



# Consolidated Results

## 3<sup>rd</sup> Quarter 2017

Unaudited financial information

Investor Relations Office

Date – 27/10/2017

# Agenda

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- 1 Highlights
- 2 Results
- 3 Balance Sheet
- 4 Asset Quality
- 5 Liquidity
- 6 Capital



# Highlights

# Effective implementation of Strategic Plan allowing significant provisioning of restructuring costs

1	<b>Capital</b>	Adequate Solvency Ratios, following the Recapitalisation Plan...	<b>Capital Ratios (Phased-in):</b> CET1: 13.0% Tier 1: 14.1% Total: 14.8%
2	<b>Efficiency and Profitability</b>	... as well as an effective execution of the Strategic Plan, allows the provision of non recurrent restructuring costs (595 M€)...	<b>Evolution 9M 2017 vs. 9M 2016:</b> Net Interest Income: +18% Recurrent Operating Costs: -6% Total Operating Income: +45% Net Core Operating Inc. before Impairm.: +80%
3	<b>Asset Quality</b>	... with continuous performance in reducing non-performing assets...	<b>NPE and NPL Evolution vs. Dec. 2016:</b> NPE: 10.1% (-2.0 pp); NPL: 13.3% (-2.5 pp) Coverage by Impairments: NPE: 53.4%; NPL: 53.4% Cost of Credit Risk: 0.16%
4	<b>Liquidity</b>	... and a wide base of available funding.	Deposits: 79% of Liabilities Pool of available Collateral: 13.6 B€ LCR: 204% Loans-To-Deposits: 88%

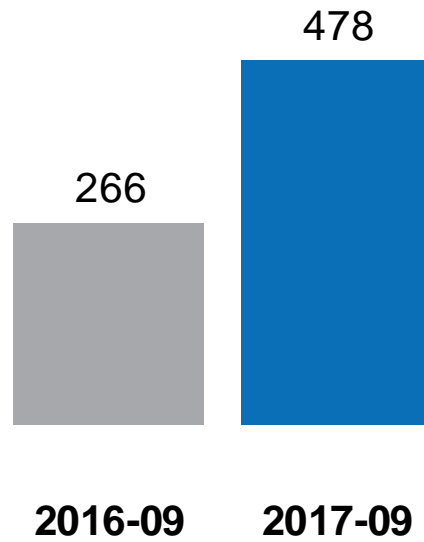
Notes: 1) September 2016 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale;  
 2) September 2017 Solvency and Asset Quality ratios are estimated, subject to change when definitive values are determined.



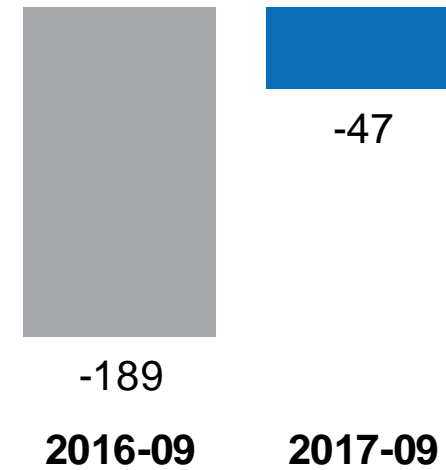
# Results

## Strong improvement in profitability...

M€



**Net Core Operating Income  
before Impairments <sup>(1)</sup> <sup>(2)</sup>**



**Consolidated Net Income**

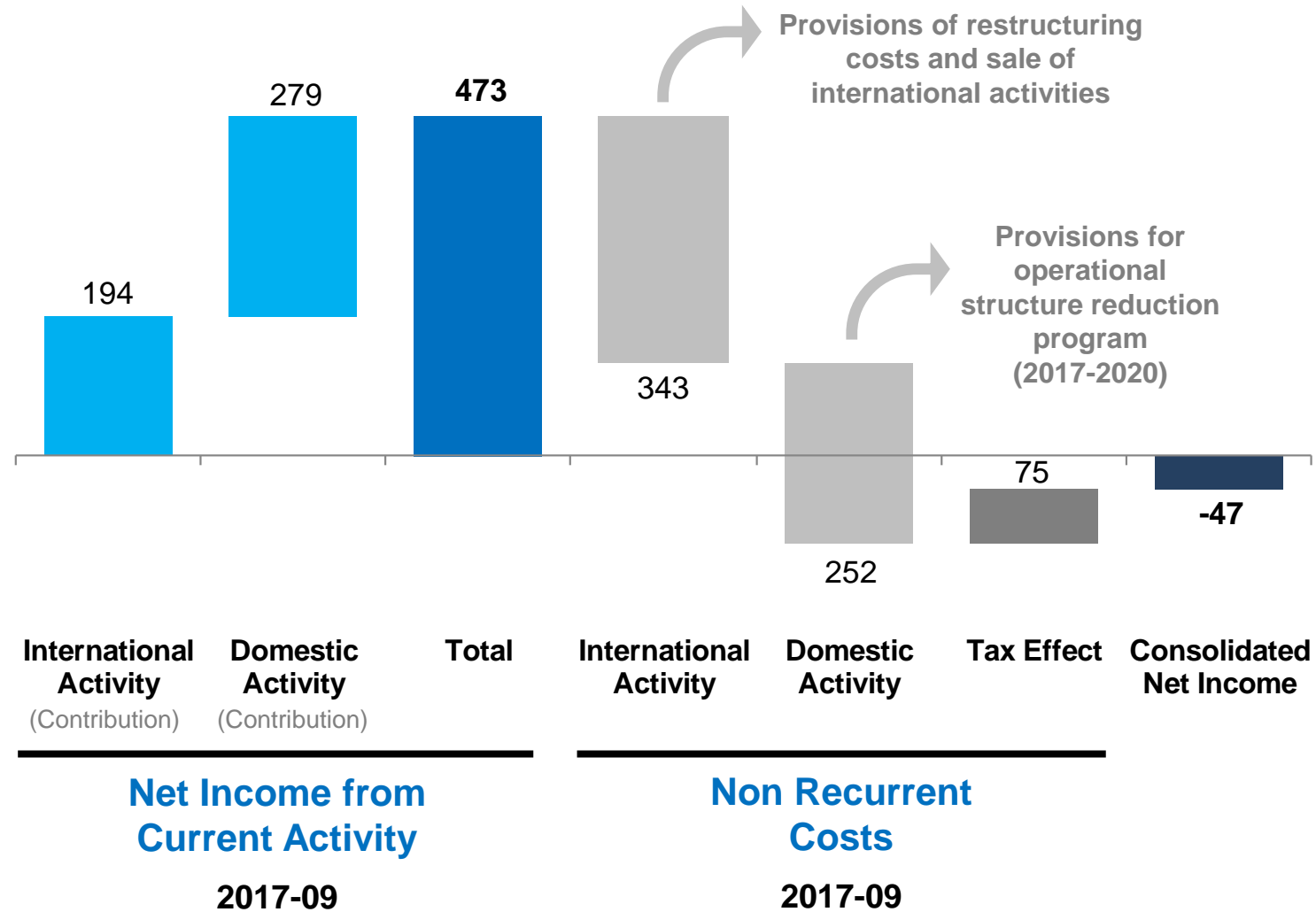
(1) Net Core Operating Income before Impairments = Total Core Operating Income - Operating Costs

Total Core Operating Inc. = Net Interest Income + Net Fees and Commissions;

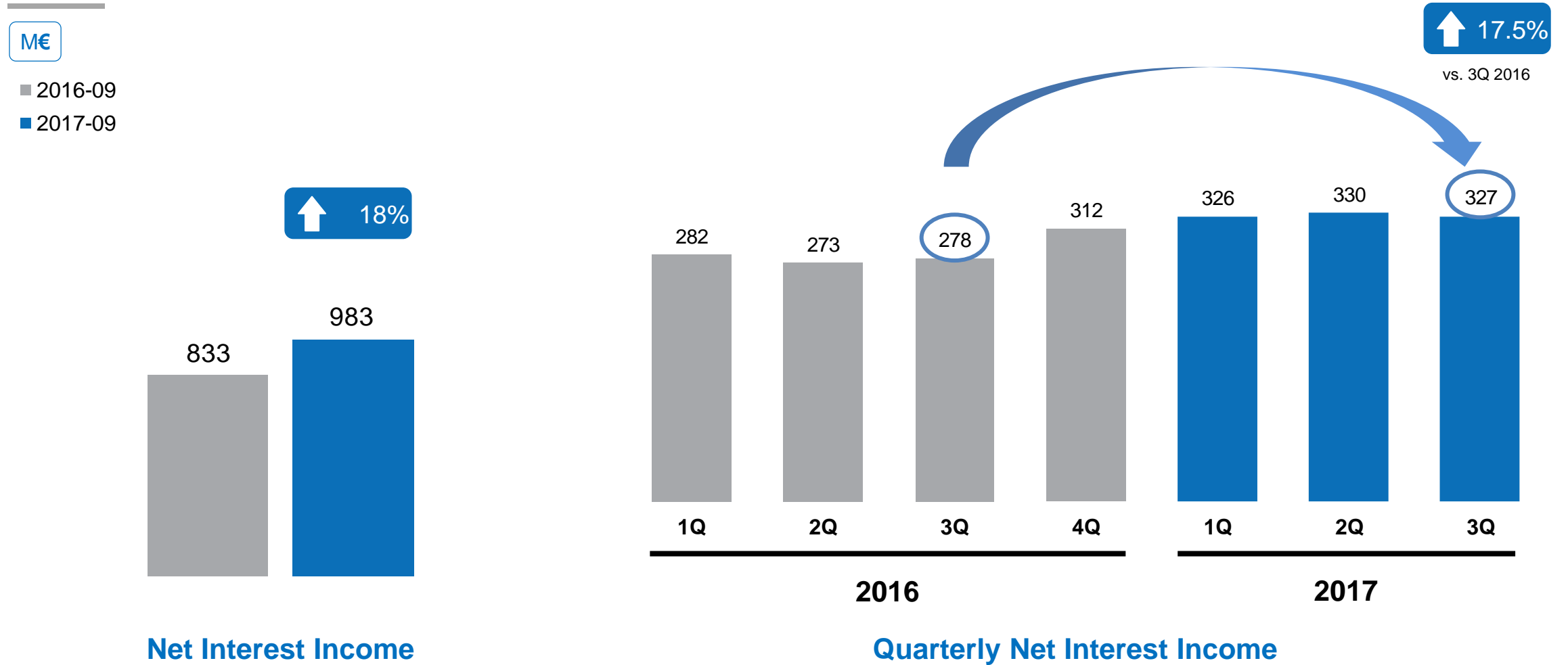
(2) Excluding non recurrent costs related to staff reduction programmes and also to international operations restructuring and sale provisions, as applicable to each P&L item, a total gross amount of 20 M€ and 595 M€ in September 2016 and September 2017 respectively. The total net amount was 15 M€ and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

## Strategic Plan implementation generates non recurrent costs...

M€



# Net Interest Income advances...

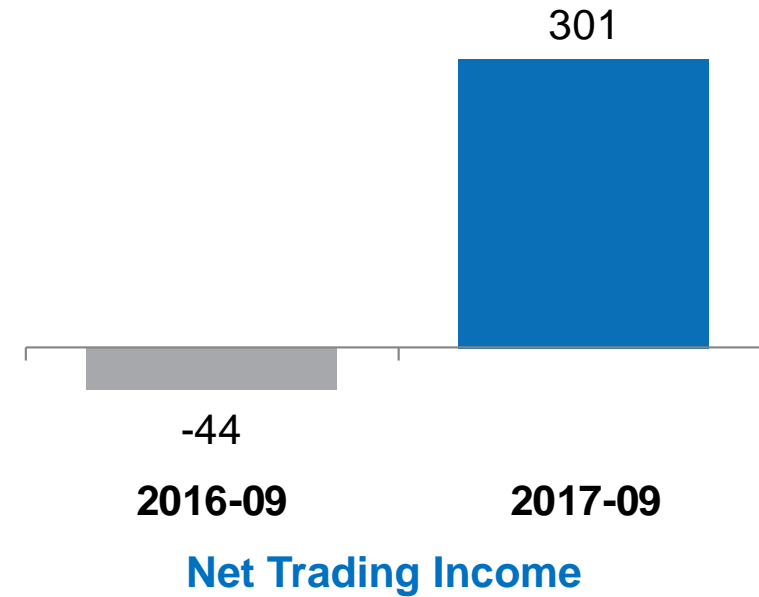
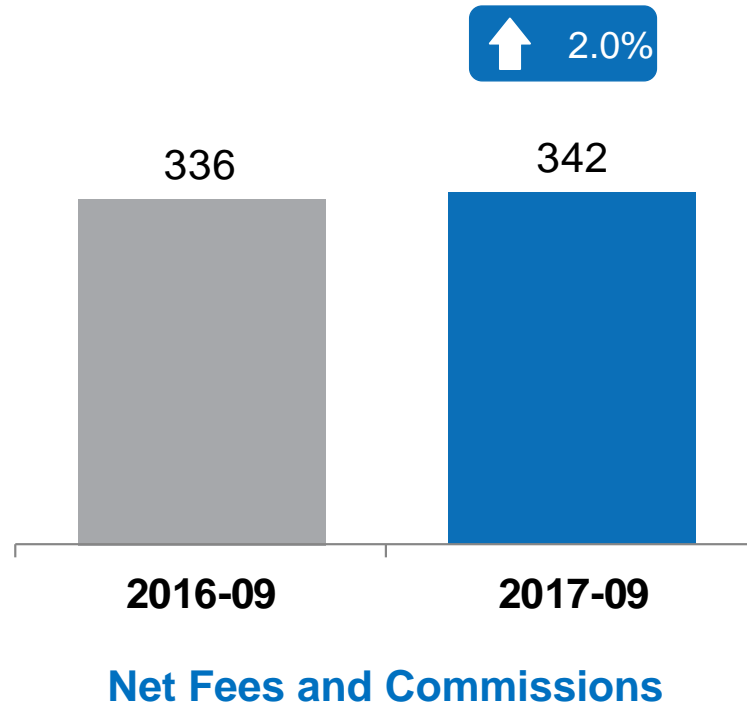


Note: Values refer to disclosure date accounts.



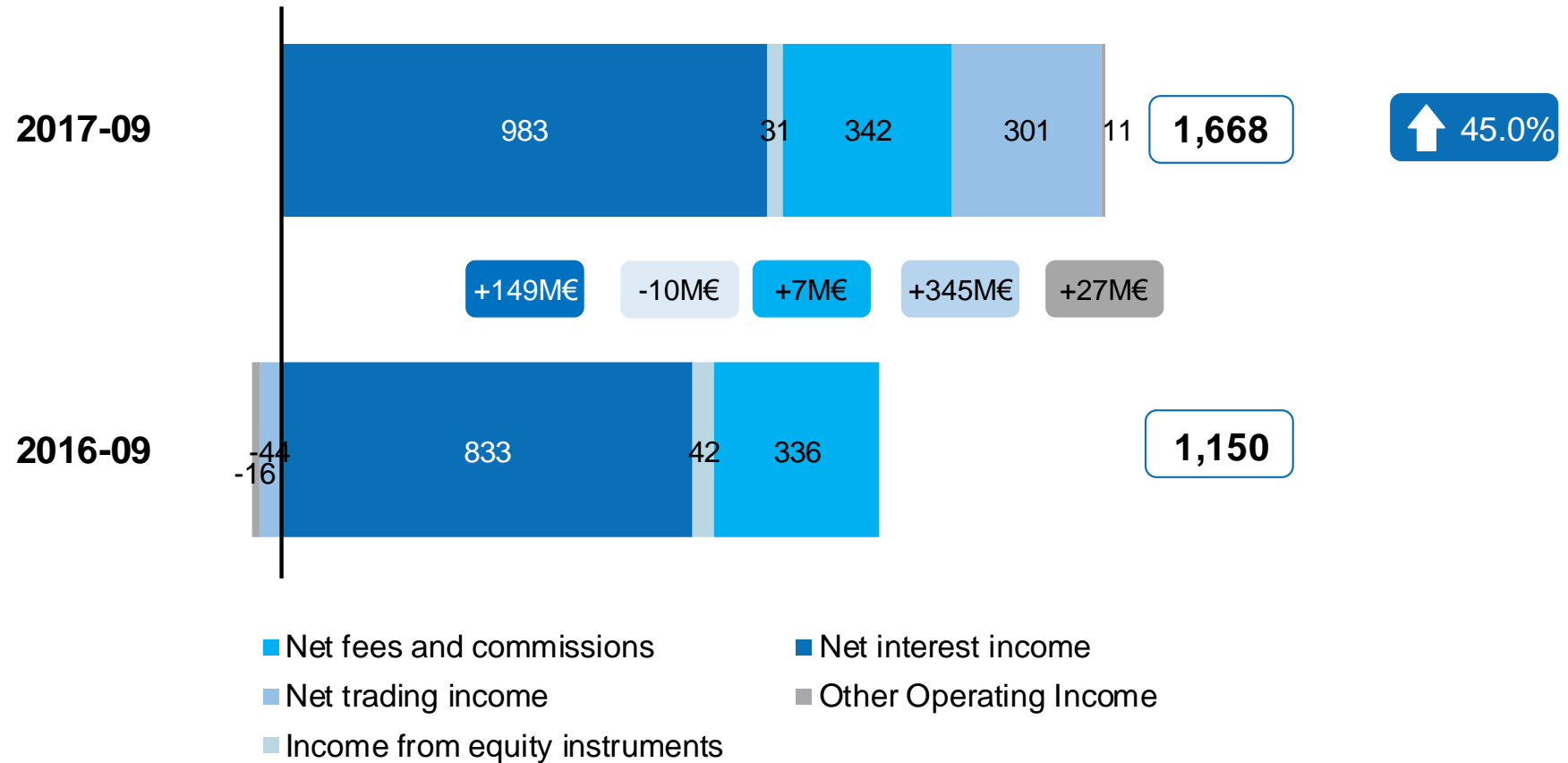
## Fees and Commissions grow consistently and Trading Income benefits from CGDs interest rate risk hedging policy...

M€



## Total Operating Income was influenced by Net Interest Income and Trading Income...

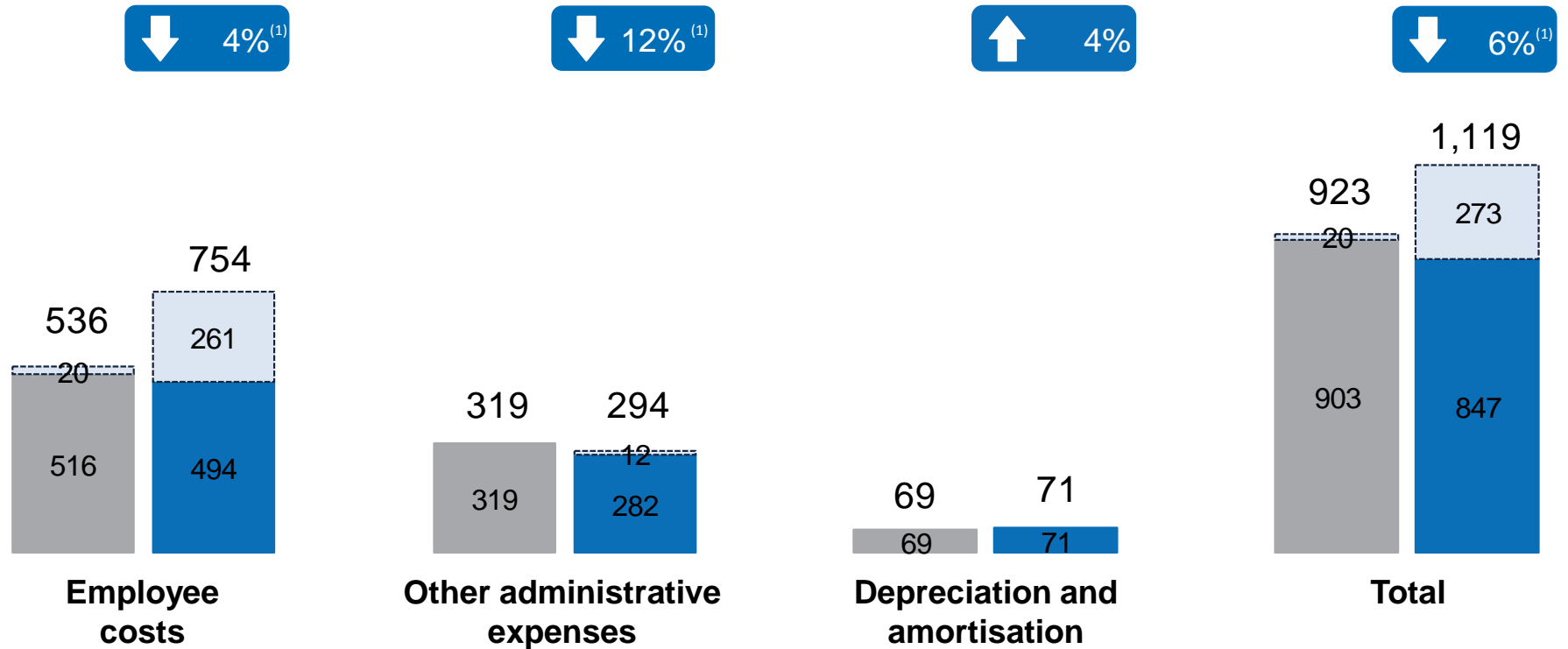
M€



## Lower recurrent Operating Costs at consolidated level...

M€

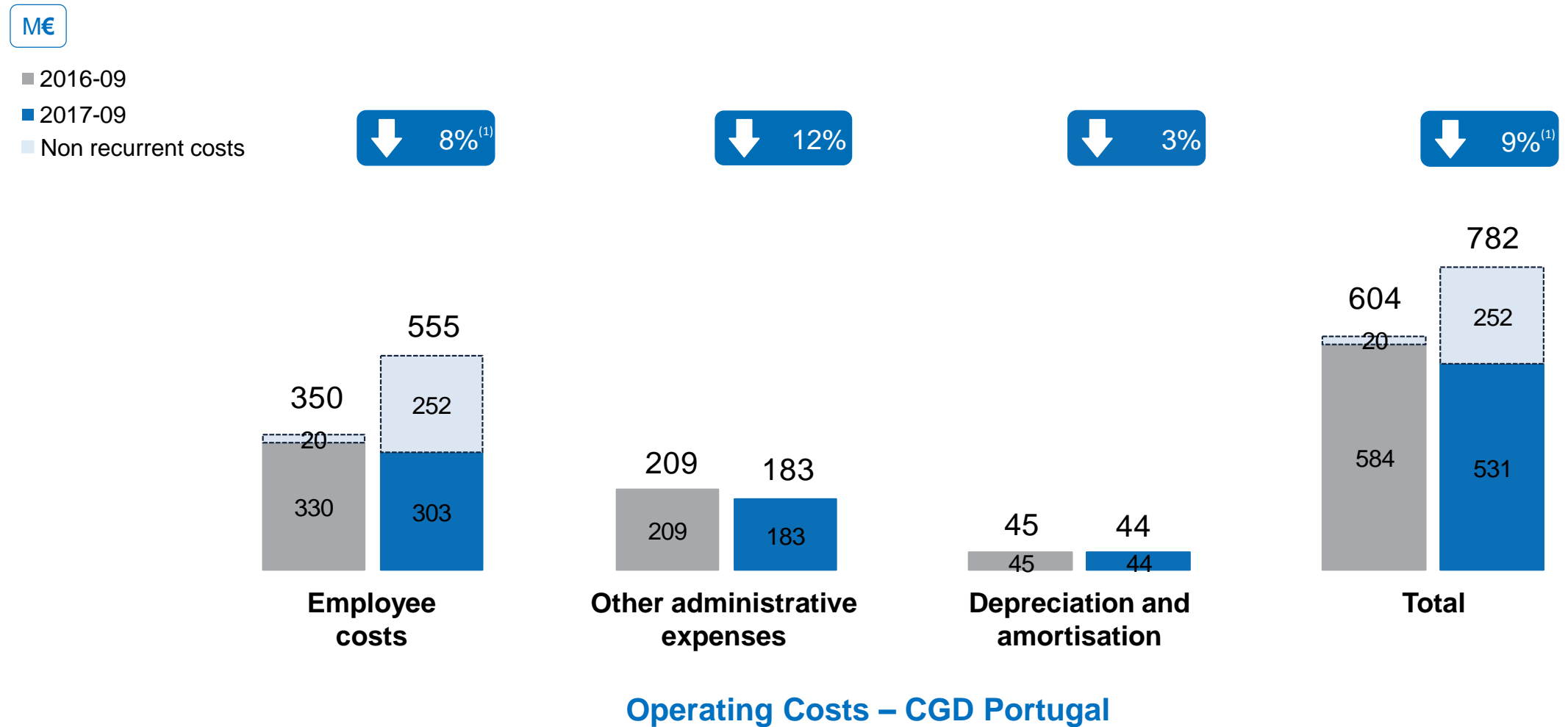
- 2016-09
- 2017-09
- Non recurrent costs



### Operating Costs – Consolidated Activity

(1) Excluding non-recurrent costs.

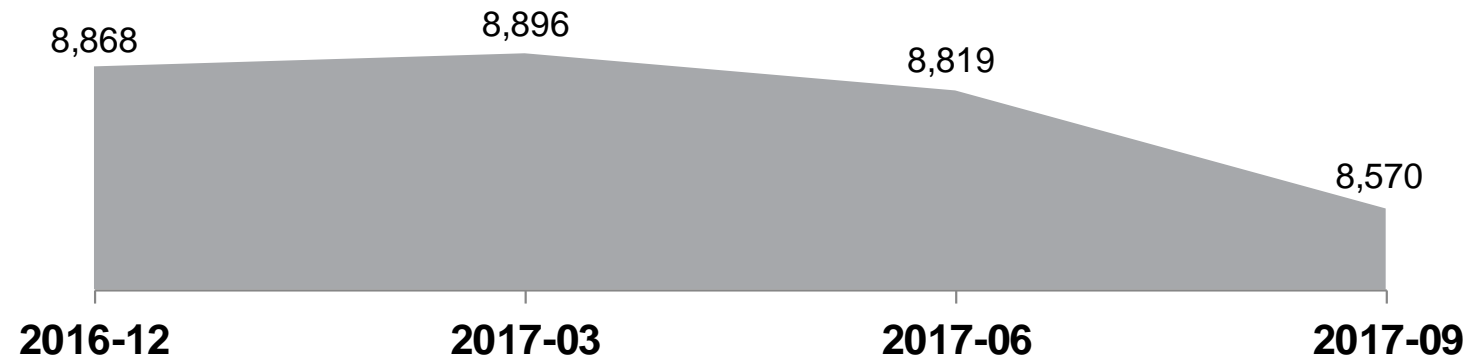
## ...and also lower recurrent Operating Costs in Portugal



(1) Excluding non-recurrent costs.

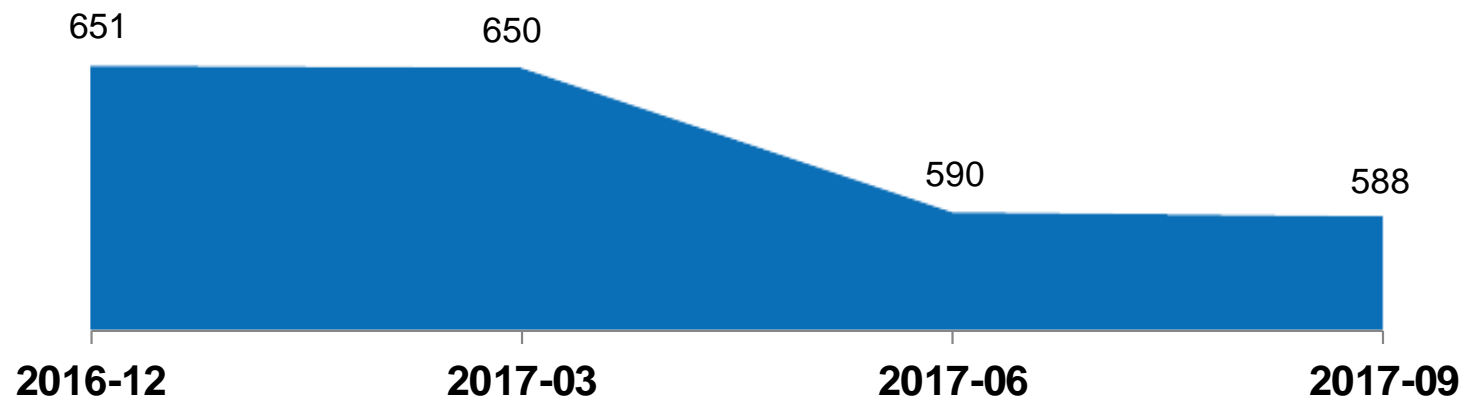
## Strategic Plan execution in line with the objectives...

**Number of Employees  
Domestic Activity**



↓ -298  
vs. 2016-12

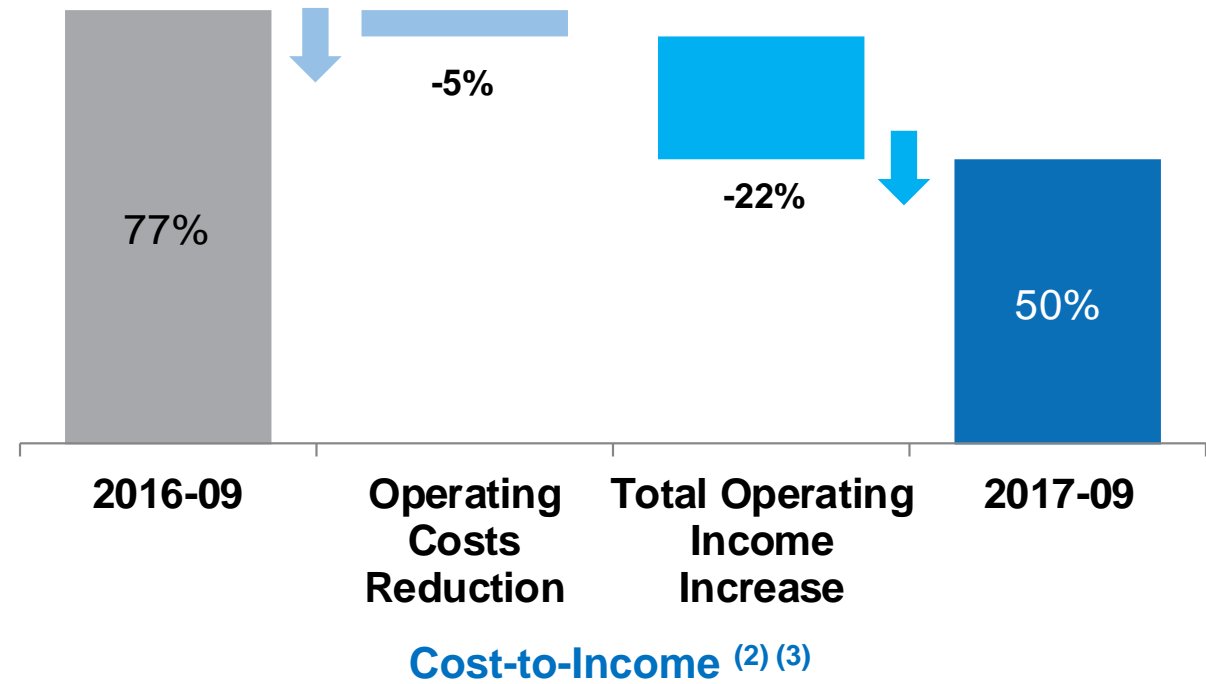
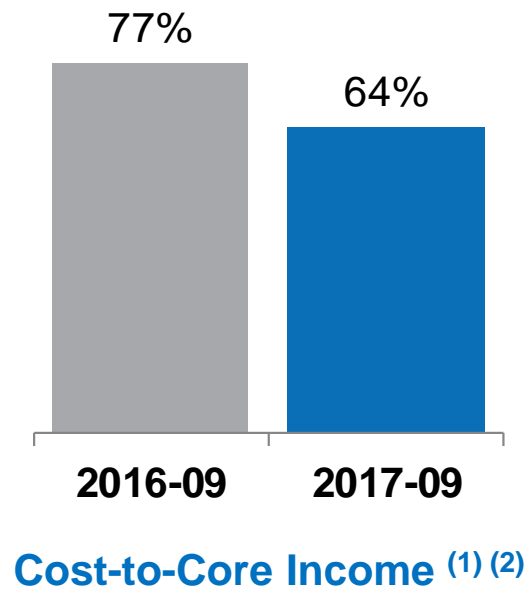
**Branch Office Network  
CGD Portugal**  
(Physical branches)



↓ -63  
vs. 2016-12

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

%



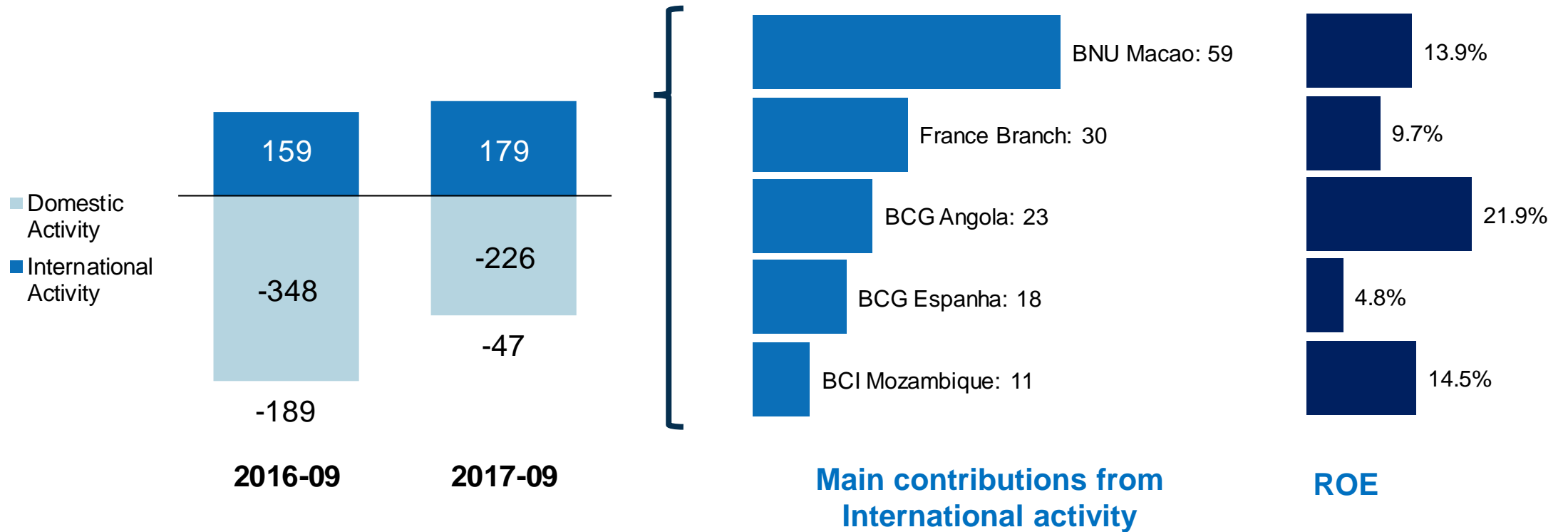
(1) Operating Costs / (Net Interest Income + Net Fees and Commissions);

(2) Excluding non-recurrent costs;

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

## Contributions to consolidated Net Income

M€



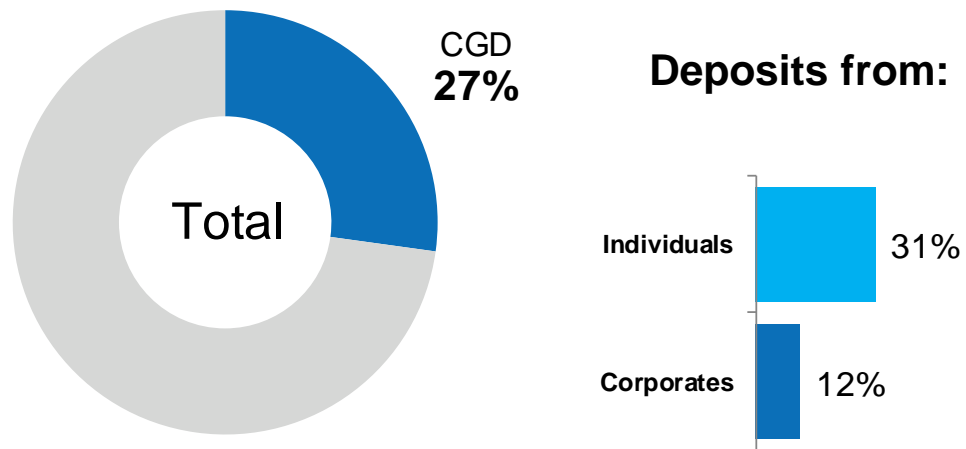


# Balance Sheet

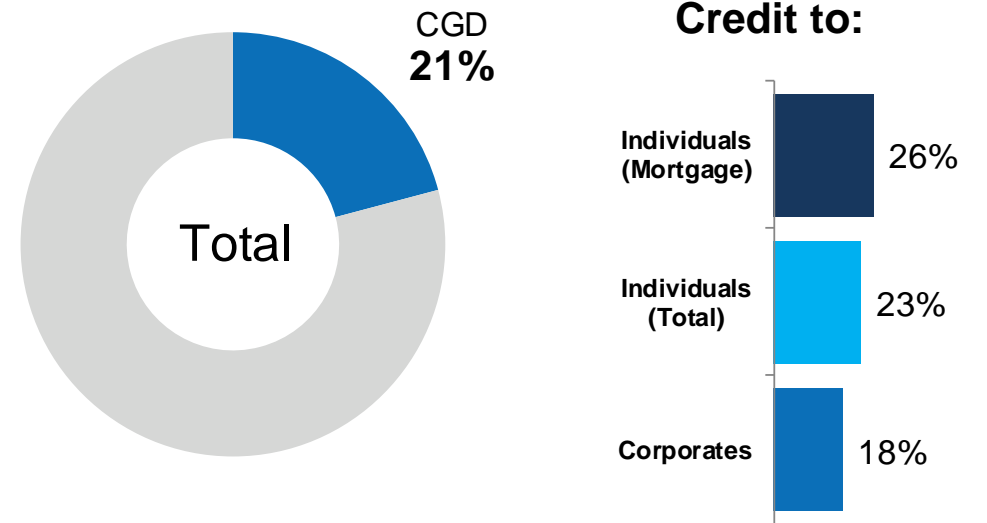


## Market Shares: CGD leader in Portugal

%



**Customer Deposits – Portugal**  
August 2017

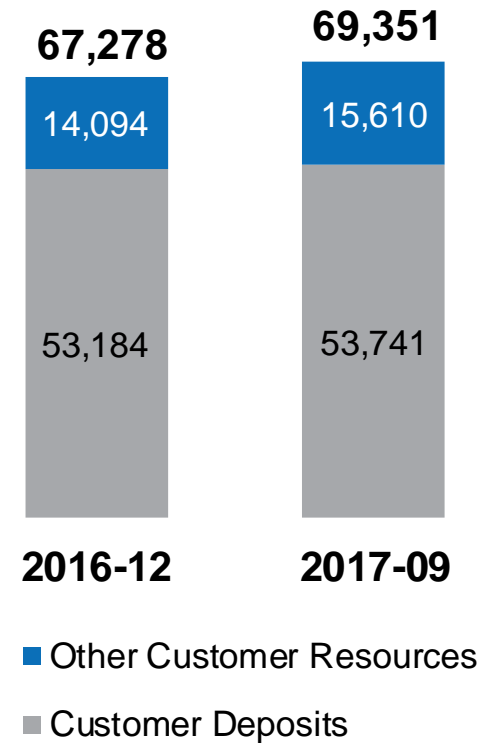
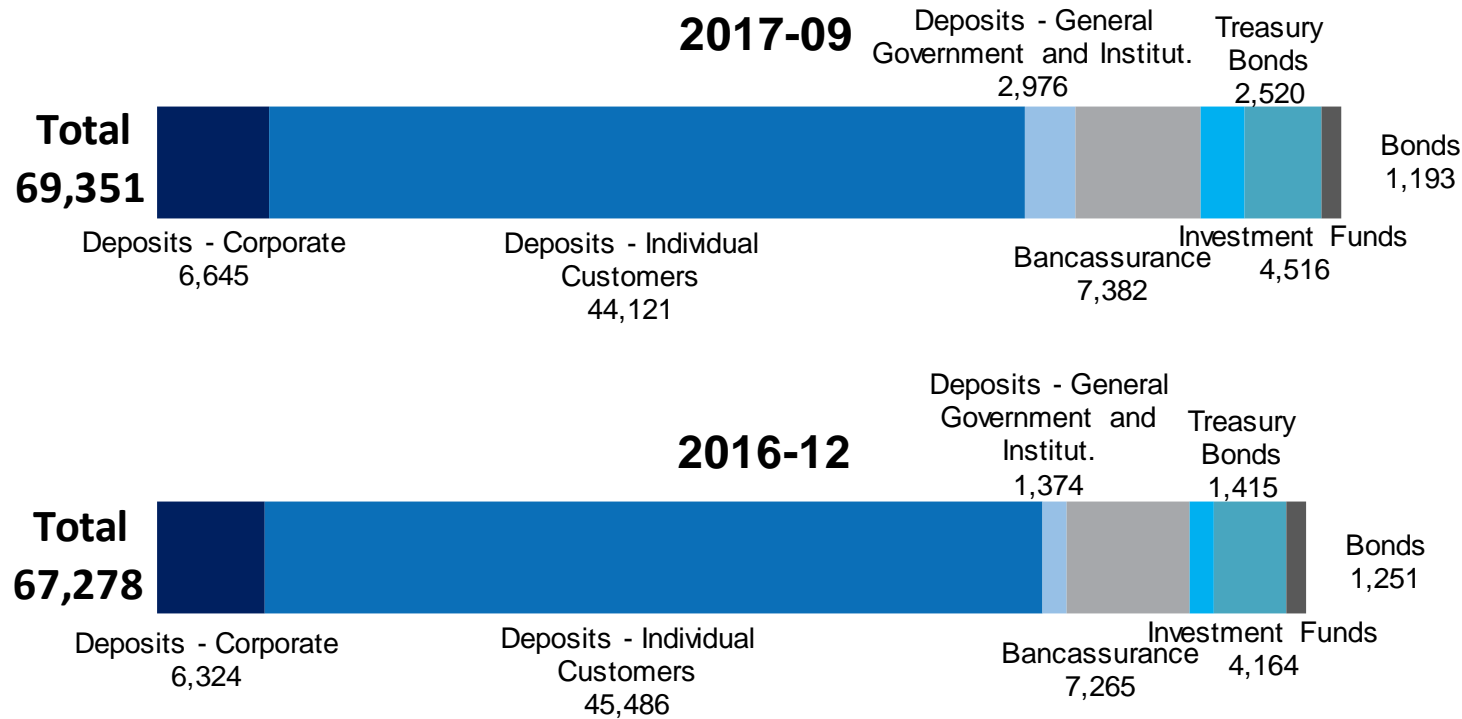


**Loans and Adv. to Customers – Portugal**  
August 2017

## Customer Resources grow in Portugal...

M€

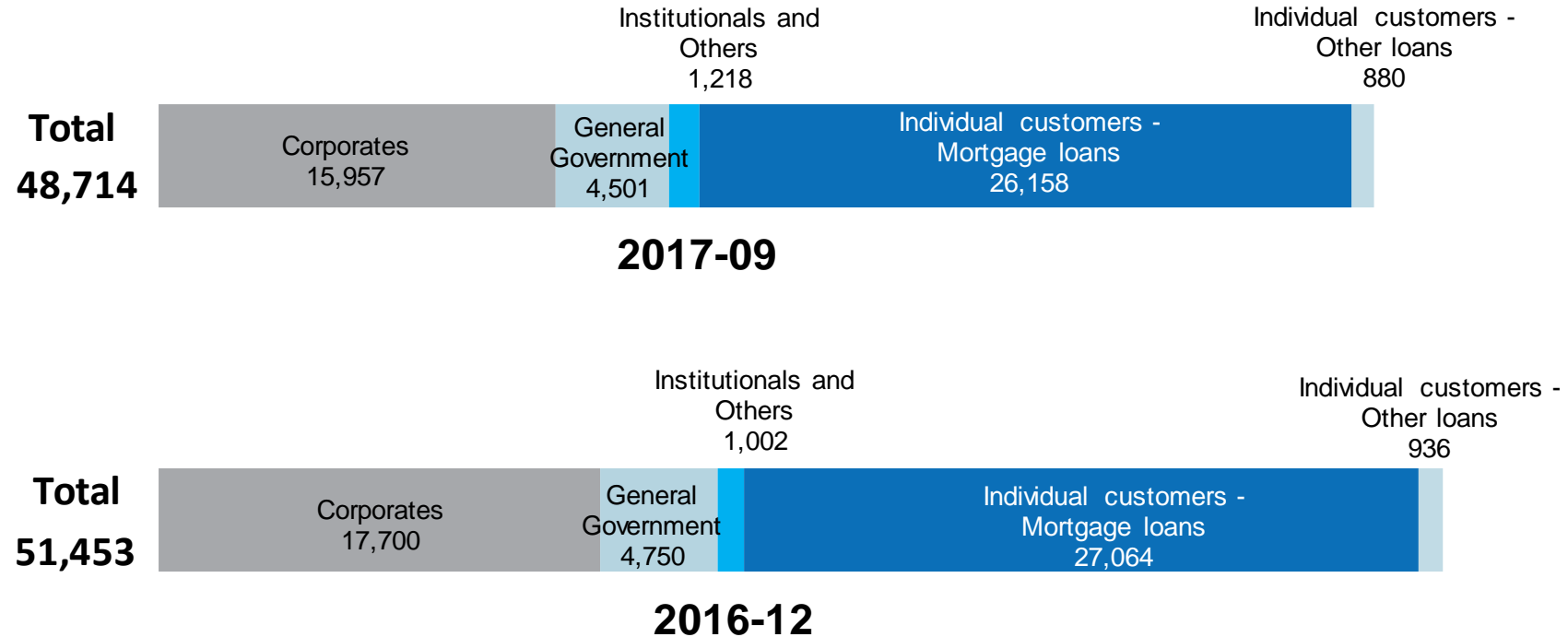
↑ 3,1%



### Total Customer Resources – Domestic Activity

## Credit in Portugal follows market trend...

M€



### Loans and Advances to Customers (Gross) - CGD Portugal

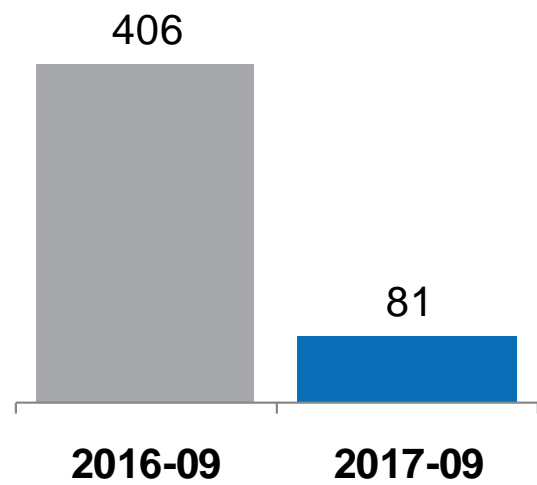


# Asset Quality

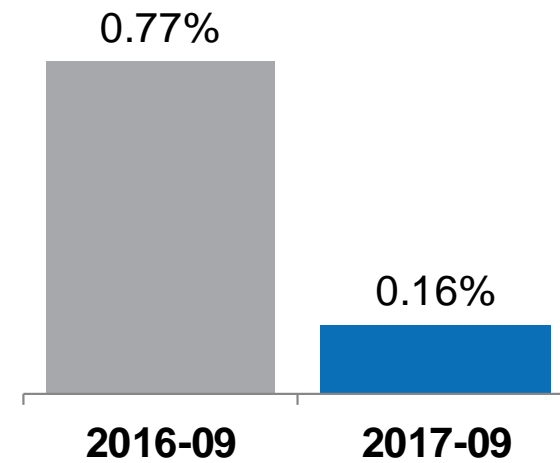
## Reduced Cost of Credit Risk...

M€

%



Credit impairment net of reversals



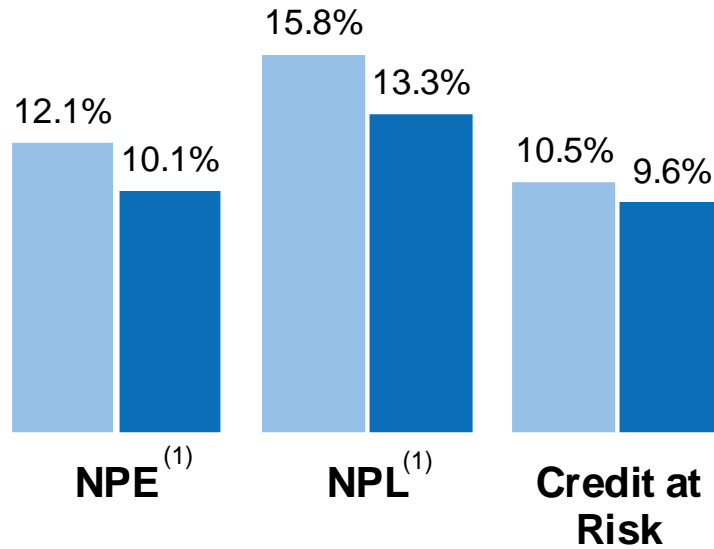
Cost of Credit Risk

...with NPE and NPL decreasing

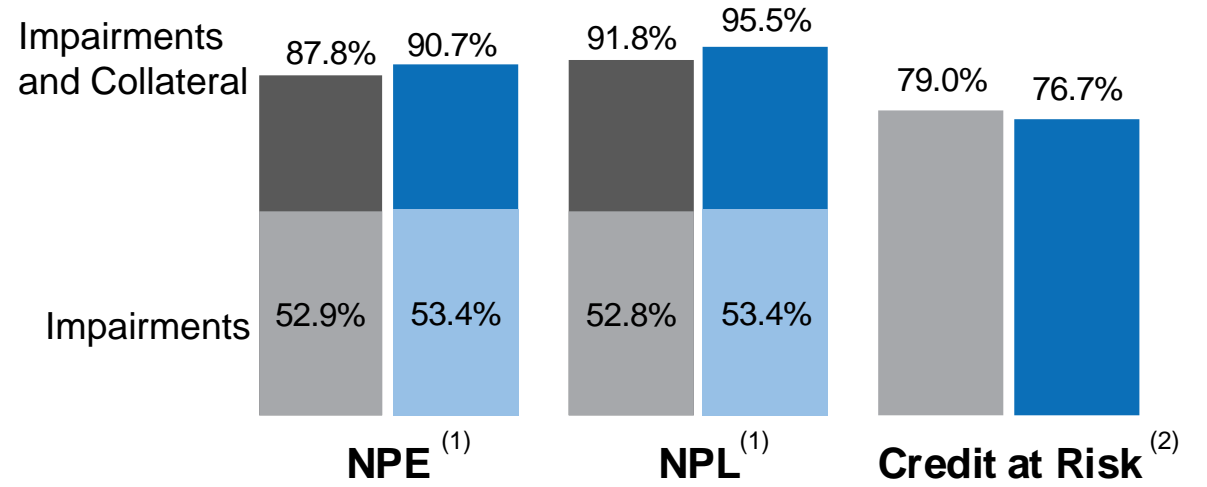
%

■ 2016-12

■ 2017-09



Gross Ratios



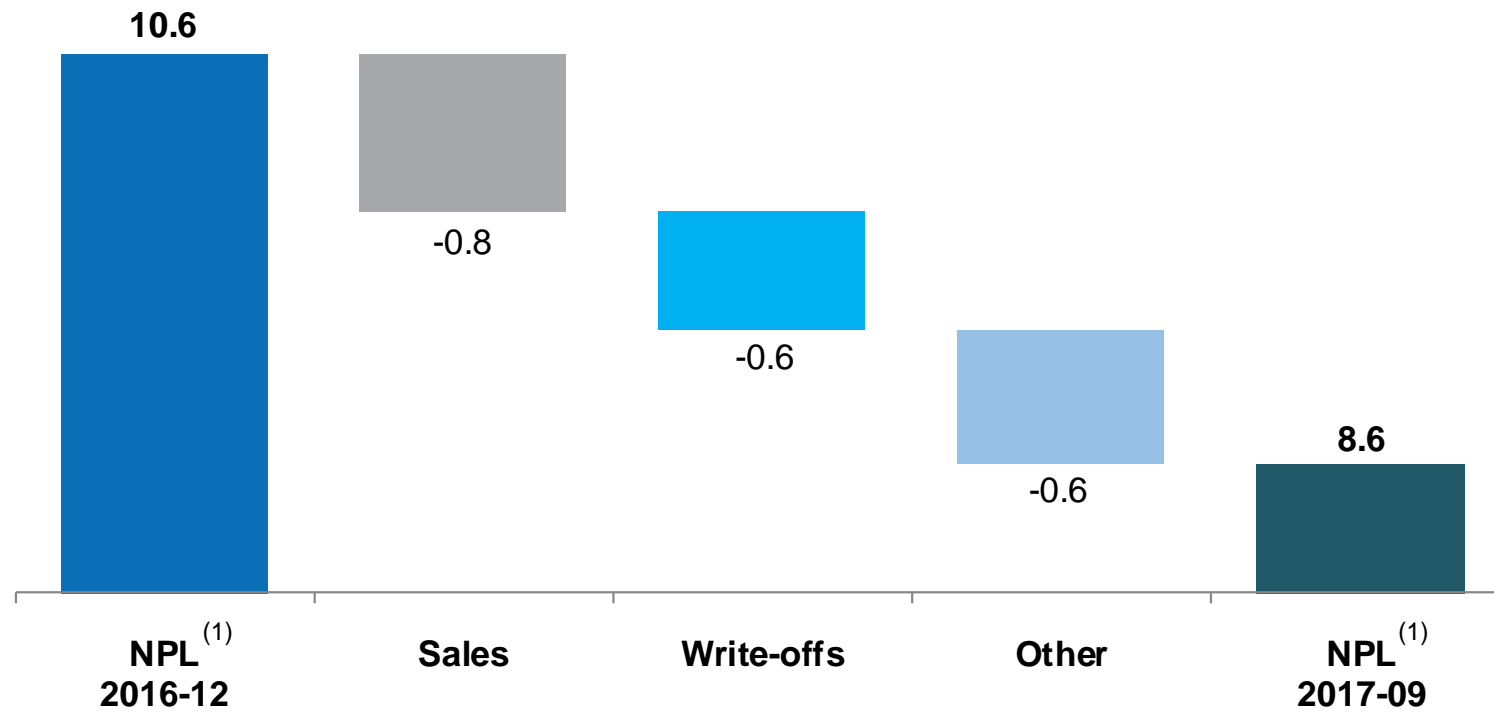
Coverage by Impairments and Collateral

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

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

## Strong action on NPL reduction...

B€



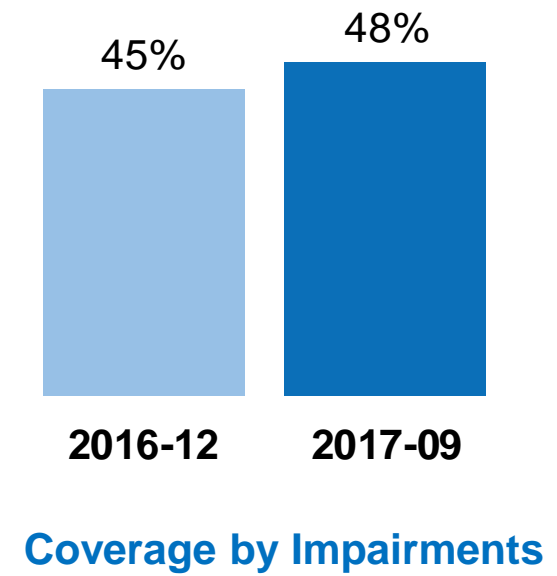
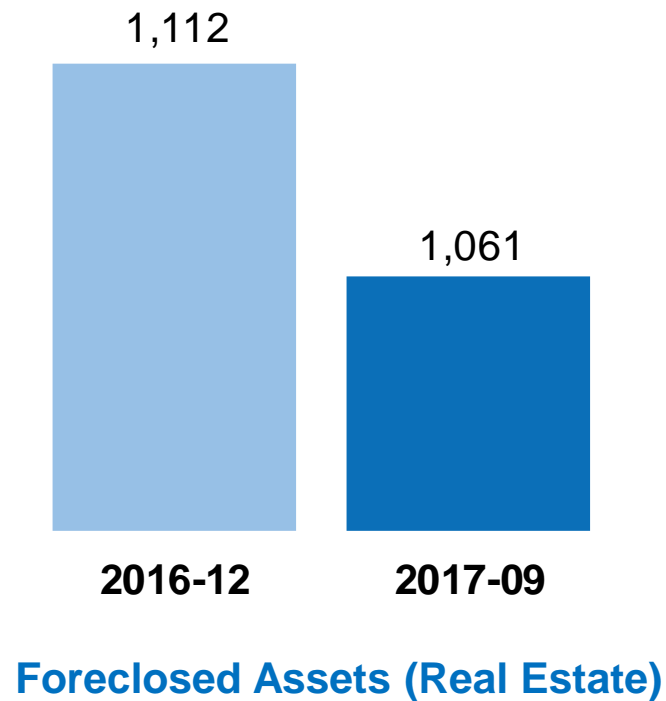
NPL evolution

(1) NPL – Non Performing Loans – EBA definition.

## Foreclosed Assets (Real Estate)

M€

%



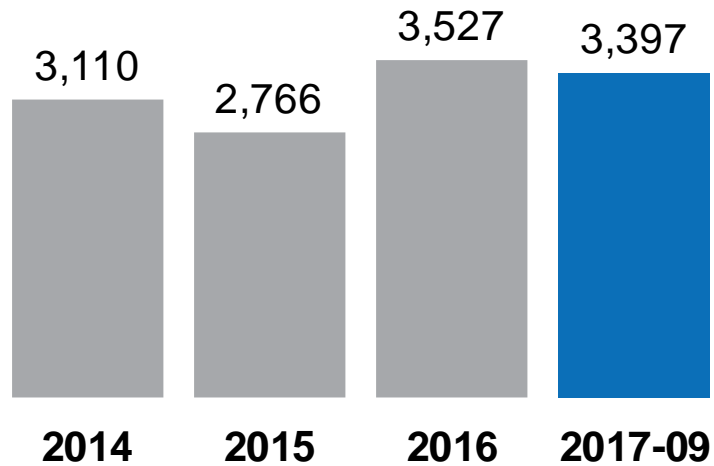




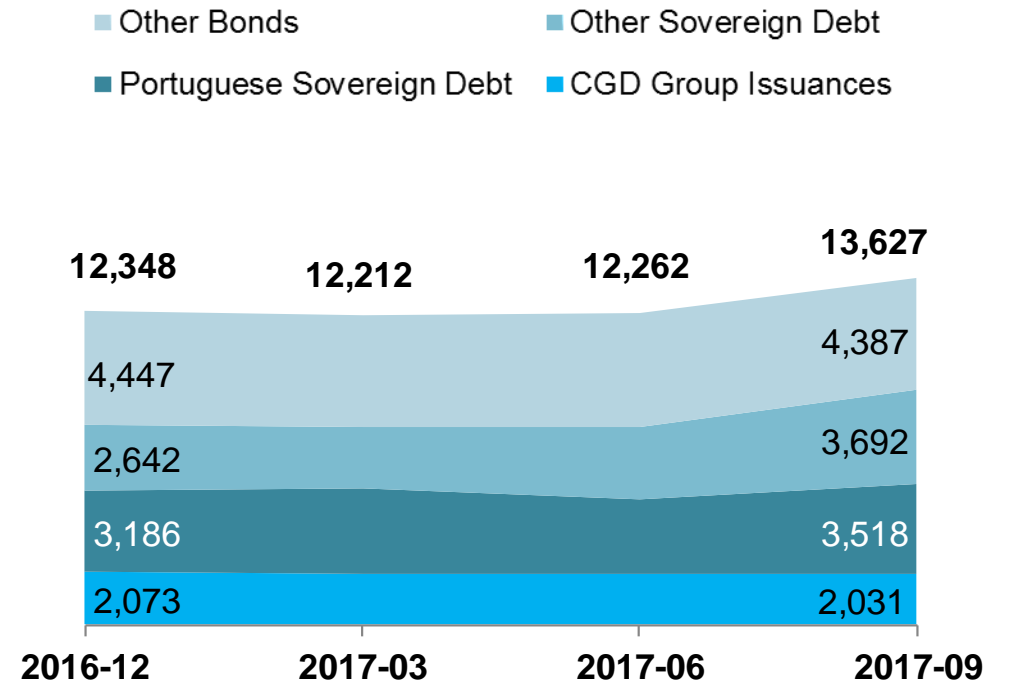
Liquidity

## ECB funding stabilized and ECB Eligible Assets Pool strengthened...

M€



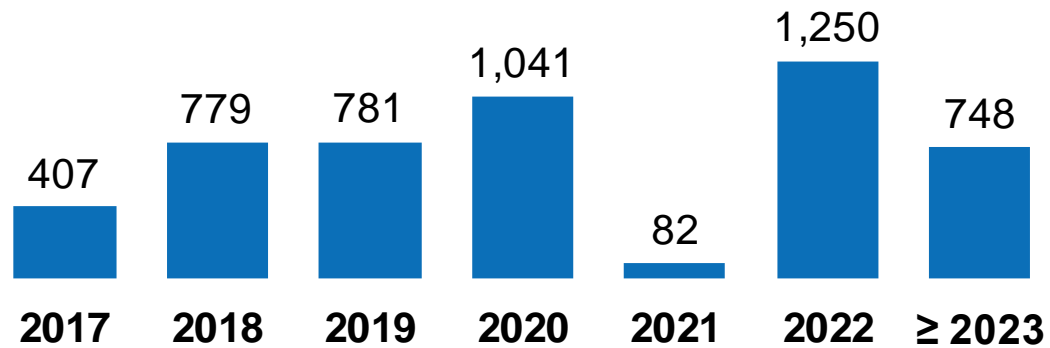
ECB Funding



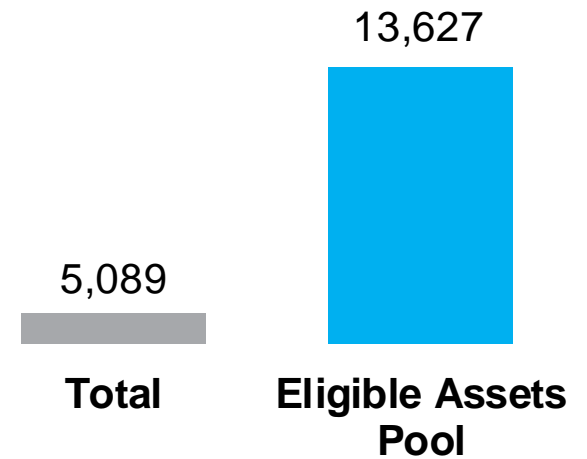
Eligible Assets in ECB Pool

## ...with Wholesale Debt maturities fully covered

M€



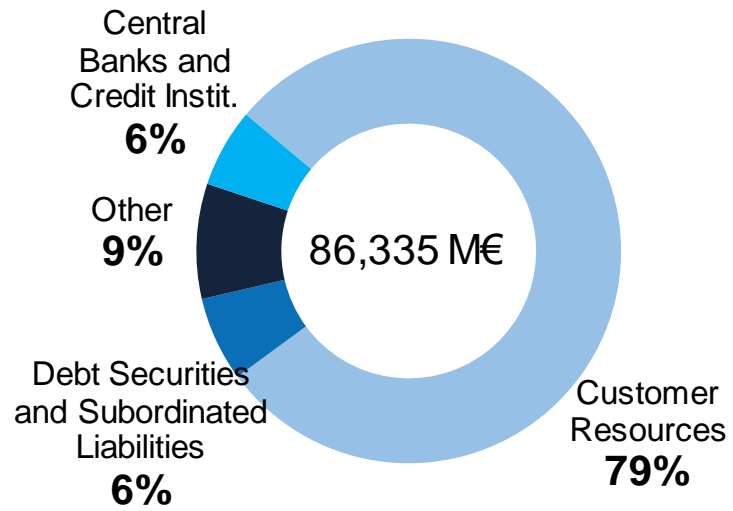
Annual maturities of Wholesale Debt



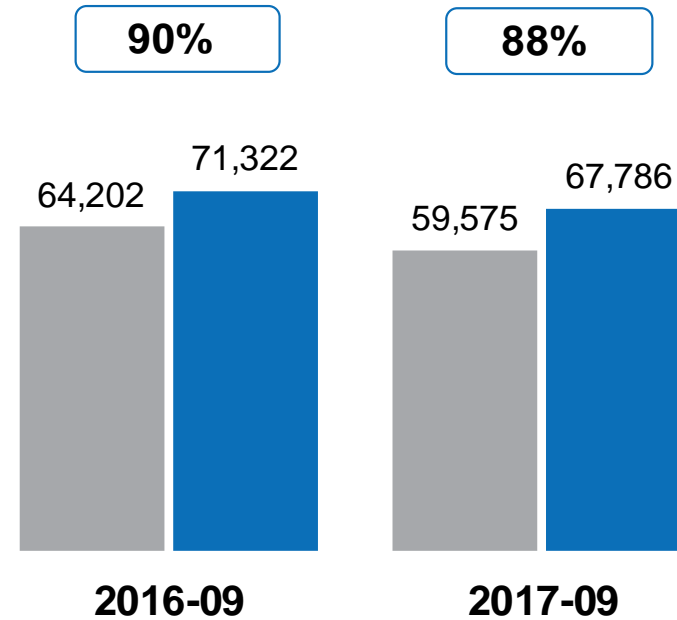
## Solid funding structure based on retail funding...

%

M€



Funding Structure



Loans-to-Deposits Ratio

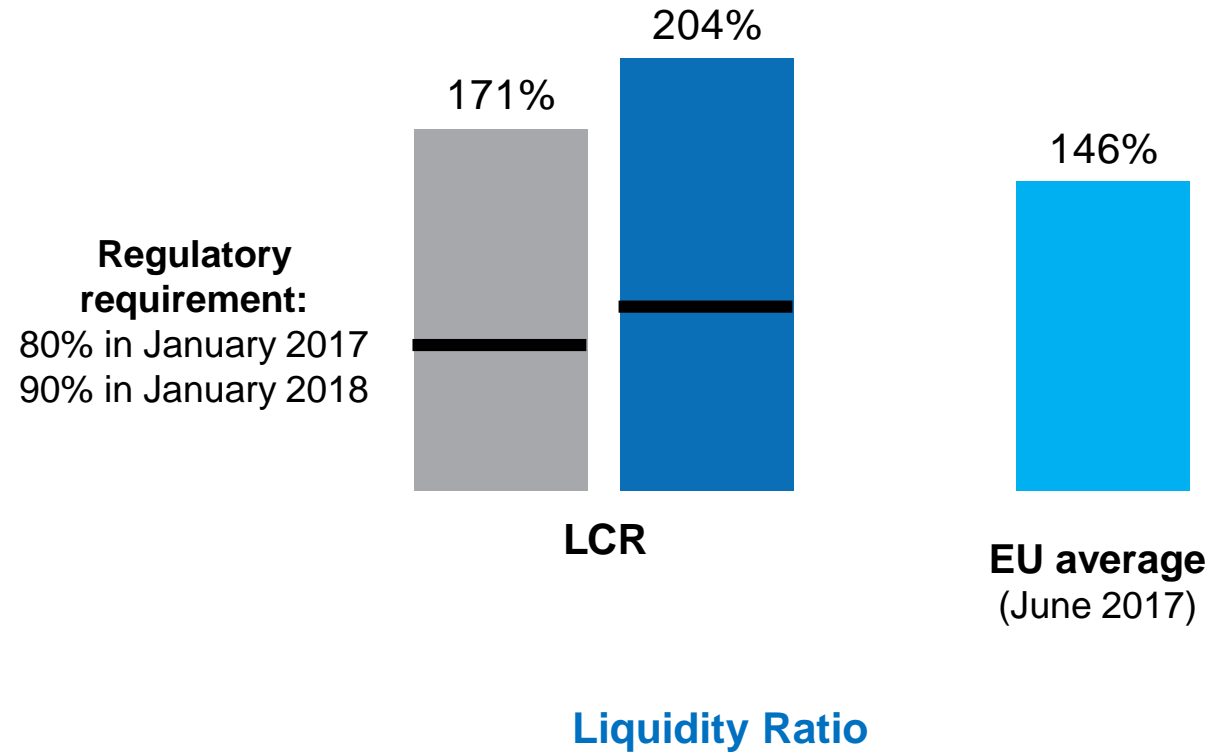
■ Loans and Adv. to Customers (net)  
■ Customer Deposits

## Liquidity

### ...with comfortable Liquidity Coverage Ratio (LCR)

%

- 2016-09
- 2017-09

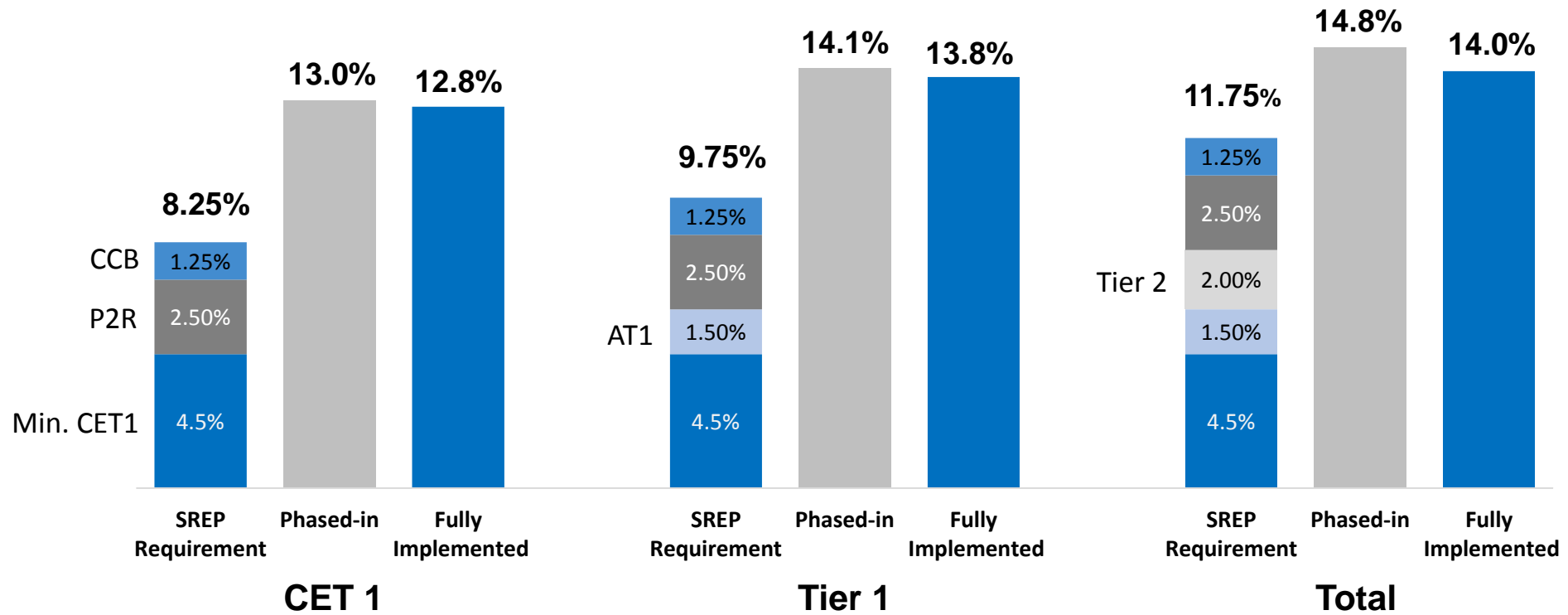




Capital

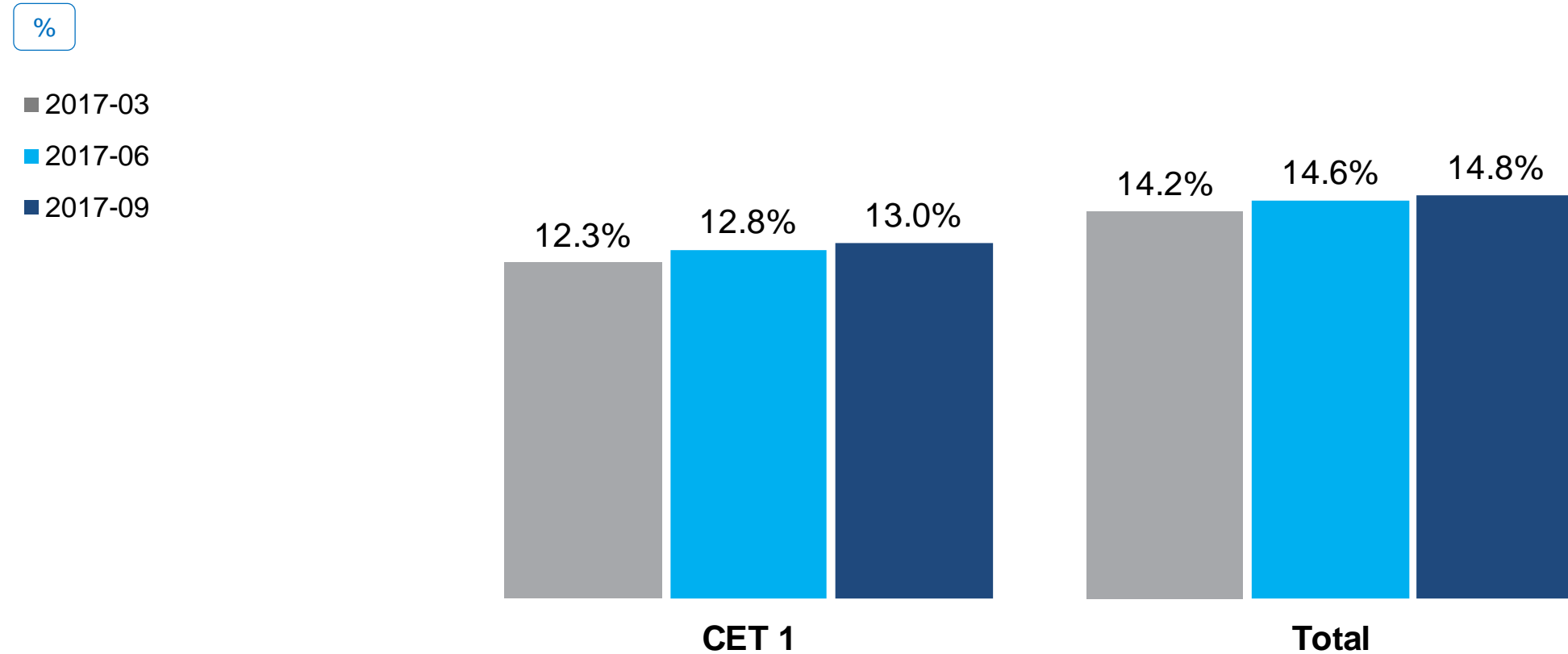
## Recapitalisation strengthens solvency...

%



**SREP 2017 Requirements and CGD Capital Ratios in 3<sup>rd</sup> Quarter 2017**

## ...with gradual improvement of capital position throughout 2017

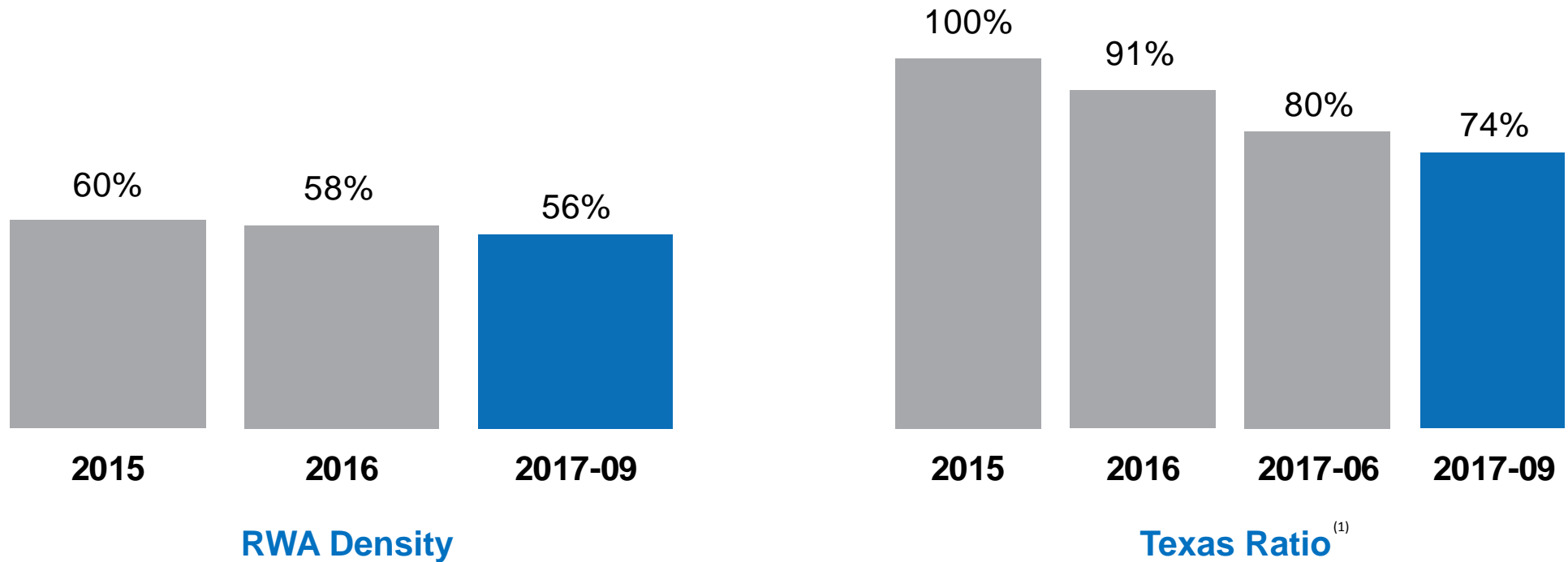


Capital Ratios evolution (Phased-in)



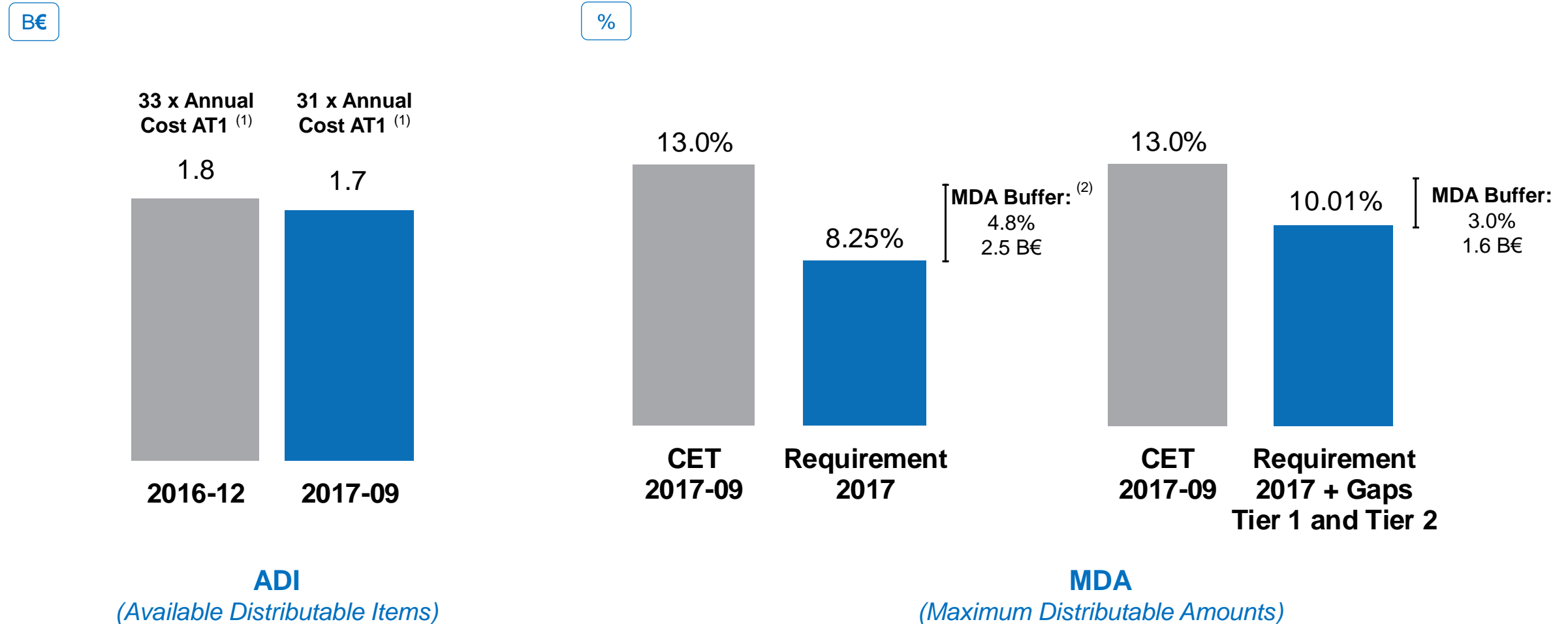
## High Risk Weighted Assets (RWA) density, Texas Ratio improves

%



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

## Available Distributable Items (ADI) and Maximum Distributable Amount (MDA)



(1) 10.75% coupon for current 500 M€ AT1 issuance;  
 (2) Considering Buffers of 1.5% in T1 and 2% in T2 fulfilled.

## Executive Summary

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- 1. Adequate Capital Ratios** – Following the Recapitalisation Plan, in September 2017 CGDs phased-in capital ratios were 13.0% (CET1), 14.1% (Tier 1) and 14.8% (Total).
- 2. Efficiency and Profitability** – The referred to capital levels allowed an effective start of the implementation of the Strategic Plan, with visible results on the interest margin, costs and recurrent income, allowing the significant provisioning of restructuring costs.
- 3. Asset Quality** - Positive evolution in 3<sup>rd</sup> quarter 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

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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 September 2017, except otherwise stated.

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Thank You