

Press Release

Caixa Económica Montepio Geral reports a profit of €15.8Mn on the 1st half 2018

Lisbon, 27 September 2018 – Caixa Económica Montepio Geral (CEMG) reached the first half of 2018 with a consolidated net income of €15.8Mn, an increase of €2.8Mn (21.1%) compared to the same period of 2017.

The result of the commercial activity - which includes commercial net interest income, net commissions and operating costs - is in line with that of the same period of last year. A positive highlight to the increase in net commissions, which rose 3.9% to €57.4Mn, and to the €4.5Mn reduction in operating costs, mainly as a result of lower general and administrative expenses by €3.7Mn (-9.2%).

The Cost-to-income ratio in the first half of 2018, excluding the results of financial operations and other operating income, reached 66.5%, standing in line with the ratio presented in the same period of 2017.

The first half of 2017 recorded non-recurring gains totaling €44.2Mn as a result of the public debt holding and sale, whose records per item of the consolidated income statement were:

- Net interest income of around €20.3Mn
- Results from financial operations of around €9.5Mn
- Other operating results item recorded, in 2017, gains arising from the disposal of Portuguese debt securities of the held-to-maturity portfolio (HTM) of €14.4Mn.

Customer deposits increased by €855Mn (+7.4%) compared to the same period of 2017, reaching €12,483Mn on 30 June 2018.

The Liquidity Coverage ratio (LCR) stood at 152.0%, above the 100% minimum regulatory requirement.

The Common Equity Tier 1 and Total Capital ratios reached 13.5% and 13.6%, respectively, above the regulatory minimums, showing an adequate capital position.

As for asset quality, the Cost of risk was set at 0.66% in the period under review, which represents a favorable change when compared to the level recorded in 2017 (1.09%). Loan impairment charges and provisions decreased by €29.6Mn year-on-year, mainly due to the reduction of credit impairments. Following the trend started in 2015, there was a decrease in non-performing exposures, with a NPE ratio of 15.8% in the first half of this year, which translates into a sustained reduction of 4.9 percentage points since 2015.

Reflecting the impact of liquidity generating measures, funding obtained through the European Central Bank as at 30 June 2018 decreased by €1,153Mn, to €1,547Mn, when compared to the same period of the previous year.

For further information: <https://www.montepio.pt/press>

About Caixa Económica Montepio Geral:

Founded in 1844, Caixa Económica Montepio Geral is a retail bank that distinguishes itself by its mutual nature and represents the values of membership and solidarity, which gives it a unique status in the Portuguese banking landscape. It is dedicated to the collection of savings and credit granting to the segments of individuals, individual entrepreneurs, micro and small and medium enterprises, as well as institutions of the Third Sector. Making the difference to go further is its essence, which translates into its signature "Only a different bank takes us further away".

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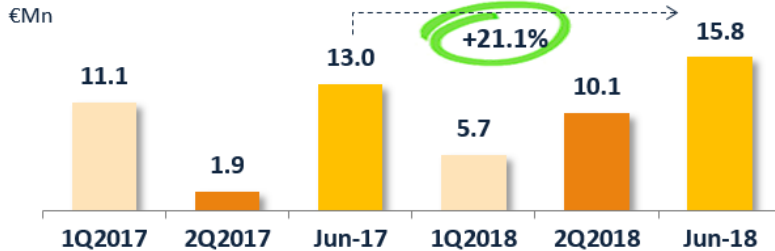
Montepio
Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL
caixa económica bancária, S.A.
1st HALF 2018 CONSOLIDATED RESULTS

Lisbon, 27 September 2018

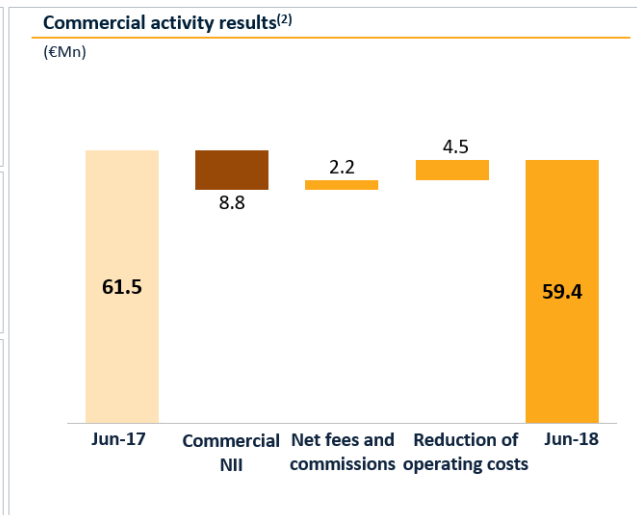
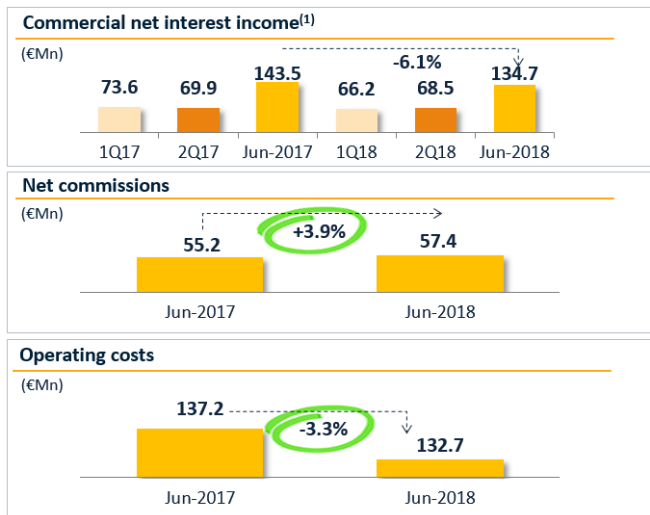
PROFITABILITY

Net income



Consolidated net income of €15.8Mn, which is €2.8Mn above the level presented in June 2017.

Commercial activity results at the end of the first half 2018 in line with the level presented on the same period of previous year, being the decrease in the commercial net interest income almost fully offset by both the increase on net commissions and the decrease in operating costs.

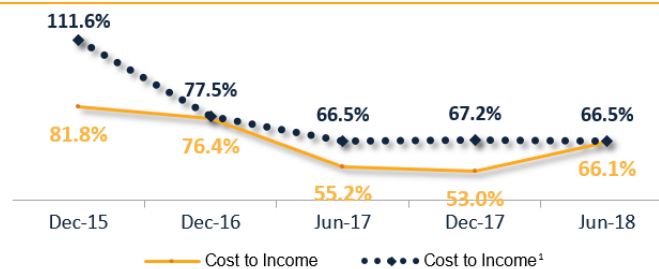


(1) Interest received on customers' loans – Interest paid on customers' resources. (2) Interest received on customers' loans – Interest paid on customers' resources + Net fees and commissions – Operating costs

Net commissions reached €57.4Mn on the first half 2018, which compares to €55.2Mn on the same period of previous year, revealing a positive change of 3.9%, benefiting from the commercial dynamics through the price adequacy to the value of the services provided.

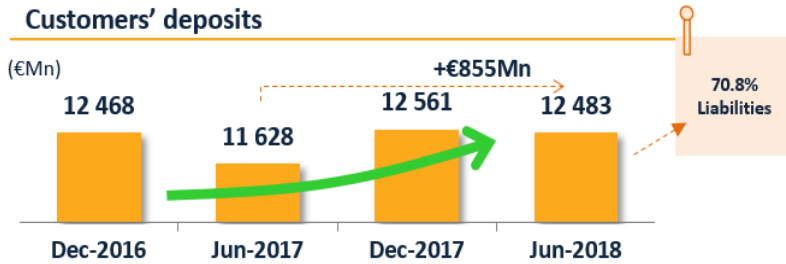
Operating costs fell €4.5Mn, mainly supported by the cut in general and administrative expenses by €3.7Mn (-9.2%), leading to a Cost-to-income ratio of 66.5%¹.

Cost-to-income ratio



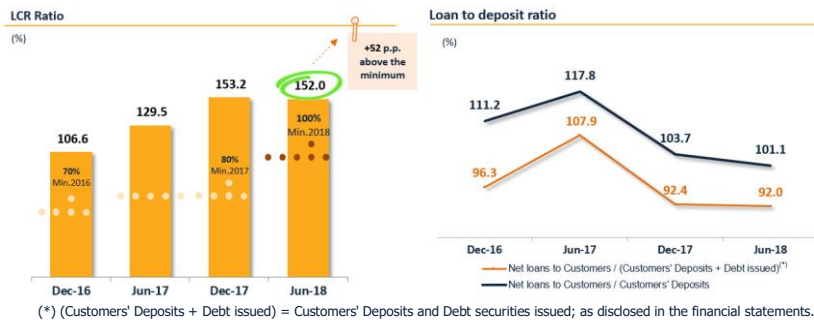
¹ Cost-to-income excluding the results of financial operations and other operating results (in 2016 does not include as well the impacts associated with the resizing of the operational structure program and the review of the collective labour agreement).

LIQUIDITY

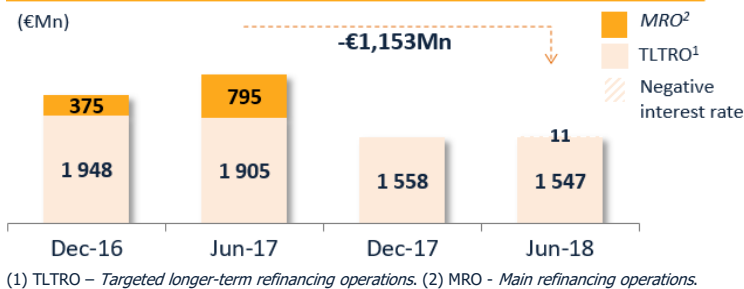


Customers' Deposits reached €12,483Mn as at 30 June 2018, presenting a €855Mn growth when compared to the same period of the previous year, which reveals a positive performance of new and existing deposits.

Liquidity Coverage Ratio (LCR) reached 152.0% in June 2018, above the minimum regulatory requirement of 100% and in line with the level recorded at the end of 2017. The Loan to deposit ratio presented a positive performance, reaching 92.0%.

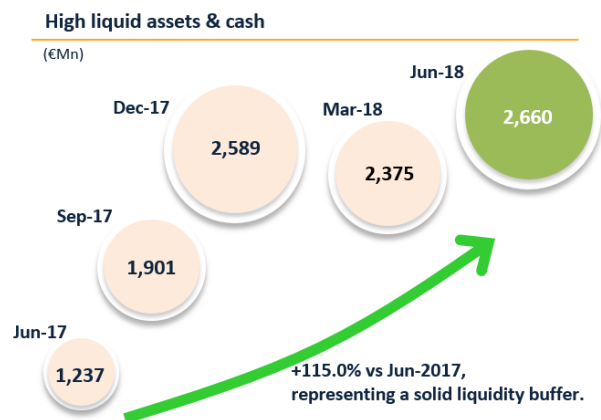


ECB funding

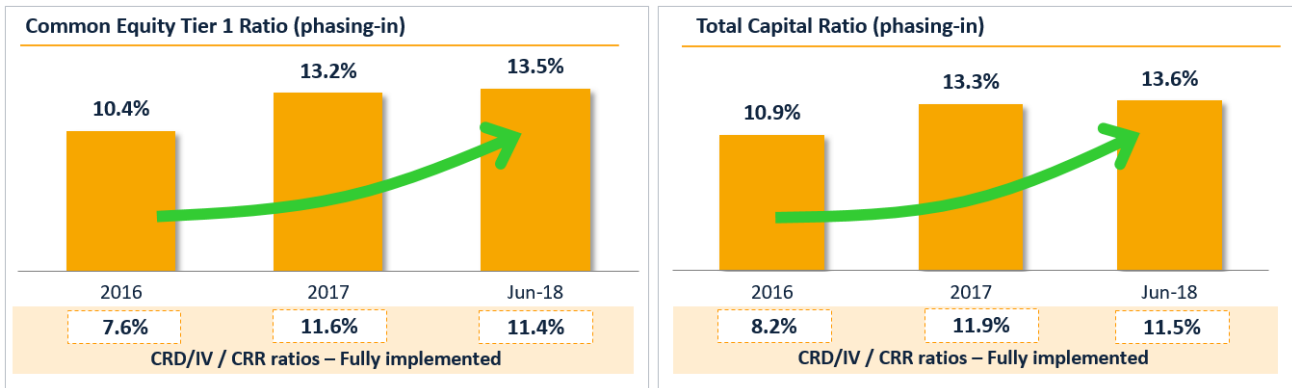


ECB funding amounted to €1,547Mn as at 30 June 2018, which represents a decrease of €1,153Mn when compared to the same period of 2017, reflecting the impact of the liquidity generation measures accomplished during 2017.

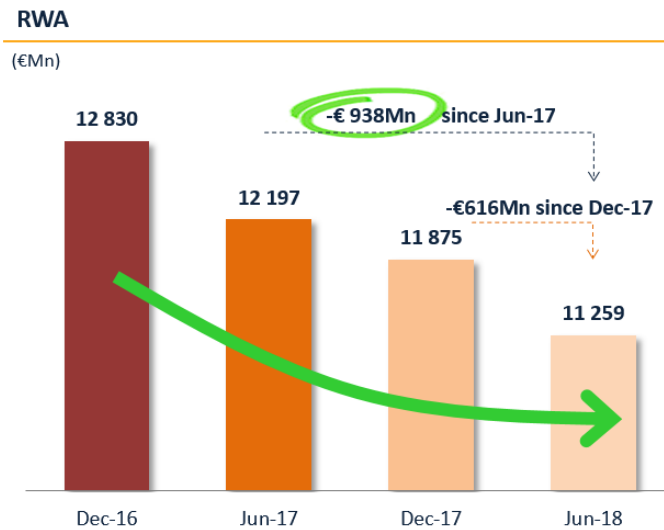
High liquid assets and cash with the central bank amounted to €2,660Mn, representing an important liquidity reserve.



CAPITAL



CET1 and Total Capital ratios (phasing-in) reached 13.5% and 13.6%, respectively. The ratios include the effect of the DTA² special regime adoption and the 1st half 2018 positive results.



Steady reduction of the **RWA³** as a consequence of the non-strategic assets disposal and the changes implemented to the underwriting policies.

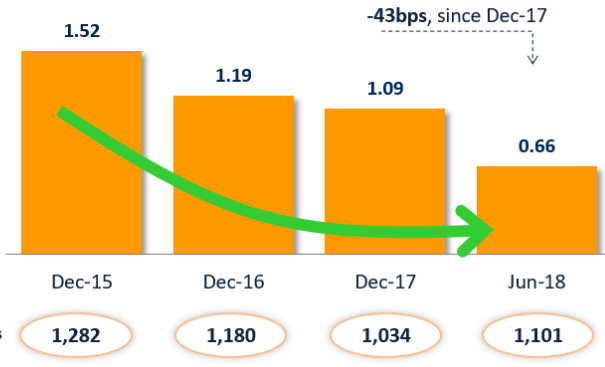
² Deferred Tax Assets.

³ Risk Weighted Assets.

ASSET QUALITY

Cost of credit risk

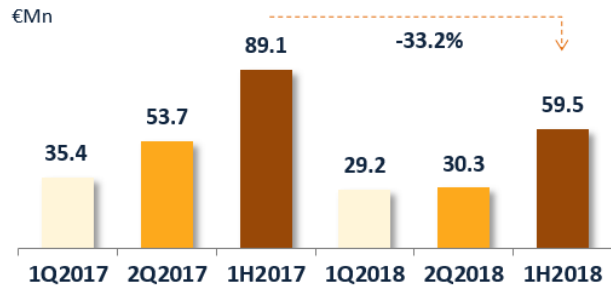
(%)



Cost of credit risk⁴ stood at 0.66% on the first half of 2018, presenting a favorable change comparing to the cost recorded in 2017.

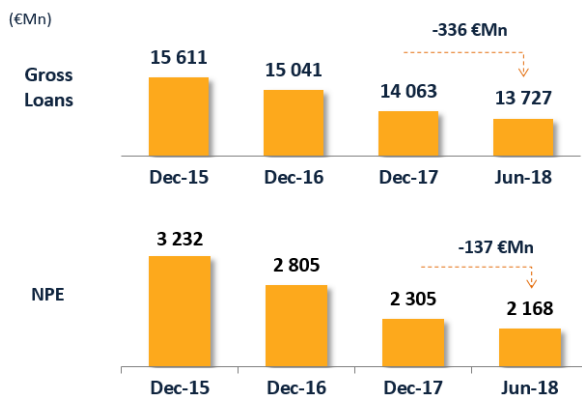
A decrease of €29.6Mn on **impairments and provisions charges** when comparing to the same period of the previous year, mainly explained by the reduction of credit impairments.

Impairments and provisions charges

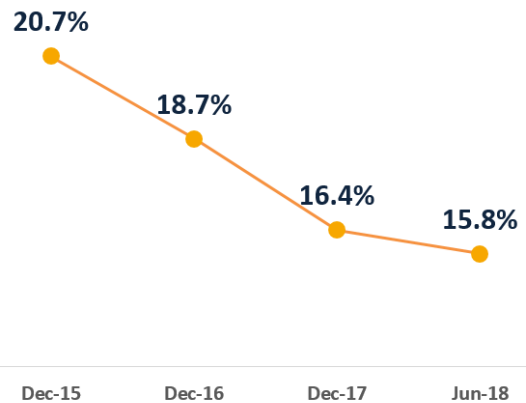


The amount of non-performing exposures (NPE) declined by €1,064Mn since 2015. **NPE ratio⁵** stood at 15.8% on the first half 2018, presenting a declining trend of 4.9 p.p. since 2015. The coverage of NPE by impairments reached 50.8% in June 2018, and 88.3% when considering the real estate collateral.

Gross Loans & NPE (as per EBA def.)



NPE (as per EBA def.) / Gross Loans



⁴ Loan impairments, annualized where applicable, as a percentage of average gross loans.

⁵ Non Performing Exposures ratio = Non Performing Exposures (as per EBA definition) / Gross loans.

RATING

At the end of the 1st half 2018, the ratings assigned to CEMG were as shown in the table below:

	MOODY'S	FITCH RATINGS	DBRS
COVERED BONDS (CPT ⁽¹⁾)	A3	AA-	A
LONG TERM	B3	B+	BB
SHORT TERM	NP	B	R-4
OUTLOOK	Developing	Stable	Negative

(1) Conditional Pass-through Covered Bond Programme

KEY INDICATORS

	jun-17	dec-17	jun-18	Change yoy
ACTIVITY AND RESULTS (EUR million)				
Net Assets	20 206	20 200	19 249	(4.7%)
Gross loans to Customers	14 890	14 063	13 727	(7.8%)
Customers' Deposits	11 628	12 561	12 483	7.4%
Net Income	13	6	16	21.1%
SOLVENCY (a)				
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	12.6%	13.2%	13.5%	0.9 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	12.6%	13.2%	13.5%	0.9 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	12.9%	13.3%	13.6%	0.7 p.p.
Risk Weighted Assets (EUR million)	12 197	11 875	11 259	(7.7%)
LOAN TO DEPOSIT RATIO				
Net loans to Customers / Customers' Deposits (b)	117.9%	107.3%	101.5%	(16.4 p.p.)
Net loans to Customers / On-Balance sheet Customers' resources (c)	107.9%	92.4%	92.0%	(15.9 p.p.)
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of credit risk	0.9%	1.1%	0.7%	(0.2 p.p.)
Ratio of loans and interest overdue by more than 90 days	9.2%	8.2%	7.5%	(1.7 p.p.)
Coverage of loans and interest overdue by more than 90 days	86.9%	90.2%	107.4%	20.5 p.p.
Non-performing exposures (NPE) / Gross Loans (d)	18.8%	16.4%	15.8%	(3.0 p.p.)
Coverage of Non-performing exposures (NPE) by impairments (d)	42.7%	44.9%	50.8%	8.1 p.p.
Coverage of Non-performing exposures (NPE) by impairments and Real Estate collateral(d)	88.7%	87.0%	88.3%	(0.4 p.p.)
Restructured loans (Forborne) (d) / Gross loans	8.8%	8.2%	7.6%	(1.2 p.p.)
EFFICIENCY AND PROFITABILITY				
Net operating income / Average net assets (b)	2.4%	2.5%	2.1%	(0.3 p.p.)
Earnings before Tax / Average net assets (b)	0.3%	0.2%	0.2%	(0.1 p.p.)
Earnings before Tax / Average equity (b)	3.5%	3.0%	2.2%	(1.3 p.p.)
Cost-to-Income (Operating costs / Net operating income) (b)	55.2%	53.0%	66.1%	10.9 p.p.
Cost-to-Income, excluding non-recurrent impacts (e)	66.5%	67.2%	66.5%	0.0 p.p.
Staff costs / Net operating income (b)	34.1%	30.9%	42.0%	7.9 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total (f)	3 796	3 837	3 841	45
CEMG	3 592	3 630	3 638	46
Branches				
Domestic - CEMG	325	324	324	(1)
International	35	34	34	(1)
Finibanco Angola (g)	25	24	24	(1)
BTM (Mozambique)	10	10	10	0
Rep. Offices	5	5	5	0

(a) Pursuant to CRD IV / CRR (phasing-in). As of June 30, 2018 the ratios include the 1H2018 net income and the adoption of the special deferred tax assets regime.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, as amended.

(c) Total On-Balance sheet Customers' resources = Customers' Deposits and Debt securities issued as defined in the financial statements annexed to this announcement.

(d) EBA definition and in accordance with Banco de Portugal Instruction No. 4/2018

(e) Excludes results from financial operations and Other operating results.

(f) Excludes assigned employees and with a suspension work agreement.

(g) Includes Business Centers

CONSOLIDATED BALANCE SHEET

(million euro)	Dec-17	Jun-18
Cash and deposits at central banks	1 733.6	1 721.0
Deposits at other credit institutions	50.2	54.0
Investments in credit institutions	312.2	317.2
Loans to customers	13 029.3	12 625.8
Financial assets held for trading	184.1	52.5
Financial assets at Fair Value through profit or loss	0.0	488.9
Financial assets at Fair Value through other comprehensive income	2 200.9	992.4
Hedging derivatives	0.0	5.6
Other assets at amortised cost	0.0	620.9
Inv. in associates and subsidiaries	4.1	4.0
Non-current assets held for sale	742.2	740.4
Non-current assets held for sale - Discontinuing operations	474.5	355.3
Investment properties	538.6	285.6
Other tangible assets	233.3	229.1
Intangible assets	31.4	29.8
Current tax assets	7.3	5.5
Deferred tax assets	466.0	514.4
Other Assets	192.3	206.9
TOTAL NET ASSETS	20 200.0	19 249.2
Resources from central banks	1 557.8	1 547.0
Resources from other credit institutions	1 786.7	1 715.7
Resources from customers and other liabilities	12 561.0	12 482.7
Debt securities issued	1 544.1	1 236.1
Financial liabilities held for trading	16.2	15.5
Hedging derivatives	1.7	0.0
Non-current liabilities held for sale – Discontinuing operations	330.4	257.1
Provisions	27.1	29.4
Current tax liabilities	5.2	3.3
Other subordinated liabilities	236.2	120.7
Other liabilities	370.7	212.2
TOTAL LIABILITIES	18 437.1	17 619.7
Share Capital	2 420.0	2 420.0
Other equity instruments	6.3	6.3
Fair value reserves	27.9	8.7
Other reserves and retained earnings	-730.6	-849.2
Consolidated profit/ (loss) attributable to the shareholders	6.4	15.8
Total equity attributable to the shareholders	1 730.1	1 601.6
Non-controlling interests	32.8	27.9
TOTAL EQUITY	1 762.9	1 629.5
TOTAL LIABILITIES AND EQUITY	20 200.0	19 249.2

CONSOLIDATED INCOME STATEMENT

(million euro)	Jun-17	Jun-18
Interest and similar income	254.2	197.4
Interest and similar expense	110.9	63.1
NET INTEREST INCOME	143.3	134.2
Income from equity instruments	7.7	7.9
Income from services, fees and commissions	55.2	57.4
Net gains/losses from financial operations	26.6	5.2
Other operating income	15.7	-4.1
NET OPERATING INCOME	248.6	200.7
Staff Costs	84.7	84.2
General and administrative expenses	40.1	36.4
Amortization and depreciation	12.5	12.1
OPERATING COSTS	137.2	132.7
Loan impairments	63.5	45.8
Other financial assets impairments	4.9	2.6
Other assets impairments	10.2	9.4
Other provisions	10.5	1.7
Earnings by equity method	-0.1	-0.1
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	22.1	8.4
Tax	13.1	2.2
Non controlling interests	1.3	2.3
Income from discontinuing operations	5.4	11.9
NET INCOME	13.0	15.8

The financial information as of 30 June 2018 is audited with limited review and it was prepared in accordance with the international financial reporting standards (IFRS – International Financial Reporting Standards).

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