PRESS RELEASE

Consolidated results
3rd Quarter 2017 (*)

(Unaudited financial information)

Caixa Geral de Depósitos, SA (CGD) successfully executes its Strategic Plan following the recapitalisation, increasing its net core operating income by 80%

■ The CGD 2020 Strategic Plan continued to be successfully implemented in third quarter 2017, strengthening the confidence over achieving the objectives set for this year.

■ In spite of a negative net result of €47 million in the first nine months of the year, the positive performance of CGD's activity allowed an effective implementation of the Strategic Plan. It was therefore possible until September to make provisions in an amount of €595 million for non-recurring costs(1) leading to a net income from current activity of €473 million.

■ The following made decisive contributions to this net result:

- The 18% increase of €149 million in net interest income to €983 million, positively influenced by the 25% reduction of €293 million in funding costs over September 2016.
- The €301 million in net trading income, up €345 million over the preceding year.
- The 2% growth registered in net fees and commissions, year-on-year 2016.

(EUR Million)

CONSOLIDATED ACTIVITY	2016-09	2017-09	Y-o-Y Change
Net interest income	833	983	18%
Net fees and commissions	336	342	2%
Net trading income	-44	301	-
Total operating income	1,150	1,668	45%
Recurrent operating costs (1)	903	847	-6%
Net core operating inc. before imp. (1)	266	478	**80%**
Credit impairment (net)	406	81	-80%
Provisions & other impairments (net)	5	328	-
Net income	-189	-47	-
Net income from current activity (1)	-175	473	-

■ Other core components included:

- The 6% reduction of €56 million in recurring operating costs, deriving from lower employee costs and a lower level of general administrative expenditure.
- The low credit risk cost of €81 million recognised in these nine months of 2017 (0.16% of the credit stock).

■ The net core operating income before impairments(2) up to September 2017, fuelled by the growth of net interest income and reduction of recurring operating costs was up

(1) Non recurrent costs related to staff reduction programmes and also to international operations restructuring and sale provisions, as applicable to each P&L item, in a total gross amount of 20 M€ and 595 M€ in September 2016 and September 2017 respectively. The total net amount was 15 M€ and 520 M€ in the same periods

(2) Net interest income + Net fees and commissions – Recurrent operating costs

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80% to €478 million.

■ Cost-to-income (excluding non-recurring costs) was reduced to 50.1% in September as a consequence of the referred to positive performance of recurring operating costs and income. The cost-to-core income ratio, which also excludes net trading income, was 63.9%.

■ Positive evolution of CGD's asset quality in the first nine months of 2017, with NPE[(3)] and NPL[(4)] ratios of 10.1% and 13.3%, respectively (12.1% and 15.8% last December). In both cases the impairment coverage is 53.4%.

■ The loans-to-deposits ratio of 87.9%, in CGD's balance sheet, in September 2017, reflects the major resilience of CGD's customer base, even in an environment of very low interest rates on deposits.

■ Total customer resources from domestic operations, influenced by the favourable evolution of €557 million in customer deposits and the €1,105 million increase in the placement volume of PGB - Floating Rate Bonds (OTRV), were up 3% by €2,073 million over December 2016, to €69,351 million.

■ CGD accordingly retained its leading position in the domestic market with a 27% share of total deposits in August 2017. Individual customers' deposits market share accounted for 31%.

■ CGD continued to enjoy a highly comfortable liquidity position with an LCR (Liquidity Coverage Ratio) of 204% and a stable total amount of financing from the ECB of €3,397 million or around 3.6% of total assets.

■ The phased-in and fully implemented CET1 ratios in September were 13.0% and 12.8% with a phased-in Tier 1 and Total ratios of 14.1% and 14.8%, respectively.

■ CGD had ADI (Available Distributable Items) of €1.7 billion at this date (around 31 times the annual cost of its current AT1 issuance) with a 3.0% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.8% surplus if considering those gaps fulfilled with future issuance.

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

(3) NPE - Non performing exposure (as defined by EBA)

(4) NPL - Non performing loans (as defined by EBA)

1. MAIN INDICATORS

(EUR million)

CGD CONSOLIDATED		
BALANCE SHEET AND P&L INDICATORS	**2016-09**	**2017-09**
Net assets	98,234	94,308
Loans and advances to customers (net)	64,202	59,575
Customer resources	71,648	68,039
Total operating income	1,150	1,668
Net core operating Income before impairments (1)	266	478
Net income	-189	-47
Net income from current activity (2)	-175	473
PROFIT AND EFFICIENCY RATIOS		
Gross return on equity - ROE (3) (4)	-3.3%	3.5%
Net return on equity - ROE (4)	-3.3%	-0.3%
Gross return on assets - ROA (3) (4)	-0.2%	0.2%
Net return on assets - ROA (4)	-0.2%	0.0%
Total operating income / Average net assets (3)	1.6%	2.4%
Employee costs / Total operating income (3)	45.4%	44.6%
Employee costs recurrent / Total core operating income (1) (2)	44.1%	37.3%
Cost-to-income BoP (3)	78.2%	66.2%
Cost-to-income (2) (3)	76.5%	50.1%
Cost-to-core income (2) (5)	77.2%	63.9%
CREDIT QUALITY AND COVER LEVELS		
Credit more than 90 days overdue ratio	7.8%	7.0%
Non-performing credit ratio (3)	10.3%	8.0%
Non-performing credit (net) ratio (3)	2.7%	0.6%
Credit at risk ratio (3)	12.2%	9.6%
Credit at risk (net) ratio (3)	4.8%	2.4%
Restructured credit ratio (6)	10.4%	7.7%
Restructured cred. not incl. in cred. at risk ratio (6)	5.8%	3.7%
NPL ratio - EBA	16.5%	13.3%
NPE ratio - EBA	12.1%	10.1%
NPL coverage - EBA	47.7%	53.4%
NPE coverage - EBA	46.7%	53.4%
Credit at risk coverage	63.8%	76.7%
Credit more than 90 days overdue coverage	98.7%	104.7%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.77%	0.16%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	65.4%	63.2%
Loans & adv. customers (net) / Customer deposits (2)	90.0%	87.9%

Note: Indicators calculations according to glossary at: https://www.cgd.pt/English/Investor-Relations/Other-information/Glossary/Other-versions/Documents/Glossary_27OUT2017.pdf
Solvency and credit quality ratios as of end-September 2017 are estimated, subject to change upon their definitive calculation.
(1) Net core operating Income before impairments = Total operating income of core activity - Operating Costs; Total operating income of core activity = Net interest income + net fees and commissions. (2) (1) Non recurrent costs related to staff reduction programmes and also to international operations restructuring and sale provisions, as applicable to each P&L item, in a total gross amount of 20 M€ and 595 M€ in September 2016 and September 2017 respectively. The total net amount w as 15 M€ and 520 M€ in the same periods; (3) Ratios defined by the Bank of Portugal (instruction 23/2012); (4) Considering average shareholders' equity and net asset values (13 observations); (5) Operating costs /Total operating income of core activity; (6) Ratios defined by the Bank of Portugal (instruction 32/2013).

CGD CONSOLIDATED		
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR)	2016-09	2017-09
CET 1 (phased-in)	10.2%	13.0%
Tier 1 (phased-in)	10.3%	14.1%
Total (phased-in)	11.4%	14.8%
CET 1 (fully implemented)	9.3%	12.8%
Liquidity coverage ratio	170.8%	204.2%
Leverage ratio	5.4%	7.5%
OTHER INDICATORS		
Number of branches - CGD Group	1,212	1,145
Number of branches - CGD Portugal (Physical branches from individuals network)	652	588
Number of employees - CGD Portugal	8,606	7,867

CGD RATING	Short Term	Long Term
FitchRatings	B	BB-
Moody's	N/P	B1
DBRS	R-2 (mid)	BBB (low)

2. CONSOLIDATED INFORMATION

RESULTS

Net interest income was up 17.9% year-on-year by €149.4 million to €982.6 million in the first nine months of 2017. This favourable evolution was the result of a 25.4% reduction of €292.6 million in funding costs which partly benefited from the cancellation of CoCo bonds as part of the recapitalisation measures, as opposed to a 7.2% reduction of €143.2 million in interest received.

(EUR Million)

RESULTS			Change	
	2016-09	2017-09	Total	(%)
Net interest income	833.3	982.6	149.4	17.9%
Net inter. income incl. inc. from equity investm.	875.0	1,014.1	139.1	15.9%
Net fees and commissions	335.6	342.3	6.6	2.0%
Total operating Income	1,150.4	1,668.1	517.7	45.0%
Operating costs	922.9	1,119.2	196.2	21.3%
Net operating income before impairments	227.5	548.9	321.4	141.3%
Net core operating income before impairments (1)	266.0	478.2	212.3	79.8%
Credit impairment (net)	406.1	80.7	-325.4	-80.1%
Provisions and impairments of other assets (net)	4.7	327.8	323.1	-
Net operating income	-183.3	140.3	323.7	-
Net income	-189.3	-46.8	142.5	-
Net income from current activity (1)	-174.8	473.1	647.9	-

(1) Excluding non-recurrent costs.

Net fees and commissions in the first nine months of the year, were up 2.0% to €342.3 million by €6.6 million over the same period 2016, reflecting the start of this business area’s recovery trend.

The net trading income of €301.1 million in the first nine months were highly favourable in comparison to the losses of €44.0 million in the same period of the preceding year. This amount essentially reflects the gains deriving from interest rate derivatives, benefiting from an adequate management of hedging instruments and interest rate evolution, as well as capital gains from debt instruments.

Total operating income for the period, up 45.0% by €517.7 million over the same period 2016 to €1,668.1 million, particularly reflected the positive contribution of net interest income and net trading income.

Recurrent operating costs in the first nine months of 2017 were down 6.2% by €56.3 million over the same period of 2016 to €846.7 million. Non-recurring costs related to provisions for the Early Retirement and Mutually Agreed Redundancy Programmes and to the international Branches' restructuring costs were €272.5 million in the same period.

Cost-to-income (excluding non-recurring costs) was reduced to 50.1% in September as a consequence of the referred to good performance of the recurring operating costs and income components. The cost-to-core income ratio, which also excludes the net trading income was 63.9%.

Net operating income before impairment was up 141.3% by €321.4 million to €548.9 million, year-on-year 2016. The core operating result(5) fuelled by the growth of net interest income and reduction of recurring operating costs, was up 79.8% year-on-year 2016, to €478.2 million.

Provisions and impairment for the period amounted to €408.6 million, down 0.5% albeit similar to the same period of the preceding year. Contributory factors were particularly the €327.8 million in provisions and impairment on other assets (net) of which €322.0 were non-recurring and related with the restructuring and sale of international activities.

The cost of credit risk in the first nine months of 2017 remained low, with net credit impairment of €80.7 million accounting for 0.16% of the credit portfolio (annualised ratio).

Operating results for the period under analysis amounted to €140.3 million in comparison to losses of €183.3 million in September. Excluding non-recurring costs the operating result would have been €734.8 million.

Income tax for the period was €185.9 million, of which €36.5 million in respect of the special contribution on banking sector.

In light of this evolution, although the net result for the first nine months of 2017 was a negative €46.8 million, with the exclusion of the above referred to non-recurring costs, the net income from current activity for the period would have been around €473.1 million.

BALANCE SHEET

CGD's consolidated net assets were up 0.8% by €761 million over December 2016 to €94,308 million. Their evolution particularly included the increase in cash and cash equivalents at central banks and securities investments which reflected the impact of the recapitalisation operations whose financial settlement took place on 30 March. Loans and advances to customers were, in contrast, down.

(5) Net interest income + Net fees and commissions – Recurrent operating income.

(EUR Million)

BALANCE SHEET - Main headings				Change 2017-09 vs 2016-09	Change 2017-09 vs 2016-12
	2016-09	2016-12	2017-09	(%)	(%)
Net assets	98,234	93,547	94,308	-4.0%	0.8%
Cash and loans and advances to credit instit.	5,345	5,816	7,304	36.7%	25.6%
Securities investments (1)	20,377	15,581	18,703	-8.2%	20.0%
Loans and advances to customers (net) (2)	64,555	63,102	59,575	-7.7%	-5.6%
Loans and advances to customers (gross) (2)	69,938	68,735	64,295	-8.1%	-6.5%
Central banks' and credit institutions' resources	6,060	5,800	5,166	-14.8%	-10.9%
Customer resources	71,648	69,680	68,039	-5.0%	-2.4%
Debt securities	5,736	4,184	4,091	-28.7%	-2.2%
Shareholders' equity	5,712	3,883	7,973	39.6%	105.3%

(1) Includes assets w ith repo agreements and trading derivatives.

(2) Includes assets w ith repo agreements.

Total securities investments, including securities with repurchase agreements and trading derivatives were up 20.0% by €3,121 million in September 2017 in comparison to December of the preceding year. This investment was made on the basis of the funds from CGD’s capital increase, taking advantage to diversify of the securities portfolio.

Total liabilities were down 3.7% by €3,330 million over December 2016. Special reference should be made to the 2.3% reduction of €1,571 million in customer deposits, subordinated liabilities (down 39.2% by €949 million) and central banks’ and other credit institutions’ resources (down 10.9% by €634 million).

(EUR Million)

RESOURCES TAKEN				Change 2017-09 vs 2016-09		Change 2017-09 vs 2016-12	
	2016-09	2016-12	2017-09	Total	(%)	Total	(%)
Balance sheet	**85,868**	**82,088**	**78,771**	**-7,097**	**-8.3%**	**-3,316**	**-4.0%**
Central banks' & cred institutions' resources	6,060	5,800	5,166	-894	-14.8%	-634	-10.9%
Customer deposits (Consolidated)	71,322	69,357	67,786	-3,536	-5.0%	-1,571	-2.3%
Domestic activity	55,089	53,184	53,741	-1,349	-2.4%	557	1.0%
International activity	16,233	16,173	14,045	-2,188	-13.5%	-2,128	-13.2%
Covered bonds	5,278	3,854	3,824	-1,454	-27.5%	-30	-0.8%
Portuguese state - CoCos	900	900	0	-900	-100.0%	-900	-100.0%
EMTN and other securities	1,982	1,854	1,742	-240	-12.1%	-112	-6.0%
Other	325	323	253	-72	-22.1%	-70	-21.6%
Off-balance sheet	**28,393**	**28,596**	**29,730**	**1,337**	**4.7%**	**1,134**	**4.0%**
Investment funds	3,585	3,519	3,680	95	2.6%	161	4.6%
Real estate investment funds	1,161	950	970	-191	-16.5%	20	2.1%
Pension funds	3,387	3,440	3,693	306	9.0%	253	7.3%
Wealth management	19,502	19,271	18,867	-635	-3.3%	-404	-2.1%
OTRV Portuguese Government Bonds	758	1,415	2,520	1,762	232.5%	1,105	78.1%
Total	**114,261**	**110,683**	**108,501**	**-5,760**	**-5.0%**	**-2,182**	**-2.0%**
Total resources from domestic activity(1)	**68,568**	**67,278**	**69,351**	**783**	**1.1%**	**2,073**	**3.1%**

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

Notwithstanding the 1.0% increase of €557 million in customer deposits from domestic activity over December 2016 to €53,741 million at the end of September 2017, total resources of €108,501 million taken in the consolidated perimeter, were down 2.0%. This was influenced by the cancellation of €900 million in CoCo bonds and the reduction of customer deposits in terms of international activity, including from the offshore branches under closure process.

The 4.0% increase of €1,134 million in off-balance sheet resources to €29,730 million over December 2016, was influenced by the €1,105 million increase in the volume of OTRV.

CGD retained its leading position in the domestic market with a 27% share of total deposits in August 2017. Individual customers' deposits market share was in the same period 31%.

Gross loans and advances to customers (including loans with repurchase agreements) were down 6.5% over December last year to €64,295 million at the end of September 2017, with negative changes of 9.8% and 3.4% in corporate loans and individual customers loans, respectively, in terms of CGD Portugal's activity. Special reference should be made, in the case of this reduction, to the process of reducing non-productive exposures based on portfolio disposals and write-offs totalling €1.3 billion.

(EUR Million)

LOANS AND ADVANCES TO CUSTOMERS				Change 2017-09 vs 2016-09	Change 2017-09 vs 2016-12
	2016-09	2016-12	2017-09	(%)	(%)
CGD Portugal	**52,237**	**51,453**	**48,714**	**-6.7%**	**-5.3%**
Corporate	19,611	17,700	15,957	-18.6%	-9.8%
General government	3,110	4,750	4,501	44.7%	-5.2%
Institutionals and other	796	1,002	1,218	53.0%	21.5%
Individual customers	28,720	28,000	27,039	-5.9%	-3.4%
Mortgage loans	27,723	27,064	26,158	-5.6%	-3.3%
Other	996	936	880	-11.6%	-5.9%
Other CGD Group companies	**17,700**	**17,282**	**15,580**	**-12.0%**	**-9.8%**
Total	**69,938**	**68,735**	**64,295**	**-8.1%**	**-6.5%**

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

CGD had a 21% share of the credit market in August 2017 (18% for corporates and 26% for individual customer mortgage loans).

The loans-to-deposits ratio stood at 87.9% in September 2017 against 90.6% at the end of 2016, reflecting the strength of CGD's capacity to retain customers, even in an environment of very low interest rates on deposits.

Positive evolution of CGD's asset quality in the first nine months of 2017, with a 18% reduction in the amounts of NPE[6] and NPL[7] over December 2016. The NPE and NPL ratios were, accordingly, 10.1% and 13.3% in September 2017. In both cases the impairment coverage is 53.4%. The coverage level in Portugal was 57.4% (NPE) and 57.2% (NPL).

NPL, NPE and COVERAGE	Consolidated		CGD Portugal	
Gross ratios	2016-12	2017-09	2016-12	2017-09
NPE [1]	12.1%	10.1%	13.3%	10.9%
NPL [2]	15.8%	13.3%	17.1%	14.6%
Credit at risk [3]	10.5%	9.6%		
Coverage by impairments				
NPE	52.9%	53.4%	54.1%	57.4%
NPL	52.8%	53.4%	54.3%	57.2%
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 9.6%, with impairment coverage of 76.7%.

(6) NPE - Non performing exposure (as defined by EBA)

(7) NPL - Non performing loans (as defined by EBA)

The credit overdue for more than 90 days ratio was 7.0% in September 2017, with a respective impairment coverage of 104.7%. These ratios were 7.8% and 98.7% respectively, in the same period of the preceding year.

LIQUIDITY

In the sphere of its recapitalisation process based on the Plan agreed between the European Commission and the Portuguese State, CGD issued €500 million in Additional Tier 1 own funds in the market targeted at more than 160 institutional investors.

Following the maturity of several issuances, the outstanding balance on the EMTN Programme by the end of September was down by more than €190 million over December 2016 and was accommodated without recourse to the market, owing to the Group's comfortable liquidity situation.

CGD Portugal's financing from ECB has remained unchanged at €2 billion since June 2016. The collection of CGD's assets eligible for the ECB's collateral pool was up by almost €1.4 billion to €12 billion, over December 2016 (€10.7 billion).

CGD Group's level of exposure to the ECB, was down slightly from €3.5 billion at the end of 2016 to €3.4 billion in September 2017. The eligible assets portfolio included in the Eurosystem pool was up from €12.3 billion in December 2016 to €13.6 billion at the end of September 2017.

The LCR (Liquidity Coverage Ratio) indicator of 204% at the end of September 2017 in comparison to 176% at the end of December 2016, exceeded regulatory requirements and the UE banks average of 146% at June 2017.

SOLVENCY

Consolidated shareholders' equity at the end of September 2017 totalled €7,973 million, up €4,090 million over the end of the preceding year and reflecting the two already implemented phases of the Recapitalisation Plan agreed between the Portuguese State and the European Commission (DG Comp).

(EUR Million)

SHAREHOLDERS' EQUITY			
	2016-09	2016-12	2017-09
Share capital	5,900	5,900	3,844
Other capital instruments	0	0	500
Revaluation reserves	59	87	321
Other reserves and retained earnings	-907	-1,109	2,981
Non-controlling interests	850	864	374
Net income	-189	-1,860	-47
Total	**5,712**	**3,883**	**7,973**

The other equity instruments account for the amount of €500 million, refers to securities representing the market issuance of AT1 own funds at the end of March.

The evolution of the other reserves and retained earnings account, up €4,090 million since December 2016, largely derives from the extinguishing of 1.2 billion shares, at the first phase of the recapitalisation process, to provide for negative retained earnings and to set up a positive free reserve.

The phased-in and fully implemented CET Ratios in September were 13.0% and 12.8% respectively with a phased-in Tier 1 and Total ratios of 14.1% and 14.8%, respectively.

SOLVABILITY	Phasing-in		Fully Implemented	
	2016-12 (*)	2017-09	2016-12 (*)	2017-09
CET I	12.1%	13.0%	11.8%	12.8%
Tier I	13.0%	14.1%	12.7%	13.8%
Total	14.1%	14.8%	12.9%	14.0%

(*) Proforma including the two phases of recapitalisation plan.

CGD had ADI (Available Distributable Items) of €1.7 billion at this date (around 31 times the annual cost of its current AT1 issuance) with a 3.0% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.8% surplus if considering those gaps fulfilled with future issues.

RELEVENT EVENTS

Throughout the first nine months of 2017, CGD held a set of seven initiatives called "Encontro Fora da Caixa" in various locations of the country (Braga, Faro, Leiria, Lisbon, Oporto and Santarém). More than 3,200 participants attended these seven meetings, and addressed issues of interest to the various sectors of Portugal economy, as well as the construction of a strategic vision for the companies and the country.

According to BrandScore, Caixa continued to be the brand with the best recognition factor in the Portuguese banking sector and the most attractive banking brand in the eyes of non-customers.

Reference should be made to the award of the following prizes and distinctions in the first nine months of 2017:

- Best Bank - Caixa was the winner of the Best Bank prize for the third successive year in the sphere of the Europe Banking Awards 2016, attributed by EMEA Finance magazine.
- Best Investment Bank Portugal 2017 - CaixaBI was considered to be the best investment bank in Portugal 2017, by the US Global Finance magazine.
- Best Investment Bank in Portugal 2017 - Caixa was distinguished by Euromoney (Awards for Excellence);
- Data Integrity Compliance - Regional Award 2016 – Caixa was distinguished by MasterCard as its acquirer on point-of-sale terminals.
- 1st prize in the Green Project Awards Portugal 2016. The “Bank Cards Recycling Project” was the winner of the 9th edition of the Green Project Awards, in the “Efficient Management of Resources” category.
- Caixagest was distinguished by Morningstar, as the Best Domestic Bond Manager and Best Domestic Euro Cash Bonds Fund for the third consecutive year.

Caixadirecta banking service reached in September 2017 an additional 74,000 active contracts, an increase of 5% when compared to December 2016. A total of 1,436,000 contracts were active on that date. Reference should be made to the growth felt on the individuals segment. Caixadirecta App also registered in the same period an additional 70,000 unique clients, up 19% from 367,000 in December 2016 to 437,000 in September 2017.

3. DOMESTIC AND INTERNATIONAL ACTIVITY

Domestic activity's contribution to CGD Group's net income from current activity in the first nine months of 2017 was €278.8 million, against losses of €333.6 million in the same period of the preceding year.

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2016-09	2017-09	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	480.6	599.2	24.7%
Net fees and commissions	250.7	265.9	6.1%
Net trading income	-131.5	204.5	-
Other operating income	32.9	45.6	38.6%
Total operating income	**632.6**	**1,115.2**	**76.3%**
Employee costs	382.1	591.4	54.8%
Administrative expenses	258.6	218.7	-15.4%
Depreciation and amortisation	47.9	46.9	-2.0%
Operating costs	**688.6**	**857.0**	**24.5%**
Net operating income before impairments	**-55.9**	**258.1**	**-**
Credit impairment (net)	354.0	41.7	-88.2%
Provisions and impairments of other assets (net)	0.7	328.3	-
Net operating income	**-410.7**	**-111.8**	**-**
Income Tax	-47.7	133.6	-
Net operating income after tax and before non-controlling interests	**-363.0**	**-245.4**	**-**
Non-controlling interests	14.2	2.4	-83.1%
Results of associated companies	29.1	21.7	-25.5%
Net income	**-348.1**	**-226.2**	**-**
Net income from current activity (1)	**-333.6**	**278.8**	**-**

(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.
(1) Excluding non-recurrent costs.

Reference should be made to the favourable 24.7% evolution of net interest income including income from equity instruments and to the net trading income. Net fees and commissions were up 6.1% to €265.9 million in September.

Recurring operating costs were down 9.2% (€53.7 million) to €530.6 million. Non-recurring costs related to provisions for the Early Retirement and Mutually Agreed Redundancy Programmes were €251.8 million in the same period.

In the sphere of the implementation of the Strategic Plan 2017-2020, the objectives defined for the reduction of the number of employees and branch network in the domestic business have been achieved during the year of 2017. In the first nine months of 2017 the branch network in Portugal was reduced by 63 to 588 branches, while the number of employees in domestic activity was reduced by 298 in the same period. These developments are in line with the objectives set for the current year.

Net operating income before impairment showed a marked improvement of €314.1 million year-on-year 2016 to €258.1 million.

Provisions and impairments (net) were up 4.3% to €370 million, split up into credit impairment of €41.7 million and provisions and impairment on other assets of €328.3 million, the latter heavily influenced by the appropriation of amounts for disinvestment in international activity (non-recurring cost of €322 million).

The income tax for the period under analysis was, in turn, €133.6 million.

Although domestic business contributed a negative €226.2 million to the consolidated result, the elimination of non-recurring costs, net of tax, of €504.9 million, for the Voluntary Redundancy Programmes and restructuring of Group units would have generated a positive net income from current activity of €278.8 million.

The international business area's contribution to the Group's consolidated result in the first nine months of this year was up 12.9% over the same period last year to €179.3 million. The exclusion of the non-recurring costs in the international perimeter for the restructuring of these units would have generated a net income from current activity of €194.4 million.

Total operating income was up 5.4% by €30.4 million, with net interest income including income from equity instruments up 5.3% by €21.4 million, operating costs were up by 8.4% and provisions and impairment down by 31.2%.

The net trading income was up 8.2% year-on-year to €86.0 million.

(EUR Million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2016-09	2017-09	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	401.0	422.4	5.3%
Net fees and commissions	85.1	76.7	-9.8%
Net trading income	79.5	86.0	8.2%
Other operating income	-6.5	4.4	-
Total operating income	**559.1**	**589.5**	**5.4%**
Employee costs	153.5	162.9	6.1%
Administrative expenses	101.4	111.4	9.9%
Depreciation and amortisation	20.7	24.4	17.9%
Operating costs	**275.7**	**298.7**	**8.4%**
Net operating income before impairments	**283.4**	**290.8**	**2.6%**
Credit impairment (net)	52.1	39.1	-25.0%
Provisions and impairments of other assets (net)	4.0	-0.5	-
Net operating income	**227.3**	**252.2**	**10.9%**
Income Tax	48.7	52.3	7.5%
Net operating income after tax and before non-controlling interests	**178.6**	**199.8**	**11.9%**
Non-controlling interests	27.7	31.8	14.6%
Results from subsidiaries held for sale	7.5	10.8	44.5%
Results of associated companies	0.4	0.4	13.6%
Net income	**158.8**	**179.3**	**12.9%**
Net income from current activity (1)	**158.8**	**194.4**	**22.4%**

(*) Pure intragroup transactions w ith no impact on consolidated net income are not eliminated.
(1) Excluding non-recurrent costs.

The major contributors to the net income from current activity of international activity in the first nine months of 2017 were BNU Macau (€59.0 million), France Branch (€29.7 million), BCG Angola (€23.1 million) and BCG Spain (€17.9 million).

4. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET				Change 2017-09 vs 2016-09		Change 2017-09 vs 2016-12	
ASSETS	2016-09	2016-12	2017-09	Total	(%)	Total	(%)
Cash and cash equivalents with central banks	1,273	1,841	3,777	2,504	196.8%	1,936	105.2%
Loans and advances to credit institutions	4,072	3,976	3,528	-545	-13.4%	-448	-11.3%
Securities investments	19,760	15,017	18,385	-1,375	-7.0%	3,369	22.4%
Loans and advances to customers	64,202	62,867	59,575	-4,626	-7.2%	-3,291	-5.2%
Assets with repurchase agreement	970	800	318	-653	-67.3%	-482	-60.3%
Non-current assets held for sale	740	1,426	1,334	594	80.2%	-92	-6.5%
Investment properties	1,174	978	951	-223	-19.0%	-28	-2.8%
Intangible and tangible assets	681	693	657	-23	-3.4%	-35	-5.1%
Investm. in subsid. and associated companies	295	312	391	96	32.5%	78	25.1%
Current and deferred tax assets	1,605	2,588	2,595	989	61.6%	7	0.3%
Other assets	3,462	3,051	2,798	-665	-19.2%	-254	-8.3%
Total assets	**98,234**	**93,547**	**94,308**	**-3,926**	**-4.0%**	**761**	**0.8%**
LIABILITIES							
Central banks' and credit institutions' resources	6,060	5,800	5,166	-894	-14.8%	-634	-10.9%
Customer resources	71,648	69,680	68,039	-3,608	-5.0%	-1,641	-2.4%
Debt securities	5,736	4,184	4,091	-1,645	-28.7%	-93	-2.2%
Financial liabilities	2,107	1,695	1,199	-908	-43.1%	-496	-29.3%
Provisions	912	1,127	1,650	738	80.8%	523	46.4%
Subordinated liabilities	2,424	2,424	1,475	-950	-39.2%	-949	-39.2%
Other liabilities	3,634	4,754	4,714	1,080	29.7%	-40	-0.8%
Sub-total	**92,522**	**89,664**	**86,335**	**-6,187**	**-6.7%**	**-3,330**	**-3.7%**
Shareholders' equity	**5,712**	**3,883**	**7,973**	**2,261**	**39.6%**	**4,090**	**105.3%**
Total	**98,234**	**93,547**	**94,308**	**-3,926**	**-4.0%**	**761**	**0.8%**

(EUR Thousand)

INCOME STATEMENT			Change	
	2016-09	2017-09	Total	(%)
Interest and similar income	1,986,157	1,842,927	-143,230	-7.2%
Interest and similar costs	1,152,889	860,290	-292,599	-25.4%
Net interest income	833,268	982,637	149,369	17.9%
Income from equity instruments	41,706	31,445	-10,261	-24.6%
Net interest inc. incl. inc. from eq. investm.	**874,974**	**1,014,082**	**139,108**	**15.9%**
Fees and commissions income	423,967	435,242	11,276	2.7%
Fees and commissions expenses	88,337	92,990	4,653	5.3%
Net fees and commissions	335,630	342,252	6,622	2.0%
Net trading income	-43,989	301,118	345,107	-
Other operating income	-16,188	10,641	26,829	-
Non-interest income	**275,453**	**654,011**	**378,559**	**137.4%**
Total operating income	**1,150,427**	**1,668,094**	**517,667**	**45.0%**
Employee costs	535,610	754,245	218,635	40.8%
Administrative expenses	318,732	293,611	-25,121	-7.9%
Depreciation and amortisation	68,595	71,315	2,720	4.0%
Operating costs	922,937	1,119,170	196,233	21.3%
Net operating income before impairments	**227,490**	**548,923**	**321,433**	**141.3%**
Credit impairment (net)	406,128	80,744	-325,384	-80.1%
Provisions and impairments of other assets (net)	4,699	327,847	323,147	-
Provisions and impairments	**410,828**	**408,591**	**-2,237**	**-0.5%**
Net operating income	**-183,338**	**140,333**	**323,671**	**-**
Income Tax	**1,014**	**185,918**	**184,904**	**-**
Current	77,731	196,699	118,968	153.1%
Deferred	-116,415	-47,308	69,107	-
Special contribution on the banking sector	39,698	36,526	-3,172	-8.0%
Net op. inc. after tax and before non-controlling interests	**-184,352**	**-45,585**	**138,767**	**-**
Non-controlling interests	41,920	34,161	-7,759	-18.5%
Results of associated companies	29,469	22,084	-7,385	-25.1%
Results of subsidiaries held for sale	7,484	10,815	3,331	44.5%
Net income	**-189,320**	**-46,847**	**142,472**	**-**

Note: The September 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 2017-09 vs 2016-09		Change 2017-09 vs 2016-12	
ASSETS	2016-09	2016-12	2017-09	Value	(%)	Value	(%)
Cash and cash equivalents with central banks	437	867	3,048	2,611	598.1%	2,181	251.4%
Loans and advances to credit institutions	4,884	4,553	4,173	-711	-14.6%	-380	-8.3%
Securities investments	20,864	15,999	18,906	-1,958	-9.4%	2,907	18.2%
Loans and advances to customers	53,026	52,042	49,508	-3,517	-6.6%	-2,534	-4.9%
Assets with repurchase agreement	570	422	0	-570	-100.0%	-422	-100.0%
Non-current assets held for sale	399	341	318	-81	-20.3%	-23	-6.8%
Intangible and tangible assets	404	397	365	-39	-9.6%	-32	-7.9%
Investm. in subsid. and associated companies	3,791	3,664	4,049	257	6.8%	384	10.5%
Current and deferred tax assets	1,385	2,329	2,359	974	70.4%	30	1.3%
Other assets	2,745	2,293	2,064	-680	-24.8%	-228	-10.0%
Total assets	**88,504**	**82,908**	**84,791**	**-3,714**	**-4.2%**	**1,882**	**2.3%**
LIABILITIES							
Central banks' and credit institutions' resources	6,152	5,954	4,906	-1,247	-20.3%	-1,048	-17.6%
Customer resources	60,739	58,649	58,624	-2,115	-3.5%	-25	0.0%
Debt securities	5,733	4,217	4,094	-1,639	-28.6%	-123	-2.9%
Financial liabilities	2,084	1,676	1,180	-904	-43.4%	-496	-29.6%
Provisions	799	1,073	1,360	561	70.2%	287	26.7%
Subordinated liabilities	2,602	2,622	1,574	-1,028	-39.5%	-1,048	-40.0%
Other liabilities	6,031	6,300	6,010	-20	-0.3%	-290	-4.6%
Sub-total	**84,140**	**80,491**	**77,748**	**-6,392**	**-7.6%**	**-2,744**	**-3.4%**
Shareholders' equity	**4,364**	**2,417**	**7,043**	**2,678**	**61.4%**	**4,626**	**191.4%**
Total	**88,504**	**82,908**	**84,791**	**-3,714**	**-4.2%**	**1,882**	**2.3%**

(EUR thousand)

INCOME STATEMENT			Change	
	2016-09	2017-09	Value	(%)
Interest and similar income	1,481,454	1,288,761	-192,693	-13.0%
Interest and similar costs	995,385	674,444	-320,942	-32.2%
Net interest income	486,069	614,318	128,249	26.4%
Income from equity instruments	44,155	58,282	14,127	32.0%
Net interest income incl. income from eq. investm.	**530,224**	**672,600**	**142,376**	**26.9%**
Fees and commissions income	311,915	331,472	19,557	6.3%
Fees and commissions expenses	61,748	66,705	4,957	8.0%
Net fees and commissions	250,166	264,766	14,600	5.8%
Net trading income	-51,818	182,870	234,688	-
Other Operating Income	-16,076	-28,210	-12,134	-
Non-interest income	**182,273**	**419,427**	**237,153**	**130.1%**
Total operating income	**712,497**	**1,092,027**	**379,530**	**53.3%**
Employee costs	385,237	598,428	213,191	55.3%
Administrative expenses	232,385	216,811	-15,574	-6.7%
Depreciation and amortisation	48,455	48,753	298	0.6%
Operating costs	666,077	863,992	197,915	29.7%
Net operating income before impairments	**46,420**	**228,035**	**181,615**	**391.2%**
Credit impairment (net)	345,757	45,714	-300,042	-86.8%
Provisions and impairments of other assets (net)	41,874	46,234	4,361	10.4%
Provisions and impairments	**387,630**	**91,949**	**-295,682**	**-76.3%**
Net operating income	**-341,211**	**136,086**	**477,297**	**-**
Income Tax	**-12,185**	**113,907**	**126,092**	**-**
Current	47,880	154,872	106,992	223.5%
Deferred	-96,525	-74,475	22,051	-
Special contribution on the banking sector	36,460	33,509	-2,950	-8.1%
Net income	**-329,025**	**22,179**	**351,205**	**-**

Lisbon, 27 October 2017