Business Adaptive Strategies in Crisis: The Case of CGD

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Abstract

Title: Business Adaptive Strategies in Crisis: The Case of CGD

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Reinforcement of regulatory measures in the European banking sector, with a view to guaranteeing the system's sustainability in the aftermath of the global financial crisis, led to the need for several credit institutions to adapt to accommodate the new requirements imposed. Caixa Geral de Depósitos, which is the subject of this dissertation, underwent a recapitalisation in order to comply with the requirements and was subsequently subject to a recapitalisation plan under the supervision of the European Commission.

The dissertation follows the pedagogical research model, in the form of a case study, seeking to illustrate the strategic adaptations carried out by CGD over the last decade and their results. The materials provided are intended to serve as a tool to support the teaching of the case study, being adaptable to the needs and objectives of the session in which they are used, creating a link between the theoretical concepts developed in the context of strategic management and their applicability in real cases.

This case was based on information gathered through interviews with members of the bank's board of directors and associations involved in the Portuguese banking sector, as well as publicly accessible documents.

Keywords: Banking, Strategy, Portugal, Financial Crisis, Recapitalization, Competitive Advantage, Dynamic Capabilities, Resource-Based View

Resumo

Título: Estratégias de adaptação de empresas em situação de crise: o caso da CGD

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O reforço das medidas regulatórias no setor bancário europeu, com vista a garantir a sustentabilidade do sistema nos pós crise financeira mundial, levou à necessidade de várias instituições de crédito adaptarem-se de forma a poderem acomodar as novas exigências impostas. A Caixa Geral de Depósitos, em estudo na presente dissertação, necessitou de uma recapitalização de forma a cumprir com os requisitos e subsequentemente sujeita a um plano de recapitalização sob supervisão da Comissão Europeia.

A dissertação segue o modelo de investigação pedagógica, em forma de caso de estudo, procurando ilustrar as adaptações estratégicas levadas a cabo pela CGD no decorrer da última década e o resultado das mesmas. Os materiais disponibilizados pretendem servir de ferramenta de apoio ao leccionamento do caso de estudo, sendo adaptáveis às necessidades e objetivos da sessão em que são utilizados, criando uma ponte entre os conceitos teóricos desenvolvidos no contexto de gestão estratégica e a sua aplicabilidade em casos reais.

O caso teve como base para o seu desenvolvimento, informação recolhida por meio de entrevistas a membros do concelho de administração do banco e de associações intervenientes no setor bancário português, bem como de documentos de acesso público.

Palavras-chave: Banca, Estratégia, Portugal, Crise Financeira, Recapitalização, Vantagem Competitiva, Capacidades Dinâmicas, Visão Baseada em Recursos

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This accomplishment would never be possible without the presence and support of all these people. For this, I will always be grateful.

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List of Abbreviations

BaaS	Banking as a Service
CET1	Common Equity Tier 1
CGD	Caixa Geral de Depósitos
DG Comp	Directorate-General for Competition
ECB	European Central Bank
EU	European Union
FAP	Financial Assistance Programme
IMF	International Monetary Fund
M&A	Mergers and Acquisitions
NPL	Non-performing loans
RBV	Resource-based View
ROE	Return of Equity

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I. Introduction

In 2008, the Global Financial Crisis demonstrated the fragility of the world's financial system. While the aftermath and its impact in the American banking sector is well-know and discussed in very broad forums, the consequences resulted from the crisis in banks of other regions is not as thoroughly analysed nor debated. A number of case studies in the academia can be found about the notorious J.P. Morgan Chase, Citigroup and Bank of America bailouts or the failure of Bern Stearns and Lehman Brothers, but there is a noticeable lack of academical documentation about the experience of European banks during this time. The presented case study intends to contribute for reducing the existing gap in literature on the recovery of non-American banks after the Financial Crisis.

In Europe, as a result of the macroeconomic scenario at the time derived from the crisis, economic uncertainty grew, triggered by the high level of public debt. Portugal was part of the group of countries (Portugal, Italy, Ireland, Greece, Spain) most affect by the deficit, which led to the intervention of the IMF and the implementation of the financial assistance programme. As part of the plan laid out by the International Monetary fund, new capital requirements for Portuguese banks were introduced to guarantee the long-term stability of the sector, leading to the recapitalization of several credit institutions in the country. The most prominent banks in the country, like BCP, BPI and Banif received capital injections in the form of hybrid securities under the Portuguese recapitalization scheme, to insure they could fulfil the new obligations.

Caixa Geral de Depósitos was no exception to the effects of the global recession and Portugal's financial rescue. The public bank had and continues to have a principal mission in the national economy as "[a] privileged partner in the Portuguese economy's development project" (Mário Centeno, 2016), and so undergone a capital injection and subsequent implementation of a restructuring plan overseen by the EU, inevitable to ensure its subsistence in the financial system. Throughout the last decade, CGD established a series of strategic changes that enabled it to maintain its position as market leader in Portugal, at the same time it improved its balance sheet and ensured the resilience of its operations.

The current decade has put to test the bank's ability to transform and remain competitive. New players have entered the already competitive market with better technological capabilities and attractive new offerings forcing the improvement of the digital integration of the bank and the development of differentiated products that can maintain the clients base and continue to attract new customers. The macroeconomic outlook has also been quite dynamic; in 2020 COVID-19 caught the world by surprised and CGD showcased its capacity to quickly adapt to overnight change and to adapt its infrastructure to the new reality. A new scenario of positive interest rates in Europe, demanded credit institution to rethink the strategy due to increase costs of funding and higher pressure from customer to offer better returns on the saving products.

II. Literature Review

1. Resource-based View

Development of literature on Resource-based view was marked by the publishing of the paper "A Resource-Based View of the Firm" by Wernerfelt (1984). His seminal work expanded the scope of strategic analysis from the existing research focused on a primarily industry-based view, which only looked at external factors, to the relevance of internal resources and capabilities as a source for sustained competitive advantage (Priem & Butler, 2001). Hitt, Ireland and Hoskisson (2017), best characterized the resource-based view as a model which "(…). assumes that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis for a firm's strategy and its ability to earn above-average returns."

The RBV framework is based on key concepts, fundamental for the study of strategic theories and the understanding of firms positioning, such as resource and competitive advantage. A resource can be described as "anything which could be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984). Resources can be classified as tangible (capital, equipment, buildings, etc.) or intangible (brand name, in-house knowledge, efficient procedures, etc.), and used by firms to develop strategies which improve their competitive advantage. Competitive advantage exists when a firm implements a strategy which creates value and it is not being used by competitors, while when sustainable competitive advantage is mentioned, competitors are not implementing the same strategy and also cannot replicate its benefits (Barney, 1991). There's a consensus in literature, establishing that competitors in both competitive advantage and sustainable competitive advantage can be current competitors or potential looking to enter the market in which the firm operates (Baumol, Panzar, and Willig, 1982).

Barney (1991), in his research "Firm Resources and Sustained Competitive Advantage" developed the VRIO framework, under the assumption that firm resources can be heterogeneous and immobile. The framework is used to identify and analyse potential sources of sustained competitive advantage, and establishes four attributes (valuable, rare, inimitable, non-substitutable) for the assessment of resources and capabilities. The author describes a valuable resource as one that allows the firm to improve efficiency and effectiveness, and rare when it's not possessed by the competitors. The paper sums the rareness of resource stating that "as long as the number of firms that possess a particular valuable resource (or a bundle of valuable resources) is less than the number of firms needed to generate perfect competition dynamics in an industry, that resource has the potential of generation a competitive advantage" (Barney, 1991). The substitutability of resources can derive from being imitable, that is a competitor can copy the resource and use it, or in cases where this is not possible it can happen when another firm uses a different resource which produces the same effect. Combination of this attributes in a firm's resources or capabilities can provide a firm with a sustainable competitive advantage for an extended period of time (Priem & Butler, 2001).

2. Dynamic Capabilities

Research into dynamic capabilities arose from the necessity to extend the resource-based view, as it lacked the ability to explain the origin of the competitive advantage of firms in environments characterized by rapid and unpredictable change (Eisenhardt and Martin, 2000). As organizations grapple with increasing complexity and uncertainty, dynamic capabilities present a promising framework for implementing strategies that foster competitive advantage in the face of change. Teece *et al.* (1997), defined the concept of dynamic capabilities as the "firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Other researchers have used similar terms to describe this concept, such as "combinative capabilities" (Kogut and Zander, 1992) or "architectural competence" (Henderson and Cockburn, 1994).

According to Eisenhardt and Martin (2000), dynamic capabilities are influenced by market dynamics; in moderately dynamic markets "they are complicated, detailed, analytical processes that rely extensively on existing knowledge and linear execution to produce predictable outcomes", whereas in more dynamic markets, with less defined industry structure, "they are simple, experiential, unstable processes that rely on quickly created new knowledge and iterative execution to produce adaptive, but unpredictable outcomes".

Application of resource-based view to the dynamic capabilities' framework, led to the prevailing notion that they are specific and unique to the firm (Barreto, 2010). Barreto (2010), highlights that firms, most of times, develop their own dynamic capabilities internally instead of acquiring them from external sources. These capabilities are deeply embedded within organizational processes, which are defined by the firm's specific characteristics. As a result, dynamic capabilities are highly distinctive across firms, leading to a competitive landscape characterized by "firm-specific paths, unique asset positions, and distinctive processes (Barreto, 2010)".

In order to maintain competitive advantage, firms need to continuously develop and renew their dynamic capabilities. Teece (2007), identified sensing, seizing, and reconfiguring as processes that enable management to find value enhancing asset combinations inside the firm. It is further recognized knowledge as firms' most valuable asset which are not possible to be replicated by competitors.

3. 5 Forces of Porter

Introduced in Michael Porter's seminal work "How Competitive Forces Shape Strategy" in 1979, the Five Forces framework was developed to help firms find a position in the market where it can control the forces in a way where it can defend itself and/or benefit from them. By understanding the sources of the competitive pressures, firms should be able to design a strategy which highlights its strengths and protects the weaknesses and a positioning that yields the greatest payoffs. The five competitive forces identified by Porter are: threat of new entrants, bargaining power of suppliers, bargaining power of customers, threat of substitute products or services, and competitive rivalry among existing firms. In contrast with RBV, this framework focusses primarily on external factor rather than on internal elements of the firm.

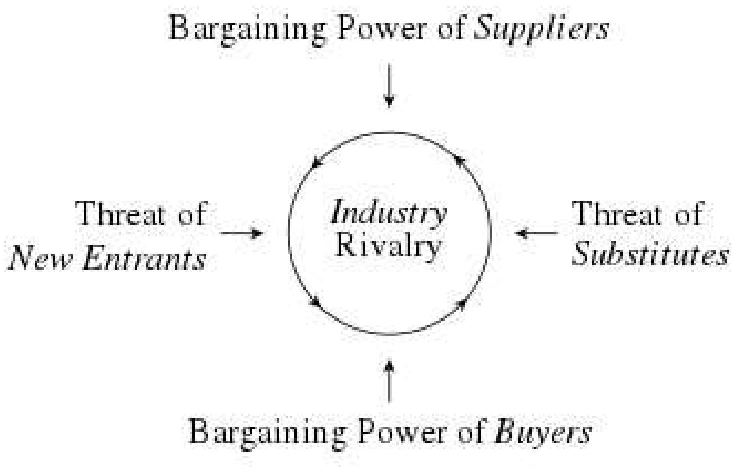

Figure 1 Graphical representation of Porter's five forces

The extension of threat of new entrants is designated by the reaction new entrants can expect from the incumbents and the existing barriers to entry. When entering the market, new players bring new capacity and desire for market share (Porter, 1979). Porter identified six major sources of barrier to entry. Economies of scale require new entrants to produce at large scale, or they will be at a cost disadvantage. Product differentiation is present as barrier due to costs undergone by entrants to overcome the existing customer loyalty, and to some industries having significant capital requirements which demand big investments at the start reducing the attractiveness of the industry. No matter the size of new entrants, cost disadvantages might be linked to certain characteristics of the industry such as learning curve or favourable location. Mostly common on highly regulated industries, government policy might pose a barrier to enter a given market, through the necessity of licences or limitation of certain business practices.

Both suppliers and buyers can exert pressure on firms and ultimately affect their profitability and positioning on the market. Suppliers can influence the margin of firms by increasing prices or reducing the quality of the services or good they provide. The bargaining power of suppliers is dependent on the scarcity of players that sell to the industry, as well as substitutability and switching costs associated with the service or good supplied. The relevance of the buyer to the supplier is also an important determinant of the power attributed to the latter. Firms are also susceptible to buyers bargaining power, determined by the diversity of its customer base, switching costs and substitutes products. The concentration of high volumes in a group of buyers, poses a threat to the supplier as they might take advantage of their positioning to lower their costs. Existence of alternatives products/services in the market, facilitates the possibility of buyers finding alternative suppliers with better costs, and buyers with lower profits are more inclined to create conditions to improve their margins and reduce costs from purchases, whilst buyers with higher margins are not as sensitive to pricing (Porter, 1979).

Threat of substitutes is defined by ease of buyers to find substitutes which satisfy the same need as the industry's products or service. Substitutes are always present, and the threat has a direct negative impact on the profitability of the industry since it places a price ceiling on the products and services. To limit the threat of substitutes, firms should offer better value through wider product accessibility (Porter, 2008).

Rivalry among existing competitors can take form through pricing competition, product innovation and marketing campaigns, for example. The rivalry, similarly, to other threats previously describe, affect firms' profitability and its extent is dependent on the intensity of the competition as well as its basis (Porter, 2008). Intensity of rivalry, according to Porter (1979), is greater when there's a larger number of competitors, slow growth of the industry and the exit barriers are high, resulting in the unprofitability to exit the market. Competitions mostly based on pricing result in the transfer of the profits from the industry to the customers, and if maintained long term, will result on the reduction of importance of the quality of the goods and service and increase attention to lower prices as a factor in the purchasing decision (Porter, 2008).

4. SWOT Analysis

SWOT analysis was developed by a research conducted at Stanford University by Alberth Humphrey during the 1960's, having been firstly introduce as the SOFT approach, part of the System of Plans (Stewart et al., 1965). The model, as its acronym reveals, assesses the strengths, weaknesses, opportunities, and threats of a firm. Its use has been widespread as a tool of support for strategic planning due to its combination on the assessment of internal and external factors (Helms & Nixon, 2010). Humphrey (2005), defines six programme-planning categories (product, process, customer, distribution, finance, and administration), used to delineate short- and long-term priorities of the firm.

Albeit the model has become popular, scholars have presented critics and suggested new adaptions. Panagiotou (2003) pointed out limitations and the vagueness and oversimplification of the model. Today's context is significantly different from the one when the SWOT analysis was created, with numerous changes in strategic management as well as new factors relevant for the definition of the context of a firm (Warren, 2002). The industry is dynamic and in constant change, and the SWOT analysis lacks consideration of this element since it treats the external environment as static (Hill and Westbrook, 1997).

III. Case Study

On April 21, 2021, the conclusion of the monitoring of the 2017-2020 Strategic Plan by the European Commission's Directorate-General for Competition ("DG Comp") was announced, setting the end of CGD's recapitalization period which began in June of 2012. In recent years, the bank has achieved remarkable milestones in terms of revenues and profits, and in resilience, having achieved the best score in the latest European Central Bank ("ECB") stress test.

The bank led structural strategic adaptation with the goal to guarantee the long-term sustainability of its operations. A number of initiatives were introduced to concentrate the various segments where Caixa Geral de Depósitos is present, focusing primarily on core activities and reducing the investment on less strategic business areas. Additionally internal processes were rethought to achieve higher efficiency and cost-effectiveness. Notably, the customer approach took an increasingly digital role guaranteeing the maintenance of the quality of service provided from the physical presence dimension.

Sustaining a leadership position, as CGD has done for the last decades, has become increasingly difficult, especially in a highly dynamic industry like the banking sector. New challenges have arisen, such as changing interest rates in the European Union ("EU"), the entrance of new players with strong capabilities in the technology, the likes of neo-banks such as Revolut and other FinTech firms motivated to introduce new products that disrupts the traditional banking offering, which pose a threat to its market share. Even so, CGD has been focused on guaranteeing that it doesn't stay behind, with a strong bet on the transition to digital banking.

1. Portuguese Banking Sector

As of march of 2023, the Portuguese banking sector was made up of 140 credit institutions with over € 434 billion in total assets (APB, 2023). Even so, 80% of the assets available are controlled by CGD, Millenium BCP, Santander, Novo Banco, and BPI, resulting in a concentration of the market on these 5 players.

The European Debt Crisis had a strong impact on the sector, with a wave of recapitalizations across all major players. Well established international financial groups used this opportunity to enter or reinforce their position on the Portuguese market by entering the capital of existing banks, such as CaixaBank with BPI. The increase in competition helped fuel dynamism of the sector with improvement of structure efficiency and resilience and promoted investment in the modernization of the technological infrastructure of the banks. Stronger regulation imposed at a European level to institutions with activity within it, as well as the entrance of financial technology companies ("FinTech"), offering comparable services as traditional banks at a considerably lower cost to consumers and identical or better returns, have presented challenges in the development of competitive advantage for the incumbents.

Even so, whilst overcoming the challenges, the sector has successfully presented very positive signs of recovery from a difficult decade (2010's). Overall, the main indicators of financial efficiency and resilience of banks have reflected substantial improvements with total capital ratio of the sector reaching 19%, liquidity coverage ratio (LCR) set at 218% and the loan-to-deposit ratio (LDR) being 79.6%. The graph bellow helps understand the evolution of the development of the Portuguese banking sector.

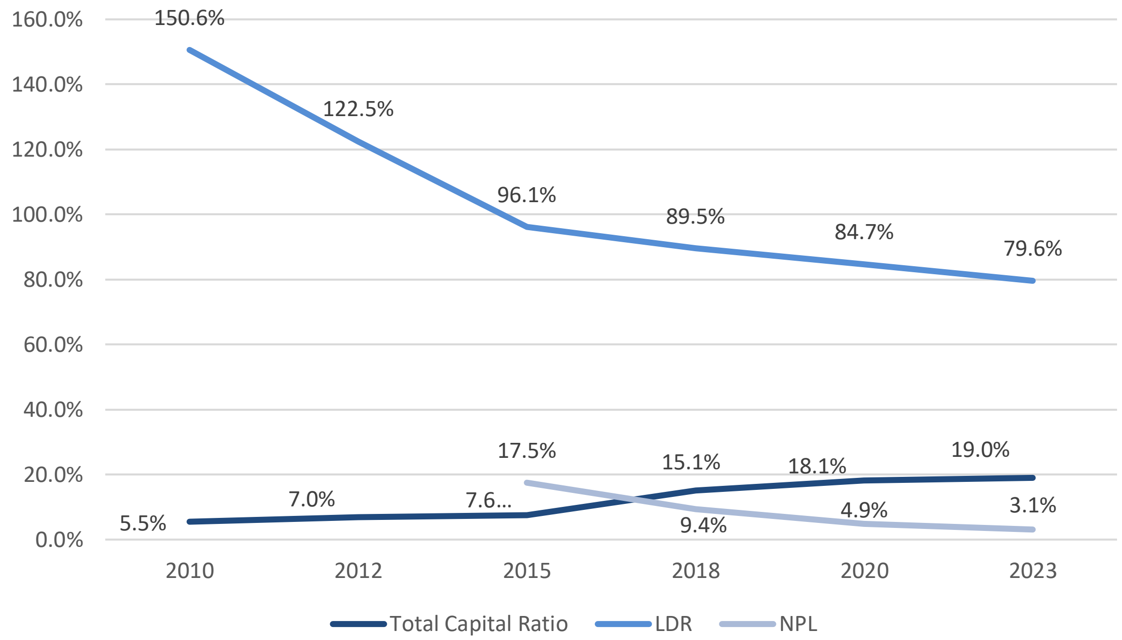

Figure 2 Evolution of the Portuguese Banking Sector

2. Caixa Geral de Depósitos

Founded in 1876, Caixa Geral de Depósitos ("CGD") is the largest bank and financial institution in Portugal, with over € 90 billion in total assets, solely owned by the Portuguese

State. The bank is also present in 17 international geographies with close cultural and commercial links to Portugal.

It always had a prominent role in supporting and promoting the Portuguese economy. Originally created to receive small deposits, it quickly gained an important status as the main source of funding to the Portuguese government. Throughout its years of activity CGD's legal entity was changed, shifting its positioning from Public Service to a State Company, most recently, in 1993, a Limited Company, solely owned by the Portuguese state.

In the first nine months of 2023, the bank posted a net result of € 987M, representing a 43% increase for the same period last year. It continued to solidify its position has market leader remaining the first choice for clients' deposits as well as for the mortgage product. With eleven thousand employees and an average ROE, since the recapitalization, of 7,8%, CGD reflects a transformation in the resilience and efficiency of its activity. It maintains its mission of supporting and developing the Portuguese economy and to contribute to society on the social front, accounting 521 branches nationally and 370 abroad.

	Country
Commercial Banking	
Caixa Geral de Depósitos	Portugal
Banco Caixa Geral	Brazil
Banco Nacional Ultramarino	Macao
Banco Comercial do Atlântico	Cape Verde
Banco Interatlâncio	Cape Verde
Banco Comercial e de Investimentos	Mozambique
Banco Caixa Geral	Angola
Asset Management	
Caixa Gestão de Ativos	Portugal
CGD Pensões	Portugal
Investment Banking & Venture Capital	
Caixa Banco de Investimento	Portugal
Caixa Capital	Portugal

	Country
A Promotora	Cape Verde
Other Services	
Caixa Serviços Partilhados	Portugal
Caixa Imobiliário	Portugal
Inmobiliaria Caixa Geral	Spain
Imobci	Mozambique
Other Financial Holdings	
Caixa Participações, SGPS	Portugal

Table 1 Caixa Geral de Depósitos Group Structure

CGD provides a wide variety of services and products, integrating them in a perspective of universal banking. Spanning from commercial banking to asset management, real estate, and investment banking, the bank offers its customer an integrated and complete solution for whatever their needs might be during the relationship with CGD. The integration of the different sectors in the bank's structure allows for the exchange of know-how and experience between the different entities, creating greater value for the organization and to clients.

Retail Banking

It is the main segment of the Portuguese bank, bringing in most of the revenue of the bank as well as costs. Divided in personal and business banking, in 2022, had over 3.4 million clients, with the earlier being the market leader in both deposits and credit.

Investment Banking

CaixaBI, CGD's investment banking division, offer services in Debt and Equity Market, corporate finance, project finance, structure finance, M&A and venture capital. The main target is medium to large enterprises, institutional investors, and the public sector. It takes advantage of the bank's international presence making it possible to support clients in cross market transactions. CaixaBI has been distinguished internationally for its activity in the Portuguese market and quality of services provided.

Specialized Credit

Focus on financing goods and services acquisition for private and business clients. Currently CGD provides four products of specialized credit: property leasing, equipment leasing, factoring and confirming. The overall sales value of this division of the bank, in 2022, amounted € 6.478M and registered a considerable market share in the Portuguese market.

Asset Management

CGD was the first financial institution introducing asset management in Portugal and was responsible for the launch of the first investment fund in the country. Currently, the division is formed by two separate entities: Caixa Gestão de Ativos and CGD Pensões. The first one focus on portfolio management of institutional and personal investors, and investment fund management, whilst the latter specializes in pension funds management.

1.1. International Activity

International operations have for long been an important strategic angle for CGD, with a strong focus on dynamic economies and countries with a strong cultural and economic connections to Portugal, namely the Lusophone Community. The bank's strategy is solidified by its prominent position in terms of market share and brand recognition in several countries, including Cape Verde, Mozambique, and Macau.

The strategic positioning in these markets resulted in a network between the international entities of the group, facilitating business and trade, offering to its customers a single commercial network for investments. On the personal banking segment, CGD strengthens ties with customers, positioning itself as the main financial partner for those living outside Portugal, whilst for business clients, it differentiates itself as an international platform to support companies that export or seek to internationalise, generating a superior value proposition and placing CGD at advantage to its counterparts.

Following the recapitalization, and in order to fulfil the objectives established by the restructuring plan that followed, CGD had to rethink its international presence. It underwent a optimisation process of its international presence, selling or divesting from non-performing and non-strategic operations, to reduce risk and focus on markets with relevant business flow with Portugal.

Figure 3 Internal presence of CGD Group

3. Recapitalization

2011 marked the high of the European Debt Crisis. The volatile capital market and lack of confidence by investors, resulted in difficulties in funding of the banking system. Consequently, that same year the Financial Assistance Programme ("FAP") came into place in Portugal, resulting in new capital and liquidity requirements for banks operating in the country. This juncture led to a deep restructuring of the Portuguese banking sector, with focus on the cost reduction and divestment from non-strategic activities.

To fulfil the new capital requirements, CGD was required to submit, in 2012, a Recapitalization Plan. Being a state-owned bank, the EU considered the recapitalization as State Aid which resulted in the implementation of a Restructuring Plan. The plan had as main guidelines supporting the Portuguese economy and increase the organizational focus on the banking business.

A reorganization of the activities in which the bank was present, took place with sight on concentrating its activity on core banking. CGD proceed to the sale of its participations in non-core sectors and other less strategic assets it possessed. Most notably, the bank reduced its majority stake in Fidelidade, Multicare and Cares, which were, at the time, market leaders in the insurance and health sector. The Restructuring Plan also looked into improving the bank's operational efficiency of its domestic activity, achieved with cost reduction measures such as the downsizing of the domestic branches' network and cutback on human capital. CGD improved its multichannel offering to customer, with remote banking solutions, maintaining the quality of the services provided with a reduction of its physical presence footprint as a result of the completion of the restructuring.

In 2016, the bank faced a new recapitalization due to the inability to adapt over new market conditions in Portugal and Europe as well as to declining interest rates set by the ECB, which affected its ability to sustain long term efficiency of operations. The recapitalization was based on a new strategic plan for 2017-2020, rooted on a new understanding, by the organization, of the new reality of the macroeconomic outlook and looking to insure the long-term sustainability of the bank.

The first main objective of the newly proposed plan was to adapt the retail banking division to insure it remained competitive and maintained the market leadership. To achieve this the commercial offering was rethought with the introduction of a new fee structure and products, such as debit and credit cards, and the adaptation of the deposits interest rate to be aligned with market. On the personal banking segment, an internal revision of mortgage applications was undertaken in efforts to improve efficiency, and the levels of decision in the segment were adjusted and simplified to improve time to market. With the business client's segment, the bank wanted to improve its efficiency as well as the sales approach. CGD carried a new development of methodology to improve the quality of the decisions made combined with an internal reorganization of the commercial department governance, resulting in efficiency gains.

Domestic operations were a key point for the improvement of the bank's overall efficiency. Its dense and costly infrastructure had to be reformed and adapted to the new circumstances of the market and bank. A new approach to the branches' network resulted in the closure of 180 locations and the introduction of a new in-store experience, promoting business development of financial products available for retail banking clients and maintaining cost effective day-to-day operations. CGD also simplified its structure by absorbing the Leasing and Factoring business, no longer existing two separate entities, which enabled the optimization of the resources of both firms and focus on core operations. To further reduce costs, during the duration of the plan, the bank cut-back on headcount by 2 285 employees, through internal programs for early retirement and contract termination by mutual agreement, resulting in compensation for the workers.

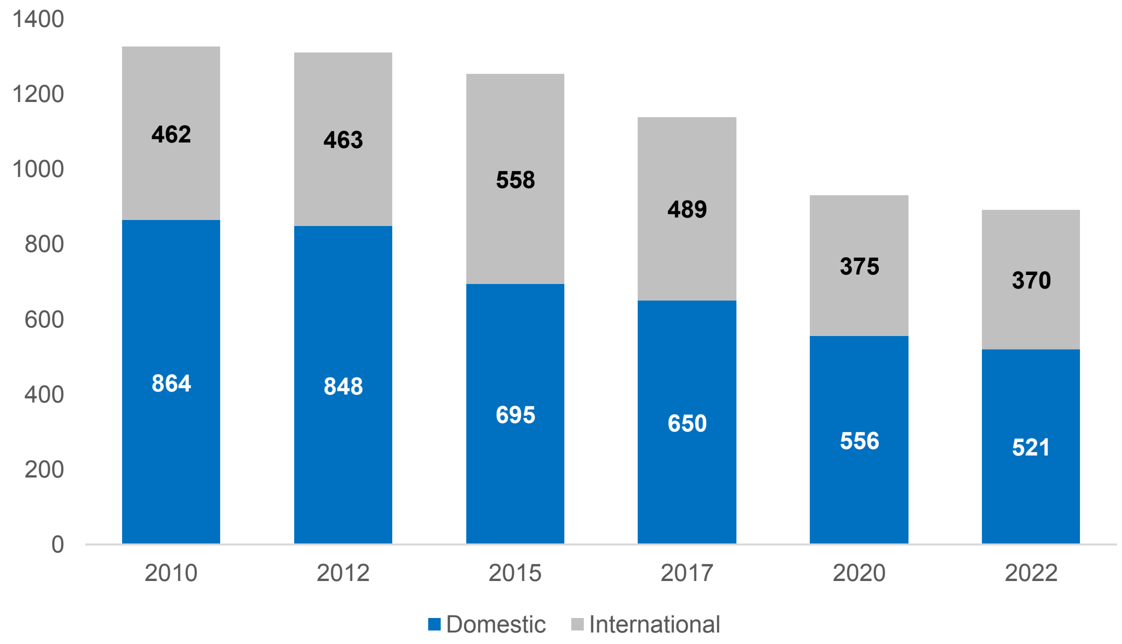

Figure 4 Distribution of Number of Domestic and International Bank Branches in Portugal (2010-2022)

To reduce exposure to international risk, CGD consolidated its international presence into strategic geographies with strong business connections to Portugal, which led to decision to sell assets located in non-strategic locations, such as Banco Caixa Geral (Spain), Mercantile Bank Holdings Limited (South Africa) and Banco Caixa Geral Brazil. Governance of the remaining international locations was remodelled with intention to standardize and align it to the existing governance of the main entity of CGD.

The relationship with the client remained the main focus of the bank. The technological developments in the industry forced the bank to address and incorporate a digital transformation strategy and to adapt the customer experience. To act on these challenges CGD launched several initiatives, such the release of a bank account aggregator app (“DABOX”), taking advantage of Open Banking, allowing clients, from both CGD and other banks, to manage and monitor their financial history from one place. Few years later, the app was awarded the best open banking app in Portugal. The online service and product offering was strengthened with the introduction of QR code payments, new trading resources, and the ability to open specialized services account online. On the business segment incentivized the use of digital-only solutions and introduced a new app, Caixa Pay, a digital POS allowing merchants to accept payments through their smart devices.

4. COVID-19

Amid a strategic plan with importance for the turnaround of the efficiency of the bank and recovery from a troubling period, the pandemic required a rapid strategic adaptation to the new reality and slowing down of the world economy. From the get-go, CGD establish measures to maintain the operations and insure the availability of services.

The momentum led to the acceleration of the digital transformation of the bank, both on the consumer front as well as for the organization. CGD was the first Portuguese bank allowing the opening of an account via app, without needing to go to a branch, creating a considerable advantage over its competitors in a period where most people were avoiding physical exposure. It was also made possible for clients to request online the moratorium of credit, a few weeks after lockdown. The contact centre was also adapted, at a time where it became the main point of contact between the clients and the bank, optimizing and automating processes. A similar approach was taken for business clients, making more services and products available to use purely online, as well as the development of a platform for digital treatment of documents for external commerce. The digital transformation of the business proved to be successful for CGD since, as of June of 2023, it had 3 million digital clients, representing close to 70% of its client base.

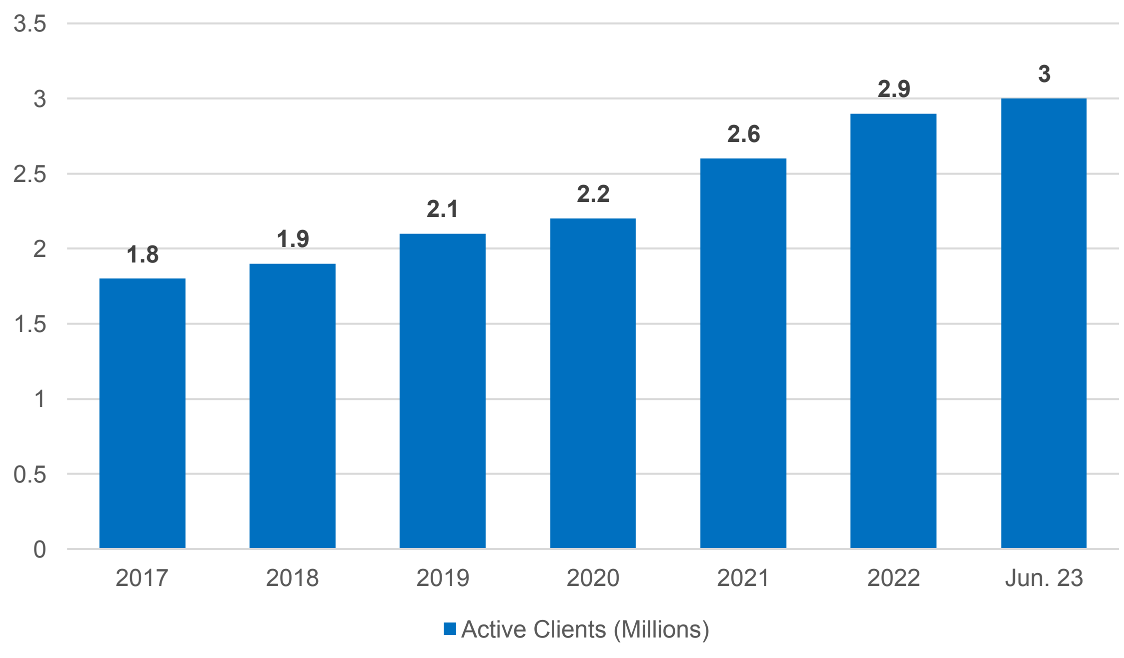

Figure 5 Evolution of the Active Digital Banking users (2017-2023)

Maintaining the alignment with its mission of supporting the Portuguese economy, during the pandemic the bank developed initiatives looking to help its clients during a difficult period led by rising inflation, increase of interest rates and high impact on businesses. To minimize the impact on companies, CGD introduced several credit lines, adjusted to the type of business, to support recovery, created special financing conditions for SMEs, and support measures for treasury and specialized credit. For the personal segment, the bank established fee exemption as well as protection for different types of credit, including mortgages, and made moratorium possible.

5. The Near Future

Over the last decade, CGD faced important transformations in operations, financial efficiency, and strategy. Even so, rapid change of the environment poses new challenges for the banking industry, which will test CGD's resilience and ability to adjust its strategy dynamically. The current strategic plan of the bank aims to create conditions for the institution to navigate and adapt overtime, with greater focus on the improvement of the customer experience.

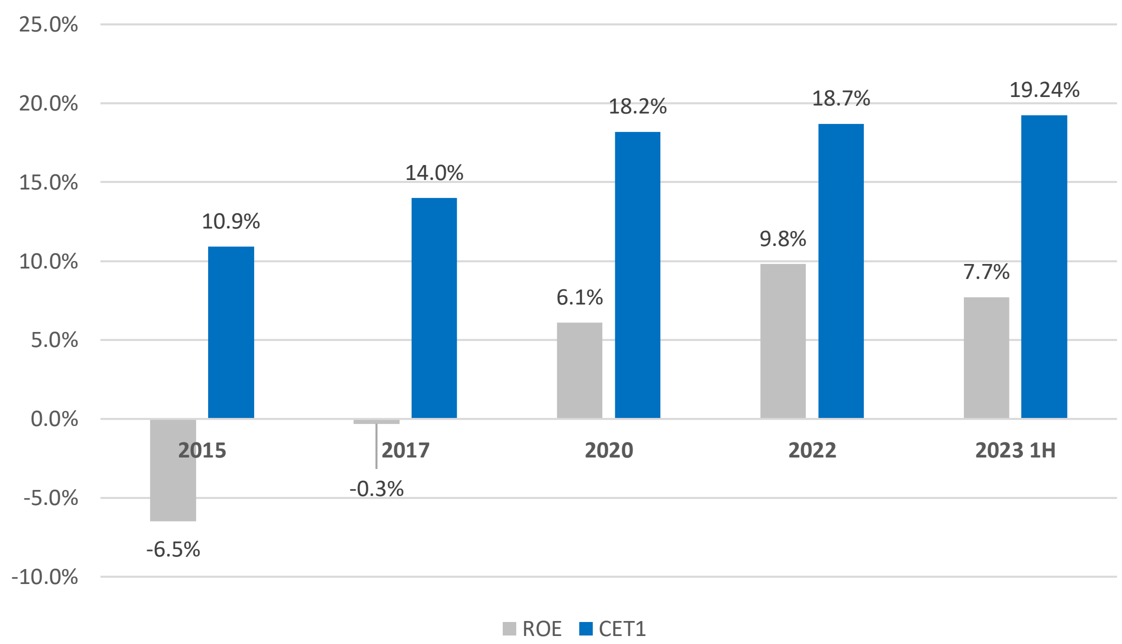

Figure 6 CGD's profitability and capital adequacy (2015-2023)

Technology will continue to lead the priorities of the bank, due to its importance for the digital transition and introduction of products and services to improve the value proposition. CGD recognizes the need to accelerate and invest in these improvements, in order to remain competitive and avoid adverse effect on the business. Customers, especially younger, desire better digital solutions from banks. The significant investment required for this development, demands discipline for maintaining the cost-effectiveness of operations, but it is essential to respond to the increasing competition from new players, better integrated with more developed technology and with less structural costs. A solution found by some incumbents has been to collaborate with FinTech, instead of competing, resulting in the exchange of capabilities and ease of deployment of technological solutions at a reduce cost, which without the partnership wouldn't be possible. Higher reliance on technology introduces new vulnerabilities, which the bank has to anticipate and consider in the development of new solution, such as cybersecurity and increase risk of money laundering ("AML"). The growing wide-spread use of crypto currencies and talks of the development of the digital EURO by the ECB also concerns the bank as to its future as far as can affect the overall activity and service offering, and the impact it might have on the long-term financial performance.

The macroeconomic outlook presents difficult challenges for CGD and the banking industry in general, . Rising inflation and the climb of interest rates represents a greater risk for the credit portfolio of banks, due to impact on repayment capacity of loans and amounts owed by borrowers resulting in the growth of their non-preforming loans (NPL), and the effect it might have on investments and deterioration of the economy. CGD's has tried to mitigate similar conditions in the past with the creation of special programs which provide additional support for all client segments, such as the renegotiating of credit conditions and the creation of special credit lines for businesses, helping to maintain their treasury and liquidity in the short term. Uncertainty arising from the present market landscape, can result in the depreciation of the asset portfolio of banks due to the overvaluation trend since the pandemic and in the increase of costs of issuance of financial instruments required for compliance of regulatory capital requirements. CGD has implemented risk management tools to alleviate and control these and other market risks to which is exposed, and exposures are constantly measured and monitored. However, it is difficult to accurately predict changes in economic or market conditions and anticipate the effects that such changes could have on the financial situation and results of operations.

Growing interest rates have hampered the ease of funding for banks. Clients expect higher returns on their deposits, in the current context, fulling competition between the various participants of the financial market to offer the best rates possible on their products, reducing their margins. New entrants, such as digital banks, offer better rates and more personalized services, at a time where changing accounts has become simpler, and customers are more accepting of these new alternatives to traditional banks, putting pressure to improve the offering available.

By participating in a highly regulated industry, CGD is subject to extensive supervision in Europe and in the international locations it conducts operations. Regulation touches upon a number of subjects, such as to liquidity, capital adequacy, money laundering, privacy, financial intermediation marketing and sales. Complying with issued regulation is resource intensive and failure to obey entails the payment of fines and restriction to the activity of the institution as well as reputational risk.

IV. Teaching Notes

1. Synopsis

The aftermath of the 2008 financial crisis created a ripple effect throughout the global economy affecting a number of industries, including the banking sector. Driven by economic instability and high levels of public and private indebtedness, Portugal implement a financial bailout programme in coordination with the ECB and IMF. The programme included provisions for reinforcement of bank capitals, which impacted the sector as whole.

CGD, as the biggest bank in the country, was affect by the implementation of the program had to undergo two recapitalizations as a strategic response to financial and regulatory pressures, aimed at strengthening its capital, improving financial stability, and guaranteeing the continuity of its operations. As the bank regained its stability, in 2020 the pandemic changed overnight the plans establish for the future years, demanding fast adaptability of the strategy implement and ability to react to a constantly changing environment.

The case delves into the strategic and operational decisions made during this period, in order to provide a tool of analysis and reflection of the applicability of management theories in the context of crisis.

2. Teaching Objective

The objective of the case study is to provide a holistic understanding of how a financial institution navigated through the intricacies of two recapitalization and adapted to the unprecedented challenges posed by the COVID-19 pandemic. Furthermore, it was intended to promote students to explore the role of adaptive strategies in responding to external shocks, which directly or indirectly affect companies long term capacity to stay competitive. The analysis and discussion of the case is expected to foster critical thinking by students and give an understanding on how theoretical concepts, such as resource-based view and dynamic capabilities, are present and applied in the real word.

3. Target Audience

The target audience of the case study are students enrolled in a bachelor's, master's, or pursuing other types of postgraduate degree, in the fields of Economics, Business Administration and Management. Discussion is intended for courses of strategy, but it can also be relevant as a broad introduction to the banking sector and its challenges in courses such as accounting, finance, and human resources management.

4. Teaching Approach

The suggested strategy for the discussion and analysis of the case study is a 90-minute session. A brief introduction to the case, prior to the proposed session, is advised, providing a contextualization of the banking industry in Portugal, and students should be asked to read and prepare the case, ideally, one week in advance. Furthermore, it is expected that the underlying theories and topics covered in the literature review have been taught beforehand and that the student have a clear grasp of how to apply them. Additional learning materials might be applied to the case study, depending on the decision of the instructor to broaden the scope of the session.

The proposed session should begin with an open discussion where students share the main takeaways from the case, allowing the lecturer to assess their understanding of the case and topics addressed within it. Bellow can be found a proposal for the planification of the session's duration.

	Step	**Classroom Activities**	**Time**
1.	Introduction to the case	Brief overview of the topic of the case study by the instructor	10’
2.	Setting the stage	Plenary discussion with students about the key-points the case	15’
3.	Case Analysis	Approach to the topics suggested for analysis, with application to theoretical concepts	85’
4.	Wrap-up	Summary of the main learnings of the case and overview of the theories applied	10’
		Allocated Time	120'

Table 2 Discusion planification proposal

The analysis of the case study is divided into 4 topics, interconnected, that should provide at the end of the session a clear understanding of CGD's internal capabilities and of the banking industry. The duration in each of the sub-activities of the case analysis can be evenly divided or may be distributed differently in alignment with the importance attributed by the instructor to each topic. The proposed sub-activities are:

1. Situational analysis of the internal and external environment;
2. Assessment of the industry attractiveness and intensity of competition;
3. Identification of dynamic capabilities;
4. Assessment of competitive advantage base on the Resource-based View and VRIO framework.

The nature of this exercise implies that all creative approaches to solving the case should be welcomed, given that the students provide educated justification for their reasoning.

It is worth knowing that the topics suggested for the analysis of this case study were adapted for the context of bachelor's and master's degrees and with a primary focus on the courses with a curriculum of strategic management and are merely indicative and adaptable to the lecturer's preferred approach.

5. Analysis and Discussion

5.1 Situational Analysis of the Internal and External Environment

The first assignment of the session is meant to allow students to become comfortable with the case study, and to have a first contact with the company and to understand the surrounding environment as well as having a high-level internal view of the bank.

Students should be incentivised to debate which frameworks can be used to assess the internal and external environments, and to identify in the case key elements that might help understand the context of both factors.

For this preliminary stage of the discussion, the use of the SWOT analysis is proposed. Prior knowledge on this topic should be developed before the students analyse the case. As a primary introduction to the analysis, participants should understand the structure of the model and its components, being able to identify strengths and weaknesses as tools to analyse the internal context of the firm, while opportunities and threats give a view of the external environment. The development of this analysis should be based on information present in the case study as well as the provided in the introduction to the case and general knowledge of the current landscape.

As mentioned in the literature review of this dissertation, students should be made aware of the limitations of this model and the impact of its applicability depending on the context being used.

The figure presented next, shows an indicative SWOT analysis of CGD based on the case study, and can be used to support the instructor to guide the discussion.

	Strengths	**Weaknesses**
Internal	• Strong brand recognition • Market share • Industry know-how and experience • Diversified business model • Commitment to innovation • Internationalization	• Legacy systems and processes • High-cost structure • Elevated Headcount • Ageing human resources
	Opportunities	**Threats**
External	• Growing demand for digital banking • Development of new products and services • Partnership with FinTech	• Regulatory changes • Rising interest rates • Economic downturn • Competition intensification • Cyber exposure

Table 3 Suggested SWOT Analysis

Strengths

One of the main strengths that can be identified is CGD's brand recognition which is closely tied with its market share in Portugal. The case mentions the active role of the bank in the Portuguese economy and its focus on the customer approach. The almost 150 years of existence of Caixa Geral de Depósitos, is translated in deep understanding and knowledge of the banking industry, and most importantly experience of the behaviour of the Portuguese market.

The universal banking model used by the bank can be highlighted as strength. Although the most relevant segment is retail banking, CGD is involved in investment banking, asset management and specialized credit which enables the diversification of services, revenue streams and risk. CGD international presence is a contributing factor for its competitive advantage, due to its use as an accelerator of investment for the bank's clients.

Weaknesses

Allied to CGD's commitment to digital transition, the biggest challenge needed to overcome is to update from legacy systems, important to guarantee the operation of the bank that have been implemented for some time, to newer solutions that facilitate this improvement. As one of the financial institutions with the most branches in Portugal, CGD incurs in elevated costs to maintain the network, not only in infrastructure but also in human resources. Headcount has been consistently decreasing but it remains elevated taking into consideration the increasing consolidation of the diverse activities of the bank and the digitalization of the services.

Opportunities

Following the COVID-19 pandemic, new opportunities emerged for the banking sector and exiting ones increased importance. Limitations imposed by the lockdowns have accelerated the demand for more digitalized services, in particular for banking products, generating an opportunity for the bank increase its digital integration. This shift allows CGD to introduce new products and services that take advantage of the technological suit, like it has done in the past with the app DABOX or Caixa Pay. The bank can take advantage of innovative climate to partner with tech companies, like FinTech, as a medium to exchange know-how and develop specialized solution faster and in a more cost-effective way.

Threats

A number of threats can be mentioned during the discussion. It's important to emphasise the highly regulated context of the financial system, therefore posing a risk not only for CGD but for banks in general in case of introduction of changes. Increment of interest rates has raised the cost of funding for credit institutions which, if combined with a potential economic downturn due to generalized inflation observed worldwide, can result in liquidity issues for banks. The digital transition exposes institutions to possible cyber-attacks and other type of fragilities and dependences, which can severally impact operations and credibility.

5.2 Assessment of the Industry Attractiveness and intensity of Competition

This section is intended as an extension of the previous assignment, providing a deeper and more complete understanding of the external context of CGD. The use of the 5 Forces of Porter framework is recommended for addressing this topic, as it provides a clear and a sufficiently complete view of the main factors affecting the industry's dynamics.

To promote the development of active learning during the session and the application of theorical concepts previously learned, students should be challenged to determine and describe the various components integrating the 5 Forces of Porter.

In order to evaluate the student's perception of the industry, it is proposed to ask the assembly to establish a level of threat for each industry factor prior to the in-depth analysis. After concluding the discussion on the current topic, the proposed levels should be reviewed in accordance with the new findings.

The table and analysis presented bellow serve as basis for the instructor to conduct the discussion in class. The analysis can be modified depending on the approach to the question taken by the lecturer and the route taken during the debate.

Industry Factor	**Level of Threat**
Bargaining Power of Suppliers	Low
Bargaining Power of Buyers	Moderate
Threat of New Entrants	Moderate
Threat of Substitutes	High
Rivalry Among Existing Firms	High

Table 4 Level of threat analysis by industry factor

Bargaining Power of Suppliers

Banks are mostly supplied by capital and human resources. The most common source of capital for banks are deposits from clients, interest from loans, assets and other financial products provided, and borrowings from central banks. Market conditions dictate the level of bargaining power of capital suppliers, meaning it is dynamic depending on certain factors such as interest rates. The current high interest rates have resulted in the increase of revenue to banks from interest bearing services and products, but it consequently increases the cost of funding for banks. Although withdrawal from retail and commercial banking clients doesn't pose a threat to CGD, institutional and high net worth clients have an increase bargaining power.

Bargaining Power of Buyers

The banking industry is characterized be the standardizations of the products and services offered, not existing much differentiation between them across competitors. This allows consumers to switch to another bank while maintaining the same services it previously had. In retail banking, CGD doesn't face a high bargaining power of buyers due to the large number of clients it has, but in other segments like asset management, there's a high bargaining power of buyers.

Historically, switching costs in the banking sector were high but have been decreasing in the last decades. Not only has it become simpler for clients to change to another bank, in Portugal most major competitors offer services that are fully responsible to transfer products and services to their institution at no cost.

Regulatory innovation requiring more transparency in the information made available about the products and services by banks, means consumers can now make informed decisions and can compare the different prices and conditions offered across banks.

Threat of New Entrants

Historically, the banking industry's threat of new entrants has been low due to the entry barriers needed to overcome to access the market.

(1) Banks are subject to intensive regulation and supervision, including at time of establishment. The process of acquiring a banking license has become increasingly difficult and costly, due to more conversative approach from the regulator entities to ensure to robustness of the sector.

(2) In line with the regulatory barrier, high capital requirements present a difficult obstacle for new entrants to vanquish. Most entrants can only fulfil this requirement by raising funds.

(3) Consumer trust is an important aspect of the industry. Newcomers will have to compete with well-established incumbents, whom have considerable experience in the market having developed their reputation becoming household names and gained trust of clients. However, younger customer segments have been found to be more informed and being more receptive of new players, reducing the level of this barrier.

(4) The shift to a primarily online customer approach has reduce the barrier of access to the distribution channel.

The development of the banking industry and the increasing interest of technology focuses companies in the sector, have increased the level of threat of new entrants to incumbents. Although, some barriers persist, such as capital and regulatory requirement, workarounds are being introduced to help companies suppress these challenges. An example of this is BaaS, where a third-party holding a banking license sources banking products and services to contractor, not needing to be subject to the level of requirements and scrutiny.

Threat of Substitutes

Services provided by traditional banking are not very differentiated, in fact are overall similar, creating a high threat of substitutes. In addition to the reduced differentiation, consumers tend to be price-sensitive regarding products and services offered by banks, creating an attractive environment for substitute to compete with traditional banks.

Threat of substitutes has increased as result of the introduction of specialized financial services by companies not integrated in the banking industry, in part as consequence of existing entry barriers. The rise of new investment alternatives and the development of new payment methods eliminating the need of banks to intermediate, can result in decline in the demand for services and products from mature financial institution, such as CGD, in the long term.

Rivalry Among Existing Firms

The Portuguese banking sector has a large number of credit institution, but it's highly concentrated in 5 banks, resulting in a highly competitive environment for CGD. Even though the bank has a leader market share across the main segments, it must compete to maintain its position in an industry with a low differentiation. The lack of differentiation results in a price competition between the major players. A recent example has been the interest rates on deposits in an effort to offer the best return rates for clients, in a time when new players technologically driven and with lower fixed costs are able to offer highly competitive conditions. Additionally, due to increased digitalization of the industry and introduction of new regulation, it has become easier to switch banks, reducing friction and increasing the need to create a differentiated offer that is able to retain and attract clients. The high rivalry among existing firms creates additional pressure for Caixa Geral de Depósitos to remain competitive at the same time as it has to ensure it can maintain margins at a sustainable level.

As a wrap-up for this activity, students are encouraged to propose initiatives which CGD can introduce to mitigate the effect of the threats previously discussed.

5.3 Identification of Dynamic Capabilities

For the introduction of this assignment is recommended to start with an introduction of Teece & Pisano (1994) concept of dynamic capabilities:

> *"The subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances"*.

It is advised to briefly discuss the concept presented, with students sharing their perspective on what they understood of the definition. Afterwards, the instructor can refresh to the class the processes identified by Teece (2007) to find the asset combination that improves the value of the firm.

The analysis of the dynamic capabilities suggested bellow, was based on the processes mentioned in the previous paragraph (sensing, seizing, and reconfiguring). As a suggestion, students should be separated in 3 groups, one of each process The preparation of the analysis by the groups should take around 15 minutes, and the presentation and discussion of the results by each group shouldn't take longer than 7 minutes. This approach is merely indicative and can be adapt based on the lecturer objectives.

Caixa has improved its sensing capabilities throughout the last decade, demonstrating a capacity to proactively adapt to industry shifts and critical events. The bank's focus on predicting the future macroeconomic scenario, as a result of its previous difficulty in anticipating external risks such as in the initial restructuring plan, resulted in it taking a position of strategic adaptation that would allow it to maintain its place of prominence and relevance in the Portuguese market. CGD's acknowledgement of new players, with a competitive advantaged focused on technological capabilities, entering Portugal resulted in the development of internal initiatives to accelerate the digital transaction at the same time it responded to the changing preferences of consumers. The bank's rapid adaptation to the COVID-19 pandemic underscores a real-time awareness of changing circumstances and customer behaviours, highlighting its agility in sensing and responding to unforeseen challenges. Overall, CGD's sensing capabilities are integral to its strategic agility and adaptive responses to a dynamic financial landscape.

The transformation undergone with the restructuring plan, demonstrates a strong seizing capability by CGD. The bank took advantage to readapt its operations focusing on the core activities and improving the optimization of its international portfolio, downsizing its presence from non-strategic locations, improving business alignment and risk reduction efforts. Digitalization was seen as an opportunity to improve its digital transformation, not only internally but also in the introduction of new products and services, improving its competitive advantage through the capitalization of the technological innovations introduced in the banking sector. By collaborating with FinTech companies, CGD took advantage of their position in niche parts of the sector to deploy cost-effective technological solutions and to exchange capabilities to wouldn't be able to acquire with a similar strategic approach.

COVID-19 highlights the banks transforming capabilities. To address customers' needs during a difficult economic period and to sustain its position in the promotion of the Portuguese economy, introduced fee exemptions and special lines of credit to support its clients. Cost reduction and efficiency improvements were achieved by the strategic decision to streamline operations, by implementing automation and process optimization initiatives and centralizing operations. This decision allowed the bank to allocate more resources in innovation and growth, like as organizational learning initiatives, which helped the bank to continuously adapt to changing market conditions and to stay competitive.

5.4 Assessment of competitive advantage base on the Resource-based View and VRIO framework

This activity is designed be developed in conjunction with the assignment proposed in the previous point ("Identification of CGD's Dynamic Capabilities"), due to the complementarity that Dynamic Capabilities provides to the Resource-based view model.

Familiarisation with the concepts of resources, capabilities and competitive is fundamental to a successful discussion of this topic. Although it is expected that students will have prior acquaintance with the terms, it is advisable for the instructor to define the concepts, if deemed necessary:

- Resources: "(…) firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm" (Barney, 1991)
- Capabilities: "firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." (Teece *et al*, 1997)
- Competitive Advantage: "when [a firm] is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (Barney, 1991)

Students should identify, based on the information found in the case study, CGD's resources and capabilities and understand how they can help the bank achieve competitive advantage. The execution of this exercise entails the use of the VRIO framework, and the assessment of the level of the potential competitive advantage in each of the criteria. The table below provides an example analysis that is expected to be provided by the students.

Resource/ Capability	Value	Rareness	Imitability	Organizational Capability	Competitive Advantage	Description
Brand Reputation	**High**, CGD's long-standing presence and trust in the Portuguese market adds significant value to its services	**Medium**, Established reputation is hard to replicate, especially in financial services.	**High**, Very difficult to imitate due to historical and cultural factors.	**High**, CGD leverages its brand in marketing and customer relations.	**Sustainable Competitive Advantage**	CGD's brand reputation is defined by its strong commitment to supporting the Portuguese economy. The development of a similar reputation by competitors is difficult and hard to replicate due to its historical context. Its sustainability is guaranteed by the mission and values of the institution
Digital Banking	**High**, Offers convenience and modern banking solutions, increasing customer satisfaction and reach.	**Moderate**, Many banks have robust digital platforms, but the quality and features can vary.	**Moderate**, Technological platforms can be imitated, but it requires significant investment and innovation.	**High**, Requires integrating digital solutions seamlessly with traditional banking services.	**Temporary Competitive Advantage**	The alignment of the investment in technological solution at CGD with the market's shift to the digitalisation, is valuable to improve customer satisfaction and efficiency of the operations. Though this investment is also being made across all players with the same goals. The bank uses this capabilities to develop new and improved solutions and better its value proposition.

Resource/ Capability	Value	Rareness	Imitability	Organizational Capability	Competitive Advantage	Description
Strategic Partnerships with FinTech's	**High**, Access to innovative solutions through partnerships enhances CGD's technological offerings.	**Medium**, Common in banking, but quality of partnerships varies.	**Medium**, Difficult to replicate the unique dynamics and success of specific partnerships.	**High**, Requires effective management and integration into existing operations.	**Temporary Competitive Advantage**	CGD's strategic partnerships with FinTech's provide access to innovative solutions, creating relationships built on the exchange of capabilities and value capture, enhancing the bank technological offerings without bearing the full cost of development.
Customer Service Quality	**High**, Directly impacts customer satisfaction and retention.	**High**, Exceptional service can set a bank apart in a competitive market.	**Low**, Competitors can improve service, but it requires significant effort and culture change.	**High**, Needs a strong focus on training and employee engagement.	**Sustainable Competitive Advantage**	CGD's level of service has a direct effect on customer satisfaction and on retaining and attracting clients. The focus and preoccupation given to this capability differentiates it in the financial industry and allows it to develop a competitive advantage, despite the fact that competitors may invest more resources in improving their service.

Table 5 VRIO analysis of CGD resources and capabilities

V. Conclusion and Limitations

Caixa Geral de Depósitos' experience shows how large organizational structures in highly regulated and competitive traditional industries are capable of adapting to changes in the macroeconomic context and the changing dynamics of their environment. The case study presented aims to demonstrate the process of converting the general strategic guidelines into actionable initiatives with practical effects in the bank, while also reflecting the shortcomings that existed during implementation and their readaptation in order to ensure the success of the restructuring plan.

The strategic adaptations described here have enabled CGD to maintain its leadership position in the Portuguese market and to turn around its fragile financial position, becoming a more resilient institution that is less susceptible to the negative effects of external shocks. In its strategic restructuring process, Caixa has remained faithful to its mission and values, continuing to play its fundamental role of fostering the Portuguese economy, supporting companies in their expansion and investments, and maintaining an attractive offer adapted to the realities of its customers.

Extension of research on Caixa Geral de Depósitos' reaction to last decade's... should consider the limitations of the shared report. The presented case study only took into consideration the perfective at a managerial level of management. Future exploration on the matter should integrate a broader internal viewpoint, with analysis on the materialization of the strategic decisions throughout the various organizational levels and departments, and their respective role on the definition of initiatives. Furthermore, given the focus on the domestic operations of the bank, the introduction of the point of view of international branches of the bank can add more value to the discussion.

Although CGD is the subject of this study, a number of other banks operating in Portugal were affected by macroeconomic outlook of the early 2010's and were also subject to recapitalization and other limiting measures. The development of literature on the experience of the Portuguese financial system during this period and adaption of its strategy to overcome the challenges faced, would provide an additional dimension to the case study and contextualization of the external environment of the bank.

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Appendix

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Variation
Banch Office Network														
Portugal	864	860	848	804	804	695	718	650	577	570	556	555	521	**-40%**
International	462	491	463	473	442	558	493	489	491	378	375	372	370	**-20%**
Total number of branches	1 326	1 351	1 311	1 277	1 246	1 253	1 211	1 139	1 068	948	931	927	891	**-33%**
Human Resources														
CGD Portugal	9 672	9 509	9 401	9 049	8 858	8 410	8 113	7 689	7 244	6 706	6 244	6 117	5 837	**-40%**
CGD Group	13 411	13 696	13 627	10 559	7 038	7 648	7 339	7 110	6 783	5 666	5 554	5 354	5 341	**-60%**
Total number of employees	23 083	23 205	23 028	19 608	15 896	16 058	15 452	14 799	14 027	12 372	11 798	11 471	11 178	**-52%**

Table 6 CGD Group Branches and Human Resources

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income Statement													
Net Income *(EUR Millions)*	255	-488	-395	-579	-348	-171	-1860	52	496	776	492	583	843
Balance Sheet													
Net Assets *(EUR Millions)*	125,757	120,642	119,280	113,495	100,152	100,901	93,547	93,248	89,091	85,776	91,375	104,018	102,503
Profit and Efficiency Ratios													
ROE	5,0%	-8,1%	-6,5%	-9,4%	-3,2%	-0,3%	-46,5%	4,1%	10,3%	13,7%	8,1%	10,0%	12,7%
ROA	0,29%	-0,44%	-0,40%	-0,6%	-0,2%	0,0%	-2,7%	0,3%	0,9%	1,3%	0,8%	0,9%	1,1%
Cost-to-Income	63,3%	60,8%	58,4%	81,5%	75,5%	66,6%	77,8%	55,5%	54,4%	50,1%	50,0%	42,2%	51,1%
Credity Quality													
NPL	-	-	-	-	-	-	15,8%	12,0%	8,5%	4,7%	3,9%	2,8%	2,4%
Structure Ratios													
Loan-to-deposit	136,0%	122,2%	112,0%	103,5%	94,5%	90,1%	90,6%	87,0%	81,5%	73,0%	66,6%	63,0%	60,5%
Solvency Ratios													
CET1	-	-	-	10,9%	10,9%	10,0%	11,8%	13,9%	14,6%	16,9%	18,2%	18,2%	18,7%

Table 7 CGD Group main financial indicators (2010-2022)

	Domestic		International		
	Entity	Participation	Entity	Country	Participation
Commercial Banking	Caixa Geral de Depósitos, SA	100,0%	Banco Caixa Geral	Spain	99,8%
			Banco Caixa Geral Brasil	Brazil	100,0%
			Banco Nacional Ultramarino	Macao	100,0%
			CGD Subsidiária Offshore Macau	Macao	100,0%
			Banco Comercial do Atlântico	Cape Verde	59,3%
			Banco Interatlâncio	Cape Verde	70,0%
			Mercantile Bank Holdings	South Africa	91,8%
			Parbanca, SGPS		100,0%
			Banco Comercial e de Investimentos	Mozambique	51,0%
			Partang, SGPPS	Angola	51,0%
			Banco Caixa Geral	Angola	26,0%
			Banco Promoção e Desenvolvimento	Angola	50,0%
Asset Management	Caixa Gestão de Ativos, SGPS	100,0%			
	CaixaGest	100,0%			
	CGD Pensões	100,0%			
	Fundimo	100,0%			
Specialised Credit	Caixa Leasing e Factoring - IFIC	51,0%	BCI - ALD	Mozambique	46,1%
	Locarent	50,0%	Promoleasing	Cape Verde	60,2%
	Credip - IFIC	80,0%			
Investment Banking & Venture Capital	Gerbanca, SGPS	100,0%	A Promotora	Cape Verde	52,7%
	Caixa Banco de Investimento	99,7%	GCI - S. Capital Risco	Mozambique	34,6%
	Caixa Capital	99,7%	Banco Nacional Investimento	Mozambique	50,0%
	Caixa Desenvolvimento, SGPS	99,7%			
Insurance and Healthcare	Caixa Seguros e Saúde, SGPS	100,0%	Garantia	Cape Verde	65,4%
	Comp. Seg. Fidelidade Mundial	100,0%	Universal Seguros	Angola	70,0%
	Império Bonança Comp. Seguros	100,0%			
	Via Directa Comp. de Seguros	100,0%			
	Cares Companhia de Seguros	100,0%			
	Companhia Port. de Resseguros	100,0%			
	Fidelidade Mundial, SGII	100,0%			
	GEP - Gestão de Perit. Automóveis	100,0%			
	EAPS - . Análisee, Prev. e Seg.	100,0%			
	HPP - Hosp. Privados Portugal, SGPS	100,0%			
	HPP - Lusíadas	100,0%			
	HPP - Boavista	100,0%			
	HPP - Algarve	100,0%			
	HPP - Cascais	100,0%			
	HPP - Viseu, SA	100,0%			
	LCS - Linha de Cuidados de Saúde	100,0%			
	Multicare - Seguros de Saúde	100,0%			
	EPS - Gestão de Sistemas de Saúde	100,0%			
Other Services	Caixatec - Tecnologias de Informação	100,0%	Inmobiliaria Caixa Geral	Spain	99,8%
	Imocaixa	100,0%			
	Sogrupo Sistema Informação ACE	100,0%			
	Sogrupo Compras e Serv. Partilh. ACE	100,0%			
	Sogrupo IV Gestão de Imóveis ACE	100,0%			
	Caixa Imobiliário	100,0%			
	CaixaNet	80,0%			
	Esegur	50,0%			
	SIBS	21,6%			
Other Financial Holdings	Parcaixa, SGPS	51,0%	La Seda Barcelona	Spain	14,8%
	Caixa Participações, SGPS	100,0%	Banco Inter. São Tomé e Principe	São Tomé e Principe	27,0%
	Wolfpart, SGPS	100,0%			
	Banco Comercial Português	3,0%			
	Portugal Telecom	6,2%			
	EDP	0,2%			
	REN - Redes Energéticas Nacionais	1,2%			
	GALP Energia	1,7%			
	ZON Multimédia	10,9%			
	TagusParque	10,0%			
	AdP - Águas de Portugal, SGPS	9,7%			
	SOFID Soc. Financ. Desenv. IFIC	10,0%			
	Turismo Fundos, SGFII	33,5%			
	Floresta Atlântica, SGFII	11,9%			
	Brisa	1,6%			
	Cimpor	9,6%			
	VAA - Vista Alegre Atlantis	4,5%			

Table 8 CGD Group Structure in 2011

	Domestic		International		
	Entity	Participation	Entity	Country	Participation
Commercial Banking	Caixa Geral de Depósitos, SA	100,0%	Banco Caixa Geral Brasil	Brazil	100,0%
			Banco Nacional Ultramarino	Macao	100,0%
			Banco Comercial do Atlântico	Cape Verde	58,8%
			Banco Interatlâncio	Cape Verde	81,7%
			Banco Comercial e de Investimentos	Mozambique	63,3%
			Banco Caixa Geral	Angola	51,0%
Asset Management	Caixa Gestão de Ativos, SGPS	100,0%			
	CGD Pensões	100,0%			
Investment Banking & Venture Capital	Caixa Banco de Investimento	100,0%	A Promotora	Cape Verde	45,8%
	Caixa Capital	100,0%			
Other Services	Caixa Serviços Partilhados	100,0%	Inmobiliaria Caixa Geral	Spain	100,0%
	Caixa Imobiliário	100,0%	Imobci	Mozambique	46,3%
Other Financial Holdings	Caixa Participações, SGPS	100,0%			

Table 9 CGD Group Structure in 2022