



Management Report 2018

MANAGEMENT REPORT

To Brazilian Society,

We present you the Management Report and the Consolidated Financial Statements of CAIXA ECOMÔNICA FEDERAL for the year 2018, in agreement with accounting practices and standards established in the Country applied to institutions authorized to operate by the Central Bank of Brazil.

Key Numbers (R\$ million)	2017	2018	Δ %12M
Net Income	12,488	10,355	-17.1
Recurring Net Income	9,038	12,692	40.4
Total Assets	1,260,699	1,264,055	0.3
Amplified Loan Portfolio	706,276	694,519	-1.7
Funding	1,016,155	1,003,849	-1.2
Deposits	506,226	520,738	2.9
Savings	276,693	298,353	7.8
Return on Average Assets - ROAA ¹	0.7%	1.0%	0.3 p.p.
Return on Average Equity - ROAE ¹	13.6%	16.1%	2.4 p.p.
Operating Efficiency Ratio ¹	48.6%	46.5%	-2.1 p.p.
Basel ratio	17.7%	19.6%	1.9 p.p.
Employees	87,654	84,952	-2,702
Branches and Banking Service Points - units	4,198	4,170	-28.0
Branches and Banking Service Points -Transactions (quantity in million)	401	342	-14.6
Mobile Banking Transactions (quantity in million)	1,185	1,800	51.9
Payment of social benefits (R\$)	28,692	29,827	4.0
Payment of benefits to workers (R\$)	313,574	274,507	-12.5

¹ According itens of the recurring result table.

MESSAGE FROM THE PRESIDENT

It is with great satisfaction that I address to the entire Brazilian society and our employees, customers, suppliers, partners, government, controller, regulators and investors. I intend to show you the performance and results of CAIXA ECONOMICA FEDERAL of 2018, along with the first steps already taken by this new management since taken office on January 3, just five days before the Company would complete 158 years of existence.

I became the president of CAIXA with great pride, responsibility and motivation. I accepted the mission offered by the President of Brazil himself and the Minister of Economy to undertake it with diligence and centered on the sustainable performance of the bank's businesses. I will continue to improve operational efficiency as well increase profitability of our operations, as to contribute to the economic and social development of Brazil.

CAIXA has impressive numbers and a staff highly committed. We are currently the largest Brazilian bank in terms of number of clients, with market share of 37% savings and 69% of house loans. We have a unique network, with 4,170 branches, 8,500 exclusive banking correspondents, 13,031 lottery units and 29,227 cash dispenser machines. The vast majority of CAIXA's service units are open for business in an extended time schedule and we've made ourselves present in all municipalities in the country, including the tiniest and farthest of all places are not forgotten. This allows CAIXA to fulfill with excellence the social role of acting as the main agent of public policies for the Federal Government.

Other notable highlights were the increase in the Bank's capitalization, with the Basel Ratio.

Up from 17.7% in 2017 to 19.6% in 2018, and the improvement in Mobile Banking transactions from 1.2 billion in 2017 to 1.8 billion in 2018, demonstrating our focus on technological enhancements.

We have adopted measures in our 2018 Financial Statement that reflect our determination to make CAIXA even more transparent and in line with good market practices. Following internally developed studies, we made important adjustments to increase credibility and transparency to the company and to its results.

CAIXA's recurring net income reached R\$ 12.7 billion in 2018, representing a growth of 40.4% year-over-year. This year's net income was R\$ 10.4 billion, down 17.1% compared to 2017. This and other results are explained throughout this report, and also in the footnotes of the 2018 Financial Statements.

We have implemented several relevant management actions in 2019 in order to achieve success of our commitment. We will continue being proactive in our actions, to boost and to improve governance; monetize non-strategic assets, pay CAIXA's debts to the National Treasury; increase meritocracy and transparency when applying for new posts; direct more business toward low income population and infrastructure segments; increase microcredit loans; making the bank more regionally oriented by learning local needs, like CAIXA more Brazil Program; ratify the Company's social mission with Brazilian society; improve credit quality, cut down expenses; increase efficiency; and participate more actively in capital markets.

All of our actions will always have the premise of keeping CAIXA profitable, self-sustaining and creating value to society.

Governance

We have continued with implementations initiated during 2018 and now, under this current management, we have strengthening with measures aiming for more transparency and more access to Company information.

Process for renovation of executives

In order to assert meritocracy, we carried out a process of renovation of CAIXA's executive team, applying clear and objective criteria to gauge professional history of employees and their previous results and deliveries. Also, we established many phases which required careful scrutiny and analysis of the candidate's profiles throughout the process.

In this context, in January 2019 we consolidated the selection process for composition of CAIXA's Board of Directors of and its senior executives, so to better align the Company's strategic guidelines. The selection process for Vice Presidents (VP) was also conducted by the global recruiting firm Russel Reynolds.

For the title of Executive Directors and Legal Director of CAIXA, as well as Directors of subsidiaries, all eligible executives were given the opportunity to participate in the process, some of whom were maintained in the position and others directed to the available positions.

In addition, all 84 Regional Superintendents of the business network were evaluated, taking into consideration their past results, professional profile and competences required for the position, which generated renovations and reallocations in these positions. Possible changes are now under evaluation by the Vice Presidents and Executive Officers regarding the strategic positions of National Superintendent, General Manager, Regional Manager and General Branch Manager.

Reinforcement of good practices

CAIXA continues to improve its corporate governance practices, seeking to become a reference in the adoption of good management strategies, in line with principles such as transparency, equal treatment, accountability, corporate social responsibility, compliance, strategic risk management and sustainability.

In order to face the new context and its strategic objectives, CAIXA is updating its governance model, notably decision-making forums and bodies, as well as their policies and decision-making processes.

Implementation of the “SOX” standards on CAIXA’s accounting

Seeking to bring CAIXA's corporate governance and transparency closer to those institutions listed in the North American market, either directly or via American Depositary Receipts, the Company began to implement internal controls on financial processes and statements, accordingly with the Sarbanes Oxley Act (“SOX”).

This transformation necessarily requires a careful evaluation of the practices, policies, processes and tools, accounting and tax, human resources management and other practices adopted by CAIXA and by the Social Funds and Programs, considering the SOX rules and regulations and the best market practices.

CAIXA’s commitment to equal treatment, transparency and access to information

In observance to the best market practices, CAIXA will adopt measures to ensure transparency to the quarterly financial statement made available to the market and to society, always respecting impartial and equal treatment, as well as allowing easy access to information made available through the Company's website.

From now on, CAIXA’s quarterly results will be made public by means of analytical reports and highlights’ presentation (in Portuguese and English). Following the disclosure of this information, the management will hold conference calls with investors, employees, the press, stakeholders and the public in general, giving everyone the opportunity to better understand CAIXA's results, as well as the opportunity to hear clarifications directly from its executives.

Strategy

We also initiated important actions in 2019 that has lead CAIXA to higher levels of promptness, aiming to recognize employees with the best performance by giving them mobility in their search for new goals.

“CAIXA Mais Brasil” program

The program CAIXA Mais Brasil is a pioneer and audacious one, consisting of trips during 40 weekends in 2019 throughout all Brazilian States. Since January this year, CAIXA Mais Brasil has been in 16 cities from eight states, starting from the North region: Roraima, Amazonas, Acre,

Rondônia, Amapá, Piauí, Paraná and Pernambuco.

The proposal of the program is to close distances among the many diverse regions of the Country, Management Report 2018, unified by an entity that is historically present in all of them: CAIXA. Having meetings with regional leaders, the bank's employees, business people, authorities and, above all, communities that seek better life conditions and a life of dignity, reveals pieces of realities and understanding of a country so multiple as Brazil.

Updating the Strategic plan

It's been initiated a review of CAIXA's integrated strategic plan, which includes more focus on activities that are core purpose of the institution, lower participation in non-strategic activities (decapitalize) and revision of the 2019 budget (capital, financial and budget planning). These actions also aim to align goals and predict results for its subsidiaries.

Focus on Capital Markets and strategic advisory

CAIXA's investment banking group was strengthened with the internal reallocation of multidisciplinary talented professional, aiming to expand the Bank's pre-existing fixed income capital markets' operation and create a complete structure of investment bank products.

This structured team will lead to the potential strategic and capital market operations of CAIXA and its subsidiaries, with efficiency and transparency. Whenever necessary, the new team will also advise the Government with speed and quality in potential transactions, and will bring in revenues to CAIXA's corporate portfolio by providing services to its clients.

There are studies in progress, with potential transactions that will certainly add value for CAIXA, its employees, controllers and customers. Some 40 transactions are under analysis, from Equity Capital Markets ("ECM"), Mergers and Acquisitions ("M & A"), Debt Capital Markets ("DCM") to Asset Securitization, which all may exceed R\$ 100 billion.

The IRB Brasil Resseguros S.A. ("IRB") R\$ 2.51 billion follow-on was the first major milestone overcome that boost CAIXA's investment banking activity.

This was the largest 100% secondary offering in Brazilian history, executed in accordance with CVM Instruction 476. It was the first shares offering in which CAIXA acted as the lead manager. The share liquidity and the IRB's investor base were amplified in a process concluded in a record time.

Thus, in an efficient and transparent manner, under CAIXA's advisory, the Education Guarantee Fund ("FGEDUC"), which held IRB shares, earned more than eight times the initial investment and adjusted its portfolio to the fund's liquidity requirement..

Asset and Liability Management

It was proposed a revision of the market activity and scope of the Assets and Liabilities Committee ("ALCO"), which until then had been divided between Asset and Liability Management ("ALM") and Business Management.

From adjustments in its configuration, except for the negotiating part, ALCO will be exclusively responsible for the conception of strategies for the management of CAIXA's financial planning. Its members will work to ensure that the best practices of ALM are being adopted.

ALCO's decisions will focus on ensuring the maintenance of adequate levels of liquidity, capital and profitability, taking into consideration: (i) short- and long-term needs, (ii) stable sources of financing, (iii) optimization on cost of funding and capital; and (iv) the transfer price policies for

the various business of CAIXA.

As a pilot for the implementation of the banking portfolio protection process, a set of CAIXA payroll deductible loans product contracts were protected by means of the purchase of DI futures. The effectiveness of the hedge accounting program (fair value hedge as of 12/31/2018) was within the limits established by BACEN Circular No. 3,082 / 2002, which determines and consolidates the criteria for recording and accounting valuation of instruments derivatives, showing efficiency in the locking of the spread of the protected portfolio.

After the pilot, CAIXA plans to expand the banking portfolio protection strategy during 2019.

Management and strategic business management

To support decisions and improve business management, CAIXA is developing and implementing a new management information system ("MIS"), which will include strategic, tactical and operational information. The new MIS should ensure integrated, agile and granular information for strategy, result, customer, channel and product.

Key benefits include alignment of technical concepts, better management of operational and reputational risks, availability, assertiveness, integrity, confidentiality of information, more effective and faster decisions, better governance in data management, better granularity in data generation, clarity in expected results, creation of a culture of information sharing and performance standards.

In 2018, all CAIXA's pricing of credit and services products pricing models were reviewed, with the support of specialized external consulting, to align the Company's methodology with the best practices in the domestic and international markets. This review contemplated all the methodology used to analyze the profitability of products and services, including the inputs used in the models.

The use of the Risk Adjusted Return indicator ("RAROC") was the main methodological change, considering the capital allocated to the analysis of profitability of the operations, implemented in 2018, resulting in a review of CAIXA's pricing policy. The implementation of additional consultancy recommendations is in progress.

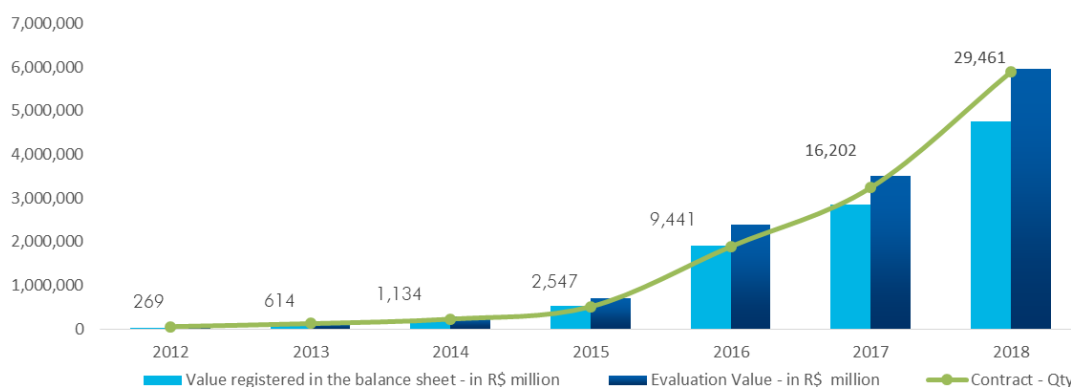
MEASURES WITH IMPACT ON THE RESULT

Property not for own use (BNDU)

It was found the necessity to revise the estimated recoverable value of the property portfolio not for own use (BNDU), which comprises awarded real estate properties, properties received as payment for loans and properties belonging to CAIXA that were in use and then were disengaged. The estimated recoverable value is calculated by the potential sale value or the actual closing sale value. On 12/31/2018, CAIXA owned 62,972 properties in BNDU in stock, which totaled R\$ 11.5 billion.

Therefore, a new study analyzing a universe of 720 real estate properties with the purpose to update the methodology that calculates impairment and the provision for these properties, given the growth of inventory and sales in the last two years, as shown in the chart below.

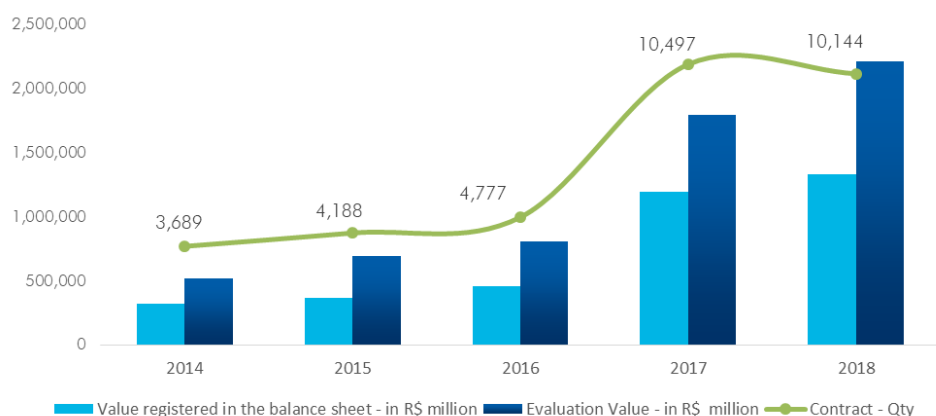
Year of entrance in stock - BNDU



We considered the relevant variables that affect this portfolio, which is: the percentage of discount in relation to occupied and unoccupied properties, the type of financing, the collection of all costs incurred during the recovery process (the “recoverable costs”), as well as of the costs of maintaining the properties in stock until their sale. This was aimed at adherence to good practices related to the value of asset recovery, in addition to possible provisioning of existing liabilities.

Out the BNDU sales made in the last four years, 69% occurred between 2017 and 2018:

Sales per year - BNDU



Due to this revaluation, CAIXA made an impairment of non-financial assets in the amount of R\$ 1.2 billion, which added to the impairment during the year, totaled R\$ 2.8 billion.

FI - FGTS and Managed Portfolio (CA-FGTS)

CAIXA, as the FGTS operator agent, has a legal obligation to guarantee the expected minimum profitability for all assets that comprise this Fund. Therefore, it must recognize the passive derivative of the amounts related to guarantees of minimum profitability of TR+3% p.a for FI-FGTS and TR+6% p.a for CA-FGTS.

In this sense, there was a change in the accounting practice, and the guarantee is now classified as a derivative financial instrument, by its specific nature. Therefore, a methodology was developed to price the total amount of the derivative to be accounted for, considering the

profitability guarantee of the FI-FGTS and CA-FGTS portfolios, corresponding to the amount of R\$ 729.9 million recorded in Shareholders' Equity. It is important to mention that this was the only change in accounting practice performed during 2018..

FCVS

The methodology adopted by CAIXA for the provision of credits constituted with the FCVS was also revaluated. The provision calculation of the contracts to be reimbursed by the fund was reviewed, adjusting to the best market practices and aiming to correctly capture the risks linked to the receipt of the assets.

The new methodology, in addition to incorporating the possibility of claims for contracts with negative coverage, added another feature to calculate the provision for other contracts covered by the FCVS, that is, for contracts not enabled, enabled but not homologated, homologated, and renewed and not settled. 7 Management Report 2018

The incorporation of the new functionality allowed the definition of the levels of provision of all operations covered by the FCVS, regardless of the credit situation, which generated an additional provision of R\$ 635.1 million.

Credit Rating Review

The risk assessments of CAIXA's major operations were revised, which resulted in rating adjustments, particularly for three major exposures in the infrastructure segment. This resulted in an increase in allowance for loan losses, specifically for these operations in December 2018, of approximately R\$ 1.1 billion.

These adjustments had the objective of keeping the provisioned amounts in line with the identified risks in the credit operations of borrowers and economic groups with which the Company has relevant exposures. It should be noted that these adjustments were not classified as extraordinary, since these reviews are regularly performed by CAIXA.

Review of technology intangible assets

CAIXA's technology assets were analyzed and improvements were made to the internal rules used to evaluate these assets in the Bank's balance sheet. As result, there were adjustments in the accumulated profits and losses account, in the amount of R\$ 120.5 million, related to the amortization of prior periods; and reduction in operating income, in the amount of R\$ 119.4 million, as a result of amortization and write-off by discontinuity.

Focusing on people

We reaffirm our commitment to the people who collaborate directly and indirectly for CAIXA's performance. There are two forms of recognition of our 84,952 direct employees: The employee's participation in the result (PLR) and the CAIXA bonus. The employees' participation in the result is appropriated monthly with the calculation performed on the annual result. After the closure of the Collective Labor Agreement (ACT), this amount is adjusted considering the approved rules.

Based on CAIXA's expectation of profit, on the occasion of the signing of the ACT last October, 50% of the PLR is paid to employees. The payment of the remaining balance (50%), adjusted by the net income realized in the year, will be paid until the end of March.

The total value of the PLR for 2018 will be R\$ 1.5 billion, 8.0% higher than the amount paid in 2017, when the non-recurring effect of R\$ 243 million was excluded from the extraordinary positive result of adopting the 6, 5% on the payroll for the expenses of Saúde CAIXA Insurance(CPC 33).

In addition to the PLR, since 2017 we offer the CAIXA Bonus Program, a reward system based on corporate and unit goals, aimed at the employees that are part of the target public defined in the Program's regulation, including 15 thousand management functions and strategic advisory services. The objective of the Program is to reward the contribution of managers in overcoming the goals achieved by means of payment of variable remuneration. For 2018, provision is made for R\$ 70 million, 16.7% higher than the R\$ 60 million paid in 2017..

ECONOMIC SCENARIO

In 2018, the global economy showed a very similar growth of the previous year. However, the context was of an increase in concerns about a possible slowdown in the world's major economies amid the process of raising interest rates in the United States and trade tensions between China and the US. In this context, financial assets presented greater volatility and the scenario became more challenging for emerging countries.

On the other hand, the hefty size of the Brazilian external accounts allowed the country to reduce part of the impact of the growing uncertainties in the international scenario. Adding to the favorable external account position, the environment of controlled inflation, anchoring inflationary expectations, low interest rates and credibility of monetary policy allowed the Brazilian economy to continue in its gradual recovery process, although still limited by domestic and international uncertainties.

To resume the economic pace on a more solid basis of consumption, and especially investment, credit and labor markets, the progress of the structural reform agenda is essential, contributing to the sustainability of the public accounts and to the improvement of the environment of domestic business.

The importance to advance this agenda becomes even more imperative in the face of the external scenario that tends to remain challenging in the short term.

PERFORMANCE ANALYSIS – RESULT

The next chart shows the main items of the accounting result obtained in 2018:

In R\$ Million	4Q17	3Q18	4Q18	Δ %12M	Δ Quart.	2017	2018	Δ %12M
Gross Financial Margin	13,166	12,878	13,153	-0.1	2.1	50,466	50,963	1.0
Allowance for Loan Losses	(5,806)	(2,710)	(5,139)	-11.5	89.6	(19,257)	(14,926)	-22.5
Income from financial intermediation	7,360	10,168	8,014	8.9	-21.2	31,209	36,036	15.5
Income from services and banking fees	6,512	7,111	6,715	3.1	-5.6	25,041	26,849	7.2
Personnel and other administrative expenses	(8,847)	(8,271)	(9,273)	4.8	12.1	(34,413)	(33,606)	-2.3
Other Operational Income/Expenses	2,789	(1,676)	(3,632)	-230.2	116.6	(4,199)	(9,657)	130.0
Tax Expenses	(922)	(1,027)	(1,019)	10.5	-0.8	(3,876)	(4,080)	5.3
Result from participation in Subsidiaries and Affiliated Companies	210	325	361	72.2	11.1	780	1,383	77.2
Operating Profit	7,101	6,628	1,166	-83.6	-82.4	14,543	16,926	16.4
Non-Operating Profit	(178)	(236)	(2,378)	1237.5	906.7	(597)	(3,362)	463.4
Income Tax, Social Contribution and profit participation	(678)	(1,579)	99	-114.6	-106.3	(1,458)	(3,209)	120.0
Net Profit	6,245	4,813	(1,113)	-117.8	-123.1	12,488	10,355	-17.1

Main changes in result 4Q17 x 4Q18

4Q17 net income was R\$ 6.2 billion, positively impacted by an extraordinary (non-recurring) event of R\$ 5.2 billion, related to the reversal of actuarial provision of Saúde CAIXA after the adoption of the maximum limit of 6.5 % of payroll.

In 4Q18, the result was negative R\$ 1.1 billion, impacted by the impairment of non-financial assets that make up the portfolio property not for own use - BNDU, in the amount of R\$ 2.2 billion, increase in inventory and sales performance in recent years.

The 4Q18 result was also impacted by revisions made to the largest exposures of the loan portfolio, which generated the additional provision of R\$ 1.1 billion for three specific groups. Management Report 2018

The revision of the methodology for the provision of credits constituted with the FCVS, in the amount of R\$ 635.1 million; and the employee resignation program (PDE), in the amount of R\$ 230 million, also impacted the quarter result.

Period 2018 x 2017

CAIXA recorded net income of R\$ 10.4 billion in 2018, down 17.1% from 2017, where the main aspects were::

Gross profit from financial intermediation

Gross financial intermediation was R\$ 36.0 billion in 2018, up by 15.5% in 12 months, driven by a 22.5% reduction in expenses with provisions due to possible loan losses, and growth of 1.0% in the financial margin.

Allowance for loan losses expenses

These expenses totaled R\$ 14.9 billion in 2018, a reduction of R\$ 4.3 billion in 12 months, reflecting the decrease of R\$ 11.8 billion in the loan portfolio and the change in its composition, with a higher concentration of credits of low risk.

Total delinquency, over 90 days, reached 2.18% in December 2018, down 0.08 p.p. in 12 months, significantly below the market average of 2.84%.

Income from Services

Revenues from services increased by 7.2% year-over-year, reaching R\$ 26.8 billion in 2018, influenced by revenues from current account, investment funds and cards.

Administrative Expenses

These expenses decreased by 2.3% in 12 months, due to a 3.6% decrease in personnel expenses and the stability of other administrative expenses, maintaining the ongoing trend of adjustment of the structure and a search for an improvement in operational efficiency.

Operating Profit

Operating profit reached R\$ 16.9 billion, an increase of 16.3% in comparison to the result achieved in 2017.

Performance Indicators

Return on Shareholders' Equity (ROAE) recorded 16.1% in 2018, a 2.45 p.p. evolution compared to that obtained in 2017. The return on average assets (ROAA) reached 1.0%, an increase of 0.29 p.p. in 12 months.

As consequence, the Operating Efficiency Index reached 46.5%, an improvement of 2.1 p.p. in 12 months. The coverage ratio of administrative expenses increased by 8.0 p.p. to 79.0% and the coverage ratio for personnel expenses totaled 121.9%, an improvement of 14.5 p.p. year-over-year.

CONCILIATION BETWEEN NET RESULTS - ACCOUNTING AND RECURRENT

Recurring net income reached R\$ 12.7 billion in 2018, up 40.4% from the previous year. Net income was R\$ 10.4 billion in 2018, down 17.1% from 2017.

The following table reconciles the net accounting and recurring results for 2017 and 2018.

	2017	2018
Recurring Result	9,038	12,692
Extraordinary Events	3,450	(2,336)
Expenses with voluntary dismissal programs - PDE	(863)	(383)
Impairment of Financial Assets	(57)	(1,025)
Impairment of Non-Financial Assets	-	(2,841)
Reversal of Actuarial Provisions - CPC33	5,261	-
Effects on the IHCD and PLR of the CPC 33 adjustments	(1,376)	-
Tax Effects of extraordinary events	486	1,912
Accounting Result	12,488	10,355

Voluntary resignation programs- PDE and PDVE

The Voluntary Dimissal Programs carried out in 2018, which had the participation of 2,751 employees, had a negative impact of R\$ 383 million, with an average payback of 10 months

Impairment of financial assets

R\$ 1.0 billion was accounted as result of impairment losses on financial assets (debentures) related to securities classified in Category III - held to maturity.

Impairment of non-financial assets

Impact of R\$ 2.8 billion due to impairment for property of not own use - BNDU, due to the revision of the estimate of the recoverable value.

PERFORMANCE ANALYSIS - ASSETS AND LIABILITIES

The table below shows the main lines of CAIXA's balance sheet and its evolution in 4Q18 and 12 months:

In R\$ Million	Dec17	Sep18	Dec18	Δ%12M	Δ%Quart.
Total Assets	1,260,699	1,271,663	1,264,055	0.3	-0.6
Amplified loan Portfolio	706,276	695,322	694,519	-1.7	-0.1
Securities and Derivative Financial Instruments	188,135	179,653	199,799	6.2	11.2
Allowance for Loan Losses	(37,503)	(36,297)	(36,990)	-1.4	1.9
Liabilities ¹	1,190,114	1,191,295	1,182,813	-0.6	-0.7
Deposits	506,226	510,522	520,738	2.9	2.0
Notes	117,528	93,128	63,550	-45.9	-31.8
Equity	70,585	80,368	81,242	15.1	1.1

¹ Excludes Net Equity.

CAIXA's assets totaled R\$ 1.3 trillion, growth of 0.3% year-over-year, influenced by the increase of 6.2% in the portfolio of securities and derivatives. Total assets under management reached R\$ 2.3 trillion, an increase of 4.6% in comparison to December 2017, highlighting the FGTS with a balance of R\$ 524.3 billion, an increase of 7.2%; and to the investment funds, which grew 22.4% in relation to 4Q17, totaling R\$ 412.5 billion. CAIXA's equity reached a balance of R\$ 81.2 billion, increase of 15.1% over 2017.

Amplified loan portfolio

CAIXA's amplified loan portfolio reached R\$ 694.5 billion in December 2018, a decrease of 1.7% in 12 months. The behavior of the portfolio still reverberates the strategy adopted by the Company towards the equilibrium of its capital structure. The success of the adjustments made allowed CAIXA to place itself comfortably above the minimum requirements of capital.

As a result of this strategy, there was a growth of lower risk portfolios, such as housing and infrastructure, and a reduction in the exposure of commercial portfolios, resulting in the decrease in allowance for loan losses.

Housing loans

The housing portfolio balance showed an evolution of 3.0% in 12 months, reaching R\$ 444.7 billion in December 2018, of which R\$ 265.2 billion coming from FGTS resources and R\$ 179.4

billion from CAIXA/Brazilian System of Savings and Loans - SBPE resources. CAIXA kept the leadership of this market, with 68.8% of market share, an increase of 0.6 p.p. year-over-year.

In 2018, R\$ 62.5 billion in new loans were granted under the My House, My Life ("Minha Casa, Minha Vida") program, the equivalent to 505,494 new housing units. Of these new houses, 21.1% were intended for the program's "Faixa 1", which refers to beneficiaries with monthly income of up to R\$ 1.8 thousand.

Commercial loan

CAIXA's commercial loan portfolio was R\$ 137.2 billion, a 15.2% reduction versus 2017, reaching 7.8% market share. The corporate portfolio reached a balance of R\$ 55.3 billion in December 2018, and commercial operations with individuals was R\$ 81.9 billion, reduction of 18.8% and 12.6%, respectively.

Infrastructure loans

Infrastructure operations grew 2.0%, reaching a balance of R\$ 84.3 billion in December 2018. Due to its great relevance, and for the encouragement to the national economic development, in addition to generating long-term relationships with corporate clients, this segment is part of CAIXA's strategic scope of action.

Rural Credit

CAIXA Rural Credit reached R\$ 7.5 billion in December 2018, with emphasis on the corporate modality, which presented a 61.4% increase year-over-year. CAIXA reached 2.9% of market share.

Funding

The table below shows the evolution in the Company's main funding lines in 12 months:

Funding (in R\$ million)	Dec17	Sep18	Dec18	Δ %12M	Δ% Quart.
Demand Deposits	32,399	28,306	30,446	-6.0	7.6
Saving Deposits	276,693	291,400	298,353	7.8	2.4
Time Deposits	185,643	185,065	178,254	-4.0	-3.7
Other Deposits	11,491	10,054	13,686	19.1	36.1
Notes ¹	117,528	82,111	63,550	-45.9	-22.6
Issues of securities abroad	10,682	12,406	6,966	-34.8	-43.8
Repurchase agreements - Own Portfolio	109,962	54,915	112,011	1.9	104.0
Borrowings and Onlendings	271,757	294,634	300,584	10.6	2.0
Total	1,016,155	958,891	1,003,849	-1.2	4.7

¹ Includes housing, mortgage, financial, and agricultural bonds.

Total funding reached R\$ 1.0 trillion in December 2018. Demand deposits were R\$ 30.4 billion, an increase of 7.6% in the quarter. Savings accounts were R\$ 298.4 billion, increase of 7.8% versus December 2017 and 2.4% in the quarter. CAIXA remained the market leader with a 37.4% share.

In December 2018, the Institution held 78.0 million savings accounts, an increase of 3.2 million accounts in comparison with same date in 2017.

Notes totaled R\$ 63.6 billion, decrease of 45.9% year-over-year, in line with the CAIXA's funding strategy.

Net equity

The Company ended 2018 with a net equity of R\$ 81.2 billion, an increase of 15.1% compared to the same period of the previous year.

The variation of R\$ 10.7 billion in net equity was mainly due to the 41.0% increase in profit reserves.

Circular BACEN 3.068/2001

In compliance with BACEN Circular Letter 3,068/2001, Article 8, CAIXA states the intention of maintaining the securities classified in Tier III, which totaled R\$ 41.3 billion in the period, until their respective maturities and attesting the required financial capability.

BASEL

In December 2018 the Basel ratio registered 19.6%, higher than the minimum of 11.0% established by National Monetary Council Resolutions Nos. 4,192 and 4,193, which regulate Brazilian recommendations of the Basel Committee on Banking Supervision related to capital structure of financial institutions.

The fixed asset ratio was 9.6%, confirming CAIXA in compliance with the CMN Resolution No. 2,669 / 1999, which establishes the 50% limit.

Public sector debit index with CAIXA was 29.6% in the period, stable in relation to 2017. According to the CMN Resolution No.2,827/2001, loan operations of a financial institution with public agencies and institutions are limited to 45% of its reference equity.

STRATEGIC INVESTMENTS

The CAIXA Conglomerate, a group of companies formed by the financial institution CAIXA and its direct and indirect interests, seeks to optimize its performance through synergic operation. This is operationalized by leveraging business opportunities, complementarity to the products and services, and expansion of the support to CAIXA's macro processes and strategies, aiming at improving the business and operating capacity.

The CAIXA Conglomerate Policy establishes guidelines for the management, investment performance, and new loans, covering the business relationship and governance between CAIXA and the other company's part of such conglomerate, and seeking to establish strategic partnerships that enable access, under competitive conditions, to markets considered strategic and services that allow them to achieve their goals.

Compositions of Investments (in R\$ million)	4Q17	4Q18	Δ %12M
CAIXA Seguros Holding	3,402,526	3,742,521	10.0
Too Seguros	368,764	319,773	-13.3
Banco PAN	759,948	937,258	23.3
TECBAN	112,049	112,934	0.8
Elo Serviços	44,692	100,782	125.5
Quod ¹	28,724	61,508	114.1
Cia. Bras. de Securitização - CIBRASEC	7,025	6,894	-1.9
FGO – Fundo Garantia de Operações	467,384	495,848	6.1
FGHAB – Fundo Garantidor Habitação Popular	265,210	265,210	0.0
Other Investments	84,229	37,064	-56.0
Total	5,540,551	6,079,792	9.7

¹GIC company name was altered to "Quod". For additional information see Note 11

Caixa Seguros Holding, with a value of R\$ 3.7 billion, growth of 10.0% in 12 months, represents 61.6% of the total investment portfolio.

LOTTERIES

CAIXA Lotteries collected R\$ 13.9 billion in 2018, staying in the same level that was reached in 2017. Around R\$ 5.2 billion were transferred to social programs of the federal government in the areas of social security, sports, culture, public safety, education and health, which corresponds to 37.4% of the total.

Lotteries Destination (in R\$ million)	4Q17	3Q18	4Q18	Δ %12M	Δ Quart.	2017	2018	Δ %12M
Social Destination	1,449	1,294	1,477	2.0	14.1	5,160	5,198	0.7
Prizes	1,327	1,236	1,380	4.0	11.7	4,884	4,895	0.2
Expenses of Costs and Maintenance	748	665	759	1.5	14.1	2,658	2,657	0.0
Taxes	379	284	353	-6.8	24.4	1,189	1,152	-3.2
Collection	3,901	3,479	3,969	1.7	14.1	13,891	13,901	0.1

The “Mega-Sena” was the most demanded product by the players, corresponding to 38.4% of the total collected by the CAIXA Lotteries in 2018.

FURTHER USUAL ARRANGEMENTS

Internal controls

CAIXA’s internal controls and compliance policy aims to promote conditions to ensure compliance with external and internal regulations, as well as compliance risk management, in order to strengthen CAIXA’s corporate governance and reputation.

This compliance policy was based on “compliance and the compliance function in banks - Basel Committee on Banking Supervision” as well as on federal laws and regulations, which emphasize the importance of a compliance policy, among which the Law No. 13,303, CGPAR Resolution No. 18, and CMN Resolutions No. 2,554, 4,553, 4,557 and 4,595.

CAIXA also holds a Conglomerate internal controls policy , issued in Jan/18, that aims at promoting the effectiveness and the strengthening of the Internal Controls System (“SCI”) to ensure, with reasonable security, obtainment of the CAIXA Conglomerate’s goals. The policy is based on the document Committee of Sponsoring Organizations of the Treadway Commission – COSO, as well as CMN Resolutions No. 2,554 and 3,056.

CAIXA implemented the integrity program based on Law No. 12.846 / 2013, Decree No. 8.420 / 2015 and its anti-corruption policy, through which it accepts the commitment to prevent, detect and correct acts of corruption committed against the Institution and against national or foreign public administration.

Risk and capital management

Management of risks and capital is perceived by CAIXA as a competitive differential in the financial market and the primary means to preserve its solvency, liquidity and profitability.

The risk and capital management structures are in accordance with the prevailing legislation, appropriate to the nature and complexity of CAIXA's financial instruments, products, services, and operations and to the good corporate governance practices, allowing the senior management to identify the capital commitment in order to deal effectively with the risks, evaluate the impacts on the results, and promptly decide on accepted exposure limits.

The risk management policy and the capital management and result distribution policy are reviewed, at least, every year, as well as the exposure and capital limits, aiming at aligning them with the strategy, macroeconomic factors, business environment and CAIXA's risk-taking ability.

Risk management activities are separated from business and audit activities, and they are maintained as independent structures for model monitoring, in order to avoid conflicts of interest and safeguard the impartiality of the work performed.

The credit portfolio risk is controlled through the monitoring of indicators of delinquency, performed losses, expected and unexpected loss, provision and demands for regulatory and economic capital, in various granularities and segmentations, making possible, from the information of each contract, a broad vision of the profile of the expositions, by borrower, operation, portfolio segments, geographic region and activity sector, among others.

Based on the monitoring, it is possible to note that delinquency indicators, allowance for loan losses and portfolio loss remained within the expected.

In addition, since 2017, the independent risk committee has been established, which reports to the Board of Directors and advises on issues related to risk and capital management.

A detailed description of the risk management and capital structures - including responsibilities, practices, procedures, processes and models - is available at: <http://www.caixa.gov.br>, investor relations, risk management, reports, CAIXA's risk and capital management.

Regarding the facts investigated in the operations "The Origin", "Cui Bono?", "Sepsis" and "Patmos", the ongoing proceedings, continue to count with the unrestricted support of CAIXA and the independent committee. It should be noted that the first three phases completed did not identify any event capable of generating a material impact on the financial statements of CAIXA. The Company will continue to monitor and support the investigation procedures of the competent authorities until their completion and systematically evaluating any new information that may require further action.

ACKNOWLEDGEMENTS

The results achieved in the period reflect the commitment and tireless work of all our employees and contractors, and we appreciate their efforts. We also thank our customers and partners for their trust and loyalty, which motivates us in our constant search for improvement, essential to the development of CAIXA and Brazil.

Management