits in this group. This Club's application was launched in 2017, being available for tablet and smartphone, in Android versions. The Club also has new functionalities: new games, a cultural agenda and a CA Junior virtual bank with the creation of virtual savings.

CA DE ALCOBAÇA RECEIVES STUDY VISIT

CA de Alcobaça was visited by a group of children from Pataias Parish Assistance Centre. This visit was planned under the topic "Professions" that the Centre is developing.

CA DE SALVATERRA DE MAGOS PROMOTES FINANCIAL EDUCATION

This CA received a group of 24 children, aged between 4 and 5 years old, for a class of financial education. And the scenario of the study visit was precisely the Savings Branch of Salvaterra, of CA de Salvaterra de Magos. This visit was very entertaining, with the film "Cristas" livening up the meeting, with this mascot then having gone home with the young illustrious visitors, in the form of a piggy bank, a clear incentive to saving.

CA SUPPORTS DIGITAL LITERACY

Grupo Crédito Agrícola joined the Movement for Active Digital Use (MUDA) This initiative aims to foster the “digital education” of the Portuguese, thus contributing to a more evolved, inclusive and participative society and in this way creating a stronger and more competitive economy.

Alongside the different information platforms that have already been developed, MUDA also promotes a tour covering the 18 districts of Portugal which will enable a first experience on the internet for many people and the presentation of sophisticated means such as virtual reality.

A network of spaces is also being created, consisting of many shops and branches of MUDA partners, where citizens can also develop their knowledge and be challenged to progress in digital literacy.

Sports

Supporting the values underlying sports and its associated well-being has been one of the hallmarks of Crédito Agrícola 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 2017 in the following areas: motor cycling – cross-country, racing – rally, surf, bodyboard, cycling in various categories, 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	João Ruivo, Paulo Ramalho, Rui Ramalho and Rafael Lobato
Cycling	35rd Bicycle Tour of the Alentejo, Alcobaça Cycling Club
Surf and Bodyboard	Teresa Almeida, Kathleen Barrigão, Crédito Agrícola Junior Cup
Other sports supported	Triathlon, Karting, Athletics

Social Solidarity

Crédito Agrícola support to social solidarity initiatives and institutions in 2017 was portrayed by the following:

- Acquisition of a vehicle to transport patients by CCAM Douro e Coa.
- Apart from the donation through the CA Solidarity account, various CCAM made donations to the victims of the fires of the summer of 2017. This was the case of CCAM Beira Centro, which donated 2,500.00 euros to each of the following municipalities: Arganil, Góis, Tábua and Vila Nova de Poiares.

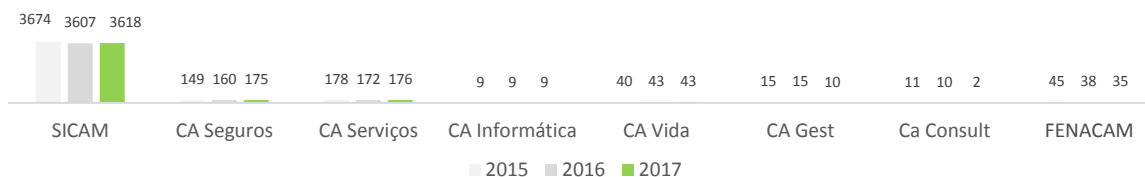
- On the international day of children with cancer, the Employees of CA do Vale do Távora e Douro went to Vila Real Hospital Centre. In the company of the clown doctors, Dr. Boavida and Dr. Zundapp, the Employees sought to create experiences and moments of joy among the children interned at this hospital, lightening the burden implied by hospital stay in the lives of these children and their families.
- In 2017, CA Vida celebrated its 19th anniversary with charity, holding a blood donation session in partnership with the Portuguese Blood and Transplant Institute. This in-house awareness-raising action, under the motto “United by Blood. Together for Life”, involved the participation of more than 50 Employees of the Group's companies, CA Vida, CA Seguros and CA Gest who, voluntarily, contributed to strengthen the blood reserves in Portugal.
- In 2017, FENACAM gave the Camões Institute 5,481 school kits and 917 backpacks, among other products for children (donations of FENACAM + 70 Caixas Agrícolas, of the total value of 6,852.83 euros), in a campaign directed at raising awareness on the importance of school education and for the promotion of the Portuguese language at schools of Cape Verde.
- Once again, in 2017, CA Vida organised a charity action aimed at improving the daily life of the vulnerable children, young people and their families that are supported on a daily basis by a community centre. The initiative consisted of the donation of products gathered through a collection of food, toys and books from among the Employees.
- The Representation Office of Crédito Agrícola in Geneva supported the holding of a Solidarity Vernier-Tondela Bicycle Tour, integrated in the project “Chaîne de l’Espoir”. Starting on 25 May and arriving on 4 June, six members of the “Amis Cyclistes de Vernier” Association travelled by bicycle the 1,800 km separating Vernier (Switzerland) from Tondela (Portugal), with the main objective having been fund-raising for “Various - Social Solidarity Cooperative”. The amount raised, of total value of 27 thousand euros, was handed over by the CA to the Various Association at the final stage of this solidarity journey.
- The Foundation of Caixa Agrícola do Vale do Távora e Douro was at the Branch of CA de Armamar, on 19 July, to hand over a computer to a young person with a severe visual impairment. Young Raul can only manage to study when assisted by a computer with a high resolution screen and installed computer application that works like a magnifying glass. It happens that the equipment that this young person had been using was rather slow and out-of-date, which was inevitably affecting his school work.
- The Foundation of Caixa Agrícola do Vale do Távora e Douro attributes fruit on a monthly basis to the students of the 1st cycle of the Group of Schools that are partners of Aguiar da Beira, Penedono, Armamar, Tabuaço and Trancoso, in the context of a project aimed at improving nutritional education and eliminating some of the unhealthy eating habits experienced in this school population. This project strengthens the mission of PERA – Nutritional Reinforcement School Programme, under the supervision of the Ministry of Education and Science, which seeks to ensure that children have access to a first meal of the day and to raise the awareness of the students and their families on the importance of breakfast eaten at home and the benefits of healthy eating.

2.3 RESPONSIBILITY TO THE EMPLOYEES

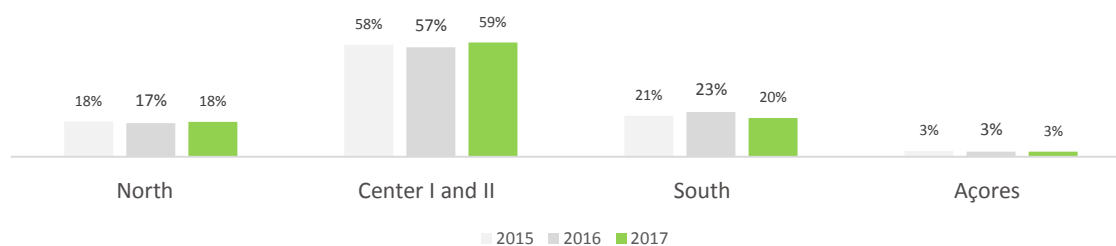
CA Group Team

In 2017 the team of Employees of Grupo Crédito Agrícola showed a distribution analogous to that of previous years between the different companies of the Group, both regarding the number of Employees per company and in terms of geographic distribution.

Distribution of the Employees in SICAM, Participated Companies and FENACAM

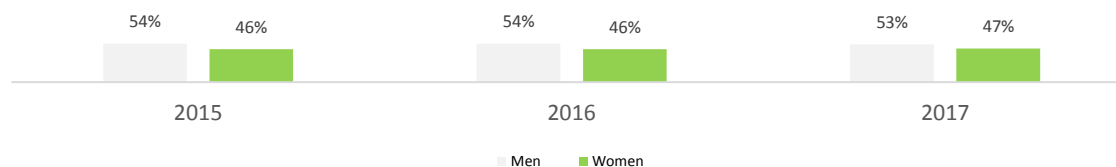


Geographic distribution of the Employees

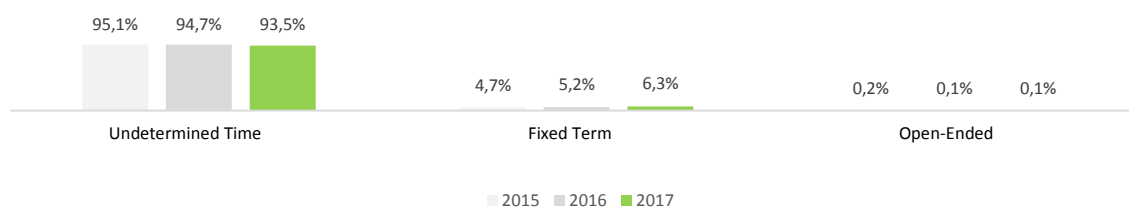


The characterisation of the team by type of employment contract, as well as the relationship between the weight of male and female Employees remained the same as in 2016, although there was a 1 p.p. reduction in women.

Employee distribution by gender

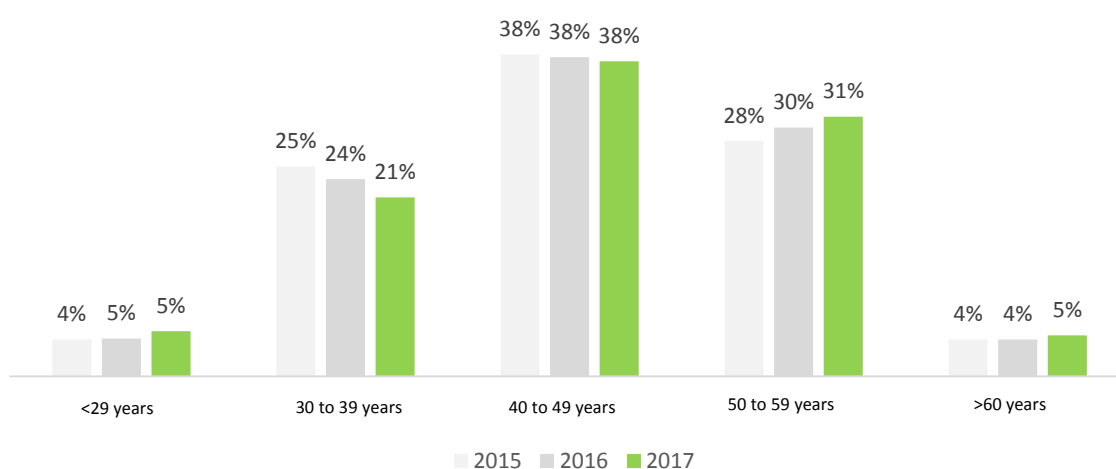


Characterisation of permanent staff by type of employment contract



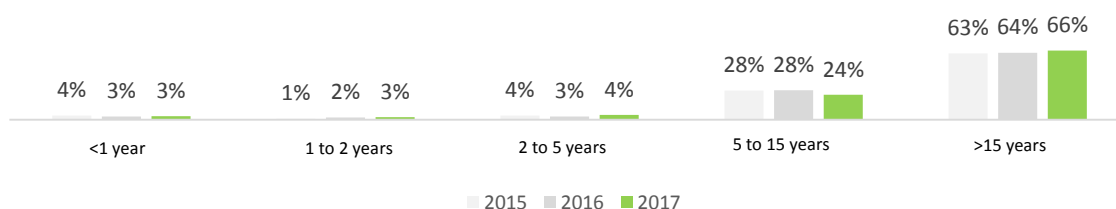
The characterisation of the team by age cohort also showed a similar distribution to previous years, apart from a 3 p.p. decrease in the age cohort from 30 to 39 years old.

Characterisation of the permanent staff by age cohort

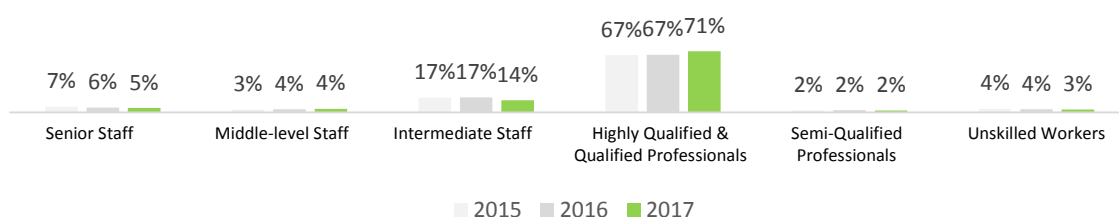


Grupo Crédito Agrícola shows a strong capacity to retain its Employees, expressed in the length of service of the team: 66% of the Employees have worked at the Group for more than 15 years. Regarding functional distribution, 71% of the employees are included in the highly qualified or qualified professional category, 4 p.p. more than in 2016. The middle management staff fell by 3 p.p.

Characterisation of the permanent staff by seniority

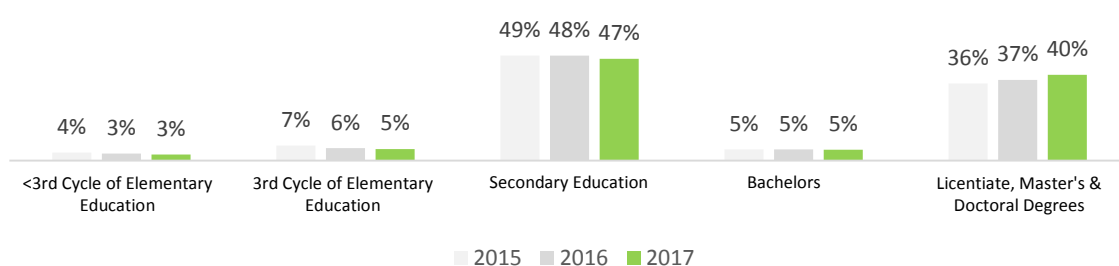


Characterisation of the permanent staff by functional distribution



Regarding academic qualifications, 47% of the employees have secondary education and 40% have a higher education degree.

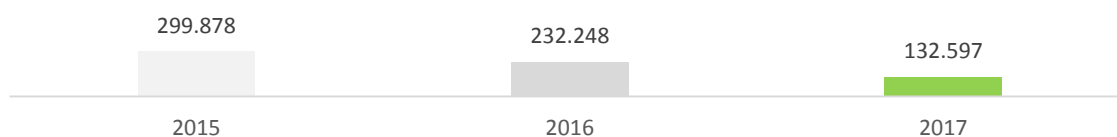
Characterisation of the permanent staff by academic qualifications



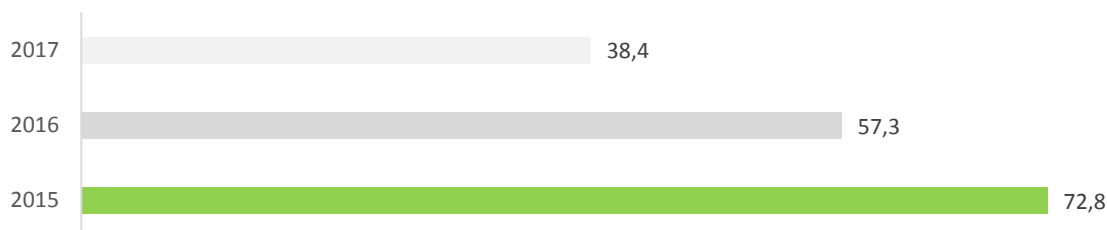
Training

In 2017, a total of more than 132,597 hours of training were ministered, 43% less than in 2016. The number of hours of training per Employee fell by 33%, to a total of 38,37 hours.

Number of training hours



Average training hours per Employee



In 2017, the number of participants showed an increase of 29.4% in presential attendance and a decrease of 12.5% in e-learning. The number of presential training hours increased by 23.8%, with e-learning having fallen substantially by 81.4%.

NUMBER OF PARTICIPANTS (1)	2017	2016	VAR.%'17/'16
Physical attendance	7,710	5,959	29.4%
E-learning	3,192	3,647	-12.5%
NUMBER OF HOURS			
Physical attendance	105,145	84,898	23.8%
E-learning	27,452	147,350	-81.4%

(1) The same employee could have attended various training courses

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:

- Benefits related to health, training and family
- Credit
- Culture, Sports and Well-Being

Health, training and family

In 2017, Grupo Crédito Agrícola contributed to the costs of various courses at a distance, licentiate degrees, post-graduations and masters amounting to a total of 1,180 thousand euros. Of the total of this investment, the Training Fund contributed with 821 thousand euros, of which 108 thousand euros enabled 91 trainees to attend the higher education course on bank management ministered by the IFB.

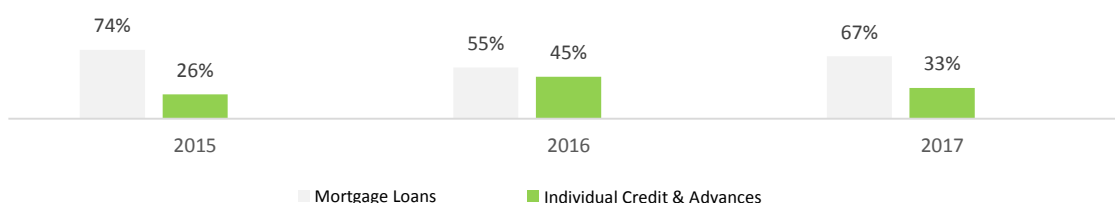
Credit

The Employees of Crédito Agrícola benefit from special conditions in various financial products and services, namely:

- In the use of mortgage loans;
- In taking out various insurance policies;
- By lower maintenance expenses in the annuity of credit and debit cards;
- By lower maintenance expenses in the issue of cheques;
- By exemption of maintenance commission expenses in demand deposits;
- Credit for personal expenses at symbolic rates.

Of the credit to Employees, in 2017, 67% involved mortgage loans, and 33% was individual credit and advances. The weight of mortgage loans increased in relation to 2016, and individual credit decreased in 2017 in relation to the previous year.

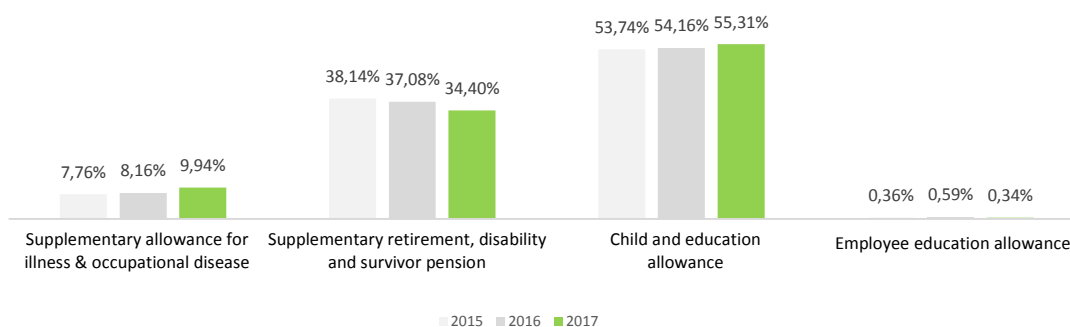
Credit granted to Employees



Social Protection

Among the social protection charges paid directly by the company, the allowance for children and education accounts for 55% of the value invested. The second largest investment is allocated to the supplementary pension for old-age, disability and survival, which accounted for 34% of the charges in 2017.

Social protection charges paid directly by the company



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 well-being, special note should be made of the Annual Meeting, a great occasion gathering all the employees and their families together.

Culture, Sports and Well-Being

Social responsibility express Crédito Agrícola 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 CAM was conceived in order to promote the cultural, intellectual, physical and civic development of the Employees of Crédito Agrícola Mútuo, aimed at fostering their well-being and interpersonal relations.

Year after year, this association has attracted a growing interest in initiatives of diversified scope and social opportunities, striving to meet the interests and expectations of its members. For this reason, a new institutional website has been developed to promote better communication and dissemination of the different initiatives, namely concerning:

- 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 diversified range of publications, aimed at promoting reading among the workers of Grupo Crédito Agrícola;
- Protocols with different entities aimed at obtaining discounts and provision of services, in areas such as health, aesthetics, education, parking, fuel and communications;

We also highlight two Social Solidarity actions promoted by the Bikers' Group of CCDCAM, the first directed at the Beekeepers of various zones affected by the fires, involving the donation of half a ton of bee food, in collaboration with CCAM da Serra da Estrela, Municipality of Seia and the pilot Mário Patrão.

The second social solidarity action took place among children interned at Estefânia Hospital in Lisbon, with the presential offer of toys to each of the children, as well as the offer of a television and 3 computers. This action involved the donations of the members of the Bikers' Group, the Cultural and Sports Centre, colleagues, family members and CA Serviços.

Annual Meetings

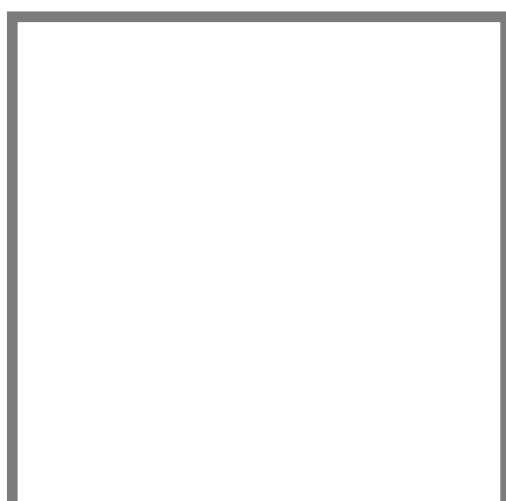
Gatherings among Employees are encouraged, with a view to boosting their socialising, closeness, the sharing of experiences and cohesion, sometimes involving their families and not on other occasions. In this regard, we highlight the Christmas party.

In 2017, the National Meeting of Crédito Agrícola was held at Lamego Multipurpose Centre, organised by CA da Beira Douro. The occasion was attended by close to 1,200 people. In addition to the team building activities, the event included lunch with musical entertainment presented by Pedro Abrunhosa and the Comité Caviar band.

CA DAY, instituted in 2017, is celebrated annually on 1 March. The explanation lies in the Decree with force of Law, of 1 March 1911, constituting Crédito Agrícola which at that time established the bases of the Legal System for Mutual Agricultural Credit Branches (Caixas de Crédito Agrícola Mútuo).

On this first year of celebration of the date, the CA DAY was creatively marked by all the CCAM, with the implementation of various actions all over the entire national territory.

During the “CA Day” advertising competition, Crédito Agrícola raffled a Renault Zoe electric motor vehicle. José João Barbosa Pereira, resident in the parish of Bico – Paredes de Coura, a Customer of CA do Noroeste, was the winner, and, in addition to the vehicle, he also received the offer of the hire of the battery for a period of two years.



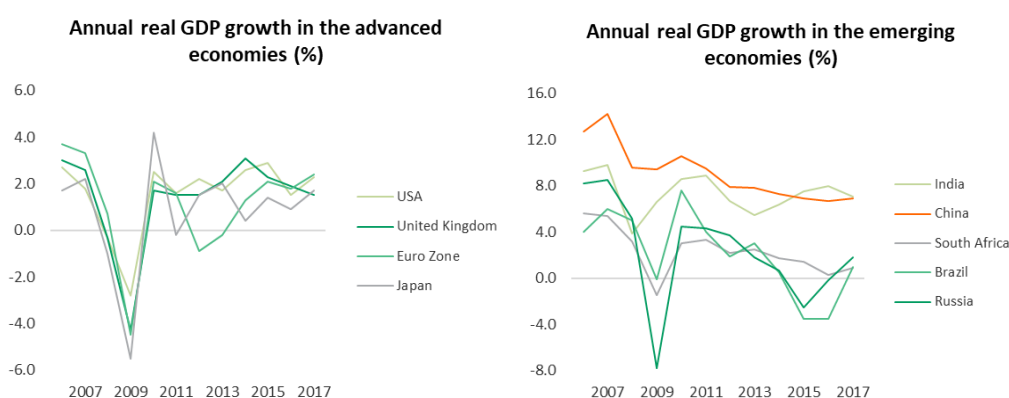
03

Economic environment

III. ECONOMIC ENVIRONMENT

3.1 INTERNATIONAL ECONOMY

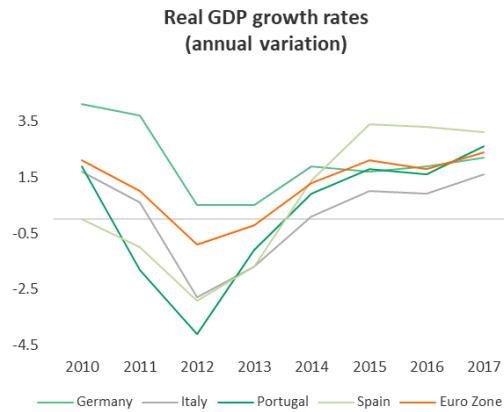
The international economy showed a robust performance in 2017, benefiting from the attenuation of some risk factors of political order, accommodative financial conditions in the main developed blocks and the recovery of international trade. The European economies, both developed and emerging, showed positive signs, and likewise the Asian countries, regions where the expected growth for 2017 has generally been upward revised. The rate of growth of prices has progressively increased in the developed countries, but below that desired by the monetary authorities. The World Bank elevated its estimated growth of World GDP to 3% in 2017.



Source: Bloomberg, January 2018

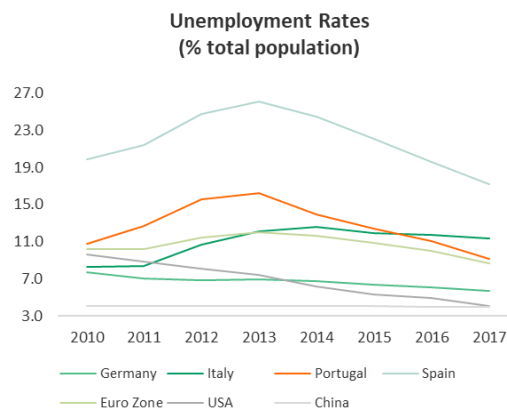
In 2017, the economy of the euro zone continued robust, supported by the maintenance of the accommodative financial conditions, low energy prices, recovery of confidence among economic agents and reduction of political risks. Throughout 2017, the economy gained impetus as some of the fears which limited the growth and optimism started to dissipate. Domestic demand continued to be the main driver of growth, but the recovery of exports, thanks to the economic upturn at a global level, enabled the contribution of foreign demand to be equally positive. Particular note should be made, in the political field, of the disappointed expectations of those that hoped that the populist feeling that led to the victory of “Yes” in the Brexit and the election of Donald Trump in the USA would lead them to winning the elections in France and Holland, which did not happen.

The 19 countries comprising the euro zone closed the year of 2017 with growth at the strongest rate for almost seven years, with real GDP being above 2% in the group of countries of the euro zone. Capital investment also showed strong growth in response to the maintenance of the accommodative policies of the European Central Bank (ECB).



Source: Bloomberg, January 2018

With the favourable economic conditions in the euro zone, the unemployment rate fell, to stand at 8.7% at the end of the year, a figure not recorded since January 2009. However, the recovery of employment was not accompanied by increased wages. Thus, the annual variation of consumer prices remained between 1% and 2% throughout the year, having closed 2017 at 1.4%, a figure still below the target of the ECB.

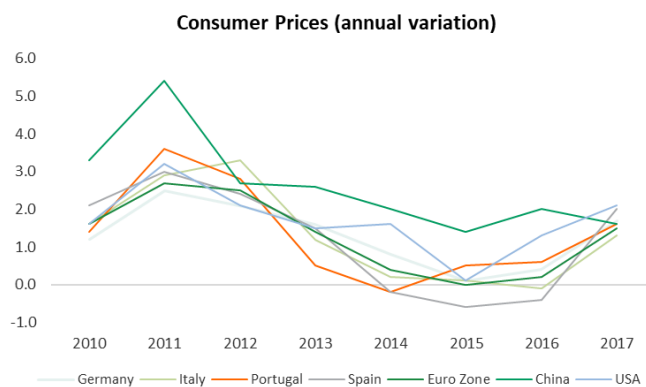


Source: Bloomberg, January 2018

The ECB decided to maintain the main reference rates unchanged throughout the year, at 0% for the main refinancing rate, -0.4% for the deposit rate and 0.25% for the fund assignment rate. Regarding the asset purchase plan, in April the amounts of the monthly purchases were reduced to 60 billion euros, corresponding to 20 billion that before. In October, in response to the favourable economic conditions, the ECB decided to cut its bond purchasing programme by half, i.e. 30 billion euros monthly from January 2018 onwards, where it was expressed that this level would be maintained until September 2018.

The American economy ended the year of 2017 with strong growth, estimated at 2.3% of GDP, making the most of the continued positive dynamics recorded in the second and third quarters of the year, with the figures of the capital markets, consumer confidence and employment showing the best results for the last few years – and in some cases, ever.

The unemployment rate stood at 4.1% close to the end of the year, being the lowest value for almost 17 years. The gains in the labour market were consistent and the employers were actively recruiting to fill vacancies all over the country. These dynamics of recovery of the labour market supported private consumption. In an environment of greater confidence as to the evolution of domestic and foreign demand there was also a recovery of investment which, at a first stage, was focused on the energy sector and later extended to other sectors, in particular industrial activity.



Source: Bloomberg, January 2018

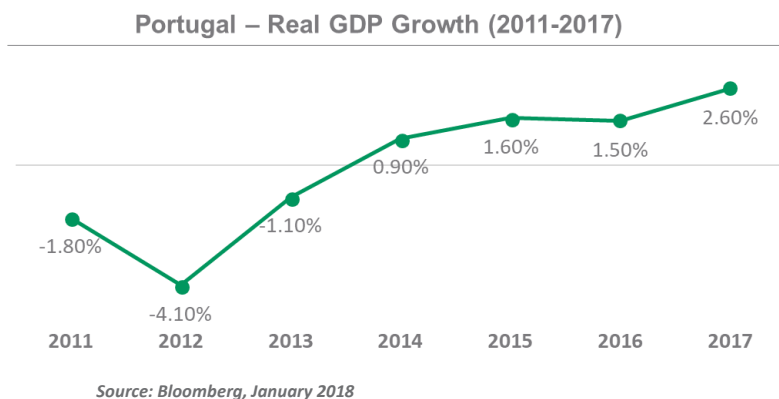
In December, inflation in the USA recorded its largest increase in 11 months, with the underlying inflation rising to 1.8% year-on-year, driven by the motor vehicle, real estate and transport sectors.

By the end of the year, the approval of the fiscal reform came to lend support to the permanence of a scenario of growth in 2018. The plan's objectives are to establish a set of permanent tax cuts for companies and individuals and simply the system of deductions and credits granted to households and companies, eliminating or reducing some of the deductions now foreseen as a way to finance the reduction of taxes.

The American Federal Reserve increased its benchmark rate 3 times throughout 2017, which is currently in the interval between 1.25 and 1.50%. Donald Trump appointed Jerome Powell for the position of Governor of the Federal Reserve, who succeeded Janet Yellen in February 2018. Despite the change of leadership of the American central bank, major changes are not expected in the standardisation of American interest rates.

3.2 NATIONAL ECONOMY

In 2017, the Portuguese economy grew more than the set of countries of the euro zone (2.60% versus 2.40%), which that had not happened since 1999, benefiting from the strengthening of domestic demand and the favourable performance of exports associated to the good economic scenario in the main trading partners.



In domestic demand, private consumption benefited from the recovery of employment and disposable income, having recorded an annual average growth of 2.2%. Investment benefited from the permanence of low financing costs and the strengthening of global demand which contributed to the recovery of the installed productive capacity, that stood at 81.8% in the 3rd quarter of 2017, a figure above the long-term average of 80.6%. Thus, investment showed annual growth of 10.3% in the first three quarters of the year, after having stagnated during the same period of 2016, boosted by the investment made by the private sector. The contribution of foreign demand was positive, with national exports being above imports. National exports reached 42% of Gross Domestic Product in 2017 (compared to 39.9% of GDP in 2016), a sign of the resilience of the national economy in view of the evolution in European monetary policy.

Macroeconomic indicators (2015-2017)

		2015	2016	2017
External Demand	avr	3.8	2.0	
EUR/USD Exchange Rate (%)		1.09	1.05	1.20
Price of Oil (%)		51.2	58.5	66.4
Gross Domestic Product	avr	1.6	1.5	2.6
Private Consumption	avr	2.6	2.1	2.2
Public Consumption	avr	0.8	0.6	0.1
Gross Fixed Capital Formation	avr	4.5	1.6	8.3
Exports	avr	6.1	4.1	7.7
Imports	avr	8.2	4.1	7.5
Harmonised Consumer Price Index	avr	0.5	0.6	1.6
Saving Rate (%)	aav	7.0	5.0	4.4
Employment Rate	%	57.5	59.1	61.0
Unemployment Rate	%	12.4	11.1	8.9
Remuneration by Worker (private sector)	avr	0.4	2.1	-1.1
Current and Capital Balance (% GDP)	avr	1.7	1.7	1.5
Balance of Goods and Services (% GDP)	avr	1.8	2.2	1.8
ECB Reference Rate (average)	%	0.05	0.00	0.00
3-Month Euribor (average)	%	0.00	-0.27	-0.33
Yield of German 10 Y TBonds (average)	%	0.63	0.20	0.35
Yield of Portuguese 10 Y TBonds (average)	%	2.52	3.76	1.94

Source: Banco de Portugal (December 2017) and European Central Bank (December 2017) and Bloomberg (January 2018)

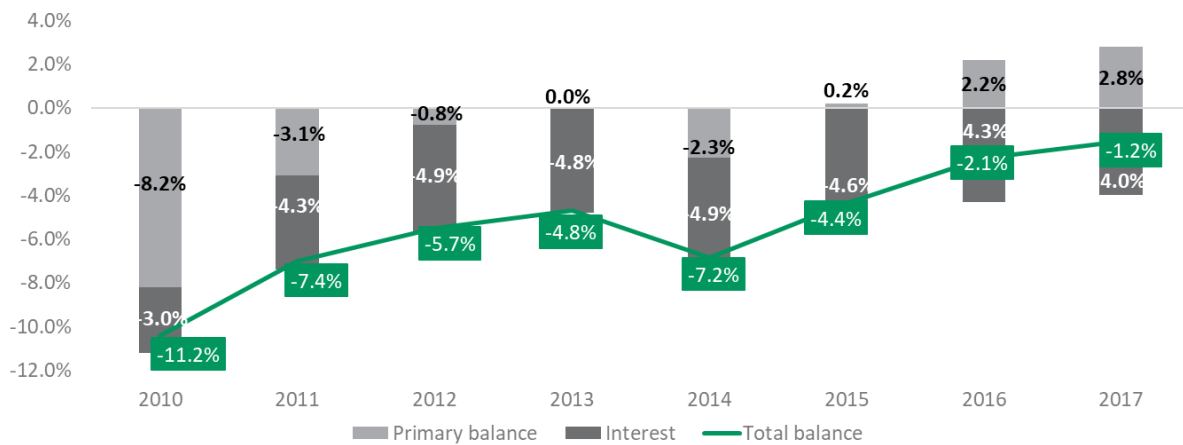
avr: Annual variation rate; aav: annual average variation

The key economic indicators disclosed, with respect to the last quarter of the year, suggest solid growth and higher than that of the euro zone which contributes to reducing the gap of wealth per inhabitant between Portugal and the region of the single currency.

The national unemployment rate recorded one of the sharpest decreases among European countries, standing close to 8.9% at the end of 2017 (11.1% in 2016).

The rate of growth of consumer prices recorded a movement of gradual acceleration throughout the year. This dynamic was particularly fed by the rise of energy prices, whose contribution to the annual average annual inflation rate progressively gained importance throughout the year. The remarkable buoyancy recorded in tourism had an impact on the prices applied in the hotel sector and, consequently, contributed to the acceleration of inflation during the year. However, in December, the rate stabilised at 1.5% (1.2% if energy and food are excluded), with the highest increase having occurred in the prices of transport, restaurants and hotels (more than 3% in relation to the same period of the previous year).

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



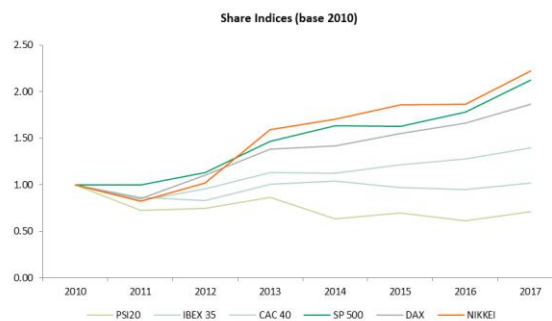
Source: Banco de Portugal, January 2018

The joint deficit of the Public Administrations closed the year of 2017 at 2,574 million euros, corresponding to an improvement of 1,607 million euros in relation to 2016. Despite the reduction of the deficit in public accounts between 2016 and 2017, its value in gross terms stood at 104 million euros above the defined target. In October, at the time of the updating of the estimates for the year of 2017 (State Budget 2018), the Government established the target of the deficit for 2017 at 1.4%. Subsequently, the Government has pointed to more ambitious goals, with the Prime Minister, António Costa, stating that the deficit for the year of 2017 should have reached around 1.2% of GDP.

3.3 FINANCIAL MARKETS

Share markets

The American stock market recorded successive historical maximum points throughout 2017, with the Dow Jones reaching 20,000 points for the first time in January, 21,000 in March, 22,000 in August and finally 24,000 on the last day of November, ending the year with 24,719.22 points. The S&P 500 achieved an impressive 62 new records in 2017, closing the year with 2,673 points. The confidence levels of companies and consumers remained at high levels throughout the year. The leaders of this growth were undoubtedly the major names of the technological sector like Amazon, Facebook, Apple, Microsoft and Alphabet.

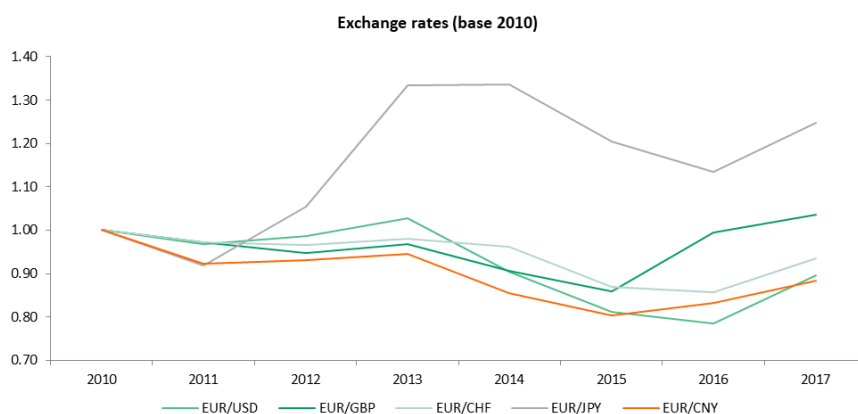


Source: Bloomberg, January 2018

With favourable political developments and strong economic data, the capital market in Europe also appreciated. Investors were relieved in May when Emmanuel Macron won the French elections, although later their concerns returned with the political uncertainty in Germany and Spain. The Stoxx 600 closed the year by advancing 7.68%. In Germany, despite the political uncertainty in the second half of the year, the DAX won 12.51%. In the peripherals, the PSI 20 closed the year by rising 15.15% and the Italian Borsa by 13.61%. The IBEX 35 showed a lesser performance, penalised by the crisis of Catalunya but even so having appreciated by 7.4%.

Monetary markets - Exchange rates and reference interest rates

With respect to the main currencies, 2017 was a year of appreciation of the euro in relation to its rival currencies. Throughout the year, the euro showed an accumulated appreciation of 14.15% in relation to the dollar, 9.16% relative to the Swiss franc, 10% relative to the Japanese yen and 4% relative to the pound sterling. At the beginning of the year, with the EUR/USD at 1.052 dollars, parity between the two currencies was considered probable. However, this rate closed the year at 1.20 dollars, a figure that had not been observed since 2015. Effectively, the expectations as to the solidity of the growth of the euro zone and concerning the removal of the non-conventional monetary measures led to a higher demand for the euro against all the other currencies.



Source: Bloomberg, January 2018

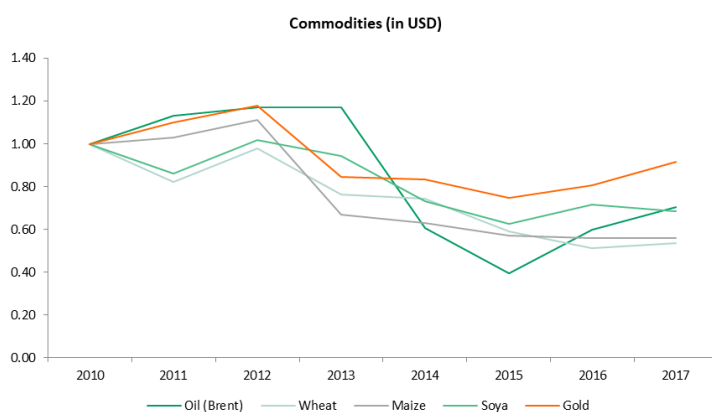
According to the Bank of International Settlements, the dollar continues to be the dominant currency in more than 80% of foreign exchange transactions. With the expectations of greater support to growth by the policies of the new Administration fading with the passing of time, namely the postponement of the public works plans and introduction of a new fiscal package, the north American currency gradually lost strength over the year. In political terms, equally significant was Congress' strong opposition to the measures promised during the electoral campaign, aimed at the immediate end of the programme known as Obamacare. Regarding monetary policy, the Fed pursued the cycle of rising interest rates which, although it had expanded the differential of interest to the euro, did not bring in a significant appreciation of the currency, as the movements had already been anticipated by the market and became a non-event.

Although the Japanese yet devalued in relation to the euro, it maintained great firmness in relation to the dollar. For the most part of the year, the USD/JPY pair varied within the wide range between 107 and 116, without showing any trend. The Japanese Central Bank always defended greater stability of the currency, never hesitating to intervene in the market in order to prevent movements of appreciation of its currency.

The pound ended by showing behaviour of greater stabilisation in the second semester of the year, after the movement of depreciation which occurred between May and August. Throughout 2017, the behaviour of the pound was conditioned by Brexit and the advances and retreats of this entire process. Up to March 2019, the final date for the United Kingdom's definitive divorce from the EU, this will always be a major market factor.

In the monetary market, the Euribor rate at 1 month showed an upward trend, closing the year of 2017 at -0.368% and the Euribor at 1 year fell, closing the year at -0.186%.

Commodities

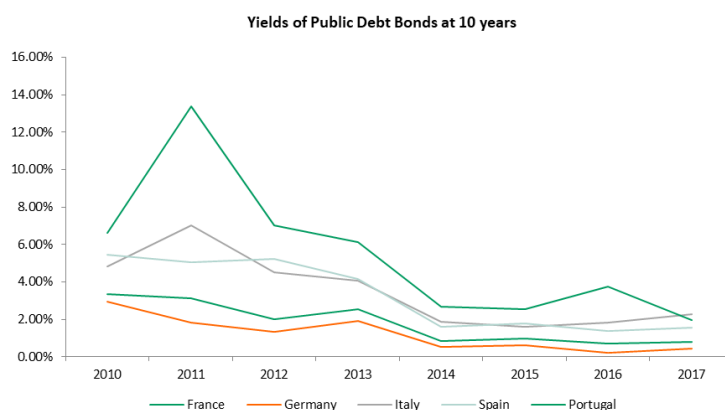


Source: Bloomberg, January 2018

The oil market experienced some relevant factors which significantly constrained its evolution throughout 2017. On the side of the producers was the concern of a greater balance between supply and demand, as the existing time lags are placing price evolution at risk. Oil started the year close to \$60, with strong expectations of recovery and strengthening of consumption throughout 2017. However, the cycle of growth in course in the different blocks will not bring in significant increases of demand, and there have been doubts for some time about the growth of activity in China. In view of the possible occurrence of a more expressive slowdown of Chinese growth, negative reactions have occurred in the commodity markets. Oil actually reached a low point of \$44 at the end of June. In the second month of the year there was a recovery in oil prices, with greatest visibility in OPEC production cuts and outlook of increased consumption in the following year. Thus, the trend of rising prices emerged consistently and systematically, leading oil to close the year at around \$66.

During most of the year, gold traded within the range of \$1.200-\$1.300 and closed the year having appreciated by more than 13% to stand at \$1,302.8. Although the Fed continued with its process of standardisation of interest rates and share markets accelerated, the performance of gold was notable.

Bond market



Source: Bloomberg, January 2018

The bond market continued constrained by the permanence of accommodative monetary policies and low levels of inflation. These factors limited the upward movement of the yields of the main benchmarks in the euro zone and USA which, although having recovered from the minimum levels recorded in the previous year, still remained at historically low levels.

The peripheral countries of the single currency region showed more significant movements, namely in the case of national public debt, which benefited from the fact that two rating agencies elevated their risk assessment, once again placing Portugal in investment class. Portuguese yields at 10 years decreased from 3.76% to 1.94%, with the spread in relation to German debt in the same maturity period falling to 152 percentage points.

In contrast, Spanish and Italian yields increased in relation to their closing value of 2016, having closed 2017 at 1.56% and 2.29%, respectively, for yields at 10 years. In Spain, the political instability derived from the situation of Catalunya and fears as to the economic consequences hindered Spanish yields. In Italy, fears concentrated around the next national elections where the 5 Stars Movement has appeared well positioned in the polls.

The yield of the German Bund at 10 years traded within a range between 0.18 and 0.60%, continuing to be constrained by the ECB asset purchase programme as well as by the low supply level, reflecting its healthy fiscal situation.

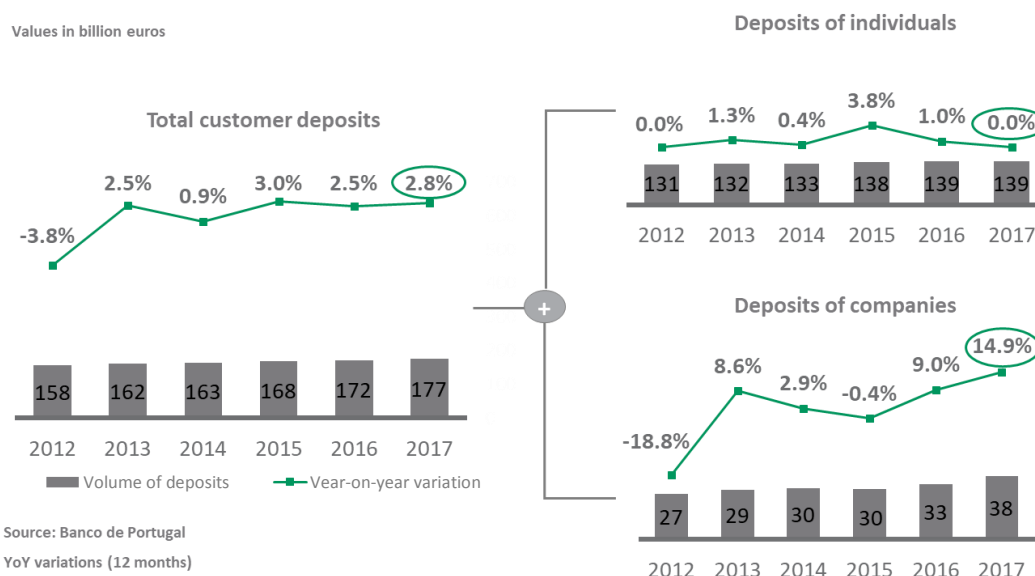
3.4 NATIONAL BANKING MARKET

a) Relevant facts

The year of 2017 was marked by the completion of various processes to reinforce capital and restructuring in some of the main banks operating in the domestic market, especially with changes in management and shareholder control structures. In brief, we have: the operation to increase capital at BCP (1.3 billion euros) with the entry of a new shareholder (Fosun); the completion of the 2nd phase of CGD recapitalisation plan, with the injection of 2.5 billion euros in the public bank's capital; the completion of the public acquisition bid launched by CaixaBank on BPI capital (acquiring a majority position of 84.52%); the completion of the divestment of 75% of the capital of Novo Banco to the Lone Star Fund, with the remaining 25% being maintained as property of the Resolution Fund; and the process of integration of Banco Popular Portugal in Santander Totta, derived from the process of resolution and sale of Banco Popular to Banco Santander.

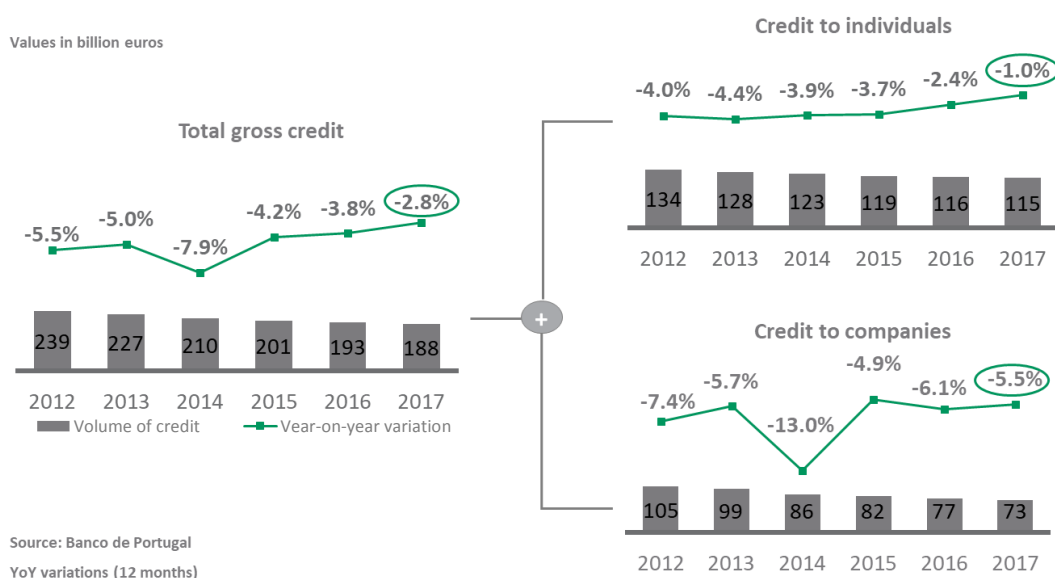
b) Evolution of the national deposit market (2012 – 2017)

According to the most recent information disclosed provided by Banco de Portugal, the volume of deposits increased by 2.8% in 2017 in relation to December 2016. This evolution was influenced by the heavy growth of deposits of companies by 14.9% (+5.9 p.p. than in 2016), while the volume of deposits by individuals stagnated by 0.0% (-1.0 p.p. than in 2016).



c) Evolution of the national credit market (2012 – 2017)

In contrast, total gross credit granted to customers decreased by 2.8% in December 2017 in relation to that recorded at the end of 2016, partly explained by the divestment of the portfolio of unproductive credit (non-performing loans - NPL) occurred in various institutions of the banking sector. The most significant decreased took place in credit to companies (-5.5%), but there was also a notable reduction in credit to individuals (-1.0%), both in relation to December 2016.



According to the information disclosed by Banco de Portugal, total credit fell by 2.8% between December 2016 and December 2017, with the highest percentage decline (two-digit) being in the segment of companies in the districts of Portalegre, Guarda and Castelo Branco. In Lisbon, credit to companies fell by 4.5 billion euros and, in the inverse sense, in the district of Porto credit concession increased by 0.7 billion euros, while in the country there was an overall reduction of credit to companies by 4.2 billion euros.

Evolution of total credit by region - Dec.2017

	Credit			Total weight %	Var. YoY		
	Individuals	Companies	Total		Individuals	Companies	Total
Aveiro	5,592	2,816	8,408	4.5%	0.0%	-0.6%	-0.2%
Beja	1,335	409	1,744	0.9%	3.6%	-7.3%	0.8%
Braga	6,272	3,430	9,702	5.2%	-0.3%	-0.7%	-0.4%
Bragança	953	237	1,190	0.6%	5.5%	-10.2%	2.0%
Castelo Branco	1,451	296	1,747	0.9%	1.0%	-26.4%	-5.0%
Coimbra	3,856	1,232	5,088	2.7%	0.7%	-2.4%	-0.1%
Évora	1,725	959	2,684	1.4%	3.0%	7.4%	4.6%
Faro	4,702	1,815	6,517	3.5%	0.9%	4.1%	1.8%
Guarda	916	191	1,107	0.6%	4.2%	-29.0%	-3.6%
Leiria	4,075	2,394	6,469	3.4%	-1.1%	-3.3%	-1.9%
Lisbon	41,417	38,669	80,086	42.7%	-3.0%	-10.4%	-6.7%
Portalegre	874	198	1,072	0.6%	0.6%	-26.4%	-5.8%
Porto	17,108	12,917	30,025	16.0%	-0.3%	5.7%	2.2%
Santarém	4,017	1,529	5,546	3.0%	0.0%	2.0%	0.5%
Setúbal	9,228	1,741	10,969	5.8%	-1.1%	-0.6%	-1.0%
Viana do Castelo	1,674	524	2,198	1.2%	2.1%	7.4%	3.3%
Vila Real	1,318	301	1,619	0.9%	-1.3%	-12.2%	-3.6%
Viseu	2,582	1,116	3,698	2.0%	2.1%	3.1%	2.4%
Autonomous Reg. Azores	2,721	1,044	3,765	2.0%	4.2%	-1.9%	2.4%
Autonomous Reg. Madeira	2,874	1,196	4,070	2.2%	-1.9%	-9.6%	-4.3%
Total	114,689	73,015	187,704	100%	-1.0%	-5.5%	-2.8%

Source: Banco de Portugal

Analysing credit to individuals in detail reveals that the reduction was essentially due to the decrease of mortgage loans (-1.4% in December 2017 in relation to December 2016) which accounts for 81.3% of total credit to individuals. Overdue credit to individual customers stood at 3.8%, primarily exacerbated by credit for other purposes which, even so, has been falling in terms of its weight in total credit (-13.0% in December 2017 in relation to December 2016).

Evolution of the market of credit to individuals by type - Dec.2017

Type	Volume of credit (€M)	Var. YoY	Total weight %	Overdue credit %
Housing	93,216	-1.4%	81.3%	2.1%
Consumer	13,857	11.1%	12.1%	4.6%
Other purposes	7,616	-13.0%	6.6%	22.4%
Total	114,689	-1.0%	100%	3.8%

Source: Banco de Portugal

In the case of credit to companies, the 5% decrease was mainly due to the reduction of credit to companies of the transport and storage, construction and energy sectors. The sectors of agriculture and fisheries, mining industries, accommodation and restaurants, and real estate activities show an increase of credit granted (3.0%, 7.8%, 1.4% and 4.3%, respectively).

Overdue credit to companies stood at 12.7%, with the sectors showing most non-performance continuing to be construction, real estate activities and trade, which maintain high representativeness in total credit to companies.

Evolution of the market of credit to companies by CAE - Dec.2017

Economic activity	Var. YoY	Total Credit	Weight %	% Overdue Credit
Agriculture and Fisheries	3.0%	2,357	3.2%	4.4%
Mining Industries	7.8%	278	0.4%	10.8%
Manufacturing Industries	-1.0%	12,385	17.0%	7.8%
Energy	-18.8%	2,897	4.0%	0.0%
Water and Sanitation	-19.2%	1,112	1.5%	2.1%
Construction	-7.1%	10,030	13.7%	32.4%
Trade	-2.4%	11,753	16.1%	10.1%
Transport and Storage	-14.0%	5,980	8.2%	4.1%
Accommodation and Restaurants	1.4%	4,630	6.3%	9.2%
Real Estate Activities	4.3%	9,573	13.1%	20.6%
Health and Social Support	2.2%	1,309	1.8%	4.8%
Other	-13.7%	10,711	14.7%	9.2%
Total	-5.5%	73,015	100.0%	12.7%

Source: Banco de Portugal

In 2017, SMEs were the companies which recorded the strongest reduction in credit raised in comparison to 2015. SMEs had been the primary commercial focus of banking institutions not only due to their relative weight (52% of the total segmented companies) but also because of their lower incidence of overdue credit (8.7% and 12.0%, in medium and small enterprises respectively, compared to 22.6% of micro-enterprises).

Values in million euros

Evolution of the market of credit to companies by size - Dec. 2017

	Value	Weight %	% Overdue Credit
Micro-enterprises	23,266	32%	22.6%
Small enterprises	18,257	25%	12.0%
Medium-sized enterprises	17,201	24%	8.7%
Large enterprises	9,869	14%	3.1%
Total Segmented Companies	68,593	94%	13.5%
Non-segmented companies	4,422	6%	n.a.
Total	73,015	100%	12.7%

Source: Banco de Portugal

Analysing the number of companies, there is a notable positive variation in the birth 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 2.4 times in 2017 (i.e. business revitalisation), 31.7% above the figure observed in 2015.

Evolution of the number of companies

	2015	2016	2017	Variation 15/17
Births	37,961	37,034	40,326	6.2%
Closures	16,638	15,505	14,165	-14.9%
Insolvency	4,232	3,256	2,670	-36.9%
Business Revitalisation *	1.8	2.0	2.4	31.7%

Source: Informa DB Barometer

* Births / (Closures + Insolvency)

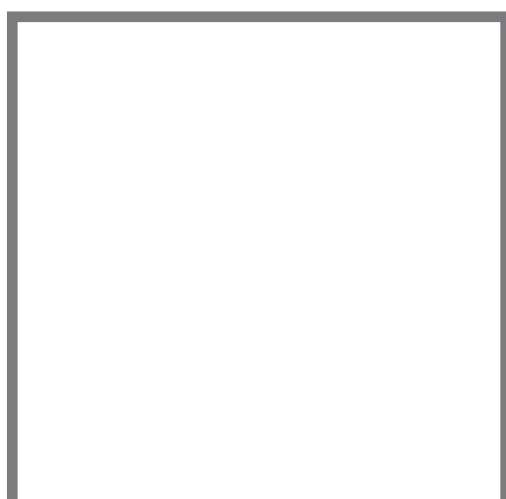
3.5 MAIN RISKS AND UNCERTAINTIES FOR 2018

For 2018, the largest source of uncertainty is related to the impact of the reversal of the accommodative monetary policies of Central Banks on the world economy and on the confidence indices of economic agents, namely relative to the indecision around the termination of the asset purchase programme of the European Central Bank and increased interest rates of the Federal Reserve. Furthermore, the geopolitical instability (derived from Brexit and the crisis in Catalunya, the outcome of the next elections in Italy, and the effects that might arise from Donald Trump new expansionary policy and fiscal reform) could constitute a determinant factor in 2018, particularly taking into consideration the growing tension between the USA and China. The panorama of world trade could undergo changes in 2018, with the movements in the foreign exchange market remaining uncertain, after the devaluation of the dollar recorded in early 2018, the appreciation of the euro in view of the expected recovery of European economies, and the potential interest of some world players in classifying the Renminbi as the first currency in the oil trade.

In 2018, the role of regulation and supervision will become extremely important in the financial sector, in the European panorama, through the European Central Bank and the European Banking Authority, as well as in the national banking system through Banco de Portugal. This more rigorous action is justified not only by the attempt to assure the greater resilience of financial institutions in terms of future crises, but also by the need to regulate the emergence of new players (e.g. fintechs) in the European banking market.

The greatest challenges of the national banking sector for 2018 are related to:

- i. the improvement of the profitability of the banking business, via:
 - (i) increased operating efficiency and cost control, namely through the effort of digitalisation and automation of operations;
 - (ii) the appropriate resolution of unproductive credit stocks; and
 - (iii) the review of the offer and services provided to the customers.
- ii. the pressure on capital and liquidity, via:
 - (i) 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 facing threats and under permanent mutation (e.g. digital, regulation); and,
 - (ii) compliance, with new requirements related to risk absorption (e.g. Basel IV, MREL), leverage and liquidity (e.g. LCR, NSFR).
- iii. 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 (e.g. IFRS9, PBC/FT);
- iv. the review of business models, adjusting them to the new consumer requirements (e.g. mobile banking, service 24/7, procedure of account opening and credit concession online) and contextual alterations (e.g. emergence of fintechs in the context of open banking).



Financial review

04

IV. FINANCIAL REVIEW

4.1 GRUPO CRÉDITO AGRÍCOLA

The consolidated financial statements of Grupo Crédito Agrícola reflect the net worth of SICAM (Sistema Integrado de 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 GCA

	Values in billion euros			
	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017
Customer Funds (on and off-balance sheet)	12,665	13,212	14,060	14,868
of which deposits	10,537	10,910	11,726	12,586
capitalisation funds and insurance a)	2,118	2,302	2,334	2,282
Gross Credit to Customers	8,099	8,373	8,651	9,373
Net Credit to Customers	7,261	7,555	7,941	8,721
Net Assets	15,051	14,936	16,699	17,988
Net Worth	1,211	1,205	1,244	1,449
Net Interest Income	307	310	327	330
Net Commissioning	101	98	105	113
Insurance Technical Margin	-21	20	14	9
Operating Income	577	515	467	562
Net Income	27	54	58	152
Ratio of Credit Overdue > 90 days	8.0%	7.8%	6.2%	5.4%
Ratio of Coverage of Overdue Credit - %	122.9%	122.5%	129.8%	125.5%
Common equity tier 1 - phased in	13.1%	13.0%	13.6%	15.2%
Total solvency ratio - GCA - %	13.1%	13.5%	14.4%	16.0%
Cost-to-income ratio - GCA - %	57.5%	63.8%	73.1%	60.4%
Return on Equity (ROE) - %	2.2%	4.5%	4.7%	10.5%
Return on Assets (ROA) - %	0.2%	0.4%	0.3%	0.8%
Number of employees b)	4,158	4,121	4,054	4,068

a) The values refer exclusively to Associated Caixas of SICAM

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

The consolidated net assets of Grupo Crédito Agrícola recorded a value of 17,988 million euros in 2017, representing 7.7% growth in relation to the 16,699 million euros achieved in 2016. This was essentially the result of the increased net credit to customers of 780 million euros and of the Group's financial assets classified as investments in securities and investments held to maturity which, as a whole, increased by close to 484 million euros in 2017.

The consolidated total liabilities increased by 7.0%, having shifted from 15,455 million euros in 2016 to 16,540 million euros in 2017. In this context, particular note should be made of the year-on-year growth recorded in customer funds on the balance sheet of 859 million euros in 2017.

The consolidated equity of Grupo Crédito Agrícola reached 1,449 million euros in 2017, which represented an increase of 205.1 million euros (+16.5%), particularly explained by the increased net income of 93.8 million euros (+160.9%) and increased share capital of 52.5 million euros (+5.1%).

The net income of Grupo Crédito Agrícola reached 152.1 million euros, corresponding to the highest value ever, having increased by 93.8 million euros in relation to 2016. This increase was fundamentally influenced by the growth of net trading income by 64.5 million euros (+146.0%) and a significantly lower level of constitution of provisions and impairments that stood at 8.1 million euros, corresponding to 22.9 million euros less than the value recorded in the same period of 2016.

b) Capital ratios

In December 2017, Grupo Crédito Agrícola own funds reached 1,426 million euros, representing a reinforcement of 199 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 4.0% when compared to the position at the end of 2016.

OWN FUNDS AND SOLVENCY RATIO - GRUPO CRÉDITO AGRÍCOLA					
<i>In million euros</i>	2014	2015	2016	2017	Δ 17/16
Total Own Funds ^(a)	1,048	1,142	1,227	1,426	16.2%
Core tier 1					
Main Own Funds - Level 1 (Common equity tier)	1,048	1,105	1,163	1,352	16.3%
Level 1 Own Funds (Tier 1)	1,048	1,105	1,163	1,352	16.3%
Position at risk of assets and equivalent	15,301	14,245	17,203	17,121	-0.5%
Own fund requirements	7,985	8,476	8,544	8,885	4.0%
Credit ^(b)	6,919	7,377	7,426	7,785	4.8%
Operational	1,066	1,099	1,118	1,100	-1.6%
Solvency ratios ^(c)					
Core Tier 1					
Common equity tier 1 - phased in	13.1%	13.0%	13.6%	15.2%	1.61 p.p.
Tier 1	13.1%	13.0%	13.6%	15.2%	1.61 p.p.
Total	13.1%	13.5%	14.4%	16.0%	1.69 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.

(c) Up to December 2013 the ratios were calculated pursuant to Banco de Portugal Notices 5/2007 and 6/2010, after which the rules of Directive 2013/36/EU (CRD IV - Capital Requirements Directive) and Regulation (EU) 575/2013 (CRR - Capital Requirements Regulation) are applied.

The common tier 1 (31-A) and total solvency ratios, calculated by applying the transitional provisions (phased-in) and full application (fully implemented) of the rules established in Regulation (EU) 575/2013, stood at:

- CET1:
 - *phased-in*: 15.2%
 - *fully implemented*: 14.8%
- Total solvency:
 - *phased-in*: 16.0%
 - *fully implemented*: 15.8%

OWN FUNDS AND SOLVENCY RATIO 2017 - GRUPO CRÉDITO AGRÍCOLA

<i>In million euros</i>	CRD IV transitional definition (1)	CRD IV fully definition (2)	Δ 2/1
Capital Common equity tier 1	1,352	1,293	-4.4%
Total own funds	1,426	1,379	-3.3%
Own fund requirements	8,885	8,741	-1.6%
Solvency ratios			
<i>Common equity tier 1</i>	15.2%	14.8%	-0.5 p.p.
<i>Total</i>	16.0%	15.8%	-0.2 p.p.

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 capital requirements under the regulations of Basel III and Solvency II, Grupo Crédito Agrícola presented a net income of 152.1 million euros. This corresponds to an increase of 160.9% in relation to 2016, explained by the year-on-year variation of net trading income (+64.5 million euros) and by the net constitution of provisions/impairments (-22.9 million euros) lower than in 2016.

Income Statement

<i>In thousand euros</i>	2015	2016	2017	Variation	
				Abs.	%
Interest and similar income	486,032	496,551	492,787	-3,763	-0.8%
Interest and similar costs	176,385	169,168	162,453	-6,715	-4.0%
Net Interest Income	309,647	327,383	330,334	2,952	0.9%
Technical margin of insurance activity	19,661	13,855	9,102	-4,754	-34.3%
Net commissions	98,280	105,143	112,958	7,814	7.4%
Net trading income*	109,680	44,211	108,745	64,534	146.0%
Other net operating income:	-22,056	-23,693	973	24,666	n.a.
Earnings from assets and liabilities at fair value	-15,466	13,442	4,521	-8,920	-66.4%
Earnings of divestment of other assets	-6,669	-21,255	-2,563	18,692	n.a.
Other net operating income	79	-15,879	-986	14,893	n.a.
Operating Income	515,212	466,899	562,111	95,212	20.4%
Structural Costs	328,916	341,343	339,405	-1,938	-0.6%
Staff costs	193,296	201,091	203,328	2,237	1.1%
General administrative overheads	108,147	112,685	109,893	-2,792	-2.5%
Amortisation	27,473	27,567	26,184	-1,383	-5.0%
Provisions and impairments	112,942	30,999	8,091	-22,908	-73.9%
Earnings from holdings in associates (equity method)	-227	304	312	8	2.5%
Earnings before tax	73,128	94,861	214,926	120,065	126.6%
Taxes	18,755	36,420	62,723	26,303	72.2%
Non-controlling interests	-260	117	59	-57	-49.2%
Net Income	54,112	58,325	152,145	93,820	160.9%

* Sum of income from equity instruments, earnings of financial assets available for sale and foreign exchange revaluation.

d) Structure of the Balance Sheet

Net assets amounted to 18.0 billion euros, showing growth of 1.3 billion euros relative to 2016, essentially as a result of the increased credit to customers (+780 million euros) and financial assets of the Group (+484 million euros). With respect to the investment portfolio, it is important to mention that a reclassification was made of the investments held to maturity to investments in securities⁶, specifically to the heading of financial assets at fair value. This reclassification was the result of the sale of securities classified as investments held to maturity which, according to IAS 39 implied withdrawing the entire portfolio of investments presented in the balance sheet under investments held to maturity.

BALANCE SHEET AS AT 31 DECEMBER

In thousand euros	2015	2016	2017	Variation	
				Abs.	%
Net					
Cash balances	421,807	415,873	480,516	64,643	15.5%
Investments in Credit Institutions	95,128	6,035	6,957	922	15.3%
Credit to Customers (net)	7,555,017	7,940,905	8,720,954	780,049	9.8%
Investments in Securities (net)	5,449,820	3,371,613	7,518,860	4,147,248	123.0%
Investments held to maturity	0	3,663,616	0	-3,663,616	-100.0%
Non-current assets held for sale	668,752	619,506	552,764	-66,742	-10.8%
Investment properties	82,583	69,946	63,511	-6,435	-9.2%
Invest. Affiliates, Tangibles and Intangibles	321,608	309,835	300,960	-8,875	-2.9%
Deferred tax assets	170,524	161,966	141,522	-20,443	-12.6%
Other Assets	170,520	140,096	202,395	62,299	44.5%
Total Assets	14,935,759	16,699,391	17,988,440	1,289,048	7.7%
Liabilities					
Funds of central banks and other credit institutions	625,817	1,578,903	1,935,086	356,182	22.6%
Customer Funds	10,910,086	11,726,366	12,585,685	859,319	7.3%
Insurance contract technical provisions	1,611,507	1,573,475	1,346,109	-227,366	-14.4%
Subordinated Liabilities	120,409	116,534	106,782	-9,752	-8.4%
Other Liabilities	463,136	459,849	565,414	105,566	23.0%
Total Liabilities	13,730,955	15,455,126	16,539,075	1,083,949	7.0%
Equity	1,204,804	1,244,266	1,449,365	205,099	16.5%
Total Equity + Liabilities	14,935,759	16,699,391	17,988,440	1,289,048	7.7%

⁶ Investments in securities includes: Financial assets held for trading; Other financial assets at fair value through profit or loss; and Financial assets available for sale.

e) Quality of the Credit Portfolio

At the end of 2017, GCA 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 23.1 million euros (-4%), confirming the trend of improvement of the default rate observed in recent years. This reduction was influenced by the more dynamic socioeconomic context of the country as well as the effort made by the CA Group towards improving the analysis of credit risk and the investment in initiatives and 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 5.4%, showing an improvement of 0.7 p.p. in relation to the previous year.

EVOLUTION OF OVERDUE CREDIT

<i>In million euros</i>	2014	2015	2016	2017	Δ 17/16	Δ % 17/16
Credit overdue < 90 days	27.5	17.8	13.9	9.3	-4.6	-33.1%
Credit overdue > 90 days	644.1	650.3	533.3	510.2	-23.1	-4.3%
Total overdue credit	671.6	668.1	547.2	519.5	-27.7	-5.1%
Ratio of credit overdue > 90 days	8.0%	7.8%	6.2%	5.4%	-0.7 p.p.	

The level of provisioning to cover total overdue credit stood at 125.5%, observing more conservative criteria than those recorded on average in the market.

OVERDUE CREDIT AND IMPAIRMENTS AS AT 31.DEC.2017

<i>In million euros</i>	Total gross credit	Overdue credit	Overdue credit / Total credit	Provisions for credit risk	Coverage level
Companies and Public Administration	4,903	321	6.5%	456	142.2%
Individuals	4,470	199	4.4%	196	98.7%
Housing	2,777	40	1.4%	41	104.9%
Consumer and other purposes	1,693	159	9.4%	155	97.2%
Total	9,373	520	5.5%	652	125.5%

The segment of Companies and Public Administration recorded a reduction of overdue credit with the overdue credit ratio standing at 6.5% in December 2017 (7.7% in 2016). Credit granted to individual customers also followed the reduction of the overdue credit ratio, standing at 4.4% in December 2017, in other words, 0.5 p.p. below the 4.9% recorded in 2016.

In 2017, the ratio of non-performing credit, calculated under the terms of Banco de Portugal Instruction 24/2012, fell in relation to the previous year, to 5.8% and the net default ratio stood at -1.3%.

DEFAULT RATIOS (*)

	2014	2015	2016	2017	Δ 17/16
Non-performing credit / Total credit	8.5%	8.1%	6.5%	5.8%	-0.7 p.p.
Net non-performing credit / Net total credit	-1.8%	-1.8%	-1.8%	-1.3%	0.5 p.p.

(*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 24/2012, which amended Instruction 22/2011.

The ratio of credit at risk, which includes the total value in debt of credit overdue by 90 days or more and restructured credit also overdue for this same period where there has not been full payment of interest and charges and full reinforcement of guarantees, showed a variation of 0.9 p.p. in comparison to the previous year, reaching 8.5% and, in net terms, corresponds to a slight year-on-year increase, standing at 1.7%.

CREDIT AT RISK RATIOS (*)

	2014	2015	2016	2017
Credit at risk / Total credit	11.8%	11.2%	9.4%	8.5%
Net credit at risk / Net total credit	1.8%	1.6%	1.3%	1.7%

(*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 24/2012, which amended Instruction 22/2011.

The ratio of restructured credit, calculated under the terms of Banco de Portugal Instruction 32/2013, stood at 12.5% (a reduction of 1.3 p.p. compared to 2016) and the ratio of restructured credit not included in the credit at risk stood at 10.7%.

RESTRUCTURED CREDIT RATIOS (*)

	2014	2015	2016	2017
Restructured credit / Total credit	10.7%	13.0%	13.8%	12.5%
Restructured credit not included in Credit at risk / Total credit	9.7%	11.9%	11.9%	10.7%

(*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 32/2013.

4.2 BANKING BUSINESS

a) Evolution of the key indicators

At the end of December 2017, Crédito Agrícola showed year-on-year growth of the net income of the banking business (SICAM) of 76 million euros (147.6 million euros compared to 72.1 million euros). This favourable evolution was fundamentally influenced by the increase of net interest income (+5.0%), the strengthening of net commissioning levels (+7.2%), the higher net trading income (+70.8%) and lower levels of net reinforcement of provisions and impairments (-74.1%).

KEY INDICATORS

In thousand euros

	2015	2016	2017	Var. 17/16	
				Abs.	%
Total assets	13,059,792	14,880,614	16,437,110	1,556,496	10.5%
Net Financial Investments	3,729,604	5,311,976	6,031,113	719,138	13.5%
Gross credit to customers	8,429,644	8,713,284	9,435,024	721,740	8.3%
Total liabilities	11,887,166	13,653,239	14,992,916	1,339,677	9.8%
Customer funds	10,969,821	11,770,738	12,638,189	867,451	7.4%
Funds of other credit institutions and ECB	625,817	1,578,903	1,935,086	356,182	22.6%
Equity	1,172,626	1,227,375	1,444,194	216,819	17.7%
Net interest income	245,129	276,013	289,679	13,666	5.0%
Net operating revenues	502,756	474,532	532,655	58,124	12.2%
Structural costs	300,838	313,331	316,435	3,104	1.0%
Provisions / impairments	126,902	56,123	14,563	-41,561	-74.1%
Net Income	56,311	72,057	147,631	75,574	104.9%
Return on equity (ROE)	4.8%	5.9%	10.2%	n.a.	4.4 p.p.
Cost to income ratio	59.8%	66.0%	59.4%	n.a.	-6.6 p.p.

b) Income Statement

After the year of 2016 having confirmed the phase of recovery and growth started in 2014, the year of 2017 was marked by the solidification and strengthening of this upward trend of the Portuguese economy, with GDP growth of 2.6% (compared to the growth of 1.6% recorded in 2016). Despite the dynamics observed in domestic demand, there was a reduction in the deleveraging of households and non-financial companies, directly reflected in the reduction of credit (volume of settlements not offset by new credit concessions) by around 2.8%. This was distributed by -1.0% in households and -5.5% in companies⁷, and this reduction was also influenced by the operations to divest unproductive credit portfolios.

⁷ In Portugal, in the segment of credit to non-financial companies, credit concession has been particularly penalised by the negative dynamics of credit to the construction and real estate sectors, with a weight above 25%. Credit to agriculture and fisheries, accommodation and restaurants, health and social support are the areas showing positive year-on-year variations. Source: Credit by economic activity sector, BPStat, Feb.2018

The banking activity of Grupo Crédito Agrícola, which includes Caixa Central and the Associated Caixas (SICAM) was distinguished in the market in a remarkable manner, having recorded an 8.3% year-on-year increase of credit gross granted to customers, underpinned by the 11.6% growth in credit to companies and 4.9% growth in credit to individuals.

At the end of December 2017, Crédito Agrícola presented a net income of the banking business (SICAM) of 147.6 million euros, which corresponds to a positive variation of 75.6 million euros relative to 2016.

Overall, the net income arises from: i) the improvement in net interest income by 5.0%; ii) the increase of net commissions by 7.2%; iii) the 70.8% increase in net trading income derived from the earnings obtained from the portfolio of securities; and iv) the reduction of provisions and impairments constituted in the year which shifted from 56.1 million euros in 2016 to 14.6 million euros (-74.1%) in 2017.

Income Statement

In thousand euros	2015	2016	2017	Variation	
				Abs.	%
Interest and similar income	400,181	396,270	407,803	11,534	2.9%
Interest and similar costs	155,052	120,256	118,124	-2,132	-1.8%
Net Interest Income	245,129	276,013	289,679	13,666	5.0%
Net commissions	130,193	138,192	148,122	9,930	7.2%
Net trading income	101,989	48,509	82,869	34,360	70.8%
Other net operating income	25,445	11,818	11,985	167	1.4%
Operating Income	502,756	474,532	532,655	58,124	12.2%
Structural Costs	300,838	313,331	316,435	3,104	1.0%
Staff costs	166,516	175,410	176,753	1,343	0.8%
<i>of which non-recurrent*</i>	3,386	2,204	2,012	-192	-8.7%
General administrative overheads	121,152	124,682	127,193	2,511	2.0%
<i>of which non-recurrent*</i>	0	116	43	-73	n.a.
Amortisation	13,170	13,238	12,488	-750	-5.7%
Provisions and impairments	126,902	56,123	14,563	-41,561	-74.1%
Earnings before tax	75,017	105,078	201,658	96,580	91.9%
Taxes, after correction and deferred	18,706	33,020	54,027	21,006	63.6%
Net Income	56,311	72,057	147,631	75,574	104.9%

(*) Costs related to early retirement, indemnities and consulting (reorganisation of DFOA in 2016, of the Audit function in 2017 and Compliance function - project started in late 2017).

i. Net Interest Income

SICAM net interest income increased by 5.0%, having shifted from 276 million euros in 2016 to 290 million euros in 2017.

The year of 2017 was once again marked by the ECB expansionary policy which, with a view to increasing the inflation levels in the euro zone injected liquidity in the economy through the quantitative easing programme, despite the low reference rate, with impact on the level of Euribor rates that, for some maturities, reached negative values.

NET INTEREST INCOME

in thousand euros

Variables	2016			2017		
	Average capital	Average rate (%)	Income / Costs	Average capital	Average rate (%)	Income / Costs
Credit to customers	8,571,464	3.2%	270,342	9,074,154	2.9%	260,685
Securities and other investments*	5,003,912	0.9%	43,421	6,157,652	0.8%	49,265
Financial assets	13,575,376	2.3%	313,764	15,231,806	2.0%	309,951
Customer deposits	11,370,280	0.3%	34,330	12,204,463	0.1%	18,117
Funds of Central Banks and other liabilities	1,220,832	0.3%	3,420	1,868,652	0.1%	2,154
Financial liabilities	12,591,111	0.3%	37,750	14,073,116	0.1%	20,271
Net interest income		2.0%	276,013		1.9%	289,679
Intermediation margin**		2.9%			2.7%	
Average Euribor rate (6 months)		-0.2%			-0.3%	

(*) Income net of costs related to premium amortisation

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

The increased net interest income was largely the result of: i) the price effect, via the reduction of the average interest rate of deposits from 0.3% to 0.1%; and ii) 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.

ii. Operating Income

Notwithstanding the increased net interest income, it is in the increased operating income that the growth of net income is rooted (an increase of + 12.2%). This positive variation is explained by the higher contribution of net trading income (+ 34.4 million euros compared to 2016, of which +47.6 million euros are capital gains generated by the management of the portfolio of sovereign public debt).

iii. Net Commissions

In 2017, net commissions reached 148.1 million euros, reflected in an increase of 7.2% compared to the 138.2 million euros recorded in 2016. This effect was the result of:

- i) the 6.5% increase of commissions of credit operations (+1.9 million), brought about by the growth of gross credit;
- ii) the 7.4% increase of commissions related to placement and marketing in the areas of insurance and investment funds (+2.6 million euros), following the Group's focus on strengthening the cross-selling of products complementing the banking business;
- iii) the 6.4% increase of commissions related to credit and debit cards (e.g. annuities) and interbank fees (+1.7 million euros).

COMMISSIONS

In thousand euros

	2015	2016	2017	Variation	
				Abs.	%
Commissions received	140,430	149,219	159,760	10,540	7.1%
Guarantees provided	4,838	4,213	4,084	-129	-3.1%
Open documentary credit	82	65	80	15	22.7%
Commitments to third parties	7,726	8,221	7,392	-830	-10.1%
Deposit and custody of values	3,649	3,621	4,220	600	16.6%
Collection of values	877	793	807	14	1.7%
Transfer of values	2,298	2,321	2,556	235	10.1%
Credit operations	25,552	28,343	30,195	1,852	6.5%
Cards and interbank	25,019	26,324	27,997	1,673	6.4%
Placement and marketing	32,922	35,507	38,130	2,623	7.4%
Other commissions received	37,466	39,811	44,298	4,487	11.3%
Commissions paid	10,237	11,028	11,638	610	5.5%
Total net commissions	130,193	138,192	148,122	9,930	7.2%

The stronger activity of the participated companies was reflected in higher remuneration of Caixa Central and the Associated Caixas (+7.4%). This increase was particularly visible in the case of CA Seguros which paid commissions of around 21.9 million euros, representing an increase of 22.0% in relation to that observed in 2016.

PLACEMENT AND MARKETING COMMISSIONS

In thousand euros

	2015	2016	2017	Variation	
				Abs.	%
CA Gest	1,145	763	852	89	11.7%
CA Seguros	16,117	17,945	21,893	3,948	22.0%
CA Vida	11,211	11,903	10,119	-1,785	-15.0%
Sub-total	28,473	30,612	32,864	2,252	7.4%
Other placement/marketing commissions	4,449	4,895	5,266	371	7.6%
Total	32,922	35,507	38,130	2,623	7.4%

iv. Net Trading Income

Net trading income reached 82.9 million euros in 2017, reflecting an increase of 34.4 million euros in comparison to 2016 (+71%).

NET TRADING INCOME

In thousand euros

	2015	2016	2017	Variation	
				Abs.	%
Financial assets available for sale	99,365	38,643	79,189	40,546	105%
Sovereign public debt	80,711	26,067	73,674	47,607	183%
Other debt instruments	15,510	422	5,896	5,473	1295%
Equity instruments	3,144	12,154	-381	-12,535	-103%
Income from equity instruments	339	8,181	2,155	-6,026	-74%
Currency conversion	2,739	1,768	1,333	-435	-25%
Other net income	-453	-82	193	275	n.a.
Total net trading income	101,989	48,509	82,869	34,360	71%

The evolution of the bond markets enabled the achievement of capital gains generated by the portfolio of sovereign public debt securities which reached 73.7 million euros in 2017, representing growth of 183% in comparison to 2016 (+47.7 million euros).

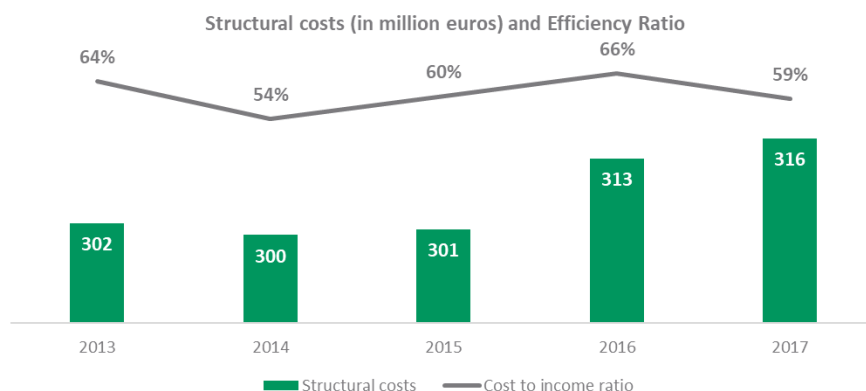
v. Structural Costs

Structural costs grew by around 3.1 million euros to 316 million euros. This evolution is explained by the increased staff costs which shifted from 175 million euros in 2016 to 177 million euros in 2017. This variation (+1.3 million euros) was essentially due to (i) the increased remunerations of the governing bodies (+2.3 million euros) and (ii) the increased remunerations of the employees (+1.8 million euros). In turn, general and administrative costs increased by 2.5 million euros particularly due to the recognition of: (i) expenses related to consultants and external auditors (+2.5 million euros), (ii) expenses related to information technology (+1.0 million euros), (iii) expenses related to services supporting the business (+1.0 million euros), and (iv) expenses related to external valuers (+0.5 million euros), despite the reductions in retainers and fees (-1.3 million euros) and SIBS services (-1.3 million euros). There was also a reduction of the amortisation for the year of around 5.7%.

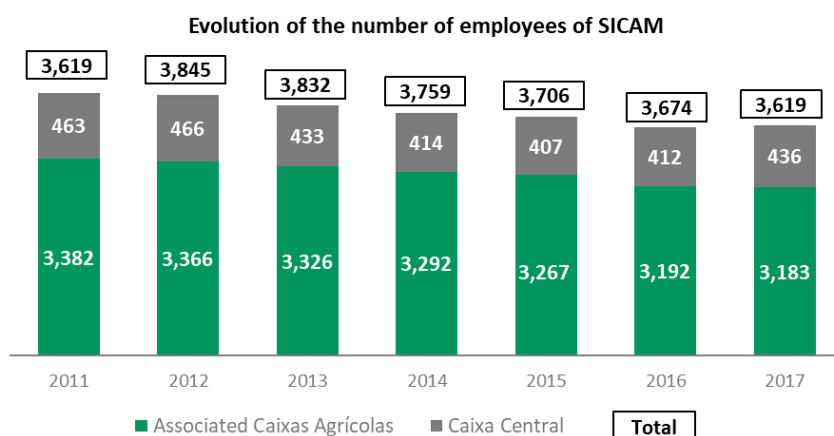
Structural costs				Variation	
	2015	2016	2017	Absolute	Relative
<i>In thousand euros</i>					
Operating costs	287,668	300,093	303,946	3,854	1.3%
Staff costs	166,516	175,410	176,753	1,343	0.8%
<i>of which non-recurrent*</i>	3,386	2,204	2,012	-192	-8.7%
General administrative overheads	121,152	124,682	127,193	2,511	2.0%
<i>of which non-recurrent*</i>	0	116	43	-73	-63.2%
Amortisation	13,170	13,238	12,488	-750	-5.7%
Structural costs	300,838	313,331	316,435	3,104	1.0%
Non-recurring costs*	3,386	2,320	2,054	-266	-11.5%
Structural costs excluding non-recurring costs	297,452	311,011	314,381	3,370	1.1%
Cost to income ratio	60%	66%	59%	-6.6 p.p.	-

(*) Costs related to indemnities and consulting (reorganisation of DFOA in 2016, of the Audit function in 2017 and Compliance function - project started in late 2017).

The efficiency ratio (cost-to-income) fell from 66% in 2016 to 59% in 2017, as a result of the increase in operating income having been higher than the increase in structural costs.



vi. Evolution of the Employees of SICAM



In 2017, the number of employees at SICAM increased from 3,604 to 3,619 (+15 employees). This was partly due to the need for permanent compliance with the requirements established by Bank of Portugal Notice 5/2008 with respect to the internal control system (including aspects related to the separation of functions), as well as the need to replace employees appointed for the boards of the Group's different entities.

vii. Provision/Impairment Levels

In 2017, the volume of provisions / impairments at SICAM amounted to 15 million euros, representing a strengthening of the reduction observed in 2016. This was primarily explained by the lowering of overdue credit from 6.3% in 2016 to 5.5% (-0.8 p.p.) in 2017, 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 distribution of the provisions and impairments for the year was as follows:

- i) credit impairments increased by 10.3 million euros (from -8.0 million euros in 2016 to +2.3 million euros in 2017);
- ii) the impairments of other financial assets, in particular participation units and real estate investment funds, fell by 19.4 million euros compared to 2016 (from +31.6 million euros in 2016 to 12.1 million euros in 2017).

The ratio of coverage of overdue credit stood at 125.5%, with Crédito Agrícola having continued its healthy and prudent management with respect to this matter.

Furthermore, with respect to the real estate properties received in lieu of loan repayment in situations of default, the strengthening of impairments showed a significant reduction from 21.5 million euros recorded in 2016 to 3.8 million euros observed in 2017.

PROVISIONS / IMPAIRMENTS

In thousand euros	2015	2016	2017	Variation	
				Abs.	%
Loan impairment	75,883	-8,033	2,300	10,334	n.a.
Impairment of other financial assets	32,692	31,553	12,131	-19,422	-61.6%
Impairment of other assets	12,332	32,155	5,655	-26,500	-82.4%
<i>of which real estate properties due to credit recovery</i>	9,616	21,501	3,770	-17,731	-82.5%
Other provisions / impairments	5,996	449	-5,524	-5,973	n.a.
Total	126,902	56,123	14,563	-41,561	-74.1%

viii. Profitability

Banking activity, reflected in the gross commercial margin, fell slightly by 0.18 p.p. in 2017 in relation to 2016, as a result of the lower average profitability of net interest income (-0.13 p.p.).

BREAKDOWN OF PROFITABILITY

	2015	2016	2017	Variation
+ Rate of financial assets	2.64%	2.31%	2.03%	-0.28 p.p.
- Rate of financial liabilities	0.72%	0.28%	0.13%	-0.14 p.p.
= Net interest income	1.92%	2.03%	1.90%	-0.13 p.p.
+ Yield of commissions	1.02%	1.02%	0.97%	-0.05 p.p.
= Gross Commercial Margin	2.94%	3.05%	2.87%	-0.18 p.p.
+ Net trading income and other	1.00%	0.44%	0.62%	0.18 p.p.
= Business Margin	3.93%	3.50%	3.50%	0.00 p.p.
- Effect of structural costs	2.35%	2.31%	2.08%	-0.23 p.p.
- Effect of provisions and taxes	1.14%	0.66%	0.45%	-0.21 p.p.
= Return on financial assets	0.44%	0.53%	0.97%	0.44 p.p.
x Financial assets / Net assets	0.98	0.91	0.93	
= Return on assets (ROA)	0.43%	0.48%	0.90%	0.41 p.p.
x Net assets / Equity	11.14	12.12	11.38	
= Return on equity (ROE)	4.80%	5.87%	10.22%	4.35 p.p.

The profitability achieved in trading activity increased by 0.18 p.p. in relation to 2016, offsetting the negative effect of the lower gross commercial margin (-0.18 p.p.) which, combined with the positive effect of the lower structural costs (-0.23%) and provisions and taxes for the year (-0.21 p.p.), led to an increase in the return on equity by 4.35 p.p., which shifted from 5.9% in 2016 to 10.2% in 2017.

c) Structure of the Balance Sheet

Balance Sheet as at 31 December

In thousand euros

	2015	2016	2017	Variation	
				Abs.	%
Net					
Cash balances	421,057	415,824	480,485	64,661	15.5%
Investments in Credit Institutions	94,827	6,035	6,957	922	15.3%
Credit to Customers (net)	7,577,775	7,997,636	8,782,890	785,254	9.8%
<i>Credit to Customers (gross)</i>	<i>8,429,644</i>	<i>8,713,284</i>	<i>9,435,024</i>	<i>721,740</i>	<i>8.3%</i>
<i>Impairments</i>	<i>851,869</i>	<i>715,648</i>	<i>652,134</i>	<i>-63,514</i>	<i>-8.9%</i>
Investments in Securities (net)	3,729,604	5,311,976	6,031,113	719,138	13.5%
Non-current assets held for sale	445,441	395,045	334,274	-60,770	-15.4%
Invest. Affiliates, Tangibles and Intangibles	330,958	320,780	314,505	-6,275	-2.0%
Other Assets	460,129	433,319	486,886	53,567	12.4%
Total Assets	13,059,792	14,880,614	16,437,110	1,556,496	10.5%
Liabilities					
Funds of central banks and other credit institutions	625,817	1,578,903	1,935,086	356,182	22.6%
Customer Funds	10,969,821	11,770,738	12,638,189	867,451	7.4%
Subordinated Liabilities	120,409	116,534	106,782	-9,752	-8.4%
Other Liabilities	171,118	187,064	312,860	125,796	67.2%
Total Liabilities	11,887,166	13,653,239	14,992,916	1,339,677	9.8%
Equity	1,172,626	1,227,375	1,444,194	216,819	17.7%
Total Equity + Liabilities	13,059,792	14,880,614	16,437,110	1,556,496	10.5%

In 2017, total assets stood at 16,437 million euros, corresponding to 10.5% growth in relation to 2016, due to the following factors:

- the 9.8% increase of net credit to customers (+785 million euros), as a result of SICAM commercial performance and the improved quality of the credit portfolio;
- the 13.5% increase of the value of the investments in securities (+ 719 million euros), as a result of the increased funds of central banks and other credit institutions and the increased customer funds on the balance sheet (not having been transformed into credit but invested in securities).

Total liabilities accompanied the trend of total assets with an increase of 9.8%, to stand at 14,993 million euros, corresponding to an increase of 1,340 million euros. This increase of liabilities is related to the aforesaid increase of funds of central banks and other credit institutions (+356 million euros) and customer funds (+867 million euros).

It is important to note that, notwithstanding the observed growth of credit, the net loan-to-deposit ratio stood at 69.5%, 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					
<i>In thousand euros</i>					
	2015	2016	2017	Variation	
				Abs.	%
Capital	997,213	1,033,901	1,086,404	52,502	5.1%
Reserves	292,382	267,053	345,054	78,001	29.2%
Retained earnings	-173,279	-145,636	-134,894	10,742	n.a.
Net income for the year	56,311	72,057	147,631	75,574	104.9%
Total	1,172,626	1,227,375	1,444,194	216,819	17.7%

Equity grew by 217 million euros (+17.7%), to stand at 1,444 million euros, as a result of:

- i) the increased share capital by 53 million euros through new associates and reinforcement of the equity stock of the existing associates;
- ii) the increase of reserves by 78 million euros;
- iii) the increase of net income for the year by 76 million euros;
- iv) the increase of retained earnings by 11 million euros.

i. Financial Assets Available for Sale

SICAM portfolio of financial assets is managed by Caixa Central as the entity responsible for the system's treasury and liquidity management. Note should be made of the change in the mix of the investment portfolio following the reclassification of the assets held to maturity to financial assets available for sale. The change in market conditions led to the transfer of the positions associated to the coverage of the TLTRO II financing and the positions with greater duration to the portfolio of assets held to maturity.

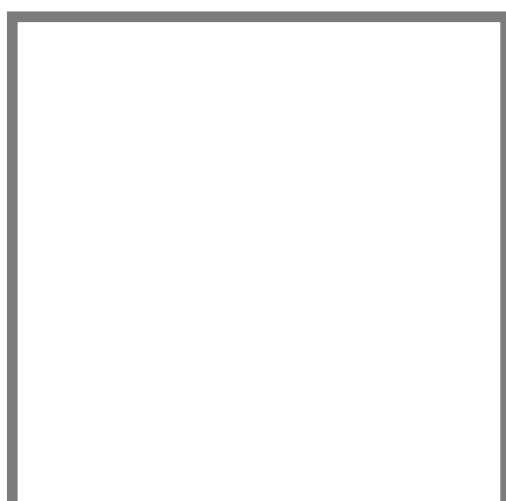
In this context, it is important to mention that:

- i) Portuguese public debt securities now account for more than 40% of the portfolio of financial assets (48.3% in 2017 compared to 41.3% in 2016);
- ii) public debt securities of issuers abroad continue to account for a significant amount of the portfolio of financial assets (42.5%), with this percentage having stabilised in relation to the previous period.

Overall, the portfolio of financial assets grew to stand at 6,031 million euros at the end of 2017, compared to 5,312 million euros recorded at the end of 2016 (+13.5%).

Financial assets available for sale, held to maturity and for trading
In thousand euros

	2015		2016		2017		Δ 2017/ 2016
	Value	% of total	Value	% of total	Value	% of total	
Portfolio of assets							
Financial assets available for sale	3,586,461	96.2%	1,647,949	31.0%	6,008,046	99.6%	264.6%
Treasury bills and other Portuguese debt securities	1,123,606	30.1%	614,559	11.6%	2,915,914	48.3%	374.5%
Bonds of other resident issuers	280,846	7.5%	109,466	2.1%	105,854	1.8%	-3.3%
Bonds of foreign public issuers	1,676,546	45.0%	559,540	10.5%	2,565,224	42.5%	358.5%
Bonds of other foreign issuers	168,301	4.5%	60,408	1.1%	128,514	2.1%	112.7%
Shares of national companies and PUs	327,832	8.8%	291,435	5.5%	278,958	4.6%	-4.3%
Shares of foreign companies and PUs	9,330	0.3%	12,541	0.2%	13,581	0.2%	8.3%
Investments held to maturity	142,920	3.8%	3,663,616	69.0%	0	0.0%	-100%
Treasury bills and other Portuguese debt securities	139,367	3.7%	1,580,766	29.8%	0	0.0%	-100%
Bonds of other resident issuers	0	0.0%	82,361	1.6%	0	0.0%	n.a.
Bonds of foreign public issuers	0	0.0%	1,852,343	34.9%	0	0.0%	n.a.
Bonds of other foreign issuers	0	0.0%	81,779	1.5%	0	0.0%	n.a.
Other non-detailed	3,553	0.1%	66,366	1.2%	0	0.0%	-100%
Financial assets held for trading	224	0.0%	411	0.0%	23,068	0.4%	5513.8%
Total	3,729,604	100%	5,311,976	100.0%	6,031,113	100.0%	13.5%



Risk management

05

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 Grupo Crédito Agrícola, 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 Grupo Crédito Agrícola, 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 year of 2017 was marked by an expressive evolution in the consolidation of the risk management function at GCA through an 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 and the EBA guidelines on the internal governance of institutions (GL 11/2017, published in September 2017). 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 Grupo Crédito Agrícola 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 GCA 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.

GCA asset and liability management function includes 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 and liability 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 on operations or limits placed within each of the levels of delegation of competence, as well as Credit Monitoring and Recovery Boards.

Risk profile

The risk profile corresponds to the risk level that Grupo Crédito Agrícola is willing to accept, pursuant to the Group's strategic positioning, structural features and degree of acceptance of risk. The process that are adopted with a view to the prudent management of the business and appropriate assessment of risk, reflect GCA risk profile at any given moment. Its definition and continuous readjustment is 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 Grupo Crédito Agrícola 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, ultimately, 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.

Grupo Crédito Agrícola 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 2017.

Concerning credit risk and specifically with respect to the quantification of credit impairments, 2017 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 Grupo Crédito Agrícola, 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 the recent requirements of IFRS 9.

With a view to reducing losses on granted credit, GCA 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 GCA and pursuant to the defined

policies and procedures, respecting the prudential regulations to which the Group is subject.

– **Decision-making process**

In order to reconcile the commercial interest with the adequate management of the underlying credit risk, a series of 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 credit impairments 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.

Analytical Models of Credit Risk Assessment

The internal model of attributing ratings (qualitative and statistics) 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 Grupo Crédito Agrícola, 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 developed in 2017 complemented the qualitative angle of the existing models, making the present methodologies more robust and, at the same time, assuring an alignment between the statistical models used for the purposes of internal management of credit risk and the models used to calculate impairment losses under IFRS 9.

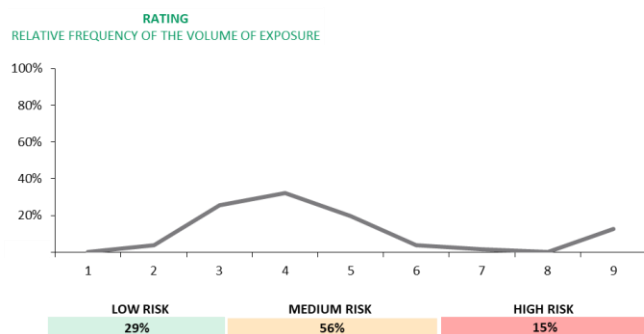
In order to quantify the risk at the time of acceptance of credit for the segment of individual customers, application scoring models (reactive) are used for each segment, which enable estimating the probability of default, also based on a solvency scale correlated with the risk profile of the customer/operation.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

In line with these, the performance scoring models enable the regular and automatic updating of the risk rating, the permanent 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 Grupo Crédito Agrícola grew by 8.3% year-on-year, standing at 9,377 million euros in December 2017.

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 low and average risk profiles, which account for 29% and 56% of the amount of exposure, respectively.

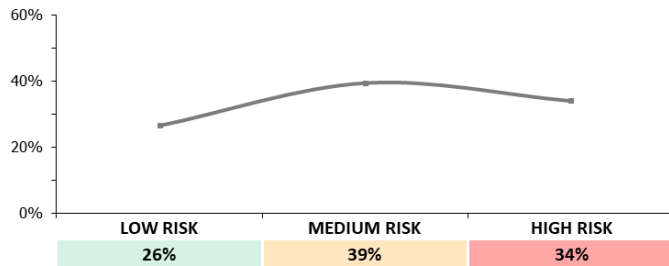


Rating	Description of the customer's risk profile
1	Extremely Solid
1.5	Very Solid
2	
2.5	Solid
3	
3.5	
4	Reasonable
4.5	
5	
5.5	Moderately Vulnerable
6	
6.5	
7	Vulnerable
7.5	
8	Very Vulnerable
8.5	
9	Excessively Vulnerable

In the segment of individual customers, mortgage loans also show a concentration in the average risk profile, accounting for 39% of the amount of credit granted.

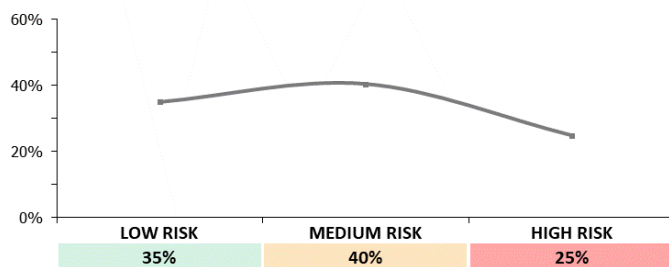
With regard to consumer credit and credit for other purposes, the graphic analysis of relative frequency indicates a downward trend of volume of with increased risk level, and a strong incidence in the low and average risk profile, standing at 35% and 40% of the amount granted, respectively.

MORTGAGE LOANS
RELATIVE FREQUENCY OF THE AMOUNT OF INITIAL EXPOSURE



Risk categories	Level of risk
1	
2	Low
3	
4	
5	Medium
6	
7	
8	High

CONSUMER CREDIT AND FOR OTHER PURPOSES
RELATIVE FREQUENCY OF THE AMOUNT OF INITIAL EXPOSURE

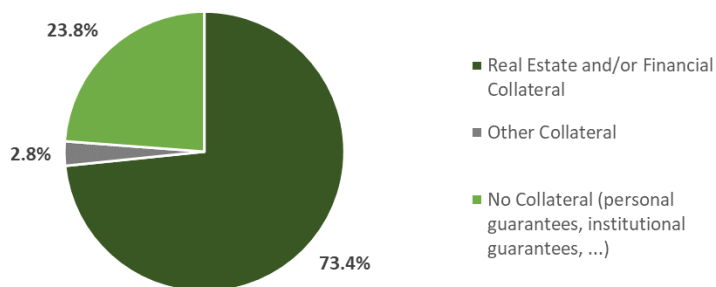


Credit concentration risk

The indicators of credit granted by customer or economic group and risk enable estimating the 10 largest exposures of Grupo Crédito Agrícola, except for Banks and States.

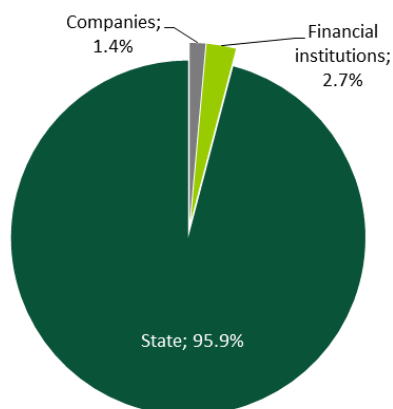
Customer / Group of customers	Weight of exposure in total portfolio (%)
Group A	1.3%
Group B	0.5%
Group C	0.4%
Group D	0.3%
Group E	0.2%
Total 5 largest	2.8%
Group F	0.3%
Group G	0.2%
Group H	0.2%
Group I	0.2%
Group J	0.2%
Total 6-10 largest	1.0%
Total 10 largest	3.8%
Total 50 largest	8.4%

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 73% of the volume of credit in December 2017.

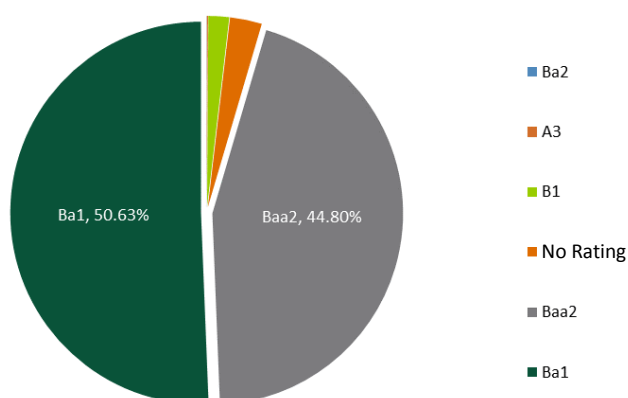


Portfolio of Debt Securities

The institution's own portfolio of securities reveals a high concentration in instruments issued or backed by the State (95.9%), with the remaining part associated to Financial Institutions and Companies.



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 the existence of embedded options in financial instruments of the balance sheet or off-balance sheet items (optional risk).

Alterations of interest rate constrain net income by affecting not only net interest income, but also other items of operating income that are sensitive to interest rates. The latter includes, for example, 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, 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 (ALCCO) 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 will also be 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 seek to assure that GCA does not incur situations that place in question the stability of its income statement or, ultimately, its solvency.

Assessment of Exposure

GCA 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, gap duration 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 evolution of interest rates, stress tests, asset margins and evolution of the net interest income associated to different balance sheet items. These indicators enable the areas involved in ALCCO and the top management to monitor these situations and take decisions in due time.

As at 31 December 2017, the exposure of the balance sheet to interest rate risk according to its maturity or repricing date, excluding derivatives, is as follows:

Values in thousand euros

	Repricing Dates / Maturity Dates						Sub-total	Values not subject to interest rate risk/undetermined	Total
	Sight	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years			
Net	30,286	5,743,272	5,390,325	631,380	1,953,846	1,106,876	14,855,985	1,097,586	15,953,571
Cash and deposits at Central Banks	0	272,971	0	0	0	0	272,971	127,168	400,139
Cash balances at other credit institutions	0	0	0	0	0	0	0	80,345	80,345
Financial assets held for trading	0	0	0	0	0	0	0	23,067	23,067
Other financial assets at fair value through profit or loss	0	0	0	0	0	0	0	0	0
Financial assets available for sale	0	1,285,552	1,152,076	476,722	1,846,403	811,243	5,571,997	436,044	6,008,041
Investments in credit institutions	0	0	6,150	0	0	0	6,150	806	6,956
Credit to customers (gross balance)	30,286	4,184,749	4,232,098	154,657	107,443	295,633	9,004,866	430,157	9,435,023
Investments held to maturity	0	0	0	0	0	0	0	0	0
Liabilities	2,139,188	3,310,854	5,319,352	1,506,642	1,832,706	491,081	14,599,824	81,765	14,681,589
Funds of central banks	0	25,006	0	385,200	1,283,160	0	1,693,366	14	1,693,380
Financial liabilities held for trading	0	0	0	0	0	0	0	141	141
Funds of other credit institutions	31,013	36,605	149,407	11,518	6,699	5,537	240,779	925	241,704
Customer funds and other loans	2,108,175	3,248,233	5,158,518	1,089,924	533,847	485,544	12,624,242	13,947	12,638,189
Instruments representing equity	0	0	0	0	0	0	0	1,394	1,394
Other subordinated debt	0	1,009	11,428	20,000	9,000	0	41,437	65,344	106,781
Net Exposure	-2,108,902	2,432,418	70,972	-875,262	121,140	615,795	256,160	1,015,822	1,271,982

The sensitivity analysis for the interest rate risk to which GCA was exposed as at 31 December 2017, based on a simulation involving assets and liabilities sensitive to variations in references rates of -100 basis points up to +100 basis points shows the following results:

Values in thousand euros

	Impact derived from variation of the reference interest rate			
	-100 p.b.	-50 p.b.	+50 p.b.	+100 p.b.
Net	427,115	213,558	-213,558	-427,115
Cash and deposits at Central Banks	10,783	5,392	-5,392	-10,783
Cash balances at other credit institutions	0	0	0	0
Financial assets held for trading	0	0	0	0
Other financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	161,899	80,949	-80,949	-161,899
Investments in credit institutions	187	94	-94	-187
Credit to customers (gross balance)	254,246	127,123	-127,123	-254,246
Investments held to maturity	0	0	0	0
Liabilities	395,584	197,792	-197,792	-395,584
Funds of central banks	45,632	22,816	-22,816	-45,632
Funds of other credit institutions	6,513	3,257	-3,257	-6,513
Customer funds and other loans	340,562	170,281	-170,281	-340,562
Other subordinated debt	2,877	1,439	-1,439	-2,877
Financial liabilities held for trading	0	0	0	0
Impact on economic value	31,531	15,765	-15,765	-31,531

Impact derived from variation of the reference interest rate

	-100 p.b.	-50 p.b.	+50 p.b.	+100 p.b.
Net	-63,848	-31,924	31,924	63,848
Cash and deposits at Central Banks	-1,612	-806	806	1,612
Cash balances at other credit institutions	0	0	0	0
Financial assets held for trading	0	0	0	0
Other financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	-24,202	-12,101	12,101	24,202
Investments in credit institutions	-28	-14	14	28
Credit to customers (gross balance)	-38,006	-19,003	19,003	38,006
Investments held to maturity	0	0	0	0
Liabilities	-59,135	-29,567	29,567	59,135
Funds of central banks	-6,821	-3,411	3,411	6,821
Funds of other credit institutions	-974	-487	487	974
Customer funds and other loans	-50,910	-25,455	25,455	50,910
Other subordinated debt	-430	-215	215	430
Financial liabilities held for trading	0	0	0	0
Impact on net interest income	-4,713	-2,357	2,357	4,713

The sensitivity analysis table indicates the theoretical variation of the market value of the different Asset and Liability items in diverse scenarios of variation of market interest rates (i.e. +50 bp, +100 bp, -50 bp, -100 bp), implying the updating of the cash flows associated to each operation in the different market scenarios considered.

The variation of residual values in absolute terms (Assets minus Liabilities) can be interpreted as the Impact on the Economic Value of the Equity and on the Net Interest Income of the Group, 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

GCA 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. Surplus funds of the Group are channelled to Caixa Central, where they are centrally invested in assets of high credit and liquidity quality, namely public debt of euro zone countries and 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 issued by Banco de Portugal. 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.

Moreover, GCA maintains an updated liquidity contingency plan, at all times, identifying the actions to be developed and updating responsibilities in the event of materialisation of stress scenarios.

Assessment of exposure

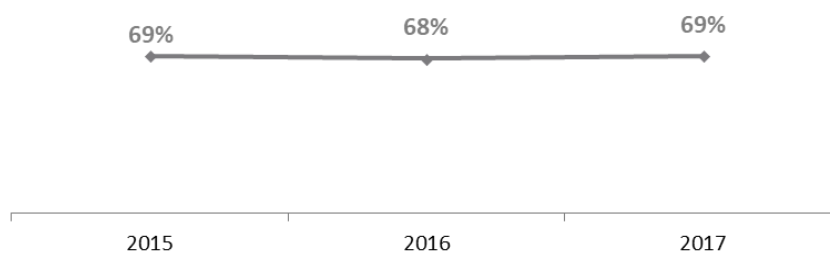
The Group uses a broad set of measurements to determine its exposure to liquidity risk, as well as the definition of a complementing series of limits that seek to minimise the risk of losses associated to situations of lack of liquidity both in the medium and long-term.

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 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 the 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 or NSFR.

GCA also foresees the development of 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.

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

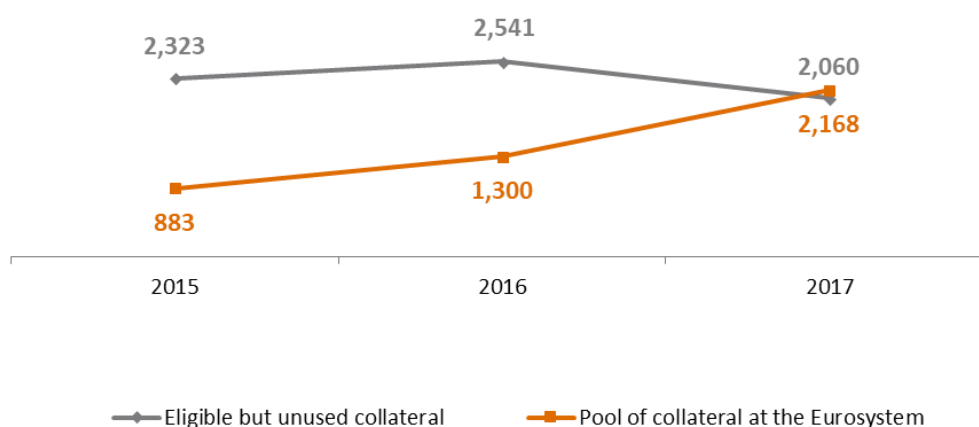
Loan-to-Deposit ratio (net)



The funding from the ECB increased, year-on-year, having reached 1.7 billion euros in December 2017, where it should be noted that the assets eligible (not used) for this type of operation amounted to 2 billion euros on the same date.

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 respective approach of evolution, in particular with respect to the matrix of risk events and to 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 GCA 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 2017, 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 in intrinsic risk of credit risk.

The methodology to assess real estate risk at Grupo Crédito Agrícola 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 Grupo Crédito Agrícola, market risk was not classified as materially relevant, in particular, due to the nonexistence of a trading portfolio at this stage.

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

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 basis, or weekly during periods of major market volatility, based on reports produced by CA Gest.

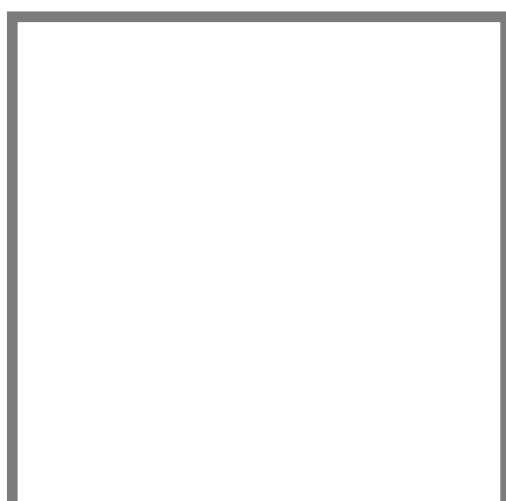
The monitoring of the portfolios under management of CA Gest is mainly carried out by regular assessment of the respective composition, average duration, profitability and risk, in this case through Value at Risk (VaR) analyses, being subject to scrutiny by ALCCO.

Foreign exchange risk occurs as a result of changes in exchange rates for currencies whenever there are open positions in these currencies. Similarly to market risk, this is not considered a materially relevant risk for Crédito Agrícola.

The profile defined for foreign exchange risk is very conservative and embodied in the coverage policy followed. The negotiated operations have underlying commercial substantiation, with foreign exchange activity being directed at their coverage within very conservative 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 GCA, foreign exchange risk management is centralised and subject to approved limits.



06

Consolidated
Financial
Statements

VI. CONSOLIDATED FINANCIAL STATEMENTS

GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

(Amounts in euros)

ASSETS	Notes	2017			2016		LIABILITIES AND EQUITY	Notes	2017	2016
		Gross assets	Provisions, impairment & amortisation	Net assets	Net assets					
Cash and deposits at central banks	6	400,143,843	-	400,143,843	340,138,054	Funds of central banks	23	1,693,380,693	1,323,160,110	
Cash balances at other credit institutions	7	80,372,528	-	80,372,528	75,735,013	Financial liabilities held for trading	12	141,781	234,003	
Financial assets held for trading	8	51,264,812	-	51,264,812	24,910,337	Funds of other credit institutions	23	241,704,988	255,743,193	
Other financial assets at fair value through profit or loss	9	88,186,422	-	88,186,422	85,444,410	Customer funds and other loans	24	12,585,684,620	11,726,365,591	
Financial assets available for sale	10	7,382,847,585	(3,438,324)	7,379,409,261	3,261,258,186	Provisions	25	27,357,142	11,992,870	
Investments in credit institutions	11	6,956,989	-	6,956,989	6,035,157	Insurance contract technical provisions	21	1,346,108,600	1,573,474,610	
Credit to customers	13	9,373,038,932	(652,084,727)	8,720,954,205	7,940,905,339	Current tax liabilities	20	27,687,297	6,441,971	
Investments held to maturity	14	-	-	-	3,663,616,201	Deferred tax liabilities	20	18,068,687	6,612,225	
Non-current assets held for sale	15	669,116,916	(116,353,049)	552,763,867	619,505,707	Instruments representing equity	26	1,394,945	1,515,030	
Investment properties	16	63,510,583	-	63,510,583	69,945,836	Other subordinated debt	27	106,781,646	116,533,500	
Other tangible assets	17	539,012,715	(301,514,720)	237,497,995	243,885,553	Other liabilities	28	490,764,518	433,052,446	
Intangible assets	18	234,716,893	(172,247,829)	62,469,064	63,405,800	Total Liabilities		16,539,074,917	15,455,125,549	
Investments in affiliates, associates and joint ventures	19	992,950	-	992,950	2,543,738	Capital	30	1,086,403,846	1,033,901,361	
Current tax assets	20	5,648,259	-	5,648,259	13,224,273	Revaluation reserves	31	43,933,052	(1,953,106)	
Deferred tax assets	20	141,522,276	-	141,522,276	161,965,757	Other reserves and retained earnings	31	165,243,151	152,353,797	
Other assets	22	230,722,302	(33,975,560)	196,746,742	126,871,978	Profit for the year	32	152,144,641	58,324,971	
								1,447,724,690	1,242,627,023	
						Non-controlling interests	33	1,640,188	1,638,767	
						Total Equity		1,449,364,878	1,244,265,790	
Total Assets		19,268,054,005	(1,279,614,209)	17,988,439,796	16,699,391,339	Total Liabilities and Equity		17,988,439,795	16,699,391,339	

THE HEAD OF THE ACCOUNTS DEPARTMENT



THE EXECUTIVE BOARD OF DIRECTORS

GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

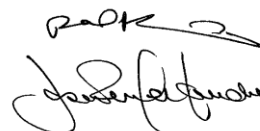
(Amounts in euros)

HEADING	Notes	2017	2016
Interest and similar income	34	492,787,366	496,550,591
Interest and similar costs	35	(162,453,213)	(169,168,029)
Net interest income		<u>330,334,153</u>	<u>327,382,562</u>
Technical margin of insurance activity	44	<u>9,101,733</u>	<u>13,855,291</u>
Income from equity instruments	36	1,106,495	1,204,139
Income from services and commissions	37	131,007,270	122,849,535
Costs related to services and commissions	38	(18,049,713)	(17,706,146)
Earnings from assets and liabilities measured at fair value through profit or loss	39	4,521,442	13,441,556
Earnings from financial assets available for sale	40	106,306,580	41,239,042
Earnings from currency revaluation	41	1,331,716	1,767,512
Earnings from divestment of other assets	42	(2,562,697)	(21,255,061)
Other net operating income	43	(985,956)	(15,879,252)
Net operating revenues		<u>562,111,024</u>	<u>466,899,178</u>
Staff costs	45	(203,328,084)	(201,090,912)
General administrative overheads	46	(109,893,129)	(112,684,857)
Amortisation for the year	16 & 17	(26,184,149)	(27,567,387)
Provisions net of write-backs and annulments	25	5,646,261	(1,818,880)
Correction of the value associated to customer credit and amounts receivable from other debtors (net of write-backs and annulments)	25	(2,454,418)	8,033,300
Impairment of other financial assets net of reversals and recoveries	25	(1,468,651)	(961,600)
Impairment of other assets net of reversals and recoveries	25	(9,814,237)	(36,251,796)
Net income of holdings in associates and joint ventures (equity method)	32	311,815	304,292
Earnings before taxes and non-controlling interests		<u>214,926,431</u>	<u>94,861,338</u>
Taxes			
current	20	(46,226,082)	(24,274,928)
deferred	20	(16,496,448)	(12,144,872)
Earnings after taxes and before non-controlling interests		<u>152,203,901</u>	<u>58,441,538</u>
Non-controlling interests	32 & 33	(59,260)	(116,567)
Consolidated net income for the year		<u>152,144,641</u>	<u>58,324,971</u>

THE HEAD OF THE ACCOUNTS DEPARTMENT



THE EXECUTIVE BOARD OF DIRECTORS



CASH FLOW STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)

	Notes	31-Dec-17	31-Dec-16
Cash flow from operating activities			
Interest, commissions and other equivalent income received		691,593,799	621,799,181
Interest, commissions and other equivalent costs paid		(185,349,008)	(200,861,461)
Payments to employees and suppliers		(311,577,273)	(306,600,823)
Payment and contributions to pensions funds		(2,218,949)	(4,337,065)
Corporate income tax (payment)/revenue		(16,996,184)	(13,163,685)
Other (payments)/revenue relative to operating activity		(205,345,829)	20,865,458
Net operating income before the changes in operating assets		(29,893,444)	117,701,605
(Increase) / decrease of operating assets:			
Credit to customers		784,131,405	380,446,519
Financial assets held for trading and other assets at fair value through profit or loss		24,575,045	(6,595,157)
Financial assets available for sale		3,954,011,590	(2,096,134,775)
Investments in credit institutions		917,514	(89,082,631)
Investments held to maturity		(3,597,249,998)	3,663,616,201
Other assets		(12,831,328)	1,053,364
		1,153,554,228	1,853,303,521
Increase /(decrease) of operating liabilities:			
Funds of other credit institutions and central banks		356,524,461	954,119,627
Customer funds and other loans		863,822,634	829,233,977
Financial liabilities held for trading and hedge derivatives		(92,222)	230,058
Other liabilities		51,589,173	(44,786,126)
		1,271,844,046	1,738,797,536
Net cash from operating activities		88,396,374	3,195,620
Cash flow from investment activities			
Dividends		1,106,495	1,204,139
Divestment (acquisition) of affiliates and associates, net of divestment		1,550,787	2,572,272
Acquisition of tangible assets, intangibles and investment properties, net of divestment		(22,861,051)	(24,718,604)
Net cash from investment activities		(20,203,768)	(20,942,193)
Cash flow from financing activities			
Issue of subordinated liabilities, net of redemption		(9,751,507)	(3,875,849)
Non-controlling interests		(57,839)	(65,934)
Share capital increase (decrease)		6,260,045	15,754,528
Net cash from financing activities		(3,549,301)	11,812,745
Increase / (decrease) of cash and cash equivalents		64,643,305	(5,933,828)
Cash and cash equivalents at the beginning of the year		415,873,067	421,806,895
Cash and cash equivalents at the end of the year		480,516,372	415,873,067
Cash and cash equivalents at the end of the year includes:			
Cash and deposits at central banks		400,143,843	340,138,054
Cash balances at other credit institutions		80,372,528	75,735,013
		480,516,372	415,873,067

THE HEAD OF THE ACCOUNTS DEPARTMENT

Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)

Notes	Capital	Revaluation reserves	Other reserves and retained earnings			Consolidated net income for the year	Sub-total	Non-controlling interests	Total
			Other reserves	Retained earnings	Total				
Balance as at 31 December 2015	997,212,651	26,023,329	311,892,735	(186,142,240)	125,750,495	54,112,494	1,203,098,969	1,704,701	1,204,803,670
Appropriation of the net income for 2015:									
Transfer to reserves and retained earnings	-	-	28,607,855	25,504,639	54,112,494	(54,112,494)	-	-	-
Distribution of net income to members	-	-	(6,760,205)	-	(6,760,205)	-	(6,760,205)	-	(6,760,205)
Increased share capital by incorporation of reserves	30	20,934,182	-	(20,934,182)	-	-	-	-	-
Increased share capital by entry of new members	30	19,541,488	-	-	-	-	19,541,488	-	19,541,488
Decreased share capital by reimbursement of members	30	(3,786,960)	-	-	-	-	(3,786,960)	-	(3,786,960)
Increased non-controlling interests		-	-	-	-	-	-	(182,501)	(182,501)
Other changes in equity		-	-	185,195	185,195	-	185,195	-	185,195
Net Income	32	-	-	-	-	58,324,971	58,324,971	116,567	58,441,538
Consolidated comprehensive income for 2016:		(27,976,435)	-	-	-	-	(27,976,435)	-	(27,976,435)
Balance as at 31 December 2016	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									
Transfer to reserves and retained earnings	-	-	69,947,220	(11,622,249)	58,324,971	(58,324,971)	0	-	0
Distribution of net income to members	-	-	(2,337,781)	-	(2,337,781)	-	(653,511)	-	(653,511)
Increased share capital by incorporation of reserves	30	40,943,450	-	(40,943,450)	-	-	-	-	-
Increased share capital by entry of new members	30	14,208,930	-	-	-	-	14,208,930	-	14,208,930
Decreased share capital by reimbursement of members	30	(4,316,165)	-	(148,675)	-	-	(4,464,840)	-	(4,464,840)
Increased non-controlling interests		-	-	-	-	-	-	(57,839)	(57,839)
Other changes in equity		(18,000)	-	(293,070)	(1,712,641)	(2,005,711)	(2,023,711)	-	(2,023,711)
Net Income	32	-	-	-	-	152,144,641	152,144,641	59,260	152,203,901
Consolidated comprehensive income for 2017:		45,886,158	-	-	-	-	45,886,158	-	45,886,158
Balance as at 31 December 2017	1,086,403,846	43,933,052	339,030,447	(173,787,296)	165,243,151	152,144,641	1,447,724,690	1,640,188	1,449,364,878

THE CERTIFIED ACCOUNTANT

Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

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GRUPO CRÉDITO AGRÍCOLA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)

	<u>Notes</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Consolidated net income for the year		152,144,641	58,324,971
Net variation of the fair value of financial assets available for sale		35,314,992	(25,986,375)
Variation of the real estate revaluation reserve		-	6,111,050
Transfer to net income due to divestment		23,219,160	(9,321,008)
Other		<u>(806,822)</u>	<u>-</u>
		57,727,330	(29,196,333)
Tax impact:			
Revaluation of financial assets available for sale	20	(14,994,938)	6,036,920
Remunerations relative to pension benefit plans	48	<u>3,153,766</u>	<u>(4,817,022)</u>
Total other comprehensive income		<u>45,886,158</u>	<u>(27,976,435)</u>
Consolidated comprehensive income		<u>198,030,799</u>	<u>30,348,536</u>
Attributable to the Group		<u>198,461,033</u>	<u>30,414,470</u>
Attributable to non-controlling interests		<u>(430,234)</u>	<u>(65,934)</u>

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SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

(Amounts in euros)

ASSETS	31-Dec-17			31-Dec-16		LIABILITIES AND EQUITY	
	Gross assets	Provisions, impairment & amortisation	Net assets	Net assets		31-Dec-17	31-Dec-16
Cash and deposits at central banks	400,139,291	-	400,139,291	340,132,832	Funds of central banks	1,693,380,693	1,323,160,110
Cash balances at other credit institutions	80,345,631	-	80,345,631	75,691,479	Financial liabilities held for trading	141,781	234,003
Financial assets held for trading	23,067,678	-	23,067,678	410,910	Funds of other credit institutions	241,704,988	255,743,193
Other financial assets at fair value through profit or loss	-	-	-	-	Customer funds and other loans	12,638,189,020	11,770,737,978
Financial assets available for sale	6,148,951,240	(140,905,462)	6,008,045,778	1,647,948,792	Provisions	26,506,322	10,292,662
Investments in credit institutions	6,956,989	-	6,956,989	6,035,157	Current tax liabilities	26,245,703	4,862,564
Credit to customers	9,435,023,832	(652,133,727)	8,782,890,105	7,997,635,756	Deferred tax liabilities	9,881,509	1,333,389
Investments held to maturity	-	-	-	3,663,616,201	Instruments representing equity	1,394,945	1,515,030
Non-current assets held for sale	419,517,170	(85,243,096)	334,274,074	395,044,519	Other subordinated debt	106,781,646	116,533,500
Investment properties	-	-	-	126,304	Other liabilities	248,689,259	168,826,261
Other tangible assets	473,933,494	(250,684,481)	223,249,013	229,632,865	Total Liabilities	14,992,915,866	13,653,238,690
Intangible assets	14,925,929	(14,542,680)	383,249	584,522	Capital	1,086,403,846	1,033,901,361
Investments in affiliates, associates and joint ventures	90,980,417	(107,800)	90,872,617	90,435,858	Revaluation reserves	31,709,694	(23,535,709)
Current tax assets	3,788,889	-	3,788,889	11,224,633	Other reserves and retained earnings	178,449,554	144,952,301
Deferred tax assets	138,361,211	-	138,361,211	157,571,905	Profit for the year	147,631,144	72,057,394
Other assets	374,813,621	(30,078,042)	344,735,579	264,522,304	Total Equity	1,444,194,238	1,227,375,347
Total Assets	17,610,805,392	(1,173,695,288)	16,437,110,104	14,880,614,037	Total Liabilities and Equity	16,437,110,104	14,880,614,037

THE CERTIFIED ACCOUNTANT

Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

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Unaudited Financial Statements.

SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

INCOME STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)

HEADING	31-Dec-17	31-Dec-16
Interest and similar income	407,803,371	396,269,562
Interest and similar costs	(118,124,258)	(120,256,373)
Net interest income	289,679,113	276,013,189
Income from equity instruments	2,154,555	8,180,537
Income from services and commissions	159,759,716	149,219,500
Costs related to services and commissions	(11,638,124)	(11,027,677)
Earnings from assets and liabilities measured at fair value through profit or loss	193,029	(82,118)
Earnings from financial assets available for sale	79,188,933	38,642,646
Earnings from currency revaluation	1,332,732	1,767,820
Earnings from divestment of other assets	2,134,312	(1,213,115)
Other net operating income	9,850,905	13,030,835
Net operating revenues	532,655,171	474,531,617
Staff costs	(176,753,376)	(175,410,286)
General administrative overheads	(127,193,017)	(124,682,292)
Amortisation for the year	(12,488,471)	(13,238,183)
Provisions net of write-backs and annulments	5,523,879	(449,200)
Impairment of loans to customers and other receivables (net of write-backs and annulments)	(2,300,418)	8,033,300
Impairment of other financial assets net of reversals and recoveries	(12,131,207)	(31,552,836)
Impairment of other assets net of reversals and recoveries	(5,654,839)	(32,154,610)
Earnings before tax	201,657,722	105,077,510
Taxes		
current	(42,738,812)	(21,092,933)
deferred	(11,287,766)	(11,927,183)
Net income for the year	147,631,144	72,057,394

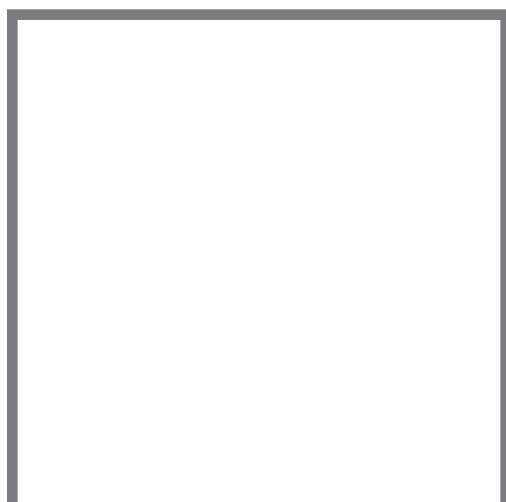
THE CERTIFIED ACCOUNTANT

Rui Pedro Gonçalves Martins

THE EXECUTIVE BOARD OF DIRECTORS

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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

Qualified 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 December 31, 2017 (which shows total assets of Euro 17,988,440 thousand and total shareholders' equity of Euro 1,447,725 thousand, including a net profit of Euro 152,145 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the matter referred to in paragraph a) of the section "Basis for qualified opinion" below, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Crédito Agrícola Group as at December 31, 2017, 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 qualified opinion

- a) The Statutory Audit Report of the consolidated financial statements for the year ended December 31, 2016, issued by us on April 28, 2017, reported that due to adjustments introduced throughout the year 2016 in the process of quantification and recognition of impairment losses and also the uncertain economic conditions of customers to which the Crédito Agrícola Group is exposed, the recognition of impairments was increased in 2016, mainly through the use of credit risk provisions brought forward from previous years that as of December 31, 2015 were considered to be excessive. In this context, the 2016 net income, presented for comparative purposes in the consolidated financial statements for the year ended December 31, 2017, was benefited by Euro 82,500 thousand, against the heading of Other reserves and retained earnings, but this situation had no impact on the equity of the Crédito Agrícola Group as at December 31, 2016.

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 qualified opinion.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o n.º 183 e na CMVM sob o n.º 20161485

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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. In addition to the matter described in the "Basis for qualified opinion" section we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p>Impairment for credit to customers</p> <p>Measurement and disclosures related with impairment for credit to customers presented in Notes 2.4. c) and 13. of the notes to consolidated financial statements</p> <p>The significant amount of the heading credit to customers presented at Crédito Agrícola Group balance sheet justify that this was considered a matter of relevance for the purpose of our audit because the determination of the related impairment requires the application of a set of complex assumptions and judgments by the management as regards the identification, both of the moment of recognition and of the corresponding amount. As at December 31, 2017, the gross amount of the heading credit to customers totals Euro 9,373,039 thousand and the recognized impairment losses at that date totals Euro 652,085 thousand.</p> <p>Impairment losses are determined on an individual basis through casuistic analysis of a significant component of the customer loan portfolio. The remainder impairment is determined on a collective analysis, as described below:</p> <ul style="list-style-type: none">• Crédito Agrícola Group undertakes an individual impairment analysis process of customers presenting more significant exposures, in terms of the amount of their liabilities and also customers presenting delayed payments for a period over 90 days. For these customers, the 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 by the customer to the fulfilment of its	<p>The audit procedures we have undertaken included the identification and understanding of the procedures established by the Crédito Agrícola Group for the approval, recording and monitoring of the customer loan portfolio, as well as the understanding of the methodologies, data and assumptions adopted by management in determining the impairment losses. These procedures comprised detailed tests to credit risk management controls, with particular emphasis on the internal controls underlying the timely identification, correct measurement and recording of impairment losses.</p> <p>In this context, we have tested the design and operational effectiveness of the key controls implemented by the Crédito Agrícola Group to identify clients with signs of impairment or in default and to determine the corresponding impairment losses. The procedures and controls tested included those related to: (i) the timely identification of clients with signs of impairment or in default; (ii) the conversion of data from the IT systems to the impairment calculation models and the results thereof for the financial statements of the Crédito Agrícola Group; (iii) the calculation of the impairment model defined by the Crédito Agrícola Group, including the inputs and management assumptions; (iv) the estimation of the recoverable collateral values; and (v) internal government practices associated with the approval process and the determination of impairment losses.</p> <p>Additionally, we have sampled a number of clients (including some that were not identified by management as having signs of impairment or default), with the purpose of obtaining our own judgment on the existence of signs of</p>

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p>responsibilities or (ii) the valuation of the collateral received in the scope of the loan granted, whenever it is anticipated that its recovery will occur through the delivery/execution of said collateral.</p> <ul style="list-style-type: none"> For the exposures not covered by the individual analysis, Crédito Agrícola Group developed and applied a collective analysis model for impairment losses determination. When a group of financial assets is evaluated together, the future cash flows of the group are estimated based on contracted flows of those assets and historical data related to losses on assets with similar credit risk characteristics. Whenever Crédito Agrícola Group considers necessary, historical information is updated based on observable current data, so that it reflects the effects of the current conditions. <p>With the entry into force of IFRS 9 - Financial Instruments, in the years beginning on or after January 1, 2018, the Crédito Agrícola Group initiated during 2017 a detailed plan for the implementation of this new standard, bearing in mind that the new rule applies retrospectively from that date, irrespective of whether or not the comparative balances are restated. The implementation of IFRS 9 introduces a set of new requirements and it is expected that most of its impacts will be derived from the measurement and recognition of credit impairments of financial assets which from now on will be determined applying an expected loss model while a model of incurred losses was underlying the IAS 39.</p>	<p>impairment, and evaluating whether or not impairment losses were identified and recognized by management on a timely manner.</p> <p>Regarding the clients individually analysed by the Crédito Agrícola Group, for a representative sample of the customer loan portfolio as at December 31, 2017, the procedures undertaken consisted of: (i) the review of the documentation associated with the credit granting process; (ii) the analysis of the contractual support and of the most relevant collateral, and confirmation of the registration of said collateral in favour of the Crédito Agrícola Group; (iii) challenging the collateral valuations available; (iv) the assessment of the evolution of the exposures; and (v) challenging the standpoint of those responsible for the Crédito Agrícola Group regarding the economic and financial situation of the customers, and the expected cash flow forecasts from their respective businesses, as well as the loan collectability prospects. Whenever we concluded that there was a need to review some input or assumption used by management, we recalculated the amount of the impairment and compared the results in order to assess the existence of any discrepancies.</p> <p>For the portfolio whose impairment is assessed on a collective basis, we tested a sample of inputs from the model established by the Crédito Agrícola Group and evaluated the calculation methodology itself. For that purpose, we developed a set of specific procedures to evaluate how the assumptions considered by the management included the risk variables considered as relevant by comparison to the performance history and recoveries of the loan portfolio to clients of the Crédito Agrícola Group, to the macroeconomic conditions to which each client is exposed, as well as to our knowledge of current practices in the sector. The procedures developed consisted of: (i) evaluating the information contained in the loan portfolio as at December 31, 2017 and the historical data considered in the model; (ii) review and test the segmentation and classification of the credits in relation to the existence of signs of impairment or non-compliance; (iii) review, test and challenge the risk parameters used in the</p>

Key Audit Matter	Summary of the Audit Approach
	<p>calculation of impairment, estimated by the Crédito Agrícola Group for each segment; (iv) to challenge the main assumptions and sources of information used in future recoveries incorporated in the determination of risk parameters (by sampling); (v) review and test the historical recoveries incorporated in the determination of the risk parameters (by sampling); and (vi) review and analyze the results of back testing performed by the Crédito Agrícola Group.</p> <p>In addition, our auditing procedures also included a review of the disclosures about credit to customers, as well as the implementation of the IFRS 9, included in the notes to the consolidated financial statements, taking into account the accounting standards applicable.</p>
<p>Valuation of real estate properties received by credit recovery</p> <p>Measurement and disclosures related with valuation of real estate properties received by credit recovery presented in Notes 2.4. f), h) and i) and 15., 16., 17. and 22. of the notes to the consolidated financial statements</p> <p>The significant amount of real estate properties received by credit recovery presented at Crédito Agrícola Group consolidated balance sheet, distributed by the headings of (i) Non-current assets held for sale (NCAHS), (ii) Investment properties (IP) and (iii) Other assets (OA) was considered a matter of relevance for the purposes of our audit due to the requirement of application of a set of assumptions and judgments on the part of the management with respect to their valuation and the determination of both the moment of recognition and the amount of the corresponding impairment losses. As at December 31, 2017, the gross amount of NCAHS, IP and OA totals, respectively, Euro 666,674 thousand, Euro 63,511 thousand and Euro 8,517 thousand and recognized impairment losses and/or cumulative depreciation for NCAHS and OA totals, respectively, Euro 115,848 thousand and Euro 1,634 thousand. According to the current policies of the Crédito</p>	<p>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 and determine the corresponding amounts of impairment losses, as well as conducting various tests.</p> <p>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 appraisers. Whenever necessary, we held meetings to understand and challenge the judgments and assumptions adopted in the valuation attributed to the properties under analysis. In cases where there were doubts as to the adequacy of the assumptions considered or the quality or timeliness of the information used, a new evaluation was requested from other expert appraisers, also registered at the CMVM, in order to compare the results.</p> <p>In addition, we tested a sample of properties that were sold during 2016, comparing the sale value with the last valuation obtained, in order to assess the reasonableness of the valuations</p>

Key Audit Matter	Summary of the Audit Approach
<p>Agrícola Group, the properties are subject to periodic evaluations, carried out by expert appraisers registered at the CMVM, which give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than its book value.</p>	<p>obtained by the Crédito Agrícola Group.</p> <p>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 the accounting standards applicable.</p>
Resolution Fund's financing	
<p>Disclosure related with Resolution Fund presented in Note 51. of the notes to the consolidated financial statements</p> <p>The resolution measures applied to Banco Espírito Santo, SA in 2014 (process from which Novo Banco, SA (Novo Banco) was created) and to Banif in 2015, raised uncertainties about an eventual insufficiency of Resolution Fund's financial resources to ensure the fulfilment of its responsibilities, in particular the short-term repayment of the financing it has contracted. These uncertainties have become more relevant due to the litigation arising from the aforementioned resolution measures and the recent developments associated with the process of selling the Novo Banco to the Lone Star Fund, namely the contingent capitalization mechanism associated with the sale transaction, which the Resolution Fund, as a shareholder of the Novo Banco, may be required to make capital injections in the event of certain cumulative conditions materializing, related to: (i) the performance of a restricted set of Novo Banco assets; and (ii) the evolution of its capitalization levels.</p> <p>At the beginning of 2017, the Resolution Fund publicly communicated 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 allow the Resolution Fund to fully meet its obligations on the basis of its regular revenues, avoid requesting 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</p>	<p>The audit procedures we have developed included:</p> <ul style="list-style-type: none"> • Understanding and reviewing the contributions that may be required from participating banks, in light of Decree-Law no. 24/2013, of February 19, and the clarifications provided by the entities involved; • Consideration of the impact of the restructuring of the financing granted by the Portuguese State and the participating banks to the Resolution Fund, specifically in the debt service by the Resolution Fund, considering for this purpose the significant extension of the maturity periods established in restructuring; • Analysis of the evolution of Caixa Central's exposure to the Resolution Fund, as well as an understanding of the views of the management of the Crédito Agrícola Group on the economic and financial situation of the Fund and the predictability of expected cash flows from its regular revenues; and • Holding meetings with the Executive Board of Directors of Caixa Central to monitor available information on (i) the outcome of ongoing legal actions related to said resolution measures; and (ii) the contingent capitalization mechanism associated with the sale of the Novo Banco to the Lone Star Fund and the liabilities assumed by the Resolution Fund under this transaction. <p>Our audit procedures have also included a review of the disclosures on provisions and contingent liabilities included in the notes to the</p>

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p>financing granted by the Caixa Central to the 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 Fund is a concern for the Crédito Agrícola Group and for the banking sector in general, and to the extent that the future evolution of this issue requires close monitorisation this was considered a matter of relevance for the purposes of our audit.</p>	<p>consolidated financial statements taking into account the applicable accounting standards.</p>
<p>Employees post-employment benefits</p>	
<p>Measurement and disclosures related with employees post-employment benefits presented in Notes 2.4. m) and 48. of the notes to the consolidated financial statements</p> <p>As at December 31, 2017, the amount of the Crédito Agrícola Group liabilities with "Employee post-employment benefits" totals Euro 81,903 thousand covering retirement and survival pensions, health care and death benefit, namely those predicted on the Vertical Collective Work Agreement for Crédito Agrícola, known as Collective Work Agreement for Credit Institutions of Crédito Agrícola Mútuo.</p> <p>These post-employment benefits 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 board concerning characteristics of the benefits and the future behaviour of these variables.</p> <p>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</p>	<p>The audit procedures we have undertaken included the identification and assessment of 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. In this context, we also tested the controls implemented by the Group to ensure the adequacy of the process for calculating the fair value of the Fund's assets, actuarial assumptions and evaluation. On a regular basis, we compare the results estimated by the Group's actuary with the results estimated by an external actuary.</p> <p>We conducted 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. Also within this scope, we 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</p>

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p>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.</p> <p>In this context, future changes in the financial and actuarial assumptions applied may originate material impacts on the net liabilities and assets associated with these benefits, and therefore this was considered a matter of relevance for the purposes of our audit.</p>	<p>held.</p> <p>In addition, our auditing procedures also included a review of the employees post-employment benefits disclosures included in the notes to the consolidated financial statements taking into account the accounting standards applicable.</p>
<i>Information and technology systems</i>	
<p>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.</p>	<p>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.</p>
<i>Risk of insufficient assets to cover contracted liabilities - life insurance segment</i>	
<p><i>Measurement and disclosures related with the risk of insufficient assets to cover liabilities contracted under life insurance segment presented in Notes 2.4. 5), 21. and 28. of the notes to the consolidated financial statements</i></p> <p>Technical provisions of insurance contracts - Life segment was considered a matter of relevance for the purposes of our audit, not only because of its relevance in the consolidated balance sheet, 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 December 31, 2017, this heading amounts to Euro 1,229,194 thousand consisting of (i) a mathematical provision of Euro 1,124,623 thousand and (ii) a provision for interest rate commitments of Euro 51,513</p>	<p>Our team, integrating actuarial experts, has developed the following main audit procedures:</p> <ul style="list-style-type: none"> • 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

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p>thousand. In addition, Other liabilities include financial liabilities in insurance contracts, which as at December 31, 2017 totals Euro 210,738 thousand.</p> <p>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.</p> <p>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 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.</p>	<p>assumptions used by management in assessing the adequacy of insurance responsibilities; and</p> <ul style="list-style-type: none"> • The development of independent tests for insurance contracts and investment contracts portfolios comparing the results obtained with those obtained by management. <p>In addition, our auditing procedures also included a review of the disclosures on technical provision for interest rate commitments and risk of insufficient assets to cover liabilities included in the notes to the consolidated financial statements, taking into account the accounting standards applicable.</p>

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 April 16, 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 May 30, 2015 for the financial year ended on December 31, of that year. Our last appointment was in the Shareholders' General Meeting of May 28, 2017 for the period from 2017 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 March 28, 2017.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph

§ 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 Bank in conducting our audit.

April 27, 2018

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

Aurélio Adriano Rangel Amado, R.O.C.

Statutory Audit Report
December 31, 2017

Crédito Agrícola Group
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08

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 Grupo Crédito Agrícola Mútuo for the financial year of 2017.

Having analysed the management report and accounts relative to the financial year of 2017 which will be submitted to discussion and approval at the Ordinary General Meeting on 26 May, the Advisory Board issues the present opinion.

The Advisory Board was pleased to note the impressive net income of Grupo Crédito Agrícola that surpassed 150 million euros. This fact was particularly relevant in an economic context marked by modest recovery but in which the financial sector continued to be under pressure due to the historically low rates of the Euribor (reference rate of a large part of the credit portfolio), the lower debt levels of entrepreneurs, families and the State sector, the growing challenges in the area of digitalisation, efficiency and reduction of unproductive assets, and the increasing capital requirements in the current regulatory framework.

The Management Report and Accounts highlights the variations which have occurred in the core activity areas and the balances at the end of the year, which, in our opinion, unequivocally reflect the work developed by all the personnel that are part of Grupo Crédito Agrícola. These figures reveal the strong performance of the Caixas Agrícolas which, as a whole, contributed with 89 million euros to the results obtained by the Group and the sound performance of Caixa Central which, through the achieved net income for the year of 55 million euros, managed to fully cover the negative retained earnings.

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 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 of the best year ever in terms of the Group's results.

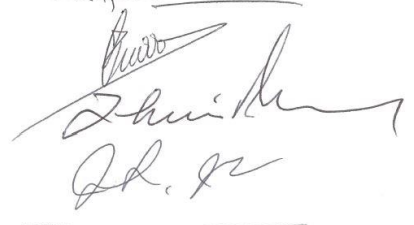
The document presented herein completely highlight the most important aspects that occurred in 2017, both concerning the Group's structure and the activities developed in pursuing the attainment of the established objectives, always bearing in mind the timeless mission and values that have consistently guided Crédito Agrícola.

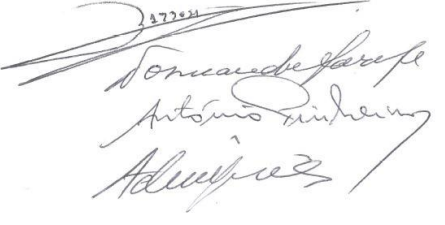
Thus, the Advisory Board proposes to the General Meeting that it approve the Consolidated Report and Accounts of Grupo Crédito Agrícola relative to 2017.

Lisbon, 30 April 2018

The Advisory Board

Hel. Justelov. 2







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