



# Consolidated Results 3<sup>rd</sup> Quarter 2019

Unaudited financial information

Investor Relations

08/11/2019



# DISCLAIMER

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- 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 September 30, 2019, unless otherwise stated. These may be estimates subject to revision. Solvency ratios include net income for the period.
- The September 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”.
- As of September 30, 2019, CGD's holdings in Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, SA (Spain) were recorded as non-current assets held for sale under IFRS 5. On September 9, 2019, the European Central Bank (ECB) informed CGD of its non-opposition to the sale of shares representing 99.79% of the share capital of Banco Caixa Geral, S.A. (BCG) to ABANCA Corporación Bancária, S.A., which came to take place on October 14, 2019. On October 9, 2019, the South African authorities declared their approval of the sale of shares representing 100% of the share capital of Mercantile Bank Holdings Limited to Capitec Bank Limited, which was concluded on November 7, 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.

# Agenda

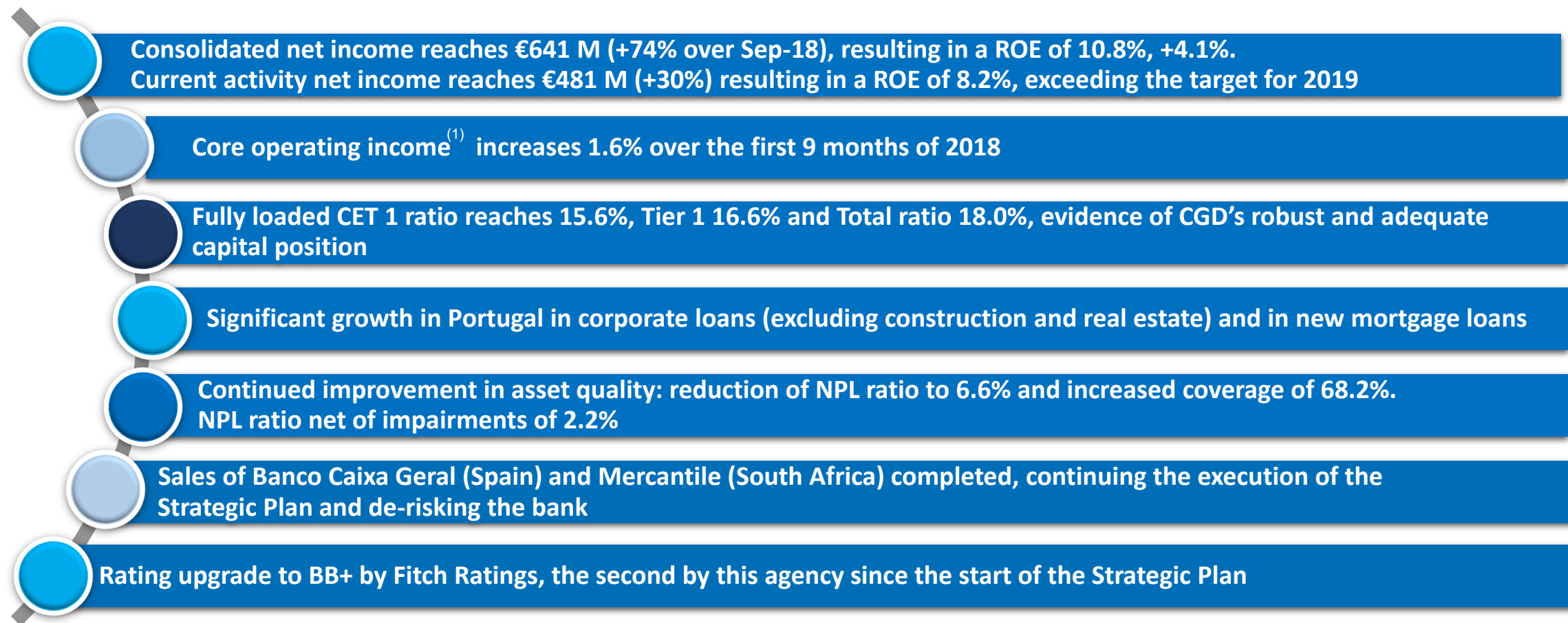
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- 1 Highlights
- 2 Results
- 3 Balance Sheet
- 4 Asset Quality
- 5 Liquidity
- 6 Capital
- 7 MREL



## Highlights

## CGD improves profitability and asset quality while achieving significant progress in meeting the objectives of the Strategic Plan for international assets



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

## Strategic Plan – Performance in 9M2019 meets 2019 targets



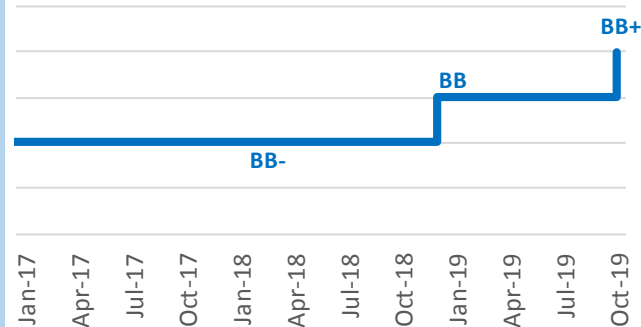
## Rating Agencies continue to take notice: 5th upgrade of senior debt rating since the start of Strategic Plan

### Fitch Ratings

BB+ / B

**Oct19:** Upgrade of long term Issuer Default Rating (IDR) to BB+ with outlook stable and *Viability Rating* (VR) to bb+

#### Fitch Long Term Ratings



(+2 notches)

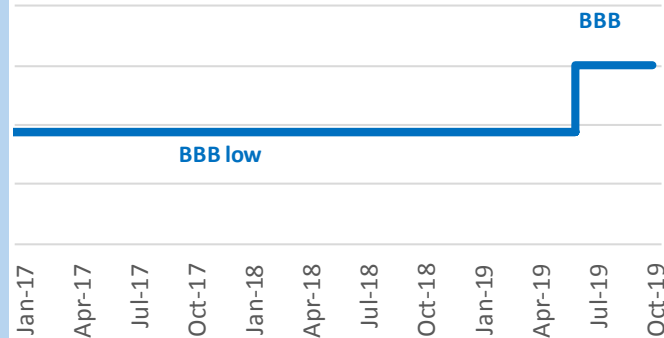
### DBRS Morningstar

BBB / R-2 (high)

**Jun19:** Upgrade of long and short term debt ratings and Covered Bonds ratings

**Oct19:** Upgrade of long and short term deposits ratings to BBB (high) and R-1 (Low) with outlook stable

#### DBRS Long Term Ratings



(+1 notch)

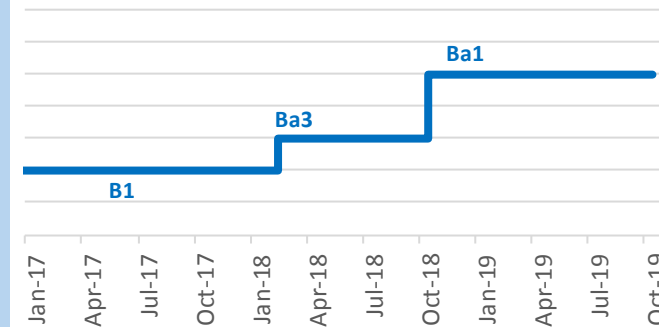
### Moody's

Ba1 / NP

**Jul19:** Long-term senior debt rating affirmed at Ba1

Outlook revised from negative to stable  
Upgrade of long and short term deposits ratings

#### Moody's Long Term Ratings

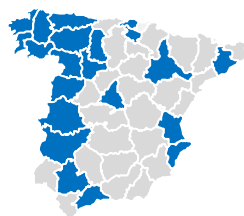


(+3 notches)

## Impact of sale of international assets

- Consolidated net profit of 641 million includes a non-recurring result of 159 million
- This non-recurring result of 159 million is due to the partial reversal of impairments related to the sale of BCG Spain and Mercantile in South Africa
- These impairments (in a total of 382 million) were created in 2017, supported on the positive operating profit of that year and based on a prudent approach to the valuation of these assets ahead of their sale
- Apart this contribution, recurrent net profit reached 481 million, an increase of 30% over the same period in 2018
- The financial statements for the end of September do not include the deconsolidation of these affiliates which will only take place upon their sale. As such, only the end-of-year financial statements will reflect this effect, which is estimated to have an additional impact in capital ratios of 111 bps, as a result of the reduction in risk weighted assets

 **Banco Caixa Geral**  
Grupo Caixa Geral de Depósitos

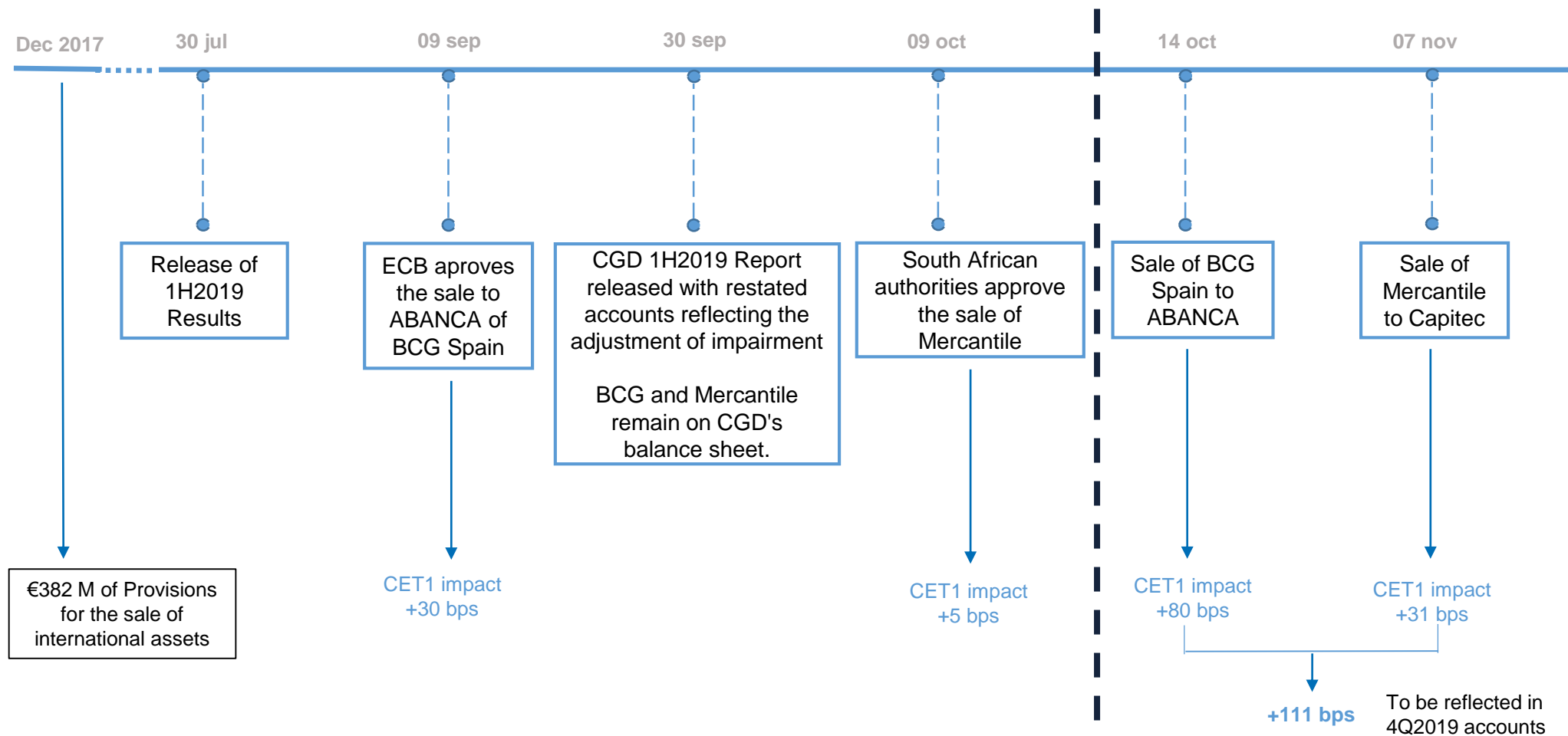


 **Mercantile Bank**  
Member of CGD Group



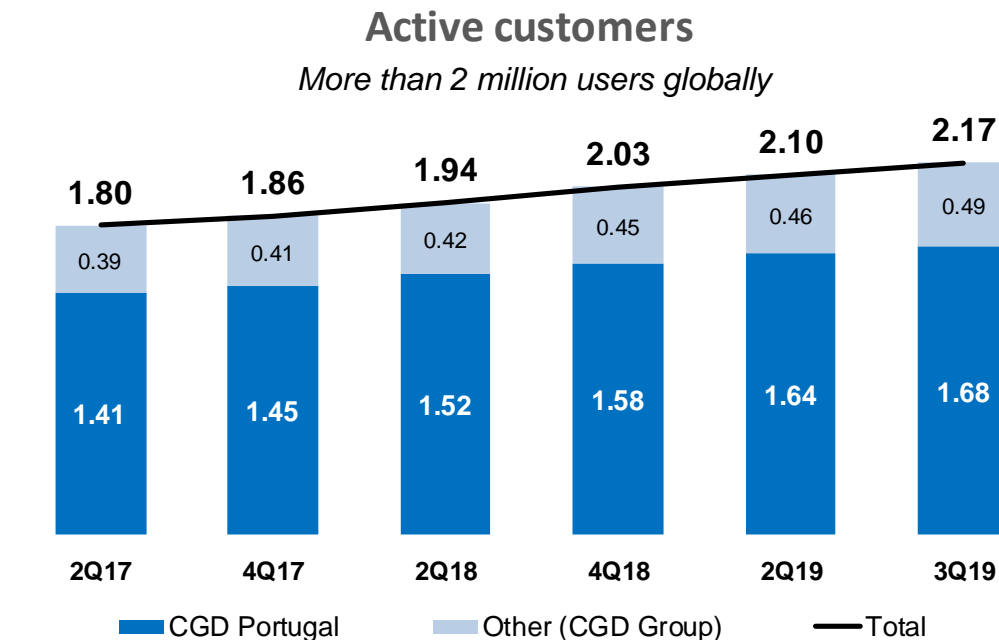


## Impact of sale of international assets

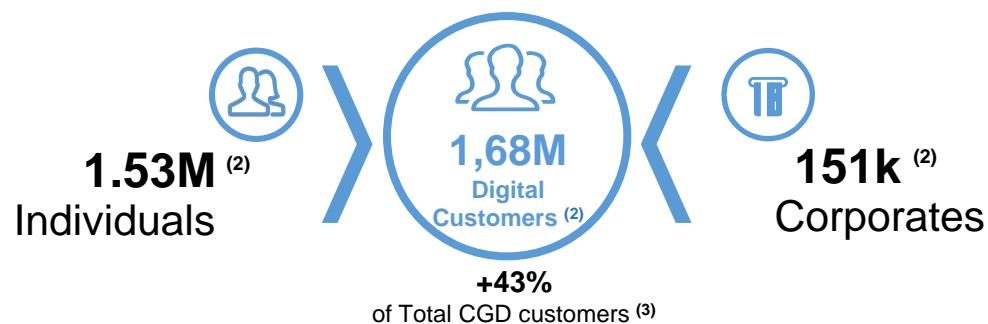


## Digital Banking: Leader in the number of Internet Banking users <sup>(1)</sup>

M



CGD plans to **invest over €200 M** in technology and digital transformation from 2017 to 2022



**acepi** Associação Portuguesa de Empresas de Seguros e Seguros de Vida

\* Este prémio é da exclusiva responsabilidade da entidade que o atribuiu.

(\*) The best site/app of financial services industry

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

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



**818K**

Users

↑ **22%**<sup>(1)</sup>



**Account  
Aggregator**



**Financial  
"Personal  
trainer"**

### APP MONTHLY LOGINS



**APP  
CAIXADIRECTA**

**4.5**



<sup>(2)</sup>

6.2M



2018

**94%**



12M



2019-09

**TUDO O QUE IMPORTA,  
NÃO IMPORTA O BANCO.**



**DABOX**

Contas fora da Caixa

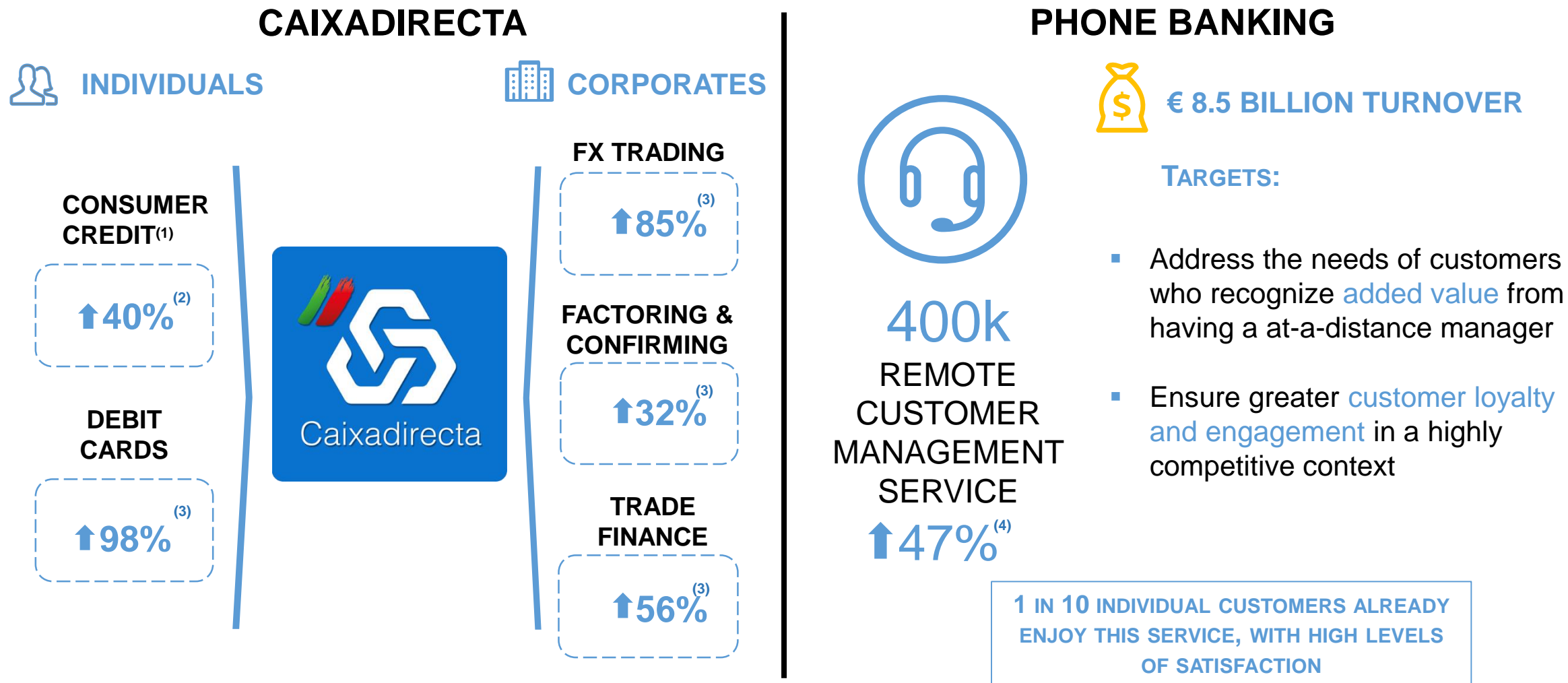
Disponível na  
**App Store**

disponível na  
**Google play**

**>14,500**  
downloads  
in the first 2 weeks<sup>(3)</sup>

(1) Change over dec-18; (2) Stores Rating; (3) sep-2019

## Increased deal flow through Caixadireta and phone banking

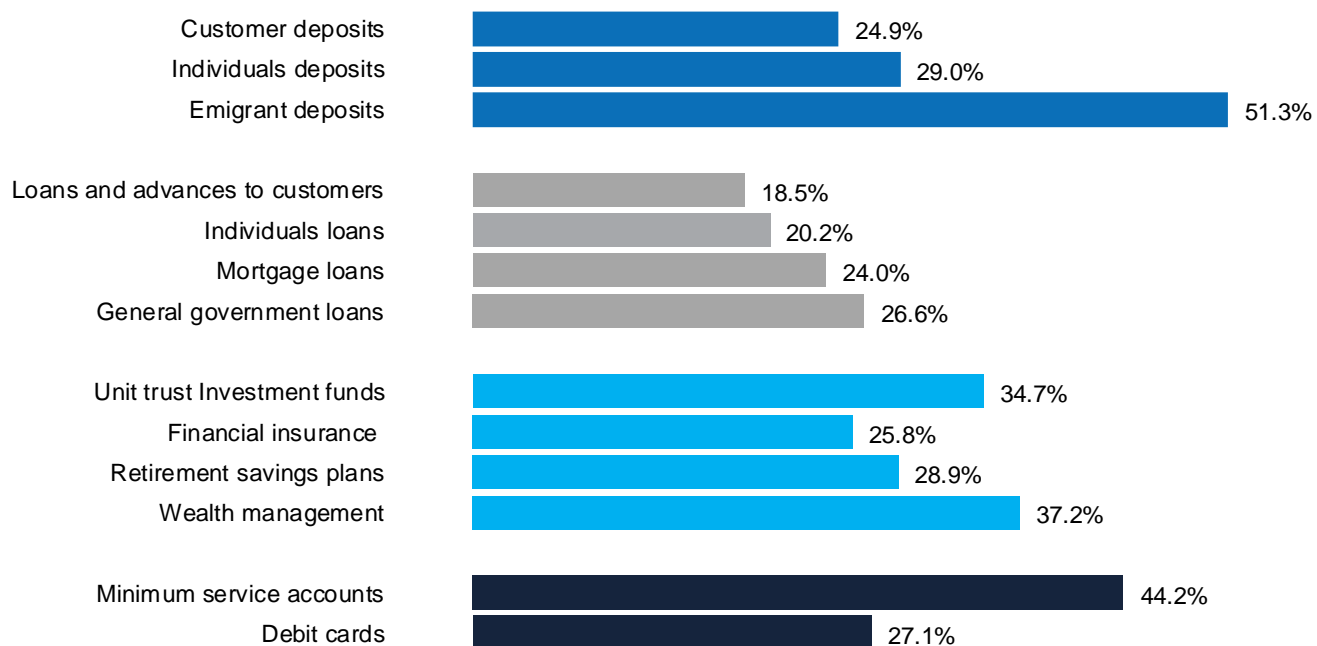


<sup>(1)</sup> Launched in Dec 2018; <sup>(2)</sup> Change over 2Q2019; <sup>(3)</sup> Change YoY; <sup>(4)</sup> Change over dec-18

## Highlights

# Leadership and Distinctions

## Leader in main client and product segments



## Market Shares

August 2019

\* Min.Serv.Acc. (Dec-18)

## Prizes and distinctions

### Caixa Geral de Depósitos



The most valuable Portuguese bank brand

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

*BrandFinance*



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



**Caixa Platina**  
The best Premium card 2019

*Compara.Já.pt*

### Caixa Banco de Investimento and Caixa Gestão de Ativos



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

*Euronext Lisbon*



**CGA**  
Best Fund Manager in  
Portugal

*Rankia*



**CGA**  
Best Global and Bond Fund  
Manager in Portugal 2019

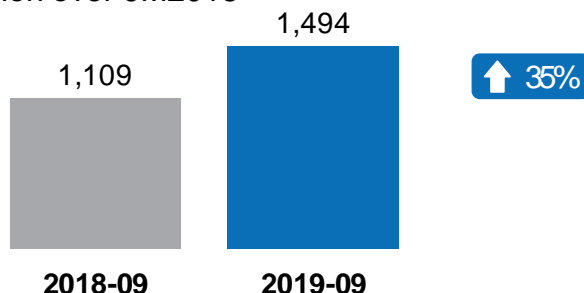
*Morningstar*

## Individuals and Corporates

### Individuals and households



- **35% increase in new mortgage loans**, € 385 million over 9M2018



### New commercial offer for individuals

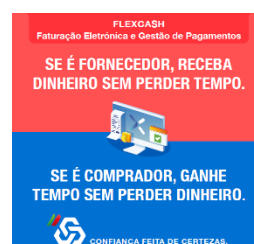
- **1.75 million Contas Caixa accounts**, 226k more than in dec 2018, with the possibility of having more than one account and increased benefits for university customers
- **Personal Accident Insurance** available online
- **Seguro Fidelidade Casa**: New multi-risk housing with 3 differing protection plans

### Social support



- **Caixa Gestão de Ativos** joined the United Nations Principles for Responsible Investment (RIO), focusing on socially responsible investment

### Corporate business



### Significant growth\* across multiple product lines:

- > **50%** on MLT Loans
- > **20%** in Property Leasing
- > **30%** in Trade Finance
- > **19%** in Financial Insurances

### New commercial offer for corporates

- **Caixa Business and Business+** accounts (36.9K accounts in 9M2019)
- **Online Short Term Credit**
- Credit lines **Caixa Invest** Innovation, Start, Social Project and Criative Cultural (FEI)
- Credit lines to support **Tourism Development** and **IT Innovation**
- **FLEXCASH** and **CAIXA FAST** (digital confirming and factoring)
- **Forfait extended to letters of credit** (EUR and USD)
- **Fixed rate MLT loans and leasing** - new tenors: up to 20 years
- Credit Line for **decarburization and circular economy** (FITEC)
- New **insurance lines with state guarantee** – COSEC/SCGE
- Direct access to **iAPEX Platform** through cgd.pt

In 9M2019, **8 “Fora da Caixa” conferences** were held involving circa **1,659 CGD customers** and **146 thousand streaming views**.

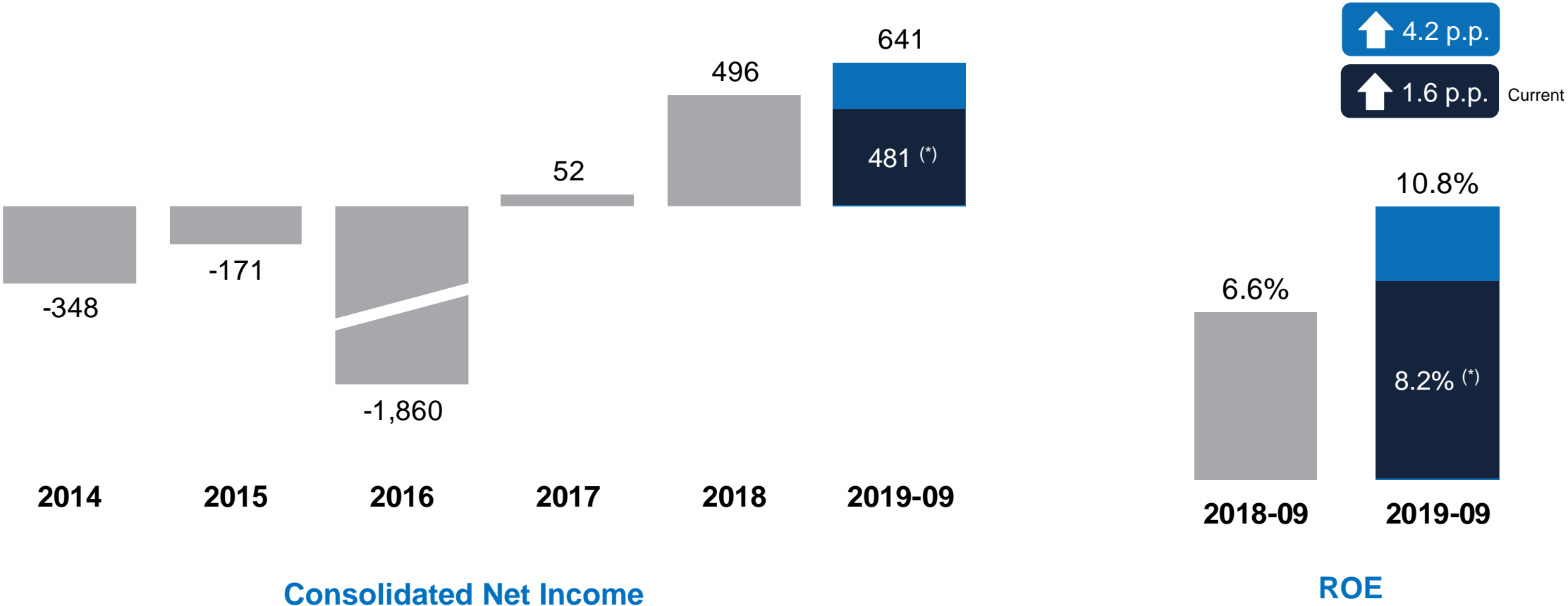
\* Over Sep-18



## Results

First 9 months of 2019 confirm improvement in CGD's profitability

M€

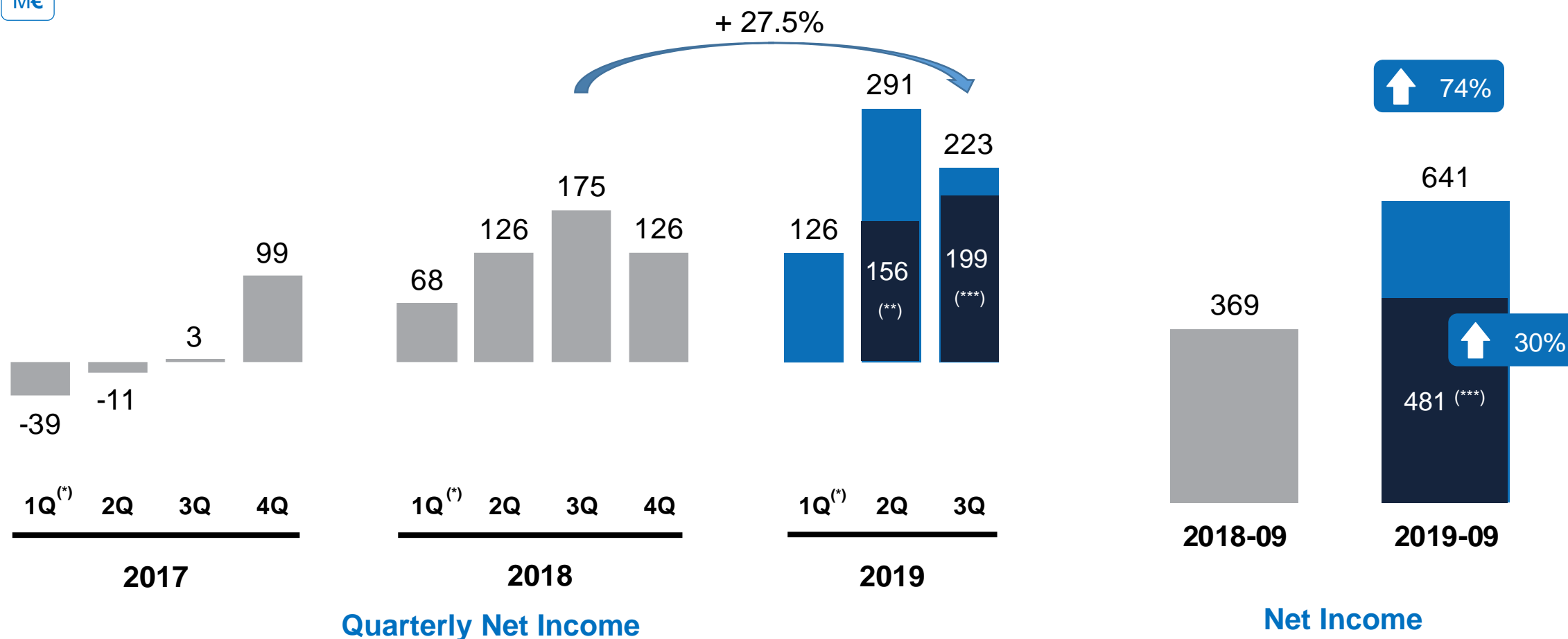


(\*) Excluding impairment adjustment from the sale of BCG (Spain) and Mercantile (South Africa)



## Quarterly Net Income confirms progress of CGD's profitability

M€



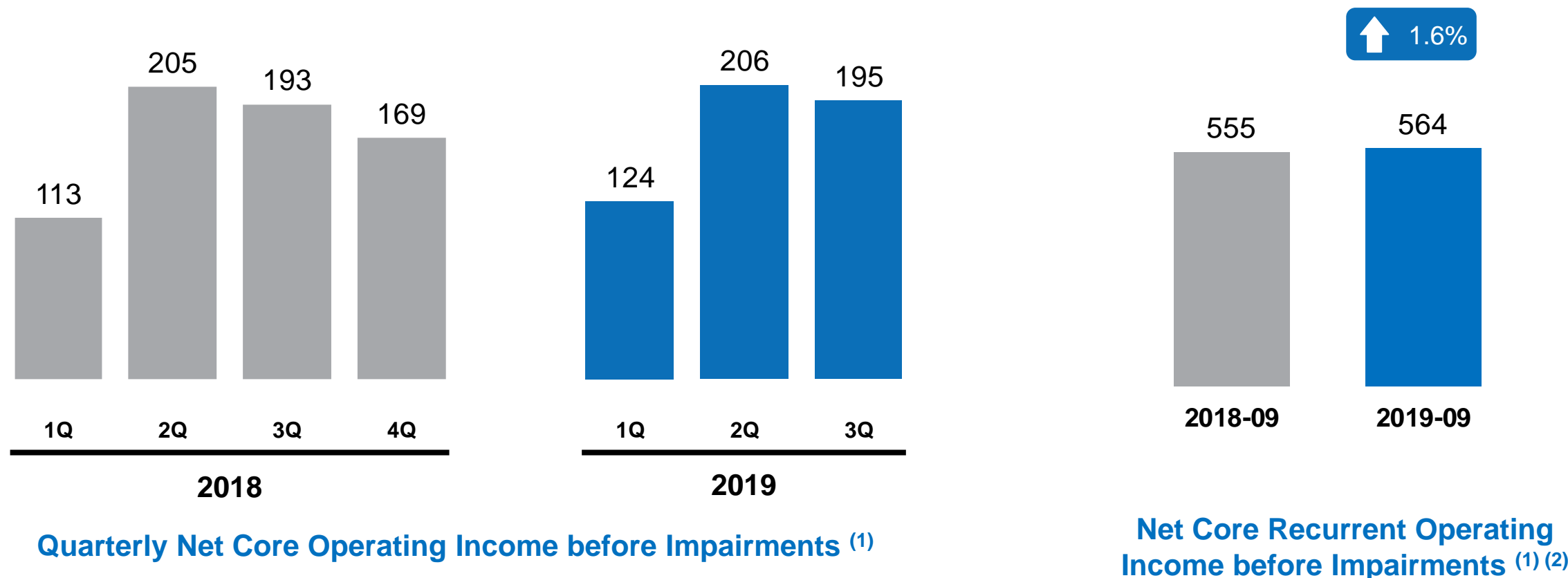
(\*) Including regulatory costs for the year

(\*\*) Excluding impairment adjustment from the sale of BCG (Spain)

(\*\*\*) Excluding impairment adjustment from the sale of BCG (Spain) and Mercantile (South Africa)

## Favourable evolution of Net Core Operating Income before Impairments

M€



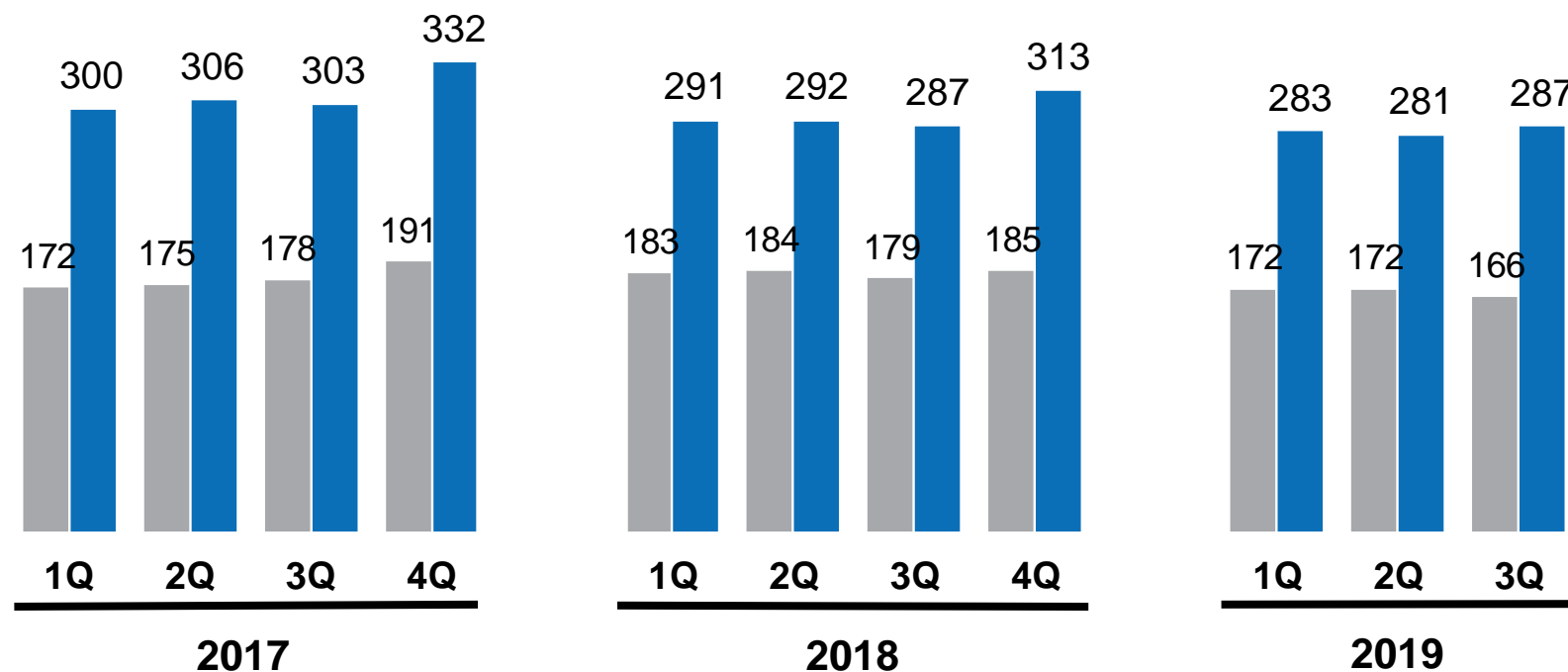
(1) Net Core Operating Income before Impairments = Net Interest Income + Net Fees and Commissions - Operating Costs; (2) Excluding non recurrent costs

## Net Interest Income affected by low interest rate environment

M€

■ CGD Portugal

■ Consolidated



↓ 6.7%

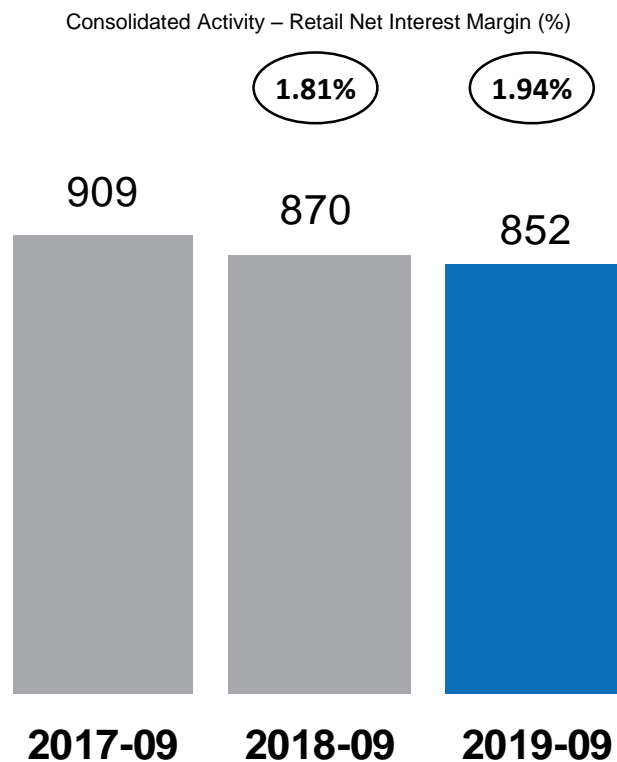
**Change Year on Year**  
9M2019 vs 9M2018

↓ 2.2%

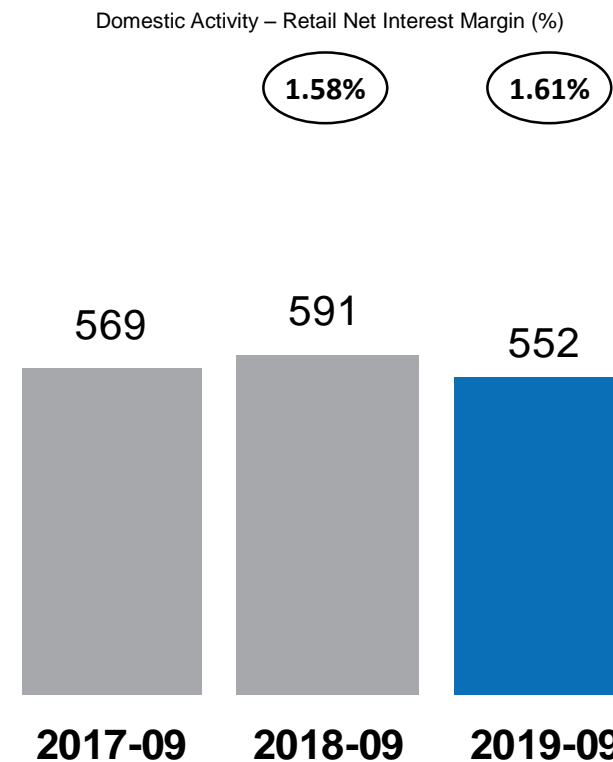
Quarterly Net Interest Income

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

M€



**Total Net Interest Income  
Consolidated Activity**



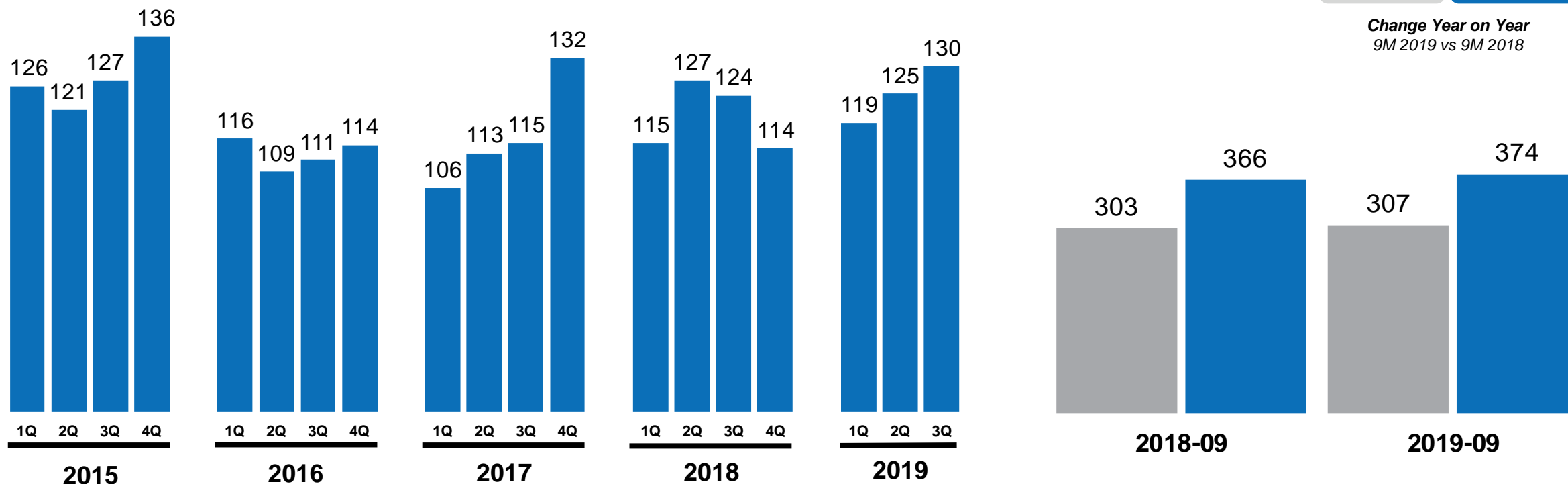
**Total Net Interest Income  
Domestic Activity**

## Net Fees and Commissions register a slight growth in the third quarter

M€

■ Domestic Activity

■ Consolidated



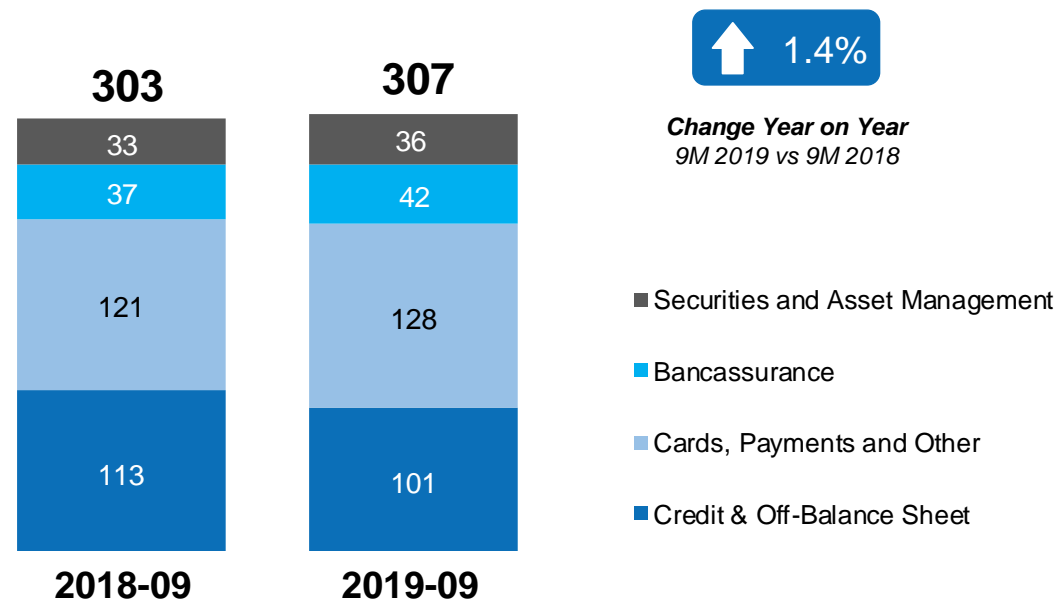
↑ 1.4%    ↑ 2.0%

Change Year on Year  
9M 2019 vs 9M 2018

**Net Fees and Commissions**  
(Domestic Activity and Consolidated)

## Net Fees and Commissions register a slight growth in the third quarter

M€



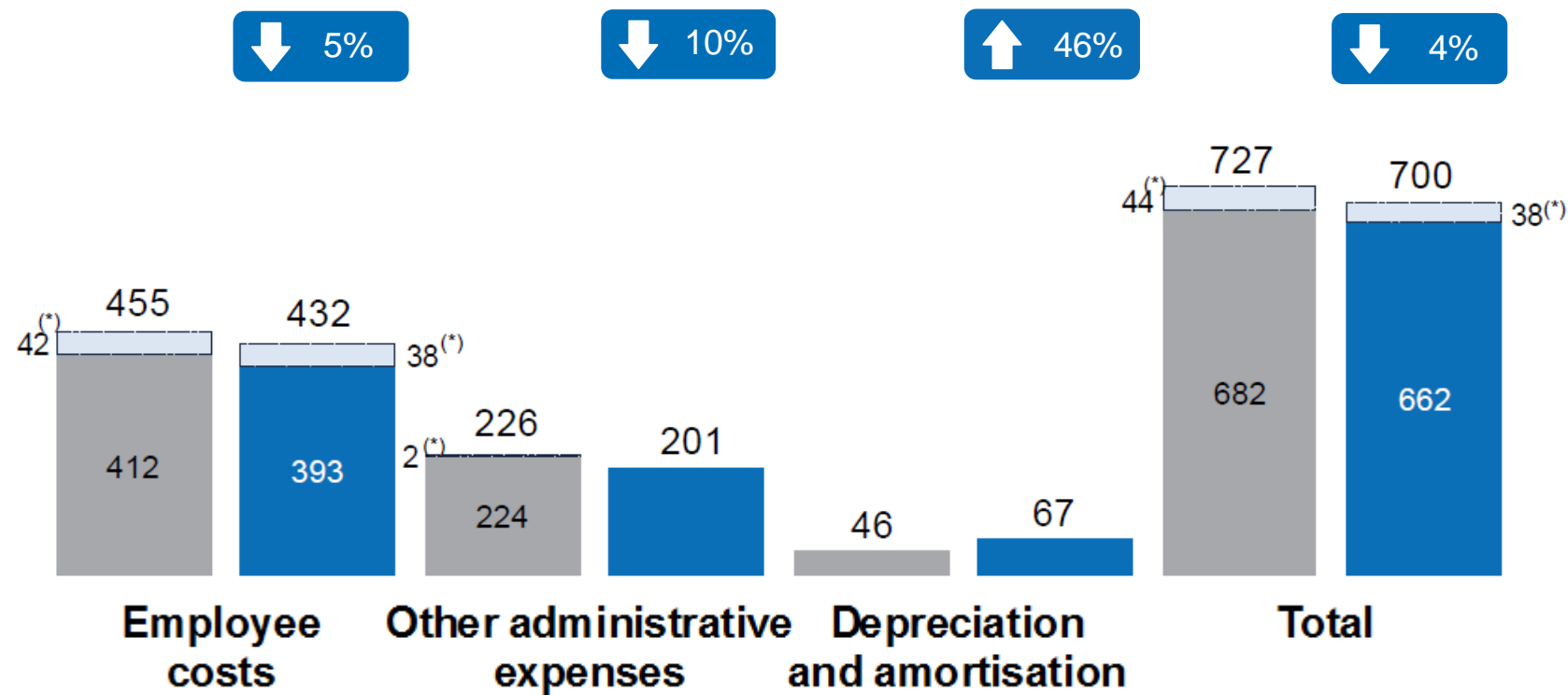
**Net Fees and Commissions**  
**(Domestic Activity and Consolidated)**

## Lower Operating Costs at consolidated level

M€

■ 2018-09

■ 2019-09

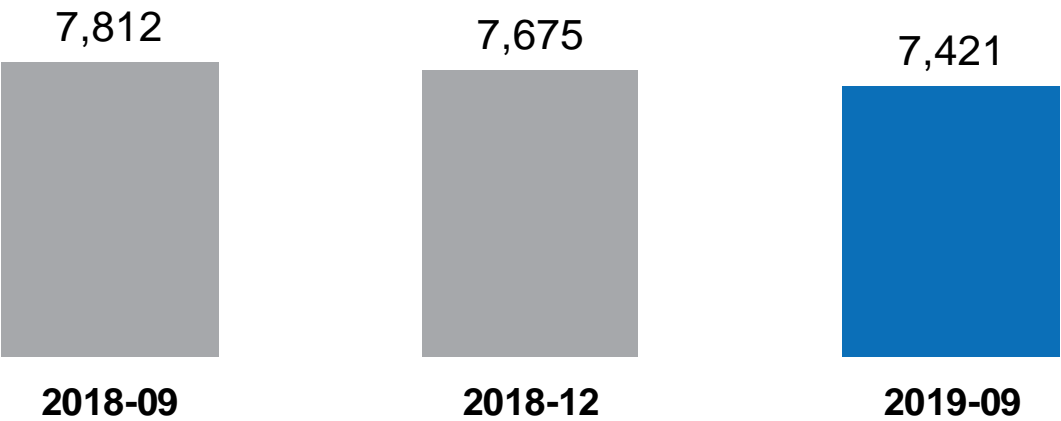


### Operating Costs – Consolidated Activity

(\*) Non recurrent costs

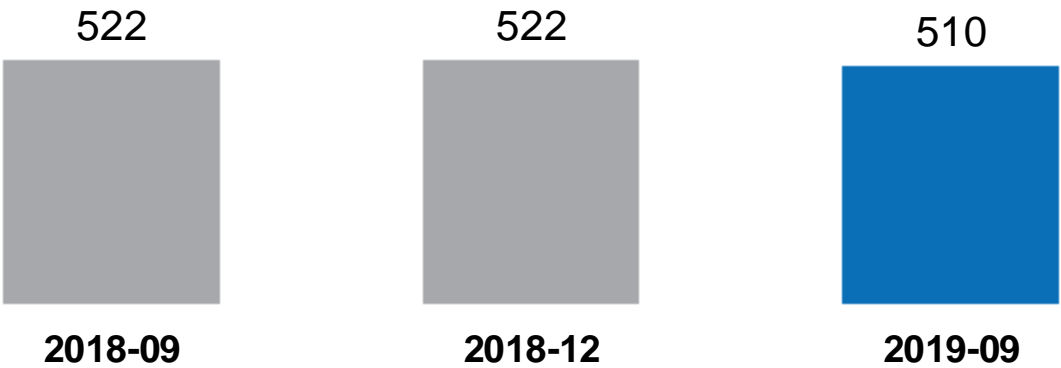
# Employees and retail branches evolve according to the Strategic Plan

Number of Employees  
(Domestic Activity)



↓ 254  
vs. Dec 2018

Retail Branch Network  
(CGD Portugal)

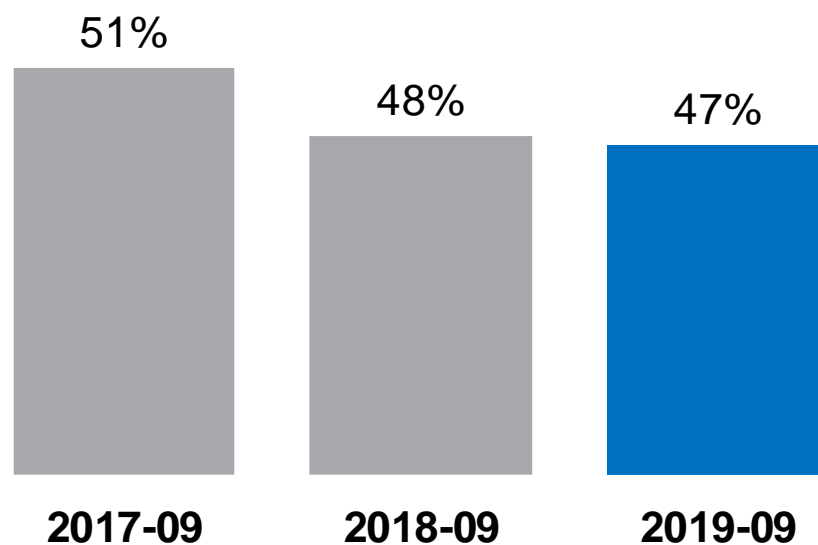


↓ 12  
vs. Dec 2018

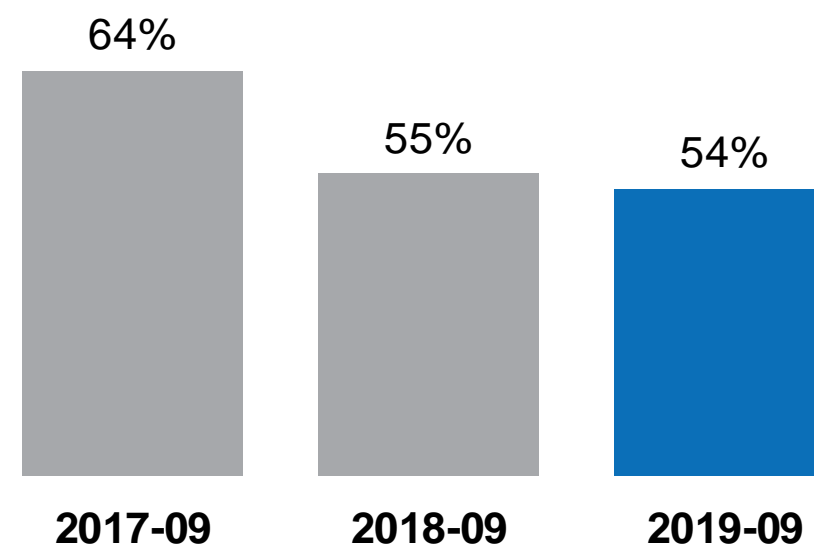


## Cost-to-Income continues its downwards path

%



**Cost-to-Income <sup>(1)(2)</sup>  
(Consolidated)**



**Cost-to-Core Income <sup>(2)(3)</sup>  
(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;

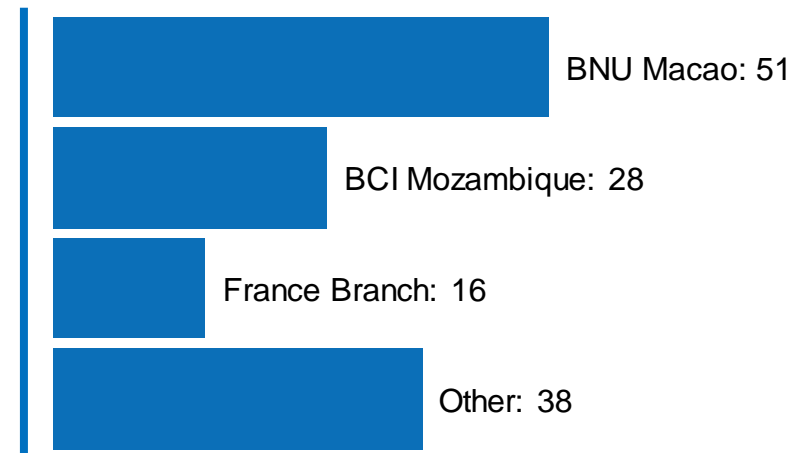
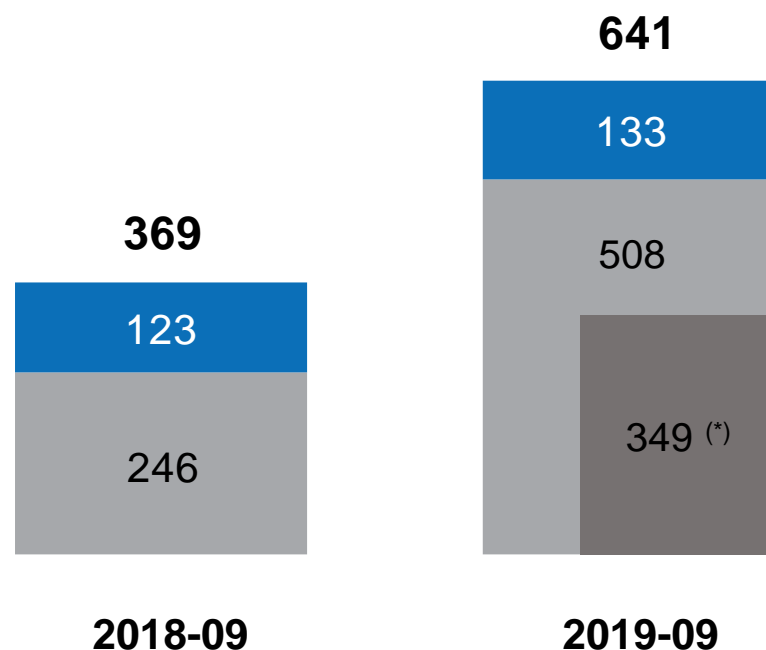
(3) Operating Costs / (Net Interest Income + Net Fees and Commissions);

# Contributions to Consolidated Net Income

M€

■ International Activity

■ Domestic Activity



**Contributions from International Activity**

**↑ 8%**  
vs. 03Q18

- Branches closed (2017-2018): London, Cayman, Offshore Macao, Zhuhai and New York
- Banco Caixa Geral (Spain) – sale concluded in October/2019
- Mercantile Bank Holdings Limited (South Africa) – sale concluded in November/2019
- Banco Caixa Geral - Brasil, S.A. and Banco Comercial do Atlântico (Cape Verde) - sale processes are ongoing
- Luxembourg branch wind down near completion

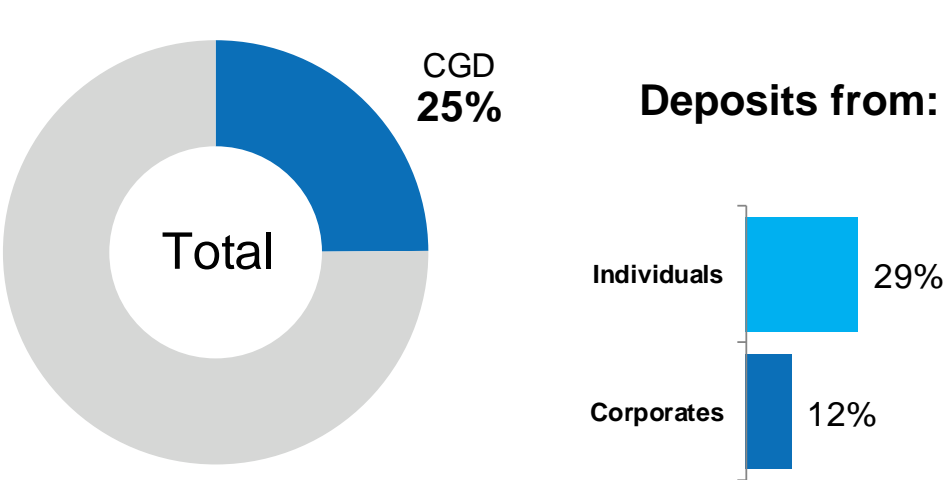
(\*) Excluding impairment adjustment from the sale of BCG (Spain) and Mercantile (South Africa)



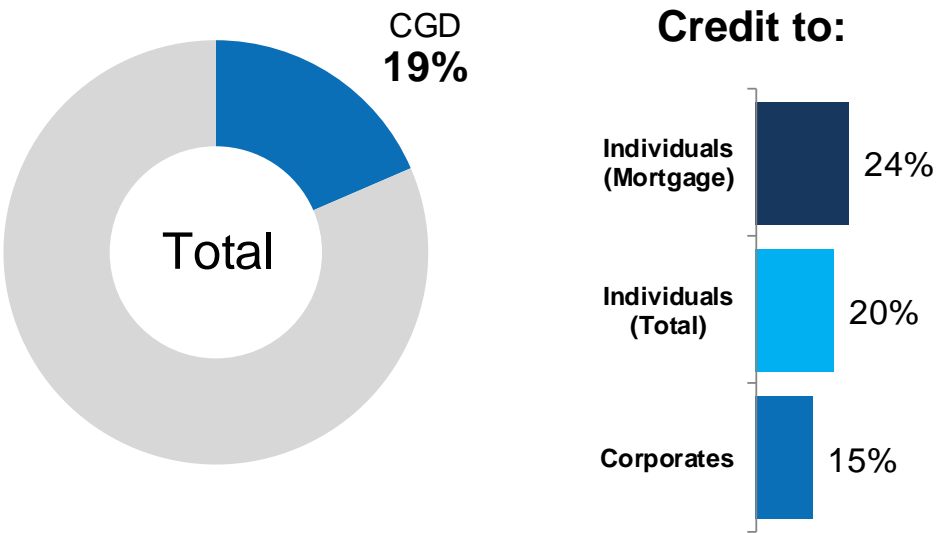
## Balance Sheet

# Market Shares: CGD leader in Portugal

%



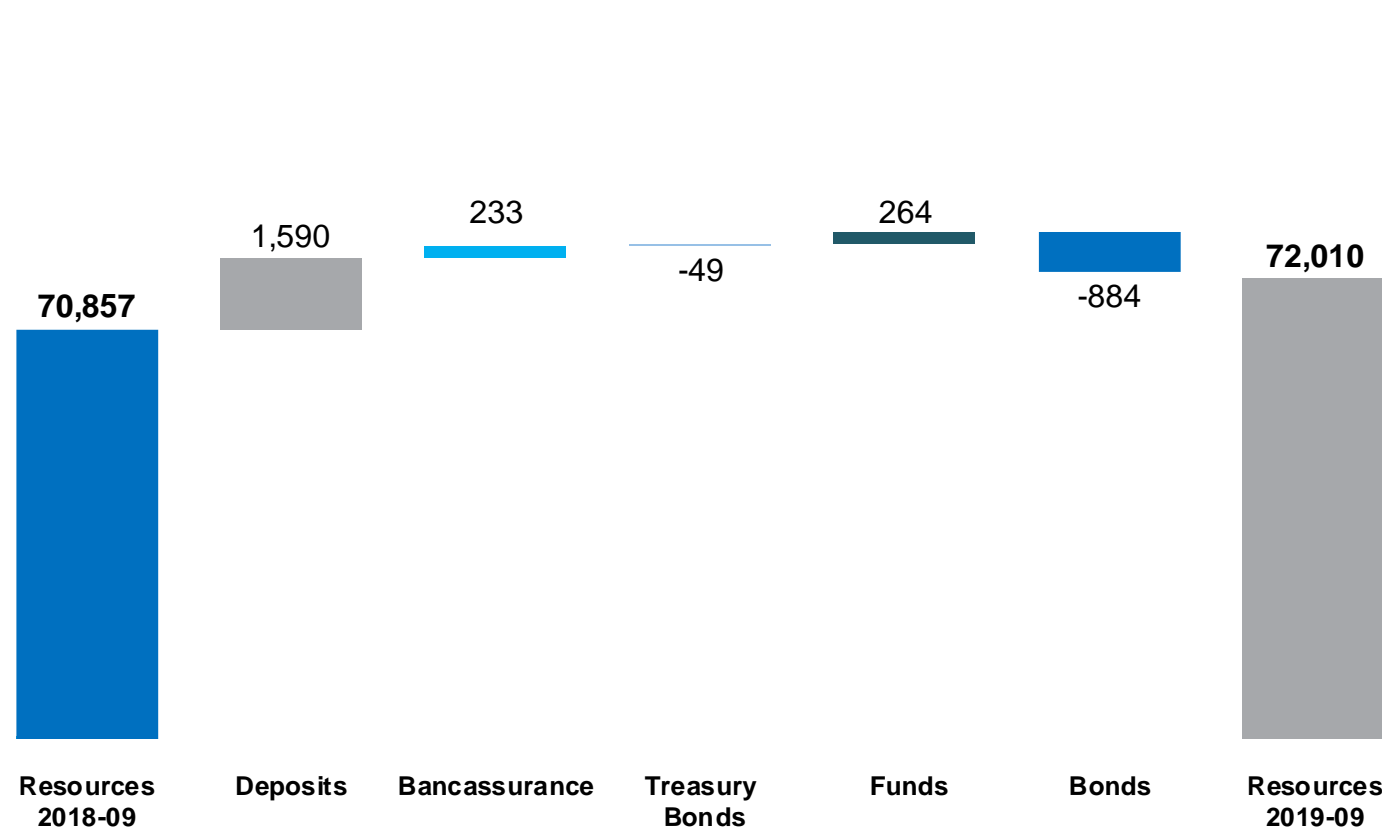
**Customer Deposits – Portugal**  
August 2019



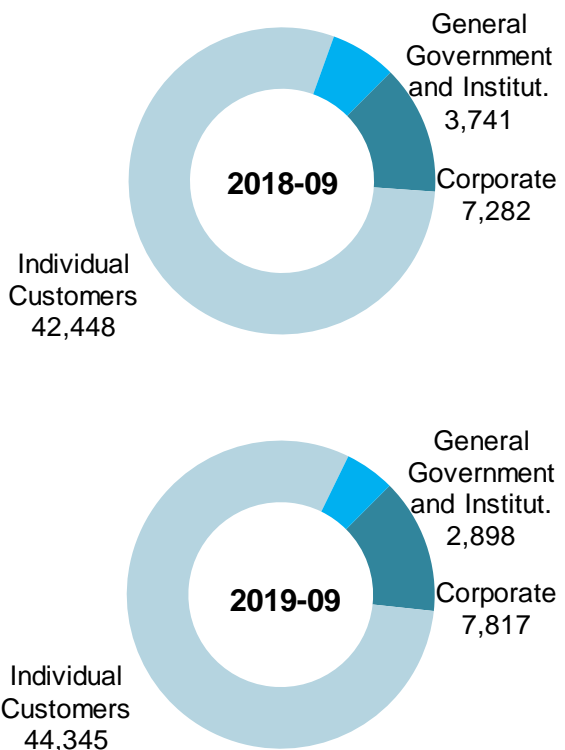
**Loans and Adv. to Customers – Portugal**  
August 2019

# Total Customer Resources in Portugal increase

M€



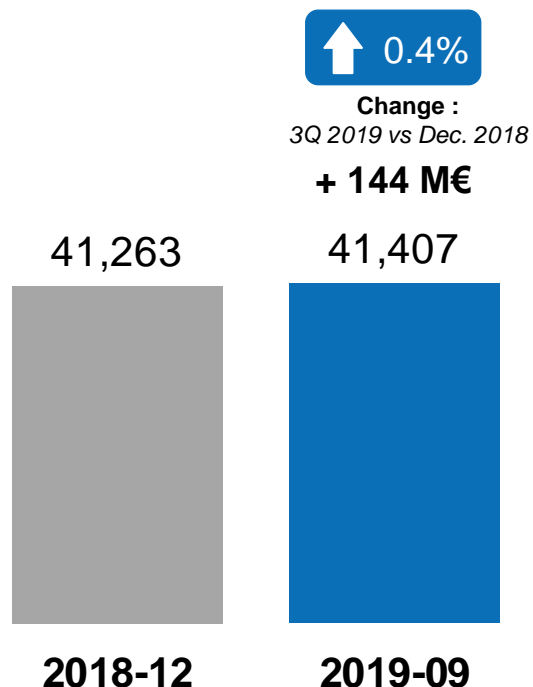
Total Customer Resources  
(Domestic Activity)



Customer Deposits  
(Domestic Activity)

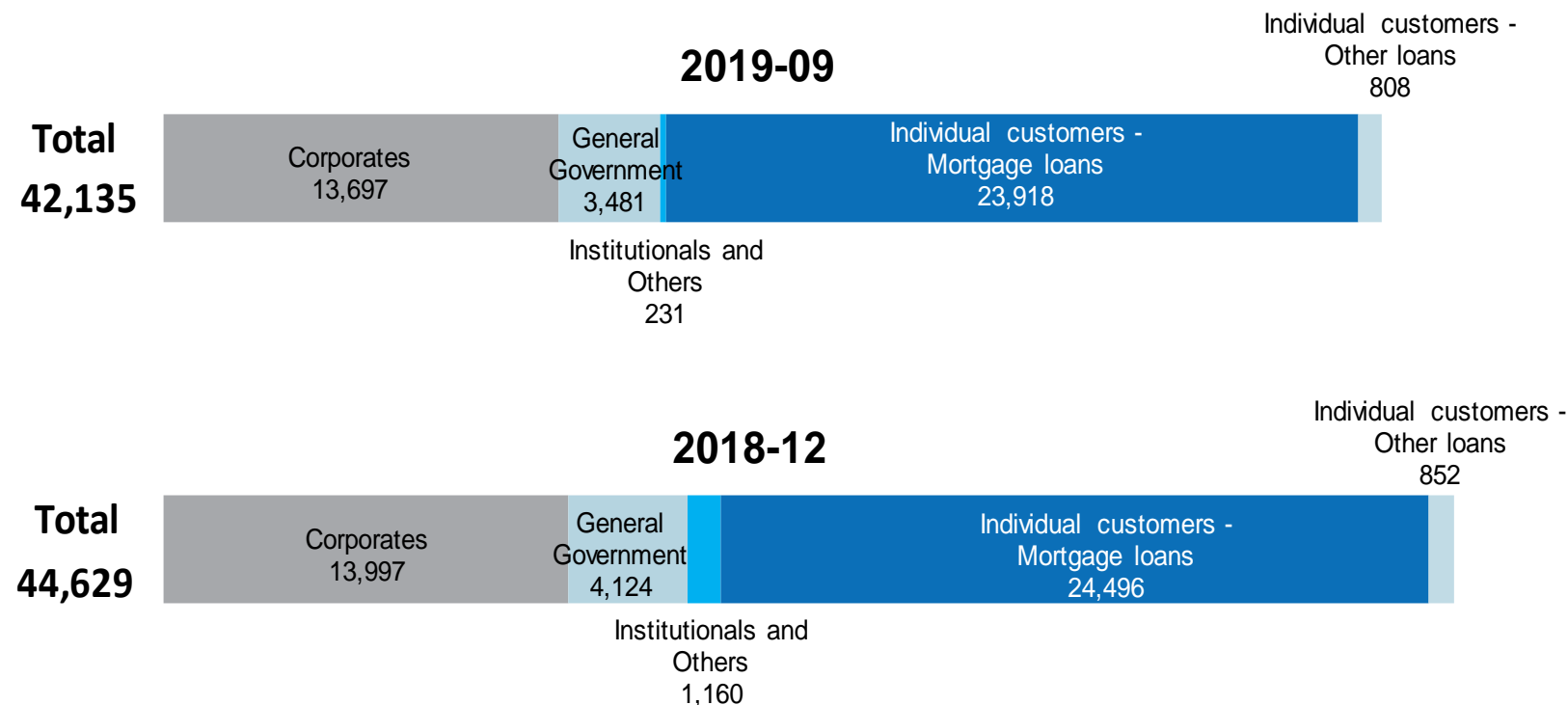
# Credit in Portugal reflects reduction in NPL and deleveraging of public sector, performing grows

M€



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

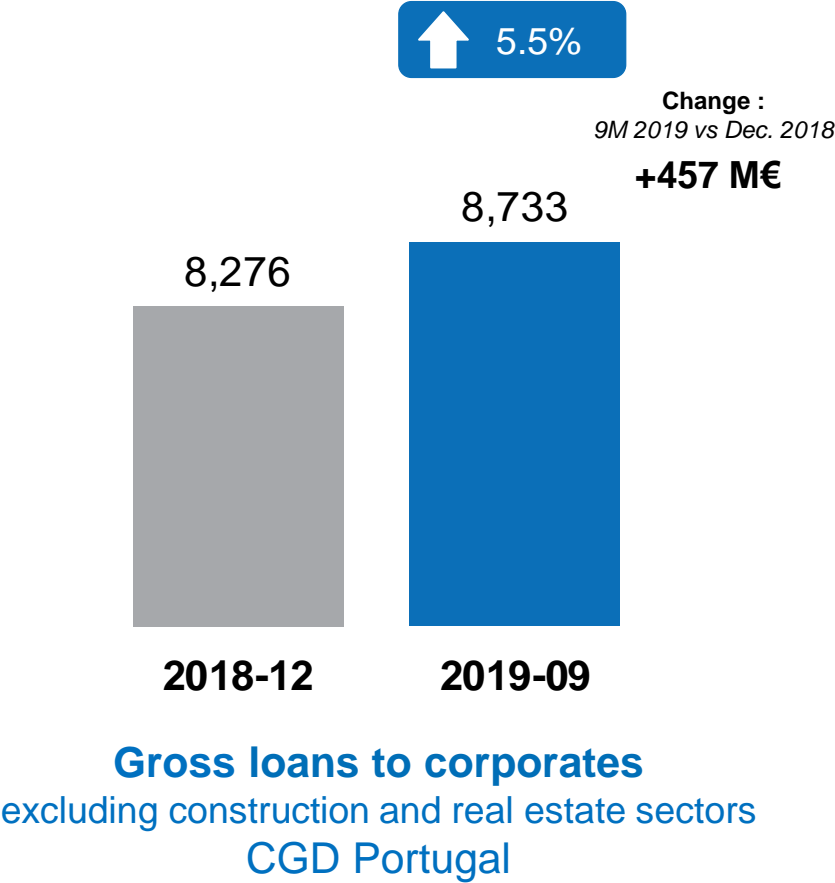
\*EBA definition - includes corporate bonds



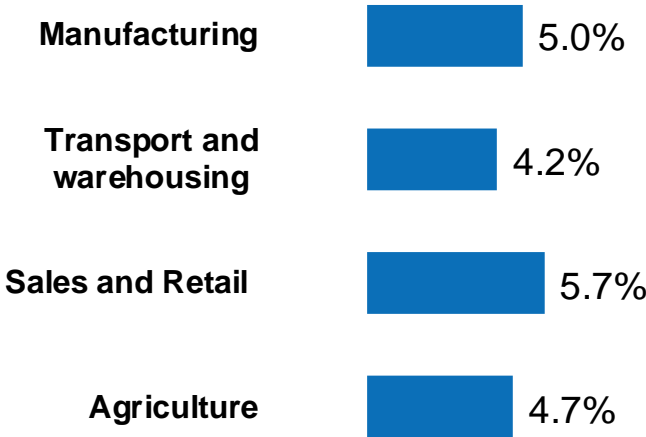
## Loans and Advances to Customers (Gross) CGD Portugal

# Loans to corporates grow in Portugal...

M€



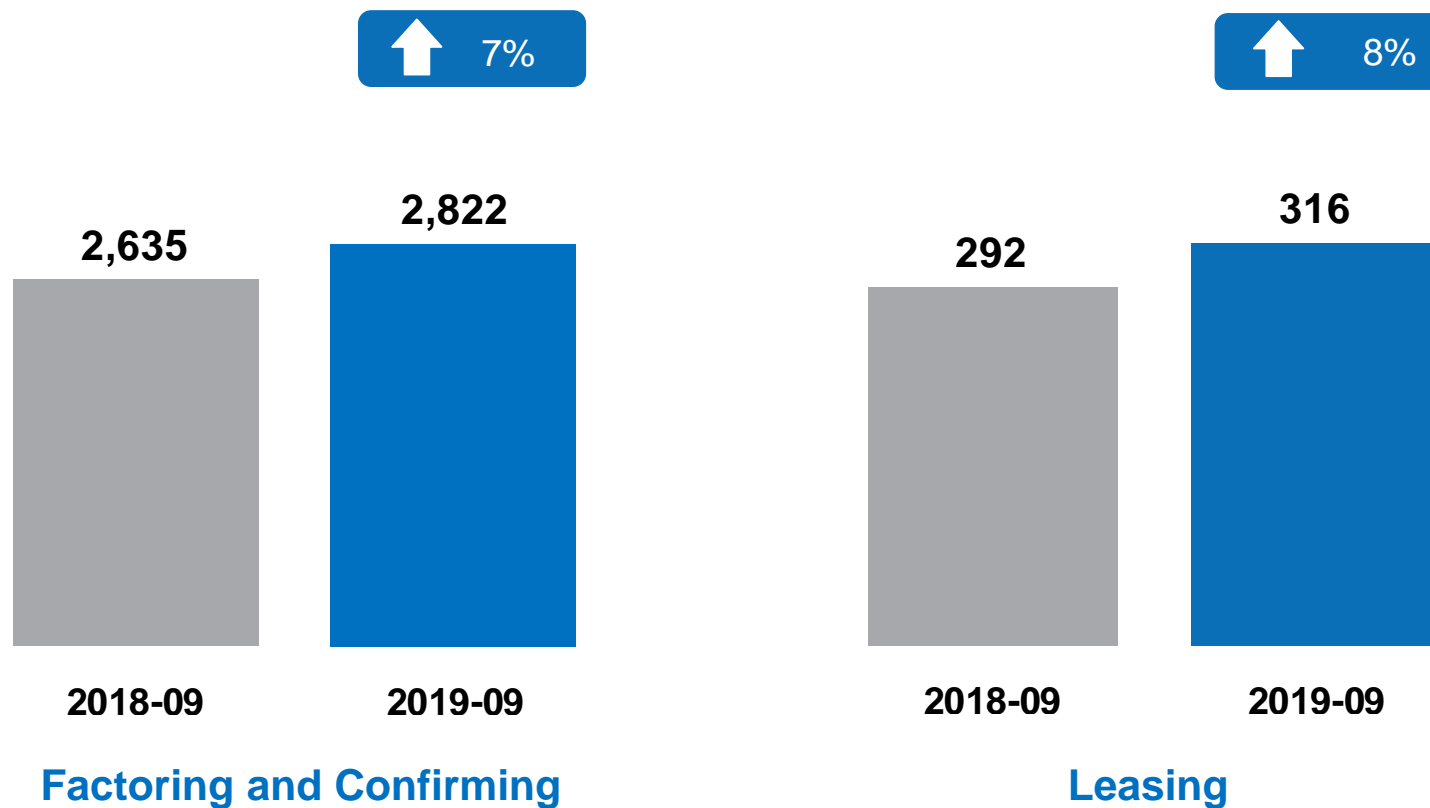
## SME Loans



## Most dynamic sectors CGD Portugal

... including new production of specialized credit – leasing and factoring

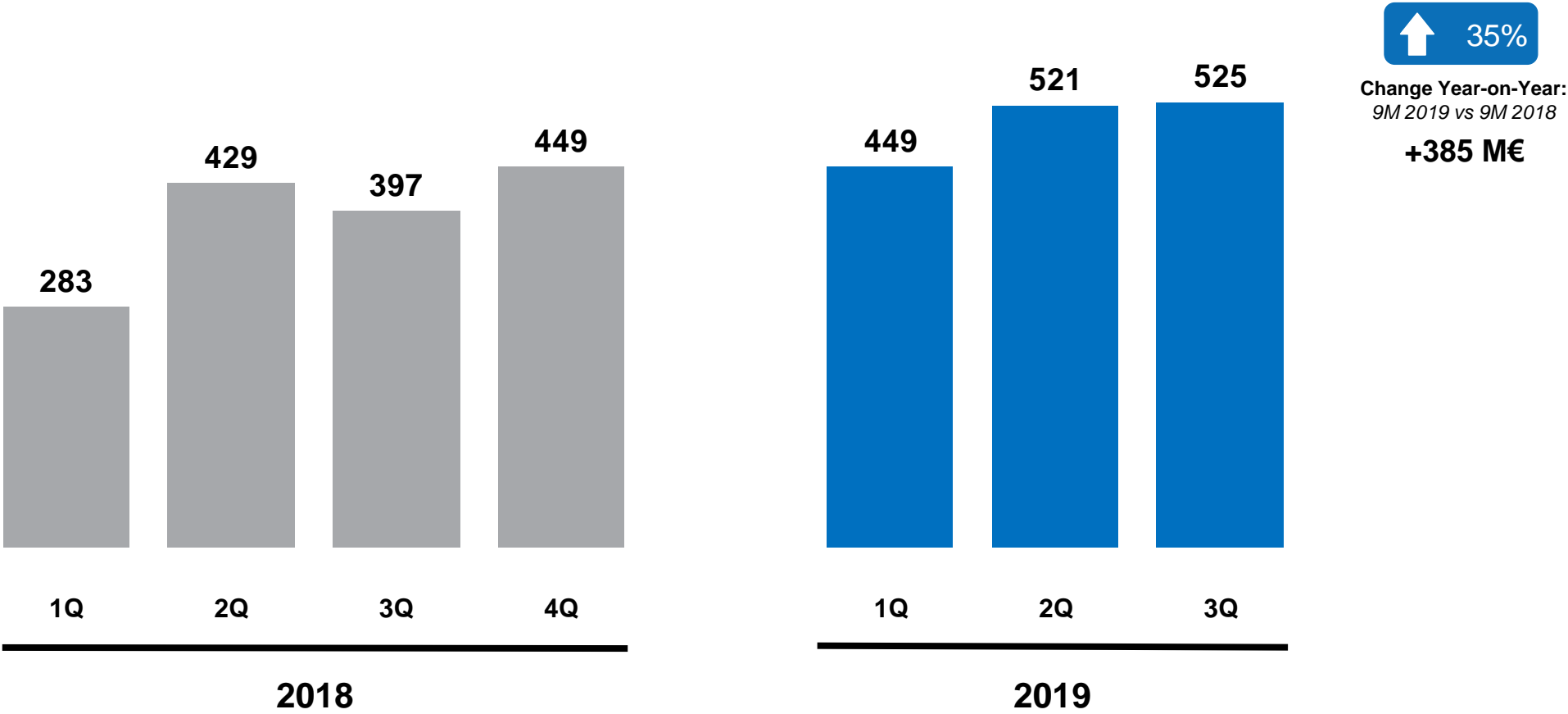
M€





# Positive evolution in new Mortgage Loans

M€

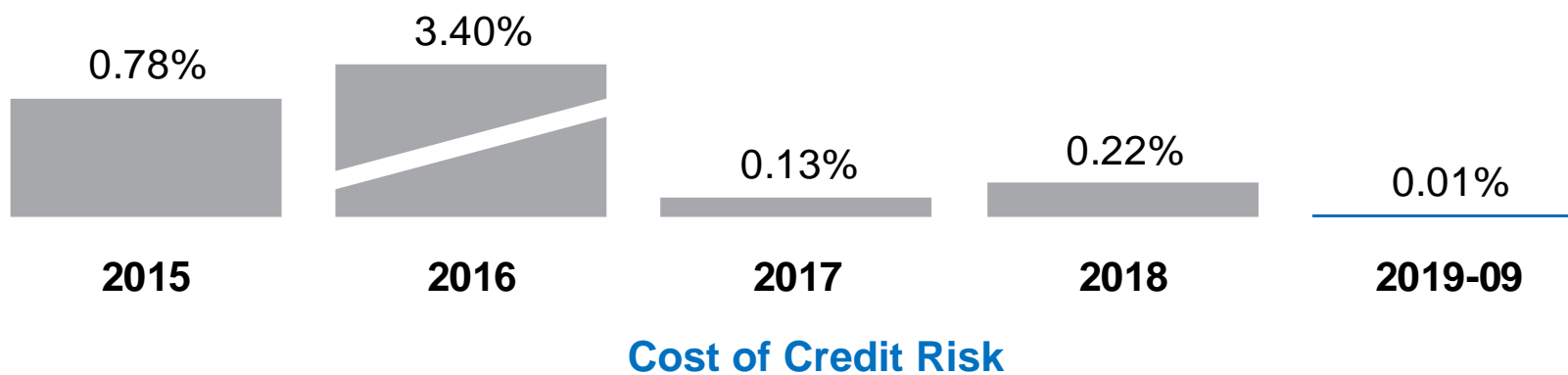




## Asset Quality

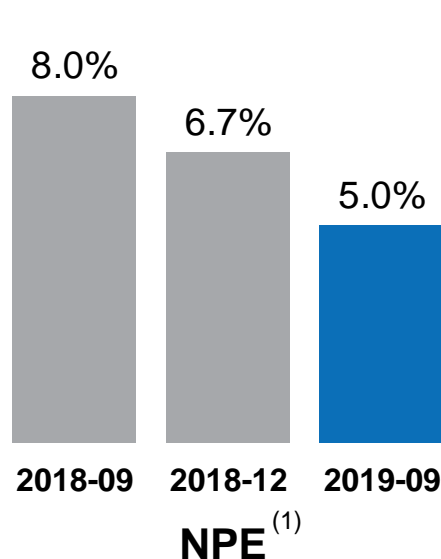
## Reduced Cost of Credit Risk

%

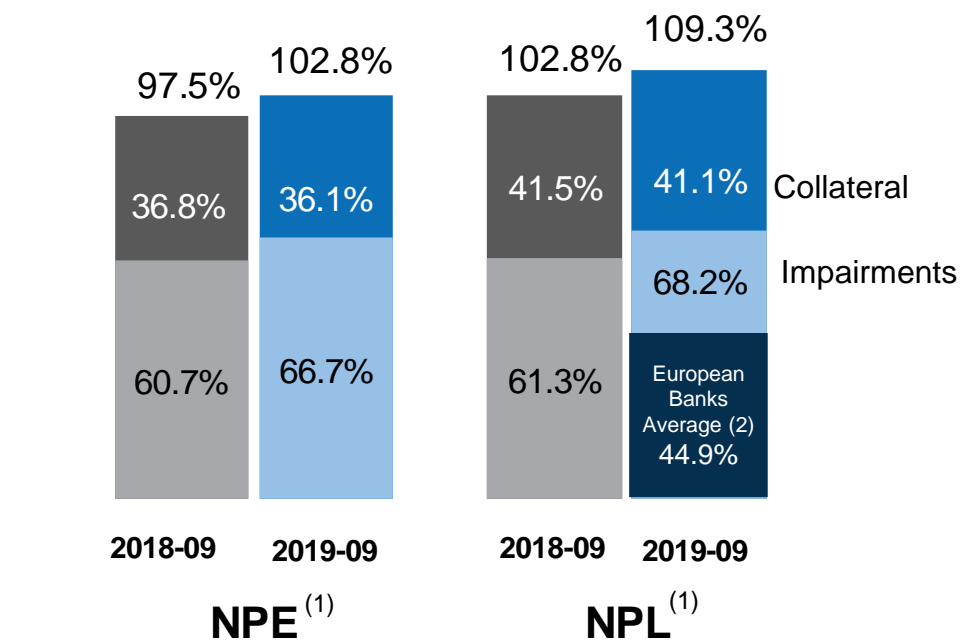
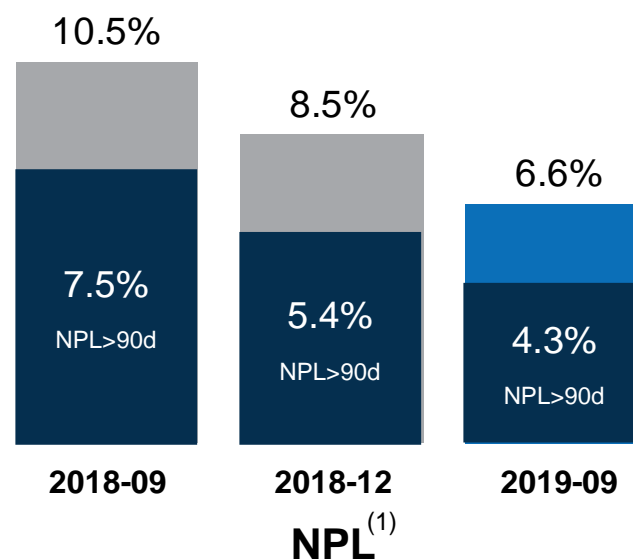


## NPE and NPL decreasing with higher coverage level. NPL > 90 days below 5%

%



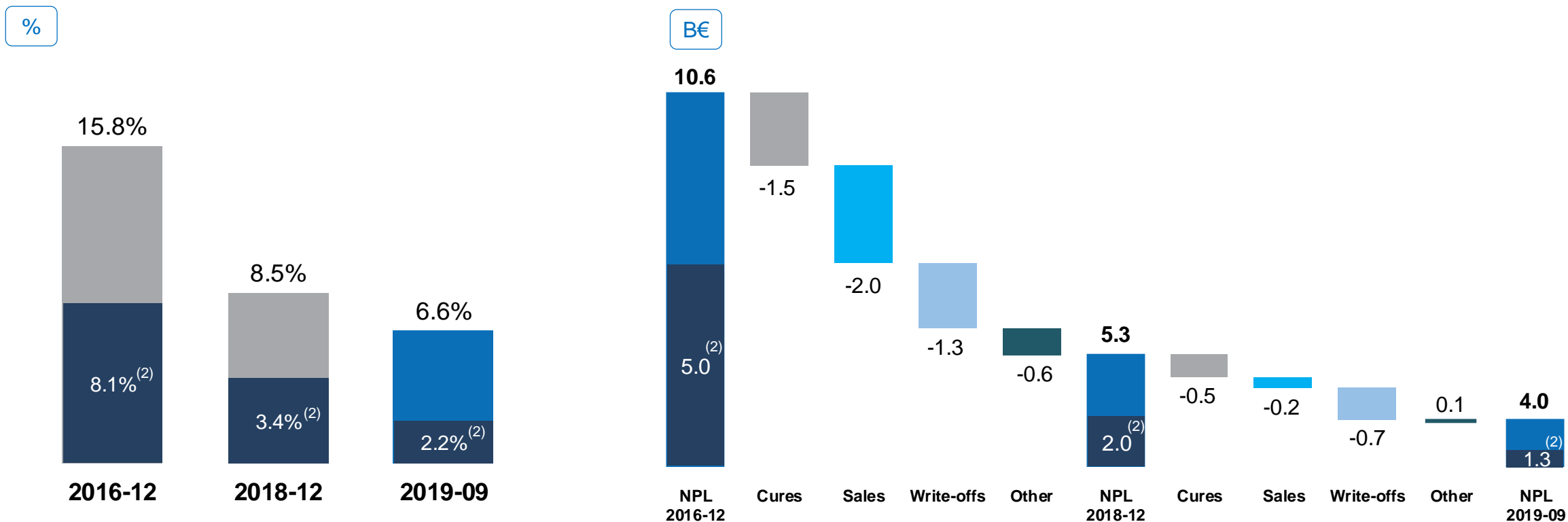
Gross Ratios



Coverage by Impairments and Collateral

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

**NPL reduction continues in 2019, down 6.6 B€ (-62%) since December 2016.  
NPL ratio at 6.6%. Ratio net of impairments at 2.2%.**



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

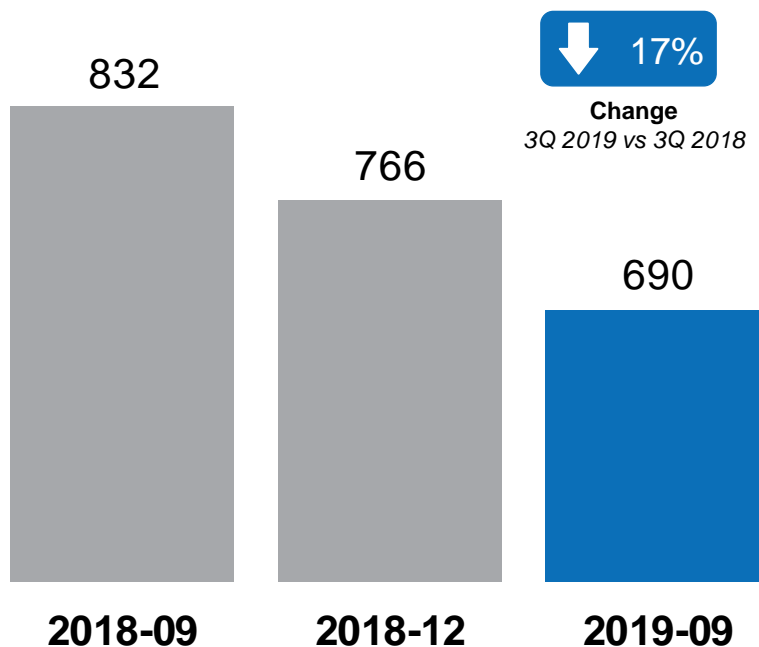
(1) NPL – Non Performing Loans – EBA definition.

(2) NPL net of impairments.

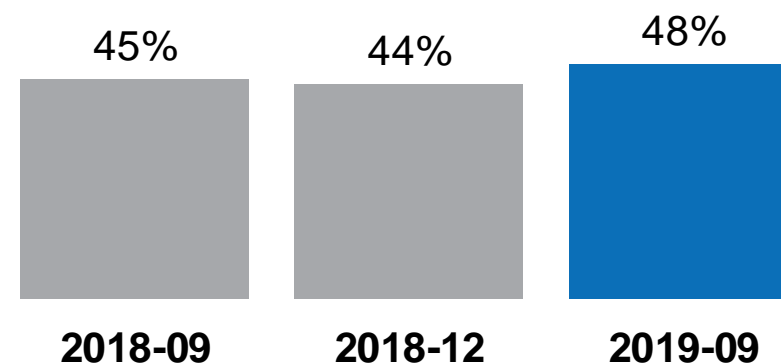
## Foreclosed Assets (Real Estate) maintains decreasing trend and Coverage is reinforced

M€

%



Foreclosed Assets - Gross Value  
(Real Estate)



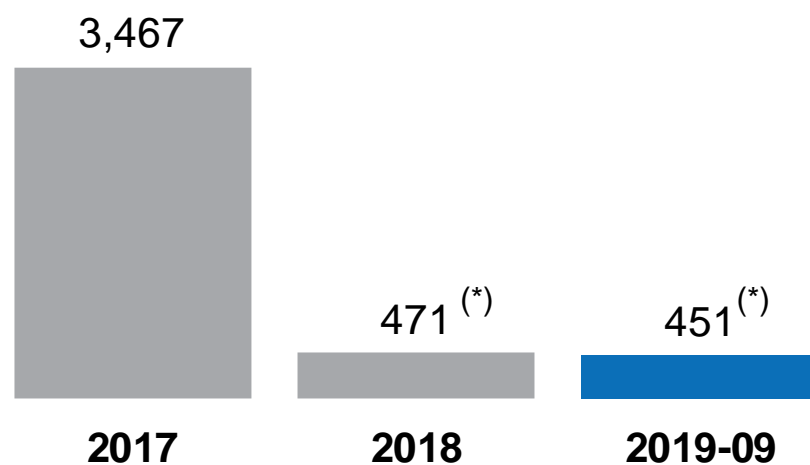
Coverage by Impairments



Liquidity

## CGD with ample capacity to access ECB funding

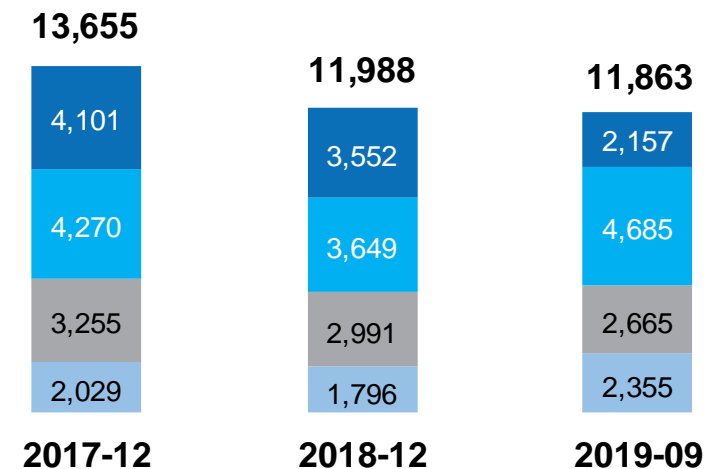
M€



**ECB Funding  
(Consolidated Activity)**

(\*) Total value refers to BCG Spain

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

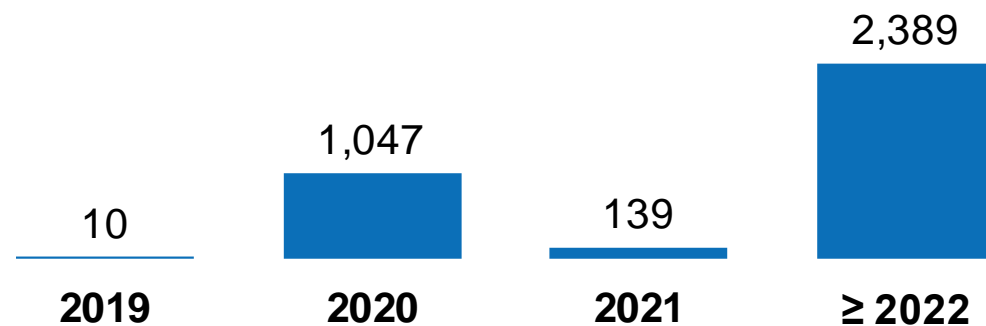


**Eligible Assets in ECB Pool  
(Consolidated Activity)**

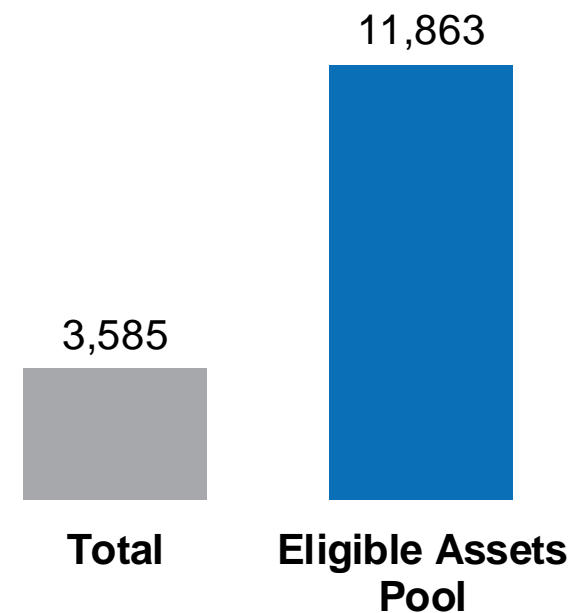


## Asset pool fully covers wholesale debt maturities

M€



Wholesale Debt maturity profile

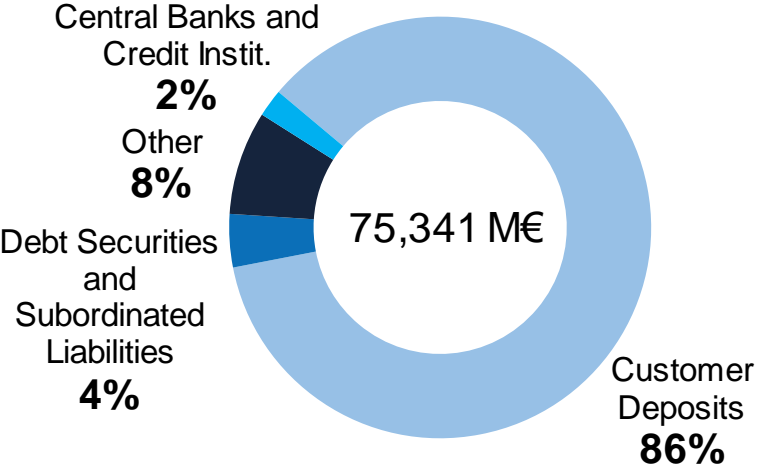


Total vs Eligible Assets Pool

# Stable funding structure based on retail funding

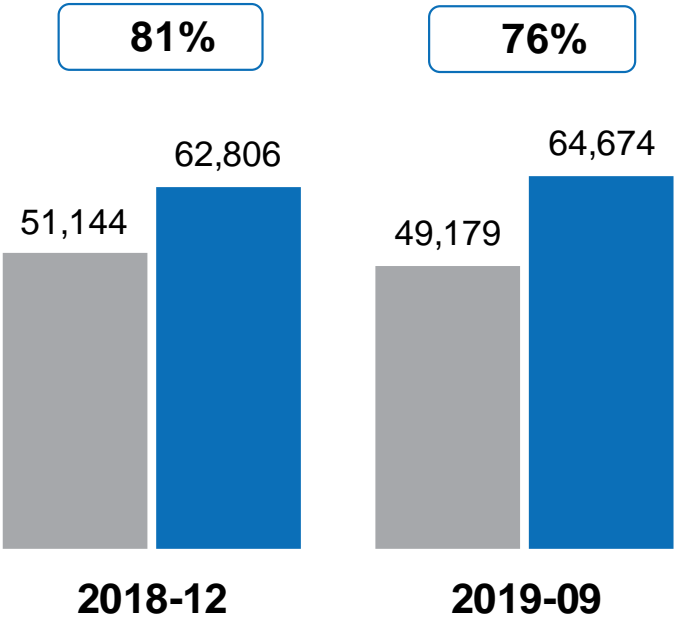
%

M€



Liabilities Structure<sup>(1)</sup>

(1) Excluding non-current liabilities held for sale

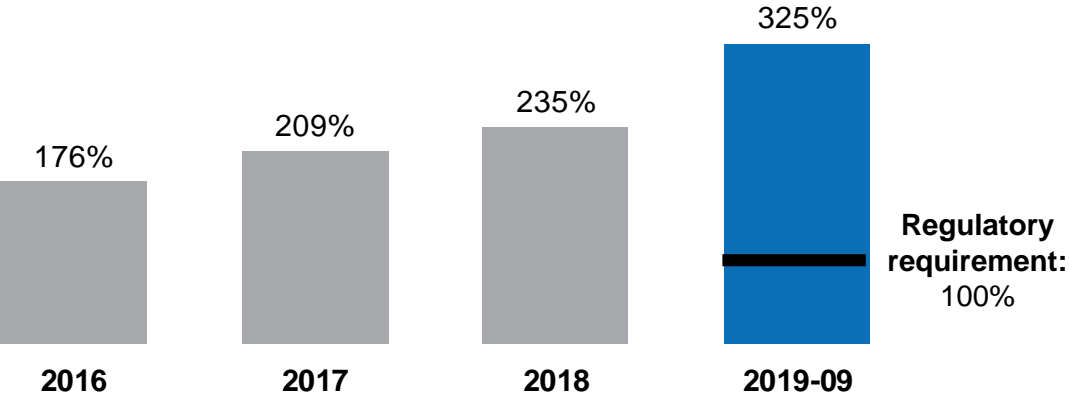


Loans-to-Deposits Ratio

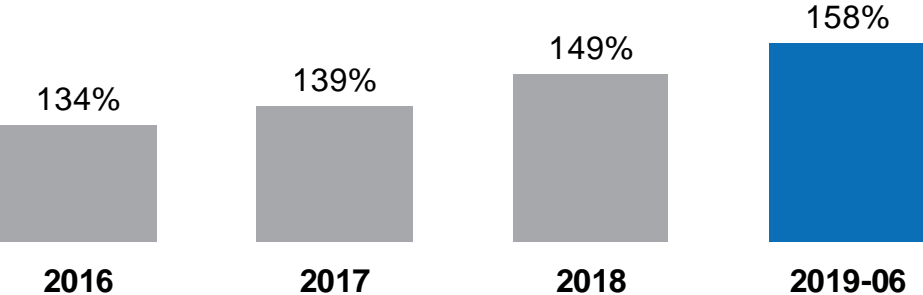
- Loans and Adv. to Customers (net)
- Customer Deposits

# Robust liquidity position

%



LCR (*Liquidity Coverage Ratio*)



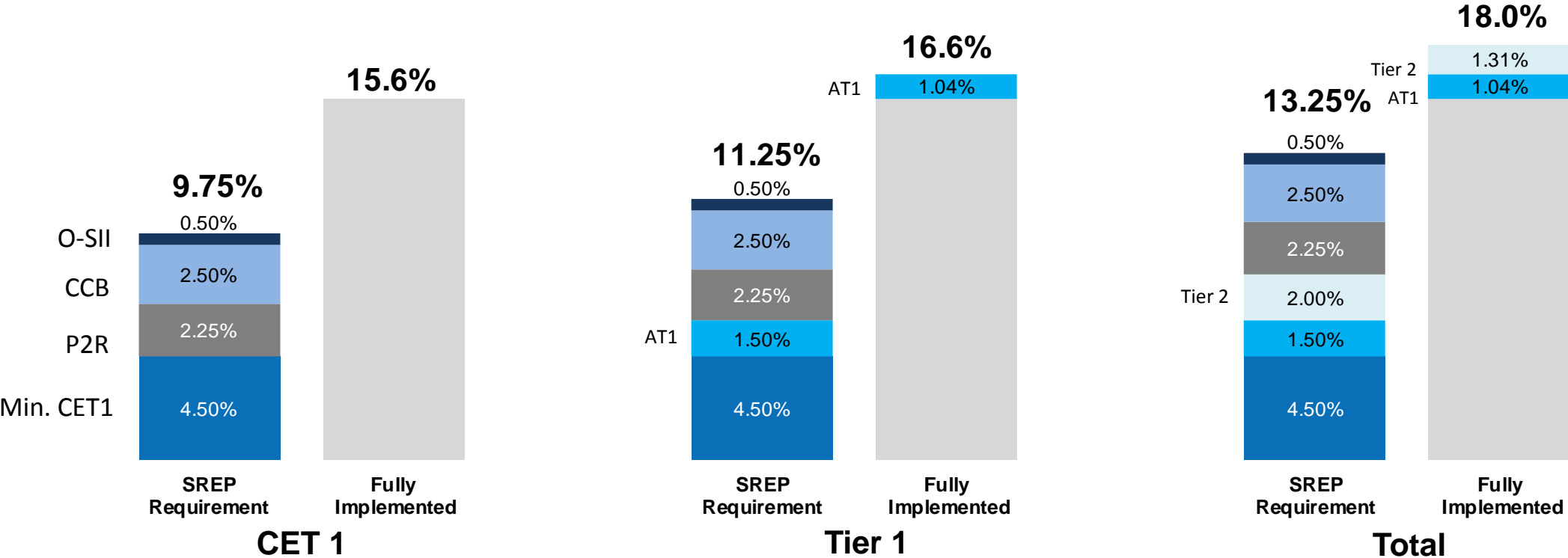
NSFR (*Net Stable Funding Ratio*)



Capital

CGD comfortably meets requirements even without full impact of sale of subsidiaries

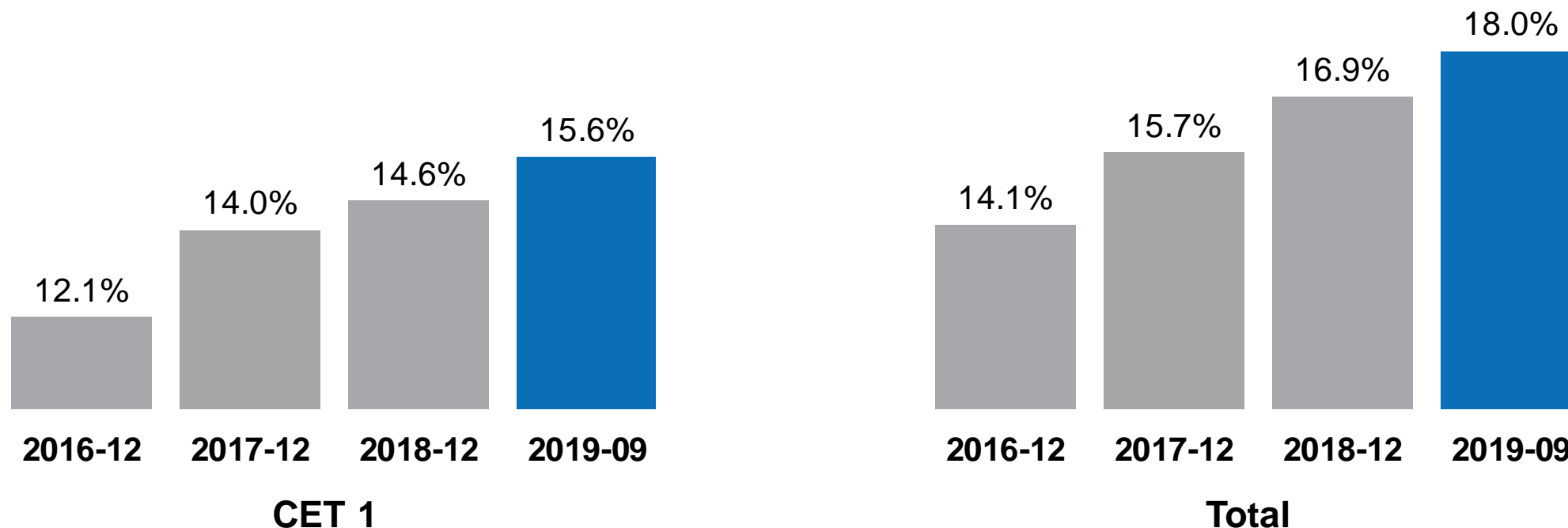
%



SREP 2019 Requirements and CGD Capital Ratios in 30 September 2019

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

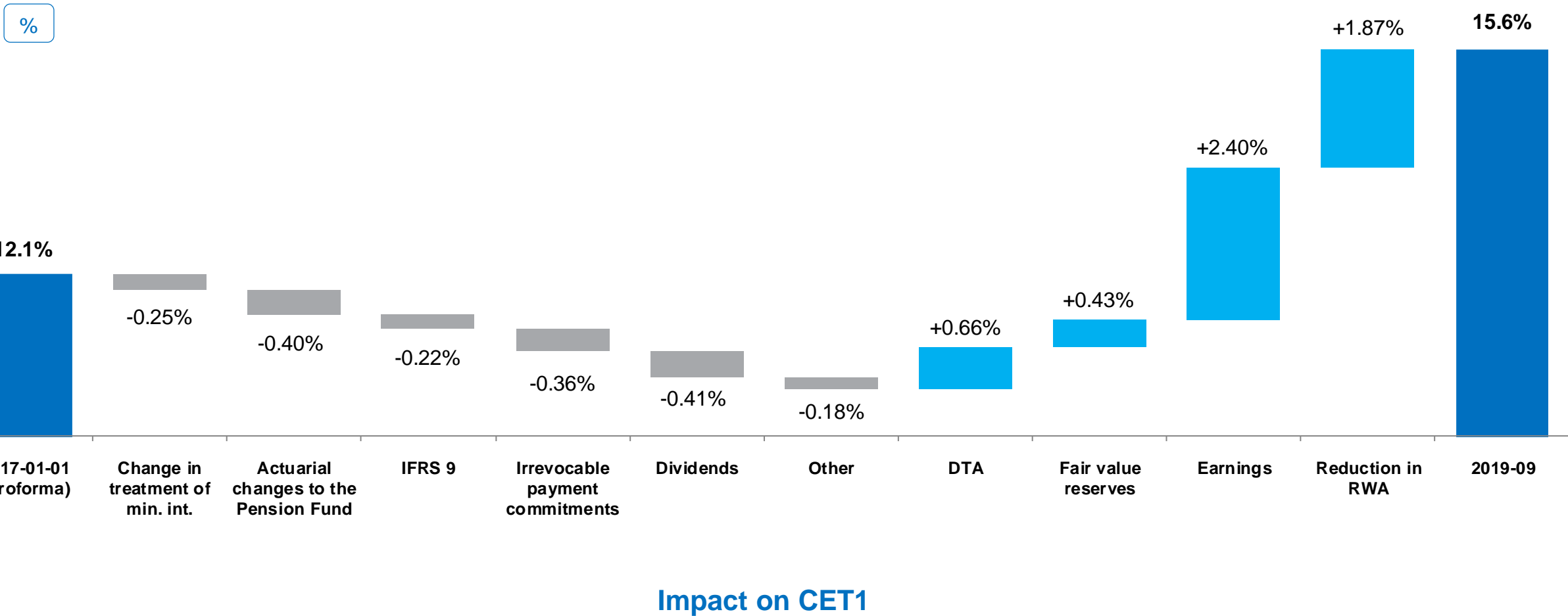
%



### Capital Ratios Evolution (Fully Loaded)

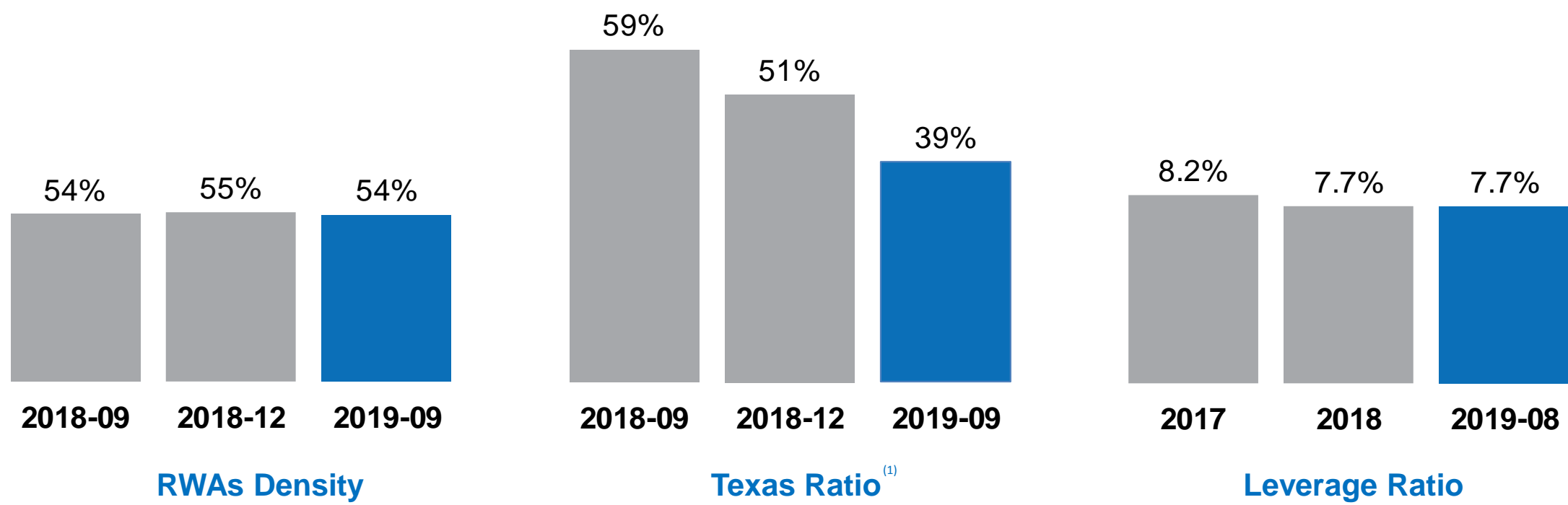
Capital ratios reflect an adequate buffer – considering the shareholding structure of CGD – to meet additional capital requirements (MREL, Pension Fund, regulatory demands, etc.)

Deconsolidation and improved net profit accomodate deductions resulting from regulatory requirements and market conditions



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

%

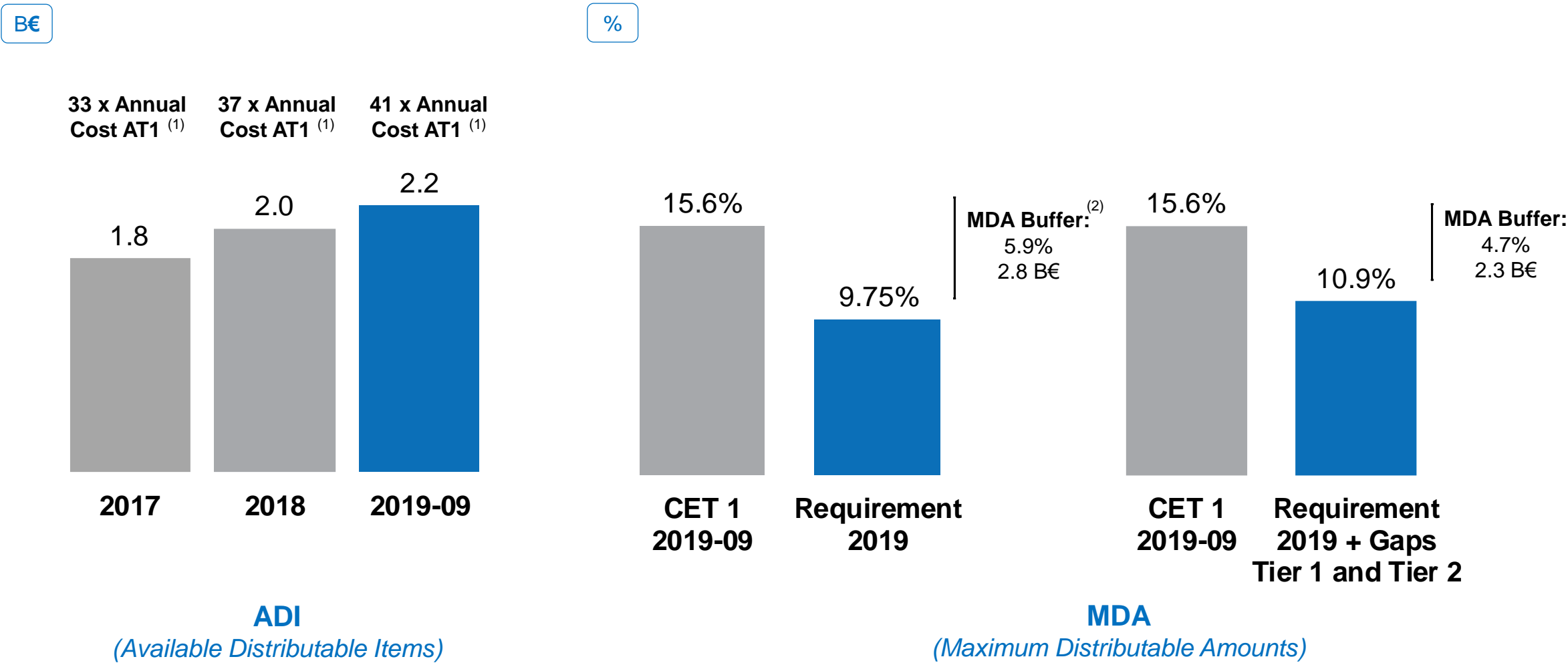


RWA fully implemented (2019-09): 48.4 B€

(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<sup>(\*)</sup> 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

<sup>(\*)</sup> CGD in Banking Union + BNU Macao



## Summary

## 3Q2019 confirms progress in profitability and asset quality, while achieving sound liquidity and capital positions despite the low interest rate environment ...

### Business<sup>(1)</sup>

#### Positive evolution of core operating income...

##### 3Q2019 vs. 3Q2018:

- ✓ Commissions: +2.0%;
- ✓ Operating costs: -3.7%
- ✓ Core operating income: +3.0%
- ✓ Recurrent cost-to-inc.: -0.5 pp
- ✓ New mortgage loans PT: +35%
- ✓ Corporate loans PT: +5.5% (without CRE)

### Asset Quality

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

##### 3Q2019:

- ✓ Cost of credit risk: 0.01%
- ✓ NPL: 6.6%
- ✓ NPL Coverage by impairments: 68.2%
- ✓ NPL net of impairments: 2.2%

### Liquidity

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

- ✓ Deposits: 86% of liabilities <sup>(3)</sup>
- ✓ Pool of collateral: 11.9 B€
- ✓ LCR: 325%
- ✓ Loans-to-deposits: 76%

### Capital

#### ...and maintaining a strong and adequate capital position.

##### Capital ratios (fully loaded)

##### 3Q2019 vs. 3Q2018:

- ✓ CET1: 15.6% (+1.0 pp)
- ✓ Tier 1: 16.6% (+1.1 pp)
- ✓ Total: 18.0% (+1.1 pp)



3Q2019  
ROE<sup>(2)</sup> = 8.2%

(1) Considering non-recurring costs of €44.3 million in Sep 2018 and €38.1 million in Sep 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) and including BCG SA. provision adjustment;

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

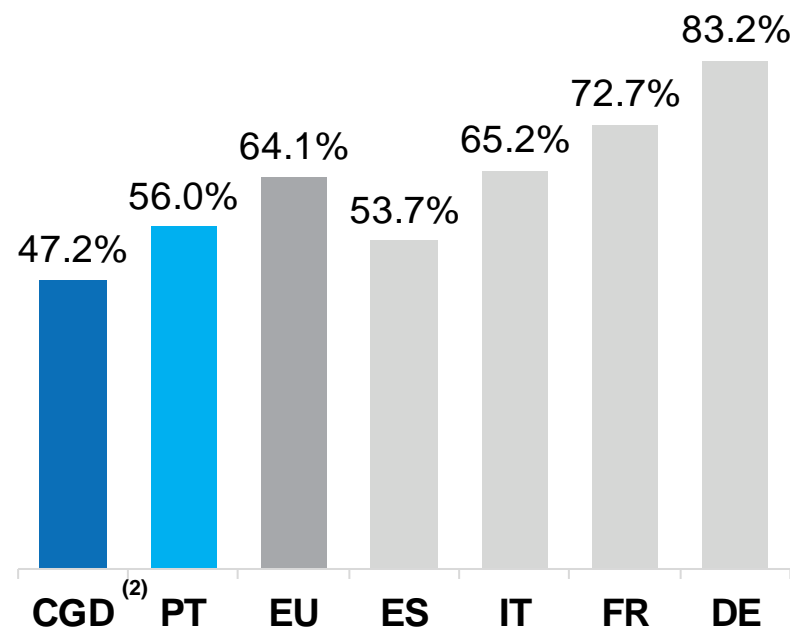
## ... creating the right conditions to achieve the main targets of the Strategic Plan 2017 - 2020

	2019 Execution	2020 Strategic Plan Targets	European Banking Average <sup>(3)</sup>
Return on Equity (ROE) <sup>(1)</sup>	8.2%	> 9%	7.0%
Recurrent Cost-to-Income	47%	< 43% <sup>(2)</sup>	64.1%
NPL Ratio	6.6% <i>(Impairment coverage of 68.2%)</i>	< 7%	3.0% <i>(Impairment coverage of 44.9%)</i>
CET1 Fully loaded	15.6%	> 14%	14.4%

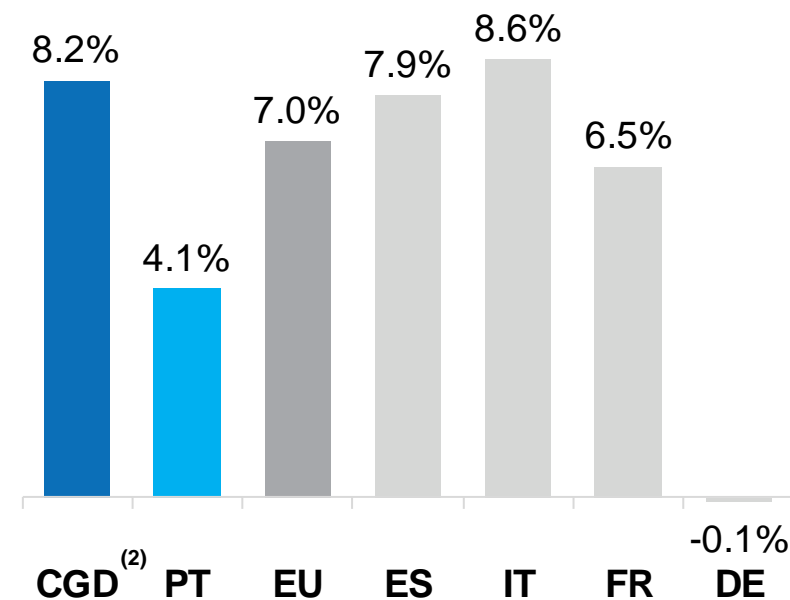
## Efficiency and Profitability: CGD with favourable performance within the European Union

%

### Cost to Income <sup>(1)</sup>



### Return on Equity (RoE) <sup>(1)</sup>



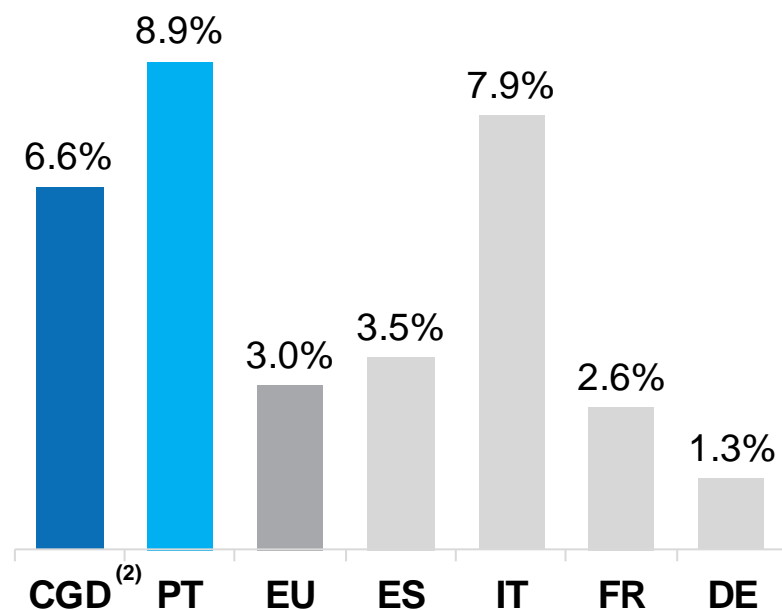
(1) Source: EBA Risk Dashboard - June 2019, except CGD;

(2) CGD data refers to 30 September 2019.

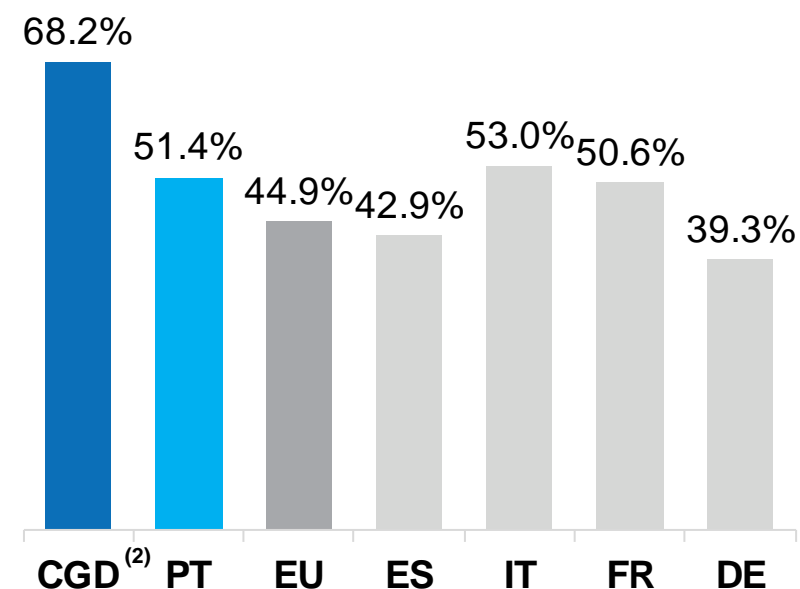
## Asset Quality: CGD converging to European levels; coverage level exceeds standards

%

### Non-Performing Loans ratio<sup>(1)</sup>



### Coverage ratio of Non-Performing Loans<sup>(1)</sup>



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

(2) CGD data refers to 30 September 2019.



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