

Announcement

Caixa Económica Montepio Geral reports positive results in the 1st quarter, liquidity and capital ratios above the regulatory requirement

Lisbon, 29 June 2018

Caixa Económica Montepio Geral ended the first quarter of the year with a positive consolidated net income of €5.7Mn, against the €11.1Mn recorded in the same period of last year. Notwithstanding the €2.3Mn increase (+8.8%) in net commissions and the €2.6Mn reduction (-3.8%) of the operational costs, profitability was undermined by the €11.2Mn decrease of the net interest income, partially due to the lower exposure to public debt.

Cost-to-income ratio, excluding the results from financial operations and other operating results, reached 70.0%, which compares to 67.2% in the same period of 2017.

On the first quarter of 2018 the results from financial operations recorded a negative amount of €1.0Mn, which compares to the positive result of €7.5Mn in 2017.

Customers' deposits increased by €579Mn when comparing to the first quarter of last year (+5%), reaching an amount of €12,171Mn.

The customers' gross loans total amount was €13,981Mn as of 31 March 2018, which represents a decrease of 0.6% when comparing to the amount recorded at the end of 2017.

The impairments for credit risks accounted in the first quarter of 2018 amounted to €23.6Mn, implying a cost of risk of 68bps, which compares to 91bps recorded in the same period of 2017.

The European Central Bank funding was reduced by €1,267Mn when comparing to the same period of last year, reflecting the impact of the liquidity generation measures implemented during 2017.

Caixa Económica Montepio Geral reported, at the end of the quarter, a core capital ratio of 12.9%, comfortably above the minimum regulatory requirement, and a LCR ratio (Liquidity Coverage Ratio) of 150.4%, approximately 50% above the minimum regulatory requirement of 100%, which reveals the soundness of the capital and liquidity position.

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 an 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.

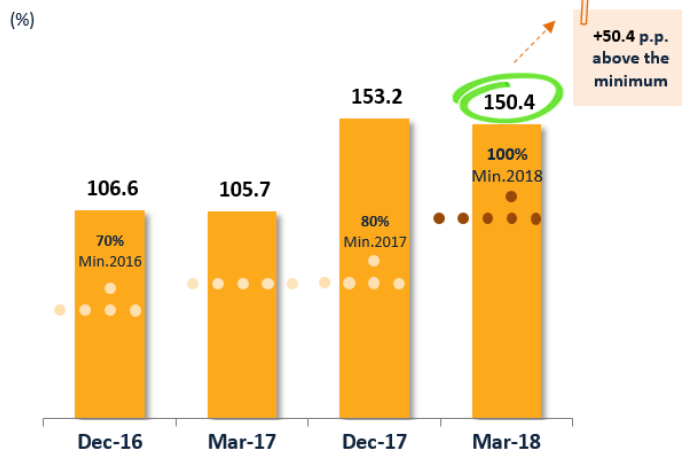
CAIXA ECONÓMICA MONTEPIO GERAL
caixa económica bancária, S.A.
1st QUARTER CONSOLIDATED RESULTS

Lisbon, 29 June 2018

Unaudited financial information

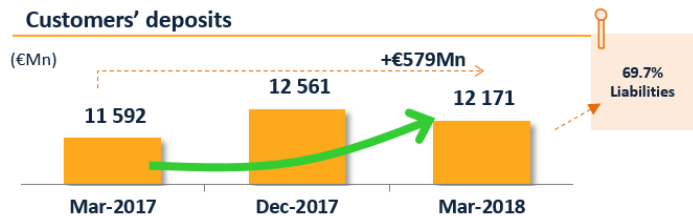
LIQUIDITY

LCR Ratio

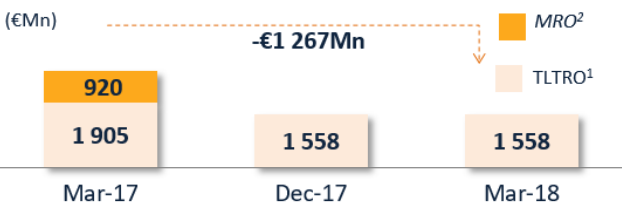


- **Liquidity Coverage Ratio (LCR)** reached 150.4% in March 2018, above the minimum regulatory requirement of 100% and in line with the level recorded at the end of 2017.

- **Customers' Deposits** reached €12,171Mn as at 31 March 2018, below the level recorded in the end of 2017, but presenting a €579Mn growth when compared to the same period of the previous year;



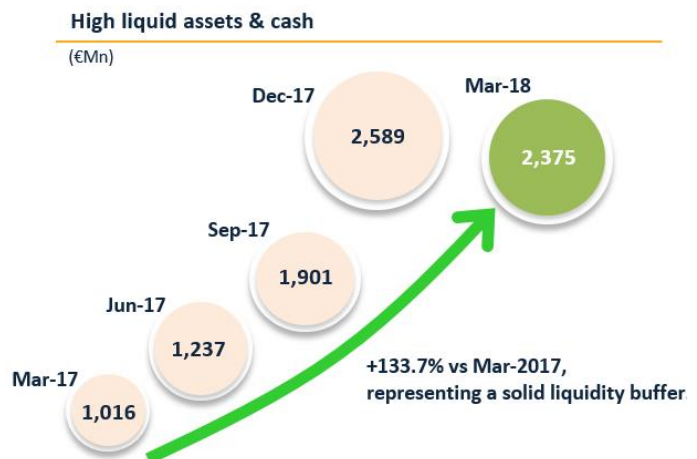
ECB funding



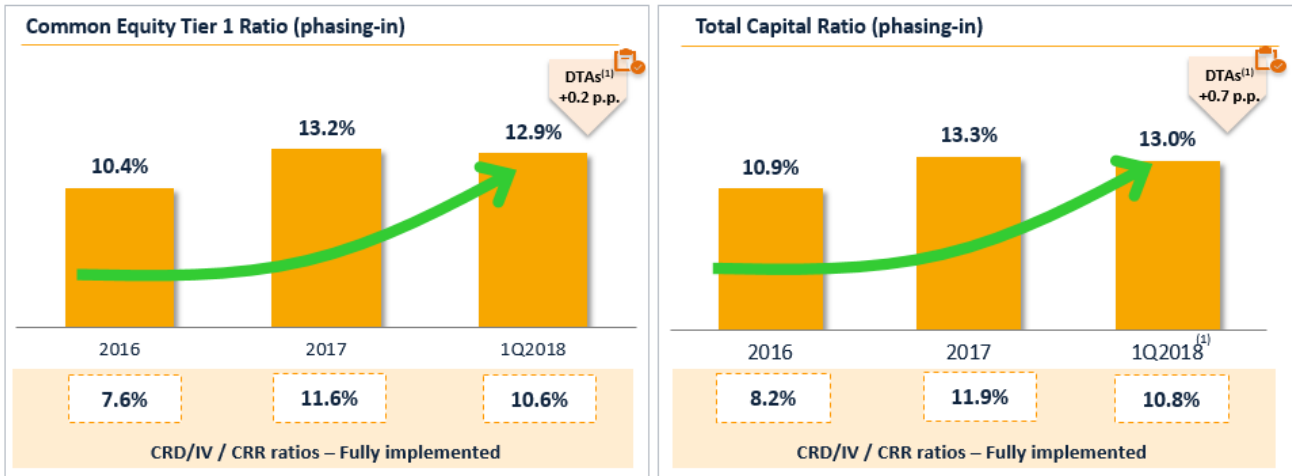
- **ECB funding** amounted to €1,558Mn as at 31 March 2018, which represents a decrease of €1,267Mn when compared to the same period of 2017, reflecting the impact of the liquidity generation measures accomplished during 2017;

(1) TLTRO – Targeted longer-term refinancing operations. (2) MRO - Main refinancing operations.

- **High liquid assets and cash with the central bank** amounted to €2,374Mn, representing an important liquidity reserve.

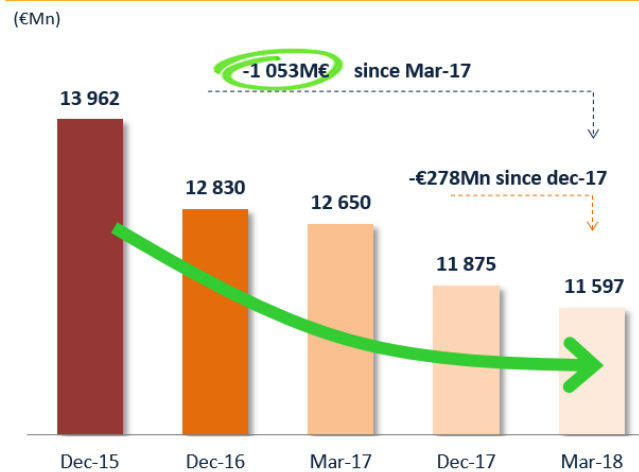


CAPITAL



- CET1 and Total Capital** ratios (phasing-in) reached 12.9% and 13.0%, respectively, and do not include the positive results of the 1st quarter 2018 nor the effect of the adherence to the DTA¹ special regime.

Steady reduction of RWA



- Steady reduction of the **RWA²** as a consequence of the non-strategic assets disposal and the changes implemented to the underwriting policies.

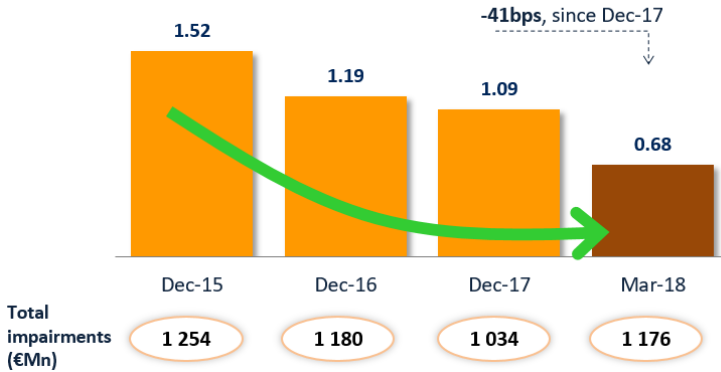
¹ Deferred Tax Assets.

² Risk Weighted Assets.

ASSET QUALITY

Cost of credit risk¹

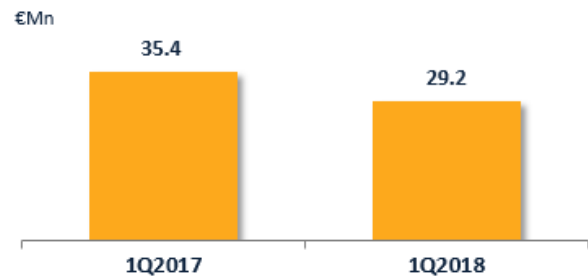
(%)



- Cost of credit risk³ stood at 0.68% on the first quarter of 2018, presenting a favorable change comparing to the cost recorded in 2017.

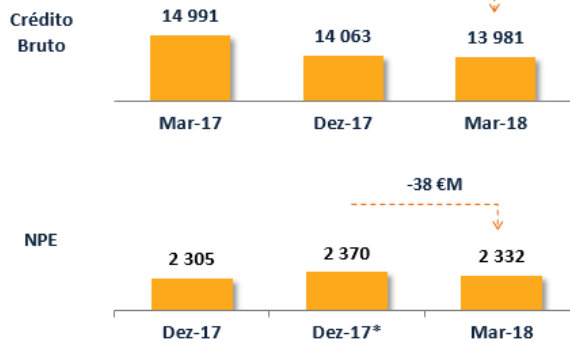
- A decrease of €6.2Mn on **impairments and provisions charges** when comparing to the same period of the previous year, explained by the reduction of €10.2Mn on credit impairments, which was negatively offset by the reinforcement of the impairments for other assets (€1.7Mn) and for financial assets (€1.5Mn).

Impairments and provisions charges

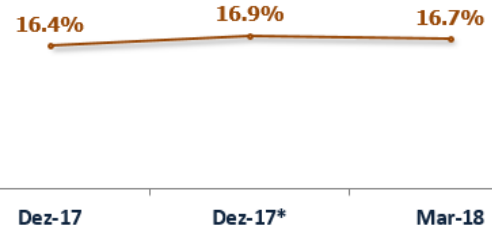


Crédito Bruto & NPE (conforme definição EBA)

(€M)



NPE (conforme definição EBA) / Crédito Bruto



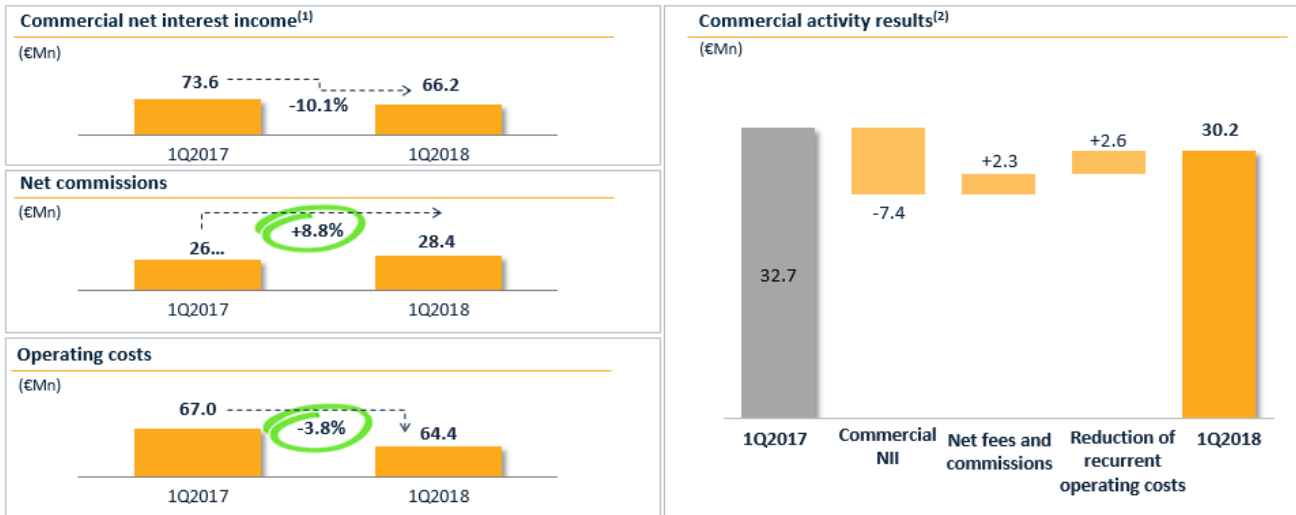
* ratio and proforma NPE in December 2017, which includes the impact of IFRS 9

- Non-Performing Exposures⁴ ratio** of 16.7% on the first quarter 2018, which represents an improvement of 0.2 p.p. on a comparable basis.

³ Loan impairments, annualized where applicable, as a percentage of average gross loans.

⁴ Non Performing Exposures (as per EBA definition) / Gross loans.

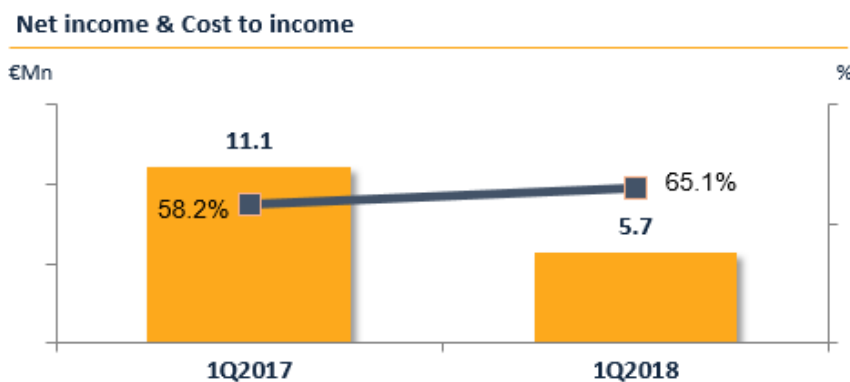
PROFITABILITY



(1) Interest received on loans – Interest paid on customers' resources.

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

- **Commercial activity results** at the end of the first quarter 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;
- **Net commissions** reached €28.4Mn on the first quarter 2018, which compares to €26,1Mn on the same period of previous year, revealing a positive change of 8.8%, benefiting from the commercial dynamics through the price adequacy to the value of the services provided;
- **Operating costs** fell €2.6Mn, mainly supported by the cut in external services and supplies by -€2.2Mn.



- **Consolidated net income** of €5.7Mn, which is €5.4Mn below the level presented in March 2017, and a cost-to-income ratio of 65.1%.

RATING

At the end of the 1st quarter 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

	Mar-17	Mar-18
ACTIVITY AND RESULTS (EUR million)		
Net Assets	20 794	19 114
Gross loans to Customers	14 991	13 981
Customers' Deposits	11 592	12 171
Net Income	11.1	5.7
SOLVENCY (a)		
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	10.2%	12.9%
Tier 1 ratio (CRD IV / CRR, phasing-in)	10.2%	12.9%
Total Capital ratio (CRD IV / CRR, phasing-in)	10.7%	13.0%
Risk Weighted Assets (EUR million)	12 650	11 597
LEVERAGE RATIOS		
Net loans to Customers / Customers' Deposits (b)	118.8%	105.5%
Net loans to Customers / On-Balance sheet Customers' resources (c)	102.8%	94.6%
CREDIT RISK AND COVERAGE BY IMPAIRMENTS		
Cost of credit risk	0.9%	0.7%
Ratio of loans and interest overdue by more than 90 days	9.2%	8.0%
Coverage of loans and interest overdue by more than 90 days	88.7%	104.8%
Non-performing exposures (NPE) / Gross Loans (d)	18.7%	16.7%
Coverage of Non-performing exposures (NPE) by impairments (d)	43.4%	50.4%
Restructured loans (Forborne) (d) / Gross loans	8.6%	8.0%
EFFICIENCY AND PROFITABILITY		
Net operating income / Average net assets (b)	2.2%	2.1%
Earnings before Tax / Average net assets (b)	0.3%	0.3%
Earnings before Tax / Average equity (b)	4.5%	3.0%
Cost-to-Income (Operating costs / Net banking income) (b)	58.2%	65.1%
Cost-to-Income, excluding Net gains/losses from financial operations (e)	62.2%	64.5%
Cost-to-Income, excluding Net gains/losses from financial operations and other operating income (f)	67.2%	70.0%
Staff costs / Net banking income (b)	36.3%	41.9%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)		
Employees		
Group total (g)	4 155	4 194
CEMG	3 592	3 639
Branches		
Domestic - CEMG	325	324
International	33	34
Finibanco Angola (h)	23	24
BTM (Mozambique)	10	10
Rep. Offices	6	5

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

(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. Calculated accordingly to the financial statements annexed to this report.

(d) Pursuant to Banco de Portugal Instruction No. 32/2013.

(e) Excludes results from financial operations.

(f) Excludes results from financial operations and other operating income.

(g) Consolidated workforce.

(h) Includes Business Centers.

CONSOLIDATED BALANCE SHEET

(million euro)	Mar-17	Dec-17	Mar-18
Cash and deposits at central banks	237.3	1 733.6	771.3
Deposits at other credit institutions	53.1	50.2	34.5
Financial assets held for trading	84.1	184.1	171.2
Financial assets available for sale	2 351.6	2 200.9	2 643.9
Investments in credit institutions	392.8	312.2	376.2
Loans to customers	13 774.3	13 029.3	12 805.0
Investments held to maturity	1 127.8	0.0	0.0
Non-current assets held for sale	756.5	742.2	750.0
Non-current assets held for sale - Discontinuing operations	457.8	474.5	403.5
Investment properties	589.2	538.6	295.6
Other tangible assets	235.9	233.3	231.4
Intangible assets	34.6	31.4	30.8
Inv. in associates and subsidiaries	4.0	4.1	3.9
Current tax assets	10.8	7.3	6.6
Deferred tax assets	518.2	466.0	491.6
Other Assets	166.4	192.3	98.2
TOTAL NET ASSETS	20 794.4	20 200.0	19 113.8
Resources from central banks	2 825.4	1 557.8	1 557.8
Financial liabilities held for trading	24.3	16.2	16.0
Resources from other credit institutions	2 201.8	1 786.7	1 698.9
Resources from customers and other liabilities	11 591.5	12 561.0	12 170.9
Debt securities issued	1 809.3	1 544.1	1 368.6
Hedging derivatives	0.0	1.7	0.1
Financial liabilities associated to transferred assets-Discontinuing operations	332.1	330.4	291.5
Provisions	22.1	27.1	28.5
Other subordinated liabilities	250.6	236.2	124.6
Current tax liabilities	5.1	5.2	6.8
Other liabilities	249.1	370.7	206.7
TOTAL LIABILITIES	19 311.3	18 437.1	17 470.5
Share Capital ¹	2 170.0	2 420.0	2 420.0
Other equity instruments	6.3	6.3	6.3
Own Securities	-0.1	0.0	0.0
Reserves and retained earnings	-728.8	-702.7	-815.4
Consolidated profit	11.1	6.4	5.7
Total equity attributable to the shareholders	1 458.6	1 730.1	1 616.6
Non-controlling interests	24.5	32.8	26.7
TOTAL EQUITY	1 483.1	1 762.9	1 643.3
TOTAL LIABILITIES AND EQUITY	20 794.4	20 200.0	19 113.8

⁽¹⁾ as at March 2017 includes institutional capital and participation fund.

CONSOLIDATED INCOME STATEMENT

(million euro)	Mar-17	Mar-18
Interest and similar income	128.2	93.3
Interest and similar expense	57.1	33.4
NET INTEREST INCOME	71.1	59.9
Income from equity instruments	2.5	3.8
Income from services, fees and commissions	26.1	28.4
Net gains/losses from financial operations	7.5	-1.0
Other operating income	8.0	7.9
NET OPERATING INCOME	115.2	99.0
Staff Costs	41.8	41.5
General and administrative expenses	19.3	17.1
Amortization and depreciation	5.9	5.8
OPERATING COSTS	67.0	64.4
Loan impairments	33.8	23.6
Other financial assets impairments	-0.4	1.0
Other assets impairments	1.7	3.4
Other provisions	0.3	1.2
Earnings by equity method	0.0	-0.1
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	12.7	5.2
Tax	5.1	5.6
Non controlling interests	0.8	1.4
Results from discontinuing operations	4.3	7.5
NET INCOME	11.1	5.7

The financial information as of 31 March 2018 is not audited but it was prepared in accordance with the international financial reporting standards (IFRS – International Financial Reporting Standards).

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