SECOND SUPPLEMENT

(dated 25 September 2017)

to the

BASE PROSPECTUS

(dated 27 April 2017)

CAIXA ECONÓMICA MONTEPIO GERAL

Caixa Económica Bancária (Savings Bank)
Sociedade Anónima (Public Limited Company)
Registered Office: Rua Áurea, 219-241, Lisbon
Share Capital: €2,420,000,000
Registered with the Lisbon Commercial Registry Office under the sole commercial registration and taxpayer number 500 792 615

€5,000,000,000 CONDITIONAL PASS-THROUGH COVERED BONDS PROGRAMME BASE PROSPECTUS

This Second Supplement dated 25 September 2017 (the "**Supplement**") to the Base Prospectus dated 27 April 2017 as supplemented on 18 May 2017 (the "**Base Prospectus**"), constitutes a supplement to the Base Prospectus for the purpose of Article 16 of Directive 2003/71/EC (the "**Prospectus Directive**") prepared in connection with the €5,000,000,000 Conditional Pass-Through Covered Bonds Programme (the "**Programme**") established by Caixa Económica Montepio Geral (the "**Issuer**", fully identified in the Base Prospectus). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority under the Prospectus Directive. The CBI only approves this supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Each of the Issuer, the members of its Board of Directors, the members of its General and Supervisory Committee (see "*Executive Board of Directors and Other Governing Bodies of the Issuer*" in the Base Prospectus) and its Statutory Auditor (see "*Executive Board of Directors and Other Governing Bodies of the Issuer*" in the Base Prospectus) hereby declare that in respect of the information included in this Supplement for which they are legally responsible, they accept responsibility for such information and, to the best of their knowledge (each having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility for the information contained herein.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated by reference in the Base Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

I. GENERAL AMENDMENT

1. References to and definitions of Caixa Económica Montepio Geral and the Issuer shall, where appropriate, be construed as references to Caixa Económica Montepio Geral, caixa económica bancária, S.A. (the new commercial name of the Issuer following the conclusion of its transformation process into a public limited liability company (*sociedade anónima*), as per the description below under the heading "**Transformation into a public limited company**").

2. All references to CEMG's Participation Fund (*Fundo de Participação da CEMG*) in this Base Prospectus shall be in accordance with the statutory dispositions set forth in the articles of association of the Issuer in force as of the date of the Base Prospectus. It should be noted that, following the transformation of CEMG into a public limited liability company (*sociedade anónima*), occurred on 14 September 2017, the articles of association have been amended to reflect this transformation and, consequently, the Participation Fund has been closed down and converted into share capital of the Issuer (all as detailed in the current Supplement in section "Change in legal framework of the Issuer" under the Chapter headed "Risk factors" and in section "Recent developments" under the Chapter headed "Description of the Issuer").

II. RISK FACTORS

3. The whole section "**Economic activity in Portugal**", under the Chapter headed "**Risk factors**" of the Base Prospectus, between pages 6 and 11 of the Base Prospectus, shall be replaced by the following wording, which includes updated information:

"Economic activity in Portugal

As the Issuer currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. Thus, a decline in Portuguese economic activity may have a material effect on the Issuer's financial condition and on the results of its operations.

The Issuer's business activities (including mortgage lending activities) are dependent on the level of banking and financial services required by its customers and borrowers in Portugal which are, in turn, based on the evolution of the economic activity, saving levels, investment and employment. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, and the condition of the Portuguese economy and market interest rates.

Structural factors, such as the slow adaptation of some sectors to the increasing external competition, as well as labour laws and the low levels of qualification of a material portion of the workforce, combined with a period of very poor economic growth and the implementation of measures to reduce public deficit concerning the Portuguese "Financial Assistance Programme" ("**FAP**"), have contributed to this rise in the unemployment rate, placing it at a historically high level.

In May 2011, the FAP was agreed between the European Central Bank ("**ECB**"), the International Monetary Fund ("**IMF**") and the European Commission ("**EC**") – together, the "**Troika**" – and implemented in 2012. The FAP comprised a total funding of €78 billion ("bn") to be allocated during the period from 2011 to 2014. The FAP's main objectives were to return the Portuguese economy to a path of sustained growth within a framework of financial stability and to restore the confidence of participants in the international financial markets. To this end, the FAP focused its assistance in three main areas: (i) a set of significant structural reforms to increase potential growth, create jobs and improve the economy's competitiveness, (ii) a strategy for credible fiscal consolidation, based on measures of a structural nature and greater budgetary control over all the obligations of the State, and (iii) a process of orderly deleveraging of the financial sector through market mechanisms and supported by a fund to finance the recapitalization of banks.

17 May 2014 marked the conclusion of the FAP and constituted an important moment in the evolution of the Portuguese economy. During its period of implementation, there was progress in the correction of a certain macroeconomic imbalances and measures of a structural nature were put in place in many areas. Notwithstanding this progress, the return of normal conditions in market funding to the Portuguese economy will require sustained product growth. Such product growth will also be crucial to bringing about a reduction in the persistently high level of unemployment observed in the Portuguese economy.

Following its exit from the FAP, Portugal became subject to Post-Programme Surveillance ("**PPS**") by the EC and ECB and to Post-Program Monitoring ("**PPM**") by the IMF.

In the meantime, the fiscal adjustment process continued over the following years, with a further reduction of the deficit in 2016. Indeed, after the deficit of 4.4 per cent. of GDP observed in 2015, in decline vis-à-vis the deficit of 7.2 per cent. registered in 2014 – the resolution measure applied to Banif – Banco Internacional do Funchal, S.A. ("Banif") had an impact of 1.4 per cent. of GDP –, data from the national accounts for 2016 came to account for a 2.0 per cent., which was determined by an increase in total revenue (+0.9 per cent.) and a decrease in expenditure (-3.8 per cent.), the lowest deficit in the "Instituto Nacional de Estatística" ("**INE**") series (started in 1999) and, moreover, of the entire democratic history of Portugal (the previous lower deficit was -1.0 per cent. of GDP, in 1974, according to longer annual series).

The budgetary adjustment in 2016 exceeded the targets set in the previous budgetary policy documents (the State Budget 2016 – ("**SB 2016**") and the Stability Program 2017/21– ("**SP 2017/21**") set a target of -2.2 per cent. and the underlying estimate for the SB 2017, a target of -2.4 per cent.), as well as what was forecast, at the time, by the main international entities (IMF: -2.6 per cent., on 22 February 2017; European Commission ("**EC**"): -2.3 per cent., on 13 February 2017; and OECD: -2.5 per cent. on 28 November 2017). The primary balance in 2016 was 2.2 per cent. of GDP. This indicator shows that total government revenues exceeded net interest expense by €4.114 bn. Compared to 2015, the general government balance improved by 2.3 per cent. of GDP as a result of the reduction in the weight of expenditure in GDP (-3.3 per cent. of GDP), partially offset by a decrease in revenue of 0.9 per cent. of GDP. Excluding the effect of the recapitalization measure applied to Banif (-1.4 per cent. of GDP) in 2015, it should be highlighted the reduction in capital expenditure (-0.9 per cent. of GDP) and the contribution of tax and contributory revenues, which mainly reflects the positive evolution of the Portuguese economy and the labor market. Other contributions to the reduction of the deficit came from expenditure, in particular the reduction of interest burden on public debt, social benefits related to unemployment benefits and the freezing of intermediate consumption expenditure, excluding Public-Private Partnerships ("**PPP**"). Temporary and one-off measures, including "Programa Especial de Redução do Endividamento ao Estado" ("**PERES**[1]"), contributed with 0.3 per cent. of GDP to deficit reduction.

By 2017, data currently available is encouraging, with the budget deficit standing at 2.1 per cent. of GDP in the first quarter, strongly decreasing from 3.3 per cent. in the same period, giving good indications for the deficit off the year as a whole. The Government anticipated a further reduction to 1.6 per cent. in the State Budget 2017 ("SB 2017"), with a still lower figure in the SP 2017/21 (published on 13 April) of 1.5 per cent. of GDP, which may be achievable, reflecting the improvement in the outlook for economic growth in 2017 and a more favorable result than projected by the EC (-1.8 per cent. on 11 May 2017), but also the OECD (on 7 June 2017) and the IMF (30 June 2017) scenarios.

In terms of economic activity, after three years of recession, the Portuguese economy returned to growth in 2014 (+0.9 per cent.) and in 2015 continued the gradual recovery process, growing by 1.6 per cent., and in 2016 continued with the modest GDP growth in the first half of the year, only 0.2 per cent. quarter-on-quarter (q-o-q") in the first and second quarters, but more expressive in the second half, accelerating in the third quarter of 0.9 per cent. and ending the year with a 0.7 per cent. growth in the fourth quarter. Nevertheless, the annual average growth decelerated to 1.4 per cent. in 2016. Economic activity was supported solely by domestic demand, which contributed positively by 1.5 per cent., with the slowdown in this contribution (+2.6 per cent. in 2015) reflecting the reduction in investment and, to a lesser extent, deceleration of private consumption. Private consumption expanded by 2.3 per cent. (+2.6 per cent. in 2015) and public consumption by 0.5 per cent. (+0.7 per cent. in 2015), while fixed capital investment ("**GFCF**") rose by only 0.1 per cent., after having grown a robust 4.5 per cent. in 2015 and the change inventories had a negative contribution of 0.1 per cent., after the null contribution presented in 2015. Net exports, however, had a slightly negative contribution of 0.1 per cent., penalizing economic activity for the third consecutive year,

[1] Special Program for the Reduction of Indebtedness to the State (PERES). It is an exceptional regime for regularizing debts to Social Security, of a contributory nature, through full payment with waiver of interest and costs or payment in monthly installments (up to 150), with reduction of interest and costs, and initial payment of at least 8 per cent. of the value of the outstanding capital. It covers debts whose payment term has occurred until 31 December 2015

but at a much lower rate than in the previous two (-1.0 per cent. in 2015 and -1.4 per cent. in 2014) with this slight negative contribution of net exports reflecting an increase of 4.4 per cent. in exports (+6.1 per cent. in 2015) and 4.5 per cent. in imports (+8.2 per cent. in the previous year). It should be noted that, although net exports in 2016 have slightly further penalized growth, the economic recovery has continued to be sustained by exports, which ended last year 36.9 per cent. above pre-FAP levels (2010). For 2017, a return to the accelerations of GDP is expected, with average annual growth of 2.5 per cent., above the 1.8 per cent. in SP 2017/21 (+1.5 per cent. in SB 2017) and forecast by the EC (11 May) – it should be noted that any of these last two forecasts were made without knowing the strong q-o-q increase in the GDP in the first quarter of 2017 (+1.0 per cent., which represents the highest growth since fourth quarter of 2013), and is also higher than the 2.1 per cent. most recently forecast by the OECD (7 June 2017), but in line with the 2.5 per cent. also projected by Bank of Portugal (21 June 2017) and the IMF (30 June 2017).

The process of adjustment and consolidation of the Portuguese economy led to a temporary increase in savings, with the private saving rate increasing from 7.4 per cent. in the third quarter of 2011 to 9.0 per cent. in the second quarter of 2013. However, since reaching this local peak of 9.0 per cent., the savings rate has been on a downward trend, having dropped from 4.5 per cent. to 4 per cent. in the first quarter of 2016. The savings rate then rose only slightly to 4.3 per cent. in the second quarter and to 4.5 per cent. in the third quarter of 2016, but fell again to 4.3 per cent. in the fourth quarter of 2016 and to 3.8 per cent. in the first quarter of 2017, which corresponds to the lowest value since the beginning of this INE series (first quarter of 1999) and which, according to the long series of Bank of Portugal, should correspond to the lowest since 1953. The downward trend in savings is essentially explained by the recovery of private consumption, which has been supported by improved consumer confidence, reduced unemployment, increased incomes and the recovery of the concession credit.

At the level of the labor market, the unemployment rate decreased from 12.4 per cent. in 2015 to 11.1 per cent. in 2016, continuing the downward trend from the historical peak reached at the beginning of 2013 (17.5 per cent.). A further drop in 2017 to 9.2 per cent., below the 9.4 per cent. projected by Bank of Portugal (21 June 2017), further distancing from that predicted by the Government (9.9 per cent. in SP 2017/21, a revised figure compared to 10.3 per cent. in SB 2017) and by the IMF (9.7 per cent. in its 30 June 2017 forecast). The unemployed population in 2016, estimated at 573.0 thousand people, decreased by 11.4 per cent. in relation to the previous year, while the employed population (4 605.2 thousand people) increases by 1.2 per cent..

The average rate of change of the Portuguese consumer price index ("**CPI**") (Source: INE, increased to 0.6 per cent. in 2016, after 0.5 per cent. in 2015 (-0.3 per cent. in 2014, +0.3 per cent. in 2013 and +2.8 per cent. in 2012). Meanwhile, *core* inflation (which corresponds to inflation in the total price index excluding unprocessed food and energy) remained at 0.7 per cent. in 2016 (+0.1 per cent. in 2014). The increase in CPI in 2016 was influenced by the evolution of energy prices (from -3.6 per cent. in 2015 to -1.8 per cent. in 2016). Unprocessed food prices slowed in 2016 (from +1.9 per cent. in 2015 to +1.6 per cent.). In 2016, and as in previous years, service price growth (+1.5 per cent.) was higher than that goods inflation (0.0 per cent.). Inflation in the coming years is expected (measured by the annual average rate of change in the Harmonized Consumer Price Index ("**HCPI**") to continue to accelerate in 2015 (to +0.5 per cent.) and 2016 (to 0.6 per cent.), pointing annual average of 1.5 per cent. in 2017 (forecast currently surrounded by some downside risks), but foreseeing a continuation in 2018, at 1.5 per cent., forecasts in line with those anticipated by the EC (+1.4 per cent. for 2017 and +1.5 per cent. for 2018). This forecast of price acceleration in 2017 largely reflects rising energy prices - interrupting the downward trend observed over the previous four years - in line with the prospects for oil price developments. By 2018, a relative stabilization of the prices of the energy component of HCPI is anticipated, reflecting the hypothesis of relative stabilization of the oil price. With regard to the non-energy components, a gradual acceleration is projected over the projection horizon, in a context of moderate growth in the Portuguese economy, a reduction in the unemployment rate, an increase in import prices and rising inflation expectations, both in Portugal, and in the Euro Area. It should be noted that these projections also include the effect of the increase of the minimum wage in 2017. After a differential of inflation against the negative Euro Area in 2013, of 1.0 per cent., there was a reduction of this differential in 2014, to -0.6 per cent., after which, in 2015, it was completely reversed and became positive (+0.5 per cent.), with a new positive differential in 2016 (+0.4 per cent.) and only slightly lower than in 2015 (HCPI in the Euro Area was +0.2 per cent. in 2016). Our forecast is that this differential will be canceled in 2017 and will be null, since we also expect inflation of 1.5 per cent. for the Euro Area, and should be zero again in 2018, given that we also project a stabilization of the HCPI in the region in that year by 1.5 per cent. (EC forecasts +1.6 per cent. for the Euro Area in 2017, followed by a slowdown to 1.4 per cent. in 2018). It should be emphasized that, in the context of a monetary union, it is to be expected that the countries in structural adjustment will show lower than average inflation rates for the remaining members, which implies gains in terms of price competitiveness in these countries.

Going back to data on economic activity, and now in a prospective perspective, the above mentioned forecast GDP growth for 2017 (+2.5 per cent.) is above the 1.8 per cent. currently anticipated by the Government (which, in the SP 2017/ 21, revised its previous forecast in SB 2017 upwards by 0.3 per cent.), by the EC (11 May 2017), - note that any of these forecasts was made without knowing the q-o-q strong increase of GDP in the first quarter (+1.0 per cent.), and also higher than the 2.1 per cent. that was most recently (and already after the GDP data for the first quarter) forecast by the OECD (7 June 2017) but, as already above mentioned, in line with the 2.5 per cent. projected by Bank of Portugal and the IMF (30 June 2017).

A return on investment (GFCF) to strong growth in 2017 is anticipated, after having broadly stabilized in the previous year (+0.1 per cent. in 2016), supported by funding from EC funds (*e.g.* Junker Plan), some recovery of construction and continued recovery of business investment in equipment. Private consumption is expected to grow again, but in a slight slowdown (+2.3 per cent. in 2016), driven by rising energy prices and the slowdown in the consumption of durable goods (the 2015/16 pace is unsustainable and only understandable because it had been greatly plagued during Portugal's double recession). Net exports are expected to make a slight positive contribution to growth, following the slightly negative contribution made in 2016 (-0.1 per cent.). Angola´s economy is expected to grow more than in 2016 and there is no such negative effect on exports of goods. Exports of services, in particular tourism, should continue to grow at a steady pace, as several Portuguese destinations consolidate their prestige in international markets.

In its latest forecasts (published on 11 May 2017, still without the knowledge of the strong start of the Portuguese economy in the first quarter of the year), EC considered that the risks to its forecast were still slightly downward, highlighting the challenges that the financial system still facing and the vulnerability of the economy to external developments.

We believe that these risks remain, but that, overall, the risks surrounding the projected GDP growth for 2017 are now more balanced.

The upside risks are: i) the low oil price, which should continue to favor the terms of trade (in 2016 the lowest annual average value was observed in more than a decade); ii) the expansionary monetary policy of ECB; iii) the possibility for the Spanish economy to continue to grow above estimated: Spain represented 26.2 per cent. of total exports of

Portuguese goods in 2016 (25.0 per cent. in 2015), followed by France (12.6 per cent.), Germany (11.6 per cent.) and the United Kingdom ("**UK**") (7.0 per cent.); iv) the possibility of a recovery in the labor market can continue to exceed expectations, supporting greater growth in domestic demand. Externally, the Portuguese economy remains vulnerable to the evolution of world demand, which, as a central scenario, is expected to continue to rise, but is also subject with risks.

On the other hand, the internal descending risks come from: i) still weak situation of the banking system; ii) the persistence of some political risks (due to the heterogeneity of the parliamentary majority that supports the minority Government) due to the possibility of a return of political instability (but that should be low as the legislature progresses), in a context in which the country should continue committed to the additional consolidation objectives of public finances demanded by Brussels for the medium term, policies that do not have the support of the leftmost parties that support the Government; Iii) pressure on Portuguese debt yields (Portugal's spread closed 2016 above the value at the end of 2015, but having begun a downward trend since the beginning of February, closing the second quarter of this year at a value already lower than that of 2016 and continued to decline in July and August, closing at a minimum since January 2016), resulting from market fears about the Government's fiscal strategy.

External downside risks stem from the following factors: i) too rapid appreciation of the euro throughout 2017, which could be a factor affecting the competitiveness of the economy; ii) uncertainty associated with Brexit, which was already under way after Article 50 of the Lisbon Treaty was activated on 29 March 2017 and formal negotiations between the UK and the EC were initiated on 19 June 2017 (although if we have attempted to incorporate this event into our forecasts, the associated uniqueness continues to bring risks to the forecast [Portugal is particularly vulnerable to the UK via tourism, given the high contribution of British tourists to the tourism balance]); iii) uncertainty regarding USA economic policy that President Donald Trump will implement; iv) geopolitical uncertainty in the Middle East (*e.g.* Syria), the Far East (*e.g.* North Korea), Eastern Europe (Russia/Ukraine) and USA/Russia relations, as well as fears over Greece (recently mitigated by and the country's recommendation to exit the Excessive Deficit Procedure – ("**EDP**")) and the growth of several emerging countries, such as China, Brazil and Angola (in 2016, Portuguese exports to this country was €0.6 bn, after having dropped slightly more than €1.1 bn in 2015, with its share of total Portuguese exports rising from 6.6 per cent. in 2014 to 4, 2 per cent. in 2015 and 3.0 per cent. in 2016 - in the first half of the year exports to Angola increased 47 per cent.

compared to the same period of 2016).

The risks currently present on the national and global economic scenario will also naturally have repercussions on the Portuguese financial system's ability to access the financing and the Issuer's own activity. Specifically on the Portuguese economy, there is a risk that economic performance may be below expectations, as well as a higher than projected public deficit, which may be reflected in possible downgrades to the country's rating, namely by DBRS, whose rating is at BBB-, the minimum level that allows the country to continue to benefit from ECB debt purchases. An eventual downgrade would lead to difficulties in accessing the Portuguese financial system to external funding, in particular from the ECB. But in addition to these risks to the Portuguese economy, there are risks associated with a worsening financial market volatility and global level, which would naturally have repercussions on the financing conditions of the so-called peripheral economies, including Portugal, with repercussions on the liquidity of the Portuguese financial system and, in particular, CEMG. Among the risks and potential factors behind the potential for greater volatility in financial markets is the possibility that the effects of the aforementioned Brexit may prove to be more negative than what has been admitted. The real effects of Brexit will be felt over time, adding elements of economic and political uncertainty on the global economic prospects. This possibility of additional uncertainty, in turn, could potentiate a more amplified response of the financial markets to possible negative shocks, as is the case in periods of high uncertainty. But in addition to the aforementioned risks associated with Brexit, there are a number of other risks associated with the global economy that may also affect the smooth functioning of the global and national financial system, risks that may be further exacerbated by Brexit. These include the still wide range of problems to be solved in the European banking system, which the IMF has been highlighting recently and with special emphasis on Italian and Portuguese banks, with this legacy of problems being, in itself, one of the risks that the world economy faces.

In the meantime, on 16 June 2017, the European Council decided to withdraw Portugal from the EDP, accepting the EC recommendation and following confirmation of the decrease in the budget deficit to 2.0 per cent. in 2016. This improved performance associated with the acceleration of the recovery of economic activity in recent quarters and the improvement in growth prospects, make it more likely that credit rating agencies will improve the country's rating. Fitch raised, precisely on 16 June 2017 (notice of exit from EDP), Portugal's sovereign rating outlook, from stable, to positive maintaining the rating in BB+, but giving indications of an eventual upward revision of the rating. Fitch declared it expected the Portuguese government to continue tightening its fiscal stance while maintaining political stability in the country supported by the parliamentary majority. On 1 September 2017, Moody's also upgraded the Portuguese debt outlook from stable to positive, although having maintained the rating in speculative grade, in Ba1. On 15 September 2017, Standard & Poor's raised the Portuguese sovereign credit rating to 'BBB-' (investment grade) from 'BB+' and assigned a stable outlook."

4. On pages 23 and 24 of the Base Prospectus, the whole section "**Reliance in Montepio Geral Associação Mutualista as equity provider**", under the Chapter headed "**Risk factors**" of the Base Prospectus, <u>shall be replaced</u> by the following wording:

"**Reliance on Montepio Geral Associação Mutualista as equity provider**

CEMG was established by Montepio Geral Associação Mutualista ("MGAM") in 1844, as an affiliated entity (entidade anexa) of MGAM. MGAM is a "private institution of social support" (i.e. a mutual benefits association) whose principal purposes are to promote and develop initiatives designed to ensure the social protection and welfare of its members, their families and other beneficiaries nominated by them.

Following CEMG's transformation into a Public Limited Company (please refer to section "Change in legal framework of the Issuer" below), concluded on 14 September 2017, other potential shareholders may participate in CEMG's capital. CEMG continues to rely on MGAM as an almost exclusive equity provider. Currently, MGAM owns 99.7 per cent. of CEMG's total share capital of 2,420,000,000 Euros.

MGAM has announced the intention of having other institutions of the so-called social economy ("economia social") entering into CEMG's share capital (i.e. charities ("misericórdias") or beneficence institutions).

If MGAM is not in a position to capitalise CEMG and/or the entry of other shareholders in CEMG's capital is not sufficient to overcome capital requirements of CEMG, the occurrence of any of these events may have a material adverse effect on the Issuer's condition, the ability to pursue its business and results of its operations."

5. On pages 30 to 32 of the Base Prospectus, the whole section "**Change in legal framework of the Issuer**", under the Chapter headed "**Risk factors**" of the Base Prospectus, <u>shall be replaced</u> by the following wording:

"**Change in legal framework of the Issuer**

Following the approval of the new savings banks act by Decree-Law no. 190/2015, of 10 September 2015 ("**Savings Banks Act**"), which entered into force on 10 October 2015, savings banks (*caixas económicas*) with assets equal to or greater than €50,000,000.00 (fifty million euro) were classified as full service savings banks ("**caixas económicas bancárias**") (as opposed to affiliated savings banks ("caixas económicas anexas")) and were required to adopt the form of public limited liability companies ("**sociedades anónimas**") with a public ownership structure.

In relation to full service savings banks, the Savings Banks Act further requires that the majority of the share capital or voting rights thereof are held by the respective owner institutions. Those owner institutions may only be mutual associations (as it is the case, in relation to the Issuer, of Montepio Geral Associação Mutualista), charities ("misericórdias") or beneficence institutions.

Insofar as the governing bodies of full service savings banks (caixas económicas bancárias) are concerned, it is expressly determined that the Portuguese Companies Code (*Código das Sociedades Comerciais*) will apply. The Savings Banks Act further requires that the management and supervisory boards of full service savings banks are separate and independent from their respective owner institution, specifically prohibiting ex officio appointments. As to the separation and independence between the Issuer's management and supervisory boards and the related governing bodies of its owner ("**Montepio Geral Associação Mutualista**"), certain changes have been implemented by the Issuer in order to ensure such separation, thereby improving its corporate governance structure (for more details on this matter, please refer to the section headed "Executive Board of Directors and other Governing Bodies of the Issuer" below).

In accordance with the above asset criteria, the Issuer is now characterized as a full service savings bank ("**caixa económica bancária**") since the entry into force of the Savings Bank Act. The Savings Banks Act provides that, unless otherwise determined at any time by the Bank of Portugal, full service savings banks already in existence upon the entry into force of the new legislation shall not be automatically required to arrange for their conversion into public limited liability companies (*sociedades anónimas*).

The Issuer has completed its transformation into a public limited liability company (*sociedade anónima*) on 14 September 2017, following a determination from the Bank of Portugal, dated as of 21 November 2016.

The transformation was approved in an Extraordinary General Meeting of the Issuer, held on 4 April 2017, all in accordance with number 2 of article 6 of the Savings Banks Act.

In this Extraordinary General Meeting the following proposals were approved:

1. The Information Report ("Relatório Informativo") and the Issuer's draft Articles of Association, on their exact terms as agreed and previously approved by Bank of Portugal, and the consequent approval of the Issuer's transformation into a public limited liability company (*sociedade anónima*);

2. The Executive Board of Directors of the Issuer should carry out all the necessary actions towards the implementation of the said transformation of the Issuer into a Public Limited Company (*sociedade anónima*), without prejudice to the assignments granted to Montepio Geral - Associação Mutualista;

3. To request from Montepio Geral - Associação Mutualista, through its Board of Directors, the necessary cooperation towards the expeditious completion of the ratification of the resolution to transform the Issuer into a public limited liability company (*sociedade anónima*).

On the same date, the Issuer further informed that it had been notified that:

1. The Bank of Portugal had given a favorable opinion regarding the compliance of the Information Report ("Relatório Informativo") and the Issuer's draft Articles of Association leading to the transformation of this full-service savings bank (*caixa económica bancária*) into a Public Limited Company (*sociedade anónima*), as had been proposed by the Issuer's Executive Board of Directors;

2. The Bank of Portugal had approved the amendments to CEMG's draft Articles of Association arising from the aforementioned transformation.

The effectiveness of the resolutions approved in the Extraordinary General Meeting, regarding the transformation into a public limited liability company (*sociedade anónima*), were conditional on both (i) ratification by the General Meeting of Montepio Geral - Associação Mutualista, to be held no later than 9 May 2017; and (ii) their respective registration. Upon these conditions being met, CEMG's capital shall be represented in full by ordinary shares. These two conditions were met respectively on 9 May 2017 and 14 September 2017. Consequently, CEMG's total share capital, in the amount of €2,420,000,000 is fully represented by ordinary shares.

MGAM owns 99.7 per cent. of the total share capital and has a permanent order to buy the remaining shares as of 15 September 2017. MGAM's intention is to acquire all remaining shares of CEMG thus becoming the owner of 100 per cent. of the Issuers's share capital.

The transformation of CEMG from a savings bank annexed to Montepio Geral – Associação Mutualista into a full service savings bank (*caixa económica bancária*), adopting the form of a public limited company, under the Savings Bank Act has never been tested and its implementation, even if in accordance with all approvals of the Bank of Portugal and the CMVM, may raise legal and regulatory issues which the Issuer is not in a position to anticipate but which can have material adverse consequences on the Issuer's ability to operate and its financial condition.

If the amendment of CEMG's current legal framework into a public limited liability company (*sociedade anónima*) is not in line with the expectations of the market, investors and clients, it may have a material adverse effect on the Issuer's condition, ability to pursue its business and results of its operations.

Other than as stated above, the Issuer is not in a position to anticipate, or to make any assessment of, the implications, adverse or not, that may arise for itself, for the owners of its share capital, for the holders of covered bonds and for its creditors generally as a result of its conversion into a public limited liability company (*sociedade anónima*), or of the need to comply with any other aspects of the new legislation. However, in line with the principles enshrined in the Constitution of the Portuguese Republic, the Issuer does not expect that any changes in its status or organization required by the Savings Banks Act and related regulations have an impact on the validity or effectiveness of the Covered Bonds issued and then outstanding under the Programme."

III. FINAL TERMS OF THE COVERED BONDS

6. On page 65 of the Base Prospectus, in the section headed "**PART A – CONTRACTUAL TERMS**", under the Chapter headed "**Final Terms of the Covered Bonds**" of the Base Prospectus, number 1 "**Issuer**" <u>shall be amended</u> to "Caixa Económica Montepio Geral, caixa económica bancária, S.A."

7. On page 66 of the Base Prospectus, in the section headed "**PART A – CONTRACTUAL TERMS**", under the Chapter headed "**Final Terms of the Covered Bonds**" of the Base Prospectus, number 9 "**Extended Maturity Date**" with the wording:

9	Extended Maturity Date:	[insert date] [*the date should be that falling one year after the Maturity Date.*] [*The Extended Maturity Date should not fall later than 50 years after the Issue Date of such Series*].

<u>shall be amended as follows</u>:

9	Extended Maturity Date:	[insert date] [*The Extended Maturity Date should not fall later than 50 years after the Issue Date of such Series*].

8. On page 67 of the Base Prospectus, in the section headed "**PART A – CONTRACTUAL TERMS**", under the Chapter headed "**Final Terms of the Covered Bonds**" of the Base Prospectus, paragraphs (i) and (ii) of number 10 "**Interest Basis**" with the wording:

10	Interest Basis	
(i)	Period to (and including) Maturity Date	[Fixed Rate Notes] [[●] per cent.] [Floating Rate Notes] [[Euribor/Libor] +/- Margin Margin = [●] per cent.] [Zero Coupon] (further particulars specified in [17/18/19] below) [Not Applicable]
(ii)	Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date:	/ [[●] per cent. Fixed Rate] [[Euribor/Libor] +/- Margin Margin = [●] per cent.] (further particulars specified in [17/18/19] below) [*Insert "Not Applicable" only if Extended Maturity Date does not apply*]

<u>shall be amended as follows</u>:

10	Interest Basis	
(i)	Period to (and including) Maturity Date (or any other date in which an Issuer Event has occurred)	[Fixed Rate Notes] [[●] per cent.] [Floating Rate Notes] [[Euribor/Libor] +/- Margin Margin = [●] per cent.] [Zero Coupon] (further particulars specified in [17/18/19] below) [Not Applicable]

(ii)	Period from (but excluding) Maturity Date (or any other date in which an Issuer Event has occurred) up to (and including) Extended Maturity Date:	[[●] per cent. Fixed Rate] [[Euribor/Libor] +/- Margin Margin = [●] per cent.] (further particulars specified in [17/18/19] below) [*Insert "Not Applicable" only if Extended Maturity Date does not apply*]

9. On pages 67 to 69 of the Base Prospectus, in the section headed "**PART A – CONTRACTUAL TERMS**", under the Chapter headed "**Final Terms of the Covered Bonds**" of the Base Prospectus, number 17 "**Fixed Rate Covered Bonds Provisions**" with the wording:

17	Fixed Rate Covered Bonds Provisions	
	• To Maturity Date:	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	• From Maturity Date up to Extended Maturity Date	[Applicable/Not Applicable] (If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(i)	Rate [(s)] of Interest:	
	• To Maturity Date:	[●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrears]
	• From Maturity Date up to Extended Maturity Date:	[Not Applicable]/ [●] per cent per annum. [payable[annually/semi-annually/quarterly] in arrear] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(ii)	Interest Payment Date(s):	
	• To Maturity Date:	[[●] in each year up to and including the Maturity Date]
	• From Maturity Date up to Extended Maturity	[Not Applicable] [[●] in each month up to and including the Extended Maturity Date]

	Date:	[*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(iii)	Fixed Coupon Amount [(s)]:	
	• To Maturity Date	[[●] per [●] in nominal amount]
	• From Maturity Date up to Extended Maturity Date	[Not Applicable] [[●] per [●] in nominal amount] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(iv)	Broken Amount:	
	• To Maturity Date:	[Insert *particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
	• From Maturity Date up to Extended Maturity Date:	[Not *Applicable*] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(v)	Day Count Fraction	[30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*]
	• To Maturity Date:	[30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*]
	• From Maturity Date up to Extended Maturity Date	[Not *Applicable*] [30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(vi)	Determination Date(s):	
	• To Maturity Date:	[*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year]
	• From Maturity Date up to Extended Maturity Date	[Not *Applicable*] [*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the*

Maturity Date.]

shall be amended as follows:

17	Fixed Rate Covered Bonds Provisions	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Applicable/Not Applicable] (If subparagraphs (i) and (ii) not applicable, delete the remaining subparagraphs of this paragraph) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(i) Rate [(s)] of Interest:	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrears]
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	[Not Applicable]/ [●] per cent per annum. [payable[annually/semi-annually/quarterly] in arrear] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(ii) Interest Payment Date(s):	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[[●] in each year up to and including the Maturity Date]
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	[Not Applicable] [[●] in each month up to and including the Extended Maturity Date] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
	(iii) Fixed Coupon Amount [(s)]:	
	• To Maturity Date (or	[[●] per [●] in nominal amount]

		any other date in which an Issuer Event has occurred)	
	•	From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable] [[●] per [●] in nominal amount] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(iv)	Broken Amount:		
	•	To Maturity Date (or any other date in which an Issuer Event has occurred):	[Insert *particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
	•	From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	[Not *Applicable*] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(v)	Day Count Fraction		[30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*]
	•	To Maturity Date (or any other date in which an Issuer Event has occurred):	[30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*]
	•	From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not *Applicable*] [30/360 or Actual/Actual (ICMA), *in accordance with Condition 4*] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the Maturity Date*.]
(vi)	Determination Date(s):		
	•	To Maturity Date (or any other date in which an Issuer Event has occurred):	[*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year]
	•	From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not *Applicable*] [*Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)*] in each year [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Fixed Rate Covered Bonds after the*

Maturity Date.]

10. On pages 69 to 73 of the Base Prospectus, in the section headed "**PART A – CONTRACTUAL TERMS**", under the Chapter headed "**Final Terms of the Covered Bonds**" of the Base Prospectus, number 18 "**Floating Rate Covered Bonds Provisions**" with the wording:

18	Floating Rate Covered Bonds Provisions	
	• To Maturity Date:	[*Applicable*/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
	• From Maturity Date up to Extended Maturity Date	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
	(i) Specified Period(s)/Specified Interest Payment Dates:	
	• To Maturity Date:	[●]
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/[●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
	(ii) Business Day Convention:	
	• To Maturity Date:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
	(iii) Additional Business Centre(s):	
	• To Maturity Date:	[●]
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] [*State "Not Applicable" unlessExtended Maturity Date applies and the Covered Bonds are Floating Rate Covered*

Bonds after the Maturity Date.]

(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	
	• To Maturity Date:	[Screen Rate Determination/ISDA
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [Screen Rate Determination/ISDA Determination/other (*give details*)] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	
	• To Maturity Date:	[●]
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(vi)	Screen Rate Determination	
	A. To Maturity Date:	
	• Reference Rate:	[●]
	• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR*)
	• Relevant Screen Page:	[●] (*in the case of Euribor, if not Telerate page* *248 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
	B. From Maturity Date up to Extended Maturity Date:	[Not Applicable] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after Maturity Date.*]
	• Reference Rate:	[●]

	• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR*)
	• Relevant Screen Page:	[●] (*in the case of Euribor, if not Telerate page* *248 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
(vii)	ISDA Determination:	
	A. To Maturity Date:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	B. From Maturity Date up to Extended Maturity Date:	[Not Applicable] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(viii)	Margin(s):	
	• To Maturity Date:	[●] per cent. per annum
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(ix)	Minimum Rate of Interest:	
	• To Maturity Date:	[●] per cent. per annum
	• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]

(x) Maximum Rate of Interest:	
• To Maturity Date:	[●] per cent. per annum
• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(xi) Day Count Fraction:	
• To Maturity Date:	[*Actual*/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360] (see Condition 4 (*Interest*) for alternatives)
• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [*Actual*/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360] (see Condition 4 (*Interest*) for alternatives) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date*.]
(xii) Fall back provisions, rounding provisions and denominator relating to the interest on Floating Rate Covered Bonds:	
• To Maturity Date:	[●]
• From Maturity Date up to Extended Maturity Date	[Not Applicable]/ [●] [*State "Not Applicable" unlessExtended Maturity Date applies and the Covered Bonds* *are Floating Rate Covered Bonds after the Maturity Date.*]

shall be amended as follows:

18 Floating Rate Covered Bonds Provisions	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[*Applicable*/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*) [*State "Not Applicable" unless Extended Maturity Date*

Extended Maturity Date	*applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(i) Specified Period(s)/Specified Interest Payment Dates:	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●]
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/[●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(ii) Business Day Convention:	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(iii) Additional Business Centre(s):	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●]
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [●] [*State "Not Applicable" unlessExtended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the* *Maturity Date.*]
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[Screen Rate Determination/ISDA

• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [Screen Rate Determination/ISDA Determination/other (*give details*)] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●]
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [●] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(vi) Screen Rate Determination	
A. To Maturity Date (or any other date in which an Issuer Event has occurred):	
• Reference Rate:	[●]
• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day of on which the TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR*)
• Relevant Screen Page:	[●] (*in the case of Euribor, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
B. From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	[Not Applicable] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after Maturity Date.*]
• Reference Rate:	[●]
• Interest Determination Date:	[●] (*Second London business day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR*

	and the second day of on which the TARGET2 System is open prior to the start of each Interest Period if Euribor or euro LIBOR)
• Relevant Screen Page:	[●] (*in the case of Euribor, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions accordingly*)
(vii) ISDA Determination:	
A. To Maturity Date (or any other date in which an Issuer Event has occurred):	
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
B. From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date:	[Not Applicable] [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
(viii) Margin(s):	
• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●] per cent. per annum
• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(ix) Minimum Rate of Interest:	
• To Maturity Date (or any other date in which an Issuer Event has	[●] per cent. per annum

	occurred):	
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(x)	Maximum Rate of Interest:	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●] per cent. per annum
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [●] per cent. per annum [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date.*]
(xi)	Day Count Fraction:	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[*Actual*/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360] (see Condition 4 (*Interest*) for alternatives)
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended Maturity Date	[Not Applicable]/ [*Actual*/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360] (see Condition 4 (*Interest*) for alternatives) [*State "Not Applicable" unless Extended Maturity Date applies and the Covered Bonds are Floating Rate Covered Bonds after the Maturity Date*.]
(xii)	Fall back provisions, rounding provisions and denominator relating to the interest on Floating Rate Covered Bonds:	
	• To Maturity Date (or any other date in which an Issuer Event has occurred):	[●]
	• From Maturity Date (or any other date in which an Issuer Event has occurred) up to Extended	[Not Applicable]/ [●] [*State "Not Applicable" unlessExtended Maturity Date applies and the Covered Bonds*

Maturity Date	*are Floating Rate Covered Bonds after the Maturity Date.*]

IV. DESCRIPTION OF THE ISSUER

11. At the end of section "**Recent developments**", under the Chapter headed "**Description of the Issuer**" of the Base Prospectus, the following paragraphs shall be added:

"Institutional Capital Increase

On 30 June 2017, Montepio Geral Associação Mutualista (MGAM) carried out an increase of the institutional capital of Caixa Económica Montepio Geral (CEMG), in cash, in an amount of €250,000,000, making up the institutional capital of €2,020,000,000.

As such, prior to the transformation into a public limited company, CEMG's total capital (€2,420,000,000) comprised institutional capital (€2,020,000,000) and a participation fund (*Fundo de Participação da Caixa Económica Montepio Geral*) (€400,000,000).

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 were only dependent on the deed and its registration with the commercial registry. In view of the aforementioned, the transformation of CEMG into a public limited company occurred on 14 September 2017 (which is referred below).

Further to the above, the Issuer, previously named Caixa Económica Montepio Geral, changed on 14 September 2017 its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A..

Tender Offer

Meanwhile, on 4 July 2017, 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 and on 11 August 2017, CMVM announced the register of the General and Voluntary tender offer over the participation units representative of the Participation Fund of Caixa Económica Montepio Geral.

This tender offer was accomplished before the transformation of CEMG into a public limited company.

The offer period ran from 14 August 2017 to 8 September 2017, the bidder was MGAM and the securities subject to the offer were the 58,275,362 participation units not held by MGAM (which already held the remaining 341,724,638 as of 11 August 2017). The price of the offer was €1.00 per participation unit representative of the Participation Fund. In accordance with the results notice disclosed by Montepio Geral Associação Mutualista on 11 September 2017, holders of 44,209,580 participation units, corresponding to 11.05 per cent. of the Participation Fund, accepted the offer and 7.168.774 participation units, corresponding to 1.79 per cent. of the Participation Fund, have been acquired by MGAM in the regulated market since the tender offer announcement date until its closure. As at the closure of the tender offer, MGAM held directly 393,102,992 participation units, corresponding to 98.28 per cent. of the Participation Fund. As published by the Offeror (MGAM) in the tender offer Prospectus, and confirmed through an announcement to the market on 11 September 2017, in order to provide an exit mechanism for the holders of Participation Units that have not disposed of them in the tender offer, the Offeror (MGAM) maintains (from 15 September 2017 onwards until a decision regarding CMVM's resolution on CEMG's request for the loss of public company status of CEMG - *perda da qualidade de sociedade aberta* - pursuant resolution of a General Meeting of CEMG, meanwhile convened for 9 October 2017) a Permanent Order of Purchase of the common shares that were in the meantime issued to replace the Participation Units as a consequence of the transformation of CEMG into a public limited company. Provided that the CMVM approves CEMG's request for the loss of public company status of CEMG, the common shares will not be admitted to trading on the regulated market. The shares shall be acquired by the Offeror, under the Permanent Order of Purchase, at a unit price of €1.00 (one Euro).

As disclosed by MGAM (the bidder) the main goal for this transaction was to delist the security with the ISIN PTCMHUIM0015 from Euronext Lisbon, the regulated market. Following the delisting, MGAM considers the possibility to accept the entry of a social economy organization or organizations in the capital of CEMG. This strategy had already been publicly announced on 30 June 2017 when MGAM disclosed the terms of a Memorandum of Understanding signed with Santa Casa da Misericórdia de Lisboa in order to promote the development of the social economy in Portugal.

After the settlement of the tender offer, and pursuant to the transformation of the Issuer into a Public Limited Company, the participation fund was closed down and the participation units, as well as the institutional capital, were converted into common shares. Consequently, the €2,420,000,000 capital is currently represented by 2,420,000,000 common shares (and voting rights) with the value of €1.00 each.

Analysis of Issuer's 1st half 2017 consolidated activity and results (unaudited)

Earnings

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

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

The net interest margin stood at €143.3 million in the first half of 2017, compared with €111.7 million 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 €55.2 million in the first six months of 2017, representing an increase of 19.5 per cent. when compared to the value of the same period of the previous year, as a consequence of the favourable impact from the pricing revision as well as the better business dynamics.

These favourable performances determined the increase of 25.7 per cent. in the core net operating income[2] during the first six months of 2017.

The results from financial operations amounted to €26.6 million, an increase of €13.8 million 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.

[2] Net Interest Income + Net Commissions.

Operating costs in the first half of 2017 decreased by 9.6 per cent.[3], reaching €137.2 million, 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 per cent..

The cost of credit risk was reduced to 0.86 per cent., compared to 1.19 per cent. recorded in the year of 2016 as a result of the rigorous policy in credit granting. Total impairments and provisions decreased by 24.9 per cent. when compared to the same period of the previous year, standing at €89.1 million.

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 per cent., reaching €7.4 million in the 1st half of 2017, which compares with €6.2 million 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.

Asset quality

At the end of the 1st semester of 2017, gross loans and advances to customers totalled €14,890 million, a decrease of 2.9 per cent. compared with the same period of the previous year and a reduction of 1.0 per cent. 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 of the respective market shares between June 2016 and May 2017[4].

During the first six months of 2017, there was a decrease of-9.5 per cent. of the number of new retail loans in default (NPL[5]), reflecting into a negative variation of -43.5 per cent. in terms of outstanding principal.

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

[3] On a comparable basis. As reported, the variation amounts to -25.4 per cent..
[4] In accordance with the monetary and financial statistics of Bank of Portugal (most current information with reference to May 2017).
[5] Principal in arrears and the related principal falling due for more than 90 days.

Liquidity

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

In the first half of 2017, CEMG assured the amortisation of 792 million euros of debt securities issued and the €171 million (-6.0 per cent.) reduction of the exposure to the ECB compared to the same period of the previous year, with the refinancing at the ECB standing at €2,700 million, of which 71 per cent. resulted from the medium-term operations closed within the framework of the European monetary policy measures (TLTRO).

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 per cent. of total funding sources, registering an increase of €36 million compared to the previous quarter.

Capital

On 30 June 2017, the Common Equity Tier 1 (CET1) and the Total Capital ratios evolved favourably to 12.6 per cent. and 12.9 per cent., respectively. This evolution reflects the strengthening of core capital (€1,539 million, vs €1,331 million 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 €1,255 million 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 30 June 2017, the fully implemented CEMG's capital ratios also improved favourably, with CET1 at 11.2 per cent. and the total capital ratio at 11.6 per cent..

Key indicators

	Jun 2016*	Dec 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

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

V. EXECUTIVE BOARD OF DIRECTORS AND OTHER GOVERNING BODIES OF THE ISSUER

12. At the end of page 151, Section "**Executive Board of Directors and Other Governing Bodies of the Issuer**", between the seventh and eight paragraphs, a new paragraph shall be inserted as follows:

    "Pursuant to the resolutions taken in the General Meetings of the Issuer, the members of the Executive Board of Directors and the General and Supervisory Board maintained their terms in the statutory bodies after the transformation of the Issuer into a public limited liability company (*sociedade anónima*).

13. At the end of page 158, Section "**General Meeting**", the first paragraph shall be replaced as follows:

    "The General Meeting of the Issuer is composed of the shareholders of the Issuer."

14. On page 158, Section "**General Meeting**", the last paragraph shall be replaced as follows:

    "The General Meeting shall be convened in accordance with the provisions set forth in the law. Resolutions for the purposes of (i) increasing spending and/or reducing revenue, or (ii) amending the Articles of Association or merging, splitting, dissolving or affecting the incorporation of the Issuer require a majority of at least two thirds of the shareholders present or represented in the General Meeting for approval."

15. On page 160, Section "**Executive Board of Directors**", the third paragraph shall be replaced as follows:

    "The Executive Board of Directors is, inter alia, responsible for:

    • proposing, for approval at the General Meeting, the proposed Strategic Guidelines of the multiannual action plans and respective updates, as well as the annual Action Plans and Budgets, after the opinion of the General and Supervisory Board;

    • annually preparing the report and accounts and the proposed distribution of net income, to be submitted to the opinion of the General and Supervisory Board and deliberation at the General Meeting;

    • deliberating on the issue of debt securities non convertible into Issuer's capital;

    • deliberating on the opening and closing of branches and of any other form of representation; and

• deliberating on the acquisition, disposals and encumbrance of immovable property.

VI. CAIXA ECONÓMICA MONTEPIO GERAL AND ITS RELATIONSHIP WITH MGAM

16. At the end of page 163, Section "Caixa Económica Montepio Geral and its relationship with MGAM", the last paragraph shall be replaced as follows:

"CEMG is a savings bank (caixa económica bancária) organized as public limited liability company (sociedade anónima). It has separate legal personality and MGAM has no responsibility in respect of CEMG's debts. MGAM has not guaranteed the Notes.

MGAM is under no legal obligation to increase CEMG's share capital or otherwise to support CEMG. Deposits with CEMG are covered by the Portuguese deposit guarantee fund up to the prescribed limit. CEMG is authorised to carry on business as a universal bank, under the supervision of the Bank of Portugal. It can carry out stock exchange transactions, trade in derivatives (for its own account or otherwise). It is, in principle, required by law to take a mortgage with respect to financing home purchases and, in common with most banks, it is limited in terms of credits and exposures to a single entity."

VII. THE PORTUGUESE MORTGAGE MARKET

17. The whole Chapter headed "**The Portuguese mortgage market**" of the Base Prospectus, between pages 164 and 167 of the Base Prospectus, shall be replaced by the following wording, which includes updated information:

"THE PORTUGUESE MORTGAGE MARKET

The economic conditions, particularly the decrease in the inflation rate, the related easing of the level of the interest rates and the process of integrating the Portuguese economy into the European Monetary Union, witnessed during the second half of 1990s, have stimulated an improvement in the living conditions of the Portuguese Population. These factors, together with the lack of residential dwellings and the negligible rental market, have determined the development of the Portuguese mortgage market.

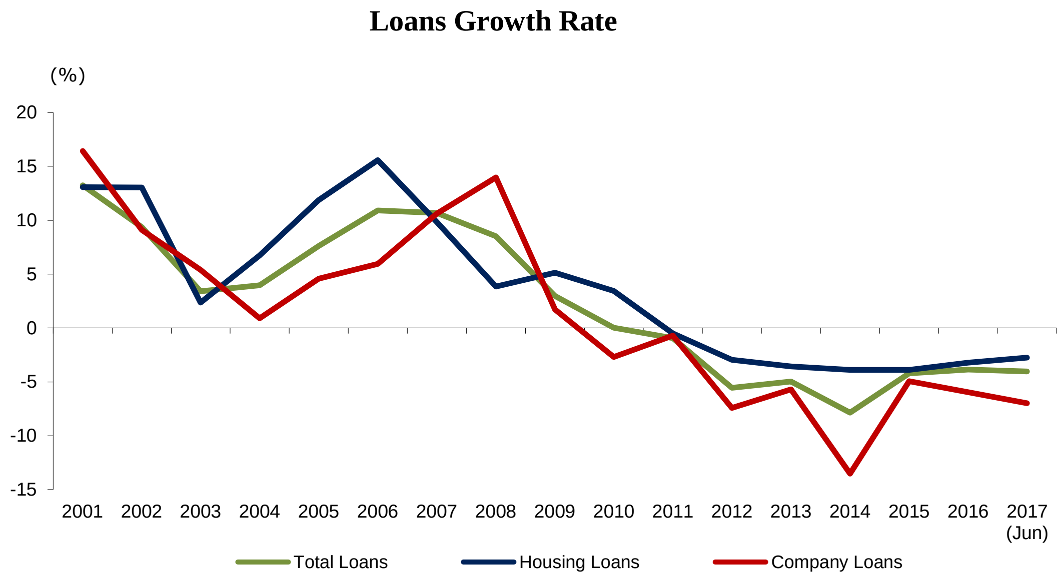
Until 1992, due to legal restrictions, residential mortgage lending was concentrated in only three institutions – the state owned Caixa Geral de Depósitos and Crédito Predial Português (state owned at that time and now integrated in Santander Totta) and the privately owned Caixa Económica Montepio Geral (the Issuer). The deregulation and liberalization of the banking activity implemented created the conditions to the progressive entry of all the banking institutions into the mortgage business, taking advantage of the increased demand for residential mortgage loans as a result of the aforesaid factors. In particular, it is worth noting the impressive decrease in interest rates (Euribor 3M), from a level of 11.7 per cent., in 1993, to -0.331 per cent. as of 8 September 2017, being negative since April 2015.

In 1993, there were 21 different significant operators (institutions) in the Portuguese mortgage market. From 2000, as a result of a succession of mergers and acquisitions, the banking sector has become increasingly concentrated, with the Portuguese residential mortgage market largely dominated by the six largest lenders: Caixa Geral de Depósitos (which still retains market leadership), Millennium BCP, Novo Banco (Ex-Banco Espírito Santo), Santander Totta (controlled by the Spanish BSCH group) Banco Português de Investimento and Caixa Económica Montepio Geral (the Issuer).

As a result of these developments, competition in the residential mortgage market has significantly increased. This is reflected in the strong investment in aggressive advertising campaigns made by the largest lenders to attract new customers and provide them with long-term loans, drawing on recent improvements in the efficiency, speed and quality of the service and technological innovation, which have all had an important impact on the developments witnessed in the residential mortgage market.

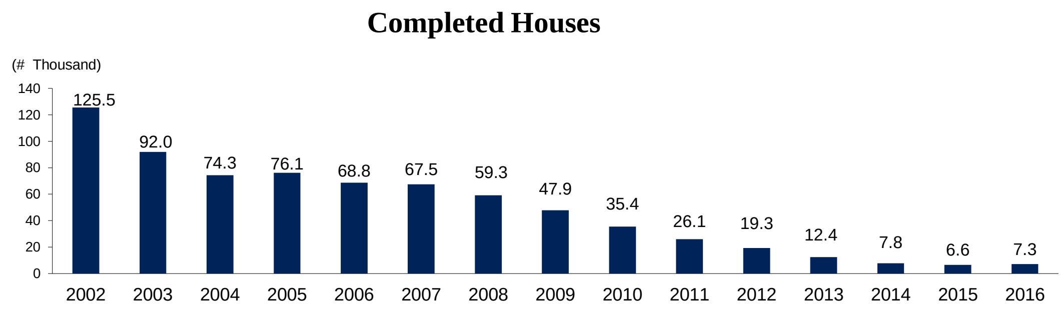
Until 2002, the mortgage market grew at a double-digit pace per year, but in 2003, the economic downturn caused a slowdown in the mortgage market. During the period 2003-2006, the mortgage business regained its momentum, though this pace did not last long. In fact, since 2006, the mortgage market began a slowdown movement, with growth levels decelerating from 15.6 per cent. to a decrease of -4.5 per cent., as of October 2016 (but having since then shows a recovery trend, presenting a growth rate of -2.8 per cent. in June 2017). This deceleration has been intensified by the economic and financial crisis and because of the deleveraging process required under the “Memorandum of Understating” between Portugal and the IMF/ECB/EC signed in May 2011, together with more stringent underwriting criteria imposed by banks. The deleverage process of the mortgage market had created a downward trend that led to default, decline in the housing prices, the consequent deterioration in the asset prices, the reduction in the money lend by banks, ending up in a severe recession. There are evidences of a heterogenic performance between the real estate residential market and the real estate commercial within the Euro Area. Portugal in the European context reveals opportunities for its real estate residential market, which may have already found its trough and is now recovering. As far as the price per square meter is concerned

Portugal has a value that is significant below the European average. Urban rehabilitation is by far one of the major opportunities in the real estate residential market, worth €28 billion, which could be used to improve the economic activity in the construction business, boost employment and enhancing the economic recovery. The rehabilitation market has a characteristic that distinguishes from other sectors, which is the investment multiplication factor that is associated with it. The sector is characterized by its abundance in labour force, attracting productive investment which leads to a greater competitive of the economy in the long run.



Source: Bank of Portugal Statistics

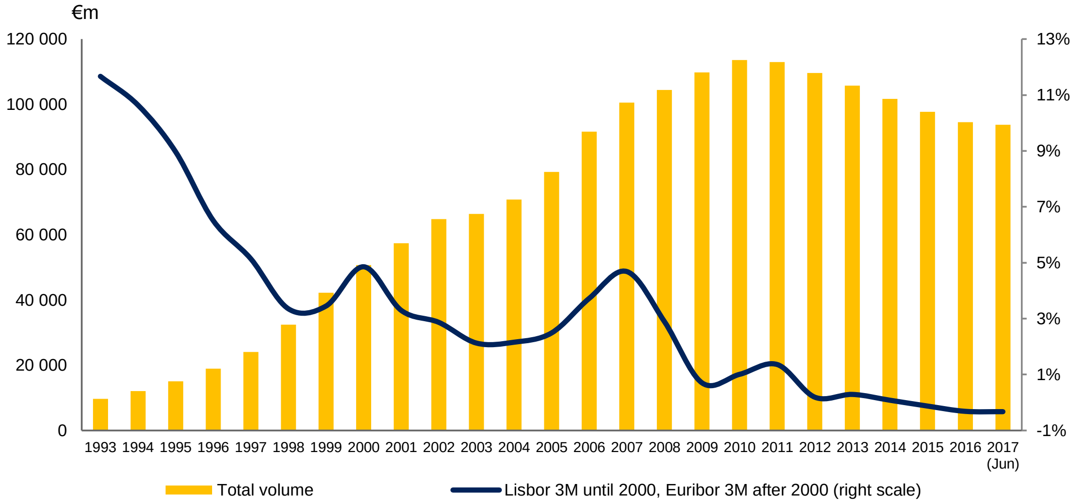
Since 2002 there has been a downward trend in the residential market, with a continued reduction in the number of completed houses, a trend that began to be reversed in 2016, when there was a slight increase in built houses.



Source: INE (National Statistics Institute), Statistical Yearbook, Statistics on Construction Works Completed

In spite of the recent decrease in new housing construction, there is now more potential demand for buildings, which can be explained by the following factors: (i) the recovery of the Portuguese economy since 2013, which has been gaining momentum in recent quarters; (ii) the surge in the number of families and their changing structure; (iii) the increase of secondary housing and residential tourism, mainly for foreigners; (iv) the demand for refurbishment and renovation works; (v) the expected gradual development of the rental market; (vi) an increase in the investors' risk appetite; and (vii) the decrease of the offer to upper classes on the housing market.

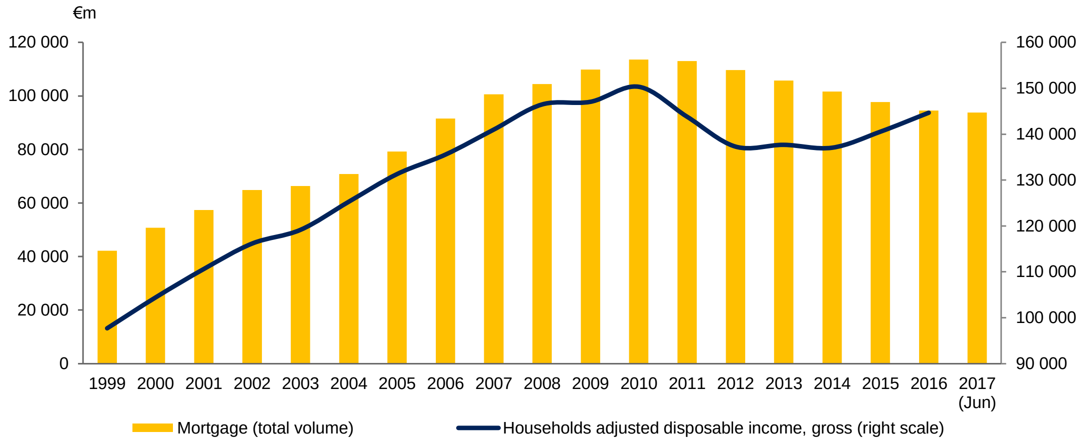
Mortgage Rates / Mortgage Growth



Source: Bank of Portugal Statistics; Thomson Reuters.

Although still falling year-on-year, the prospects are for a recovery of the credit market, particularly in mortgage loans. A recovery that will result from a combination of several factors: i) the monetary policy measures adopted by the ECB with a direct impact on the availability of liquidity for banks and also in terms of reduction in yields of Portuguese debt, which make the credit to the real economy more appealing compared to the purchase of public debt; ii) the successive signs of the recovery of economic activity, impacting in the expected reduction of non-performing loans; iii) the fact that the banking system needs to grow in new loans, to increase operational profitability, which is conditioned by the low profitability of the existing mortgage loans stock that have excessively low spreads against Euribor; iv) the fact that the banking system has already made in previous years the most of the deleveraging process.

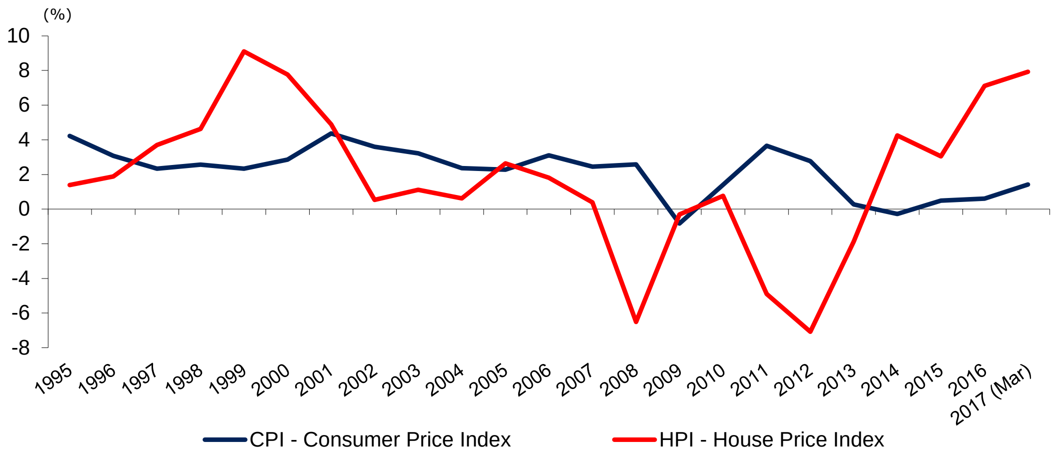
Mortgage / Households disposable income



Source: Bank of Portugal Statistics; INE (National Statistics Institute).

Portuguese real estate asset prices rose during the period 1995 to 2001, as a consequence of the shift from a high to a low interest rate environment and to an extraordinary high level of housing demand. Still, after 2001, property prices have stabilized, with an annual average growth rate of 0.8 per cent. in the period 2002-2015, which may be a sign that the housing market has taken a pause and will resume its normal course, after the price adjustments needed to establish the balance between the offer and demand on the housing market, when combining housing stock with the consumer confidence indicator, which appear to be influencing plans to buy houses. The house prices are exhibiting a path of recovering since the end of 2013, with a growth rate of 3.1 per cent. in 2015 and with a strong acceleration in 2016 for a growth rate of 7.1 per cent. and in 2017 (until March) for a annual growth rate of 7.9 per cent., the highest since 1999 (+9.1 per cent.).

House Price Index vs. Inflation in Portugal since 1995



Source: CPI (INE - National Statistics Institute); HPI: Confidencial Imobiliário (until 2009, after that INE HPI);

From 2010 until 2012, the demand for houses declined, as a consequence of the economic crisis and of the adoption of more stringent underwriting criteria by banks, which is causing a decrease in the Portuguese house price index growth rate since mid 2011. In fact, houses prices (INE data), decreased 4.9 per cent. in 2011, 7.1 per cent. in 2012 and 1.9 per cent. in 2013. In the same year, consumer price index (CPI) inflation was 3.7 per cent., 2.8 per cent., and 0.3 per cent, respectively. In 2014, CPI inflation recorded a negative value (-0.3 per cent) given to the lower economic activity and the significant decline in the energy prices, and just accelerated to 0.5 per cent. in 2015 and 0.6 per cent. in 2016, but houses prices have increased 4.3 per cent. in 2014, 3.1 per cent. in 2015 and 7.1 per cent in 2016. In March 2017, house prices showed an annual growth rate of 7.9 per cent., when inflation was at 1.4 per cent.. Nevertheless, in 2017 (until March), houses prices were 2.1 per cent. below the 2007 historical peak, meanwhile CPI was 11.3 per cent. above the 2007 levels, reaching a new fresh high."