BANCO MONTEPIO

1st QUARTER 2019 CONSOLIDATED RESULTS

Unaudited information

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

(This is a translation of the original document in Portuguese. In the event of inconsistency the Portuguese version shall prevail for any and all purposes)

Lisbon, 30 May 2019

HIGHLIGHTS

- **Consolidated net income amounted to €6.5Mn in the 1Q2019, an increase of €0.8Mn;**
- **Net interest income reached €61.1Mn, growing €1.3Mn;**
- **Operating costs decreased €2.6Mn, which reflected in a Cost-to-income ratio of 64.0% (-1.1 p.p.);**
- **Customers' deposits increased by €291Mn;**
- **Loans impairments decreased €5.1Mn, which led to a Cost of credit risk of 0.58% (-0.1 p.p.);**
- **Non-performing exposures (NPE) ratio improved to 14.3%, which represents a reduction of 2.2 p.p.;**
- **Funding from the ECB amounted to €1,394Mn, a €164Mn decrease;**
- **Liquidity Coverage Ratio (LCR) stood at 179.8%, well above the minimum regulatory requirement of 100%, which compares with 160.5% at the end of 2018;**
- **The phasing-in CET1 and Total Capital ratios[1] stood at 13.5% and 15.0%, respectively, and the Risk Weighted Assets (RWA) decreased by €898Mn when compared to the end of March 2018.**

[1] Capital ratios include the unaudited net income of the period.

PROFITABILITY

Net interest income improved to €6.5Mn

- **Net interest income rose to €6.5Mn**, compared with €5.7Mn in the same period of 2018, based on the favorable performance of Core operating income and on the reduction of Operating costs and Impairments;
- **Core operating income increased €1.2Mn (+1.4%)**, leveraged by the positive performance of Net interest income;
- **Net interest income** recorded a **year-on-year growth of 2.1%**, supported by lower funding costs, namely the cost of deposits and debt issued;
- **Net commissions amounted to €28.3Mn**, in line with the same period of the previous year, reflecting the effect of the commercial dynamics imprinted and the price adequacy to the value of the services provided by Banco Montepio;
- **Operating costs decreased by €2.6Mn (-4.1%)**, reflecting the synergies obtained on external supplies and services;
- **Impairments and provisions charges** amounted to €22.6Mn, representing a **decrease of €6.6Mn (-22.7%)**.

CAPITAL

Strong capital position

- **Common Equity Tier 1 ratio**[2] (CET1, phasing-in) stood at **13.5%**; the **Total Capital ratio**[2] (phasing-in) rose to **15.0%**, following the issuance of €100Mn subordinated debt in the first quarter of 2019;
- The strengthening of the capital ratios includes the positive effects of the **organic capital generation**, the **reinforcement of Tier 2 capital** and the **decrease in Risk Weighted Assets** (**-€60Mn** when compared to 31 December 2018);
- **Capital ratios** are **above the prudential requirements** of the Banco de Portugal, under Basel Pillar 2 (according to SREP - Supervisory Review and Evaluation Process).

[2] Capital ratios include the unaudited net income of the period.

ASSET QUALITY

Reduction of Cost of risk and NPE

- **Cost of credit risk decreased to 0.58%** (0.68% in the same period of 2018), driven by the reduction of loan impairments, standing 5 b.p. above the cost of risk recorded at the end of 2018;

- **NPE ratio decreased by 0.1 p.p.**, when compared to 31 December 2018, **standing at 14.3%**, which reflects the contribution of the €43Mn reduction in non-performing exposures;

- **NPE coverage increased to 52.1%**.

LIQUIDITY

Strong liquidity position

- **Strong liquidity position, with the LCR ratio reaching 179.8%**, which is 79.8 p.p. above the minimum regulatory requirement of 100%;

- **Strong Customer deposits' base**, reaching **€12,462Mn** (**+€291Mn** compared to 31 March 2018), as a result of the commercial dynamics imprinted in 2018, representing 75% of the funding sources;

- **Funding through the ECB stood at €1,394Mn**, in line with the amount recorded at the end of 2018 (and -10.5% comparing to the first quarter of 2018). High quality liquid assets and cash deposits reached €2.8Bn.

PROFITABILITY

Banco Montepio presented a **positive Net income** of 6.5 million euros at the end of the first quarter of 2019, which compares to a net income of 5.7 million euros at the end of the same period of last year. This performance had the contribution of the positive performance of the Core operating income, the reduction of operating costs supported by lower staff costs and general and administrative expenses, and the reduction of impairments and provisions charges, due to the effect of the measures implemented in the credit approval, concession and control.

The performance of **Core operating income** was determined by the favorable contribution of the Net interest income, that amounted to 61.1 million euros in the first quarter of 2019, which compares to 59.9 million euros in the same period of 2018. Mainly, this performance reflects the combined effect of the decrease in interest received from the loan portfolio (-10.7 million euros), the reduction of interest paid on customer's deposits (-7.5 million euros), the reduction of interest charges on issued debt (-2.1 million euros), the reduction of interest charges on wholesale raised funds (-1.1 million euros) and the increase in the interest received on other investments (+1.0 million euros).

The **Net interest margin** of the first three months of 2019 was 1.49%, an increase of 0.12 p.p. when compared to the same period of 2018, which reflects the decrease in the interest received from the loan portfolio (volume and price effects), offset by the reduction of the interest paid on deposits, on resources from other credit institutions and on debt issued.

Net commissions amounted to 28.3 million euros on the first quarter of 2019, in line with the commissions recorded in the same period of 2018, as a result of the reduction in loan related commissions and in the supply of several services, despite the increase observed in the commissions related to payment services and markets.

The **Results from financial operations** were negative by 1.3 million euros on the first quarter of 2019, compared with 1.0 million euros loss in the same period of last year, supported by the increase in gains from the securities portfolio (+0.6 million euros) - which in 2019 includes income from real estate investment funds participation units - by the favorable effect of the exchange rate revaluation in the amount of 1.3 million euros and by the net effect of the revaluation at fair value of the covered bonds issuance and of derivative instruments (-0.5 million euros).

Other operating income and Net gains arising from sale of other financial assets stood at 7.1 million euros on the first quarter of 2019, evidencing a decrease of 0.8 million euros when compared to the same period of 2018. This performance had the contribution of the 2.8 million euros gains obtained with the sale of other assets, following the sale of debt instruments recorded at amortized cost, as well as the combined effect of the reduction in other operating income and other operating costs.

Operating costs have evolved favourably, reflecting the impact of the measures implemented with a view to increasing efficiency levels, by presenting a reduction of 2.6 million euros (-4.1%) in the first quarter of 2019, driven by a decrease of 3.8 million euros in staff costs, of which 3.4 million euros came from the change in the accounting of the gains from staff assignments, by the decrease of 1.1 million euros (-6.3%) in general and administrative expenses and by the increase of 2.2 million euros (+37.9%) in amortizations and depreciations.

On the first quarter of 2019 the **Cost-to-income ratio** stood at 64.0%. Without specific impacts, the Cost-to-income ratio reached 68.1% in the first quarter of 2019, compared to 70.0% in the same period of 2018.

The total **Impairments and provisions charges** presented a 22.7% reduction in the first quarter of 2019 when compared to the amount recorded in the same period of the previous year, standing at 22.6 million euros, to which contributed the reductions of loan impairments by 5.1 million euros and of impairments for other assets by 2.6 million euros, unfavourably offset by the reinforcement of impairments for financial assets and by other provisions in the amount of 0.5 million euros each.

Following the sale of Banco Montepio Group's stake in BTM in Mozambique at the end of 2018, the **Group's international activity** is concentrated in two jurisdictions, Angola and Cape Verde, from which stands out the contribution of Finibanco Angola to the net income of Banco Montepio Group in the first quarter of 2019 (in Results from discontinuing operations), in the amount of 2.3 million euros, compared to 6.1 million euros recorded in the same period of 2018.

CAPITAL

As of 31 March 2019, the capital ratios **Common Equity Tier 1** (CET1) and **Total Capital** stood at 13.5% and 15.0%, respectively. The positive evolution of the Total Capital ratio reflects the strengthening of own funds (1,600 million euros as of 31 March 2019 vs. 1,513 million euros as of 31 December 2018), as a result of the organic capital generation, of the increase in tier 2 own funds following the issuance of subordinated debt and of the reduction of 60 million euros in Risk Weighted Assets (RWA), following non-core assets' disposals and an efficient management of risk allocation in loan and debt securities' portfolios. The capital ratios include the effect of the adherence to the special regime for deferred tax assets under Law No. 61/2014 and the unaudited net income of the period.

(million euro)	Mar-18	Dec-18	Mar-19*
Common Equity Tier 1 Capital	1,494	1,457	1,443
Tier 1 Capital	1,498	1,457	1,444
Total Capital	1,513	1,513	1,600
Risk weighted assets	11,597	10,759	10,699
CRD IV / CRR - Phasing-in Ratios			
Common Equity Tier 1 Ratio	12.9%	13.5%	13.5%
Tier 1 Ratio	12.9%	13.5%	13.5%
Total Capital Ratio	13.0%	14.1%	15.0%
CRD IV / CRR - Fully implemented Ratios			
Common Equity Tier 1 Ratio	10.6%	11.4%	11.6%
Tier 1 Ratio	10.7%	11.4%	11.6%
Total Capital Ratio	10.8%	12.0%	13.1%
Leverage ratio - Phasing-In	7.7%	7.8%	7.7%
Leverage ratio - Full Implementation	6.4%	6.6%	6.7%

Phasing-in ratios in accordance with the phasing-in rules in effect as of the reference date.

The ratios include the effect of the adoption of the deferred tax assets' special regime (Law No. 61/2014).

*The ratios as of Mar-19 are estimated and include the unaudited cumulative net results for the quarter.

As of 31 December 2018, Banco Montepio fully implemented capital ratios also improved favorably, with CET1 at 11.6% and the Total Capital ratio at 13.1%.

As of 31 March 2019, the capital ratios reported by Banco Montepio stand above the minimum regulatory requirements, as decided by the Banco de Portugal as the supervisory authority of Banco Montepio on a consolidated basis, as part of the annual Supervisory Review and Evaluation Process (SREP), under Pillar 2. These prudential capital requirements are: CET1 of 10.1%, Tier1 of 11.6% and Total Capital of 13.6%.

ASSET QUALITY

At the end of the first quarter of 2019, **Loans to customers (gross)** totalled 12,881 million euros, showing a decrease of 1.4% when compared to the amount reported at the end of 2018, evidencing a demanding repricing and risk management policy in credit granting.

The **Cost of credit risk** reduced to 0.58% on the first quarter of 2019, compared to 0.68% in the same period of 2018, reflecting the effect of the loan portfolio quality improvement and the implementation of several measures related to the approval, granting and control of loans.

At the end of the first quarter of 2019 the **NPE ratio** reached 14.3%, showing a decrease of 0.1 p.p. compared to the 2018 year end ratio, reflecting the non-performing exposures reduction in the period (-0.3 p.p.) and the unfavourable effect induced by the decrease in the loan portfolio (+0.2 p.p.).

NPE's coverage by impairments increased to 52.1% as of 31 March 2019, showing a reinforcement of 1.8 p.p. compared to 50.3% at the end of 2018.

LIQUIDITY

The **LCR ratio** reached 179.8% at the end of the first quarter of 2019, standing 79.8 p.p. above the minimum regulatory requirement of 100%.

At the end of the first quarter of 2019, the **Debt issued** amounted to 1,125 million euros, a decrease of 19 million euros when compared to the amount at 31 December 2018, as a result, on the one hand, of domestic bonds reimbursements amounting to 97 million euros and of other issues repayments of 22 million euros and, on the other hand, of the issue of 100 million euros of subordinated debt in the first quarter of 2019.

Regarding the medium-term funding under the European monetary policy measures (TLTRO -Targeted Longer Term Refinancing Operations), at the end of the first quarter of 2019 Banco Montepio maintained the level of **funding through the European Central Bank** (ECB) at 1,394 million euros, in line with the amount recorded on 31 December 2018, showing a decrease of 164 million euros when compared to the amount recorded on 31 March 2018.

As of 31 March 2019, **Customer deposits** continued to be the main source of funding in the Balance Sheet, representing 75% of the total.

RATING

As of 31 March 2019, these were the ratings assigned to Banco Montepio:

Rating Agency	Covered Bonds*	Long Term	Short Term	Outlook
Fitch Ratings	AA-	B+(1)	B	Stable
Moody's Investors Service	A3	B3	NP	Positive
DBRS	A	BB	R-4	Negative

* CPT - Conditional Pass Through Covered Bond Programme
(1) Issuer Default Rating

On 26 February 2019, the rating agency **Fitch Ratings** announced that the Viability Rating of Banco Montepio remained unchanged at b+, and that the long-term senior unsecured debt rating was reviewed to B- from B+, having removed the Rating Watch Negative.

On 28 March 2019 the rating agency **DBRS** announced the upgrade of Banco Montepio's Long-Term deposits to 'BB (high)' from 'BB' and the upgrade in the rating of short-term deposits to R-3 from R-4.

Both rating actions resulted from the entry into force of Law no. 23/2019 of 13 March, 2019 which transposes to the Portuguese law the Directive (EU) 2017/2399 of the European Parliament and of the Counsel, of 12 December 2017, as regards the ranking of certain debt instruments in the insolvency hierarchy.

Banco Montepio

QUADRO DE INDICADORES

	Mar-18	Dec-18	Mar-19
SOLVENCY (a)			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	12.9%	13.5%	13.5%
Tier 1 ratio (CRD IV / CRR, phasing-in)	12.9%	13.5%	13.5%
Total Capital ratio (CRD IV / CRR, phasing-in)	13.0%	14.1%	15.0%
Risk Weighted Assets (EUR million)	11,597	10,759	10,699
CREDIT RISK AND COVERAGE BY BALANCE SHEET LOAN IMPAIRMENTS			
Cost of credit risk	0.68%	0.53%	0.58%
Non-performing exposures (NPE) (c) / Gross customer loans	16.5%	14.4%	14.3%
NPE (c) coverage by Impairment for balance sheet loans	50.4%	50.3%	52.1%
Forborne exposures (c) / Gross customer loans	8.0%	7.2%	7.5%
EFFICIENCY AND PROFITABILITY			
Total operating income / Average total assets (b)	2.1%	2.0%	2.1%
Net income / Average total assets (ROA)(b)	0.1%	0.1%	0.1%
Net income / Average total equity (ROE)(b)	1.4%	0.8%	1.7%
Cost-to-income (Operating costs / Total operating income) (b)	65.1%	68.8%	64.0%
Cost-to-Income, excluding specific impacts (d)	70.0%	69.3%	68.1%
Staff costs / Total operating income (b)	41.9%	41.3%	39.1%
LOAN TO DEPOSIT RATIO			
Loans to customers (net) / Customers' deposits (b)	105.5%	96.6%	95.7%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total (f)			
Group total	4,199	3,944	3,940
Banco Montepio	3,639	3,566	3,556
Branches			
Domestic - Banco Montepio	324	324	325
International	34	24	24
Finibanco Angola (e)	24	24	24
BTM (Mozambique)	10	0	0
Rep. Offices	5	5	5

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios as of 31 March 2019 are estimated and include the unaudited net income of the period.
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version
(c) EBA definition, as set out by Instrução No. 4/2018 of Banco de Portugal.
(d) Excludes the Net gains from financial operations and Other operating income and Net gains arising from sale of other financial assets
(e) Includes Business Centers

CONSOLIDATED BALANCE SHEET

(million euro)	Mar-18	Dec-18	Mar-19
Cash and deposits at central banks	771.3	1,610.6	1,120.0
Loans and advances to credit institutions repayable on demand	34.5	78.1	43.4
Other loans and advances to credit institutions	376.2	209.9	209.4
Loans and advances to customers	12,805.0	12,123.2	11,924.7
Financial assets held for trading	171.2	23.7	50.0
Financial assets not held for trading mandatorily at fair value through profit or loss (FVPL)	-	492.6	481.6
Financial assets at fair value through other comprehensive income (FVOCI)	2,643.9	444.1	371.4
Hedging derivatives		5.7	11.3
Other financial assets at amortised cost	0.0	1,255.7	1,849.3
Investments in associates	3.9	4.3	4.0
Non-current assets held for sale	750.0	737.9	722.9
Non-current assets held for sale - Discontinuing operations	403.5	294.7	285.0
Investment properties	295.6	253.1	246.6
Property and equipment	231.4	229.6	257.4
Intangible assets	30.8	32.3	31.6
Current tax assets	6.6	11.1	11.5
Deferred tax assets	491.6	460.3	453.6
Other Assets	98.2	84.4	155.6
TOTAL NET ASSETS	**19,113.8**	**18,351.3**	**18,229.5**
Deposits from central banks	1,557.8	1,395.3	1,393.9
Deposits from other financial institutions	1,698.9	1,245.4	1,208.4
Deposits from customers	12,170.9	12,575.2	12,462.0
Debt securities issued	1,368.6	1,093.9	973.7
Financial liabilities held for trading	16.0	13.5	13.0
Hedging derivatives	0.1	0.0	0.7
Non-current liabilities held for sale – Discontinuing operations	291.5	194.0	183.3
Provisions	28.5	31.1	32.9
Current tax liabilities	6.8	11.0	12.2
Other subordinated debt	124.6	50.0	151.0
Other liabilities	206.7	204.9	254.3
TOTAL LIABILITIES	**17,470.5**	**16,814.4**	**16,685.4**
Share Capital	2,420.0	2,420.0	2,420.0
Other equity instruments	6.3	6.3	6.3
Fair value reserves	44.8	-18.7	-15.1
Other reserves and retained earnings	-860.2	-898.7	-889.7
Consolidated net profit/ (loss) for the period attributable to the shareholders	5.7	12.5	6.5
Total equity attributable to the shareholders	1,616.6	1,521.4	1,528.1
Non-controlling interests	26.7	15.6	16.0
TOTAL EQUITY	**1,643.3**	**1,536.9**	**1,544.0**
TOTAL LIABILITIES AND EQUITY	**19,113.8**	**18,351.3**	**18,229.5**

CONSOLIDATED INCOME STATEMENT

(million euro)	Mar-18	Mar-19
Interest and similar income	93.3	83.2
Interest and similar expense	33.4	22.1
NET INTEREST INCOME	**59.9**	**61.1**
Dividends from equity instruments	3.8	1.3
Net fee and commission income	28.4	28.3
Net gains/losses from financial operations	-1.0	-1.3
Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets	7.9	7.1
TOTAL OPERATING INCOME	**99.0**	**96.6**
Staff Costs	41.5	37.8
General and administrative expenses	17.1	16.0
Depreciation and amortization	5.8	8.0
OPERATING COSTS	**64.4**	**61.8**
Loan impairments	23.6	18.5
Other financial assets impairments	1.0	1.5
Other assets impairments	3.4	0.8
Other provisions	1.2	1.8
Share of profit of associates under the equity method	-0.1	-0.5
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**5.2**	**11.6**
Tax	5.6	7.4
Non-controlling interests	1.4	0.6
Profit/ (loss) from discontinuing operations	7.5	2.8
NET INCOME	**5.7**	**6.5**

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Disclaimer
The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the CEMG Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.
The condensed consolidated financial statements for the first quarter of 2019 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.
First quarter 2019 figures were not audited.

Banco Montepio

GLOSSARY

Core operating income – Sum of the Income Statement items 'Net interest income' and 'Net fee and commission income'.

Cost of credit risk – Ratio that measures the cost recognized in the period, recorded as loan impairments in the income statement, to cover the risk of default of loans granted to customers. Calculated by dividing the Loan impairments (annualized) by the average Gross loans to customers.

Cost-to-income ratio – Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, and is given by the operating costs divided by the total operating income.

Cost-to-income ratio without specific impacts – Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding the 'Net gains/losses from financial operations' and 'Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets', and is given by the operating costs divided by the total operating income excluding the abovementioned items.

CRD IV / CRR – Applicable law within Basel III, namely Directive 2013/36/UE and Regulation no. 575/2013, of the European Parliament and of the Council.

Debt issued – Sum of the Balance Sheet items 'Debt securities issued' and 'Other subordinated debt'.

Fully implemented – It concerns the full implementation of the prudential rules laid down in the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

Impairments and provisions charges – Sum of the Income Statement items 'Loan impairments', 'Other financial assets impairments', 'Other assets impairments' and 'Other provisions'.

Results from financial operations – Sum of the Income Statement items 'Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss', 'Net gains/ (losses) arising from assets and liabilities at fair value throught other comprehensive income' and 'Net gains/ (losses) arising from foreign exchange differences'.

Operating costs – Sum of the Income Statement items 'Staff costs', 'General and administrative expenses' and 'Depreciation and Amortization'.

Phasing-in – It concerns the phased implementation of prudential rules in accordance with the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III..

Securities Portfolio – Sum of the Balance Sheet items 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income (FVOCI)', 'Other financial assets at amortised cost' and 'Financial assets not held for trading mandatorily at fair value through profit or loss (FVPL)'.

Total operating income – Sum of the Income Statement items 'Net interest income', 'Dividends from equity instruments', 'Net fee and commission income', 'Net gains/losses from financial operations' and 'Other operating income/ (expenses) and Net gains/ (losses) arising from sale of other financial assets'.