Announcement

Banco Montepio reports a profit of €22.4Mn on the first nine months of 2018

Lisbon, 28 November 2018 – Banco Montepio reached the first nine months of 2018 with a consolidated net income of €22.4Mn, an increase of €2.0Mn (10.2%) compared to the same period of 2017.

The Net interest income reached €189.3Mn on the first nine months of 2018, a reduction of 6.3% when comparing to the same period of 2017, reflecting the reduction of interest income of both the securities and the loan portfolio.

We highlight the increase in net commissions, which rose 3.6% to €86.9Mn, and the reduction of €6.8Mn in operating costs, mainly due to the reduction of general administrative expenses by €6.0Mn (-9.8%).

The Cost-to-income ratio in the first nine months of 2018, excluding the results of financial operations and other operating income, reached 69.8%, standing in line with the ratio presented in the same period of 2017.

Customer deposits increased by €514Mn (+4.3%) when compared to the same period of 2017, reaching €12,393Mn as at 30 September 2018.

The Liquidity Coverage ratio (LCR) stood at 167.8% as at 30 September 2018, above the 100% minimum regulatory requirement.

The Common Equity Tier 1 and Total Capital ratios reached 13.4% and 13.5%, respectively, above the regulatory minimums, showing an adequate capital position.

As for asset quality, the Cost of risk was set at 0.63% in the first nine months of 2018, which represents a favorable change when compared to the ratio recorded in 2017 (1.09%). Loan impairment charges and provisions decreased by €60.1Mn year-on-year, mainly due to the reduction of loan impairments. This reduction was nonetheless fully absorbed by the €60.8Mn decrease in results from financial operations which, in 2017, reached €66.7Mn with the sale of a significant part of the sovereign securities portfolio.

Following the trend started in 2015, there was a decrease in non-performing exposures, with a NPE ratio of 16.2% as at 30 September 2018, which translates into a reduction of 4.5 percentage points since 2015.

Reflecting the impact of liquidity generating measures, funding obtained through the European Central Bank as at 30 September 2018 decreased by €685Mn, to €1,545Mn, when compared to the same period of the previous year.

For further information: https://www.montepio.pt/press

About Caixa Económica Montepio Geral:
Founded in 1844, Caixa Económica Montepio Geral is a retail bank that distinguishes itself by its mutual nature and represents the values of membership and solidarity, which gives it an unique status in the Portuguese banking landscape. It is dedicated to the collection of savings and credit granting to the segments of individuals, individual entrepreneurs, micro and small and medium enterprises, as well as institutions of the Third Sector. Making the difference to go further is its essence, which translates into its signature "Only a different bank takes us further away".

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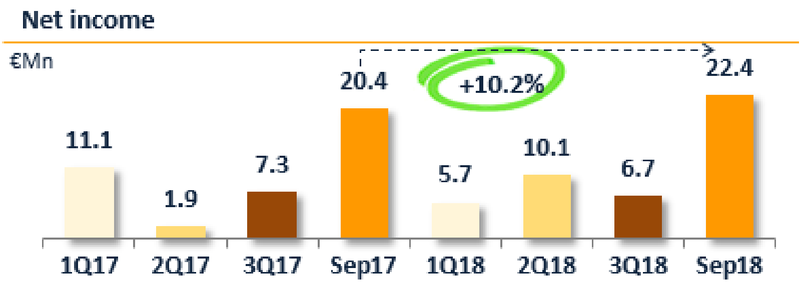
CAIXA ECONÓMICA MONTEPIO GERAL
caixa económica bancária, S.A.

CONSOLIDATED RESULTS
FOR THE FIRST NINE MONTHS 2018

Unaudited information

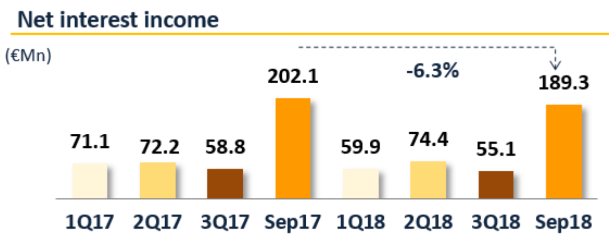
Lisbon, 28 November 2018

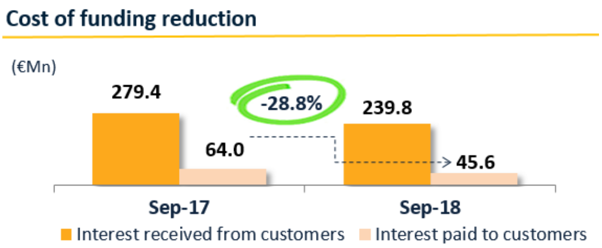
PROFITABILITY



Consolidated net income of €22.4Mn, which is €2.0Mn above the level presented in September 2017**.**

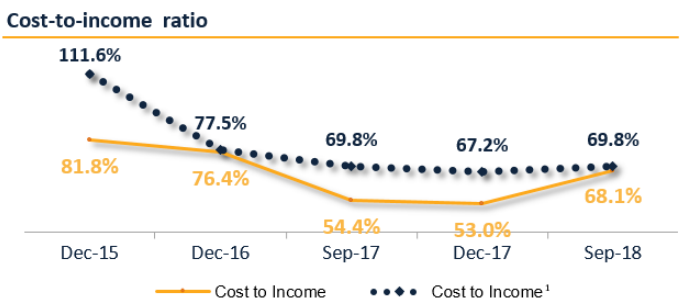
Net interest income reached €189.3Mn on the first nine months of 2018, comparing to €202.1Mn presented on the same period of the previous year, reflecting the reduction of interest related to both the securities and the loan portfolios, despite the 28.8% reduction in the interest paid to customers.





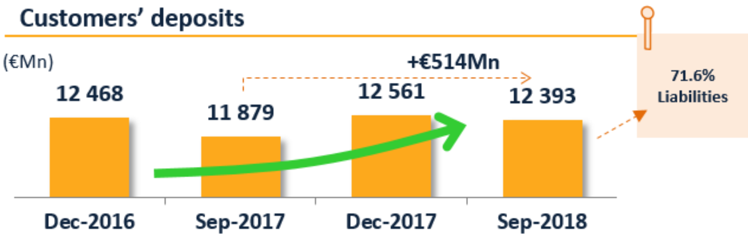
Net commissions reached €86.9Mn on the first nine months of 2018, which compares to €83.9Mn on the same period of previous year, revealing a positive change of 3.6%, benefiting from the commercial dynamics through the price adequacy to the value of the services provided.

Operating costs fell €6.8Mn, mainly driven by the cut in general and administrative expenses, leading to a Cost-to-income ratio of 69.8%[1].



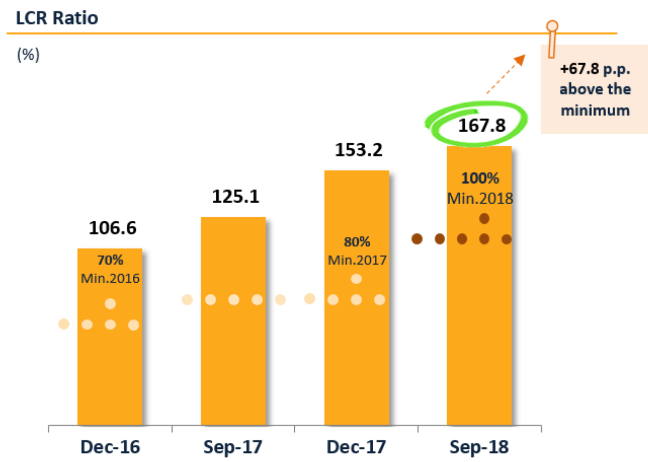
[1] Cost-to-income excluding the results of financial operations and other operating results (in 2016 does not include as well the impacts associated with the resizing of the operational structure program and the review of the collective labour agreement).

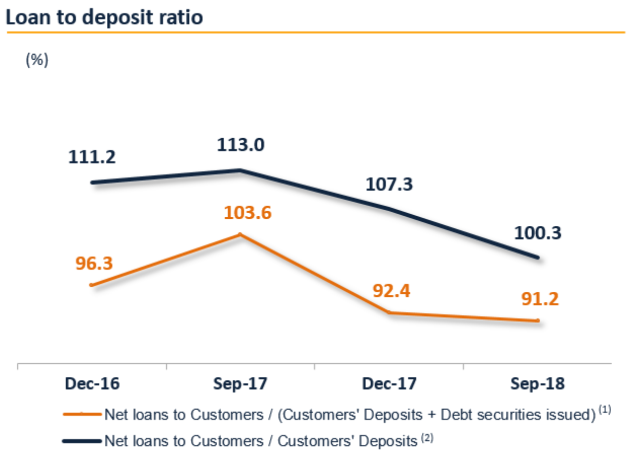
LIQUIDITY



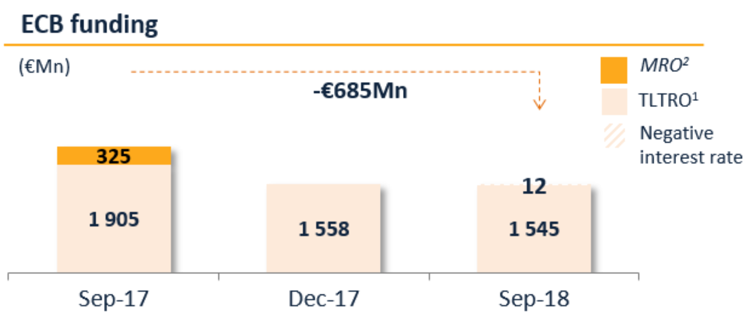
Customers' Deposits reached €12,393Mn as at 30 September 2018, presenting a €514Mn growth when compared to the same period of the previous year, which reveals a positive performance of new and existing deposits.

Liquidity Coverage Ratio (LCR) reached 167.8% on 30 September 2018, above the minimum regulatory requirement of 100% and above the level recorded at the end of 2017. The **Loan to deposits ratio** presented a positive performance, reaching 100.3%, or 91.2% considering the ratio between net loans and debt securities issued.





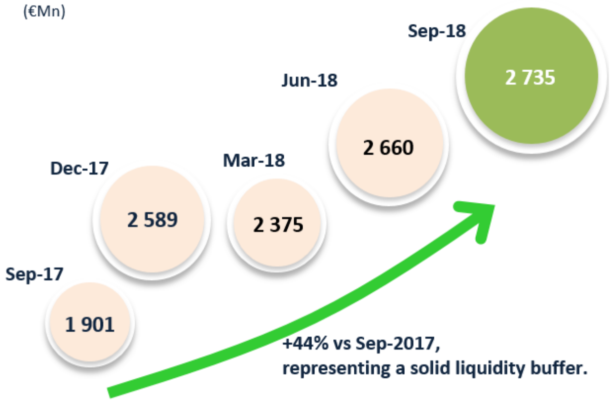
(1) (Customers' Deposits + Debt issued) = Customers' Deposits and Debt securities issued; as disclosed in the financial statements. (2) Pursuant to Banco de Portugal Instruction No. 16/2004, as amended.



ECB funding amounted to €1,545Mn as at 30 September 2018, which represents a decrease of €685Mn when compared to the same period of 2017, reflecting the impact of the liquidity generation measures accomplished during 2017.

(1) TLTRO – *Targeted longer-term refinancing operations.* (2) MRO - *Main refinancing operations.*

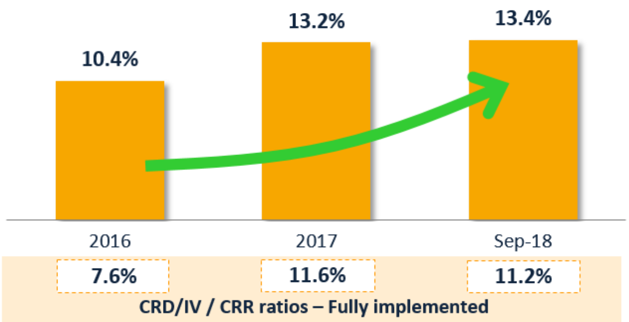
High liquid assets & cash



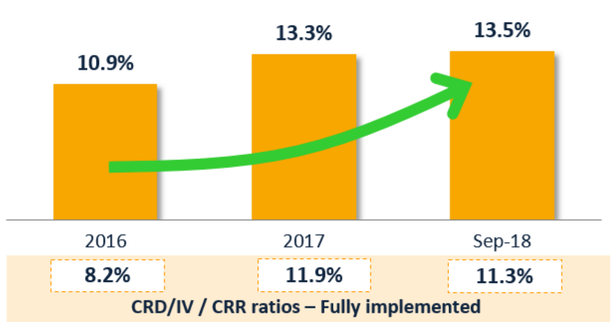
High liquid assets and cash with the central bank amounted to €2,735Mn, representing an important liquidity reserve.

CAPITAL

Common Equity Tier 1 Ratio (phasing-in[2])

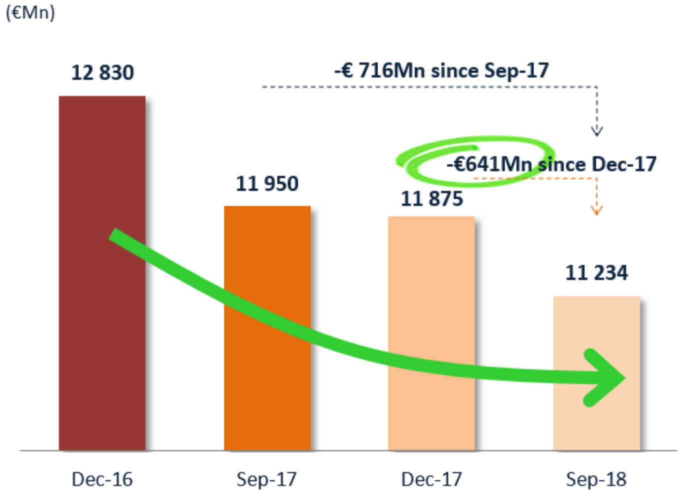


Total Capital Ratio (phasing-in[2])



CET1 and Total Capital ratios (phasing-in) reached 13.4% and 13.5%, respectively. The ratios include the effect of the DTA[2] special regime adoption and the first nine months 2018 positive results.

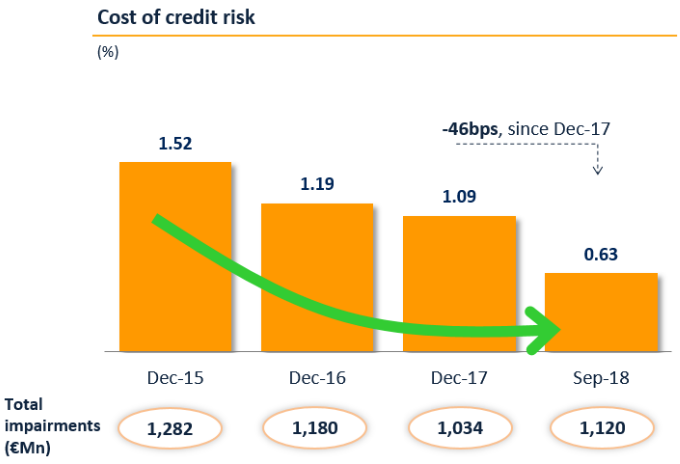
RWA



Steady reduction of the **RWA** [3] as a consequence of the non-strategic assets disposal and the changes implemented to the underwriting policies.

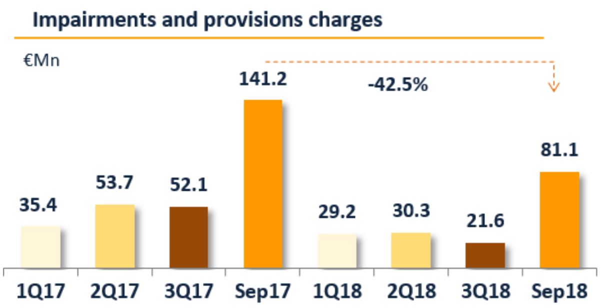
[2] Deferred Tax Assets.
[3] Risk Weighted Assets.

ASSET QUALITY

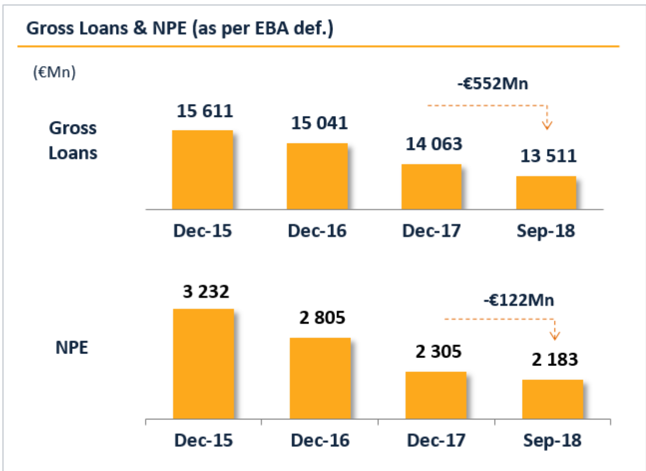


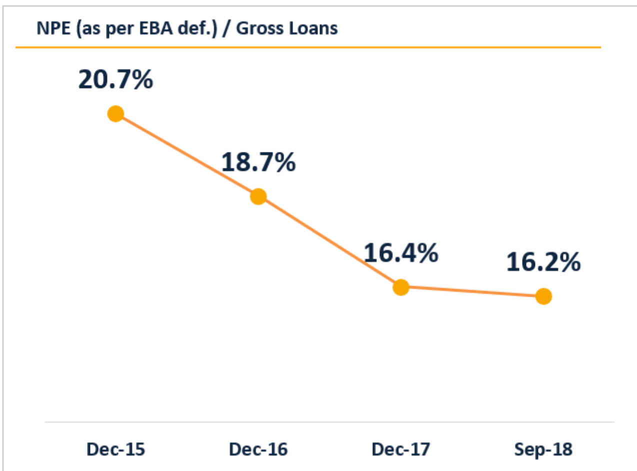
Cost of credit risk[4] stood at 0.63% on the first nine months of 2018, presenting a favorable change comparing to the cost recorded in 2017.

A decrease of €60.1Mn on **impairments and provisions charges** when comparing to the same period of the previous year, mainly explained by the reduction of loan impairments.



The amount of non-performing exposures (NPE) declined by €1,049Mn since 2015, which represents half the Gross Loans reduction (€2,100Mn). **NPE ratio**[5] stood at 16.2% on 30 September 2018, presenting a declining trend of 4.5 p.p. since 2015. The coverage of NPE by impairments reached 51.3% on 30 September 2018, and 86.3% when considering the real estate collateral.





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[4] Loan impairments, annualized where applicable, as a percentage of average gross loans.
[5] Non Performing Exposures ratio = Non Performing Exposures (as per EBA definition) / Gross loans.

RATING

Presently, the ratings assigned to CEMG are as shown in the table below:

	MOODY'S	FITCH RATINGS	DBRS
COVERED BONDS (CPT[1])	A3	AA-	A
LONG TERM	B3	B+	BB
SHORT TERM	NP	B	R-4
OUTLOOK	Positive	Stable	Negative

(1) Conditional Pass-through Covered Bond Programme

KEY INDICATORS

	Sep-17	Dec-17	Sep-18	Change YoY
ACTIVITY AND RESULTS (EUR million)				
Net Assets	19 510	20 200	18 928	(3.0%)
Gross loans to Customers	14 610	14 063	13 511	(7.5%)
Customers' Deposits	11 879	12 561	12 393	4.3%
Net Income	20.4	6.4	22.4	10.2%
SOLVENCY (a)				
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	13.0%	13.2%	13.4%	0.4 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	13.0%	13.2%	13.4%	0.4 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	13.2%	13.3%	13.5%	0.3 p.p.
Risk Weighted Assets (EUR million)	11 987	11 875	11 234	(6.3%)
LOAN TO DEPOSIT RATIO				
Net loans to Customers / Customers' Deposits (b)	113.0%	107.3%	100.3%	(12.7 p.p.)
Net loans to Customers / On-Balance sheet Customers' resources (c)	103.6%	92.4%	91.2%	(12.4 p.p.)
CREDIT RISK AND COVERAGE BY BALANCE SHEET LOAN IMPAIRMENTS				
Cost of credit risk	0.95%	1.09%	0.63%	(0.4 p.p.)
Ratio of loans and interest overdue by more than 90 days	9.7%	8.2%	7.9%	(1.8 p.p.)
Coverage of loans and interest overdue by more than 90 days	86.3%	90.2%	104.5%	18.2 p.p.
Non-performing exposures (NPE) (d) / Gross Loans	19.1%	16.4%	16.2%	(2.9 p.p.)
Coverage of Non-performing exposures (NPE) (d) by impairments		44.9%	51.3%	51.3 p.p.
Coverage of Non-performing exposures (NPE) (d) by impairments and Real Estate collateral		87.0%	86.3%	86.3 p.p.
Restructured loans (Forborne) (d) / Gross loans	8.8%	8.2%	7.6%	(1.2 p.p.)
EFFICIENCY AND PROFITABILITY				
Net operating income / Average net assets (b)	2.6%	2.5%	2.0%	(0.6 p.p.)
Earnings before Tax / Average net assets (b)	0.3%	0.2%	0.2%	(0.1 p.p.)
Earnings before Tax / Average equity (b)	3.2%	3.0%	2.2%	(1.0 p.p.)
Cost-to-Income (Operating costs / Net operating income) (b)	54.4%	53.0%	68.1%	13.7 p.p.
Cost-to-Income, excluding non-recurrent impacts (e)	69.8%	67.2%	69.8%	0.0 p.p.
Staff costs / Net operating income (b)	33.3%	30.9%	42.7%	9.4 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total (f)	3 817	3 837	3 860	43
CEMG	3 610	3 630	3 654	44
Branches				
Domestic - CEMG	325	324	324	(1)
International	40	34	34	(6)
Finibanco Angola (g)	25	24	24	(1)
BTM (Mozambique)	10	10	10	0
Rep. Offices	5	5	5	0

(a) Pursuant to CRD IV / CRR (phasing-in). As of September 30, 2018 the ratios include the 9M 2018 net income and the adoption of the special deferred tax assets regime.
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, as amended.
(c) Total On-Balance sheet Customers' resources = Customers' Deposits and Debt securities issued as defined in the financial statements annexed to this announcement.
(d) EBA definition and in accordance with Banco de Portugal Instruction No. 4/2018
(e) Excludes results from financial operations and Other operating results.
(f) Excludes assigned employees and with a suspension work agreement.
(g) Includes Business Centers

CONSOLIDATED BALANCE SHEET

(million euro)	Dec-17	Sep-18
Cash and deposits at central banks	1 733.6	1 806.6
Deposits at other credit institutions	50.2	42.2
Investments in credit institutions	312.2	290.7
Loans to customers	13 029.3	12 390.9
Financial assets held for trading	184.1	75.4
Financial assets at Fair Value through profit or loss	0.0	487.8
Financial assets at Fair Value through other comprehensive income	2 200.9	893.7
Hedging derivatives	0.0	2.8
Other assets at amortised cost	0.0	701.9
Inv. in associates and subsidiaries	4.1	4.0
Non-current assets held for sale	742.2	744.4
Non-current assets held for sale - Discontinuing operations	474.5	322.2
Investment properties	538.6	272.2
Other tangible assets	233.3	226.5
Intangible assets	31.4	31.7
Current tax assets	7.3	2.2
Deferred tax assets	466.0	513.6
Other Assets	192.3	119.0
TOTAL NET ASSETS	**20 200.0**	**18 928.0**
Resources from central banks	1 557.8	1 545.4
Resources from other credit institutions	1 786.7	1 651.2
Resources from customers and other liabilities	12 561.0	12 392.5
Debt securities issued	1 544.1	1 193.6
Financial liabilities held for trading	16.2	13.4
Hedging derivatives	1.7	0.0
Non-current liabilities held for sale – Discontinuing operations	330.4	225.7
Provisions	27.1	30.1
Current tax liabilities	5.2	0.7
Other subordinated liabilities	236.2	7.6
Other liabilities	370.7	252.2
TOTAL LIABILITIES	**18 437.1**	**17 312.2**
Share Capital	2 420.0	2 420.0
Other equity instruments	6.3	6.3
Fair value reserves	27.9	1.5
Other reserves and retained earnings	-730.6	-860.9
Consolidated profit/ (loss) attributable to the shareholders	6.4	22.4
Total equity attributable to the shareholders	1 730.1	1 589.4
Non-controlling interests	32.8	26.4
TOTAL EQUITY	**1 762.9**	**1 615.7**
TOTAL LIABILITIES AND EQUITY	**20 200.0**	**18 928.0**

CAIXA ECONÓMICA MONTEPIO GERAL, caixa económica bancária, S.A. (Savings Bank, Public Limited Company), Headquarters: Rua Castilho, 5, 1250-066 Lisbon
Share Capital: 2,420,000,000 Euros, registered at the Lisbon Commercial Registry Office under the single registration number 500792615

CONSOLIDATED INCOME STATEMENT

(million euro)	Sep-17	Sep-18
Interest and similar income	367.2	279.2
Interest and similar expense	165.2	89.9
NET INTEREST INCOME	**202.1**	**189.3**
Income from equity instruments	10.2	10.4
Income from services, fees and commissions	83.9	86.9
Net gains/losses from financial operations	66.7	5.9
Other operating income	17.2	1.2
NET OPERATING INCOME	**380.0**	**293.8**
Staff Costs	126.6	125.3
General and administrative expenses	61.5	55.5
Amortization and depreciation	18.6	19.1
OPERATING COSTS	**206.8**	**200.0**
Loan impairments	106.2	65.5
Other financial assets impairments	7.3	2.7
Other assets impairments	14.7	10.5
Other provisions	13.0	2.4
Earnings by equity method	0.2	0.0
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**32.3**	**12.7**
Tax	18.0	5.1
Non controlling interests	1.9	3.8
Income from discontinuing operations	7.9	18.7
NET INCOME	**20.4**	**22.4**

The financial information as of 30 September 2018 is not audited and it was prepared in accordance with the international financial reporting standards (IFRS – International Financial Reporting Standards).

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Share Capital: 2,420,000,000 Euros, registered at the Lisbon Commercial Registry Office under the single registration and tax identification number 500792615