PRESS RELEASE

Consolidated results
1st Half 2017 (*)

(Unaudited financial information)

Caixa Geral de Depósitos, SA (CGD): Implementation of Strategic Plan according to the defined targets, transformation in progress.

■ Following the completion of phases 1 and 2 of the Recapitalisation Plan agreed between the Portuguese state and the European Commission (DG Comp), in 1st quarter 2017, permitting a capital increase of €4.4 billion, CGD's phased-in capital ratios totalled 12.7% (CET 1) and 14.6% (total ratio) at 30 June 2017.

■ CGD is now totally concentrated on the effective implementation of its Strategic Plan 2020, which will permit the structural transformation of its efficiency and profitability levels.

■ The evolution of CGD's activity in the1st half, globally in line with the Strategic Plan's initial projections appear to indicate that the prospects of complying with the objectives set for the end of 2017 will be met.

■ In first half 2017 its core[1] operating result amounted to €303 million, fuelled by the growth of net interest income and reduction of recurrent operating costs.

■ Net interest income, benefiting from the large 27% reduction of €212 million in funding costs, was up 18% by €101 million over 1st half 2016 to €656 million.

■ Total operating income was up 57% by €419 million year-on-year, to €1,154 million. Positive contributions were made by net interest income (€101 million) and income from financial operations (€325 million).

(EUR Million)

CONSOLIDATED ACTIVITY	2016-06	2017-06	Y-o-Y Change
Net interest income	555	656	18%
Results from services & commissions	224	225	0%
Income from fin. operations	-49	276	-
Total operating income	735	1.154	57%
Operating costs	627	638	2%
Recurrent operating costs (1)	607	577	-5%
Net core operating inc. before imp. (1)	173	303	76%
Credit impairment (net)	302	55	-82%
Provisions & other impairments (net)	26	344	-
Net income	-205	-50	-

(1) Excluding the non-recurring costs related to the 2016 and 2017 early retirement program and the termination program by mutual agreement.

■ Cost-to-income (excluding non-recurrent costs) was down to 50% in the half year as a consequence of the referred to good performance of the recurrent operating costs and income components. Cost-to-core income which excludes income from financial operations was 66%.

■ The net result for the half year, impacted by non-recurrent costs of €366 million was a negative €50 million.

■ Positive evolution of CGD's asset quality in 1st half 2017, with NPE[2] and NPL[3] ratios of

1 *Net interest income + Results from services and commissions – Recurrent operating costs*

2 NPE - *Non performing exposure (as defined by EBA)*
3 NPL - *Non performing loans* (as defined by EBA)

Caixa Geral de Depositos
Head Office: Av. João XXI, 63
1000-300 LISBOA
(351) 217 619 456
Share Capital € 3,844,143,735
CRCL and Tax no 500 960 046

Gabinete de Investor Relations
investor.relations@cgd.pt
www.cgd.pt /Investor-Relations

10.7% and 13.6% (12.1% and 15.8% last December). In both cases the impairment coverage is 52.1%.

■ Credit at risk down to 9.8% at 30 June 2017 against 10.5% in December 2016, with impairment coverage of 76.7%.

■ The cost of credit risk for the semester of 0.16%, confirms the expected downwards trajectory across the year, following the assessment of assets value exercise performed at the end of 2016.

■ CGD's balance sheet across the period was impacted by the referred to recapitalisation operations, as the main reason behind the €2,461 million increase of net assets over December 2016.

■ The loans-to-deposits ratio of 87% in June 2017 reflected CGD's strong resilience of customer base even in an environment of very low interest rates on deposits.

■ Total customer resources from domestic operations were up 3% by €2,254 million over December 2016 to €69,532 million, strongly influenced by the €1,397 million increase of customer deposits.

■ CGD therefore maintained its leading position in the domestic market with 27% of total deposits in May 2017 and 31% of individual customers' deposits.

■ CGD maintained a highly comfortable liquidity position with an LCR (liquidity coverage ratio) of 222% with total financing from the ECB remaining stable at €3,497 million, less than 4% of total assets.

■ The phased-in and fully implemented CET1 ratios in June were 12.7% and 12.5% with a phased-in Tier 1 and Total ratios of 13.7% and 14.6%, respectively.

■ CGD had ADI (available distributable items) of €1.8 billion at this date (around 33 times the annual cost of its current AT1 issuance) with a 2.8% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.5% surplus if considering those gaps fulfilled with future issuance.

(*) The June 2016 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

1. MAIN INDICATORS

(EUR million)

CGD CONSOLIDATED		
BALANCE SHEET AND P&L INDICATORS	2016-06	2017-06
Net assets	99.355	96.008
Loans and advances to customers (net)	64.931	60.476
Customer resources	72.442	69.915
Total operating income	735	1.154
Net core operating Income before impairments (1)	173	303
Net income	-205	-50
PROFIT AND EFFICIENCY RATIOS		
Gross return on equity - ROE (2) (3)	-6,4%	4,5%
Net return on equity - ROE (3)	-5,9%	-1,0%
Gross return on assets - ROA (2) (3)	-0,4%	0,3%
Net return on assets - ROA (3)	-0,4%	-0,1%
Total operating income / Average net assets (2)	1,5%	2,4%
Employee costs / Total operating income (2)	49,9%	34,4%
Employee costs recurrent (1) / Total operating income (2)	47,2%	29,1%
Cost-to-income BoP (2)	83,0%	54,8%
Cost-to-income (1) (2)	80,4%	49,5%
Cost-to-core income (1) (4)	77,8%	65,5%
CREDIT QUALITY AND COVER LEVELS		
Credit more than 90 days overdue ratio	7,4%	7,2%
Non-performing credit ratio (2)	9,8%	8,1%
Non-performing credit (net) ratio (2)	2,3%	0,6%
Credit at risk ratio (2)	12,2%	9,8%
Credit at risk (net) ratio (2)	4,9%	2,5%
Restructured credit ratio (5)	10,3%	7,8%
Restructured cred. not incl. in cred. at risk ratio (5)	5,9%	3,6%
NPL ratio - EBA	16,6%	13,6%
NPE ratio - EBA	12,0%	10,7%
NPL coverage - EBA	46,9%	52,1%
NPE coverage - EBA	45,7%	52,1%
Credit at risk coverage	63,2%	76,7%
Credit more than 90 days overdue coverage	103,2%	103,9%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0,86%	0,16%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	65%	63%
Loans & adv. custom. (net) / Custom. dep. (2)	90%	87%

Note: Indicators calculations according to glossary at:
https://www.cgd.pt/English/Investor-Relations/Other-information/Glossary/Other-versions/Documents/Glossary_28JUL2017.pdf

(1) Excluding the non-recurrent costs related to the early retirement program and the program of contract termination by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively; (2) Ratios defined by the Bank of Portugal (instruction 23/2012); (3) Considering average shareholders' equity and net asset values (13 observations); (4) Operating costs / (Net interest income + Results from services and commissions); (5) Ratios defined by the Bank of Portugal (instruction 32/2013).

CGD CONSOLIDATED		
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR) [6]	2016-06	2017-06
CET 1 (phased-in)	10.0%	12.7%
Tier 1 (phased-in)	10.0%	13.7%
Total (phased-in)	11.2%	14.6%
CET 1 (fully implemented)	9.2%	12.5%
Liquidity coverage ratio	193.5%	222.3%
OTHER INDICATORS		
Number of branches - CGD Group	1,221	1,149
Number of branches - CGD Portugal	729	657
Number of employees - CGD Portugal	8,683	8,070
CGD RATING	Short Term	Long Term
Standard & Poor's	B	BB-
FitchRatings	B	BB-
Moody's	N/P	B1
DBRS	R-2 (mid)	BBB (low)

(6) Estimated end-June 2017 Solvency Ratios.

2. ECONOMIC - FINANCIAL ENVIRONMENT

There was a gradual, more synchronised acceleration of worldwide economic activity in first half year 2017. Price acceleration, owing to the energy effect, helped to assuage fears over the very low levels of inflation. In such a context expectations over a reflationary phase of the world economy gained credence and were also validated by the more positive discourse of diverse central banks and promise of greater stimuli in the US.

Diverse supranational organisations revised their worldwide GDP growth projections for 2017 and 2018 upwards. The main central banks recognised the improvement of growth and disappearance of the risks of deflation, clearly pointing to their intention to begin work on eliminating several monetary stimuli.

The Governing Council of the European Central Bank (ECB) considered the cyclical upturn to be solid and the risks more balanced, having also expressed the view that inflation was affected by transitional effects and therefore abandoning reference to the possibility of a decrease of reference rates to lower levels.

The Federal Reserve (Fed) announced two increases of 25 bps to its reference rate across the half year. Also submitted a plan for medium term balance sheet reduction which will be achieved by not reinvesting upon the maturity of several portfolio securities.

There was greater uncertainty over the political context and moderating economic activity in the United Kingdom. The contribution made by the depreciation of sterling to the acceleration of inflation since the Brexit referendum, however, also led the Bank of England to lean towards a growing preference for an increase of the reference rate over the short term.

The Bank of Japan was the only one not to show any signs of intending to change the parameters of its monetary policy over the short term. It kept its interest rate on deposits for a proportion of surplus bank reserves at a negative 0.1% with the intention of ensuring that the 10 year sovereign rate would continue to be anchored at around 0%.

As regards the main central banks of the emerging economies, reference should be made to the Bank of China's successive interventions with the aim of achieving a slight increase in money market rates, for loan stabilisation purposes, in addition to its actions designed to stabilise the currency and safeguard capital flows. The sharp reduction of inflation allowed both the Central Bank of Brazil and the Central Bank of Russia to reduce their respective reference rates by 100 bps and 350 bps, to their minimums since December 2014 and 2013, respectively.

The US, following its announcement of disappointing economic growth in the first quarter, witnessed an improvement in the second quarter. The upturn was modest but led the IMF to reduce its projections for 2017 and 2018. After having reached its highest level since 2012, in January, there was a considerable reversal of underlying inflation up to June, dropping to its lowest level of the last year and a half.

Real GDP growth in the euro area in the first three months was the best in two years. Sentiment indicators, in the second quarter, continued to improve, outperforming expectations and, in several cases, to values prior to the international financial crisis. Year-on-year inflation which, at the start of the year rose to as high as 2.0% for the first time since January 2013 then embarked upon a new moderation phase to a level of 1.3% in June

The Portuguese economy achieved its best result for seven years with consecutive, non-annualised real growth of 1.0% in the first quarter. Unemployment, in the said period stood at its lowest level since 2009 at 10.1%. Confidence and activity indicators rose across the half year as a whole. Growth projections for 2017 were revised upwards, particularly those announced by the Bank of Portugal and the IMF at 2.5% in both cases.

Economic improvement and accelerating inflation led to a depreciation of the public debt securities of the main economies up until the end of the first quarter. The corresponding rise in the yield on 10 year maturities fuelled yields in US and Germany, to their highest levels since the summer of 2014 and January 2016. The same trend, and even more markedly so, was registered on the periphery of Europe with the Portuguese yield reaching its highest levels since March 2014. The second quarter was marked by a downwards correction of the main yields, except for Germany, triggered by a certain moderation of expectations over the issue of reflation. There was a considerable hike in market interest rates in the last week of the quarter, owing to a series of firmer interventions by several central banks.

Notwithstanding a more moderate approach to the economic context, with inflation leading to a necessary adjustment of monetary policy parameters, by several members of the ECB, Euribor interest rates continued to trend downwards across the whole of the first half year. The main maturities sank to new all time-lows, remaining, without exception, in negative territory.

The euro appreciated 8.6% against the dollar in first half 2017. This was its most significant gain since 2009, having benefited from the favourable evolution of economic activity in the euro area. At the end of June it rose to more than $1.144, its highest level since May 2016. In effective terms or in comparison to a basket of currencies representing the euro area's main trading partners it appreciated 3.3% in the half year, to its maximum since January 2015.

Notwithstanding the uncertainties, particularly as regards Brexit, sterling appreciated 5.6% against the dollar in the first half year, after having depreciated by 7.3% in second half 2016.

As regards the performance of the currencies of emerging countries, the first half year was characterised by a dollar which trended to depreciation. Reference should be made to the appreciation of South Africa's rand (4.8%) Russia's rouble (4.3%) and China's renminbi (2.4%). Angola's kwanza and Mozambique's metical appreciated by 1.5% and 15.5%. Brazil's real was down 2.3% against the dollar

More optimistic expectations over the growth of economic activity and lessening of political risks, particularly across the second quarter, helped the equities segment to achieve its best levels of performance in the most relevant asset categories. The main domestic equities indices were up across practically the whole of first half 2017 and several of them, such as the main North American indices as well as Germany's DAX, reached successive all-time highs. The main gains on the other equity indices of developed economies, were, however, made by countries on the European periphery, led by Greece's ASE with 28.0% and followed by Spain's IBEX with 11.7% and Portugal's PSI20 with 10.1%, outperforming the European average (Eurostoxx600: up 5.0%).

The MSCI index for the emerging region was up 17.2% across the half year, outperforming the 9.4% appreciation of the index for the developed region.

3. CONSOLIDATED INFORMATION

RESULTS

In 1st half 2017 net interest income, benefiting from the large 26.6% reduction of €211.7 million in funding costs, was up 18.2% by €101.1 million over 1st half 2016 to €656.0 million. A part of this effect (€43.4 million) derives from the cancellation of the CoCo bonds in the sphere of the recapitalisation measures.

(EUR Million)

RESULTS			Change	
	2016-06	2017-06	Total	(%)
Net interest income	554,8	656,0	101,1	18,2%
Net inter. income incl. inc. from equity investm.	584,5	679,7	95,3	16,3%
Results from services and commissions	224,4	224,7	0,2	0,1%
Total operating Income	734,8	1.154,1	419,3	57,1%
Operating costs	626,6	638,2	11,6	1,8%
Net operating income before impairments	108,2	515,9	407,7	376,8%
Net core operating income before impairments (1)	172,7	303,4	130,8	75,7%
Credit impairment (net)	301,8	54,8	-247,0	-81,9%
Provisions and impairments of other assets (net)	25,9	343,7	317,8	-
Net operating income	-219,5	117,4	336,9	-
Net income	-205,2	-49,9	155,3	-

(1) Excluding the non-recurrent costs related to the early retirement program and the termination program by mutual agreement.

Income of €224.7 million from services and commissions in the first six months of the year was slightly up by 0.1% over the same half 2016.

Income from financial operations in the first half year amounted to €275.5 million and contrasts highly favourably with the losses of €49.3 million made in the first half of the preceding year. This amount essentially reflects gains with changes in interest rates and the adequate management of risk hedging instruments.

Total operating income, with positive contributions from net interest income and income from financial operations, was up 57.1% by €419.3 million over the same period last year to €1,154.1 million.

Operating costs, notwithstanding the reduction of their administrative expenses component were up 1.8%, translating the impact of non-recurrent employee costs of €61.0 million (€44.3 million net of tax), in respect of the provisions for the pre-retirements and termination by mutual agreement programmes. Excluding the referred to impact, operating costs would have been down 4.9%, leading to a reduction of the cost-to-income ratio to 49.5% for the half year. The cost-to-core income ratio was 65.5%.

Net operating income before impairment of €515.9 million was up €407.7 million in comparison to 1st half 2016. Core[4] operating income of €303.4 million for the half year was up 75.7% in comparison to the same half 2016, fuelled by the growth of net interest income and reduction of recurrent operating costs.

Provisions and impairment for the half year were up 21.6% over the same period of the preceding year to €398.5 million. A particularly important contribution was made by provisions and impairment of other assets (net) of €343.7 million of which €322.0 million were non-recurrent and related to the restructuring and disposal of international activities.

The cost of credit risk for the quarter of 0.16%, confirms the expected downwards trajectory across the year, following the assessment of the assets value exercise performed at the end of 2016.

Net operating income results for the 1st half year amounted to €117.4 million against a negative €219.5 million year-on-year 2016.

CGD's tax bill for the period totalled €166.0 million of which amount €36.9 million in respect of the special banking sector contribution.

In light of the above referred to evolution, the net result for the half year was a negative €49.9 million.

BALANCE SHEET

CGD's balance sheet across the period was impacted by the referred to recapitalisation operations, whose financial settlement occurred on 30 March and which were the main reason for the €2,461 million increase of net assets over December 2016.

The increase mainly occurred in cash and claims at central banks and securities investments, counterbalanced by the reduction in loans and advances to customers.

(EUR Million)

BALANCE SHEET - Main headings	2016-06	2016-12	2017-06	Change 2017-06 vs 2016-06 (%)	Change 2017-06 vs 2016-12 (%)
Net assets	99,355	93,547	96,008	-3.4%	2.6%
Cash and loans and advances to credit instit.	5,145	5,816	8,271	60.8%	42.2%
Securities investments (1)	20,640	15,581	18,532	-10.2%	18.9%
Loans and advances to customers (net) (2)	65,284	63,102	60,476	-7.4%	-4.2%
Loans and advances to customers (gross) (2)	70,674	68,735	65,366	-7.5%	-4.9%
Central banks' and credit institutions' resources	5,769	5,800	5,337	-7.5%	-8.0%
Customer resources	72,442	69,680	69,915	-3.5%	0.3%
Debt securities	6,117	4,184	4,078	-33.3%	-2.5%
Shareholders' equity	5,745	3,883	7,895	37.4%	103.3%

(1) Includes assets with repo agreements and trading derivatives.

(2) Includes assets with repo agreements.

4 Net interest income + Results from services and commissions - Operating costs recurrent

Total securities investments, including assets with repurchase agreements and trading derivatives, in June 2017, were up 18.9% by €2,951 million over December last year. This investment resulted from the funds arising from CGD's capital increase (€2,500 million), as well as the AT1 issuance of €500 million, reinforcing the diversity of the securities portfolio.

Total liabilities were down 1.7% by €1,551 million over December 2016. Special reference should be made to the 39.4% reduction of €954 million in subordinated liabilities and the 8.0% decrease of €462 million in institutional customers' resources.

Total resources taken in the consolidated perimeter were down 1% by €1,162 million over December 2016 to €109,521 million, heavily influenced by the cancellation of CoCo bonds (down €900 million euros). Special reference should also be made, in the case of balance sheet resources, to the increase in customer deposits in the case of domestic activity (up 2.6% by €1,397 million). Off-balance sheet resources continued to be around €29 billion (up 0.4%).

(EUR Million)

RESOURCES TAKEN				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Balance sheet	**86.727**	**82.088**	**80.801**	**-5.926**	**-6,8%**	**-1.287**	**-1,6%**
Central banks' & cred institutions' resources	5.769	5.800	5.337	-431	-7,5%	-462	-8,0%
Customer deposits (Consolidated)	72.065	69.357	69.577	-2.488	-3,5%	220	0,3%
Domestic activity	55.449	53.184	54.581	-868	-1,6%	1.397	2,6%
International activity	16.616	16.173	14.996	-1.620	-9,7%	-1.177	-7,3%
Covered bonds	5.412	3.854	3.805	-1.608	-29,7%	-50	-1,3%
Portuguese state - CoCos	900	900	0	-900	-100,0%	-900	-100,0%
EMTN and other securities	2.204	1.854	1.744	-460	-20,9%	-110	-5,9%
Other	377	323	338	-39	-10,4%	15	4,5%
Off-balance sheet	**27.830**	**28.596**	**28.721**	**891**	**3,2%**	**125**	**0,4%**
Investment funds	3.698	3.519	3.519	-178	-4,8%	0	0,0%
Real estate investment funds	1.160	950	969	-191	-16,5%	19	2,0%
Pension funds	3.315	3.440	3.639	324	9,8%	198	5,8%
Wealth management	19.305	19.271	18.503	-802	-4,2%	-768	-4,0%
OTRV Portuguese Government Bonds	352	1.415	2.091	1.739	494,2%	676	47,8%
Total	**114.557**	**110.683**	**109.521**	**-5.035**	**-4,4%**	**-1.162**	**-1,0%**
Total resources from domestic activity[(1)]	**68.421**	**67.278**	**69.532**	**1.112**	**1,6%**	**2.254**	**3,4%**

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

Owing to the favourable evolution of customer deposits, total resources from domestic operations were up 3.4% by €2,254 million over December 2016 to €69,532 million.

CGD therefore maintained its leading position in the domestic market with 27.4% of total deposits in May 2017 and 31.0% of individual customers' deposits.

Loans and advances to customers (gross, including credit with repurchase agreements) were down 4.9% over last December to €65,366 million at the end of June 2017, with lending to companies and individual customers in the case of CGD's activity in Portugal down 8.6% and 2.3%, respectively.

(EUR Million)

LOANS AND ADVANCES TO CUSTOMERS	2016-06	2016-12	2017-06	Change 2017-06 vs 2016-06 (%)	Change 2017-06 vs 2016-12 (%)
CGD Portugal	**52,788**	**51,453**	**49,242**	**-6.7%**	**-4.3%**
Corporate	19,887	17,700	16,185	-18.6%	-8.6%
General government	3,077	4,750	4,534	47.4%	-4.6%
Institutionals and other	816	1,002	1,174	43.9%	17.2%
Individual customers	29,008	28,000	27,349	-5.7%	-2.3%
Mortgage loans	28,012	27,064	26,471	-5.5%	-2.2%
Other	996	936	878	-11.8%	-6.2%
Other CGD Group companies	**17,886**	**17,282**	**16,124**	**-9.9%**	**-6.7%**
Total	**70,674**	**68,735**	**65,366**	**-7.5%**	**-4.9%**

Note: Gross loans and advances to customers, including repurchase agreements.

In separate accounts, loans and advances to customers were down 3.8% in the half year, in line with market evolution. CGD had a 21.5% share of the credit market in May 2017 with lending to companies at 18.5% and mortgage loans to individual customers at 25.9%.

The loans-to-deposits ratio of 86.9% in June 2017, against 90.6% in December 2016, reflected CGD's major customer retention capacity even in an environment of very low interest rates on deposits.

Positive evolution of CGD's asset quality in 1st half 2017, with NPE[5] and NPL[6] values of €10.7% and 13.6% (down 13% and 14% over December last, respectively). In both cases the impairment coverage is 52.1%. The coverage level in Portugal was 55.4% (NPE) and 55.5% (NPL).

NPL, NPE and COVERAGE	Consolidated		CGD Portugal	
Gross ratios	2016-12	2017-06	2016-12	2017-06
NPE (1)	12,1%	10,7%	13,3%	11,7%
NPL (2)	15,8%	13,6%	17,1%	14,7%
Credit at risk (3)	10,5%	9,8%		
Coverage by impairments				
NPE	52,9%	52,1%	54,1%	55,4%
NPL	52,8%	52,1%	54,3%	55,5%
Credit at risk	79,0%	76,7%		

(1) NPE - Non performing exposure - EBA definition. (2) NPL - Non performing loans - EBA definition. (3) Ratios defined by the Bank of Portugal - Instruction 23/2012.

The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, was down to 9.8%, with impairment coverage of 76.7%.

The credit overdue for more than 90 days ratio was 7.2% in June 2017, with a respective impairment coverage of 104.0%.

5 NPE - *Non performing exposure (as defined by EBA)*

6 NPL - *Non performing loans* (as defined by EBA)

LIQUIDITY

First half year 2017 was marked by CGD's recapitalisation process, based on the plan agreed between the European Commission and the Portuguese state, under which, CGD, at the end of March CGD issued €500 million of additional tier 1 funds on the securities market to more than 160 institutional investors.

A high level of demand for a global amount of more than €2 billion was recorded for these securities which were oversubscribed by a factor of 4. The final amount was mainly distributed among investment funds (49%) and hedge funds (41%), with a diverse geographical spread but particularly in the United Kingdom (59%) and Portugal (14%). The coupon rate of 10.75% was lower than the initially forecast range of between 11% to 11.5%.

There was a positive secondary market evolution of CGD's additional tier 1 issuance whose market price registered up to the end of June was up by around 4% over the placement price and with a relatively good performance by the securities in the period of highest volatility felt in the last month of the half year.This performance confirms the growing confidence of investors in stabilization and progress of CGD's activity.

The conditions required for the capital increase by the state were met by this issuance, which enabled the last phase of CGD's Recapitalisation Plan with the completion of a €2.5 billion cash increase in capital by the state. At the start of the year and in the sphere of a capital increase in kind, CGD had received and cancelled a Portuguese state Coco bond issuance for the amount of €900 million.

On the basis of the approval of the Industrial Plan submitted by CGD, the European Commission also decided to lift the restriction on discretionary interest payments on subordinated debt, pursuant to which CGD resumed coupon payments to investors in March.

The amount of CGD financing from the European Central Bank has remained unchanged at €2 billion since June 2016. The collection of CGD Portugal's assets eligible for the ECB's collateral pool remained stable at €10.6 billion.

CGD Group's level of exposure to the ECB, with reference to December, was down €30 million to and end of June total of €3.5 billion. The amount of the eligible assets portfolio forming part of the Eurosystem pool remained practically unchanged at €12.3 billion.

The outstanding issues balance under the EMTN programme was down by more than €80 million over December 2016. This downwards trajectory has been in force over the last few years and derives from the fact that several issuances have reached their maturity without the need to refinance them on the capital market, given the Group's comfortable liquidity situation.

The LCR (liquidity coverage ratio) indicator at the end of June 2017 was higher than regulatory requirements at 222% in comparison to 178% at the end of December 2016.

SOLVENCY

Consolidated shareholders' equity, reflecting the two already implemented phases of the Recapitalisation Plan agreed between the Portuguese state and the European Commission (DG Comp), was up €4,012 million over the end of the preceding year to €7,895 million at the end of June 2017.

(EUR Million)

SHAREHOLDERS' EQUITY	2016-06	2016-12	2017-06
Share capital	5,900	5,900	3,844
Other capital instruments	0	0	500
Revaluation reserves	111	87	238
Other reserves and retained earnings	-913	-1,109	2,999
Non-controlling interests	852	864	364
Net income	-205	-1,860	-50
Total	**5,745**	**3,883**	**7,895**

The other equity instruments account totalling €500 million refers to securities representing the market issuance of additional tier 1 own funds at the end of March.

The evolution of other reserves and retained earnings which were up €4,108 million in the period largely derived from the extinguishing of 1,200 million shares, occurring at the first phase of the Recapitalisation Process for the coverage of negative retained earnings and the formation of a free positive reserve.

The phased-in and fully implemented CET Ratios in June were 12.7% and 12.5% respectively with a phased-in Tier 1 and Total ratios of 13.7% and 14.6%, respectively.

SOLVABILITY	Phasing-in		Fully Implemented	
	2016-12 (*)	2017-06	2016-12 (*)	2017-06
CET I	12,1%	12,7%	11,8%	12,5%
Tier I	13,0%	13,7%	12,7%	13,5%
Total	14,1%	14,6%	12,9%	13,7%

(*) Proforma including the tw o phases of recapitalisation plan.

CGD had ADI (available distributable items) of €1.8 billion at this date (around 33 times the annual cost of its current AT1 issuance) with a 2.8% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.5% surplus if considering those gaps fulfilled with future issues.

4. DOMESTIC AND INTERNATIONAL ACTIVITY

Domestic activity's contribution to CGD's Group net income in 1st half 2017, penalised by non-recurrent costs, was a negative €169.5 million and contrasts with losses of €322.4 million in the same period of the preceding year.

Reference should be made to the favourable 24.4% evolution of net interest income including income from equity instruments and results from financial operations. Income from service and commissions was up 4.3% in the half year to €174.1 million.

Although operating costs were up 0.1% over 1st half 2016 to €470.5 million, the change, with the exclusion of €61 million in non-recurrent costs, would have been a negative 6.2%.

Recurrent net income before impairment therefore showed a marked improvement of €440.1 million over the same period 2016 to €370.3 million.

Provisions and impairment (net) were up 20.8% to €355.5 million, split up into credit impairment of €25.1 million and provisions and impairment of other assets of €330.4 million, the latter heavily influenced by amounts of €322 million for divestments in international activity.

Tax headings for the half year were, in turn, €132.6 million.

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2016-06	2017-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	321,2	399,4	24,4%
Results from services and commissions	166,9	174,1	4,3%
Income from financial operations	-119,9	192,2	-
Other operating income	11,7	14,0	20,3%
Total operating income	**379,9**	**779,7**	**105,2%**
Employee costs	263,6	289,6	9,9%
Administrative expenses	174,0	149,2	-14,2%
Depreciation and amortisation	32,3	31,7	-1,9%
Operating costs	**469,8**	**470,5**	**0,1%**
Net operating income before impairments	**-89,9**	**309,2**	**-**
Credit impairment (net)	269,1	25,1	-
Provisions and impairments of other assets (net)	25,2	330,4	-
Net operating income	**-384,3**	**-46,3**	**-**
Tax	-53,8	132,6	-
Net Inc. before tax and non-controlling interest	**-330,4**	**-178,8**	**-**
Non-controlling interest	11,6	1,6	-85,9%
Income from companies consolidated by equity method	19,6	11,0	-43,9%
Net income	**-322,4**	**-169,5**	**-**

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

The international business area's contribution to the Group's consolidated net result in the 1st half year was up 2.0% over the same period of the preceding year to €119.5 million.

Total operating income was up 3.9% by €15.0 million, with net interest income, including income from equity instruments up 8.1% by €21.6 million. Operating costs were up 3.5% and provisions and impairment by 29.1%.

Results from financial operations were up 14.6% over the same period of the preceding year, to €74.7 million, benefiting from the impacts of the sale of Rico Corretora de Títulos e Valores Mobiliários S.A. (RICO).

(EUR Million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2016-06	2017-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	266.5	288.1	8.1%
Results from services and commissions	57.4	51.1	-10.9%
Income from financial operations	65.2	74.7	14.6%
Other operating income	-5.5	-15.3	-
Total operating income	**383.6**	**398.6**	**3.9%**
Employee costs	103.3	107.2	3.7%
Administrative expenses	67.9	67.3	-0.9%
Depreciation and amortisation	14.2	17.4	22.6%
Operating costs	**185.4**	**191.9**	**3.5%**
Net operating income before impairments	**198.2**	**206.7**	**4.3%**
Credit impairment (net)	32.7	29.7	-9.3%
Provisions and impairments of other assets (net)	0.7	13.4	-
Net operating income	**164.8**	**163.7**	**-0.7%**
Tax	39.5	33.4	-15.4%
Net Inc. before tax and non-controlling interest	**125.3**	**130.3**	**4.0%**
Non-controlling interest	13.0	18.0	38.9%
Income from subsidiaries held for sale	4.6	7.3	59.2%
Income from companies consolidated by equity method	0.3	0.0	-
Net income	**117.2**	**119.5**	**2.0%**

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

The main contributors to recurrent net income from international operations for 1st half 2017 were BNU Macao (€28.8 million), France branch (€20.7 million), BCG Spain (€12.8 million) and BCG Angola (€12.1 million).

5. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
ASSETS	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Cash and cash equivalents with central banks	1,503	1,841	4,438	2,936	195.4%	2,598	141.1%
Loans and advances to credit institutions	3,642	3,976	3,832	190	5.2%	-143	-3.6%
Securities investments	20,137	15,017	18,202	-1,935	-9.6%	3,185	21.2%
Loans and advances to customers	64,931	62,867	60,476	-4,455	-6.9%	-2,391	-3.8%
Assets with repurchase agreement	856	800	330	-525	-61.4%	-469	-58.7%
Non-current assets held for sale	749	1,426	1,427	678	90.4%	1	0.1%
Investment properties	1,184	978	954	-230	-19.4%	-24	-2.5%
Intangible and tangible assets	707	693	661	-46	-6.4%	-32	-4.6%
Investm. in subsid. and associated companies	267	312	362	95	35.6%	50	16.0%
Current and deferred tax assets	1,599	2,588	2,539	939	58.7%	-49	-1.9%
Other assets	3,780	3,051	2,786	-994	-26.3%	-265	-8.7%
Total assets	**99,355**	**93,547**	**96,008**	**-3,347**	**-3.4%**	**2,461**	**2.6%**
LIABILITIES							
Central banks' and credit institutions' resources	5,769	5,800	5,337	-431	-7.5%	-462	-8.0%
Customer resources	72,442	69,680	69,915	-2,527	-3.5%	235	0.3%
Debt securities	6,117	4,184	4,078	-2,039	-33.3%	-105	-2.5%
Financial liabilities	2,262	1,695	1,266	-996	-44.0%	-430	-25.3%
Provisions	896	1,127	1,465	570	63.6%	338	30.0%
Subordinated liabilities	2,400	2,424	1,470	-929	-38.7%	-954	-39.4%
Other liabilities	3,726	4,754	4,582	856	23.0%	-172	-3.6%
Sub-total	**93,610**	**89,664**	**88,113**	**-5,497**	**-5.9%**	**-1,551**	**-1.7%**
Shareholders' equity	**5,745**	**3,883**	**7,895**	**2,150**	**37.4%**	**4,012**	**103.3%**
Total	**99,355**	**93,547**	**96,008**	**-3,347**	**-3.4%**	**2,461**	**2.6%**

(EUR Thousand)

INCOME STATEMENT			Change	
	2016-06	2017-06	Total	(%)
Interest and similar income	1.351.368	1.240.799	-110.568	-8,2%
Interest and similar costs	796.521	584.847	-211.674	-26,6%
Net interest income	554.847	655.952	101.105	18,2%
Income from equity instruments	29.640	23.786	-5.855	-19,8%
Net interest inc. incl. inc. from eq. investm.	**584.487**	**679.738**	**95.250**	**16,3%**
Income from services and commissions	282.661	283.695	1.034	0,4%
Costs of services and commissions	58.224	59.031	806	1,4%
Results from services and commissions	224.437	224.665	228	0,1%
Income from financial operations	-49.253	275.514	324.768	-
Other operating income	-24.859	-25.810	-950	-
Non-interest income	**150.325**	**474.369**	**324.045**	**215,6%**
Total operating income	**734.812**	**1.154.107**	**419.295**	**57,1%**
Employee costs	366.939	396.810	29.870	8,1%
Administrative expenses	213.171	192.269	-20.902	-9,8%
Depreciation and amortisation	46.497	49.108	2.611	5,6%
Operating costs	626.608	638.187	11.579	1,8%
Net operating income before impairments	**108.204**	**515.920**	**407.716**	**376,8%**
Credit impairment (net)	301.799	54.763	-247.036	-81,9%
Provisions and impairments of other assets (net)	25.898	343.744	317.845	-
Provisions and impairments	**327.697**	**398.506**	**70.809**	**21,6%**
Net operating income	**-219.493**	**117.414**	**336.907**	**-**
Tax	**-14.364**	**165.961**	**180.325**	**-**
Current	63.822	110.433	46.611	73,0%
Deferred	-117.884	18.662	136.545	-
Extraordinary contrib. on the banking sector	39.698	36.866	-2.832	-7,1%
Net income before tax and non-controlling interest	**-205.129**	**-48.547**	**156.582**	**-**
Non-controlling interest	24.619	19.683	-4.936	-20,0%
Income from companies consolidated by equity method	19.920	11.006	-8.914	-44,7%
Income from subsidiaries held for sale	4.585	7.300	2.715	59,2%
Net income	**-205.243**	**-49.925**	**155.318**	**-**

Note: The June 2016 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

6. SEPARATE ACCOUNTS

(EUR million)

BALANCE SHEET				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
ASSETS	2016-06	2016-12	2017-06	Value	(%)	Value	(%)
Cash and cash equivalents with central banks	609	867	3.561	2.953	485,2%	2.694	310,6%
Loans and advances to credit institutions	4.515	4.553	4.637	122	2,7%	84	1,8%
Securities investments	21.173	15.999	18.932	-2.241	-10,6%	2.932	18,3%
Loans and advances to customers	53.629	52.042	50.107	-3.522	-6,6%	-1.935	-3,7%
Assets with repurchase agreement	493	422	0	-493	-100,0%	-422	-100,0%
Non-current assets held for sale	394	341	335	-59	-14,9%	-6	-1,9%
Intangible and tangible assets	413	397	377	-36	-8,7%	-20	-5,0%
Investm. in subsid. and associated companies	3.791	3.664	4.048	257	6,8%	384	10,5%
Current and deferred tax assets	1.387	2.329	2.298	911	65,7%	-31	-1,3%
Other assets	3.050	2.293	2.026	-1.025	-33,6%	-267	-11,6%
Total assets	**89.454**	**82.908**	**86.320**	**-3.133**	**-3,5%**	**3.412**	**4,1%**
LIABILITIES							
Central banks' and credit institutions' resources	5.838	5.954	5.520	-318	-5,5%	-434	-7,3%
Customer resources	61.289	58.649	59.759	-1.530	-2,5%	1.109	1,9%
Debt securities	6.115	4.217	4.081	-2.034	-33,3%	-136	-3,2%
Financial liabilities	2.242	1.676	1.254	-988	-44,1%	-422	-25,2%
Provisions	781	1.073	1.174	393	50,4%	100	9,4%
Subordinated liabilities	2.577	2.622	1.669	-908	-35,2%	-953	-36,3%
Other liabilities	6.182	6.300	5.820	-362	-5,8%	-479	-7,6%
Sub-total	**85.024**	**80.491**	**79.277**	**-5.747**	**-6,8%**	**-1.214**	**-1,5%**
Shareholders' equity	**4.430**	**2.417**	**7.043**	**2.613**	**59,0%**	**4.626**	**191,4%**
Total	**89.454**	**82.908**	**86.320**	**-3.133**	**-3,5%**	**3.412**	**4,1%**

(EUR thousand)

INCOME STATEMENT			Change	
	2016-06	2017-06	Value	(%)
Interest and similar income	1.014.228	868.926	-145.302	-14,3%
Interest and similar costs	689.280	460.350	-228.930	-33,2%
Net interest income	324.949	408.576	83.628	25,7%
Income from equity instruments	41.824	47.005	5.181	12,4%
Net interest income incl. income from eq. investm.	**366.772**	**455.581**	**88.809**	**24,2%**
Income from services and commissions	205.468	217.610	12.142	5,9%
Costs of services and commissions	40.749	41.386	637	1,6%
Results from services and commissions	164.719	176.224	11.505	7,0%
Income from financial operations	-62.271	160.140	222.411	-
Other Operating Income	-11.600	-32.981	-21.381	-
Non-interest income	**90.848**	**303.383**	**212.535**	**233,9%**
Total operating income	**457.620**	**758.964**	**301.344**	**65,9%**
Employee costs	264.092	290.922	26.829	10,2%
Administrative expenses	154.685	139.240	-15.445	-10,0%
Depreciation and amortisation	32.268	33.469	1.201	3,7%
Operating costs	451.045	463.631	12.585	2,8%
Net operating income before impairments	**6.574**	**295.334**	**288.759**	**-**
Credit impairment (net)	292.671	43.866	-248.806	-
Provisions and impairments of other assets (net)	35.346	60.199	24.853	70,3%
Provisions and impairments	**328.017**	**104.064**	**-223.953**	**-68,3%**
Net operating income	**-321.443**	**191.269**	**512.712**	**-**
Tax	**-18.903**	**111.446**	**130.349**	**-**
Current	41.434	78.615	37.181	89,7%
Deferred	-96.797	-679	96.118	-
Extraordinary contrib. on the banking sector	36.460	33.509	-2.950	**-8,1%**
Net income	**-302.540**	**79.823**	**382.363**	**-**

Lisbon, 28 July 2017