



Consolidated Results 1st Half 2019

Unaudited financial information

Investor Relations

30/07/2019



DISCLAIMER

- The financial statements have been prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted in the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Council and of the Parliament of July 19 and provisions of Decree-Law No. 35/2005 of February 17. The financial information reported is unaudited.
- The financial metrics in this presentation refer to June 30, 2019, unless otherwise stated. These may be estimates subject to revision. Solvency ratios include net income for the period.
- The June 2018 accounts have been restated following a change of accounting policy on the sale of non-current real estate assets (held for sale) which includes essentially assets obtained from credit recovery. It was also restated as a result of Banco Comercial do Atlântico (BCA) being reclassified as “Non-current assets held for sale”.
- CGD's holdings in Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, SA (Spain) continue to be recorded as non-current assets held for sale under IFRS 5. The valuation of each of these holdings in the financial statements now released do not yet reflect the terms agreed with the entities selected as buyers as approved by the Portuguese Government in 2018, since both transactions are now pending approval by the competent authorities. If these commitments occur before the final approval of the Interim Management Report and Accounts, they constitute an adjustable subsequent event and the accounts will reflect the adjustment of the value of these holdings. In the event that the above adjustment needs to be reflected, the estimated impact of these two holdings is a positive 157 million euros in net income for the period and in equity as of June 30, 2019.
- This document is intended for general information only and does not constitute investment recommendation or professional guidance and may not be construed as such.
- Financial statements reflect the implementation of IFRS 16 – Leases as of January 1, 2019; CGD made use of the approach that does not require the restatement of comparative information.
- This document is an English translation of the Portuguese language document “Resultados Consolidados - 1º Semestre 2019”. In the event of any inconsistency, the original version prevails.


Agenda

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



Highlights

CGD strengthens profitability, asset quality and capital after dividend payment



Consolidated net income reaches €283 M (+46% over June 2018), resulting in a ROE of 7.4%, +2.1 p.p., meeting the 2019 target

Core operating income ⁽¹⁾ increases 4.1% over first half 2018

Fully implemented CET 1 ratio reaches 14.8%, Tier 1 15.8% and Total ratio 17.1% respectively, evidence of CGD's robust capital position after the dividend payment

Continued improvement in asset quality: reduction of NPL ratio to 7.3% and coverage of 64.3%

MREL requirements announced and consistent with Funding Plan. Estimated value of eligible issuance of around €2,000 M to be accomplished by the end of 2022

(1) Core operating income = Interest margin + Net Commissions - Operating costs.

Strategic Plan – First half 2019 execution consolidates the track to 2020



Rating Agencies continue to take notice

Moody's

Ba1 / NP

July: Long-term senior debt rating affirmed at Ba1
Outlook revised from negative to stable
Upgrade of long and short term deposits ratings

• 24 July 2019 Moody's Investors Service :

- Affirmed CGD's long-term senior debt rating at Ba1 and revised outlook from negative to stable.
- Upgrade by 1 notch of the long-term deposit rating from Ba1 to Baa3 with outlook stable and the short-term Not Prime rating to level P-3.
- Improved CGD's Baseline Credit Assessment (BCA) and Adjusted BCA from ba2 to ba1.

DBRS

BBB / R-2 (high)

April: Trend of long and short term deposits revised to positive

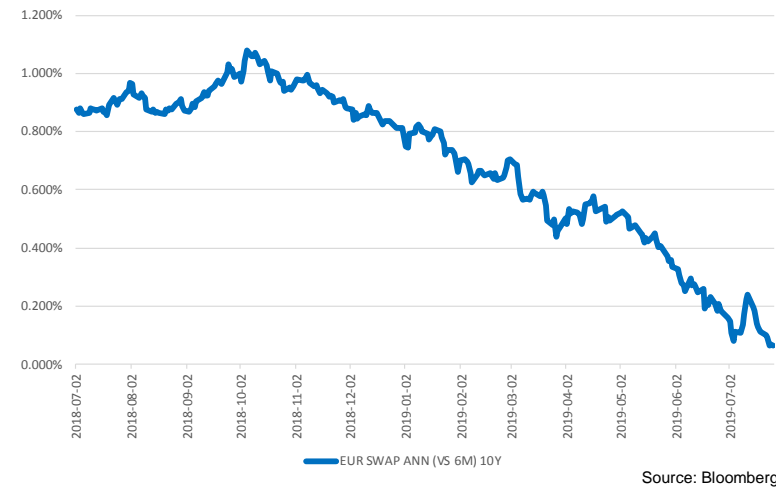
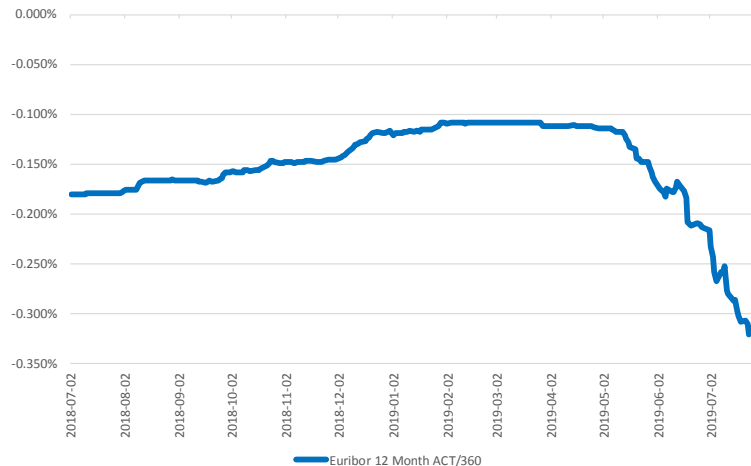
June: *Upgrade* of long and short term debt ratings and Covered Bonds ratings

• DBRS Ratings :

- 11 April 2019, trend of CGD's long and short term ratings changed from stable to positive, BBB and R-2 (high) respectively.
- 3 June 2019, upgrade the *Long Term Issuer Rating* from BBB (low) to BBB and the *Short-Term Issuer Rating* from R-2 (middle) to R-2 (high). Both ratings with stable trend.
- 6 June 2019, 1 notch upgrade on CGD Covered Bonds rating from A (high) to AA (low)

Macro-economic and market context

- New indications by central banks of the need for continued or even introduction of **new economic stimulus measures which could lead to further reductions in key interest rates**;
- **Interest rates accentuate minimum levels** and expectations grow of remaining negative for an extended period;
- **Declining long-term interest rates** are reducing the return on financial assets and diminishing credit spreads;



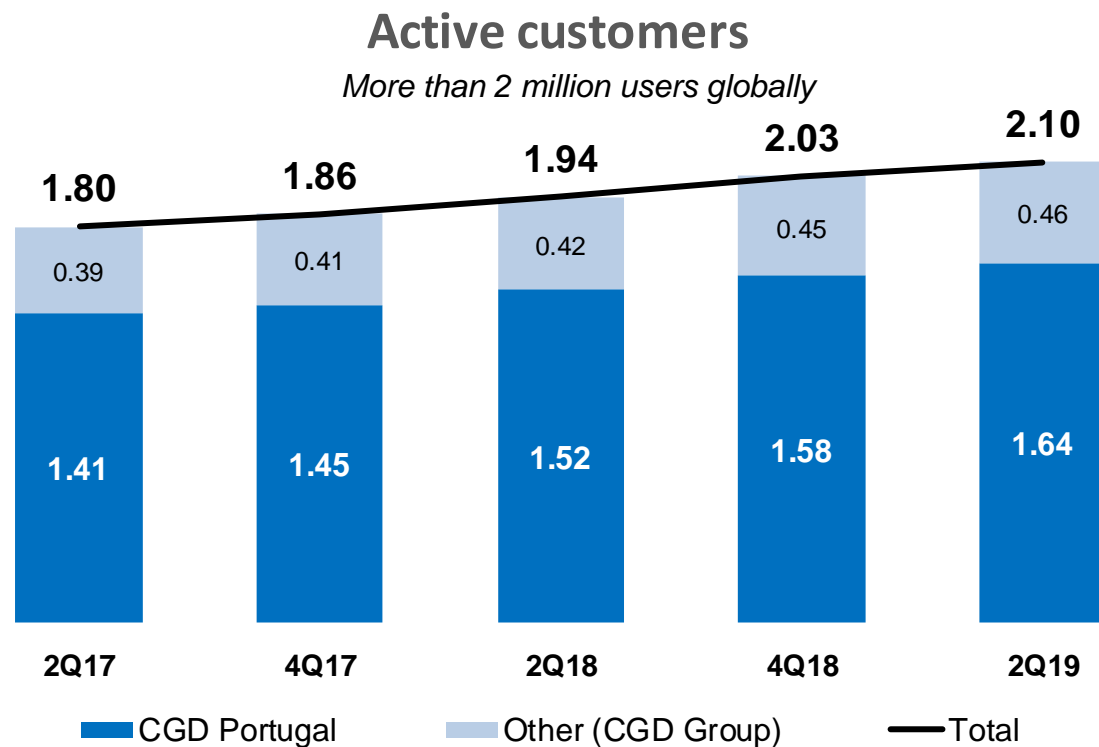
- These interest rate developments put **downward pressure on the profitability of the Eurozone banking sector** as the ECB points out in its most recent *Financial Stability Review, May 2019*. This is also evident in the stock market performance of European banks with market prices representing, on average, only about 57% of book value.

Macro-economic and market context

- Prospects for a **global economic slowdown** and, in particular, in the Eurozone (IMF, World Bank). If this scenario is confirmed, it will negatively impact banking activity due to lower demand and increased credit risk.
- **Political and geostrategic risks** (Brexit, trade wars, international sanctions, oil price developments), which may increase market volatility.
- Due to interest rate developments in the first half of the year, **CGD updated the interest rate used to calculate the current value of the Pension Fund's liabilities** (the discount rate) from 2.075% to 1.6% which had a negative actuarial impact recorded in reserves.

Digital Banking: Leader in the number of Internet Banking users ⁽¹⁾

M



Individuals
1.49M⁽²⁾



> 40%
of Total CGD customers ⁽³⁾



150k⁽²⁾
Corporates

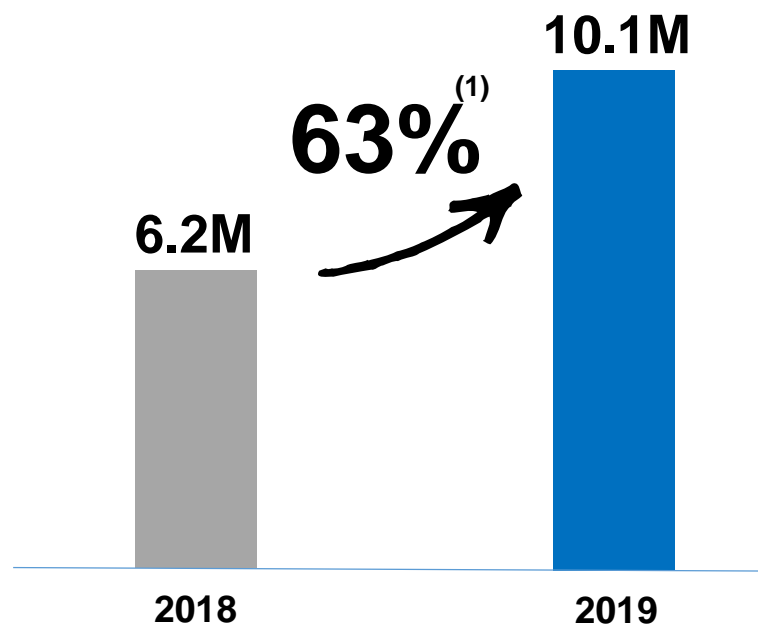
⁽¹⁾ Basef study by Marktest (May 2019); ⁽²⁾ Customers with an active Caixadirecta contract; ⁽³⁾ Individuals and corporates customers with involvement.

Digital Banking: CGD is the bank of choice in Portugal, growing in use and satisfaction



>750K
Users
↑33%⁽¹⁾

APP MONTHLY LOGINS

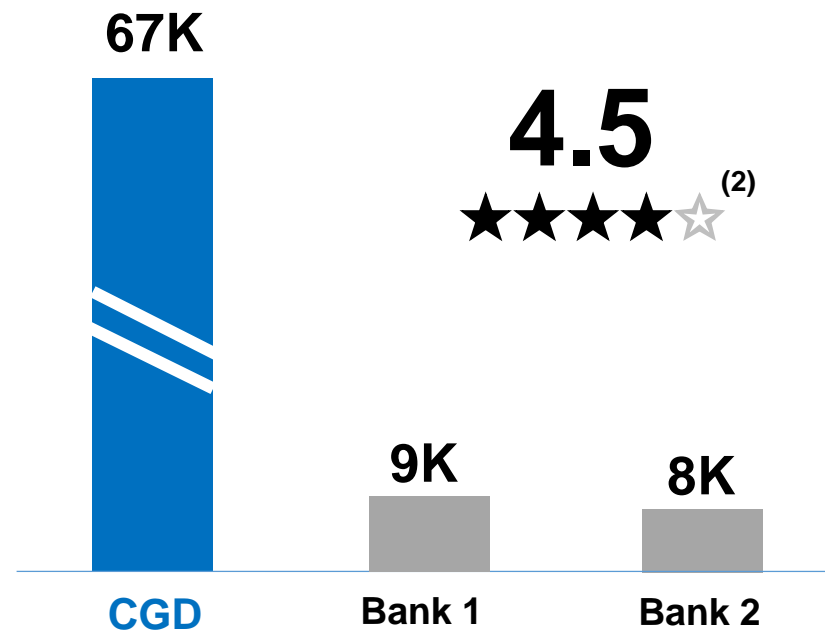


APP
CAIXADIRECTA



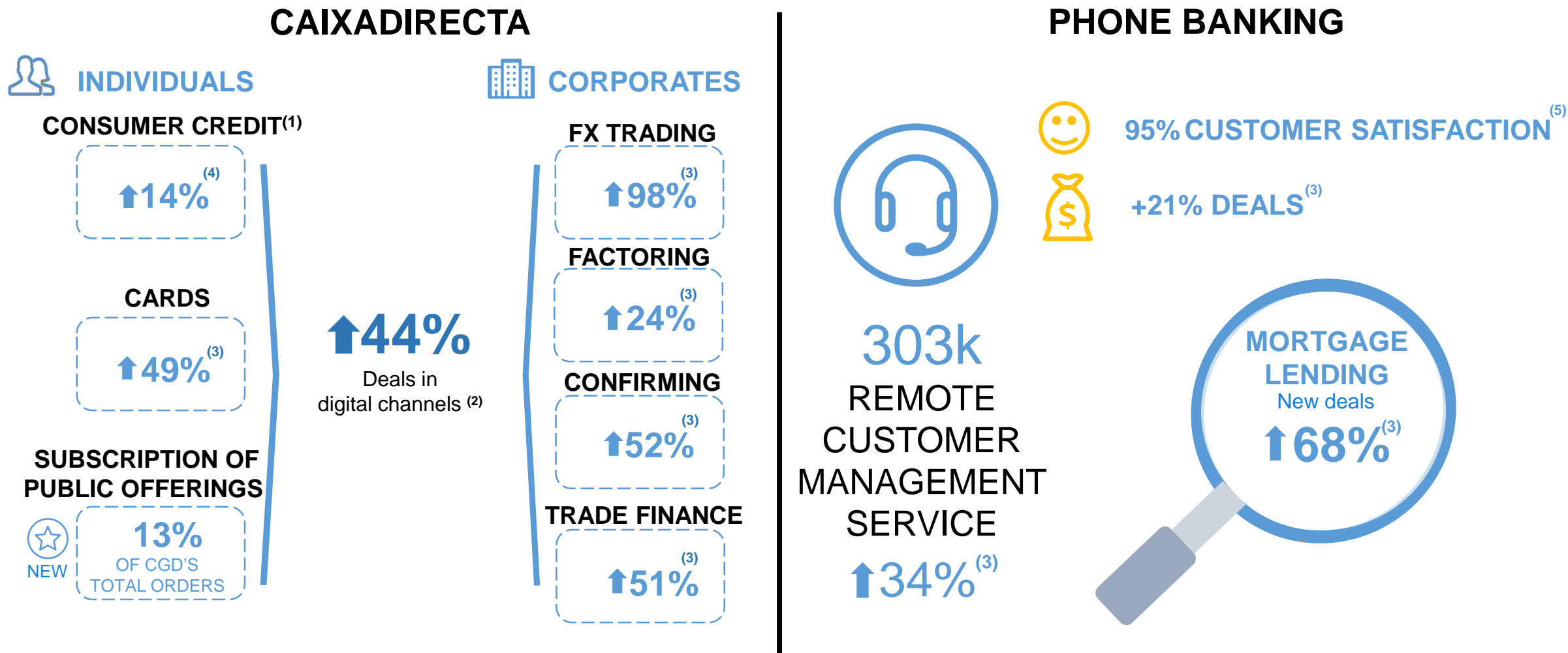
BEST BANK

STORES CLASSIFICATION



(1) Change YoY; (2) Leader In the number of ratings In App Store and Google Play

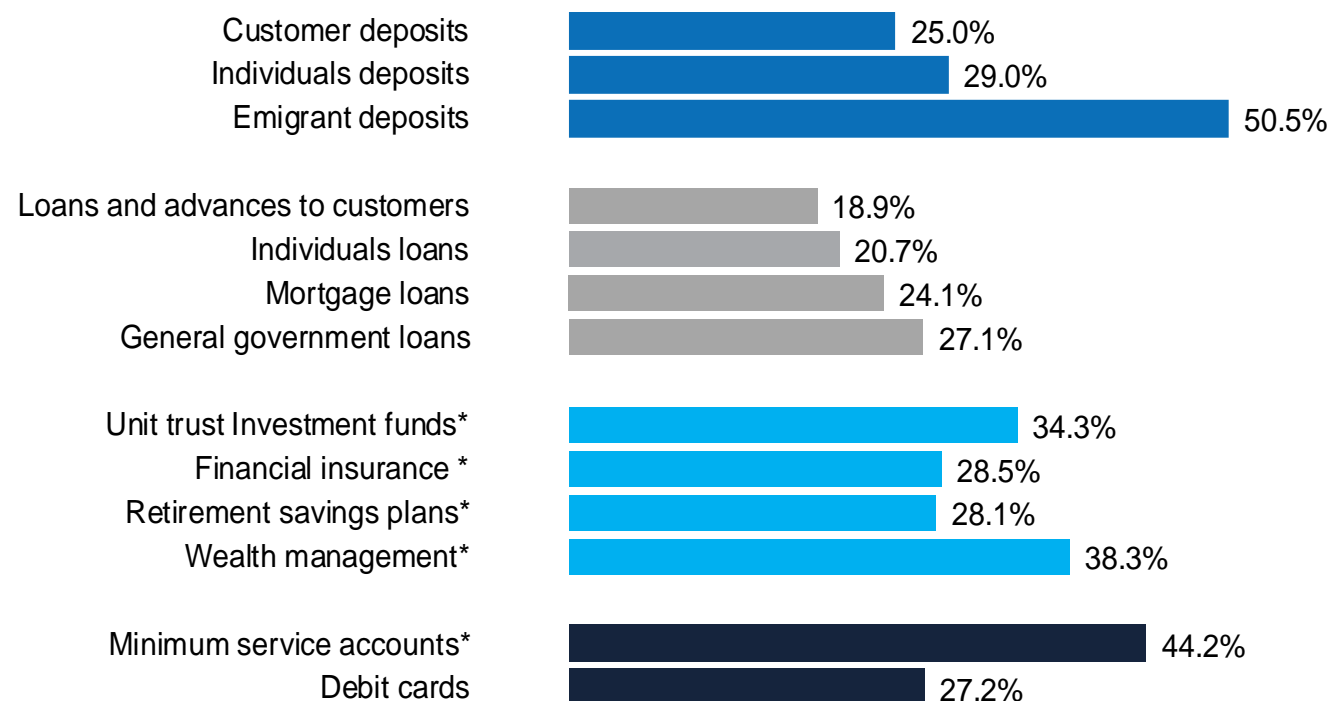
Deals increase in Caixadireta and in phone banking



⁽¹⁾ Launched in Dec 2018; ⁽²⁾ Not including consumer credit; ⁽³⁾ Change YoY; ⁽⁴⁾ Change over 1Q2019; ⁽⁵⁾ Monthly survey

Leadership and Distinctions

Leader in main client and product segments



Market Shares

May 2019

Prizes and distinctions



CGD

The most valuable Portuguese bank brand

CGD

Most valuable and strongest Portuguese banking brand
4th most valuable and 2nd strongest amongst Portuguese brands

BrandFinance

CGD

1st Portuguese bank in the world ranking for the 2nd consecutive year



Caixa BI

Euronext Lisbon N° 1
IPO & Seasoned Equity
Offer House 2019

Euronext Lisbon

Caixa Platina

The best Premium card 2019

Compara.Já.pt



Caixagest

Best Global and Bond Fund
Manager in Portugal 2019

Morningstar

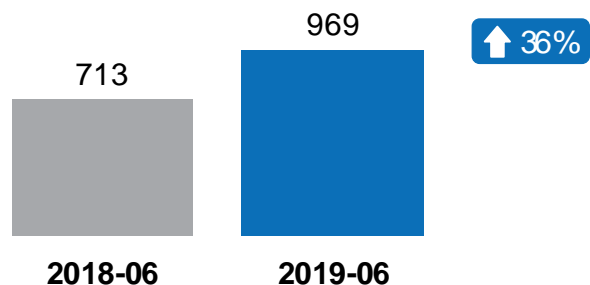
* Min.Serv.Acc. (Dec-18); WMg (Mar-19); UTIF, FI, RSP (Apr-19).

Individuals and Corporates

Individuals and households



- **36% increase in new mortgage loans**, € 257 million over 1st half 2018



New commercial offer for individuals

- **1.66 million Contas Caixa accounts**, 133k more than in dec 2018
- Credit cards placement through Contas Caixa accounts
- **Caixa Mortgage Loans benefits** for first degree relatives, 2nd home or change home
- **Caixadirecta for young people** with exclusively access for consultation



Social support:

- Give your hand to those who need it. Side by side with those who help.

Corporate business



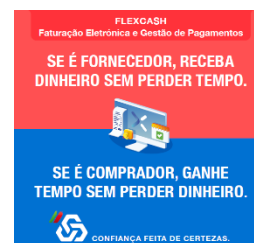
Outstanding position in the placement of credit lines with mutual guarantees or development bank (IFD) sponsorship

- 2nd place in Capitalizar 2018, **€161M**, 16% market share
- 1st place in Capitalizar Mais (IFD), **€108M**, 21% market share
- 2nd place in Protocolos SGM **€106M**, 18% market share
- Caixa SI Inovação (IFD), **€118M**



New commercial offer for corporates

- Caixa Business and Business+ accounts (30K accounts in 1H2019)
- Credit lines *Caixa Invest Start* and *Caixa Invest Social Projeto* (FEI)
- Credit line to support Tourism development
- SI Inovação Lines (IT innovation)
- FLEXCASH and CAIXA FAST (digital confirming and factoring)
- Forfait extended to documentary credits (EUR and USD)
- Fixed rate MLT loans and leasing offer (new terms: up to 20 years)
- Credit Line for decarbonization and circular economy (FITEC)
- New insurance lines with state guarantee – COSEC/SCGE



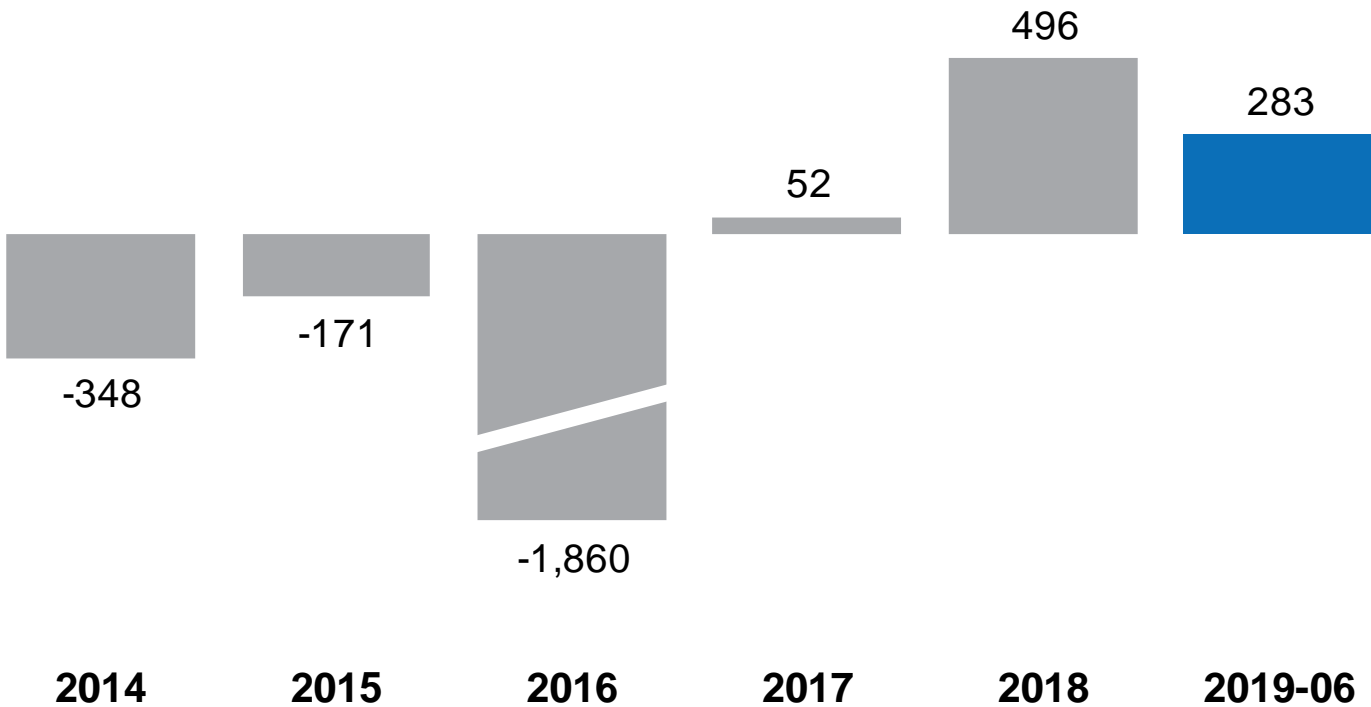
In 1H2019, 6 “Fora da Caixa” conferences were held involving circa 1,478 CGD customers and 109 thousand streaming views. In April began the 2nd cycle of meetings under the equation $E = MC2$ | Economy = Market x (Knowledge & Culture).



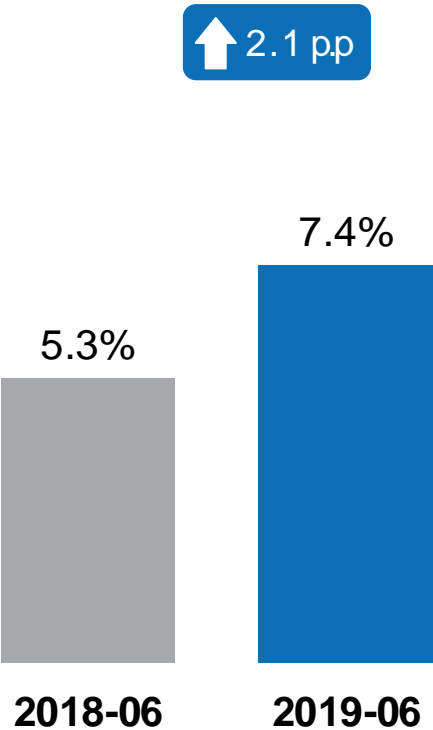
Results

1st half of 2019 confirms improvement in CGD's profitability

M€

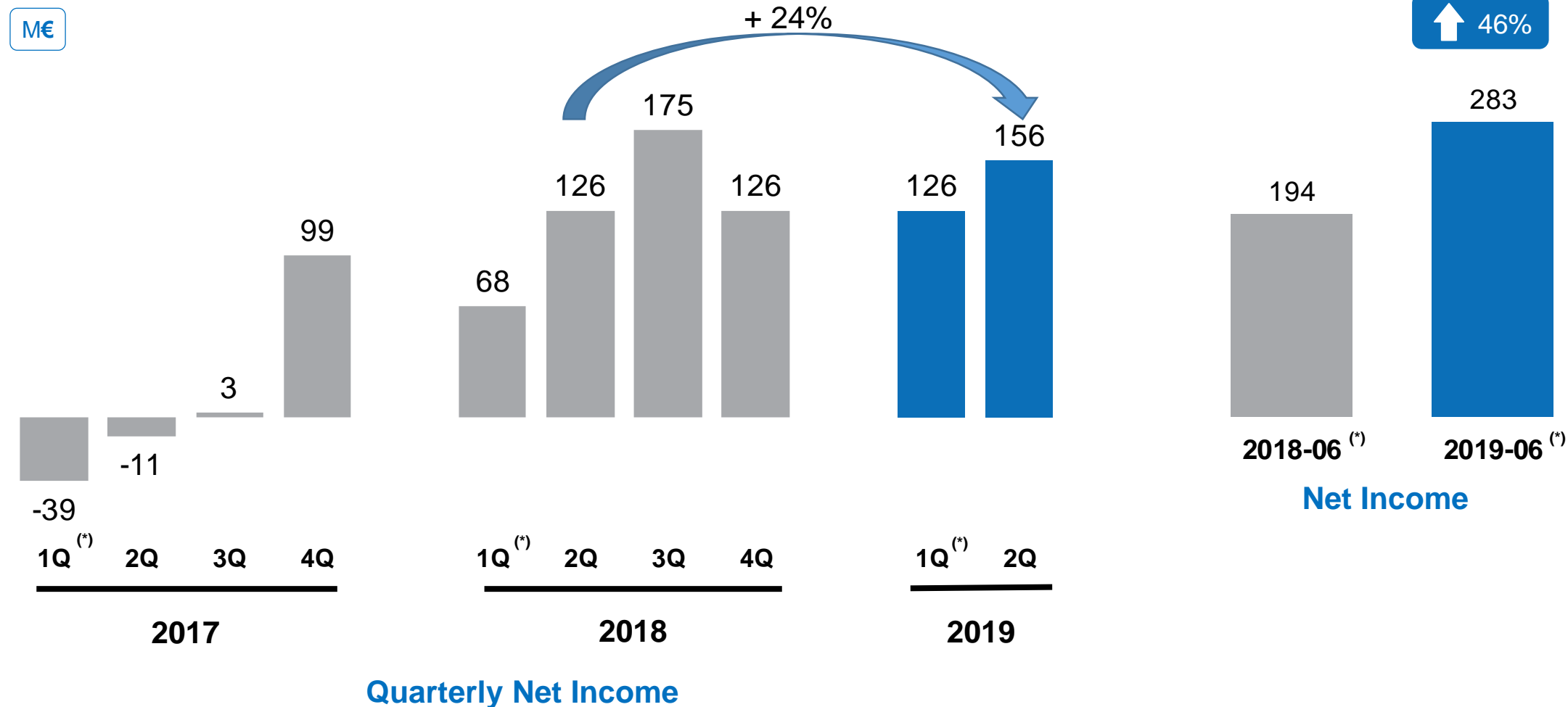


Consolidated Net Income



ROE

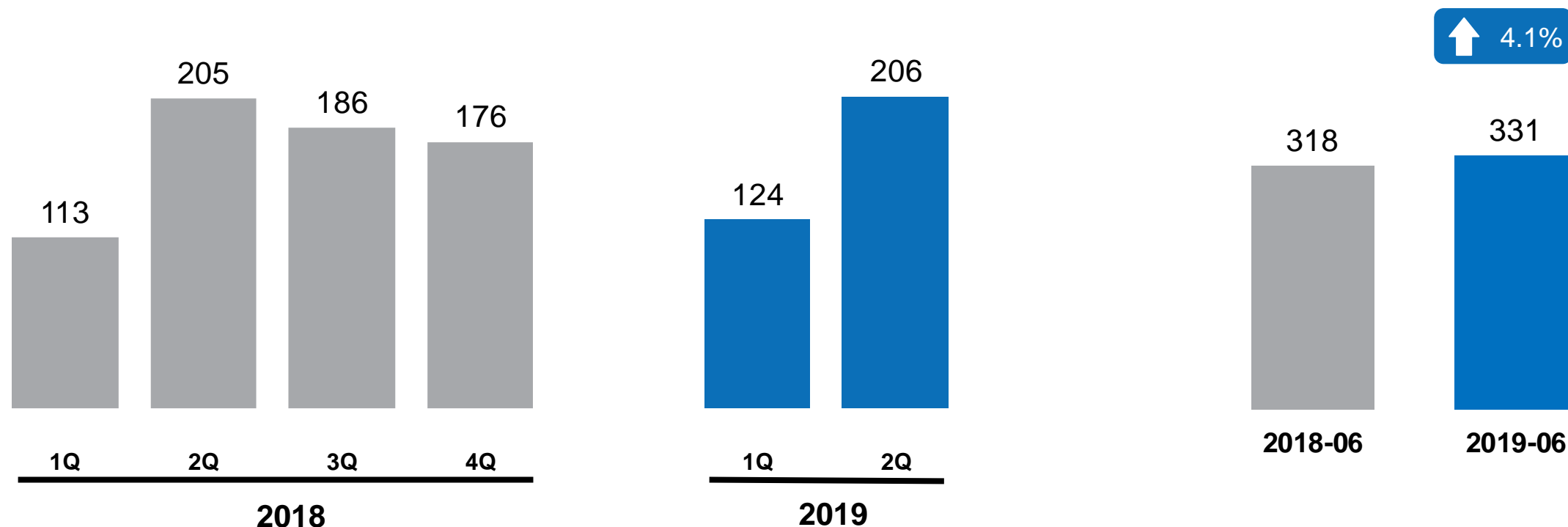
Quarterly Net Income confirms sustained progress of CGD's profitability ...



(*) Includes regulatory costs for the entire year

...supported by the favourable evolution of Net Core Operating Income before Impairments

M€



Quarterly Net Core Operating Income before Impairments ⁽¹⁾

Net Core Operating Income before Impairments ⁽¹⁾

(1) Net Core Operating Income before Impairments = Net Interest Income + Net Fees and Commissions - Operating Costs;

Net Interest Income affected by low interest rate environment

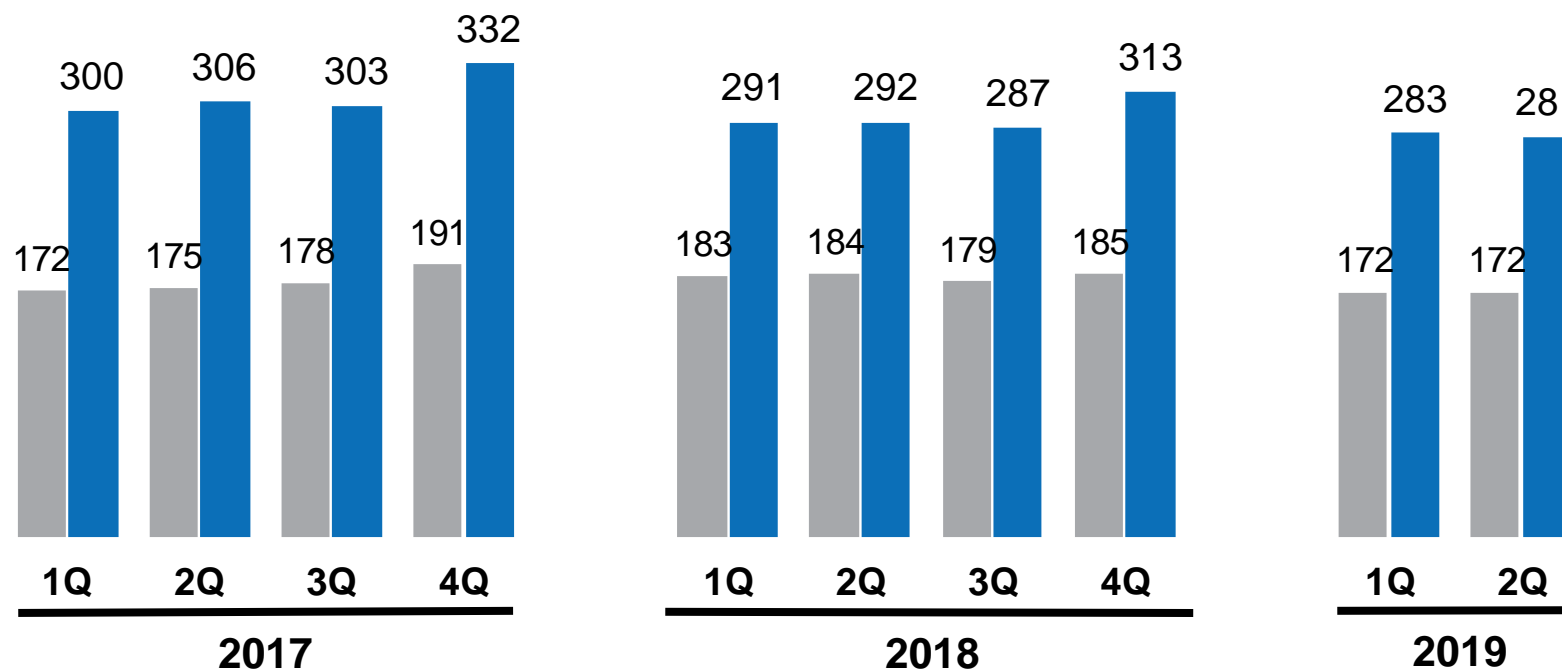
M€

■ CGD Portugal

■ Consolidated

↓ 3.2%

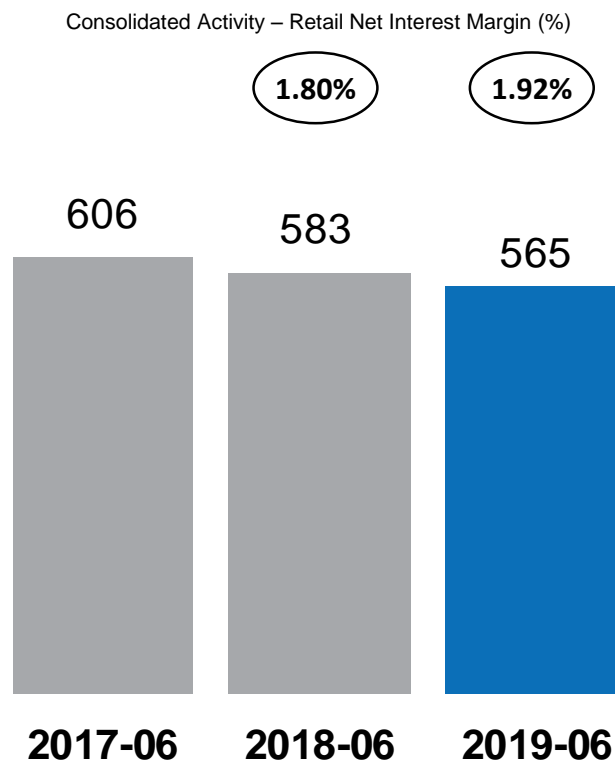
Change Year on Year
1H 2019 vs 1H 2018



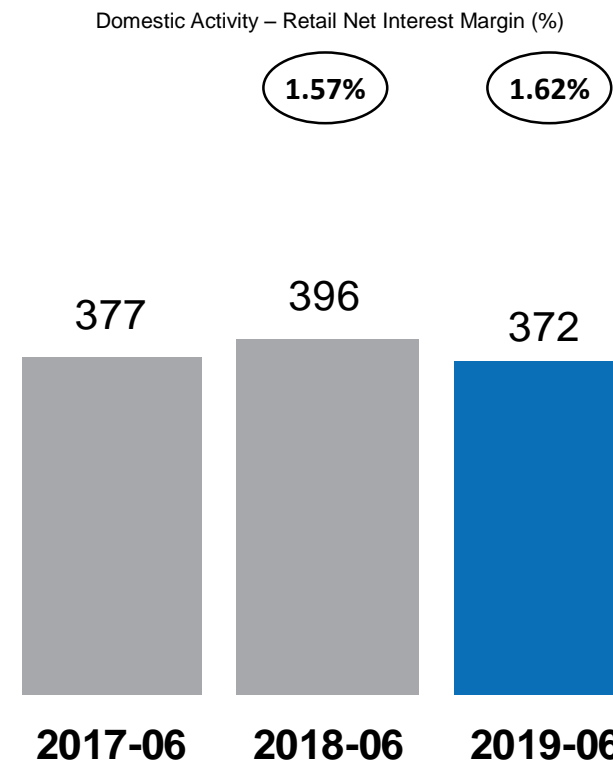
Quarterly Net Interest Income

Net Interest Margin in retail rises despite deleveraging and interest rate environment

M€



**Total Net Interest Income
Consolidated Activity**



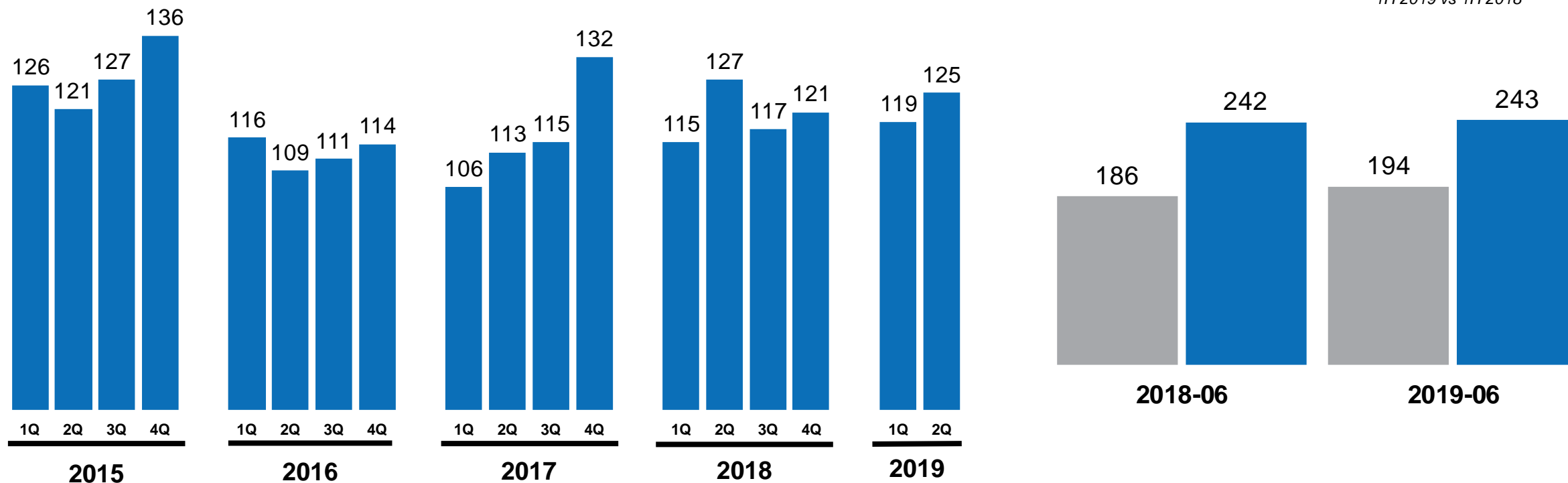
**Total Net Interest Income
Domestic Activity**

Net Fees and Commissions register a slight growth in the first half

M€

■ Domestic Activity

■ Consolidated



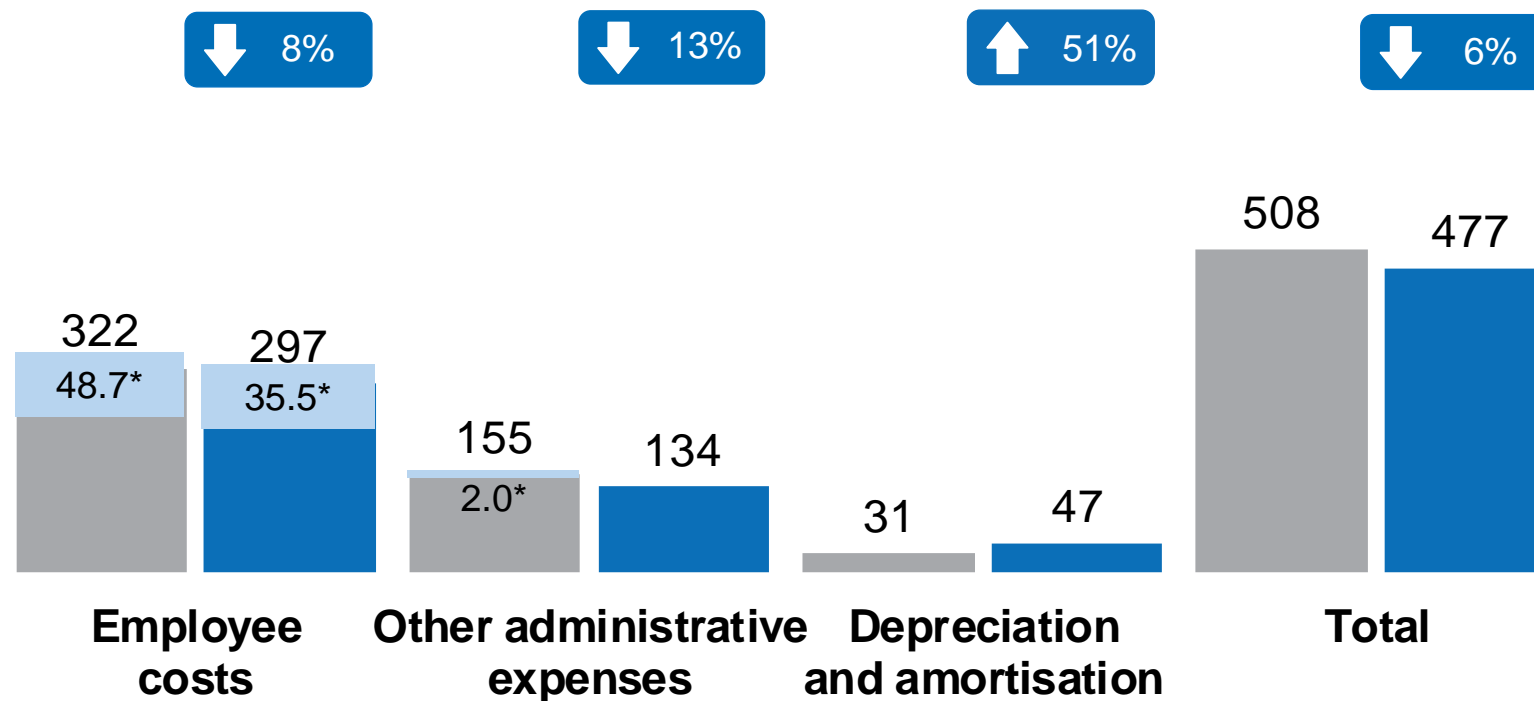
Net Fees and Commissions
(Domestic Activity and Consolidated)

Lower Operating Costs at consolidated level...

M€

■ 2018-06

■ 2019-06

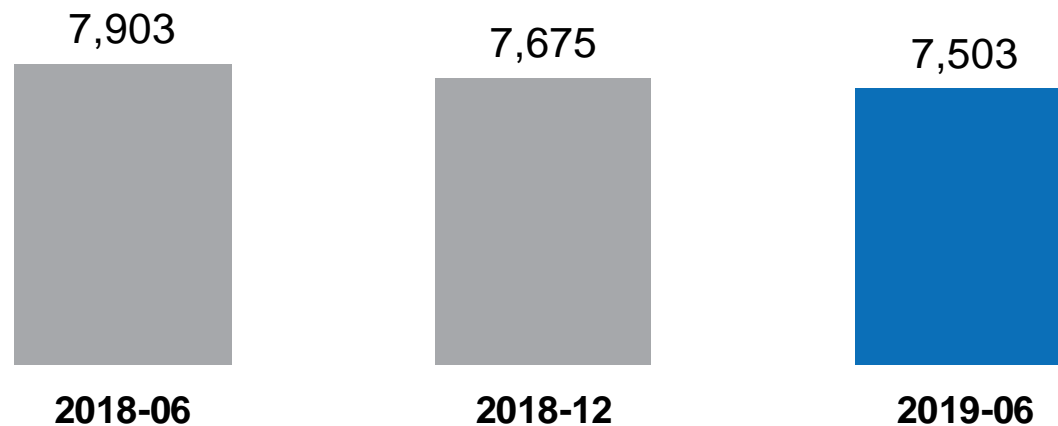


Operating Costs – Consolidated Activity

* Non recurrent costs

Employees and retail branches evolve according to the Strategic Plan

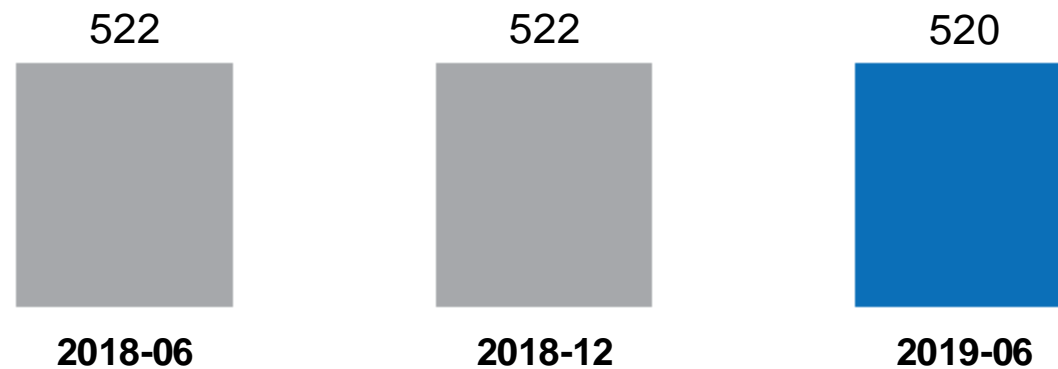
Number of Employees (Domestic Activity)



↓ 400

vs. 1H 2018

Retail Branch Network (CGD Portugal)

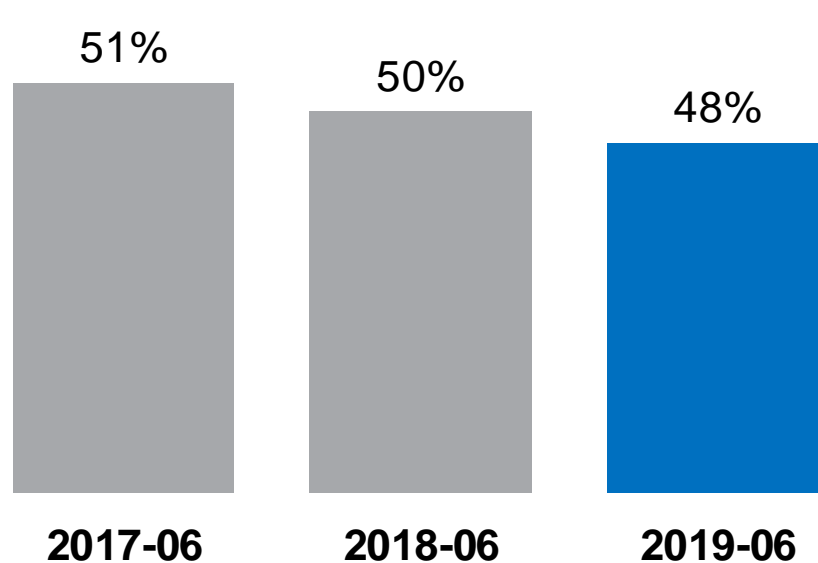


↓ 2

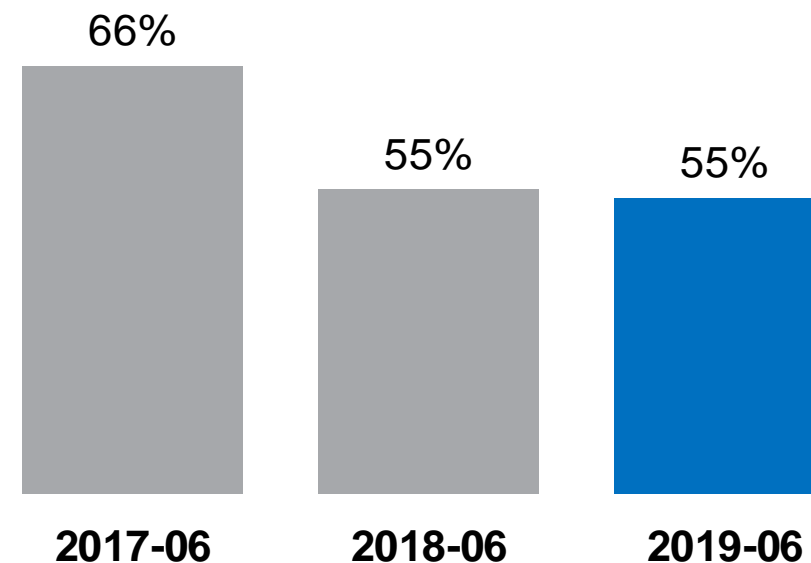
vs. 1H 2018

Cost-to-Income continues its downwards path

%



**Cost-to-Income ⁽¹⁾⁽²⁾
(Consolidated)**

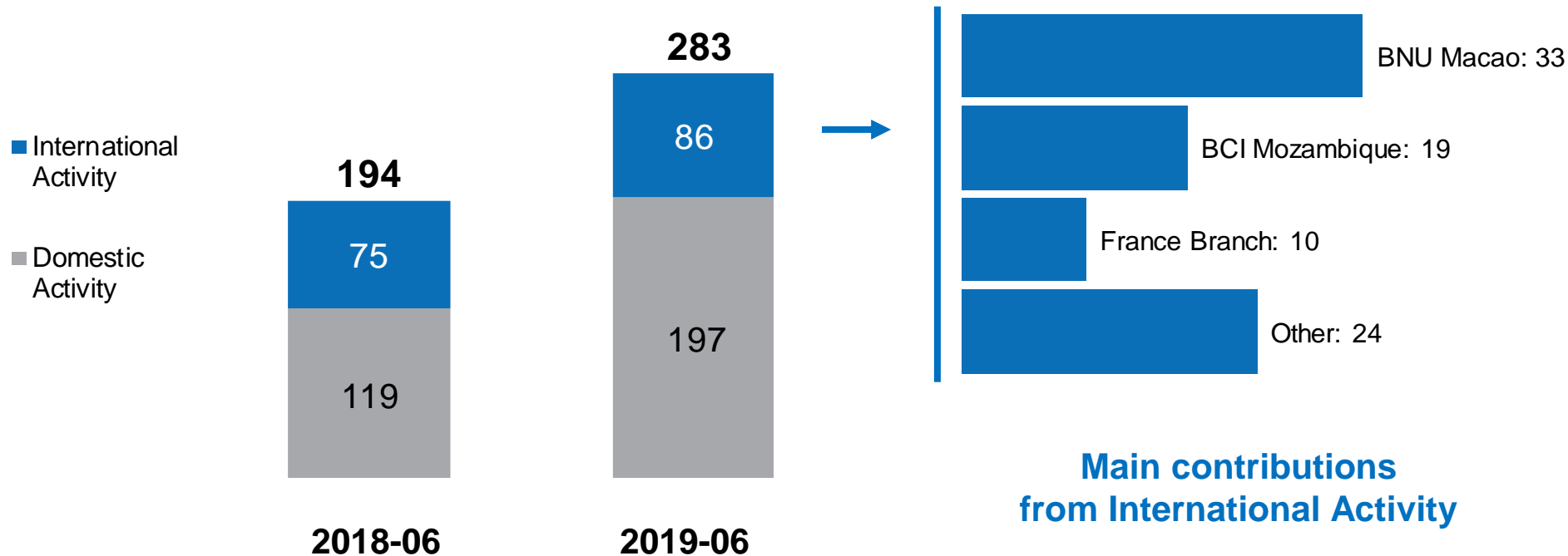


**Cost-to-Core Income ⁽²⁾⁽³⁾
(Consolidated)**

- (1) Ratio defined by the Bank of Portugal Instruction 6/2018 [Operating Costs / (Total Operating Income + Income From Associated Companies)];
- (2) Excluding non-recurrent costs;
- (3) Operating Costs / (Net Interest Income + Net Fees and Commissions);

Contributions to Consolidated Net Income

M€



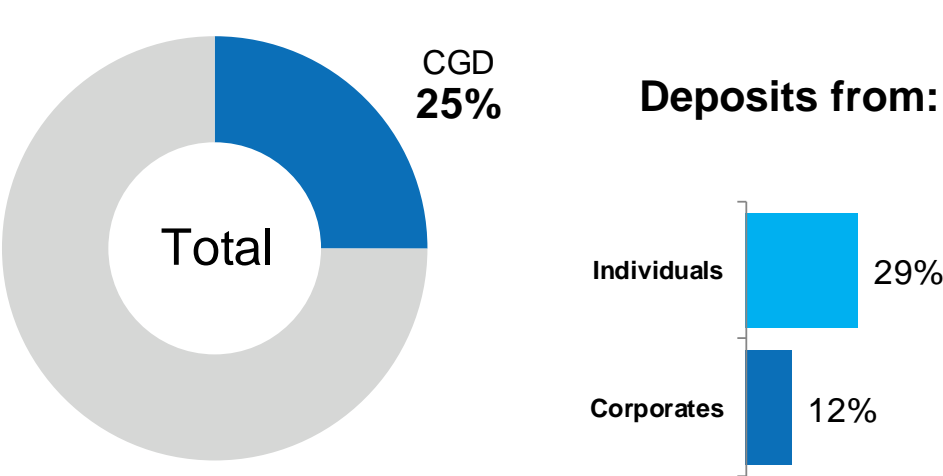
- Branches closed (2017-2018): London, Cayman, Offshore Macao, Zhuhai and New York.
- Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, S.S. (Spain) – sales waiting approval from local authorities.
- Banco Caixa Geral - Brasil, S.A. and Banco Comercial do Atlântico (Cape Verde) sales process is ongoing.
- Luxembourg branch wind down process in progress.



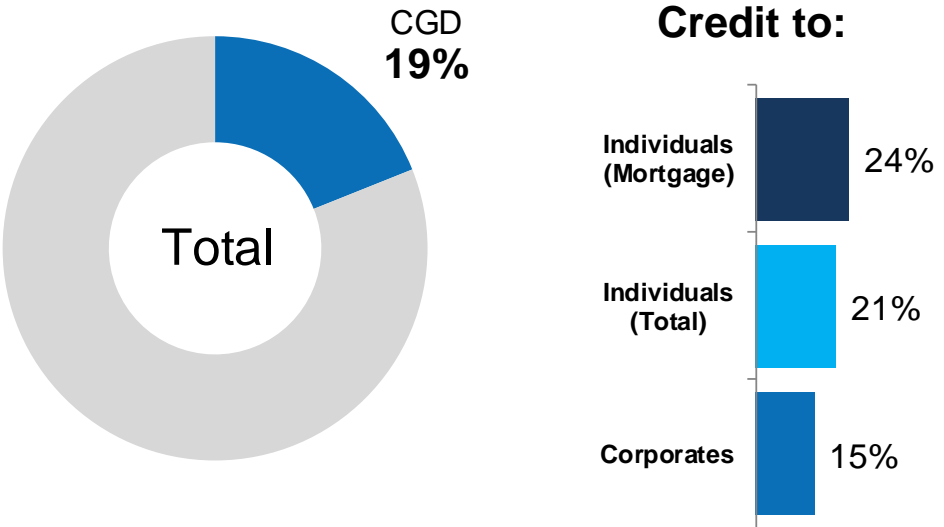
Balance Sheet

Market Shares: CGD leader in Portugal

%



Customer Deposits – Portugal
May 2019



Loans and Adv. to Customers – Portugal
May 2019

Business Volume evolves favourably

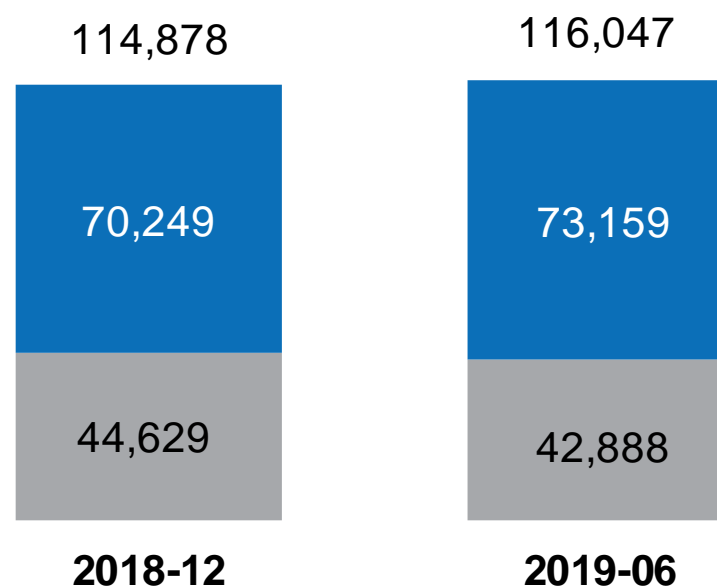
%

↑ 1.0%

Change:
1H 2019 vs 2018

+ 1,169 M€

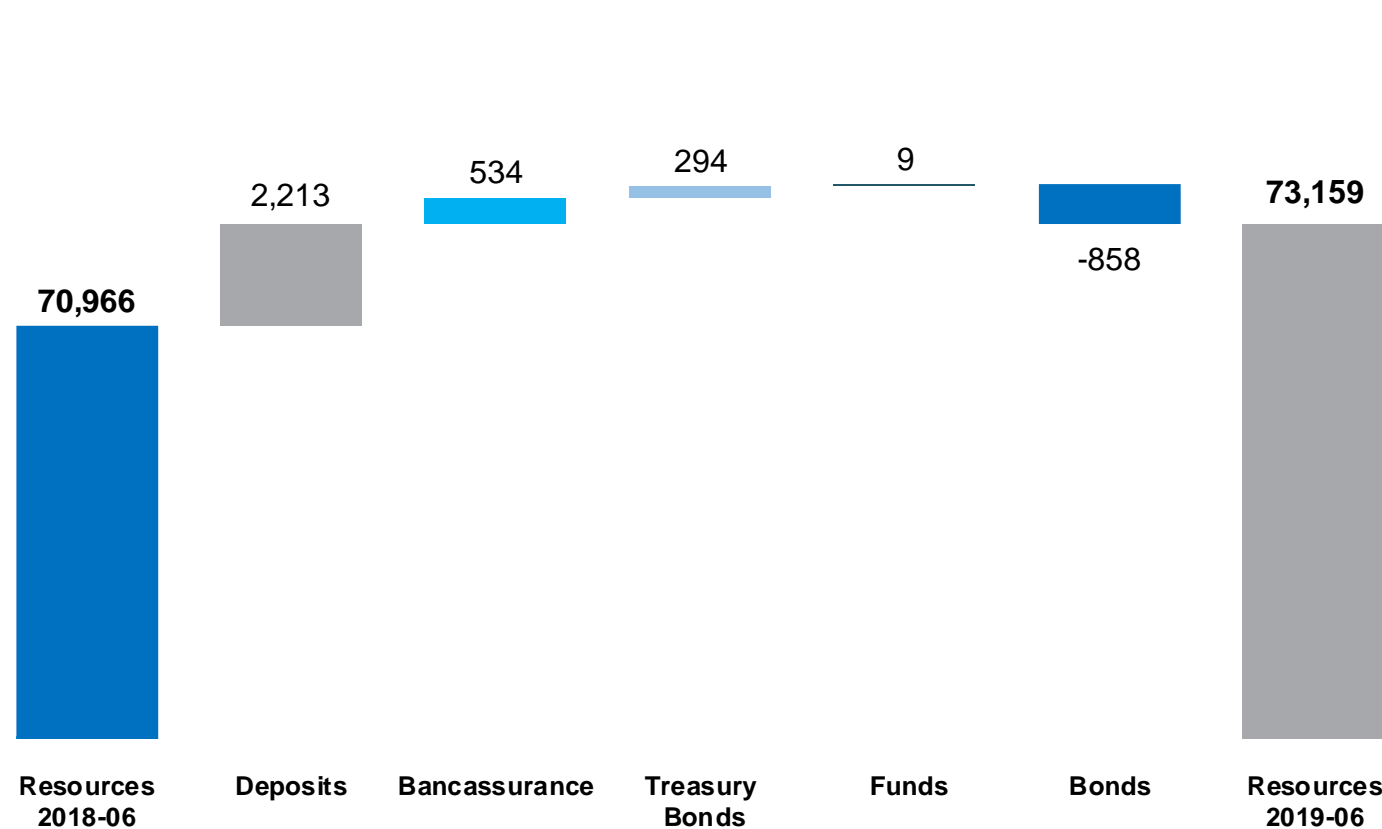
- Customer Resources - Domestic Activ.
- Loans and Adv. To Customers - CGD Portugal



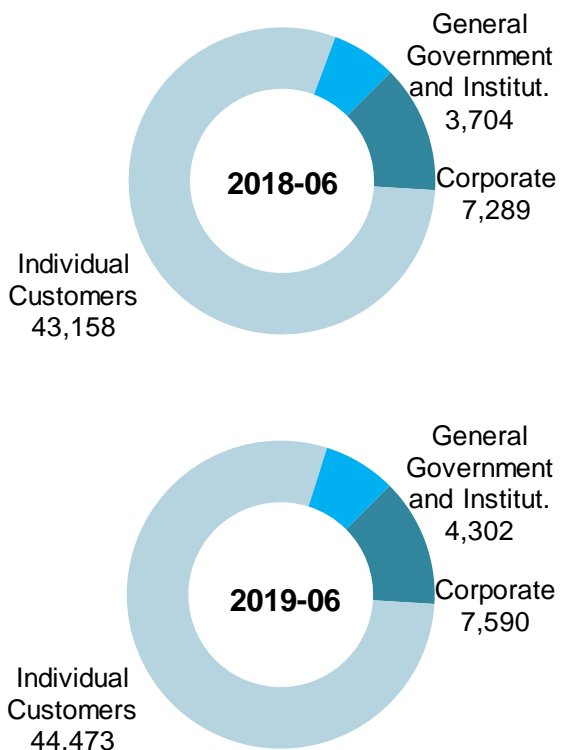
**Business Volume
(Domestic Activity)**

Total Customer Resources in Portugal increased

M€

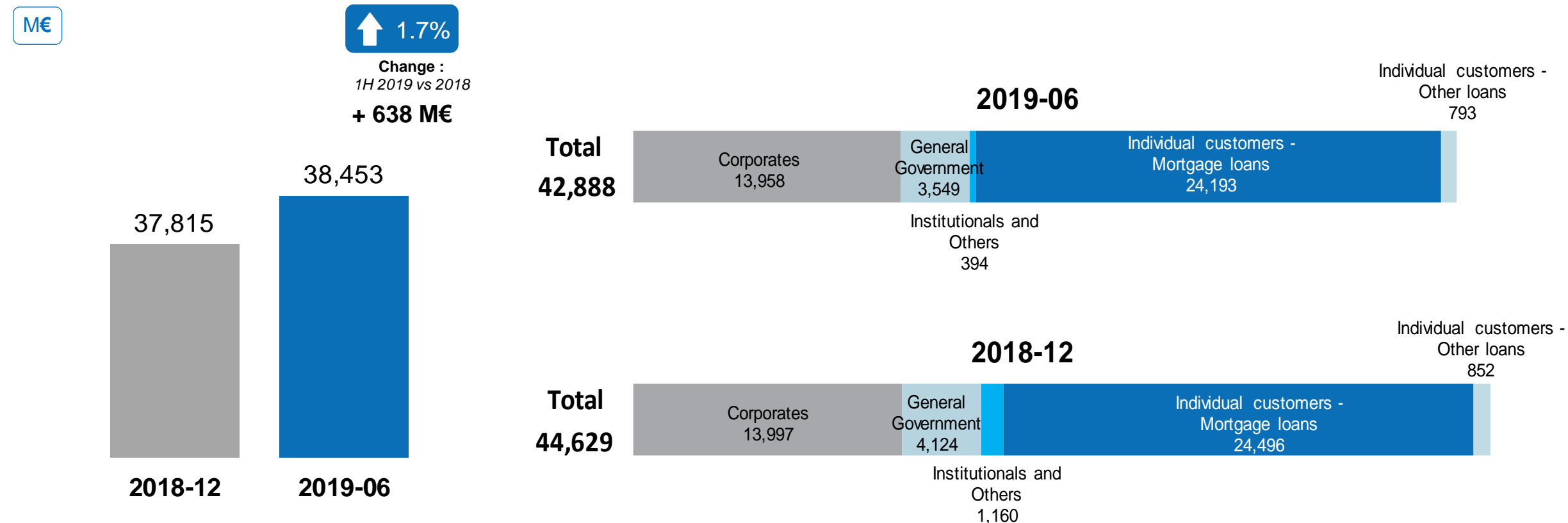


Total Customer Resources
(Domestic Activity)



Customer Deposits
(Domestic Activity)

Credit in Portugal reflects NPL reduction and General Government reimbursements, performing grows



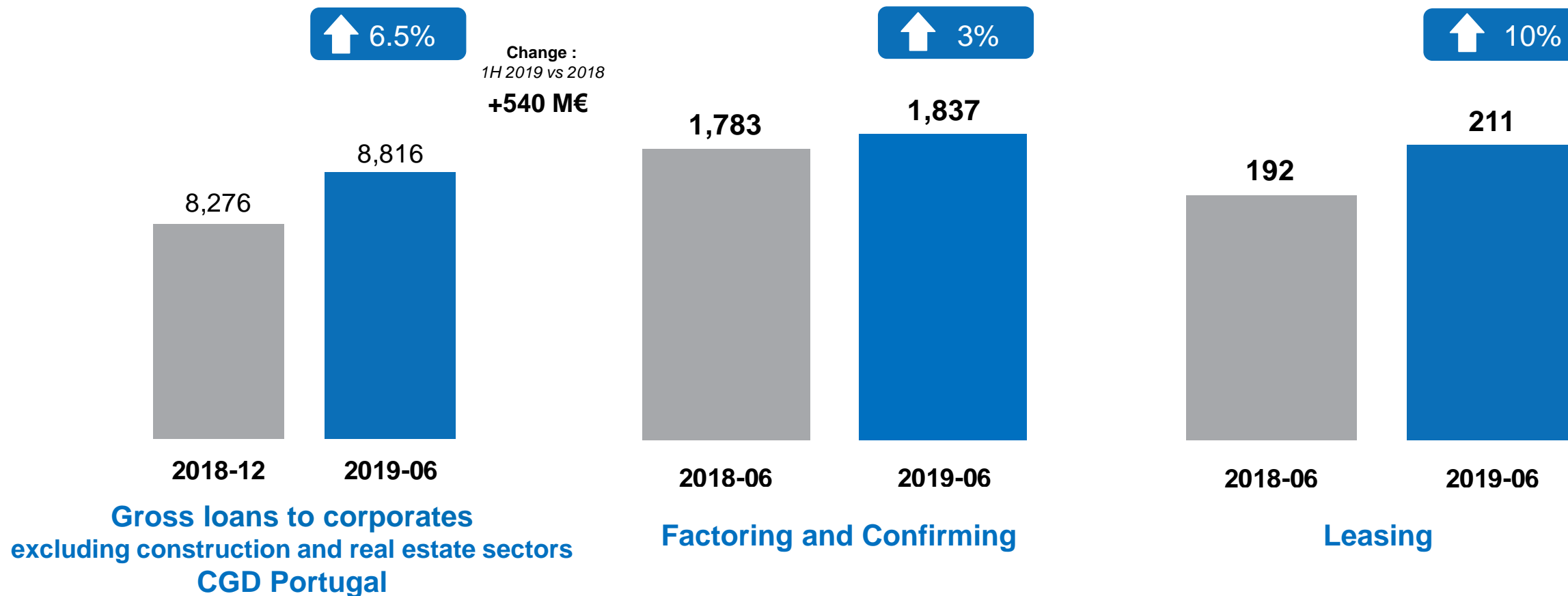
**Loans and Advances to Customers* (performing)
excluding General Government
CGD Portugal**

*EBA definition - includes corporate bonds

**Loans and Advances to Customers (Gross)
CGD Portugal**

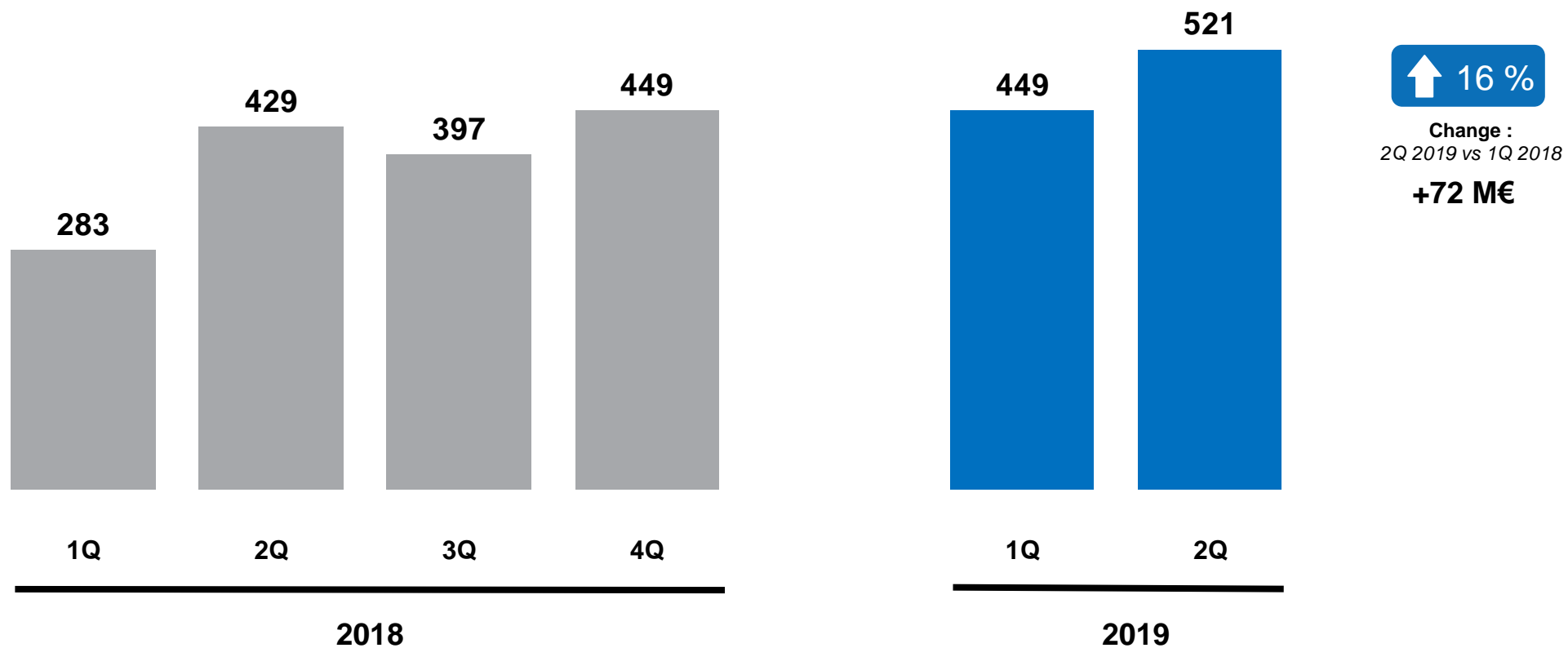
Loans to corporates, factoring and leasing grow in Portugal

M€



Positive evolution in new Mortgage Loans

M€

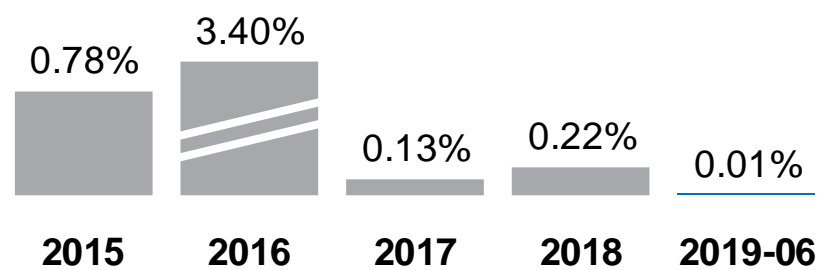




Asset Quality

Reduced Cost of Credit Risk

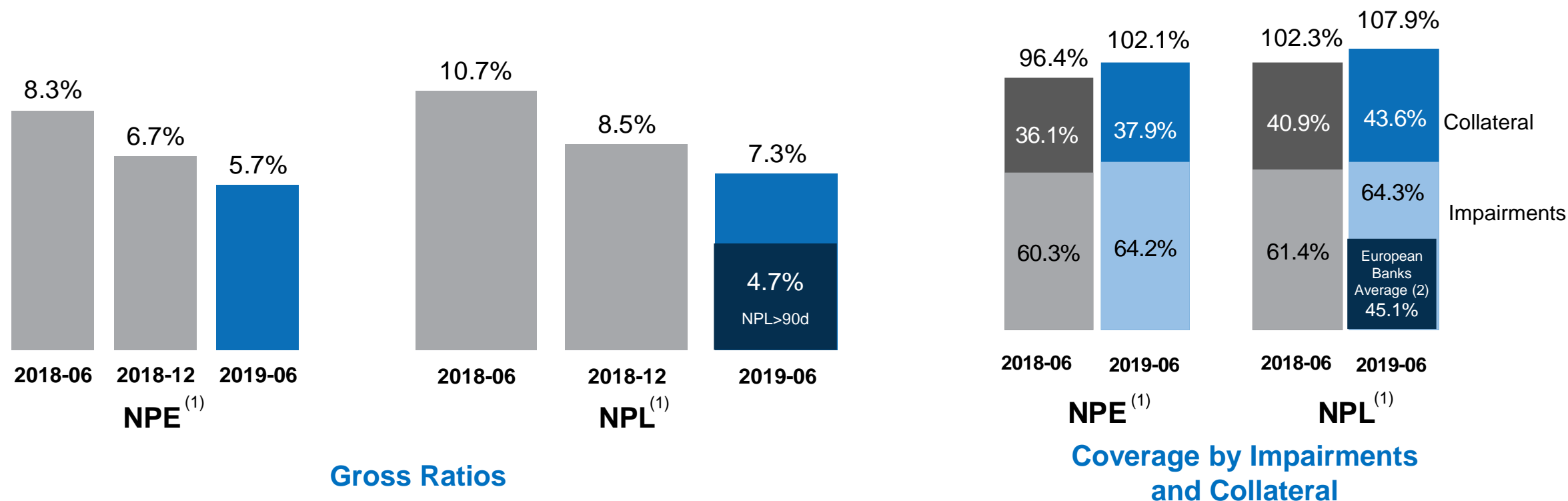
%



Cost of Credit Risk

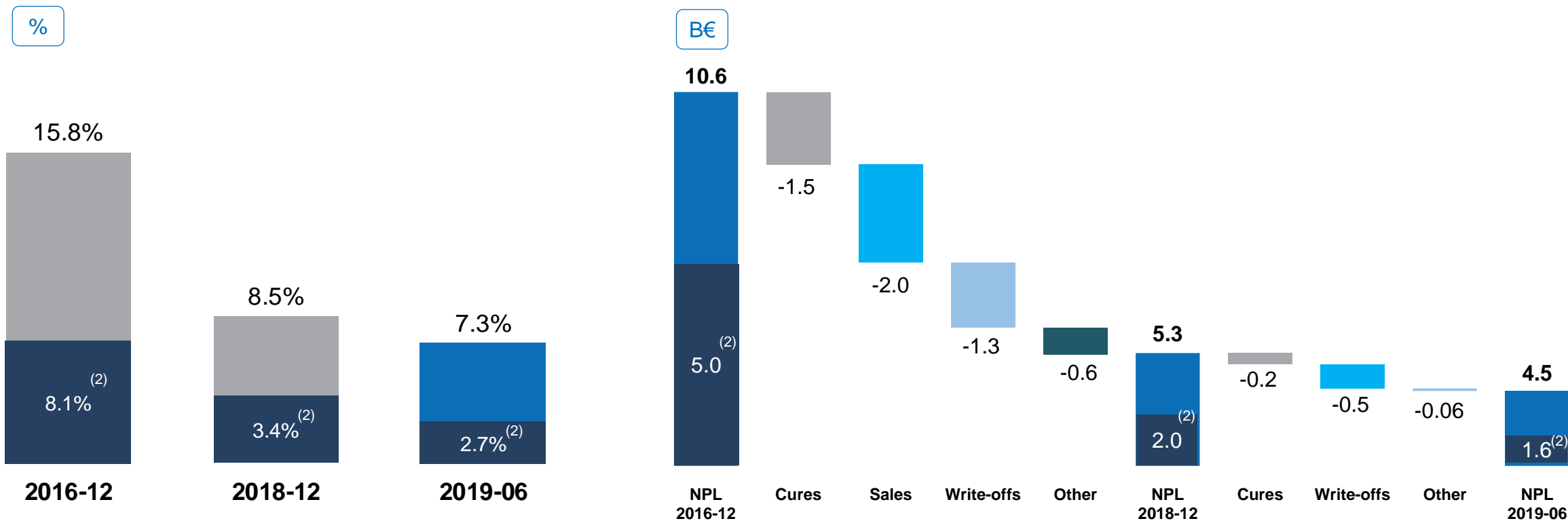
NPE and NPL decreasing and reinforced coverage. NPL more than 90 days ratio below 5%

%



(1) NPE – Non Performing Exposure and NPL – Non Performing Loans – EBA definitions; (2) EBA Risk Dashboards – March 2019

NPL reduction continues in 2019, down 6.1 B€ (-57%) since December 2016. NPL net of impairments below 2B€.



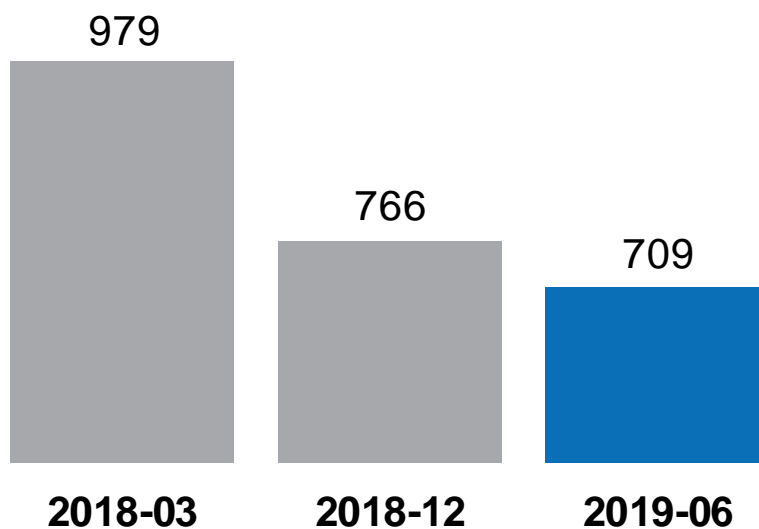
(1) NPL – Non Performing Loans – EBA definition.

(2) NPL net of impairments.

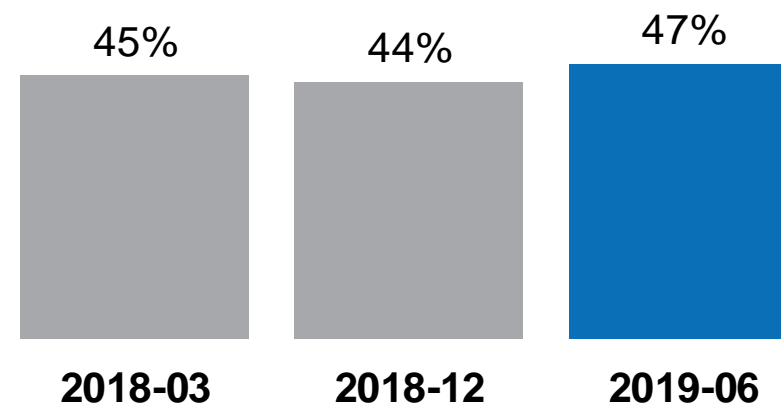
Foreclosed Assets (Real Estate) maintains decreasing trend

M€

%



**Foreclosed Assets - Gross Value
(Real Estate)**



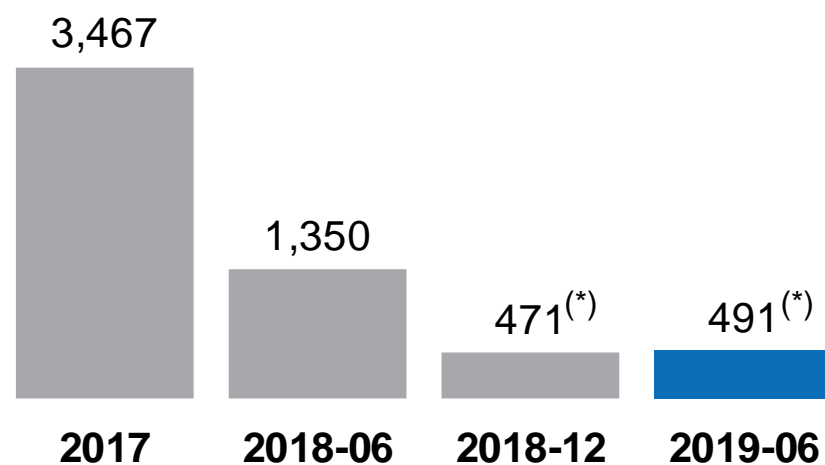
Coverage by Impairments



Liquidity

CGD with ample capacity to access ECB funding

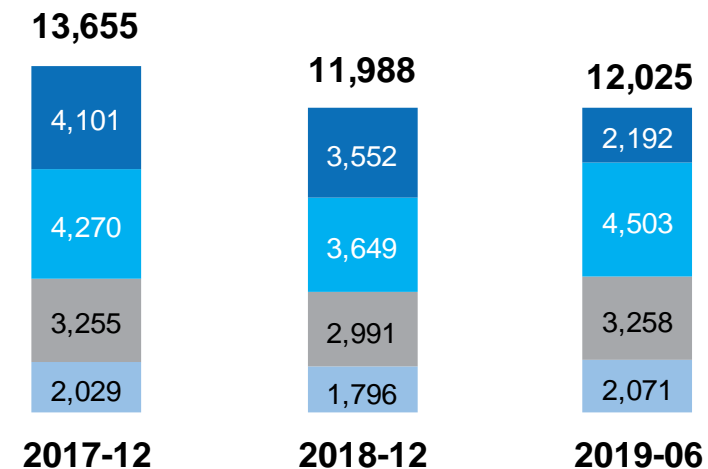
M€



**ECB Funding
(Consolidated Activity)**

(*) Total value refers to BCG Spain

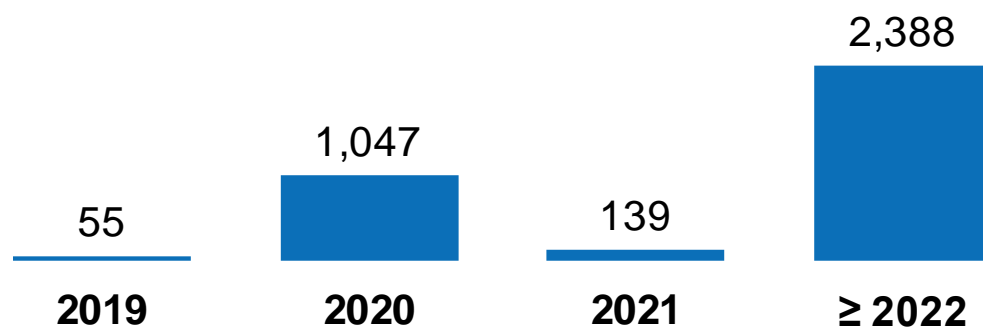
■ Other Bonds
■ Other Sovereign Debt
■ Portuguese Sovereign Debt
■ CGD Group Issuances



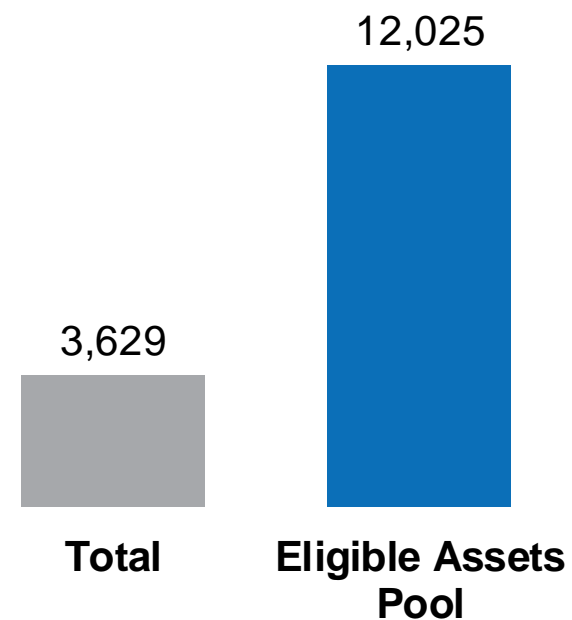
**Eligible Assets in ECB Pool
(Consolidated Activity)**

Asset pool fully covers wholesale debt maturities

M€



Wholesale Debt maturity profile

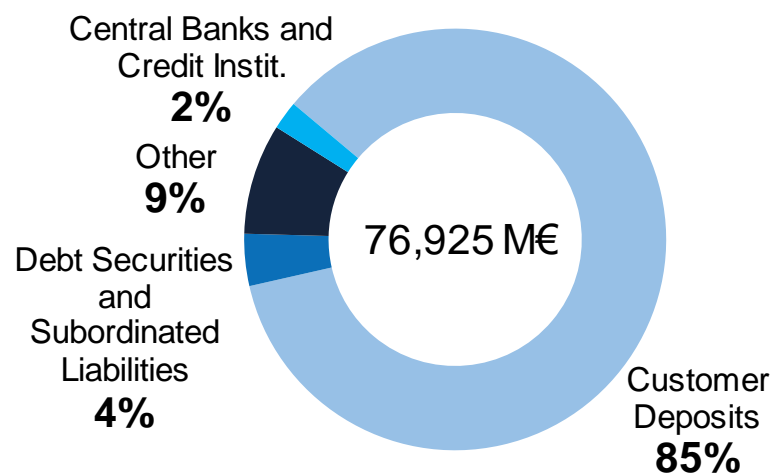


Total vs Eligible Assets Pool

Stable funding structure based on retail funding

%

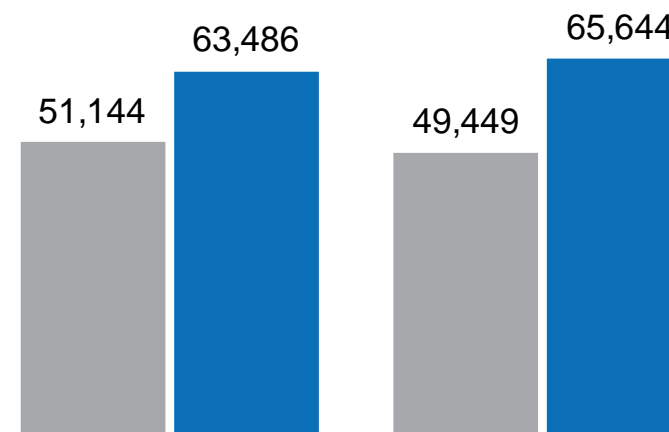
M€



Liabilities Structure⁽¹⁾

81%

75%



2018-12

2019-06

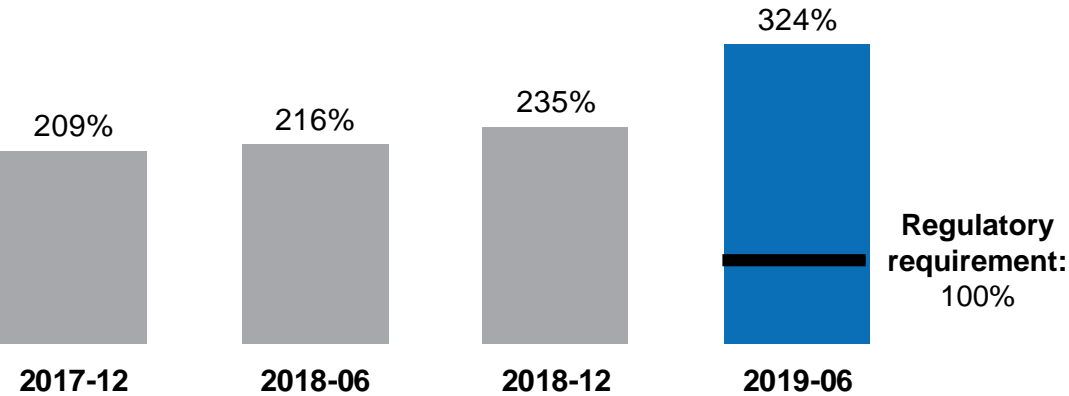
Loans-to-Deposits Ratio

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

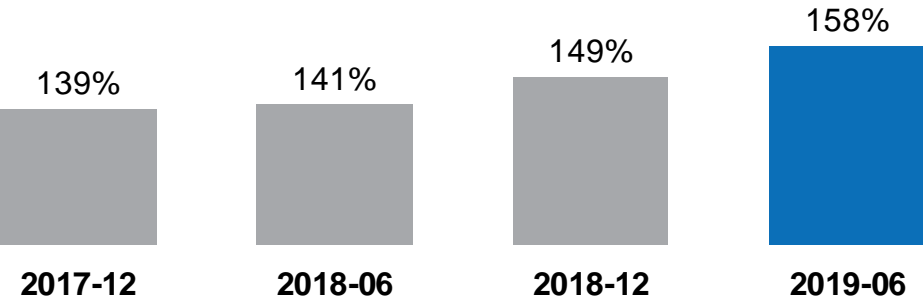
(1) Excluding non-current liabilities held for sale

Robust liquidity position

%



LCR (*Liquidity Coverage Ratio*)



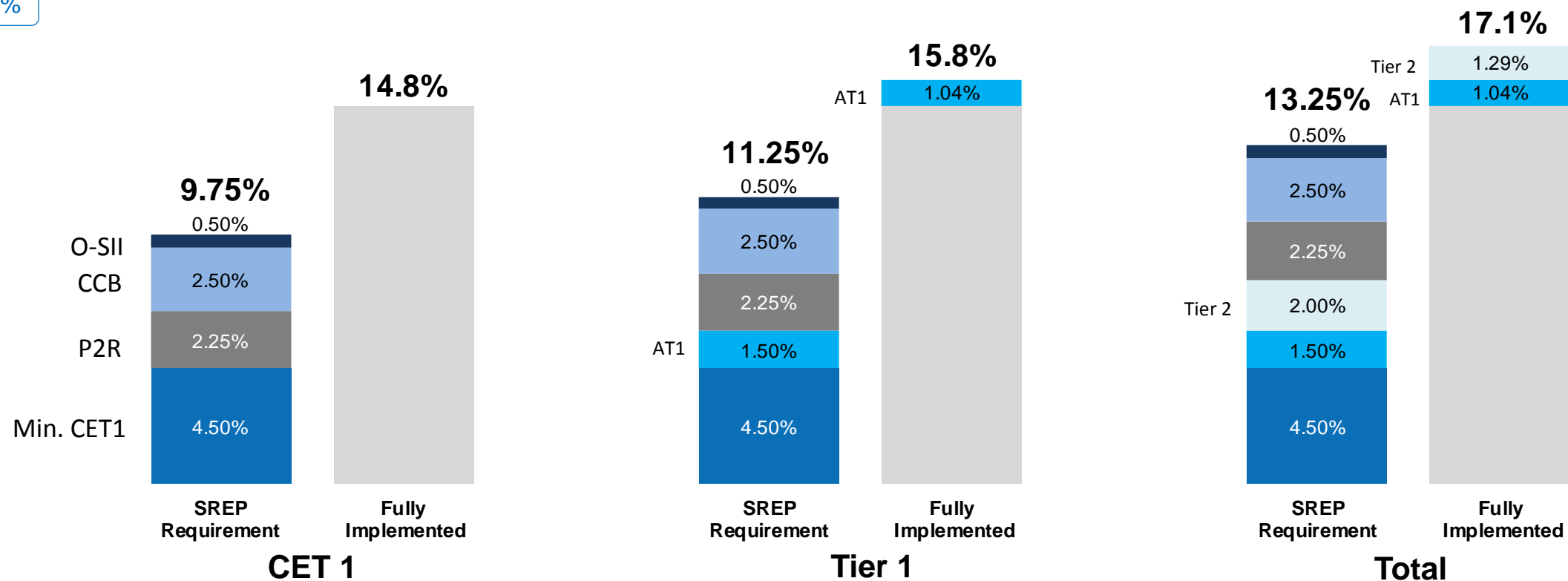
NSFR (*Net Stable Funding Ratio*)



Capital

CGD complies comfortably with capital requirements

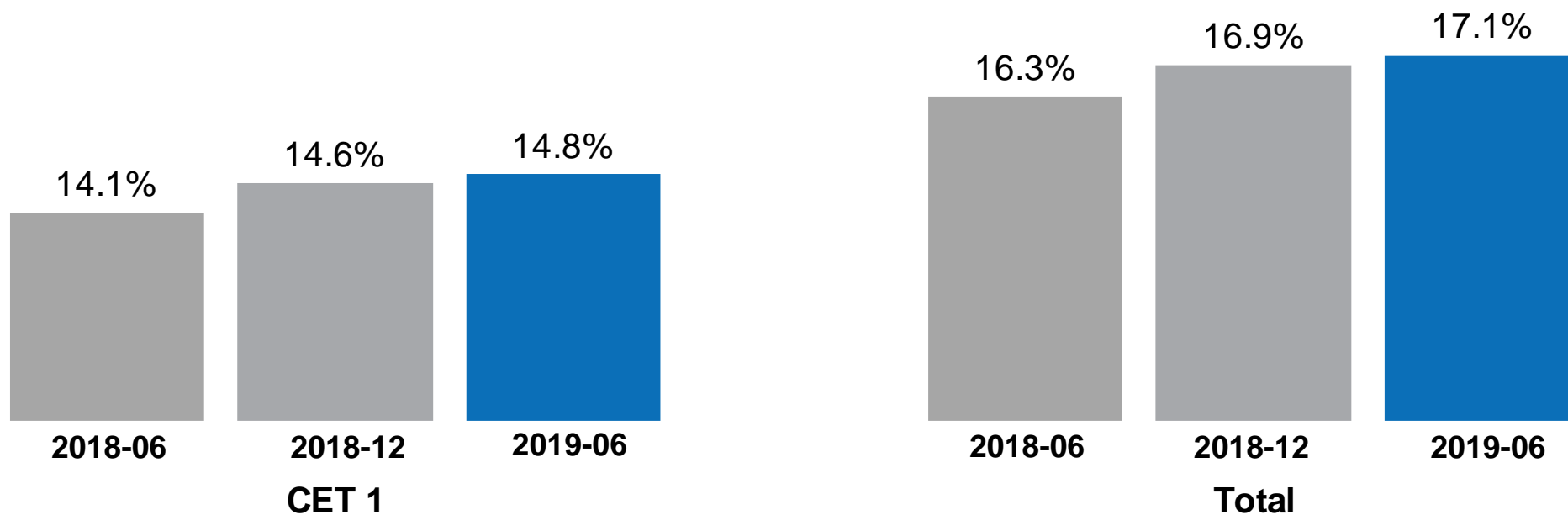
%



SREP 2019 Requirements and CGD Capital Ratios in 30 June 2019

Sustained improvement of capital position after dividend payment and adjustment in the pension fund discount rate

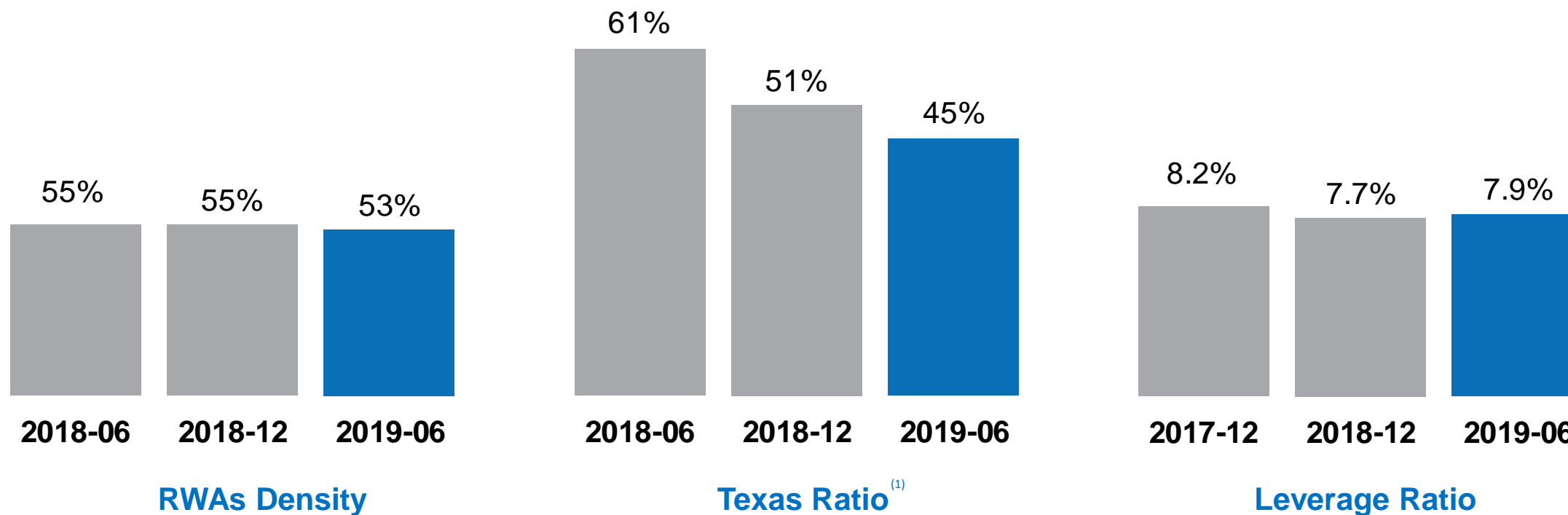
%



Capital Ratios Evolution (Fully Loaded)

Risk Weighted Assets (RWA) density, Texas and Leverage Ratios

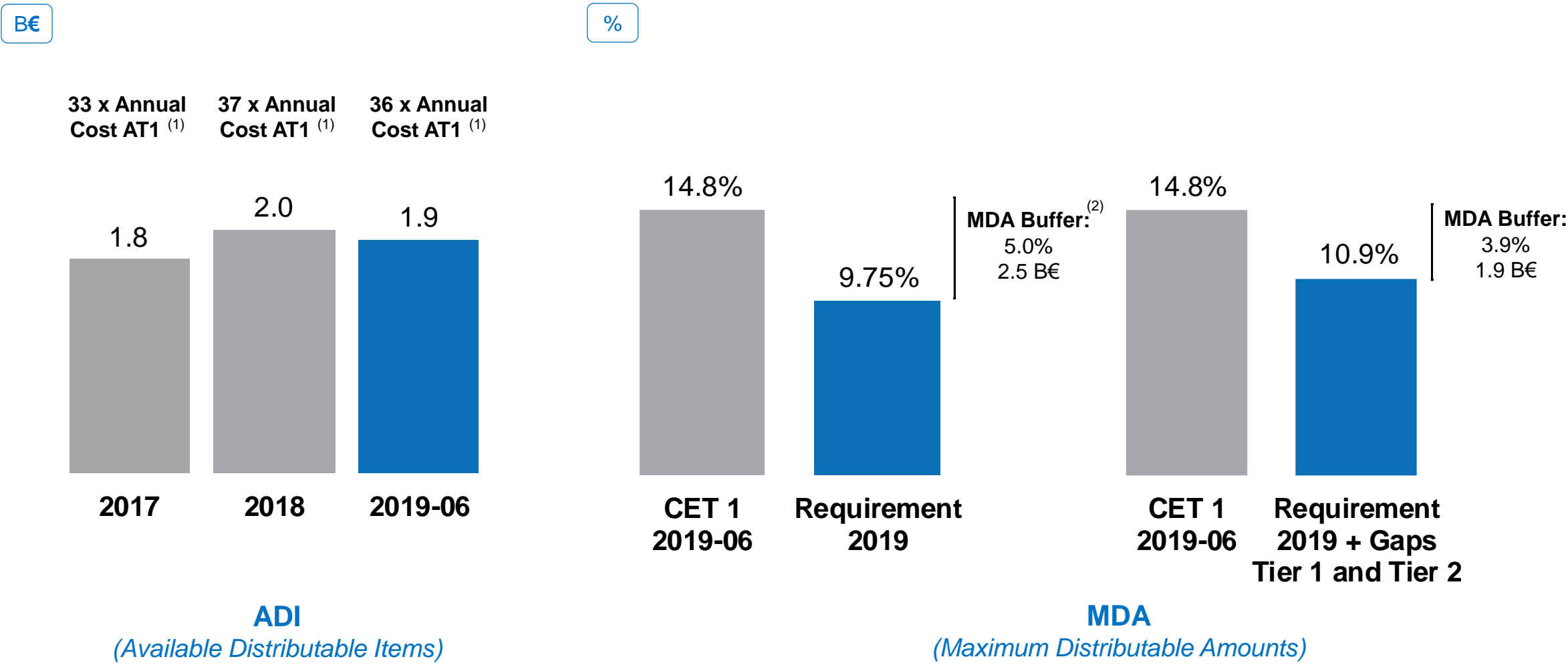
%



RWA fully implemented (2019-06): 48.3 B€

(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 fulfilment of buckets of 1.5% in AT1 and 2% in T2.



MREL

MREL requirements (*Minimum Requirement for own funds and Eligible Liabilities*) as determined by the Single Resolution Board

Requirement

Reference date: 31/12/2017

- **13.27% of TLOF** of CGD Resolution Group^(*) corresponding to:
 - 24.65% of TREA
 - TLOF (Total Liabilities and Own Funds): €86,300M
 - TREA (Total Risk Exposure Amount): €46,467M
 - Amount: €11,453M
- **Binding date: 1/1/2023**

Funding Plan

- Requirements are in line with expectations and consistent with **Funding Plan**
- **Issuance:** estimated around € 2,000M until the end of 2022 through a combination of **Senior Preferred** and **Senior Non-Preferred debt**
- Format, size and timing adjustable to evolution of MREL requirements, namely **minimum subordination**

Execution very manageable for CGD and assures fulfillment of MREL requirements

^(*) CGD in Banking Union + BNU Macao



Highlights

1H2019 confirms progress in profitability and asset quality, while achieving sound liquidity and capital positions despite the low interest rate environment ...

Business⁽¹⁾

Positive evolution of core operating income...

1H 2019 vs. 1H 2018:

- ✓ Commissions: +0.6%;
- ✓ Operating costs: -5.9%
- ✓ Core operating income: +4.1%
- ✓ Recurrent cost-to-inc.: -1.6 pp

Asset Quality

...a structurally reduced cost of credit risk...

1H 2019:

- ✓ Cost of credit risk: 0.01%
- ✓ NPL: 7.3%
- ✓ NPL Coverage by impairments: 64.3%

Liquidity

...benefiting from a wide base of funding available...

- ✓ Deposits: 85% of liabilities⁽³⁾
- ✓ Pool of collateral: 12.0 B€
- ✓ LCR: 324%
- ✓ Loans-to-deposits: 75%

Capital

...and maintaining a strong capital position.

Capital ratios (fully loaded)

1H2019 vs. 1H2018:

- ✓ CET1: 14.8% (+0.7 pp)
- ✓ Tier 1: 15.8% (+0.7 pp)
- ✓ Total: 17.1% (+0.8 pp)



1H 2019
ROE⁽²⁾ = 7.4%

(1) Considering non-recurring costs of € 50.7 million in 2018 and € 35.5 million in 2019, relating to employee reduction programmes and other administrative expenses;

(2) ROE = (net income + non-controlling interests) / Shareholders' equity (average of 13 monthly observations and annualized);

(3) Excluding non-current liabilities held for sale;

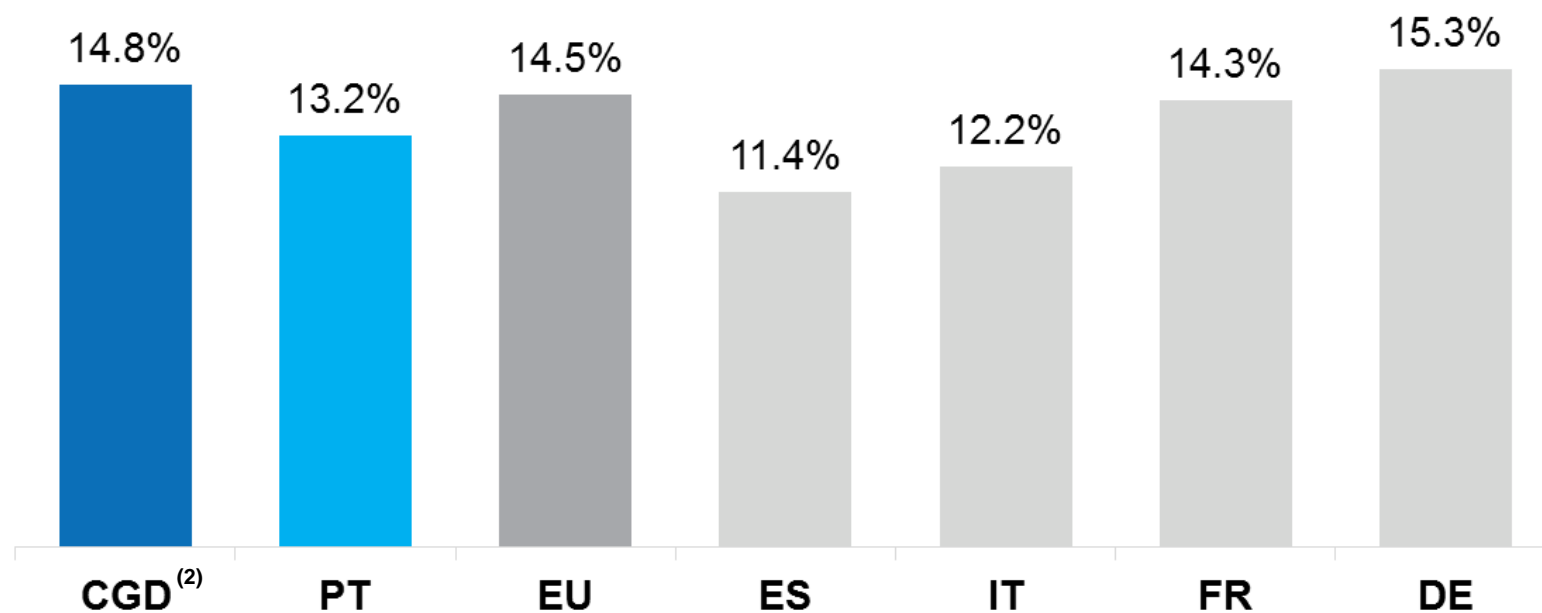
... creating the right conditions to achieve the main targets of the Strategic Plan 2017 - 2020

	2019 Execution	2020 Strategic Plan Targets	European Banking Average ⁽³⁾
Return on Equity (ROE) ⁽¹⁾	7.4%	> 9%	6.8%
Recurrent Cost-to-Income	48%	< 43% ⁽²⁾	66.3%
NPL Ratio	7.3% <i>(Impairment coverage of 64.3%)</i>	< 7%	3.1% <i>(Impairment coverage of 45.1%)</i>
CET1 Fully loaded	14.8%	> 14%	14.5%

Solvency: CGD with favourable performance within the European Union

%

CET 1 Ratio (fully loaded)⁽¹⁾



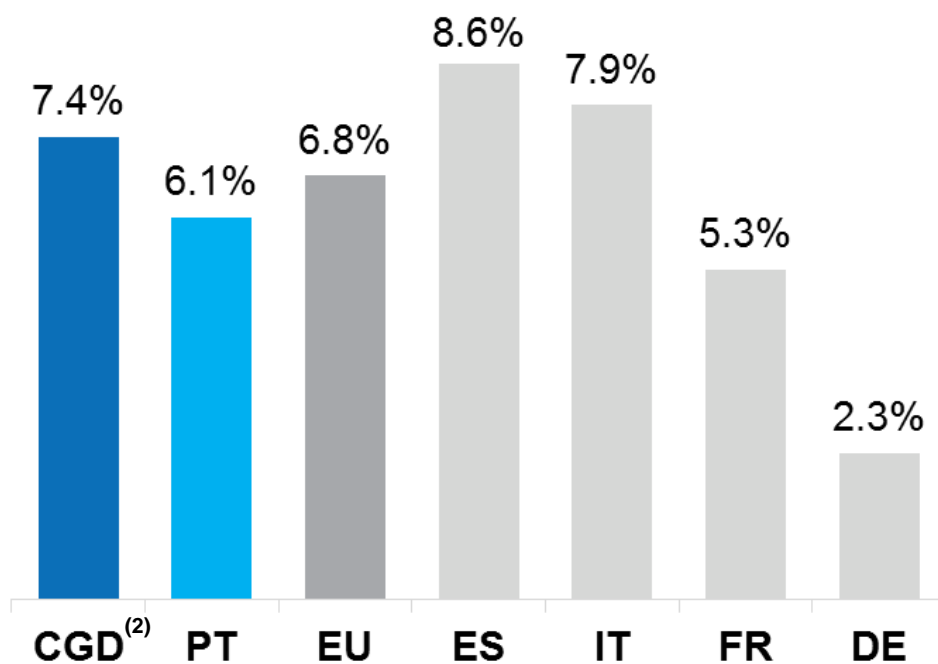
(1) Source: EBA Risk Dashboard - March 2019, except CGD;

(2) CGD data refers to 30 June 2019.

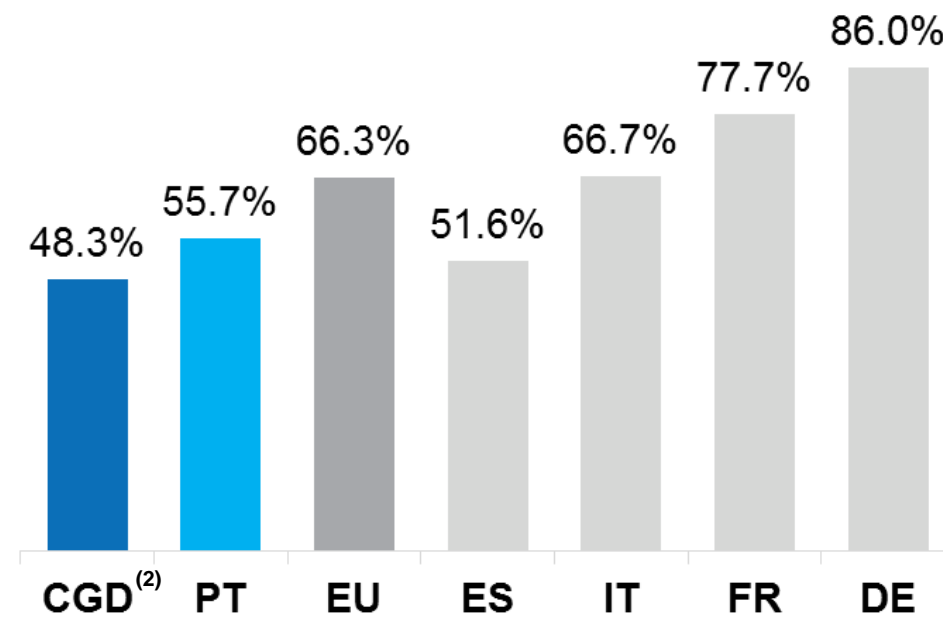
Efficiency and Profitability: CGD with favourable performance within the European Union

%

Return on Equity (RoE)⁽¹⁾



Cost to Income ratio⁽¹⁾



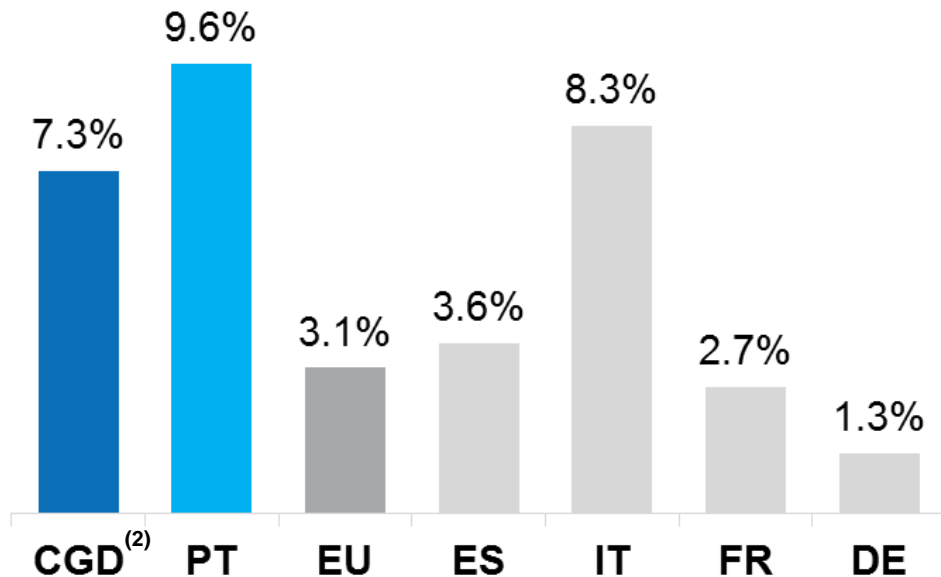
(1) Source: EBA Risk Dashboard - March 2019, except CGD;

(2) CGD data refers to 30 June 2019. Excluding non-recurrent costs.

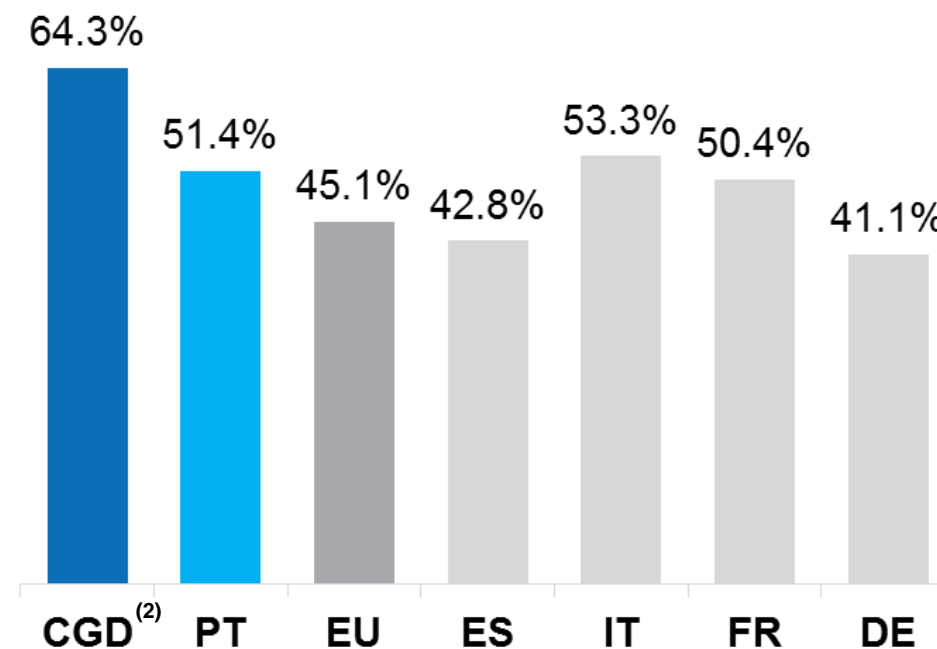
Asset Quality: CGD converging to European levels; coverage level exceeds standards

%

Non-Performing Loans ratio⁽¹⁾



Coverage ratio of Non-Performing Loans⁽¹⁾



(1) Source: EBA Risk Dashboard - March 2019, except CGD;

(2) CGD data referred to 30 June 2019.

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