

# PRESS RELEASE



## Consolidated Operations 3<sup>rd</sup> Quarter 2016

(Unaudited financial information)

Caixa Geral de Depósitos S.A. (CGD) posted negative consolidated net income of €189.3 million in the first nine months of 2016.

■ Net interest income, in the first nine months of this year, was up 6.0% by €48.1 million to €854.7 million.

■ Total operating income, down €432.8 million year-on-year to €1,182.2 million in September 2016, was penalised by the reduction of €370.0 million in income from financial operations.

■ Operating costs in the first nine months ended September 2016 were down 3.6% year-on-year, having benefited from containment across all component parts. Excluding the non-recurrent cost of the pre or voluntary early retirement programme in progress (*Horizonte* plan), the reduction would have been 5.6%.

■ Net operating income before impairment of €239.3 million in the first nine months of 2016, was down 62.4% by €397.8 million year-on-year, essentially on account of the already referred reduction of €370.0 million in income from financial operations.

■ CGD Group's core operating income in the first nine months of 2016 (sum of net interest income and commissions net of operating costs) was up 25.8% year-on-year to €256.5 million, having benefited from the performance of net interest income and operating costs.

(EUR Million)

	Sep15	Jun16	Sep16
Net interest income	807	569	855
Commissions (net)	375	230	345
Income from fin. operations	329	-47	-41
Total operating income	1,615	755	1,182
Operating costs	978	639	943
Core net op. inc. before imp.	204	160	257
Provisions and impairments	493	328	412
Net income	3	-205	-189

■ The credit impairments recognised in the period of July to September are exclusively due to the accrual of the amounts provided for in the 2016 budget.

Since taking office at 31 August 2016, CGD's new board of directors, in the context of the recapitalisation plan, with knowledge of the regulatory authorities, is revaluating CGD's assets, potential contingencies and the corresponding impairments needs. This exercise is due for completion before the closing of the December 2016 accounts and will be accounted for in the 2016 financial statements.

The recapitalization plan includes a capital increase of up to €2,700 million euros to cover the needs of the referred impairments.

■ Income before tax and non-controlling interests and net income for the first nine months of 2016 were a negative €143.4 million and €189.3 million, respectively.



Caixa Geral de Depósitos

Head Office: Av. João XXI, 63  
1000-300 LISBOA  
(351) 217 953 000

Share Capital € 5,900,000,000  
CRCL and Tax nº 500 960 046

Gabinete de Investor Relations

investor.relations@cgd.pt  
www.cgd.pt/Investor-Relations

■ CGD Group had consolidated net assets of €98,234 million at the end of September 2016 (down 1.3% year-on-year).

■ Customer resources at the end of September totalled €71,648 million (up 0.8% by €581 million year-on-year).

■ Gross loans and advances to customers (including loans with repurchase agreements) totalled €69,938 million last September (down 2.1% over September 2015).

■ Credit at risk in September 2016 was 12.2% of the credit portfolio. The level of coverage of credit at risk by provisions and impairments was 63.8% (46.6% for loans to individual customers and 74.6% in the case of corporate credit).

■ The loans-to-deposits ratio in September 2016 stood at 90.0% against 93.1% in September 2015.

■ CGD Group's total financing from the ECB at the end of September 2016 stood at €3,577 million (up €762 million over September 2015).

■ The LCR (liquidity coverage ratio) of 170.8%, was above regulatory requirements.

■ The common equity tier 1 (CET 1) phased-in and fully implemented ratios, calculated under CRD IV/CRR rules, were 10.2% and 9.3%, respectively in September 2016.

# 1. CONSOLIDATED INFORMATION

## RESULTS

Net interest income in the first nine months of this year, was up 6.0% by €48.1 million, year-on-year, to €854.7 million. This growth derived from the 17.2% reduction of €244.1 million in funding costs, higher than the 8.8% drop of €195.9 million in interest on lending operations.

	(EUR Million)		
RESULTS	2015-09	2016-06	2016-09
Net interest income	806.6	568.7	854.7
Net inter. income incl. inc. from equity investm.	874.6	598.3	896.4
Commissions (net)	375.1	230.1	344.7
Income from financial operations	329.0	-47.4	-41.0
Non-interest income	740.4	156.3	285.7
Total Operating Income	1,614.9	754.7	1,182.2
Operating costs	977.9	639.3	942.9
Net Operating Income before Impairments	637.1	115.4	239.3
Core Net Operating Income before Impairments	203.9	159.6	256.5
Provisions and impairments	492.7	328.4	412.1
Net Income before tax and non-controlling interests	176.7	-193.1	-143.4
Net income	3.4	-205.2	-189.3

Net commissions earned up to September 2016 were down by a year-on-year 8.1% to €344.7 million and income from financial operations in the same period was a negative €41.0 million.

Total operating income, down €432.8 million year-on-year to €1,182.2 million in September 2016, was penalised by the reduction of €370.0 million in income from financial operations.

Operating costs in the first nine months ended September 2016 were down 3.6% year-on-year, having benefited from containment across all component parts. Excluding the non-recurrent cost of the pre or voluntary early retirement programme in progress (*Horizonte* plan), the reduction would have been 5.6%.

Notwithstanding the reduction of operating costs, the above referred drop in total operating income led to a cost-to-income indicator of 77.8%

Net operating income before impairment of €239.3 million in the first nine months of 2016, was down 62.4% by €397.8 million year-on-year, essentially on account of the already referred reduction of €370.0 million in income from financial operations.

CGD Group's core operating income in the first nine months of 2016 (sum of net interest income and commissions net of operating costs) was up 25.8% year-on-year to €256.5 million, having benefited from the performance of net interest income and operating costs.

The credit impairments recognised in the period of July to September are exclusively derived from the accrual of the amounts provided for in the 2016 budget.

Since taking office at 31 August 2016, CGD's new board of directors, in the sphere of the recapitalisation plan, with knowledge of the regulatory authorities, is implementing an exercise on the revaluation of CGD's assets, potential contingencies and the corresponding impairments needs, which, not having been completed, has not been disclosed in these accounts. This exercise is due for completion prior to the disclosure of information on the accounts at 31 December 2016 and will be reflected in the financial statements for 2016.

The recapitalization plan includes a capital increase of up to €2,700 million euros to cover the needs of the referred impairments. Amounts recognised in impairment in July to September derive from the accrual of the amounts provided for in the budget.

The cost of credit risk was 0.77%, in comparison to 0.66% year-on-year.

Income before tax and non-controlling interests and net income for the first nine months of 2016 were a negative €143.4 million and €189.3 million, respectively.

## BALANCE SHEET

CGD Group's consolidated net assets of €98,234 million at the end of September 2016 were down 1.3% year-on-year.

(EUR Million)			
BALANCE SHEET - Main headings	2015-09	2016-06	2016-09
Net assets	99,550	99,355	98,234
Cash and loans and advances to credit instit.	6,439	5,145	5,345
Securities investments <sup>(1)</sup>	19,452	20,640	20,377
Loans and advances to customers (net) <sup>(2)</sup>	66,212	65,284	64,555
Loans and advances to customers (gross) <sup>(2)</sup>	71,408	70,674	69,938
Central banks' and credit institutions' resources	5,766	5,769	6,060
Customer resources	71,067	72,442	71,648
Debt securities	7,231	6,117	5,736
Shareholders' equity	6,306	5,745	5,712

(1) Includes assets with repo agreements and trading derivatives

(2) Includes assets with repo agreements

The securities investments portfolio, including assets with repurchase agreements and trading derivatives was up 4.8% by €925 million, over September last year to €20,377 million, fuelled by the liquidity situation.

CGD Portugal customer resources at the end of September were up 0.3% by €218 million over the preceding year to €71,645 million. Individual customers' resources were up 2.3% by €1,328 million year-on-year to €58,429 million.

(EUR Million)			
CUSTOMER RESOURCES CGD PORTUGAL	2015-09	2016-06	2016-09
<b>Customer deposits</b>	<b>58,009</b>	<b>58,629</b>	<b>58,168</b>
Individuals	45,758	47,130	46,497
Corporate	6,123	6,130	6,099
Institutionals	6,128	5,370	5,572
<b>Other resources (*)</b>	<b>13,418</b>	<b>13,066</b>	<b>13,477</b>
Individuals	11,343	11,448	11,932
Corporate	687	655	634
Institutionals	1,388	964	910
<b>Total</b>	<b>71,427</b>	<b>71,695</b>	<b>71,645</b>
Individuals	57,101	58,577	58,429
Corporate	6,810	6,785	6,733
Institutionals	7,516	6,334	6,482

(\*) Includes mutual funds, insurance products, OTRV and other bonds

Gross loans and advances to customers (including loans with repurchase agreements) totalled €69,938 million last September (down 2.1% over September 2015).

(EUR Million)			
LOANS AND ADVANCES TO CUSTOMERS	2015-09	2016-06	2016-09
<b>CGD Portugal</b>	<b>53,697</b>	<b>52,788</b>	<b>52,237</b>
Corporate	19,993	19,887	19,611
General government	3,165	3,077	3,110
Institutionals and other	865	816	796
Individual customers	29,675	29,008	28,720
Mortgage loans	28,674	28,012	27,723
Other	1,001	997	996
<b>Other CGD Group companies</b>	<b>17,710</b>	<b>17,886</b>	<b>17,700</b>
<b>Total</b>	<b>71,408</b>	<b>70,674</b>	<b>69,938</b>

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

Lending of €52,237 million by CGD Portugal comprised around 75% of the Group's total loans and advances to customers. Corporate loans were down 1.9% over September 2015. CGD's market share of loans and advances to companies remained unchanged at 18.0% in August 2016.

The loans-to-deposit ratio was 90.0% against 93.1% in September 2015.

The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, stood at 12.2% at the end of September 2016. Provisions and impairment on credit at risk were 63.8%, (46.6% for loans to individual customers and 74.6% for corporate credit).

The credit overdue for more than 90 days ratio stood at 7.8% in September 2016, with impairment cover of 98.7%.

## LIQUIDITY

CGD's assets available in the collateral pool with the central bank were up €786 million, from €9,843 million in September 2015 to €10,629 million at the end of September 2016.

On a CGD Group level, resources with the ECB were up €762 million over September 2015, to €3,577 million in September. This increase was accompanied by an increase in the portfolio of eligible assets included in the Eurosystem pool, from €11,812 million in September 2015 to €12,349 million at the end of September this year.

The LCR (liquidity coverage ratio) of 170.8% at the end of September 2016 (148.1% at the end of September 2015) was above regulatory requirements. The NSFR (net stable funding ratio), in turn, totalled 131.2% at the same date (134.8% in September 2015).

## SOLVENCY

The Group's shareholders' equity of €5,712 million, at the end of September 2016, down 9.4% by €594 million over the end of September 2015, was influenced by the evolution of fair value reserves and other reserves and retained earnings.

The common equity tier 1 (CET 1) phased-in and fully implemented ratios, calculated under CRD IV/CRR rules, were 10.2% and 9.3%, respectively in September 2016. The fully implemented leverage ratio stood at 5.7% at the end of September 2016.

## 2. DOMESTIC AND INTERNATIONAL ACTIVITY

Net income from CGD's domestic activity in the first nine months of 2016 was a negative €348.1 million, against a negative €81.3 million in September 2015, due to the reduction of income from financial operations (down €353.8 million) and net commissions (down €19.0 million), notwithstanding the reduction of operating costs (down €30.5 million) and taxes (down €124.0 million).

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2015-09	2016-06	2016-09
Net interest inc. incl. inc. from eq. investm.	461.1	321.2	480.6
Commissions (net)	269.7	166.9	250.7
Income from financial operations	222.3	-119.9	-131.5
Other operating income	98.7	11.7	32.9
<b>Total operating income</b>	<b>1,051.8</b>	<b>379.9</b>	<b>632.6</b>
Employee costs	390.6	263.6	382.1
Other administrative expenses	277.8	174.0	258.6
Depreciation and amortisation	50.7	32.3	47.9
<b>Operating costs</b>	<b>719.1</b>	<b>469.8</b>	<b>688.6</b>
Net operating income before impairments	332.7	-90.0	-55.9
Provisions and impairments	359.8	294.3	354.7
Income from associated companies	33.6	19.6	29.1
Discontinued operations	-1.6	0.0	0.0
Net Inc. before tax and non-controlling interest	4.9	-364.6	-381.6
Tax	76.3	-53.8	-47.7
Non-controlling interest	10.0	11.6	14.2
<b>Net income</b>	<b>-81.3</b>	<b>-322.4</b>	<b>-348.1</b>

(\*) Pure intragroup transactions with no impact on consolidated net income are not eliminated

(EUR Million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2015-09	2016-06	2016-09
Net interest inc. incl. inc. from eq. investm.	417.3	280.2	422.6
Commissions (net)	106.2	63.1	94.1
Income from financial operations	101.2	67.1	82.5
Other operating income	5.2	-6.9	-8.3
<b>Total operating income</b>	<b>629.9</b>	<b>403.4</b>	<b>590.8</b>
Employee costs	176.9	110.9	165.4
Other administrative expenses	121.4	71.4	107.0
Depreciation and amortisation	27.2	15.8	23.2
<b>Operating costs</b>	<b>325.5</b>	<b>198.1</b>	<b>295.6</b>
Net operating income before impairments	304.3	205.3	295.3
Provisions and impairments	132.9	34.1	57.4
Income from associated companies	0.3	0.3	0.4
Net Inc. before tax and non-controlling interest	171.7	171.5	238.2
Tax	33.1	41.3	51.7
Non-controlling interest	53.9	13.0	27.8
<b>Net income</b>	<b>84.7</b>	<b>117.2</b>	<b>158.8</b>

(\*) Pure intragroup transactions with no impact on consolidated net income are not eliminated

The international business area's contribution to the Group's consolidated net income, in the first nine months of the year was up 87.5% year-on-year, an increase of €74.1 million to €158.8 million. This evolution was influenced by €43 million non-recurrent income from the treasury activity of the French branch, €29.9 million reduction in operating costs, €5.2 million increase in net interest income and €75.5 million reduction in new provisions and impairment.

The major contributors to net income from international activity in the first nine months of 2016 were France branch (€62.1 million, which includes the referred non-recurrent income), BNU Macau (€45.2 million), BCG Angola (€18.9 million), BCG Spain (€15.7 million) and BCI Moçambique (€9.8 million).

(EUR Million)			
INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L	2015-09	2016-06	2016-09
BNU Macao	45.8	31.0	45.2
BCI (Mozambique)	14.7	6.7	9.8
BCG Angola	19.6	6.9	18.9
Mercantile bank (South Africa)	7.3	4.6	7.5
Africa - other units	-1.3	-0.5	-0.2
BCG Spain	20.4	10.5	15.7
BCG Brazil	1.1	1.2	0.5
Branches	-13.5	60.1	66.7
of wich: France Branch	28.9	55.3	62.1
Other	-9.3	-3.2	-5.2
<b>Total</b>	<b>84.7</b>	<b>117.2</b>	<b>158.8</b>



### 3. HIGHLIGHTS

PROFIT AND EFFICIENCY RATIOS				2015-09	2016-06	2016-09
Gross return on equity - ROE <sup>(1) (2)</sup>				3.5%	-6.3%	-3.2%
Net return on equity - ROE <sup>(2)</sup>				1.3%	-5.9%	-3.3%
Gross return on assets - ROA <sup>(1) (2)</sup>				0.2%	-0.4%	-0.2%
Net return on assets - ROA <sup>(2)</sup>				0.1%	-0.4%	-0.2%
Total Operating Income / Average net assets <sup>(1)</sup>				2.2%	1.6%	1.6%
Employee costs / Total Operating Income <sup>(1)</sup>				34.4%	48.4%	45.2%
Cost-to-income <sup>(1)</sup>				59.3%	82.5%	77.8%
CREDIT QUALITY AND COVER LEVELS						
Overdue credit ratio				7.8%	8.1%	8.3%
Credit more than 90 days overdue ratio				7.3%	7.4%	7.8%
Non-performing credit ratio <sup>(1)</sup>				9.5%	9.8%	10.3%
Non-performing credit (net) ratio <sup>(1)</sup>				2.4%	2.3%	2.7%
Credit at risk ratio <sup>(1)</sup>				12.6%	12.2%	12.2%
Credit at risk (net) ratio <sup>(1)</sup>				5.7%	4.9%	4.8%
Restructured credit ratio <sup>(3)</sup>				10.2%	10.3%	10.4%
Restr. crd. not incl. in crd. at risk ratio <sup>(3)</sup>				4.9%	5.9%	5.8%
Overdue credit coverage				93.3%	94.9%	92.7%
Credit more than 90 days overdue coverage				99.9%	103.2%	98.7%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)				0.66%	0.86%	0.77%
STRUCTURE RATIOS						
Loans & adv. customers (net) / Net assets				66.1%	65.4%	65.4%
Loans & adv. custom. (net) / Custom. dep. <sup>(1)</sup>				93.1%	90.1%	90.0%
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR)						
CET 1 (phased-in)				10.7%	10.0%	10.2%
Tier 1 (phased-in)				10.7%	10.0%	10.2%
Total (phased-in)				12.2%	11.2%	11.3%
CET 1 (fully implemented)				9.7%	9.2%	9.3%
Liquidity coverage ratio				148.1%	193.5%	170.8%
Net stable funding ratio				134.8%	133.4%	131.2%
OTHER INDICATORS						
Number of branches - CGD Group				1,238	1,221	1,212
Number of branches - CGD Portugal				764	729	720
Number of employees - CGD Group (domestic activity)				10,071	9,607	9,489

Note: Indicators calculations according to glossary at: <https://www.cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary.pdf>

(1) Ratios defined by the Bank of Portugal (instruction 23/2012)

(2) Considering average shareholders' equity and net asset values (13 observations)

(3) Ratios defined by the Bank of Portugal (instruction 32/2013)

RATING	CGD			Portugal		
	Short Term	Long Term	Date (last assessment)	Short Term	Long Term	Date (last assessment)
Standard & Poor's	B	BB-	2016-08	B	BB+	2016-09
FitchRatings	B	BB-	2016-05	B	BB+	2016-08
Moody's	N/P	B1	2015-06	N/P	Ba1	2014-07
DBRS	R-2 (mid)	BBB (low)	2015-11	R-2 (mid)	BBB (low)	2016-10

## 4. CONSOLIDATED ACCOUNTS

(EUR Million)

BALANCE SHEET			
ASSETS	2015-09	2016-06	2016-09
Cash and cash equivalents with central banks	2,384	1,503	1,273
Loans and advances to credit institutions	4,056	3,642	4,072
Loans and advances to customers	65,775	64,931	64,202
Securities investments	18,777	20,137	19,760
Assets with repurchase agreement	1,112	856	970
Non-current assets held for sale	886	749	740
Investm. in subsid. and associated companies	240	267	295
Intangible and tangible assets	781	707	681
Current tax assets	42	41	40
Deferred tax assets	1,450	1,559	1,565
Other assets	4,048	4,964	4,636
<b>Total assets</b>	<b>99,550</b>	<b>99,355</b>	<b>98,234</b>
LIABILITIES			
Central banks' and credit institutions' resources	5,766	5,769	6,060
Customer resources	71,067	72,442	71,648
Financial liabilities	1,911	2,262	2,107
Debt securities	7,231	6,117	5,736
Provisions	861	896	912
Subordinated liabilities	2,451	2,400	2,424
Other liabilities	3,957	3,726	3,634
<b>Total liabilities</b>	<b>93,245</b>	<b>93,610</b>	<b>92,522</b>
<b>Shareholders' equity</b>	<b>6,306</b>	<b>5,745</b>	<b>5,712</b>
<b>Total</b>	<b>99,550</b>	<b>99,355</b>	<b>98,234</b>

(EUR Thousand)

INCOME STATEMENT			
	2015-09	2016-06	2016-09
Interest and similar income	2,224,669	1,378,132	2,028,740
Interest and similar costs	1,418,070	809,435	1,174,002
Net interest income	806,599	568,697	854,738
Income from equity instruments	67,991	29,640	41,706
<b>Net interest inc. incl. inc. from eq. investm.</b>	<b>874,590</b>	<b>598,337</b>	<b>896,443</b>
Income from services and commissions	474,366	291,489	437,963
Costs of services and commissions	99,228	61,341	93,304
Commissions (net)	375,139	230,148	344,659
Income from financial operations	329,018	-47,418	-40,988
Other Operating Income	36,203	-26,407	-17,948
<b>Non-interest income</b>	<b>740,359</b>	<b>156,322</b>	<b>285,722</b>
<b>Total Operating Income</b>	<b>1,614,949</b>	<b>754,660</b>	<b>1,182,165</b>
Employee costs	567,454	374,528	547,492
Other administrative expenses	332,521	216,700	324,297
Depreciation and amortisation	77,893	48,041	71,069
Operating costs and depreciation	977,868	639,270	942,858
<b>Net Operating Income before Impairments</b>	<b>637,080</b>	<b>115,390</b>	<b>239,307</b>
Provisions and impairments of other assets (net)	136,081	25,898	4,699
Credit impairment net of reversals	356,570	302,522	407,448
<b>Provisions and impairments</b>	<b>492,651</b>	<b>328,420</b>	<b>412,148</b>
<b>Income from subsidiaries held for sale</b>	<b>-1,610</b>	<b>0</b>	<b>0</b>
<b>Income from associated companies</b>	<b>33,868</b>	<b>19,920</b>	<b>29,469</b>
<b>Net Inc. before tax and non-controlling interest</b>	<b>176,687</b>	<b>-193,110</b>	<b>-143,372</b>
<b>Tax</b>	<b>109,381</b>	<b>-12,537</b>	<b>3,975</b>
Current and deferred	77,203	-52,235	-35,723
Extraordinary contrib. on the banking sector	32,178	39,698	39,698
<b>Consolidated net income for period</b>	<b>67,306</b>	<b>-180,573</b>	<b>-147,347</b>
of which:			
Non-controlling interest	63,900	24,670	41,973
<b>Net income attrib. to CGD shareholder</b>	<b>3,406</b>	<b>-205,243</b>	<b>-189,320</b>

Lisbon, 18 November 2016

