FIRST SUPPLEMENT

(dated 23 October 2018)

to the

BASE PROSPECTUS

(dated 7 June 2018)

CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S.A.

(a Savings Bank (*caixa económica bancária*) incorporated as a public limited liability company under the laws of the Portuguese Republic)

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

€6,000,000,000
EURO MEDIUM TERM NOTE PROGRAMME
BASE PROSPECTUS

This First Supplement dated 23 October 2018 (the "**Supplement**") to the Base Prospectus dated 7 June 2018 (the "**Base Prospectus**"), constitutes a supplement to the Base Prospectus for the purpose of Article 16 of Directive 2003/71/EC (as amended, the "**Prospectus Directive**") prepared in connection with the €6,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by Caixa Económica Montepio Geral, caixa económica bancária, S.A. (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**"), as competent authority under the Prospectus Directive. The CSSF only approves this supplement as meeting the requirements imposed under Luxembourg and EU law pursuant to the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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.

This Supplement has been published on the website of the Luxembourg Stock Exchange (at www.bourse.lu)

I. RISK FACTORS

1. The risk factor "**Economic activity in Portugal**", under the Chapter headed "**Risk factors**" of the Base Prospectus, in pages 9 to 12 of the Base Prospectus, shall be deleted and replaced with 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. A deterioration in Portugal's international economic performance and/or uncertainty regarding implemented political measures may also have a material effect on the Issuer's financial condition and on the results of its operations. In addition, following the recent events in Italy, continued political turmoil may have a negative impact on (i) the Issuer's cost of funding and its ability to issue Notes under the Programme; (ii) the yield of Portuguese Government bonds, impacting the capital position of the Issuer; and (iii) the Portuguese economy, which, in turn, would have a negative impact on the business of the Issuer.

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 the public deficit in the context of the Portuguese Financial Assistance Programme ("FAP"), have contributed to a rise in the unemployment rate. In fact, during Portugal's last recession, the unemployment rate reached a historical 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", and together, the "Troika") and was implemented in 2012. The FAP comprised a total funding of €78 billion 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 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 recapitalisation of banks.

On 17 May 2014, the FAP came to an end, which constituted an important moment for the evolution of the Portuguese economy. During its period of implementation, there was significant progress in the correction of certain macroeconomic imbalances and various structural measures were adopted where needed. Notwithstanding this progress, the return to normal market conditions in respect of funding to the Portuguese economy required a sustained product growth. Such product growth was also crucial to bringing about a reduction in the high level of unemployment observed in the Portuguese economy (which in 2013 reached a maximum annual average level of 16.2 per cent., having started a downward trajectory in 2014 and reaching 8.9 per cent. in 2017).

Following its exit from the FAP, Portugal became subject to Post-Programme Surveillance by the EC and the ECB and to Post-Programme Monitoring by the IMF.

Portugal's debt-to-GDP ratio was 129.2 per cent. of gross domestic product ("GDP") in 2016, below the 130.1 per cent. expected in the Portuguese Government's State Budget for 2018 (the "SB 2018") and only 0.4 percentage points higher than in 2015. In 2017, the debt-to-GDP ratio was expected to resume a downward trajectory, reaching 126.2 per cent. by the end of the year and 123.5 per cent. by the end of 2018. However, the latest data released by the Bank of Portugal and the Institute for National Statistics in Portugal indicate that the debt-to-GDP ratio was lower than the Portuguese Government projection in the SB 2018, estimating a debt-to-GDP ratio of 124.8 per cent. of GDP in 2017 compared to 129.9 per cent. of GDP in 2016, suggesting that the debt-to-GDP ratio could remain in 2018 at a level lower than that projected in the SB 2018 (in the Stability Programme 2018-2022 ("SP 2018-2022"), published on 13 April 2018, the Portuguese Government projects a debt-to-GDP ratio of 122.2 per cent. in 2018). The level of public debt is projected to continue a gradual declining trend. Given the current high level of government debt, Portugal still appears to face high fiscal sustainability risks in the medium-term. However, in the long-term Portugal faces low fiscal sustainability risks, particularly due to the positive structural primary balances since 2012.

In addition, Portugal's GDP grew 2.8 per cent. in 2017, the highest growth since 2000 (when it grew 3.8 per cent.) and an increase of 2.3 per cent. is expected in 2018, in both cases above the levels anticipated in the SB 2018 (i.e. increases of 2.6 per cent. in 2017 and 2.2 per cent. in 2018; however, in the SP 2018-2022, the Portuguese Government already projects a growth of 2.3 per cent. for 2018). As expected, the economic growth in 2017 reflected the positive domestic demand contribution of 3.1 percentage points. The acceleration of this contribution (compared to 2.2 percentage points in 2016) mainly reflects the strong acceleration in investment ("GFCF"), but also the strong growth of private consumption. Private consumption expanded by 2.3 per cent. (compared to 2.4 per cent. in 2016) while GFCF rose by 9.2 per cent., strongly accelerating the growth of 2.3 per cent. in 2016. Public consumption rose slightly by 0.2 per cent. (compared with the expansion of 0.8 per cent. in 2016) and the change in inventories had a null contribution to GDP's growth, which compares to a negative contribution of 0.1 percentage points in 2016. Meanwhile, net exports showed a negative contribution of 0.3 percentage points, penalising growth for the fourth consecutive year (-0.2 percentage points in 2016). The negative contribution of net exports in 2017 reflects increases of 7.8 per cent. in exports (compared to 4.4 per cent. in 2016) and 8.1 per cent. of imports (compared to 4.7 per cent. in 2016). Although net exports in 2017 have once again penalised growth, the economic recovery has continued to be sustained by exports, which at the end of 2017 were at a level of 47.5 per cent. higher than pre-adjustment programme levels (i.e. 2010). Exports of services, notably tourism, have continued to grow at a steady pace, as several Portuguese destinations consolidate their prestige in international markets.

The following challenges facing the economy at the domestic level should be highlighted: (i) the still weak situation of the banking system; and (ii) the persistence of some political risks (a heterogeneous majority in the parliament supports a minority government) due to the possibility of a return to political instability (although this risk is expected to decrease over time), in a context in which the country should continue committed to the additional consolidation objectives of the public finances demanded by the EU for the medium term and such policies do not have the support of the left-leaning parties supporting the Portuguese Government. On the positive side, the labor market recovery may continue to exceed expectations, supporting higher growth in domestic demand. Externally, the economy remains vulnerable to the evolution of world demand, which as a central scenario is expected to continue to rise, but is also fraught with risks mainly due to: (i) the low oil price (although the average price of 2018 is expected to be higher than previous forecasts), which should continue to favor the terms of trade; and (ii) the possibility of the world economy being able to grow more than anticipated. On the negative side, a few challenges should be highlighted: (i) the political uncertainty in the Eurozone (in particular the parliamentary support to the governments of Spain and Germany and the recent political instability in Italy, which culminated in the formation of a government with a matrix against the Euro and anti -immigration); (ii) the possibility of renewed tensions in financial markets, making the international environment less favorable than projections (recent events in Italy and the signs of contagion observed) and negatively affecting the financing conditions of the Portuguese economy; (iii) an accelerated appreciation of the euro could be a constraint on the competitiveness of the economy (risk now less pressing than at the beginning of the year); (iv) the effects of the reduction of the ECB's monetary policy expansionary nature on Portuguese debt yields; (v) the increase of protectionism at the global level; and (vi) the high geopolitical risk arising from the following factors: (a) the uncertainty about the situation in Catalonia; (b) the uncertainty of the Brexit process; (c) the uncertainty regarding the U.S. economic policy that president Donald Trump will implement, namely protectionist commercial policies; (d) the geopolitical uncertainty in the Middle East (e.g. Syria), the Far East (e.g. North Korea, mitigated by the Singapore summit between the United States and North Korea), Eastern Europe (Russia / Ukraine) and US / Russia relations.

With respect to the labour market, the unemployment rate decreased from 11.1 per cent. in 2016 to 8.9 per cent. in 2017, continuing the trend of reduction from the historical peak reached at the beginning of 2013 (17.5 per cent.), and a further reduction is projected for 2018, to 7.0 per cent., in each case below those in the SB 2018 (9.2 per cent. and 8.6 per cent., respectively; later, in the SP 2018-2022, the Portuguese Government projected 7.6 per cent. for 2018).

On the other hand, the average rate of change of the Portuguese consumer price index ("CPI") was 1.4 per cent. in 2017, slightly accelerating from the 0.6 per cent. observed in 2016 (and compared to 0.5 per cent. in 2015 and -0.3 per cent. in 2014), with core inflation (excluding energy, food and tobacco prices) at 1.1 per cent. in 2017 (compared to 0.7 per cent. in 2016). When considering the harmonised consumer prices index ("HCPI"), it is expected a deceleration of inflation in 2018 to 1.4 per cent. (+1.6 per cent. in 2017).

The year 2017 in Portugal was marked by a strong decrease in the country risk, reflected by the reduction of the spread of 10-year Portuguese bonds, a favourable trend that has been maintained in 2018. The GDP has grown more than anticipated and the unemployment rate has fallen more than expected, with better prospects for meeting the budget targets. In recent years Portugal has embarked on a process of fiscal adjustment, despite the sharp increase in the deficit observed in 2017, caused by the recapitalisation of Caixa Geral de Depósitos (CGD). Indeed, following the budget deficit of 2.0 per cent. of GDP in 2016, in decline from the 4.4 per cent. deficit in 2015 - a reduction which benefited from some extraordinary effects - the budget deficit in 2017 amounted to 3.0 per cent of GDP, representing an annual deterioration of the balance of 1.0 percentage points, reflecting an increase in expenditure of 6.2 per cent., mainly due to the impact of the recapitalisation of CGD, while revenue grew by 3.9 per cent. Excluding this impact, the budget deficit for the whole of 2017 was only 0.9 per cent., a figure well below that initially estimated by the Government in the SB 2018 (1.4 per cent.) and which would represent the lowest deficit of the entire democratic history of Portugal, given that the previous lower deficit was, according to longer annual series, in 1974 of 1.0 per cent. of GDP. As a result of the fact that the deficit in 2017, excluding the impact of CGD's recapitalisation, fell short of expectations in the SB 2018 (0.9 per cent., when the

Government forecasted 1.4 per cent.), the Government forecast for 2018 reduces the deficit to 0.7 per cent. of GDP under the SP 2018-2022, a figure which the already known budget implementation data for the year 2018 suggest can be achieved. Other favourable developments contributed to the reduction of the risk of the country during 2017 and 2018, such as the country's exit from the Excessive Deficit Procedure ("EDP"), positive developments in unemployment, general economic growth and favourable prospects for the achievement of budgetary targets. On 9 September 2017, Standard & Poor's increased the Portuguese Republic's rating to the first level of investment grade with a favourable outlook, and, on 15 September 2018, maintained the rating but improved the outlook from stable to positive. In turn, on 15 December 2017, Fitch increased its rating to two levels above "junk" maintaining the positive outlook, and reiterated this rating on 1 June 2018. On 12 October 2018, Moody's upgraded the Portuguese Republic's domestic and foreign long-term issuer rating one level above "junk", to Baa3 from Ba1, whereas the outlook has been changed to stable from positive. This update was driven by (1) Portugal's elevated general government debt move to a sustainable, albeit gradual, downward trend, with limited risks of reversal; and (2) the increased economic resilience following the broadening of Portugal's growth drivers and a structurally improved external position.

The Issuer cannot foresee what impact any economic or related fiscal developments and policies or other additional measures may have on the Portuguese economy, and CEMG's activity and performance."

2. The risk factor "**Change in the supervisory entity and rules applicable to Montepio Geral Associação Mutualista**", under the Chapter headed "**Risk factors**" of the Base Prospectus, in page 29 of the Base Prospectus, <u>shall be deleted and replaced</u> with the following wording, which includes updated information:

"*Change in the supervisory entity and rules applicable to Montepio Geral Associação Mutualista*

MGAM is currently supervised by the Ministry of Solidarity, Employment and Social Security in accordance with the provisions set forth in the Mutual Associations Code (*Código das Associações Mutualistas*).

According to the rules set forth in the recently approved Mutual Associations Code (*Código das Associações Mutualistas*), enacted by Decree-Law no. 59/2018, of 2 August, MGAM will become subject to the supervision of the Portuguese insurance and pension funds authority (Autoridade de Supervisão de Seguros e Fundos de Pensões - ASF).

The Issuer cannot predict how the new supervision rules will affect MGAM's organisation and performance and, in particular, its relationship with the Issuer. Notwithstanding the foregoing, the imposition of concentration ratios to MGAM could lead to the sale of a participation in the Issuer's capital to third parties. Such a sale has become possible because the Issuer has since 14 September 2017 become a Portuguese public limited liability company (*sociedade anónima*), which allows for its shares to be sold off by MGAM.

Please refer to the section "*Change in legal framework of the Issuer*" for a description of the possible consequences arising of the change of CEMG's legal nature into a public limited liability company."

II. DOCUMENTS INCORPORATED BY REFERENCE

3. In the Chapter headed "**Documents incorporated by reference**" of the Base Prospectus, on page 48, after paragraph no 2., the following paragraph shall be added:

"3. the semiannual report and consolidated semiannual financial statements of CEMG for the interim period of six months ended 30 June 2018, together with the notes and the auditor's limited review report thereon (the "**Semiannual Report 2018**") (available at https://www.montepio.pt/iwov-resources/SitePublico/documentos/en_GB/investor-relations/cemg-first-half-report-2018.pdf), including the information set out at the following pages in particular:

SEMIANNUAL 2018 CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation. "

III. DESCRIPTION OF THE ISSUER

4. At the end of the Chapter headed "**Description of the Issuer**" of the Base Prospectus, a section named "**Recent developments**" shall be added, on page 113, under which the following paragraphs shall be added:

"**Sale of the participation in the capital of BTM – Banco Terra, S.A.**

On 31 August 2018, CEMG informed the market that its subsidiary Montepio Holding, SGPS, SA agreed to sell the 45.78 per cent. stake in BTM - Banco Terra S.A. (a financial institution under Mozambican law) to Arise, a holding company established by Norfund, Dutch development bank FMO and Rabobank for supporting growth in Africa through investments in African financial institutions.

With this sale, CEMG Group will cease to hold any participation in BTM - Banco Terra S.A., pursuant to the strategic redefinition of its international investments.

The above mentioned agreement was signed within a framework of the partnership reinforcement with Arise for the joint exploration of investment opportunities in the region.

The transfer of the ownership of the relevant shares will only take place after completing several steps to be taken both with other shareholders and with the Mozambican authorities.

Positions of Chairperson of the Board of Directors and Chief Executive Officer of CEMG

On 28 September 2018, CEMG informed the market that it had been authorised by the Bank of Portugal to extend, for an additional period of four months, the term granted to Carlos Manuel Tavares da Silva to simultaneously hold the positions of Chairperson of the Board of Directors (*Presidente do Conselho de Administração*) and Chief Executive Officer (*Presidente da Comissão Executiva*) of CEMG.

CEMG Transformation Plan

The Board of Directors, which took office on 21 March 2018, assumed the commitment to the efficiency, profitability and adequacy of CEMG's business model to the most modern and demanding forms of customer relations.

In view of the above, the Board of Directors launched a transformation plan with the purpose of making a diagnosis to the current CEMG’s business model in order to define the Bank's vision and specific business goals for the medium and long term and which aims to achieve six critical points:

1. A sustainable business model, through an economically viable business model and with adequate value creation to the shareholder;

2. Strengthen CEMG's position as a benchmark financial institution by supporting the social economy and addressing the population segments that are underserved in terms of financial and banking services;

3. Develop new value propositions and service delivery models, establishing itself

as a reference bank for SMEs and for the different segments of household customers;

4. Improve the efficiency of business structures by developing new internal processes and new ways of work;
5. Strengthen CEMG as a Relationships and Proximity Bank, either face-to-face or through technological innovation;
6. Improve asset quality, focusing on the sustained improvement of credit quality ratios and continuous reduction of risk concentration in the construction and real estate activity sectors.

In the context of the ongoing transformation plan, CEMG affirms itself as an universal bank, encompassing commercial banking and investment banking, focusing on SMEs and the domestic market.

The corporate business is being redefined by the realignment of the existing instruments – Corporate Centres and Investment Banking - namely through the development of Montepio Investimento, S.A. into a corporate and investment bank focused on the SME and middle market segments.

The credit recovery business will evolve from credit portfolio sales, which have been often adopted by the banking sector, into a more effective and integrated NPL management, through maximisation of recoveries and investment banking solutions, benefiting from the above mentioned focus.

CEMG's strategy will be driven through four main areas:

a) Leverage the focus on the Customer
   - Improve household and corporate clients loyalty with tailored targets and offerings by customer segment;
   - Strengthening of the consumer and specialised credit business leveraging the Montepio Crédito, Instituição Financeira de Crédito, S.A. platform; and
   - New Business Banking unit with a portfolio of corporate and investment banking services for SMEs.

b) Balance sheet strengthening
   - Restructuring and strengthening of the NPL recovery internal model;
   - Reinforcement of the linkage between NPL recovery and repossessed assets unit; and
   - Increased robustness of risk management processes, namely with respect to

loans underwriting criteria and review of scoring and rating models.

c) Organisation

- Simplification of the existing organisational structure targeting efficiency and effectiveness;
- Adapt branch models to increased levels of digitalised experiences and expand remote customer management; and
- Development of new talent management model and gaps coverage.

d) Support structure

- New centralised and more comprehensive cost-management governance model; and
- Creation of a new 5-10 year IT-systems plan with adequate levels of investment and operational expenditure.

Moody's rating actions on Caixa Económica Montepio Geral, caixa económica bancária, S.A.

In a statement dated 16 October 2018 and following the decision on the Portuguese Republic rating, Moody's announced the improvement in the Long-term Bank Deposits rating outlook, from "developing" to "positive", reflecting the agency's expectation that the execution of the CEMG's transformation plan will gradually strengthen its credit fundamentals. In addition, the rating agency upgraded the Long-term Counterparty Risk Rating from B2 to B1 and reaffirmed all other credit ratings assigned to CEMG.

IV. BOARD OF DIRECTORS AND OTHER GOVERNING AND CORPORATE BODIES OF THE ISSUER

5. On page 121 of the Base Prospectus, under the Chapter headed "**Board of Directors and Other Governing and Corporate Bodies of the Issuer**", the following entry shall be inserted in the table that identifies the current members of the Board of Directors of the Issuer, as follows:

"

Name		**Other positions**
Pedro Jorge Gouveia Alves*	Non-executive member	Chairperson of Montepio Crédito, Instituição Financeira de Crédito, S.A

* Pedro Jorge Gouveia Alves took up its duties as non-executive member of the Board of Directors in 23 August 2018."

6. On page 124 of the Base Prospectus, under the Chapter headed "**Board of Directors and Other Governing and Corporate Bodies of the Issuer**", under the section "**Statutory Auditor**" the following paragraph shall be inserted after the paragraph "*In the General Meeting held on 30 December 2015, KPMG & Associados – SROC, S.A., represented by Ana Cristina Soares Valente Dourado (ROC nº1011) was elected for the term 2016/2018, responsible for the audit and certification of the annual accounts during the two 12 month periods ending on 31 December 2017 and 31 December 2016, respectively.*":

"In July 2018 Ana Cristina Soares Valente Dourado (ROC no. 1011) was substituted by Hugo Jorge Gonçalves Cláudio (ROC no. 1597)."

V. GENERAL INFORMATION

7. On page 163 of the Base Prospectus, in the Chapter headed "**General Information**", paragraph (3) shall be deleted and replaced with the following paragraph:

"There has been no significant change in the financial or trading position of CEMG since 30 June 2018, the date of the last published interim financial statements of CEMG for the six months ended 30 June 2018."