CAIXA ECONÓMICA MONTEPIO GERAL
CONSOLIDATED RESULTS

As at 30 June 2017
Lisbon, 26 July 2017

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

Unaudited financial information

This document is a free translation into English of the original Portuguese version. Due to the complexities of language translation, translations are not always precise. In case of doubt or misinterpretation the Portuguese version will prevail.

HIGHLIGHTS

- **Consolidated net income of €13Mn, representing an increase of +€80.7Mn;**
- **The results of the 1st half 2017 incorporate context costs in an amount of €25.2Mn, related to the contributions to the Resolution Funds, the banking sector and to the Deposit Guarantee Fund;**
- **Core net operating income[1] of €198.5Mn, an increase of 25.7%, with the net interest income rising 28.3% and the commissions 19.5%;**
- **Improvement of operational efficiency, with the Cost to Income ratio[2] at 55.2%;**
- **Reduction in the cost of risk to 86bp, less 33bp when compared to Dec-16, maintaining the coverage of the credit risk at 118.4%;**
- **Stable liquidity position – the LCR[3] ratio reached 129.5%, the all-time high since its implementation and 49.5 percentage points above the minimum regulatory requirement of 80%;**
- ***Core* capital ratio (CET1[4]) increased to 12.6%, benefiting from the reduction of the risk-weighted assets (RWAs) in €1,255Mn and the capital increase of €250Mn;**
- **Capital ratios do not incorporate the estimated effect of + 50bp concerning the adherence to the deferred tax assets (DTAs) regime;**
- **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%.**

RESULTS

Net income improves to €13Mn

- **Net income increased by €80.7Mn, to €13Mn,** 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 **28.3% growth**, when compared to the same period of the previous year, supported by the cost of funding reduction, namely the cost of term deposits;
- **Net Commissions** rose by 19.5%, to €55.2Mn, benefiting from the favourable impact of the adequacy of the cost of the services provided and the better business dynamics;
- **Core net operating income[1] increased €40.6Mn (+ 25.7%)**, boosted by the positive performance of the core business;
- **Operating Costs[5] fell 9.6%**, reflecting the impact of the human resources management achieved in 2016 and the synergies obtained in the external supplies and services.

ASSET QUALITY

Sustained reduction in the cost of risk

- **Reduction of the cost of credit risk to 86bp,-33bp** when compared to 119bp recorded in Dec-2016, reflecting the higher prudence in the lending policy;
- **Reduction of 43.5% of the entries of new loans in default**, showing an improvement of context;
- **Decrease of the credit at risk ratio** in 49bp, standing at 15.1%;
- **Coverage of the credit risk by 118.4%** taking into consideration the impairments and the related mortgage real estate collateral.

LIQUIDITY

Stable liquidity position

- **Stable liquidity position, with the LCR[3] ratio at 129.5%**, 49.5 p.p. above the minimum regulatory requirement of 80%;

- **Customer Deposits totaled €11.6Mn (+€36Mn when compared to Mar-17)**, continuing to represent the main source of funding (63% of the total);

- **Reduction of the ECB exposure in €171Mn (-6.0%)** and €125Mn in relation to the position as of the end of the previous quarter (-4.4%).

CAPITAL

Solid capital position

- **The core capital ratio (CET1[4]) rose to 12.6% and the Total Capital ratio[4] to 12.9%** (+ 235bp and 198bp, respectively, when compared to Jun-16);

- The capital position strengthening incorporates the positive effects of the **€250Mn increase of the institutional capital** and the **risk-weighted adjusted assets reduction to €12,202Mn** (-€1,255Mn when compared to Jun-16).

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

RESULTS

CEMG achieved a positive net income of €13Mn in the first half of 2017, which compares to the negative result of -€67.6MMn in the same period of the previous year. Three different effects were the main contributors for this evolution:

- The net interest income increase of €31.6Mn (+28.3%);
- The net commissions increase of €9.0Mn (+19.5%);
- The operating costs reduction of €14.6Mn (-9.6%).

The net interest margin stood at €143.3Mn in the first half of 2017, compared with €111.7Mn in the same period of the previous year. This performance was achieved by the reduction of the funding costs, including the cost of term deposits, and the income increase obtained from the securities portfolio.

Commissions amounted to €55.2Mn in the first six months of 2017, representing an increase of 19.5% 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 better business dynamics.

These favorable performances determined the increase of 25.7% in the core net operating income[1] during the first six months of 2017.

The results from financial operations amounted to €26.6Mn, an increase of €13.8Mn when compared to the value of the same period of the previous year, benefiting from the realization of capital gains on the sovereign debt portfolio.

Operating costs in the first half of 2017 decreased by 9.6%[2], reaching €137.2Mn, 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 55.2%.

The cost of credit risk was reduced to 0.86%, 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 24.9% when compared to the same period of the previous year, standing at €89.1Mn.

The CEMG Group's international activity is developed in three jurisdictions: Angola, Mozambique and Cape Verde. In Angola, the net income of Finibanco soared 19%, reaching €7.4Mn in the 1st half of 2017, which compares with €6.2Mn in the 1st semester of 2016. In Mozambique, the BTM presented a marginally negative net income of €32,000 in the 1st half of 2017, as compared with a negative net income of €61,000 in 1st half of 2016. In Cape Verde, Banco MG Cabo Verde presented a negative net income of €71,400 in the first half of 2017, as compared with a negative net income of €40,800 as of 30 June 2016.

Caixa Económica Montepio Geral, Savings bank, entity with the capital open to public investment, Headquarters: Rua Áurea, 219 to 241, 1100-062 Lisbon
Institutional capital: 2,020,000,000 Euros, registered at the commercial registry of Lisbon under the single registration number and tax ID 500792615

[1] Net Interest Income + Net Commissions
[2] On a comparable basis. As reported, the variation amounts to -25.4%

ASSET QUALITY

At the end of the 1st semester of 2017, gross loans and advances to customers totaled €14,890Mn, a decrease of 2.9% compared with the same period of the previous year and a reduction of 1.0% compared to 31 December 2016, as a result of a strict repricing and risk management policy in the underwriting criteria, on the one hand, and the lower demand for credit on the other hand.

Nevertheless, the evolution of the credit portfolio confirmed the focus on the strategic segments as shown in the strengthening the respective market shares between June 2016 and 2017may[3].

During the first six months of 2017, there was a decrease of-9.5% of the number of new retail loans in default (NPL[4]), reflecting into a negative variation of -43.5% in terms of outstanding principal.

The coverage of credit risk by impairments rose to 53.1%, which rises to 118.4% if real estate collateral is considered.

LIQUIDITY

The LCR ratio reached 129.5%, +49.5 percentage points above the minimum regulatory requirement in force, of 80%.

In the first semester of 2017, CEMG assured the amortisation of 792 million euros of debt securities issued and the €171Mn (-6.0%) reduction of the exposure to the European Central Bank (ECB) compared to the same period of the previous year, with the refinancing at the ECB standing at €2,700Mn, of which 71% 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 1st semester of 2017, customers' deposits continued to be the main source of funding of the balance sheet, representing 63.0% of total funding sources, registering an increase of €36Mn compared to the previous quarter.

[3] In accordance with the monetary and financial statistics of Bank of Portugal (most current information with reference to May 2017)

[4] Principal in arrears for more than 90 days and the related principal falling due

CAPITAL

On 30 June 2017, the Common Equity Tier 1 (CET1) and the Total Capital ratios evolved favorably to 12.6% and 12.9%, respectively. This evolution reflects the strengthening of core capital (€1,539Mn, vs €1,331Mn as of Dec-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 €1,255Mn in risk-weighted adjusted assets (RWAs). Capital ratios do not include the positive effect, estimated at 50bp, associated with the adherence to the deferred tax assets (DTAs) regime.

(million euros)	Jun-16	Dec-16	Jun-17
BASEL III - CRD IV / CRR			
Total Capital	**1,472**	**1,392**	**1,577**
Eligible instruments to CET1	2,143	2,163	2,417
Common Equity Tier 1 capital	1,381	1,331	1,539
Tier 1 capital	1,381	1,331	1,539
Tier 2 capital	100	74	49
Risk weighted assets	13,457	12,830	12,202
Total Capital ratio (phasing-in)	**10.9%**	**10.9%**	**12.9%**
Tier 1 ratio (phasing-in)	**10.3%**	**10.4%**	**12.6%**
CET1 ratio (phasing-in)	**10.3%**	**10.4%**	**12.6%**

In accordance with the phasing-in rules in force as of the reference date; the ratios as of 30 June 2017 include the accumulated net profits of the year.

As of June 30, 2017, the fully implemented CEMG's capital ratios also improved favorably, with CET1 at 11.2% and the total capital ratio at 11.6%.

RATING

At the end of the 1st semester to 2017, the credit ratings assigned to CEMG kept the same record as of 31 December 2016, which are shown in the table below:

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

SIGNIFICANT EVENTS in the 1st semester of 2017

Transformation into a public limited company

In accordance with the statutory provisions, as well as in the context of the amendments to the Savings Bank's law, CEMG undertook the necessary steps for the implementation of the transformation into a public limited company which culminated in the approval of the respective statutory changes and transformation in the general meeting held on 4 April 2017. This decision was ratified by the General Assembly of the Montepio Geral Associação Mutualista on 9 may 2017.

The effectiveness of the decisions taken and the respective transformation is only dependent on the deed and its registration with the commercial registry.

Institutional Capital Increase

On 30 June 2017, Montepio Geral Associação Mutualista carried out an increase of the institutional capital of Caixa Económica Montepio Geral, in cash, in an amount of EUR 250 million, making up the institutional capital of €2,020Mn.

Tender Offer

On 4 July, Montepio Geral Associação Mutualista disclosed a preliminary announcement of a voluntary tender offer to acquire all the participation units representative of the Participation Fund of Caixa Económica Montepio Geral.

Montepio Group won the "Melhores Fundos 2017" awards

Montepio won two awards with respect to the investment fund management: the "Fundo PPR Garantia de Futuro" (a retirement savings fund) was distinguished, for the second consecutive year as the best Fund in the category (risk level 3), while in the category of best European Equity Fund, the winner was the fund "Montepio Ações Europa", managed by Montepio Gestão de Activos.

The prizes were awarded by the APFIPP (Portuguese Association of investment funds, pensions and Assets), in partnership with the Jornal de Negócios (a portuguese business newspaper), on June 5.

"Phone 24" achieved the trophy for the best banking Service line

The "Phone 24" customer service line of Caixa Económica Montepio Geral, won the Bronze trophy for best Attendance in the Banking Sector. This classification reflects the commitment to achieve the excellence of service it provides to its customers.

Social Responsibility

In the scope of social responsibility, Caixa Económica Montepio Geral, Montepio Geral Associação Mutualista and Fundação Montepio awarded a €250 thousand donation to support the victims of the fires in the district of Leiria. In addition, CEMG joined União das Misericórdias Portuguesas in the collection of donations in favor of the affected families and totaling approximately €467 thousand.
Caixa Económica Montepio Geral also provided two lines of financial support, one for private individuals and another for companies in the central regions of Portugal, with more favorable conditions.

KEY INDICATORS

	Jun 2016*	Dez 2016	Jun 2017
ACTIVITY AND RESULTS (EUR million)			
Net Assets	21,384	21,346	20,270
Gross loans to Customers	15,336	15,041	14,890
Customers' Deposits	12,311	12,468	11,628
Net Income	-68	-86	13
SOLVENCY (a)			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	10.3%	10.4%	12.6%
Tier 1 ratio (CRD IV / CRR, phasing-in)	10.3%	10.4%	12.6%
Total Capital ratio (CRD IV / CRR, phasing-in)	10.9%	10.9%	12.9%
Risk Weighted Assets	13,457	12,830	12,202
LEVERAGE RATIOS			
Net loans to Customers / Customers' Deposits (b)	118.0%	111.2%	117.9%
Net loans to Customers / On-Balance sheet Customers' resources (c)	98.2%	96.3%	107.4%
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Cost of credit risk	1.1%	1.2%	0.9%
Ratio of loans and interest overdue by more than 90 days	9.3%	9.1%	9.2%
Non-performing loans ratio (b)	11.0%	11.5%	11.9%
Net non-performing loans ratio (b)	3.6%	3.9%	4.3%
Coverage of loans and interest overdue by more than 90 days	83.0%	86.0%	86.9%
Credit at risk ratio (b)	15.6%	15.2%	15.1%
Net credit at risk (b)	8.5%	8.0%	7.7%
Credit at risk coverage ratio	49.6%	51.6%	53.1%
Credit at risk coverage ratio, factoring-in related real estate collateral	120.4%	120.0%	118.4%
Restructured loans as a % of total loans (d)	9.5%	8.9%	8.8%
Restructured loans not included in credit at risk as a % of total loans (d)	3.2%	3.2%	3.2%
EFFICIENCY AND PROFITABILITY			
Net operating income / Average net assets (b)	1.6%	1.7%	2.4%
Earnings before Tax / Average net assets (b)	(1.3%)	(0.9%)	0.3%
Earnings before Tax / Average equity (b)	(18.8%)	(12.3%)	3.5%
Cost-to-Income (Operating costs / Net banking income) (b)	110.3%	76.4%	55.2%
Cost-to-Income, excluding specific effects (e)	98.7%	88.4%	61.8%
Staff costs / Net banking income	75.0%	44.5%	34.1%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total	4,182	4,155	4,151
CEMG	3,647	3,588	3,592
Branches			
Domestic - CEMG	332	327	325
International	30	33	35
Finibanco Angola (f)	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 centres

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CONSOLIDATED BALANCE SHEET

(million euro)	Jun-16*	Dec-16	Jun-17
Cash and deposits at central banks	319.6	381.3	423.6
Deposits at other credit institutions	238.7	69.6	58.9
Investments in credit institutions	152.5	559.1	433.7
Loans to customers	14,152.3	13,861.0	13,698.3
Financial assets held for trading	34.3	78.2	87.0
Financial assets available for sale	2,329.4	2,399.5	2,842.5
Investments held to maturity	1,125.8	1,126.1	0.0
Inv. in associates and subsidiaries	3.8	4.0	3.7
Non-current assets held for sale	725.9	760.2	734.2
Non-current assets held for sale - Discontinuing operations	524.1	470.4	445.8
Investment properties	640.0	608.0	562.5
Other tangible assets	246.5	237.1	234.4
Intangible assets	32.1	34.9	33.2
Current tax assets	19.0	11.9	10.4
Deferred tax assets	459.3	521.7	486.3
Other Assets	380.7	222.9	215.9
TOTAL NET ASSETS	**21,383.9**	**21,345.9**	**20,270.4**
Resources from central banks	2,870.7	2,322.9	2,700.4
Resources from other credit institutions	1,524.0	2,275.9	2,179.4
Resources from customers	12,311.0	12,467.8	11,628.0
Debt securities issued	2,098.1	1,920.0	1,127.1
Financial liabilities held for trading	82.6	26.1	21.5
Financial liabilities associated to transferred assets-Discontinuing operations	396.7	354.8	319.7
Provisions	26.3	21.8	28.6
Current tax liabilities	2.8	1.9	5.6
Other subordinated liabilities	250.6	251.0	251.7
Other liabilities	255.8	247.0	235.3
TOTAL LIABILITIES	**19,818.7**	**19,889.4**	**18,497.3**
Institutional Capital and Participation Fund	2,170.0	2,170.0	2,420.0
Other equity instruments	6.3	6.3	6.3
Own Securities	-0.1	-0.1	-0.1
Other reserves and retained earnings	-566.4	-656.5	-691.7
Consolidated profit/ (loss) for the period attributable to the holders of Institutional Capital and Participation Fund	-67.6	-86.5	13.0
Total equity attributable to the holders of Institutional Capital and Participation Fund	1,542.2	1,433.3	1,747.6
Non-controlling interests	23.1	23.2	25.5
TOTAL EQUITY	**1,565.3**	**1,456.5**	**1,773.1**
TOTAL LIABILITIES AND EQUITY	**21,383.9**	**21,345.9**	**20,270.4**

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

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CONSOLIDATED INCOME STATEMENT

(million euro)	Jun-16*	Jun-17
Interest and similar income	261.0	254.2
Interest and similar expense	149.3	110.9
NET INTEREST INCOME	**111.7**	**143.3**
Income from equity instruments	2.7	7.7
Net commisions	46.2	55.2
Financial Operations Results	12.8	26.6
Other operating income	-6.8	15.7
NET OPERATING INCOME	**166.6**	**248.6**
Staff Costs	124.9	84.7
General and administrative expenses	46.6	40.1
Amortization and depreciation	12.3	12.5
OPERATING COSTS	**183.8**	**137.2**
Loan impairments	85.8	63.5
Other impairments and provisions	33.0	25.6
Earnings from associates and joint ventures (equity method)	0.0	-0.1
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**-135.9**	**22.1**
Tax	-69.3	13.1
Non controlling interests	1.1	1.3
Results from discontinuing operations	0.2	5.4
NET INCOME	**-67.6**	**13.0**

* June 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 June 2016 were prepared on the same basis for comparative purposes.

The financial information relating to the 1st semester 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

Outlook -Perspective

Phasing-in -transitional period

RWA - *Risk-Weighted Assets* (assets Weighted by Risk)