CAIXA ECONÓMICA MONTEPIO GERAL

CONSOLIDATED RESULTS

As at 30 September 2017
Lisbon, 24 October 2017

(Year-on-year changes, unless when stated otherwise)

Unaudited financial information

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HIGHLIGHTS

- **Consolidated net income of €20.4Mn, representing an increase of +€87.9Mn;**
- **Core net operating income[1] increases 15.0% to €285.9Mn, with the net interest income rising 13.3% and the commissions 19.3%;**
- **Improvement of operational efficiency, with the Cost to Income ratio[2] at 54.4%;**
- **Core capital ratio (CET1[3]) increased to 13.0%, benefiting from the capital increase of €250Mn, the organic capital generation and the reduction of the risk-weighted assets (RWAs) in €1,278Mn;**
- **Capital ratios do not incorporate the estimated effect of +48bps concerning the adherence to the deferred tax assets (DTAs) regime;**
- **The cost of risk reached 95bps, less 24bps when compared to 119bps registered in Dec-16, maintaining the coverage of the credit risk at 118.5%, considering impairments and real estate collaterals;**
- **Reduction of 50.3% of the entries of new loans in default, as a result of a conservative underwriting criteria and of the improvement of context;**
- **Stable liquidity position – the LCR[4] ratio reached 125.1%, which is 45.1 percentage points above the minimum regulatory requirement of 80%;**
- **On early October, CEMG returned to the debt market and successfully placed a €750Mn issue with a 5 year term and with an interest rate of 0.875% per year;**
- **CEMG has been reinforcing the focus on Social Economy, as well as through various initiatives in the area of social responsibility, contributing to the market share of total deposits in this segment to be above 14%.**

PROFITABILITY

Net income improves to €20.4Mn

- **Net income increased by €87.9Mn, to €20.4Mn,** based on the recovery of the commercial activity results (the core business) and on the improvement the operational structure efficiency;
- **Net interest income** registered a **13.3% growth**, when compared to the same period of the previous year, supported by the cost of funding reduction, namely the cost of term deposits and issued debt;
- **Net Commissions rose by 19.3%, to €83.9Mn**, benefiting from the favorable impact of the adequacy of the cost of the services provided and the improved business dynamics;
- **Core net operating income[1] increased €37.3Mn (+15.0%)**, boosted by the positive performance of the core business;
- **Operating Costs[5] fell 5.5%**, reflecting the impact of downsizing and redimensioning efforts and the synergies obtained in the external supplies and services.

CAPITAL

Solid capital position

- **The core capital ratio (CET13) rose to 13.0% and the Total Capital ratio3 to 13.2%** (+260bps and +220bps, respectively);
- The capital position strengthening incorporates the positive effects of the **€250Mn increase of the institutional capital, the organic capital generation** and the **risk-weighted adjusted assets reduction to €11.965Mn** (-€1,278Mn when compared to Set-16).

ASSET QUALITY

Sustained reduction in the cost of risk

- **The cost of credit risk reached 95bps, -24bps** when compared to 119bps recorded in Dec-2016, benefiting from the risk analysis policy in credit granting;
- **Reduction of 50.3% of the entries of new loans in default**, as a result of a conservative underwriting criteria and of the improvement of context;
- **Decrease of the credit at risk ratio** in 40bps, standing at 15.2%;
- **Coverage of the credit risk by 118.5%** taking into consideration the impairments and the related real estate collateral.

LIQUIDITY

Stable liquidity position

- **Stable liquidity position, with the LCR4 ratio at 125.1%**, 45.1 p.p. above the minimum regulatory requirement of 80%;

- **Customer Deposits totaled €11.9Bn (+€287Mn when compared to Mar-17)**, representing 67% of the funding sources;

- **Reduction of the ECB exposure in €388Mn (-14.8%)** and €470Mn when comparing to the position as of the end of the previous quarter (-17.4%);

- On early October, **CEMG returned to the debt market and successfully placed the first Conditional Pass-Through Covered Bond in an amount of €750Mn with a 5 year term and with an interest rate of 0.875% per year. The demand was more than 6 times the initial issuance amount of €500Mn which reflects the investor's reliance on the implemented strategic plan.**

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[1] Net Interest Income + Net Commissions
[2] Operating costs / Net operating income
[3] According to the CRD IV/CRR Phasing-in (are estimations and include the cumulative net income of the year)
[4] LCR – Liquidity Coverage Ratio
[5] Excluding the impacts associated with the resizing of the operational structure program

PROFITABILITY

CEMG achieved a positive net income of €20.4Mn as of 30 September 2017, which compares to the negative result of -€67.5Mn in the same period of the previous year. Three different effects were the main contributors for this evolution:

- The net interest income increase of €23.8Mn (+13.3%);
- The net commissions increase of €13.6Mn (+19.3%);
- The operating costs reduction of €12.1Mn (-5.5%).

The net interest income stood at €202.1Mn as of 30 September 2017, compared with €178.3Mn in the same period of the previous year. This performance was achieved by the reduction of the funding costs, namely the cost of the term deposits and the debt issued, which surpassed the decrease of interest and return of the credit portfolio, in the context of decreasing market interest rates.

Commissions amounted to €83.9Mn in the first nine months of 2017, representing an increase of 19.3% when compared to the value of the same period of the previous year, as a consequence of the favorable impact from the pricing revision as well as the improved business dynamics.

These favorable performances determined that during the first nine months of 2017 the core net operating income[1] increased 15.0% when comparing to the same period of 2016.

The results from financial operations amounted to €66.7Mn as of 30 September 2017, an increase of €51.3Mn when compared to the same period of the previous year, benefiting from the realization of capital gains on the sovereign debt portfolio.

Operating costs as at the end of the third quarter of 2017 decreased by 5.5%[2], reaching €206.8Mn, to which contributed the rationalization process of the operational platform, providing improved operational efficiency and allowing the Cost to Income ratio to be reduced to 54.4%. Staff costs in the first nine months of 2017, excluding costs incurred in resizing the operational structure of €32.0Mn in the first nine months of 2016, decreased by €9.7Mn (-7.1%) when compared to the same period last year.

The cost of credit risk was reduced to 0.95%, compared to 1.19% recorded in the year of 2016 as a result of the rigorous policy in credit granting. Total impairments and provisions decreased by 5.0% when compared to the same period of the previous year, standing at €141.2Mn.

The CEMG Group's international activity develops in three jurisdictions: Angola, Mozambique and Cape Verde. In Angola, the net income of Finibanco reached €9.7Mn as of 30 September 2017, rising 3.5% when compared to the €9.4Mn net income reached in the same period of 2016. In Mozambique, the BTM presented a positive net income of €142 thou. as of 30 September 2017, which compares to a positive net income of €144 thou. in the same period of 2016. In Cape Verde, Banco MG Cabo Verde presented a slightly negative net income of €32 thou. as of 30 September 2017, which compares to a positive net income of €49 thou. in the same period of 2016.

[1] Net Interest Income + Net Commissions
[2] On a comparable basis. As reported, the variation amounts to -17.6%

CAPITAL

On 30 September 2017, the Common Equity Tier 1 (CET1) and the Total Capital ratios evolved favorably to 13.0% and 13.2%, respectively. This evolution reflects the strengthening of core capital (€1,558Mn as of 30 September 2017, vs €1,331Mn as of 31 December 2016), reflecting the increase of the Institutional Capital and the organic capital generation, and the effort of deleveraging the balance sheet through the decrease of €1,278Mn in risk-weighted adjusted assets (RWAs). Capital ratios do not include the positive effect, estimated at +48bps, associated with the adherence to the deferred tax assets (DTAs) regime.

(million euros)	Sep-16	Dec-16	Sep-17
BASEL III - CRD IV / CRR			
Total Capital	**1 458**	**1 392**	**1 581**
Eligible instruments to CET1	2 151	2 163	2 417
Common Equity Tier 1 capital	1 382	1 331	1 558
Tier 1 capital	1 382	1 331	1 558
Tier 2 capital	87	74	37
Risk weighted assets	13 244	12 830	11 965
Total Capital ratio (phasing-in)	**11.0%**	**10.9%**	**13.2%**
Tier 1 ratio (phasing-in)	**10.4%**	**10.4%**	**13.0%**
CET1 ratio (phasing-in)	**10.4%**	**10.4%**	**13.0%**

In accordance with the phasing-in rules in force as of the reference date.
(1) The ratios as of 30 September 2017 are estimations and include the cumulative net income of the year.

As of 30 September, 2017, the fully implemented CEMG's capital ratios also improved favorably, with CET1 at 11.4% and the total capital ratio at 11.7% (not including the positive effects, estimated at +131bp, associated to adherence to the deferred tax assets regime - DTAs).

ASSET QUALITY

At the end of the 3rd quarter of 2017, gross loans and advances to customers totaled €14,610Mn, a decrease of 3.5% compared with the same period of the previous year and a reduction of 2.9% compared to 31 December 2016, as a result of a strict repricing and risk management policy in the underwriting criteria, on one hand, and of a decrease in the mortgage credit and in the credit to companies, on the other hand.

Nevertheless, the evolution of the credit portfolio confirmed the focus on the corporate segment as shown in the strengthening the respective market shares between September 2016 and August 2017[3].

During the first nine months of 2017, there was a decrease of -11.5% of the number of new loans in default (NPL[4]), reflecting into a negative variation of -50.3% in terms of outstanding principal.

The coverage of credit risk by impairments rose to 55.3%, which increases to 118.5% if real estate collateral is considered.

[3] In accordance with the monetary and financial statistics of Bank of Portugal (most current information with reference to August 2017)
[4] Principal in arrears for more than 90 days and the related principal falling due

LIQUIDITY

The LCR ratio reached 125.1%, 45.1 percentage points above the minimum regulatory requirement in force, of 80%.

In the third quarter of 2017, liabilities represented by securities decreased by €1,085Mn (€888Mn compared to 31 December 2016) due to the amortization and early repayment of domestic bonds and covered bonds. CEMG also achieved a reduction of the exposure to the European Central Bank (ECB) in an amount of €388Mn (-14.8%) compared to the same period of the previous year (a decrease of €470Mn or -17.4% against the previous quarter), with the refinancing at the ECB standing at €2,230Mn, of which 85.4% resulted from the medium-term operations closed within the framework of the European monetary policy measures (TLTRO-*Targeted Longer Term Refinancing Operations*).

At the end of the 3rd quarter of 2017, customers' deposits continued to be the main source of funding of the balance sheet, representing 67% of total funding sources, registering an increase of €287Mn compared to March 2017.

RATING

At the end of the 3rd quarter 2017, the credit ratings assigned to CEMG were as shown in the table below:

Rating Agency	CPT Covered Bonds	Lonf Term	Short Term	*Outlook*
Fitch Ratings	A	B	B	Stable
Moody's Investors Service	A3	B3	NP	Negative
DBRS	A	BB	R-4	Negative

SIGNIFICANT EVENTS IN THE 3RD QUARTER OF 2017

CEMG returns to financial markets after eight years and successfully issues mortgage covered bonds

Eight years after its last public issuance, CEMG returned to the market on 9 October 2017, having successfully placed a public covered bond issue under its Conditional Pass-Through Covered Bond Programme registered and approved by the Central Bank of Ireland.

This issuance marked CEMG's return to the debt market, with a strong demand from a large number of institutional investors, which reached four times the amount of the issue. The aforementioned issue of €750Mn, has a 5 year term, an issue price of 99.922% and an interest rate of 0.875% per year, which resulted in a spread of 65 basis points per year, over the 5-year mid-swap rate.

Regarding the issuance syndicate, CEMG had the collaboration of three institutions with proven experience in the offering of this class of assets - J.P. Morgan, NatWest Markets and UniCredit - thus successfully reaching a wide range of specialized institutional investors.

Transformation into a public limited liability company

On 14 September 2017, CEMG registered the new articles of incorporation, approved at a general meeting of CEMG on 4 April 2017 and ratified at a general assembly of Montepio Geral - Associação Mutualista (MGAM) on 9 May 2017, and completed the relevant commercial registration at the Commercial Registry, thus effecting the transformation of CEMG into a public limited company. As a result of the transformation into a public limited company, the Institutional Capital was converted into share capital, represented by common shares, and the CEMG's Participation Fund was extinguished by conversion into share capital, meaning that its' participation units were also converted into common shares.

Meanwhile, on 13 October 2017 it was disclosed the announcement of the loss of CEMG's status of publicly held company, as requested to CMVM following the resolution of the Extraordinary Shareholders' Meeting of CEMG held on 9 October 2017.

Permanent order of purchase of the common shares representing CEMG's share capital

In September 2017, MGAM announced a permanent purchase order outside the regulated market, at a unit price of €1, payable in cash, of the common shares that were issued in the meantime, replacing the institutional capital and the participation units representing the Participation Fund, as a consequence of the transformation of CEMG into a public limited company.

New institutional communication campaign.

It was announced and disclosed a new institutional advertising campaign reinforcing CEMG's as a different bank in the Portuguese banking sector. The campaign is based on an emotional and relational tone, aiming to enhance the differentiation of Caixa Económica Montepio Geral among the Portuguese banking landscape.

CAIXA ECONÓMICA MONTEPIO GERAL, caixa económica bancária, S.A. (Savings Bank, Public Limited Company), Headquarters: Rua Áurea, 219 to 241, 1100-062 Lisbon
Share Capital: 2,420,000,000 Euros, registered at the commercial registry of Lisbon under the single registration number and tax ID 500792615

CEMG welcomes new trainees.

The trainee program that began in September consists on the integration of young graduates in various areas of the bank (marketing, information technology, human resources, accounting and management) to allow them to know the institution in a transversal way.

The trainees are supported by a tutor and they will devote one afternoon per week to solve a certain challenge presented by the bank. This program will last 1 year and at the end of the internship the trainees will have the possibility to integrate the company.

Enhancing branches

Following the process of modernization and digital transformation of CEMG, in September 3 new branches were installed: Almada, Ponta Delgada and Oliveira de Azeméis. With this improvement, the main goal is to simplify, facilitate and make flexible the experience of the customer at the branch.

Donation Account of *Cáritas Portuguesa* on behalf of the families affected by the fires

In the beginning of October, following the fires that broke out in the north and center of the country, CEMG, in partnership with *Cáritas Portuguesa*, joined this solidarity initiative by providing an IBAN to collect donations. The amount raised is intended to support families in the reconstruction of housing, as well as to support on other essential issues for the recovery of livelihoods.

Street soccer

Following an enduring partnership with *CAIS* in the continuous CEMG's support to the "*Futebol de Rua*" project, an initiative that fights social exclusion, after 18 local qualifying stages, the final match of the tournament was held in the town of Batalha, on 23 July, where CEMG was present.

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KEY INDICATORS

	Sep 2016*	Dec 2016	Sep 2017
ACTIVITY AND RESULTS (EUR million)			
Net Assets	21 226	21 346	19 510
Gross loans to Customers	15 133	15 041	14 610
Customers' Deposits	12 197	12 468	11 879
Net Income	-67	-86	20.4
SOLVENCY (a)			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	10.4%	10.4%	13.0%
Tier 1 ratio (CRD IV / CRR, phasing-in)	10.4%	10.4%	13.0%
Total Capital ratio (CRD IV / CRR, phasing-in)	11.0%	10.9%	13.2%
Risk Weighted Assets (EUR million)	13 244	12 830	11 987
LEVERAGE RATIOS			
Net loans to Customers / Customers' Deposits (b)	116.5%	111.2%	113.0%
Net loans to Customers / On-Balance sheet Customers' resources (c)	97.8%	96.3%	103.6%
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Cost of credit risk	1.0%	1.2%	0.95%
Ratio of loans and interest overdue by more than 90 days	9.2%	9.1%	9.7%
Non-performing loans ratio (b)	11.2%	11.5%	11.9%
Net non-performing loans ratio (b)	4.0%	3.9%	3.8%
Coverage of loans and interest overdue by more than 90 days	81.7%	86.0%	86.3%
Credit at risk ratio (b)	15.6%	15.2%	15.2%
Net credit at risk (b)	8.7%	8.0%	7.4%
Credit at risk coverage ratio	48.2%	51.6%	55.3%
Credit at risk coverage ratio, factoring-in related real estate collateral	118.6%	120.0%	118.5%
Restructured loans as a % of total loans (d)	9.1%	8.9%	8.8%
Restructured loans not included in credit at risk as a % of total loans (d)	3.0%	3.2%	3.2%
EFFICIENCY AND PROFITABILITY			
Net operating income / Average net assets (b)	1.5%	1.7%	2.5%
Earnings before Tax / Average net assets (b)	(0.9%)	(0.9%)	0.3%
Earnings before Tax / Average equity (b)	(13.6%)	(12.3%)	3.2%
Cost-to-Income (Operating costs / Net banking income) (b)	101.9%	76.4%	54.4%
Cost-to-Income, excluding specific effects (e)	94.8%	88.4%	66.0%
Staff costs / Net banking income (b)	68.4%	44.5%	33.3%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total (f)	3 905	3 806	3 817
CEMG	3 623	3 588	3 610
Branches			
Domestic - CEMG	331	327	325
International	30	33	40
Finibanco Angola (g)	21	23	25
BTM (Mozambique)	9	10	10
Rep. Offices	6	6	5

(a) in accordance with the CRD IV/CRR (phasing-in)
(b) in accordance with the statement of the Bank of Portugal no. 16/2004, on your existing version
(c) On-Balance sheet Customers' resources = customer Deposits and liabilities represented by securities. Calculated in accordance with the financial statements attached to this report
(d) in accordance with the statement of the Bank of Portugal no. 32/2013.
(e) Excludes results of operations and financial impacts associated with f the operative structure resizing program and review of the ACT
(f) Includes business centers
*Sep 2016 restated in accordance with IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

CONSOLIDATED BALANCE SHEET

(million euro)	Sep-16*	Dec-16	Sep-17
Cash and deposits at central banks	256.2	381.3	431.2
Deposits at other credit institutions	237.9	69.6	96.6
Financial assets held for trading	45.1	78.2	56.8
Financial assets available for sale	2 438.0	2 399.5	2 525.0
Investments in credit institutions	146.4	559.1	315.8
Loans to customers	13 995.7	13 861.0	13 380.1
Investments held to maturity	1 127.4	1 126.1	0.0
Non-current assets held for sale	754.4	760.2	752.7
Non-current assets held for sale - Discontinuing operations	531.2	470.4	445.6
Investment properties	602.6	608.0	549.0
Other tangible assets	242.6	237.1	234.5
Intangible assets	30.7	34.9	31.9
Inv. in associates and subsidiaries	4.1	4.0	4.0
Current tax assets	7.9	11.9	9.5
Deferred tax assets	477.0	521.7	489.5
Other Assets	328.6	222.9	188.3
TOTAL NET ASSETS	**21 225.9**	**21 345.9**	**19 510.5**
Resources from central banks	2 617.8	2 322.9	2 230.5
Financial liabilities held for trading	18.1	26.1	20.4
Resources from other credit institutions	1 804.5	2 275.9	1 691.4
Resources from customers and other liabilities	12 196.9	12 467.8	11 878.9
Debt securities issued	2 118.2	1 920.0	1 031.9
Financial liabilities associated to transferred assets-Discontinuing operations	411.3	354.8	318.6
Provisions	13.8	21.8	31.0
Other subordinated liabilities	249.9	251.0	251.2
Current tax liabilities	1.0	1.9	8.4
Other liabilities	249.0	247.0	284.6
TOTAL LIABILITIES	**19 680.5**	**19 889.4**	**17 746.9**
Institutional Capital and Participation Fund[1]	2 170.0	2 170.0	2 420.0
Other equity instruments	6.3	6.3	6.3
Own Securities	-0.1	-0.1	
Reserves and retained earnings	-584.8	-656.5	-707.6
Consolidated profit/ (loss)	-67.5	-86.5	20.4
Total equity attributable to the shareholders	1 524.0	1 433.3	1 739.1
Non-controlling interests	21.4	23.2	24.4
TOTAL EQUITY	**1 545.4**	**1 456.5**	**1 763.5**
TOTAL LIABILITIES AND EQUITY	**21 225.9**	**21 345.9**	**19 510.5**

* September 2016 restated with application of IFRS 5 to the financial statements of subsidiaries in Angola and Mozambique, for comparative purposes.
(1) In September 2017 the institutional capital and the participation fund were converted into share capital

CONSOLIDATED INCOME STATEMENT

(million euro)	Sep-16*	Sep-17
Interest and similar income	393.2	367.2
Interest and similar expense	214.9	165.2
NET INTEREST INCOME	**178.3**	**202.1**
Income from equity instruments	3.9	10.2
Income from services, fees and commissions	70.3	83.9
Net gains/losses from financial operations	15.3	66.7
Other operating income	-21.7	17.2
NET OPERATING INCOME	**246.1**	**380.0**
Staff Costs	168.3	126.6
General and administrative expenses	64.2	61.5
Amortization and depreciation	18.4	18.6
OPERATING COSTS	**250.9**	**206.8**
Loan impairments	119.6	106.2
Other financial assets impairments	31.8	7.3
Other assets impairments	13.2	14.7
Other provisions	-16.0	13.0
Earnings by equity method	0.3	0.2
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**-153.0**	**32.3**
Tax	-83.8	18.0
Non controlling interests	1.8	1.9
Results from discontinuing operations	3.5	7.9
NET INCOME	**-67.5**	**20.4**

* September 2016 restated with application of IFRS 5 to the financial statements of subsidiaries in Angola and Mozambique, for comparative purposes

CEMG is in a negotiation process with the aim of refocusing the approach to the African market with a view to the deconsolidation of current financial investments held in Finibanco S.A. and BTM, S.A., within the project "ARISE" in international partnership with Rabobank, NORFUND (the Norwegian sovereign wealth Fund) and FMO (Dutch development bank), within other alternatives which are in development.

Taking into account the decisions already taken by the Executive Board of Directors, as well as the provisions of IFRS 5, the activities carried out by these subsidiaries were considered as discontinuing operations in 2016. In terms of profit, the results of these subsidiaries have been detected at a segregated account named "discontinuing operations results" and, at the level of the balance sheet, under the so-called "non-current Assets held for sale – Discontinuing Operations" and "non-current liabilities held for sale – Discontinuing Operations".
For comparative purposes, the P/L account and the various balance sheet items as of 30 September 2016 were prepared on the same basis for comparative purposes.
The financial information relating to the 3rd quarter of 2017 is not audited but it was prepared in accordance with the international financial reporting standards (IFRS – International Financial Reporting Standards).

Glossary

CET1 – Common Equity Tier 1

CRD IV/CRR – applicable law in Basel III, in particular the 2013/36/EU Policy and regulation 575/2013 of the European Parliament and of the Council

Cost of credit risk – credit Impairment, annualized, as a percentage of average gross credit balance

LCR – liquidity coverage ratio

RWA – Risk-Weighted Assets (assets Weighted by Risk).