

Presentation

# Consolidated Results

## 1<sup>st</sup> Quarter 2017

18<sup>th</sup> May 2017

Unaudited financial information

*Investor Relations Office*



Caixa Geral de Depósitos

# Agenda

- **Executive Summary**
- **Recapitalization Plan**
- **Results**
- **Balance Sheet**
- **Liquidity and Solvency**

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



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## Executive Summary

- 1. Recapitalisation Plan** - 1st quarter 2017 witnessed CGD's completion of phases 1 and 2 of the Recapitalisation Plan agreed between the Portuguese State and European Commission (DG Comp), resulting in:
  - Capital increase of 4.4 billion euros.
  - Substantial reinforcement of its capital ratios at 31 March 2017 with 12.3% (CET1), 13.3% (Tier 1) and 14.2% (Total) – phased-in ratios.
- 2. Operational Activity** - Core operating income was 147 million euros in the 1<sup>st</sup> quarter, up 63% over the same period of 2016. Total operating income was up 65%, to 490 million euros in the same period. Both were fuelled by:
  - Net interest income growth (+18%)
  - Reduction of recurring operating costs (-3.5%)
  - Positive income from financial operations (81 million euros in the 1<sup>st</sup> quarter).

Consequently, cost-to-income (excluding non-recurrent costs) reduced to 58% in the 1<sup>st</sup> quarter 2017.



## Executive Summary

- 3. Asset Quality** - Positive evolution in 1<sup>st</sup> quarter 2017, with gross NPE and NPL ratios reaching 11.8% and 15.4% (6.5% and 8.6% net of impairments). The coverage by impairments and collateral was 88.5% and 92.7%, respectively (94.4% and 100.9% in Portugal). The cost of credit risk for the quarter was 0.17%.
- 4. Results** - Net losses of 39 million euros were made in the quarter, impacted by non-recurrent costs of 58 million euros (42.1 million net of tax). Recurring net income amounted to 3.5 million euros.
- 5. Liquidity and Solvency** - CGD maintained a highly comfortable liquidity position with an LCR (Liquidity Coverage Ratio) of 230% with total financing from the ECB remaining stable at 3,497 million euros or around 3.6% of total assets. CGD had ADI (Available Distributable Items) of 1.7 billion euros at this date with a 4.0% surplus on the level of its MDA (Maximum Distributable Amount) restrictions.

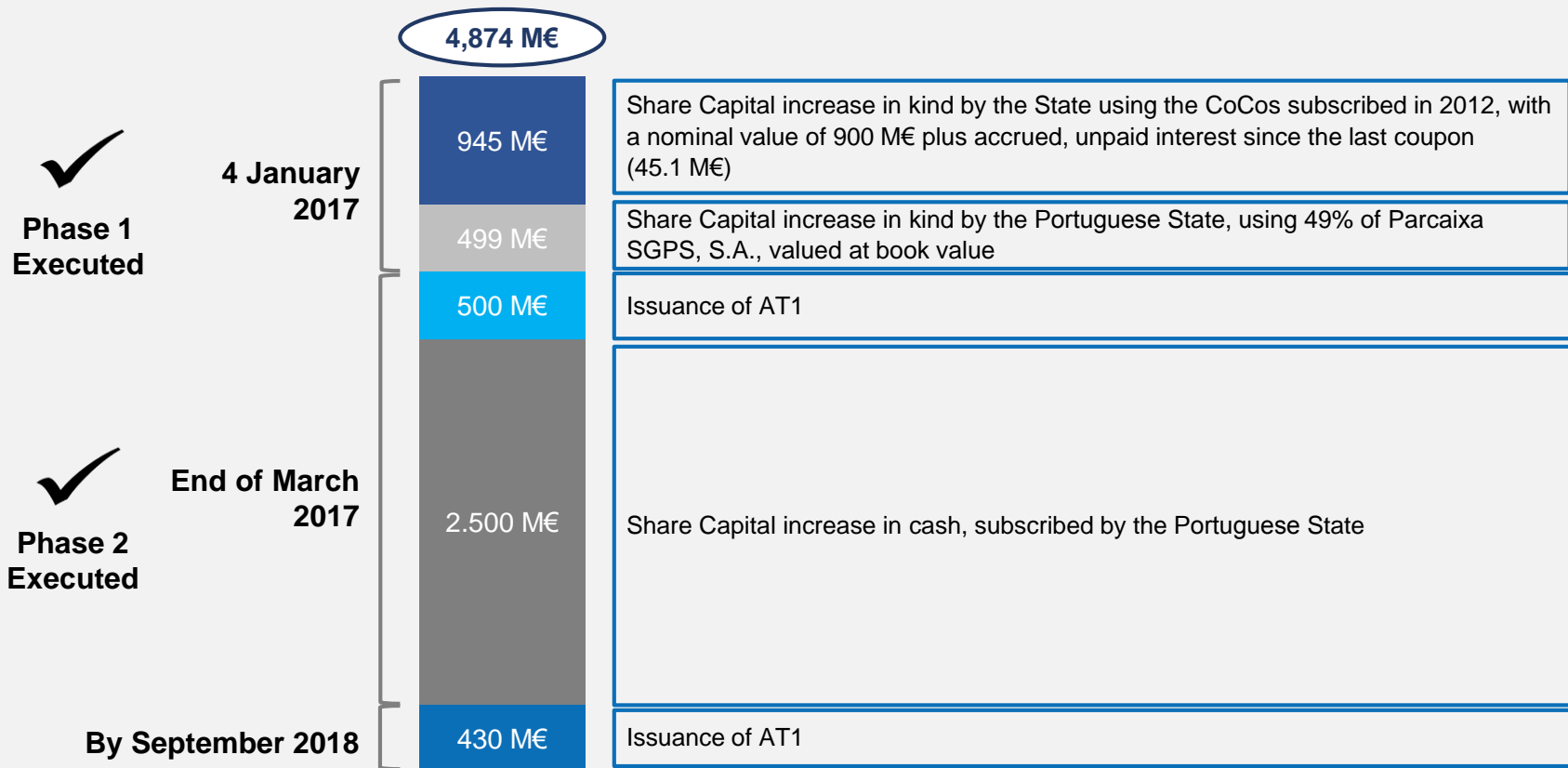


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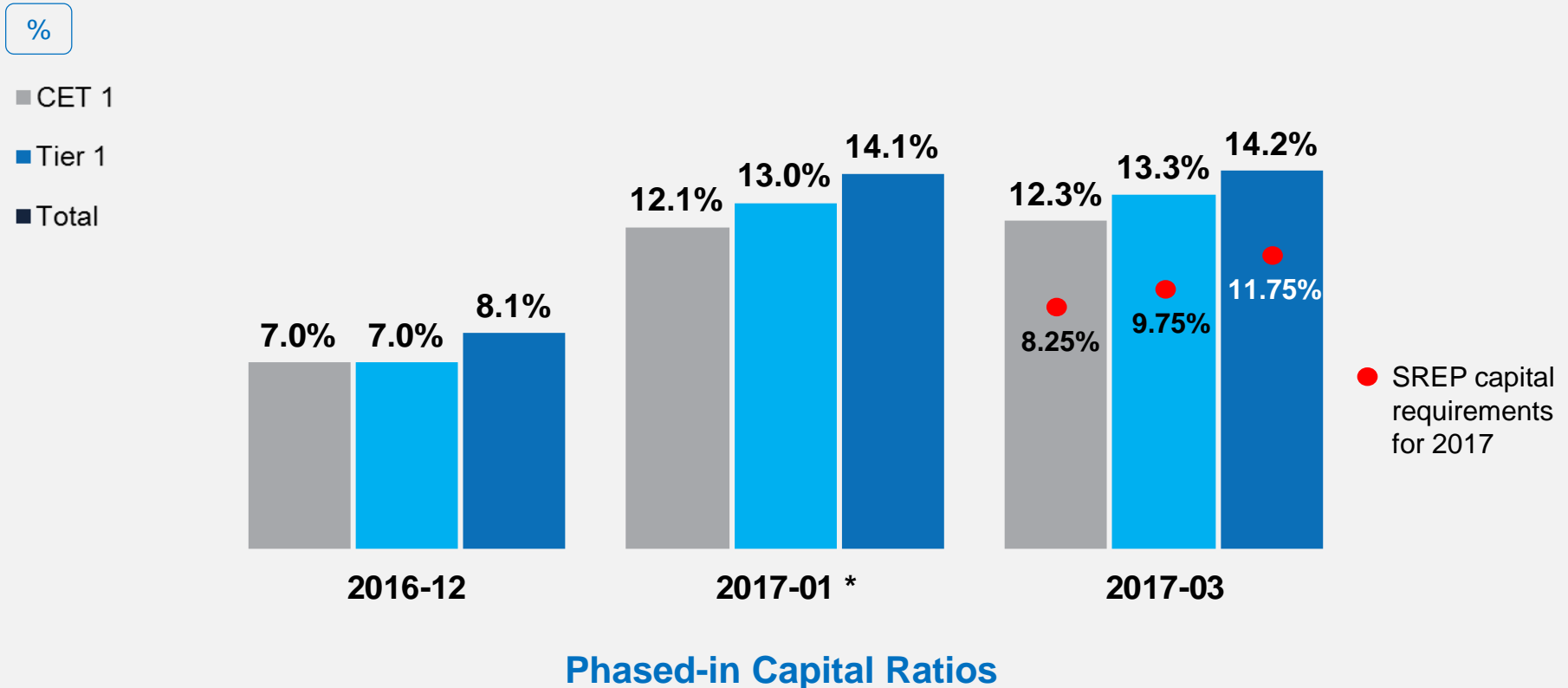
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## Recapitalisation Plan is concluded...



## ...strengthening CGD's capital level



\* Proforma including stage 1 and 2 measures of the Recapitalization Plan



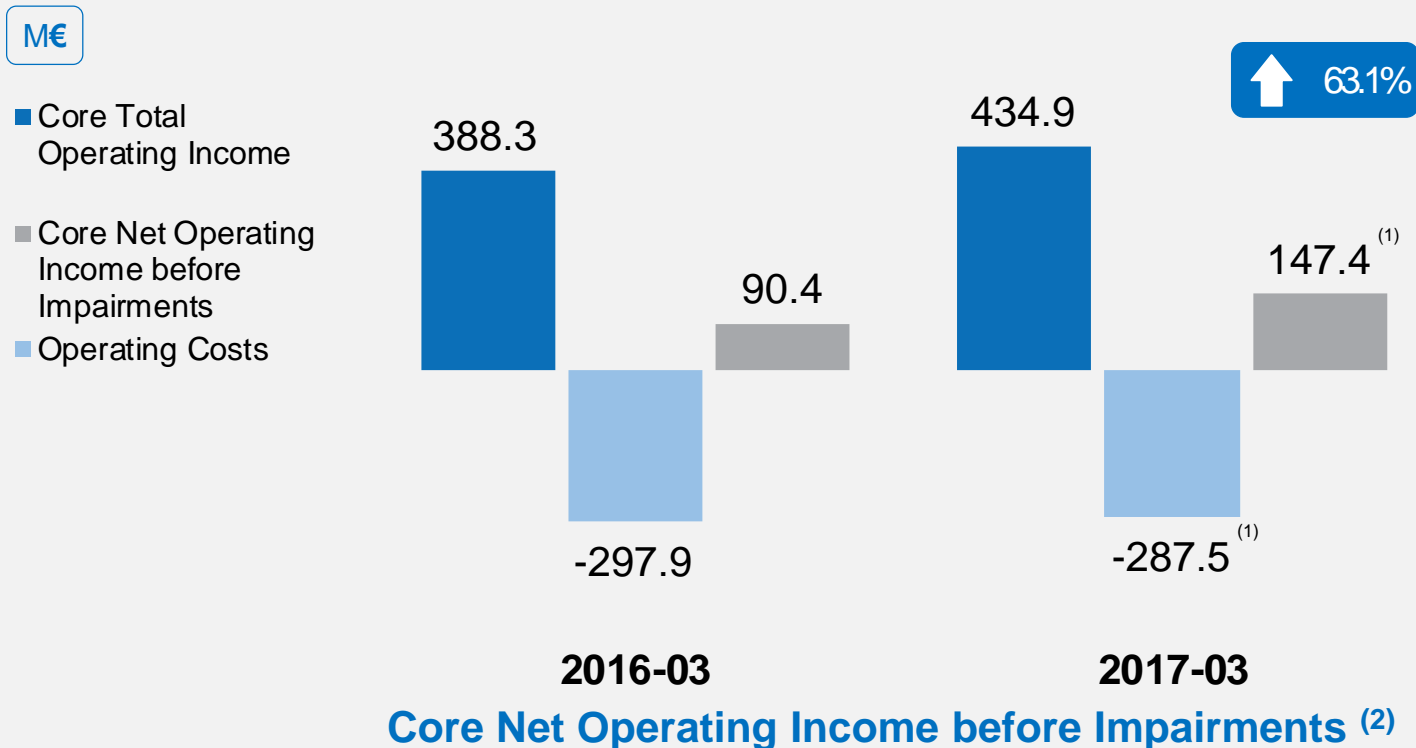


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## Core Net Operating Income before Impairments increased...



(1) Excluding the non recurrent cost of 58 M€ concerning the provision for the 2017 early retirement program

(2) Core Net Operating Inc. before Impairments = Core Total Operating Inc. – Operating Costs

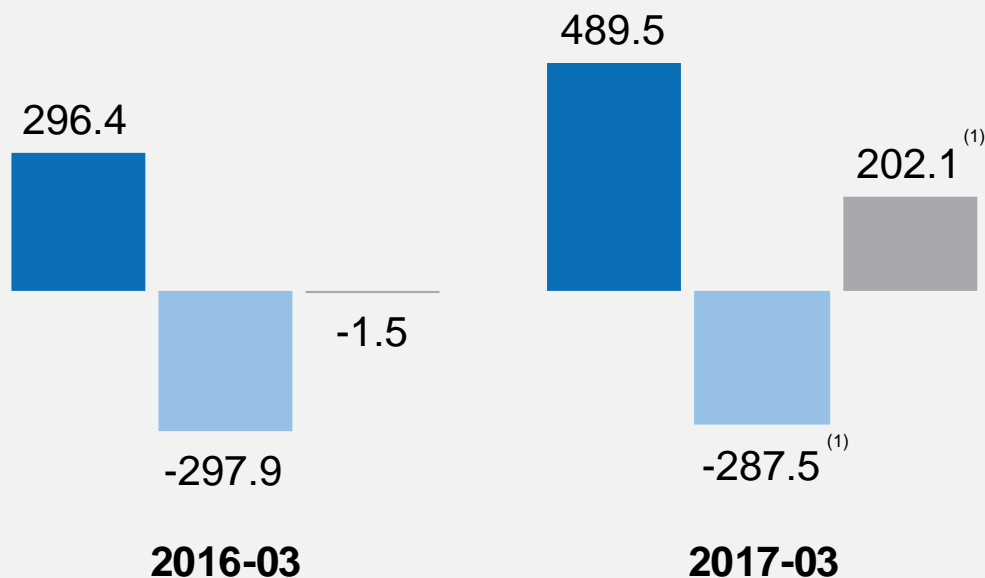
Core Total Operating Inc. = Net Interest Income + Commissions (net)



# Net Operating Income before Impairments with strong growth

M€

- Total Operating Income
- Net Operating Income before Impairments
- Operating Costs



## Net Operating Income before Impairments

(1) Excluding the non recurrent cost of 58 M€ concerning the provision for the 2017 early retirement program

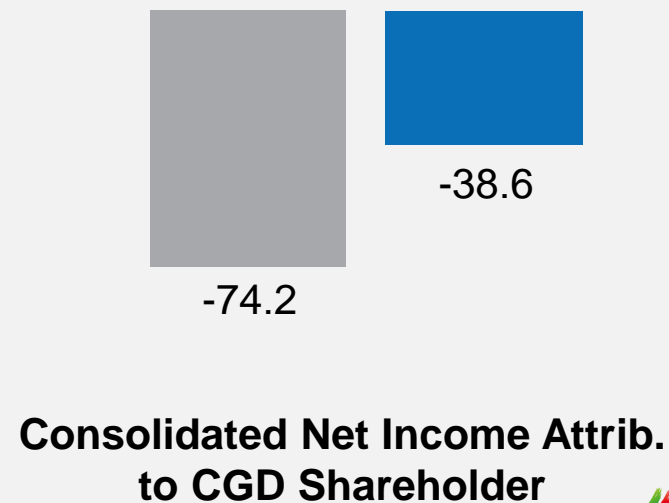
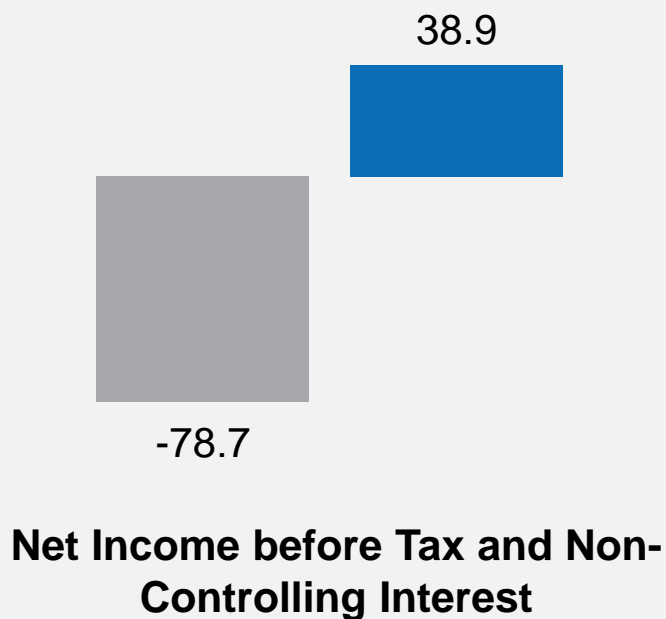


## Consolidated Net Income improved

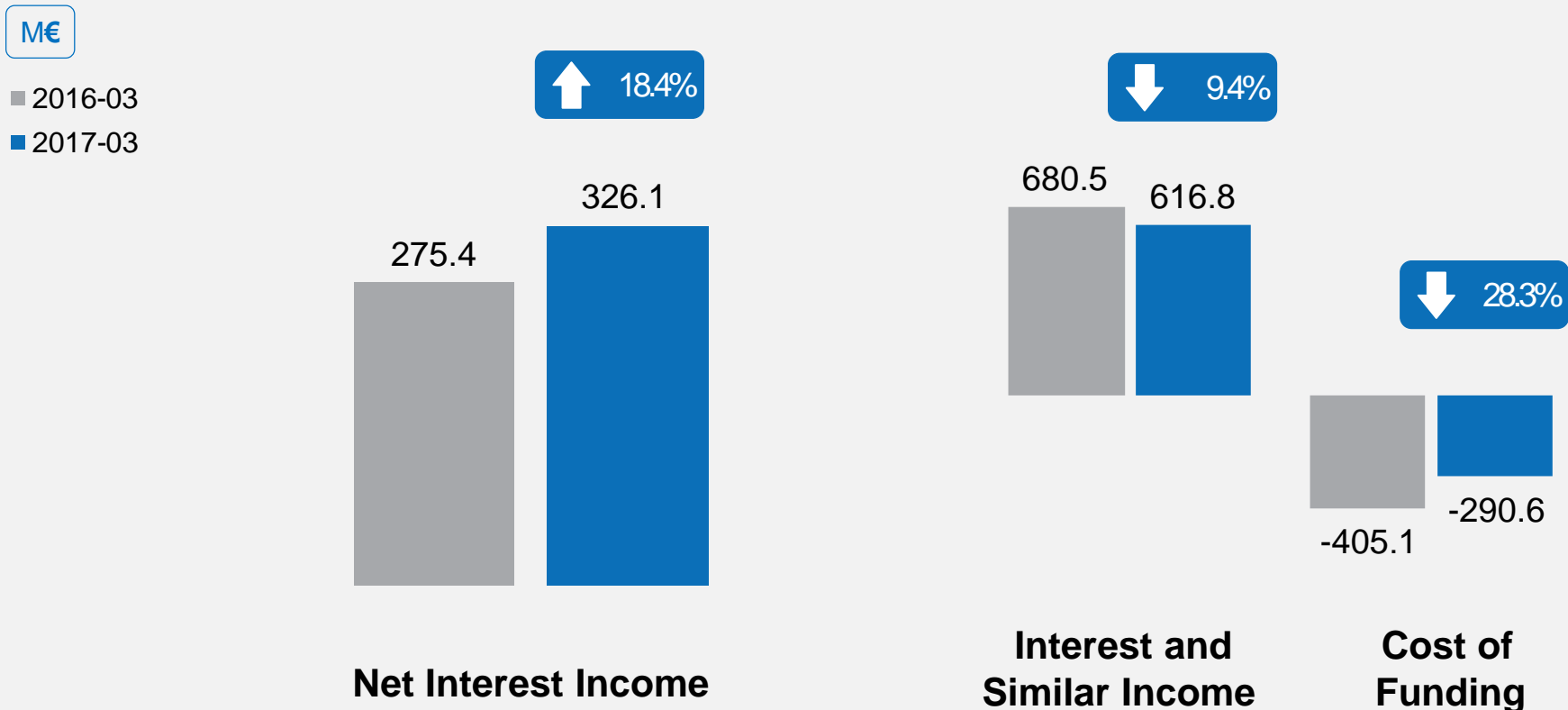
M€

■ 2016-03

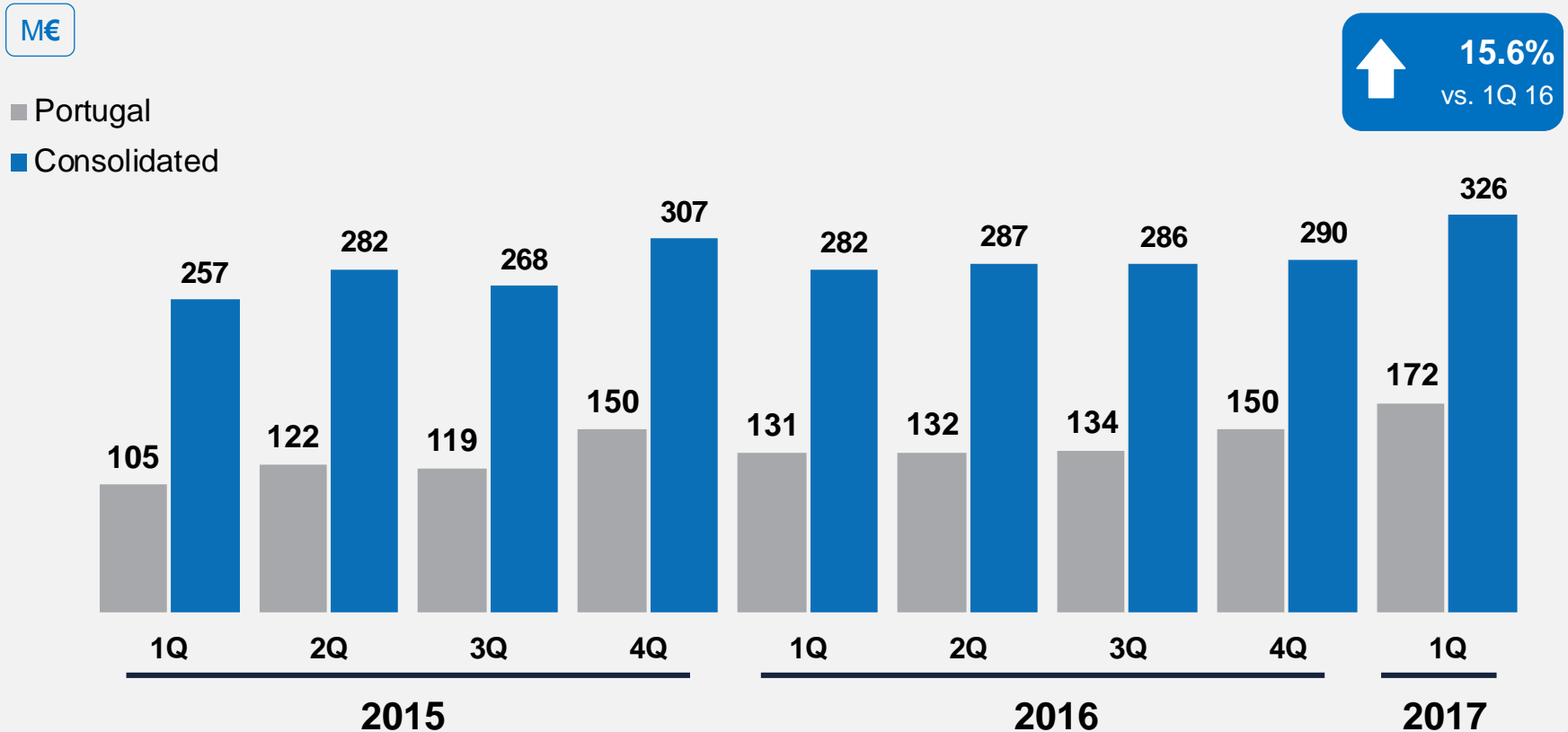
■ 2017-03



## Net Interest Income up 18.4% benefiting from the reduction in funding costs...



## Quarterly Net Interest Income with positive evolution

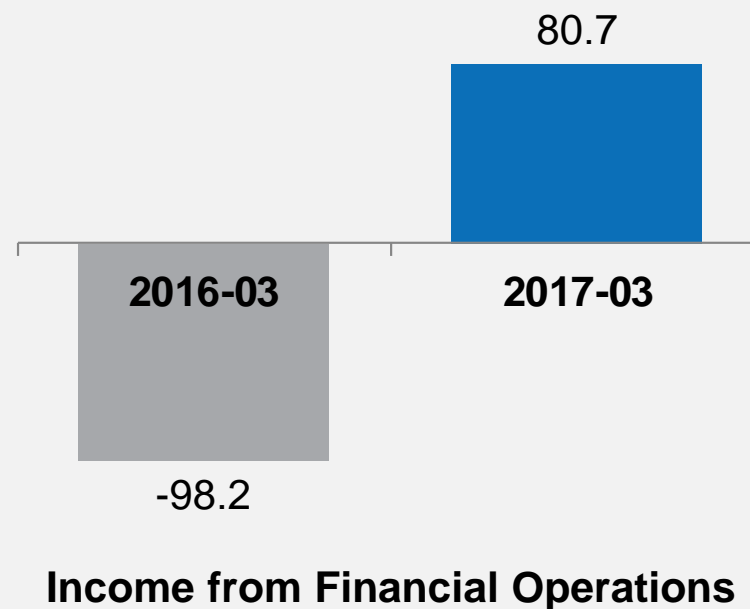
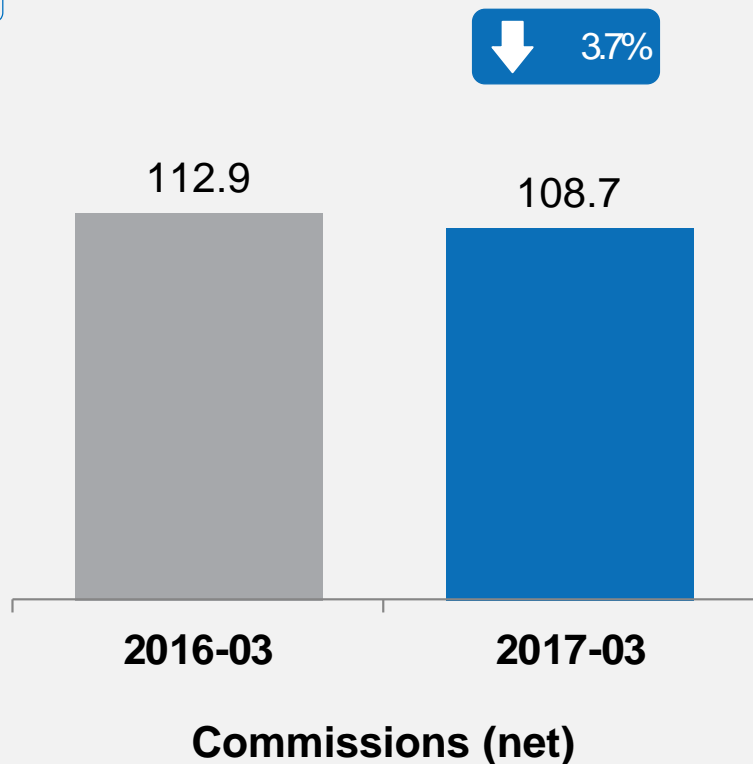


Note: Values refer to disclosure date accounts



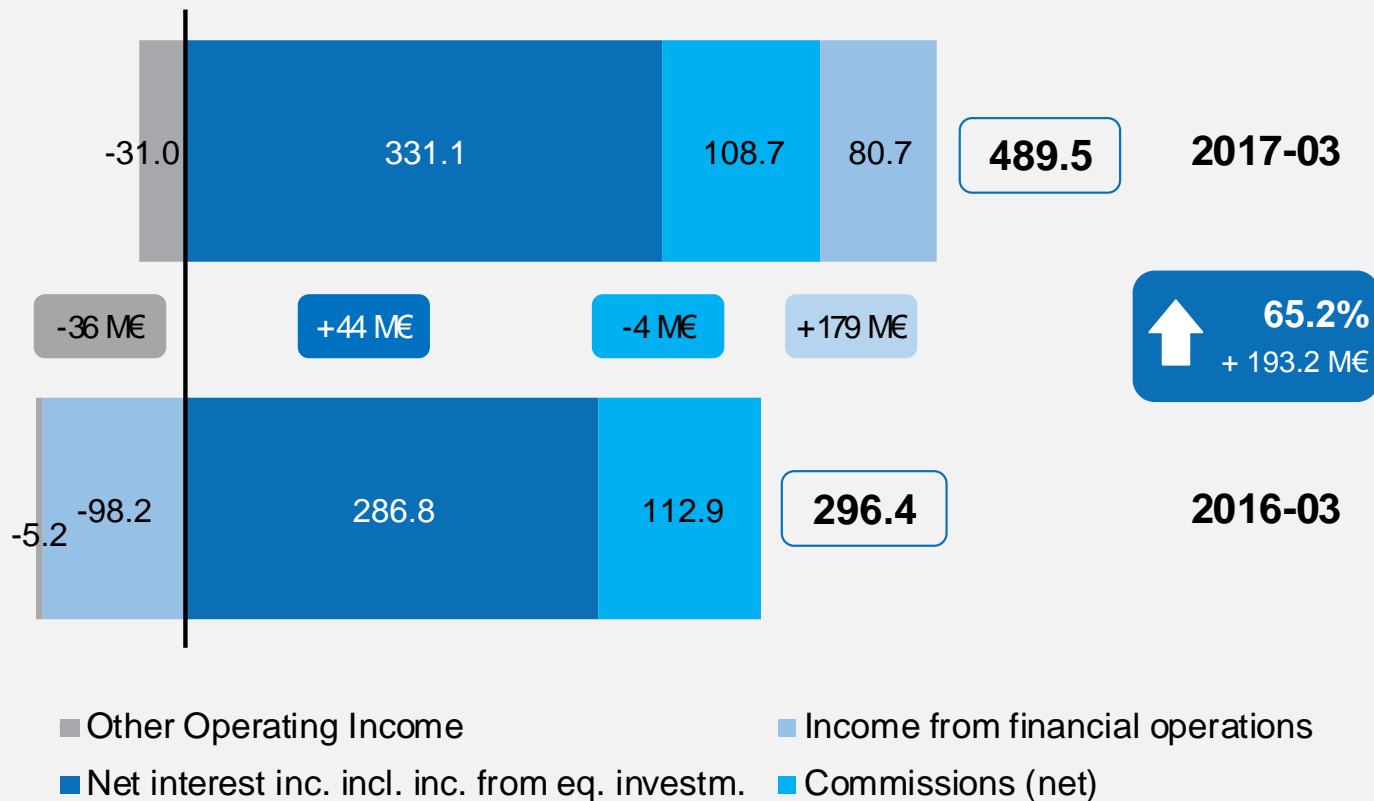
# Commissions and Income from Financial Operations

M€



## Total Operating Income was influenced by Net Interest Income and Income from Financial Operations

M€

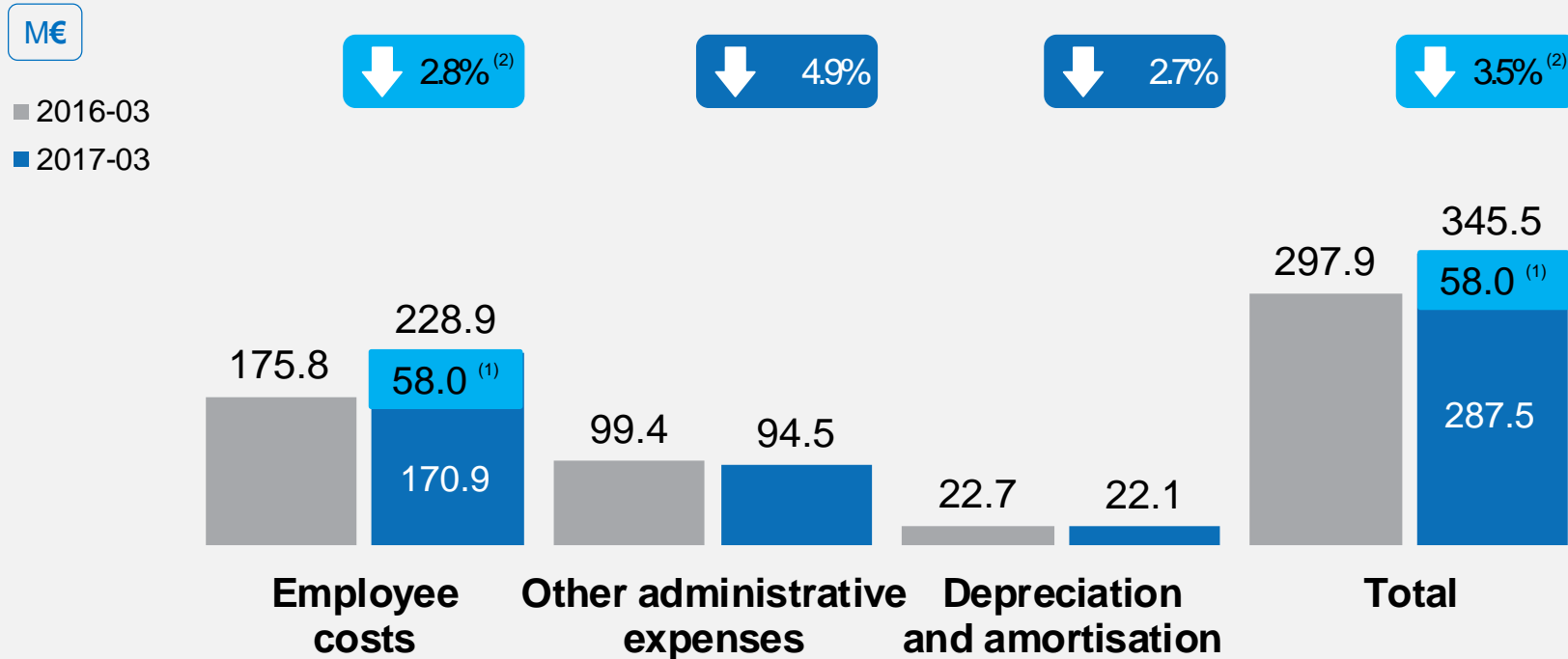


- Other Operating Income
- Net interest inc. incl. inc. from eq. investm.
- Income from financial operations
- Commissions (net)





## Lower Consolidated recurrent Operating Costs...



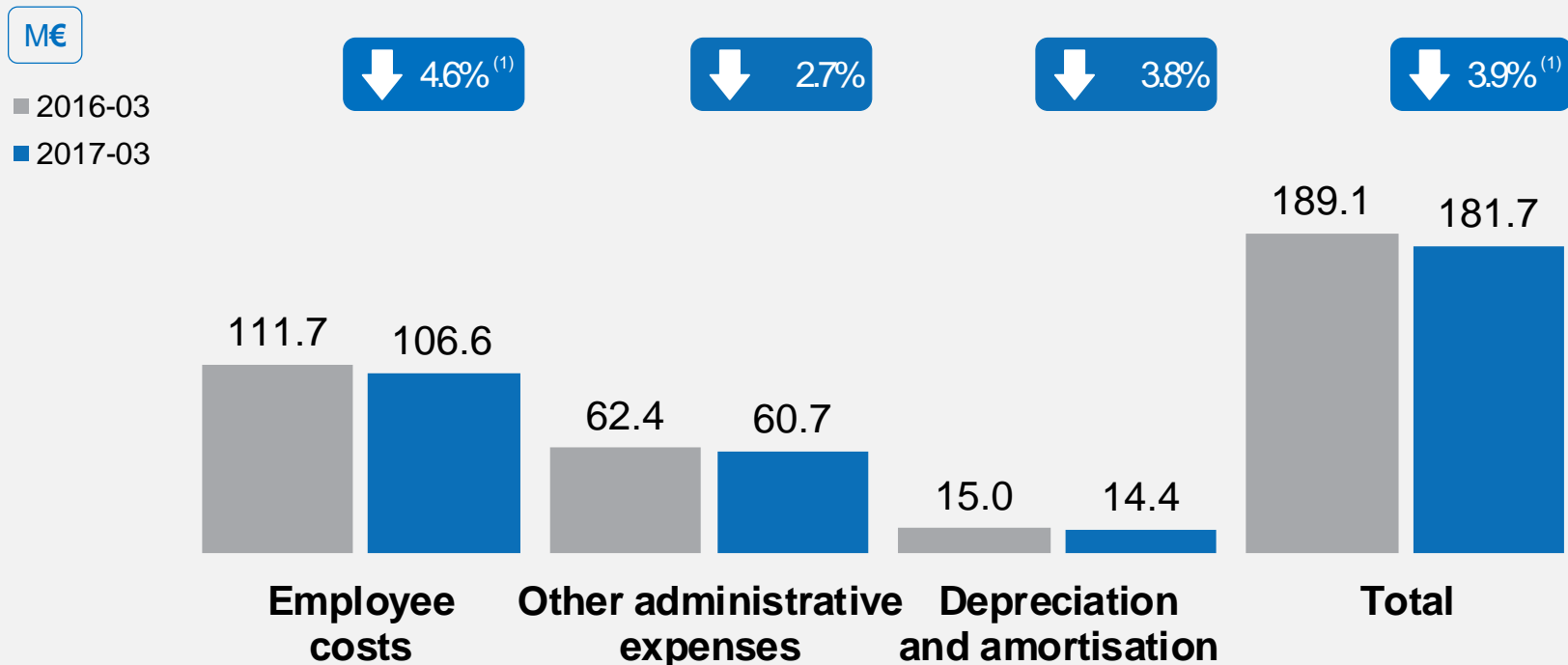
### Operating Costs – Consolidated Activity

(1) Non recurrent cost of 58 M€ concerning the provision for the 2017 early retirement program

(2) Excluding the non recurrent cost



## ... the same happening in Portugal



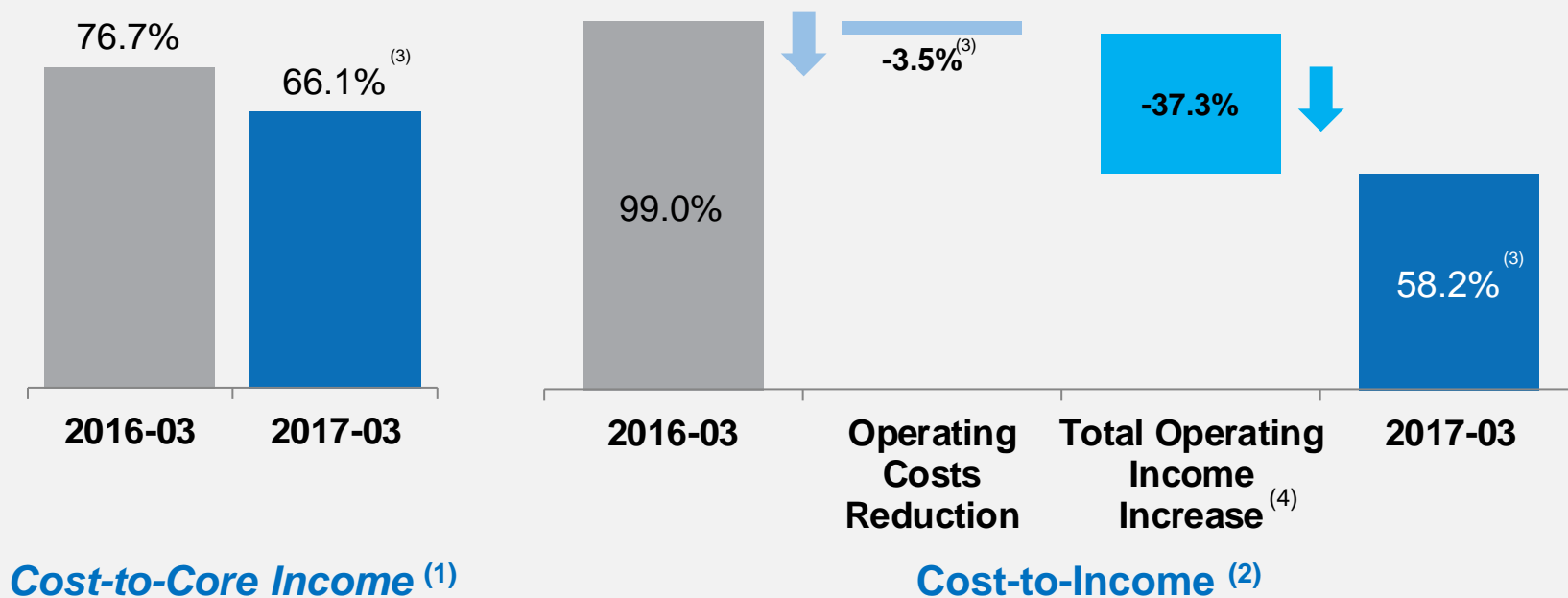
### Operating Costs – CGD Portugal

(1) Excluding the non recurrent cost of 58 M€ concerning the provision for the 2017 early retirement program



# Cost-to-Income improvement

%



(1) Operating Costs / (Net Interest Income + Commissions (net))

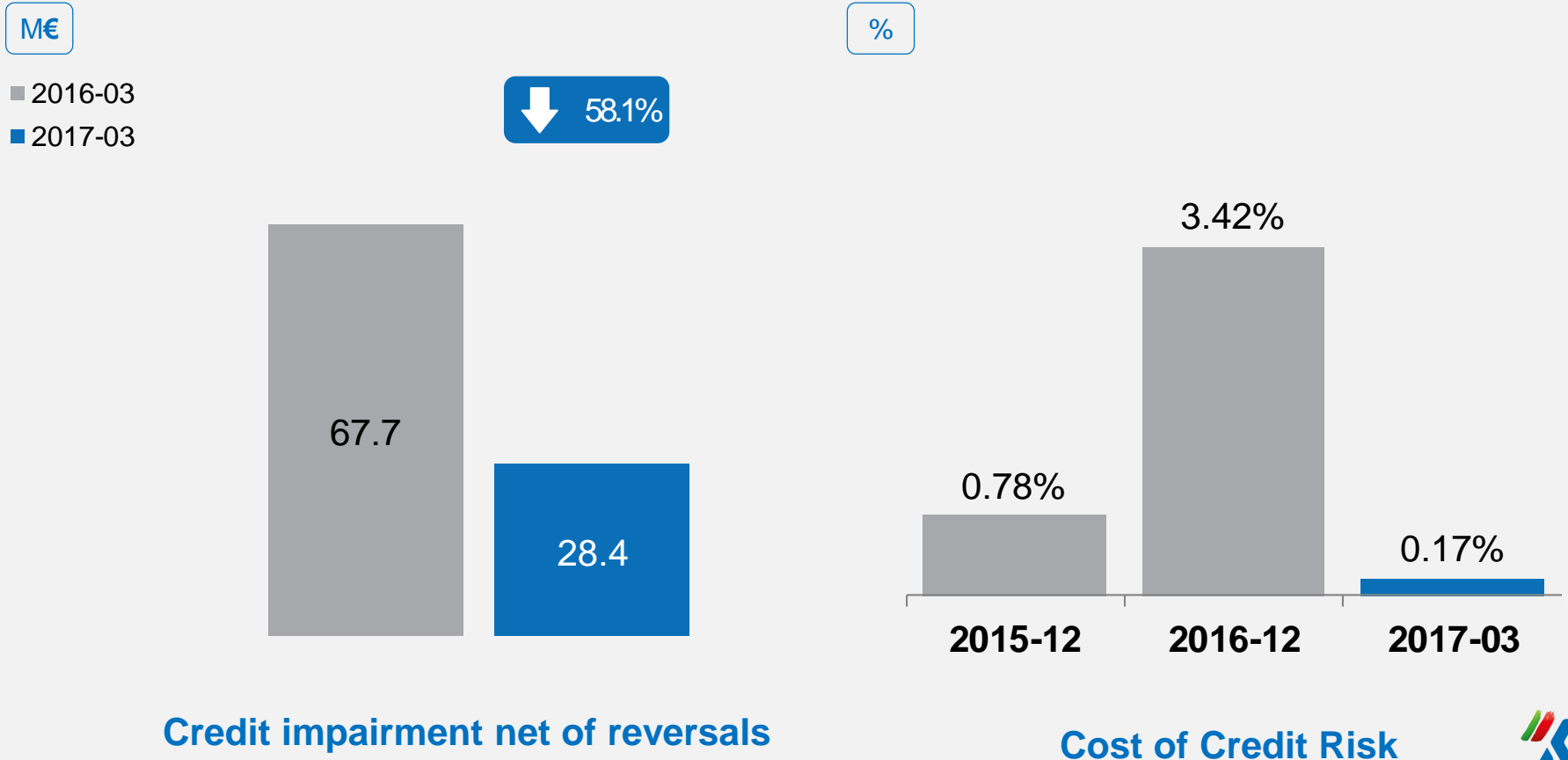
(2) Ratio defined by the Bank of Portugal Instruction 23/2012 [Operating Costs / (Total Operating Income + Income From Associated Companies)]

(3) Excluding the non recurrent cost of 58 M€ concerning the provision for the 2017 early retirement program

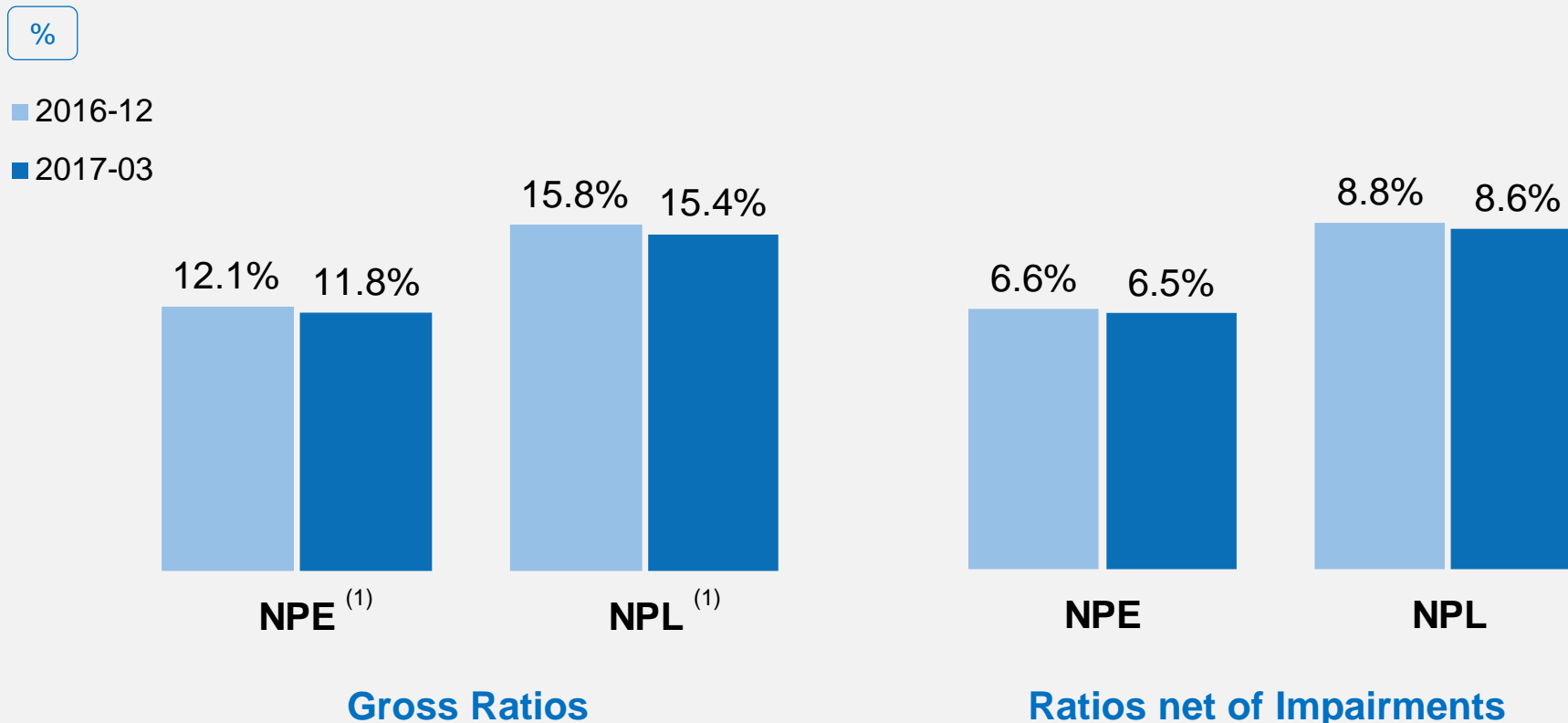
(4) Includes the cross effect of cost reduction and income increase



# Impairments reducing with contained Cost of Credit Risk



## NPE and NPL decreasing

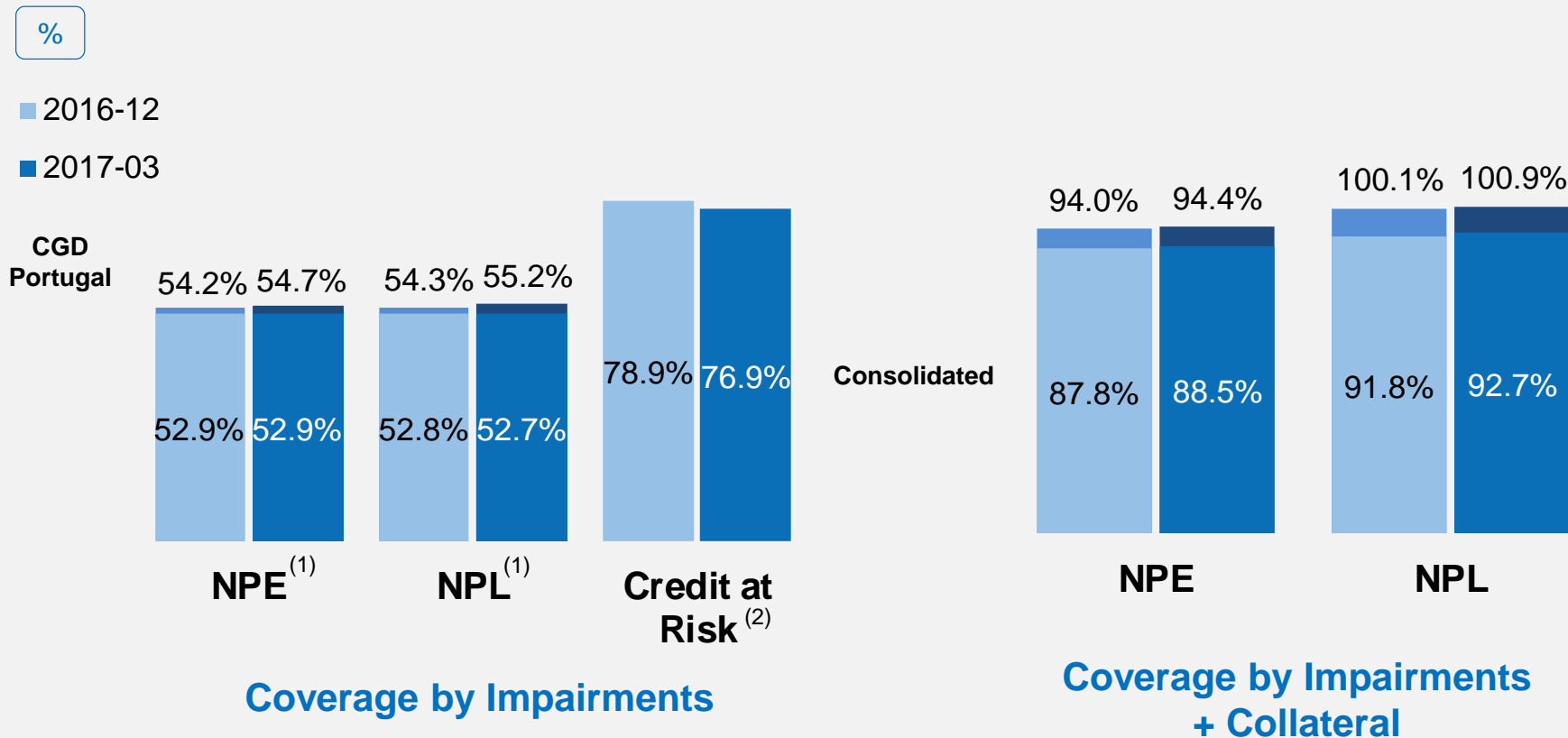


(1) NPE – Non Performing Exposure – EBA definition

NPL – Non Performing Loans – EBA definition



# Reinforced NPE, NPL and Credit at Risk Coverage



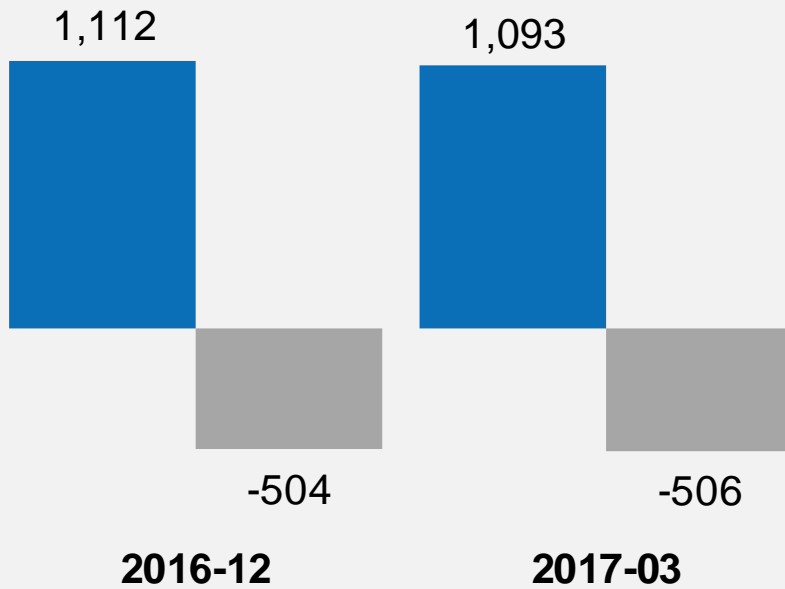
(1) NPE – Non Performing Exposure – EBA definition      NPL – Non Performing Loans – EBA definition  
 (2) Ratio as defined by Bank of Portugal – Instruction 23/2012



# Foreclosed Assets (Real Estate)

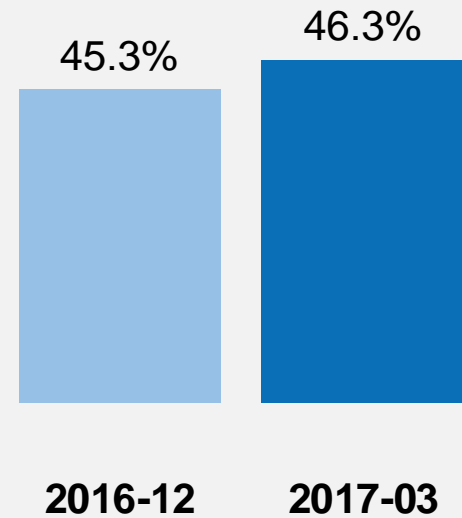
M€

%



Foreclosed Assets (Real Estate)

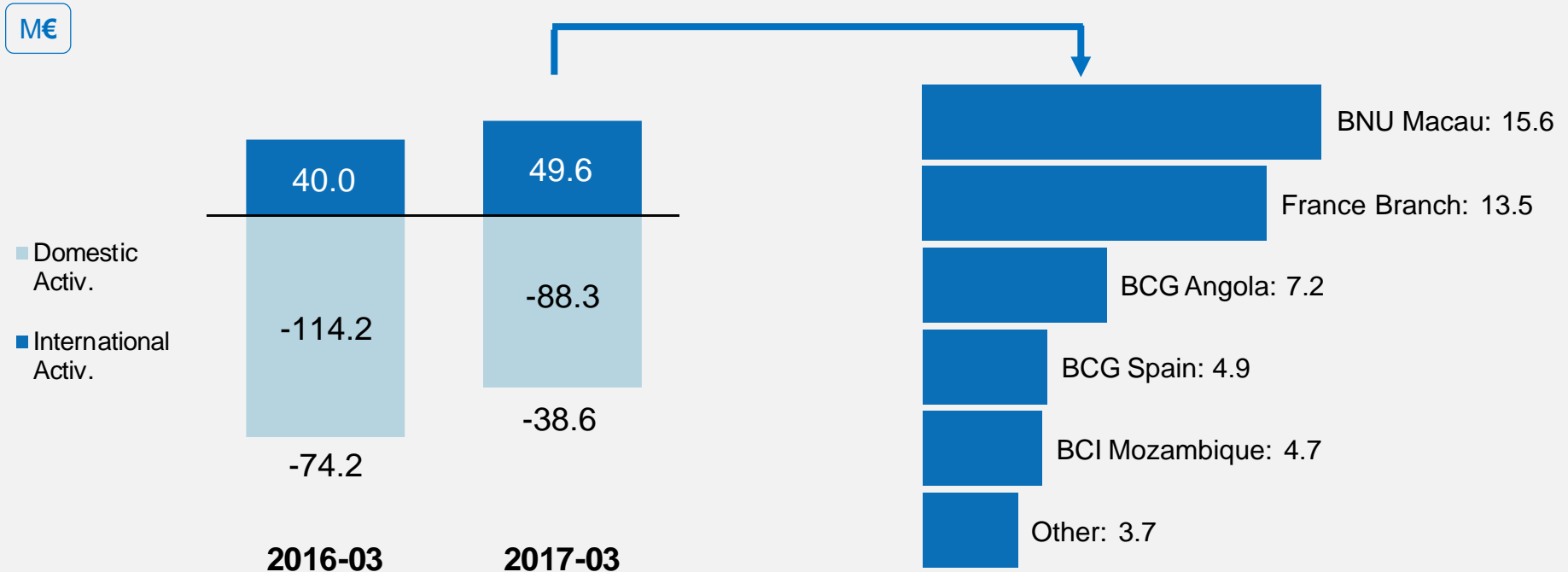
■ Foreclosed Assets (Real Estate) ■ Impairment



Coverage by Impairments



## Important contribution from international activity



**Net Income attrib. to CGD Shareholder**  
(International activity contributions)





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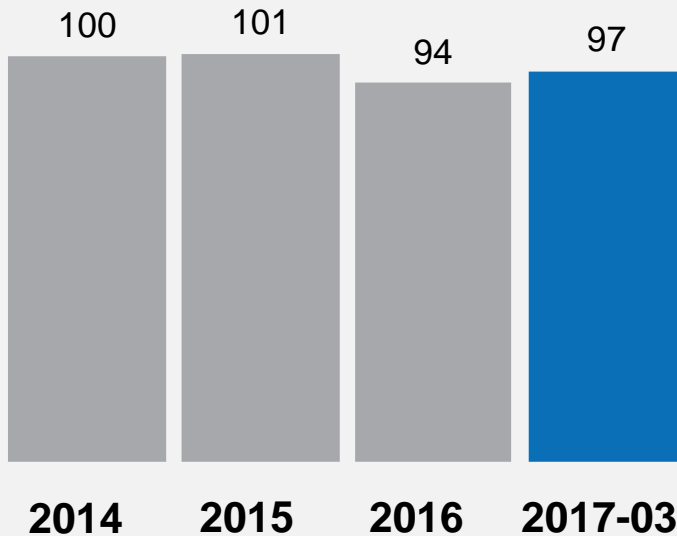
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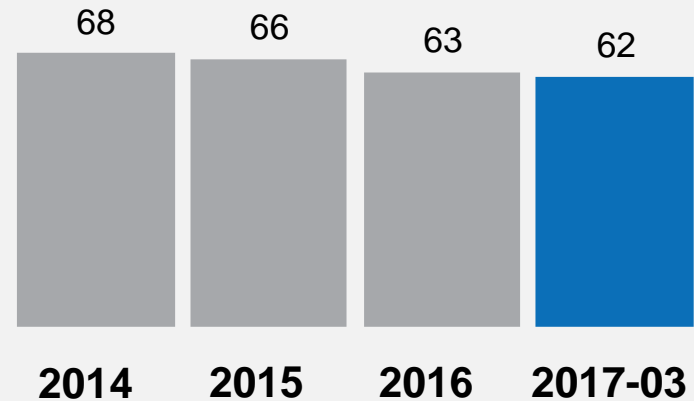
## Balance Sheet is stable

B€

### Total assets (net)



### Loans and adv. to customers (net) \*

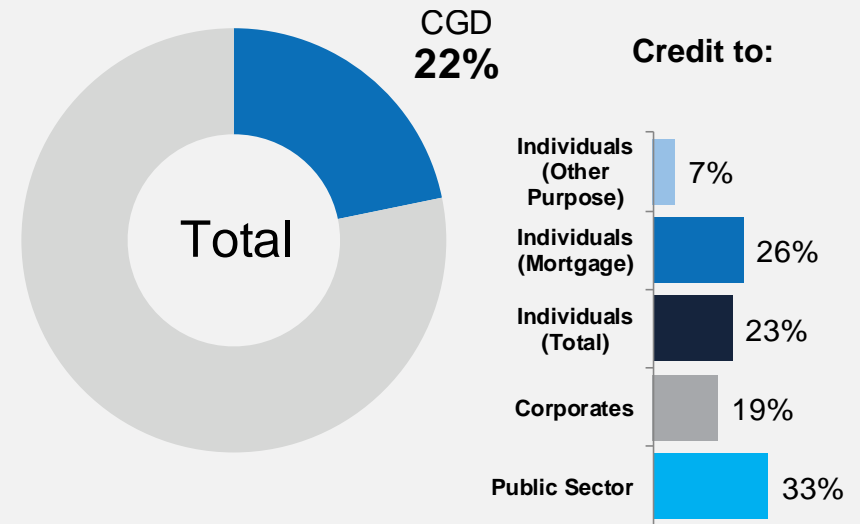
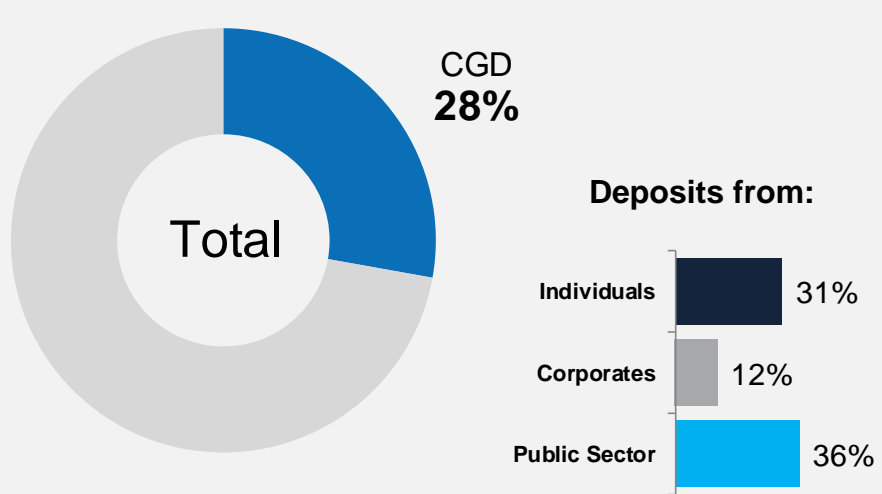


\* Including assets with repurchase agreement



## Market leader in Portugal

%



Source: Bank of Portugal



## Quarterly initiatives streamline business and strengthen relationships



### “Fora da Caixa” Events

Porto;  
Santarém.



### Caixa BI bookrunner

REN share capital increase.



### Streamlining products

Fixed rate mortgage loans;  
Leader in “Capitalizar” Credit Lines;  
Leader in Treasury Bonds;  
New life insurance;  
Agribusiness.



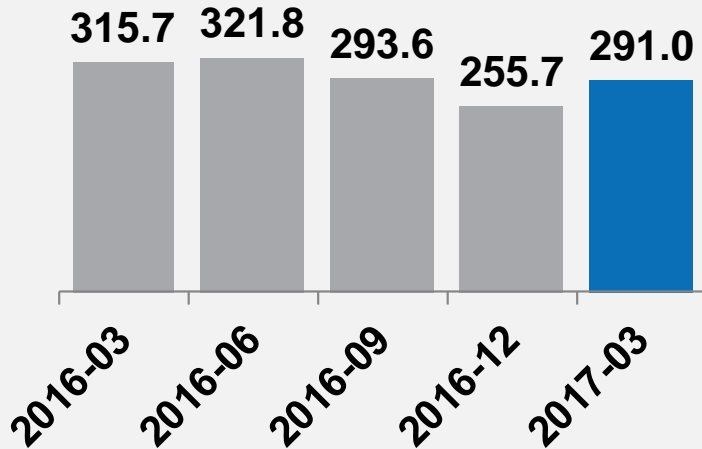
### Operational efficiency

Optimization of Processes;  
New commercial systematic.

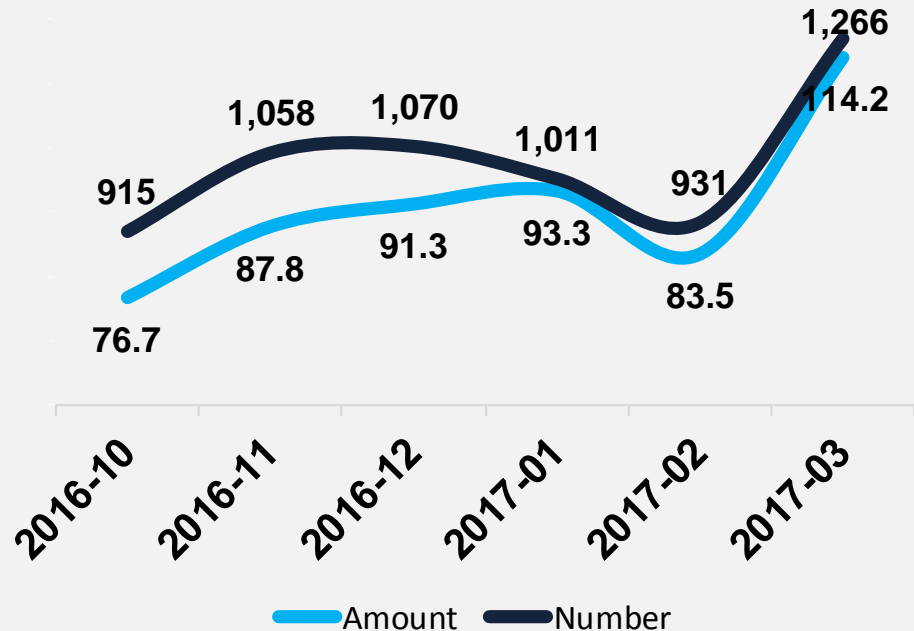


# Mortgage loans new operations

M€



**Mortgage Loans  
New Operations**  
(Quarterly)  
Portugal Branch Office Network

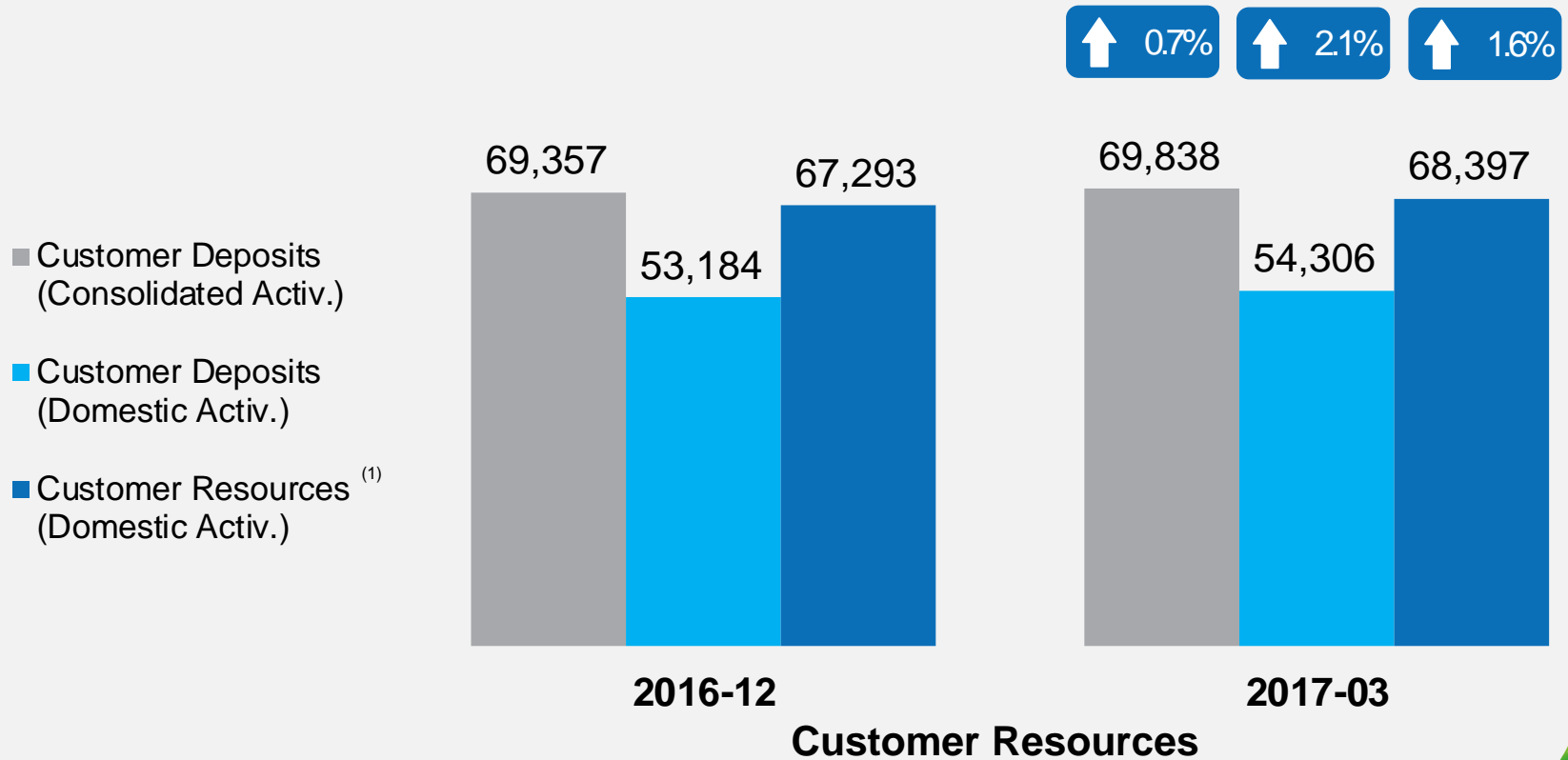


**Mortgage Loans  
New Operations**  
(Monthly)  
Portugal Branch Office Network



## Resilient customer resources

M€



(1) Including deposits, investment funds, bancassurance, floating rate bonds and other bonds



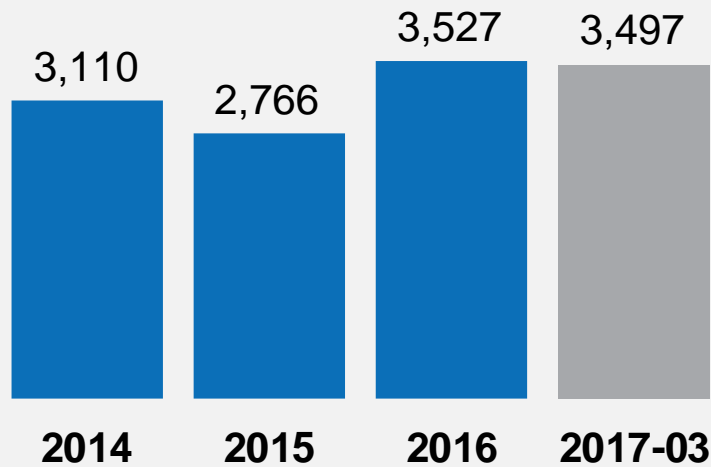
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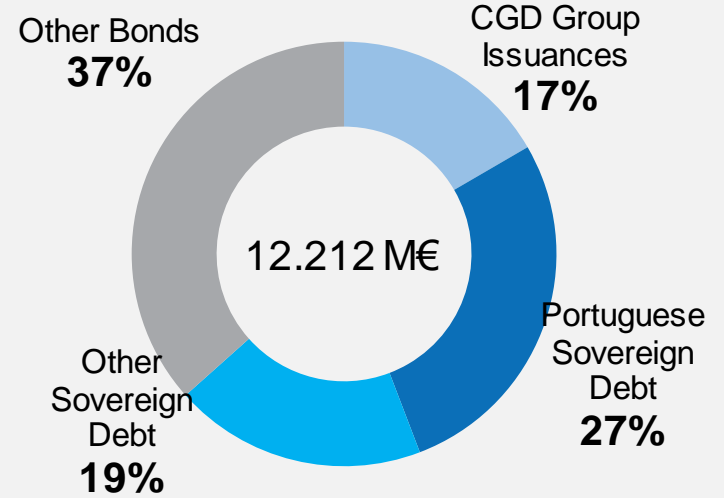
## ECB funding stabilized...

M€



ECB Funding

%



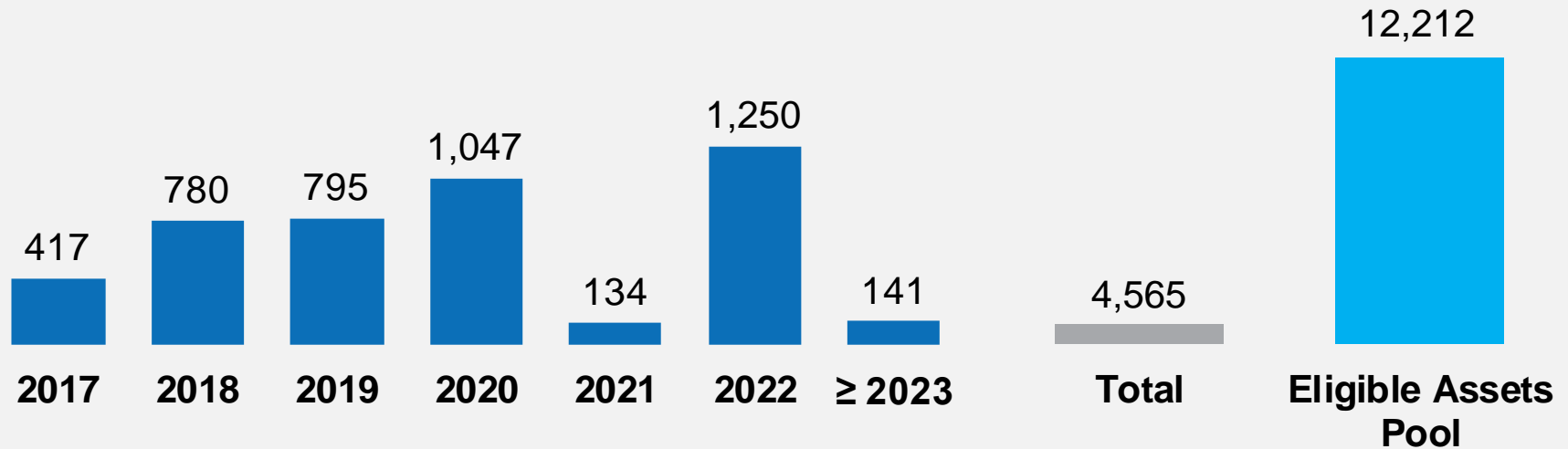
Eligible Asset Pool





## ...wholesale maturities fully covered by Eligible Assets Pool

M€



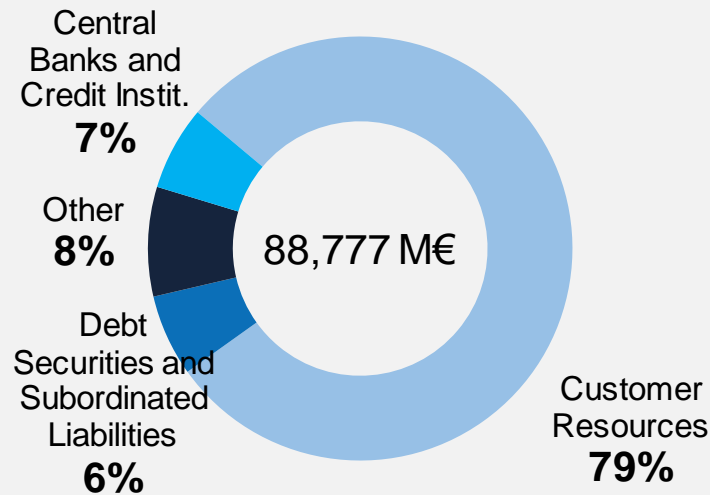
Annual maturities of Wholesale Debt



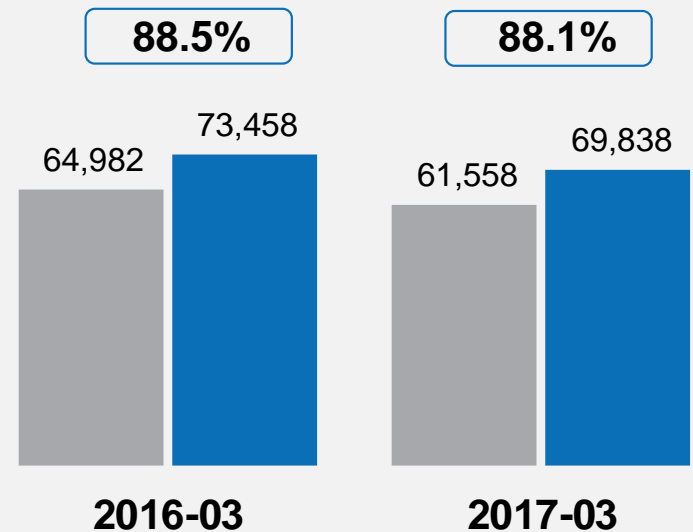
## Solid funding structure based on retail banking

%

M€



Funding Structure

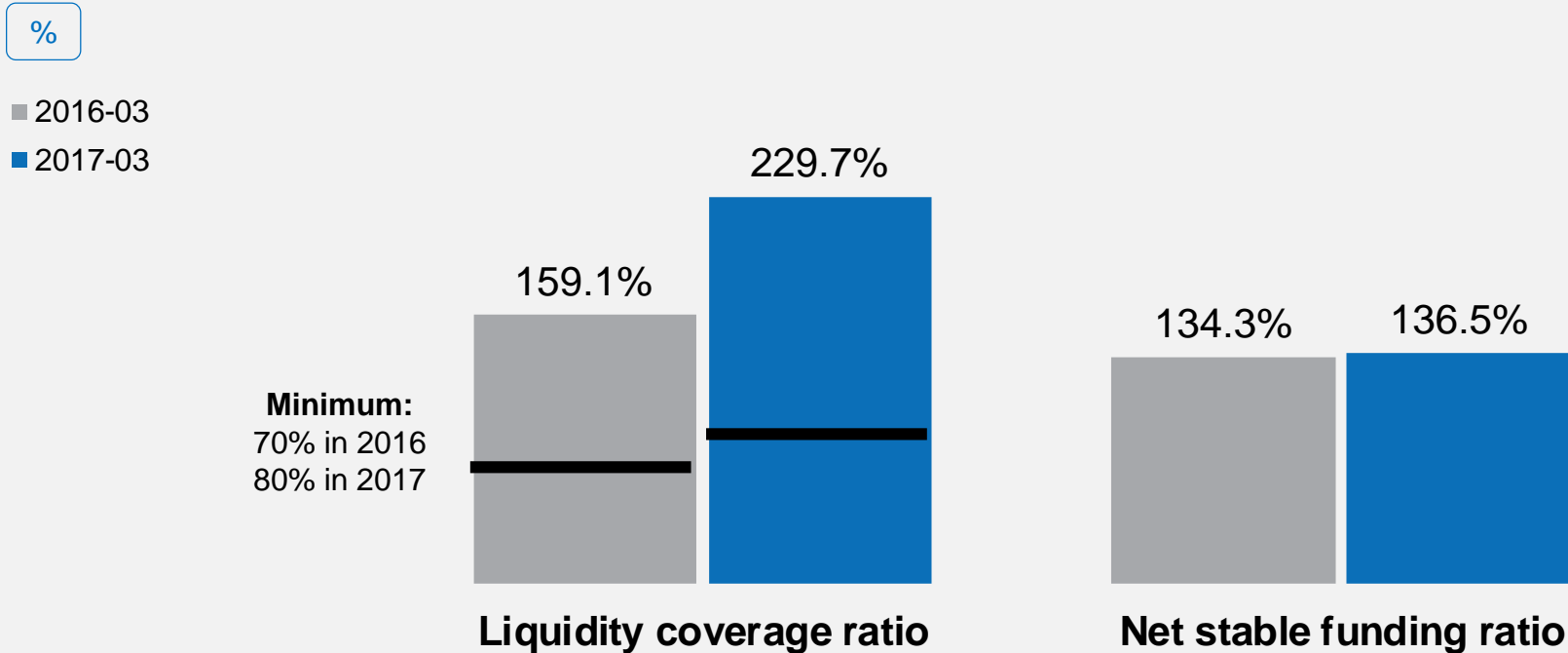


Loans-to-Deposits Ratio

■ Loans and Adv. to Customers (net)  
■ Customer Deposits



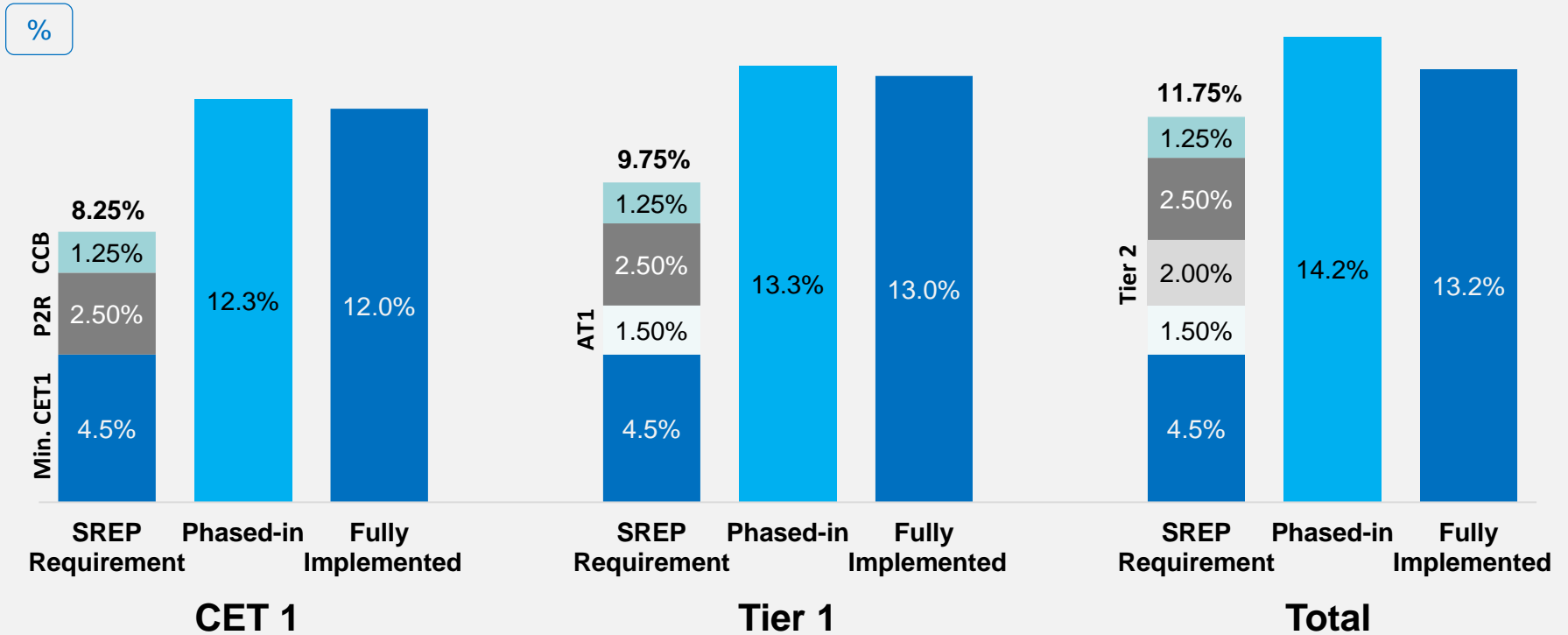
## Comfortable liquidity ratios



### Liquidity Ratios



# Adequate Capital Ratios

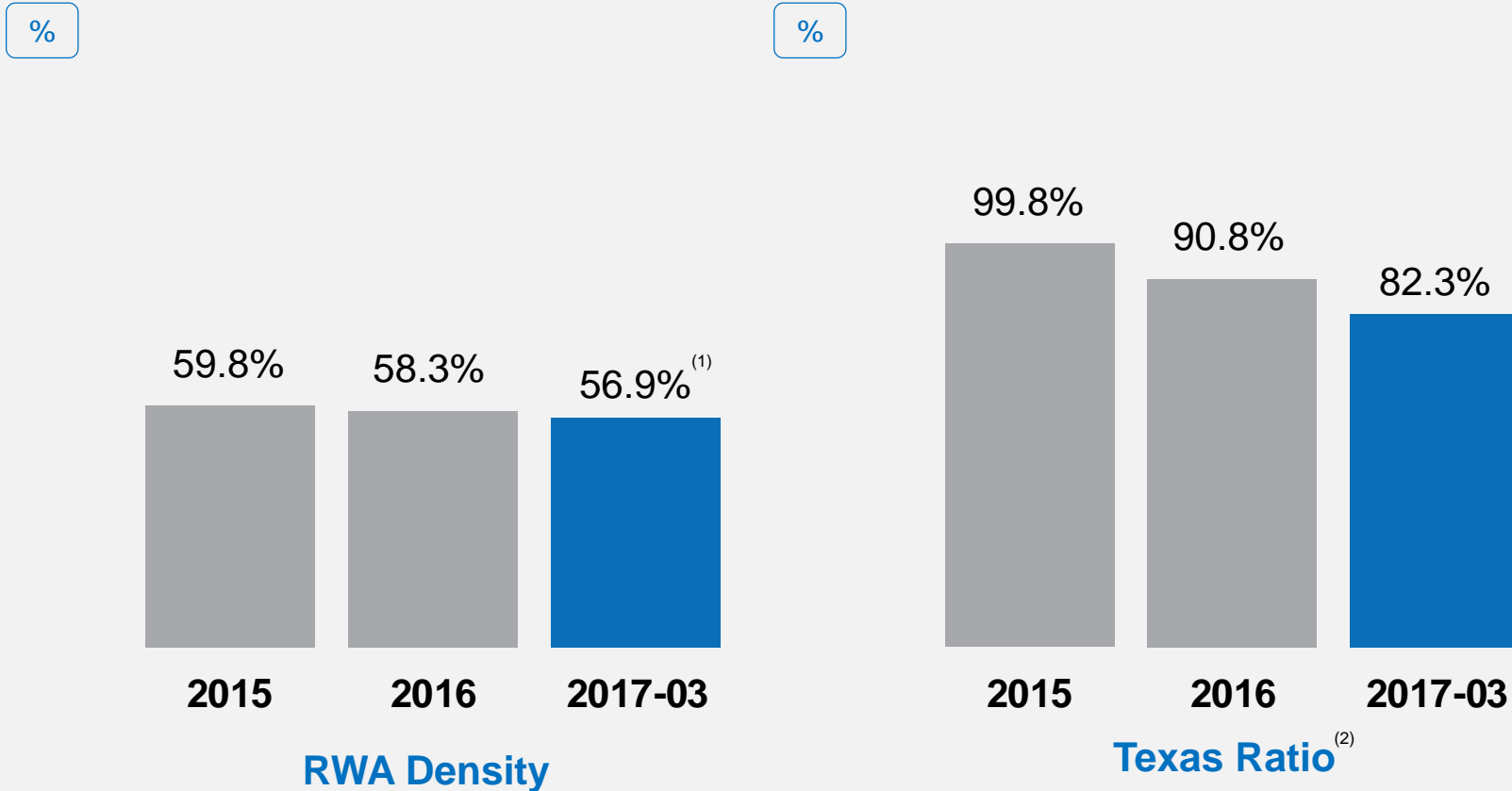


Phased-in Leverage Ratio  
 2017-03: 7.37%  
 2016-12: 7.95%

## SREP 2017 Requirements and CGD Capital Ratios in 1<sup>st</sup> Quarter 2017



## High RWA density, Texas Ratio improving

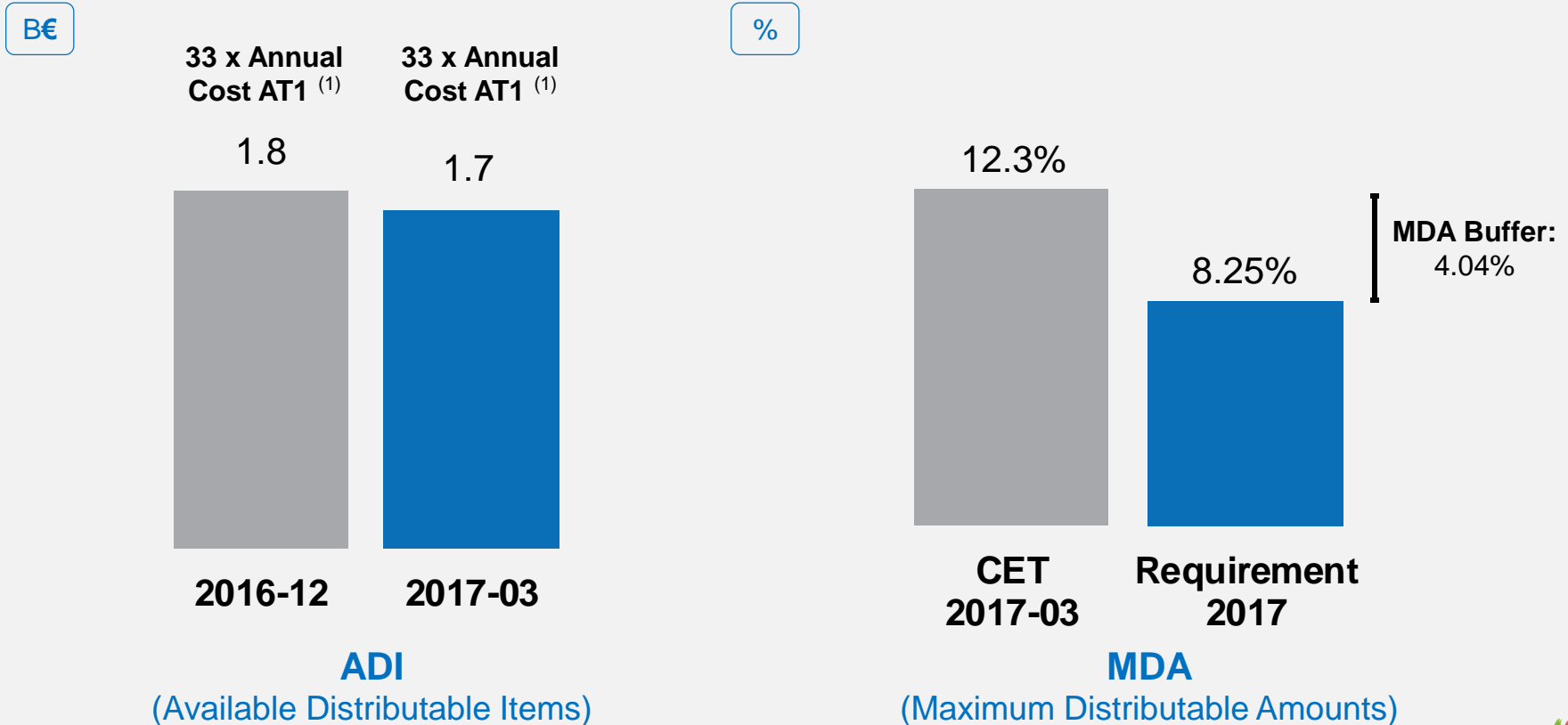


(1) RWA of 54,998 M€

(2) Texas Ratio = Non Performing Exposure EBA / (Impairments + Tangible Equity)



## ADI and MDA



(1) 10.75% coupon for current 500 M€ AT1 issuance



## Executive Summary

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- 2. Operational Activity** - Core operating income and total operating income were up 63% and 65% over the same period of 2016, with cost-to-income (excluding non-recurrent costs) reducing to 58% in the 1st quarter 2017.
- 3. Asset Quality** - Positive evolution in 1st quarter 2017 of NPE and NPL ratios and its coverage by impairments and collateral.
- 4. Results** - Net losses were made in the quarter, but recurring net income amounted to 3.5 million euros.
- 5. Liquidity and Solvency** - CGD maintained a highly comfortable liquidity position with total financing from the ECB remaining stable. ADI and MDA levels remained high.



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# Disclaimer

*This document is intended to disclose general information, and does not constitute investment recommendation or professional guidance, nor can be interpreted as such. The values refer to 31 March 2017, except otherwise stated.*





# THANK YOU



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