

Presentation

Consolidated Results

1st Half 2017

28th July 2017

Unaudited financial information
Investor Relations Office



Caixa Geral de Depósitos

Agenda

- **Highlights**
- **Results**
- **Balance Sheet**
- **Asset Quality**
- **Liquidity**
- **Capital**



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

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1st Half 2017 Highlights

1	Recapitalisation Plan Conclusion	Consolidation of capital position with a 4,444 M€ reinforcement...	Capital Ratios (Phased-in): CET1: 12.7% Tier 1: 13.7% Total: 14.6%
2	Efficiency and Profitability	... provides a positive starting point to implement the Strategic Plan...	Evolution 1H 2017 vs. 1H 2016: Net Interest Income: +18% Recurrent Operating Costs: -5% Total Operating Income: +57%
3	Asset Quality	... consistent performance reduces non-productive assets...	NPE and NPL Evolution vs. Dec. 2016: NPE: 10.7% (-1.4 pp) NPL: 13.6% (-2.2 pp) NPE Coverage: 52.1% NPL Coverage: 52.1% Cost of Credit Risk: 0.16%
4	Liquidity	... with a wide base of available funding.	Deposits: 79% of Liabilities Pool of available Collateral: 12 B€ LCR: 222% Loans-To-Deposits: 87%



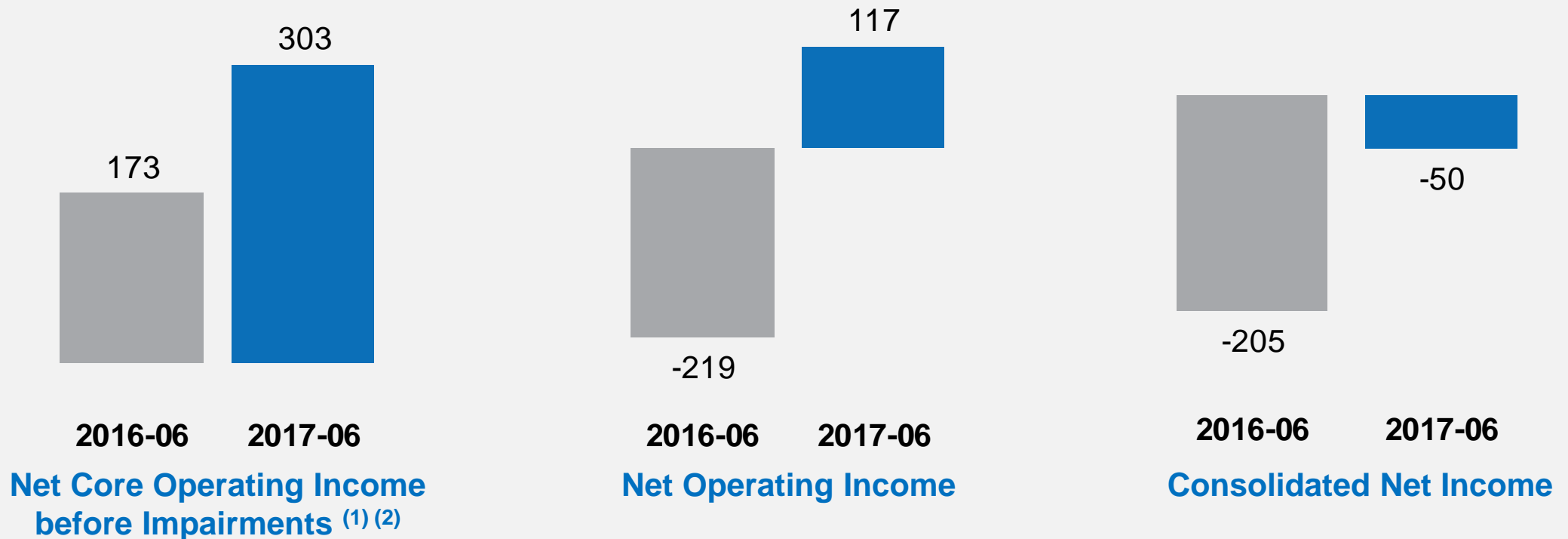
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Improving profitability...

M€



(1) Net Core Operating Income before Impairments = Total Core Operating Income - Operating Costs

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

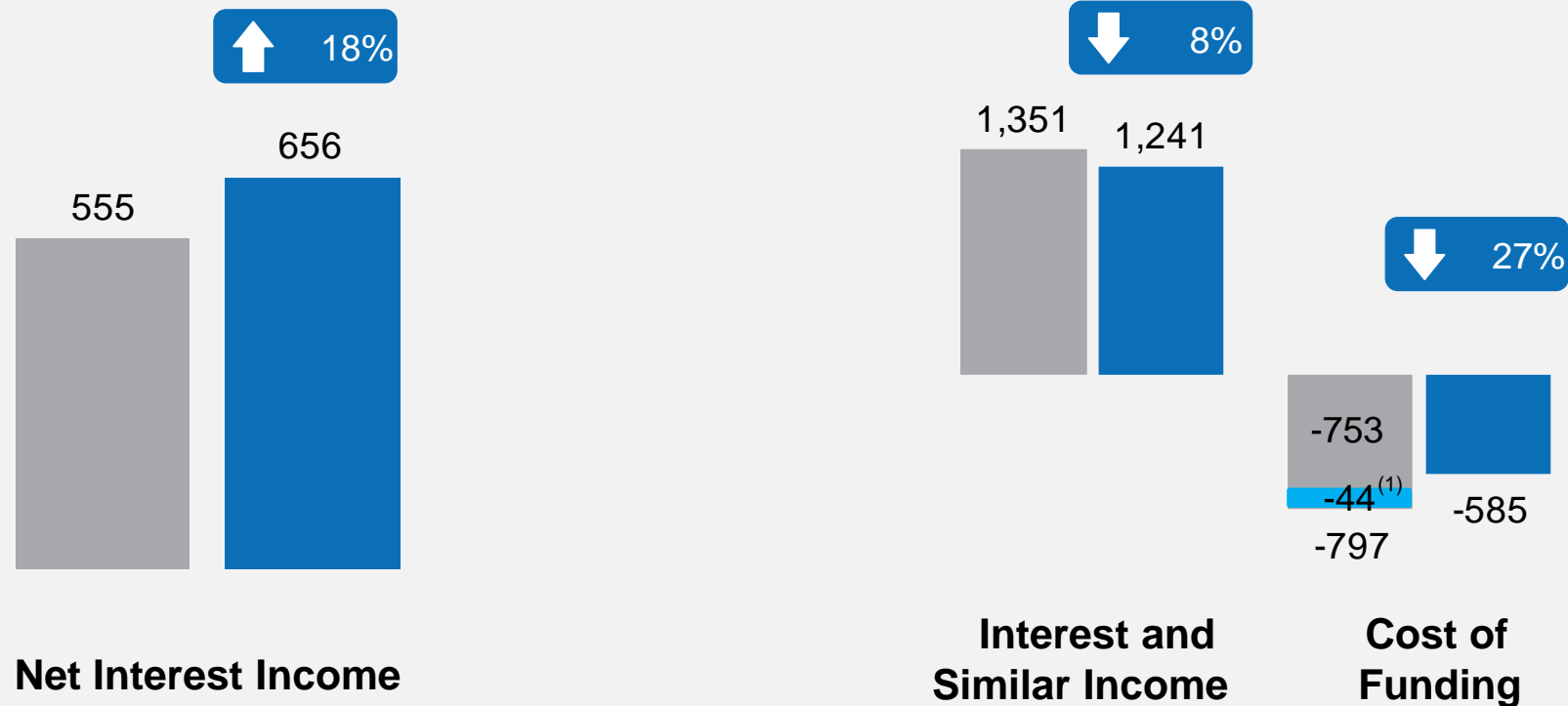
(2) Excluding the non-recurrent staff costs related to the early retirement program and the termination program by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively;



Net Interest Income benefiting from the reduction in funding costs...

M€

■ 2016-06
■ 2017-06



(1) Interest paid for the 2012 subordinated bonds issuance (CoCos).



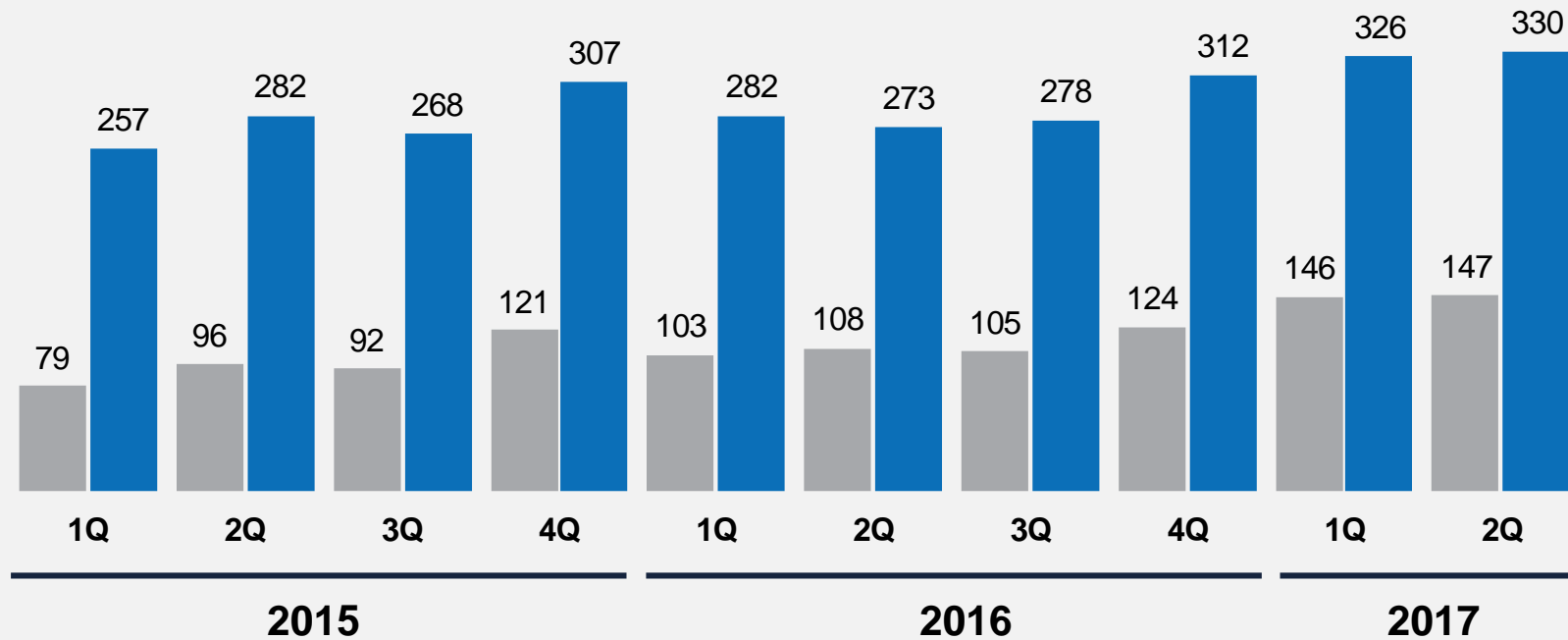
... and keeping quarterly positive evolution

M€

■ CGD Portugal

■ Consolidated

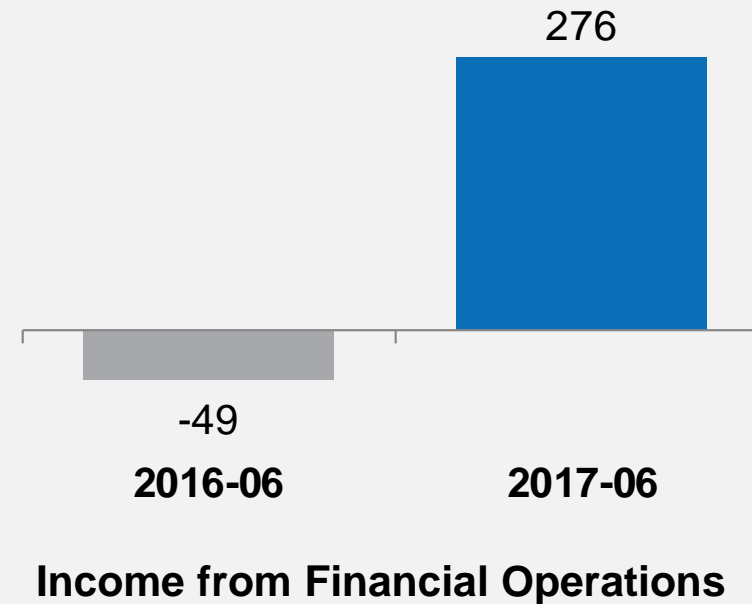
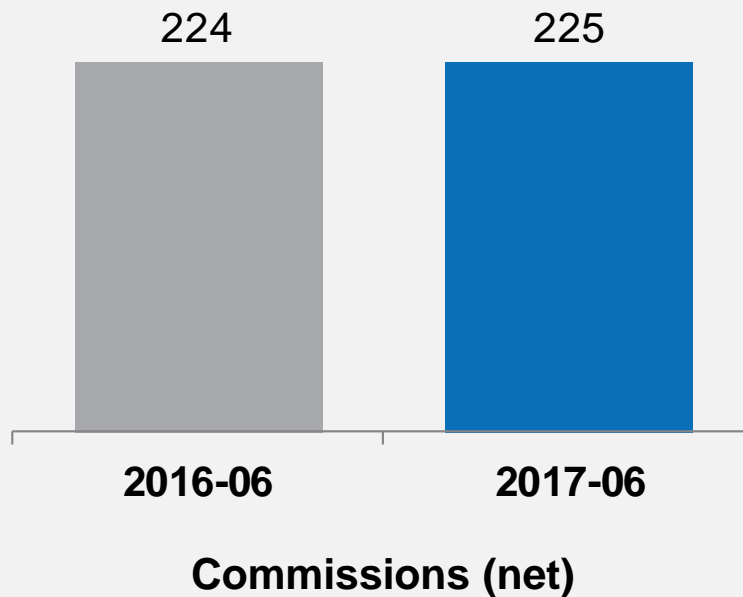
Net Interest Income



Note: Values refer to disclosure date accounts

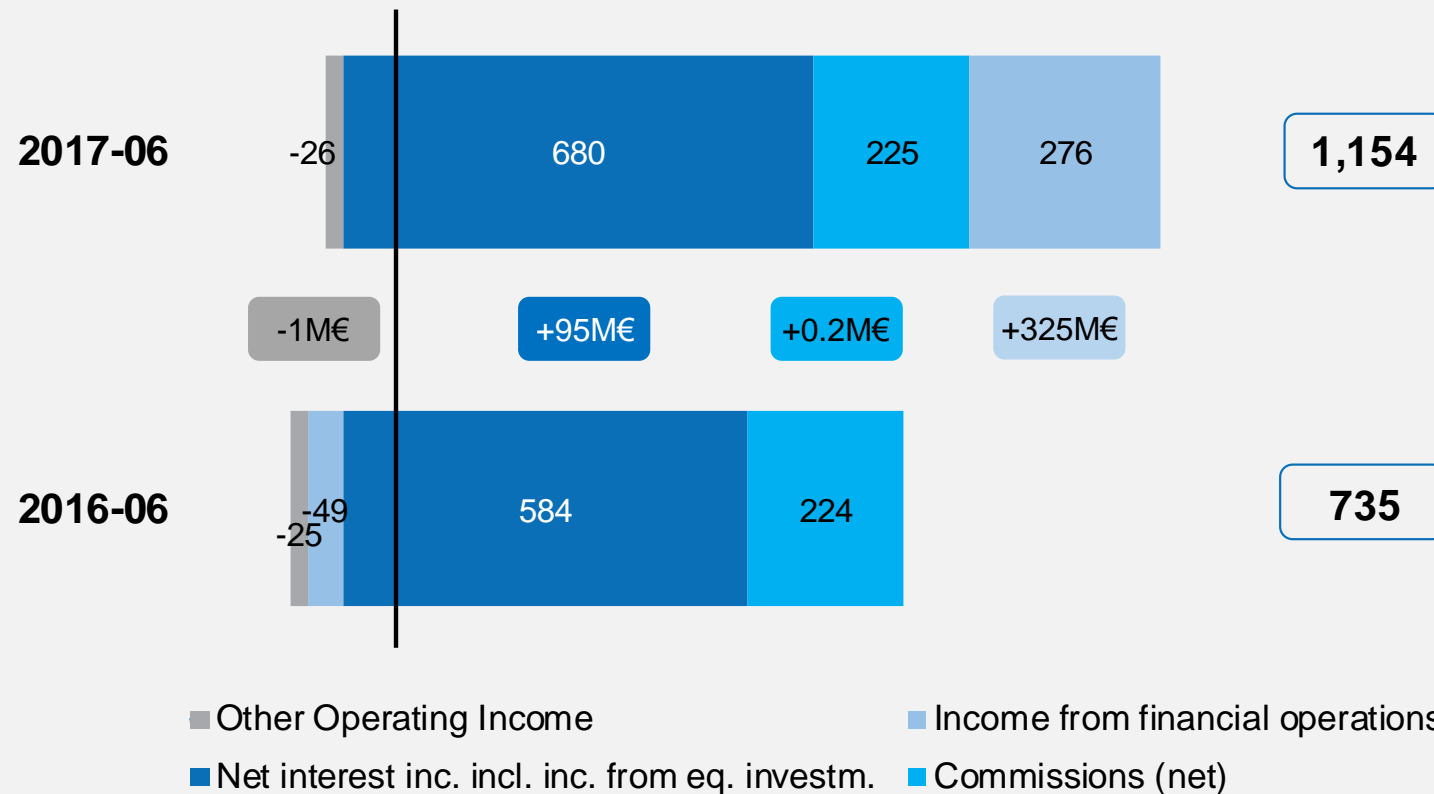
Commissions stabilize and Income from Financial Operations show strong growth...

M€

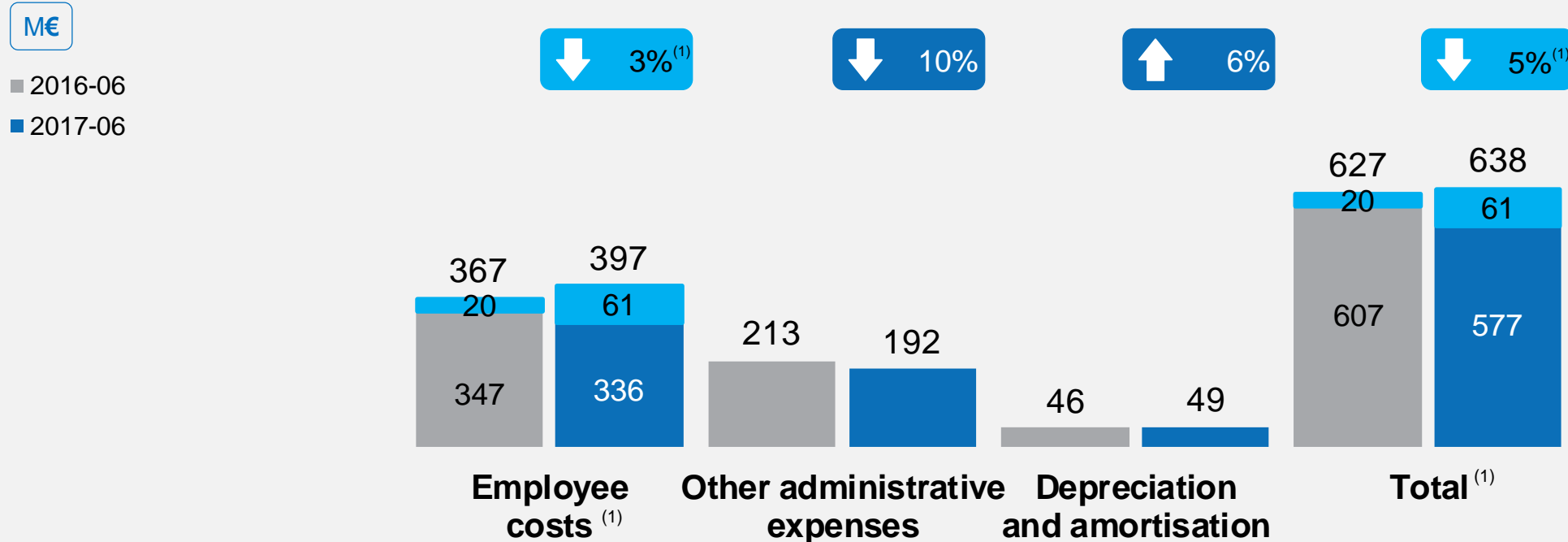


Total Operating Income was influenced by Net Interest Income and Income from Financial Operations...

M€



Lower recurrent Operating Costs at consolidated level...



(1) Excluding the non-recurrent staff costs related to the early retirement program and the termination program by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively.

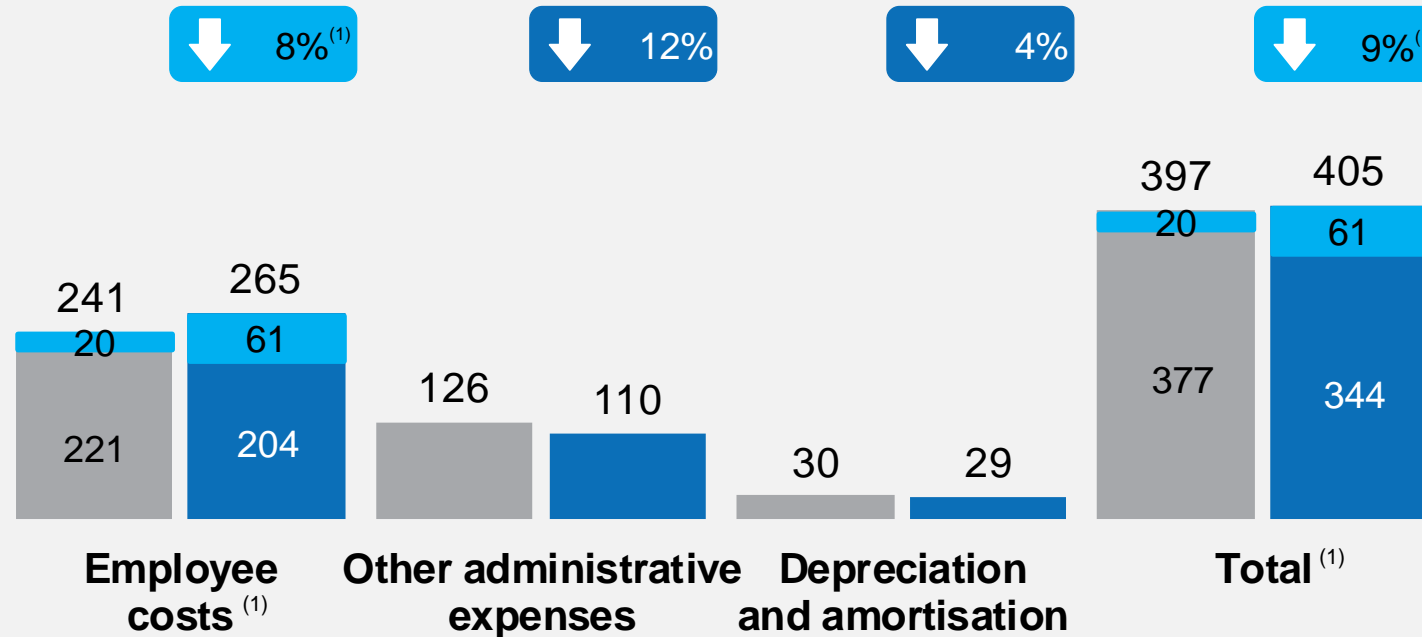


...and also lower recurrent Operating Costs in Portugal

M€

■ 2016-06

■ 2017-06



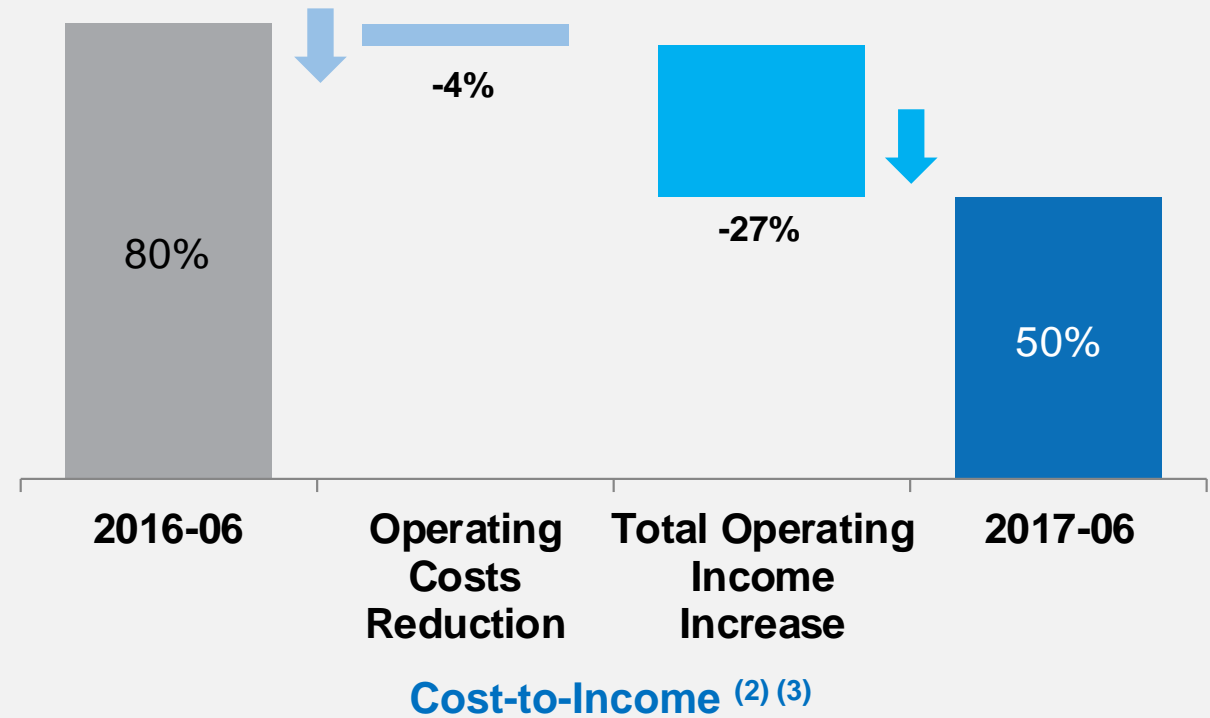
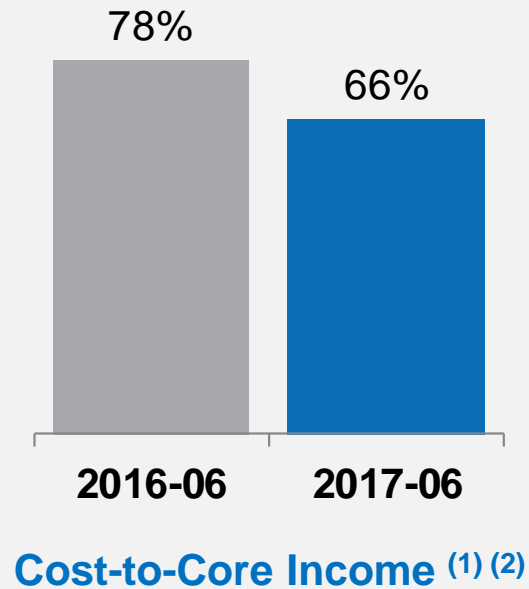
Operating Costs – CGD Portugal



(1) Excluding the non-recurrent staff costs related to the early retirement program and the termination program by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively.

Cost-to-Income continues its downwards path...

%



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

(2) Excluding the non-recurrent staff costs related to the early retirement program and the termination program by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively;

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

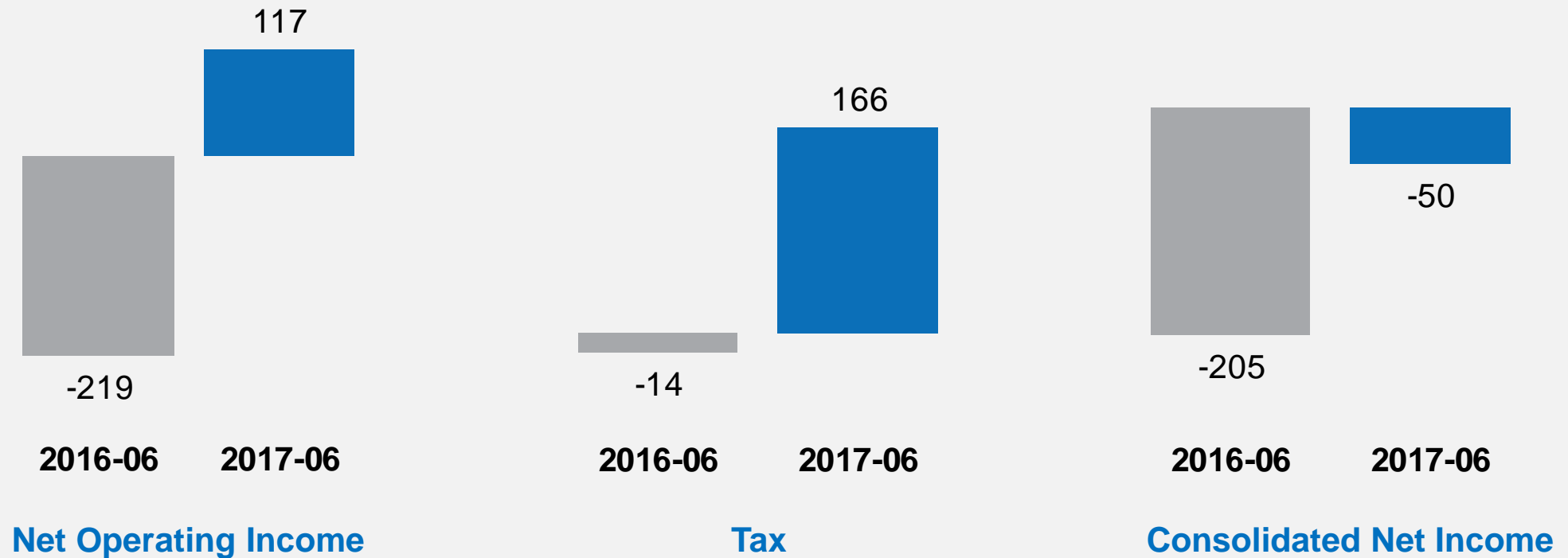


Net Operating Income and Consolidated Net Income advance

M€

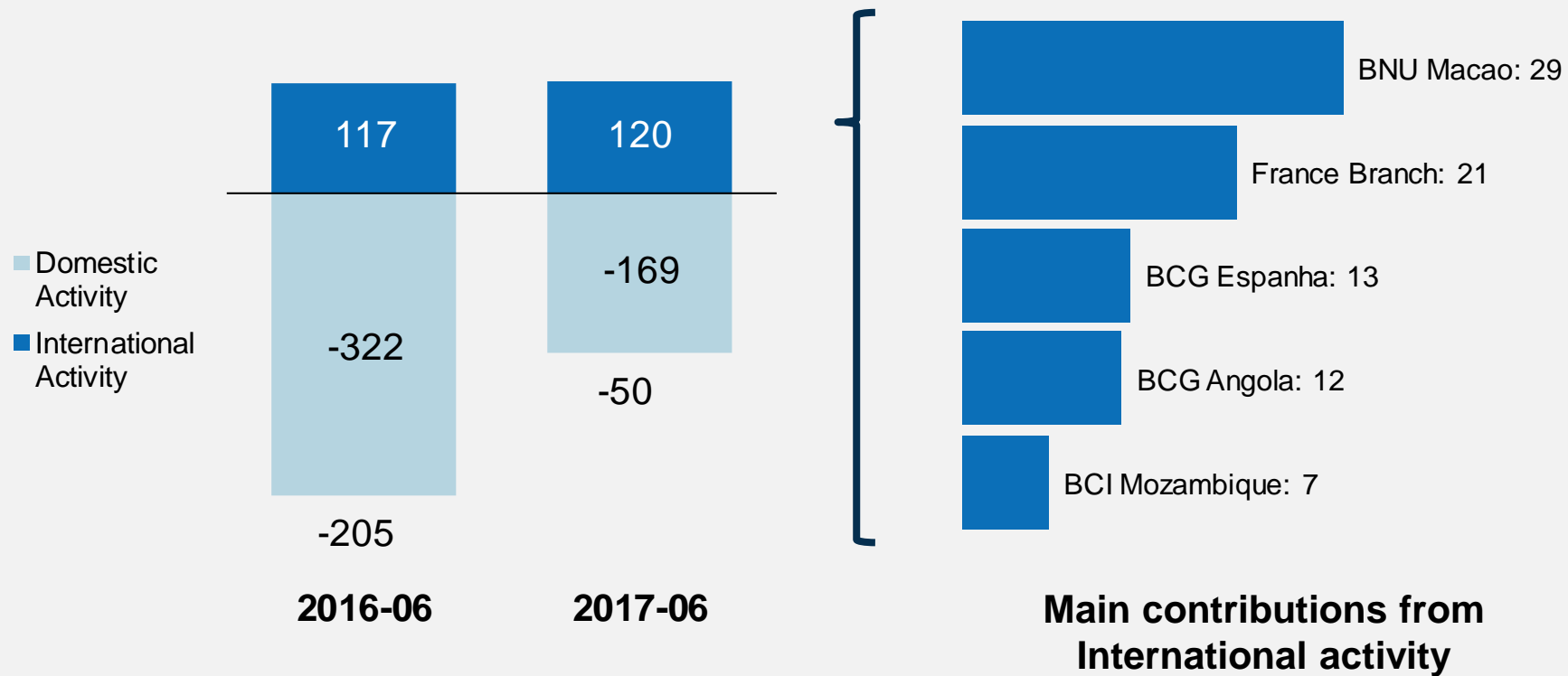
■ 2016-06

■ 2017-06



Important contribution from international activity to consolidated Net Income

M€



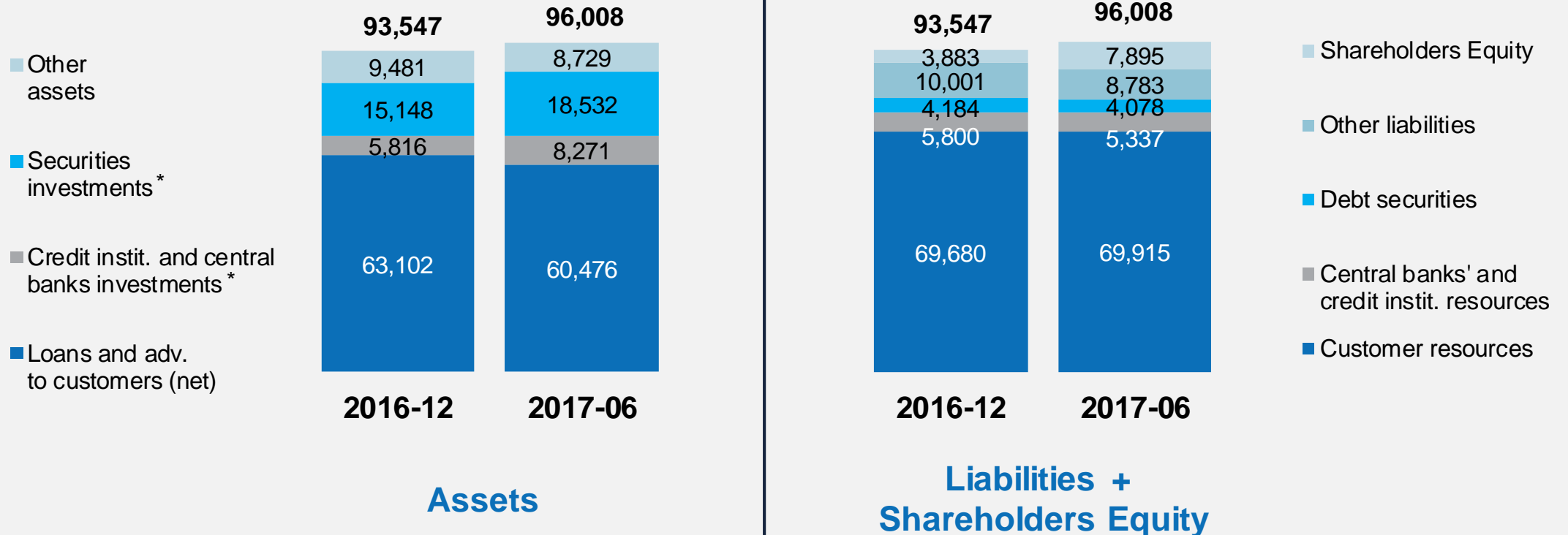
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- Asset Quality
- Liquidity
- Capital



Balance Sheet reflects recapitalisation...

B€

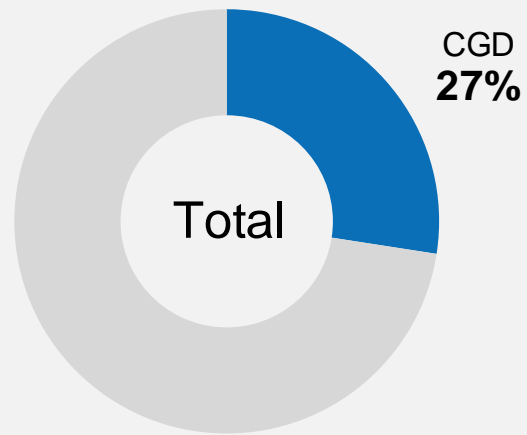


* Includes assets with repurchase agreement.

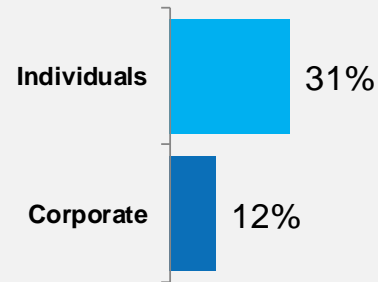


Market Shares: CGD leader in Portugal

%

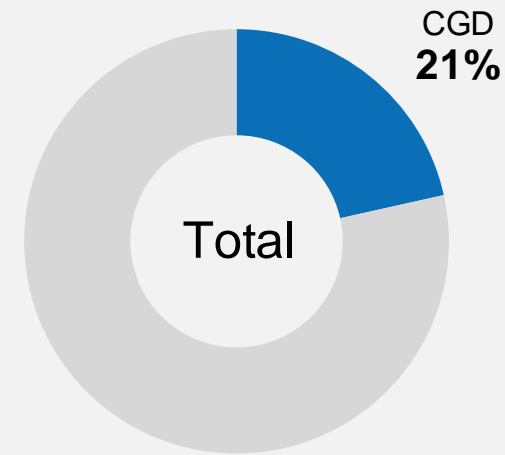


Deposits from:

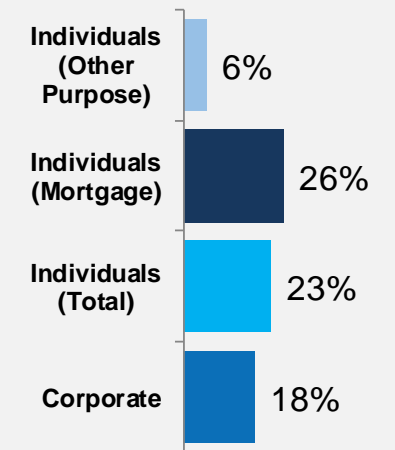


Customer Deposits – Portugal

May 2017



Credit to:



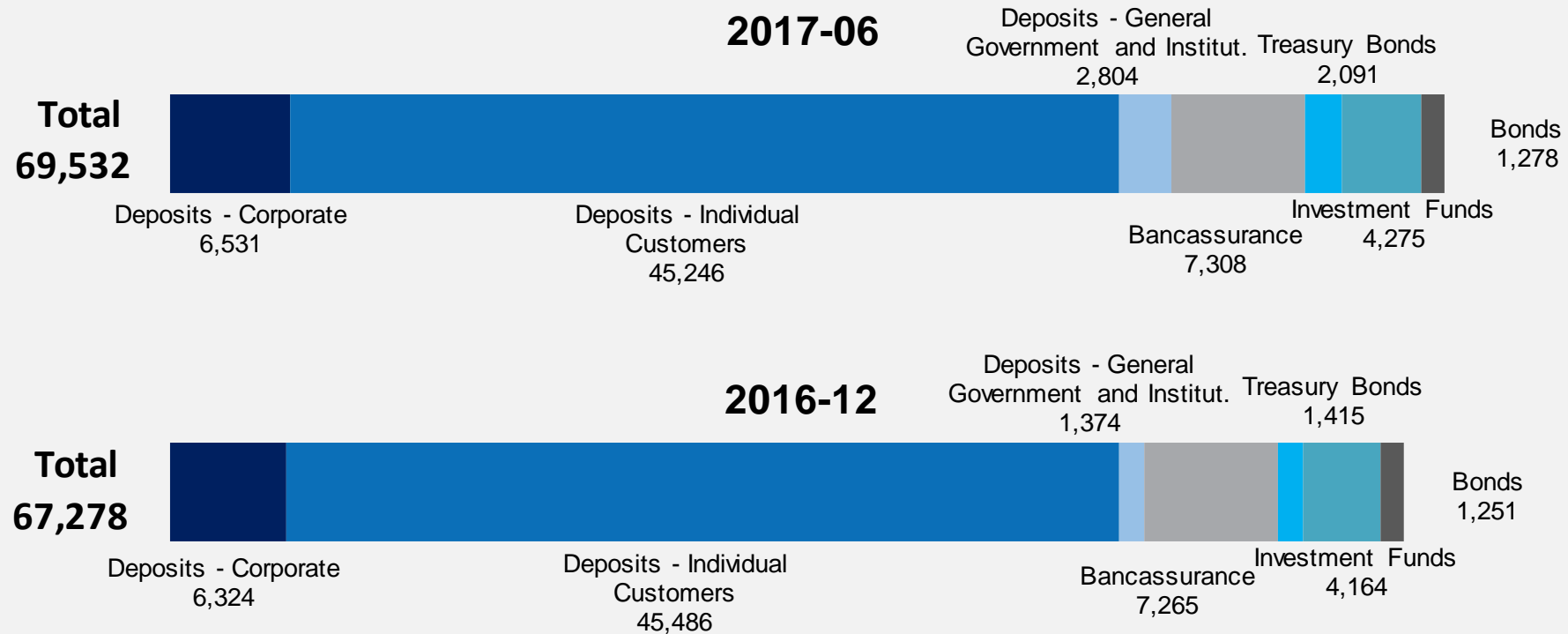
Loans and Adv. to Customers – Portugal

May 2017



Customer deposits grow in Portugal...

M€

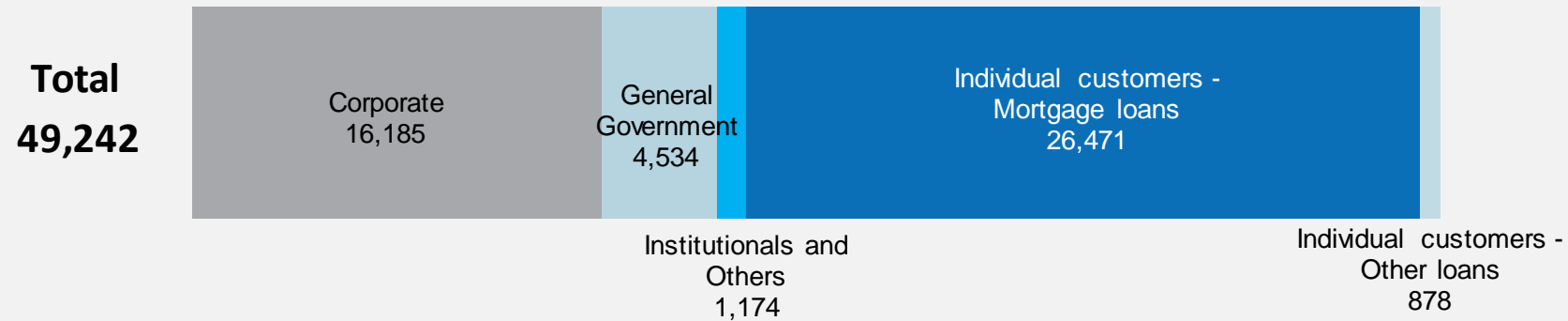


Total Customer Resources – Domestic Activity



Credit in Portugal follows market trend...

M€



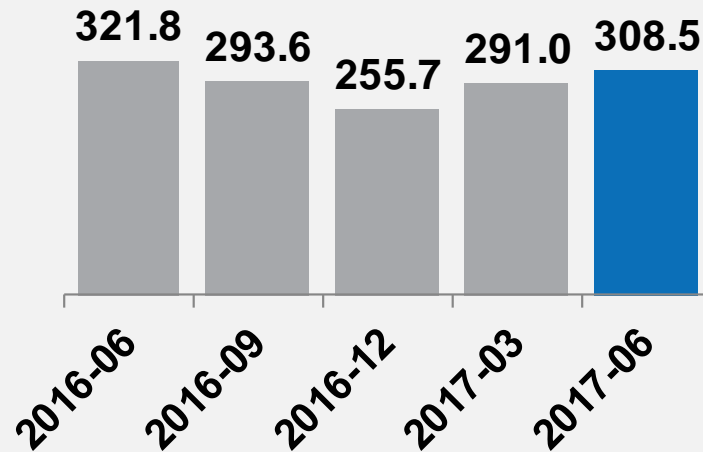
2017-06

Loans and Advances to Customers - CGD Portugal

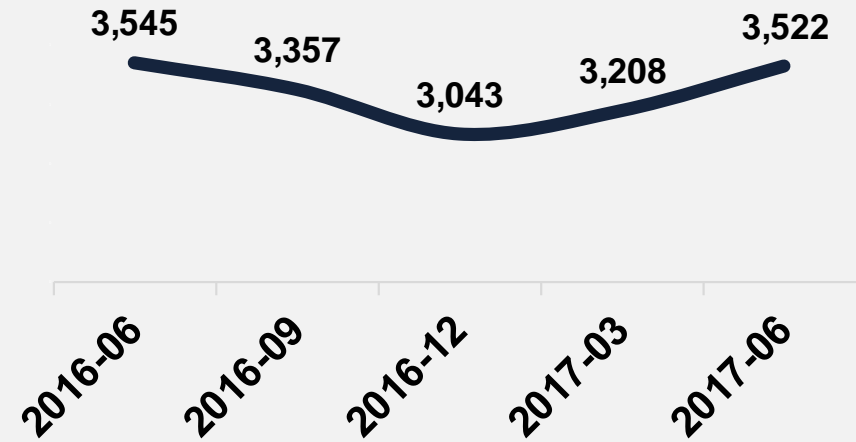


Mortgage loans new operations keeps recovering...

M€



Mortgage Loans
Amount of new operations
 (Quarterly)
 Portugal Branch Office Network



Mortgage Loans
Number of new operations
 (Quarterly)
 Portugal Branch Office Network



Quarterly initiatives streamline business and strengthen relationships



“Fora da Caixa” Events

Porto, Santarém, Braga and Lisbon.



Streamlining products

Fixed rate mortgage loans;
Leader in “Capitalizar” Credit Lines – Market Share: 32%;
Leader in Treasury Bonds;
Innovative life insurance “Plano Proteção Vida”;
AgroCaixa “Antecipar” credit line.



Caixa BI bookrunner

Bookrunner in REN share capital increase;
Best investment bank in Portugal.



Operational efficiency

Optimization of Processes;
New commercial systematic;
Caixa mobile branch service.



Caixa Account

Simplicity;
Transparency;
Multiproduct Solution.



Caixadirecta

New image;
Convenience;
New functionalities.



Agenda

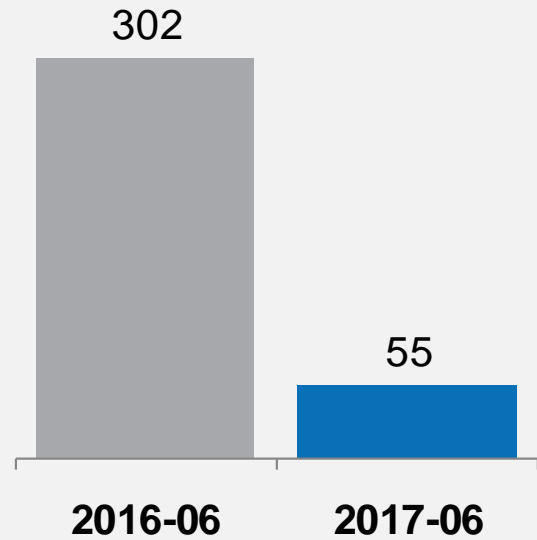
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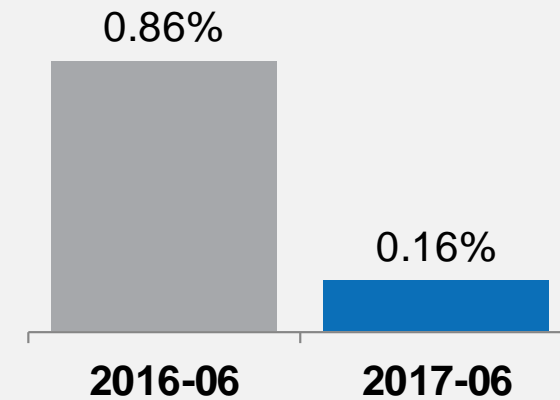
Impairments reduce with contained Cost of Credit Risk

M€

%



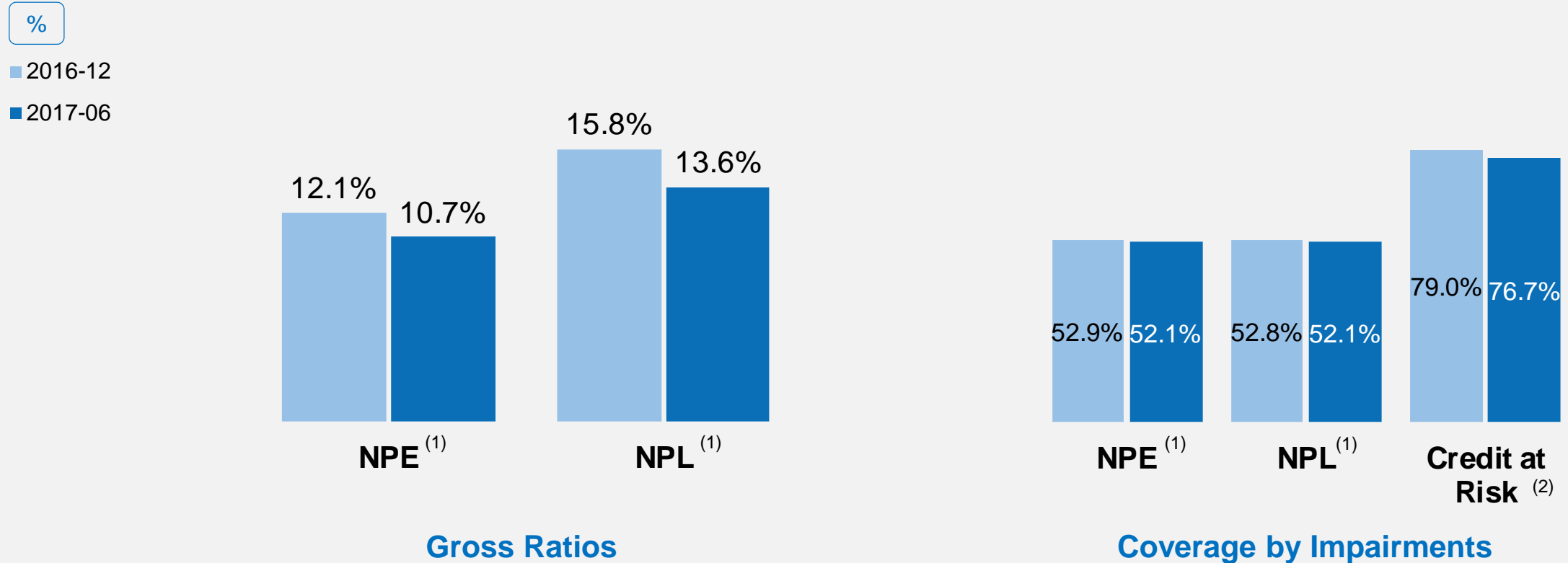
Credit impairment net of reversals



Cost of Credit Risk



NPE and NPL decreasing



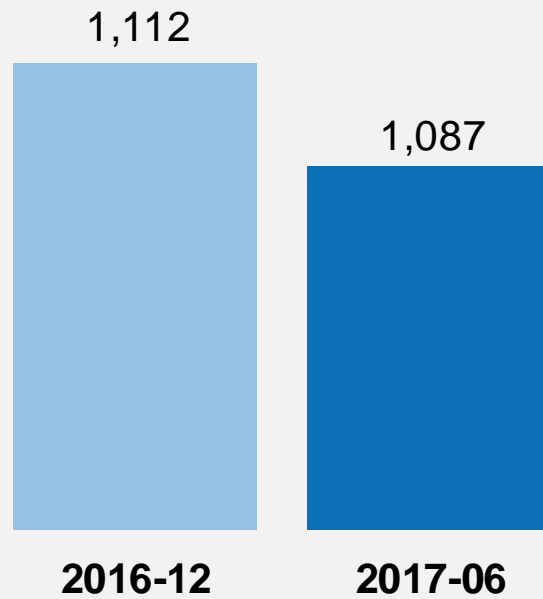
(1) NPE – Non Performing Exposure – EBA definition NPL – Non Performing Loans – EBA definition;

(2) Ratio as defined by Bank of Portugal – Instruction 23/2012.



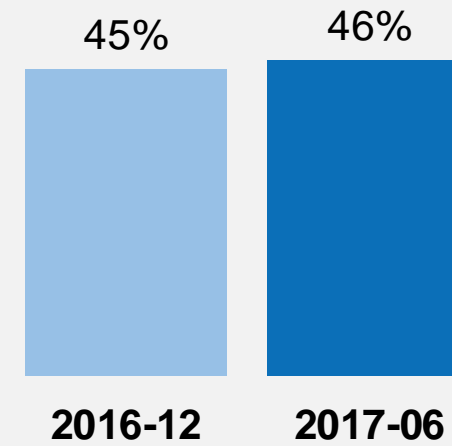
Foreclosed Assets (Real Estate)

M€



Foreclosed Assets (Real Estate)

%



Coverage by Impairments



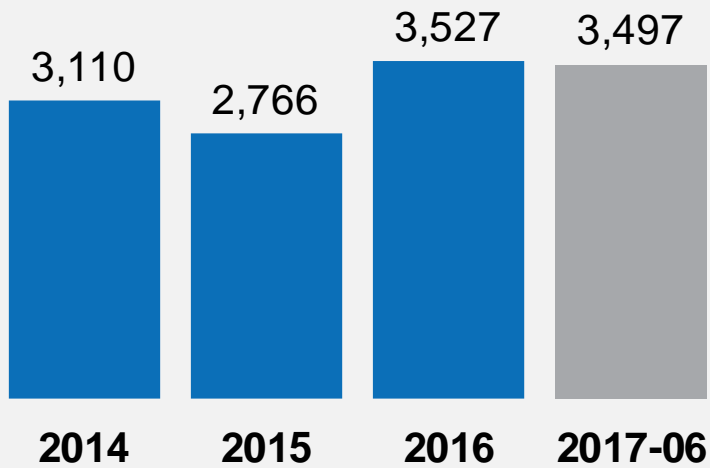
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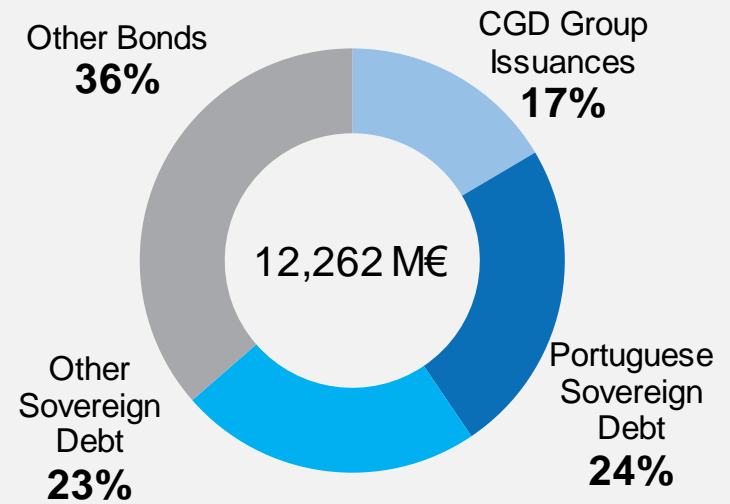
ECB funding stabilized...

M€



ECB Funding

%

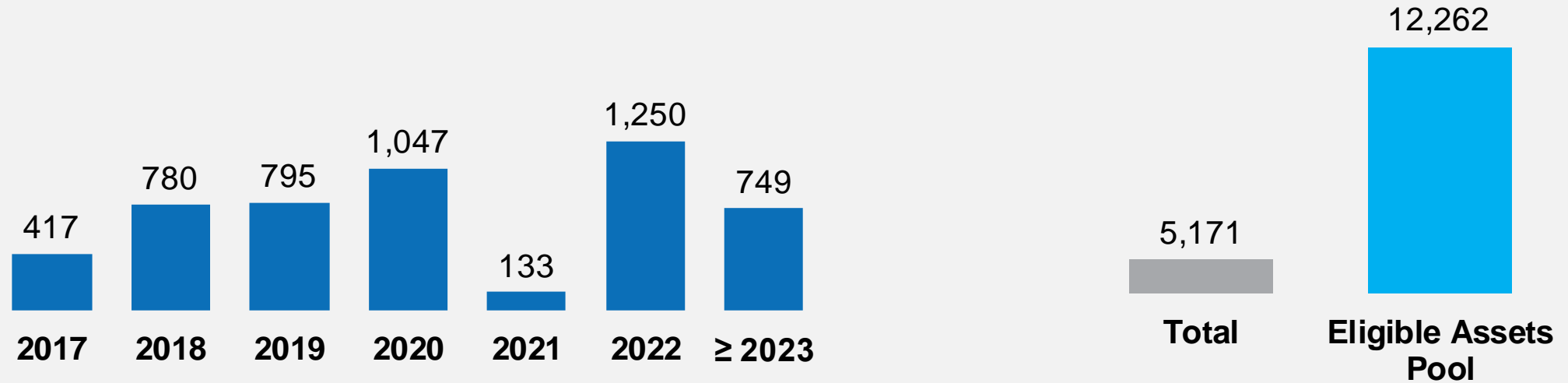


Eligible Assets in ECB Pool



...with maturities fully covered by Eligible Assets Pool

M€

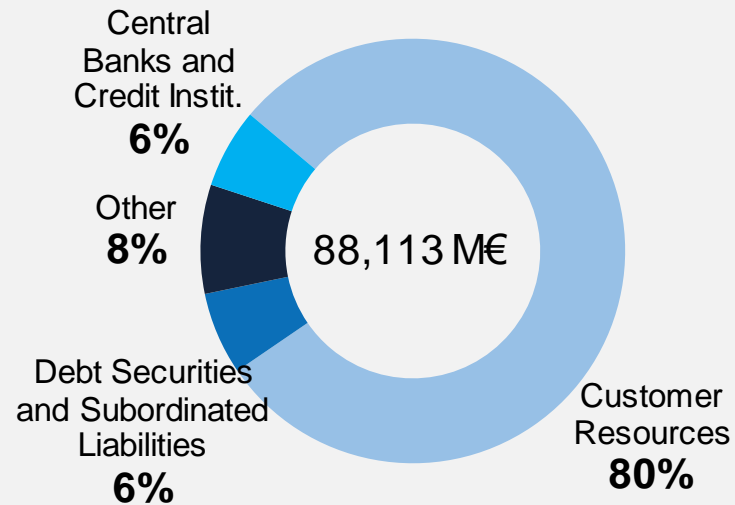


Annual maturities of Wholesale Debt



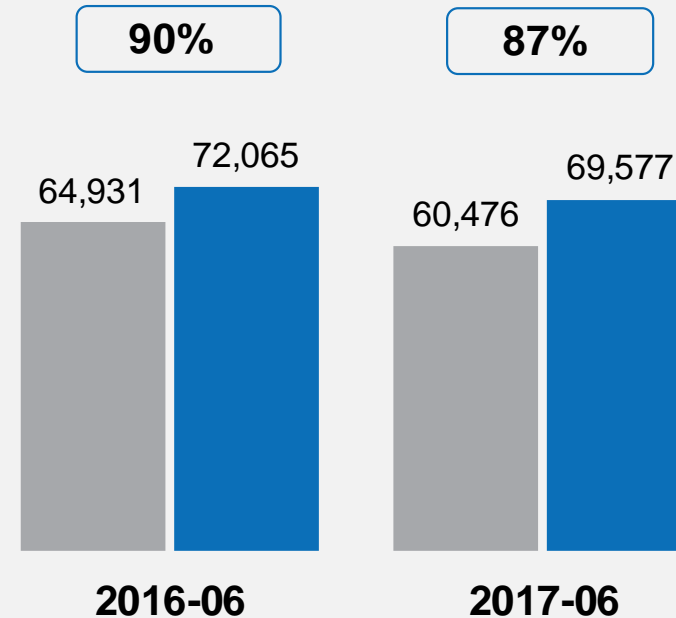
Solid funding structure based on retail banking

%



Funding Structure

M€



Loans-to-Deposits Ratio

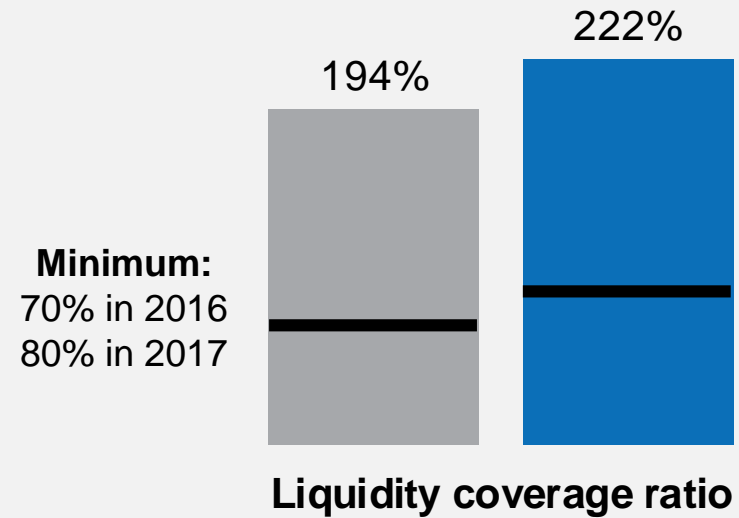
- Loans and Adv. to Customers (net)
- Customer Deposits



Comfortable LCR ratio

%

- 2016-06
- 2017-06



Liquidity Ratio

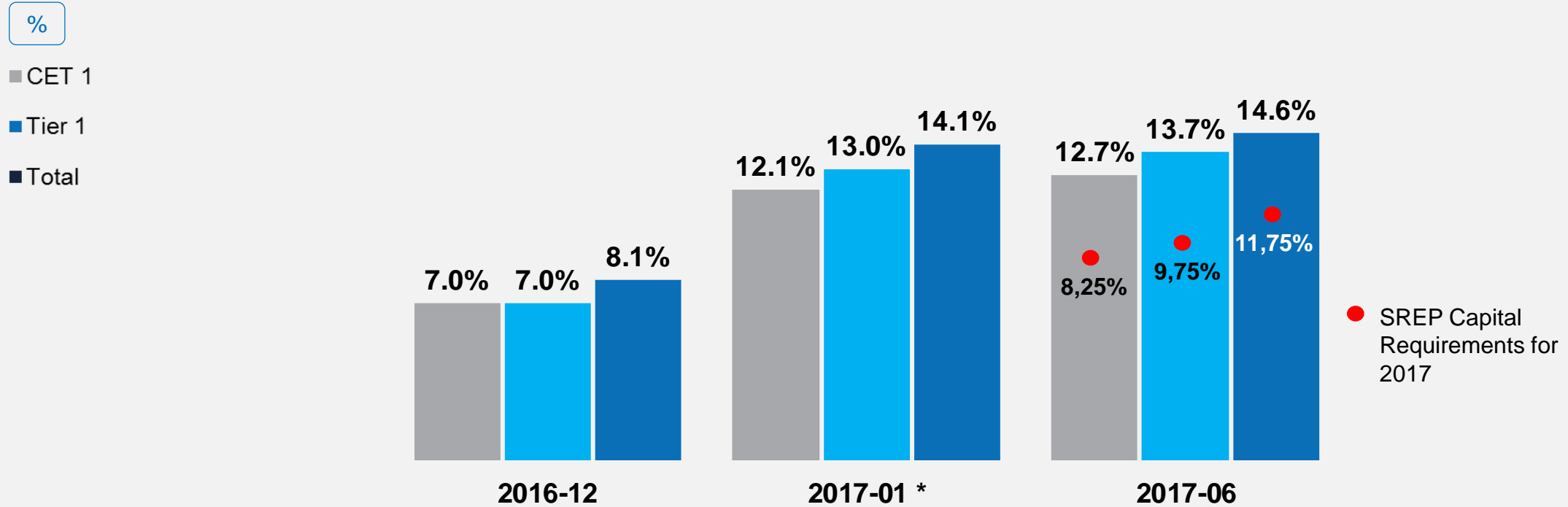


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Recapitalisation allowed solvency reinforcement



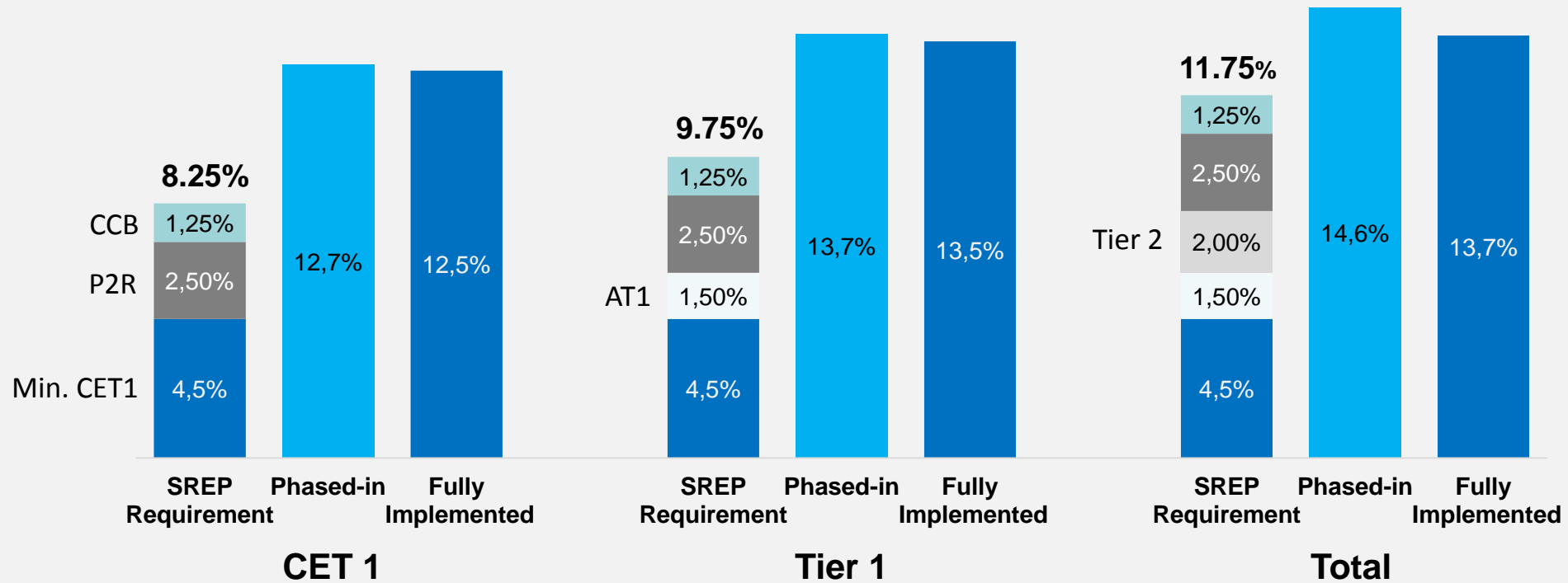
Phased-in Capital Ratios

* Proforma including stages 1 and 2 of the Recapitalisation Plan



Adequate Capital Ratios

%



SREP 2017 Requirements and CGD Capital Ratios in 1st Half 2017



High RWA density, Texas Ratio improves

%



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



ADI and MDA

B€

33 x Annual Cost AT1 ⁽¹⁾ 33 x Annual Cost AT1 ⁽¹⁾

1.8 1.8



2016-12 2017-06

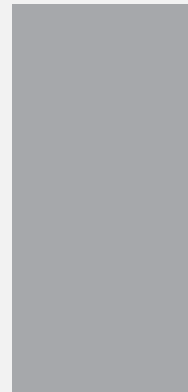
ADI

(Available Distributable Items)

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

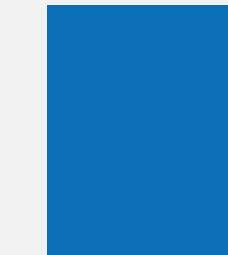
%

12.7%



CET
2017-06

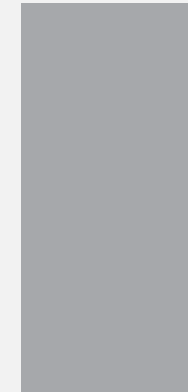
8.25%



Requirement
2017

MDA Buffer: ⁽²⁾
4.5%
2.4 B€

12.7%



CET
2017-06

9.92%



Requirement
2017 + Gaps
Tier 1 and Tier 2

MDA Buffer:
2.8%
1.5 B€

MDA

(Maximum Distributable Amounts)

(2) Considering Buffers of 1.5% in T1 and 2% in T2 fulfilled.



Executive Summary

- 1. Recapitalisation Plan Conclusion** – 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). In June, the phased-in capital ratios were 12.7% (CET1), 13.7% (Tier 1) and 14.6% (Total).
- 2. Operational Activity** - Core operating income evolved favourably over the same period of 2016, with cost-to-income (excluding non-recurrent costs) reducing to 50% in the 1st half 2017. The consolidated net income was negative by 50 M€.
- 3. Asset Quality** - Positive evolution in 1st half 2017 of NPE and NPL ratios and its coverage by impairments and collateral, in line with the Strategic Plan.
- 4. Liquidity** - CGD maintained a highly comfortable liquidity position with total financing from the ECB remaining stable (fully under TLTRO II). ADI and MDA levels remained high.



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 30 June 2017, except otherwise stated.



THANK YOU



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