CAIXA GERAL DE DEPÓSITOS CONSOLIDATED OPERATIONS

at 30 June 2016

Unaudited accounts

Index

This document is an English translation of the original Portuguese language document "Atividade Consolidada da Caixa Geral de Depósitos em 30 de junho de 2016". The Portuguese original prevails in the event of any inconsistency.

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1 – Summary of evolution in 1st half 2016

Results

- At the end of the first half 2016, core operating income (sum of net interest income and commissions, net of operating costs), saw an increase of 19.1% in the period to €159.6 million, influenced by the good performance of net interest income and operating costs.

- CGD Group's net interest income, in first half 2016, was up 5.5% by €29.8 million over the same half 2015 to €568.7 million.

  As in first half 2015, the half yearly growth of net interest income greatly benefited from the 17.5% reduction of €171.7 million in funding costs, surpassing the reduction also felt in interest on lending (down 9.3% by €141.8 million).

- Commissions earnings (net) of €230.1 million reflected the strong competitive and regulatory pressure on commissions charges.

- Income from financial operations were negative at €47.4 million, influenced by high volatility experienced in international financial markets, including public debt, associated with the United Kingdom's referendum about remaining in the European Union.

- CGD's total operating income for the half year, strongly influenced by the negative change of €349.4 million in income from financial operations, was therefore down €399.5 million over the same half 2015 to €754.7 million.

- CGD's operating costs, which benefited from the containment felt across all of its components, namely administrative expenditure (down 3.1%) and depreciation (down 7.6%) were down 2.0% in the half year. Employee costs were down 0.7%, although the reduction would have been 6% with the exclusion of the one-off *Horizonte Plan* cost of €20.0 million. Total operating costs, excluding this one-off factor, were down 5.1%.

- Gross operating income for first half 2016 amounted to €115.4 million.

- There was a 2.1% increase of €6.7 million in provisions and impairment for the period to €328.4 million.

- Income before tax and non-controlling interests and net income for the half year were €-193.1 million and €-205.2 million, respectively.

Balance sheet

- CGD Group's total assets, at the end of June 2016, were down 0.9% over the same date in 2015, to €99,355 million.

- Customer resources of €72,442 million at the end of the first half represented a positive 3.1% evolution of €2,199 million over June 2015.

- Gross loans and advances to customers (including credit with repurchase agreements) amounted to €70,674 million in June last. The growth of new loan agreements across the half year was insufficient to offset portfolio maturities.

- Credit at risk, in June 2016, was 12.2% of the credit portfolio, with a level of provisions and impairment coverage of 63.2%. The level of coverage of credit at risk was 46.5% for credit to individuals and 73.7% for corporate customers.

- The loans-to-deposits ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the, as yet, limited recovery of demand for credit, in Portugal.

Liquidity and solvency

- CGD's funding from the Eurosystem at the end of June 2016 totalled €3,597 million, a change of €832 million over December 2015 and €691 million over June 2015 and currently representing 3.6% of total assets.

- CGD's liquidity remained at a highly comfortable level with an LCR (liquidity coverage ratio) of 193.5%, far in excess of regulatory requirements.

- The phased-in and fully implemented Common Equity Tier 1 (CET 1) ratios, calculated according to CRD IV/CRR rules were 10.0% and 9.2%, respectively in June 2016, complying with the regulatory requirements.

2 – CGD: Highlights

(EUR million)

				Change 2016-06 vs 2015-06	
RESULTS	2015-06	2015-12	2016-06	Total	(%)
Net interest income	538.9	-	568.7	29.8	5.5%
Net inter. income incl. inc. from equity investm.	582.1	-	598.3	16.3	2.8%
Commissions (net)	247.7	-	230.1	-17.6	-7.1%
Non-interest income	572.1	-	156.3	-415.8	-72.7%
Total Operating Income	1,154.2	-	754.7	-399.5	-34.6%
Operating costs	652.5	-	639.3	-13.3	-2.0%
Net Operating Income before Impairments	501.6	-	115.4	-386.2	-77.0%
Net Income before tax and non-controlling interests	213.5	-	-193.1	-406.6	-
Net income	47.1	-	-205.2	-252.3	-
BALANCE SHEET					
Net assets	100,238	100,901	99,355	-883	-0.9%
Cash and loans and advances to credit instit.	6,090	7,664	5,145	-945	-15.5%
Securities investments (1)	19,951	19,649	20,640	689	3.5%
Loans and advances to customers (net) (2)	66,639	66,178	65,284	-1,355	-2.0%
Loans and advances to customers (gross) (2)	71,855	71,376	70,674	-1,181	-1.6%
Central banks' and credit institutions' resources	6,019	5,433	5,769	-251	-4.2%
Customer resources	70,242	73,426	72,442	2,199	3.1%
Debt securities	8,170	6,700	6,117	-2,053	-25.1%
Shareholders' equity	6,391	6,184	5,745	-646	-10.1%
RESOURCES TAKEN FROM CUSTOMERS	100,057	103,018	100,968	911	0.9%
PROFIT AND EFFICIENCY RATIOS					
Gross return on equity - ROE (3) (4)	6.3%	-0.3%	-6.3%		
Net return on equity - ROE (4)	2.8%	-1.3%	-5.9%		
Gross return on assets - ROA (3) (4)	0.4%	0.0%	-0.4%		
Net return on assets - ROA (4)	0.2%	-0.1%	-0.4%		
Cost-to-income (3)	54.9%	66.6%	82.5%		
Employee costs / Total Operating Income (3)	31.7%	39.3%	48.4%		
Operating costs / Average net assets	1.3%	1.4%	1.3%		
Total Operating Income / Average net assets (3)	2.4%	2.1%	1.6%		

(1) Includes assets with repo agreements and trading derivatives.
(2) Includes assets with repo agreements.
(3) Ratios defined by the Bank of Portugal (instruction 23/2012).
(4) Considering average shareholders' equity and net asset values (13 observations).

(%)

CREDIT QUALITY AND COVER LEVELS	2015-06	2015-12	2016-06
Overdue credit ratio	7.9%	7.6%	8.1%
Credit more than 90 days overdue ratio	7.4%	7.2%	7.4%
Non-performing credit ratio	9.7%	9.3%	9.8%
Non-performing credit (net) ratio (3)	2.6%	2.2%	2.3%
Credit at risk ratio (3)	12.4%	11.5%	12.2%
Credit at risk (net) ratio (3)	5.5%	4.5%	4.9%
Restructured credit ratio (5)	10.1%	10.0%	10.3%
Restr. crd. not incl. in crd. at risk ratio (5)	5.3%	5.6%	5.9%
Overdue credit coverage	92.9%	96.3%	94.9%
Credit more than 90 days overdue coverage	99.1%	102.2%	103.2%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)	0.66%	0.78%	0.86%
STRUCTURE RATIOS			
Loans & adv. customers (net) / Net assets	66.0%	65.2%	65.4%
Loans & adv. custom. (net) / Custom. dep. (3)	94.8%	90.1%	90.1%
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR) (6)			
Common equity tier 1 - includ. DTA (phased-in)	11.0%	10.9%	10.0%
Tier 1 - includ. DTA (phased-in)	11.0%	10.9%	10.0%
Total - includ. DTA (phased-in)	12.5%	12.3%	11.2%
Common equity tier 1 - includ. DTA (fully implemented)	9.8%	10.0%	9.2%
Liquidity coverage ratio	135.9%	143.1%	193.5%
OTHER INDICATORS			
Number of branches - CGD Group	1,225	1,253	1,221
Number of branches - CGD Portugal	760	764	729

RATING	CGD			Portugal		
	Short Term	Long Term	Date (last assessment)	Short Term	Long Term	Date (last assessment)
Standard & Poor's	B	BB-	2016-07	B	BB+	2016-03
FitchRatings	B	BB-	2016-05	B	BB+	2016-03
Moody's	N/P	B1	2016-06	N/P	Ba1	2014-07
DBRS	R-2 (mid)	BBB (low)	2015-11	R-2 (mid)	BBB (low)	2016-04

(3) Ratios defined by the Bank of Portugal (instruction 23/2012).
(5) Ratios defined by the Bank of Portugal (instruction 32/2013)
(6) Estimated end-June 2016 Solvency Ratios
Note: Indicators calculations according to glossary at: http://www.cgd.pt/Investor-Relations/Informacao-aos-Investidores/Documents/Glossario.pdf

3 – Economic-financial framework

The beginning of 2016 was marked by heightened fears over the cooling of emerging market economies, particularly in the case of China, doubts over the impact of the sharp fall in the prices of the main commodities and – of no less relevance – the tendentially less expansionary context of US monetary policy. The move towards lower risk assets at the time in question, fuelled across-the-board falls in world equity indices, with the MSCI World Index sinking to its lowest level in almost three years, in mid-February.

A gradual improvement in sentiment was, however, witnessed across the first quarter, as a consequence of the implementation of more incentives by Chinese policymakers, the expected strengthening of monetary stimuli by the European Central Bank (ECB) and the conviction that the US Fed could soften its rate hike policy in 2016. This was accompanied by the improvement of diverse inflation measures, assuaging fears over a deflationary scenario in several economies.

Uncertainty indices, both political and economic, were once again worsened by the result of the end of June referendum in the United Kingdom, which decided in favour of leaving the European Union (EU). Several days of a marked retraction of risk assets and demand for safe securities were followed by a new upsurge in market sentiment owing to investors' increased expectations to the effect that the action of the main central banks would once again involve the strengthening of monetary stimuli across the second half of the year.

The fact that US economy posted consecutive, annualised growth of 1.1%, in the first quarter of the year, signalled a third consecutive quarter of moderation which contributed towards the disappointing growth of the world economy at the start of the year. A substantial improvement in economic activity, driven by household consumption and the construction sector, was witnessed in the second quarter. Unemployment at the end of the first half year stood at 4.9%, down 0.1 pp over the end of the preceding year. Gross fixed capital formation was, once again, a particularly negative factor. As regards inflation, the underlying growth of consumer prices remained always higher than 2.0%, in the six months up to June (ending the half year at 2.3%). The last time this occurred was in 2008.

Euro Area GDP posted its twelfth consecutive quarter of expansion and last year's highest rate in the first quarter of the year. GDP in the region, up by a consecutive, annualised 2.4%, was higher than posted in the US and UK, an event which had only happened once over the last five years, with special reference to the strong contribution of domestic demand. The sentiment indicators remained stable in the second quarter of the year, with a higher level of performance, not only in comparison to those of other developed economies but also to the economies of the emerging market. The year-on-year change in inflation, which remained in negative territory between February and May, was 0.1% at the end of the half year, less than ECB's target of 2.0% for the forty first month.

The rate of expansion of world GDP in other geographies remained weak and slow and lower than expected at the start of the year. Various supranational bodies downgraded their world GDP growth projections, in 2016, to close to 3.0%, as in 2015.

GDP in Portugal in the same quarter, was also up by a consecutive (not annualised) 0.2%, as in the preceding quarter, decelerating year-on-year from 1.3% to 0.9%. Growth continued to be speared by domestic demand, particularly private consumption. The first quarter unemployment rate of 12.4%, was up 0.2 pp over the end of the preceding year. Year-on-year inflation, remained in positive territory across the whole of the first half year at an average 0.5%, in line with the annual average posted in 2015.

The ECB strengthened its monetary stimuli in March with a cut in interest rates. The deposit rate declined 10 bps to a negative 0.40%, with a 5 bps reduction of the interest rate on major refinancing operations to 0%. The ECB's council of governors also voted in favour of a quantitative easing programme, the expansion of the European corporate debt assets purchase programme (creating the "Corporate Sector Purchase Programme – CSPP") and the issuance of the new TLTRO II series ("Targeted Longer Term Refinancing Operations").

The referred to ECB measures, continued low inflation, expectations of moderate global growth and flight-to-quality movements, continued to translate into low and falling 10 year yields which fell even further following the results of the UK referendum. New historic lows were witnessed in Germany at the end of June when rates slid into negative territory for the first time. This was also the case in France and the United Kingdom.

Yields in the peripheral countries continued to benefit from ECB backing, falling to their lowest levels in just over a year in Spain and Italy at the end of June. Higher risk premia were, however, demanded, across the first two quarters of the year, comprising an increase of spreads on the respective rates in comparison to the German benchmark. Euribor rates on the European interbank market continued along and even accentuated their downward trend. Rates on the main maturities fell to new historic lows, all of which in negative territory.

In a half year marked by the volatility of prices of financial assets, the foreign exchange market was no exception. The euro continued to trend to appreciation against the dollar (up 2.2% in the half year), in line with the decline in investors' expectations of the diminishing probability of the Fed's announcement of a new increase in its lending rate, in June, in an environment marked by economic improvement in the Euro Area. The result of the referendum in the United Kingdom had a substantial impact on sterling which posted accumulated depreciation of 11.1% and 8.9% against the dollar and euro, respectively, in the two days following the date of the referendum, closing the half year at its lowest level for 31 years against the US currency.

Of the main share indices in the developed economies, only the US S&P 500 and UK's Footsie 100 made half yearly gains of 1.0% and 3.0%. On the contrary, in the case of the countries on the European periphery, share indices closed the half year with accumulated losses of 20.8% in the case of Greece, which was only surpassed by the Italian index's losses of 24.4%, the latter being heavily penalised by the uncertainties existing in the domestic financial sector. Half yearly losses of 16.2% on the PSI20, were higher than the losses of 9.8% on Eurostoxx600 and 9.9% on Germany's DAX. Spain's IBEX was down 14.5%.

4 – Consolidated information

Results

At the end of the first half 2016, core operating income (sum of net interest income and commissions, net of operating costs), saw an increase of 19.1% in the period to €159.6 million, influenced by the good performance of net interest income and operating costs.

CGD Group's net interest income, in first half 2016, was up 5.5% by €29.8 million over the same half 2015 to €568.7 million.

As was the case across 2015, this half yearly growth in net interest income was a major beneficiary of the 17.5% reduction of €171.7 million in funding costs which surpassed the reduction also felt in interest on lending (down 9.3% by €141.8 million). The cost of the CoCo bonds in the first half was €40.4 million. Income from equity instruments was, in turn, down €13.5 million to €29.6 million.

Net commissions for the half year, totalled €230.1 million, with the 7.1% year-on-year decline reflecting the significant reduction of the amounts received (-6.5%) owing to strong competitive and regulatory pressure on commissions charges.

Income from financial operations were negative at €47.4 million, influenced by high volatility experienced in international financial markets, including public debt, associated with the United Kingdom's referendum about remaining in the European Union.

The €26.4 million deficit on the 'other operating income' account heading in first half 2016 was affected by the amount of €25.9 million in respect of CGD's *ex ante* contribution to the Single Resolution Fund for 2016. The amount of the said contribution for 2015 was only paid in December.

CGD's total operating income for the half year was down €399.5 million over the same half 2015 to €754.7 million, having been strongly influenced by the negative change of €349.4 million in income from financial operations.

CGD's half yearly operating costs were down 2.0%, benefiting from the containment felt across all of its components, namely administrative expenditure (down 3.1%) and depreciation (down 7.6%). Employee costs were slightly down by 0.7%, notwithstanding the first half year provisions in the sphere of the *Horizonte Plan*.

With the elimination of the referred to provisions, employee and operating costs would have been down 6.0% and 5.1%, respectively.

OPERATING COSTS AND DEPRECIATION

(EUR million)

			Change	
	2015-06	2016-06	Total	(%)
Employee costs	377.0	374.5	-2.5	-0.7%
Other administrative expenses	223.5	216.7	-6.8	-3.1%
Depreciation and amortisation	52.0	48.0	-3.9	-7.6%
Total	**652.5**	**639.3**	**-13.3**	**-2.0%**

Notwithstanding the reduction of operating costs, the above referred to drop in total operating income led to a cost-to-income indicator of 82.5%.

Gross operating income for first half 2016 was therefore €115.4 million.

CONTRIBUTION TO NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)

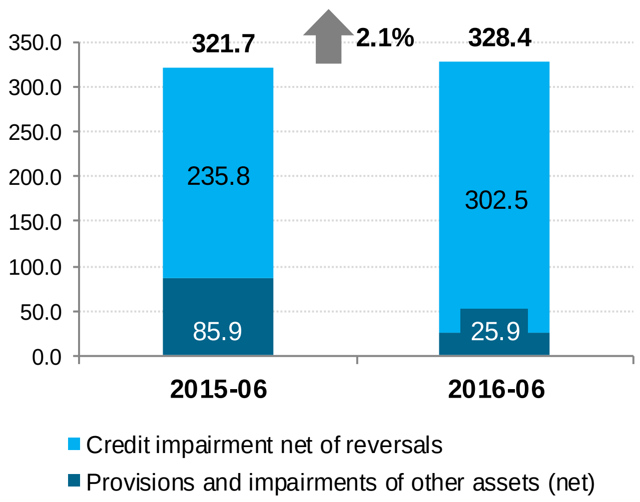
	2015-06	2016-06	Change
Domestic commercial banking	243.4	-83.6	-326.9
International activity	203.0	205.3	2.4
Investment banking	28.3	-13.0	-41.3
Other	27.0	6.7	-20.3
Net Operating Income before Impairments	**501.6**	**115.4**	**-386.2**

Special reference should be made to international activity's contribution of €205.3 million to consolidated operating income. Particularly noteworthy was the performance of the France branch and BNU Macau with €77.1 million and €36.9 million, respectively.

There was a 2.1% increase of €6.7 million in provisions and impairment for the period to €328.4 million, with a cost of credit risk of 0.86%.

PROVISIONS AND IMPAIRMENTS IN PERIOD

(EUR million)



Income before tax and non-controlling interests and net income for the half year were €-193.1 million and €-205.2 million, respectively.

Balance sheet

CGD Group's consolidated net assets of €99,355 million at the end of June 2016, were slightly down, both in comparison to the preceding year (by 0.9%) and December 2015 (by 1.5%).

Loans and advances to customers (including credit with repurchase agreements) at the end of June amounted to €70,674 million (gross) and €65,284 million (net), comprising credit balance reductions of 1.6% and 2.0% respectively over the end of 2015. Notwithstanding the growth recorded in comparison to the same period of the preceding year, new agreements entered into in first half 2016 were insufficient to offset portfolio maturities.

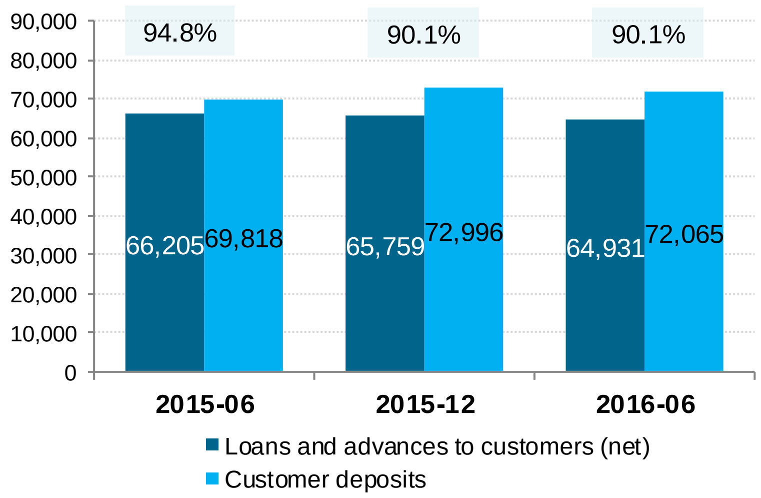
Total securities investments, including assets with repurchase agreements and trading derivatives, were up 3.5% by €689 million over the end of the preceding year to €20,640 million, owing to a good liquidity situation, in which CGD continued to pursue a strategy of greater diversification in terms of portfolio composition, across the half year.

Customer resources at the end of June were up 3.1% by €2,199 million to €72,442 million in comparison to the same date of the preceding year.

The loans-to-deposits ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the, as yet, limited recovery in demand for credit in Portugal.

LOANS TO DEPOSITS RATIO

(EUR million)



The credit more than 90 days overdue ratio of 7.4%, was identical to that of June of the preceding year. Its respective impairment coverage was 103.2% (against 99.1% in June 2015).

The credit at risk and restructured credit ratios, calculated in accordance with Bank of Portugal criteria, were 12.2% and 10.3%, respectively.

Credit at risk provisions and impairment coverage was 63.2%, and the level of coverage of credit at risk for individuals was 46.5% and 73.7% for corporate customers.

Liquidity

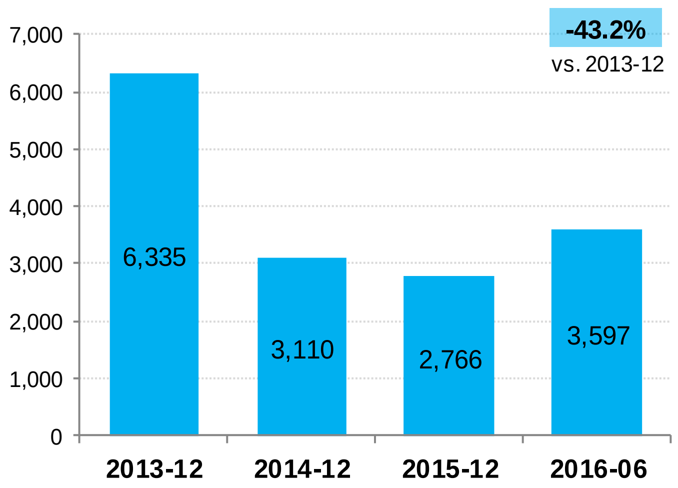
During the course of first half 2016, keeping pace with the ECB's strengthening of its monetary *stimuli* measures across the period and taking into account the reduction of funding costs and liquidity management optimisation, CGD substituted the full amount of its TLTRO funding by the new TLTRO II. It also decided to increase the amount of its borrowings from the ECB to increase its capability to back the economy and Portuguese companies.

CGD's funding from the ECB therefore rose from €1,250 million at the end of 2015 to €2 billion at the end of June this year. Across the same period, there was also an increase in CGD's assets eligible for the ECB pool from €1,022 million to €10,898 million at the end of June 2016.

On a CGD Group level and exploiting the terms of long term funding operations, resources with the ECB were up €831 million over the end of 2015, to €3,597 million at the end of first half 2016. This increase was accompanied by an increase in the eligible assets portfolio allocated to the Eurosystem pool from €11,604 million in December last to €12,665 million at the end of June 2016.

ECB FUNDING (CONSOLIDATED)

(EUR million)



The outstanding EMTM programme issuances balance continued to reduce, following the maturity of several issuances.

The LCR (liquidity coverage ratio) indicator, with a comfortable 193.5% (143.1% at the end of December 2015), was well above regulatory requirements.

Solvency

The Group's shareholders' equity, at the end of June 2016, was down 7.1% by €439 million to €5,745 million, in comparison to the end of December 2015, influenced by the evolution of fair value reserves and other reserves and retained earnings.

SHAREHOLDERS' EQUITY

(EUR million)

	2015-06	2015-12	2016-06
Share capital	5,900	5,900	5,900
Fair value reserves	201	259	111
Other reserves and retained earnings	-757	-691	-913
Non-controlling interests	1,000	887	852
Net income	47	-171	-205
Total	**6,391**	**6,184**	**5,745**

The phased-in and fully implemented Common Equity Tier 1 (CET 1) estimated ratios, calculated according to CRD IV /CRR rules were 10.0% and 9.2%, respectively in June 2016, complying with the regulatory requirements.

5 – Operating segments

Commercial banking

Caixa maintained its strategic focus on backing companies and developing its level of service, in first half 2016, strengthening its quality of customer service and cementing its ties with and the loyalty and satisfaction of its customers.

Considering its strategic commitments to strengthen its levels of operating efficiency and rationalise its distribution costs, CGD pursued *Transforma* project, with the aim of improving branch office network efficiency, with a higher level of quality of service and reduce costs by optimizing the human and physical resources management. The referred to period, accordingly, witnessed an adjustment to CGD Group's presence on a level of its physical domestic retail business which, at the end of the year, comprised 663 general branches (32 fewer than at the end of 2015) and 26 Caixa Empresas "corporate offices" to a total of 689 business units and 40 self-service branches.

Notwithstanding this reduction, Caixa continues to have the only branch office network with a physical presence in all municipal districts on national territory. It continues to focus on positive discrimination in terms of customer experience and commercial dynamics by its dedicated management services, providing for around 1 million individual and corporate customers.

There was a significant level of evolution in the range of functionalities provided by the corporate banking channel (*Caixadirecta Empresas*). Special reference should be made to the viewing facility for renting agreements entered into with Locarent; stock market trading operations and investment funds and the viewing facility for leasing agreements entered into with Caixa Leasing e Factoring. This evolution made a decisive contribution to the growth of the number of frequent use contracts and increase in the number of operations and amounts of transactions. *Caixadirecta Particulares* (individual customers) also posted an increase in the number of frequent use contracts and number of operations performed.

Additional measures were also taken to further strengthen the integrity of information on electronic channels, with the introduction of the new *3D Secure* certification method on Caixadirecta and the use of *SMS Token* to validate all purchases made on the internet.

Commercial promotions for companies were centred on a sectoral campaign structure geared to customer relationships and designed to improve the level of service and the partnership relationship deriving from the global involvement between Caixa and companies, in addition to Caixa's promotion of the cross-border business of "internationalised" companies to markets in which Caixa has a presence, providing direct backing for local investment projects.

In the individual customers segment, Caixa provides a range of solutions to facilitate day-to-day financial management, projects, protection and safeguarding of the future, based on its customers' individual profiles. "Customer involvement recovery actions" enabling Caixa to identify the main reasons behind the breaks in relationships and provide information on the most adequate offer for customers were also launched.

Caixa continues to enjoy the largest share of the domestic market for bank cards, in the means of payment and services area, notwithstanding the adverse socioeconomic environment. Portfolio management initiatives designed to keep pace with the new regulatory environment, in addition to greater efforts to cut costs, were strengthened in first half 2016. As regards new electronic commerce services, it upgraded its *3D Secure* service for cards using the MasterCard/Maestro and Visa/Visa Electron network to optimise the security of online payments and improve levels of usability.

Resources

Caixa launched various campaigns across the first six months of 2016, designed to take in and diversify resources with the objective of continuing to afford strategic priority to retaining and taking-in suitably profitable resources. In addition to its presentation of savings and investment solutions for various types of products (deposits, automatic savings solutions, tracker deposits, financial insurance and funds), Caixa also revised its pricing, as part of its deposit facilities price adjustments process.

In overall Group terms, the resources-taken balance (excluding the interbank market) at the end of June 2016 amounted to €108,436 million, i.e. a 0.6% reduction of €609 million in comparison to the same date in 2015. The balance sheet resources balance was very similar to the preceding year (up 0.1%).

RESOURCES TAKEN BY CGD GROUP – BALANCES

(EUR million)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Balance sheet	**80,838**	**82,555**	**80,958**	**120**	**0.1%**	**-1,597**	**-1.9%**
Retail	71,850	74,494	73,490	1,640	2.3%	-1,004	-1.3%
Customer deposits	69,818	72,996	72,065	2,247	3.2%	-931	-1.3%
Other customer resources	2,032	1,498	1,425	-607	-29.9%	-73	-4.9%
Institutional investors	8,088	7,161	6,568	-1,519	-18.8%	-593	-8.3%
EMTN	2,346	1,456	1,086	-1,260	-53.7%	-370	-25.4%
Covered bonds	5,557	5,584	5,412	-145	-2.6%	-172	-3.1%
Other	185	121	70	-115	-62.1%	-51	-41.9%
Portuguese state - Conting. convert. bonds	900	900	900	0	0.0%	0	0.0%
Off-balance sheet	**28,207**	**28,525**	**27,478**	**-729**	**-2.6%**	**-1,046**	**-3.7%**
Investment funds	3,936	4,186	3,698	-238	-6.1%	-488	-11.7%
Real estate investment funds	1,292	1,246	1,160	-132	-10.2%	-86	-6.9%
Pension funds	3,343	3,414	3,315	-28	-0.8%	-99	-2.9%
Wealth management	19,636	19,679	19,305	-331	-1.7%	-373	-1.9%
Total	**109,045**	**111,080**	**108,436**	**-609**	**-0.6%**	**-2,644**	**-2.4%**
Total (excl. inst. inv. and Portuguese state)	**100,057**	**103,018**	**100,968**	**911**	**0.9%**	**-2,051**	**-2.0%**

Not considering resources taken from institutional investors and CoCo bonds, the year-on-year change was up 0.9% by €911 million.

The Group's customer deposits were up 3.2% by €2,247 million year-on-year to €72,065 million.

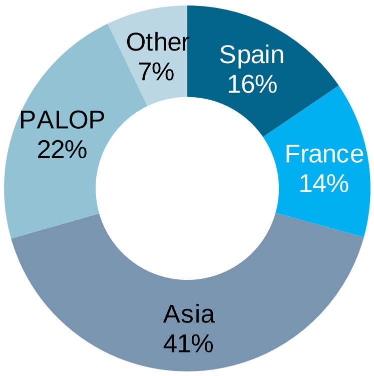
The customer deposits balance in CGD Portugal was up 2.5% by €1,341 million in the same period, benefiting from the highly favourable performance of individual customers' deposits which were up 4.7% by €2,101 million. The corporate segment also witnessed a 1.8% positive change of €106 million, over the preceding year.

The market share of customer deposits therefore continued to be dominant in Portugal, increasing from 28.2% at the start of the year to 28.5% in May 2016, particularly individual customers' deposits with 31.7%.

The international area with €16,616 million (up 4.7% over June 2015) also continued to make a highly favourable contribution to the deposits total. Particular reference should be made to the branches in Asia and Spain.

CUSTOMER DEPOSITS - INTERNATIONAL ACTIVITY

(%)



Note: PALOP – Portuguese Language Speaking African Countries

Off-balance sheet assets under management were down 2.6% by €729 million over June 2015 to €27,478 million. This movement was particularly influenced by the 1.7% reduction of €331 million in wealth management.

Credit

Caixa took a series of steps to strengthen its offer for companies, backing all aspects of their activity to improve quality of service and optimise customer response times, particularly:

- Launch of the *Caixa Comércio e Serviços* ["Commerce and Services"] package, as an integrated banking products and services solution, including POS, with special prices for one-off sales of products and payment of a fixed instalment;

- Oversight and promotion of various special/government lines of credit, particularly *PME Crescimento* ["SME Growth"] 2015, with the aim of backing the growth and internationalisation of domestic companies;

- Launch of a new line of credit for companies in the tourism sector, in the form of an agreement entered into with Turismo de Portugal, to strengthen the corporate offer in one of the sectors making the largest contribution to domestic GDP growth.

- Greater promotion of the EIB 2015 €300 million line of credit to back a wide range of projects, with extended maturities and price reductions based on the existence of a commercial relationship;

- Broadening of consultancy service partnerships, to the *PDR* (Regional Development), *POSEUR* (Operational Programme for Sustainability and the Efficient Use of Resources) and *POCI* (Operational Programme for Competitiveness and Internationalisation) programmes, to provide the branch office network with a collection of alternatives to strengthen support/advisory services for corporate customers, providing additional facilities to prepare, present and oversee candidatures to Portugal 2020;

- Supply of a file conversion service by Caixadirecta Empresas with the aim of backing companies in the application of EU Regulation 260/2012 pursuant to which all direct credit and debit transfers in euros had to be made in the same format since February 2016.

Caixa has also been strengthening its communication in the corporate segment. This has taken the form of a series of sectoral offer campaigns in the tourism and restaurants, commerce and services, entrepreneurship and capitalisation, the primary sector, industry sector, exports sector and internationalisation areas.

CGD has continued to have a very high and comprehensive level of involvement in backing the investment projects of major Portuguese enterprises (micro, SME and major enterprises), in 2016, translating into €934 million of funding for new medium and long term operations in first half 2016.

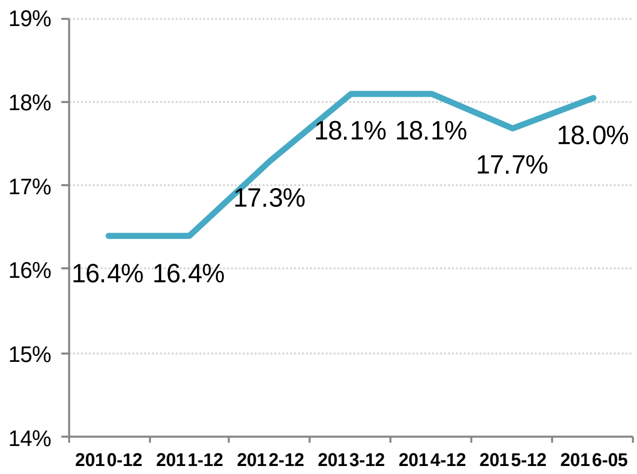
The economic environment in Portugal and its main Eurozone trading partners has conditioned corporate demand for credit, both in terms of amounts and type. Notwithstanding the fact that CGD is fulfilling its guideline strategy for funding small and medium sized enterprises, as shown by the year-on-year growth of new operations, both on the individual customers and corporate network (up 3%), and the "corporate office" network (up 3%), in the areas of commerce and industry, it has still not been possible to restore the portfolio's natural rate of maturities. There was a year-on-year portfolio decrease of 1.0%, across all companies, in the first six months of 2016, influenced by contraction in the institutionals segment.

Around €165 million in new loans were issued in the first six months of 2016 in the sphere of PME Investe/Crescimento ["SME Invest/Growth"] lines of credit to a total of €1,512 million in portfolio loans at the end of June 2016 .

Caixa is the market leader in terms of the amount of funding authorised under the PME Crescimento ["SME Growth"] 2015 line with an 18.1% share, coming in 2nd place in the number of authorised operations with a market share of 15.4%.

Notwithstanding strong competition from banks in the corporate segment in Portugal, there was an expressive increase in CGD's market share of credit in this segment from 17.7% in December 2015 to 18.0% in May 2016. Reference should be made to the market share of credit for "more than 5 years" which increased from 20.9% to 21.4%, in the same period.

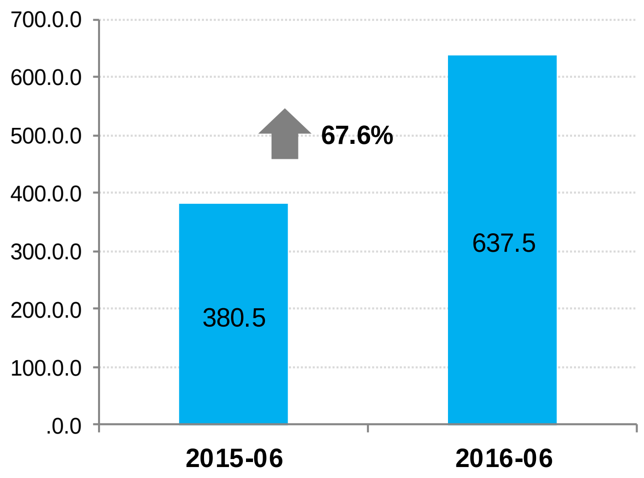
MARKET SHARE – CORPORATE LOANS (PORTUGAL)



Caixa continued to take various steps to promote and commercialise real estate not used for its principal activity and real estate built with Caixa finance, in first half 2016, providing customers with differentiated financing terms with a more attractive fixed rate across the first 5 or 10 years of the agreement and a reduction of the spread on the operations and longer repayment periods, across the remaining period of the agreement.

MORTGAGE CREDIT PORTFOLIO – BRANCH OFFICE NETWORK (PORTUGAL) NEW OPERATIONS

(EUR million)



There were 6,995 new mortgage lending operations in first half 2016 in CGD (Portugal) comprising a 67.6% increase of €257 million over first half 2015 to €637.5 million.

However the balance on CGD's mortgage lending portfolio was down 1.7% over December 2015 to €28,012 million at the end of June 2016, owing to the fact that the volume of repayments and settlements was higher than the amount of new operations.

Consolidated loans and advances to customers (gross), at the end of June 2016, totalled €70,674 million, down 1% by €702 million over the end of the preceding year.

CGD Portugal issued €52,788 million in loans, representing around 75% of the Group's loans and advances to customers total. Corporate credit was a slight 0.2% up over the beginning of the year.

LOANS AND ADVANCES TO CUSTOMERS [(a)] (CONSOLIDATED)

(EUR million)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
CGD's operations in Portugal	**53,975**	**53,345**	**52,788**	**-1,188**	**-2.2%**	**-558**	**-1.0%**
Corporate	20,076	19,855	19,887	-189	-0.9%	32	0.2%
General government	3,107	3,111	3,077	-30	-1.0%	-35	-1.1%
Institutionals and other	917	883	816	-101	-11.0%	-67	-7.6%
Individual customers	29,876	29,496	29,008	-868	-2.9%	-488	-1.7%
Mortgage loans	28,855	28,487	28,012	-844	-2.9%	-476	-1.7%
Other	1,021	1,008	997	-24	-2.4%	-12	-1.2%
Other CGD Group companies	**17,880**	**18,030**	**17,886**	**7**	**0.0%**	**-144**	**-0.8%**
Total	**71,855**	**71,376**	**70,674**	**-1,181**	**-1.6%**	**-702**	**-1.0%**

(a) Before impairment and including loans with repurchase agreement.

As regards other Group units, reference should be made to international activity's loans and advances to customers (gross) of €15,140 million at the end of first half 2016. In Europe reference should be made to growth in BCG Spain, up 7.1% by €213.6 million over the preceding year. In Africa, BCG Angola posted a 36.0% increase of €138.4 million over June last year. In Asia reference should be made to the 8.3% growth of €234 million in the BNU Macau portfolio.

Reference should also be made to the positive evolution of specialised credit with a 2.6% change of €61 million over the end of 2015 and a 6.5% change of €149 million over the preceding year, essentially on the back of factoring operations.

Investment banking, specialized credit and asset management

Investment banking

Caixa – Banco de Investimento, S.A.'s good performance in its core business, as evidenced by its leading positions in the main sector rankings, continued to be recognised by international analysts. CaixaBI was, once again, the winner of the "Best Investment Bank in Portugal" international prizes from the prestigious Euromoney, Global Finance and World Finance organisations, in 2016, having also been distinguished by a series of Emea Finance awards for 2015.

A regards activity, CaixaBI achieved total operating income of €31.9 million in its statutory accounts, in the first six months of the year in which contributory factors were net interest income of €10.4 million, net commissions of €17.5 million and income from financial assets of €4.4 million. Cost-to-income was 37.2%, with provisions and impairment of €14.7 million in the period.

As regards the activity performed during the period, reference should be made to CaixaBI's financial advisory services on the disposal of the full amount of the equity capital of Prado – Cartolinas da Lousã and the full amount of the equity capital of Sagrotel. Reference should also be made to the restructuring of SAG Group and its respective financial liabilities, in which the Bank was the financial advisor in the M&A and structured finance areas. Reference should be made, in the structured finance sphere, to the structuring and organisation of the process for reorganising the financial liabilities of Spain's Blinker Group.

In terms of capital market operations, reference should be made to the continued leadership of the Bloomberg ranking for advisory services on bonds issued by domestic entities and particularly its role as joint lead manager and bookrunner for the syndicated placement of the new Portuguese Republic 10 year benchmark (PGB 2.875% maturing in 2026) in addition to the Brisa and REN eurobond issuances. Reference should also be made to its role of joint global coordinator for the Portuguese Republic's first retail issuance of variable income treasury bonds.

Reference should also be made to the organisation and lead of the bond issuances of Secil, Mystic Invest (inaugural issuance), Sonae, Altri/Celbi, The Navigator, Semana and Sonae Investimentos, in addition to the joint lead for the Autonomous Region of Madeira issuance.

As a specialised securities trader, CaixaBI was also involved in the public debt auctions of 9 March (PGB 3.85% 2021 and PBG 2.875% 2026), 23 March (PGB 3.85% 2021 and PGB 3.875% 2030), 11 May (PGB 2.875% 2026) and 8 June (PGB 3.85% 2021 and PGB 2.875% 2026).

As regards venture capital activity, comprising five funds under management, 135 investment opportunities were analysed in the half year, with 18 operations, corresponding to a potential investment of around €15.9 million, having been approved. Reference should also be made to the second edition of the Caixa Empreender Award, in which the seven projects selected for funding in the sphere of the acceleration programmes involving the partnership with Caixa Capital were presented.

Specialised credit

According to the estimates published by the *Associação Portuguesa de Leasing, Factoring e Renting (ALF),* the property, equipment leasing and factoring sectors are trending upwards with growths of 29.8%, 11.3% and 9.2% respectively.

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S.A. (CLF) represents CGD Group in the specialised credit sector and operates in the financial leasing (property and equipment), factoring and consumer credit sectors.

The performance of the company's commercial operations was positive in first half 2016, particularly in the leasing and confirming areas.

New property lease agreements in the period were up 18.3% over the same half 2015 to €54.9 million. CLF's market share was down 1.4 pp to 14.5%.

Equipment leasing agreements of €161.4 million were up 22.6% over the same period last year. Such growth, which is far higher than the respective sector average, represented a market share of 19.0%, up 1.6 pp over the percentagee achieved in the same period last year. Loans for the purchase of light vehicles, up 18.8%, represented around 40.5% of the business's global agreements.

Factoring was up by around 26.5% over June 2015 to €1.3 billion, with a 1.6 pp increase in market share to 11.7%.

Confirming agreements, albeit representing no more than 34.2% of sales in this business area grew by a significant year-on-year 66.5%.

Consumer credit agreements were down 12.2% in value terms.

Net assets were up by around 9.1%, as a result of the €197.5 million increase in the loans and advances to customers portfolio (net) and the increase of around €26.8 million in the investment properties account heading.

As a reflection of the work being carried out on a default management level, provisions and impairment were markedly down year-on-year 2015, making a favourable contribution to Caixa Leasing e Factoring's net income. The company contributed €6.9 million to CGD's consolidated net income in first half 2016.

Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A. is the CGD Group company that specialises in renting which consists of the hiring of new vehicles with an associated package of services, guaranteeing all of the management service components in respect of corporate and individual customers' vehicles.

The company's strategic positioning is based on outsourcing the operational risk and capitalising upon the banking channel as a source of prospecting for business. The product is sold across CGD's banking network under the Caixarenting logo.

Locarent's renting business of €44.9 million in first half 2016, was up by a year-on-year 22%, comprising a 24.2% increase in the number of vehicles. Its market share of the segment totalled 17.1% in June 2016.

Locarent remains the second largest player in the market, both on a portfolio and sales level. Locarent's portfolio grew 3.7% over December 2015, with an additional 538 to a total of 14,917 vehicles with a value of €227.3 million (up €7.7 million over the end of of 2015).

The 4% increase in Locarent's net assets over December 2015 translated the good performance of its renting portfolio. The continued growth of its shareholders' equity to around €28.3 million has enabled the copmpany to strengthen its financial structure. In light of the above performance, the company contributed €1.4 million to CGD Group's consolidated net income in first half 2016.

Asset management

The evolution of asset management activity in CGD Group, across first half 2016, was marked by the adverse evolution of financial markets, greatly affected by the downwards trend of banking activity in Portugal, owing to market instability, low interest rates, an increase in risk aversion and heightened uncertainties over the future of Europe, on account of the unexpected Brexit development.

Such a context has had a penalising effect on the activity of Caixa Gestão de Activos, albeit less markedly so than across the sector in general, with assets under CGD Group management down 3.7% to €27,478 million.

Reference should be made to the commitment to diversify offer, as a means of mitigating volatility and the risks inherent to financial products and services and the training of managers and consultants on CGD's branch office network.

Particular reference should be made to the recognition of CGD Group's products and services. This is visible in profitability rankings and preferences, as well as the distinctions awarded, especially the Morningstar prizes.

Caixa Gestão de Activos is increasingly attaching greater importance to the social aspect, with its launch of the first socially responsible fund in Portugal, as part of CGD Group's sustainability policy.

AMOUNTS UNDER MANAGEMENT

(EUR million)

	2015-06	2015-12	2016-06	Change 2016-06 vs 2015-06 (%)	Change 2016-06 vs 2015-12 (%)
Unit trust funds	3,936	4,186	3,698	-6.0%	-11.7%
Property funds	1,292	1,246	1,160	-10.2%	-6.9%
Pension funds	3,343	3,414	3,315	-0.8%	-2.9%
Wealth management	19,636	19,679	19,305	-1.7%	-1.9%
Total	**28,207**	**28,525**	**27,478**	**-2.6%**	**-3.7%**

Management and deposit fees received in first half 2016 were 8.3% down over the same half last year to €23.8 million.

COMMISSIONS RECEIVES

(EUR million)

	2015-06	2016-06	Change (%)
Unit trust funds	10.6	9.9	-6.0%
Property funds	6.4	5.2	-18.8%
Pension funds	3.2	2.9	-8.9%
Wealth management	5.8	5.7	-0.5%
Total	**25.9**	**23.8**	**-8.3%**

The unit trust investment funds market was down 9.6% in total assets under management in first half 2016. Contributory factors were the instability in financial markets and interest rates in the money market which fell to historic lows. Caixagest managed funds, down by a net €488 million over December 2015, were not immune from this trend.

Notwithstanding this environment, Caixagest has succeeded in growing its multiactive and equity funds, over the last twelve months, in line with the strategy defined by the company, as opposed to the other fund managers.

Caixagest managed 28 unit trust investment funds for an amount of €3,968 million at the end of June, having invested in diverse international financial markets. Gross commissions earned by unit trust investment funds in the first six months were down 6.0% year-on-year 2015 to €9.9 million.

The 25 property funds managed by Fundger totalled €1,160 million, at the end of June. The Fundimo fund posted a decrease in its net worth in first half 2016 owing to adjustments made to the valuations of several items of property.

The activity of closed-end funds continued to slow, owing to the fact that most of them have been allocated to development and property promotion.

Gross commissions earned by property funds were down 18.8% over the same half 2015 to €5.2 million, owing to the drop in commissions from the Fundimo fund and the exit of a closed-end fund.

As a result of the high level of open pension fund redemptions, the net worth of the funds managed by CGD Pensões at the end of June 2016 was down 2.9% over the beginning of the year to €3,315 million.

Commissions earned by pension funds up until the end of June were down 8.9% over first half 2015 to €2.9 million.

The value of wealth management portfolios (not including pension funds) was down 1.9% over the beginning of the year to €19,305 million, at the end of June, particularly on account of the institutionals segment. This was accompanied by the continued development of the individual customers portfolio management service, based on a proximity approach to CGD's branch office network, with the aim of finding new customers. The revenue stream of €5.7 million from the portfolio management service in the first half, was in line with the amount for first half 2015.

The asset management area contributed €2.6 million to CGD Group's consolidated net income in 2016.

International operations

In continuing its international business initiatives and activities developed in 2015, across first half 2016, CGD continued to affirm its status as a financial group with a broad, diversified international platform.

These activities have made it possible to further increase knowledge and information sharing, translating into a more dynamic articulation and leveraging of international business, with a global increase in the number of new customers and inherent contribution of international business to CGD Group's consolidated net income.

Work in the corporate business segment continued to be carried out on initiatives and activities for integrating the international business developed in 2015, with the aim of maximising synergies between the domestic and international branch office networks.

Caixa, together with its foreign branches in Spain, France, Angola, Brazil, Mozambique, South Africa and China/Macau, therefore remained profoundly committed to maximising the synergies of its international platform for developing business with “internationalised” customers in the Group’s markets as well as increasing its foreign trade operations.

The development of information systems adapted to business requirements and international business desks dynamics has allowed the growing systemisation of business opportunities, greater knowledge and information sharing, translating into a greater dynamic in the articulation and leverage of international business, comprising an overall increase in the number of new customers and the inherent growing contribution of international business to CGD Group’s consolidated net income.

Caixa continued to improve the value proposal of its foreign trade products and services in first half 2016, via the functionalities supplied on the CaixaDireta Empresas platform, based on the improvement of the level of information on trade opportunities for consultation and the provision of advances on export remittances facility, *inter alia*.

Caixa also launched a new B2B intelligence service with selected information on external markets, with a description of the main opportunities by sectors, most relevant projects in progress, international tenders and Caixa Group’s specific offer for such markets. Actions up to June involved Algeria, Colombia, Mexico, China/Macau, Chile, Peru, India, South Africa, France, US and Canada.

87 operations, including renewals of limits and new operations totalling €1,443 million were analysed in articulation with the Group’s foreign business branches, in first half 2016, up by a year-on-year 42.6% in terms of volume and 43.5% by amount, with BCG Spain as the foreign branch having made the largest contribution to this increase, both by volume and amount of credit operations analysed and put up for a decision.

A significant collection of letters of intent in the sphere of financing import credit operations with the aim of backing customers’ exports of Portuguese products and services was prepared and approved.

Disbursements under Portuguese export lines, both concessionary and commercial amounted to around €10 million.

Negotiations with various parties also continued to be held for new lines of credit for Portuguese exports, in addition to the activation of concessionary lines.

Caixa continued to focus on promoting and consolidating relationships through its branch office network and specific customer care/service models for the individual customers resident abroad segment in the form of Caixazul Internacional and Caixadirecta Internacional.

Caixa had a presence in 11 of the 12 main countries of destination of Portuguese emigration in 2014, and also provides a 24/7 dedicated banking telephone helpdesk.

CGD’s individual customers resident abroad business across the said period was up, both in terms of resource-taking and the global lending operations aggregate, having made a favourable contribution to Caixa’s net income.

This business area is going through a particularly challenging period owing to the wave of emigration being witnessed in Portugal, characterised by very young highly qualified people in search of opportunities or qualified workers who are relocating abroad via their corporate employers.

As regards the main activities across this period, reference should be made to the promotion of thematic campaigns targeted at this segment, taking advantage of the fact that many customers return to Portugal for their holidays and the Easter period.

The Summer 2016 campaign which will run through to 31 August was also launched in first half 2016.

Caixa's 20th anniversary celebrations in Germany set the stage for initiatives designed to promote Portuguese culture while, at the same time, affording the opportunity to provide information and promote the presence of the Caixa brand with the Portuguese community in Germany.

Also targeted at ensuring proximity with customers resident abroad, CGD, organised several festive dates with the Portuguese community. They included "Portugal Day" with the sponsorship of various events in its representative offices in the different countries in which CGD Group has a presence.

In the banks segment and in line with the trend of the last few years, CGD's correspondent banking network continues to play an important role in meeting the business requirements of companies, particularly as regards the funding of foreign trade operations. This is a particularly relevant factor in terms of the strengthening of the internationalisation of the Portuguese economy in less traditional markets.

BNU Macau

In the case of BNU Macau, first half year 2016 saw a high level of performance in terms of the growth of its business revenues with a year-on-year increase of 18.5%, notwithstanding the intensification of competition in the banking sector and its consequent impact on margins, deposit-taking and loans and advances to individual customers. Reference should also be made to the continued decrease in revenue from interbank investments.

The loans-to-deposits rate at the end of June 2016 was 52.1% against the preceding year's 60.7%.

Total assets were up by a year-on-year 20%, with the credit overdue for more than 90 days ratio down from 0.5% to 0.2%.

As a consequence of liquidity management optimisation and an increase in the size of the credit portfolio, net interest income was up 14% by 46.1 million patacas in the first six months of 2016, in comparison to the same period of the preceding year.

Net commissions were down 1% by 0.747 million patacas across the period owing to the reduction of commissions income on credit operations, although credit card revenues were up 4.2%. Reference should be made to BNU's launch of new products and services in the first six months of the year, particularly its MGM "Affinity" credit card and the "BNU Life" smartphone app.

Total operating income was 1% up over the same period of the preceding year to 493.5 million patacas.

Structural costs were up 1%, with a reduction of the efficiency ratio during the period under analysis to 30.3%, in line with best international practice.

BNU Macau's contribution to CGD Group's consolidated net income in the first half totalled €31 million against €28.5 million for the same half 2015.

France branch

CGD France's balance sheet was down over the same date in 2015 to €4,696 million in June 2016. Contributory factors were the reductions of investments in credit institutions and claims on credit institutions, offset by the reduction of liabilities, customer resources, credit institutions' resources and debt securities.

Loans and advances to customers (net) were up to €3,894 million wille customer deposits and other resources were 11% down over the preceding year to €2,323 million. This year-on-year decrease resulted from the decline in treasury operations.

Net interest income was up by a year-on-year 9% owing to portfolio evolution and lower funding costs.

Non-interest income was up year-on-year owing to the contribution made by the slightly higher level of net commissions.

CGD France posted net income of €63.5 million in first half 2016, up €45.7 million year-on-year 2015, including capital gains of €43 million from a treasury operation. Excluding this amount, income before tax from CGD France's current operations amounted to €32.8 million, in which a contributory factor was the branch office network's income before tax of €15.2 million and current treasury activity with income before tax of €17.6 million.

France branch contributed €55.3 million to CGD' Group's consolidated net income in first half 2016, against €18.0 million for the same period 2015.

BCG Spain

BCG continued to grow its business, in 2016, mainly with companies operating in the Iberian market and in other markets in which CGD Group has a significant presence, principally in Africa.

Complying with the restructuring programme agreed between the Group and the European competition authorities, which, as BCG has fully complied with the objectives defined for 2015, conditioning the bank's continuity as a CGD Group member, entered a second phase involving the consolidation of BCG as a profitable subsidiary and essential for consolidating the market share of companies owned by CGD in Portugal and to enable the Group to provide adequate backing for Portuguese companies present in the Spanish market.

BCD's credit portfolio grew 7% by €214 million, year-on-year, on the back of the 34% increase of €271 million in lending to companies, in spite of the fact that the Spanish market continues to witness a fall in its total volume of lending to companies and households. The credit portfolio at the end of the half year was in excess of €3,200 million, with a growing proportion of loans to companies and the Group's corporate customers in Portugal and Spain. This growth was accompanied by a similar increase in customer deposits which enabled the loans-to-deposits ratio to remain at 116%, complying with the new liquidity ratio requirements.

Continuing its efforts to contain costs, structural expenditure was down by more than 3% and, without benefiting from one off-gains, the cost-to-income ratio was 57%.

The cost of risk also fell as a reflection of low risk and the diversity of the bank's current credit portfolio, in which the overdue credit ratio which, at 3.7%, was already in line with the lowest level in Spanish banking, was now brought down to 3.1%, also making it possible to reduce the impact of impairment on half yearly costs.

The maintenance of negative Euribor rates across practically the whole of the half year had a penalising effect on the net interest income of all of the banks and BCG was no exception to the rule. Credit portfolio growth, however, permitted the €6.6 million drop in net interest income to be entirely ascribed to the effect of the fall of the market prices of income from the public debt portfolio and BCG's deposits with the Group. As a whole, these two income sources were down €9.5 million over first half 2015. Non-interest income, discounting the effect of the one-off gains, remained at the level of the first half of the preceding year.

Repeat income before tax was €13.7 million in first half 2016, up 4% over first half 2015, with net income of €10.5 million. The annualised returns on capital employed (ROCE), at more than 9%, compared favourably with the rest of the sector.

BCG contributed €10.5 million to CGD Group's consolidated net income in first half 2016.

BCI Moçambique

BCI Moçambique's balance sheet posted a 25.5% year-on-year increase in assets to 133,760 million meticais.

Largely deriving from an increase in lending to the corporate segment, the net credit portfolio grew by 24.4%. In turn, deposits taken from customers were 25% up year-on-year by 19,740 million to 97,100 meticais. The combination of such evolution produced a loans-to-deposits ratio of 82.2%, against 83.1% in June 2015.

The performance of net interest income, in domestic currency, in comparison to the preceding year, was highly positive owing to the evolution of interest on loans and advances to customers with a 38.9% growth of 1,330.5 million meticais.

Net commissions were also up by 102.6 million meticais over the same half 2015. However, the reductions noted in other operating income (down 132.7 million meticais) and income from financial operations (down 115.4 million meticais) led to a 7.2% decrease of 145.4 million meticais in non-interest income.

Total operating income was up 13.8% by 551.1 million meticais year-on-year to 4,554.7 million meticais.

The solvency ratio, calculated according to Basel II rules, showed an expressive improvement from 12.7% in December 2015 to 13.9% in June 2016.

BCI Moçambique's contribution to CGD Group's consolidated net income in the first half amounted to €6.7 million.

BCG Angola

Banco Caixa Geral Angola, operating in a highly adverse environment, in first half 2016, took a series of steps which have enabled it to recover from the unfavourable results achieved in the first quarter of the year.

Reference should be made to the evolution of net credit, in terms of BCG Angola's balance sheet, which was up 36.6% to €505.2 million.

Performance in terms of the bank's net interest income, with a 9.5% increase of €4.0 million over the same period of the preceding year, was positive. However, the highly unfavourable evolution of income from financial operations had a penalising effect on total operating income, which was down 20.2% by €14.8 million over the end of first half 2015. This evolution had the effect of worsening the cost-to-income ratio to 44.7% (against 39.0% for the same half year 2015), although it is still one of the best in the market.

BCG Angola contributed €6.9 million to CGD Group's consolidated net income in first half 2016.

Reference should lastly be made to the fact that Banco Caixa Geral Angola was considered the best Angolan bank in terms of customer service by a study recently published by a specialised entity.

6 - Consolidated accounts

Balance Sheet at 30 June 2016

(EUR million)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
Assets	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Cash and cash equivalents with central banks	1,903	2,880	1,503	-401	-21.1%	-1,377	-47.8%
Loans and advances to credit institutions	4,186	4,785	3,642	-544	-13.0%	-1,143	-23.9%
Loans and advances to customers	66,205	65,759	64,931	-1,274	-1.9%	-828	-1.3%
Securities investments	19,073	18,986	20,137	1,064	5.6%	1,150	6.1%
Assets with repurchase agreement	1,312	1,081	856	-457	-34.8%	-226	-20.9%
Non-current assets held for sale	838	830	749	-88	-10.6%	-81	-9.7%
Investm. in subsid. and associated companies	295	277	267	-28	-9.4%	-10	-3.8%
Intangible and tangible assets	818	754	707	-112	-13.7%	-48	-6.3%
Current tax assets	51	37	41	-10	-20.1%	4	9.7%
Deferred tax assets	1,461	1,474	1,559	98	6.7%	85	5.8%
Other assets	4,096	4,037	4,964	868	21.2%	927	23.0%
Total assets	**100,238**	**100,901**	**99,355**	**-883**	**-0.9%**	**-1,547**	**-1.5%**
Liabilities							
Central banks' and credit institutions' resources	6,019	5,433	5,769	-251	-4.2%	336	6.2%
Customer resources	70,242	73,426	72,442	2,199	3.1%	-984	-1.3%
Financial liabilities	1,794	1,739	2,262	468	26.1%	523	30.1%
Debt securities	8,170	6,700	6,117	-2,053	-25.1%	-583	-8.7%
Provisions	859	992	896	36	4.2%	-97	-9.8%
Subordinated liabilities	2,426	2,429	2,400	-26	-1.1%	-29	-1.2%
Other liabilities	4,337	3,998	3,726	-611	-14.1%	-273	-6.8%
Sub-total	**93,847**	**94,718**	**93,610**	**-237**	**-0.3%**	**-1,108**	**-1.2%**
Shareholders' equity	**6,391**	**6,184**	**5,745**	**-646**	**-10.1%**	**-439**	**-7.1%**
Total	**100,238**	**100,901**	**99,355**	**-883**	**-0.9%**	**-1,547**	**-1.5%**

Income Statement at 30 June 2016

(EUR thousand)

			Change	
	2015-06	2016-06	Total	(%)
Interest and similar income	1,519,979	1,378,132	-141,848	-9.3%
Interest and similar costs	981,115	809,435	-171,681	-17.5%
Net interest income	538,864	568,697	29,833	5.5%
Income from equity instruments	43,188	29,640	-13,548	-31.4%
Net interest inc. incl. inc. from eq. investm.	**582,052**	**598,337**	**16,285**	**2.8%**
Income from services and commissions	311,869	291,489	-20,380	-6.5%
Costs of services and commissions	64,165	61,341	-2,824	-4.4%
Commissions (net)	247,703	230,148	-17,556	-7.1%
Income from financial operations	301,989	-47,418	-349,407	-
Other Operating Income	22,418	-26,407	-48,825	-
Non-interest income	**572,110**	**156,322**	**-415,788**	**-72.7%**
Total Operating Income	**1,154,163**	**754,660**	**-399,503**	**-34.6%**
Employee costs	377,023	374,528	-2,494	-0.7%
Other administrative expenses	223,536	216,700	-6,836	-3.1%
Depreciation and amortisation	51,984	48,041	-3,943	-7.6%
Operating costs and depreciation	652,543	639,270	-13,273	-2.0%
Net Operating Income before Impairments	**501,620**	**115,390**	**-386,230**	**-77.0%**
Provisions and impairments of other assets (net)	85,936	25,898	-60,037	-69.9%
Credit impairment net of reversals	235,762	302,522	66,760	28.3%
Provisions and impairments	**321,697**	**328,420**	**6,723**	**2.1%**
Income from subsidiaries held for sale	**-349**	**0**	**349**	**-**
Income from associated companies	**33,909**	**19,920**	**-13,989**	**-41.3%**
Net Inc. before tax and non-controlling interest	**213,483**	**-193,110**	**-406,593**	**-**
Tax	**119,605**	**-12,537**	**-132,142**	**-**
Current and deferred	88,739	-52,235	-140,974	-
Extraordinary contrib. on the banking sector	30,866	39,698	8,832	28.6%
Consolidated net income for period	**93,878**	**-180,573**	**-274,451**	-
of which:				
Non-controlling interest	46,817	24,670	-22,146	-47.3%
Net income attrib. to CGD shareholder	**47,061**	**-205,243**	**-252,305**	**-**

Caixa Geral de Depósitos

10 August 2016