CAIXA ECONÓMICA MONTEPIO GERAL
2016 CONSOLIDATED RESULTS

Lisbon, 29 March 2017
(year-on-year changes, unless when stated otherwise)

Financial information unaudited

HIGHLIGHTS

- **Reinforcement of the capital position**: CET1[1] ratio increased to 10.4% and the Total Capital[1] ratio increased to 10.9% (8.8% and 9.7% in Dec-15, respectively)
- **Stable liquidity position**, with the LCR standing at 106.6%
- **Increase in core net operating income** by 12.3% underpinned by the improvement in net interest income and net commissions
- **Efficiency improvement:** Reduction in operating costs by 10.4%[2]
- **Decrease of impairment losses** by 29.3% and **cost of risk reduction** to 1.2%
- **Net income improvement** by €156.9 million to -€86.5 million.

CAPITAL

Strengthening of Solvency

- **Reinforcement of the capital ratios with the CET1[1] increasing by 160bps to 10.4%** and the Total Capital[2] ratio increasing by 116bps to 10.9% when compared to 31 December 2015.
- The reinforcement of the capital ratios reflect the combined effect of the relevant **reduction of the risk-weighted assets by €1,203 million** (-8.6%) and the **increase of own funds** by 2.2%.
- **Coverage of the pension fund liabilities at 101%.**

LIQUIDITY

Solid liquidity position

- **LCR ratio** stood at 106.6%.
- **Customer Deposits amounted to €12.5 bn, an increase of €279.6 million when compared to Sep-16 (+2.3%),** representing 62.4% of the total funding.
- **Credit-to-deposits ratio of 100.1%**, taking into consideration the credit to customers and the balance sheet customer's resources (98.5% in Dec-15).

[1] In accordance with CRD IV/CRR Phasing-in.
[2] Excludes the impact related with the operating structure resizing program and to the revision of the collective labour agreement.

OPERATIONAL STRUCTURE

Efficiency improvement

- The conclusion of the platform resizing program and the redimensioning of the resources allocated to business refflected into a cost-to-income decrease to 80.4%.

ASSET QUALITY

Reduction of cost of risk

- **Asset quality improvement** reflected in the **reduction of the cost of risk to 1.2%**, which compares to 1.5% at the end of year 2015.
- **Decrease of 33.9% in the outstanding amount of the new loans that became non-performing[3].**
- **Coverage of the credit at risk** by 119.9%, taking into consideration the impairments and the related real estate collateral.

EARNINGS

Improvement of the earnings of the commercial activity and operating costs reduction

- **The commercial activity results [4] increased by €73.9 million, reaching €65.6 million** due to:
  - **The net interest income increase by 29.2%**;
  - **The commercial operating income[5] increase by 12.3%**;
  - **The operating costs reduction by 10.4%**[6].
- **Net income of -€86.5 million,** which compares to -€243.4 million in 2015, (+ €156.9 million).

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), and on the other in the acquisition of a minority stake in a new entity that will aggregate the business developed by these investors in Africa.

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 respet to 2015 were restated on the same basis.

[3] Credits overdue for more than 90 days and the related falling due (ie the total principal amount of the loans overdue > 90d).
[4] Commercial Net Interest Income (loans interest received – deposits interest paid) + net comissions – operating costs, excluding the impact related with the operating structure resizing programme and to the revision of the collective labour agreement.
[5] Commercial Net Interest Income (loans interest received – deposits interest paid) + net comissions.
[6] Excludes the impact related with the operating structure resizing programme and to the revision of the collective labour agreement.

CAPITAL

The Institutional Capital and the Participation Fund of Caixa Económica Montepio Geral (CEMG) amounted to €2,170 million at the end of 2016. This amount incorporates the institutional capital increase of €270 million fully subscribed by Montepio Geral – Associação Mutualista (MGAM) in March 2016.

The reinforcement of own funds by 2.2% accomplished in 2016, combined with the €1,203 million reduction of Risk-Weighted Assets (-8.6%), derived from the effective management of the risk allocation in the loan portfolio and in the debt securities portfolio contributed to an improvement of the capital ratios. As a result, when compared to the end of 2015, the Common Equity Tier 1 (CET1) and the Total Capital ratios[7] increased from 8.8% to 10.4% and from 9.7% to 10.9%, respectively.

The capital ratios includes the negative effect resulting from the assessment of the Pension Fund's liabilities, related to the change in the actuarial assumptions, the resizing costs and the review of the CEMG's Collective Labor Agreement.

These capital ratios do not include the positive effects associated to the Deferred Tax Assets regime (estimated at +30 bps), the endorsement of which was approved at CEMG's Extraordinary General Meeting held on 6 July 2016.

(million euros)

	2015	2016	Change
BASEL III - CRD IV / CRR			
Total Capital	**1 360**	**1 391**	**2.2%**
Common Equity Tier 1 capital	1 231	1 330	8.0%
Tier 1 capital	1 231	1 330	8.0%
Tier 2 capital	137	74	(45.9%)
Risk weighted assets	13 962	12 759	(8.6%)
Total Capital ratio (phasing-in)	**9.7%**	**10.9%**	116 bp
Tier 1 ratio (phasing-in)	**8.8%**	**10.4%**	160 bp
CET1 ratio (phasing-in)	**8.8%**	**10.4%**	160 bp
CET1 ratio (fully implemented)	**6.7%**	**7.8%**	102 bp

Calculations as per our interpretation to date.

LIQUIDITY

Net assets amounted to €21,449 million, having increased by 0.9% when compared to the value recorded as of 31 December 2015, supported by the diversification of the balance sheet into different financial asset classes but undermined by the still lukewarm demand for credit.

Customers' deposits had a quarter-on-quarter growth of +€279.6 million (+2.3%) and continued to be the main source of funding, accounting for 62.4% of the total funding sources. An analysis per customer segment shows that the Individuals are the main source of deposits with a 75.3% share, while the corporate and institutional segments represent 24.7%.

Throughout 2016, CEMG assured the repayment of €751 million of liabilities represented by debt securities, with refinancing at the European Central Bank standing at €2,323 million, registering a reduction of €295.7 million (-11.3%), when compared to the end of the third quarter of 2016.

The Liquidity Coverage Ratio (LCR) stood at 106.6%, which compares to 111.4% in the same period of the previous year, confortably above the 70% minimum requirement in 2016. Special note should also be made to the maintenance of an adequate and balanced commercial gap, with the CTD ratio, taking into account the loans and customers' resources, standing at 100.1% (98.5% as of 31 December 2015).

[7] In accordance with CRD IV/CRR Phasing-in

ASSET QUALITY

At the end of 2016, gross loans to customers reached a total of €15,041 million, representing a 3.7% decrease in relation to the same period of the previous year, reflecting, on the one hand, the stringent risk management policy in the underwrtiting criteria as well as the risk-adjusted repricing, and, on the other the limited credit demand from the economic agents.

The performance of the loan portfolio in 2016, continued to reflect the higher level of mortgage loan repayments when compared to the new origination amounts, giving rise to a year-on-year reduction of 4.7%, as well as the reduction in the companies segment (-4.8%), impacted by the decrease in the construction loans.

During 2016 the outstanding amount of the new non-performing loans[8] decreased by 33.9% year-on-year, following the reduction of 0.9% in the number of new overdue loans.

Throughout 2016 there was a recurring quarterly reduction of the amount of credit at risk (variation of -0.6% from the first to the second quarter, -1.3% from the second to the third quarter and -2.8% from the third to the fourth quarter of 2016), resulting in a credit at risk ratio of 15.2% in 31 December 2016, which compares to 15.6% in the first half of 2016. Compared with the year-end of 2015, the credit at risk ratio increased by 66bps, of which 56bps were driven by the reduction in the loan portfolio.

The coverage of credit at risk by impairments and associated real estate collateral reached 119.9% in 31 December 2016, which compares to 126.4% in the year-end of 2015.

EARNINGS

The 2016 net income revealed an improvement of €156.9 million to -€86.5 million, which compares to the net income of €-243.4 million, recorded in 2015.

In 2016, against a backdrop of historically very low interest rates, the net interest income showed a year-on-year increase of 29.2% reaching €253.2 million, driven by the reduction of the customers' deposits interest rates, as well as the reduction of the debt represented by securities which was replaced by less onerous sources of funding and by the application of a strict repricing policy of the loan portfolio. The net interest income in the 4th quarter 2016 increased by 12.4%, from €66.6 million to €74.9 million, compared with the previous quarter.

With respect to the core banking activity, net fees and commissions recorded a 5.6% increase in 2016 when compared to 2015, reaching €101.5 million, which compares to €96.1 million in the same period of the previous year.

The positive performance of the net interest income and the net fees and comissions provided a favourable evolution in the commercial operating income[9] which increased by 12.3% compared to the same period in the previous year.

The results from financial operations in 2016 amounted to €37.0 million, which compares to €102.7 million in 2015. This reduction was mainly driven by the sale of Portuguese sovereign debt securities recorded in 2015, in an amount of €85.2 million, whereas in 2016 the results with these sales were €3.2 million.

Operating costs in 2016 decreased by 10.4%[10] year-on-year, reaching €295.1 million. The improvement in operational efficiency levels as foreseen in the Strategic Plan 2016-2018 was achieved in 2016 by the closure of 94 branches in Portugal and by the reduction of 442 CEMG employees (including the transferred employees and the suspensions of the employment relationship), under the early retirement programme and negotiated dismissals, leading to a 13.5% decrease in the staff costs and 17.9% in the general administrative expenses.

By the end of 2016, the cost-to-income efficiency ratio stood at 80.4%, a favorable evolution compared to the ratio of 81.7% recorded at the end of 2015. Excluding the results of financial operations, the effect of

[8] Credits overdue for more than 90 days and the related falling due (ie the total principal amount of the loans overdue > 90d)
[9] Comercial net interest income + Net commissions
[10] Excludes the impact related to the process of resizing the operation structure and the revision of the Collective labour agreement.

the operational structure resizing process and the revision of the collective labour agreement, the efficiency ratio stood at 93.4% compared to 109.7% in 2015.

The favorable performance observed in 2016 provided an improvement of the commercial activity results[11], reaching €65.6 million, which compares to €-8.3 million in 2015 (+€73.9 million).

In 2016, the impairment charges stood at €243.2 million, which represents a decrease of 29.3% year-on-year, against €343.8 million in 2015. The maintenance of a very stringent credit underwriting policy has contributed to the reduction of the cost of risk which stood at 1.2% in 2016, which compares to 1.5% in the end of 2015.

CEMG group international activity is carried out through the business developed by the subsidiaries in Angola (Finibanco Angola), Mozambique (BTM) and Cape Verde (Banco MG Cabo Verde).

In 2016, Finibanco Angola S.A. reported a net income of €10.8 million, which compares to €9.1 million in the same period of 2015 (+18.6%) supported by a reduction of operating costs by €2.6 million and a decrease of imparments and provisions by €4.9 million, partially offset by the adverse variation in the net operating income in €7.6 million influenced by Kwanza devaluation.

BTM, S.A., presented a positive net income of €68 thousand in 2016, which compares to negative net income of €816 thousand in 2015, benefiting from the 35.2% increase of net operating income and from the 32.3% reduction in operating costs.

Banco MG Cabo Verde, Sociedade Unipessoal, S.A. recorded a negative net income of €13 thousand, which compares to €1,226 thousand in 2015. This outcome was derived from the net operating income reduction in €1,334 thousand and the operating costs decrease in €95 thousand.

RATING

The ratings assigned to CEMG were not reviewed during the fourth quarter of 2016, and therefore the ratings assigned as of 31 December 2016 were as follows:

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

With respect to the ratings assigned to the Covered Bonds Program:

- On 4 October 2016, DBRS announced the rating review from 'A(high)' to 'A', as a consequence of the downgrade in the rating assigned to CEMG on 28 September 2016, to 'BB';
- On 30 November 2016, Fitch Ratings announced the upgrade to 'A' from 'A-', with a 'Stable' Outlook. The aforementioned upgrade, carried out in the anual review procedure, reflects the protection given to investors by the cover pool (the available overcollateralization) and the implementation of a revised Covered Bonds Rating criteria.

SIGNIFICANT EVENTS IN 2016

Transformation of Caixa Económica Montepio Geral into a Public Limited Company

During the fourth quarter of 2016, the General Meeting of CEMG was convened to, at an extraordinary meeting held on 22 November 2016, resumed on 13 December 2016 and on 6 January 2017, deliberate on the transformation of CEMG into a public limited company and the respective update of its articles of association.

[11] Net interest income + Net commissions – Operating costs, excluding the impact related to the process of resizing the operation structure and the revision of the Collective labour agreement.

The only item on the agenda of the General Meeting results from the implementation of the regulatory framework of the Savings Banks introduced by Decree-Law No. 190/2015 of 10 September, with the exclusive aim of ensuring that the legal requirements necessary to comply with the legal regime applicable to CEMG are met, not falling under any public listing process of the institution, which will depend on the approval of Montepio Geral Associação Mutualista.

Reoganisation of the CEMG Group is well underway

The implementation of CEMG's Strategic Plan for the three-year period 2016-2018, approved by the Extraordinary General Meeting held on 30 December 2015, is on track:

- As planned, the process of the operational structure resizing, which already contributed to a cost savings of 13.9%[12] compared to 2015, was executed during the first half of 2016;
- In order to mitigate Compliance risks, all legal and operational procedures for the closure of the Cayman Islands branch were completed;
- Dissolution of "Montepio Capital de Risco", promoting a greater focus on the core banking business;
- Closing of Montepio Recuperação de Crédito, A.C.E., as a consequence of the rationalization of the operational procedures of the CEMG Group, where the repositioning of the credit recovery activity in the CEMG's own structures allows to increase the levels of efficiency and a higher capacity to respond to the needs of the core banking business;
- Establishment of a new business unit (DCESSP) dedicated to the social economy;
- At the Extraordinary General Meeting held on July 6, 2016 it was approved the adherence to the special regime applicable to deferred tax assets, provided for in Law n.º 61/2014, of August 26. This regime allows for the conversion of certain types of assets by deferred taxes into tax credits, thus allowing the losses absorption, regardless of the future profitability of the credit institution.

[12] Includes costs related to the process of resizing the operation structure and the revision of the Collective labour agreement.

KEY INDICATORS

	2015*	2016	Y-o-Y Change 2015 / 2016
ACTIVITY AND RESULTS (EUR million)			
Net Assets	21 256	21 449	0.9%
Gross loans to Customers	15 611	15 041	(3.7%)
Customers' Deposits	12 540	12 468	(0.6%)
Net Income	(243)	(86)	64.5%
SOLVENCY			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	8.8%	10.4%	1.6 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	8.8%	10.4%	1.6 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	9.7%	10.9%	1.2 p.p.
Risk Weighted Assets	13 962	12 759	(8.6%)
LEVERAGE RATIOS			
Net loans to Customers (a)	114.5%	111.2%	(3.3 p.p.)
Net loans to Customers / On-Balance sheet Customers' resources (b)	98.5%	100.1%	1.6 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Cost of credit risk	1.5%	1.2%	(0.3 p.p.)
Ratio of loans and interest overdue by more than 90 days	7.6%	8.9%	1.3 p.p.
Non-performing loans ratio (a)	9.7%	11.5%	1.8 p.p.
Net non-performing loans ratio (a)	1.8%	3.9%	2.1 p.p.
Coverage of loans and interest overdue by more than 90 days	105.4%	87.6%	(17.8 p.p.)
Credit at risk ratio (a)	14.6%	15.2%	0.6 p.p.
Net credit at risk (a)	7.1%	8.0%	0.9 p.p.
Credit at risk coverage ratio	55.2%	51.5%	(3.7 p.p.)
Credit at risk coverage ratio, factoring-in related real estate collateral	126.4%	119.9%	(6.5 p.p.)
Restructured loans as a % of total loans (c)	9.8%	8.9%	(0.9 p.p.)
Restructured loans not included in credit at risk as a % of total loans (c)	4.1%	3.2%	(0.9 p.p.)
EFFICIENCY AND PROFITABILITY			
Net operating income / Average net assets (a)	1.8%	1.6%	(0.2 p.p.)
Earnings before Tax / Average net assets (a)	(1.2%)	(0.8%)	0.4 p.p.
Earnings before Tax / Average equity (a)	(19.0%)	(11.5%)	7.5 p.p.
Cost-to-Income (Operating costs / Net banking income) (a)	81.7%	80.4%	(1.3 p.p.)
Cost-to-Income, excluding specific effects (d)	109.7%	93.4%	(16.3 p.p.)
Staff costs / Net banking income (a)	47.5%	46.9%	(0.6 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total	4 404	4 155	(249)
CEMG	3 871	3 588	(283)
Branches			
Domestic - CEMG	421	327	(94)
International	30	33	3
Finibanco Angola (e)	21	23	2
BTM (Mozambique)	9	10	1
Rep. Offices	6	6	0

(a) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version
(b) Total On-Balance sheet Customers' resources = Customers' Deposits and Debt securities issued
(c) Pursuant to Banco de Portugal Instruction No. 32/2013
(d) Excludes results from financial operations, costs related to resizing staff programme and revision of the Collective Labor Agreement
(e) Includes Business Centers
*restated in accordance with IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries.

CONSOLIDATED BALANCE SHEET

(EUR million)	2015 *	2016
Cash and deposits at central banks	358	381
Deposits at other credit institutions	244	82
Financial assets held for trading	51	78
Financial assets available for sale	3 064	2 400
Investments in credit institutions	220	598
Loans to customers	14 357	13 861
Investments held to maturity	26	1 126
Hedging derivatives	0	0
Non-current assets held for sale	754	760
Non-current assets held for sale - Discontinued operations	653	510
Investment properties	692	608
Other tangible assets	50	239
Intangible assets	33	40
Inv. in associates and subsidiaries excluded from consolidation	4	4
Current tax assets	24	12
Deferred tax assets	398	522
Other assets	328	228
TOTAL NET ASSETS	**21 256**	**21 449**
Resources from central banks	2 277	2 323
Financial liabilities held for trading	70	26
Resources from other credit institutions	1 601	2 320
Resources from customers	12 540	12 468
Debt securities issued	2 031	1 382
Financial liabilities associated to transferred assets	323	538
Financial liabilities associated to transferred assets-Discont. operations	525	417
Hedging derivatives	0	0
Provisions	16	25
Current tax liabilities	0	2
Other subordinated liabilities	333	251
Other liabilities	195	240
TOTAL LIABILITIES	**19 912**	**19 992**
Institutional Capital	1 500	1 770
Participation Fund	400	400
Other equity instruments	8	6
Own securities	(32)	(0)
Revaluation reserves	1	(51)
Other reserves and retained earnings	(318)	(605)
Net income for the period	(243)	(86)
Non-controlling interests	29	23
TOTAL EQUITY	**1 344**	**1 457**
TOTAL LIABILITIES AND EQUITY	**21 256**	**21 449**

*restated in accordance with IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries.

Caixa Económica Montepio Geral, Caixa Económica Bancária, Publicly Listed Company. Registered Office: Rua Áurea, 219 a 241, 1100 – 062 Lisboa
Institutional Capital: 1 770 000 000 Euros, Registered at the Lisbon Commercial Registry Office under the same Registration and Tax identification number 500792615

CONSOLIDATED INCOME STATEMENT

(EUR million)	2015 *	2016
Interest and similar income	588.9	530.3
Interest and similar expense	392.9	277.1
NET INTEREST INCOME	**196.0**	**253.2**
Income from equity instruments	3.6	11.6
Income from services, fees and commissions	128.2	136.0
Expenses from services, fees and commissions	32.1	34.5
Net gains/losses from assets&liab. at fair value through profit or loss	(14.2)	(18.2)
Net gains/losses from financial assets available for sale	114.5	53.7
Net gains/losses from currency revaluation	2.4	1.4
Net gains/losses from sale of other assets	0.4	12.2
Other operating income	4.2	(62.4)
NET OPERATING INCOME	**403.0**	**353.0**
Staff Costs	191.4	165.5
General and administrative expenses	114.4	93.9
Amortization and depreciation	23.7	24.3
Loan impairments	241.7	182.5
Other financial assets impairments	16.0	24.4
Other non-financial assets impairments	88.6	40.8
Other provisions	(2.5)	(4.6)
Earnings from associates and joint ventures (equity method)	(3.9)	0.2
EARNINGS BEFORE TAX AND NON-CONTROLLING INTEREST	**(274.1)**	**(173.6)**
Tax		
Current	(3.1)	1.4
Deferred	(20.0)	(97.8)
Results from discontinued operations	7.6	(9.2)
NET INCOME	**(243.4)**	**(86.5)**

*restated in accordance with IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries.

Disclaimer

The 2016 financial information was prepared in accordance with the international financial reporting standards (IFRS), under the terms prescribed in Regulation (EC) No. 166/2002 of the European Parliament and of the Council, of 19 July.

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