



Banco
Montepio

Covered Bond Investor Presentation

4 November 2019



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2. This document is not an offer of securities for sale in the United States, Canada, Australia, Japan or any other jurisdiction. Any public offering of securities in the United States, Canada, Australia or Japan would be made by means of a prospectus containing detailed information about the company and management, including financial statements.
3. The matters discussed in this document may include forward-looking statements that are subject to risks and uncertainties. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond Banco Montepio's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the action of regulators and other factors such as Banco Montepio's ability to continue obtaining financing to meet its liquidity needs, changes in the political, social and regulatory framework in which Banco Montepio operates or in economic or technological trends or conditions, including inflation and consumer confidence. Addressees of this presentation are cautioned not to place undue reliance on these forward-looking statements. Even if Banco Montepio's financial condition, business strategy, plans and objectives of management for future operations are consistent with the forward-looking statements contained in this presentation, those results or developments, as well as Banco Montepio past performance, may not be indicative of results or developments in future periods. Banco Montepio expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.
4. The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the Banco Montepio Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.
5. The consolidated condensed interim consolidated financial statements for the six-month period ended June 30, 2019 have been prepared for recognition and measurement purposes in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as adopted by the European Union.
6. The 1st Half 2019 consolidated financial statements were not audited.



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Appendices

Portuguese Economy



Banco Montepio

01

CB Programme Overview

Covered Bond Programme - Conditional Pass-through

Issuer	Caixa Económica Montepio Geral, caixa económica bancária, S.A.
Rating	A1 (Moody's); AA- (Fitch); A (DBRS)
Programme size	EUR 5 Bn
Overcollateralization	Minimum Portuguese Law: 5.26% Programme OC Floor: 9% Contractual Overcollateralization: 18%
Current OC (Sep.2019)	18.98%
Governing Law	Portuguese
Maturity type	Conditional Pass-Through with Repurchase Commitment
Cover Pool Monitor	PRICEWATERHOUSECOOPERS & Associados, Sociedade de Revisores Oficiais de Contas, S.A
Listing	Euronext Dublin
Clearing	Central de Valores Mobiliários (CVM) / Euroclear / Clearstream

Covered Bond Issues	Issue Date	Coupon	Maturity Date	Synd. / Private	Remaining Term (Years)	Nominal Amount (€)
Covered Bonds Outstanding					3.86	2,300,000,000
Series 10 (ISIN PTCMGTO0029)	17/10/2017	Fixed Rate	17/10/2022	Syndicated	3.05	750,000,000
Series 5 (ISIN PTCMGROE0021)	09/12/2015	Floating Rate	09/12/2020	Private	1.19	500,000,000
Series 6 (ISIN PTCMGEOE0034)	09/11/2016	Floating Rate	09/11/2023	Private	4.11	300,000,000
Series 8 (ISIN PTCMGFOE0033)	16/12/2016	Floating Rate	16/12/2026	Private	7.21	500,000,000
Series 9 (ISIN PTCMGSO0020)	22/05/2017	Floating Rate	22/05/2024	Private	4.64	250,000,000

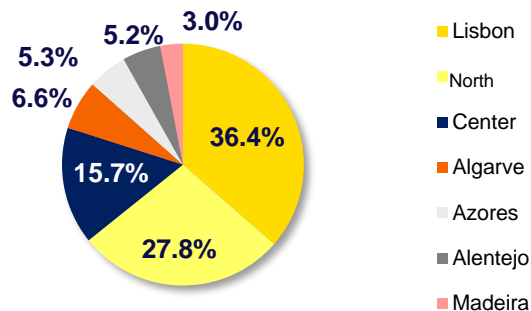


Stratification of cover pool

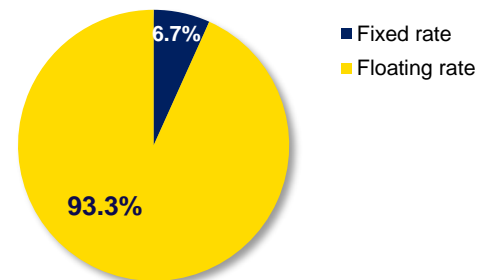
Cover Pool

Cash and Deposits	0.4%
Residential Mortgage loans	99.6%

Mortgage loans breakdown by regions (100% Portugal)



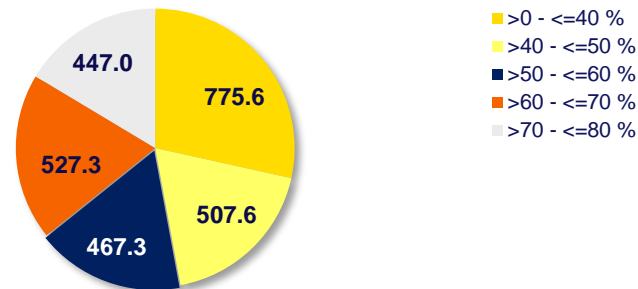
Mortgage loans breakdown by interest rate



Mortgage loans breakdown by repayment type

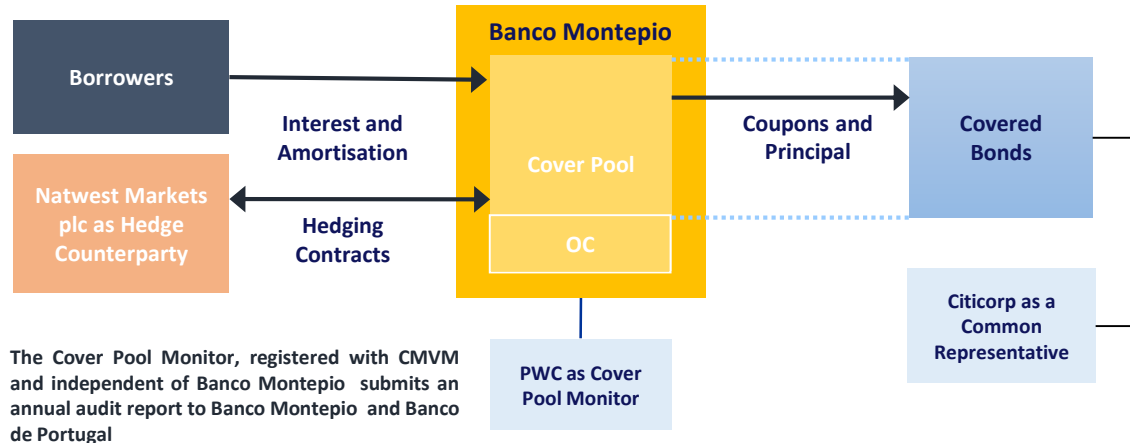


Mortgage loans LTV (Unindexed) (€Mn)





- The issuance of Covered Bonds (*Obrigações Hipotecárias – OH*) is regulated by DL 59/2006 (the Covered Bonds Law), from the Ministry of Finance, and by several regulatory notices (Avisos) issued by the Banco de Portugal
- Banco Montepio seeks diversification of funding sources at an optimal cost of funding through the EUR 5 bn Covered Bond Programme
- The Covered Bonds (CB) are issued by Banco Montepio and collateralised by a dynamic pool of high quality residential mortgages backed by first (and subsequent) ranking mortgages
- The Cover Pool is segregated on the Issuer's Balance Sheet and CB holders have a special creditor's privilege over the Cover Pool
- Programme was converted from Soft Bullet to Conditional Pass-Through format, in July 2016, following a successful consent solicitation process.
- Contractual overcollateralisation of 18%, above the legal minimum of 5.26%





Cover Pool

- The Cover Pool (including Mortgage Credits, Hedging Contracts and Other Assets) is segregated on Banco Montepio's balance sheet; by law, in the event of Banco Montepio's insolvency, Covered Bonds are secured by a special creditor privilege over the Cover Pool
- The Cover Pool is managed in accordance with the eligibility criteria established by the Covered Bonds Law:
 - ✓ First or first-and-subsequent ranking mortgages on property in Portugal
 - ✓ All current LTVs below 80% (residential properties)
 - ✓ Mortgage loans must be replaced if more than 90 days overdue
 - ✓ All properties covered by insurance
 - ✓ Substitute collateral must be low-risk and highly liquid, and is limited to 20% of the Cover Pool
- In respect of mortgages in the Cover Pool, all properties are appraised at their market value, initially determined by a full and independent valuation, and subsequently a regular verification is performed, using third party indices and models recognised by the Banco de Portugal

ALM and Regulation

- Interest rate risk is hedged via swap agreements
- The Cover Pool must be compliant with the mandatory "prudential tests", namely:
 - ✓ Minimum over-collateralisation (18% contractual, above the legal 5.26%)
 - ✓ NPV of Covered Bonds must not exceed that of the Cover Pool (+/- 200 bps parallel shift of yield curve)
 - ✓ Average maturity of Covered Bonds must not exceed that of the Cover Pool
 - ✓ Interest payable on Covered Bonds must not exceed that received from the Cover Pool
 - ✓ 100+ day exposure to a single credit institution capped at 15% of nominal value of outstanding Covered Bonds
- Reporting to the Banco de Portugal with a detailed description of the Cover Pool and confirming the compliance with the above



Experienced
Originator

- Banco Montepio is the oldest financial institution in Portugal (established in 1844) with short-term ratings of NP/B/R-4 and senior unsecured long-term ratings of Caa1/B-/BB by Moody's/Fitch/DBRS respectively.
- Banco Montepio is one of the largest Portuguese banking institution in terms of net assets, with total mortgage loans in excess of €6.0 billion, as of 30 June 2019. Banco Montepio's consolidated total net assets amounted to €18.7 billion as of 30 June 2019.
- Banco Montepio is an experienced mortgage originator with an established track record acting as originator and servicer for its Pelican and Aqua RMBS transactions, and for its Pelican Finance N°1 (Consumer ABS).

Quality
Collateral

- A granular and geographically well-diversified collateral comprising of prime first or first-and-subsequent liens on Portuguese residential mortgages.
- Low WA LTV (50.8%); 21.4 years WA remaining term; highly seasoned pool with a 11.4 years WA seasoning; 1.218% WA interest rate and 1.379% WA margin over Euribor.
- 99% monthly-paying loans; 93.3% floating rate (o.w. 32.5% accrue on an Euribor 3M basis, 43.3% on an Euribor 6M basis and 17.4% on an Euribor 12m basis).

Sound
Structure

- Strong Portuguese Covered Bond law determines robust collateral criteria including inter alia:
 - i. All current LTVs below 80% (residential properties)
 - ii. Loans with more than 90 days arrears become ineligible for the Cover Pool
 - iii. All properties covered by insurance and appraised in accordance with Banco de Portugal requirements
 - iv. Substitute collateral must be low-risk and highly liquid, and is limited to 20% of the Cover Pool
 - v. Proper segregation of the Cover Pool and reporting to the Banco de Portugal pursuant to CB law
 - vi. Highly rated transaction counterparties including Natwest Markets PLC as provider of the interest rate swap



Conditional Pass-through

Conditional
pass-through

- In July 2016, the CB programme was converted into a conditional pass-through covered bond structure whereby an Issuer Event in relation to one or more Series of Covered Bonds results in a move to Pass-through format.

Issuer Events

- Issuer Events to include:
 - (i) Issuer Insolvency Event, and
 - (ii) Issuer Default of Payment Event.

Issuer
Default of
Payment
Event

- The Issuer fails to pay:
 - (i) any principal due on the Initial Maturity Date (although a failure to pay on the CB's Initial Maturity Date shall not constitute an Event of Default) or;
 - (ii) any interest due on an Interest Payment Date (subject to any applicable grace period or the availability of any Reserve Amount).

Repurchase
Commitment

- Senior unsecured obligation of the Issuer; not included in the Terms and Conditions of the Covered Bonds;
- If the repurchase commitment is specified as applicable in the CB Final Terms, the Issuer will irrevocably and unconditionally undertake to repurchase such CB on its Repurchase Date at par plus accrued interest (or at such other repurchase amount as specified in the relevant CB Final Terms), if so requested by any CB holder which is a Qualified Investor and subject to such CB not being redeemed up to ten Business Days after the Initial Maturity Date.



Conditional Pass-through

Contractual Asset Cover Test and Asset Percentage

- Contractual commitment to maintaining overcollateralization well above the level required by law (as covered separately in the *Statutory Test*). The size of the commitment is determined by the *Asset Percentage*.
- Since 1 July 2016, the *Asset Percentage* is 84.75%. The Issuer may at any time reduce the *Asset Percentage* but it may only increase it subject to obtaining the Hedging Counterparty's consent and to the extent that the Rating Agencies confirm that the increase would not result in the reduction, removal, suspension or placement on credit watch of the credit ratings assigned to each of the outstanding Covered Bonds.
- The *Asset Percentage* will be notified to holders of Covered Bonds as part of the regular reporting.

Reserve Account

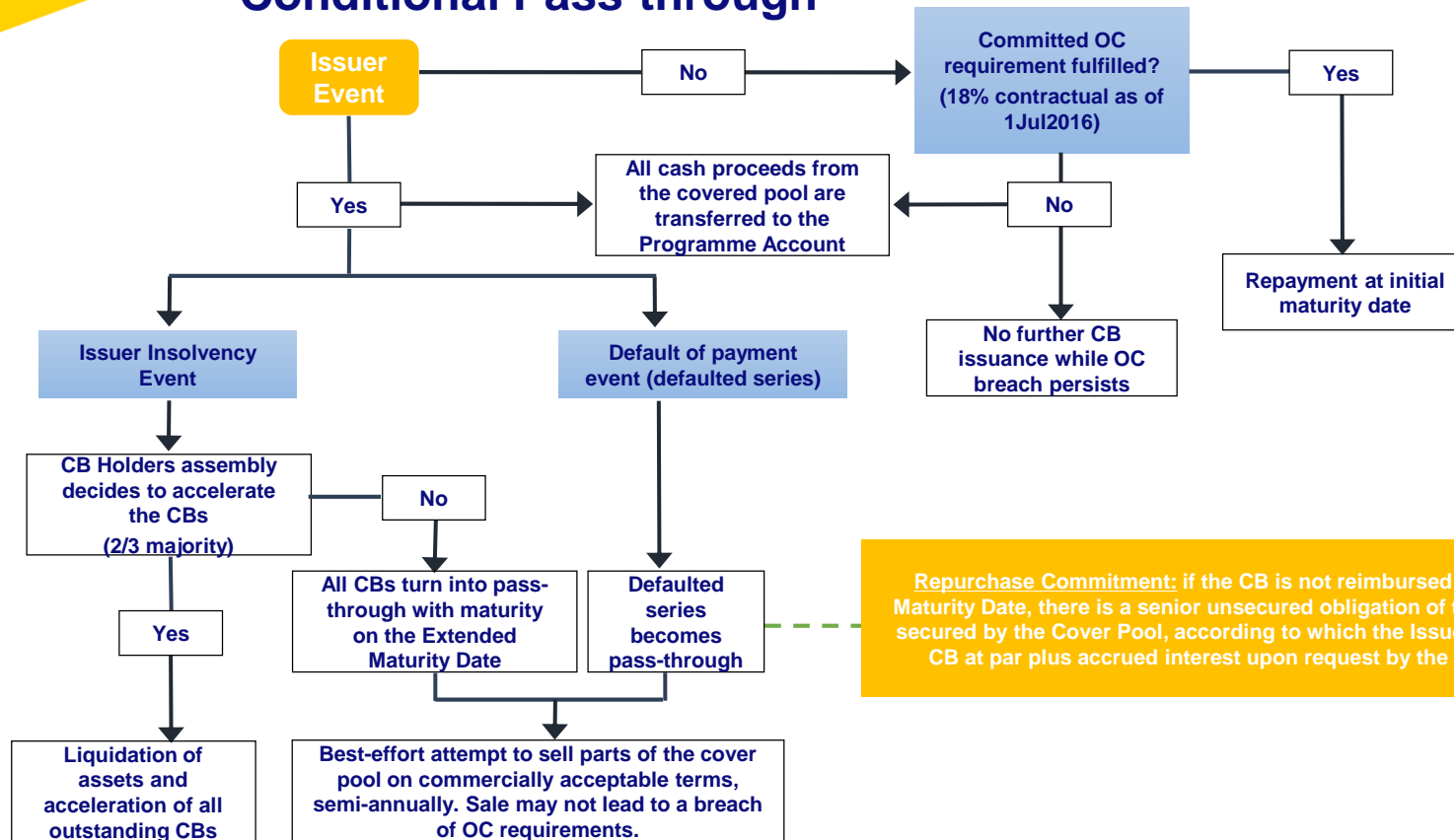
- On any date, an amount equal to the interest due on the Covered Bonds during the following three months shall be held in the Reserve Account. The Reserve Account shall be maintained with a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by law (currently, "A-").
- The amount deposited in the Reserve Account shall be available on any interest payment date towards the payment of interest due on the Pass Through bonds to the extent that there are insufficient available funds.
- The Issuer may replace the Reserve Account with a liquidity facility of an equivalent size. This liquidity facility will be subject to confirmation that the credit ratings assigned to the Covered Bonds by the Rating Agencies will not be reduced, removed, suspended or placed on credit watch and in any case the relevant liquidity facility provider's credit rating shall meet the minimum rating required by law (currently, "A-").

Programme Account

- Upon the occurrence of an Issuer Event or the breach of the contractual OC, the Programme Account shall be established with a counterparty with credit ratings sufficiently high to satisfy the criteria of the Rating Agencies, and in any case not lower than the minimum rating required by law (currently, "A-"), and all cash proceeds from the Cover Pool are transferred to the Programme Account.



Conditional Pass-through





Covered Bond Label



- Fostering its transparency stance, Banco Montepio adhered to the ECBC Covered Bond Label initiative
- The Label is based on the Covered Bond Label Convention, which defines the core characteristics required for a covered bond programme to qualify for the Label. The definition of the required characteristics, compliant with Article 129(7) of the CRR, is complemented by a transparency tool developed at national level based on the "Guidelines for National Transparency Templates".
- The Label:
 - Establishes a clear perimeter for the asset class and highlights the core standards and quality of covered bonds
 - Increases transparency
 - Improves access to information for investors, regulators and other market participants
 - Has the additional objective of improving liquidity in covered bonds
 - Positions the covered bond asset class with respect to the new upcoming regulatory environment (CRD IV/CRR, Solvency II, redesign of ECB repo rules, etc.)
- Being a "Labelled" Covered Bond, investors may find all the relevant information with respect to the Issuer and/or outstanding Issues on the Covered Bond Label website in

<https://coveredbondlabel.com/issuer/50/>



Banco Montepio

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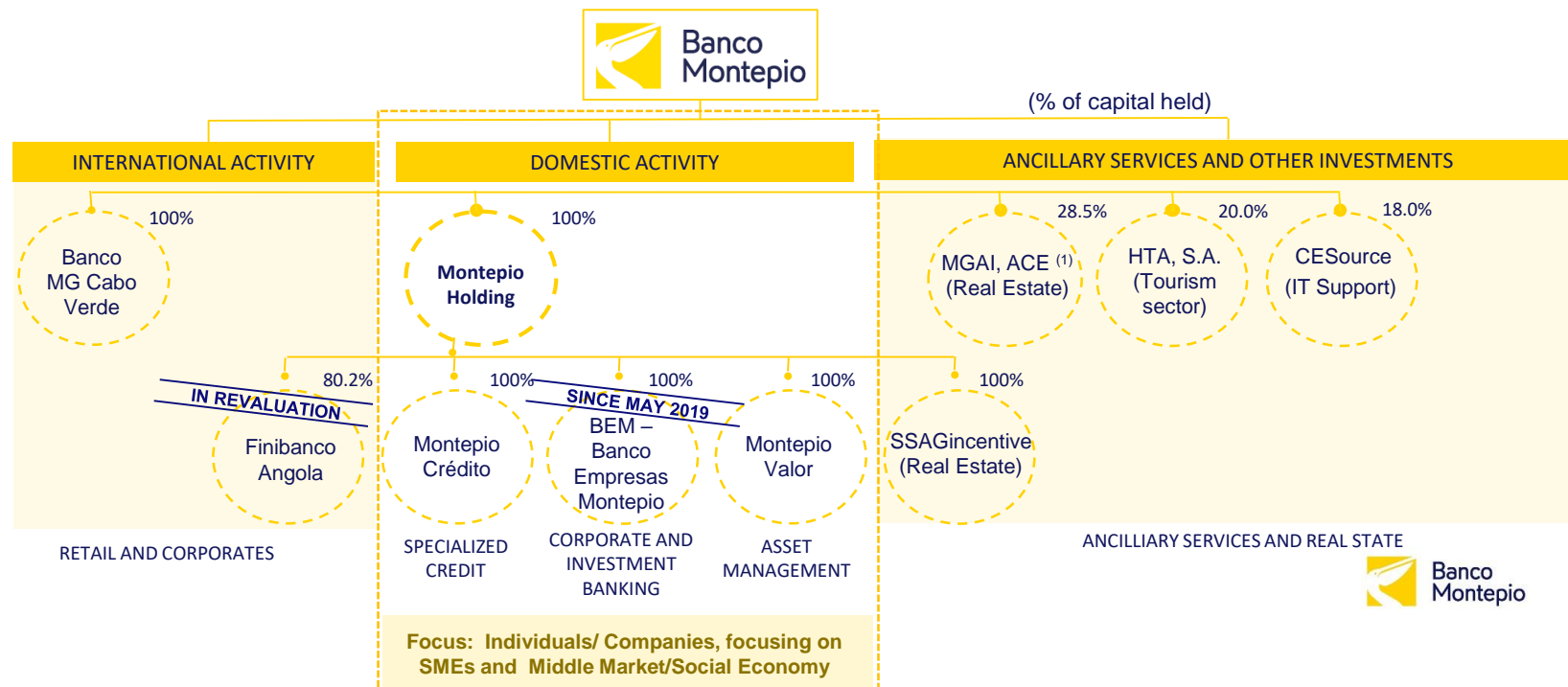
Banco Montepio Overview

Banco Montepio is one of the oldest brands with a long history of trust and tradition, created on the principles associated with mutualism, solidarity and social economy





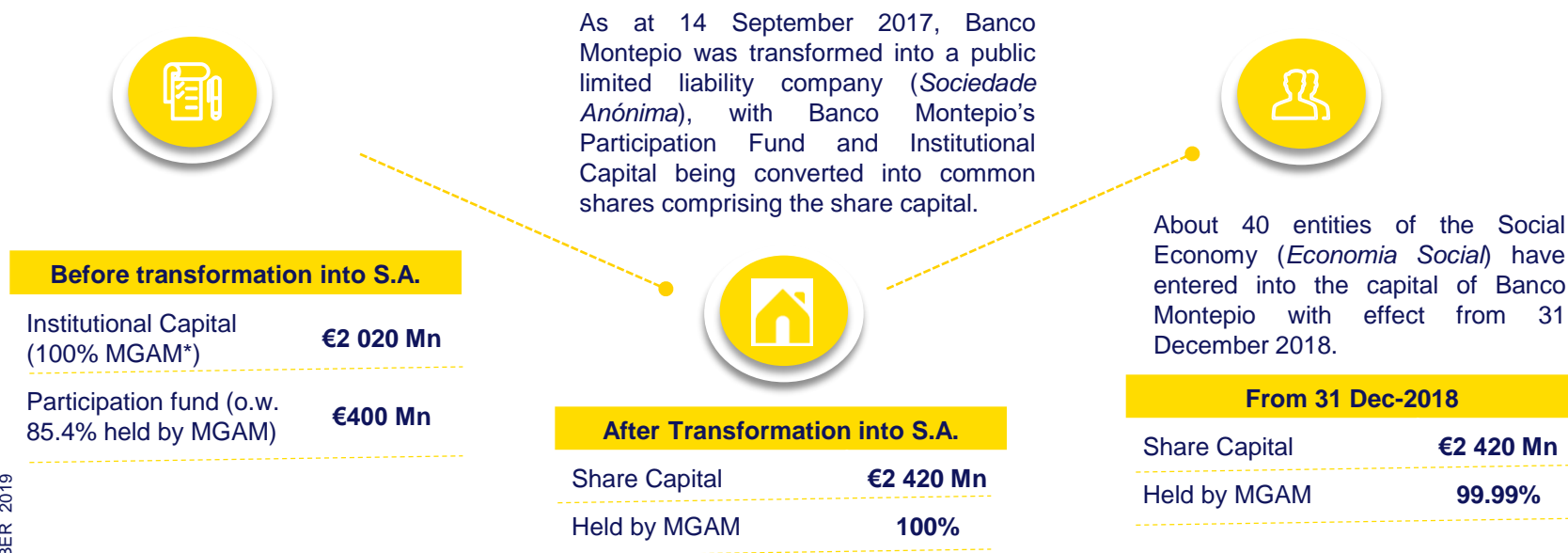
Banco Montepio holds several holdings in entities that allow to offer a wide and diversified range of banking and financial products and services



(1) Complementary Company Group (Agrupamento Complementar de Empresas), an entity established within the Montepio Group in order to manage the Group's Real Estate assets more efficiently.

The oldest Portuguese financial institution, with 175 years of history, has been adequately responding to the needs of growth, development and affirmation

Recent Ownership changes

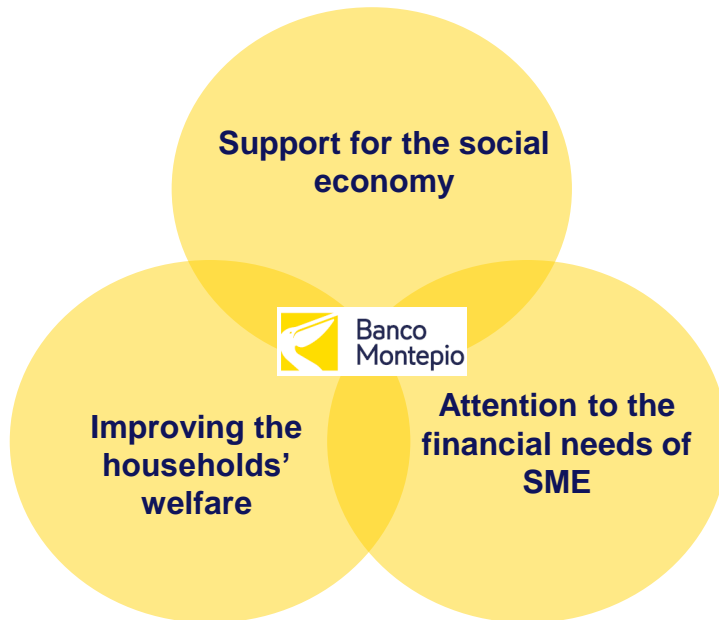




A Portuguese bank that offers universal financial services for Households, Corporate and Social Economy sectors, focusing on customer bonding and experience, combining modernity and tradition

The Banco Montepio's focus on...

...and values:



Wide geographical presence, with branches in all districts of the country

National and International Presence



As of Jun-19

329

PORTUGAL – BANCO MONTEPIO

24

FINIBANCO ANGOLA ⁽¹⁾

5

REPRESENTATION OFFICES



Opening of 7 new “proximity” branches

Branches already launched:



Abraveses



Fão



Ferro



Ferreira do Alentejo



Oiã



Pedras Salgadas



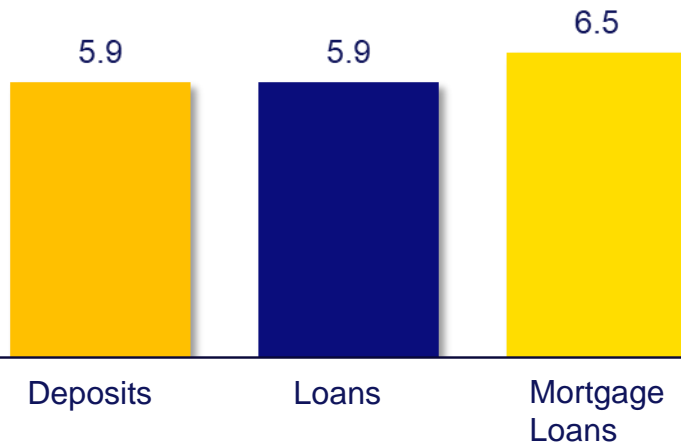
Branch to opening soon:

Avanca

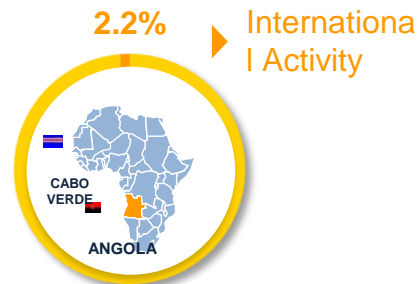


Loans and deposits market share of 6% supported by a very strong customers' brand recognition

Market shares of Banco Montepio as of Jun-19



% of international activity in total assets as of Jun-19



- Banco Montepio Group sold its stake in BTM in Mozambique in 2018;
- The Group's international activity is now concentrated in two jurisdictions, Angola and Cape Verde. However, in May negotiations began with shareholders of the Banco de Negócios Internacional, S.A. (Angola) with a view to a merger between Finibanco Angola S.A. and the Banco de Negócios Internacional, S.A. (Angola).

Corporate Governance

- Banco Montepio adopted in March 2018 the monistic corporate structure with a Board of Directors, which includes an Audit Committee and an independent external auditor;
- The Board of Directors delegates day-to-day management to an Executive Committee and appoints a CEO who will not be the Chairman of the Board of Directors;
- In June 2019, the Corporate Governance, Ethics and Sustainability Committee was created;
- The Statutory Auditor is responsible for examining Banco Montepio's books, accounts and financial statements and verifying the adequacy of the accounting policies and standards adopted.

4-year term
2018-2021

General Meeting

Chairman: António Manuel Lopes Tavares

Secretary: Cassiano da Cunha Calvão

Statutory Auditor⁽²⁾

Board of Directors

Chairman: Carlos Manuel Tavares da Silva

Non-executive Members:	Manuel Ferreira Teixeira	(Chairman) ⁽³⁾	Audit Committee
	Amadeu Ferreira de Paiva	(Member)	
	Vítor Manuel do Carmo Martins	(Member)	
	Carlos Francisco Ferreira Alves	(Member)	

Rui Pedro Brás de Matos Heitor

Pedro Jorge Gouveia Alves

Executive Vice President Dulce Maria Pereira Mota Jorge Jacinto ⁽¹⁾

Executive Members:

- Nuno Cardoso Correia da Mota Pinto
- José Carlos Sequeira Mateus
- Pedro Miguel Nunes Ventaneira
- Carlos Miguel López Leiria Pinto
- Helena Catarina Gomes Soares de Moura Costa Pina
- Leandro Rodrigues da Graça Silva

(1) Dulce Mota being the Executive Vice-President took up its duties as the Executive Committee Chairman since 11 February 2019.

(2) KPMG held office until 31 December 2018. At the General Meeting of Banco Montepio held in May 2019, PricewaterhouseCoopers International Limited (PwC) was elected as the new Statutory Auditor for the 2019-2022 term.

(3) Audit Committee Chairman took office on October 1, 2019.



The Banco Montepio Transformation Plan launched by the Board of Directors defines the Bank's vision and business objectives for the medium and long term

1 SUSTAINABLE BUSINESS MODEL

- Economically sustainable business model with adequate shareholder value creation

2 STRENGTHENING BANCO MONTEPIO'S POSITION AS A REFERENCE FINANCIAL INSTITUTION

- Support the social economy sector, addressing the population segments who are underserved in terms of financial services

3 DEVELOP NEW VALUE PROPOSALS AND SERVICE MODELS

- To be a benchmark bank for SMEs and for all the segments of household customers

4 IMPROVE THE EFFICIENCY OF COMMERCIAL STRUCTURES

- Develop new internal processes and new ways of work

5 STRENGTHEN BANCO MONTEPIO AS A BANK OF RELATIONSHIP AND PROXIMITY

- Personal contact or through technological innovation

6 IMPROVE ASSET QUALITY

- Focus on sustained improvement of credit quality ratios and continuous reduction of risk concentration in the construction and real estate sectors



03

Banco Montepio Overview

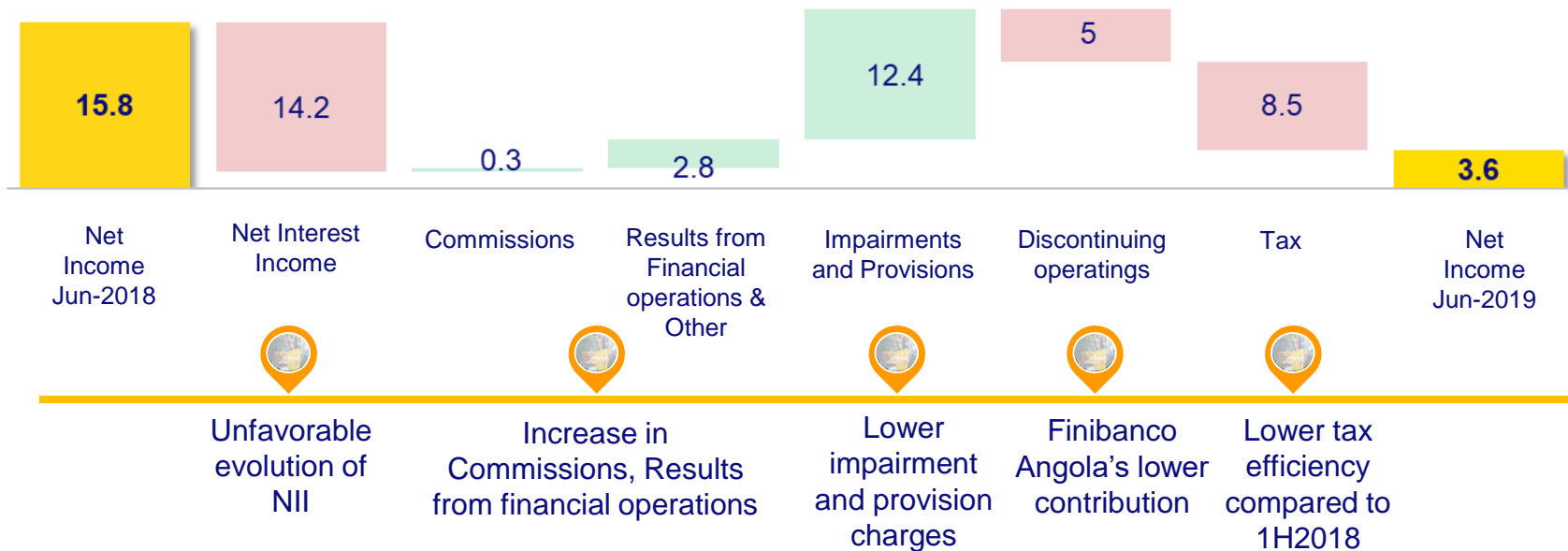
Profitability



Net income amounted to €3.6Mn

Net Income

(€Mn)

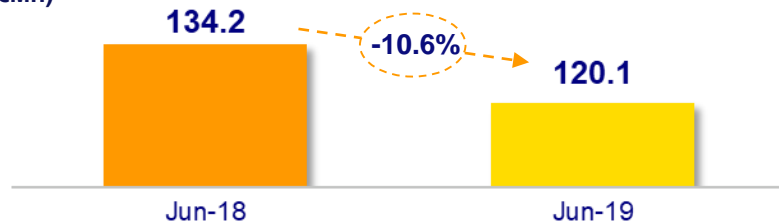




Net Interest Income reached €120.1Mn

Net Interest Income

(€Mn)



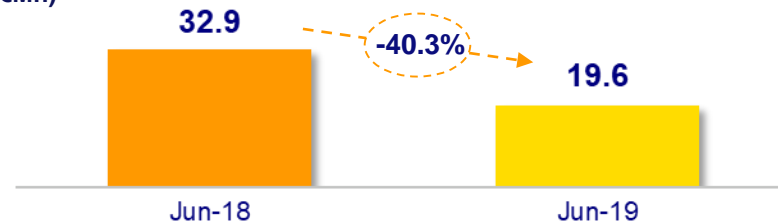
Interest received on the loan portfolio decreased €24.0Mn and the interest paid on the deposit portfolio decreased €13.3Mn;



Interest paid on issued debt (senior and subordinated) and wholesale resources decreased €1.6Mn and €3.2Mn, respectively.

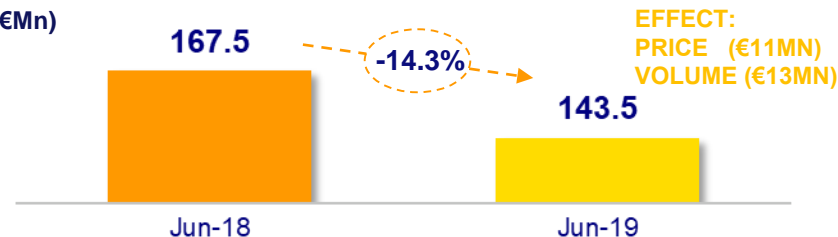
Deposit Interest

(€Mn)



Loan Portfolio Interest

(€Mn)

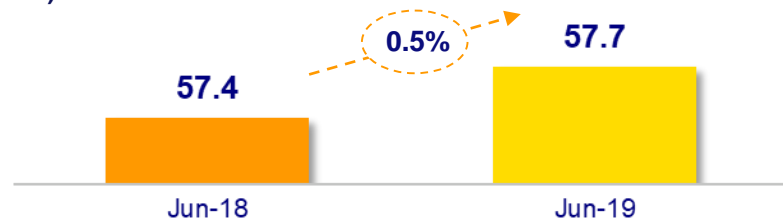




Although BM recorded a decrease in credit commissions due to the credit reduction, this effect reversed with the increase in commissions related to payment services and markets.

Commissions

(€Mn)



Other Operating Results

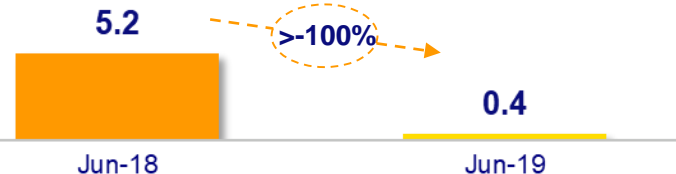
(€Mn)



Disposal of debt instruments measured at amortized cost (+€11.2 Mn)
 Income due to the deconsolidation of *Valor Prime* (-€3.3Mn)
 Income from staff assignment (-6.8Mn)
 Decrease of the contribution to resolution fund (+€1.6Mn)

Results from Financial Operations

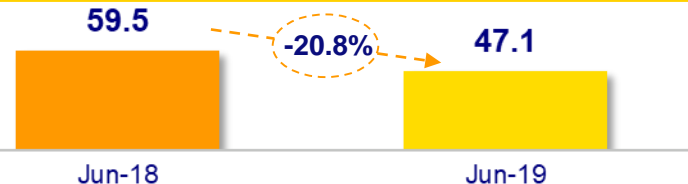
(€Mn)



Securities Portfolio: -€2.8Mn
 Fair value mortgage and derivative instruments: -€1.8Mn
 Currency revaluation: €1.1Mn

Impairments and provisions

(€Mn)



Credit Impairments: -€3.8Mn
 Impairments of other assets: -€6.0Mn
 Other provisions: -€3.0Mn
 Impairments from financial assets: €0.5Mn

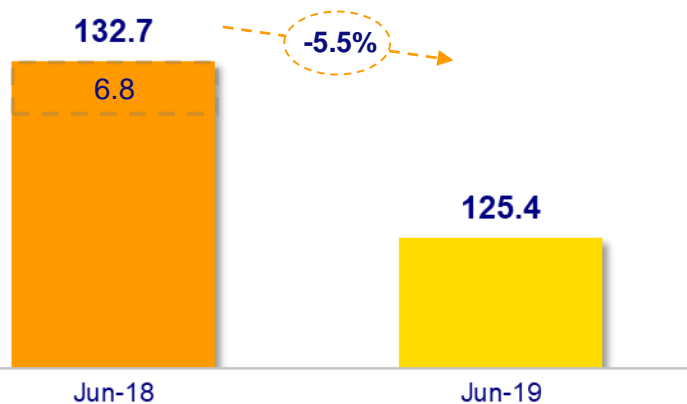




Operating costs decreased by 5.5%

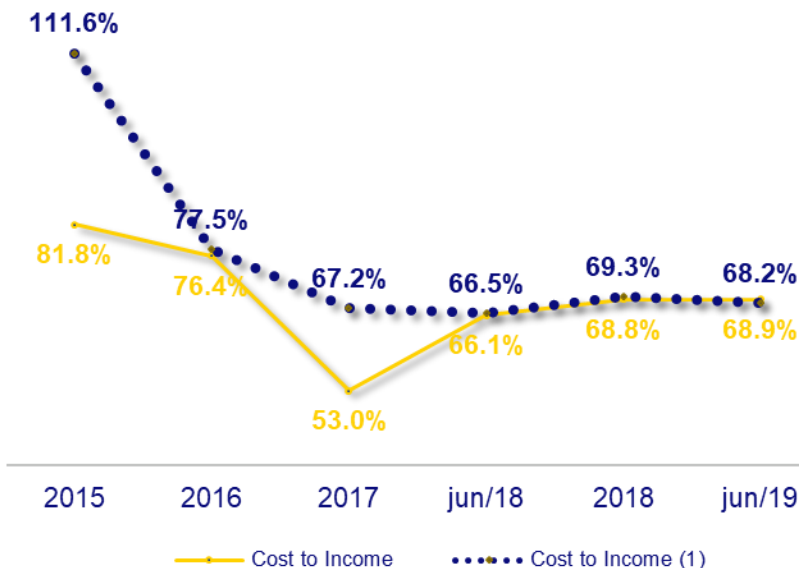
Operating Costs

(€Mn)



Cost-to-Income Ratio

(%)



- Staff Costs -6,4M€;
- General administrative expenses -€5,2Mn;
- Amortization and depreciation +€4,3Mn, reflecting the impact of the adoption of IFRS 16



Banco Montepio

04

Banco Montepio Overview

Liquidity



Solid and diversified funding structure, with the increase in the weight of deposits offsetting the reduction of wholesale funding

1 Comfortable Liquidity
Coverage Ratio: 196.8%



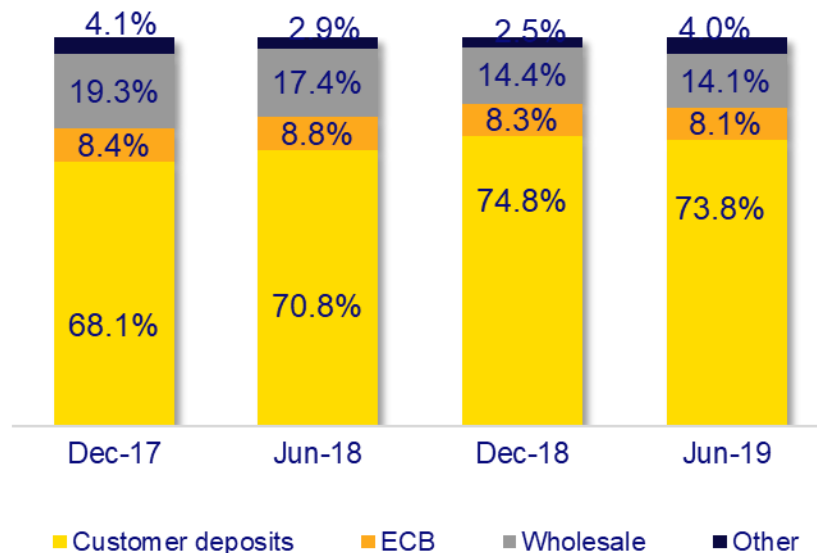
2 Stability in deposits with a
marked reduction in the
cost of funding



3 ECB funding with a year-on-year
reduction of € 154Mn



Liabilities Structure

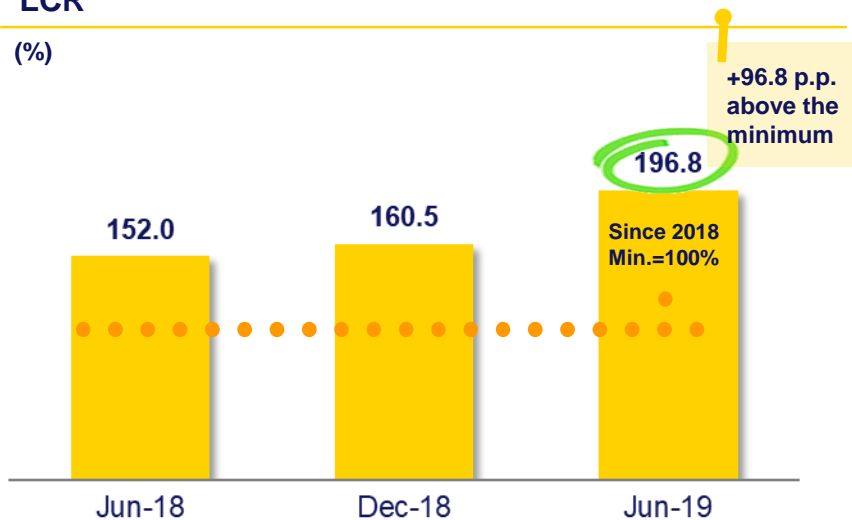




Strong liquidity position - the LCR ratio reached 196.8%, well above the minimum regulatory requirement of 100%

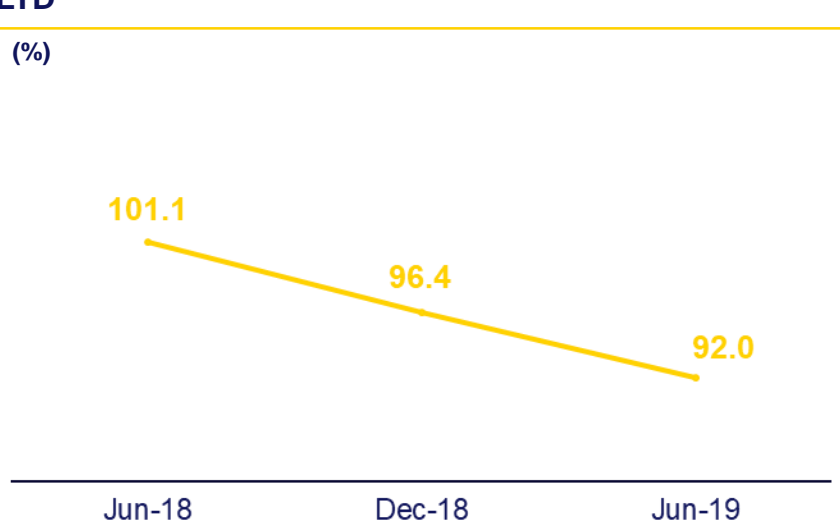
LCR

(%)



LTD ¹

(%)

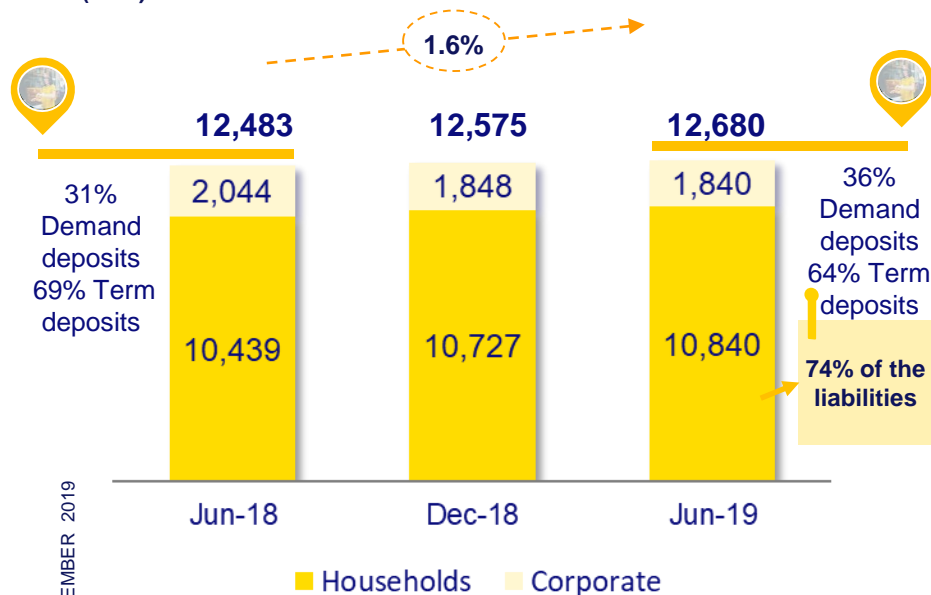




Interest paid on customer deposits moved towards the market average but the deposit portfolio increased

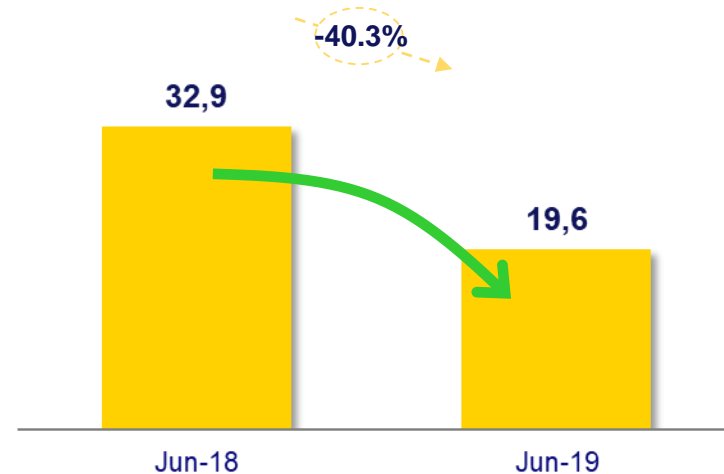
Customer Deposits

(€Mn)



Cost of deposits

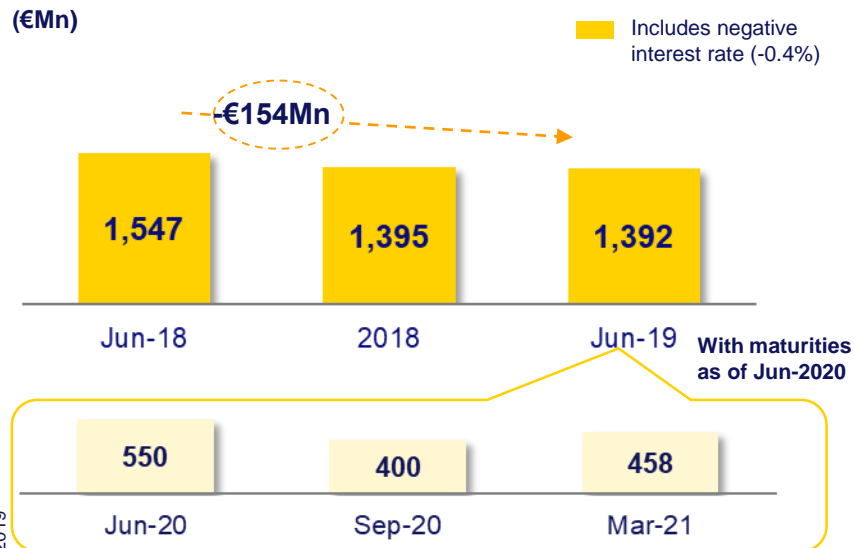
(€Mn)



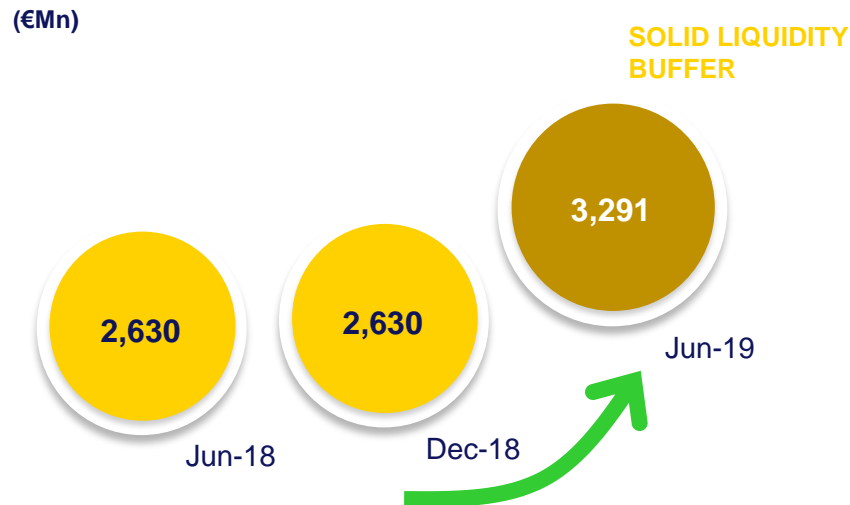


ECB funding at €1,392Mn, 10% decrease vs. June 2018

ECB funding – TLTRO ¹



HQLAs and deposits with the ECB



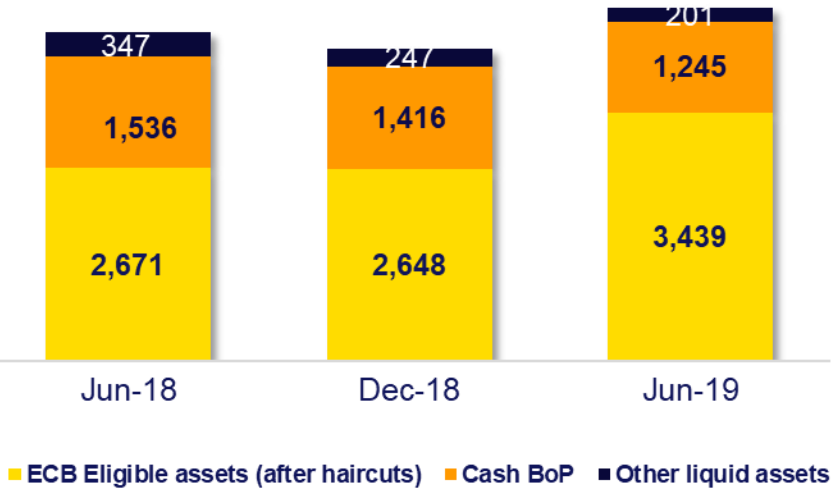
(1) TLTRO –Targeted longer-term refinancing operations.



Group's liquid assets in growth reflecting the success of liquidity-generating measures

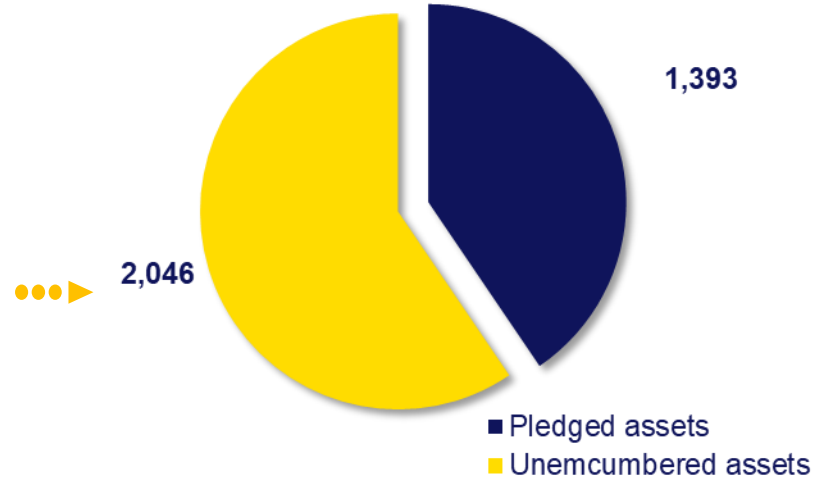
Liquid Assets

(€Mn)



Eligible ECB assets as at 30 June 2019

(€Mn)





Banco Montepio

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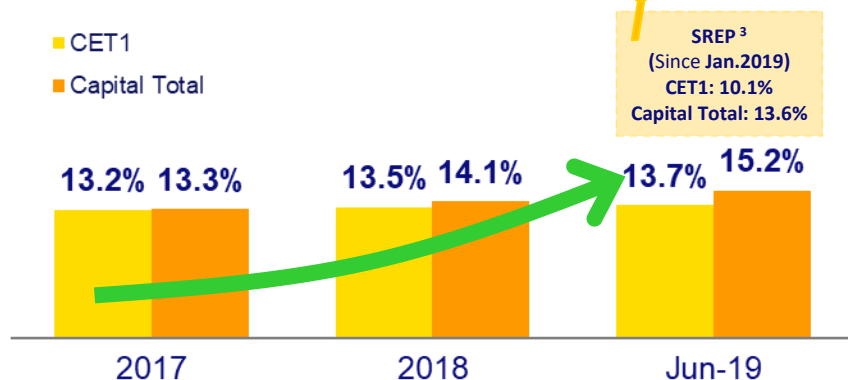
Banco Montepio Overview

Capital



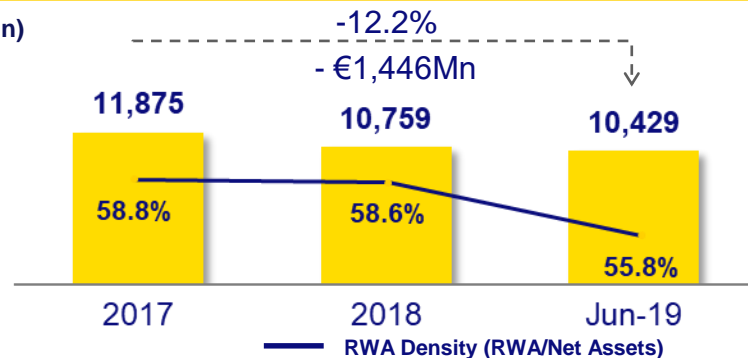
The favorable evolution of capital ratios incorporates the positive impact of subordinated debt issues, positive net income and exposure to non-core assets reduction

CET1 & Total Capital (*phasing-in*)⁽¹⁾



RWA

(€Mn)



Own Funds

(€Mn)

	2017	2018	Jun-19	Chg.1H19	Chg.1H19 (%)
CET1	1,572	1,457	1,433	-24	-1.6%
Tier 1	1,572	1,457	1,434	-23	-1.6%
Total Capital	1,580	1,513	1,590	+77	+5.1%

Rátios CRD IV / CRR – Fully implemented⁽²⁾

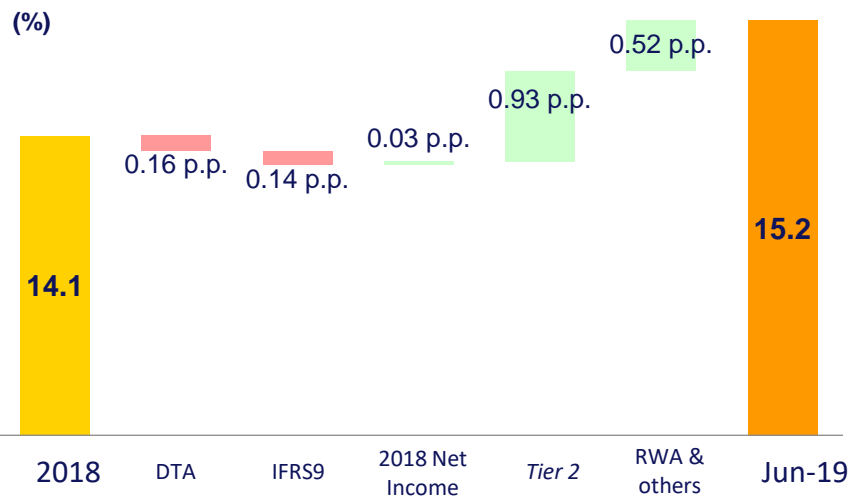
CET1	7.6%	11.4%	11.9%
CT	8.2%	12.0%	13.4%

(1) It concerns to the phased implementation of prudential rules in accordance with the legislation in force in the European Union. (2) It concerns to the full implementation of the prudential rules laid down in the legislation in force in the European Union, which was produced on the basis of the standards set by the Basel Committee on Banking Supervision (Basel II and Basel III). (3) Supervisory Review and Evaluation Process.

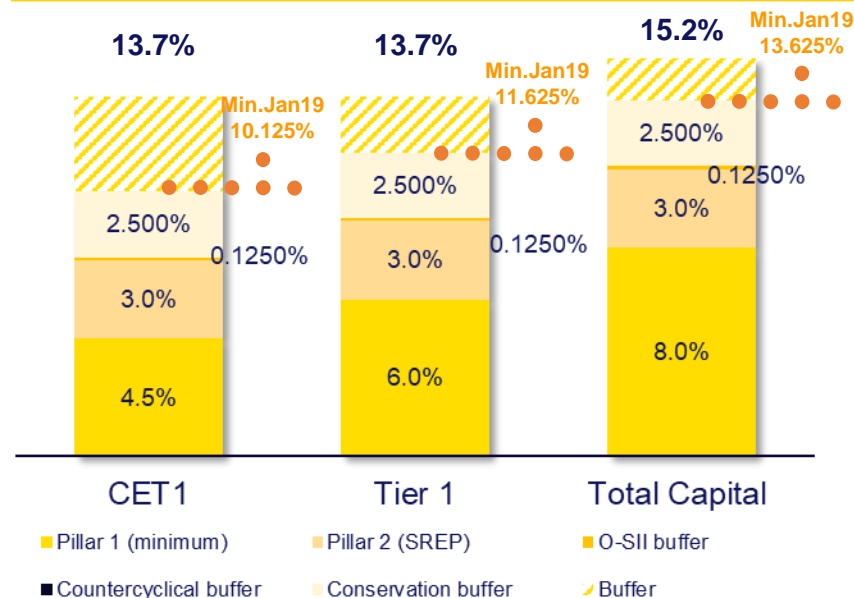
* The ratios as of 30 June 2019 are estimated and include the 1H2019 unaudited net income.

Capital Ratios comfortably above the minimum regulatory level

Evolution of the Total Capital Ratio Dec/18 – Jun/19



Buffers



The procedures followed by the Banco de Portugal in relation to the annual review and evaluation process (SREP) comply with the guidelines of the European Banking Authority (EBA) and the methodologies defined under the Single Supervisory Mechanism.



06

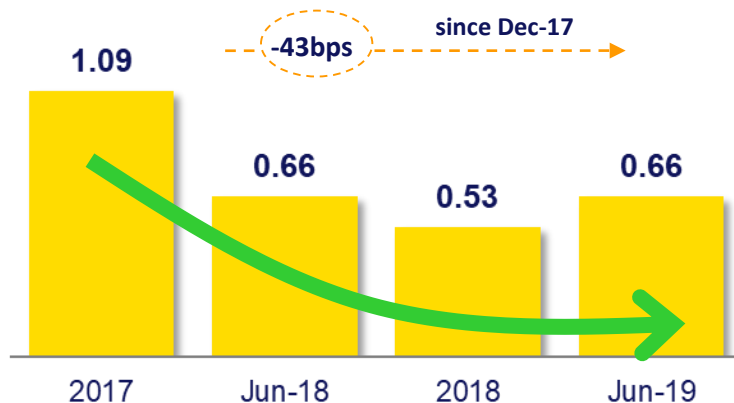
Banco Montepio Overview

Asset Quality

Decrease in the cost of risk, reflecting a more stringent lending policy

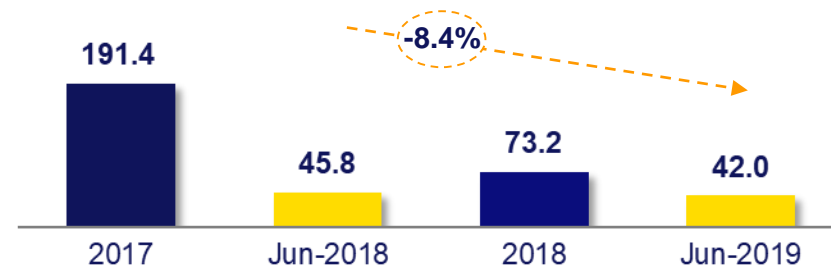
Cost of risk ¹

(%)



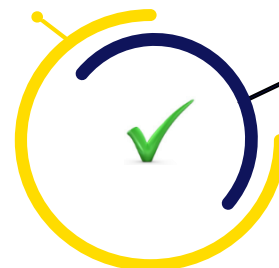
Loan impairments

(€Mn)



1

Rigorous
criteria in the
lending policy



2

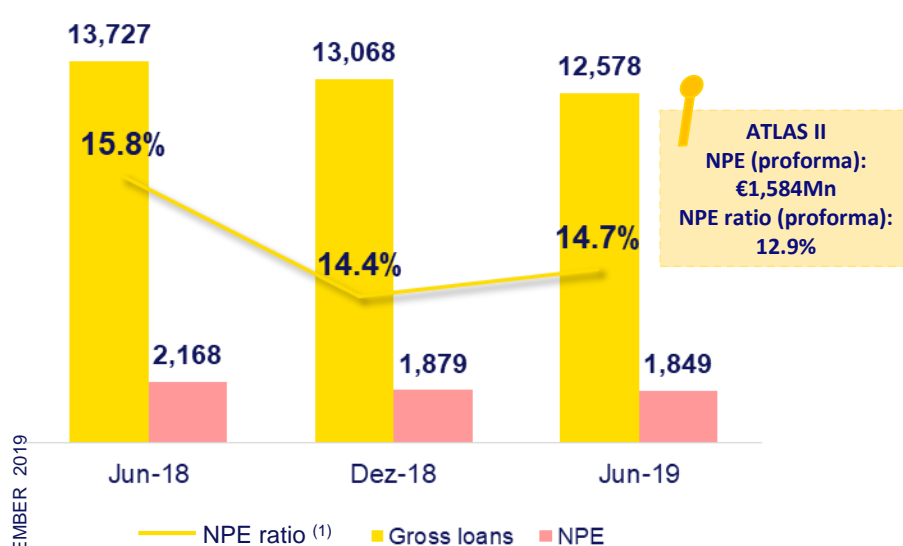
Risk-based
approach



Asset quality

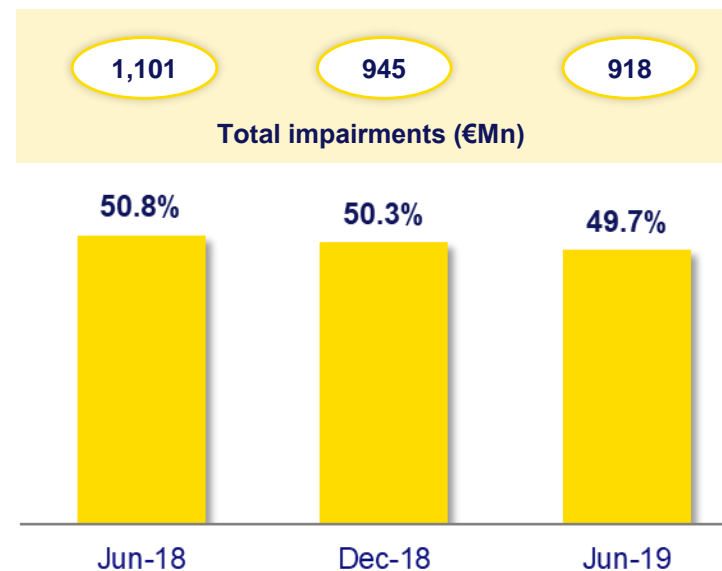
Gross Loans, NPE (as defined by EBA) and NPE Ratio

(€Mn)



NPE coverage by impairments

(€Mn)

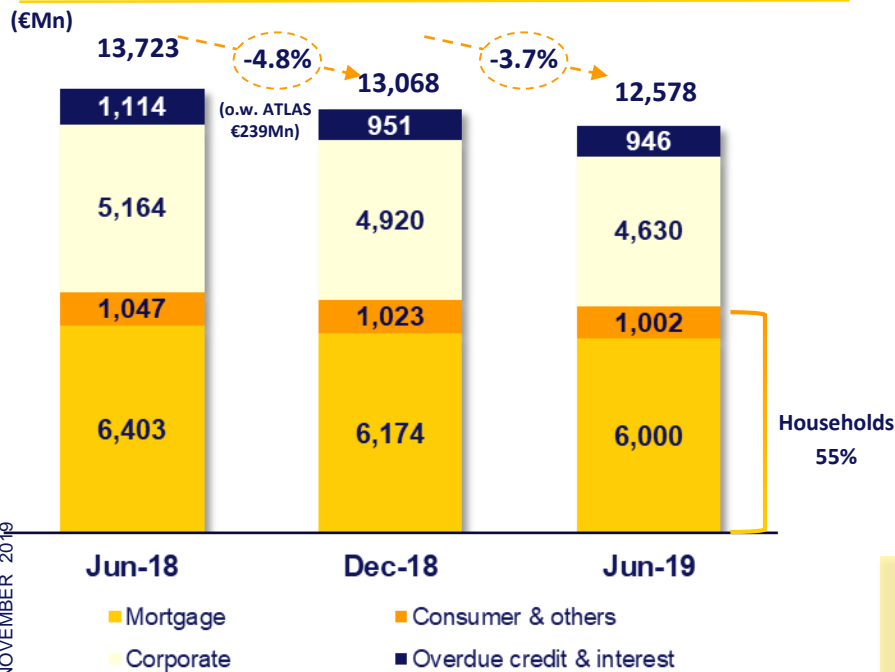


(1) NPE ratio = NPE/Gross Loans.

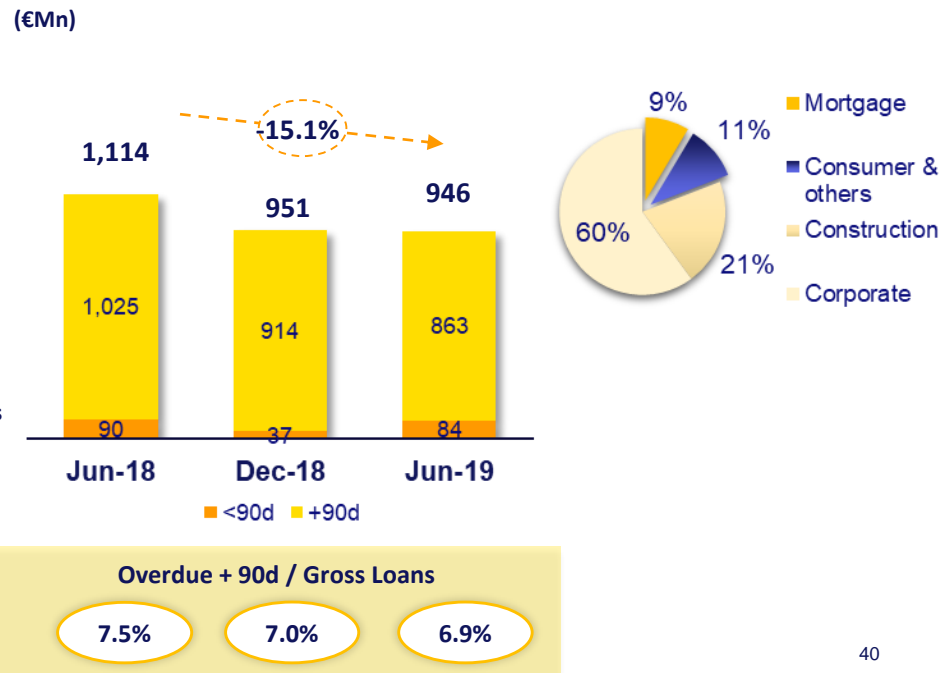


Gross loans portfolio ...

By business segment



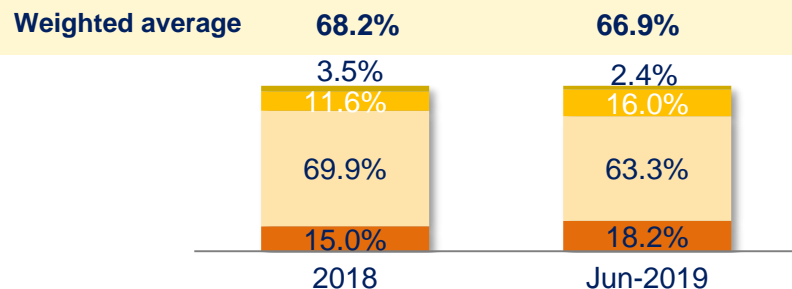
Overdue credit and interest



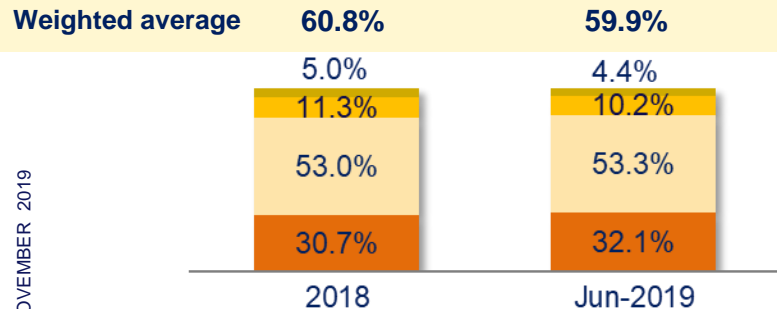


Mortgage loans LTV - Origination (1H2019) vs Portfolio

Mortgage loans LTV – Origination (1H2019)



Mortgage loans LTV – Portfolio



■ ≤ 50% ■ > 50% and ≤ 80% ■ > 80% and ≤ 90% ■ > 90% and ≤ 100%

BdP macroprudential recommendations since July 2018

A

LTV limits

- New credits relating to residential immovable property for the purchase or construction of own and permanent residence **LTV ≤ 90%**
- New credits relating to residential immovable property or credit secured by a mortgage or equivalent guarantee for other purposes than own and permanent residence **LTV ≤ 80%**
- New credits relating to residential immovable property or credit secured by a mortgage or equivalent guarantee for purchasing immovable property held by the institutions themselves and for property financial leasing agreements **LTV ≤ 100%**

B

DSTI limits

- Credit Contracts should have
 - **DSTI ≤ 50%**, with the following exceptions on the total amount of credit granted by each institution in each year:
 - up to 20%: DSTI ≤ 60%
 - up to 5% no DSTI limit

C

Limits to maturity

- For credits relating to residential immovable property or credit secured by a mortgage or equivalent guarantee:
 - **Maturity of new credit agreements ≤ 40 years**
 - Average maturity of new credit agreements should **gradually converge to 30 years** until the end of 2022
- For consumer credit agreements:
 - Maturity of new loans ≤ 10 years

D

Requirement of regular Payments

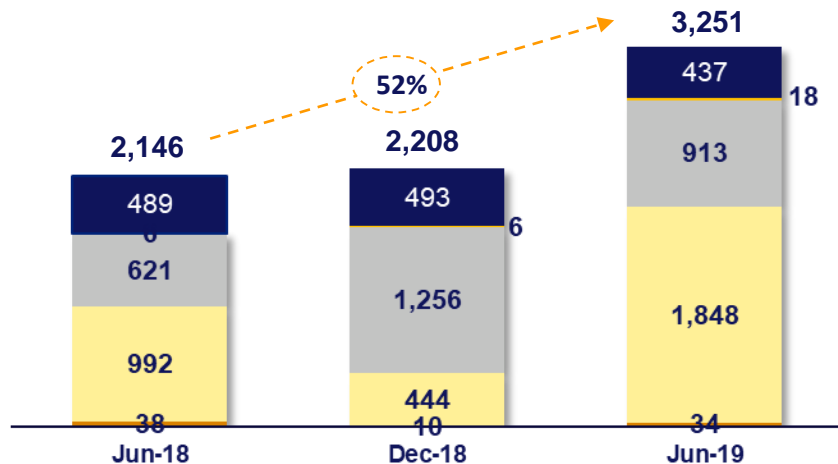
- New loans should be granted with regular payments of interest and capital



Securities portfolio ...

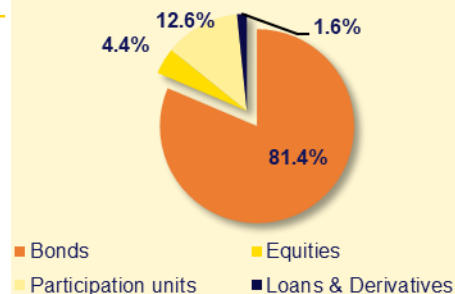
By Portfolio

(€Mn)

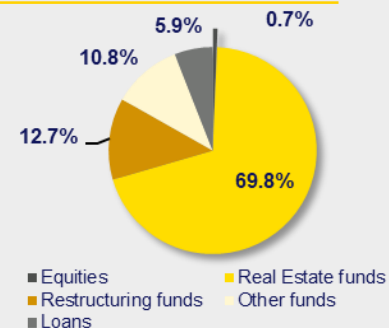


Trading FVOCI Amortised cost Hedging derivatives FVPL

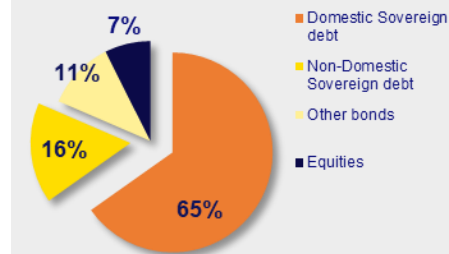
by security type - Jun-19



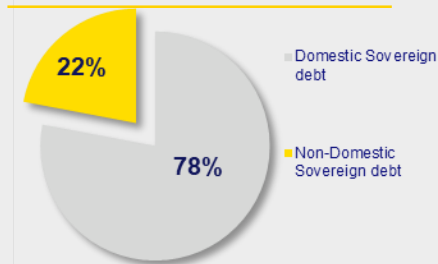
FVPL – Jun-19



FVOCI-Jun-19



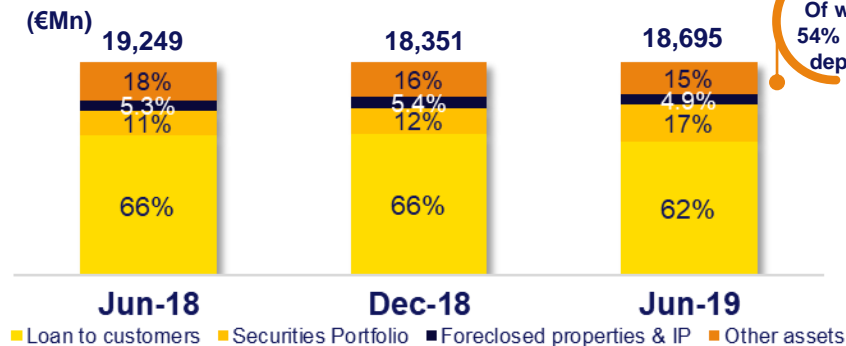
Amortised cost - Jun-19



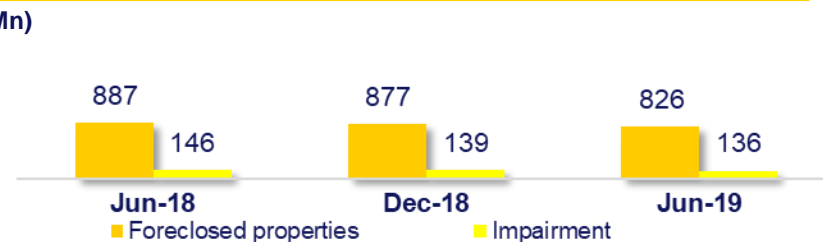


Focus on core business and reduction of non-core assets

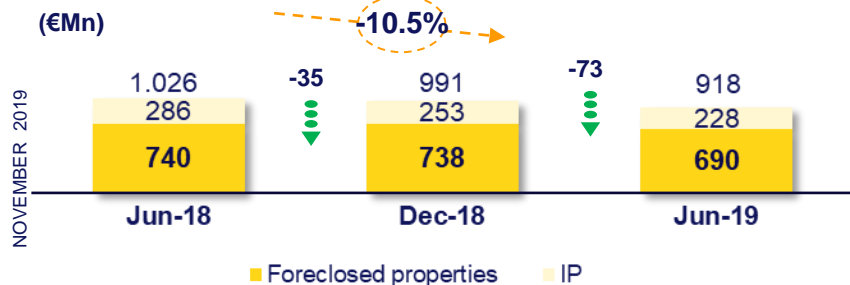
Assets Structure



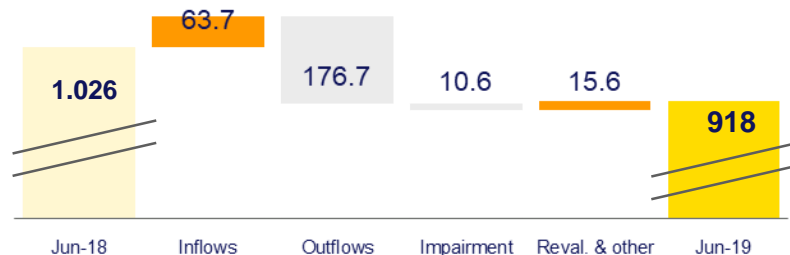
Foreclosed properties



Foreclosed properties and Investment properties

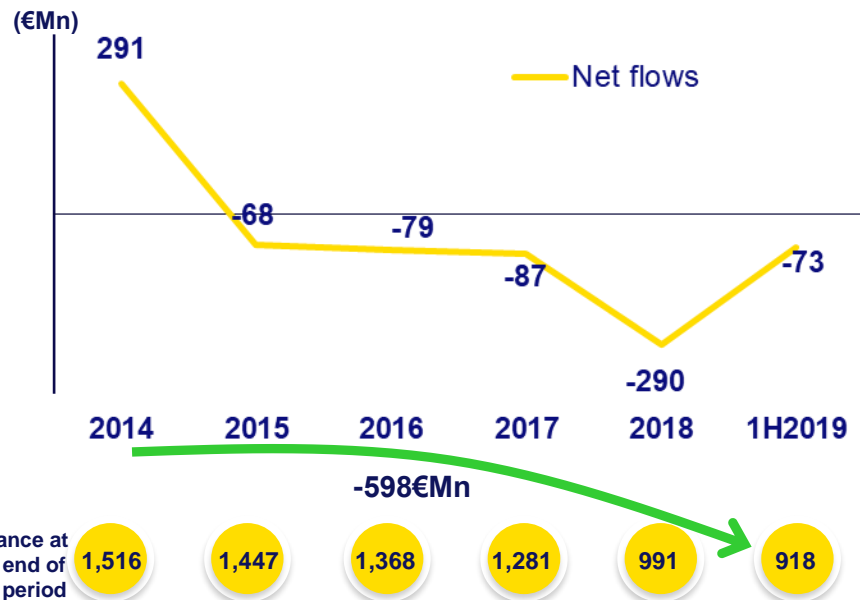


Inflows & Outflows



Since 2015, there has been a reduction in real estate exposure, with outflows always higher than the inflows

Real Estate Exposure (Total and net flows)



Real Estate exposure reduction plan - Main goals

1. Increase sales, either wholesale or through retail taking advantage of all market opportunities in order to mitigate any material impact on capital or P/L.
2. Promote and increase sales of the RE Fund *Valor Prime* in the commercial network of Banco Montepio.
3. Support and increase the sales of properties included in the RE Funds “*Arrendamento Habitacional*” (in particular of the vacant properties).
4. Cap the number of new RE entries in the portfolio through foreclosures.



07

Origination and Underwriting Guides



Origination strategy and channels

Mortgage
Loans
(Main Goals)

- Preserve the housing market share, despite the more challenging competition;
- Increase customers' loyalty, through the cross-selling of products / services, and monitor these products/ services until the related mortgage loans mature.
- Maintain a competitive spread policy in line with competition

Marketing
Practices

- Communication:
 - Highlight at the site Home Page
 - Simulator available at the site
 - Flyers, Digital Flyers, Posters at branches
 - Paid media campaign (multichannel, including TV)





Product Overview

Product Type

- Permanent House
- Secondary House
- Buy to let

Insurance

- Multi-Risk Insurance is compulsory in order to insure the mortgage from disaster events like fire, floods, storms and seismic activity (optionally)
- The insurance amount should be equal to or greater than the cost to rebuild the mortgaged asset, according to the appraisal report
- Life insurance is also compulsory

Amortisation Method

- Constant Instalments

Loan Terms

- Loan Term: 40 years max (convergence for 30y until end 2022), subject to the following conditions:
 - The borrower should be less than 75 years at the loan maturity date;
 - Max DSTI is 50 %

Payment

- Direct Debit
- Monthly instalments
- Partial or total prepayments allowed. In accordance with the Portuguese Law the prepayment penalty is capped at 0.5% (float rate loans) or 2% (fix rate loans) of the remaining outstanding amount

Interest Rate

- Float rate - indexed to 12 month Euribor
- Fixed rate – the borrower may fix the loan interest rate (max 25 years)



Banco Montepio's Origination and Underwriting Process

Acquisition

As a result of direct contact with borrowers, Banco Montepio's mortgage loans are originated at the branch level. No loans are originated through brokers.

Even though Banco Montepio requires all applications to be submitted at the branch level, an online mortgage portal is available as an additional tool to get customers in contact with the bank.

Credit rules checking

At the branch level, the required documentation set forth by the current legislation and by internal credit guidelines (i.e. form application, identification documents, informative questionnaires, official documents proving the customer's income) is collected, checked and entered into the application scoring system.

The application scoring system contains pre-defined validation rules, constituting the first phase of the underwriting and lending policy. All operations must have an assigned internal scoring and there is an automatic check with information of the behavior of the client in the Portuguese financial system (Banco de Portugal's Credit Database - CRC, which includes all credit information).

Submission to Credit Analysis

After cross checking the information, the branch submits the loan application to an independent credit risk analysis department that gathers and checks the information regarding income and liabilities.

The credit analysis process for the mortgage loans is comprised of an internally developed scoring model, which grades the loan applications on a scale of 1-19 according to their estimated probability of default.

The Credit Scoring System automatically cross checks for any incidents on internal and/or external databases and also checks credit policies/rules (i.e. Loan-to-Value, Debt-to-Income).

Credit Analysis and decision

Following the risk analysis process, the loan application is filtered through the credit decision process.

Decision is usually taken at the branch level. However, in cases of greater materiality or risk, the decision is collegially taken by the commercial departments and by the credit risk analysis department (DAC).

All applications rejected by the scoring model must be submitted to DAC for validation prior to the final decision.

The risk department monitors the global override levels.



Underwriting Guidelines & Limits

Underwriting Guidelines	Mortgage Loans Guarantees	<ul style="list-style-type: none"> First mortgage on property, multi-risk or fire insurance and life insurance are required Note: A guarantor may also be required
	Property	<ul style="list-style-type: none"> No property type restrictions (i.e. building age and building type) Properties must be appraised by an eligible appraiser
	Income Verification	<ul style="list-style-type: none"> Applicants are required to provide their last personal income tax settlement document and earnings declaration, or other evidence of earnings issued by the Inland Revenue office Documentary evidence of earnings may relate to either the previous year or the running year. Furthermore, both an employer-issued income statement and most recent wage slip are required
	Credit Checks	<ul style="list-style-type: none"> Scoring System performs credit checks against Banco Montepio's and the Banco de Portugal's Credit Database Employment certified by a statement from the employer with position details and contract terms Repayment capability of the applicants or guarantors is calculated automatically
	Purpose of a loan	<ul style="list-style-type: none"> Purchase, construction, improvement of first and second homes and buy to let
Underwriting Limits	Loan to Value and Maturity	<ul style="list-style-type: none"> Maximum LTV of 90% based on the acquisition value, provided that it does not exceed 80% considering the valuation value (made by a certified independent appraisal) The maximum maturity of the loan is 40 years. Additionally, the sum of the age of each credit applicant and the desired maturity must not exceed 75 years.
	DSTI (Debt Service To Income)	<ul style="list-style-type: none"> DSTI = Sum of all loan Installments of the client in the Portuguese Financial System (including the stressed installment of the proposal) / Net Monthly Income \leq 50% Monthly Earnings equals: i) Average Net monthly salary for the 3 previous months (base salary; it does not include overtime, cost allowances, etc), or the tax settlement document and earnings declaration, or other evidence of earnings issued by the Inland Revenue office and (ii) other recurrent/ permanent income (properties, pensions, activity as an independent employee, etc).



Credit Scoring System

Credit Scoring Model

- ✓ Sets the evaluation and decision-making criteria for retail loan applications
- ✓ Developed from internal historical data
- ✓ Scores derived from socio-professional, demographic and financial variables
- ✓ Scores driven into 1-19 risk notations, in accordance with the Probability of Default cycle
- ✓ System verifies incidents registered on internal and external databases
- ✓ Model checks credit rules, including: DSTI and LTV ratios
- ✓ Allows for an automated decision making process and can only be overridden if endorsed by the Board

Reasons for rejection by Scoring System

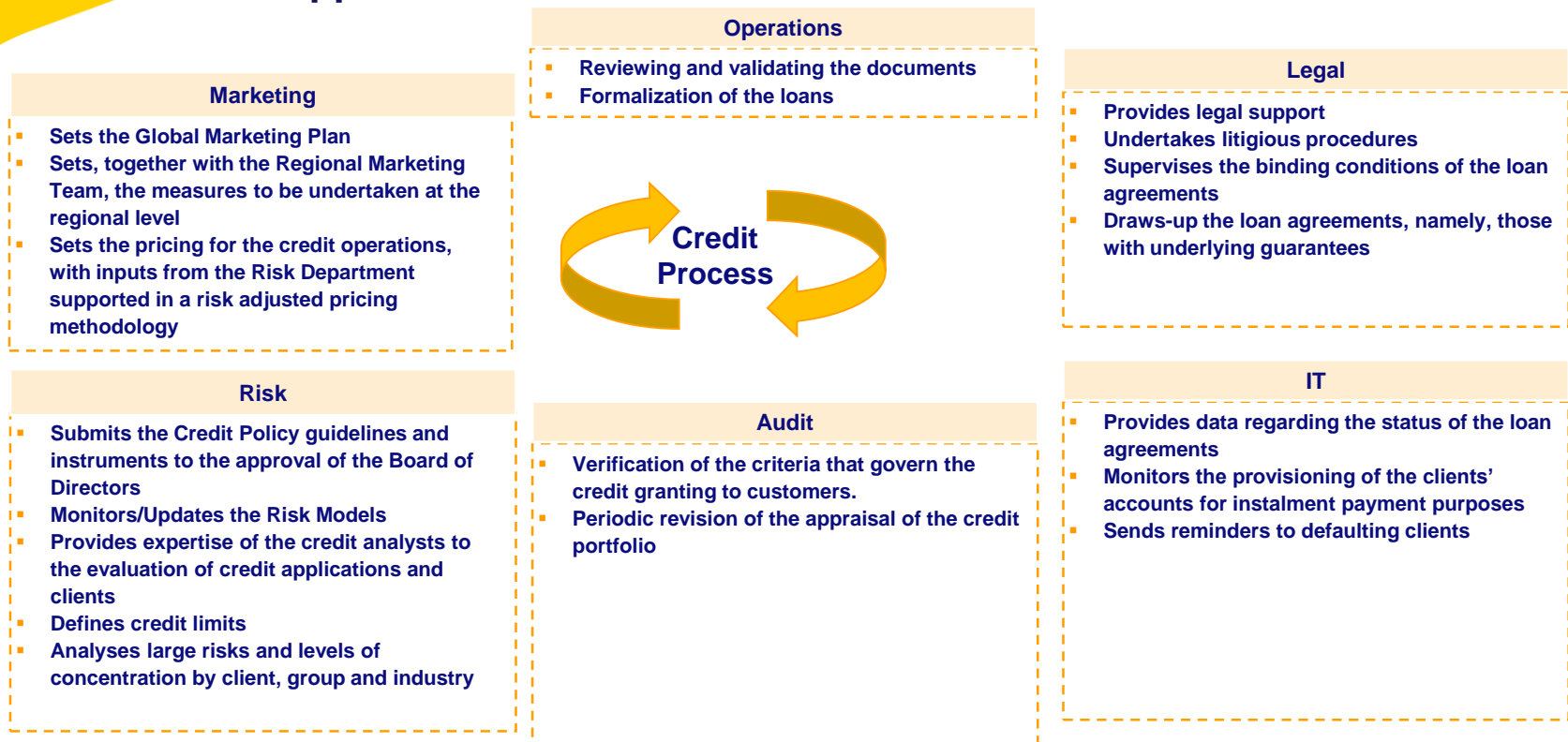
Scoring System

After evaluation by the Scoring System, mortgage loan applications may be rejected for two reasons:

- ✓ Loan credit score
whenever the loan application falls into the highest risk classes
- ✓ Failure to comply with credit policies/rules in force at Banco Montepio, including:
Negative incidents recorded in the Banco de Portugal's Credit Risk database or in Banco Montepio's Internal database
DSTI or LTV ratios above the limit



Support Processes





Banco Montepio



Thank you

Gabinete do Conselho de Administração
November 2019

CAIXA ECONÓMICA MONTEPIO GERAL

caixa económica bancária, S.A.
(Banco Montepio)

Head office: Rua Castilho, 5
1250-066 Lisboa

Share Capital : € 2.420.000.000

Registered at the Lisbon Commercial Registry Office under the
single registration and tax identification number :
500 792 615

GCA – Gabinete do Conselho de Administração

investors@montepio.pt
<https://www.bancomontepio.pt/investor-relations>



08

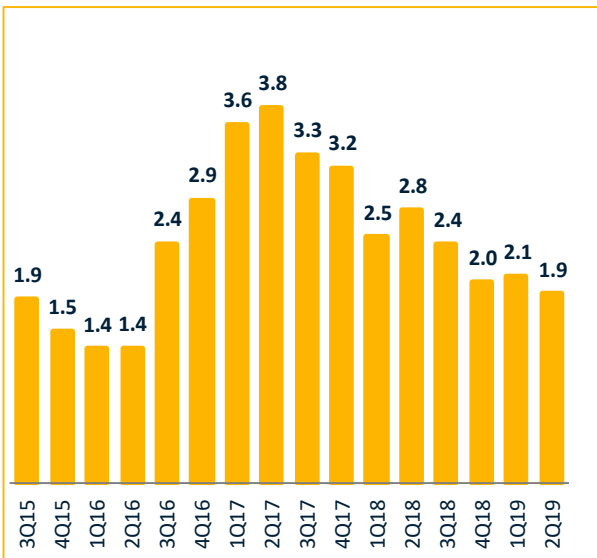
APPENDIX

Macroeconomic Background

The return to the economic growth in Portugal...

GDP increasing for the last 23 Qs

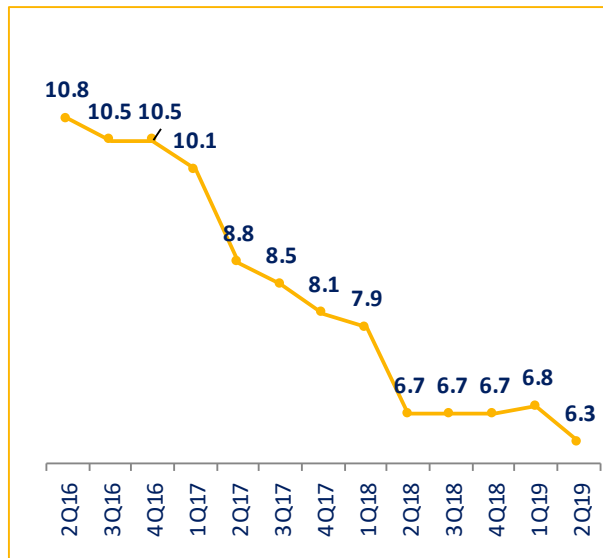
(y.o.y., real)



Source: INE – Statistics Portugal.

Unemployment: minimum since 2003Q3

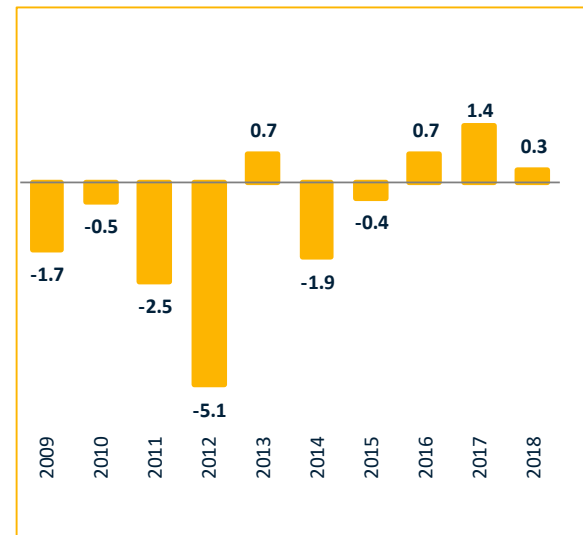
(Unemployment rate)



Source: INE – Statistics Portugal.

and improved Competitiveness.

(%, difference in annual var. of unit labor costs, in nominal terms vs. Euro Zone)

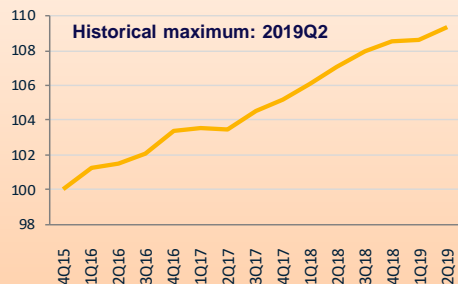


Source: Banco de Portugal.

Contribution of the GDP main components

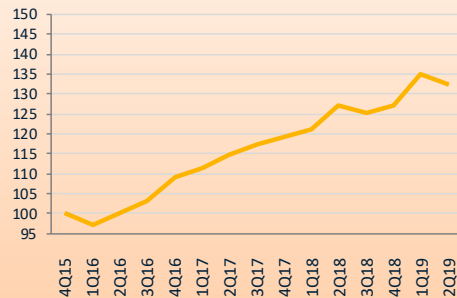
(Real, 2015Q4 = Base 100)

Private Consumption



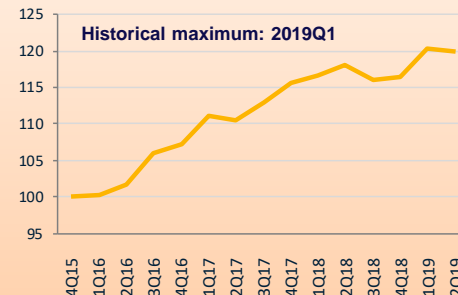
Source: INE- Statistics Portugal.

GFCF – Investment in Machinery and Equipment



Source: INE- Statistics Portugal.

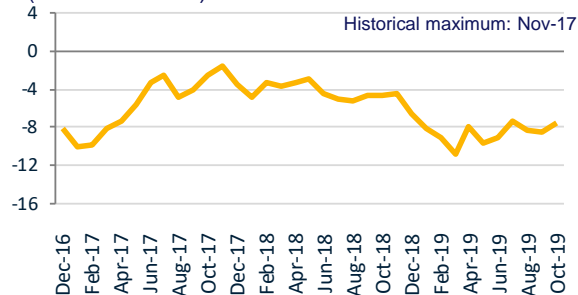
Exports



Source: INE- Statistics Portugal.

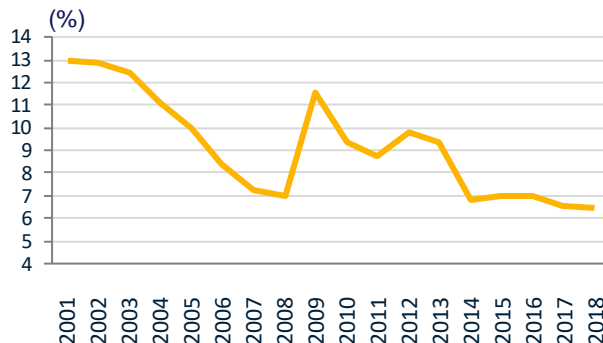
Consumer confidence index

(% net balances)



Source: European Commission.

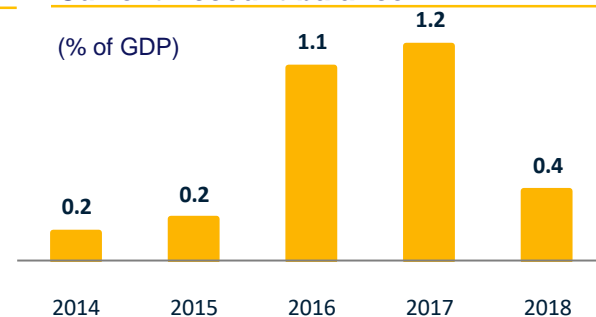
Households' Savings rate



Source: INE- Statistics Portugal.

Current Account balance

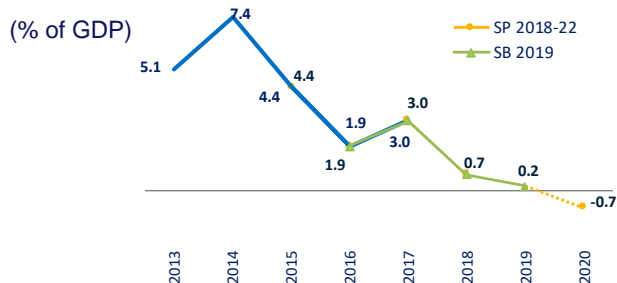
(% of GDP)



Source: Banco de Portugal.

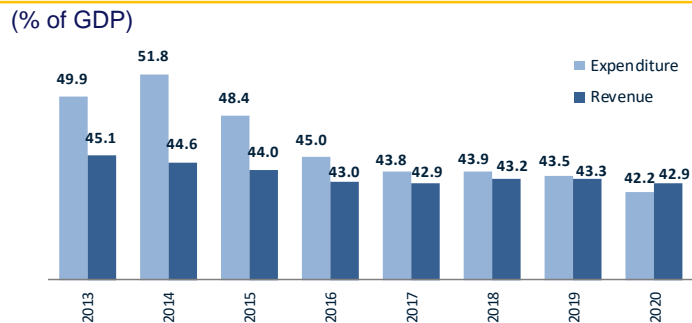
Budgetary Consolidation and Debt Sustainability

Budget deficit falling...



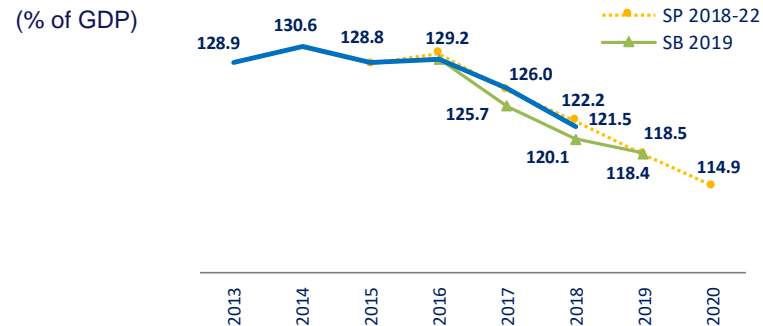
Fonte: Banco de Portugal and Ministry of Finance (SP 2018-22, Apr-18; SB 2019, Oct-18).

...via the maintenance of revenue and reduction of expenditure...



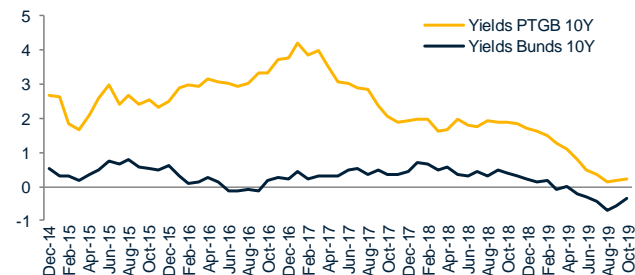
Source: INE; Ministério das Finanças (previsões 2018-19: OE 2019; previsões 2020: PE 2018-2022).

Decreasing Public Debt burden...



...and related costs

(Yields of Portuguese vs German Bonds 10 Yrs - %)



Source: Thomson Reuters.



Forecasts point to continued Economic Growth

Forecasts point to continued GDP Growth, underpinned by:

- ✓ Gradual recovery of Demand
- ✓ Growth in Exports, although in slowdown compared to 2010/18 average.
- ✓ Reduction of the Unemployment rate

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (p)	2020 (p)
GDP (real growth %)	1.7	-1.7	-4.1	-0.9	0.8	1.8	2.0	3.5	2.4	2.0	1.8
Private Consumption	2.4	-3.7	-5.3	-1.0	2.4	2.0	2.6	2.1	3.1	1.9	1.6
Public Consumption	-1.4	-3.7	-3.6	-2.1	-0.6	0.8	0.8	0.2	0.9	0.6	0.7
Gross Fixed Capital Formation	-1.1	-12.6	-16.7	-4.8	2.3	5.9	2.5	11.5	5.8	8.6	4.5
Exports	9.2	6.9	3.1	7.2	4.3	6.3	4.4	8.4	3.8	3.4	3.9
Imports	7.8	-6.2	-6.3	4.7	7.9	8.0	5.0	8.1	5.8	5.6	4.6
Unemployment (%)	10.9	12.7	15.6	16.2	13.9	12.4	11.1	8.9	7.0	6.3	5.7
HCPI (growth %)	1.4	3.6	2.8	0.4	-0.2	0.5	0.6	1.6	1.2	0.5	1.2
Budget (% of GDP)	-11.4	-7.7	-6.2	-5.1	-7.4	-4.4	-1.9	-3.0	-0.4	-0.1	0.0
Public Debt (% of GDP)	96.4	111.4	126.3	128.9	132.9	131.2	131.5	126.0	122.2	119.2	116.9
Households Saving Rate (% Disp. Inc.)	9.3	8.7	9.8	9.4	6.8	6.9	7.0	6.6	6.5	6.6	6.7
Current Account (% of GDP)	-10.3	-6.0	-1.6	1.6	0.2	0.2	1.1	1.2	0.4	-0.4	-0.1

Source: INE – Statistics Portugal and Montepio (Research Office).

(p) – Projections.



**Banco
Montepio**

Caixa Económica Montepio Geral - Caixa económica bancária, S.A.
Head office: Rua Castilho, 5, 1250-066 Lisboa | Share Capital : 2.420.000.000 Euros
Registered at the Lisbon Commercial Registry Office under the single registration and tax
identification number : 500792615