



# Consolidated Results 2017

Unaudited financial information

Investor Relations Office

Date – 02/02/2018



# Agenda






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



# Highlights

# CGD 2020 Strategic Plan on the right track, supported by the business evolution, capital and liquidity

	<b>Strategic Plan</b>	Implementation of the CGD 2020 Strategic Plan successfully concludes 2017, allowing CGD to reach positive net income (52M€) <sup>(1)(2)</sup>	
	<b>Business</b>	... supported by the evolution of CGD's recurrent business ...	<b>Evolution 2017 vs. 2016:</b> Net Interest Income: +19%; Commissions: +3% Recurrent Operating Costs: -7% Net Core Operating Inc. before Impairments: +87%
	<b>Asset Quality</b>	... with a strong focus on the reduction of non-performing assets...	<b>NPE and NPL Evolution, 2017 vs. 2016:<sup>(3)</sup></b> NPE: 9.3% (-2.8 pp); NPL: 12.1% (-3.7 pp) Coverage by impairments: NPE: 56.6%; NPL: 57.2% Cost of Credit Risk: 0.13%
	<b>Liquidity</b>	...taking advantage of the wide base of funding available...	Deposits: 74% of Liabilities Pool of available Collateral: 13.7 B€ LCR: 209% Loans-To-Deposits: 87%
	<b>Capital</b>	... and reinforcing the capital position, despite the restructuring costs.	<b>Capital Ratios (Phased-in), 2017 vs. 2016:<sup>(3)</sup></b> CET1: 14.0% (+1.9 pp) Tier 1: 15.1% (+2.1 pp) Total: 15.7% (+1.6 pp)

(1) December 2016 values have been restated, considering Mercantile Bank, BCG Spain, BCG Brazil and CGD Investimentos CVC as non-current assets held for sale, for comparability purpose with December 2017;

(2) 2016 and 2017 include non recurrent costs related to staff reduction programmes, national and international operations restructuring and sale provisions, and IAS 29 application to the activity in Angola, resulting in a total net amount of 32 M€ and 609 M€ in 2016 and 2017 respectively;

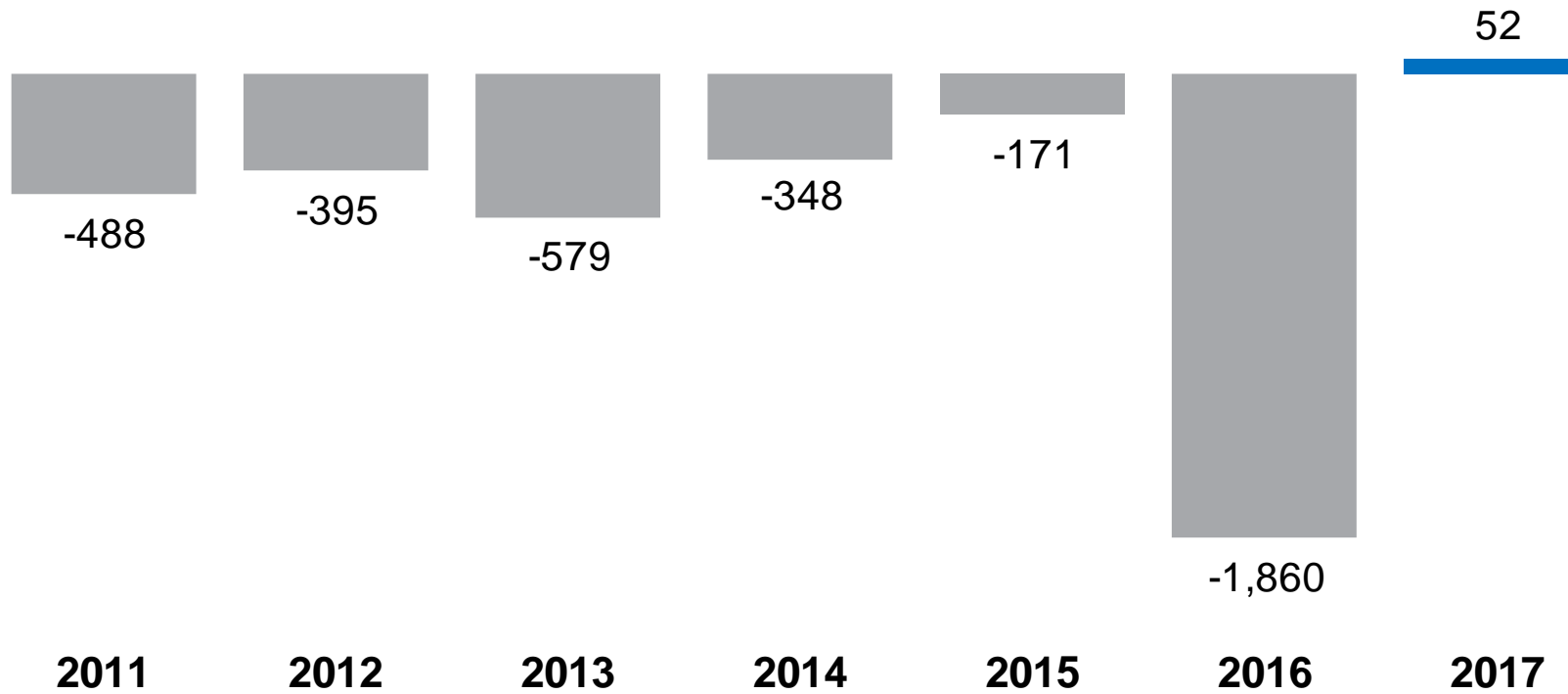
(3) December 2017 Solvency and Asset Quality ratios are estimated, subject to change when definitive values are determined.



# Results

## Strong improvement in Net Income...

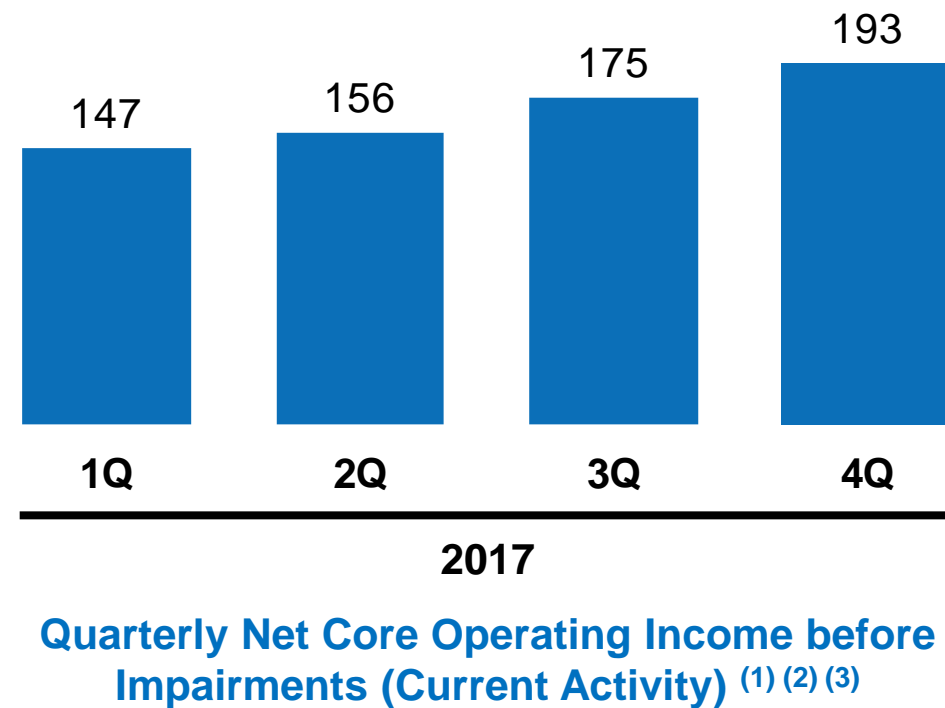
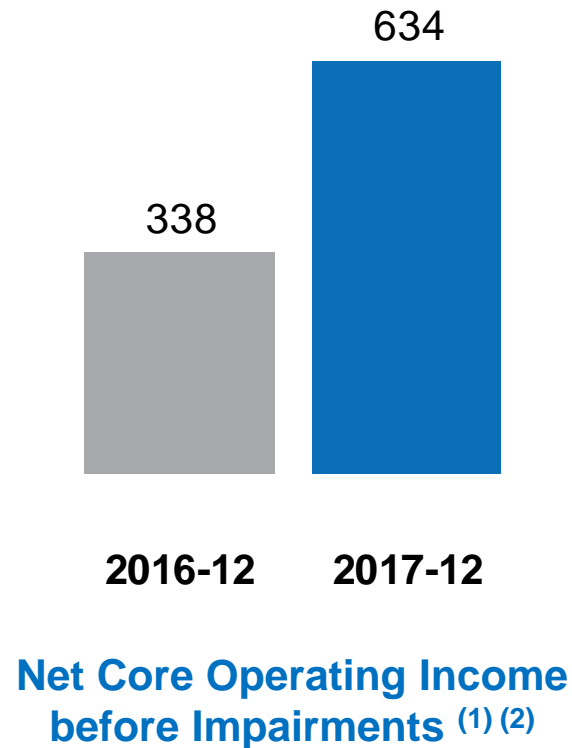
M€



Consolidated Net Income

## ...and in Net Core Operating Income before Impairments

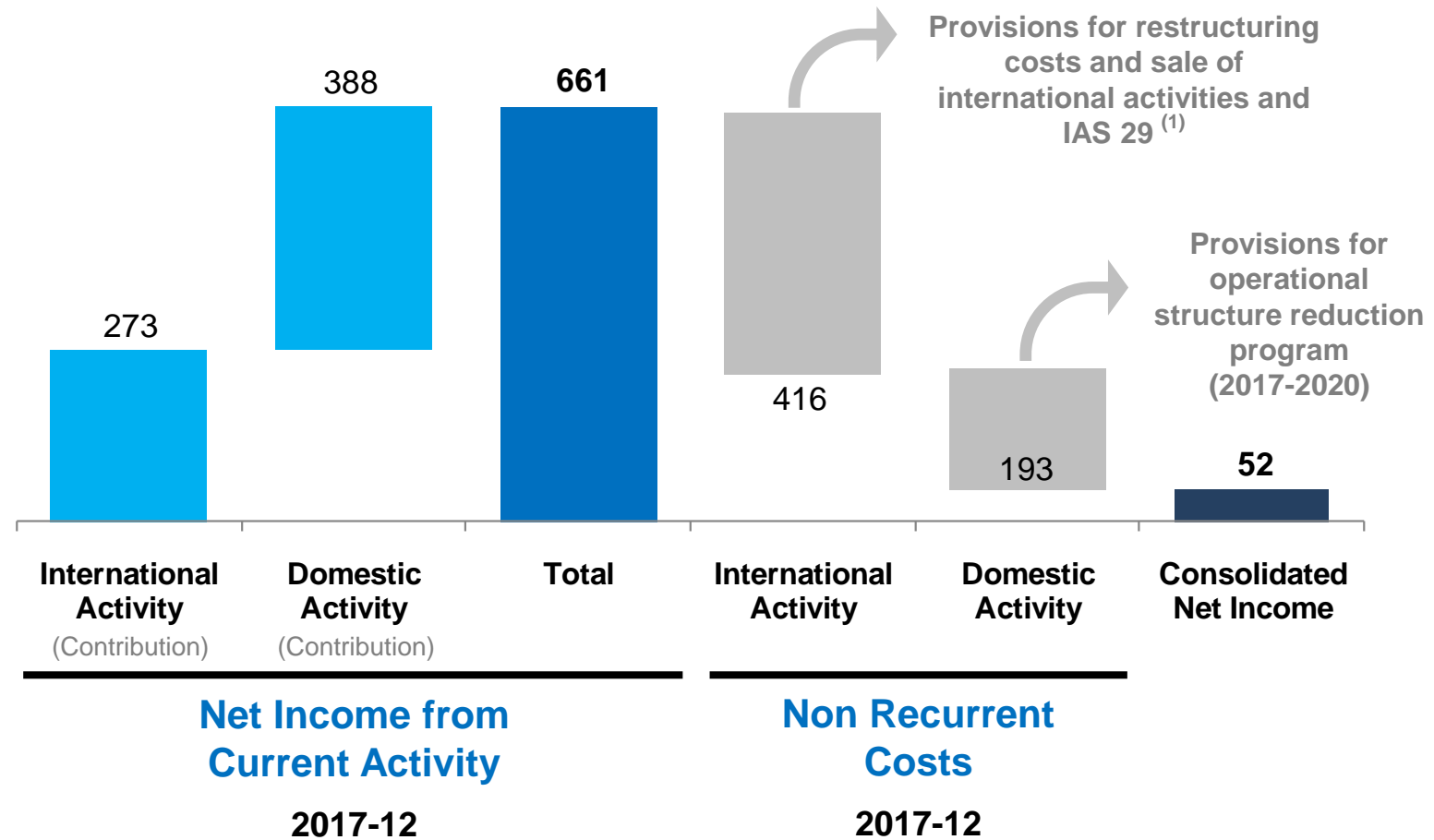
M€



(1) Net Core Operating Income before Impairments = Net Interest Income + Net Fees and Commissions - Operating Costs;  
(2) Excluding non recurrent costs;  
(3) Consolidated figures on comparable basis, considering Mercantile Bank only as non current asset held for sale.

... despite non recurrent costs already provisioned due to the Strategic Plan implementation

M€



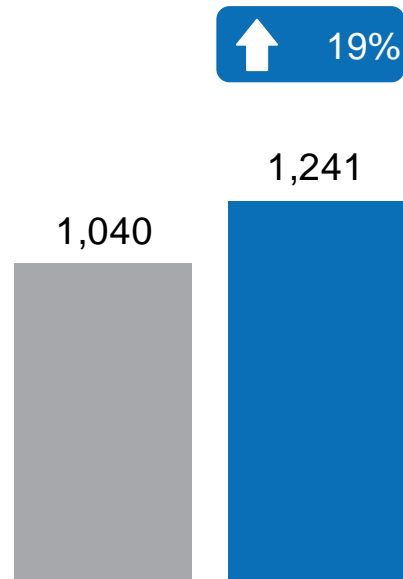
(1) Following the IAS 29 application to the Angolan activity, in the amount of -30M€.



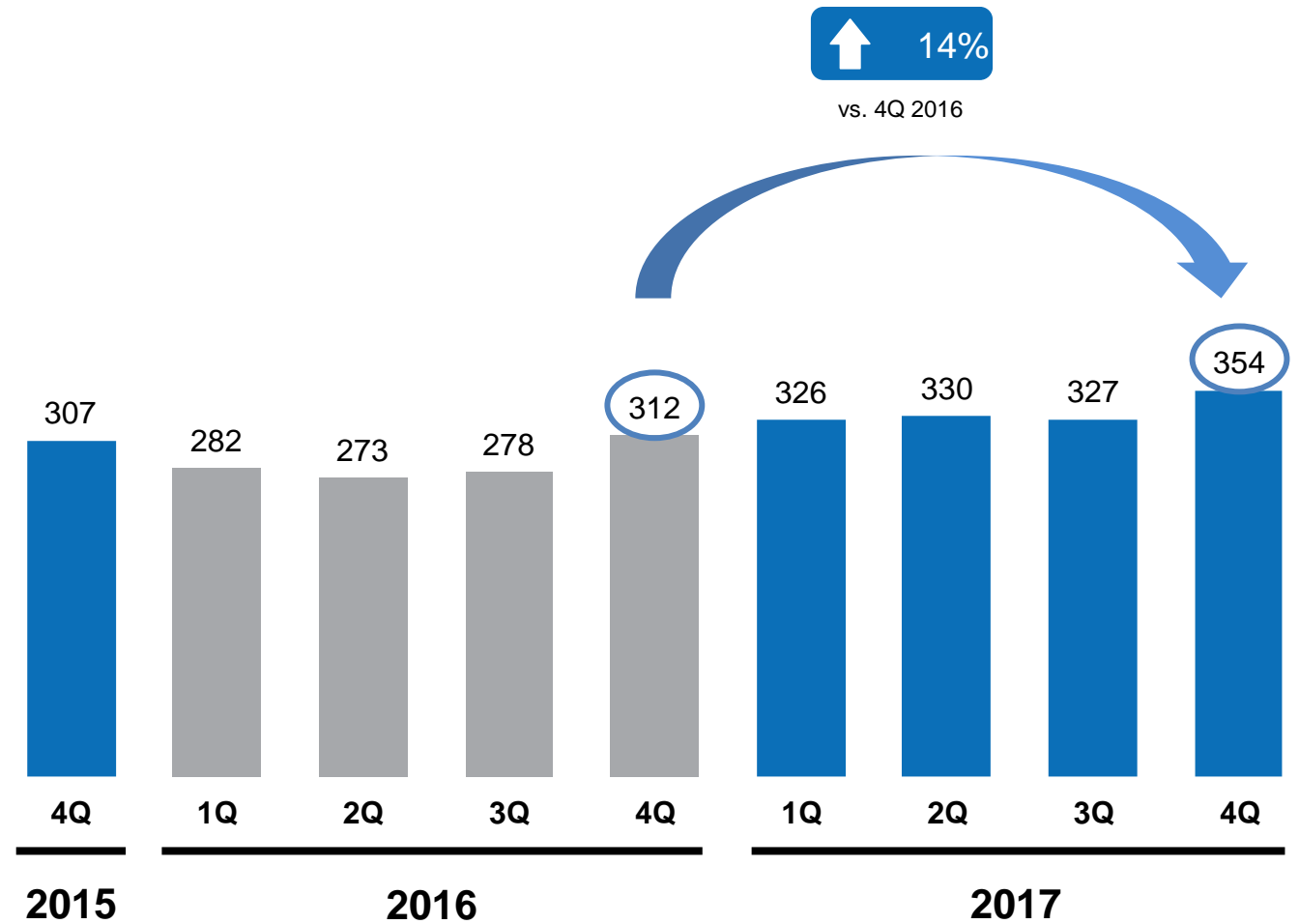
## Net Interest Income advances...

M€

- 2016-12
- 2017-12



Net Interest Income

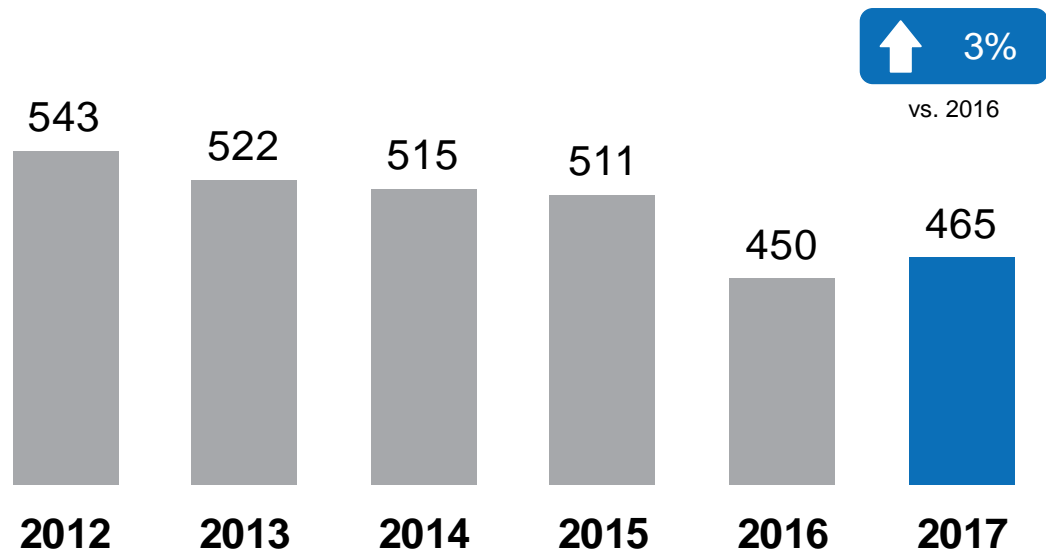


Quarterly Net Interest Income

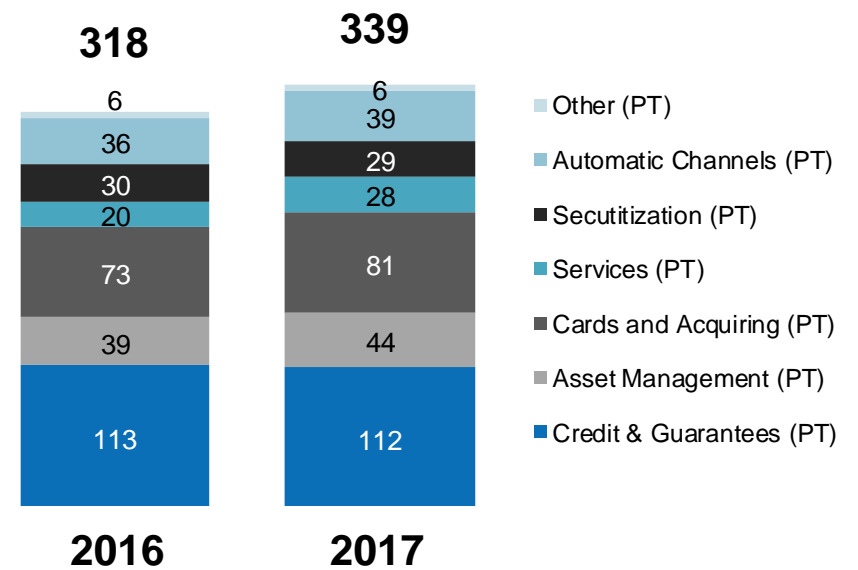
Note: Consolidated figures on comparable basis, considering Mercantile Bank only as non current asset held for sale.

## Commissions benefit from the implementation of the Strategic Plan...

M€



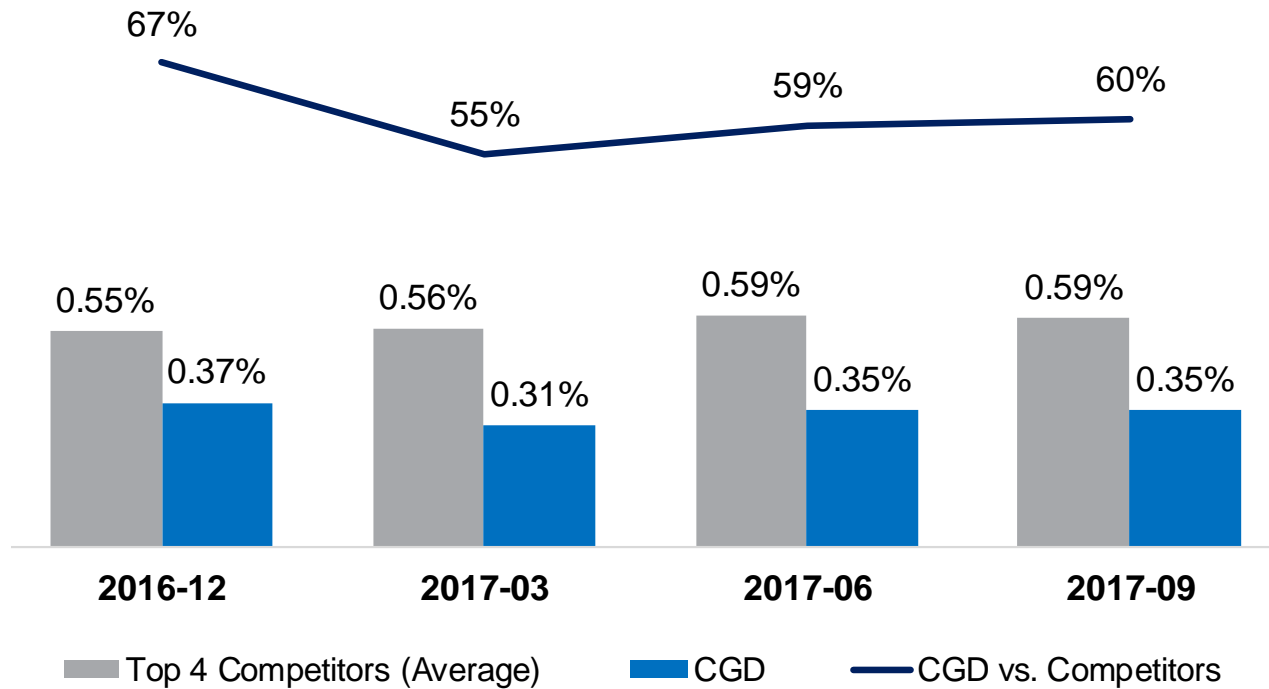
**Net Fees and Commissions (Consolidated)**



**Net Fees and Commissions (CGD Portugal)**

## ... but CGD remains below peer group average

%

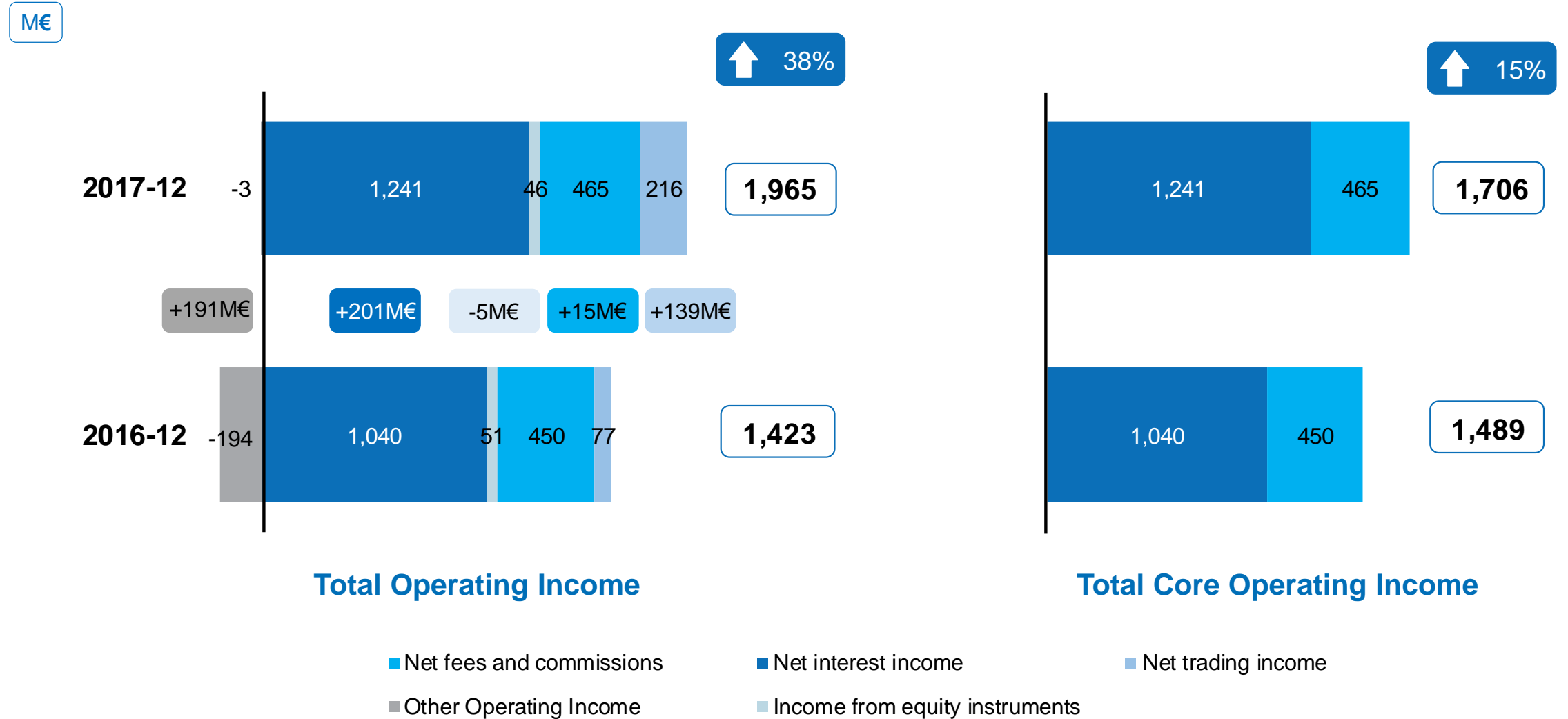


$$\text{CGD vs. Competitors} = \frac{\text{CGD Commissions as \% of BV}}{\text{Competitors Commissions as \% of BV \%}}$$

### Net Fees and Commissions (CGD vs. Competitors)

Note: Quarterly Net Fees and Commissions, not accumulated; Business Volume (BV) = Gross Loans and Advances to Customers + Customer Deposits; Annualised quarterly values;

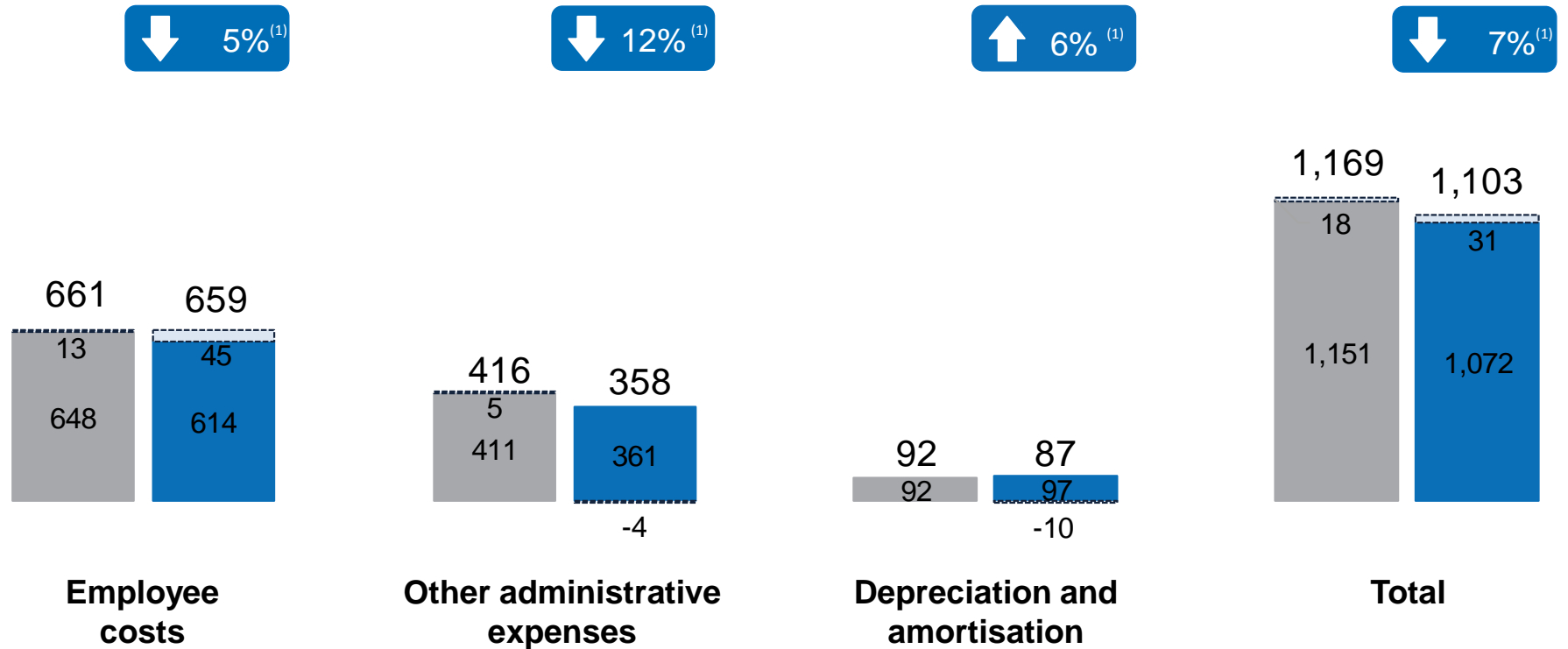
## Total Operating Income was influenced by Net Interest Income and Trading Income...



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

M€

- 2016-12
- 2017-12
- Non recurrent costs



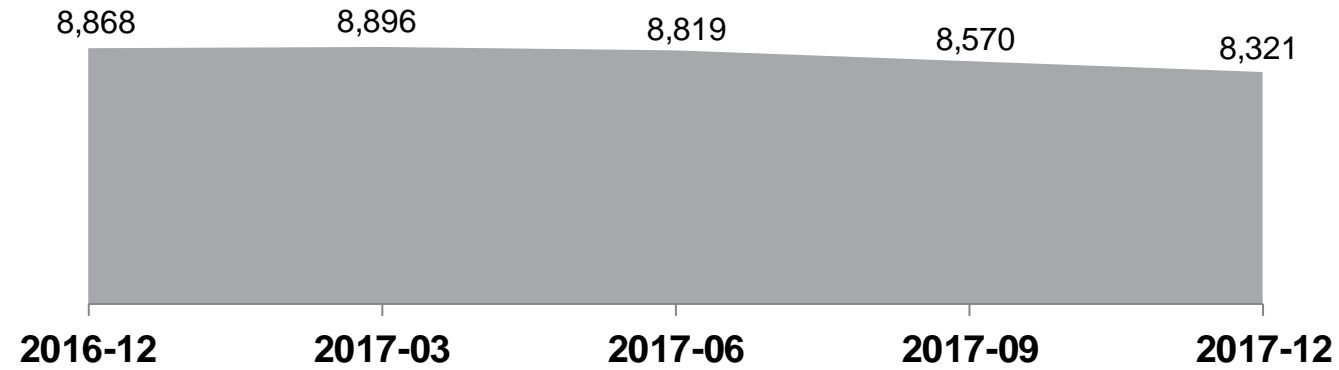
### Operating Costs – Consolidated Activity

(1) Excluding non-recurrent costs.

## Employees and retail branches evolve according to the Strategic Plan

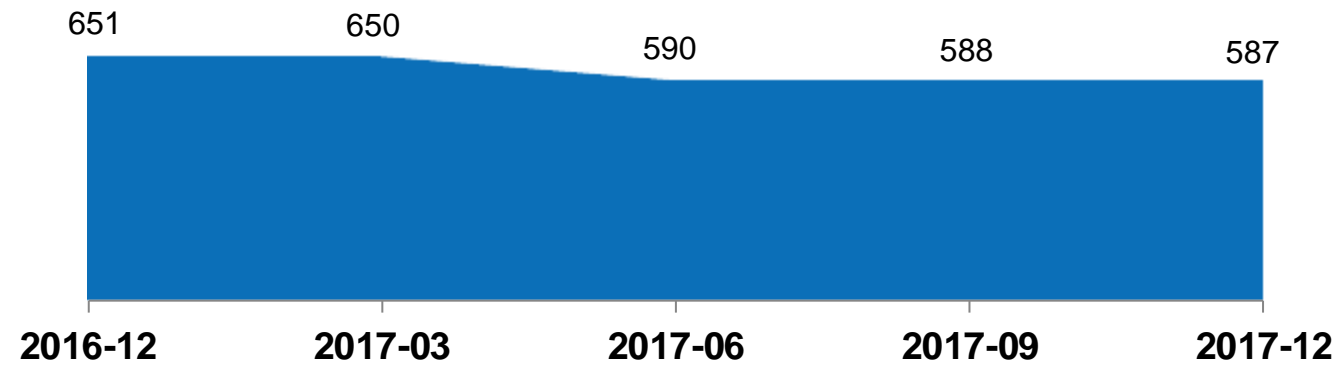
M€

Number of Employees  
(Domestic Activity)



↓ -547  
vs. 4Q 2016

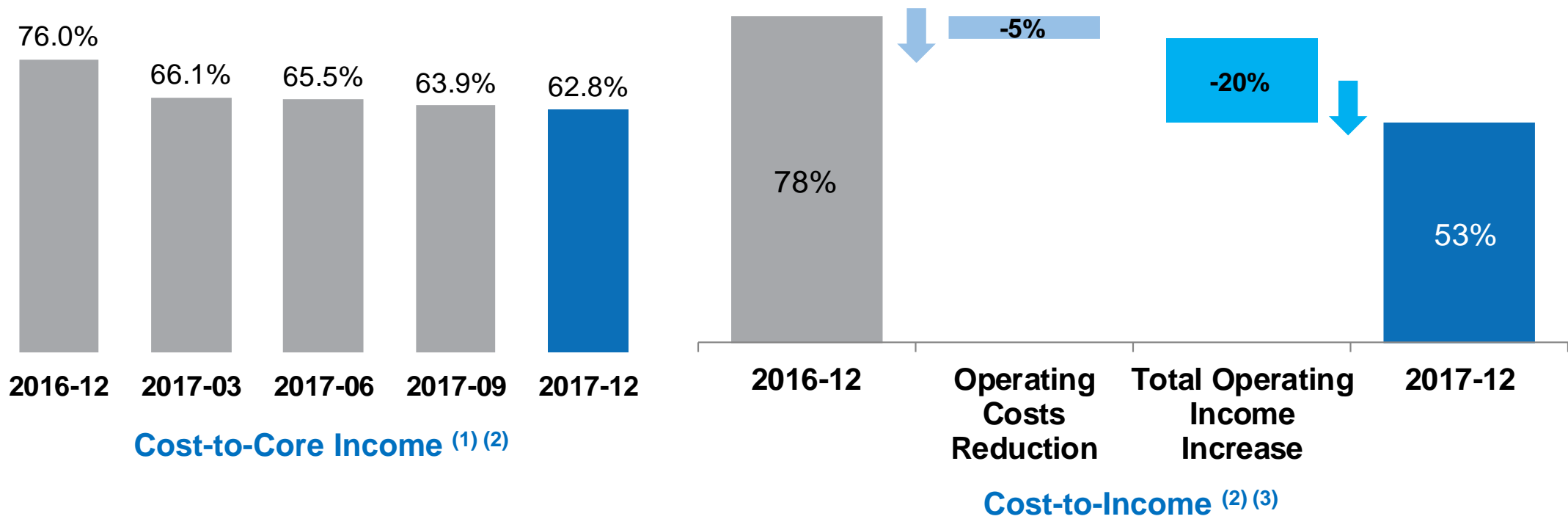
Retail Branch Network  
(CGD Portugal)



↓ -64  
vs. 4Q 2016

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

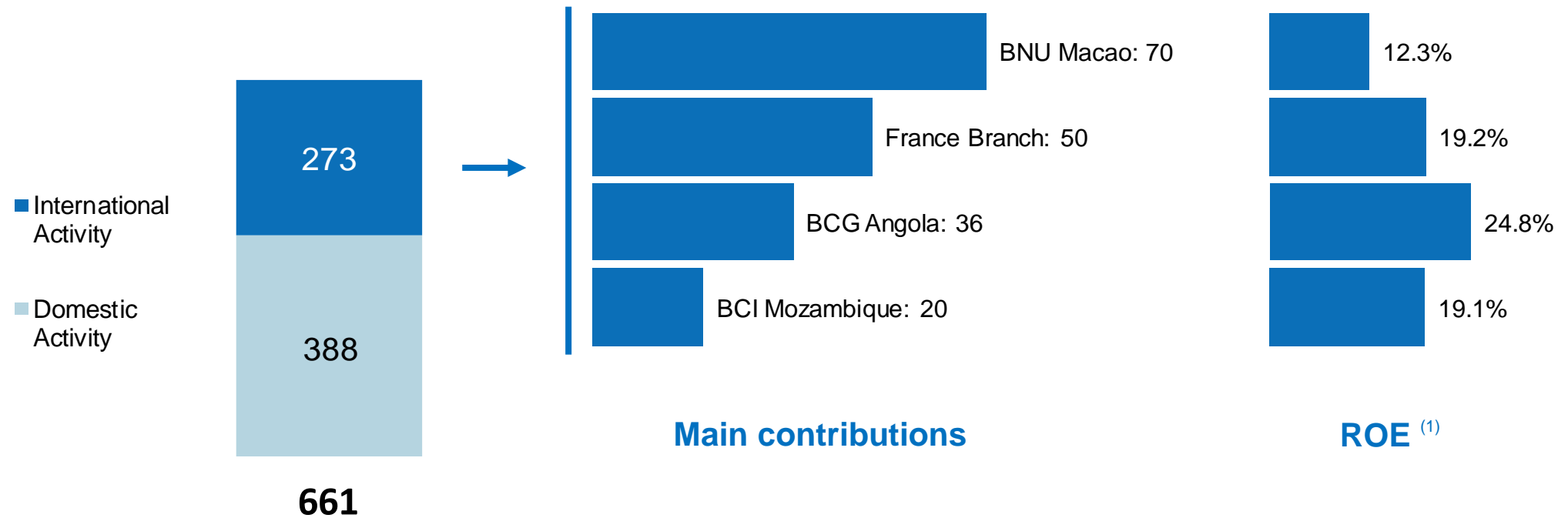
%



(1) Operating Costs / (Net Interest Income + Net Fees and Commissions); Calculated using consolidated figures on comparable basis, considering Mercantile Bank only as non current asset held for sale;  
 (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 from current activity

M€



Branches wind-down in 2017: London Branch, Cayman, Macao Offshore and Zhuhai.

(1) ROE = Net Income from current activity / Average Total Equity

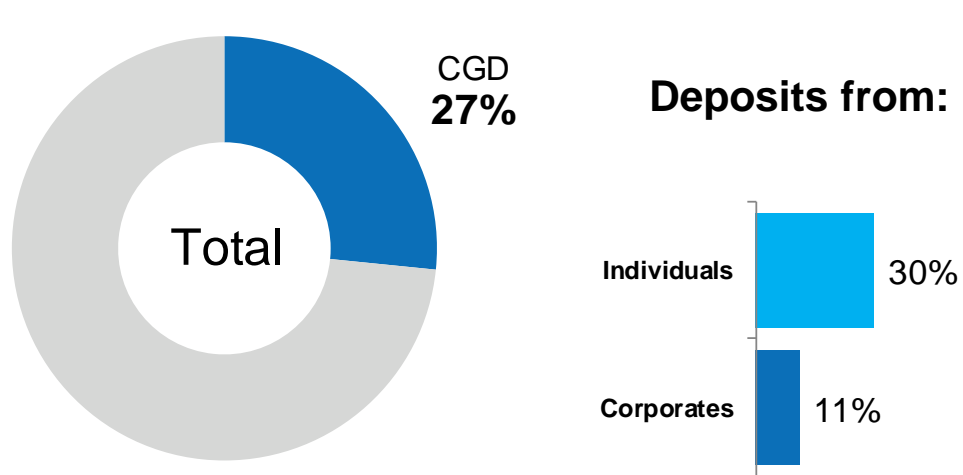




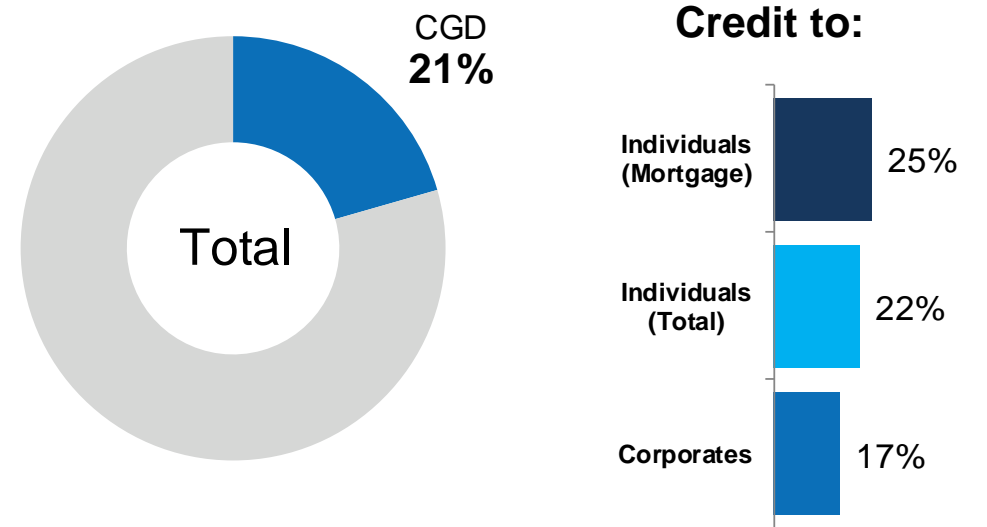
# Balance Sheet

## Market Shares: CGD leader in Portugal

%



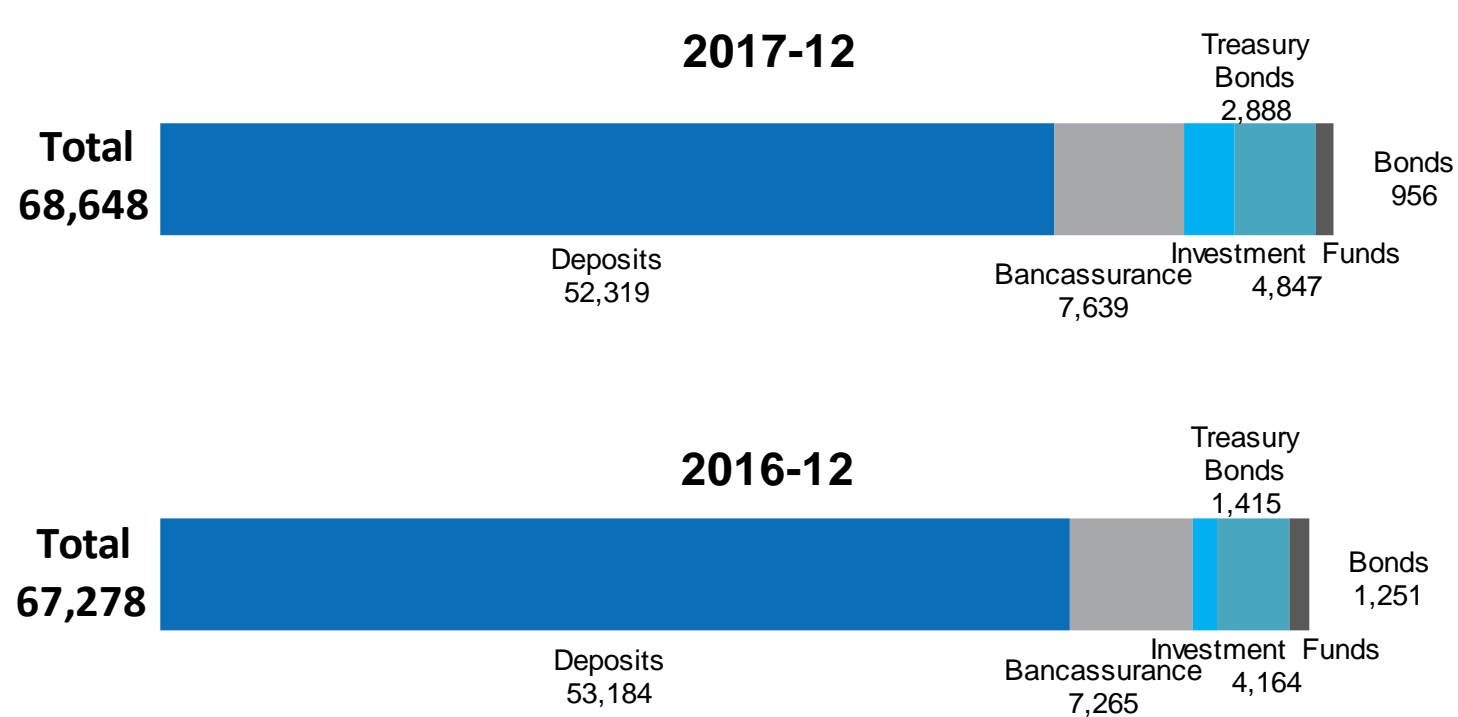
**Customer Deposits – Portugal**  
November 2017



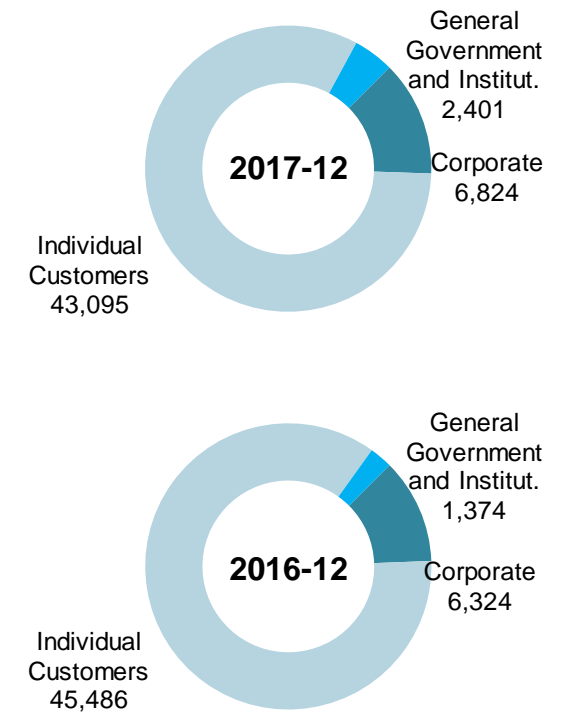
**Loans and Adv. to Customers – Portugal**  
November 2017

## Total Customer Resources in Portugal increase 1.4 B€...

M€



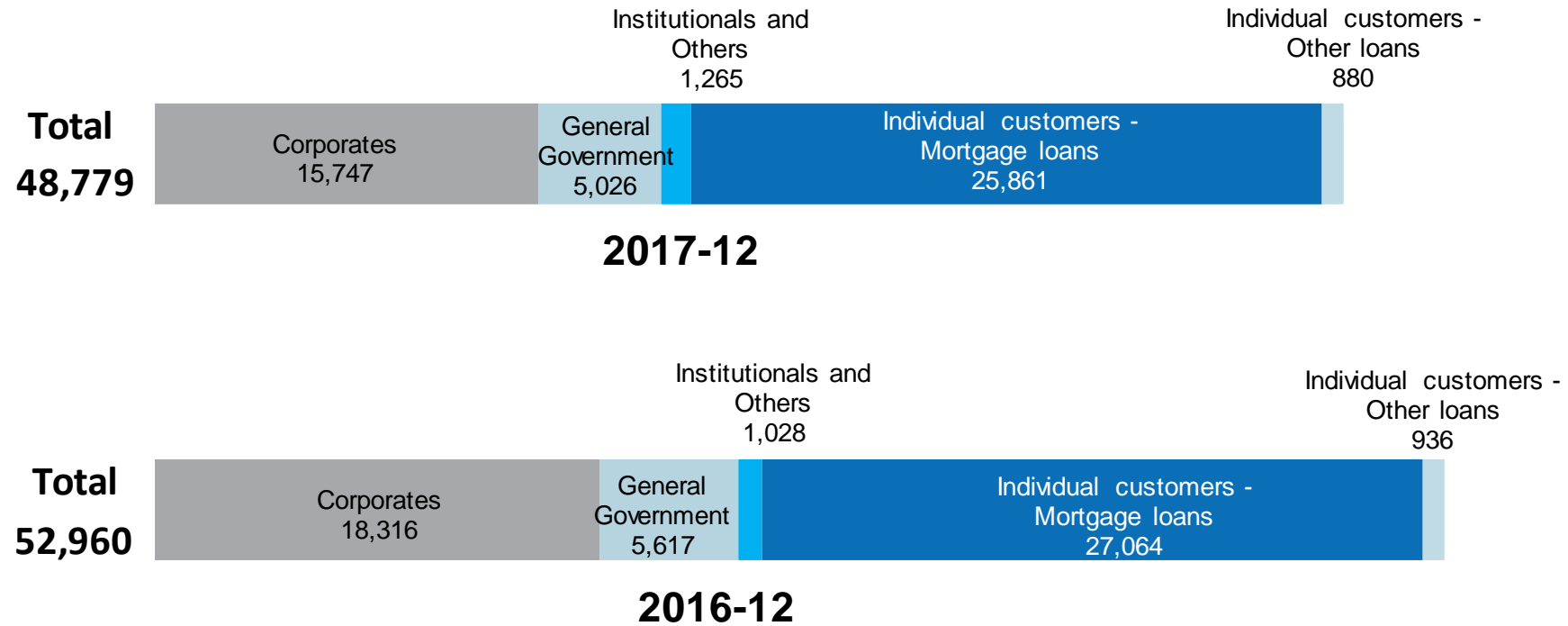
Total Customer Resources – Domestic Activity



Customer Deposits (Domestic Activity)

## Credit in Portugal follows market trend and reflects NPL reduction...

M€



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

## Relevant Events



### “Fora da Caixa” Events

- 10 events with the presence of more than 3,300 CGD customers;
- Cities: Braga, Faro, Leiria, Lisboa, Oporto, Santarém, Funchal and Viseu;
- Relevant themes for the strategy of companies and the country.



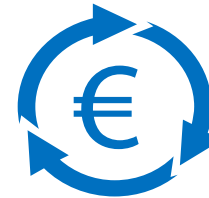
### Digital Offer

- Caixadirecta: 1.4 million clients in Portugal;
- 720 million transactions in 2017;
- 50% of total internet banking users in Portugal;
- Caixadirecta App: > 500,000 unique users;
- CGD.pt: >1,000,000 unique visitors;
- Sole banking service in pageviews.pt Top 10;
- >300,000 followers in social networks.



### Caixa Account

- Easier, targeting customer’s needs;
- Closer to customers and increased revenue;
- Launched in June 2017;
- Jan. 2018: > 1,000,000 accounts.



### Mutual Funds Market Leader

- 409 M€ growth in 2017;
- Total AuM of 3,928 M€;
- 32% market share in December 2017.



### Investment Banking and Credit

- Caixa BI: “*Best Investment Bank in Portugal 2017*” by Euromoney, Global Finance and EMEA Finance;
- Leader in the “Capitalizar” credit line and in the National System of Mutual Guarantee.

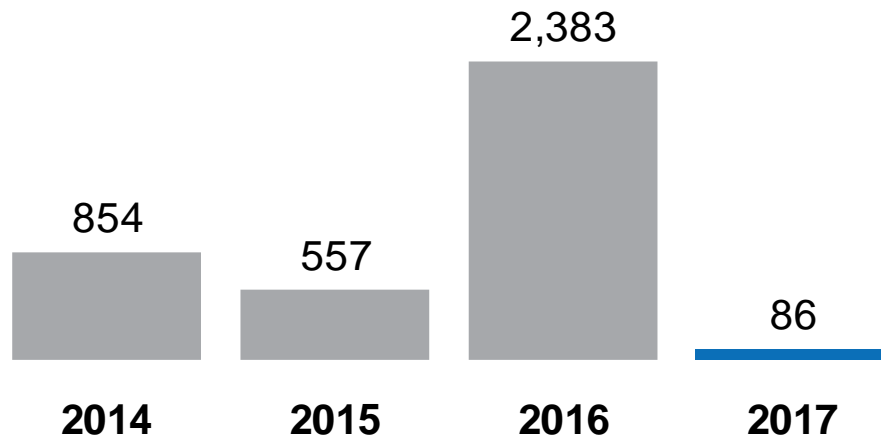


# Asset Quality

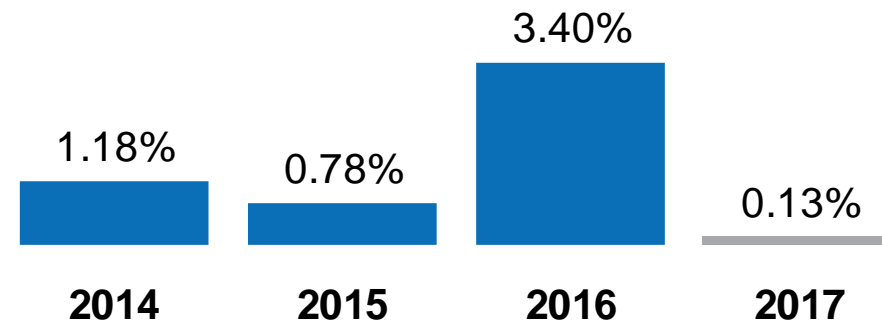
## Reduced Cost of Credit Risk...

M€

%



Credit impairment net of reversals



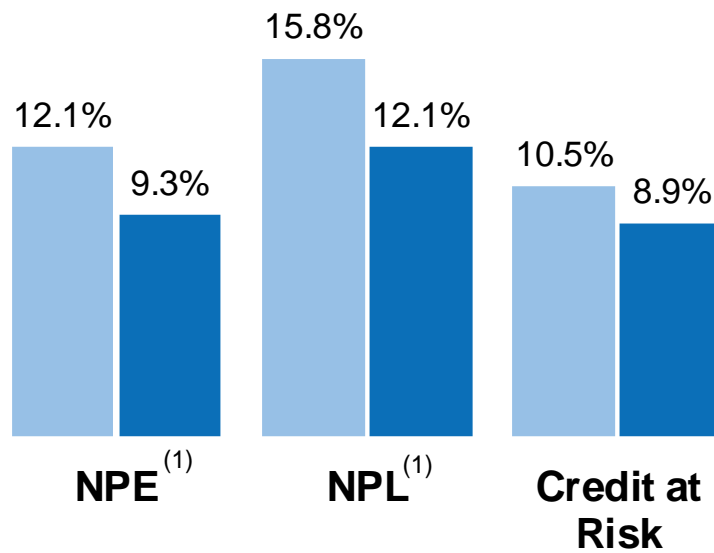
Cost of Credit Risk

## ...NPE and NPL decreasing and reinforced coverage

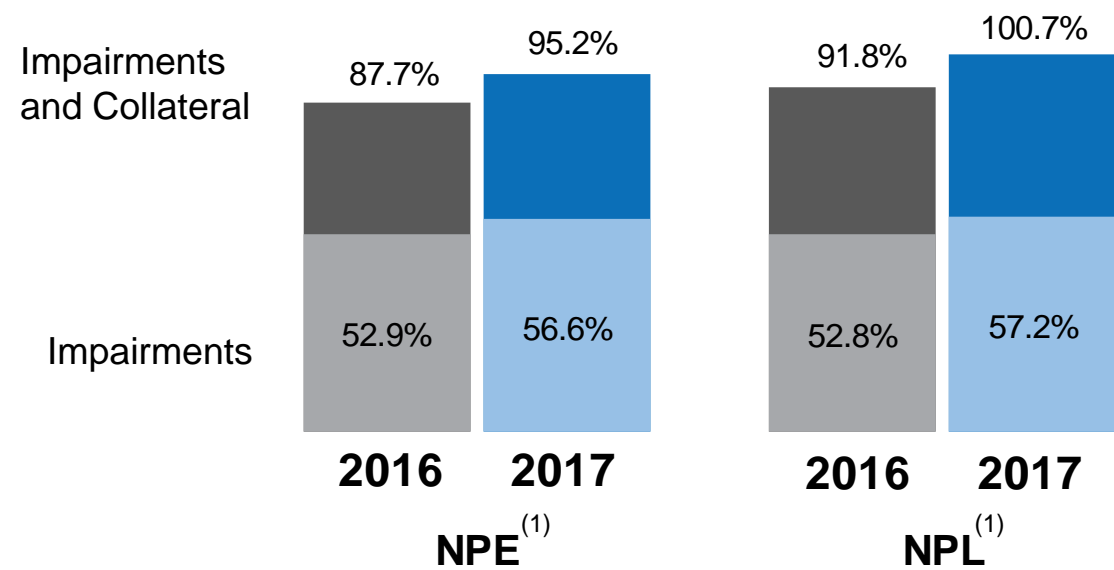
%

■ 2016-12

■ 2017-12



Gross Ratios



Coverage by Impairments and Collateral

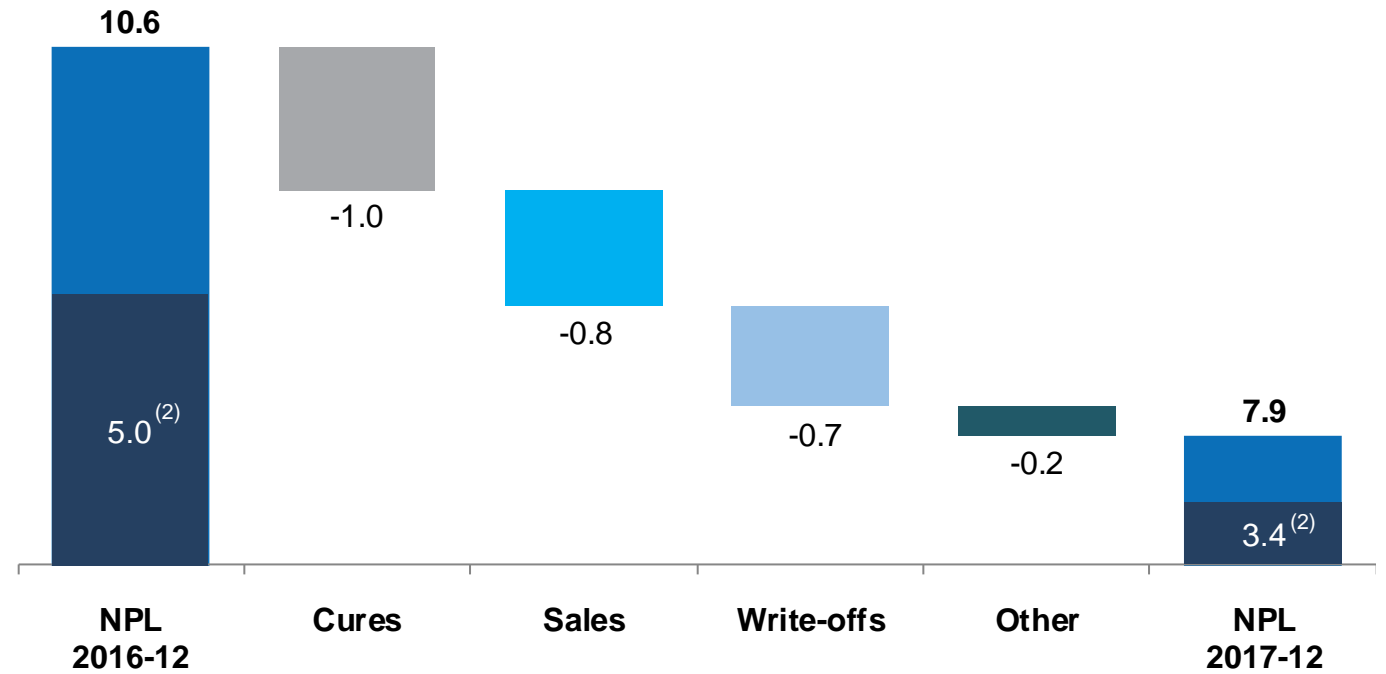
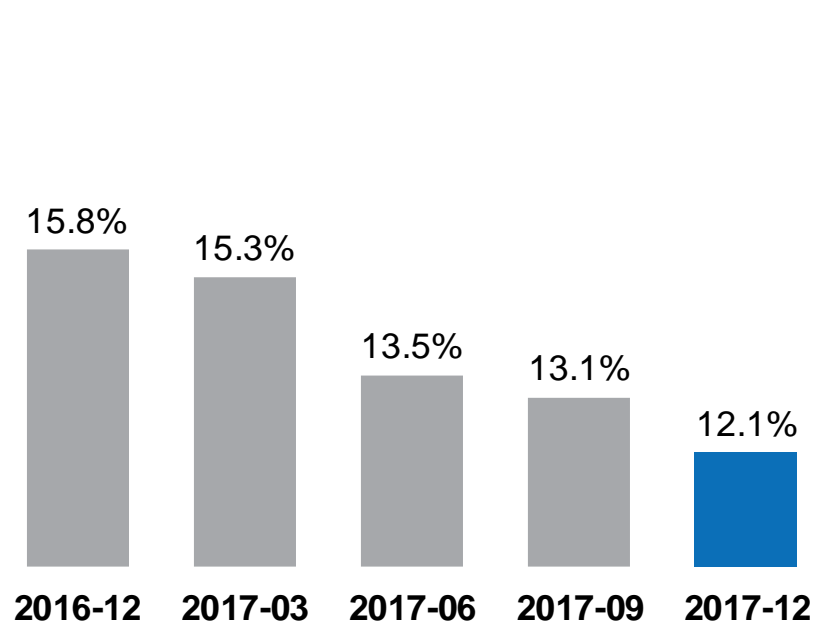
(1) NPE – Non Performing Exposure – EBA definition  
NPL – Non Performing Loans – EBA definition;



## Strong action on NPL allows 2.7 B€ reduction...

%

B€



NPL evolution <sup>(1)</sup>

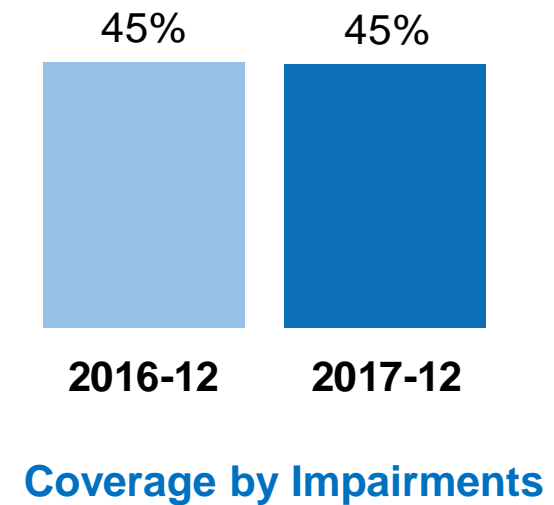
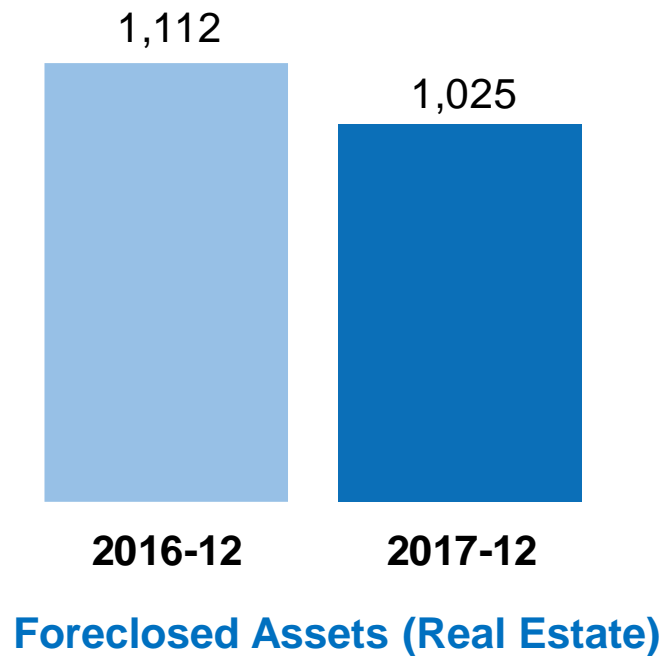
(1) NPL – Non Performing Loans – EBA definition.

(2) NPL net of impairments.

## Foreclosed Assets (Real Estate)

M€

%

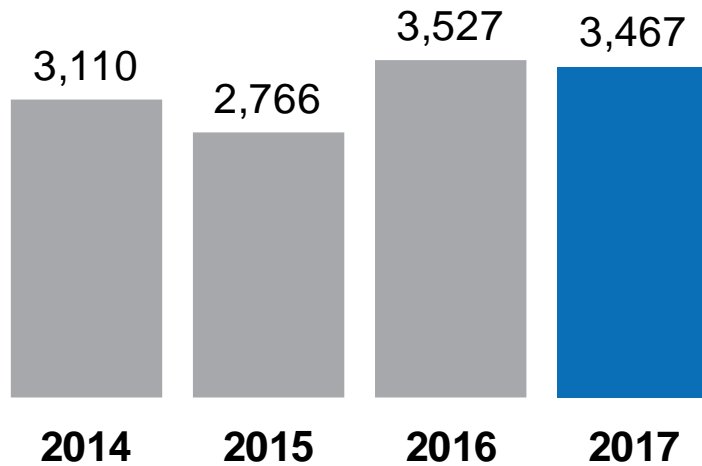




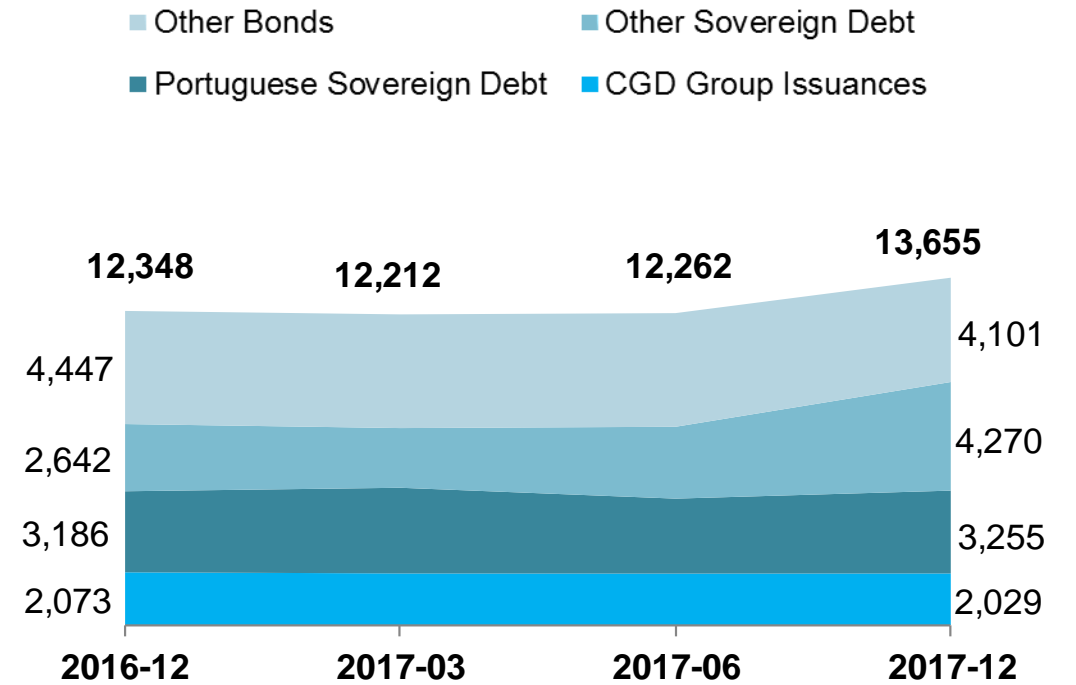
Liquidity

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

M€



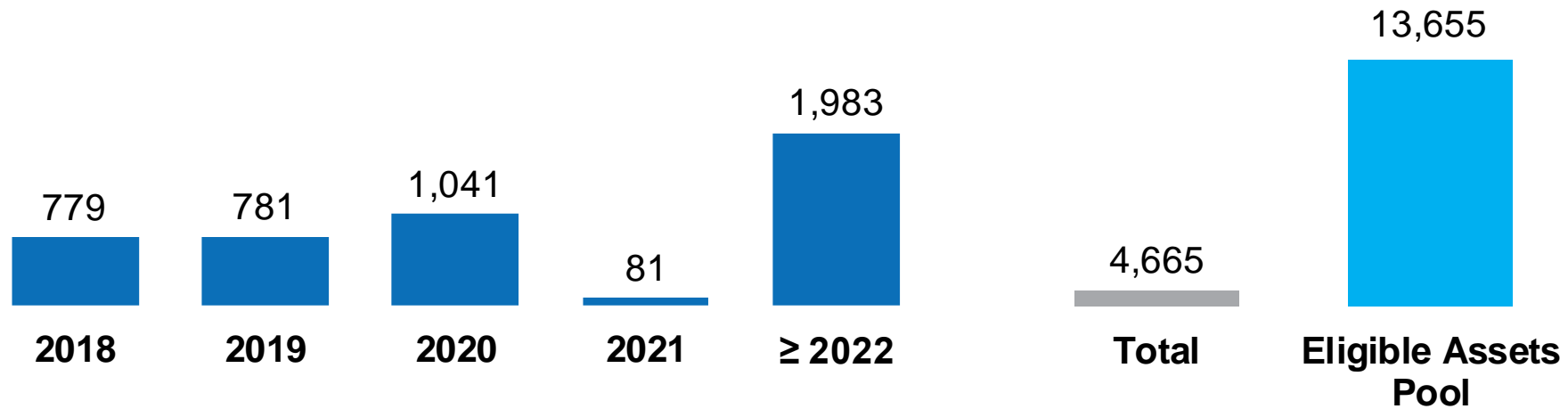
ECB Funding



Eligible Assets in ECB Pool

## ...with Wholesale Debt maturities fully covered

M€

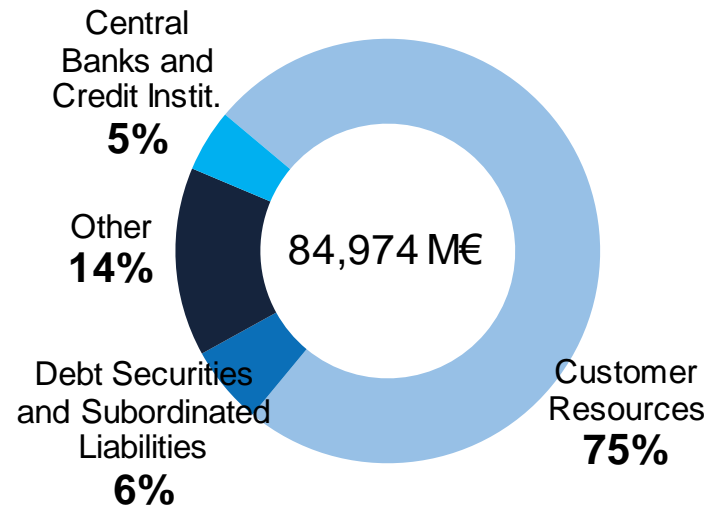


Annual maturities of Wholesale Debt

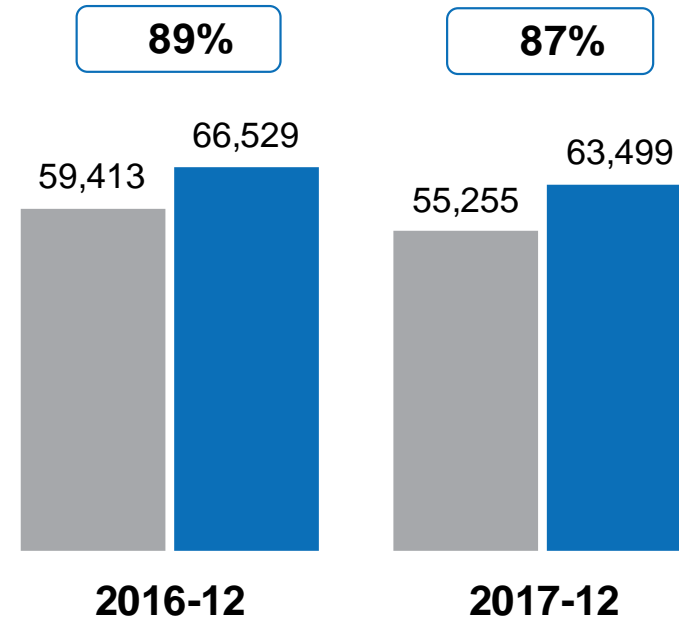
## Solid funding structure based on retail funding...

%

M€



Funding Structure



Loans-to-Deposits Ratio

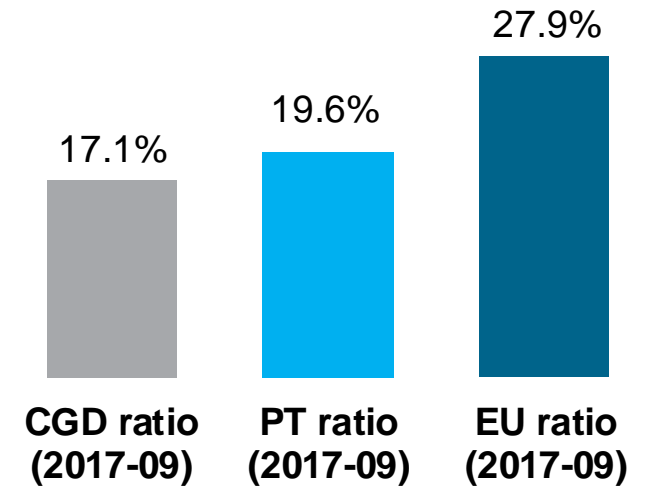
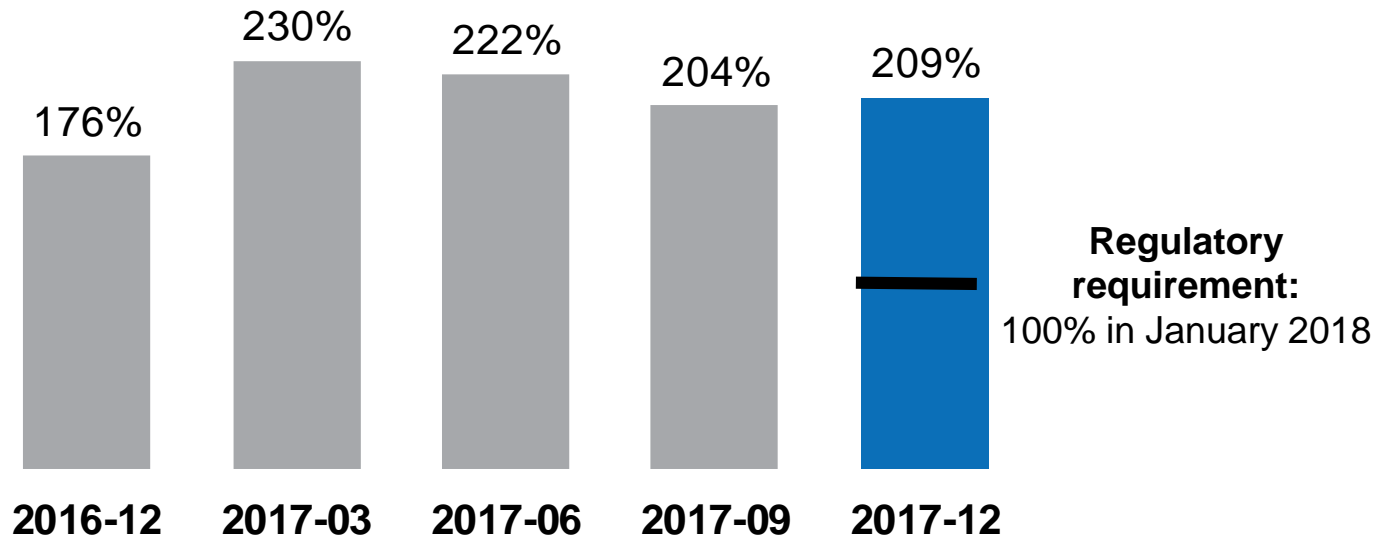
■ Loans and Adv. to Customers (net)  
■ Customer Deposits

# Liquidity

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

%

- 2016-12
- 2017-12



### Liquidity Ratio

LCR average PT and EU (2017-09):  
PT: 165%    EU: 145%

### Asset Encumbrance

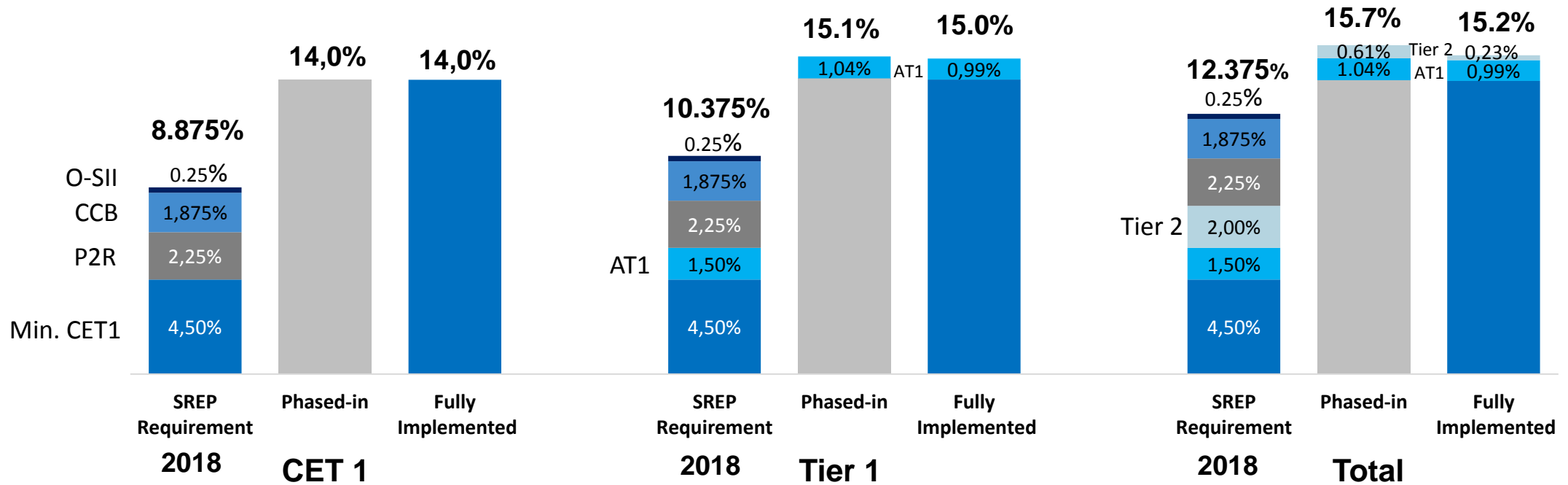


Capital



## CGD complies with capital requirements...

%

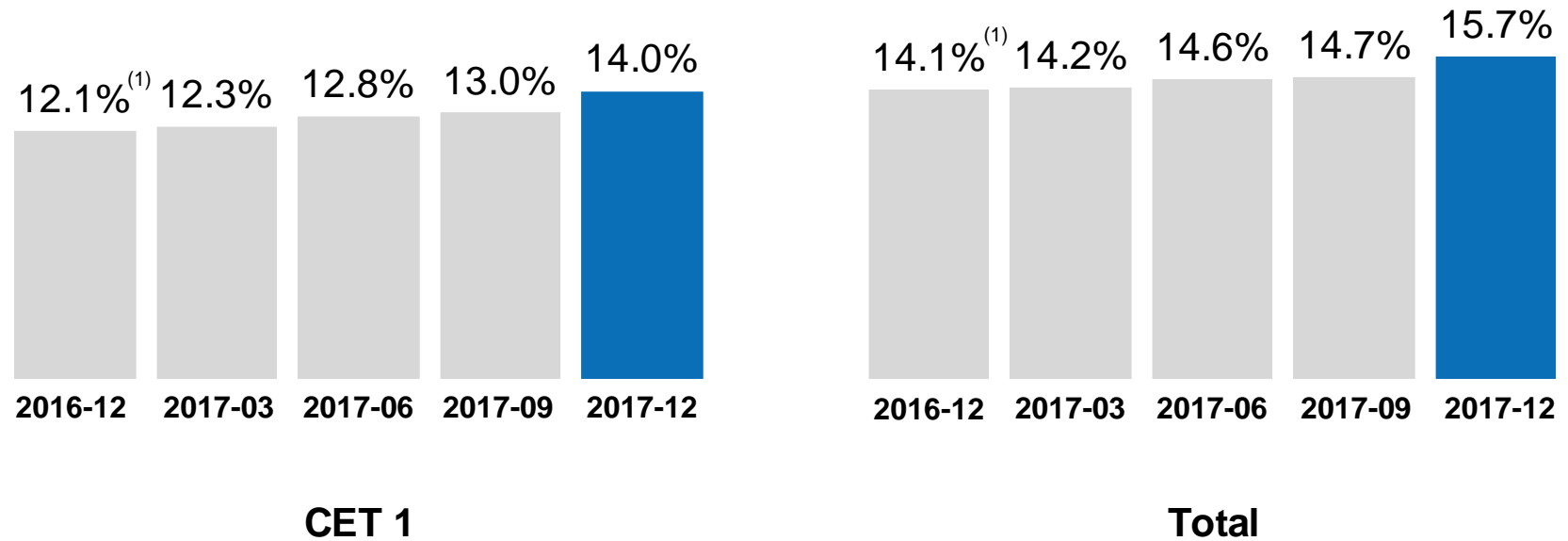


### SREP 2018 Requirements and CGD Capital Ratios in 4<sup>th</sup> Quarter 2017

IFRS 9 impact: CGD has chosen not to make use of the transitional regime (phasing-in), estimating a non-materially relevant impact of the adoption of the accounting standard IFRS 9.

## ...gradually improving its Capital position after the recapitalisation

%

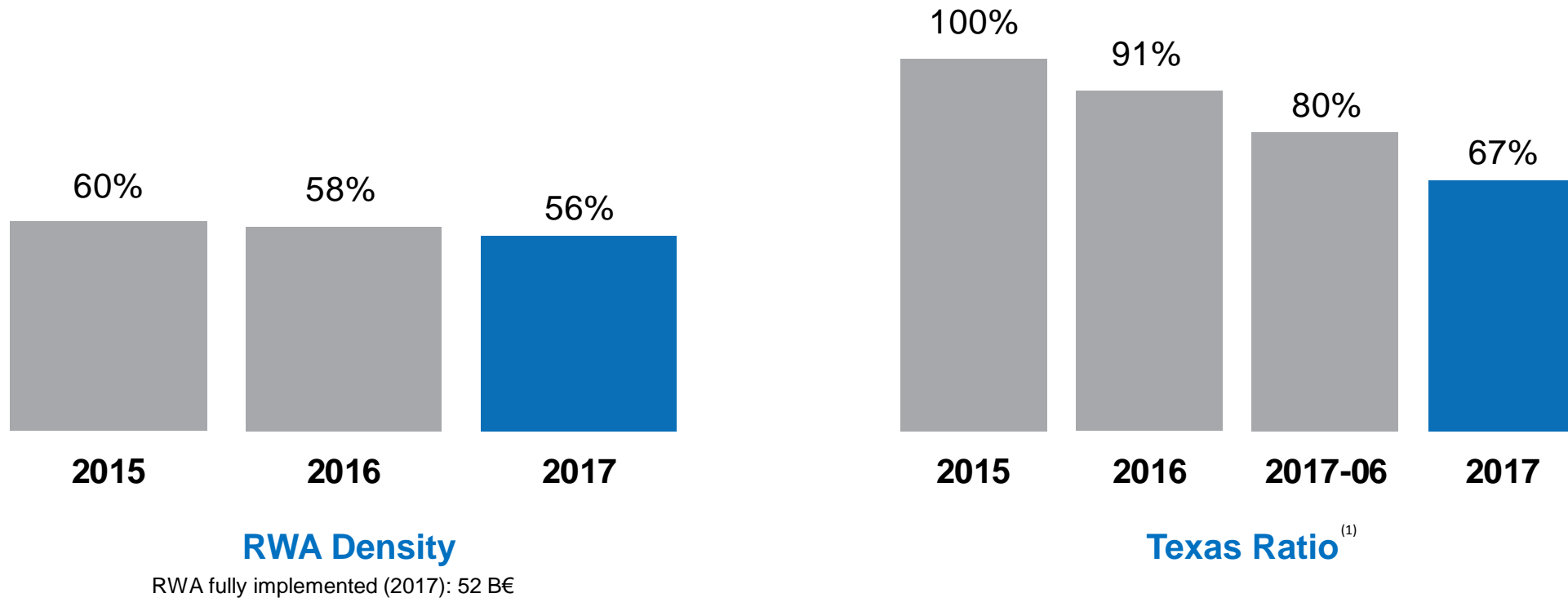


**Capital Ratios Quarterly Evolution  
(Phased-in)**

(1) Proforma, including stages 1 and 2 of the Recapitalization Plan.

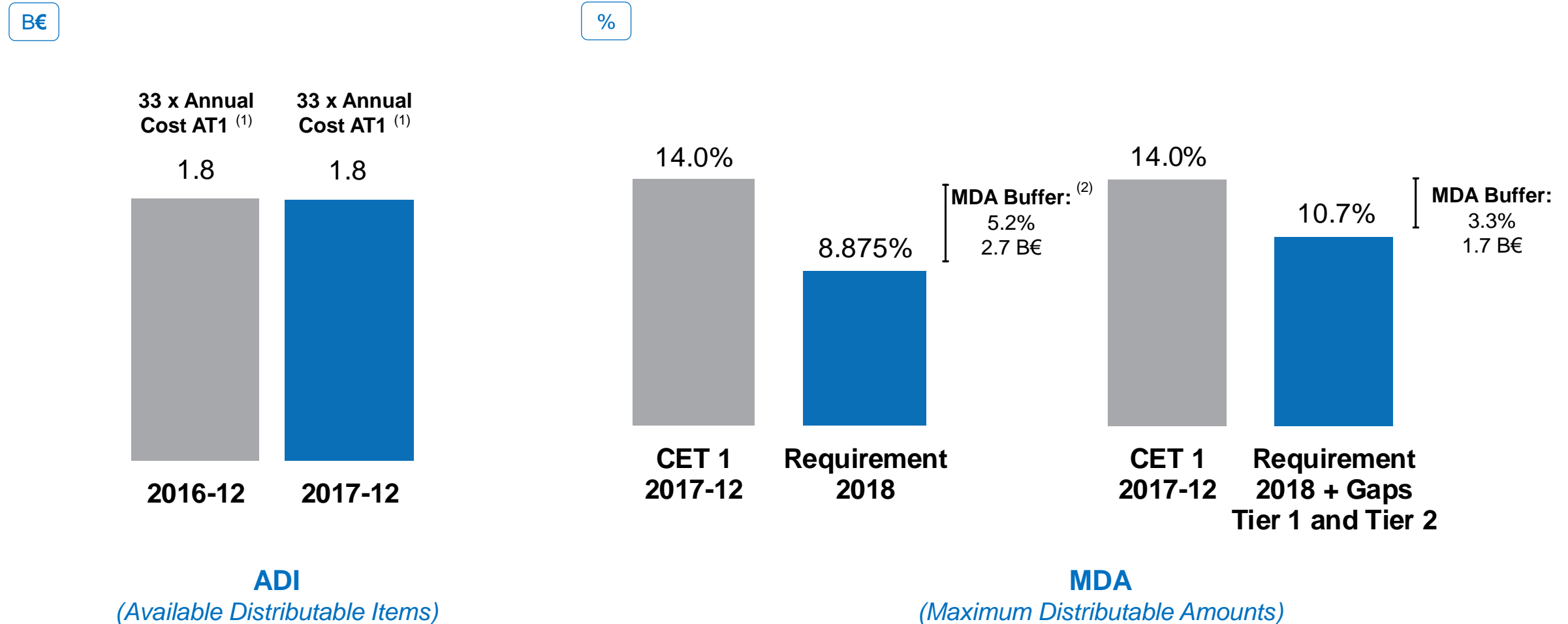
## High Risk Weighted Assets (RWA) density, Texas Ratio improving

%



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

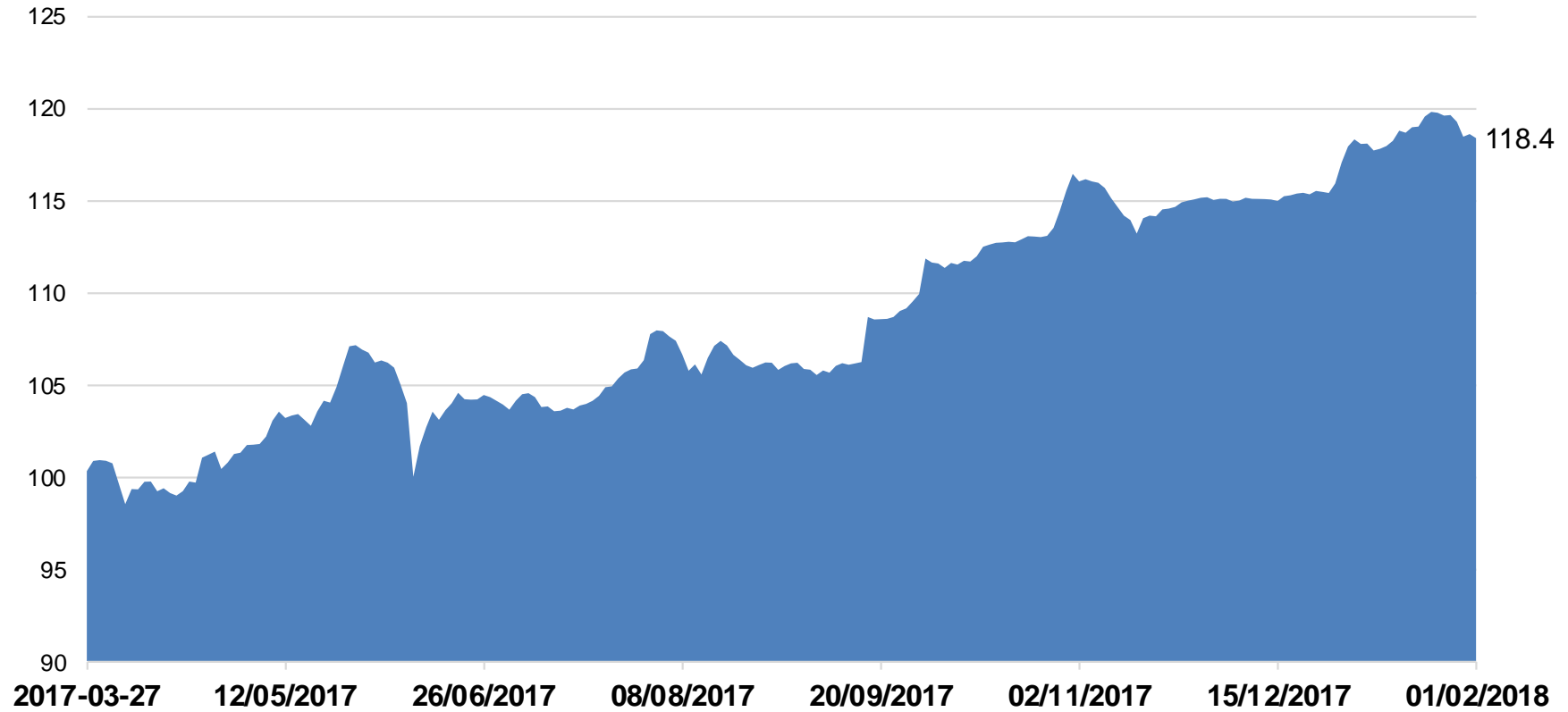
## Available Distributable Items (ADI) and Maximum Distributable Amount (MDA)



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






## Market price evolution of CGD's AT1 10.75%

%



AT1 10.75% Perp.

## CGD: Targets and 2017 Execution

	2017 Plan	2017 Execution		2018 Management Targets	Strategic Plan Targets	
					2018	2020
<b>Return on Equity (ROE)</b>	< 0%	0.6%		> 5%	> 5%	> 9%
<b>Recurrent Cost-to-Income</b>	< 61%	53%		< 55%	< 58% <sup>(1)</sup>	< 43% <sup>(1)</sup>
<b>Cost of Risk</b>	< 0.60%	0.13%		< 0.50%	< 0.70% <sup>(1)</sup>	< 0.60% <sup>(1)</sup>
<b>NPL Ratio</b>	< 12.5%	12.1%		< 10%	n.a.	< 12%
<b>CET1 Phased-In</b>	> 12.0%	14.0%		> 13.5%	> 12%	> 14%

(1) Target for the Domestic Business.

# 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 31 December 2017, except otherwise stated.

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Thank You