



# Consolidated Results 2018

Unaudited financial information

Investor Relations

01/02/2019



# Agenda

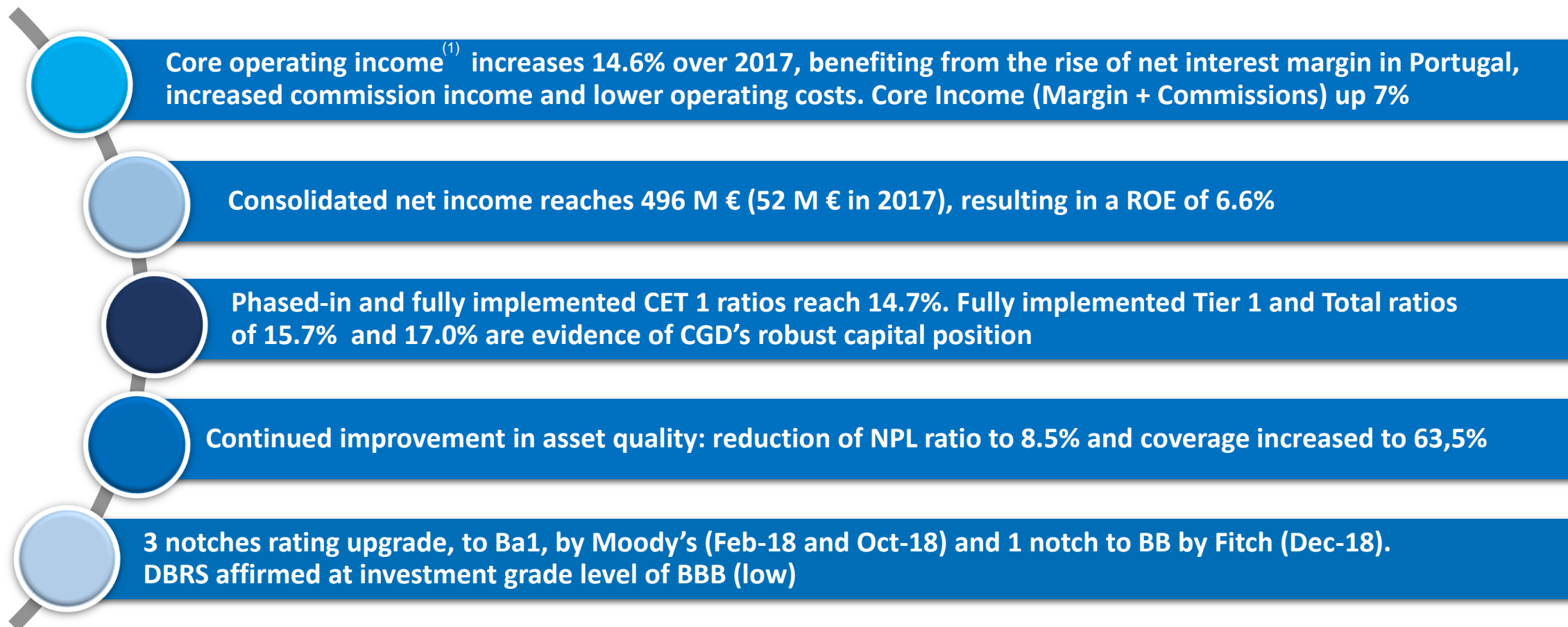
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- 1 Highlights
- 2 Results
- 3 Balance Sheet
- 4 Asset Quality
- 5 Liquidity
- 6 Capital



# Highlights

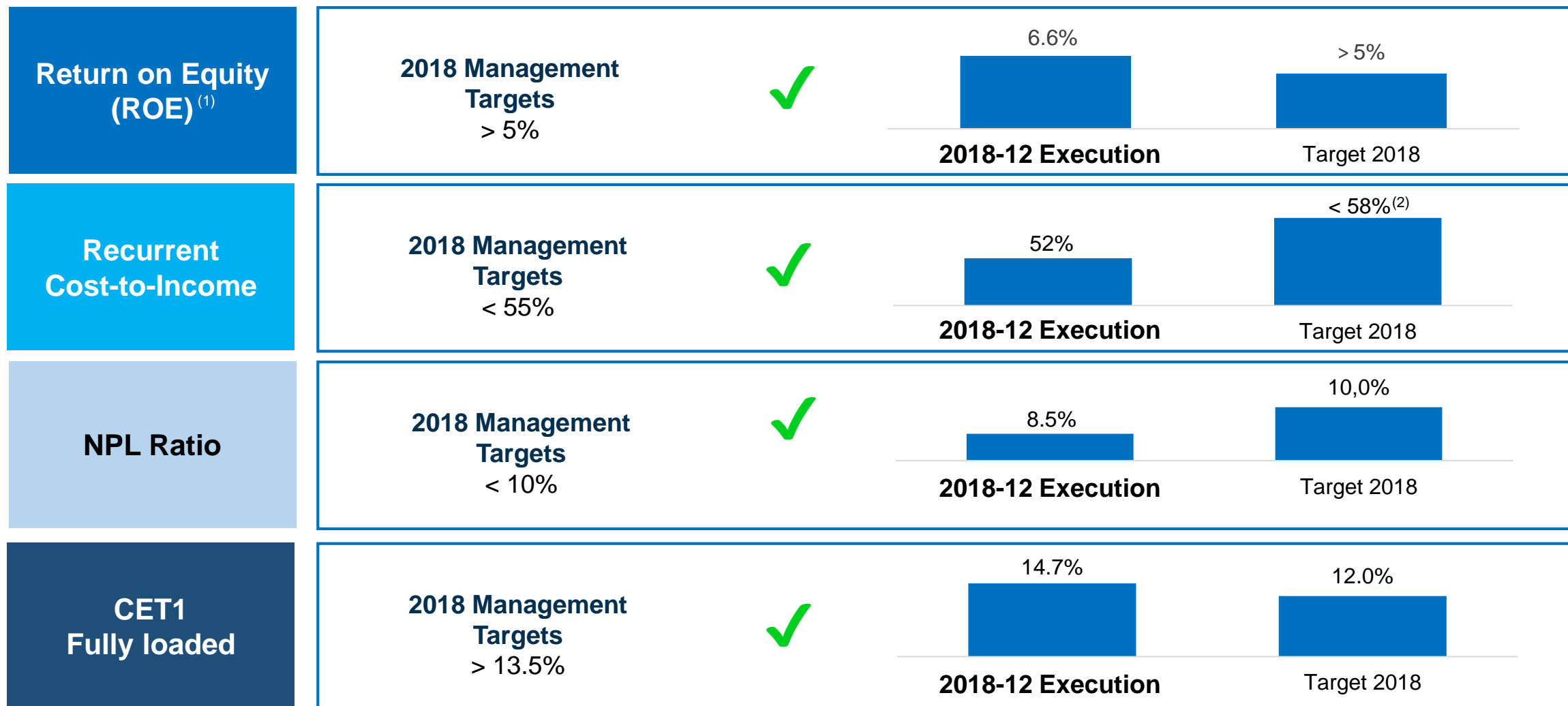
## CGD strengthens profitability and asset quality, earning improvements to its rating



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

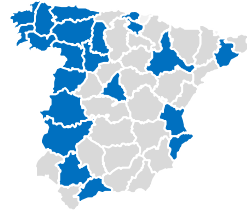
## Strategic Plan – 2018 execution consolidates the track to 2020

### Strategic Plan Targets



## Sale of international subsidiaries

 Banco Caixa Geral  
Grupo Caixa Geral de Depósitos



 Mercantile Bank  
Member of CGD Group



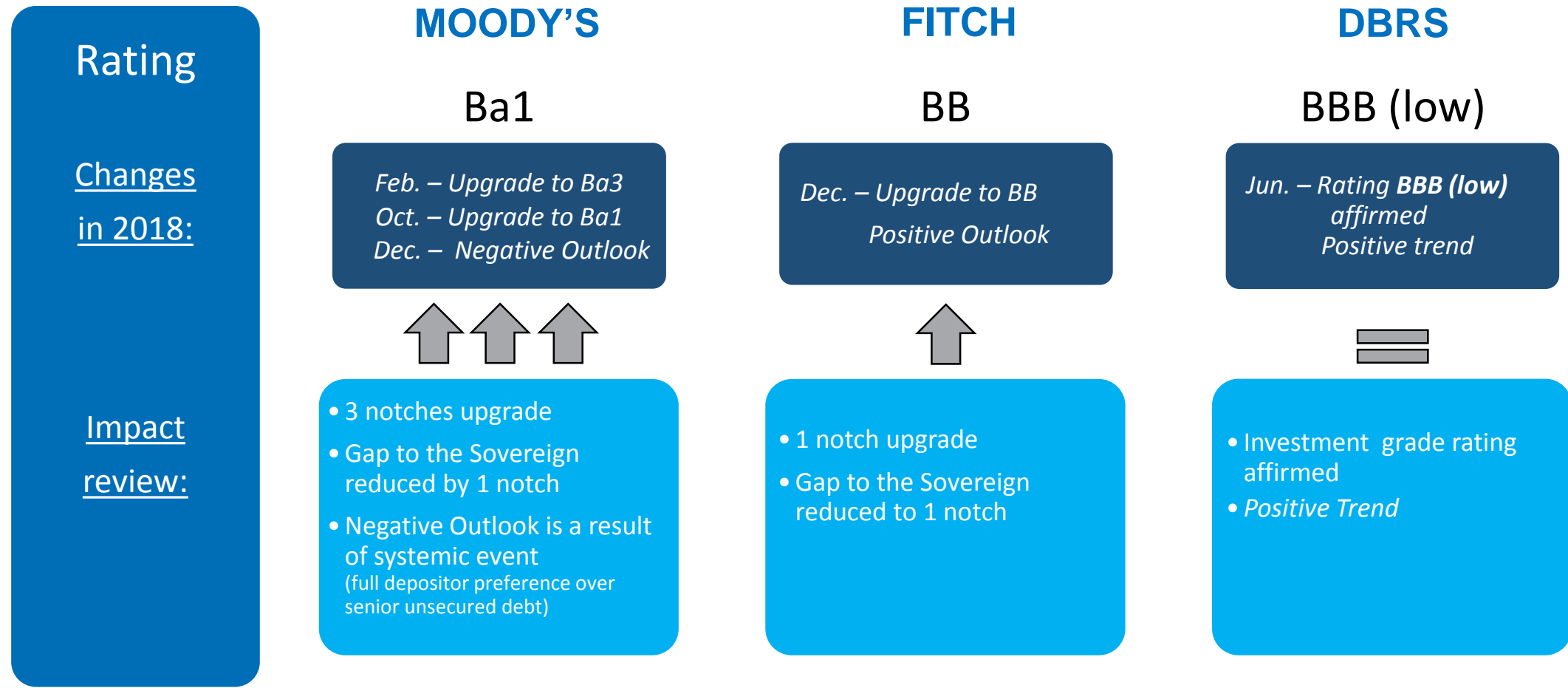
- Buyers for entirety of CGD's shareholder position in Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral, S.A. (Spain) approved by the Portuguese government. Sales are, at this time, **subject to approval by the authorities of each country**, which is why they weren't reflected in the 2018 accounts. In case the sales are concluded before the final approval of the Annual Report, these constitute an adjustable subsequent event.

 Banco Caixa Geral  
BRASIL



- Banco Caixa Geral (Brazil) - Preparatory stage of the sale process initiated in 2017
- Banco Comercial do Atlântico (Cape Verde) - Sale process initiated in 2019

## Agencies start to review CGD's rating



## Main management targets for 2019 and 2020

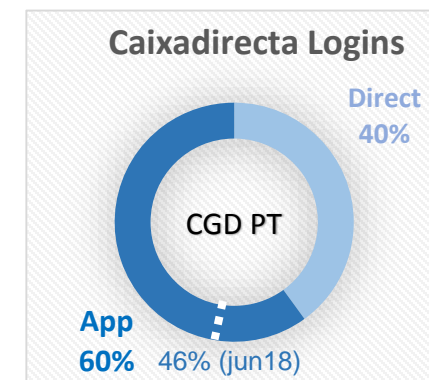
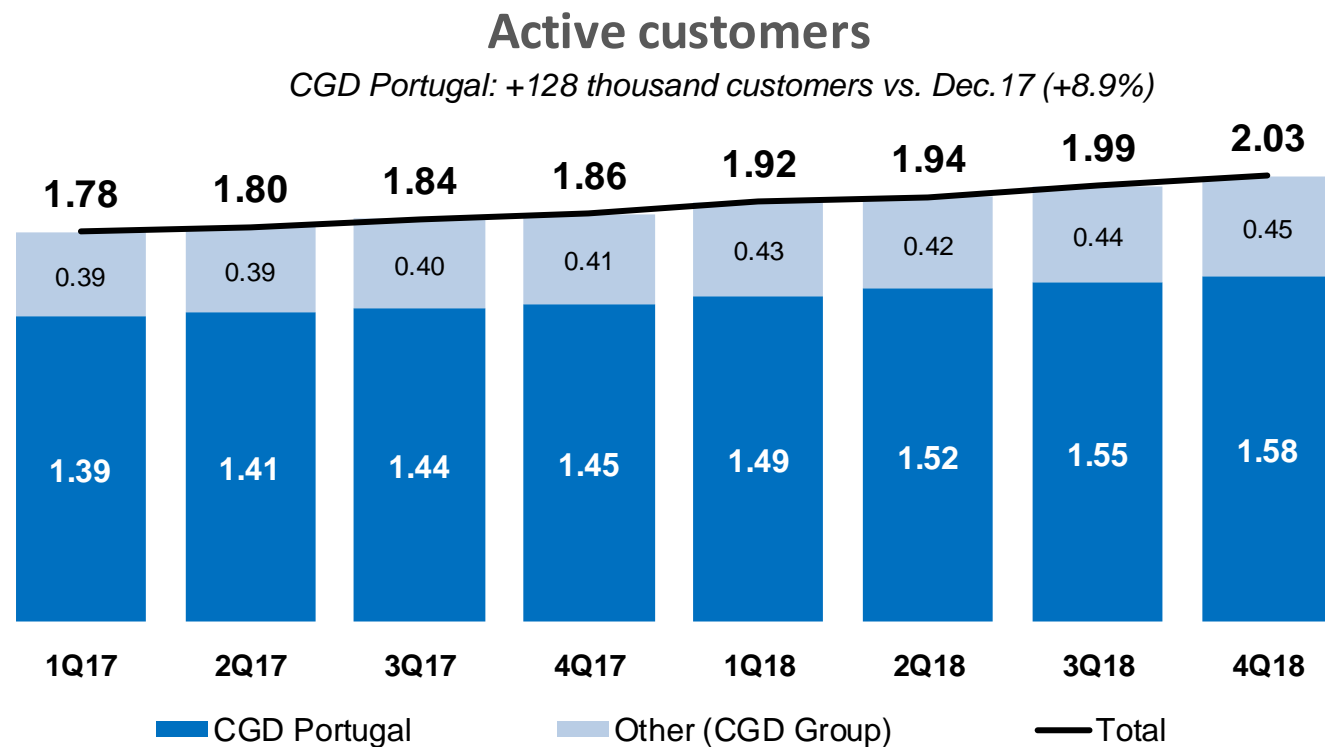
### Strategic Plan Targets

<b>Return on Equity (ROE) <sup>(1)</sup></b>	<b>2019</b> > 7%	<b>2020</b> > 9%	<b>2020</b> > 9%
<b>Recurrent Cost-to-Income</b>	<b>2019</b> < 50%	<b>2020</b> < 43%	<b>2020</b> < 43% <sup>(2)</sup>
<b>NPL Ratio</b>	<b>2019</b> < 7%	<b>2020</b> < 5%	<b>2020</b> < 7%
<b>CET1 Fully loaded</b>	<b>2019</b> > 14%	<b>2020</b> > 14%	<b>2020</b> > 14%

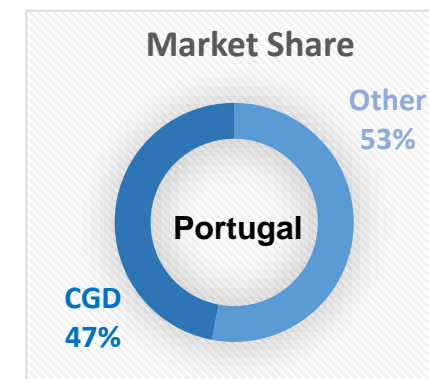


## Digital Banking: Building the Future CGD

M



*App logins  
already reach  
60%*



*Leader with more  
than twice the  
number of users of  
2<sup>nd</sup> placed bank\**

\* According to Basef Internet Banking study (2018 average up to October) by Marktest.

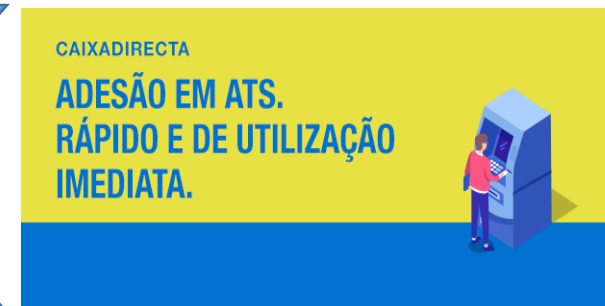
## Digital Banking: Offer



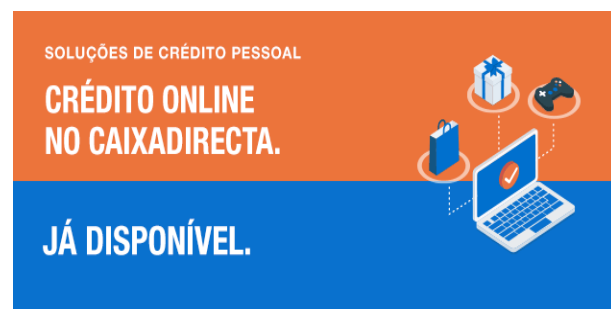
Handy and practical



2018 Best Homebanking site



Immediate use



At the distance of a click

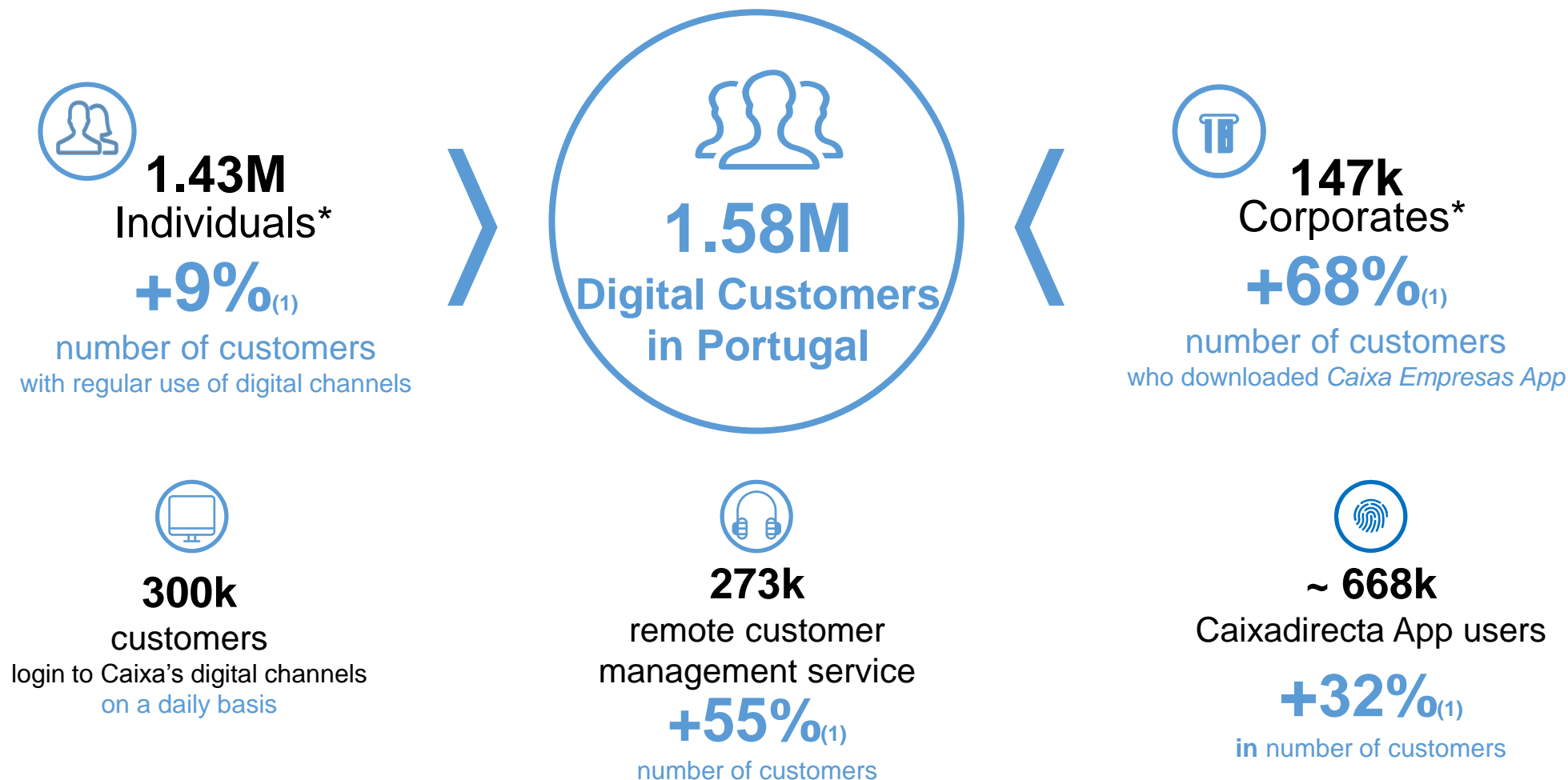


Easy and instantaneous



Groundbreaking and educational

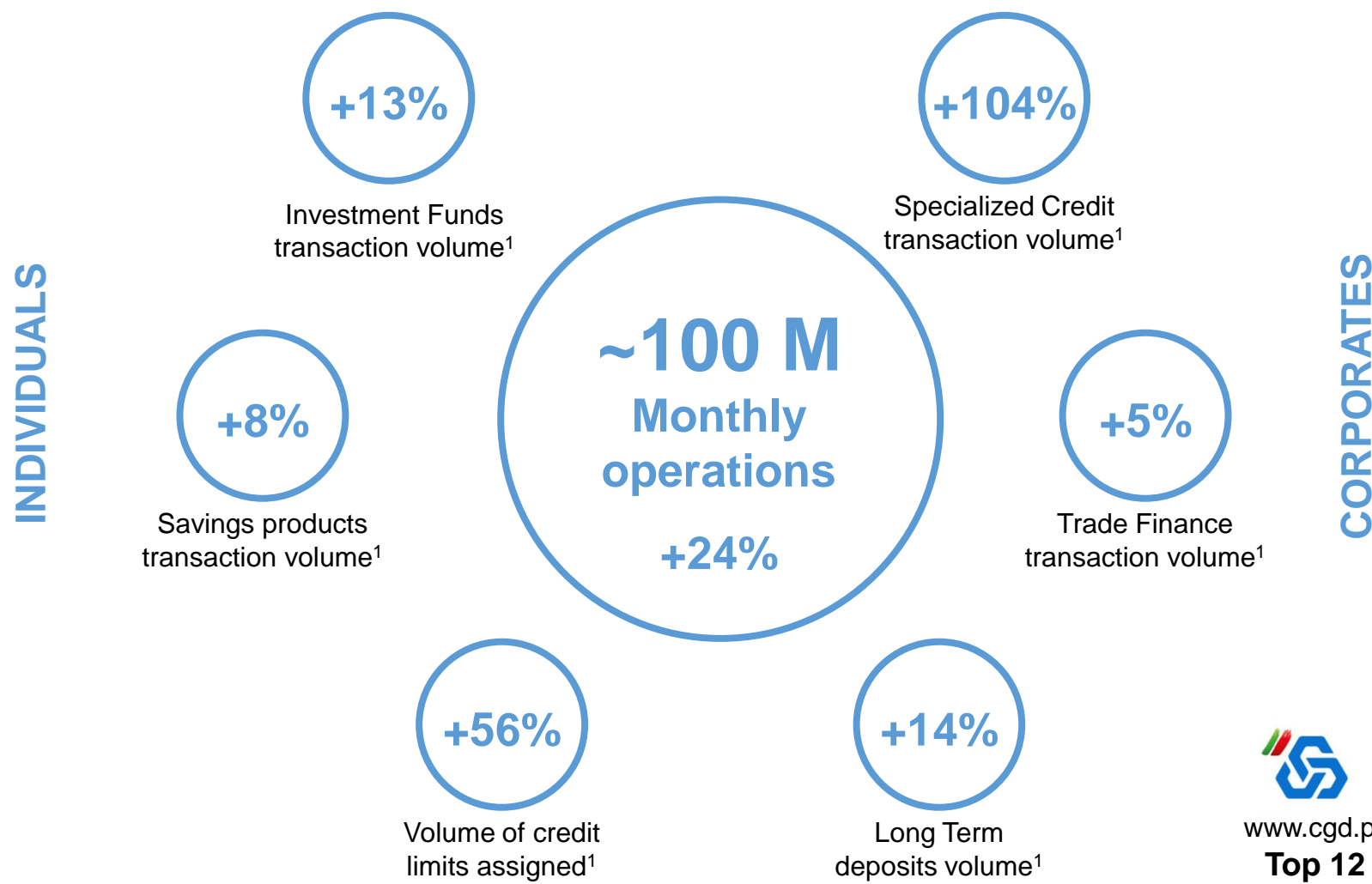
## Digital Banking: Building the Future CGD



(1) Year on Year changes

\* Number of clients with an active Caixadirecta contract – Dec 2018

## Digital Banking: New functionalities and more transactionality



### NEW IN 2018:

- **Account opening remotely**
- **New *Caderneta* App** with transfers and payments
- **New *Caixadirecta* App** > 400 thousand customers
- **Caixa Easy App** > 10 thousand customers in 3 months
- **Caixadireta for 12-17 year old customers**  
Caixa is the 1st Bank in Portugal to offer this service
- **Consumer credit in Caixadirecta** > 250 operations in first 2 months

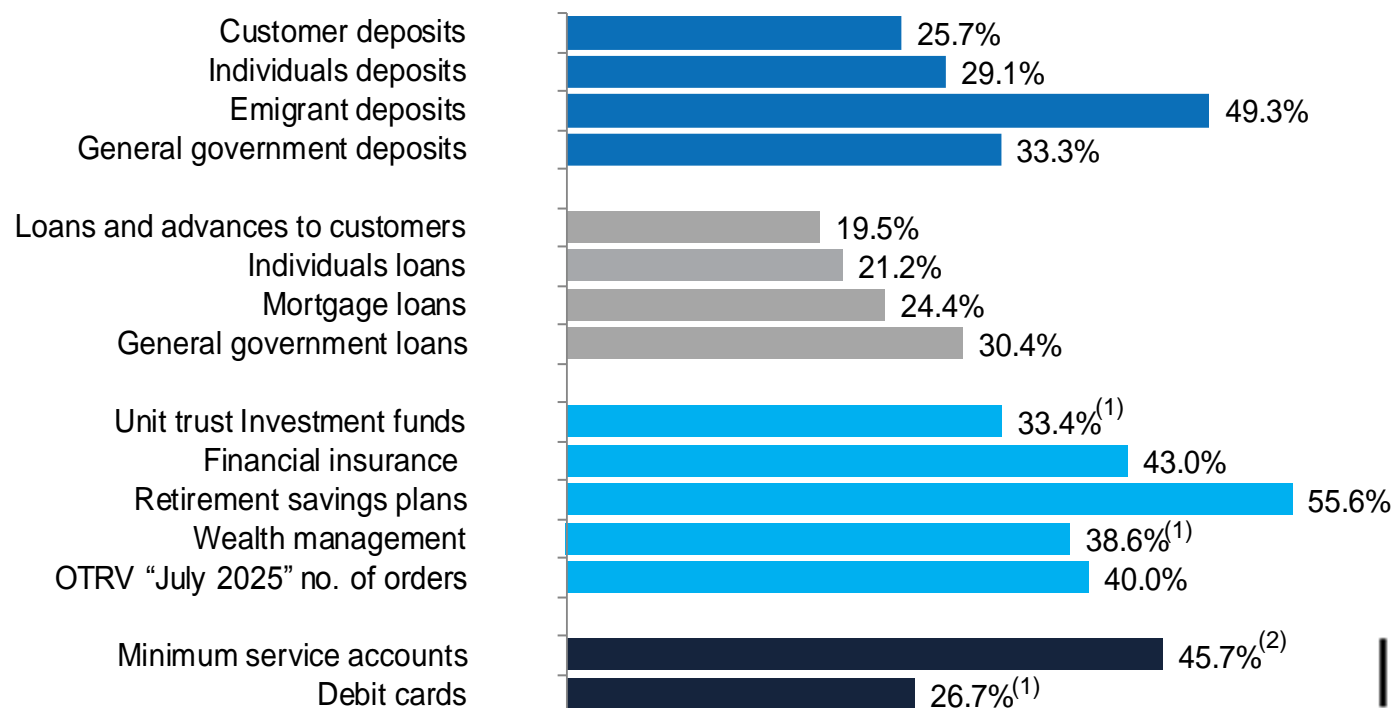
  
www.cgd.pt  
**Top 12**  
No. of single Visitors<sup>2</sup>

  
THE ONLY  
BANKING SITE  
in the TOP 30  
Ranking PT

  
**+ de 302m**  
Followers

## Leadership and Distinctions

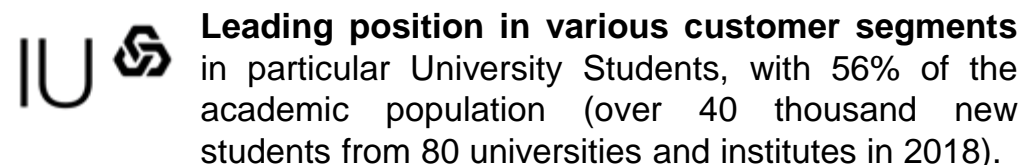
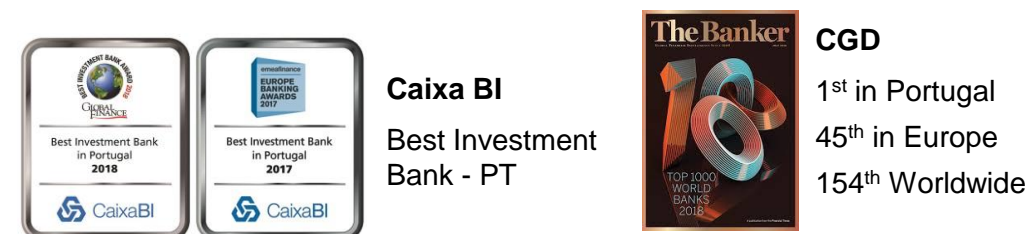
### Leader in main client and product segments



### Market Shares

November 2018

### Prizes and distinctions



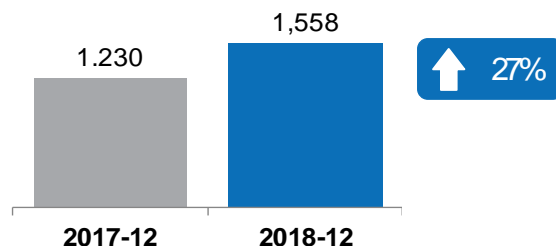
(1) December 2018; (2) June 2018

## Relevant Events

### Individuals and households



- **27% increase in new mortgage loans**, € 328 million over Dec17.



- 1.5 million *Contas Caixa* accounts, 584 thousand more than in 2018
- New customer segmentation model: Caixa Platinum, Caixa Azul and Mass Market

### Corporate business



- Launch of Overdraft facility for non-Euro accounts;
- Forfait extended to Documentary Credits;
- Non-recourse factoring (95% coverage by COSEC – credit insurer);
- *Renting* – on-going campaign with new vehicles;
- Credit insurance lines between COSEC and CGD;
- **New Factoring & Confirming operations up 15%, Equipment and Property Leasing, 27% and 33% respectively, over 2017.**



**CGD launches new corporate recognition programme exclusive for SME with several advantages:**

- More expedient and documentation process;
- Improved pricing;
- Exclusive treasury products;
- Trade Finance products and support

Coverage: 9,600 corporate customers



Placement of new government sponsored credit lines:

- Caixa Invest Inovação (EIF)
- Caixa EIB 2018
- Capitalizar Mais – SI Inovação

**1st place in Linhas Capitalizar 2018 e Capitalizar Mais**



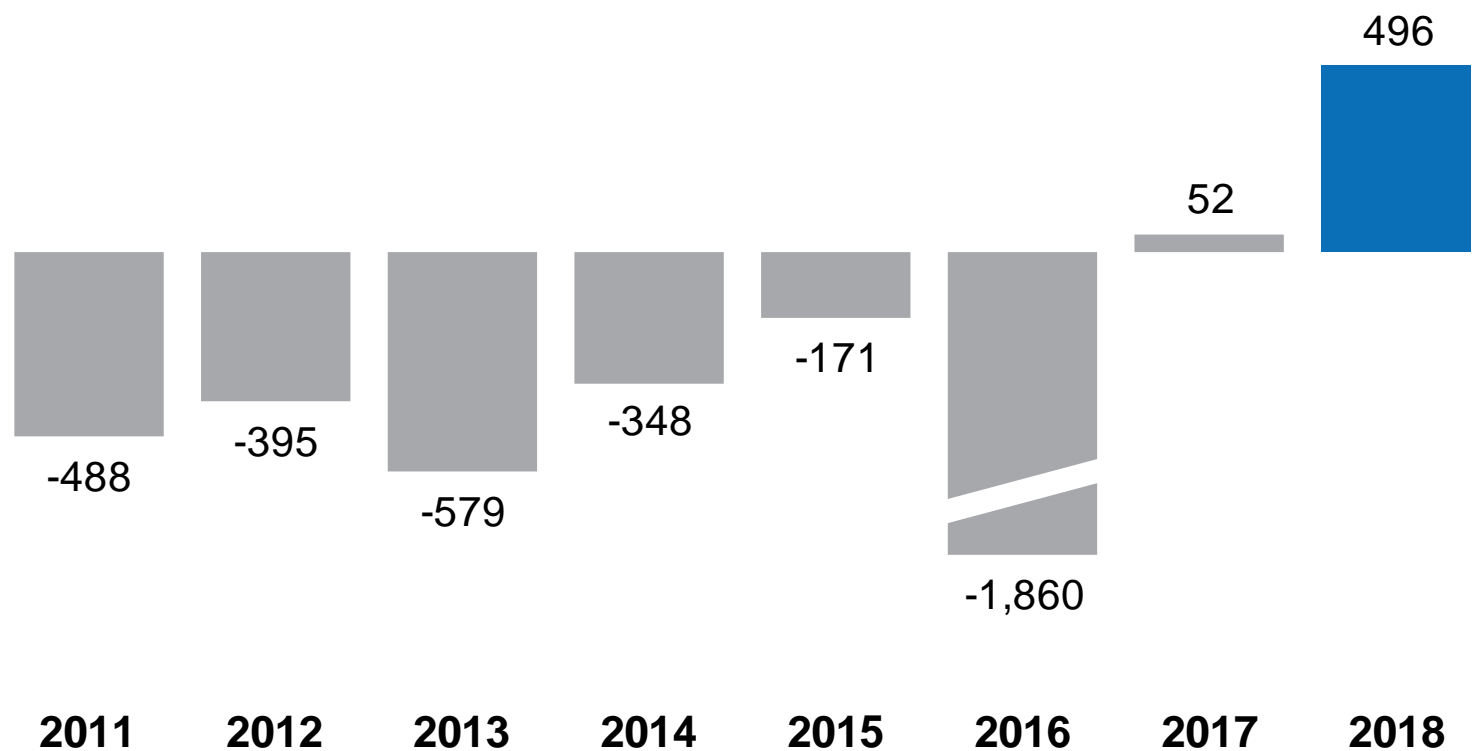
In 2018, 13 “Fora da Caixa” conferences were held involving circa 7,000 CGD customers and 275 thousand streaming views.



# Results

## 2018 confirms progress in strengthening CGD's profitability

M€



### Consolidated Net Income



### 2018-12

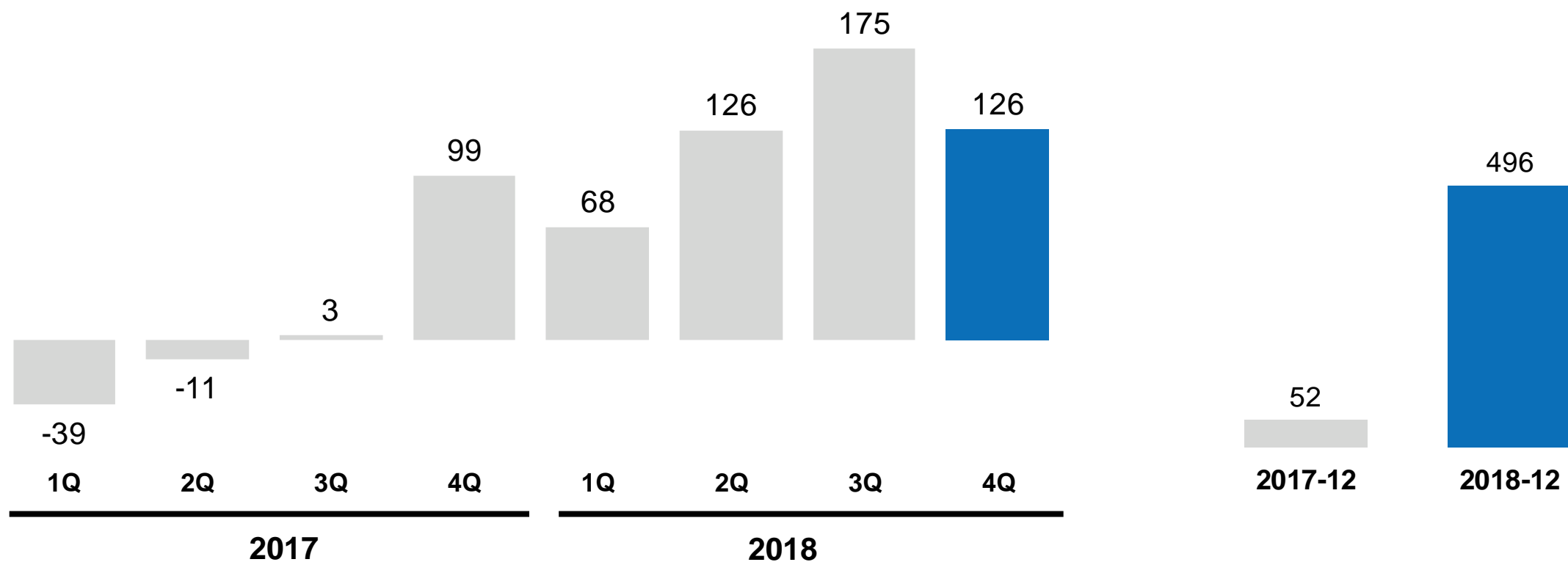
(1) ROE = (net income + non-controlling interests) / Shareholders' equity (average of 13 monthly observations).

(2) Current activity ROE = (net income + non-recurring costs + non-controlling interests) / Shareholders' equity (average of 13 monthly observations).



## Quarterly Net Income confirms progress of CGD's profitability (+27% Y-o-Y)...

M€

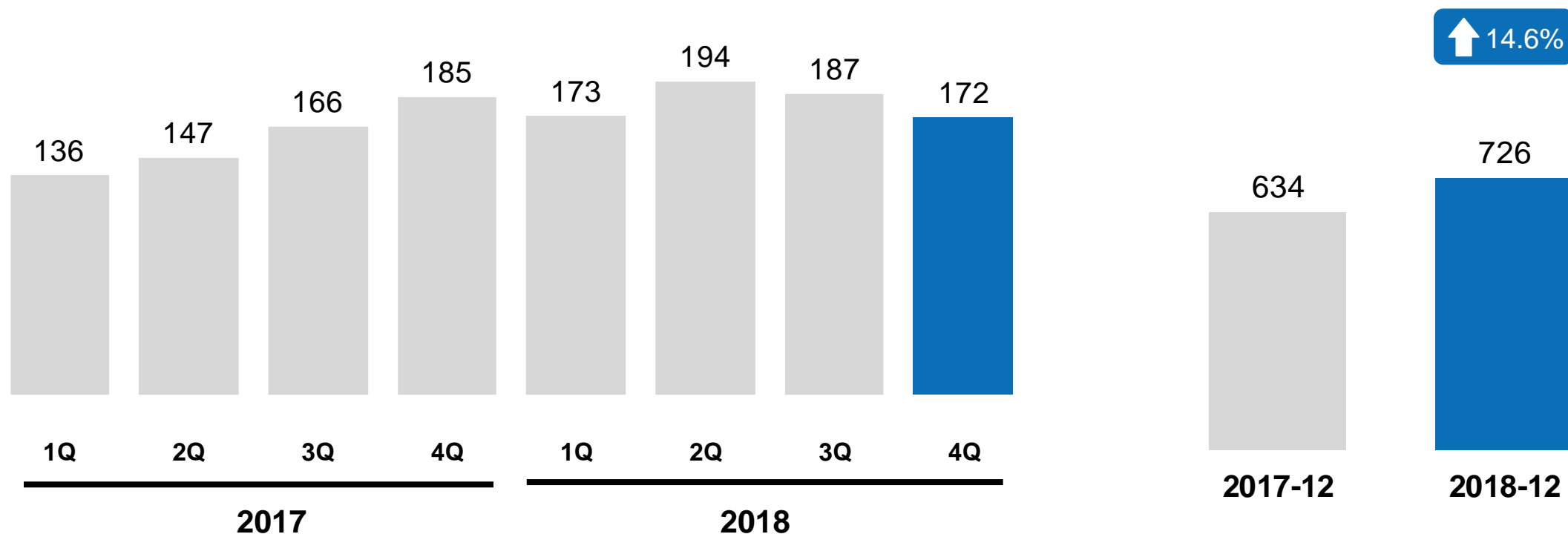


Quarterly Net Income

Net Income

## ...supported by Net Core Operating Income before Impairments favourable evolution

M€



**Quarterly Net Core Operating Income before Impairments  
(Current Activity) <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>**

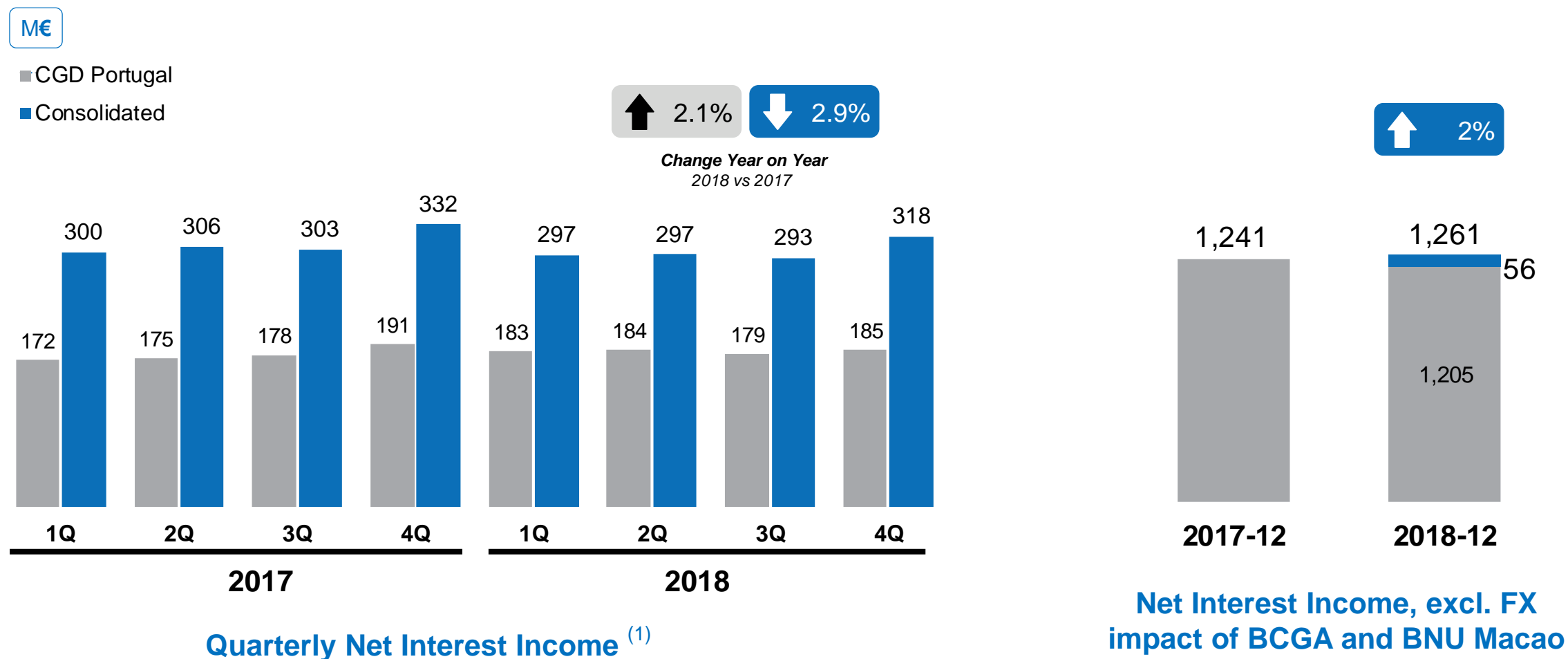
**Net Core Operating Income  
before Impairments (Current  
Activity) <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>**

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

(2) Excluding non recurrent costs;

(3) 2017 consolidated 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.

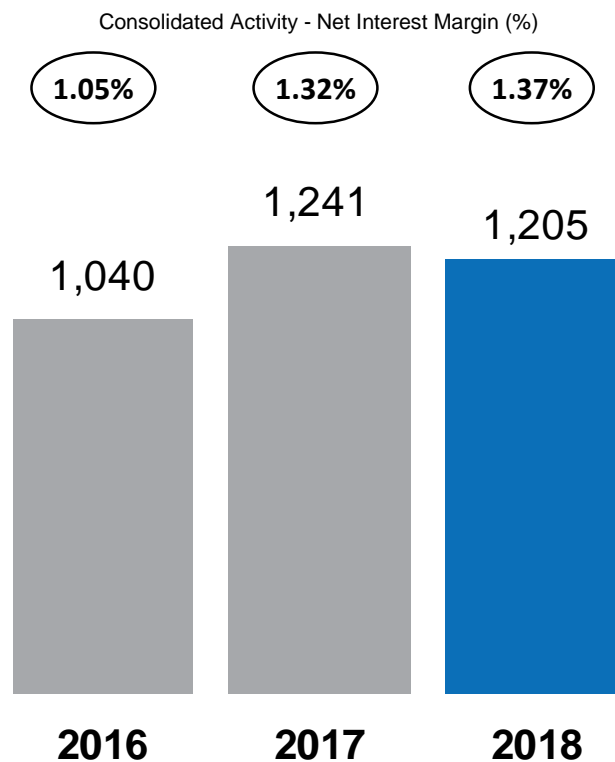
## Net Interest Income with positive evolution in Portugal, despite interest rate environment...



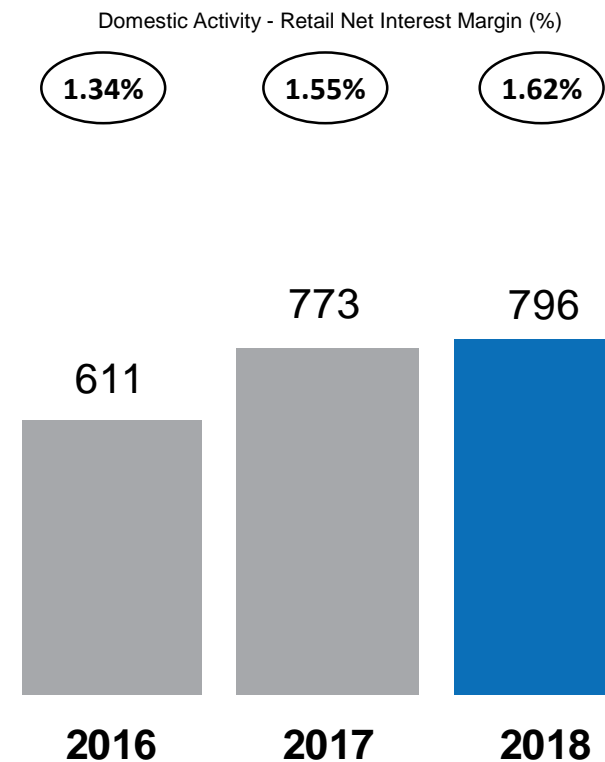
(1) 2017 consolidated accounts have been restated following a change of accounting policy on the sale of non-current real estate assets (held for sale) which includes essentially assets obtained from credit recovery.

## Net Interest Margin improving...

M€



**Total Net Interest Income  
Consolidated Activity**



**Total Net Interest Income  
Domestic Activity**

## ...and Net Fees and Commissions benefit from the Strategic Plan implementation

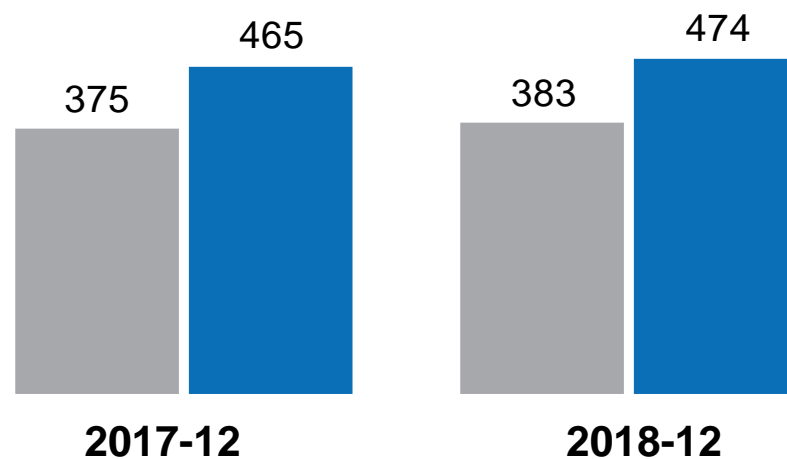
M€

■ Domestic Activity

■ Consolidated



*Change Year on Year  
2018 vs 2017*



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

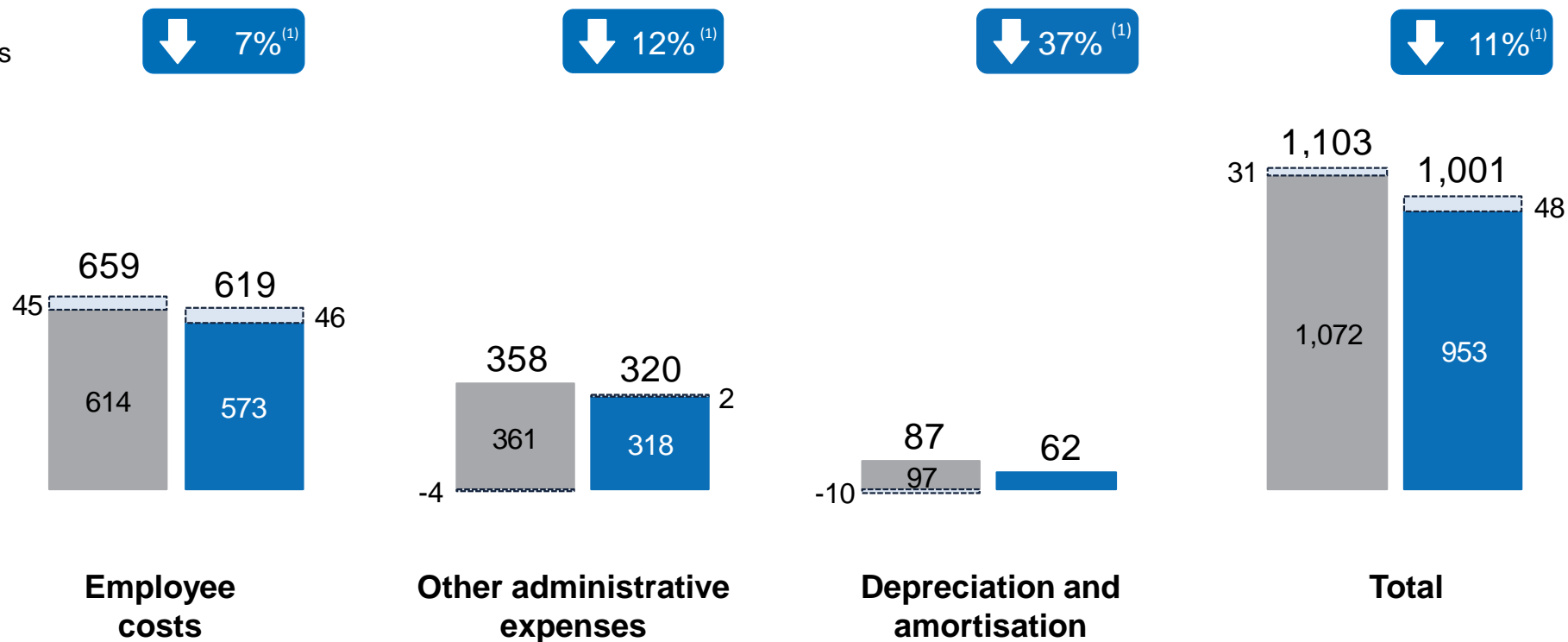
## Lower recurrent Operating Costs at consolidated level...

M€

■ 2017-12

■ 2018-12

■ Non recurrent costs



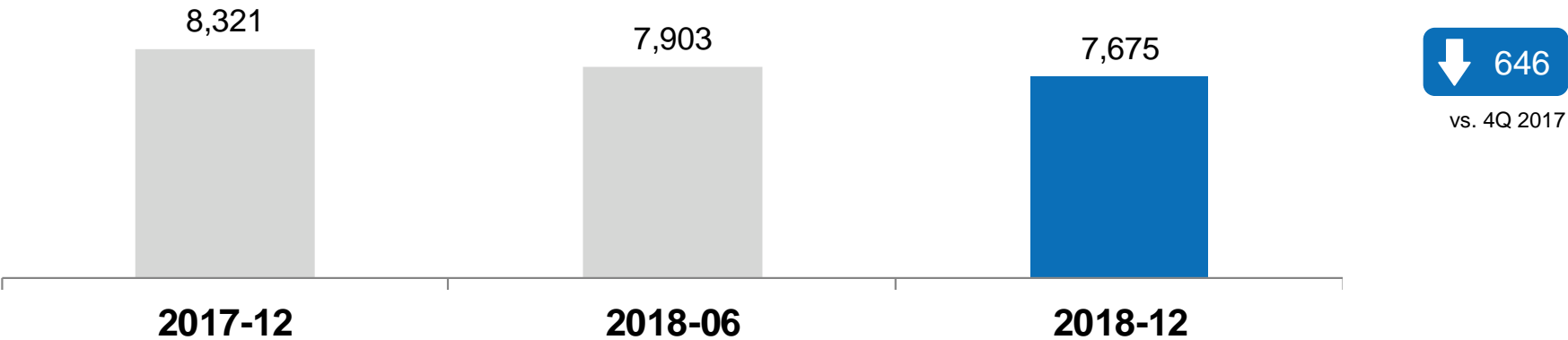
### Operating Costs – Consolidated Activity

(1) Excluding non-recurrent costs.

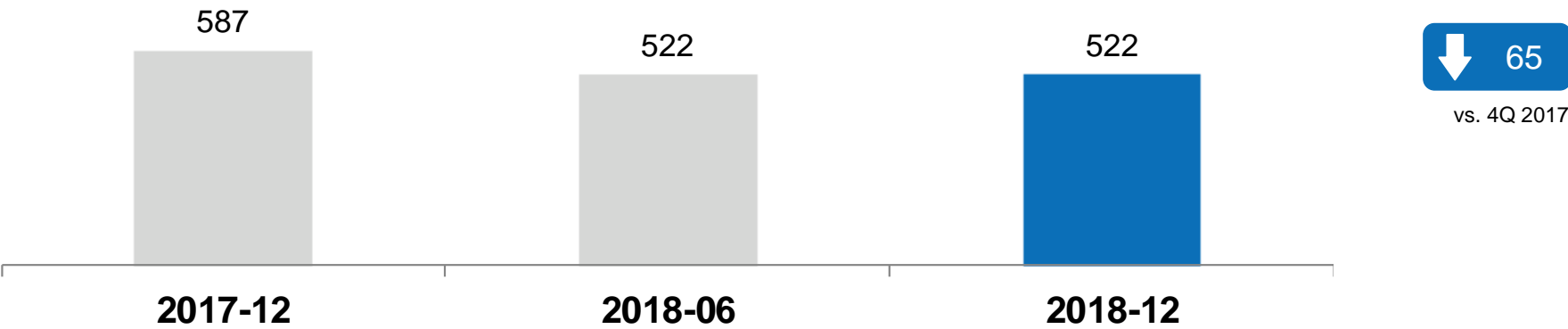
# Employees and retail branches evolve according to the Strategic Plan

M€

Number of Employees  
(Domestic Activity)

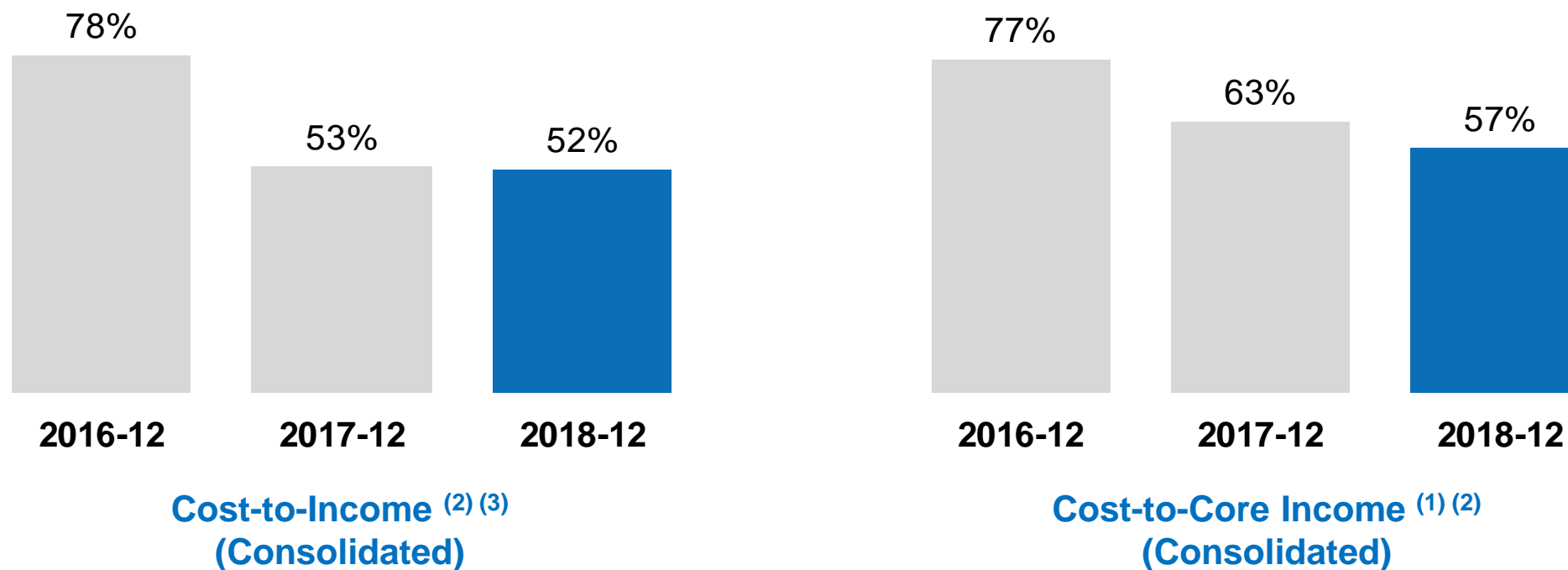


Retail Branch Network  
(CGD Portugal)



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

%



(1) Operating Costs / (Net Interest Income + Net Fees and Commissions); 2017 consolidated 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;

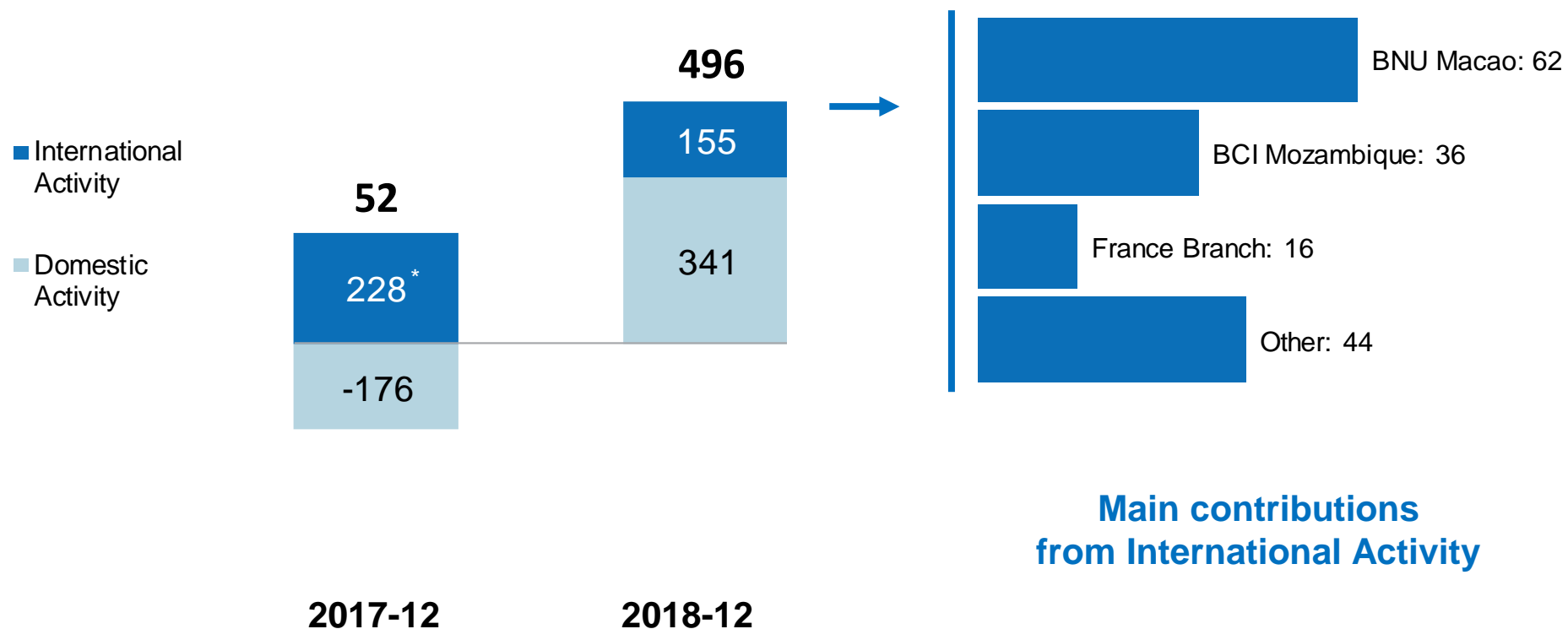
(2) Excluding non-recurrent costs;

(3) Ratio defined by the Bank of Portugal Instruction 6/2018 [Operating Costs / (Total Operating Income + Income From Associated Companies)].



## Contributions to Consolidated Net Income

M€



**Branches wind-down:** London Branch, Cayman, Macao Offshore, Zhuhai and New York.

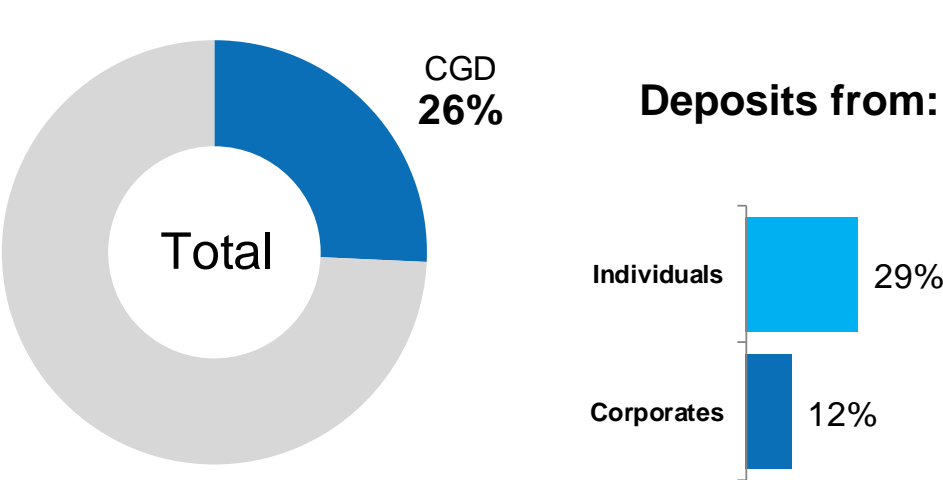
\* Includes €41.2 million contribution of CGD Investimentos CVC (Brazil) referring to the disposal of Rico Corretora.



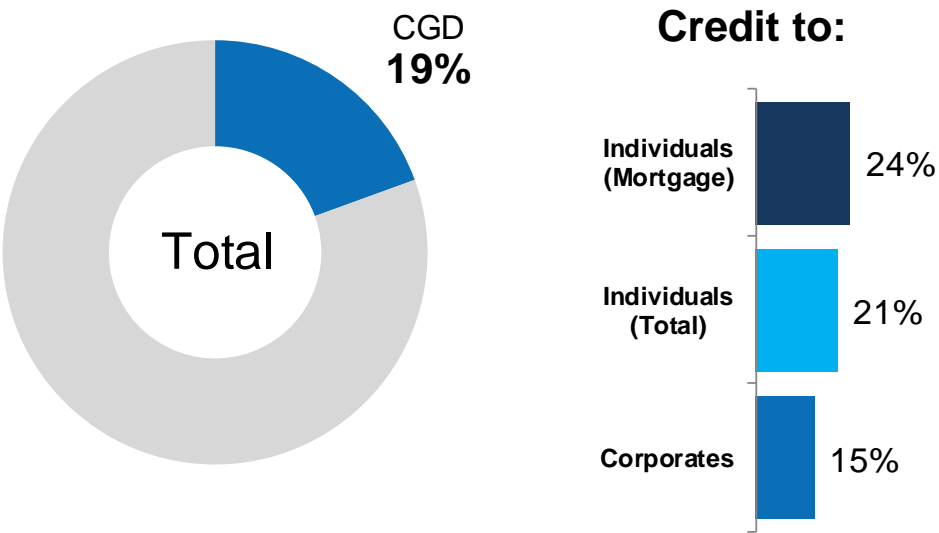
# Balance Sheet

# Market Shares: CGD leader in Portugal

%



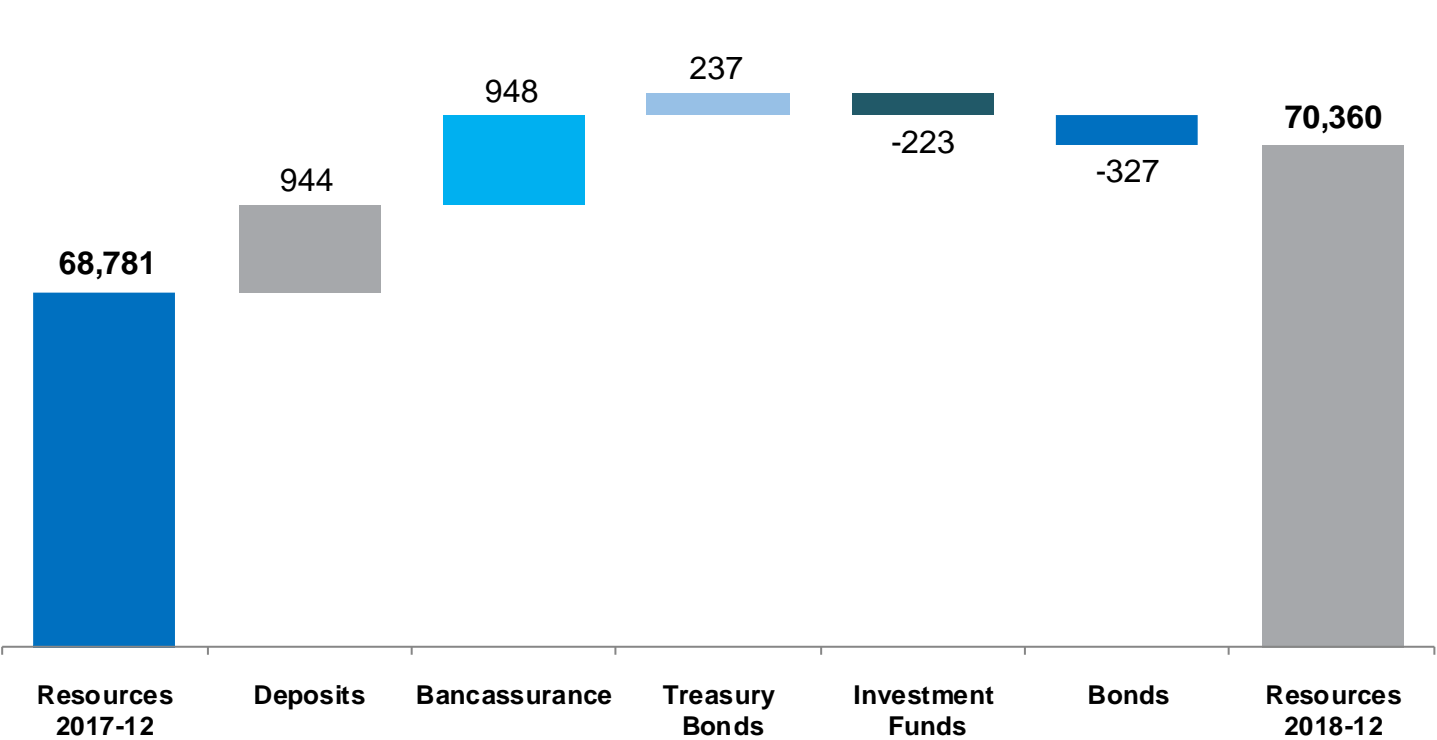
**Customer Deposits – Portugal**  
November 2018



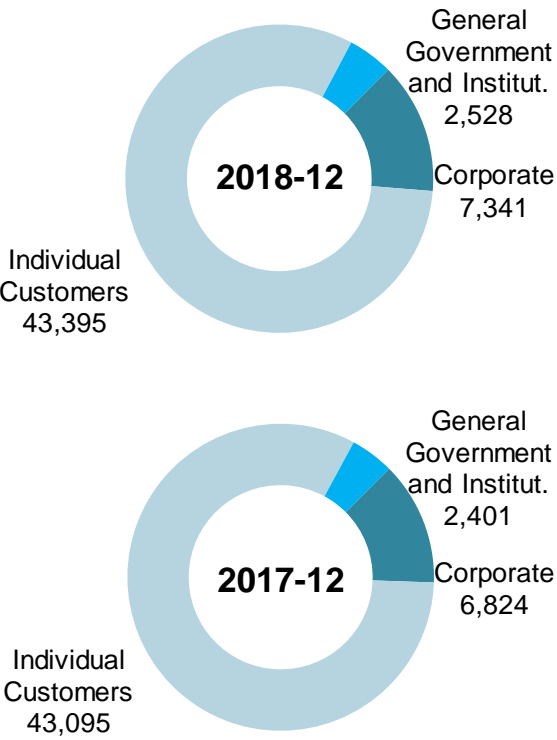
**Loans and Adv. to Customers – Portugal**  
November 2018

# Total Customer Resources in Portugal increased

M€



Total Customer Resources\*  
(Domestic Activity)



Customer Deposits  
(Domestic Activity)

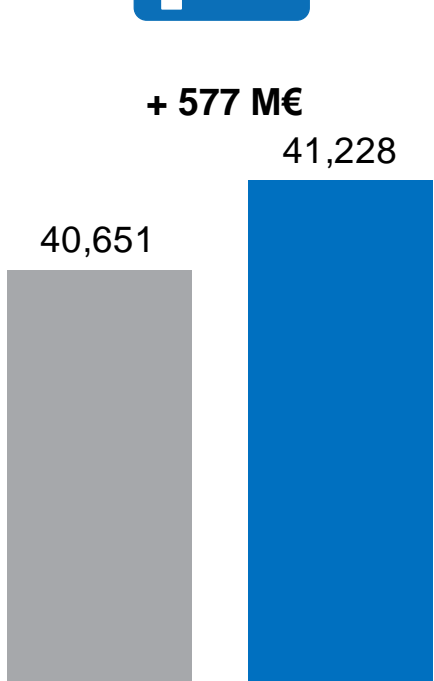
\* December 2017 excludes deposits from Group Entities that were merged into CGD in 2018.

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

M€

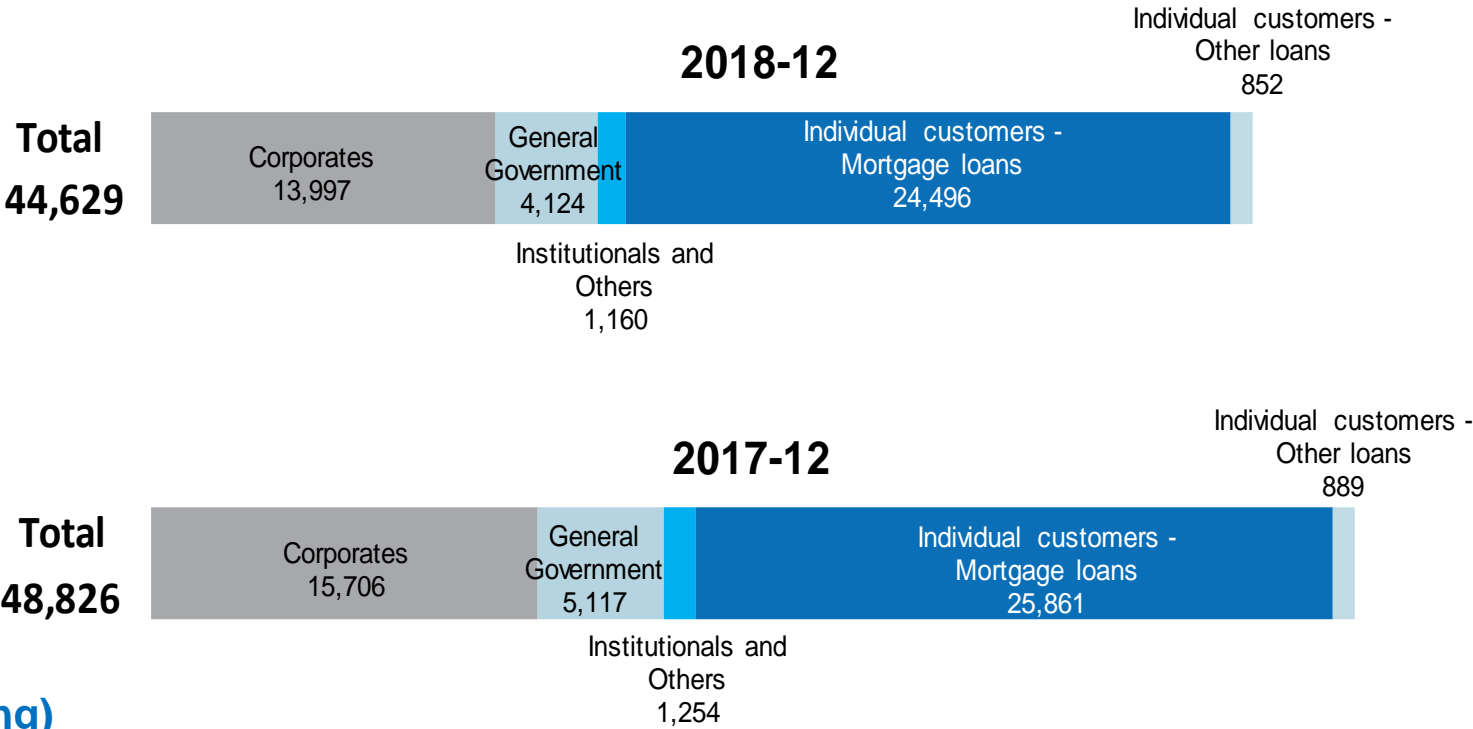
↑ 1.4%

+ 577 M€



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

\*includes securitized credit

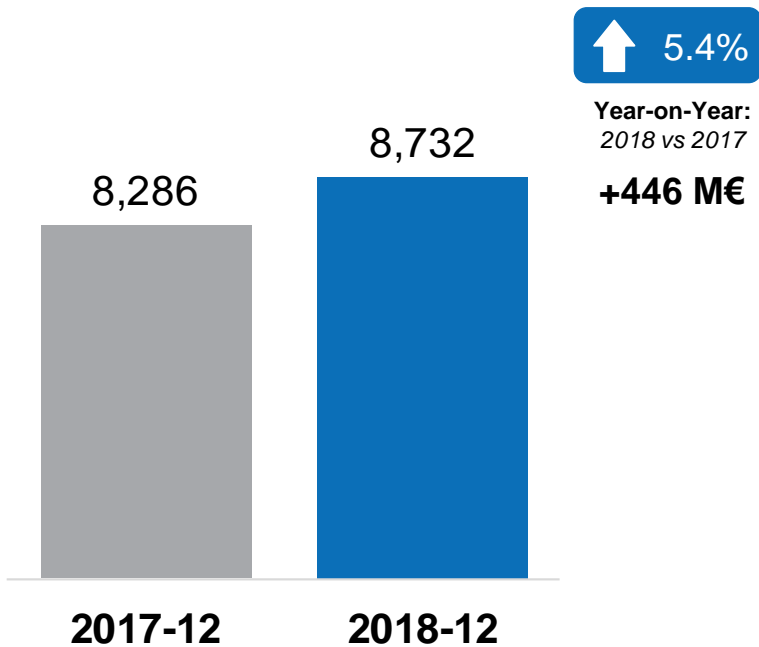


Loans and Advances to Customers (Gross)  
CGD Portugal

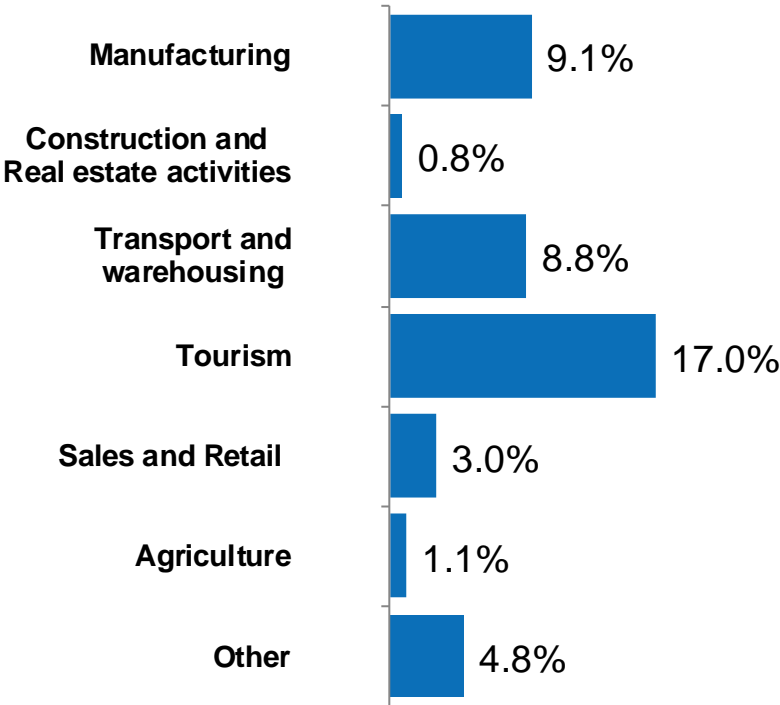
# Loans to corporates in Portugal grow in most dynamic sectors of the economy...

M€

% Change vs. Dec-17



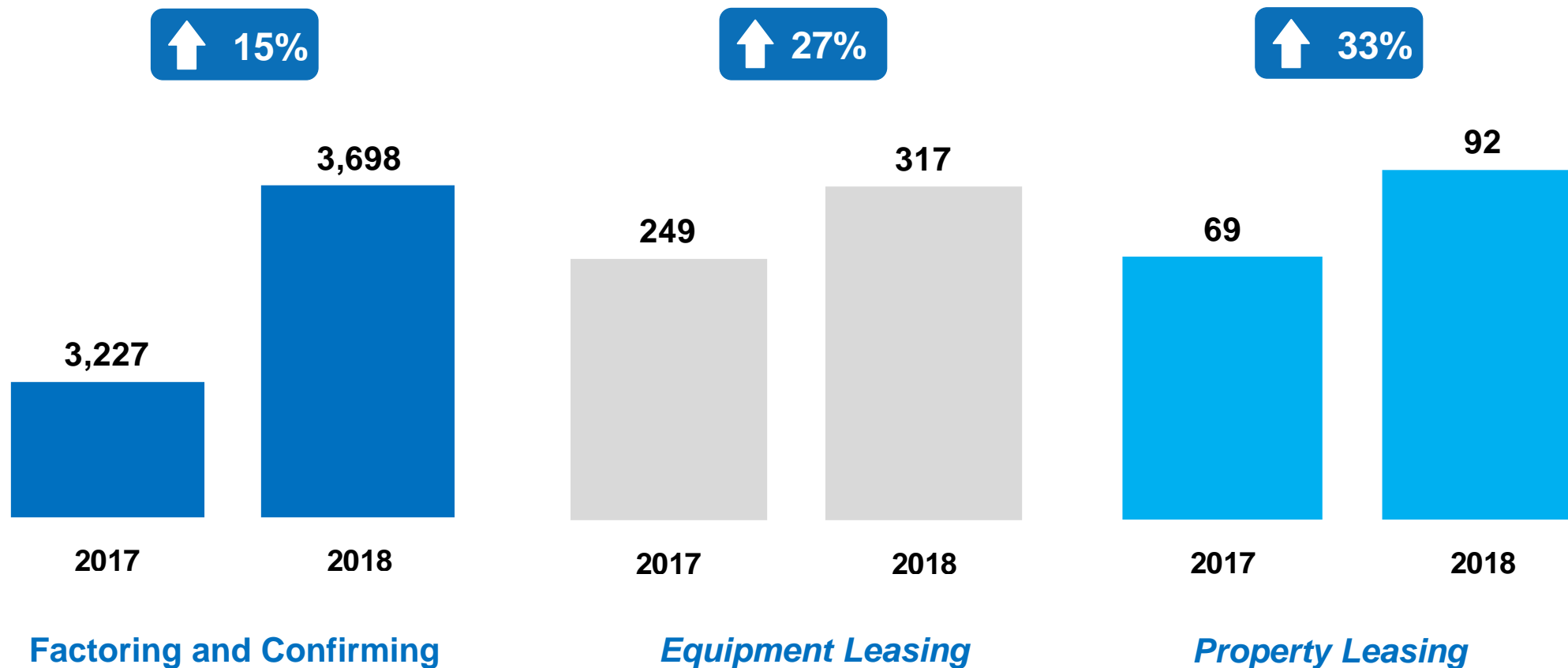
Gross loans to corporates (performing),  
excluding construction and real estate sectors  
CGD Portugal



Loans to SMEs - Evolution

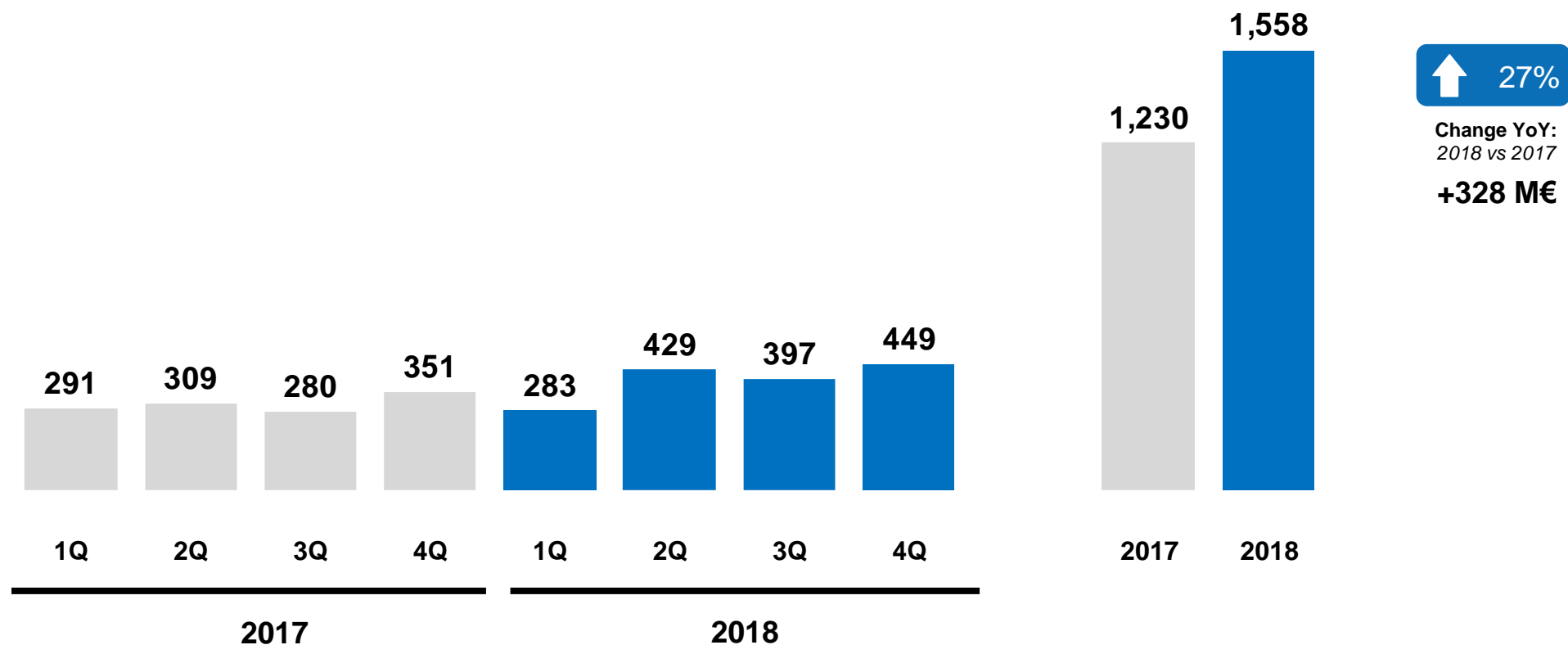
... as well as in new *Factoring & Confirming* and *Leasing* operations

M€



## Significant increase in new Mortgage Loans

M€



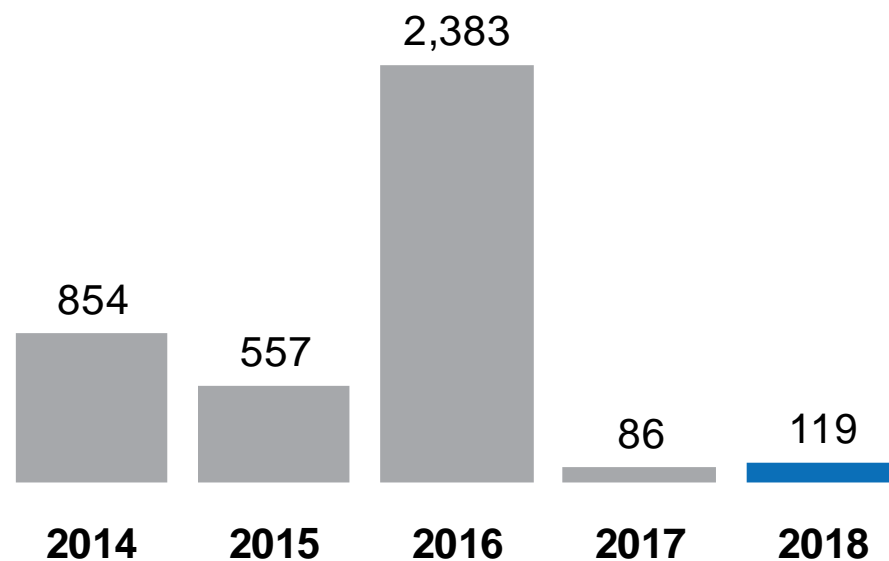




## Asset Quality

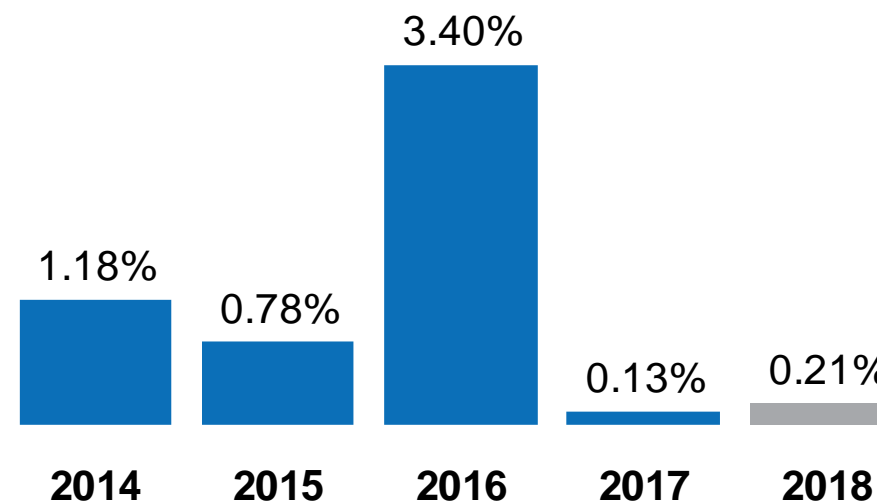
## Reduced Cost of Credit Risk...

M€



Credit impairment net of reversals

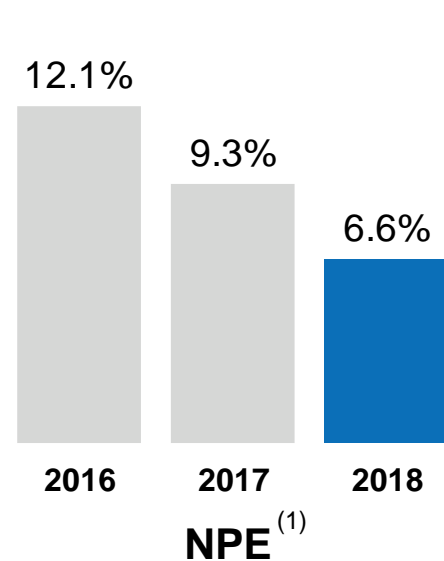
%



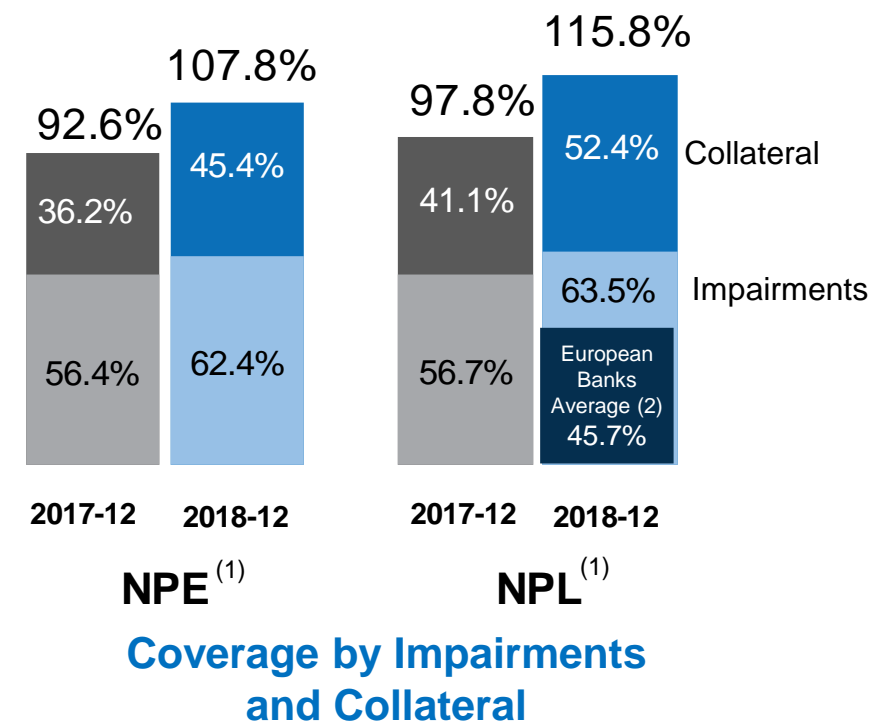
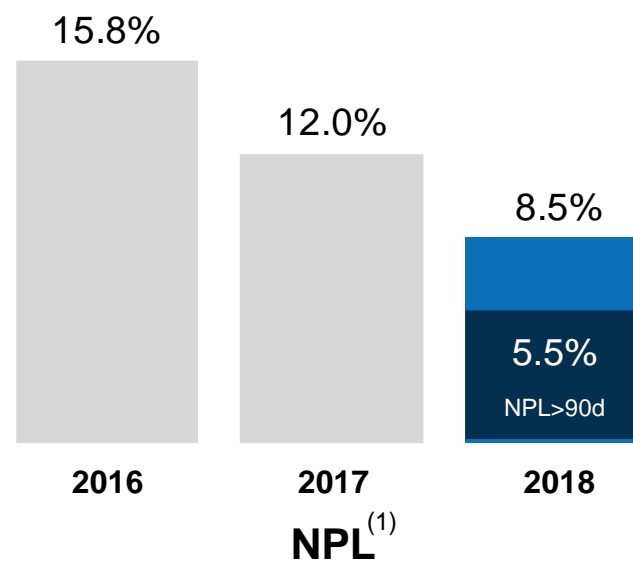
Cost of Credit Risk

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

%

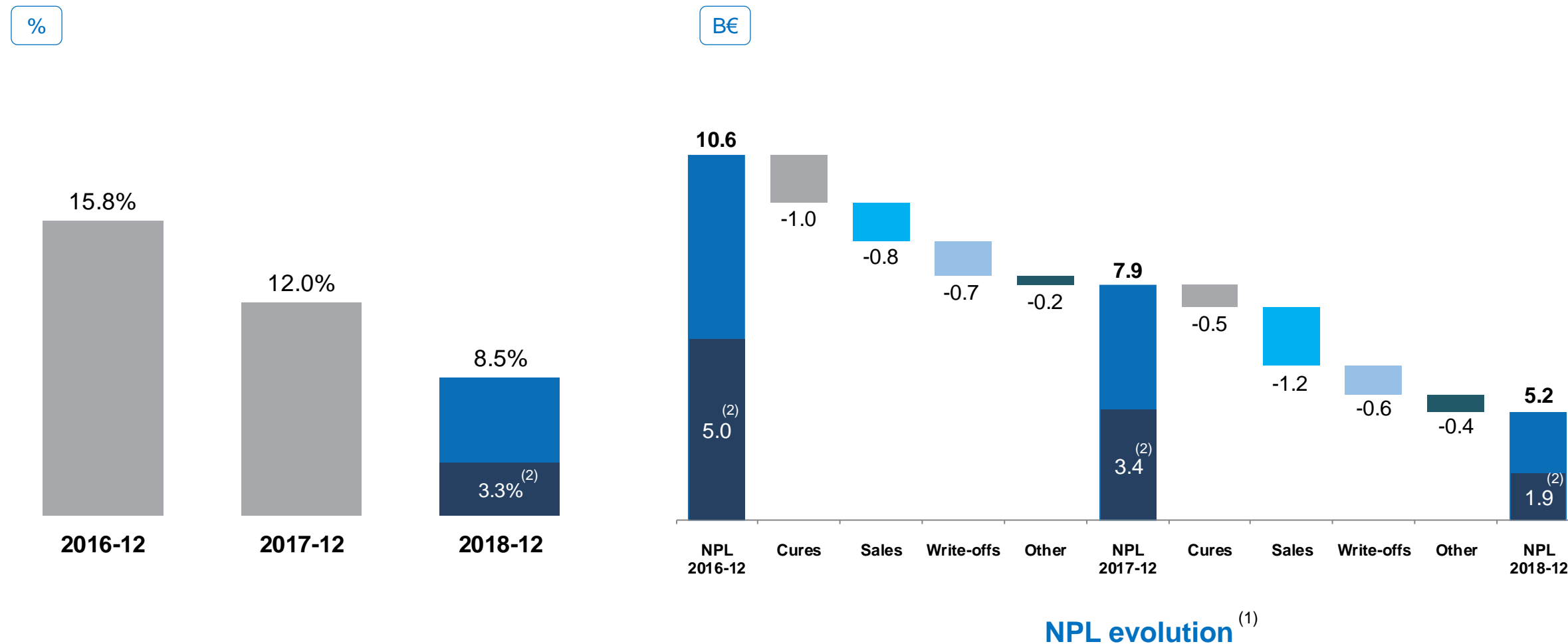


Gross Ratios



(1) NPE – Non Performing Exposure and NPL – Non Performing Loans – EBA definitions; (2) EBA Risk Dashboards – Sep 2018

## Strong action on NPL allows 2.7 B€ reduction in 2018, (5.4 B€, -51%) since December 2016...



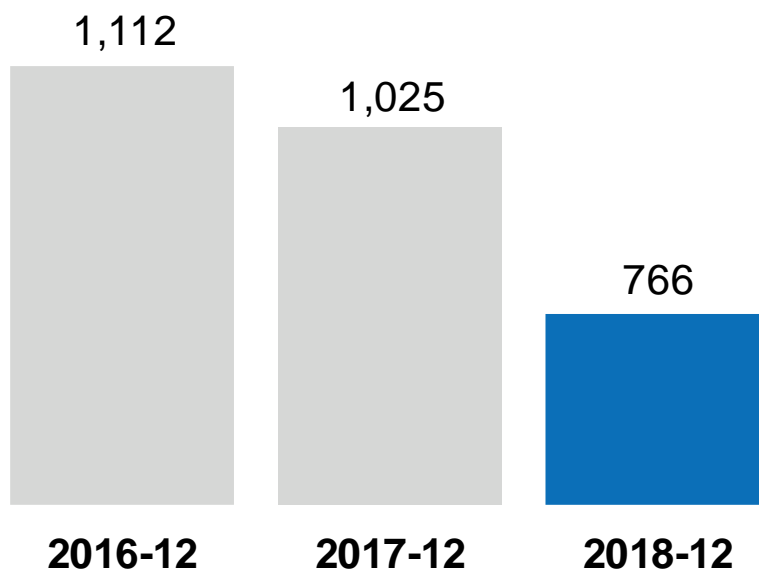
(1) NPL – Non Performing Loans – EBA definition.

(2) NPL net of impairments.

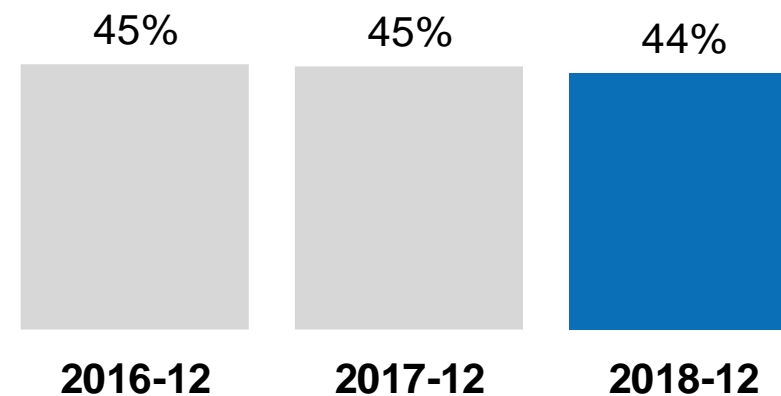
## Strong Reduction on Foreclosed Assets (Real Estate)

M€

%



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



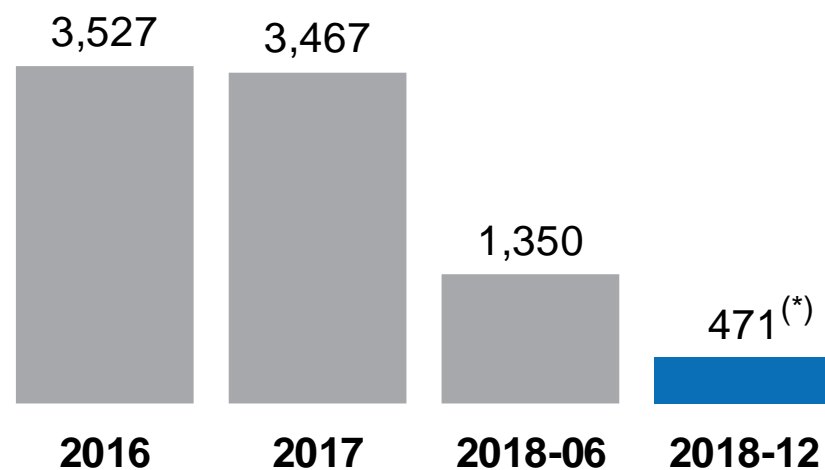
**Coverage by Impairments**



Liquidity

## CGD removes the risk of ECB refinancing (TLTRO)

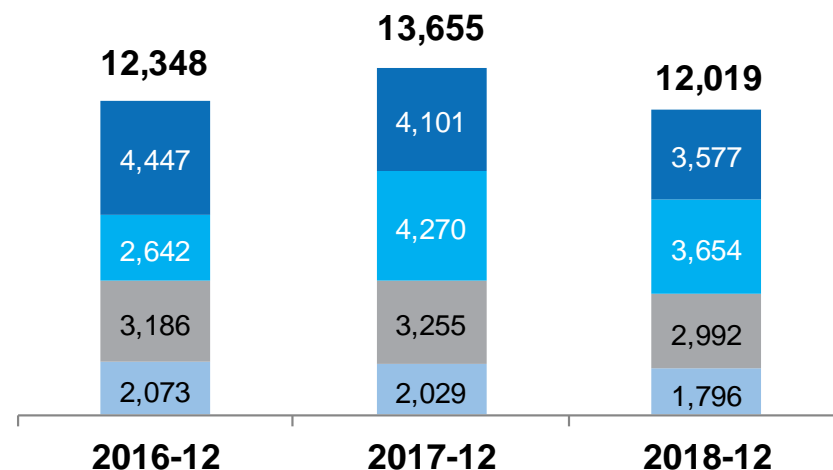
M€



**ECB Funding  
(Consolidated Activity)**

(\*) Total value refers to BCG Spain

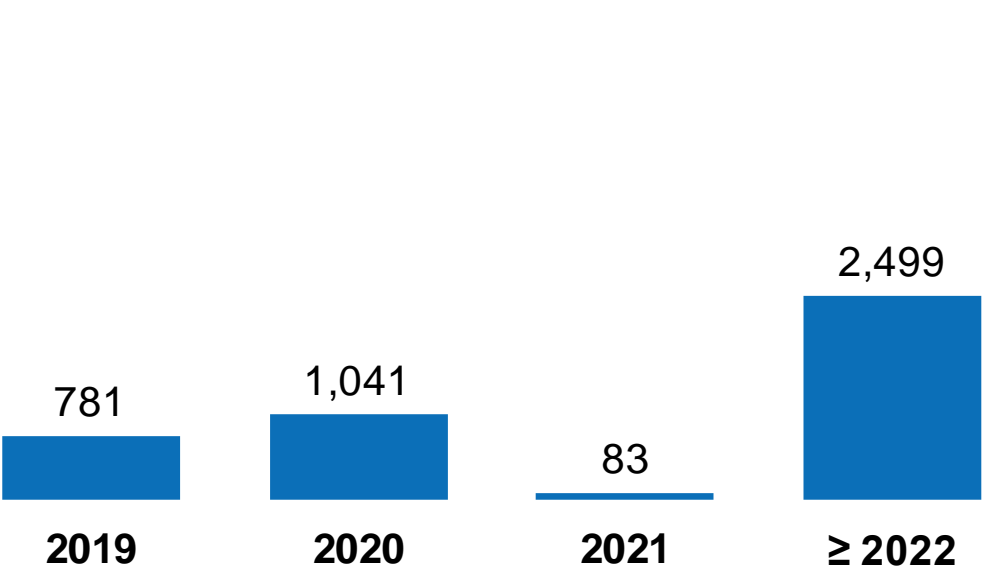
■ Other Bonds ■ Other Sovereign Debt  
■ Portuguese Sovereign Debt ■ CGD Group Issuances



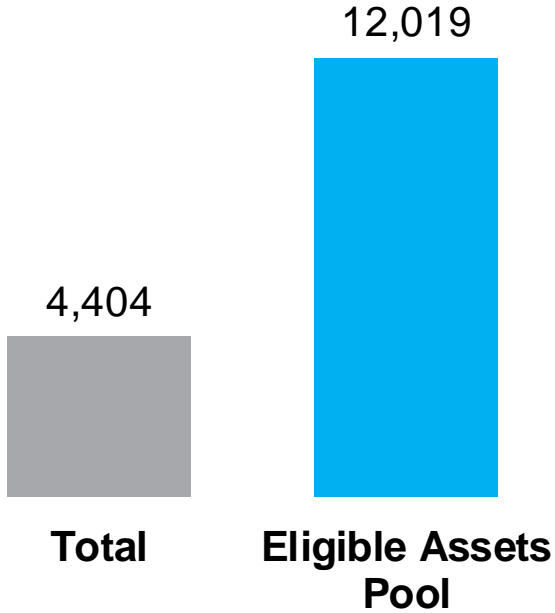
**Eligible Assets in ECB Pool  
(Consolidated Activity)**

# Wholesale Debt maturities fully covered

M€



Annual maturities of Wholesale Debt



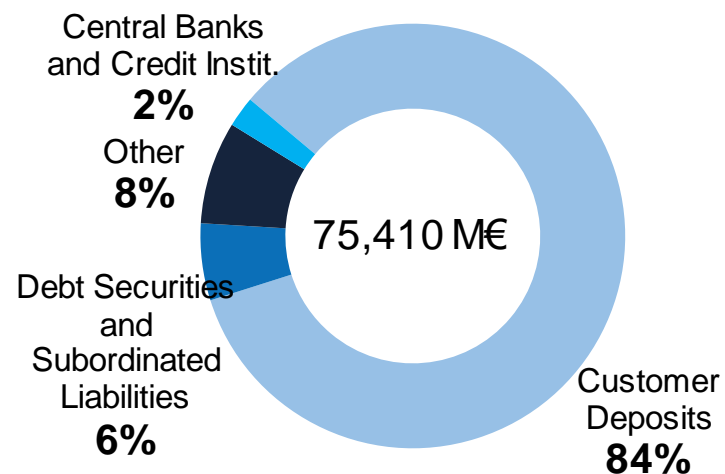
Total vs Eligible Assets Pool



## Stable funding structure based on retail funding...

%

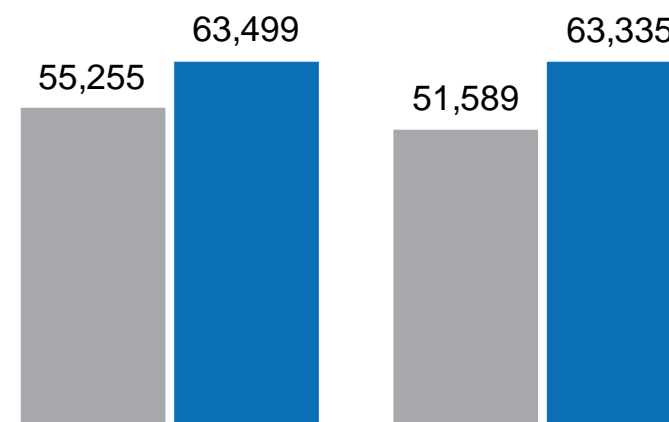
M€



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

87%

81%



2017-12

2018-12

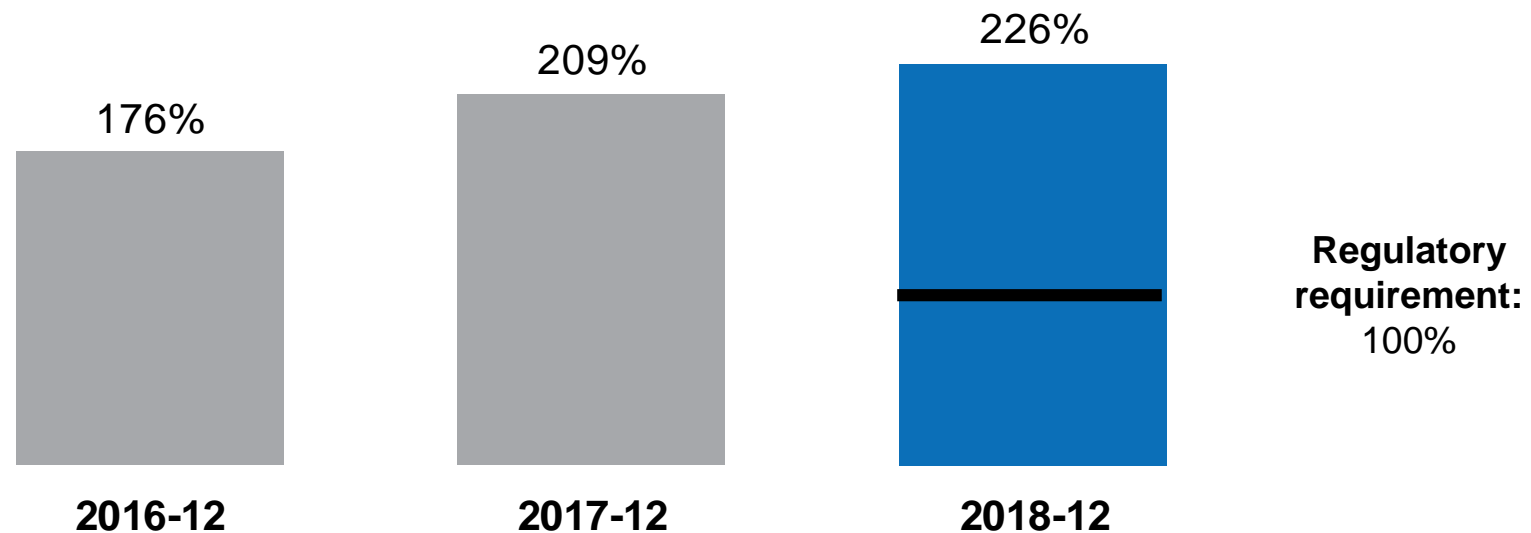
**Loans-to-Deposits Ratio**

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

(1) Excluding non-current liabilities held for sale

## ...with a strong liquidity position

%



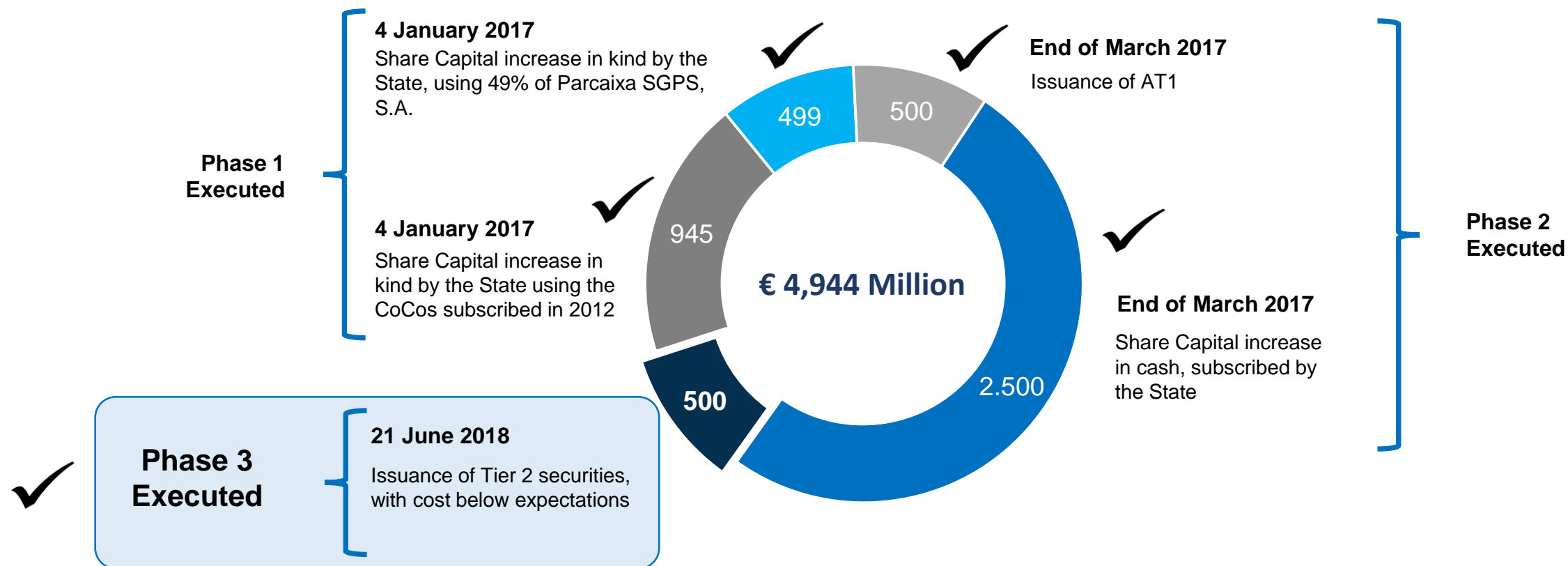
Liquidity Coverage Ratio (LCR)



Capital

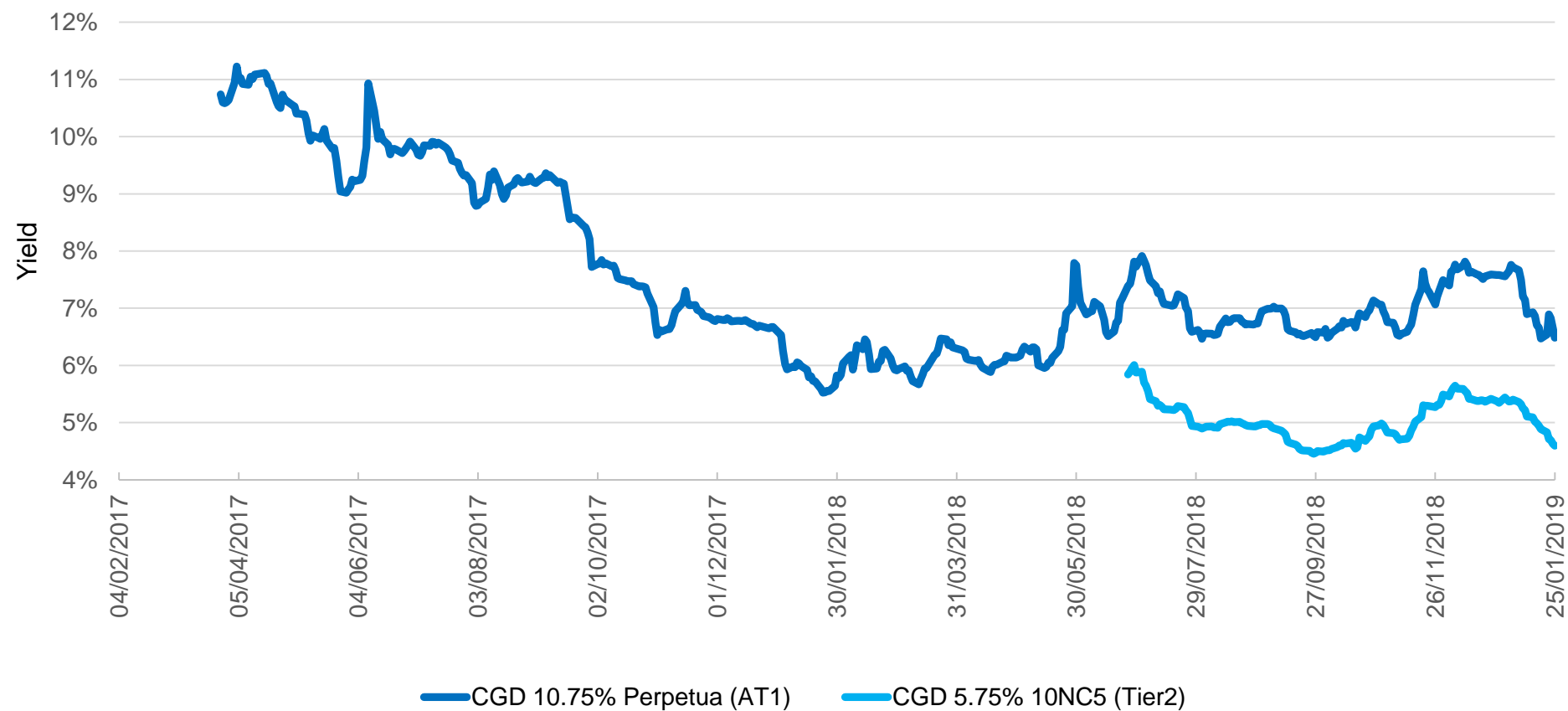
## Recapitalization Plan concluded with Tier 2 issuance in June 2018

M€



## Tier 1 and Tier 2 issuances with Yield reduction

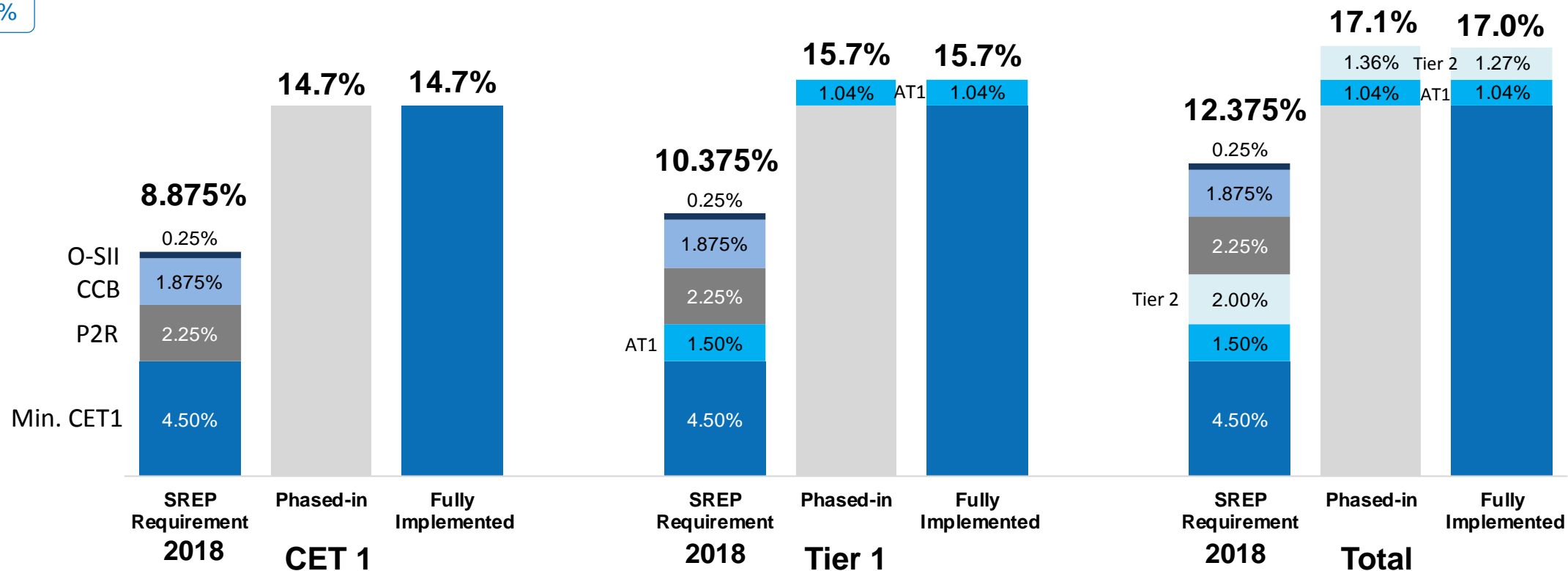
%



Source: Bloomberg

## CGD complies with capital requirements

%

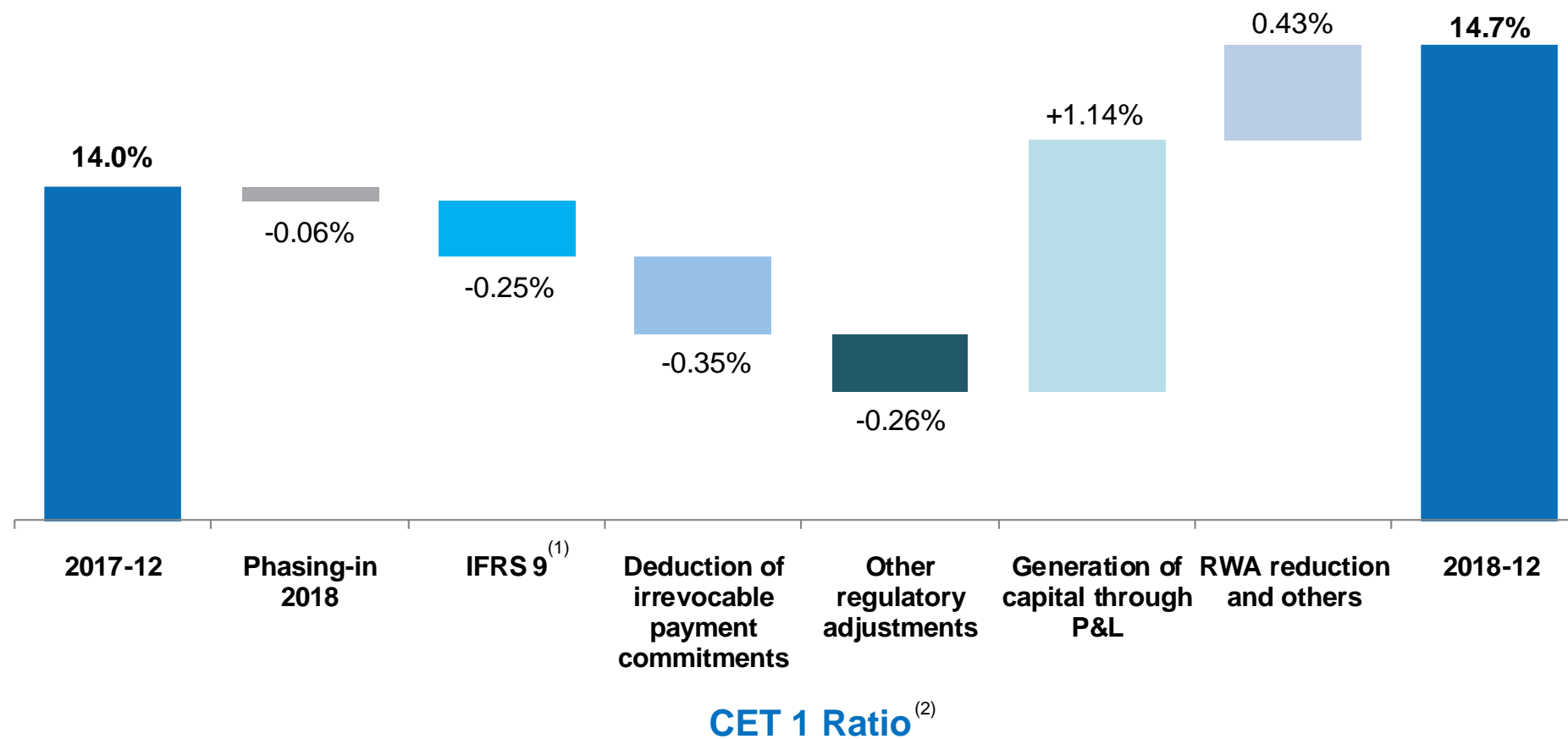


**SREP 2018 Requirements and CGD Capital Ratios in 31 December 2018<sup>(1)</sup>**

(1) Ratios include net income of the period.

## CET 1 Ratio: Evolution in 2018 reinforces solvency

%

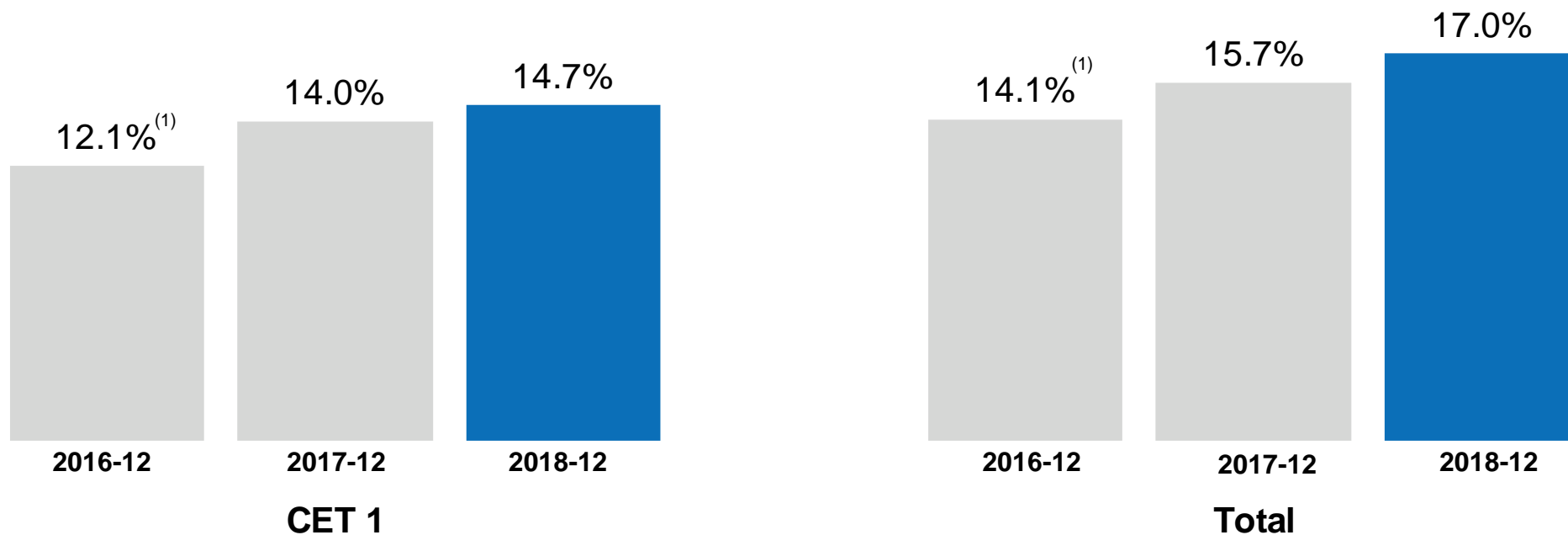


(1) IFRS 9 implementation without using the allowed phasing-in period.

(2) Ratios include net income of the period.

## Sustained improvement of Capital position after the recapitalisation, consolidates CET1 rise of 260 b.p.

%



Capital Ratios Evolution (Fully Loaded)<sup>(2)</sup>

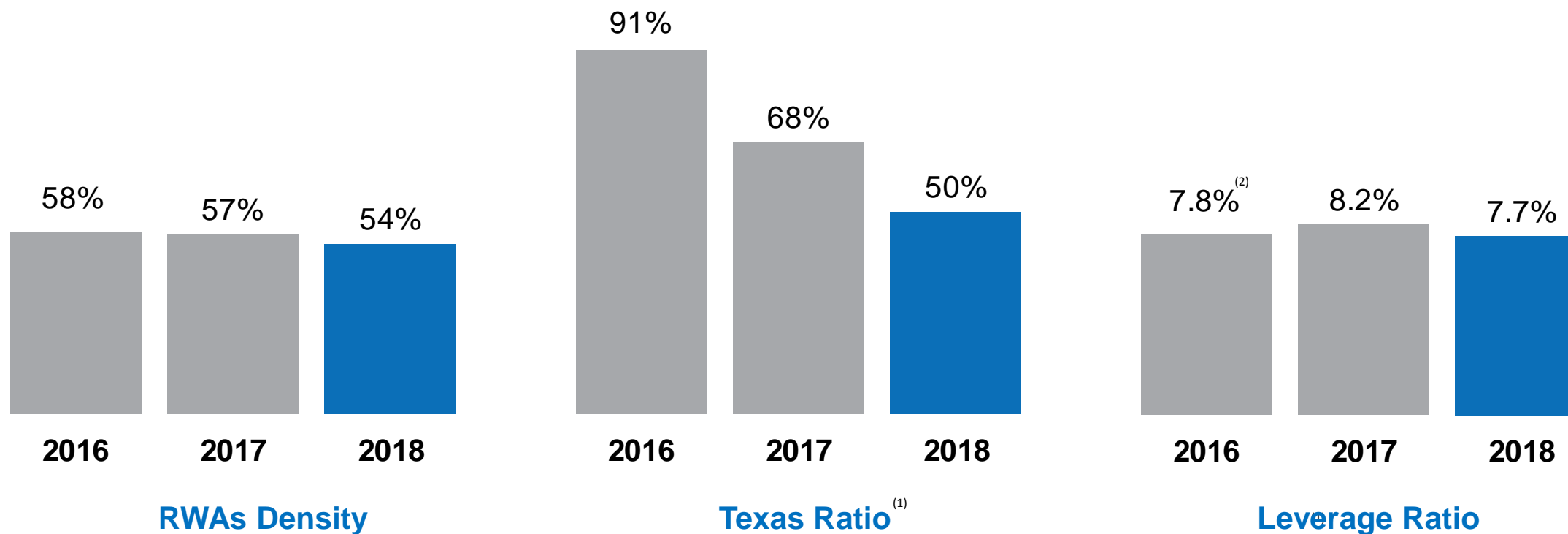
(1) Proforma, including stages 1 and 2 of the Recapitalization Plan.

(2) Ratios include net income of the period.



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

%

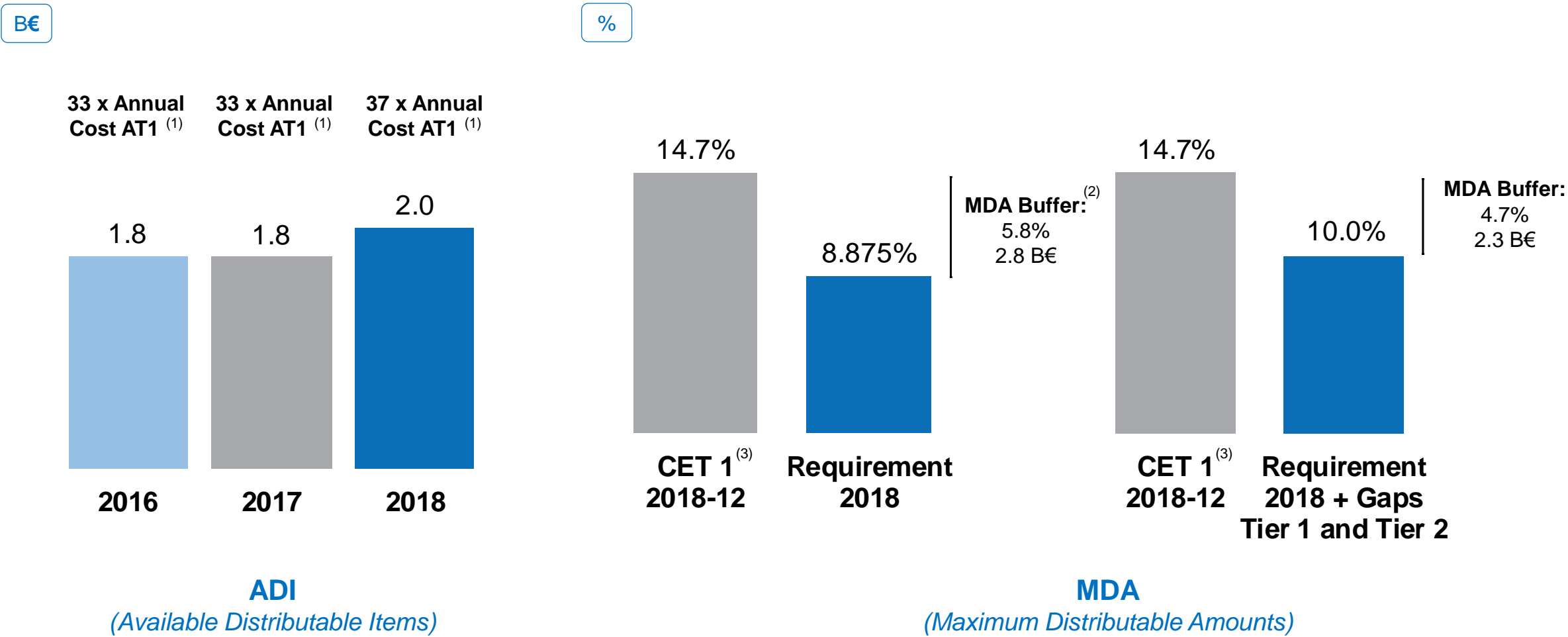


RWA fully implemented (2018-12): 48.4 B€

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

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

# 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.  
(3) Ratios include net income of the period.



# Highlights

# 2018<sup>(1)</sup> confirms progression on profitability and asset quality, with a sound capital position...

## Business<sup>(2)</sup>

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

#### 2018 vs. 2017:

- ✓ Net interest income:
  - CGD Portugal: +2%
- ✓ Commissions: +2%;
- ✓ Core income:
  - CGD Portugal: +7%
- ✓ Operating costs: -11%
- ✓ Core operating income: +14.6%
- ✓ Recurrent cost-to-income: 52%

## Asset Quality<sup>(3)</sup>

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

#### 2018:

- ✓ Cost of credit risk: 0.21%
- ✓ NPL: 8.5%
- ✓ NPL Coverage by impairments: 63.5%

## Liquidity

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

- ✓ Deposits: 84% of liabilities<sup>(5)</sup>
- ✓ Pool of collateral: 12.0 B€
- ✓ LCR: 226%
- ✓ Loans-to-deposits: 81%

## Capital<sup>(3)</sup>

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

#### Capital ratios (fully loaded)

#### 2018 vs. 2017:

- ✓ CET1: 14.7% (+0.7 pp)
- ✓ Tier 1: 15.7% (+0.7 pp)
- ✓ Total: 17,0% (+1.8 pp)



2018

ROE<sup>(4)</sup> = 6.6%

(1) The 2017 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.

(2) Non-recurring costs of € 47.9 million in 2018 and € 31.1 million in 2017 were considered, relating to employee reduction programmes, as well as other administrative expenses;

(3) 2018 solvency and asset quality ratios are estimated, subject to change when definitive values are determined. Solvency ratios include net income of the period;

(4) Current activity ROE = (net income + non-recurring costs + non-controlling interests) / Shareholders' equity (average of 13 monthly observations); Annualized value;

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

## ... allowing to reinforce the main targets for the fulfillment of Strategic Plan 2017 - 2020

	2018 Execution	2020 Strategic Plan Targets	European Banking Average <sup>(3)</sup>
<b>Return on Equity (ROE) <sup>(1)</sup></b>	6.6%	> 9%	7.2%
<b>Recurrent Cost-to-Income</b>	52%	< 43% <sup>(2)</sup>	63.2%
<b>NPL Ratio</b>	8.5% <i>(Impairment coverage of 63.5%)</i>	< 7%	3.4% <i>(Impairment coverage of 45.7%)</i>
<b>CET1 Fully loaded</b>	14.7%	> 14%	14.5%



Thank You

# 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 2018, except otherwise stated.

This document is an English translation of the Portuguese language document “Resultados Consolidados de 2018”. In the event of any inconsistency, the original version prevails.

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