CAIXA ECONÓMICA MONTEPIO GERAL
CONSOLIDATED RESULTS

AS AT 31 MARCH 2017
Lisbon, 9 May 2017

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

Unaudited financial information

HIGHLIGHTS

- **Consolidated net income of €11.1Mn, representing an increase of €30.9Mn, supported by the strengthening of the core business;**
- **Net interest income increase of 35.6% when compared to Mar-16**
- **Increase in the net operating income of 53.5%, when compared to Mar-16, to €115.2Mn;**
- **Decrease in the operating costs of €6.9Mn (-9.3% vs. Mar-16[1]);**
- **Improvement of Cost to Income, that reached 62.2% comparing to 92.6% in Mar-16[2];**
- **Reduction in the cost of risk of 27bp, when compared to Dec-16, to 90bp, maintaining the coverage of the credit at risk at 122%;**
- **Growth in the customers' base, to 1,514,527 (+0.3% comparing to Mar-16);**
- **Improvement of the market share on credit and customers' deposits;**
- **Liquidity coverage ratio (LCR) reached 105.7%;**
- **Capital ratio CET1 of 10.2%.**

EARNINGS

Positive net income of €11.1Mn

- **Net income rose €30.9Mn, to €11.1Mn,** due to the improvement of the core business performance and also to gains on the efficiency of the operating structure.
- **Net interest income** presented a **35.6% growth** when comparing to the same period of the previous year, supported by the reduction of the cost on customers' deposits.
- **Net commissions** rose 23.7%, to €26.1Mn, benefiting from a better business dynamics.
- **Core net operating income[3] increased €23.7Mn (+32.2%)**, boosted by the positive performance of the commercial activity (core business).
- **Operating costs[1] fell 9.3%**, showing better efficiency in the management of resources allocated to the business as a consequence of the Strategic Plan execution.

1 Excludes the impact related with the operating structure resizing program on Q1 2016.
2 Excludes results from financial operations and impacts related with the operating structure resizing program.
3 Net interest income + Net commissions

CAPITAL

Strengthening of Solvency

- **Capital ratio CET1 of 10.2%**, incorporating the effect of the reduction of RWA's.
- **Risk-weighted assets decreased by €166Mn to €12,663Mn.**

ASSET QUALITY

Reduction of cost of risk

- **Asset quality improvement** reflected in the **reduction of the cost of credit risk to 90bp**, which compares to 117bp at the end of 2016.
- **Decrease of 40.3% in the outstanding amount of the new loans that became non-performing.**
- **Decrease by 0.4 p.p. of the credit at risk ratio**, to 15.1%;
- **Coverage of the credit at risk** by 122.1% taking into consideration the impairments and the related real estate collateral.

LIQUIDITY

Solid liquidity position

- **LCR ratio (*Liquidity Coverage Ratio*) stood at 105.7%**, comfortably above the current minimum requirement of 80%.
- **Reduction of the exposure to ECB of €97.2Mn** (-3.3%).
- **Credit-to-deposits ratio (CTD) is balanced at 102.8%**, taking into consideration the credit to customers and the customer's resources.
- **Customer Deposits amounted €11.6Bn**, still being the main source of funding (representing 60.0% of its total).

EARNINGS

CEMG achieved a positive net income of 11.1 million euros in the first quarter of 2017, which compares to the negative net income of -19.8 million euros in the same period of the previous year. Three different effects were the main contributors to this evolution:

- The impact in operating costs produced by the operating structure resizing program, in accordance with the strategic plan in place and to the new business framework.
  On the 1st quarter of 2017, the cost savings with this program accounted for approximately 19.3% of the operating costs recorded on 31 March 2016;

- The increase of 18.7 million euros (+35.6%) in the net interest income;

- The increase of 5.0 million euros (+23.7%) in the complementary business profit, namely in the net commissions.

Net interest income stood at 71.1 million euros in the first quarter of 2017, compared to 52.4 million euros in the same period of the previous year. This performance was due to the reduction of the cost of funding.

The earnings from financial operations amounted to 7.5 million euros (which compares with -4.8 million euros in the same period of the previous year), which include realized gains obtained in the portfolio of sovereign debt and profits in the trading portfolio.

On the other hand, it is worth underlining the year-on-year growth of 22.7% in the Commercial Operating Income[4] during the first three months of 2017, supported by the positive performance of the commercial net interest income.

Operating costs for the first quarter of 2017 showed a year-on-year reduction of 19.3%, reaching 67.0 million euros, to which contributed the conclusion of the operational structure resizing program.

The cost of credit risk reduced to 0.9%, compared to 1.2% at the end of 2016, as result of a rigorous policy on credit lending. Total impairment was 35.1 million euros, 25.6% higher than in the same period of last year.

Regarding the CEMG Group's international activity, Finibanco Angola, S.A. achieved a net income of 4.3 million euros, compared with 3.9 million euros in the first quarter of 2016 (+10.9%). For this performance, net interest income growth accounted by 356.4 thousand euros (+5.2%).

BTM, S.A., which operates in Mozambique, showed a significant improvement in core business performance and in operational efficiency levels, with a 9.9% increase in net interest income comparing to the same period of the previous year, and a sharp decrease of 22.8% of operating costs. The combined effect of both factors led to a reduction of 44.4% in the negative net income for the first quarter of 2017 to -37.5 thousand euros, compared to a negative net income of 67.5 thousand euros in the first quarter of 2016.

The activity in Cape Verde, developed by Banco MG Cabo Verde, Sociedade Unipessoal, S.A., reported a net income of 73.1 thousand euros, which compares with a result of 186.8 thousand euros on 31 March 2016. The contribution to this variation came from the reduction of 123.0 thousand euros of the net operating income, due to the decrease of the net interest income (-197.5 thousand euros).

[4] Commercial net interest income + Customers' commissions

CAPITAL

The Capital (Institutional Capital + Participation Fund) of Caixa Económica Montepio Geral (CEMG) amounted in 2,170 million euros at the end of the 1st quarter of 2017.

At 31 March 2017, the Common Equity Tier 1 (CET1) and the Total Capital ratios were 10.2% and 10.6%, respectively, reflecting the combined effect of risk-weighted assets (RWAs) decrease (12,663 million euros vs. 12,830 million euros in Dec-16) and the adjustment of total capital (1,347 million euros vs. 1,392 million euros in Dec-16). Capital ratios do not include the positive effects related to the Deferred Tax Assets regime.

(euro million)

	Mar-16	Dec-16	Mar-17 [1]
BASEL III - CRD IV / CRR			
Total Capital	**1 536**	**1 392**	**1 347**
Eligible instruments to CET1	2 156	2 163	2 167
Common Equity Tier 1 capital	1 437	1 331	1 293
Tier 1 capital	1 437	1 331	1 293
Tier 2 capital	106	74	62
Risk weighted assets	13 877	12 830	12 663
Total Capital ratio (phasing-in)	**11.1%**	**10.9%**	**10.6%**
Tier 1 ratio (phasing-in)	**10.4%**	**10.4%**	**10.2%**
CET1 ratio (phasing-in)	**10.4%**	**10.4%**	**10.2%**

Calculations as per our interpretation to date.

[1] The ratios as of 31 March 2017 are estimated and include the cumulative net income of the year

ASSET QUALITY

At the end of the first quarter of 2017, loans to customers (gross) totaled 14,991 million euros, a decrease of 3.2% over the same period of the last year and 0.3% compared to 31 December 2016, due to the performance of domestic activity as a result of a demanding policy of repricing and of risk management in the underwriting criteria.

The performance of the credit portfolio shows a dynamic stance that allowed the strengthening of market shares in all strategic segments, comparing the period of February 2017 to March 2016[5]. Nonetheless, loans to customers followed the trend of the sector and fell by 3.2%. Domestic activity accounts for 98.7% of the total gross loan portfolio, evidencing a slight exposure to the Angolan and Mozambican markets.

During the first three months of 2017, there was a year-on-year decline of -3.2% in the number of new retail non-performing loans (NPL[6]), reflecting a negative change of -40.3% in terms of outstanding capital.

The coverage of credit at risk by impairments rose to 53.8%, which ascents to 122% if related real estate collateral is considered.

[5] As available in Banco de Portugal's Monetary and Financial Statistics (most updated information with reference to February 2017).
[6] Credits overdue for more than 90 days and the related falling due

LIQUIDITY

The LCR ratio (Liquidity Coverage Ratio) reached 105.7%, 25.7 p.p. above the current minimum requirement, which is set at 80%. Also noteworthy is the maintenance of the balance of trade balance, with the credit-to-deposits ratio, considering loans and customers' resources, to be set at 102.8%

In the first quarter of 2017, CEMG assured the repayment of 87.3 million euros of debt securities issued. It also reduced the exposure to the ECB by 97.2 million euros (-3.3%), with the refinancing at the European Central Bank (ECB) standing at 2,825 million euros, of which 1,905 million euros resulted from TLTRO (Targeted Longer Term Refinancing Operations) with an average maturity of 3.2 years.

At the end of the first quarter of 2017 customers' deposits persisted as the main source of funding, accounting for 60.0% of the total funding sources, having presented a decreased of 4.0% year-on-year. Despite the slight decrease in deposits, we witnessed an optimistic dynamics of the market shares, both in the segments of individuals and companies, as published by the Bank of Portugal - Monetary and Financial Statistics)[7]. The consolidation of the solid deposit base of private customers was substantiated.

RATING

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

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

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[7] As available in Banco de Portugal's Monetary and Financial Statistics with reference to February 2017.

KEY INDICATORS

	Mar-16	Dec-16	Mar-17	YoY change
ACTIVITY AND RESULTS (EUR million)				
Net Assets	21 447	21 346	20 795	-3.0%
Gross loans to Customers	15 490	15 041	14 991	-3.2%
Customers' Deposits	12 070	12 468	11 592	-4.0%
Net Income	-20	-86	11	>100%
SOLVENCY (a)				
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	10.4%	10.4%	10.2%	-0.2 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	10.4%	10.4%	10.2%	-0.2 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	11.1%	10.9%	10.6%	-0.5 p.p.
Risk Weighted Assets	13 877	12 830	12 663	-8.7%
LEVERAGE RATIOS				
Net loans to Customers / Customers Deposits (b)	117.9%	111.2%	118.8%	0.9 p.p.
Net loans to Customers / On-Balance sheet Customers' resources (c)	100.5%	96.3%	102.8%	2.3 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of credit risk	0.6%	1.2%	0.9%	0.3 p.p.
Ratio of loans and interest overdue by more than 90 days	8.8%	9.1%	9.2%	0.4 p.p.
Non-performing loans ratio (b)	10.8%	11.5%	11.6%	0.8 p.p.
Net non-performing loans ratio (b)	3.0%	3.9%	3.8%	0.8 p.p.
Coverage of loans and interest overdue by more than 90 days	92.3%	86.0%	88.7%	-3.7 p.p.
Credit at risk ratio (b)	15.5%	15.2%	15.1%	-0.4 p.p.
Net credit at risk (b)	8.1%	8.0%	7.6%	-0.5 p.p.
Credit at risk coverage ratio	52.3%	51.6%	53.8%	1.5 p.p.
Credit at risk coverage ratio, factoring-in related real estate collateral	122.9%	120.0%	122.1%	-0.8 p.p.
Restructured loans as a % of total loans (d)	9.7%	8.9%	8.6%	-1.1 p.p.
Restructured loans not included in credit at risk as a % of total loans (d)	3.7%	3.2%	3.0%	-0.8 p.p.
EFFICIENCY AND PROFITABILITY				
Net operating income / Average net assets (b)	1.4%	1.7%	2.2%	0.8 p.p.
Earnings before Tax / Average net assets (b)	-0.5%	-0.9%	0.3%	0.9 p.p.
Earnings before Tax / Average equity (b)	-8.3%	-12.3%	4.5%	12.8 p.p.
Cost-to-Income (Operating costs / Net banking income) (b)	110.7%	76.4%	58.2%	-52.5 p.p.
Cost-to-Income, excluding specific effects (e)	92.6%	88.4%	62.2%	-30.4 p.p.
Staff costs / Net banking income (b)	75.1%	44.5%	36.3%	-38.8 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total	4 330	4 155	4 156	-174
CEMG	3 793	3 588	3 592	-201
Branches				
Domestic - CEMG	383	327	325	-58
International	30	33	33	3
Finibanco Angola (f)	21	23	23	2
BTM (Mozambique)	9	10	10	1
Rep. Offices	6	6	6	0

(a) Pursuant to CRD IV / CRR (phasing-in)

(b) Pursuant to Instrução do Banco de Portugal n.º 16/2004, in its current version

(c) Total On-Balance sheet Customers' resources = Customers' Deposits and Debt securities issued

(d) Pursuant to Instrução do Banco de Portugal n.º 32/2013.

(e) Excludes results from financial operations, costs related to resizing staff programme and revision of the Collective Labor Agreement

(f) Includes Business Centers

*March 2016 restated in accordance with IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes

CONSOLIDATED BALANCE SHEET

(euro million)	Mar-16*	Dec-16	Mar-17
Cash and deposits at central banks	317	381	237
Deposits at other credit institutions	236	70	53
Investments in credit institutions	139	559	393
Loans to customers	14 234	13 861	13 774
Financial assets held for trading	27	78	84
Financial assets available for sale	2 790	2 400	2 352
Hedging derivatives	0	-	0
Investments held to maturity	648	1 126	1 128
Inv. in associates and subsidiaries excluded from consolidation	4	4	4
Non-current assets held for sale	737	760	756
Non-current assets held for sale - Discontinuing operations	539	470	458
Investment properties	671	608	601
Other tangible assets	250	237	236
Intangible assets	32	35	35
Current tax assets	24	12	11
Deferred tax assets	408	522	518
Other assets	393	223	155
TOTAL NET ASSETS	**21 447**	**21 346**	**20 795**
Resources from central banks	2 923	2 323	2 825
Resources from other credit institutions	1 705	2 276	2 202
Resources from customers	12 070	12 468	11 592
Debt securities issued	2 093	1 920	1 809
Financial liabilities held for trading	69	26	24
Hedging derivatives	0	-	**0**
Financial liabilities associated to transferred assets-Discont. operations	402	355	332
Provisions	34	22	22
Current tax liabilities	3	2	5
Other subordinated liabilities	288	251	251
Other liabilities	280	247	249
TOTAL LIABILITIES	**19 866**	**19 889**	**19 312**
Capital	2 170	2 170	2 170
Other equity instruments	6	6	6
Revaluation reserves	-46	-51	-44
Other reserves and retained earnings	-555	-606	-685
Own securities	0	0	0
Net income for the period	-20	-86	11
Non-controlling interests	26	23	24
TOTAL EQUITY	**1 581**	**1 456**	**1 483**
TOTAL LIABILITIES AND EQUITY	**21 447**	**21 346**	**20 795**

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CONSOLIDATED INCOME STATEMENT

(euro million)	Mar-16*	Mar-17
Interest and similar income	131.3	128.2
Interest and similar expense	78.9	57.1
NET INTEREST INCOME	**52.4**	**71.1**
Income from equity instruments	0.0	2.5
Income from services, fees and commissions	21.1	26.1
Net gains/losses from assets&liab. at fair value through profit or loss	-16.4	1.2
Net gains/losses from financial assets available for sale	10.1	5.6
Net gains/losses from currency revaluation	1.5	0.7
Net gains/losses from sale of other assets	-0.8	-0.6
Other operating income	7.1	8.7
NET OPERATING INCOME	**75.0**	**115.2**
Staff Costs	56.3	41.8
General and administrative expenses	21.2	19.3
Amortization and depreciation	5.5	5.9
Net provisions	-4.5	0.3
Loan impairments (net of reversals and recoveries)	23.6	33.8
Other financial assets impairments	0.9	-0.4
Other non-financial assets impairments	3.5	1.7
Earnings from associates and joint ventures (equity method)	-0.1	-
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**-31.6**	**12.7**
Tax	-8.7	5.1
Current	0.9	3.3
Deferred	-9.6	1.8
Results from discontinuing operations	3.1	3.5
Non controlling interests	0.0	0.0
NET INCOME	**-19.8**	**11.1**

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Caixa Económica Montepio Geral (CEMG) is in a negotiating process with a group of investors with the aim of refocusing the approach to the African market, which consists, on the one hand, in the disposal of the current financial holdings held in Finibanco Angola and Banco Terra Mozambique (BTM), both within the scope of the "ARISE" project in an international partnership with Rabobank, the Norwegian sovereign fund NORFUND and the Dutch development bank FMO, as well as other alternatives being developed.

Taking into account the already taken resolutions, as well as the IFRS 5 provisions, the activities carried out by these subsidiaries were reported in 2016 as discontinued operations. In what regards to the financial statements, the results of these subsidiaries were stated as stand-alone items in the income statement and in the balance sheet called "Discontinued Operations Results" and "Non-current assets held for sale - Discontinued operations" / "Non-current liabilities held for sale - Discontinued operations", respectively. For comparative purposes, the financial statements with respect to the first quarter of 2016 were restated on the same basis.

Disclaimer

The unaudited 1Q2017 financial information was prepared in accordance with the international financial reporting standards (IFRS).

Glossary

CRD IV / CRR – Basel III legal framework, namely Directive 2013/36/EU and Regulation No. 575/2013, of the European Parliament and of the Council

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